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

(Together with the annual accounts and directors' report of Naturgy Energy Group, S.A. for the year ended 31 December 2024)

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

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

Independent Auditor's Report on the Annual Accounts

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

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

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Naturgy Energy Group, S.A. (the "Company"), which comprise the balance sheet at 31 December 2024, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

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Key Audit Matters

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

Recoverable amount of non-current investments in Group companies and associates See notes 3.3, 3.20, 4 and 7 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2024 the Company has recognised non-current investments in Group companies and associates amounting to Euros 28,655 million. The recoverable amount of these investments in Group companies and associates is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. In 2024 the Company has recognised in the income statement reversals of impairment of investments in Group companies and associates in an amount of Euros 65 million. Due to the significance of the investments and the uncertainty associated with these estimates, this has been considered a key audit matter.	Our audit procedures included the following: – Assessing the design and implementation of the key controls related to evaluating the existence of evidence of impairment and, where applicable, of estimating the recoverable amount. – Assessing the existence of evidence of impairment, as well as the reasonableness of the methodology and assumptions used to estimate the recoverable amount, with the involvement of our valuation and sustainability specialists. – Assessing whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2024 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

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

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

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

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2024, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

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

– Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

– Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

We also provide the entity's audit committee with a statement that we have complied with the ethical requirements regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

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

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Naturgy Energy Group, S.A. for 2024 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Naturgy Energy Group, S.A. are responsible for the presentation of the 2024 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

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

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

Additional Report to the Audit and Control Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit and control committee dated 19 February 2025.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 2 April 2024 for a period of two years, from the year ended 31 December 2024.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual accounts since the year ended 31 December 2021.

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

(Signed on original in Spanish)

On the Spanish Official Register of Auditors ("ROAC") with No. 20,435

This report corresponds to stamp number 01/25/00373 issued by the Spanish Institute of Registered Auditors (ICJCE)

Annual Report of
Naturgy Energy Group, S.A.
2024

Separate Annual Accounts

Balance sheet.
Income statement.
Statements of recognised income and expense.
Statements of changes in equity.
Cash-flow statement.
Notes to the annual accounts.

This 2024 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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

		31.12.2024	31.12.2023
NON-CURRENT ASSETS	**Note**	**29,008**	**30,215**
Intangible assets	5	25	1
Other intangible assets		25	1
Property, plant and equipment	6	93	97
Land and buildings		72	84
Other property, plant and equipment		21	13
Long-term investments in group companies and associates	7	28,655	29,879
Equity instruments		15,994	15,882
Loans to companies		12,661	13,997
Long-term investments	8-14	18	29
Equity instruments		4	4
Derivatives		11	22
Other financial assets		3	3
Other non-current assets	9-14	90	80
Derivatives		90	80
Deferred tax assets	17	127	129
CURRENT ASSETS		**4,798**	**2,082**
Trade and other receivables	9-14	413	152
Trade receivables for sales and services		4	2
Trade receivables, group companies and associates		36	68
Derivatives		280	5
Sundry receivables		74	—
Current tax assets		—	65
Other amounts receivable to Public Administrations		19	12
Short-term investments in group companies and associates	7	1,226	294
Loans to companies		1,224	291
Other financial assets		2	3
Short-term investments	8-14	21	36
Derivatives		19	34
Other financial assets		2	2
Short-term prepayments and accrued expenses		2	2
Cash and cash equivalents	10	3,136	1,598
Cash at banks and in hand		2,169	1,137
Other cash equivalents		967	461
TOTAL ASSETS		**33,806**	**32,297**

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

Naturgy Energy Group, S.A.

Balance sheet **(million euro)**

	Note	31.12.2024	31.12.2023
EQUITY	11	**17,704**	**18,023**
SHAREHOLDERS' FUNDS		**17,684**	**17,980**
Capital		970	970
Share capital		970	970
Share premium		3,808	3,808
Reserves		10,362	10,360
Legal and statutory		300	300
Other reserves		10,062	10,060
Treasury shares		(6)	(6)
Profit/(loss) for the year		1,057	1,211
Retained earnings		2,446	2,592
Interim dividend		(969)	(969)
Other equity instruments		16	14
VALUE CHANGE ADJUSTMENTS		**20**	**43**
Hedging operations		20	43
NON-CURRENT LIABILITIES		**11,202**	**9,921**
Long-term provisions	12	296	294
Long-term post-employment obligations		203	204
Other provisions		93	90
Long-term borrowings	13	5,349	2,383
Bank borrowings		5,342	2,382
Derivatives	14	6	—
Other financial liabilities		1	1
Amounts owing to group companies and associates falling due in more than one year	15	5,205	6,896
Deferred tax liabilities	17	263	267
Other liabilities	14-16	89	81
Derivatives		89	81
CURRENT LIABILITIES		**4,900**	**4,353**
Short-term borrowings	13-14	134	165
Bank borrowings		131	165
Lease financial liabilities		1	—
Derivatives		2	—
Amounts owing to group companies and associates falling due in less than one year	15	4,268	3,967
Trade and other payables	16	497	220
Trade payables		56	72
Trade payables, group companies and associates		77	14
Derivatives	14-16	280	5
Other sundry payables		—	42
Personnel (outstanding remuneration)		40	40
Current tax liabilities		42	—
Other amounts payable to Public Administrations		2	47
Short-term prepayments and accrued expenses		1	1
TOTAL EQUITY AND LIABILITIES		**33,806**	**32,297**

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

Naturgy Energy Group, S.A.

Income statement **(million euro)**

	Note	2024	2023
Revenue	18	1,468	1,818
Sales		9	173
Income from equity instruments of group companies and associates	7	950	1,187
Income from marketable securities and other financial instruments of group companies and associates		509	458
Raw materials and consumables	19	(8)	(174)
Consumption of goods		(8)	(174)
Other operating income	22	119	66
Supplementary income and other operating income		119	66
Personnel expenses	20	(78)	(97)
Wages, salaries and related expenses		(64)	(83)
Social Security		(9)	(9)
Provisions		(5)	(5)
Other operating expenses	21	(134)	(161)
Services received		(145)	(159)
Taxes		(6)	(2)
Impairment losses and variation in trade provisions		17	—
Fixed asset depreciation/amortisation	5-6	(20)	(10)
Impairment and results on disposals of fixed assets		62	59
Gain/(loss) on disposals of tangible fixed assets	6	(2)	—
Impairment of and losses from equity instruments of group companies and associates	4-7	65	55
Gain/(loss) on disposals of equity interests in group companies and associates	7	(1)	4
OPERATING PROFIT/(LOSS)		**1,409**	**1,501**
Financial income		75	61
Negotiable securities and other financial instruments		75	61
- In third parties		75	61
Financial expenses		(421)	(364)
Borrowings from group companies and associates		(242)	(270)
Borrowings from third parties		(179)	(94)
Impairment and gains/(losses) on disposals of financial instruments		—	(1)
NET FINANCIAL INCOME	23	**(346)**	**(304)**
PROFIT/(LOSS) BEFORE TAXES		**1,063**	**1,197**
Income tax	17	(6)	14
PROFIT/(LOSS) FOR THE YEAR		**1,057**	**1,211**
Basic and diluted earnings per share in euro		1.10	1.26

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

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

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE	**Note**		**(million euro)**
		2024	2023
Profit/(loss) for the year		**1,057**	**1,211**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**8**	**(22)**
Cash flow hedges		5	(13)
Actuarial gains and losses and other adjustments	11-12	5	(18)
Tax effect	17	(2)	9
RELEASES TO INCOME STATEMENT		**(27)**	**(13)**
Cash flow hedges		(36)	(17)
Tax effect	17	9	4
TOTAL INCOME AND EXPENSE RECOGNISED IN EQUITY		**1,038**	**1,176**

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

Naturgy Energy Group, S.A.

Statement of changes in equity

B) TOTAL STATEMENT OF CHANGES IN EQUITY **(million euro)**

	Share capital	Share premium	Reserves	Treasury shares	Profit or loss brought forward	Retained Earnings	Profit of the year	Interim dividend	Other instruments	Value changes adjustments	Total
Balance at 1.1.2023	**970**	**3,808**	**10,377**	**(1)**	**—**	**2,320**	**1,435**	**(679)**	**10**	**66**	**18,306**
Total recognised income and expense	—	—	(17)	—	—	—	1,211	—	5	(23)	**1,176**
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(485)	—	(969)	—	—	**(1,454)**
- Trading in treasury shares	—	—	—	(5)	—	—	—	—	—	—	**(5)**
Other changes in equity	—	—	—	—	—	757	(1,435)	679	(1)	—	**—**
Balance at 31.12.2023	**970**	**3,808**	**10,360**	**(6)**	**—**	**2,592**	**1,211**	**(969)**	**14**	**43**	**18,023**
Total recognised income and expense	—	—	2	—	—	—	1,057	—	2	(23)	**1,038**
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(388)	—	(969)	—	—	**(1,357)**
- Trading in treasury shares	—	—	—		—	—	—	—	—	—	**—**
Other changes in equity	—	—	—	—	—	242	(1,211)	969		—	**—**
Balance at 31.12.2024	**970**	**3,808**	**10,362**	**(6)**	**—**	**2,446**	**1,057**	**(969)**	**16**	**20**	**17,704**

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

Naturgy Energy Group, S.A.

Cash flow statement			**(million euro)**
	Note	**31.12.2024**	31.12.2023
Profit for the year before tax		**1,063**	**1,197**
Adjustments to results		**(1,163)**	**(1,384)**
Fixed asset depreciation/amortisation	5-6	20	10
Impairment adjustments	4-7	(82)	(54)
Change in provisions		8	6
Profit/(loss) on write-offs and disposals of fixed assets		2	—
Profit/(loss) on write-offs and disposals of financial instruments	7	1	(4)
Financial income		(1,534)	(1,706)
Financial expenses	23	421	364
Other income and expenses		1	—
Changes in working capital		**(100)**	**17**
Debtors and other receivables		(31)	156
Creditors and other payables		(69)	(139)
Other cash flows from operating activities		**1,261**	**1,389**
Interest paid		(359)	(307)
Dividends received		950	1,212
Interest collected		525	480
Income tax collections/(payments)		145	4
Cash flows from operating activities		**1,061**	**1,219**
Amounts paid on investments		**(709)**	**(1,010)**
Group companies and associates		(692)	(1,005)
Intangible assets		(9)	—
Property, plant and equipment		(7)	(4)
Other financial assets		(1)	(1)
Amounts collected from divestments		**385**	**235**
Group companies and associates		379	225
Property, plant and equipment		5	—
Other financial assets		1	10
Cash flows from investing activities		**(324)**	**(775)**
Collections and payments on equity instruments		**—**	**(5)**
Acquisition of own equity instruments		—	(10)
Disposal of own equity instruments		—	5
Collections and payments financial liability instruments		**2,158**	**(368)**
Issuance		5,851	2,321
Bank borrowings		3,092	1,096
Payables to group companies and associates		2,759	1,225
Repayment/redemption of		(3,693)	(2,689)
Bank borrowings		(183)	(1,025)
Payables to group companies and associates		(3,496)	(1,640)
Other payables		(14)	(24)
Dividend payments		**(1,357)**	**(1,454)**
Cash flow from financing activities		**801**	**(1,827)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**1,538**	**(1,383)**
Cash and cash equivalents at the beginning of the year		1,598	2,981
Cash and cash equivalents at the year end		3,136	1,598

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

Contents of the notes to the annual accounts for 2024

Notes to the annual accounts of Naturgy Energy Group, S.A. for 2024

Note 1. General information

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

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

a. All types of activities related to gas, electricity and any other type of existing energy source, the production and sale of electrical, electro-mechanical and electronic equipment and components, planning and execution of construction projects, management of architectural projects, civil engineering works, utilities and gas and hydrocarbon distribution in general; management of communications, telecommunications, gas and hydrocarbon distribution networks in general, and maintenance of electrical and gas appliances; as well as business consulting, energy planning and energy use rationalisation services, research, development and exploitation of new technologies, communications, computer and industrial security systems; training and selection of human resources and real estate management and development.

b. Acting as a holding company, incorporating companies or holding shares as a member or shareholder in other companies no matter what their corporate purpose or nature, by subscribing, acquiring or holding shares, participation units or any other securities deriving from the same, subject to compliance with the legal requirements in each case.

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

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

On 16 and 17 April, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a communiqué in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. For its part, on 11 June 2024, TAQA made a similar communication announcing that it would not carry out the transaction.

Note 2. Basis of presentation, comparability and accounting policies

2.1. Basis of presentation

The Company’s annual accounts for 2023 were approved at the annual general meeting of shareholders on 2 April 2024.

The Annual accounts for 2024, which were authorised by the Company’s Board of Directors on 18 February 2025, will be submitted to the general shareholders’ meeting for approval; they are expected to be approved without any changes.

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

These Annual accounts have been prepared based on the Company's accounting records in order to fairly present its equity and financial position at 31 December 2024, as well as the Company's results, changes in equity and cash flows for the year then ended.

At 31 December 2024, the Company’s working capital was negative in the amount of Euros 102 million (Euros 2,271 million in 2023). In this respect, the Company’s liquidity projections together with the amounts available under credit lines (Note 14) will ensure coverage of that amount.

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

2.2. Comparability

The Annual accounts present for comparative purposes, for each item in the balance sheet, income statement, statement of changes in equity, cash-flow statement and notes to the accounts, the figures corresponding to the previous year which formed part of the 2023 Annual accounts as well as the figures for 2024.

2.3. Accounting principles and main measurement standards

The main accounting policies and valuation standards applied by the Company to prepare these Annual accounts are the same as for the Company's Annual accounts for the previous year, ended 31 December 2023.

The consolidated Annual accounts of Naturgy for 2024 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), under Regulation (EU) 1606/2002 of the European Parliament and of the Council. The main figures disclosed in the consolidated Annual accounts, which have been audited, are as follows:

Total assets	40,836
Equity attributed to the parent company	9,478
Non-controlling interests	2,175
Revenue	19,267
Profit after tax attributed to the parent company	1,901

Note 3. Accounting policies

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

3.1 Intangible assets

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

a. Goodwill

Goodwill represents the excess, at the acquisition date, of the cost of the business combination over the fair value of the net identifiable assets acquired. Consequently, goodwill is only recognised when it has been acquired for valuable consideration and relates to the future economic benefits from assets that could not be identified individually and recognised separately.

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

Impairment of goodwill cannot be reversed.

b. Computer software

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

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

c. Other intangible assets

Research expenditure is recognised in the income statement when incurred.

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

3.2 Property, plant and equipment

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

a. Cost

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

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

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

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

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

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

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

b. Depreciation

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

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

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

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

3.3 Impairment of assets

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

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

For the purpose of assessing impairment losses, assets are grouped at the lowest level for which it is possible to identify independent cash flows; both assets and goodwill are allocated to these cash-generating units (CGUs).

In the case of investments in group companies and associates, apart from those investments whose recoverable amount is determined on the basis of the investee's equity (Note 3.4) and require impairment analysis, the recoverable value is calculated as the higher of the fair value of the investment in group companies and associates and their value in use. Value in use is determined as the present value of cash flows generated in their current condition, based on the best forward-looking information available for the coming years, extended as far as a ten-year period or by the remaining useful life for certain assets and concessions, on the basis of regulations and expected market evolution, drawing on available industry forecasts and past experience of price trends and production volumes.

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

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

The cash flows after the ten-year projected period are extrapolated using the growth rates estimated for each CGU or group of CGUs, and in no case exceed the average long-term growth rate for the business in which they operate. In all cases, they are lower than the growth rates for the period reflected in the available prospective information. In order to estimate future cash flows for the calculation of residual values, all maintenance investments are taken into account as well as any renovation investments needed to maintain the CGUs' production capacity.

In the case of cash flow projections for the impairment tests that present terminal values, the latter are calculated on the basis of a long-term growth rate aligned with the demand trend quantified by Naturgy using its energy models, in line with current expectations with regard to the transition to a low-carbon economy and considering the physical and transition risks associated with climate change.

The parameters taken into account to determine the growth rates, which represent the long-term growth of each line of business, are in line with the long-term growth of the country, obtained from inflation estimates provided by several sources: analysts' consensus (Bloomberg), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), central banks and other government agencies, European Commission for the period 2023-2025, and Economist Intelligence Unit (EIU) for 2026 and thereafter.

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

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

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

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

Impairment adjustments to values recognised in previous periods for investments in Group companies and associates may be reversed if and only if there is a change in the estimates used to determine their recoverable amount since the latest impairment loss was recognised. The carrying amount of an asset other than goodwill that was increased due to reversal of impairment losses may not exceed the carrying amount that would have obtained (net of depreciation and amortisation) if no impairment had been recognised for that asset in previous years.

Impairment of financial assets carried at amortised cost

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

3.4 Financial assets and liabilities

Financial assets

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

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

a. Financial assets at cost

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

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

b. Financial assets at amortised cost

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

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

c. Financial assets at fair value through profit or loss

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

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

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

d. Equity instruments at fair value through equity

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

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

- Level 1: Valuations based on the quoted price of identical instruments in an official market. The fair value is based on quoted market prices at the balance sheet date.

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

- Level 3: Valuations based on variables that are not based on observable market information.

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

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

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

Financial liabilities

a. Financial liabilities at amortised cost

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Any difference between the amount received and the repayment value is recognised in the income statement during the period of repayment using the effective interest rate method.

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

In a contractual modification of a liability, the terms are considered to be materially different if the present value of the discounted cash flows under the new terms, including any fees paid net of any fees received from the lender, and using the original effective interest rate as the discount rate, differs by at least 10% from the discounted present value of the cash flows remaining on the original financial liability. In this case, the original financial liability is derecognised and the new financial liability is recognised.

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

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

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

b. Financial liabilities at fair value through profit or loss

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

3.5 Financial derivatives and other financial instruments

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

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

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

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

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

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

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

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

For accounting purposes, the operations are classified as follows:

1. Derivatives eligible for hedge accounting

a. Fair value hedge

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

b. Cash flow hedges

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

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

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

- The gain or loss relating to the effective portion of interest rate swaps is recognised in the financial expense at the same time as the interest expense in the hedged loans.

- When a hedging instrument covers a forecast transaction, the accumulated amounts remain in equity until the forecast transaction takes place. When the forecast transaction does not occur, the amount accumulated in equity is immediately reclassified to income for the period.

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

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

c. Hedges of net foreign investments

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

2. Derivatives that do not qualify for hedge accounting

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

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

3. Energy purchase and sale agreements

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

3.6 Non-current assets held for sale and discontinued operations

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

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

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

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

3.7 Share capital and Reserves

Share capital is represented by ordinary shares.

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

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

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

3.8 Share-based payments

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

As employees deliver services during the incentive vesting period, they are measured and recognised under "Personnel expenses" in the income statement with a balancing entry in “Other equity instruments” in the balance sheet.

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

3.9 Borrowings and equity instruments

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

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

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

3.10 Provisions for employee obligations

a. Post-employment pension obligations and similar

- Defined contribution plans

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

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

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

Additionally, some employees voluntarily contribute part of their remuneration to an insurance policy, at no cost to Naturgy.

- Defined benefit plans

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

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

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

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

b. Other post-employment benefit obligations

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

c. Termination benefits

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

3.11 Provisions

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

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

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

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

3.12 Leases

a. Finance leases

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

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

b. Operating leases

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

3.13 Financial liabilities for leases

On the lease commencement date, the Company recognises the lease liability for the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate.

The lease payments to be made will include fixed payments less any incentives, variables that depend on an index or a rate, and residual value guarantees expected to be incurred, the exercise price of a purchase option if that option is expected to be exercised, and penalty payments for terminating the lease if the lease term reflects that the lessee will exercise an option to terminate the lease.

Any other variable payments are excluded from the measurement of the lease liability and right-of-use asset.

Subsequently, the lease financial liability will be increased by the interest on the lease liability and reduced by the payments made. The liability will be remeasured if there are changes in the amounts payable and the terms of the lease.

3.14 Corporate income tax

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

Naturgy includes the effect of uncertainty in tax treatment when determining taxable earnings, tax bases, unused tax losses, unused tax credits and tax rates.

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

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

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

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

Where uncertainty exists regarding income tax treatments, Naturgy assesses whether a tax authority is likely to accept an uncertain tax treatment. If it concludes that it is unlikely that the tax authority will accept an uncertain tax treatment, the effect of the uncertainty on taxable profit (loss), tax bases, unused loss carryforwards or unused tax credits is reflected. The effect of the uncertainty is recognised using the method that, in each case, best reflects the outcome of the uncertainty: the most likely outcome or the expected value. In each case, Naturgy assesses whether to consider each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments, depending on which approach is most likely to resolve the uncertainty.

3.15 Recognition of income and expense

a. General

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

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

Five steps are established for the recognition of revenue:

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

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

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

Sales are stated net of tax and discounts.

b. Other income and expenses

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

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

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

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

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

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

3.16 Foreign currency transactions

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

3.17 Transactions between related parties

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

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

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

3.18 Business combinations

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

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

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

3.19 Cash-flow statement.

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

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

3.20 Significant accounting estimates and judgments and other

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

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

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

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

b. Derivatives and other financial instruments (Note 3.5)

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date:

- Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.
- The fair value of commodity price derivatives is determined using quoted forward price curves at the balance sheet date.
- The recoverable value of the investments in the equity of group and multi-group companies and associates is determined as the greater of their fair value less costs of sale and the current value of the cash flows from the investment.

For disclosure purposes, it is assumed that the carrying amount of trade and other receivables less expected impairment losses approximates to their fair value. The fair value of other financial liabilities for reporting purposes is calculated by discounting the future contractual cash flows at the current market interest rate to which Naturgy has access for similar financial instruments.

c. Provisions for employee benefits (Note 3.10)

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

d. Provisions (Note 3.11)

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

e. Corporate income tax (Note 3.14)

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which the Company operates. The decision as to whether the tax authority will accept a given uncertain tax treatment and the expected outcome of outstanding litigation requires material estimates and judgements to be made. The Company evaluates the recoverability of the deferred income tax assets based on estimates of future taxable income. Deferred tax liabilities are recognised based on estimates of the net assets that will not be tax deductible in the future.

f. Climate change and the Paris Agreement

In line with the objectives of the Paris Agreement and the goal of achieving climate neutrality established in Regulation (EU) 2021/1119, Naturgy has a Climate Transition Plan (CTP) to achieve net zero emissions by 2050, considering all the scopes of the carbon footprint and prioritising the pathways to reduce global warming to 1.5ºC, where feasible, and subject to the energy and regulatory policy of each of the countries where it operates.

Naturgy's greenhouse gas (GHG) emission reduction targets for 2030 are as follows:

- Reduction of Scope 1 and 2 emissions by 36% with respect to 2022, in line with the 1.5º global warming reduction pathway.
- Reduction of Scope 3 emissions in Spain by 22% with respect to 2022. This target is aligned with the "Well Below 2 Degrees" (WB2D) reduction pathway. If emissions from the other countries are considered, the Scope 3 reduction is expected to be 8%.

In 2024, the reduction with respect to 2022 was 21% for Scope 1 and 2 emissions and 2% for total Scope 3 emissions.

To achieve the objectives set out in the CTP, Naturgy will continue to promote and lead a business model and investment plan fully aligned with the energy trilemma: security of supply, accessibility and affordability of energy, and mitigation of environmental impact.

Naturgy's Strategic Plan 2025-2027 envisages continuing to invest in the energy transition, principally in renewable generation, electricity grids and renewable gases. It also plans to continue developing energy solutions that promote efficiency at a competitive cost for customers.

The CTP's main lines of action, as set out in the Strategic Plan 2025-2027, are based on an integrated electricity and gas business model that promotes the decarbonisation of energy through technological neutrality and at the lowest possible cost for consumers, specifically:

- Promoting renewable electricity generation using solar and wind together with the necessary growth of electricity grids and back-up capacity using natural gas combined cycle plants.

- Developing renewable gases as a lever for the decarbonisation of natural gas through biomethane produced from organic waste and, in the medium/long term, green hydrogen generated from surplus renewable electricity. This promotes decarbonisation at the lowest possible cost to the consumer and drives the circular economy through the use of waste or surplus.

- Offering eco-efficient, carbon-neutral products and services at competitive prices to our customers.

- Increasing electrification of final demand in applications where it is most efficient.

Naturgy's CTP will contribute to the future objective of transforming the energy mix contemplated in the new National Energy and Climate Plan (NECP) 2023-2030, approved by the Spanish Cabinet on 24 September 2024, which is also aligned with the objective of climate neutrality in the EU by 2050. For the other countries where Naturgy operates, the published national plans and the GHG reduction pathways set out by the International Energy Agency in the "Net Zero Roadmap" scenario are taken into account.

Information on the Climate Transition Plan, the Group's decarbonisation strategy and the GHG emission reduction targets is set out in section "E-1 Climate change" of the Group's 2024 Sustainability Report, which is prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which Naturgy has accepted and has been adopting progressively since they were published in 2017. At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has taken over the TCFD's oversight responsibilities as of 2024.

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

The main estimates and accounting judgements made by Naturgy's management and directors when preparing the 2024 Annual accounts related to the expected effects of climate change and the energy transition are described below.

1. Recoverability of non-financial assets

As detailed in Note 3.3, the cash flow projections used in the impairment tests for investments in Group companies and associates are based on the best available forward-looking information and reflect existing investment plans aimed at maintaining the operating capacity of the investees' CGUs. These projections are in line with Naturgy's strategy that takes into consideration the objectives of the Paris Agreement and have therefore been prepared based on the range of economic conditions that might exist in the foreseeable future in relation to climate change and the energy transition. The projections have taken into account the expected impact on wholesale and retail electricity market prices resulting from the entry into operation of new renewable generation facilities and developments in gas, oil and emission allowance prices, as well as expected demand.

Regarding emission rights in Spain, Naturgy's thermal electricity generation facilities are regulated by the European Emissions Trading Directive (Directive 2003/87/EC). That Directive has been revised several times to adapt to the EU's more ambitious targets, such as the revision for Phase IV (2021-2030), in which the targets were adjusted to align with the Paris Agreement and the EU's commitments to reduce emissions by 55% by 2030 with respect to 1990. Naturgy carries out comprehensive portfolio management for the acquisition of emission allowances equivalent to the verified emissions of its combined cycle and cogeneration facilities. To this end, Naturgy actively participates in both the primary market, through auctions, and the secondary market. These emissions relate mainly to the combined cycle gas plants in Spain and represented 83% of Naturgy's direct emissions (scope 1) in 2024.

In Mexico, the impairment tests on the combined cycle plants assume the receipt of emission allowances equivalent to the tonnes of CO_2 emitted. In line with the Emissions Trading Scheme Test Programme currently in force and the draft Emissions Trading Scheme Rules, it is expected that the allowances received free of charge will cover expected emissions in line with production projections until 2026. Although the criteria for the allocation of allowances free of charge and the emissions reduction pathway that will be required have not yet been defined for 2027 and subsequent years, it is expected that the emissions generated will be covered by the free allocation and, when this is not sufficient or the free allocation is discontinued, that CO_2 costs will be passed through into selling prices as an additional operating cost, similar to the case in the European market.

The CO_2 prices considered in the impairment test are detailed in Note 4.

In the case of cash flow projections for the impairment tests that present terminal values, the latter are calculated on the basis of a long-term growth rate aligned with the demand trend quantified by Naturgy using its energy models, in line with current expectations with regard to the transition to a low-carbon economy and considering the physical and transition risks associated with climate change.

Projections of hydroelectric, wind and solar electricity output from Naturgy's renewable assets are based on projected underlying weather conditions (temperature, precipitation, wind speed and insolation).

Decommissioning costs for combined cycle and renewable generation plants are estimated in line with the long-term target.

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

The rates used to discount cash flows take into account all relevant factors affecting the perception of risk, including those associated with the energy transition and physical risks due to climate change. The cost of capital considered in each of the rates used implicitly incorporates market expectations about access to and costs of funding, provided that these risks are material for the industry and the specific context of the asset.

As indicated in Note 4, the update of the impairment test for non-financial assets did not result in additional impairments being recognised in the year as a result of the recoverable amount of the CGUs being found to be less than the net carrying amount due to expectations of materialization of some risk related to climate change or energy transition.

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

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

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

Naturgy Generación Térmica, S.L.U.

Following the closure of all Naturgy's coal-fired power plants in the first half of 2020, the group has not generated any coal-fired electricity. These facilities are fully depreciated/provisioned at 31 December 2024. During the year, progress continued to be made in decommissioning these plants: it has been completed at practically all of them and is at a very advanced stage at the remainder.

In Spain, Naturgy is a joint owner of the Almaraz and Trillo nuclear power plants, alongside other electric utilities.

Naturgy relies on the Decommissioning Protocol agreed in 2019 with Enresa, Spain's national radioactive waste company, which establishes a schedule for the progressive closure of all nuclear power plants, in line with the energy transition to renewable sources and the decarbonisation target for 2050. The part of this protocol covering up to 2030 is also part of the NECP.

At 31 December 2024, this holding has a carrying value of Euros 13 million.

Naturgy Ciclos Combinados, S.L.U.

The group's combined cycle gas turbine plants in Spain represent the most eco-efficient generation technology available at present to provide the necessary back-up for renewable energies and enable their widespread implementation while also guaranteeing security of supply, both of which are key factors for the energy transition.

In Spain, it is important to note that all the installed capacity of these plants is included in the NECP approved recently for 2023-2030, which is aligned with the European objective of achieving climate neutrality by 2050. These facilities are a fundamental element in ensuring the growth of renewable energies in the national electricity system, as they are provide back-up to maintain the electricity supply in the event of a lack of wind, sun or water. Accordingly, in December 2024 the Ministry for Ecological Transition and the Demographic Challenge released for public consultation a Draft Ministerial Order proposing the creation of a capacity market in the Spanish mainland electricity system.

At 31 December 2024, this holding has a carrying value of Euros 762 million.

A fluctuation in energy prices which is lower than envisaged in the assumptions used by Naturgy and indicated in Note 4 could have an impact on the recoverability of the carrying value of these assets recognised in the balance sheet at 31 December 2024. See the sensitivity analysis in Note 4 of these Annual accounts.

Naturgy Generación, S.L.U.

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

At 31 December 2024 the carrying value of this holding, which includes the hydroelectric generation assets in Spain, amounted to Euros 1,034 million.

Naturgy Renovables, S.L.U.

At 31 December 2024, this holding has a carrying value of Euros 2,041 million. The main perceived risk for these assets, though considered highly unlikely to materialise, is the potential negative future evolution of solar and wind resources, which are the key variables in the performance of this line of business. There may also be reductions in the remuneration arrangements for renewable energies and lower prices in marginal wholesale markets due to an increase in renewable production with low variable costs. In the impairment tests for 2024, no changes in the remuneration arrangements yet to be approved have been considered and the forecasts for solar and wind resources have been taken into account.

Shareholdings in electricity and gas distribution

At 31 December 2024, the shareholdings in Holding de Negocios Gas and Holding Negocios de Electricidad related to gas and electricity distribution in Spain, had a carrying value of Euros 4,475 million and Euros 3,653 million, respectively. In addition, the interests in gas and electricity distribution in Latin America relating to Naturgy Distribución Latinoamérica and Naturgy Inversiones Internacionales have a carrying value of Euros 557 million and Euros 850 million, respectively.

These regulated assets are considered to be resilient to the energy transition. Increases in temperature and a higher frequency of extreme weather events could lead to increased technical losses, deterioration in service quality levels, higher operating and maintenance costs and higher annual investments, although in magnitudes that we understand should be included in the multi-year tariff reviews of these regulated businesses. The investment and response plans already in place, accumulated experience and network design (meshing and undergrounding of lines) should mitigate these effects. A potential massive development of distributed generation would be partially offset by the increasing electrification of the economy (e.g. electric cars) and investments in smart grids.

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

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

Shareholdings in supply companies

The Company has holdings in Gas Natural Comercializadora, S.A. (net carrying amount: Euros 515 million), Naturgy Iberia, S.A. (net carrying amount: Euros 494 million) and Comercializadora Regulada de Gas & Power, S.A. (net carrying amount: Euros 121 million). The impact of climate change and the energy transition on the supply business is considered to be minor, as the lower demand for natural gas could be offset by expected higher growth resulting from the electrification of the economy and the supply of renewable gases.

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

3. Recoverability of deferred tax assets

Sufficient taxable profits are expected to be generated within the planning period to ensure the recovery of the deferred tax assets recognised for accounting purposes at 31 December 2024. The estimate of the recoverability of these assets has been made using the same judgements and assumptions as those used to calculate the recoverable amount of investments in group companies.

4. Regulation

The Paris Agreement has had a major impact on the development of new climate policies and the adoption of new regulations. The European Union (EU), having assumed the commitment to climate neutrality by 2050 and "The European Green Deal" which embodies the EU's new growth strategy, has approved various regulations in this area. Spain has also issued regulations in this area, notably the Climate Change and Energy Efficiency Law 7/2021; consequently, the regulations in connection with climate change and the energy transition are constantly in flux and might have negative effects or offer opportunities for the Company's activities.

In relation to the other countries where Naturgy operates, the company complies with energy policy and regulations on climate change, although the EU regulation is by far the most advanced.

5. Dividend distribution

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

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

g. Military conflicts in Ukraine and the Middle East

During 2024, the conflict between Ukraine and Russia that began in February 2022 continued to be a source of instability both in the region and globally, with both sides experiencing attrition, but with no clear signs of a solution in the short term.

The war has had a significant impact on the global energy market, particularly, on the gas industry since, at its outset, i worsened the price situation that had already begun to deteriorate at the end of 2021. After the war's turbulent first year, the situation stabilised somewhat in 2023 and 2024 as a result of high levels of gas in storage, diversification of supplies, and contained growth in demand.

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

In this context, as part of its diversified portfolio, Naturgy has a long-term contract for the procurement of gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. Since the beginning of the conflict, Naturgy has received the volumes strictly established in the contract. In 2024, the volume under this contract accounted for 16% of Naturgy's global procurements (15% in 2023).

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

Meanwhile, Israel's military actions have continued throughout 2024 in Palestinian territory following the terrorist attack in October 2023. At the end of January 2025, a truce was arranged that has allowed the release of hostages and prisoners on both sides. However, the situation remains fragile, with reports of sporadic ceasefire violations and persistent tensions in the region. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy has a wholly-owned subsidiary in Israel called Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reported less than Euros 1 million in EBITDA in 2023 and 2024. Despite the conflict, the company has continued to operate normally.

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

Note 4. Impairment of assets

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

At 31 December 2024, the Cash Generating Units (CGUs) are the same as those at 31 December 2023, as follows:

- **Networks**
  - **Gas networks Spain**: This is a single CGU as the development, operation and maintenance of the gas distribution network is managed jointly.

- **Electricity networks Spain**: This makes up a single CGU since the network comprises a group of interrelated assets the development, operation and maintenance of which is managed jointly.

- **Networks Latin America**: A CGU is understood to exist for each business and country in which there are operations since the businesses are subject to different regulatory frameworks. It includes the regulated gas distribution business in Argentina, Brazil, Chile and Mexico, and the regulated electricity distribution business in Argentina and Panama.

– Energy Markets

- **LNG and Markets and Procurement:** A single CGU is considered to exist as the sale of liquefied natural gas and maritime transport are both managed on a global scale, as are procurement and other gas infrastructures, and sales to large energy-intensive consumers.

- **Gas pipelines:** Includes the CGU that manages the Medgaz pipeline.

- **Thermal generation Spain:** A single CGU is considered to exist for thermal power generation in Spain (nuclear and combined cycle).

- **Thermal generation Latin America:** A thermal power generation CGU is understood to exist in each country in which there are operations (Mexico, Dominican Republic and Puerto Rico) since the businesses are subject to different regulatory frameworks and are managed independently.

- **Renewable Generation Spain:** One CGU is considered for renewable electricity generation (wind, mini-hydro, solar and cogeneration) and another CGU for hydroelectric power generation.

- **Renewable Generation United States:** The assets in the country whose cash flows can be separately identified are considered to be CGUs.

- **Renewable Generation Latin America:** A renewable power generation CGU is understood to exist in each country in which there are operations (Brazil, Costa Rica, Mexico, Panama and Chile) since the businesses are subject to different regulatory frameworks and are managed independently.

- **Renewable Generation Australia:** The assets in the country whose cash flows can be separately identified are considered to be CGUs.

- **Renewable Gases:** This is treated as a CGU that manages renewable gas projects.

- **Supply:** The commercial management of natural gas, electricity and services is carried out on a comprehensive basis, maximising the value of the portfolio by focusing on customers and with high potential for growth in services and solutions, for which there is a single CGU.

Information on tests performed

Naturgy assessed the recoverable value of the CGUs based on the 2025-2027 Strategic Plan approved by the Board of Directors on 18 February 2025, which envisages continuing to invest in the energy transition, allocating the main investments to renewable generation, electricity grids and renewable gases.

The time-frame of the projections has been extended to a period of ten years or the remaining useful life for certain assets and concessions. When estimating cash flows, various potential future scenarios have also been considered if they provide more relevant information for representing the future economic conditions of the assets.

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

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

– **Impact of the Ukraine and Middle East conflicts, and the economic environment (Note 3.20.g):**

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

In particular, the effects of legislation phasing out many of the exceptional measures that were adopted in Spain to deal with market volatility and high prices are considered.

With regard to the economic environment, inflation and interest rate trends in each country are considered, as well as the perception of risk associated with the macroeconomic environment and industry-specific risks that affected discount rates in particular.

– **Climate change and energy transition risk:**

The projected cash flows represent Naturgy's current positioning to drive the energy transition and decarbonisation, responding to its strategy which considers the objectives of its Climate Transition Plan, whose aim is to achieve net zero emissions by 2050.

It should be noted that the Consolidated Non-Financial Information Statement and Sustainability Report presents some theoretical temperature scenarios requested by the NEIS in relation to climate risks and their effects on the evolution of the climate in the long term, in 2030, 2040 and 2050 with the purpose of demonstrating the effects on the Company's performance in said circumstances and conditions in the indicated years and solely for this purpose. In any case, the scenario that coincides with the Group's vision is the one considered for the preparation of the impairment tests, which includes all the issues detailed in Note 3.20.f Climate change and the Paris Agreement.

Information on recognised impairments (Note 7)

At 31 December 2024, net revenue was recognised for the reversal of impairment of holdings in Group companies and associates amounting to Euros 65 million (Euros 55 million at 31 December 2023 as revenue from impairment reversal) under the heading “Impairment of and losses from equity instruments of Group companies and associates” in the income statement, detailed below:

	31.12.2024	31.12.2023
Naturgy Generación, S.L.U.	93	83
General de edificios y solares, S.L.	1	3
Lignitos de Meirama, S.A.	1	—
Naturgy Engineering, S.L.	1	(1)
Naturgy Informática, S.A.U. (*)	(3)	(13)
Naturgy Commodities Trading, S.L.	(10)	(21)
Petroleum, Oil & Gas España, S.A.	(18)	(3)
Naturgy Nuevas Energías, S.L.U.	—	7
Gas Natural Exploración, S.L. (*)	—	1
Naturgy LNG, S.L (*)	—	(2)
Other	—	1
Total	**65**	**55**

(*) Liquidated: Naturgy Informática, S.A.U. in 2024, and Gas Natural Exploración, S.L. and Naturgy LNG, S.L in 2023

– Naturgy Generación, S.L.U.:

The reversal of the impairment charge for this holding, which relates to the Hydroelectric power generation Spain CGU, amounts to Euros 93 million (reversal of impairment in the amount of Euros 83 million at 31 December 2023).

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

The assumptions taken into consideration are the following:

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Pool price €/MWh (*)	62.9	79.4	67.3	63.5	68.2	73.4	74.9	81.4	83.0	85.0

(*) importes estimados a la fecha de realización del test

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

- Electricity generated. For the hydroelectric power generation CGU, developments in water availability and their impact on river flows and, therefore on production, are taken into account.

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable trend in generating capacity in Spain, based on industry forecasts, the trend in the energy situation on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Operating and maintenance costs. Estimated from historical costs of the managed fleet and existing contracts.

- Investments. The investments required to keep the facilities in working order are taken into account.

- The following factors are also considered:

  – The projected flows include an estimate of the costs of the 7% tax on the value of electricity production and the unit values for financing the energy subsidy ("bono social") for 2024.

  – The extension of existing sales contracts with the group's supply companies.

  – The regulations governing water in hydroelectric reservoirs.

Accumulated impairment at 31 December 2024 relating to the holding in Naturgy Generación S.L.U. amounts to Euros 2,015 million (Euros 2,108 million at 31 December 2023).

– General de Edificios y Solares, S.L:

Impairment was recognised in the amount of Euros 1 million. The accumulated impairment at 31 December 2024 is Euros 5 million (Euros 6 million at 31 December 2023).

– Lignitos de Meirama, S.A:

Impairment was recognised in the amount of Euros 1 million. The accumulated impairment at 31 December 2024 is Euros 29 million (Euros 30 million at 31 December 2023).

– Naturgy Engineering, S.L:

Impairment was recognised in the amount of Euros 1 million. The accumulated impairment at 31 December 2024 is Euros 5 million (Euros 6 million at 31 December 2023).

Impairments were also recognised for the following holdings in 2024:

– Naturgy Informática, S.A.U:

This holding was derecognised in 2024 following liquidation of the company in June 2024 (Note 7). Prior to its liquidation, impairment of Euros 3 million was recognised in 2024. The accumulated impairment that was derecognised at the liquidation date amounted to Euros 173 million.

– Naturgy Commodities Trading, S.A:

An impairment charge of Euros 10 million was recognised in 2024 for the holding in Naturgy Commodities Trading, S.A. The accumulated impairment at 31 December 2024 amounts to Euros 31 million (Euros 21 million in 2023).

– Petroleum Oil&Gas España, S.A:

An impairment charge of Euros 18 million has been recorded. The accumulated impairment at 31 December 2024 relating to the holding in Petroleum Oil&Gas España, S.A. amounts to Euros 94 million (Euros 76 million in 2023).

Information on other impairment tests performed:

As regards the other interests in Group companies and associates at 31 December 2024 and 2023, the recoverable amounts, calculated according to the methodology described in Note 3.3, were higher than the carrying amounts of the holdings in Group companies recognised in these Annual accounts.

The most sensitive matters included in the impairment tests, updated to 31 December 2024, are as follows:

Gas and Electricity Networks Spain:

- Remuneration. Amount and growth of remuneration. In relation to the regulatory framework, the future cash flows of these business lines were reviewed taking into account the publications by the regulator with regard to the remuneration methodology for the regulated electricity and gas distribution activity.

- Operating and maintenance costs. Estimated on the basis of the historical cost of the network managed.

- Investments. Considering the investments required to maintain the network in good working order and ensure supply quality, as well as the digitalisation of electricity networks and the estimated investment in line with sector requirements and the digital transition in the operation of gas networks.

- In the case of LPG distribution assets, a fair value estimate was used to determine the recoverable amount.

Latin American networks: for the Network CGUs in Brazil, Chile, Argentina and Mexico and Electricity Network CGUs in Argentina and Panama:

- Variations in tariffs. Valuation of rates in each country, based on existing regulatory conditions and both current and expected rate reviews, taking into account the experience gained from previous rate reviews in each country.

  The concessionaire in Brazil reached an agreement with the granting authority this year in relation to the 4th Integrated Tariff Review (RTI), and its impact on the negotiation of the 5th RTI in Brazil (Annex IV).

  In Argentina, Transitional Tariff Adjustment Agreements were signed in March 2024 between the Argentine government and the gas distributors that allowed for a tariff increase as of April 2024, monthly updates of tariffs and the continuity of the five-yearly tariff review process.

  In response to ongoing changes in Argentina's macroeconomic variables, the government postponed until August the monthly tariff adjustment envisaged in the transitional agreements, which was originally scheduled to take effect on 1 May 2024.

In August, ENARGAS released the Methodology for the Tariff Review outlined in Article 3 of Necessity and Urgency Decree No. 55/2023. However, Necessity and Urgency Decree No. 1023/24, issued on 20 November 2024, extended the state of emergency in the domestic energy industry until 9 July 2025. Article 3 of the decree specified that the tariff charts resulting from the ongoing tariff review must take effect no later than 9 July 2025. On 14 January 2025, a public consultation was announced for the review of the gas distribution tariffs, hold on 6 February 2025.

– Cost of raw materials and consumables. Estimated using predictive models developed on the basis of knowledge of the energy markets in each country, considering also the regulations for distributors in each country.

– Operating and maintenance costs. Estimated on the basis of the historical cost of the network managed.

– Investments. Taking into account the necessary investments to maintain the network in good working order and ensure supply quality and safety.

In the case of the Argentine Gas Distribution projections, different scenarios have been considered regarding the impacts of the Tariff Review, both in the amounts of tariff adjustment and its monthly update for inflation. Thus, in determining the value in use and in the weighting of the different scenarios, the positive announcements that point to a correction of the transport and energy tariffs have been considered, which has begun to materialize, although the economic environment is not yet consolidated.

Thermal generation Spain:

The assumptions and projections for this CGU consider the possible impacts of the energy transition and the increased use of renewable energy sources, although they contemplate the need for all the installed capacity of the combined cycle units within the horizon of the projections (2033), as envisaged in the NECP 2023-2030.

In the case of nuclear power plants, Naturgy considers the Decommissioning Protocol signed in 2019 with Enresa, Spain's national radioactive waste company, which establishes a schedule for the progressive closure of all nuclear power plants in line with the energy transition to renewable sources and the decarbonisation objective for 2050; their output up to the point of decommissioning is considered in the impairment test.

The assumptions taken into consideration are the following:

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Pool price €/MWh (*)	62.9	79.4	67.3	63.5	68.2	73.4	74.9	81.4	83.0	85.0
Brent (USD/bbl) (*)	80.8	76.1	71.6	70.0	69.0	70.0	70.0	89.4	90.5	91.6
Gas Henry Hub (USD/MMBtu) (*)	2.3	3.9	4.1	3.8	3.6	3.6	3.6	4.3	4.3	4.4
PVB (€/MWh) (*)	33.3	46.9	38.2	30.6	26.5	26.5	26.5	27.7	28.9	28.7
CO_2 €/t (*)	65.2	77.7	80.3	82.7	77.4	89.1	93.1	98.4	103.7	126.2

(*) estimated amounts at the date of the test.

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

- Electricity generated. The trend in demand has been estimated on the basis of projections by the CNMC and analysts, also considering existing contracts with Naturgy's suppliers. The share was estimated on the basis of Naturgy's market share in each technology and the expected trend in each technology's share of the total market, in line with the expected future evolution of the generation mix, maintaining the projected decline in thermal output, offset by the creation of a capacity market within the Spanish mainland electricity system that remunerates firm capacity (currently in the process of being established).

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Fuel costs. Estimated on the basis of market prices.

- Operating and maintenance costs. These costs have been estimated on the basis of the historical costs of managed facilities and the business plans of the nuclear power plants.

The following factors are also considered:

- The Electricity Market Reform Regulation and Directive presented by the Commission on 14 March 2023, which envisage, among other matters, fostering forward contracts, PPAs and contracts for differences for new investments in generating capacity, making capacity mechanisms permanent, providing greater system flexibility using demand-side management and storage, as well as measures to be adopted by member states in the event of a crisis, and greater protection for end consumers.

- The extension of existing PPAs with the Group's supply companies to cover nuclear generation facilities.

- The costs of the 7% levy on the value of electricity production, which was reinstated gradually during 2024, and the unit values for financing of the energy subsidy ("bono social").

- The approval of Royal Decree 589/2024 for nuclear generation facilities, which increases the amount payable to ENRESA as a consequence of the construction of decentralised temporary storage facilities (ATD).

To date, Naturgy has elected for no temporary closures of the ten plants that were authorised following the Supreme Court ruling in 2023 and, therefore, this was not considered in the 2024 impairment test update.

Thermal generation Latin America:

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

- Thermal generation in Mexico is carried out over most of the plants' useful lives under PPAs based on stable business models that are not at risk of fluctuation on the basis of market variables. In the Dominican Republic and Mexico, upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy situation, including the foreseeable evolution of the generating fleet, taking account of expected supply and demand, and production costs.

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

- When updating the recoverable value of the combined cycle plants in Mexico, the relevant assumptions included the increase in permits for developing renewable energy installations, which will affect the market price used in the projections on the finalisation of the long-term contracts for energy sales to the Federal Electricity Commission (CFE).

- The delivery of emission allowances equivalent to the tonnes of CO_2 emitted. Until 2026, the allocation of allowances free of charge, as provided in the draft Emission Trading System Rules, is assumed to cover emissions projected on the basis of production projections.

  From 2027 onwards, although the criteria for the allocation of allowances free of charge and the emissions reduction pathway that will be required have not yet been defined, it is expected that the emissions generated will be covered by the free allocation and, when this is not sufficient or the free allocation is discontinued, CO_2 costs will be passed on into selling prices as an additional operating cost, similar to the case in the European market.

In the case of the Puerto Rico Generation CGU:

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

Renewable Generation Spain:

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

In the case of Renewable Generation Spain, fair value less selling costs is considered to be the best estimate of the recoverable amount and, therefore, the valuation includes the necessary flows that market players would take into account when assessing the value of the CGU based on the present value method. Fair value was determined on the basis of external sources of information and the company's estimate is, therefore, a level 3 estimate.

The assumptions regarding pool price trends in the Renewable Electricity Generation CGU are the same as those considered in the Thermal Generation Spain CGU.

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

- Electricity generated. For the Renewable Power Generation CGU, projections of hours of operation of each park consistent with its historical output, and predictions based on historical records of similar parks have been used when there were no historical data. In addition, the increase in output due to the planned hybridisations and repowering of existing facilities was taken into account.

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Remuneration. For facilities in the Renewable Generation CGU that are entitled to specific remuneration, the remuneration has been estimated on the basis of the regulated revenue period. Specifically, Order TED/741/2023 was considered, which updated the remuneration parameters for standard facilities that are applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the 2023-2025 regulatory semi-period.

  In the specific case of cogeneration facilities, the methodology for updating the remuneration for the operation of electricity generation facilities whose operating costs depend essentially on the price of fuel is considered.

- Operating and maintenance costs. Estimated from historical costs of the managed fleet and existing contracts.

- Investments. The investments necessary to keep the facilities in working order are considered and are included in the cash flows of new projects available for development, repowering, storage and hybridisations, as well as the value of the generation capacity of new renewable generation projects.

- The following factors are also considered:

  - The projected flows include an estimate of the costs of the 7% tax on the value of electricity production and the unit values for financing the energy subsidy ("bono social").

  - The extension of existing sales contracts with the group's supply companies.

Renewable Generation United States:

In 2024, the company continued to manage a pipeline of solar energy and storage projects, with one facility already in production (7v Solar Ranch, 302 MW) and another that has obtained its construction permit (Mark Center, 124.5 MW).

As part of project management, the acquired portfolio was analysed in 2024 and, as a result, acquired projects that are unlikely to be executed, mainly due to difficulties in interconnection and in obtaining licenses, were impaired.

Renewable Generation Latin America:

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

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

- Electricity price: Renewable electricity generation in Latin America is managed under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables.

- Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.

- Since Renewables Chile returned to the short-term market based on authorisation by the National Electricity Coordinator in June 2023, the company has been operating normally in the market and fulfilling its PPAs with the distribution companies.

  However, structural problems arising from shortcomings in the transmission networks and the diversity of the generation mix at each node, continue to negatively affect the company's margins and make it necessary to closely monitor how these variables perform.

  In this situation, the assumptions made in the impairment test for 2023 are maintained and no scenarios are envisaged that could lead to a significant increase in the impairment already recognised for this company's assets.

Renewable Generation Australia:

- Over most of the plants' useful life, electricity output is sold under PPAs based on stable business models that are not at risk of fluctuation on the basis of market variables. Upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy situation, including the foreseeable evolution of the generating fleet and taking into account expected supply and demand, and production costs.

- Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.

Supply:

- Supply margin. Forecasts concerning trends in customer numbers and demand were used, considering unit margins of the contracts in place and estimates of these figures in contract renewals.

- The projected flows include:

  - The unit values for financing the energy subsidy (“bono social”).

  - The ban on cutting off gas and electricity supplies to vulnerable customers is maintained until 31 December 2025.

Discount rates and growth rates used

The pre-tax discount rates and the growth rates considered for 2024 and 2023, calculated as indicated in Note 3.19, are as follows:

Discount rate	2024	2023
Networks		
Gas and Electricity Networks Spain	6.8 %-7.1 %	7 %-7.4 %
Gas and Electricity Networks Latin America	10.3 % - 22.1 %	10.2 % - 25.1 %
Gas Networks Argentina (1)	22.1 %	25.1 %
Energy Markets		
Thermal Generation Spain	8.5 %	9.0 %
Thermal Generation Latin America	9.5%-12.9 %	10.2%-13.1 %
Renewable Generation Spain	7.0 %	7.8 %
Hydroelectric Generation Spain	7.3 %	8.4 %
Latin America Renewables	10.9 %-18.1 %	10.2 %-17.7 %
Australia Renewables	9.1 %	9.3 %
USA Renewables	7.4 %	7.4 %
Renewable Gases	8.4 %	8.5 %
Supply	7.6 %	8.3 %

(1) Rate determined in USD

Growth rate	2024	2023
Networks		
Gas and Electricity Networks Spain	1.5 %-2.0 %	1.5 %-2.0 %
Gas and Electricity Networks Latin America	1.6%-7.9%	2.1%-14.5%
Gas Networks Argentina	7.9 %	14.5 %
Energy Markets		
Thermal Generation Spain	1.9 %	2.0 %
Thermal Generation Latin America	1.8 %	2,0%-2,1%
Renewable Generation Spain	1.9 %	2.0 %
Hydroelectric Generation Spain	1.9 %	2.0 %
Latin America Renewables	1.8 % - 2.9 %	2.1 %-3.2 %
Australia Renewables	2.5 %	2.1 %
USA Renewables	1.8 %	2.1 %
Renewable Gases	1.9 %	2.0 %
Supply	(0.1)%	(0.3)%

Sensitivity analysis

A sensitivity analysis has been carried out for holdings in Group companies, where their carrying amount coincides with the results of the impairment tests described above. The variations in the key assumptions, taken separately, and the impact on the recoverable value for each of the holdings in group companies were considered for the following companies:

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

- an increase in the discount rate of 50 basis points would entail an impairment of Euros 48 million.
- a decrease in the growth rate of 50 basis points would entail an impairment of Euros 22 million.
- a decrease in electricity output of 5% would entail an impairment of Euros 79 million.
- a decrease of Euros 1/MWh in the average electricity price over the facility's remaining life would entail impairment of Euros 11 million.

For the other holdings in group companies, in 2024 the Company carried out a sensitivity analysis on the unfavourable variations which, drawing on historical experience, could reasonably impact the aforementioned sensitive parameters on the basis of which the recoverable amounts have been determined. Specifically, the most significant sensitivity analyses performed were as follows:

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

These sensitivity analyses, performed separately for each basic assumption, would not affect the conclusions drawn to the effect that the recoverable amount exceeds the carrying amount for each of those group companies.

Note 5. Intangible assets

This heading breaks down as follows:

	Patents, licences, trademarks and other	Computer software	Subtotal	Goodwill	Total
Cost	1	2	3	815	818
Accumulated amortisation	—	(1)	(1)	(815)	(816)
Carrying value at 1.1.2023	**1**	**1**	**2**	**—**	**2**
Investment	—	—	—	—	**—**
Amortisation charge	(1)	—	(1)	—	(1)
Carrying value at 31.12.2023	**—**	**1**	**1**	**—**	**1**
Cost	1	1	2	815	817
Accumulated amortisation	(1)	—	(1)	(815)	(816)
Carrying value at 1.1.2024	**—**	**1**	**1**	**—**	**1**
Investment	—	32	32	—	**32**
Divestment	—	—	—	—	**—**
Amortisation charge	—	(8)	(8)	—	(8)
Carrying value at 31.12.2024	—	25	25	—	**25**
Cost	1	33	34	815	849
Accumulated amortisation	(1)	(8)	(9)	(815)	(824)
Carrying value at 31.12.2024	**—**	**25**	**25**	**—**	**25**

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

Also, prior to the liquidation of Naturgy Informática, S.A.U., in April 2024 (Notes 4 and 7), the Company acquired its assets, mainly software licenses and computer hardware. The net value of these software applications amounts to Euros 23 million.

No fully amortised software licences were derecognised in 2024 (Euros 1 million in 2023).

Note 6.Property, plant and equipment

Set out below is an analysis showing movements in Property, plant and equipment during 2024 and 2023:

	Land and buildings	Other property, plant and equipment	Total
Cost	161	24	185
Accumulated depreciation	(71)	(12)	(83)
Carrying value at 1.1.2023	**90**	**12**	**102**
Investment	2	2	4
Depreciation charge	(8)	(1)	(9)
Carrying value at 31.12.2023	**84**	**13**	**97**
Cost	162	26	188
Accumulated depreciation	(78)	(13)	(91)
Carrying value at 1.1.2024	**84**	**13**	**97**
Investment	1	12	13
Divestment	(5)	—	(5)
Depreciation charge	(8)	(4)	(12)
Carrying value at 31.12.2024	**72**	**21**	**93**
Cost	152	36	188
Accumulated depreciation	(80)	(15)	(95)
Carrying value at 31.12.2024	**72**	**21**	**93**

Other property, plant and equipment include, as an investment in 2024, the acquisition in April from Naturgy Informática, S.A.U. of its computer equipment for a net value of Euros 8 million (Notes 4 and 7).

In September 2024, the Company sold the Sabadell Museum building for Euros 3 million, recognising a loss of Euros 2 million under "Gain/(loss) on disposals of tangible fixed assets".

In addition, during 2024, fully depreciated assets were derecognised in the amount of Euros 5 million: Euros 4 million of buildings and Euros 1 million of other property, plant and equipment (Euros 1 million at 31 December 2023, relating entirely to buildings).

Property, plant and equipment includes fully depreciated assets in use at 31 December 2024 amounting to Euros 24 million, of which Euros 14 million relate to buildings (Euros 21 million in 2023, of which Euros 12 million related to buildings).

It is Company policy to arrange insurance where deemed necessary to cover risks that could affect its property, plant and equipment.

At 31 December 2024 and 2023, the Company had no investment commitments.

Note 7. Investments in Group companies and associates

The classification of investments in Group companies and associates by category at 31 December 2024 and 2023 is as follows:

At 31.12.2024	**Financial assets at cost**	**Financial assets at amortised cost**	**Total**
Equity instruments	15,994	—	15,994
Loans	—	12,661	12,661
Non-current	**15,994**	**12,661**	**28,655**
Loans	—	1,224	1,224
Other financial assets	—	2	2
Current	**—**	**1,226**	**1,226**
TOTAL	**15,994**	**13,887**	**29,881**

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

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

	Holdings in group companies	**Loans to group companies**	**Holdings in associates**	**Total**
Balance at 01.01.2023	**14,956**	**13,997**	**4**	**28,957**
Additions	935	1	—	936
Divestments	(68)	(11)	—	(79)
Reclassification	—	10	—	10
Charge/reversal provisions	55	—	—	55
Balance at 31.12.2023	**15,878**	**13,997**	**4**	**29,879**
Additions	48	340	—	388
Divestments	(1)	(37)	—	(38)
Reclassification	—	(1,639)	—	(1,639)
Charge/reversal provisions	65	—	—	65
Balance at 31.12.2024	**15,990**	**12,661**	**4**	**28,655**

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

2024

- Acquisition of one share in the company Naturgy Informática, S.A. with the result that it became that company's sole shareholder, and subsequent liquidation of that company. The holding was derecognised for an amount of Euros 1 million.

  Also, prior to the liquidation of Naturgy Informática, S.A.U., in April 2024 the Company acquired its assets, mainly software licenses and computer hardware. This acquisition was offset by the Company against intercompany loans granted to Naturgy Informática, S.A.U. prior to the transaction date, for a net amount of Euros 37 million.

- Cash contribution of Euros 1 million to offset losses of the company Naturgy Innovahub, S.L.U.

- Cash contribution of Euros 22 million to offset losses incurred by Naturgy Nuevas Energías, S.L.U.
- Cash contribution of Euros 17 million to offset losses incurred by Petroleum Oil&Gas España, S.A.
- Cash contribution of Euros 8 million to offset losses incurred by Naturgy Commodities Trading,S.A.

2023

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

The cumulative provision for the impairment of shareholdings in Group companies and associates totals Euros 2,185 million at 31 December 2024 (Euros 2,423 million at 31 December 2023), relating basically to the following companies (Note 4):

	2024	2023	Variation
Naturgy Generación, S.L.U.	2,015	2,108	(93)
Petroleum, Oil & Gas España, S.A.	94	76	18
Naturgy Commdities Trading, S.A.	31	21	10
Lignitos de Meirama, S.A.	29	30	(1)
Naturgy Nuevas Energías, S.L.U.	5	5	—
General de Edificios y Solares, S.L.	5	6	(1)
Naturgy Engineering, S.L.	5	6	(1)
Naturgy Informática, S.A.U.	—	170	(170)
Other	1	1	—
Total	**2,185**	**2,423**	**(238)**

Financial income from dividends received from holdings in equity instruments of group and associated companies in 2024 and 2023 relates to the following companies:

	2024	2023
Naturgy Aprovisionamientos, S.A.	205	537
Holding Negocios Electricidad, S.A.	160	232
Naturgy Distribución Latinoamérica S.A.	156	194
Naturgy Ciclos Combinados, S.L.U.	141	—
Naturgy Iberia, S.A.	121	23
Gas Natural Comercializadora, S.A.	100	100
Naturgy Generación Térmica, S.L.U.	26	16
Naturgy Infraestructuras EMEA, S.L.	21	—
Holding Negocios Gas, S.A.	16	80
Naturgy Finance Iberia, S.A.U.(*)	3	4
Naturgy Capital Markets, S.A.	1	1
Total	**950**	**1,187**

(*) On 28 May 2024, Naturgy Finance BV registered a cross border conversion to Naturgy Finance Iberia, S.A.U., transferring its registered offices and domicile for tax purposes from the Netherlands to Spain.

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

At 31 December 2024, a loss of Euros 1 million was recognised for miscellaneous expenses associated with the liquidation and sale of holdings in group companies.

In the previous year, based on the agreement concluded in March 2021 between Naturgy and ENI S.p.a. relating to the acquisition of the holding in Union Fenosa Gas (UFG) such that Naturgy achieved a 100% interest, and in which any contingencies incurred by UFG are borne proportionally by both parties, the Company received revenue of Euros 4 million relating to this compensation in March 2023.

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

Company	Registered Office	Activity	Carrying value 2024	% interest Direct	Indirect	Total	Equity (Data at 31 December 2024 (*)) Capital	Reserves (1)	Profit/(loss)	Interim dividend	Other (2)	EQUITY
Naturgy Aprovisionamientos, S.A.	Spain	Gas supply	409	100.0	—	100.0	1	592	(199)	—	(175)	219
Sagane, S.A.	Spain	Gas supply	42	100.0	—	100.0	95	8	(17)	—	—	86
Naturgy Comercializadora Empresas, S.A.U.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity supply	515	100.0	—	100.0	3	469	569	—	18	1,059
Comercializadora Regulada, Gas & Power, S.A.	Spain	Gas and electricity supply	121	100.0	—	100.0	2	61	(18)	—	—	45
Naturgy Commodities Trading, S.A.	Spain	Gas and electricity supply	12	100.0	—	100.0	11	11	(10)	—	—	12
Naturgy Iberia, S.A.	Spain	Gas and electricity supply	494	100.0	—	100.0	3	218	478	—	—	699
Naturgy Clientes, S.A	Spain	Gas and electricity supply	4	100.0	—	100.0	—	1	11	—	—	12
Holding Negocios Electricidad, S.A.	Spain	Electricity distribution	3,653	100.0	—	100.0	—	3,264	46	—	—	3,310
Holding de Negocios de Gas, S.A.	Spain	Gas distribution	4,475	80.0	—	80.0	—	5,796	221	—	—	6,017
Naturgy Generación, S.L.U.	Spain	Electricity generation	1,035	100.0	—	100.0	732	209	92	—	1	1,034
Naturgy Renovables, S.L.U.	Spain	Electricity generation	2,041	100.0	—	100.0	113	1,327	26	—	12	1,478
Global Power Generation, S.A.	Spain	Electricity generation	648	75.0	—	75.0	20	819	199	—	118	1,156
Toledo PV A.I.E.	Spain	Electricity generation	—	33.3	—	33.3	—	—	1	—	—	1
La Propagadora del Gas	Spain	Electricity generation	12	100.0	—	100.0	10	2	1	—	—	13
Naturgy Ciclos Combinados, S.L.U	Spain	Electricity generation	761	100.0	—	100.0	320	627	(13)	—	4	938
Naturgy Generación Térmica, S.L	Spain	Electricity generation	13	100.0	—	100.0	—	24	11	—	2	37
Petroleum, Oil & Gas España, S.A.	Spain	Gas infrastructures	1	32.3	67.7	100.0	4	55	(55)	—	—	4
Liginitos de Meirama, S.A.	Spain	Mining	17	100.0	—	100.0	23	(7)	—	—	—	16
Natural Re, S.A.	Luxembourg	Insurance	9	100.0	—	100.0	5	38	8	—	19	70
General de Edificios y Solares, S.L.	Spain	Services	58	100.0	—	100.0	34	23	1	—	—	58
Naturgy Capital Markets, S.A.	Spain	Financial services	—	100.0	—	100.0	—	—	—	—	—	—
Naturgy Finance Iberia, S.A.U.	Spain	Financial services	7	100.0	—	100.0	—	5	5	—	—	10
Naturgy Participaciones, S.A.	Spain	Financial services	110	100.0	—	100.0	—	130	(3)	—	—	127
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	—	100.0	—	100.0	—	1	—	—	—	1
Naturgy Innovahub, S.L.U.	Spain	Services	2	100.0	—	100.0	1	—	(1)	—	—	—
Naturgy Engineering, S.L.	Spain	Engineering services	16	100.0	—	100.0	—	15	2	—	(1)	16
Naturgy Ingenieria Nuclear, S.L.	Spain	Engineering services	1	100.0	—	100.0	—	1	1	—	—	2
Naturgy Distribución Latinoamérica, S.A.	Spain	Electricity generation	557	100.0	—	100.0	402	165	230	—	—	797
Naturgy Nuevas Energías, S.L.U.	Spain	Services	38	100.0	—	100.0	2	29	(15)	—	—	16
Naturgy Infraestructuras EMEA, S.L.	Spain	Electricity generation	89	100.0	—	100.0	—	212	13	—	—	225
Naturgy Inversiones Internacionales, S.A.	Spain	Electricity generation	850	100.0	—	100.0	250	251	77	—	(172)	406
TOTAL			**15,990**									

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

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

(*) Financial statements updated based on the latest available information

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

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

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

(*) Annual accounts updated according to the latest available information at the date of authorisation of the 2023 annual accounts

Non-current receivables from Group companies amounted to Euros 12,661 million at 31 December 2024 (Euros 13,997 million at 31 December 2023), maturing as follows:

Maturity	**At 31.12.2024**	At 31.12.2023
2025	—	1,000
2026	1,000	2,853
2027	4,647	3,599
2028	1,569	1,569
2029	2,513	2,430
2030	1,000	1,000
2031 and subsequent	1,932	1,546
Total	**12,661**	**13,997**

Set out below are movements during 2024 and 2023 in loans and other current financial assets:

	Loans to group companies	**Other financial assets**	**Total**
Balance at 01.01.2023	**292**	**2**	**294**
Additions	75	1	76
Divestments	(167)	—	(167)
Reclassifications and transfers	91	—	91
Balance at 31.12.2023	**291**	**3**	**294**
Additions	307	—	307
Divestments	(379)	(1)	(380)
Reclassifications and transfers	1,005	—	1,005
Balance at 31.12.2024	**1,224**	**2**	**1,226**

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

The "Receivables from Group companies" heading consists of receivables from Group companies totalling Euros 1,137 million (Euros 207 million in 2023) and also receivables from Group companies relating to consolidated corporate income tax amounting to Euros 61 million and to consolidated VAT amounting to Euros 1 million (Euros 69 million in 2023 relating to consolidated corporate income tax and Euros 68 million relating to consolidated VAT). Loans to Group companies also includes accrued unmatured interest of Euros 87 million (Euros 84 million in 2023).

Loans to group and associated companies accrued interest at a rate of 5.11% at 31 December 2024 (5.57% in 2023) for non-current loans and a rate of 4.77% (4.06% in 2023) for current loans.

Note 8. Investments

Investments by class and category at 31 December 2024 and 2023 break down as follows:

At 31 December 2024	Financial assets at amortised cost	At cost	Hedging derivatives	Total
Equity instruments	—	4	—	4
Derivatives (Note 14)	—	—	11	11
Other financial assets	3	—	—	3
Non-current investments	**3**	**4**	**11**	**18**
Derivatives (Note 14)	—	—	19	19
Other financial assets	2	—	—	2
Current investments	**2**	**—**	**19**	**21**
Total	**5**	**4**	**30**	**39**

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

Financial assets recognised at fair value at 31 December 2024 and 2023 are classified as follows:

	31.12.2024				31.12.2023			
Financial assets	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Hedging derivatives	—	30	—	30	—	56	—	56
Total	**—**	**30**	**—**	**30**	**—**	**56**	**—**	**56**

The movement in financial assets in 2024 and 2023, based on the method applied for calculating their fair value, is as follows:

	2024				2023			
	Level 1 (quoted price in an active market)	**Level 2 (observable variables)**	**Level 3 (unobservabl e variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservabl e variables)**	**Total**
At 1 January	—	56	—	56	—	85	—	85
Additions	—	—	—	—	—	—	—	—
Decrease	—	(26)	—	(26)	—	(29)	—	(29)
At 31 December	**—**	**30**	**—**	**30**	**—**	**56**	**—**	**56**

Financial assets at cost

All financial assets at cost relate to unlisted shareholdings at 31 December 2024 and 2023.

Financial assets at amortised cost

The balance at 31 December 2024 and 2023 is as follows:

	At 31.12.2024	At 31.12.2023
Deposits and guarantee deposits	3	3
Non-current	**3**	**3**
Deposits and guarantee deposits	2	2
Current	**2**	**2**
Total	**5**	**5**

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

The breakdown by maturities at 31 December 2024 and 2023 is as follows:

Maturities	**31.12.2024**	31.12.2023
Before 1 year	2	2
Between 1 and 5 years	2	—
More than 5 years	1	3
Total	**5**	**5**

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

The “Other non-current assets” and “Trade and other receivables” headings at 31 December 2024 and 2023, classified by nature and category, are as follows:

At 31.12.2024	**At fair value through profit and loss**	**Amortised cost**	**Total**
Derivatives (Note 14)	90	—	90
Other non-current assets	**90**	**—**	**90**
Derivatives (Note 14)	280	—	280
Other assets	—	133	133
Trade and other receivables	**280**	**133**	**413**
Total	**370**	**133**	**503**

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

Fair value through profit and loss

Financial assets recognised at fair value as at 31 December 2024 and 2023 are classified as follows:

	At 31.12.2024				At 31.12.2023			
Financial assets	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Fair value through profit and loss	—	370	—	370	—	85	—	85
Total	**—**	**370**	**—**	**370**	**—**	**85**	**—**	**85**

The "Derivatives" heading contains the market valuation of unsettled open interest with a debit balance corresponding to operating derivatives arranged by the Company to hedge gas prices of other group companies.

At 31 December 2024, the balance of non-current and current derivatives with group companies is Euros 61 million and Euros 267 million, respectively (Euros 23 million and Euros 5 million at 31 December 2023).

Amortised cost

The breakdown of this account is as follows:

	At 31.12.2024	At 31.12.2023
Trade receivables	17	28
Trade receivables, group companies and associates	36	68
Sundry receivables	74	—
Provision	(13)	(26)
Current tax assets	—	65
Other amounts receivable to Public Administrations	19	12
Total	**133**	**147**

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

The balance of the "Sundry debtors" account is the account receivable following notification on 17 July 2024 of the Supreme Court ruling of 4 July 2024 in relation to the enforcement of the judgement for the amounts paid by the Group's non-regulated supply companies to finance the energy subsidy (Note 30).

At 31 December 2024, the Company recognised unmatured balances totalling Euros 60 million (Euros 15 million at 31 December 2023) which were factored without recourse and, consequently, were derecognised from "Current tax assets" in the balance sheet.

Movements in the bad debt provision are as follows:

	2024	2023
At 1 January	**(26)**	**(26)**
Net charge for the year	17	—
Other	(4)	—
At 31 December	**(13)**	**(26)**

The net provision for 2024 reflects the agreement signed in May by the Company and the Naturgy Group's generation and supply companies transferring the accounts receivable for outstanding settlements in the wholesale electricity market, in which the Company acted as representative until 30 June 2019 (Note 14).

"Other" includes the balances of the provision for bad debts arising from the liquidation of Naturgy Informática, S.A.U. (Notes 4, 7 and 14).

Note 10. Cash and cash equivalents

Cash and cash equivalents include:

	At 31.12.2024	At 31.12.2023
Cash at banks and in hand	2,169	1,137
Other cash equivalents	967	461
Total	**3,136**	**1,598**

"Other cash equivalents" relates mainly to:

- Bank deposits arranged between October and December 2024 maturing in less than three months for an amount of Euros 530 million (Euros 100 million at 31 December 2023) plus the associated interest.

- Two short-term deposits arranged in November and December 2024 for a term of under three months linked to CO_2 emission rights, for an amount of Euros 200 million; they consist of a spot purchase transaction and a simultaneous forward sale with the same counterparty, the same risk and a guaranteed return, plus the associated interest (Euros 250 million at 31 December 2023, relating to three short-term deposits arranged in October 2023). These deposits are readily convertible into specified amounts of cash, can be cancelled at any time without penalty, and are subject to a negligible risk of changes in value.

- Cash pooling balances with Group companies and the associated interest.

Note 11. Equity

The main equity items are as follows:

Share capital and share premium

The variations in 2024 and 2023 in the number of shares and in the share capital and share premium accounts are as follows:

	Number of shares	Share capital	Share premium	Total
At 1 January 2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
At 31 December 2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
At 31 December 2024	**969,613,801**	**970**	**3,808**	**4,778**

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

There were no movements in the number of shares or in the "Share capital" and "Share premium" accounts during 2024 and 2023 .

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

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

The main holdings in the Company's share capital at 31 December 2024 and 2023, in accordance with available public information and disclosures made to the Company, are as follows:

	% interest in share capital	
	2024	2023
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	26.7	26.7
- BlackRock, Inc. (2)	20.9	—
-Global Infraestructure partners III (2)	—	20.6
- CVC Capital Partners PLC (3)	20.7	20.7
- IFM Global Infrastructure Fund (4)	16.9	14.9
- Sonatrach (5)	4.1	4.1

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

(2) Since the acquisition of Global Infrastructure Partner on 1 October 2024, according to the notification of significant shareholdings to the CNMV. The indirect shareholding is held mainly through GIP III Canary 1, S.à.r.l., which has a direct shareholding of 20.6%.

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

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

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

All the Company's shares are traded on the four official Spanish Stock Exchanges and the "mercado continuo" and form part of Spain's Ibex35 stock index.

Naturgy Energy Group S.A.'s share price at the end of 2024 stood at Euros 23.38 (last trading day: 31 December 2024). The share price at the end of 2023 was Euros 27.00 (last trading day: 29 December 2023).

In February 2024, Morgan Stanley Capital International (MSCI), a global benchmark for institutional investments and numerous mutual funds and exchange-traded funds, announced changes to the composition of several of its indexes. As a result, Naturgy ceased to be a component of several MSCI indices, effective as of market close on the last business day of February. The exclusion was based on the market value of Naturgy's free float, which had fallen below MSCI's minimum inclusion thresholds, and was unrelated to its current operating and financial performance.

Reserves

"Reserves" includes the following reserves:

	2024	2023
Legal reserve	200	200
Statutory reserve	100	100
Voluntary reserves	9,731	9,731
Capital redemption reserve	31	31
Other reserves	300	298
Total	**10,362**	**10,360**

Legal reserve

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

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

Statutory reserve

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

Capital redemption reserve

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

In addition, pursuant to Article 335 c) of the Spanish Companies Act, a restricted capital redemption reserve was created for an amount equal to the par value of the redeemed shares. The total accumulated capital redemption reserve amounts to Euros 31 million at 31 December 2024 and 2023.

Voluntary reserve and other reserves

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

Share-based payments

On 31 July 2018 the Board of Directors approved a long term variable incentive plan (ILP) involving the Executive Chairman and 25 other executives. The main characteristics of the plan were approved by the general meeting of shareholders on 5 March 2019. This incentive covered the period of the Strategic Plan 2018-2022 ordinarily expiring in July 2023.

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

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

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

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

In order to compensate for the delay in collection derived from the extension of the ILP, in 2021 Naturgy's Board of Directors provided compensation consisting of a cash payment to beneficiaries that accepted the extension of the term until 2025.

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

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

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

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

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

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

As a result of accruing the incremental value associated with the extension of the instrument's term, an amount of Euros 2 million was recognised in the 2024 income statement under "Personnel expenses" (Euros 5 million in 2023, which also included accrual of the fair value of the equity instruments granted in the initial plan) with a credit to "Other equity instruments" in the balance sheet.

Based on a reasoned proposal by the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors may adopt the decisions it deems necessary to administer, interpret, rectify, elaborate upon or continue the incentive scheme in the event of substantial variations in the circumstances of the Plan, taking into account the Company's interests and the objectives of the Plan.

It may also decide to terminate the plan early, either to achieve such continuity or in the event of what it deems to be a substantial change in circumstances.

On 22 April 2024, at the proposal of the Executive Chairman and in order to be able to act with absolute independence and neutrality and to avoid any conflict of interest linked to the outcome of any potential bid for Naturgy shares, the Board of Directors approved an amendment to the Executive Chairman's long-term variable incentive plan (ILP). Through this amendment, the Company returned to the initial remuneration scheme provided for in his February 2018 contract and in the Remuneration Policy approved by the Shareholders' Meeting in June 2018.

The amended scheme is linked to the objectives of the Strategic Plan, and is no longer share-based. However, the main terms of the previous plan are maintained, such as the possibility of forfeiting the incentive, the duration and expiration of the plan, and the clawback clause. Additionally, under the amended plan, the Chairman may not receive more than he might have collected under the previous plan.

This amendment will be submitted for approval by the next Shareholders' Meeting; in the meantime, it is considered to be provisional and contingent upon such authorisation.

Treasury shares

Movements during 2024 and 2023 involving own shares of the Company are as follows:

	Number of shares	In million euro	% Capital
At 1 January 2023	**55,898**	**1**	**—**
Share Acquisition Plan	357,094	10	—
Delivered to employees	(172,992)	(5)	—
At 31 December 2023	**240,000**	**6**	**—**
Share Acquisition Plan	—	—	—
Delivered to employees	—	—	—
At 31 December 2024	**240,000**	**6**	**—**

No gains or losses were obtained on transactions involving own shares in 2024 and 2023.

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

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

Transactions involving the Company’s treasury shares relate to:

2024

No transactions involving own shares were carried out in 2024.

2023

- In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the Shareholders' Meeting on 5 March 2019, within the Share Acquisition Plan 2020-2023, in March 2023 the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During the month of March 2023, 210,000 own shares were acquired for an amount of Euros 6 million, and in April 2023 a total of 172,992 shares were delivered to employees for an amount of Euros 5 million. In July 2023, 147,094 own shares were acquired for an amount of Euros 4 million, leaving a surplus of 184,102 treasury shares in addition to the 55,898 shares left over from the Share Acquisition Plans for 2019 to 2021, bringing the total number of treasury shares to 240,000 at 31 December 2023.

Dividends

Set out below is a breakdown of dividend payments made in 2024 and 2023:

	2024			2023		
	% of Nominal	Euros per share	Amount	% of Nominal	Euros per share	Amount
Ordinary shares	140 %	1.40	1,357	150 %	1.50	1,454
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
Total dividens paid	**140 %**	**1.40**	**1,357**	**150 %**	**1.50**	**1,454**
a) Dividends charged to income statement or retained earnings	140 %	1.40	1,357	150 %	1.50	1,454
b) Dividends charged to reserves or share premium account	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

2024

On 26 February 2024, the Board of Directors approved the following proposal, which it submitted to the General Meeting of Shareholders, for the distribution of the Company's 2023 net profit and retained earnings, as follows:

AVAILABLE FOR DISTRIBUTION

Profit.. 1,211
Retained earnings 2,592
Available for distribution... 3,803

DISTRIBUTION:

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

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2023 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 1.00 per share by the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements and with the legal requirements, which disclosed the existence of sufficient liquidity for the distribution of these interim dividends out of profit for 2023, and

ii. The amount obtained by multiplying 0.40 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the “Supplementary Dividend”) are determined.

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

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

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

TOTAL DISTRIBUTED 3,803

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.40 per share for each qualifying share outstanding at the proposed date of payment, 9 April 2024.

The general meeting of shareholders on 2 April 2024 approved a supplementary dividend of Euros 0.40 per share for shares not directly held as treasury stock on the payment date, which was fully paid on 9 April 2024.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,446 million.

On 22 July 2024, the Company's Board of Directors declared an interim dividend of Euros 0.50 per share out of 2024 profits, for shares not classified as direct treasury shares on the date on which the dividend was paid. It was paid on 1 August 2024.

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 June 2024 drawn up by the directors on 22 July 2024 is as follows:

Profit after tax		873
Reserves to be replenished		—
Maximum amount distributable		**873**
Forecast maximum interim dividend payment (1)		**485**
Cash resources	1,964	
Undrawn credit facilities	5,352	
Total liquidity		**7,316**

(1) Amount considering total shares issued

On 29 October 2024, the Board of Directors of Naturgy Energy Group, S.A. declared a second interim dividend of Euros 0.50 out of 2024 profits for shares not classified as direct treasury shares on the date on which the dividend was paid, i.e., 6 November 2024

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 September 2024 drawn up by the Directors on 29 October 2024 was as follows:

Profit after tax		1,049
Reserves to be replenished		—
Maximum amount distributable		**1,049**
Interim dividend 2024 profits		485
Forecast maximum interim dividend payment (1)		**485**
Cash resources	2,860	
Undrawn credit facilities	5,269	
Total liquidity		**8,129**

(1) Amount considering total shares issued

On 18 February 2025, the Board of Directors approved the following proposal for the distribution of the Company's 2024 net profit and retained earnings, for submission to the annual general meeting:

AVAILABLE FOR DISTRIBUTION

Profit.. 1,057
Retained earnings.. 2,446
Available for distribution... 3,503

DISTRIBUTION:

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

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2024 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 1.0 per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements prepared and in accordance with the legal requirements, which revealed the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2024, and

ii. The amount obtained by multiplying 0.60 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the “Supplementary Dividend”) are determined.

Euros 969 million of that dividend had already been paid on 1 August and 6 November 2024. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). That dividend will be paid to shareholders as from 9 April 2025.

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

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

TOTAL DISTRIBUTED 3,503

This proposal for the distribution of profits and retained earnings adopted by the Board for approval by the annual general meeting includes a supplementary payment of Euros 0.60 per share for each qualifying share outstanding at the proposed date of payment, 9 April 2025. In the event that, at the time of distribution of the third and last payment of the proposed 2024 dividend (Euros 0.60 per share), the number of treasury shares is the same as at 2024 year-end (240,000 treasury shares, see section on Treasury shares), the amount applied to retained earnings would be Euros 1,952 million.

2023

On 20 February 2023, the Board of Directors approved the proposal submitted to the general meeting of shareholders for the distribution of the Company's net profit for 2022 and retained earnings from previous years, detailed in Note 11 of the notes to the accounts for the year ended 31 December 2022.

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

Subsequently, the general meeting of shareholders on 28 March 2023 approved a supplementary dividend of Euros 0.50 per share for shares not directly held as treasury stock on the payment date, which was fully paid in cash on 4 April 2023. Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,592 million.

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

On 23 October 2023, the Board of Directors of Naturgy Energy Group, S.A. declared a second interim dividend of Euros 0.50 per share out of 2023 results, paid on 7 November 2023, for shares not classified as direct treasury shares on the date on which the dividend was paid.

Note 12. Provisions

The breakdown of provisions at 31 December 2024 and 2023 is as follows:

	At 31.12.2024	At 31.12.2023
Provisions for employee obligations	203	204
Other provisions	93	90
Non-current provisions	**296**	**294**

Provisions for employee obligations

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

	2024			2023		
	Pensions and other similar obligations	**Other obligations with personnel**	**Total**	**Pensions and other similar obligations**	**Other obligations with personnel**	**Total**
At 1 January	**190**	**14**	**204**	**177**	**10**	**187**
Appropriations/reversals charged to income statement	6	4	10	7	6	13
Payments during the year	(14)	—	(14)	(20)	(2)	(22)
Changes recognised directly in equity	(3)	—	(3)	23	—	23
Transfers and other applications	6	—	6	3	—	3
At 31 December	**185**	**18**	**203**	**190**	**14**	**204**

Pensions and other similar liabilities

Most of the Company's post-employment obligations consist of the contribution of defined amounts to occupational pension plan systems. Nevertheless, at 31 December 2024 and 2023, the Company had the following defined benefit obligations for certain groups of workers:

- Pensions to retirees, disabled persons, widows and orphans and other related groups.
- Defined benefit supplement obligations to retired personnel of the legacy Unión Fenosa group who retired before November 2002 and a residual part of current personnel.
- Coverage of retirement and death for certain employees.
- Gas subsidy for current and retired personnel.
- Electricity for current and retired personnel.
- Obligations to employees that took early retirement until they reach official retirement age and early retirement plans.
- Salary supplements and contributions to social security for a group of employees taking early retirement until they can access ordinary retirement.
- Health care and other benefits.

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

Present value of obligations	**2024**	2023
At 1 January	**639**	**622**
Interest cost	20	24
Changes recognised directly in equity	(18)	49
Benefits paid	(58)	(59)
Transfers and other	6	3
At 31 December	**589**	**639**

Fair value of plan assets		
At 1 January	**449**	**445**
Expected yield	14	17
Contributions	—	8
Changes recognised directly in equity	(15)	26
Benefits paid	(44)	(47)
At 31 December	**404**	**449**
Provisions for pensions and similar obligations	**185**	**190**

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

	2024	2023
Interest cost	6	7
Total charge to the income statement	**6**	**7**

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

	2024	2023
1 to 5 years	—	—
5 to 10 years	14	16
More than 10 years	171	174
Provisions for pensions and similar obligations	**185**	**190**

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

% of total	**2024**	2023
Bonds	100%	100%

Cumulative actuarial gains and losses, net of the tax effect, recognised directly in equity are positive in the amount of Euros 22 million at 31 December 2024 (positive in the amount of Euros 20 million at 31 December 2023).

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

	2024	2023
Financial assumptions	(1)	13
Demographic assumptions	—	—
Experience	(2)	10
At 31 December	**(3)**	**23**

The actuarial assumptions are as follows:

	At 31.12.2024	At 31.12.2023
Discount rate (p.a.)	2.66% to 3.49%	3.21% to 3.30%
Expected return on plan assets (p.a.)	3.30% to 3.49%	3.21% to 3.30%
Future salary increases (p.a.)	2.00%	2.00%
Future pension increases (p.a.)	2.00%	2.00%
Inflation rate (annual)	2.00%	2.00%
Mortality table	PER2020 Col 1st order	PER2020 Col 1st order
Life expectancy:		
Men		
Retired at age 65 in the current year	25.13	25
Employees 45 years old currently, at the time of retirement	27.63	27.52
Women		
Retired at age 65 in the current year	28.85	28.72
Employees 45 years old currently, at the time of retirement	31.15	31.05

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

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

The costs of health care have been measured on the basis of the expected costs of the premiums of the medical care policies taken out. A 1% increase in the cost of these premiums would not have a significant impact on the liability recorded at 31 December 2024 and 2023, nor would it produce a material variation in the ordinary financial costs for future years in relation to that recorded in 2024 and 2023.

Other obligations with personnel

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

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

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

The provision for this commitment at 31 December 2024 amounted to Euros 18 million (Euros 14 million at 31 December 2023).

Other non-current provisions

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

	2024	2023
At 1 January	**90**	**83**
– Appropriations	4	51
– Reversals and payments	(5)	(53)
– Transfers and other	4	9
At 31 December	**93**	**90**

"Other non-current provisions" mainly includes provisions recorded to cover obligations deriving from tax claims (Note 17).

No provision for business contracts was deemed necessary at 31 December 2024 or 2023.

At 31 December 2024, the estimated payment period for these obligations is Euros 93 million between one and five years (2023: Euros 90 million between one and five years).

Note 13. Financial liabilities

Set out below is a breakdown of financial liabilities, excluding "Trade and other payables", at 31 December 2024 and 2023, by nature and category:

At 31.12.2024	**Amortised cost**	**Hedging derivatives**	**Total**
Bank borrowings	5,342	—	5,342
Derivatives (Note 14)	—	6	6
Other financial liabilities	1	—	1
Non-current borrowings	**5,343**	**6**	**5,349**
Bank borrowings	131	—	131
Derivatives (Note 14)	—	2	2
Finance lease liabilities	1	—	1
Current borrowings	**132**	**2**	**134**
Total	**5,475**	**8**	**5,483**

At 31.12.2023	Amortised cost	Hedging derivatives	Total
Bank borrowings	2,382	—	2,382
Other financial liabilities	1	—	1
Non-current borrowings	**2,383**	**—**	**2,383**
Bank borrowings	165	—	165
Current borrowings	**165**	**—**	**165**
Total	**2,548**	**—**	**2,548**

Financial liabilities recognised at fair value at 31 December 2024 and 2023 are classified as follows:

	At 31.12.2024				At 31.12.2023			
Financial liabilities	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservabl e variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservabl e variables)**	**Total**
Hedging derivatives	—	8	—	8	—	—	—	—
Total	**—**	**8**	**—**	**8**	**—**	**—**	**—**	**—**

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

	Carrying amount		Fair value	
	At 31.12.2024	At 31.12.2023	**At 31.12.2024**	At 31.12.2023
Bank borrowings, derivatives and other financial liabilities	5,349	2,383	5,418	2,377

The fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available at 31 December 2024 and 2023 on borrowings with similar credit and maturity characteristics. These valuations are based on the quoted price of similar financial instruments in an official market or on observable information in an official market (Level 2).

The movement in financial liabilities is as follows:

	Bank borrowings	**Derivatives**	**Finance lease liabilities**	**Other financial liabilities**	**Total**
At 01.01.2023	**2,472**	**25**	**—**	**1**	**2,498**
Additions	1,100	—	—	—	1,100
Decrease	(1,025)	(25)	—	—	(1,050)
At 31.12.2023	**2,547**	**—**	**—**	**1**	**2,548**
Additions	3,110	8	1	—	3,119
Decrease	(184)	—	—	—	(184)
At 31.12.2024	**5,473**	**8**	**1**	**1**	**5,483**

The following tables describe borrowings and maturities at 31 December 2024 and 2023, taking into account the impact of derivative hedges.

	2025	2026	2027	2028	2029	2030 and beyond	**Total**
At 31 December 2024:							
Fixed	91	91	91	309	263	1,407	2,252
Floating	43	10	455	1,536	435	752	3,231
Total	**134**	**101**	**546**	**1,845**	**698**	**2,159**	**5,483**

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

Setting aside the impact of derivatives on borrowings, fixed-rate debt would amount to Euros 616 million of total debt at 31 December 2024 (Euros 102 million at 31 December 2023) and variable-rate debt would amount to Euros 4,867 million at 31 December 2024 (Euros 2,446 million at 31 December 2023).

The following tables describe the gross borrowings denominated in foreign currencies at 31 December 2024 and 2023 and their maturities, taking into account the impact of the derivative hedges:

	2025	2026	2027	2028	2029	2030 and beyond	**Total**
At 31 December 2024:							
Euro debt	134	101	546	1,845	698	2,159	5,483
Total	**134**	**101**	**546**	**1,845**	**698**	**2,159**	**5,483**

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

Borrowings bore an average effective interest rate in 2024 of 3.63% (2.46% in 2023) including the derivatives assigned to each transaction.

At 31 December 2024, bank borrowings include Euros 28 million in interest pending payment (Euros 12 million at 31 December 2023).

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

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

The main financial instruments are as follows:

Institutional financing

The Company has loans from the Official Credit Institute (ICO) in the form of instruments maturing in 2034 at the latest for a total amount of Euros 400 million (Euros 120 million in 2023).

Additionally, in connection with borrowings from institutional banks, the European Investment Bank (EIB) had granted financing to the Company at 31 December 2024 in the amount of Euros 2,064 million maturing between 2025 and 2044 (Euros 1,550 million at 31 December 2023).

Other bank borrowings

At 31 December 2024, payables to non-institutional credit institutions amount to Euros 3,009 million (Euros 877 million at 31 December 2023).

The Company continues to work on strengthening its financial profile and, in this respect, financing operations have been carried out with credit institutions that do not imply substantial modifications to the conditions of the initial debt for an amount of Euros 3,075 million for refinancing of credit lines and loans in Spain in 2024 (Euros 2,156 million in 2023), and which basically comprise:

2024

- Credit lines for an aggregate amount of Euros 1,900 million and loans of Euros 1,175 million were refinanced.

2023

- Credit lines in the aggregate amount of Euros 1,695 million and loans of Euros 461 million were refinanced.

- In December 2023, bank loans for an aggregate amount of Euros 750 million were arranged and were undrawn at 2023 year-end.

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

Of total bank borrowings, Euros 952 million (Euros 1,023 million at 31 December 2023) is subject to compliance with certain financial ratios.

ESG-linked financing

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

- Direct GHG emissions: three-year average reduction (Mt CO_2/GWh).
- CO_2 intensity of electricity generation: three-year average reduction (tCO_2/GWh).
- Water consumption: three-year average reduction (hm3).
- Women in management positions (%).

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

These credit lines, amounting to Euros 3,723 million (Euros 4,946 million at 31 December 2023) have not been drawn down and, therefore, the impact of the degree of compliance with these indicators on the financial cost is non-material.

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

Note 14. Risk management and derivative financial instruments

Risk management

Naturgy has a Risk Control and Management Model that seeks to ensure that the company's performance is predictable within an acceptable bounded range. This model identifies, controls, models, and establishes valuation methodologies, manages and establishes risk reporting, ensuring that the target risk profile and limits are maintained. The model is implemented on the basis of the principles of integration, segregation, homogeneity, coherence and transparency in corporate governance.

The Risk Management and Control Model is structured in four pillars:

- **Governance and risk management (Risk Governance)**
  Governance and management mechanism in place for all risk types, with the participation of the Management Committee.

- **Risk assessment**
  Methodology for the identification, evaluation and measurement/quantification of risks, defining the risk assessment methodologies, harmonising common procedures for the identification, assessment and treatment of the information associated with each risk, to ensure uniformity and coherence both when quantifying them individually and when subsequently aggregating them, with the aim of achieving a homogeneous, integrated vision of them.

- **Risk appetite**
  Definition of risk tolerance by setting limits for the main risk categories, as a function of the group's targets.

- **Risk reporting**
  Regular, systematic risk reporting at different management levels, expressed in the Corporate Risk Map and recurring risk reports.

Interest rate risk

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

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

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

The debt structure at 31 December 2024 and 2023 (Note 13), after taking into account the hedges arranged through derivatives, is as follows:

	At 31.12.2024	At 31.12.2023
Fixed interest rate	2,252	1,245
Floating interest rate	3,231	1,303
Total	**5,483**	**2,548**

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

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

	Increase/decrease in interest rates (basis points)	**Effect on profit before tax**	**Effect on equity before tax**
31 December 2024	50	(16)	19
	-50	16	(19)
31 December 2023	50	(7)	13
	-50	7	(13)

After observing a decline in Eurozone inflation from a peak of 10.6% in October 2022 to 1.8% in October 2024, the European Central Bank determined in June, September, October and December 2024 to lower the three official interest rates, with the result that the main refinancing rate was reduced to 3.15%, from 4.5% in September 2023. On 30 January 2025, the European Central Bank announced a further reduction in the three official interest rates, bringing the main refinancing rate down to 2.90%.

Exchange rate risk

Variations in exchange rates can affect the fair value of:

- The euro equivalent value of cash flows related to the purchase and sale of gas and other commodities denominated in currencies other than local or functional currencies.
- Debt denominated in currencies other than local or functional currencies.
- Transactions and investments in currencies other than the euro, and, accordingly, the euro equivalent value of the contributed equity and results.

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

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

The currency other than the euro with which the Company operates most is the US dollar. The sensitivity of the Company's profits and equity (Value change adjustments) to a 5% variation (increase or decrease) in the US dollar/euro exchange rate has no material impact at 31 December 2024 and 2023.

Commodity price risk

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

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

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

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

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

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

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

Gas prices began to escalate late in 2021 and peaked in 2022 following the impact of the war in Ukraine. Prices began to decline in 2023 and this trend was maintained in 2024, when prices stabilised somewhat.

Naturgy is exposed to changes in the price of CO_2 emission rights for generation in its combined cycle plants, although it is estimated that a reasonably possible change in the price of rights would not significantly affect profit for the year or equity.

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

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

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

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

Credit risk

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

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

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

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

With respect to other exposures to counterparties in transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such operations with reputable financial institutions in line with internal requirements. No significant defaults or losses arose in 2024 or 2023.

The ageing analysis of financial assets concluded that there were no unimpaired past-due financial assets at 31 December 2024 and 2023.

An ageing analysis of financial assets and related expected losses at 31 December 2024 and 2023 is set out below:

31.12.2024	**Total**	Current	0 to 180 days	180 to 360 days	Over 360 days
Expected loss ratio	76.5 %	—	—	—	100.0 %
Trade receivables for sales and services	17	2	2	—	13
Expected loss	13	—	—	—	13

31.12.2023	**Total**	Current	0 to 180 days	180 to 360 days	Over 360 days
Expected loss ratio	92.9 %	—	—	—	100.0 %
Trade receivables for sales and services	28	2	—	—	26
Expected loss	26	—	—	—	26

The expected loss ratio is calculated as the expected loss divided by customer receivables for sales and services rendered.

The change in the expected loss with respect to 31 December 2023 is due mainly to the transfer of the receivable generated in the period in which the Company acted as representative of Naturgy's generating companies in the wholesale electricity market and arises from delays in payment of Euros 17 million by supply companies (Note 9). It also includes the arrears received after the liquidation of the company Naturgy Informática, S.A.U., for an amount of Euros 4 million.

Impaired financial assets are broken down in Note 9.

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

At 31 December2024 and 2023, the Company did not have significant concentrations of credit risk.

At 31 December 2024, Naturgy updated its credit risk management model based on economic forecasts in the main countries in which it operates, taking into account various factors including the existing geopolitical conflicts affecting the world's economy and financial markets (see Note 3), but debtors' payment behaviour was not found to have a material impact on the Annual accounts.

Liquidity risk

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

At 31 December 2024, the Company’s working capital was negative in the amount of Euros 102 million (Euros 2,271 million in 2023). At 31 December 2024, available liquidity totalled Euros 8,409 million (Euros 6,944 million in 2023), including cash and cash equivalents of Euros 3,136 million (Euros 1,598 million in 2023) described in Note 10 together with undrawn bank financing and credit lines totalling Euros 5,273 million (Euros 5,346 million in 2023).

There is also additional unused capacity to issue debt in capital markets amounting to Euros 7,149 million (Euros 6,099 million at 31 December 2023) (Note 15).

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

Capital management

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

Naturgy targets approximately 50% leverage in its long-term capital management strategy.

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

	2024	2023
Standard & Poor’s	BBB (*)	BBB (*)
Fitch	BBB (*)	BBB (*)

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

Derivative financial instruments

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

	At 31.12.2024		At 31.12.2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Hedging derivative financial instruments	**11**	**6**	**22**	**—**
Interest rate hedges				
Cash flow hedges	11	6	22	—
Other financial instruments	**90**	**89**	**80**	**81**
Price of commodities	90	89	80	81
Derivative financial instruments – non current	**101**	**95**	**102**	**81**
Hedging derivative financial instruments	**19**	**2**	**34**	**—**
Interest rate hedges				
Cash flow hedges	19	—	34	—
Interest and exchange rate hedges				
Cash flow hedges	—	2	—	—
Other financial instruments	**280**	**280**	**5**	**5**
Commodity prices	280	280	5	5
Derivative financial instruments current	**299**	**282**	**39**	**5**
Total	**400**	**377**	**141**	**86**

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

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

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

	2024		2023	
	Operating profit	**Net financial income**	**Operating profit**	**Net financial income**
Cash flow hedge	—	36	—	17
Other financial instruments	1	—	(2)	—
Total	**1**	**36**	**(2)**	**17**

The breakdown of derivatives at 31 December 2024 and 2023, their fair value and maturities of their notional values is as follows:

	At 31.12.2024							
	Fair value	**Notional value**						
		2025	**2026**	**2027**	**2028**	**2029**	**Subsequent years**	**Total**
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	24	477	48	329	209	489	—	1,552
INTEREST RATE AND EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Financial swaps (USD)	(2)	4	5	5	5	65	—	84
OTHER:								
Commodity price derivatives (EUR)	1	—	—	—	—	—	—	—
	23	**481**	**53**	**334**	**214**	**554**	**—**	**1,636**

	At 31.12.2023							
	Fair value	**Notional value**						
		2024	2025	2026	2027	2028	Subsequent years	**Total**
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	56	70	498	48	329	178	20	1,143
OTHER:								
Commodity price derivatives (EUR)	(1)	—	—	—	—	—	—	—
	55	**70**	**498**	**48**	**329**	**178**	**20**	**1,143**

Note 15. Payables to group companies and associates

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

Maturity	**At 31.12.2024**	At 31.12.2023
2024	—	3,967
2025	4,268	1,200
2026	716	1,595
2027	1,379	1,493
2028	816	806
2029	1,194	1,192
2030 and subsequent	1,100	610
Total	**9,473**	**10,863**

On 20 November 2023, the sole shareholder resolved to allow the Board of Directors of the issuer (Naturgy Finance, B.V.) to carry out a legal cross-border conversion in accordance with Directive (EU) 2019/2121 and the relevant implementing legislation in the Netherlands and Spain; under this process, the Issuer, without dissolving, winding up or going into liquidation, transferred its registered office from the Netherlands to Spain and converted its legal form from a Dutch limited liability company (B.V.) to a Spanish corporation (S.A.). The process was registered at the Madrid Mercantile Registry on 28 May 2024 and, consequently, the issuer changed its corporate name from Naturgy Finance B.V. to Naturgy Finance Iberia, S.A.U.

At 31 December 2024, payables to group companies are mainly debts recorded at amortised cost related to issuances carried out by Naturgy Finance Iberia, S.A.U. (Naturgy Finance, B.V. at 31 December 2023) under the European Medium-Term Notes (EMTN) programme. At 31 December 2023, they also included the debts recorded at amortised cost for the issues made by Naturgy Capital Markets, S.A., which were cancelled at maturity in April 2024.

Also included are the balances payable to Naturgy Finance, B.V. in respect of perpetual subordinated debentures amounting to Euros 500 million (Euros 1,000 million at 31 December 2023) and to Unión Fenosa Preferentes, S.A. relating to preference shares totalling Euros 110 million (Euros 110 million at 31 December 2023).

Also included, as payables to group companies, is accrued unmatured interest amounting to Euros 72 million (Euros 113 million in 2023) and cash pooling balances with Group companies for Euros 2,876 million, bearing interest at a rate of 3,762% (Euros 2,473 million in 2023 bearing interest at 3.056%), as well as balances with Group companies relating to consolidated corporate income tax amounting to Euros 120 million (Euros 209 million relating to consolidated corporate income tax and balances with group companies in connection with consolidated VAT amounting to Euros 21 million at 31 December 2023).

The detail of the Group companies' debts in connection with bond issues is as follows:

At 31 December 2024

Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issued in the year
Euro Commercial Paper (ECP) programme							
Naturgy Finance Iberia, S.A.U.	Spain	2010	Euros	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Finance Iberia, S.A.U.	Spain	1999	Euros	12,000	5,851	6,149	1,000

At 31 December 2023

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

(*) During 2024, the company Naturgy Finance BV changed its registered office to Spain and changed its name to Naturgy Finance Iberia, S.A.U..

As is habitual in the Euromarket, the bonds issued, in a volume of Euros 5,851 million (Euros 7,005 million at 31 December 2023), might be accelerated if a change in control triggered a downgrade of more than two full notches in at least two of the Company's three ratings and all the ratings fell below investment grade, and provided that the rating agency stated that the rating downgrade was the result of the change in control.

The main movements in 2024 and 2023 are as follows:

2024

In April 2024, the Company cancelled the debt linked to the repurchase of Euros 500 million of subordinated perpetual debentures issued in 2015 by Naturgy Finance, B.V. (now Naturgy Finance Iberia, S.A.U.) for the same amount.

In October 2024, Naturgy Finance Iberia, S.A.U. issued two bonds: Euros 500 million 6 years with a 3.25% coupon, and Euros 500 million 10 years with a 3.625% coupon. The funds were used to call Euros 1,000 million of bonds maturing between 2026 and 2027. This transaction had a positive impact on the Company's profit and loss account in the amount of Euros 19 million recognised under "Income from marketable securities and other financial instruments of group companies and associates" due to the debt related to Naturgy Finance Iberia, S.A.U.

In 2024, bonds matured for a total amount of Euros 1,154 million with an average coupon of 1.75%.

During 2024, no issues were made under the Euro Commercial Paper (ECP) programme and there were no outstanding issues under this programme at 31 December 2024.

2023

There were no issues under the EMTN or ECP programmes in 2023.

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

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

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

The “Other non-current liabilities” and “Trade and other payables” headings at 31 December 2024 and 2023, classified by nature and category, are as follows:

At 31.12.2024	**At fair value through profit and loss**	**Amortised cost**	**Total**
Derivatives (Note 14)	89	—	89
Other non-current liabilities	**89**	**—**	**89**
Derivatives (Note 14)	280	—	280
Other liabilities	—	217	217
Trade and other payables	**280**	**217**	**497**
Total	**369**	**217**	**586**

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

Fair value through profit and loss

Financial liabilities recognised at fair value at 31 December 2024 and 2023 are classified as follows:

	At 31.12.2024				At 31.12.2023			
Financial liabilities	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**	**Level 1 (quoted price in an active market)**	**Level 2 (observable variables)**	**Level 3 (unobservable variables)**	**Total**
Fair value through profit and loss	—	369	—	369	—	86	—	86
Total	**—**	**369**	**—**	**369**	**—**	**86**	**—**	**86**

The "Derivatives" heading contains the market valuation of unsettled open interest with a credit balance corresponding to operating derivatives arranged by the Company to hedge gas prices of other group companies.

At 31 December 2024, the balance of non-current and current derivatives with group companies is Euros 29 million and Euros 13 million, respectively (Euros 58 million and Euros 0 million at 31 December 2023).

Amortised cost

The breakdown of this account is as follows:

	At 31.12.2024	At 31.12.2023
Trade payables	56	72
Trade payables, Group companies and associates	77	14
Other payables	—	42
Personnel (outstanding remuneration)	40	40
Public Administrations	2	47
Current tax liabilities (Note 17)	42	—
Total	**217**	**215**

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

Information on the average supplier payment period.

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

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

	2024	2023
	Amount	Amount
Total payments (thousand euro)	269,886	432,685
Total outstanding payments (thousand euro)	28,591	19,037
Average supplier payment period (days) (1)	30	19
Transactions paid ratio (days) (2)	31	19
Transactions pending payment ratio (days) (3)	27	25
Total payments within the period established in the default regulations (thousands of euros)	266,096	428,694
% of the amount paid within the period established in the default regulations with respect to the total amount paid	98.60 %	99.08 %
Number of invoices paid within the period established in the default regulations	19,270	14,461
% of invoices paid within the period established in the default regulations with respect to the total invoices paid	97.63 %	96.36 %

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

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

(3) Average age, suppliers pending payment balance.

Note 17. Tax situation

Naturgy Energy Group, S.A. is the parent of Tax Group 59/93, which includes all the companies resident in Spain that are at least 75% directly or indirectly owned by the parent company and that fulfil certain requirements, with the result that the group's taxable income, deductions and tax credits are calculated on an overall basis. The tax group for 2024 is analysed in Appendix I.

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

The reconciliation of accounting profit for 2024 and 2023 to taxable income is as follows:

	At 31.12.2024	At 31.12.2023
Accounting profit before tax	**1,063**	**1,197**
Permanent differences	**(973)**	**(1,184)**
Temporary differences:		
Arising during current year	16	46
Arising in prior years	(42)	(47)
Taxable income	**64**	**12**

Permanent differences relate mainly to the application of the tax consolidation system and the double taxation exemption for dividends and income derived from the transfer of shares under Article 21 of Law 27/2014 on Corporate Income Tax, which has led to negative permanent differences of Euros 915 million resulting from negative adjustments for dividends accruing during the year (Euros 1,138 million in 2023), the reversal of impairment of shareholdings in Group companies and associates and other equity interests amounting to Euros 65 million (impairment reversals of Euros 54 million in 2023), the upward adjustment for donations and other minor adjustments amounting to Euros 7 million (Euros 8 million in 2023).

Taxable income generated in 2024 by the Company amounts to Euros 64 million (Euros 12 million of taxable income in 2023).

Income tax expense is as follows:

	2024	2023
Current-year tax	(1)	26
Deferred tax	(5)	(12)
Total	**(6)**	**14**

Current corporate income tax is the result of applying a 25% tax rate to taxable income. In the tax group, tax credits applied by the Company in 2024 amounted to Euros 16 million (Euros 28 million in 2023) and no tax losses were offset.

At 31 December 2024, prepayments in respect of the Group's consolidated corporate income tax amounted to Euros 111 million (Euros 91 million in 2023) and withholdings on investment income amounting to Euros 10 million (Euros 4 million in 2023). The Company, as the parent company of the tax group, also records the net balance of the settlement for the other group companies (Notes 7 and 15).

In 2024, positive adjustments were recognised for tax differences from the previous year amounting to Euros 1 million (Euros 1 million in 2023).

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

Year of sale	Amount obtained on the sale	Amount reinvested	Capital gain	Capital gain included in tax base	Capital gain pending inclusion in tax base
2002	917	917	462	20	442
2003	39	39	20	—	20
2004	292	292	177	11	166
2005	432	432	300	2	298
2006	310	310	226	—	226
2009	161	161	87	—	87
2010	752	752	551	1	550
2011	468	468	394	2	392
2012	38	38	32	—	32
Total	**3,409**	**3,409**	**2,249**	**36**	**2,213**

The reinvestment has been made in fixed assets used in business activities both by the Company and by the other companies in the tax group, pursuant to Article 75 of the Revised Corporate Income Tax Law.

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

	At 31.12.2024			At 31.12.2023		
	Gross	**Tax effect**	**Net**	**Gross**	**Tax effect**	**Net**
Cash flow hedges	31	(8)	23	30	(7)	23
Actuarial gains and losses and other adjustments	(3)	1	(2)	23	(6)	17
	28	**(7)**	**21**	**53**	**(13)**	**40**

A breakdown of deferred taxes is as follows:

	At 31.12.2024	At 31.12.2023
Deferred tax assets:	127	129
- Realisable within one year	10	17
- Realisable in more than one year	117	112
Deferred tax liabilities:	(263)	(267)
- Realisable in more than one year	(263)	(267)
Net deferred tax	**(136)**	**(138)**

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

Deferred tax assets	**Provisions**	**Tax credits**	**Valuation of assets and financial instruments**	**Goodwill**	**Other**	**Total**
At 1.1.2023	**82**	**28**	**—**	**9**	**1**	**120**
Creation (reversal)	—	—	—	(1)	—	(1)
Movements linked to equity adjustments	6	—	—	—	—	6
Transfers and other	2	2	—	—	—	4
At 31.12.2023	**90**	**30**	**—**	**8**	**1**	**129**
Creation (reversal)	(6)	—	—	(1)	—	(7)
Movements linked to equity adjustments	(1)	—	1	—	—	—
Transfers and other	4	2	—	—	(1)	5
At 31.12.2024	**87**	**32**	**1**	**7**	**—**	**127**

Deferred tax liabilities	Differences Depreciation	Deferred gains	Valuation of liabilities and financial instruments	Other	Total
At 1.1.2023	**2**	**207**	**22**	**44**	**275**
Creation (reversal)	(1)	—	—	12	11
Movements linked to equity adjustments	—	—	(7)	—	(7)
Transfers and other	—	—	—	(12)	(12)
At 31.12.2023	**1**	**207**	**15**	**44**	**267**
Creation (reversal)	—	—	—	(2)	(2)
Movements linked to equity adjustments	—	—	(7)	—	(7)
Transfers and other	—	—	—	5	5
At 31.12.2024	**1**	**207**	**8**	**47**	**263**

The main regulatory issues impacting the Company's tax position in 2024 and 2023 are as follows:

Temporary Energy Levy:

Law 38/2022, enacting the Temporary Energy Levy, among other matters, was published on 28 December 2022. This levy is payable by the main operators in the various energy sectors. If the main operator is part of a tax group, the levy is 1.2% of the net turnover of the tax group after eliminating the amounts corresponding to regulated activities.

Royal Decree Law 8/2023 of 27 December, published in the Official State Gazette on 28 December, extended the application of the levy until 2024, incorporating for 2024, through the General State Budget Law for 2024, an incentive, applicable to the parties liable to the temporary energy tax, for strategic investments that are essential to Spain's ecological transition. These include energy storage, new renewable fuels (e.g. biogas, biomethane or green hydrogen) and any associated network infrastructures, and associated investments in the domestic or European value chain to contribute to energy autonomy, to be made as from 1 January 2024.

The levy is treated as a non-tax contribution to the exchequer and, accordingly, the total amount for the year was recognised under taxes other than income tax on 1 January 2023 and 2024, which are the dates of accrual of the levy. The energy levy was paid in 2024 on the basis of the amounts for 2023, following the same criteria as in the previous year, with a partial payment of 50% on 20 February and the final payment on 20 September. The amount paid by the Company in this respect was Euros 89 million in 2024 (Euros 165 million in 2023), and was allocated to the other companies in the tax group on the basis of their net turnover, with the Company paying an amount of less than Euros 1 million in 2024 (Euros 1 million euros in 2023).

In February 2024, the Spanish tax authorities notified the Company of a partial audit of the Temporary Energy Levy for the year 2023. Pursuant to the provisions of the General Taxation Law, the inspectorate was asked to transform the proceedings into a full audit.

In September 2024, the Company rejected an assessment that proposed a total regularisation of Euros 86.5 million (Euros 83 million euros of tax and Euros 3.5 million of interest). Pleadings were submitted against this assessment that were rejected by the tax authorities in a decision notified on 27 January 2025, which entails ratification of the assessment. Naturgy will appeal the assessment before the Central Economic-Administrative Tribunal within the legally established deadline and plans to post a bond in order to suspend the payment.

At 31 December 2024, Naturgy has recognised a provision for the adjustment proposed by the tax inspection for the 2023 tax year as well as for the estimate of a possible adjustment of 2024 tax, which has been distributed among the companies in the tax group using the same criterion as for distributing the payments made under the self-assessments that were initially submitted; the amount of the provision relating to the Company is Euros 4 million (Note 12).

After an in-depth analysis of the regulations governing the energy levy, in 2023 the Group filed a claim before the National High Court and filed a request for refund of Euros 165 million paid unduly in 2023 (in relation to 2022), and it is preparing a request for the refund of Euros 89 million paid unduly in 2024 (in relation to 2023).

An amendment was added to the Top-up Tax Law 7/2024 in its passage through the Spanish Parliament: a final provision was added repealing Article 1 of Law 38/2022, which constitutes a de facto repeal of the Temporary Energy Levy and rules out the possibility that it may be extended to 2025 via a Royal Decree Law.

In response to this repeal, the subsequent meeting of the Spanish Cabinet on 23 December 2024 adopted Royal Decree Law 10/2024, of 23 December, published in the Official State Gazette on 24 December, which re-imposed the Temporary Energy Levy for 2025, on the basis of turnover in 2024.

The Plenary Session of the Congress of Deputies on 22 January 2025 did not ratify Royal Decree Law 10/2024, of 23 December, which consequently lapsed, meaning that no amount will accrue in 2025 for the Temporary Energy Levy.

OECD Pillar 2:

Ahead of the implementation of the rules included in the Organisation for Economic Cooperation and Development (OECD) Pillar Two, Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union was approved on 15 December 2022. The Directive establishes a minimum tax rate of 15% for all Group companies in each country in which operates. If in any country the minimum 15% rate is not complied with, the difference must be paid in the country of residence of the parent company, Spain in the case of Naturgy.

In order to transpose the Directive into Spanish law, on 21 December 2024, Spain's Official State Gazette published Law 7/2024 of 20 December, which establishes a top-up tax to guarantee an overall minimum level for multinational enterprise groups and large-scale domestic groups, a tax on the net interest income and fees of certain financial institutions and a tax on liquids for electronic cigarettes and other tobacco-related products, and modifies other tax regulations, in effect for annual periods beginning after 31 December 2023; consequently, it is fully applicable to Naturgy in 2024.

Transitional Provision Eight of Law 7/2024 provides for a mandatory temporary exception to the recognition of deferred tax assets and liabilities arising from the implementation of the law establishing a top-up tax and other domestic rules adopted to ensure an overall minimum level of taxation for multinational groups or large domestic groups, and requires further disclosures in the Annual accounts.

In the case of Ireland, a country where Naturgy operates, the national tax authorities have announced that, in compliance with Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union, the Finance Act 2024 introduced a top-up tax to bring the minimum tax rate to 15% from the current 12.5%. The entry into force of this legislation in 2024 resulted in the recognition in Ireland of Euros 1.4 million in top-up tax to attain the minimum rate of 15%.

Naturgy assessed the impact that the application of the current Top-up Tax Law would have for the Group. The possible application of the safe harbours derived from the existing data in the Qualified Country-by-Country Report was analysed and, in the event that no safe harbour is applicable, the amount of top-up tax that would need to be recognised in Spain has been analysed. As a result of this analysis, it was determined that, with the exception of Puerto Rico, all jurisdictions in which the Group operates are covered by the safe harbours applicable in the first two years of application of the top-up tax.

In the specific case of Puerto Rico, the top-up tax that had to be recognised by the Company at 31 December 2024 is Euros 0.5 million. As the Irish top-up tax is treated as a covered tax for the purposes of the Spanish top-up tax, no additional impact needs to be reflected in the annual accounts.

The Company is also analysing the implementation of the most appropriate technological tools to comply with the new tax obligations imposed by Pillar 2 and, specifically, by Spanish Law 7/2024, of 20 December.

Corporate income tax and other taxes:

Royal Decree Law 8/2023, of 27 December, published in the Official State Gazette on 28 December, incorporated a series of tax measures with an impact in 2024, including the following:

- Extension of the application of the reduced VAT rate of 10% on the supply of electricity to customers with an installed capacity of less than 10 kW or who are at risk of social exclusion (to 31 December 2024), as well as on the supply of natural gas, pellets, briquettes and wood from biomass for heating systems (to 30 June 2024).

- The Tax on the Value of Electricity Production is being gradually phased back in so that the tax base for the first quarter will include only 50% of the total tax for production and incorporation into the electricity system, measured at power plant busbars. For the second quarter 75% of the amount will be applied and for the third and fourth quarters 100% of the tax base will be considered.

- The rate of the Special Electricity Levy will gradually be increased, such that in the first quarter of 2024 the applicable rate will be 2.5% and for the second quarter the rate will be 3.8%; from the third quarter onwards, the tax rate will return to the rate provided for in Law 38/1992 on Excise Duties, set at 5.11269632%.

Law 38/2022 also introduced a change in the tax consolidation system with effects limited to 2023, whereby the tax base of groups taxed under the consolidation scheme may only include 50% of individual tax losses, while the remaining 50% is to be applied over the following 10 years. The impact of this measure on corporate income tax for 2023 was a Euros 28 million increase in the tax expense. Law 7/2024 extended this rule to cover 2024 and 2025, resulting in an increase of Euros 69 million in the 2024 corporate income tax expense.

Law 7/2024 also reintroduced the provisions of Royal Decree Law 3/2016 that had been declared unconstitutional by the Constitutional Court in its ruling of 18 January 2024, specifically the more stringent limits for offsetting tax losses and applying deductions for double taxation and the obligation to integrate in the tax base any impairments of holdings that had been deducted before 1 January 2013. The expected impact for Naturgy is a tax refund of Euros 9 million plus default interest estimated at Euros 2 million and a tax refund of Euros 16 million plus interest of Euros 1.5 million arising from the removal of the limitation on offsetting tax loss carryforwards.

The amount recovered as a result of the reversal of the impairment of holdings must be repaid over the following three financial years, in accordance with the provisions of Law 7/2024.

This measure did not have any impact on the Company's 2024 income statement, but merely reflected a tax credit of less than Euros 1 million.

Audits and inspections:

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

In addition, as part of the same inspection procedure, personal income tax withholdings and payments on account from earned income for the period September 2017 to December 2020, and non-resident income tax and withholdings on investment income for the period April 2018 to December 2020 have been subject to a limited scope verification.

Tax assessments with respect to Group personal income tax withholdings and VAT were accepted, resulting in a total adjustment of Euros 0.2 million and Euros 1.2 million, respectively, including default interest. The amount, which had been fully provisioned, was paid in May 2023.

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

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

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

Enforcement of the assessments has been suspended and the provision for the full amount of the liability is recorded under "Provisions" (Note 12) and has been updated at 31 December 2024 and 2023 for the default interest accrued while the suspension continues.

In accordance with Spanish tax legislation, at the date of authorisation of these Annual accounts, the Company's returns for the last four year for the principal taxes to which it is subject and which are not involved in the above-mentioned tax inspection are open to inspection.

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

Naturgy assesses uncertain tax treatments and reflects the effect of uncertainty on taxable income (losses), tax bases, and unused tax losses or tax credits. Naturgy has adequate coverage for possible obligations deriving from a number of tax claims. There are no lawsuits or uncertain tax treatments which are individually material.

Corporate transactions with a tax impact

In previous year, the Company carried out the following transactions with an impact on its tax position:

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

- In 2014, the Company spun off the thermal and hydroelectric power generation business to Naturgy Generación, S.L.U. Pursuant to article 83.3 of Royal Decree-Law 4/2004 enacting the Revised Corporate Income Tax Law act, this operation is defined as a non-cash contribution of a line of business and is thus subject to the special scheme provided for in Title VII, Chapter VIII of that Law. The information requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2014 Annual accounts.

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

Note 18. Revenue

Revenue breaks down as follows:

	2024	2023
Natural gas sales and other	9	173
Income from equity instruments of Group companies and associates (Note 7)	950	1,187
Income from marketable securities and other financial instruments of group companies and associates	509	458
Total	**1,468**	**1,818**

	2024	2023
Domestic market	1,459	1,663
Foreign market:	9	155
- European Union	8	155
- Other countries	1	—
Total	**1,468**	**1,818**

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

The "Income from marketable securities and other financial instruments of group companies and associates" includes the financial income derived from the debt linked to the bond issue and repurchase transaction carried out in October 2024 by Naturgy Finance Iberia, S.A.U. in the amount of Euros 19 million (Note 15).

Note 19. Raw materials and consumables

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

Note 20. Personnel expenses

A breakdown of this heading in the income statement for 2024 and 2023 is as follows:

	2024	2023
Wages and salaries	55	53
Termination benefits	7	25
Share-based payments (Note 11)	2	5
Social security costs	6	5
Other social costs	3	4
Other	5	5
Total	**78**	**97**

At 31 December 2024, Naturgy had carried out a review and update of the professional categories used for the required disclosures in relation to the workforce. This change is intended to reflect the current organisational structure more closely and to improve alignment with the criteria used internally for staff management. The new system of professional categories provides a more representative and detailed view of the distribution of staff according to the roles and responsibilities assumed by each group within the organisation. To ensure comparability of information, the figures for 2023 that are presented for comparison have been reclassified in accordance with the new professional categories.

The average number of Company employees in 2024 and 2023 is as follows:

	2024	2023
Senior management	14	10
Executives	80	83
Middle management	37	34
Not included	130	123
Collective wage agreement	69	67
Total	**330**	**317**

The average number of Company employees during 2024 and 2023 with a disability equal to or greater than 33% is as follows:

	2024		2023	
	Men	**Women**	**Men**	**Women**
Senior management	—	—	—	—
Executives	—	—	—	—
Middle management	—	—	—	—
Not included	3	1	3	1
Collective wage agreement	1	1	1	1
Total	**4**	**2**	**4**	**2**

The number of Company employees at the end of 2024 and 2023, broken down by category and gender, is as follows:

	2024		2023	
	Men	**Women**	**Men**	**Women**
Senior management	11	4	8	1
Executives	51	31	47	35
Middle management	19	19	18	18
Not included	50	90	48	75
Collective wage agreement	28	45	24	39
Total	**159**	**189**	**145**	**168**

Note 21. Other operating expenses

A breakdown of this heading in the income statement for 2024 and 2023 is as follows:

	2024	2023
Leases, royalties, operation and maintenance	46	27
Professional services and insurance	17	19
Advertising and other commercial services	22	17
Contribution to Naturgy Foundation	6	6
Banking services	6	6
Utilities	11	5
Taxes	6	2
Lean Services	6	45
Impairment losses and changes in trade provisions (Note 9)	(17)	—
Other	31	34
Total	**134**	**161**

In 2024, "Leases, royalties, operation and maintenance" includes the costs of maintenance and upkeep of software and renewal of computer licences relating to the activity of liquidated company Naturgy Informática, S.A.U. (Note 5, 6 and 7), which are borne by the Company.

The Company makes contributions to the Naturgy Foundation to enable it to carry out its energy and environmental projects, basically in the community area, as well to fund international initiatives. In the community area, the Naturgy Foundation has broadened its activities to place greater emphasis on its community initiatives, defining new strategic lines for actions aimed at palliating energy vulnerability.

In 2023, “Lean services” included Euros 41 million for transformation costs, while this item amounted to only Euros 4 million in 2024.

Note 22. Other operating income

This account includes Euros 113 million in transactions with group companies and associates in 2024 (Euros 62 million in 2023) and mainly relate to expenses passed on.

Note 23. Net financial income/(expense)

The breakdown of this account in the Income statement for 2024 and 2023 is as follows:

	2024	2023
Income from marketable securities and other financial instruments	75	61
Total financial income	**75**	**61**
Cost of borrowings	(395)	(331)
Interest expense on pensions (Note 12)	(6)	(7)
Other financial expense	(20)	(26)
Total financial expense	**(421)**	**(364)**
Impairment and gains/(losses) on disposals of financial instruments	—	(1)
Net financial income/(expense)	**(346)**	**(304)**

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

Note 24. Foreign currency transactions

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

	2024	2023
Sales	—	48
Income from marketable securities and other financial instruments of group companies and associates	14	9
Purchases	—	(48)
Services received	(5)	(1)
Financial expenses on borrowings from third parties	(3)	(2)
Total	**6**	**6**

Note 25. Information on transactions with related parties

Related parties are as follows:

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

  Based on that definition, Naturgy's related parties are as follows:
  - Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", through Criteria Caixa S.A.U. (Criteria)
  - BlackRock Inc., mainly through GIP III Canary 1, S.à.r.l.(BlackRock)
  - CVC Capital Partners SICAV-FIS, S.A., through Rioja Acquisitions, S.à.r.l. (CVC)
  - IFM Global Infrastructure Fund, through Global InfraCo O (2), S.à.r.l. (IFM)

- Directors and executives/Senior Management of the company, and their close relatives. The term "director" means a member of the Board of Directors and the term "senior management" refers the Executive President, in relation to his executive functions and persons with senior management functions reporting directly to the Board of Directors, its Committees or the Executive President. Transactions with directors and executives/Senior Management are disclosed in Note 26.

- Transactions between Naturgy companies form part of ordinary activities and are effected at arm's length.

The aggregated amounts of operations with significant shareholders and Directors and executives are as follows (in thousand euros):

	At 31.12.2024			
	Significant shareholders			
Income and expense (in thousand euros)	**Criteria**	**CVC**	**BlackRock**	**IFM**
Total expenses	—	—	—	—
Total income	—	—	—	—

Other transactions (in thousand euros)	**Criteria**	**CVC**	**BlackRock (2)**	**IFM**
Dividends and other profits distributed (1)	362,544	281,201	280,193	212,387

(1) The dividends received by the Directors and Senior Management (Note 26) during 2024 were Euros 241 thousand.
(2) Dividends received through the participation of GIP III Canary 1, S.à.r.l.

	At 31.12.2023			
	Significant shareholders			
Income and expense (in thousand euros)	**Criteria**	**CVC**	**GIP**	**IFM**
Total expenses	—	—	—	—
Total income	—	—	—	—

Other transactions (in thousand Euros)	**Criteria**	**CVC**	**GIP**	**IFM**
Dividends and other profits distributed (1)	388,440	301,287	300,207	212,184

(1) The dividends received by the Directors and Senior Management (Note 26) during 2023 were Euros 254 thousand.

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

	2024		2023	
Expenses, income and other transactions	**Group companies**	**Jointly-controlled entities and associates**	**Group companies**	**Jointly-controlled entities and associates**
Financial expenses	(242)	—	(270)	—
Receipt of services	(3)	—	(5)	—
Purchases of goods	(1)	—	(116)	—
Total expenses	**(246)**	**—**	**(391)**	**—**
Financial income	505	4	458	—
Dividends received	950	—	1,212	—
Sale of goods	79	—	241	—
Other income	202	—	226	—
Total income	**1,736**	**4**	**2,137**	**—**

In 2024 and 2023, "Purchases of goods" relates mainly to purchases of natural gas from Group companies.

In addition to dividends received from holdings in group companies, the "Dividends received" heading in the income statement includes supplementary dividends paid out of the share premium account and reserves, which are recognised as a reduction in the value of investments in group companies.

In 2024, all dividends received related to "Income from equity instruments of group companies and associates". In 2023, this item included an additional Euros 25 million of dividends recognised as a reduction in the value of investments in group companies (Note 7).

The "Sale of goods" heading includes sales of natural gas obtained through procurement contracts and gas commodity settlements passed on to group companies, which are recorded under net sales.

"Other income" basically includes income from passing on costs incurred (Note 22), including the allocation of the Temporary Energy Levy payments in the years 2024 and 2023 (Note 17).

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

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

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

Remuneration of the members of the Board of Directors

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

The amount accrued by the members the Board of Directors of Naturgy Energy Group, S.A., for belonging to the Board of Directors, Audit and Control Committee (ACC), Appointments, Remuneration and Corporate Governance Committee (ARGC) and Sustainability Committee (SC), totalled Euros 3,737 thousand (Euros 3,737 thousand in 2023). The amount for 2024 is detailed below (expressed in euros):

	Office	Board	ACC	ARGC	SC	Total
Mr. Francisco Reynés Massanet	Executive Chairman	1,100,000				1,100,000
Ms. Helena Herrero Starkie	Coordinating Director	205,000	44,000		66,000	315,000
Mr. Ramon Adell Ramon	Director	175,000	44,000			219,000
Mr. Enrique Alcántara-García Irazoqui	Director	175,000		44,000		219,000
Ms. Isabel Estapé Tous	Director	175,000			44,000	219,000
Ms. Lucy Chadwick	Director	175,000			44,000	219,000
Mr. Rajaram Rao	Director	175,000		44,000		219,000
Mr. Claudi Santiago Ponsa	Director	175,000	66,000	44,000		285,000
Mr. Pedro Sainz de Baranda Riva	Director	175,000	44,000	66,000		285,000
Mr. Jaime Siles Fernández-Palacios	Director	175,000			44,000	219,000
Rioja S.à.r.l, Mr. Javier de Jaime Guijarro	Director	175,000		44,000		219,000
Mr. José Antonio Torre De Silva López de Letona	Director	175,000	44,000			219,000
		3,055,000	**242,000**	**242,000**	**198,000**	**3,737,000**

In 2024, as in 2023, no amounts were received for other items.

At 31 December 2024, the Board of Directors comprised 12 members (12 members at 31 December 2023), the Audit and Control Committee had 5 members (5 members at 31 December 2023), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members at 31 December 2023) and the Sustainability Committee had 4 members (4 members at 31 December 2023).

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

The members of the Board of Directors are covered with the same liability policy that insures all managers and directors of Naturgy. The premium paid in 2023 by Naturgy Energy Group, S.A. amounted to Euros 519 thousand (Euros 673 thousand in 2023).

Senior management remuneration

For the sole purposes of the information contained in this section, Senior Management is defined as the Executive Chairman in relation to his executive functions, and the executives reporting directly to the Board of Directors, the Executive Chairman or the Internal Audit Director.

Based on the definition established in the preceding paragraph, at 31 December 2024, this group comprised 17 people (11 people at 31 December 2023), two of whom belonged to group companies, as in the previous year.

The amounts accrued in 2024 by 17 members of Senior management for fixed remuneration, variable remuneration and other items amounted to Euros 14,382 thousand (Euros 7,328 thousand, Euros 6,759 thousand and Euros 295 thousand, respectively) and Euros 11,504 thousand of the 11 members who were part of the Senior Management in 2023 (Euros 5,650 thousand, Euros 5,608 thousand and Euros 246 thousand, respectively). As in 2023, the amount relating to the annual variable remuneration of the Executive Chairman will be settled as a voluntary contribution to his retirement plan, in accordance with the terms of the relevant agreement

During 2024, the executives making up senior management did not receive any advances on the long-term variable incentive plan (Euros 103 thousand in 2023). Share-based payments are detailed in Note 11.

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 1,923 thousand in 2024 (Euros 1,657 thousand in 2023). The accrued amount of funds by these contributions amounts to Euros 32,913 thousand for all management as of 31 December 2024 (Euros 25,873 thousand as of 31 December 2023 for the then 11 members of Senior Management).

At 31 December 2024, Naturgy has granted guarantees on loans to senior management amounting to Euros 1,115 thousand (Euros 1,115 thousand at 31 December 2023) and advances amounting to Euros 29 thousand (there were no advances at 31 December 2023). No indemnities were paid for removal from the Management Committee in 2024 (none in 2023).

The Chairman's contract was approved by the Board of Directors on 6 February 2018 and, in line with the Director Remuneration Policy approved by the General Meeting of Shareholders on 28 March 2023, provides for a severance payment in the event of termination or non-renewal of his position as director in the amount of two annuities of his total remuneration: the total fixed remuneration, the annual variable remuneration and the annualised part of the long-term remuneration (equivalent to 1.25 times the total fixed remuneration). The indemnity will not be payable in the event of the serious and culpable nonfulfillment of his professional obligations causing significant harm to Naturgy's interests. In addition, as consideration for a post-contractual no-competition agreement with a duration of one year, an indemnity equivalent to one year’s full fixed remuneration is provided for.

The contracts concluded with 10 members of Management Committee contain a clause providing for compensation equivalent to the legally established indemnity, which varies, depending on seniority, between two and three-and-a-half years' salary. This clause applies to cases of unfair dismissal, as well as those referred to in Articles 40, 41 and 50 of the Workers' Statute, and, in one of the contracts, to certain situations involving a change in control. In addition, the ten contracts contain a clause providing for compensation equivalent to one year's fixed remuneration for a post-contractual non-competition commitment lasting up to two years.

Transactions with members of the Board of Directors and Senior Management

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

In 2024 and 2023, the directors of Naturgy Energy Group, S.A. did not notify the Board of Directors of any general situation of conflict of interest.

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

During 2024 and 2023, the members of the Board of Directors and the Management Committee did not carry out related-party transactions outside the ordinary course of business or transactions that were not conducted under normal market conditions with Naturgy Energy Group, S.A. or group companies.

Note 27. Contingent liabilities and commitments

Guarantees

Guarantees furnished by the Company at 31 December 2024 and 2023 are as follows:

- Guarantees provided to third parties, basically for investment commitments of group companies, amounting to Euros 11 million (Euros 11 million at 31 December 2023).

- Guarantees provided to public bodies, mainly for tax obligations, amounting to Euros 266 million (Euros 263 million at 31 December 2023).

- Guarantees to group companies Naturgy Finance Iberia, S.A.U. and Unión Fenosa Preferentes, S.A.U. for debt issuances carried out by them totalling Euros 6,461 million (Euros 8,115 million at 31 December 2023 for debt issues by Naturgy Capital Markets, S.A., Naturgy Finance, B.V. and Unión Fenosa Preferentes, S.A.U.).

- Guarantees for obligations under gas purchase and transport contracts and long-term (20 to 25 years) gas tanker charter contracts of group companies Naturgy LNG Marketing Ltd, Naturgy LNG GOM Limited and Naturgy Aprovisionamientos, S.A. At 31 December 2024, these contracts amount to Euros 6,722 million (Euros 7,693 million at 31 December 2023) valued on the basis of current market conditions for the commodities and currencies to which they are linked.

- Parent Company Guarantees (PCGs) associated with the derivative instruments contracted for a total amount of Euros 1,381 million (Euro 1,308 million at 31 December 2023).

As the above guarantees are basically granted in order to secure the fulfilment of contractual obligations or investment commitments, the events that would lead to their execution, and therefore a cash disbursement, would be the nonfulfillment by Naturgy of its obligations in the ordinary course of its business, the probability of which is considered remote. Naturgy estimates that the liabilities not foreseen at 31 December 2024, if any, that could arise from guarantees furnished would not be significant.

Contractual commitments

At 31 December 2024 and 2023, the Company has no long-term gas purchase commitments.

Operating lease commitments break down as follows:

	2024	2023
Up to one year	17	17
Between 1 and 5 years	46	46
Between 5 and 10 years	11	18
	74	**81**

In 2024, this mainly includes operating leases without purchase options on four properties, as detailed below:

Property	**Situation**	**Contract maturity**	**Contact extension**
Avda. San Luis, 77	Madrid	2026	5 years
Acanto, 11-13	Madrid	2026	5 years
Avda. América, 38	Madrid	2030	2 periods of 5 years
Avda. Diagonal, 525	Barcelona	2031	2 periods of 5 years

Contingent liabilities for litigation and arbitration

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

Contested withholding tax assessments

On 7 July 2023, assessments were received in respect of withholdings on account of non-resident income tax for the period 2018-2020 amounting to Euros 191 million, including interest; those assessments are being disputed and an administrative-financial appeal has been filed with the Central Economic-Administrative Court. At 31 December 2024, the Board of Directors does not consider it likely that the related risks will materialise.

Note 28. Auditors' fees

The fees accruing in 2024 and 2023 were as follows:

	2024			2023		
	KPMG Auditores, S.L	Rest of KPMG network	Total	KPMG Auditores, S.L	Rest of KPMG network	Total
Auditing services	1,165	—	**1,165**	877	—	877
Assurance services and services related to the audit	251	—	**251**	152	—	152
Tax services	—	102	**102**	—	105	105
Other services	210	44	**254**	—	88	88
Total fees	**1,626**	**146**	**1,772**	**1,029**	**193**	**1,222**

Note 29. Environment

Environmental actions

Naturgy is aware of its activities' environmental impacts and therefore the Group pays particular attention to the protection of the environment and the efficient use of natural resources to meet energy demand. The Global Sustainability Policy defines Naturgy's environmental action around eco-efficiency, the rational use of natural and energy resources, the minimisation of environmental impact, the promotion of innovation and the use of the best available technologies and processes. It also establishes Naturgy's voluntary commitment to be a key player in the energy transition towards a circular, decarbonised economy model which, in line with the objectives of the Paris Agreement, drives climate action and biodiversity protection while promoting a fair and inclusive transition by generating and improving employment opportunities.

Naturgy's most immediate, concrete and measurable responsibility towards the environment is set out in the Sustainability Plan, based on the Strategic Plan 2025-2027. The Sustainability Plan establishes the objectives that guide the Group in its daily performance, in line with applicable regulations and the European Sustainability Reporting Standards (NEIS).

Looking farther ahead, the Group is committed to investing today in sustainable activities, many of which are eligible under the European Taxonomy:

- Constructing new renewable generation facilities to reach an installed capacity of 9.5 GW by 2027.
- Focusing on carbon-neutral renewable gases with a target of injecting at least 1.6 TWh into gas networks in Spain by 2027.
- Protecting biodiversity, which is affected by the climate challenge, and overcoming the risk of a net loss of natural capital, as a strategic priority,

Naturgy is committed to being one of the key players in the energy transition towards a circular, decarbonised economy, in line with the goals of the Paris Agreement.

To this end, Naturgy will focus on six strategic environmental axes:

- Environmental governance and management
- Climate change
- Pollution
- Water resources
- Biodiversity and ecosystems
- Resource use and circular economy

Although the 2024 Consolidated Non-financial Information Statement and Sustainability Reporting contains detailed information on the company's environmental management performance and results, the main milestones are summarised below.

Environmental governance and management

- In 2024, the Environmental Policy was updated and integrated into the new Sustainability Policy. Additionally, the new Sustainability Plan 2025-2027 was been drawn up, aligned with Naturgy's new Strategic Plan, and sets the environmental objectives for this period.

- Naturgy maintains its ISO 14001 certification and no major environmental non-conformities have been disclosed in this connection.

- Both climate-related and nature-related risks are assessed using the voluntary TCFD (Task Force on Climate-related Financial Disclosures) and TNFD (Taskforce on Nature-related Financial Disclosures) frameworks, respectively.

Climate change

- At a meeting on 18 February 2025, the Board of Directors approved the Climate Transition Plan, which establishes the lines of action that Naturgy will pursue in the medium and long term to mitigate and adapt to climate change. In this regard, the company is committed to achieving net zero emissions (Net Zero) by 2050, considering all carbon footprint scopes and prioritising 1.5ºC reduction pathways where feasible, subject to the energy and regulatory policy of each of the countries where it operates, establishing intermediate emission reduction targets and minimising the use of offset mechanisms.

- In 2024, the total carbon footprint (scopes 1, 2 and 3) was reduced by 4.2% compared with 2023. Scope 1 emissions (direct emissions) amounted to 11.5 million tCO_2eq, 7.9% lower than in the previous year, mainly due to the lower operation of the Group's combined cycle power plants (net reduction of 2.8% in electricity generation compared to 2023, mainly in Spain). The weather in Spain in 2024 meant that it was a good year for renewable generation, leading to a reduction in the activity of combined cycle plants, which act as a back-up for hydroelectric and wind power generation, in contrast with 2023, which was a particularly dry year. Indirect scope 2 emissions amounted to 0.5 million tCO_2eq, an increase of 14%, and Scope 3 emissions amounted to 107.5 million tCO_2eq. The latter decreased by 5.6% for several reasons, most notably the increase in end-user demand for natural gas in all the countries where it is distributed and in the volume of LNG sold internationally.

- Renewable gases (biomethane and hydrogen) are the key lever for decarbonising Naturgy's gas business. In 2024, the Group was involved in biomethane projects, reaching a production and/or grid injection capacity of 0.348 TWh.

- 7,796 GWh of renewable electricity was supplied in Spain with guarantees of origin certified by the CNMC for more than 2.2 million contracts, representing 46% of the energy purchased and an increase of 27% over the previous year.

- 18,496 MWh of biomethane with renewable gas guarantees of origin, either in-house or purchased on the market, were supplied in Spain.

- Fuel consumption decreased by 9% due to the reduced operation of combined cycle power plants.

Water resources

- Water is a natural resource used in the Company's processes to which particular attention is paid, through analyses of the risks related to water use, discharge quality control, ecological reservoir management, eco-efficiency. and the reuse of water in processes, for instance through the integration of wastewater from other activities. Overall, 768.7 hm^3 were collected, of which 16.5 hm^3 have been consumed, with the difference returned to the environment in the form of discharges. In absolute terms, water consumption was reduced by 3.2% in 2024. This was due to the fact that the weather in Spain was favourable for renewable generation, with the result that the combined cycle plans, which act as a back-up for hydroelectric and wind power generation, operated for fewer hours than in 2023, which was a particularly dry year.

Biodiversity and ecosystems

- In 2024, Naturgy undertook numerous actions in the area of natural capital and biodiversity, all with the aim of preventing, reducing or offsetting our impacts so as to advance with our commitment to zero net loss of biodiversity and the enhancement of the value of the natural surroundings. Specifically, 368 biodiversity initiatives were implemented worldwide.

- In 2024, environmental restoration actions were carried out on 303 hectares. 20% of that area relates to protected areas, habitats or species.

Note 30. Events after the reporting date

On 20 January 2025, the Secretary of State for Energy issued a Resolution recognising the right to be compensated for financing the energy subsidy ("bono social"), in the amount of Euros 63 million plus interest accrued from the date of payment until reimbursement; the Resolution urged that the amount be paid.

On 18 February 2025, Naturgy's Board of Directors approved the 2025-2027 Strategic Plan and, consequently, the early expiry of the long-term Variable Incentive Plan discussed in Note 11. In addition to the early expiry of the plan, the Board of Directors, based on a proposal of the Appointments, Remuneration and Corporate Governance Committee, decided that the value of the surplus of the corporate vehicle generated in accordance with the conditions initially established, instead of the delivery of shares, should be settled in cash. Additionally, this also implies terminating the plan implemented for the executives not included in the previous plan described in Note 12 of the Annual accounts.

Furthermore, as part of the 2025-2027 Strategic Plan, it has been resolved to propose that the next Shareholders' Meeting authorise a public tender offer to acquire up to 10% of own shares in order to subsequently increase the company's free float with these shares.

Also on 18 February 2025, Naturgy's Board of Directors approved the proposal for the distribution of the Company's 2024 net profit and retained earnings, which will be submitted to the general meeting of shareholders as described in Note 11.

Apart from the foregoing, there have been no other material events since the reporting date.

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NATURGY TAX GROUP COMPANIES

The companies in the Naturgy tax group for the year 2024, according to the statement made to the State TaxAdministration Agency, are as follows:

Naturgy Energy Group, S.A.	Naturgy Generación Térmica, S.L.U.
Biometano Segria, S.L.	Naturgy Generación, S.L.U.
Boreas Eólica 2, S.A.	Naturgy Iberia, S.A.
Comercializadora Regulada, Gas & Power, S.A.	Naturgy Informática, S.A.U.
`Encarnaciones Energy, S.L.	`Naturgy Infraestructuras EMEA, S.L.
Energías Ambientales de Somozas, S.A.	Naturgy Ingeniería Nuclear, S.L.
Energías Renovables Agüimes, S.L.U.	`Naturgy InnovaHub, S.L.
Europe Maghreb Pipeline, S.L.	Naturgy Inversiones Internacionales, S.A.
Gas Natural Comercializadora, S.A.	Naturgy LNG GOM, S.L.
Gas Natural Redes GLP, S.A.	Naturgy Nuevas Energías, S.L.U.
Gas Natural Transporte SDG, S.L.	Naturgy Participaciones, S.A.U.
General de Edificios y Solares, S.L.	Naturgy Renovables Canarias, S.L.U.
Global Power Generation, S.A.	Naturgy Renovables Ruralia, S.L.
GPG Ingeniería y Desarrollo de Generación, S.L.U.	Naturgy Renovables, S.L.U.
GPG México Wind, S.L.U.	Naturgy Vento, S.A.
GPG México, S.L.U.	Nedgia Andalucía, S.A.
H2Meirama, S.L.	Nedgia Aragón, S.A.
Holding de Negocios de Gas, S.A.	Nedgia Balears, S.A.
Holding Negocios Electricidad, S.A.	Nedgia Castilla La Mancha, S.A.
J.G.C. Cogeneración Daimiel, S.L.	Nedgia Catalunya, S.A.
La Propagadora del Gas, S.A.	Nedgia Cegas, S.A.
Lignitos de Meirama, S.A.	Nedgia Madrid, S.A.
Mangos Energy, S.L.	Nedgia Navarra, S.A.
Naturgy Acciones, S.L.U.	Nedgia, S.A.
Naturgy Alfa Investments, S.A.U.	Operación y Mantenimiento Energy, S.A.
Naturgy Aprovisionamientos, S.A.	Parque Eólico Nerea, S.L.
Naturgy Capital Markets, S.A.	Parque Eólico Peñarroldana, S.L.
Naturgy Ciclos Combinados, S.L.U.	Petroleum Oil & Gas España, S.A.
Naturgy Clientes, S.A.U.	Romera Eco Power Solar Energy, S.L.
Naturgy Comercializadora Empresas, S.A.U.	Sagane, S.A.
Naturgy Commodities Trading, S.A.	Societat Eòlica de L'Enderrocada, S.A.
Naturgy Distribución Latinoamérica, S.A.	Sol Morón Energy, S.L.
Naturgy Electricidad Colombia, S.L.	Tratamiento Cinca Medio, S.L.
Naturgy Engineering, S.L.	UFD Distribución Electricidad, S.A.
Naturgy Finance Iberia, S.A.U.	Unión Fenosa Preferentes, S.A.U.

Naturgy Energy Group. S.A.
2024 Report

DIRECTORS' REPORT

Directors' report for the year ended 31 December 2024

Contents

1. Main aggregates performance

The main financial aggregates of Naturgy Energy Group, S.A. and their performance are as follows:

	2024	**2023**	**%**
Net turnover	1,468	1,818	(19.3)
Operating profit	1,409	1,501	(6.1)
Profit for the year	1,057	1,211	(12.7)
Shareholders' equity	17,684	17,980	(1.6)
Net equity	17,704	18,023	(1.8)
Financial debt	5,483	2,548	115.2

(1) According to the definition of Alternative Performance Metrics (APM) used, Financial debt corresponds to the sum of the balance sheet headings"Long-term Financial Debt" (Euros 5,349 million at 31 December 2024 and Euros 2,383 million at 31 December 2023) and "Short-term financial debt" (Euros 134 million at 31 December 2024 and Euros 165 million at 31 December 2023). The relevance to use corresponds to the measure of the company's indebtedness, which includes current and non-current items. This indicator is widely used in capital markets to compare different companies.

Naturgy Energy Group, S.A., is a company that operates basically through holdings in other group and associated companies; accordingly, the information below refers to the Naturgy consolidated group (hereinafter, Naturgy).

1.1. Business performance and results

Notes on financial disclosures

– Naturgy's financial disclosures contain magnitudes drafted in accordance with International Financial Reporting Standards (IFRS) and Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. The APMs are defined in the Appendix to the accompanying Consolidated Directors' Report.

Main financial aggregates

	2024	2023	**Change (%)**
Net sales	19,267	22,617	(14.8)%
EBITDA	5,365	5,475	(2.0)%
EBIT	3,549	3,470	2.3 %
Income attributable to equity holders of the parent	1,901	1,986	(4.3)%
Capital expenditure (CAPEX) [1]	2,280	2,747	(17.0)%
Net borrowings	12,201	12,090	0.9 %
Free cash flow after non-controlling interests [1]	1,418	1,925	(26.3)%

[1] These alternative performance measures were redefined to better reflect the investment effort of the Group's businesses (see Appendix I of the Alternative performance metrics in Consolidated Director's Report).

Key financials & metrics

	2024	2023
Leverage (%)	51.1 %	50.3 %
EBITDA/Net financial debt cost	10.9x	11.3x
Net financial debt/EBITDA	2.3x	2.2x

Main stock market ratios and shareholder remuneration

	2024	2023
Total no. of shares ('000)	969,614	969,614
Average no. of shares outstanding ('000) [1]	960,734	960,810
Share price at 31/12 (Euros)	23.38	27.00
Market capitalisation at 31/12 (Euros million)	22,670	26,180
Earnings per share (Euros) attributable to the parent company	1.98	2.07
Dividend paid	1,357	1,454

[1] Calculated using the average number of outstanding shares in the year (average number of ordinary shares minus average number of treasury shares).

Key operating figures

Distribution	**2024**	2023
Gas distribution (GWh)	392,953	378,390
Electricity distribution (GWh)	34,410	32,496
Gas supply points ('000)	11,066	11,060
Electricity supply points ('000)	4,913	4,868
Gas distribution network (km)	137,567	136,970
Length of electricity transmission and distribution network (km)	157,165	156,232

Gas	**2024**	2023
Supply (GWh)	123,972	141,638
International LNG (GWh)	110,117	106,937
Total gas supply (GWh)	**234,089**	**248,575**

Electricity		
Supply (GWh)	18,111	19,471
Electricity sales (GWh)	1,414	1,124
Total electricity supply (GWh)	**19,525**	**20,595**
Installed capacity thermal generation (MW)	10,675	10,675
Installed capacity renewable (MW)	7,254	6,467
Total installed capacity (MW)	**17,929**	**17,142**
Battery storage (MW)	**65**	**10**
Net production thermal generation (GWh)	28,279	31,184
Net production renewable (GWh)	14,381	12,704
Total net production (GWh)	**42,660**	**43,888**

Environmental and social performance

Environment	2024	2023
Power generation emission factor (t CO_2/GWh)	234	247
Greenhouse gas (GHG) emissions (M tCO_2 eq)[1]	11.9	12.9
Emissions-free installed capacity (%)	43.7	41.0
Emissions-free net production (%)	43.0	38.6

Interest in people	2024	2023
No. of employees at year-end [2]	6,941	7,010
Training hours per employee [3]	46.0	41.5
Women representation (%)[2]	35.0	33.9

Health and safety	2024	2023
No. of accidents leading to days lost	12	9
Frequency	0.18	0.13

Commitment to society and integrity	2024	2023
Economic value distributed (Euros million) [4]	17,173	20,193
No. of complaints received by the Ethics Committee	117	80

1 GHG: greenhouse gases, measured as tCO_2 equivalent (scope 1 and 2).
2 Does not include the number of employees at discontinued operations (12 persons in 2024 and 21 persons in 2023).
3 Considering the employees managed, according to the Sustainability Report and Non-Financial Information Statement.
4. Defined in Annex I – Alternative Performance Measures in Consolidated Director's Report.

1.2. Executive summary

2024 has been marked by lower energy prices compared to 2023, both in gas and electricity, resulting in a more challenging energy scenario. Following the volatility experienced in recent years, energy prices have gradually rebalanced towards pre-energy crisis levels but remain sensitive to ongoing global developments.

Naturgy business focus and risk management initiatives contributed to deliver strong and resilient results amid the less favorable backdrop. Group EBITDA in 2024, amounted to Euros 5,365 million, a decrease of 2.0% compared to 2023; the contributions by regulated and liberalised activities were balanced, accounting for 53% and 47% of total EBITDA, respectively. Net income attributable to the parent company amounted to Euros 1,901 million in 2024, a decrease of 4.3% compared to 2023. Naturgy delivered strong results only slightly below its 2023 record, exceeded its guidance and successfully delivered on its commitments for 2024.

Throughout 2024, liberalized activities saw a decline in profitability and contribution compared to the previous year. Specifically, Energy Management activities, including gas and LNG procurement, and Supply faced significant margin contraction after exceptionally strong performances in 2022 and 2023. On the other hand, regulated activities proved resilient and experienced growth, supported by the positive regulatory developments in some Latin America regions and growth in Spain Electricity.

During 2024, Naturgy invested Euros 2,280 million, mainly in renewable developments and networks. Renewable generation installed capacity reached 7.3 GW and approximately 1.6 GW renewable capacity are currently under construction, of which 838 MW in Spain, 360 MW in Australia and 387 MW in the United States. Approximately an additional 0.9 GW are expected to become operational during 2025.

Moreover, Naturgy continued to progress on Renewable Gases in Spain and has formed a partnership with agricultural and livestock waste management firm Hispania Silva to develop up to 30 biomethane plants across Spain until 2030, with an annual generation capacity of approximately 2.5 TWh, equivalent to the consumption of 500,000 homes, contributing to the decarbonization of the economy, with the reduction of 450,000 tons of CO_2. Naturgy aims to be the leading company in promoting renewable gases in Iberia and is well-positioned to take advantage of this opportunity and willing to deploy significant investments and resources in this business.

Naturgy's net financial debt at 2024 year-end stood at Euros 12,201 million, compared with Euros 12,090 million at the end of 2023. Net financial debt to EBITDA stands at 2.3x, slightly above 2023 (2.2x). Moreover, the evolution of net financial debt considers the Euros 500 million hybrids redeemed in April 2024 and therefore Naturgy's overall indebtedness and balance sheet has continued to strengthen in the period. Furthermore, Naturgy maintains an ample liquidity buffer, with Euros 11.2 billion in available cash and equivalents and undrawn credit lines as of year-end 2024.

In terms of shareholder remuneration and during 2024, Naturgy distributed Euros 1,345 million dividends, corresponding to 2023 final dividend of 0.40 €/share, paid in April 2024 and two interim dividends of 0.50 €/share each, paid in August and November 2024. A total dividend against 2024 results of 1.60 €/share will be proposed to the Annual Shareholder's Meeting, in accordance with the committed dividend policy. The final dividend of 0.60 €/share shall be payable in April 2025, subject to Annual Shareholder's Meeting approval.

During 2024 Naturgy's share price was influenced by external factors beyond management's control, such as the negotiations between Criteria Caixa and TAQA in the first half of the year or the exclusion from the Morgan Stanley Capital International (MSCI) indices in February 2024 (effective as of the close of the last trading day of February).

Notwithstanding, Naturgy's management team remained focused on executing its strategic roadmap, investing in profitable growth projects, proactively managing regulatory developments and uncertainties and improving long term visibility, reaching a price agreement with Sonatrach to ensure a competitive energy supply for Spain, as well as optimizing the Company's capital structure, among other relevant achievements.

The Company is today in a position of strength to continue its transformation.

Shareholder structure developments

On 16 and 17 April, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a communiqué in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. On 11 June 2024, TAQA issued a similar statement announcing that it would not be performing the transaction.

MSCI (Morgan Stanley Capital International)

MSCI (Morgan Stanley Capital International), a global reference for institutional investors and a benchmark for many mutual funds and exchange-traded funds (ETFs) announced constituent changes on various of its indices, following its February 2024 review. As a result, Naturgy was removed as a constituent from various MSCI indices, effective as of the close of the last trading day of February. The exclusion was based on Naturgy's free float market value, number of shares in circulation without restrictions to be traded in the market, which had fallen below the minimum thresholds for MSCI inclusion criteria. The exclusion of Naturgy from the MSCI indices was completely unrelated to its operational and financial performance.

Energy demand and commodity prices

During 2024, average gas and electricity prices in Europe were substantially lower compared to 2023, affected by supply and demand dynamics and mild temperatures. In this context, gas prices on major hubs experienced significant declines, with the TTF, JKM and HH comparing on average 29.6%, 26.7% and 20,7% below 2023 respectively. Wholesale electricity prices for their part compared 27.7% below on average vs. 2023. Finally, average Brent prices were 2.2% lower than in 2023.

Demand had a positive evolution across markets, with higher distributed energy in all markets. Spain Gas remained stable (+0.8%) while Mexico Gas, Brazil Gas, Chile Gas and Argentina Gas experienced growth of 10.3%, 14.6%, 1.2% and 5.0% respectively. Spain Electricity, Panama Electricity and Argentina Electricity posted 6.5%, 3.4% and 5.3% growth respectively.

2. Main risks, opportunities and uncertainties

2.1. Risk management model

Naturgy's risk management model seeks to ensure that the company's performance is predictable within an acceptable bounded range. The model quantifies the variability of performance and ensures that it is in line with strategically defined target levels in all aspects that are of importance to its stakeholders.

Core goals of the risk measurement and management model include ensuring that material risk factors are correctly identified, assessed and managed. The final objective is to ensure that the level of exposure assumed by Naturgy in the course of its business is consistent with the company's defined overall risk profile and the attainment of annual and strategic objectives.

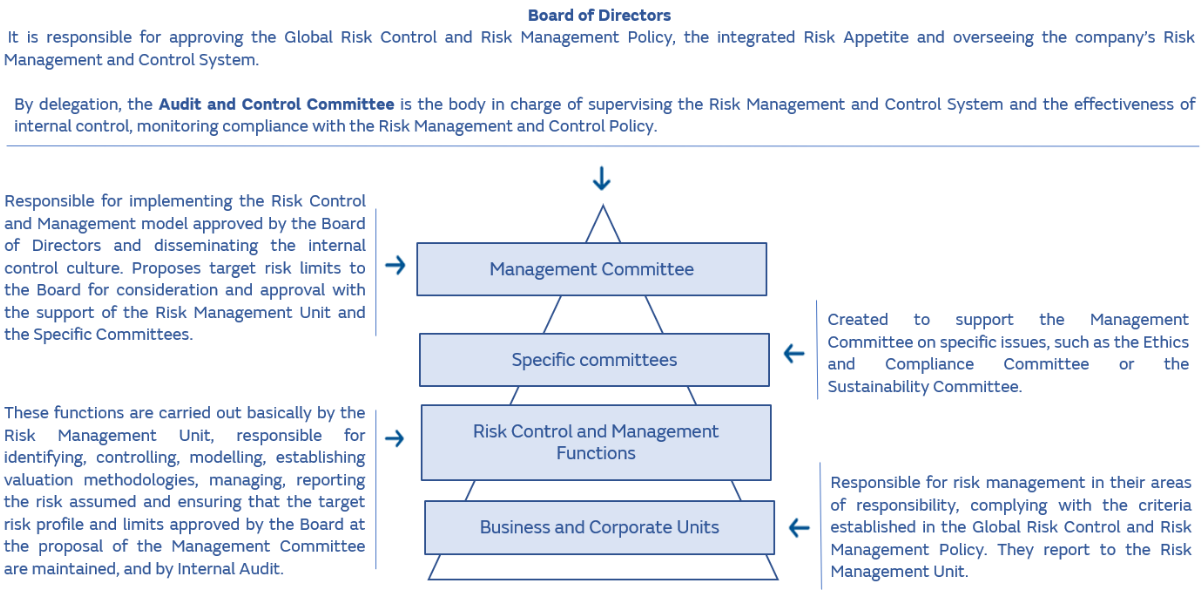
The Integrated Risk Management and Control System is structured around four pillars:

- Risk governance: risk governance and management mechanism for all risk classes and all businesses, with Management Committee involvement.
- Risk assessment: methodology, procedure and process for identifying, assessing and measuring risks.
- Risk Appetite: Definition of risk tolerance by setting limits for the main risk categories, as a function of the Group's targets.
- Risk Reporting: regular, systematic risk reporting at different management levels, expressed in the Corporate Risk Map and recurring risk reports.

Risk management bodies

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

To this end, it has a number of bodies with clearly identified areas of responsibility, making it possible to delimit the predictability and ensure the sustainability of the company's operational and financial performance.



The **specific committees** are made up of members of the Management Committee and other executives and are intended to support the Management Committee in specific matters.

The **Risk Management and Control functions** are mainly carried out by the Risk Management and Internal Audit units. These units may be represented in specific committees:

- Risk Management, which is responsible for monitoring, managing and reporting the risk assumed and ensuring that the target risk profile and limits approved by the Board at the proposal of the Management Committee are maintained. Modelling of the financial statements is aimed at identifying their main sensitivities, anticipating potential negative impacts and taking corrective or mitigating actions.
- Internal Audit, as a third line of defence, conducts appropriate audits to assess the level of compliance with the Risk Control and Management Policy.

The **Business and Corporate units** are responsible for risk management in their areas of responsibility, in line with the criteria established in the Global Risk Management and Control Policy. They report to the Risk Management Unit on progress with the risks in their area of responsibility.

Comprehensive management

Naturgy analyses its overall risk profile on the basis of the potential impact on its Annual accounts. In this way, it determines the maximum acceptable level of risk exposure in order to manage it appropriately.

The tools that enable the company to achieve continuous improvement in the process of identifying, characterising, determining and monitoring its risk profile are:

- Global Risk Control and Management Policy: the most recent version was approved by the Board of Directors of Naturgy in February 2024. Its purpose is to establish the general principles and standards of behaviour required to ensure proper identification, reporting, assessment and management of Naturgy's exposure to risk.
- Corporate Risk Map: identifies and quantifies the risks which might affect Naturgy's performance, considering the characteristics of the risk position (impact variables, potential severity in quantitative and qualitative terms, likelihood of occurrence, and degree of management and control). It is updated and submitted regularly to the Audit and Control Committee by the Risk Management unit.
- Other risk maps: developed on a discretionary basis with respect to a specific risk typology or the risks of a specific business, with a methodology that conforms to and is aligned with the Corporate Map.
- Risk Measurement System: The metrics used to assess risk depend on the nature of the risk:
    - Stochastic/probabilistic: a probabilistic simulation of deviations in monetary and volume metrics within a confidence interval.

- Deterministic/scenarios: expected impact of an event based on its probability.
- Financial and non-financial stress tests:
- Heatmaps: qualitative analysis of the risk on a factor basis.

Risk categories

Naturgy defines five risk types in its Corporate Risk Map: Economic, Financial, Operational, Reputational/ Sustainability, and Strategic.

Types of economic and financial risk

Economic and financial risks are assessed by quantitative modelling.

Categories of economic risk

Risk factors with an impact on business results, caused by the volatility of exogenous factors, amendments to regulatory frameworks, or changes in demand with an impact on short-term results:

- **Commodity risk**, the uncertainty caused by variability in the prices of the energy and other commodities that the company uses.
- **Exchange rate risk**, the uncertainty associated with changes during the year in the exchange rates of the currencies in which Naturgy's businesses are denominated.
- **Regulatory risk**, the risk associated with changes to the remuneration frameworks for the regulated businesses and/or updates to the specific remuneration parameters and/or amendments to the regulatory framework under which Naturgy businesses operate.
- **Volume risk**, risk associated with the variation in volumes produced, distributed and/or supplied due to variations in temperature, changes in customer behaviour as a result of climate change, and the macroeconomic or competitive environment with respect to the base scenario considered in the projections.
- **Margin/price risk**, understood as the price risk not contemplated under commodity risk that arises from changes in competitive pressure or failed margin assumptions.
- **Legal risk**, related to the outcome of litigation, arbitration or legal claims against Naturgy in the year of analysis.

Financial risk categories

Risk factors with an impact on the company's cash flow and balance sheet caused by the volatility of financial variables, potential impact of counterparties, amendments to tax frameworks, and provisioning.

- **Credit risk**, unexpected loss due to uncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of the end customers and counterparties with which Naturgy deals.
- **Interest rate risk**, variability of the company's financial expenses caused by changes in interest rates and in refinancing needs in the currencies in which Naturgy's debt is denominated.
- **Tax risk**, associated with the proper application of tax regulations, the complexity of their interpretation, and possible amendments, with a potential economic impact on the Naturgy's accounts.
- **Liquidity risk**, risk associated with a potential increase in the financing needed to maintain the company's target rating.
- **Rating risk**, risk of a downgrade of the company's credit rating, considering that the company targets an anchor BBB rating.
- **Provisioning and warranty risk**, risk of maintaining an excessive volume of provisions on the balance sheet, resulting in the risk that they may materialise and their effect on cash outflows.

Types of operational, reputational/sustainability and strategic risk

Operational, reputational/sustainability and strategic risk are generally assessed using heat maps.

Operational risk categories

Risk factors derived from operating the company's human and material assets.

- **Operational risk**, associated with events of force majeure or accidents affecting persons, and with accidents, damage or non-availability of the company's operating assets, after coverage by Naturgy's insurance programme.
- **Security risk**, understood as the residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.
- **Business continuity and crisis management risk**, the risk of a service-level breach as a result of inadequacy or failure of processes, systems or performance by in-house or third-party staff.
- **Fraud risk**, derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.
- **Cybersecurity risk**, arising from malicious attacks or accidental events with an operational impact that affect data, computer networks or technology.
- **Data protection risk**, the risk associated with breach of data protection obligations that may result in an administrative sanction or civil judgement.
- **Environmental and biodiversity risk**, associated with the possibility that natural phenomena or human action may result in regulatory environmental limits being exceeded or in harm to third parties, ecosystems or biodiversity.
- **Health and safety risk**, understood as the risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.

Reputational/Sustainability risk categories

Risk factors associated with behaviours that constitute a departure from good practices in the area of reputation, *ESG* commitment, compliance, people and climate change.

- **Reputational and ESG risk**, uncertainty in the evolution of stakeholders' perception of the company's reputation and its capacity to engage in business sustainably from an environmental, social and governance point of view.
- **Compliance risk**, risk of Naturgy suffering penalties, financial loss or loss of reputation as a result of noncompliance with legal obligations, as well as regulations, policies and other internal regulations applicable to its activities.
- **Customer satisfaction risk**, risk of not offering the customer a distinctive value proposition that places the company in a privileged position to define new relationship models and address the digital transformation.
- **Climate change risk**, arising from the energy transition (changes to regulations, markets or technologies) and the physical impacts of climate change (acute and chronic).

Strategic risk categories

Risk factors associated with the company's business portfolio: Long-term commodity exposure, capital employed by geography (soft vs. hard currencies), business risk profile (exposure to regulated vs. merchant businesses).

2.2. Description of the main risks

Commodity risk

Electricity and gas price volatility

A large proportion of Naturgy's operating results is linked to the purchase of gas for supply to a diversified portfolio of customers.

Most gas procurement contracts are arranged on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives, and natural gas hub prices.

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

Consequently, Naturgy is exposed to variations in gas procurement prices with respect to the sale price to end customers. Exposure to this risk is managed and mitigated by natural hedging, seeking to balance the commodity exposures of both prices. Additionally, the main long-term procurement contracts enable us to manage this exposure through volume flexibility and price review mechanisms.

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

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

The company is exposed to fluctuations in the price of CO_2 emission allowances, particularly the purchase of allowances for power generation by its combined cycle plants.

Exchange rate risks

Naturgy has interests in several countries and is exposed to the exchange rate in each of their currencies.

Exchange rate risk is largely mitigated by financing investments in local currency. Naturgy tries to match costs and revenues in the same currency, as well as amounts and maturities of assets and liabilities arising from transactions denominated in currencies other than the euro.

Additionally, the exchange rate risk is managed by arranging financial derivatives within the limits approved for hedging instruments, the level of exposure and the risk appetite approved each year.

Margin/price risk

In the framework of liberalised businesses, there is competitive pressure on prices and market shares.

Naturgy monitors and quantifies the margins of all its businesses, identifies material deviations from its assumptions as to margins, and mitigates the risk by adapting sale and purchase formulas to all terms.

Gas and electricity volume risk

Some purchases of natural gas and liquefied natural gas (LNG) are made under long-term contracts that include clauses under which Naturgy is obliged to buy certain volumes of gas each year (take-or-pay clauses). In the event of a reduction in gas demand, Naturgy might be obliged by contract to pay the minimum amount to which it is bound under such clauses.

Moreover, in an alternative scenario where there is a shortage of gas or excess demand, the additional cost of short-term procurements might have a material adverse effect on the group's operating costs.

All volume risks are measured, monitored and quantified each year, and the company assesses the adequacy of hedges for those linked to climate (temperature, precipitation, etc.), which are managed in accordance with the approved policies and risk appetite.

In the area of electricity generation, Naturgy's earnings are exposed to volume variability, driven by electricity demand and the generation mix in the market, which is being particularly affected by the growing share of renewable energy production.

Naturgy manages its contracts and assets in an integrated manner, optimising the energy balance.

Regulatory risk

Regulated and non-regulated activities coexist in the gas and electricity distribution businesses. The legislation applicable to the natural gas and electricity industries is typically subject to regular review by the competent authorities, which might have an impact on the remuneration for regulated activities, affecting Naturgy's business operations and financial position.

Naturgy manages regulatory risk on the basis of regular communication with the regulators. In addition, in its regulated activities, Naturgy adjusts its costs and investments to the allowed rates of return for each business.

Operational risk

Naturgy's activities are exposed to various operational risks, such as breakdowns in the distribution network, accidents at electricity generation facilities, accidents in gas tankers, explosions, pollutant emissions, toxic spills, fires, adverse weather conditions, and breaches of contract.

Additionally, claims might be brought against Naturgy for personal injury and/or other damage arising in the ordinary course of its operations. Such claims could result in the payment of indemnities under the legislation applicable in the countries in which Naturgy operates.

Naturgy has an extensive insurance programme to cover its operational exposure.

Cybersecurity risk

Naturgy is exposed to threats in connection with the availability, confidentiality, integrity and privacy of the information and technology that support business processes as well as the risk of non-compliance with regulations related to cybersecurity.

Such threats include unauthorised access and the use, disruption, modification or destruction of information as a result of terrorist acts, malicious attacks, sabotage and other intentional acts.

Naturgy has cybersecurity policies that establish vigilance, contingency and security plans, and has arranged insurance to cover this exposure.

Environmental risk

This refers to the possibility that, as a result of the company's activities and due to the occurrence of an event, whether unforeseen, accidental, voluntary or involuntary, environmental limits set by the regulator are exceeded and/or damage is caused to third parties.

This risk includes, but is not limited to, events derived from emissions of polluting gases other than greenhouse gases (GHG), noise, consumption and/or contamination of surface or groundwater, spills, soil contamination, poor waste management, landscape impact, impact on cultural heritage, etc.

Naturgy has identified the environmental risks at its facilities based on the reference standard (UNE 150008 in Spain). To prevent these risks, the company has implemented a certified integrated management system that includes operational control and environmental management procedures. This system is audited internally and certified and audited externally each year by AENOR.

Naturgy has also implemented emergency plans at facilities and warehouses at risk of environmental accidents, including an action plan, means of containment, and regular drills. Naturgy arranges specific insurance policies to cover risks of this type.

This area also includes potential threats related to dependence on nature and impacts on nature. They include, but are not limited to, physical impacts and impacts derived from changes in regulation, the destruction and/or alteration of ecosystems, damage to protected or high-value areas and/or species, and impacts on areas of high water stress due to consumption, discharge and/or regulation of flows.

These impacts and dependencies may generate risks associated with the impact on endangered species and tightening of biodiversity protection regulations, which could lead to delays in project authorisation, higher operational and development costs, reduced revenues and even reputational risks.

Naturgy has adopted the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) for analysing the risks and opportunities related to biodiversity.

Biodiversity risks are discussed in more detail in chapter E4. "Biodiversity and ecosystems" of the Statement of Non-Financial and Sustainability Information 2024.

Reputational and ESG risk

Naturgy has identified its stakeholder groups and subgroups and defines reputational risk as the gap between those groups' expectations and the company's performance in the environmental, social and governance dimensions.

Naturgy has updated the Sustainability Plan that determines the commitments and lines of action for 2025-2027 and that, from next year, accompanies the company's transformation process, aligning the Strategic Plan 2025-2027 with the commitments of the Global Sustainability Policy. To ensure the reliability of information on environmental, social and governance aspects, Naturgy has implemented a system of Internal Control over Sustainability Reporting (ICSR).

Climate change risk

In order to integrate the climate variable into Naturgy's strategic planning, climate change risks and opportunities are identified, measured and managed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

In line with the TCFD taxonomy, climate change risk is derived from two risk factors: the energy transition, arising from changes in regulations, the market or technology, and the physical impacts of climate change, classified into acute physical impacts (increase in extreme weather events) and chronic physical impacts (sustained increase in average temperatures, and sea level rise).

In recent years, there have been no weather events causing significant repercussions on operations or major financial damage. In particular, extreme rainfall produced flash floods in Spain in October 2024, affecting the Valencia region in particular, but did not have material consequences for operations or produce physical damage to the Group's assets located in the area, demonstrating their resilience, in particular that of the gas distribution networks, the assets that were most exposed.

The Board of Directors has approved the Climate Transition Plan, which establishes the lines of action in the coming years to mitigate the effects of climate change on Naturgy and to adapt the company to the constantly changing climate conditions. Naturgy's Strategic Plan 2025-2027 envisages continuing to invest in the energy transition, principally in renewable generation, electricity grids and renewable gases. It also plans to continue developing energy solutions that promote efficiency at a competitive cost for customers.

The targets of the Climate Transition Plan (CTP) are aligned with the Paris Agreement goals of achieving net zero emissions by 2050 by reducing total Scope 1, 2 and 3 greenhouse gas emissions, and setting targets aligned with the 1.5ºC global warming and the Well Below 2 Degrees (WB2D) reduction pathways.

Naturgy's Climate Transition Plan will contribute to the future objective of transforming the energy mix contemplated in the new National Energy and Climate Plan (NECP) 2023-2030, approved by the Spanish Cabinet on 24 September 2024, which is also aligned with the objective of climate neutrality in the EU by 2050. For the other countries where Naturgy operates, the published national plans and the GHG reduction pathways set out by the International Energy Agency in the "Net Zero Roadmap" scenario are taken into account.

Naturgy assesses the physical risks for each asset on an ongoing basis (see the assessment of these risks in section "E1-9 Expected financial effects of physical and material transition risks and potential opportunities related to climate change" of the Non-Financial and Sustainability Information Statement 2024). Climate change risk is discussed in detail in Note 2.4.25.k of the Consolidated Annual Accounts and in chapter "E1. Climate change" of the Non-Financial and Sustainability Information Statement 2024.

Other risks

Financial risks (interest rate, credit, liquidity and rating-related capital management risk) and legal risks are discussed in Notes 18 and 36, respectively, to the Consolidated Accounts.

Tax, compliance and fraud risk are discussed in chapter " 6. Disclosures stemming from other legislation (Law 11/2018)" and in chapter "G1. Corporate culture and business conduct policies" in the Sustainability Report and Non-Financial Information Statement 2024, respectively.

Data protection and customer satisfaction risks are discussed in chapter "S4. Consumers and end users" and cybersecurity risks in chapter "5. Specific information on the organisation" of that report.

Main risks: management, metrics and trends

Risk type		**Description**	**Management**	**Metric**		**Trend**
Commodity risk						
Commodity prices	Gas	Volatility in the international markets that determine the gas price.	Physical and financial hedges. Management of the procurement and sale portfolio.	Stochastic	⇆	Gas index volatility. Decoupling of commodity price performance.
	Electricity	Volatility in electricity markets.	Physical and financial hedges. Optimisation of the generating fleet and supply structure.	Stochastic	↑	Penetration by renewables with zero marginal cost and intermittent production. Decoupling of commodity price performance.
Exchange rate risk						
Exchange rate		Volatility in international currency markets.	Geographic diversification. Hedging via local-currency funding, derivatives and pricing.	Stochastic	↑↑	Uncertainty about growth and inflation prospects in Latin America, especially in Argentina, Brazil, and Mexico, to a lesser extent.
Regulatory risk						
Regulatory		Exposure to reviews of criteria and returns recognised for regulated activities and/or regulatory measures to mitigate emerging macroeconomic situations.	Step up communications with regulators. Adjust efficiency and capital expenditure to recognised rates.	Scenarios	↑	Pressure from regulators, as a function of the situation of the country/industry.
Volume risks						

Volume	Gas	Mismatch between gas supply and demand.	Optimisation of contracts and assets worldwide.	Deterministic/ Stochastic:	⇆	Aggregate demand pressure. Risk of curtailment or interruption of supply.
	Electricity	Reduction of the available thermal gap. Uncertainty as to renewable production volume due to resource variability.	Optimisation of the balance between generation and supply.	Stochastic	⇆	Aggregate demand pressure. Predictability of renewable output.
Margin/price risk						
Margin/price		Risk created by changes in competitive pressure or margin optimisation scenarios.	Portfolio management by adapting long-term purchase and sale formulas.	Scenarios	⇆	Reviews of long-term gas contracts
Legal risk						
Legal		Uncertainty as to the eventual outcome of litigation, arbitration or legal claims.	Analysis and mitigation of legal risk affecting the company's operations and corporate governance. Engagement of top-level law firms. Recognition of provisions on a prudential basis.	Scenarios	⇆	The business units are affected by different laws in each country.
Operational risk						
Insurable risks		Accidents, damage and non-availability of Naturgy assets.	Continuous improvement plans. Optimisation of total cost of risk and of hedges.	Stochastic	⇆	Uncertainty in the insurance market, as a function of geography and the type of technology, in the face of the rising frequency and severity of extreme weather events, and cybersecurity claims.
Credit risk						
Credit		Uncertainty associated with the probability of non-payment of financial obligations and/or deterioration of the credit quality of end customers and counterparties.	Analysis of customer solvency to define specific contractual conditions. Debt collection process.	Stochastic	⇆	Stability of expected and unexpected losses.
Interest rate risk						
Interest rates		Volatility of interest rates on borrowings, both existing debt and refinancing.	Financial hedges. Diversification of funding sources.	Stochastic	⇆	Uncertainty about the interest rate scenario.
Tax risk						

Tax	Ambiguity or subjectivity in the interpretation of current tax regulations, or due to a material amendment of same. Approval of unexpected fiscal measures.	Queries to independent expert bodies. Engagement of top-level advisory firms. Adoption of the Code of Best Tax Practices. Recognition of provisions on a prudential basis.	Scenarios	↑	Different business units are affected by different taxes.
Liquidity, solvency, rating and provision risks					
Liquidity, solvency, rating, provision and guarantee risks	Financial risks associated with maintaining the company's rating, derived from liquidity conditions or other causes.	Establishment of a target rating and ensuring sufficient liquidity to maintain it in the event of a potential adverse scenario.	Scenarios	⇆	Ratification of the target of an investment grade rating.
Security risk					
Security	Residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.	Corporate positioning through the Security Policy, defining a specific protection model for Critical Infrastructures (CI). Engagement with the businesses, Centro Nacional para la Protección de Infraestructuras Críticas (CNPIC), Instituto Nacional de Ciberseguridad (INCIBE-CERT) and other bodies.	Heatmap/ Scenarios	⇆	Certification audits of critical operators by the regulator (CNPIC), in which technology is of great importance.
Business continuity and crisis management risk					
Business continuity and crisis management	Risk of failing to maintain service levels as a result of a shortcoming or failure in processes, systems or staff performance.	Annual internal audit plan Weakness detection. Implementation of improvement actions. Audit and Control Committee.	Heatmap/ Scenarios	↑	Increase in the percentage of material recommendations that are implemented.
Fraud risk					
Fraud	Risk derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.	Control mechanisms through the Global Policy of the system of Internal Control over Financial Reporting. Arrangement of hedges in the insurance market.	Scenarios	⇆	Maintain low levels of fraud at Naturgy
Cybersecurity risk					
Cybersecurity	Malicious attacks or accidental events that affect data, computer networks or technology.	Implementation of security measures; Event analysis and remediation measures; Training.	Scenarios/ Heatmaps	↑	The cybernetic situation is becoming more demanding. Threat protection plan to mitigate the likelihood of these risks and their associated impact.
Data protection risk					

Data protection	Uncertainty associated with breaches of data protection obligations that may result in an administrative sanction or civil judgement.	Action Plan by business area to mitigate the risk associated with each obligation based on priority and criticality. The company works in line with the requirements of the General Data Protection Regulation (GDPR) and Spain's Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD). Internal audit plan in connection with regular compliance reviews.	Heatmap/ Scenarios	↑	Uncertainty and tightening regulatory requirements.
Environmental and biodiversity risk					
Environmental	Possibility that natural phenomena or human action may result in binding regulatory environmental limits being exceeded, resulting in harm to third parties, ecosystems or biodiversity.	Emergency plans at facilities with risk of environmental accident. Specific insurance policies. End-to-end environmental management.	Scenarios/ Heatmaps	⇆	Implementation of an Integrated Management System that is audited and certified each year by AENOR.
Health and safety risk					
Health and safety	Risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.	Health and safety management system. Safety plan aimed at controlling the six most critical risk factors in terms of accident frequency and severity: confined spaces, work at heights, electrical risk, tree felling and pruning, load handling, and road safety.	Heatmap/ Scenarios	⇆	Accident rates at partner firms.
Reputational and ESG risk					
Reputational and ESG	Impairment of stakeholders' perception of Naturgy due to environmental, social and governance issues.	Identification and tracking of potential reputational events. Transparency. Control mechanism through the system of Internal Control over Sustainability Reporting (ICSR).	Scenarios/ Heatmaps	⇆	Stabilisation of the RepRisk index scores.
Compliance risk					
Reputational and crime risk	Administrative and criminal penalties. Impairment of Naturgy's reputation.	Crime prevention policy, Code of Ethics and Anti-corruption Policy. Whistleblower channel. Training.	Heatmap/ Scenarios	↑	Commission of criminal offences, penalties, financial losses, and loss of reputation, contracts and customers.
Counterparty risk	Administrative and criminal penalties. Harm arising from breach of contract.	Counterparty Due Diligence Procedure. Training			

Climate change risk					
Climate change	Uncertainty arising from the energy transition (regulation, markets and/or technologies) and the physical impacts of climate change.	Corporate positioning via the Global Environmental Policy and Environment Plan, which strengthen governance in climate issues and set energy transition targets.	Stochastic/ Scenarios/ Heatmap	↑	Future technology uncertainty. Increased requirements for financial reporting to be coherent with the company's objectives of mitigating climate change risk.

Metrics used:
- Stochastic: production of trend lines for the main magnitudes, taking the maximum deviation from the benchmark scenario to be the risk, within a pre-set confidence interval. Those magnitudes are generally EBITDA, profit after tax, cash flow and value.
- Scenarios: analysis of the impact, with respect to the benchmark scenario, of a limited number of possible incidents.
- Heatmap: the main risk factors for each risk category are assessed to quantify the impact and probability of occurrence of each one.
- Non-financial stress tests:
- Application of international risk assessment frameworks: Task Force on Climate-Related Financial Disclosures (TCFD), as regards climate change, and Task Force on Nature-related Financial Disclosures (TNFD), as regards biodiversity.

2.3. Main opportunities and uncertainties

Naturgy views the energy transition as an opportunity to transform the business and is committed to driving decarbonization while balancing sustainable growth, energy security, and price competitiveness. In this context, and based on the 2025-2027 Strategic Plan, Naturgy's main opportunities are as follows:

- Integration industrial model with presence across the value chain, with growth potential and solid regulatory frameworks and attractive risk-returns.
- Multi energy position with presence in power and gas, as a key energy transition source.
- Renewable Generation: growth in renewable generation capacity in line with the global energy transition, combined with hybridizations and repowering of wind farms in operation and complementary batteries to photovoltaic plants.
- Operation and growth in Distribution Networks: continue to improve and upgrade the quality of the networks and energy supply to integrate renewables generation to meet customer demands.
- Lead the development of Renewable Gases: acquisition of third-party developments, as well as partnerships and alliances accelerate the decarbonization and consolidate the role of gas in the energy transition.
- Gas as an essential component to guarantee security of supply and flexibility and cornerstone of the energy transition.

In line with these opportunities, there are horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, which materialise and have an impact on many of the risk types described in the previous section.

Uncertainty in the macroeconomic context

During 2024, the conflict between Ukraine and Russia that began in February 2022 continued to be a source of instability both in the region and globally, with both sides experiencing attrition, but with no clear signs of a solution in the short term.

The effects of Russia's war on Ukraine, as well as those derived from the measures and sanctions imposed on Russia, initially had serious repercussions for the world economy, energy being one of the industries most severely affected, with significant increases in the price of natural gas and oil and extreme volatility in daily prices. Despite the turbulence in 2022, the situation stabilised somewhat in 2023 and 2024 due to sizeable stocks of gas in storage, diversification of supplies, and contained growth in demand.

Consequently, Naturgy monitors the current situation and the emerging impacts of the crisis by constantly tracking macroeconomic and business variables in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts of the conflict on business activity, financial situation and economic performance, with particular reference to the widespread increase in commodity prices and the reduced availability of supplies from conflict-affected areas.

In this context, Naturgy has a long-term contract to procure gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%); this contract is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. Since the conflict began, Naturgy has received the volumes strictly established in the contract, which accounted for 16% of Naturgy's global procurements in 2024 and 15% in 2023.

Moreover, none of Naturgy's counterparties could be affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of these measures and sanctions.

Additionally, during 2024 Israel engaged in military actions in Palestinian territory following the terrorist attack in October 2023. At the end of January 2025, a truce was arranged that has allowed the release of hostages and prisoners on both sides. However, the situation remains fragile, with reports of sporadic ceasefire violations and persistent tensions in the region.While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy has a wholly-owned subsidiary in Israel called Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reported less than Euros 1 million in EBITDA in 2023 and 2024. Despite the conflict, the company has continued to operate normally.

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

The regulatory framework is described in Appendix IV of the Consolidated Accounts as of 31 December 2024.

External geopolitical exposure

Naturgy's operations and assets are exposed to the evolution of political, economic and social environments throughout the world, notably in three main geographical areas outside the European Union:

- Latin America

  Uncertainties related to investment and business in Latin America include the influence of national governments on the economy, fluctuating economic growth rates, high levels of inflation, and devaluation, depreciation or overvaluation of local currencies, a changing interest rate environment, as well as social tensions and political instability.

- Middle East and Maghreb

  Naturgy has major procurement contracts for gas from several countries of the Maghreb and the Middle East. The political instability in the region may result in physical damage to the assets of Naturgy's investee companies or the obstruction of their operations or those of other companies, with the result of interrupting or delaying the Group's gas inputs or increasing shipping costs.

- Asia

  The Asian market is emerging as a major source of geopolitical uncertainty, given the current heavy dependence of processed renewable component supply chains on Chinese exports. Interruptions in the supply of these components, due to transportation and distribution problems or direct import restrictions, might lead to an increase in material costs and to delays in commissioning renewable energy projects in progress. Naturgy's operations are also exposed to the growth of the region's economies, such as China, as well as demand from these countries.

3. Corporate governance

Attached as an annex and forming an integral part of this Directors' Report are the Annual Report on Corporate Governance 2024 and the Annual Report on Director Remuneration 2024, as required by article 538 of the Capital Companies Law.

Corporate governance model

Naturgy is governed in accordance with the principles of efficacy, transparency and accountability in line with the main international recommendations and standards.

The corporate governance regulations comprise mainly:

- Articles of Association (adopted in 2018, updated in 2022).
- Regulations of the Board of Directors and its committees (updated in 2024).
- Regulations of the General Meeting of Shareholders (adopted in 2018, updated in 2022).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2024)

At 31 December 2024 and 2023, the main shareholders of Naturgy are as follows:

	% interest in share capital	
	2024	2023
-FundaciónBancariaCaixad'Estalvis i Pensions de Barcelona, “la Caixa” (1)	**26.7**	26.7
-BlackRock,inc.(2)	**20.9**	—
-Global Infraestructure partners III (2)	**—**	20.6
-CVC Capital Partners PLC (3)	**20.7**	20.7
- IFM Global Infraestructure Fund (4)	**16.9**	14.9
- Sonatrach (5)	**4.1**	4.1

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

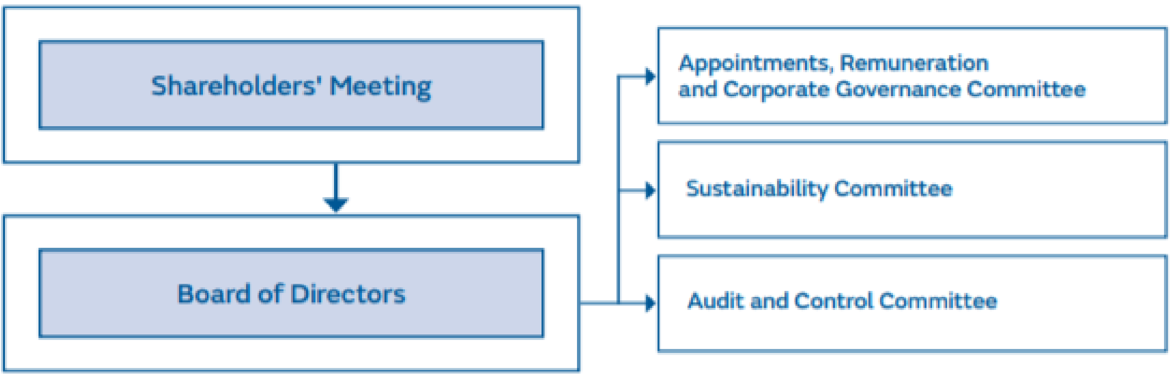
(2) Since the acquisition of Global Infrastructure Partner on 1 October 2024, according to the notification of significant shareholdings to the CNMV. The indirect shareholding is held mainly through GIP III Canary 1, S.à.r.l., which has a direct shareholding of 20.6%.

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

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

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

Naturgy's governance structure is as follows:



Shareholders' Meeting

Any person who is a shareholder of record five days before the Shareholders' Meeting is entitled to attend the Meeting.

Board of Directors

The Board of Directors of Naturgy operates via plenary meetings and committees, in accordance with the provisions of the Capital Companies Law. Accordingly, the Board of Directors of Naturgy has an Audit Committee, an Appointments, Remuneration and Corporate Governance Committee, and a Sustainable Committee, whose functions are substantially as set out in the Law or those that the Board of Directors has considered appropriate to attribute to them by delegation. Independent directors make up the majority of the Audit and Control Committee. All of the Board committees are chaired by independent directors.

Since the Chairman of the Board of Directors of Naturgy is also an executive director, the company has appointed a lead independent director to mitigate potential conflicts of interest. This position is held by Ms. Helena Herrero, who is an independent director, a member of the Audit and Control Committee and Chairman of the Sustainability Committee. Pursuant to Article 529 septies of the Capital Companies Law, the lead independent director is empowered to request the convening of meetings of the Board of Directors or the inclusion of additional items on the agenda, and to coordinate and convene meetings of the non-executive directors.

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

Each year, by authorising the respective reports, the Board of Directors reviews and approves the information on risks and opportunities in the areas of corporate governance and corporate responsibility.

The main issues considered by the Board of Directors and its committees within their remit in 2024, as well as all issues related to corporate governance, are detailed in the Annual Report on Corporate Governance, attached as an Appendix of this document.

The Board of Directors of Naturgy has 12 members, the Audit and Control Committee has 5 members, the Appointments, Remuneration and Corporate Governance Committee has 5 members, and the Sustainability Committee has 4 members.

The composition of the Board of Directors and its committees on 31 December 2024 is as follows:

Board of Directors		Audit and Control Committee	Appointments, Remuneration and Corporate Governance Committee	Sustainability Committee	Category of director	Seniority on Board
Executive Chairman	Mr. Francisco Reynés Massanet				Executive	6/02/2018
Lead director	Mrs. Helena Herrero Starkie	Director		Chairman	Independent	4/05/2016
Director	Mr. Enrique Alcántara-García Irazoqui		Director		Proprietary	13/05/2021
Director	Mrs. Lucy Chadwick			Director	Proprietary	16/03/2020
Director	Mrs. Isabel Estapé Tous			Director	Proprietary	16/03/2020
Director	Mr. Ramón Adell Ramón	Director			Proprietary	11/02/2022
Director	Mr. Rajaram Rao		Director		Proprietary	21/09/2016
Director	Rioja S.à.r.l, Mr. Javier de Jaime Guijarro		Director		Proprietary	1/08/2019
Director	Mr. Pedro Sainz de Baranda Riva	Director	Chairman		Independent	27/06/2018
Director	Mr. Claudi Santiago Ponsa	Chairman	Director		Independent	27/06/2018
Director	Mr. José Antonio Torre De Silva López de Letona	Director			Proprietary	28/03/2023
Director	Mr. Jaime Siles Fernández-Palacios			Director	Proprietary	11/02/2022
Secretary (not a director)	Mr. Manuel García Cobaleda	Secretary (not a director)	Secretary (not a director)	Secretary (not a director)	N/A	10/29/2010

Management structure

There is only one executive director, as described in the previous section, to whom the Board has delegated all its functions except those that the law or the Regulation of the Board of Directors do not permit to be delegated.

Accordingly, the Chairman of the Board of Directors has responsibility for all of the Group's businesses.

The group has a structure of executives and managers with the necessary powers to conduct the company's operations and undertake basic activities relating to its management. The personnel with executive responsibility and reporting directly to the Executive Chairman, Mr. Francisco Reynés Massanet, are considered members of the Management Committee.

At 31 December 2024, the Management Committee is composed of the Executive Chairman and the following:

- Procurement and Wholesale Markets Department, headed by Mr. Jon Ganuza Fernandez de Arroyabe
- Network Management Department, headed by Mr. Pedro Larrea Paguaga
- Renewable Generation Department, headed by Mr. Jorge Barredo López
- Renewable Gases Department, headed by José Luis Gil Sánchez
- Supply Department, headed by Mr. Carlos Francisco Vecino Montalvo
- Technology and Systems Department, headed by Mr. Rafael Blesa Martínez

- Financial Markets and Corporate Development Department, headed by Mr. Steven Douglas Fernández Fernández
- Company Secretariat and Secretariat of the Board of Directors, headed by Mr. Manuel García Cobaleda
- Public Affairs and Sustainability Department, headed by Mr. Jordi García Tabernero
- People and Resources Department, headed by Mr. Enrique Tapia Lopez

In addition to the members of the Management Committee, the executives who report directly to the Board or to the Company's chief executive, Mr. Francisco Reynés Massanet, are classified as Senior Management.

In addition to the members of the Management Committee, the executives who report directly to the Board, its Committees or the Company's chief executive, Mr. Francisco Reynés Massanet, are classified as Senior Management. At 31 December 2024, these people would be the following:

- Planning and Control Department, headed by Ms. Rita Ruiz de Alda Iparraguirre
- Consolidation and Administration Department, headed by Mr. Gabriel Alejandro Deseff Rodriguez
- External Communication Department, headed by Mr. Víctor Manuel Márquez Moya
- Compliance Unit, headed by Ms. María Isabel González Alfaro
- Environment and Social Responsibility Department, headed by Ms. Nuria Rodríguez Peinado
- Internal Audit Department, headed by Ms. Eva Fernández Roselló

4. Forecast Group performance

4.1. Energy sector trends

Naturgy has the objective of adapting and enhancing the Company's competitive positioning in response to the evolving energy sector trends, leveraging on its competitive strengths. In this respect, Naturgy observes the following energy sector trends:

- Energy prices remain volatile and sensitive to geopolitical uncertainties.
- Greater installed capacity of renewables leads to greater fluctuations in energy production and supply, and importance of flexibility.
- Higher investments are required in electrical networks to integrate renewable energies and satisfy greater demand for electricity.
- Gas as an essential component to guarantee security of supply and flexibility.
- Renewable gases and specially biomethane as a vehicle for decarbonization.
- Demand driven market with customer excellence required to differentiate.

4.2. Vision

Naturgy is a leading a multi-energy player, committed to driving the energy transition, achieving operational excellence, and delivering exceptional customer service. Naturgy aims to be present in energy value chain, investing with financial discipline, ensuring a BBB rating and a sustainable shareholder remuneration.

Naturgy is committed to driving decarbonization while balancing sustainable growth, energy security, and price competitiveness. The Group's industrial model focuses on maximizing operational efficiency and capturing integrated margins across the value chain and is based on the following pillars.

Industrial Model

Integrated with presence across the value chain

- Networks resilience providing stable cash flows.
- Vertical integration between power generation and clients.
- Industrial role, capturing integrated margin.

Multi energy position

- Presence in power and gas, as a key energy transition source.
- Flexible generation (CCGTs) and selective renewable generation growth to meet customer demands.
- Leadership in biomethane to accelerate decarbonization and consolidate the role of gas in the transition.

Client centric

- Multi-energy offering with value added services to meet all client needs,along with eco-efficient and carbon-neutral products and services at competitive prices.
- Final demand as a key driver for investment decisions across the value chain.
- Excellence in client service and consolidation of new commercial model.

Strategic Roadmap 2025-2027

The 2025-2027 strategic roadmap is based on Naturgy's resilient cash flow and solid balance sheet, which will facilitate the execution of the Group's investment plan and ensure attractive and sustainable profitability for its shareholders. This strategy is guided by the following key principles:

Operational excellence

- Best-in-class operations across business units.
- Excellence in commercial delivery.
- Innovation in customer service.

Financial discipline and profitability

- Commitment to a BBB rating.
- Profitability and selective investments, ensuring value creation over size.
- Strong cash flow generation and balance sheet strength providing flexibility.
- Maintaining growth optionality.

Shareholder remuneration and liquidity

- Attractive and sustainable shareholder remuneration.
- Promote actions to restore an adequate free float and liquidity.

The Strategic roadmap 2025-2027 aims to position Naturgy to thrive in the evolving energy landscape, ensuring sustained profitability and value creation for all stakeholders. Following the successful results and achievements obtained in 2022-2024, in which the company exceeded various of the committed targets of the previous Strategic Plan, expectations for the coming years have been reviewed and improved, maintaining a record EBITDA in 2025-2027.

(€bn)	**2022-2024**	**Strategic Plan 2025-2027**
EBITDA[1]	5.3	5.3
CAPEX[1]	6.0	6.4
Net financial debt[2]	12.2	15.9
Dividends[2]	€1.6/share	€1.9/share

1 Based on the annual average of the period
2 Based on the latest year of the period

4.3. Investment plan 2025-2027

The Strategic Plan envisions investments of **euros 6,400 millions** for the period 2025-2027. This investment focuses on organic growth and the existing business portfolio, while maintaining financial discipline as a cornerstone. By rigorously evaluating investments based on business, geography, and specific risk, the group aims to ensure returns that exceed the cost of capital, ensuring the value creation.

The investment plan focuses on three key business unit: Distribution Networks, Renewable Generation and Renewable Gases.

Distribution Networks

The Strategic Plan envisions investments of **euros 3,300 millions** on adequately remunerated and visible regulatory frameworks.

1. Spain Electricity

- At the forefront of electricity networks digitalization, including the replacement of smart
- Investments continue to improve and upgrade the quality of the networks and energy supply
- Investments to integrate renewables generation

2. Spain Gas

- Networks digital transition, which deployment of smart meters, to ensure bes-in-class operations
- Accelerating the contribution to decarbonization, through the integration of biomethane injection points for the transition of existing infrastructure

3. Latin America Gas and Electricity

- Portfolio management maximizing profitability
- Investments to guarantee maintenance and safety standards

Renewable Generation

The Strategic Plan envisions selective investments of **euros 1,200 millions** in the period 2025-2027 meeting minimum returns and/or vertically integrated positioning.

1. Vertically integrated geographies

- Solid regulatory frameworks
- Selective investments meeting minimum returns

2. Technologies

- Hybridizations and repowering of operating wind farms
- Batteries complementing operating PV plants

Renewable Gases

The Strategic Plan envisions investments of **Euros 800 millions** to lead the development of biomethane in Spain.

- Lead the development accelerate the decarbonization and consolidate the role of gas in the energy transition.
- Technological proactivity to gain operational flexibility, efficiency and options for waste management.
- Early-stage project portfolio of approximately 4.5 TWh.
- Acquisition of third-party developments, as well as partnerships and alliances to accelerate growth.
- Proactive regulatory management to demonstrate that it is the most efficient solution to decarbonize the residential and industrial sector.
- Gas networks can distribute biomethane without modifications.

4.4. Shareholder remuneration

Naturgy's strong performance over recent years has significantly strengthened its business profile and financial position. Additionally, the Group has achieved levels of EBITDA above Euros 5 billions per annum and demonstrated strong and resilient results and cash flow generation, supported by efficient regulated networks and and risk management. The strong cash flow and solid balance sheet enable the envisioned investment plan and an attractive shareholder remuneration, maintaining a commitment to a BBB rating.

Naturgy has revised its dividend distribution policy for the years 2025-2027, establishing a trajectory of increasing annual dividend per share from 1.6 Euros per share in 2024 to 1.9 Euros per share in 2027, subject to maintaining a BBB credit rating. The dividend per share will also increase, subject to the number of treasury shares.

Likewise, as part of the Strategic Plan 2025-2027, it was also approved to propose to the next Shareholders' Meeting the authorization of a public offer to acquire shares up to 10% of treasury stock with the purpose of subsequently increasing the company's floating capital with said shares.

The prospective information contained in the different sections of the forecast group performance reflects the plans and forecasts based on assumptions that are considered reasonable, without said prospective information being interpreted as a guarantee of the future performance of the entity, in the sense that such plans or forecasts are subject to risks and uncertainties that imply that the future performance of the Group may not coincide with the preliminary forecast.

5. Innovation

Naturgy views innovation as a key tool to develop new energy solutions that drive the energy transition, combat climate change, and evolve technological breakthroughs that streamline processes, improve cybersecurity and enhance data management. In addition, the Company sees digitalisation as a mainstay for achieving its goals.

Our innovation model, designed to create and develop new solutions and businesses, is driven by a range of key factors:

- **Innovation is collaborative and open**, able to respond quickly to signals of change in the landscape and evolve in complex scenarios; effective innovators draw lessons from mistakes and look ahead to the future based on understanding the past and observing the present.

- **Innovation is a key lever for growth**, as it opens the door to the adoption of best practices, new business models and technological solutions that contribute to the digitalisation, automation and optimisation of processes; it helps ensure safety, enhances operational performance and eases access to information for optimal decision-making. Through all of this, we put the consumer at the centre to deliver sustainable, value-added solutions and ensure the company's long-term competitiveness.

- **The production of renewable gases, such as renewable hydrogen and biomethane**, for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediate decarbonisation solution for intensive industry and transportation. Additionally, it holds significant potential for energy storage and integration. Biomethane, an established technology that can replace natural gas while eliminating abatement costs and the need to modify end-user infrastructure or equipment, serves as a clear example of the circular economy by producing renewable gas from organic waste. Innovation projects in this area are aimed at optimising performance and production.

- **Optimisation of renewable energy generation** through innovative systems due to their superior energy efficiency and their ability to be integrated into the environment at a lower cost or with greater reliability. This will attract new players into the system to cover part of the energy needs of households, SMEs and public administrations.

- **Direct use of energy** through new manageable electricity consumption that allows for flexibility—for example, in air conditioning—as well as through storage for later use.

- **Responding to increasingly atomised markets**, with small, adaptable competitors, in both supply and generation, through smaller renewable plants that are closer to consumers.

In a way that both complements and cuts across this model, we believe it is essential to introduce disruptive information technology (IT) that will accelerate the digitalisation of Naturgy, as it not only enhances safety and optimises operations, but also makes it easier to access quality information for more effective decision-making. We focus all of this on creating value to ensure Naturgy's long-term competitiveness. Moreover, the use of AI is a disruptive force in current and future innovation, enabling process automation, service customisation and creation of new business models in all areas.

Naturgy designs its technology strategy around the core pillars of digitalisation, in line with the following principles:

- **Simplicity:** a core principle that focuses on:

    - **Streamlined processes:** paring away complexity in internal processes to improve operational efficiency.

    - **Agile projects:** swiftly implementing projects using agile methods that enable rapid adaptation to changes in the context.

- ***Cloud*:** evolving from a Cloud-first to a Cloud-only model is essential to ensure:

    - **Modular solutions:** developing solutions that can be readily adapted and scaled up according to business needs.

    - **Flexibility and scalability:** adjusting cloud resources and services to demand to ensure efficient and cost-effective operation.

  Evolution to a cloud-based model makes it easier to adopt emerging technologies such as blockchain, IoT, robotics, artificial intelligence and edge computing.

- ***Data centric*:** data management, governance and protection are essential to a successful digitalisation strategy. Naturgy takes a global and strategic view of its relationship with the main software manufacturers, and focuses on:

    - **Data management:** implementing data-centric architectures, such as data lakes, to centralise and manage large volumes of data.

    - **Data governance and protection:** establishing policies and procedures to ensure data integrity, confidentiality and availability.

    - **Data-driven decision-making**: strengthening our internal capacity to make informed, data-driven decisions.

  Robust data management and governance enables a more effective adoption of AI, a key lever in Naturgy's digitalisation: by using analytical AI and generative AI on large volumes of data, we can extract valuable insights for the business.

- **Cybersecurity:** a mainstay of Naturgy's digitalisation strategy. We aim to protect and secure our information and systems by:

    - **Information protection:** implementing technical security measures to protect information.

    - **Systems security:** shielding IT infrastructure against threats and vulnerabilities.

To achieve our goals, at Naturgy we have implemented a range of innovation tools focused on identifying opportunities (through acceleration and investment in operations) and developing a portfolio of projects that allow us to expand the company's industrial profile (such as startup incubators, investment vehicles, and more).

We briefly describe below the main initiatives applied to our businesses. For more details on our innovation projects, see section 5, Specific information on the organisation", of the Sustainability Report and Non-Financial Information Statement 2024.

Main initiatives applied to business units

Supply

The NewCo project, a wide-ranging initiative that seeks to upgrade Naturgy's digital tools and optimise customer management, involves development of a new digital platform and implementation of a customer relationship management (CRM) system. This will enable Naturgy to manage customer interactions more effectively and create a mobile app for easier access to Naturgy services from anywhere.

Spain electricity networks

The Smart Grids project leverages Internet of Things (IoT) technology to sensorise network assets, enabling remote monitoring of the electricity grid.

By installing various types of low-consumption sensors, the system determines the status and maximum capacity of the grid in real time by analysing variables such as power line temperature, ambient temperature, and humidity levels. We also analyse different vibration patterns in the power lines to pinpoint the cause and exact location of incidents.

This enables more efficient use of the infrastructure and more accurate intervention times in response to dynamic variations in the load, which maximises efficiency while avoiding overload at specific points in the electricity grid.

Thermal Generation Spain

The remote operation of combined cycle plants from a centralized control centre allows for a more homogeneous and structured response to peaks in demand through simultaneous cycle starts and stops, compared to plant-by-plant management. This approach offers enhanced flexibility in meeting demand while improving overall efficiency.

Renewable Generation

The Moira project aims to achieve digitalisation objectives by automating the processes of extracting, processing, and utilising the capacities of the electricity grid as published by the agents. It focuses on efficient management of the unique characteristics of the data provided, as well as developing an advanced report through an interactive map for easy data exploitation. This approach identifies grid capacity opportunities for potential electricity generation projects.

The Sibila project is a generative AI-powered system designed to interpret information from government websites (such as Spain's national gazette (BOE) and regional gazettes) containing documentation on the status and permits of renewable energy plants.

6. Non-financial information statement

The 2024 non-financial information statement, as referred to in article 262 of the Capital Companies Law and article 49 of the Commercial Code, is presented as a separate report entitled "Sustainability Report and Non-Financial Information Statement 2024" that expressly states that the information contained in that document is part of Naturgy's consolidated directors' report (Appendix II).

This document is subject to verification by an independent verification service provider and is subject to the same approval, filing and publication requirements as the Naturgy group's consolidated directors' report.

7. Additional information

7.1 Own shares

Movements during 2024 and 2023 involving own shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	In million euro	% Capital
At 1 January 2023	**55,898**	**1**	**—**
Share Acquisition Plan	357,094	10	—
Delivered to employees	(172,992)	(5)	—
At 31 December 2023	**240,000**	**6**	**—**
Share Acquisition Plan	—	—	—
Delivered to employees	—	—	—
At 31 December 2024	**240,000**	**6**	**—**

No gains or losses were obtained on transactions involving own shares in 2024 and such as to affect reserves.

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

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

Transactions involving own shares of Naturgy Energy Group, S.A. relate to:

2024

No transactions involving own shares were carried out in 2024.

2023

In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held on 5 March 2019, within the Share Acquisition Plan 2020-2023, in March 2023 the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During March 2023, 210,000 own shares were acquired for Euros 6 million and, in April 2023, a total of 172,992 shares amounting to Euros 5 million were delivered to employees. In July 2023, 147,094 own shares were acquired for Euros 4 million, leaving a surplus of 184,102 own shares that, added to the 55,898 surplus shares from the Share Acquisition Plans 2019 to 2021, brought the total number of treasury shares to 240,000 at 31 December 2023.

Full information about own shares can be found in Note 11 to the Annual accounts.

7.2. Information on the average supplier payment period

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

The disclosures in the Notes to the annual accounts about the average supplier payment period that are required under that legislation are as follows:

	2024	2023
	Amount	Amount
Total payments (thousand euro)	269,886	432,685
Total outstanding payments (thousand euro)	28,591	19,037
Average supplier payment period (days) (1)	30	19
Transactions paid ratio (days) (2)	31	19
Transactions pending payment ratio (days) (3)	27	25
Total payments within the period established in the default regulations (thousands of euros)	266,096	428,694
% of the amount paid within the period established in the default regulations with respect to the total amount paid	98.60 %	99.08 %
Number of invoices paid within the period established in the default regulations	19,270	14,461
% of invoices paid within the period established in the default regulations with respect to the total invoices paid	97.63 %	96.36 %

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

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

(3) Average age, suppliers pending payment balance.

7.3. Subsequent events

Events subsequent to the end of the period are described in Note 30 of the Notes to the annual accounts.

8. Annual Corporate Governance Report

Attached as an annex and forming an integral part of the Consolidated Directors' Report is the Annual Report on Corporate Governance 2024, as required by article 526 of the Capital Companies Law.

9. Annual Directors' Remuneration Report

Attached as an annex and forming an integral part of the Consolidated Directors' Report is the Annual Directors' Remuneration Report 2024, as required by article 538 of the Capital Companies Law.

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

(Together with the consolidated annual accounts and consolidated directors' report of Naturgy Energy Group, S.A. and subsidiaries for the year ended 31 December 2024)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

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

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Naturgy Energy Group, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and the notes to the consolidated annual accounts.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

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

Key Audit Matters

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

Revenue recognition: Unbilled energy supplied

See notes 2.4.23, 2.4.25 and 10 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group's businesses that carry out energy supply activities must make estimates of unbilled supplies to end customers in the period between the last meter reading and the end of the reporting period. At 31 December 2024 the Group has recognised revenue from unbilled energy supplied in an amount of Euros 1.160 million. The amount of unbilled energy supplied is estimated based on internal and external information that is compared with the readings contained in the management systems used by the businesses. Revenue is calculated by multiplying the volume of estimated unbilled consumption, a process that is subject to a high degree of uncertainty, by the tariff agreed for each customer. Determining unbilled energy supplied requires the use of estimates by Group management with the application of criteria, judgements and assumptions in its calculations, so the recognition of revenue from unbilled energy supplied has been considered a key audit matter.	Our audit procedures included the following: - Analysing the design and implementation and the operating effectiveness of the key controls related to the process of estimating unbilled energy supplied. - Evaluating the reasonableness of the calculation model used by comparing the estimates made at the close of the previous period and actual invoicing data (retrospective analysis). - Assessing the reasonableness of the volume of unbilled energy through an analysis of historical information and other available internal and external data. - Evaluating a selected sample of the tariffs applied by comparing them with the data contained in the customer contract databases. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

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

Recoverability of intangible assets, property, plant and equipment and right-of-use assets

See notes 2.4.6, 2.4.25 and 4 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2024 the Group has recognised intangible assets including goodwill, property, plant and equipment, and right-of-use assets for amounts of Euros 5,980 million, Euros 19,467 million and Euros 1,229 million, respectively, allocated to the cash-generating units (CGUs) detailed in note 4 to the consolidated annual accounts. Under IFRS-EU, the recoverable amount of assets must be estimated when indications of impairment have been identified. Goodwill, intangible assets with indefinite useful lives and in-process intangible assets are not amortised, but are instead tested for impairment at least on an annual basis. The recoverable amount of the assets allocated to the CGUs is generally calculated using methodologies based on discounted cash flows, the estimation of which requires the use of a high degree of judgement by management and the use of assumptions and estimates. For one of the CGUs, fair value was calculated on the basis of third-party offers. At 31 December 2024 the Group has recognised impairment losses amounting to Euros 52 million and reversals of impairment losses amounting to Euros 70 million in the consolidated income statement. Due to the high level of judgement required, the uncertainty associated with these estimates and the significance of the amount of the intangible assets, property, plant and equipment and right-of-use assets, the recoverability thereof has been considered a key audit matter.	Our audit procedures included the following: - Evaluating the design and implementation of the key controls related to the process of estimating the recoverable amount. - Assessing the appropriateness of the composition of the CGUs based on our understanding of management of the business. - Analysing the reasonableness and consistency of the assumptions and cash flows included in the pricing models with those considered in the business plans approved by the governing bodies. - Evaluating the reasonableness of the methodology used to calculate value in use, fair value and the main assumptions considered, with the involvement of our valuation and sustainability specialists. - In the Renewables Generation Spain CGU, checking the fair value of certain assets against market comparables. - Comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained. - Evaluating the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

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

Commitments to purchase natural gas and liquefied natural gas for own use See notes 2.4.8 and 36 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2024 the Group has long-term contractual commitments to purchase natural gas and liquefied natural gas amounting to Euros 45,269 million. These contracts are signed and held to meet the Group's expected need for receiving or delivering gas in accordance with periodical purchase and sale forecasts. Consequently, the Group classifies these contracts as for "own use", adhering to the exception established by the standard enabling them to be recognised as executory contracts, and they are therefore excluded from the scope of IFRS 9 Financial Instruments. The assessment of long-term gas supply contracts to determine whether they should be classified as for "own use" requires management to exercise judgement as regards forecast supply and demand in the short, medium and long term, and the fulfilment of the contractual clauses. Consequently, this has been considered a key audit matter.	Our audit procedures included the following: - Evaluating the design and implementation of the key controls linked to the process of assessing the requirements for classifying these contracts as for "own use". - Reading and analysing a significant sample of natural gas and liquefied natural gas supply contracts signed by the Group. - Analysing whether these supply contracts meet the definition of "own use" stipulated in the applicable financial reporting framework based on an analysis of the conditions set out therein, the quantities acquired during the year, minimum contract quantities and the reasonableness of the Group's gas sales forecasts. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2024 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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

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

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

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2024, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

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

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

We communicate with the audit and control committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity’s audit committee with a statement that we have complied with the ethical requirements regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

From the matters communicated to the Audit and Control Committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Naturgy Energy Group, S.A. and its subsidiaries for 2024 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Company, which will form part of the annual financial report.

The Directors of Naturgy Energy Group, S.A. are responsible for the presentation of the 2024 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

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

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit and Control Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit and control committee dated 19 February 2025.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 2 April 2024 for a period of two years, beginning after the year ended 31 December 2024.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual accounts since the year ended 31 December 2021.

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

(Signed on original in Spanish)

On the Spanish Official Register of Auditors ("ROAC") with No. 20,435

This report corresponds to stamp number 01/25/00374 issued by the Spanish Institute of Registered Auditors (ICJCE)

Annual
Consolidated Financial Report
2024

CONSOLIDATED FINANCIAL STATEMENTS

This 2024 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

Naturgy
Consolidated balance sheet (million euro)

	Nota	31.12.2024	31.12.2023
Assets			
Intangible assets	5	5,980	5,969
Goodwill		2,948	2,930
Other intangible assets		3,032	3,039
Property, plant and equipment	6	19,467	18,666
Right-of-use assets	7	1,229	1,189
Investments recorded using the equity method	8	647	612
Non-current financial assets	9	419	484
Other non-current assets	10	340	425
Derivatives		59	123
Other assets		281	302
Deferred tax assets	21	2,009	1,919
NON-CURRENT ASSETS		**30,091**	**29,264**
Non-current assets held for sale	11	—	—
Inventories	12	807	1,254
Trade and other receivables	10	3,841	3,254
Customer receivables for sales and services		2,851	2,788
Other receivables		880	412
Derivatives		68	15
Current tax assets		42	39
Other current financial assets	9	471	435
Cash and cash equivalents	13	5,626	3,686
CURRENT ASSETS		**10,745**	**8,629**
TOTAL ASSETS		**40,836**	**37,893**
EQUITY AND LIABILITIES			
Capital		970	970
Share premium		3,808	3,808
Treasury shares		(206)	(206)
Reserves		5,980	5,332
Profit for the period attributed to the parent company		1,901	1,986
Interim dividend		(969)	(969)
Other equity items		(2,006)	(1,473)
Equity attributed to the parent company		**9,478**	**9,448**
Non-controlling interests		**2,175**	**2,481**
EQUITY	**14**	**11,653**	**11,929**
Deferred revenue	15	1,129	951
Non-current provisions	16	1,841	1,848
Non-current financial liabilities	17	15,095	13,426
Borrowings		13,716	12,130
Lease liabilities		1,379	1,296
Deferred tax liabilities	21	1,945	2,016
Other non-current liabilities	19	944	633
Derivatives		375	177
Other liabilities		569	456
NON-CURRENT LIABILITIES		**20,954**	**18,874**
Liabilities related to non-current assets held for sale	11	—	—
Current provisions	16	361	543
Current financial liabilities	17	2,927	2,544
Borrowings		2,733	2,368
Lease liabilities		183	167
Other financial liabilities		11	9
Trade and other payables	20	4,762	3,721
Trade payables		3,043	2,756
Other payables		691	514
Derivatives		817	327
Current tax liabilities		211	124
Other current liabilities	19	179	282
CURRENT LIABILITIES		**8,229**	**7,090**
TOTAL EQUITY AND LIABILITIES		**40,836**	**37,893**

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated balance sheet at 31 December 2024 and 2023.

Naturgy
Consolidated Income Statement (million euro)

	Note	2024	2023
Net sales	22	19,267	22,617
Procurements	23	(11,565)	(15,106)
Other operating income	24	236	255
Personnel net expenses	25	(643)	(580)
Other operating expenses	26	(2,001)	(1,780)
Gain/(loss) on disposals of fixed assets	27	10	17
Release of fixed asset grants to income and other	15	61	52
Gross operating results		**5,365**	**5,475**
Depreciation, amortisation and impairment losses	4, 5, 6, 7 & 28	(1,524)	(1,742)
Impairment due to credit losses	10	(90)	(208)
Other results	29	(202)	(55)
Operating profit / (loss)		**3,549**	**3,470**
Financial income		406	313
Financial expenses		(842)	(817)
Variations in fair value of financial instruments	9	12	(5)
Net exchange differences		(41)	(9)
Net Financial income	30	**(465)**	**(518)**
Profit/(loss) of entities recorded by equity method	8	120	90
Profit/(loss) before tax		**3,204**	**3,042**
Income tax	21	(835)	(768)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**2,369**	**2,274**
Profit for the year from discontinued operations, net of taxes	11	(22)	—
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**2,347**	**2,274**
Attributable to:			
The parent company		1,901	1,986
From continuing operations		1,923	1,986
From discontinued operations		(22)	—
Non-controlling interests	14	446	288
Basic and diluted earnings per share in euros from continuing operations attributable to the equity holders of the parent company		2.00	2.07
Basic and diluted earnings per share in euros from discontinued operations attributable to the equity holders of the parent company		(0.02)	—
Basic and diluted earnings per share in euros attributable to the equity holders of the parent company		1.98	2.07

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated income statement for the years ended 31 December 2024 and 2023.

Naturgy
Consolidated statement of comprehensive income (million euro)

	Note	2024	2023
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**2,347**	**2,274**
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY			
ITEMS THAT WILL NOT BE TRANSFERRED TO PROFIT/(LOSS)		**19**	**(35)**
Actuarial gains and losses and other adjustments	16	25	(47)
Tax effect	21	(6)	12
ITEMS THAT WILL SUBSEQUENTLY BE TRANSFERRED TO PROFIT/(LOSS)		**(577)**	**1,386**
Cash flow hedges	18	(785)	1,718
Gains / (Losses) per valuation		*(1,218)*	*1,066*
Releases to income statement		*433*	*652*
Currency translation differences		39	(77)
Gains / (Losses) per valuation		*30*	*(132)*
Releases to income statement		*9*	*55*
Equity consolidated companies	8	16	(12)
Currency translation differences - Gains / (Losses) per valuation		*16*	*(12)*
Tax effect	21	153	(243)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(558)**	**1,351**
Total comprehensive income for the year		**1,789**	**3,625**
Attributable to:			
The parent company		1,382	3,325
From continuing operations		1,404	3,325
From discontinued operations		(22)	—
Non-controlling interests		407	300

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated statements of comprehensive income for the years ended 31 December 2024 and 2023.

Naturgy
Consolidated Statement of Changes in Equity (million euro)

	Equity attributed to the parent company (Nota 14)											
	Share capital	**Share premium**	**Treasury shares**	**Reserves and retained earnings**	**Profit/ (loss) for the year**	Currency translation differences	Cash flow hedges	Financial assets at fair value	**Other equity items**	**Subtotal**	**Non-controlling interests (Note 14)**	**Equity**
Balance sheet as at 01.01.2023	**970**	**3,808**	**(201)**	**4,192**	**1,649**	**(1,326)**	**(1,156)**	**(362)**	**(2,844)**	**7,574**	**2,405**	**9,979**
Total comprehensive income for the year	—	—	—	(32)	1,986	(55)	1,426	—	1,371	**3,325**	300	**3,625**
Operations with shareholders or owners	**—**	**—**	**(5)**	**200**	**(1,649)**	**—**	**—**	**—**	**—**	**(1,454)**	**(184)**	**(1,638)**
Distribution of dividends	—	—	—	195	(1,649)	—	—	—	—	**(1,454)**	(184)	**(1,638)**
Trading in treasury shares	—	—	(5)	—	—	—	—	—	—	**(5)**	—	**(5)**
Share-based payments	—	—	—	5	—	—	—	—	—	**5**	—	**5**
Other changes in equity	**—**	**—**	**—**	**3**	**—**	**—**	**—**	**—**	**—**	**3**	**(40)**	**(37)**
Other changes	—	—	—	3	—	—	—	—	—	3	(40)	**(37)**
Balance sheet as at 31.12.2023	**970**	**3,808**	**(206)**	**4,363**	**1,986**	**(1,381)**	**270**	**(362)**	**(1,473)**	**9,448**	**2,481**	**11,929**
Total comprehensive income for the year	—	—	—	14	1,901	61	(594)	—	(533)	**1,382**	407	**1,789**
Operations with shareholders or owners	**—**	**—**	**—**	**631**	**(1,986)**	**—**	**—**	**—**	**—**	**(1,355)**	**(186)**	**(1,541)**
Distribution of dividends	—	—	—	629	(1,986)	—	—	—	—	**(1,357)**	(186)	**(1,543)**
Share-based payments	—	—	—	2	—	—	—	—	—	**2**	—	**2**
Other changes in equity	**—**	**—**	**—**	**3**	**—**	**—**	**—**	**—**	**—**	**3**	**(527)**	**(524)**
Other changes	—	—	—	3	—	—	—	—	—	3	(527)	**(524)**
Balance sheet as at 31.12.2024	**970**	**3,808**	**(206)**	**5,011**	**1,901**	**(1,320)**	**(324)**	**(362)**	**(2,006)**	**9,478**	**2,175**	**11,653**

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated statement of changes in equity for the years ended 31 December 2024 and 2023.

Naturgy
Consolidated cash flow statement (million euro)

	Note	2024	2023
Profit/(loss) before tax		**3,204**	**3,042**
Adjustments to income:	31	**1,793**	**1,654**
Depreciation, amortisation and impairment losses	4, 5, 6, 7 y 28	1,524	1,742
Other adjustments to net profit	31	269	(88)
Changes in working capital	31	**58**	**828**
Other cash flows from operating activities:	31	**(1,063)**	**(667)**
Interest paid		(703)	(650)
Interest collected		221	233
Dividends collected		82	127
Income tax paid		(663)	(377)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**3,992**	**4,857**
Cash flows into investing activities:		**(2,254)**	**(3,058)**
Group companies, associates and business units	31	(15)	(611)
Property, plant and equipment and intangible assets		(2,197)	(2,424)
Other financial assets		(42)	(23)
Proceeds from divestitures:		**119**	**243**
Property, plant and equipment and intangible assets		19	42
Other financial assets		100	201
Other cash flows from investing activities:		**314**	**76**
Other proceeds from investing activities	15 & 19	314	76
CASH FLOWS FROM INVESTING ACTIVITIES		**(1,821)**	**(2,739)**
Receipts/(payments) on equity instruments:		**(510)**	**(20)**
Acquisition	31	(510)	(20)
Receipts and payments on financial liability instruments:		**1,859**	**(619)**
Issue	31	5,444	1,869
Repayment and amortisation	31	(3,585)	(2,488)
Dividends paid (and remuneration on other equity instruments)	14	**(1,571)**	**(1,624)**
Other cash flows from financing activities		**(17)**	**—**
CASH FLOW GENERATED FROM FINANCING ACTIVITIES		**(239)**	**(2,263)**
Effect of fluctuations in exchange rates		**8**	**(154)**
VARIATION IN CASH AND CASH EQUIVALENTS		**1,940**	**(299)**
Cash and cash equivalents at beginning of the year	13	3,686	3,985
Cash and cash equivalents at year end	13	5,626	3,686

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated cash flow statement for the years ended 31 December 2024 and 2023.

Contents of the notes to the consolidated annual accounts for 2024

Notes to the consolidated annual accounts of Naturgy for 2024

Note 1. General information

Naturgy Energy Group, S.A. is a public limited company that was incorporated in 1843. Its registered office is located at Avenida de America 38, Madrid, Spain. On 27 June 2018, the shareholders, in general meeting, agreed to change the company's business name to Naturgy Energy Group, S.A., formerly Gas Natural SDG, S.A.

Naturgy Energy Group, S.A. and subsidiaries ("Naturgy") form a group that is mainly engaged in the business of gas (supply, liquefaction, regasification, transport, storage, distribution and sale), electricity (generation, transport, distribution and sale) and any other existing source of energy. It may also act as a holding company and in this respect may incorporate or hold shares in other entities, no matter what their corporate objects or nature, by subscribing, acquiring or holding shares, participation units or any other securities deriving from the same.

Naturgy operates mainly in Spain and, outside Spain, in Latin America, Australia, the USA and the rest of Europe.

Note 3 includes financial information by operating segment.

Appendix I lists the investee companies of Naturgy at the reporting date.

The shares of Naturgy Energy Group, S.A. are listed on the four official Spanish stock exchanges, are traded on the continuous market and form part of the Ibex35

On 16 and 17 April 2024, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a communiqué in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. On 11 June 2024, TAQA issued a similar statement announcing that it would not be performing the transaction.

Note 2. Basis of presentation and accounting policies

2.1. Basis of presentation

The consolidated annual accounts of Naturgy Energy Group, S.A. for 2023 were approved by the shareholders at a general meeting held on 2 April 2024.

The consolidated annual accounts for 2024, which were authorised and signed by the Board of Directors of Naturgy Energy Group, S.A. on 18 February 2025, will be submitted, like those of the investee companies, to the respective General Meetings for approval and they are expected to be adopted without any change.

The consolidated annual accounts of Naturgy for 2024 have been prepared on the basis of the accounting records of Naturgy Energy Group, S.A. and the other companies in the Group, in accordance with the provisions of International Financial Reporting Standards adopted by the European Union (hereinafter "IFRS-EU"), as per Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

In the preparation of these consolidated annual accounts the historical cost method has been used and, as appropriate, the criteria for the recognition at fair value of financial assets measured at fair value through profit or loss and through other comprehensive income, derivative financial instruments, business combinations, the application of inflation to the historical cost of assets in economies regarded as hyperinflationary, and defined benefit pension plans.

These consolidated annual accounts fairly present the consolidated equity and consolidated financial situation of Naturgy at 31 December 2024, and the consolidated results of its operations, the changes in the consolidated statement of comprehensive income, changes in consolidated equity and the consolidated cash flows of Naturgy for the year then ended.

The figures set out in these consolidated annual accounts are stated in million euro, unless indicated otherwise.

2.2. New IFRS-EU and IFRIC interpretations

Standards that came into force on 1 January 2024

As a result of their approval, publication and entry into force on 1 January 2024, the following standards, interpretations and amendments adopted by the European Union have been applied:

Standards adopted by the European Union		**Entry into force for annual periods commencing**
IAS 1 (Amendment) "Classification of liabilities as current or non-current" "Non-Current Liabilities with Covenants"	Expands on the criteria for the classification of non-current liabilities.	1 January 2024
IFRS 16 (Amendment) "Lease Liability on a Sale and Leaseback"	Adds requirement for subsequent re-measurement in sale-and-leaseback transactions.	1 January 2024
IAS 7 and IFRS 7 (Amendment) "Supplier Financing Arrangements"	Requires additional disclosures for supplier financing arrangements.	1 January 2024

None of these standards, interpretations or amendments was applied early. The application of those standards, interpretations and amendments did not have a material impact on these consolidated annual accounts.

The Group has adopted the classification of liabilities as current, non-current, and non-current with covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after 1 January 2024 and are intended to elaborate upon the criteria for determining whether a liability should be classified as current or non-current and to incorporate disclosures for non-current liabilities that are subject to covenants within twelve months after the reporting period. A review of liabilities concluded that the amendments to IAS 1 have no significant impact on the classification of current and non-current liabilities at the date of adoption of the standard.

The amendments to IFRS 16 "Lease liability in a sale and leaseback" requiring that no gain or loss is recognised in this type of transaction in relation to the right of use that is retained had no effect on the annual accounts of the Naturgy Group in 2024, since no transactions of this nature were carried out.

The amendments to IAS 7 and IFRS 7 "Supplier financing arrangements" apply to annual periods beginning on or after 1 January 2024 and require disclosures to evaluate the effects of such arrangements on the liabilities and cash flows and on the exposure to liquidity risk of the entity entering into the arrangement. As at the date of these condensed consolidated interim annual accounts, Naturgy is not a party to any supplier financing arrangements with a material impact.

Management is closely following developments related to the implementation of international tax reforms that introduce an additional global minimum tax (Pillar Two). During 2023, the International Accounting Standards Board issued amendments to IAS 12 that provide a mandatory temporary exception from deferred tax accounting for the top-up tax and require new disclosures in the annual accounts.

On 21 December 2024, Spain's Official State Gazette published Law 7/2024 of 20 December, which establishes a top-up tax to guarantee an overall minimum level for multinational enterprise groups and large-scale domestic groups, a tax on the net interest income and fees of certain financial institutions and a tax on liquids for electronic cigarettes and other tobacco-related products, and modifies other tax regulations. Law 7/2024 is in force for annual periods beginning on or after 31 December 2023; accordingly, it is fully applicable to Naturgy in 2024.

In the case of Ireland, however, the national tax authorities have announced that, in compliance with Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union, the Finance Act 2024 introduces a top-up tax that will enable the minimum tax rate to be raised from the current 12.5% nominal rate to 15%. The entry into force of this legislation resulted in the recognition in Ireland of Euros 1.4 million in top-up tax to attain the minimum rate of 15%.

Naturgy assessed the impact that the application of the Top-up Tax Law would have for the Group. The possible application of the safe harbours derived from the existing data in the Qualified Country-by-Country Report was analysed and, in the event that no safe harbour is applicable, the amount of Top-up Tax that would need to be recognised in Spain has been analysed. As a result of this analysis, it was determined that, with the exception of Puerto Rico, all jurisdictions in which the Group operates are covered by the safe harbours applicable in the first two years of application of the top-up tax.

In the specific case of Puerto Rico, the top-up tax that had to be recognised in Spain at 31 December 2024 is Euros 0.5 million. As the Irish top-up tax is treated as a covered tax for the purposes of the Spanish top-up tax, no additional impact needs to be reflected in the annual accounts.

Naturgy is analysing the implementation of the most appropriate technology to comply properly with the new tax obligations imposed by Pillar Two and, specifically, by the Spanish Law 7/2024, of 20 December.

During 2023, the impacts arising from the amendment to IAS 12 "Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction" were considered, under which deferred tax assets and deferred tax liabilities associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets, were recognised with a non-material impact for the purposes of the consolidated annual accounts as a whole.

The Interest Rate Benchmark Reform (IBOR reform) was completed on 30 June 2023, when the Libor-Dollar benchmarks ceased to be published, and a new benchmark for the USD based on SOFR and the new hybrid calculation methodology for the Euribor that was approved by the authorities in 2019 came into force.

Naturgy was directly affected by this reform because interbank interest rates (IBOR) were used as a benchmark in the Group's financing agreements and derivative financial instruments. Some derivative financial instruments were indexed to floating interest rates that were affected by the IBOR reform so that, during the transition period (January 2021 to June 2023), Naturgy adopted the temporary exceptions provided for ("Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Benchmark interest rate reform: Phase 2"), thereby preventing the disruption of existing hedging relationships.

Standards that will enter force on or after 1 January 2025

Standards that will enter force on or after 1 January 2025		Entry into force for annual periods commencing
IAS 21 (Amendment) "Lack of Exchangeability"	Determines whether one currency is convertible into another and, when it is not, determines the exchange rate to be used.	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	They clarify the date of recognition and derecognition of certain financial assets and liabilities and new disclosures for contractual terms that may modify cash flows and for equity instruments designated at fair value through profit or loss.	1 January 2026
Annual improvements to IFRS - Volume 11	Provides clarifications and changes affecting IFRS 1 (hedge accounting by a first-time adopter, IFRS 7 (gain or loss on derecognition of financial assets, deferred difference between fair value and transaction price, credit risk disclosure), IFRS 10 (determination of a "de facto agent") and IAS 7 (cash flows from investments in associates and joint ventures), IFRS 9 (receivables that do not contain a significant financing component, derecognition of lease liabilities).	1 January 2026
IFRS 18, Presentation and Disclosures in Financial Statements	Standard on presentation and disclosure in financial statements that amends IAS 1.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Information to be disclosed from other IFRS Accounting Standards.	Specifies reduced disclosure requirements for an eligible subsidiary that applies the requirements of other IFRS Accounting Standards.	1 January 2027
Amendments to IFRS 9 and IFRS 7 - Renewable electricity contracts.	Sets out the cases in which a purchaser of renewable electricity may apply the own-use exception and specifications for the application of hedge accounting in power purchase contracts settled by differences.	1 January 2026

None of these standards, interpretations or amendments was applied early. As of 31 December 2024, the impacts that might result from the application of these standards and amendments are being analysed. Naturgy is reviewing the impacts of the application on the financial information, basically due to the amendments to IFRS 18 in the classification of the items in the income statement to distinguish between operating, investment and financing activities and the modifications in the application of hedge accounting in long-term electricity sales contracts, in which the facilities sell their output to the market and there is a subsequent financial settlement for the difference between the market price and the price agreed in the contract.

The changes to hedge accounting for long-term sales contracts will avoid the impact of inefficiencies generated by the difficulty of establishing highly probable sales at renewable generation facilities. Those amendments will be applied prospectively, which will make it possible to correct existing classifications (without discontinuation) for annual periods beginning on or after 1 January 2026, with the standard allowing for early application from the first annual period following the adoption of this amendment, i.e. from 1 January 2025, in case it is adopted by the EU.

2.3. Comparability

The information contained in these notes to the consolidated annual accounts for the year 2024 includes the information relating to the year 2023 for comparative purposes. In 2024, no events occurred that influence the comparability of the information.

2.4. Accounting policies

The main accounting policies used in the preparation of these consolidated annual accounts have been as follows:

2.4.1. Consolidation

a. Subsidiaries

Subsidiaries are consolidated as from the date on which control is transferred to Naturgy and are de-consolidated as from the date on which control ceases.

Subsidiaries are companies controlled by Naturgy. Naturgy controls an entity when, as a result of its involvement, it is exposed or entitled to variable returns and has the capacity to influence those returns through the power exercised in the entity.

The profit or loss of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or until the effective date of disposal.

In the consolidation process, transactions and balances between Naturgy's subsidiaries and unrealised gains relating to non-Group third parties are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the equity and profit or loss of subsidiaries is disclosed under “Non-controlling interests” in the consolidated balance sheet and “Profit attributable to non-controlling interests” in the consolidated income statement.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is the fair value of the assets delivered of the equity instruments issued and the liabilities incurred and borne on the date of the exchange, the fair value of any additional consideration that depends on future events (provided that they are likely to occur and can be reliably measured).

In business combinations with acquisition dates subsequent to 1 January 2020, Naturgy applies the definition of "Business" when assessing whether it acquired a business or a group of assets. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

Naturgy also has the option of applying a "concentration test" that, if met, eliminates the need for further assessment, by determining whether or not an acquired set of activities or assets constitutes a business. The test is met if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar identifiable assets), in which case the assets acquired would not represent a business.

The intangible assets acquired through a business combination must be recognised separately from goodwill if they met the criteria for asset recognition, whether they are separable or they arise from legal or contractual rights and when their fair value can be reliably measured.

The identifiable assets acquired and the liabilities or contingent liabilities incurred or borne as a result of the transactions are initially stated at their fair value at the date of acquisition.

For each business combination, Naturgy may opt to recognise any non-controlling interest in the acquiree at fair value or as the non-controlling interest's proportional part of the recognised values of the acquiree's net identifiable assets.

Acquisition costs are expensed in the year when they are incurred.

The surplus cost of the acquisition in relation to the fair value of Naturgy's shareholding in the net identifiable assets acquired is recorded as goodwill. If, after assessing the amount of the consideration given and the valuation of the net assets acquired, the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

The measurement period for business combinations begins on the acquisition date and ends when Naturgy concludes that it cannot obtain further information on the events and circumstances that existed at the acquisition date. This period may not in any case exceed one year as from the acquisition date. During the measurement period, the business combination is deemed to be provisional and adjustments to the provisional amount will be recognised, if applicable, as if the business combination had been fully recognised on the acquisition date.

In a business combination achieved in stages, Naturgy values its prior interest in the target's equity at the fair value on the control date, recognising resulting gains or losses in the consolidated income statement.

In relation to the acquisitions of shareholders over which control is already held or sale of shareholdings without loss of control, the difference between the price paid or received and their net carrying value, or as the case may be, the result of their sale, is recorded as equity transactions and does not generate either goodwill or profits.

When an investment is deconsolidated due to a loss of control, any interest retained in the entity is re-measured at fair value and the change in the carrying amount is recognised in the consolidated income statement. This fair value then becomes the initial carrying amount for the purposes of the subsequent recognition of the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amount previously recognised in other comprehensive income in relation to the entity concerned is recorded as if the Group had disposed of the related assets or liabilities directly.

The sale options given to minority shareholders of subsidiary companies in relation to shareholdings in these companies are stated at the current value of the reimbursement, i.e., their exercise price and are carried under "Other liabilities".

The subsidiaries' accounting policies have been adapted to Naturgy's accounting policies for transactions and other events which, due to their similarities, have occurred in similar circumstances.

The subsidiaries' financial statements used in the consolidation process refer to the same reporting date and period as those of Naturgy.

b. Joint Arrangements

In a joint arrangement the parties are bound by a contractual agreement that grants two or more of those parties joint control over the arrangement. Joint control exists when the decisions about material activities require the unanimous consent of all the parties sharing control.

A joint arrangement is classed as a joint operation if the parties hold rights to its assets and have obligations in respect of its liabilities, or as a joint venture if the partners hold rights only to the investees' net assets.

Joint operations

Interests in joint operations are accounted for using the proportionate method such that the assets and liabilities assigned to joint operations are disclosed in the consolidated balance sheet classified by their specific nature and Naturgy's percentage interest. Revenues and expenses from joint operations are reflected in the consolidated income statement in accordance with their nature and in proportion to Naturgy's percentage interest.

Jointly-controlled entities

Interests in joint ventures are accounted for using the equity method.

Under the equity method, interests in joint ventures are recognised initially at cost and are adjusted thereafter to reflect Naturgy's interest in post-acquisition gains and losses and movements in other comprehensive income.

At each reporting date, Naturgy determines whether there is objective evidence of the impairment of its investment in a joint venture. If impairment is identified, Naturgy calculates the amount of the impairment loss as the difference between the joint venture's recoverable amount and carrying amount, recognising it in the item “Profit/(loss) from equity-consolidated companies” in the consolidated income statement.

c. Associates

Associates are all entities over which Naturgy has significant influence, the capacity to participate in financial and operating decisions, but not control or joint control. This generally occurs when an interest of between 20% and 50% of voting rights is held.

Investments in associates are accounted for using the equity method described above.

d. Consolidation scope

Appendix I includes the investee companies directly and indirectly owned by Naturgy that have been included in the consolidation scope.

Appendix II lists the main consolidation scope changes in 2024 and 2023, the most significant being as follows.

2024

On 23 January 2024, Naturgy, through subsidiary Naturgy Renovables, S.L.U., acquired 14.8% of Evacuación Villanueva del Rey, S.L.

On 26 January 2024, Naturgy, through subsidiary Global Power Generation, S.A., acquired 15% of Sobral I Solar Energía SPE, Ltda. and 15% of Sertao I Solar Energía SPE, Ltda., as a result of which it now owns 75% of both companies.

On 19 April 2024, Naturgy, through subsidiary Fraser Coast Development Finco PTY, Ltd., acquired 100% of Fraser Coast Solar Development PTY, Ltd.

On 7 August 2024, Naturgy sold its 99.9% stake in Agua Fría Solar, LLC. through its subsidiary Naturgy Candela Devco, LLC, with a pre-tax gain of Euros 4 million.

On 11 November 2024, through its subsidiary Naturgy Nuevas Energías, S.L.U., Naturgy acquired100% of the companies Bio Madridejos, S.L.U., Biobarrax Albacete, S.L.U., Bio Tarancón, S.L.U., Bio Caspe, S.L.U., GNR Andalucía, S.L.U., Biogas Mediana, S.L.U., Bio Carmona, S.L.U., Bio Criptana, S.L.U., Bio Membrilla, S.L.U., Bio Corral de Almaguer, S.L.U., Biogas Lucainena, S.L.U., Bio Loja, S.L.U., Bio Vilches, S.L.U. and Bio Tobarra, S.L.U.

On 20 November 2024, Empresa Chilena de Gas Natural, S.A. acquired from Metrogas, S.A. the remaining 50% of Centrogas, S.A., thus acquiring 100% of Centrogas, S.A., and the latter was merged into Empresa Chilena de Gas Natural, S.A. and dissolved. On the same date, Metrogas, S.A. acquired from a unrelated third party the remaining 0.10% interest in Financiamiento Doméstico, S.A., thus acquiring 100% of Financiamiento Doméstico, S.A., which was merged into Metrogas, S.A. and dissolved.

For acquisitions of companies in 2024, Naturgy carried out an analysis of each acquisition to determine, where applicable, whether a business or a group of assets was being acquired, and concluded that no business combinations took place in 2024.

2023

On 31 January 2023, through subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in Romera Eco Power, S.L., Mangos Energy, S.L., Encarnaciones Energy, S.L. and Sol Morón Energy, S.L. and, indirectly, 32.83% of Sun&Wind Sierra Sur, A.I.E.

On 28 March 2023, through subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in Andújar 100 Solar, S.L. and a 60.1% interest in ICE Andújar, S.L.

On 27 April 2023, through subsidiary Naturgy Renovables, S.L.U., Naturgy acquired 100% of Hazas Energy, S.L., Josmanil Energy, S.L., Cabreras Wind Energy, S.L., Villanueva Energy, S.L. and Villanueva Two Energy, S.L., and, indirectly, 67.17% of Sun&Wind Sierra Sur, A.I.E.
On 26 July 2023, through subsidiary Naturgy Renovables, S.L.U., Naturgy acquired 100% of Lepe Solar 40, S.L.

On 3 August 2023, through subsidiary Naturgy Renovables, S.L.U., Naturgy acquired 100% of ASR Wind, S.L., which heads a group of nine companies (Parque Eólico Pujalt, S.L., Parque Eólico del Magré, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L.) which, in turn, hold an interest in two companies (SET Veciana, S.L. and SEC Valcaire, S.L.).

On 1 September 2023, Desarrollo de Energías Renovables de Navarra, S.A., Naturgy Future, S.L., Eólica Tramuntana, S.L., Parque Eólico Cinseiro, S.L. and Andújar 100 Solar, S.L. (merging companies) were merged into Naturgy Renovables, S.L.U., with effect for accounting purposes from 1 January 2023, except for Andújar 100 Solar, S.L., where the effective date for accounting purposes was the acquisition date.

On 13 September 2023, through its subsidiary Naturgy Nuevas Energías, S.L.U., Naturgy acquired a 65% interest in Bioenergía y Valoraciones Ambientales Sevilla, S.L.

In Australia, Naturgy acquired 100% of Bundaberg Development Finco PTY, Ltd. in March, Bundaberg Solar Development PTY, Ltd. in September, and Glenellen Asset Trust and Glenellen Asset PTY Ltd. in October 2023.

Through its US subsidiary, Naturgy Candela Devco, LLC, in November 2023 Naturgy sold Yeager Solar Project, LLC, Yeager Solar Project2, LLC and Vulcan Solar Project, LLC, companies with projects in progress in the Renewables USA area with pre-tax profits of Euros 10 million.

n 30 November 2023 the companies Lepe 40 Solar, S.L.U., Hazas Energy, S.L., Josmanil Energy, S.L., Cabreras Wind Energy, S.L., Villanueva Energy, S.L., Villanueva Two Energy, S.L., Cortijo Nuevo Energy, S.L., ASR Wind, S.L., Parque Eólico Pujalt, S.L., Parque Eólico del Magré, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L. were merged into Naturgy Vento, S.A.U. (whose name was Energías Especiales Alcoholeras, S.A. until 28 June 2023). As the merging companies were acquired during the year, the date of acquisition of each company by Naturgy was considered as the effective date for accounting purposes.

2.4.2. Transactions in foreign currency

Items included in the financial statements of each of Naturgy's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated annual accounts are presented in euros, which is the parent company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

The results and financial position of all Naturgy entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

- Income and expenses for each income statement are translated at monthly average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.

– All the currency translation differences are recognised in the Consolidated Statement of Comprehensive Income, and the cumulate amount under the heading Cumulative translation adjustments in equity.

Before being converted to euros the financial statements of Group companies with the functional currency of a hyperinflationary economy are adjusted for inflation following the procedure described below. Once restated, all items in the financial statements are converted to euro applying the year-end exchange rate. The figures for previous periods, which are given for comparative purposes, are not altered.

To determine the existence of hyperinflation, the Group assesses the qualitative characteristics of the economic environment, as well fluctuations in inflation rates in the last three years. The annual accounts of companies whose functional currency is that of an economy considered to be highly inflationary, such as Argentina, are adjusted to reflect changes in the purchasing power of the local currency, such that all items on the balance sheet that are not expressed in current terms (non-monetary items), are restated taking as reference the CPI published by INDEC (Instituto Nacional de Estadísticas y Censos) at year-end, and all revenues and expenses, gains and losses, are restated on a monthly basis applying appropriate corrective factors. The difference between the initial amounts and the adjusted figures is taken to profit and loss.

The adjustments to goodwill and to the fair value arising from the acquisition of a foreign company are treated as assets and liabilities of that company and are translated at the closing exchange rate.

With effect from 1 July 2018, applying the criteria established by IAS 29 "Reporting in Hyperinflationary Economies", the Argentinian economy has been treated as hyperinflationary with effects backdated to 1 January 2018.

The inflation rates used were the domestic wholesale price index (IPIM) until 31 December 2016 and the consumer price index (CPI) as from 1 January 2017.

With effects back-dated to 1 January 2018, an increase in equity was recognised as a result of applying the rise in inflation to the historic cost of non-monetary assets from the date of their acquisition or inclusion in the consolidated balance sheet and recording the relevant deferred tax liability. This effect was reflected in currency translation differences at the beginning of 2018.

After 1 January 2018:

– An adjustment to revenue and expense items was made to apply the variation in inflation from the date they were recognised in the income statement, and to reflect the losses derived from the net monetary position.

– The translation into euro of the figures thus adjusted in the consolidated financial statements is performed applying the year end peso/euro exchange rate.

The exchange rates against the euro (EUR) of the main currencies of Naturgy companies at 31 December 2024 and 2023 were as follows:

	31.12.2024		31.12.2023	
	Closing Rate	Average accumulated Rate (1)	Closing Rate	Average accumulated Rate (1)
US Dollar (USD)	1.04	1.08	1.11	1.04
Argentinian Peso (ARS)	1,067.48	1,067.48	894.54	894.54
Brazilian Real (BRL)	6.43	5.83	5.36	5.22
Chilean Peso (CLP)	1,031.99	1,021.37	971.82	908.69
Mexican Peso (MXN)	21.55	19.82	18.72	18.53
Australian Dollar (AUD)	1.68	1.64	1.63	1.57

(1) In Argentina, the closing exchange rate was used because Argentina is classified as a hyperinflationary economy.

2.4.3. Intangible assets

a. Goodwill

Goodwill represents the amount by which the acquisition cost exceeds the acquisition date fair value of the share in the net identifiable assets of the acquired subsidiary, joint arrangement or associate. Goodwill on acquisitions of subsidiaries or joint arrangements is included in Intangible assets while goodwill related to acquisitions of associates is recorded under Investments using the equity method.

Goodwill is not amortised and it is tested for impairment annually. It is recognised in the consolidated balance sheet at cost less cumulative impairment losses.

Impairment of goodwill cannot be reversed.

b. Concessions under IFRIC 12 and other similar concessions

This heading includes the cost of acquisition of concessions if they are acquired directly from a public entity or similar, the fair value attributed to the concession in the event of being acquired as part of a business combination or the cost of construction and improvements of infrastructures assigned to concessions, in accordance with IFRIC 12 "Service concession agreements".

Assets affected by IFRIC 12, which are those in which the licensor controls the services that Naturgy (operator) must provide, and any material residual interest in the infrastructure at the end of the concession term are recognised as financial assets if the operator holds an unconditional right to receive cash from the licensor and as intangible assets if the operator does not hold such a right but is entitled to charge users for the service. Revenues and expenses on construction services or infrastructure improvements are recognised at their gross amount. Given that concession agreements do not specify the remuneration pertaining to these items, the value of the is estimated based on the expenses incurred.

The assets included under this heading are depreciated on a straight-line basis over the term of each concession.

The electricity distribution concessions in Spain and the gas distribution concessions in Chile, all acquired basically as part of a business combination, are not subject to any legal or other limit. Accordingly, as these are intangible assets with an indefinite life, they are not amortised, although they are tested for impairment annually, as described in Note 2.4.6.

c. Computer software

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

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

d. Research costs

Research activities are expensed in the consolidated income statement as incurred.

e. Customer acquisition costs

The incremental costs incurred directly to obtain customer contracts that reflect the commissions paid to obtain energy supply contracts with such customers and which are expected to be recovered over the expected duration of the contract are recorded as intangible assets.

Customer acquisition costs recognised as assets are amortised systematically in the consolidated income statement over the average expected useful life of the contracts with customers, which ranges from two to eight years.

f. Other intangible assets

Other intangible assets mainly include the following:

- The costs of licences for renewable generation facilities, mainly acquired as part of a business combination, which are amortised over their remaining useful lives.

- Gas supply contracts and other contractual rights purchased as part of a business combination, which are valuated at fair value and amortised over the contract term that does not differ significantly from the expected consumption pattern.

There are no intangible assets with an undefined useful life apart from goodwill and the aforementioned concessions for electricity distribution and concessions for gas distribution.

2.4.4. Property, plant and equipment

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

a. Cost

All property, plant and equipment are presented at acquisition or production cost, or the value attributed to the asset in the event that it was acquired as part of a business combination.

The cost of financing technical installations until the asset is ready to be brought into use forms part of property, plant and equipment.

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

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

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

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

Property, plant and equipment also include the investments necessary to contribute to decarbonisation, promote the circular economy and advance energy independence, particularly in renewable gases and above all in biomethane.

The future costs that Naturgy must meet in relation to the decommissioning and dismantling of certain facilities are included in the value of the assets at the restated value, including the respective provision (Note 2.4.19).

Revenues from the sale and the costs of items arising during the period over which the property, plant and equipment are brought into operation are recognised in consolidated income statement.

Gains and losses on disposals are determined by comparing the sale price with the carrying amount, and are recognised in the consolidated income statement.

b. Depreciation

Assets are depreciated using the straight-line method over their estimated useful lives, or over the duration of the concession agreement, if shorter. Estimated useful lives are as follows:

	Estimated useful life (years)
Buildings	33-50
Gas tankers	25-30
Technical installations (gas transportation and distribution network)	20-40
Technical installations (hydroelectric plants)	14-65
Technical installations (combined cycle gas turbine: CCGT)	35-40
Technical installations (nuclear energy plants)	44-47
Technical installations (wind farms)	25-30
Technical installations (photovoltaic farms)	25-30
Electricity transmission network	30-40
Electricity distribution network	18-40
Computer hardware	4
Vehicles	6
Other	3-20

The hydroelectric plants are covered by temporary administrative concessions. Upon termination of the terms established for the administrative concessions, the plants revert to the Government in proper condition, which is achieved by stringent maintenance programs. The calculation of the depreciation charge for the hydro-electric plants differentiates between the different types of assets of which they are composed, distinguishing between investments in civil works (which are depreciated on the basis of the concession period), electro-mechanical equipment (40 years) and the other fixed assets (14 years), taking into account, in any event, the use of the plant and the maximum term of the concessions (expiring between 2024 and 2063).

Naturgy depreciates its nuclear power plants over a useful life of between 44 and 47 years, which corresponds to the life determined in the protocol signed in 2019 with Enresa and the other owners of such facilities. Operating licences for these plants usually have 10-year terms and renewal may not be requested until shortly before the expiration of each licence. Nonetheless, in view of the optimal performance of these facilities and related maintenance programmes, the permits are expected to be renewed at least until the useful life is completed.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, i.e., when the asset is no longer useful such as due to a rerouting of the distribution pipeline (Note 2.4.6.).

2.4.5. Right-of-use assets

Naturgy recognises a right-of-use asset on the lease inception date (Note 2.4.20.). The cost of the right-of-use asset includes the initial amount of the lease liability, any initial direct costs, lease payments made before or on the inception date, and an estimate of any decommissioning costs to be incurred relating to the asset. Subsequently, the right-of-use asset is recognised at cost less accumulated depreciation and any associated impairment adjustment (Note 2.4.6.), and is adjusted to reflect any subsequent re-estimation of the liability or change in the lease.

Naturgy applies the exemption for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For such leases, Naturgy recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless there is another systematic basis which better represents the timeframe in which the economic benefits of the leased asset are consumed.

Right-of-use assets are amortised on a straight-line basis over the lease term or the underlying asset's useful life, whichever is shorter. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Naturgy expects to exercise a purchase option, the right-of-use asset is amortised over the life of the underlying asset. Depreciation commences on the inception date of the lease.

2.4.6. Non-financial asset impairment losses

Non-financial assets are tested for impairment provided that an event or change in circumstances indicates that their carrying amount might not be recoverable. Additionally, irrespective of the existence of any evidence of impairment, goodwill and intangible assets not in use or with indefinite useful lives are tested at least annually for impairment.

When the recoverable amount is lower than the asset's carrying amount, an impairment loss is recognised in the consolidated income statement for the difference. The recoverable amount is calculated at the higher of an asset's fair value less costs of sale and value in use calculated by applying the discounted cash flow method. In general, Naturgy considers value in use as the recoverable amount, except for CGUs (LPG and Renewable Generation Spain) where fair value less selling costs is considered to be a better estimate of the recoverable amount.

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

For those CGUs that required an impairment analysis, value in use is determined by the present value of cash flows generated by the CGE in its current condition, based on the best forward-looking information available for the coming years, extended as far as a ten-year period or by the remaining useful life for certain assets and concessions, on the basis of regulations and expected market evolution, drawing on available industry forecasts and past experience of price trends and production volumes.

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

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

The cash flows after the ten-year projection period are extrapolated using the growth rates estimated for each CGU, which in no case exceed the average long-term growth rate for the business and country in which they operate. In all cases, they are lower than the growth rates projected for the next ten years. In order to estimate future cash flows for the calculation of residual values, all maintenance investments are taken into account as well as any renovation investments needed to maintain CGU production capacity.

In the case of cash flow projections for the impairment tests that present terminal values, the latter are calculated on the basis of a long-term growth rate aligned with the demand trend quantified by Naturgy using its energy models, in line with current expectations with regard to the transition to a low-carbon economy and considering the physical and transition risks associated with climate change.

The parameters taken into account to determine the growth rates, which represent the long-term growth of each line of business, are in line with the long-term growth of the country, obtained from inflation estimates provided by several sources: analysts' consensus (Bloomberg), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), central banks and other government agencies, European Commission for the period 2024-2026, and Economist Intelligence Unit (EIU) for 2027 and thereafter.

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

- Risk-free rate: Based on the sovereign bond yield, bearing in mind country risk, currency and market of reference for the CGU, as well as surveys and other sources of information (Damodaran, EIU, etc.).

- Market risk premium: Premium based on surveys and other sources of information (Kroll, Damodaran, Pablo Fernández, etc.).

- Unlevered beta: based on estimated betas for each CGU using comparables (Bloomberg).
- Cost of interest-bearing debt: comprises the functional currency interest rate swap, with a term of 10 to 30 years, plus a spread for credit risk.
- Debt-equity ratio: based on industry comparables.

A CGU may contain a right-of-use asset and a lease liability. In the impairment test, the liability is recognised when determining the recoverable amount of the CGU if it is determined that, in the event the CGU were disposed of, the buyer would have to assume the lease liability. In this case, the treatment is as follows:

- If the recoverable amount is determined using the value in use, the value of the lease liability is considered in both the value of the tested assets and their value in use, without considering the cash outflows linked to the lease contracts in the test flows but directly reducing the value in use by the carrying amount of the lease liability.
- If the recoverable amount is determined using fair value less selling costs, the value of the lease liability is taken to be the value of the tested assets, and the recoverable amount is determined as the amount that would be realised on the disposal of the CGU's assets and the liabilities associated with the rights of use.

The liability is discounted using the implicit interest rate of the lease contract.

The impairment loss of an asset, individually considered, is recognised in the consolidated income statement, reducing the carrying value of the asset to its recoverable amount. The asset's depreciation charges are adjusted in future periods in order to apportion the revised carrying amount of the asset, less any residual value, systematically over its remaining useful life.

An impairment loss is recognised for a CGU if its recoverable amount is less than the carrying amount. This loss is allocated firstly, to the goodwill, and then to the other CGU assets in proportion to their respective carrying values. These reductions are treated as impairment losses on individual assets. The carrying amount of an asset is not reduced below the higher of its recoverable amount and zero, and this undistributed loss is allocated on a pro-rata basis among the other assets of the CGU.

Impairment adjustments to an asset, other than goodwill, that were recognised in previous periods may be reversed if and only if there was a change in the estimates used to determine the recoverable amount since the most recent impairment loss was recognised. The carrying amount of an asset other than goodwill that was increased due to reversal of impairment losses may not exceed the carrying amount that would have obtained (net of depreciation and amortisation) if no impairment had been recognised for that asset in previous years.

2.4.7. Financial assets and liabilities

Financial assets

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

Purchases and sales of investments are recognised on the trade date, which is the date on which Naturgy commits to purchasing or selling the asset.

On initial recognition, they are classified in the following categories:

a. Financial assets at amortised cost

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

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

b. Financial assets at fair value through profit or loss

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

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

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

c. Equity instruments at fair value through other comprehensive income

These are equity instruments with respect to which Naturgy has made an irrevocable decision at the time of initial recognition to record them in this category. They are recognised at fair value and any increases or reductions arising from fair value fluctuations are recorded under other comprehensive income, except for dividends derived from these investments which are recognised under income for the year. Therefore no impairment losses are recognised in the income statement, and at the time of their sale, no gains or losses are reclassified to the consolidated income statement.

Fair value measurements recognised in these consolidated annual accounts are classified using a fair value hierarchy that reflects the relevance of the variables employed to perform the measurement. This hierarchy has three levels:

- Level 1: Valuations based on the listed price of identical instruments in an active market. Fair value is based on listed market prices at each year-end.

- Level 2: Valuations based on variables that are observable for the asset or liability. The fair value of financial assets in this category is determined using measurement techniques. These measurement techniques maximise the use of available observable market data inputs and rely as little as possible on entity-specific estimates made by Naturgy. If all significant inputs required to calculate the fair value are observable, the instrument is classified as Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is classified as Level 3.

- Level 3: Valuations where any significant variable is not based on observable market data.

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

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

The impairment of financial assets is based on an expected loss model. Naturgy accounts for the expected loss and the changes therein at each reporting date to reflect the changes in credit risk from the date of initial recognition, without waiting for an impairment event to occur.

Naturgy applies the general expected loss model for financial assets with the exception of Trade and other receivable without a significant financial component, for which the simplified expected loss model is used.

The general model requires the recognition of the expected loss resulting from a default event in the coming 12 months or over the duration of the contract, depending on the evolution of credit risk on the financial asset since initial recognition in the consolidated balance sheet. In the simplified model, credit losses expected over the duration of the contract are recognised from the outset, taking into account available information on past events (such as customer payment behaviour), current conditions and forward-looking factors (macroeconomic factors such as GDP, inflation, interest rates, etc.) that might impact the credit risk of Naturgy's debtors.

Financial liabilities

On initial recognition, they are classified in the following categories:

a. Financial liabilities at amortised cost

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Any difference between the amount received and the repayment value is recognised in consolidated profit or loss during the period of repayment using the effective interest rate method.

In the event of contractual modifications of a liability at amortised cost that do not result in derecognition, the modified contractual flows of the refinanced debt are discounted at the original effective interest rate, and the resulting difference with respect to the original carrying amount is recognised in consolidated profit or loss on the date of the modification.

In a contractual modification of a liability, the terms are considered to be materially different if the present value of the discounted cash flows under the new terms, including any fees paid net of any fees received from the lender, and using the original effective interest rate as the discount rate, differs by at least 10% from the discounted present value of the cash flows remaining on the original financial liability. In this case, the original financial liability is derecognised and the new financial liability is recognised.

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

Borrowings are classified as current liabilities unless they mature in more than twelve months as from the consolidated balance sheet date or include tacit renewal clauses at Naturgy's option.

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

b. Financial liabilities at fair value through profit or loss

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

2.4.8. Derivatives and other financial instruments

Derivatives are initially recognised at fair value on the date the relevant contract is entered into and are subsequently carried at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedge, and in that event, the nature of the asset being hedged.

Naturgy aligns its accounting with its management of financial risk. Risk management objectives and the hedging strategy are reviewed periodically and a description is given of the risk management objective pursued.

In order for each hedging operation to be considered effective, Naturgy documents that the economic relationship between the hedging instrument and the hedged asset is aligned with its risk management objectives. When defining the hedging operation, the hedging ratio, understood as the amount of the hedged item divided by the amount of the hedging item, is calculated and any potential causes of ineffectiveness are determined, which are normally linked to changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged and decoupling with respect to the indices hedged in the purchase and sale transactions.

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

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

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

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

As described in Note 2.2., Naturgy adopted the temporary exceptions established as a result of the Benchmark Interest Rate Reform to the application of the specific hedge accounting requirements for hedging relationships that were in place at 1 January 2021 or those designated subsequently until 30 June 2023 that are directly affected by the IBOR reform.

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

For accounting purposes, the transactions are classified as follows:

1. Derivatives eligible for hedge accounting

a. Fair value hedges

Fair value changes in designated derivatives that qualify as fair value hedges are recognised in consolidated profit or loss together with any fair value changes in the hedged item.

b. Cash flow hedges

The portion identified as an effective hedge of fair value changes in derivatives that are designated and qualify as cash flow hedges is recognised in equity under other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in consolidated profit or loss under the relevant heading based on the nature of the hedged item. An ineffective portion is considered to exist when the change in value of the hedging instrument, in absolute terms, is greater than the change in value of the hedged item.

When derivatives are arranged, the hedging ratio, understood as the amount of the hedged item divided by the amount of the hedging item, is calculated and any potential causes of ineffectiveness are determined, which are normally linked to changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged and decoupling with respect to the indices hedged in the purchase and sale transactions.

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

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

– The gain or loss relating to the effective portion of interest rate swaps is recognised in the financial expense at the same time as the interest expense in the hedged loans.

– When a hedging instrument covers a forecast transaction, the accumulated amounts remain in equity until the forecast transaction takes place. When the forecast transaction does not occur, the amount accumulated in equity is immediately reclassified to income for the period.

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

If this amount is a loss and it is not expected to be recovered, it will be reclassified immediately to consolidated profit or loss as a reclassification adjustment.

c. Hedges of net foreign investments

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

2. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Fair values changes to derivatives that do not qualify for hedge accounting are recognised immediately in consolidated profit or loss.

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

3. Energy purchase and sale agreements

During the normal course of business, Naturgy enters into energy purchase and sale agreements which in most cases include “take or pay” clauses. by virtue of which the buyer takes on the obligation to pay the value of the energy contracted irrespective of whether the buyer receives it or not. These agreements are executed and maintained in order to meet the needs of receipt or physical delivery of energy projected by Naturgy in accordance with periodic energy purchase and sale estimates, which are monitored systematically and adjusted in all cases through physical delivery. Consequently, these are contracts for “own use” and therefore fall outside the scope of IFRS 9.

2.4.9. Non-current assets held for sale and discontinued operations

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

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

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

Non-current assets held for sale are presented in the consolidated balance sheet as follows: assets under a single account called “Non-current assets held for sale” and the liabilities also under a single account called “Liabilities linked to non-current assets held for sale”.

Additionally, Naturgy considers as discontinued activities the components (cash generating units or groups of cash generating units) that make up a business line or geographic area of operations that are significant and can be considered separately from the rest, and have been sold or disposed of by other means or which meet the conditions to be classified as held-for-sale. Entities acquired solely for resale are also classed as discontinued operations.

The profit or loss from discontinued activities is presented in a single line called “Profit for the year from discontinued operations net of taxes” in the consolidated income statement.

2.4.10. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost.

Costs of inventories include the cost of raw materials and those that are directly attributable to the acquisition and/or production, including the costs of transporting inventories to the current location.

Nuclear fuel is measured on the basis of the costs actually incurred in its acquisition and preparation. The consumption of nuclear fuel is charged to the income statement on the basis of the energy capacity consumed.

Emission allowances held to cover emissions made are stated at the lower of weighted average acquisition price and net realisable value.

Emission allowances allocated free of charge are recognised initially at fair value and deferred revenue is recognised and transferred to profit or loss as the emission allowances allocated free of charge are consumed. Subsequently, inventories continue to be measured at the lower of allocation value or net realisable value.

When the allowances are delivered to offset the emissions produced, they are derecognised against the provision recorded when the CO_2 emissions took place (Note 2.4.19).

Guarantee of origin certificates for renewable energy sources are measured at fair value at the time of certification, as a grant received. When the original certificates generated through the Group's own activity are not sufficient, certificates are acquired from third parties, in which case they are measured at acquisition cost. Guarantee of origin certificates are consumed and collected by redeeming the guarantees of origin assigned directly by the supply company to the customer's consumption, identified using its metering point identification number, or through a green-labelled supply company which has a CNMC certificate as to the renewable origin of all the energy it sells.

Energy performance certificates (EPCs) acquired by the supply companies through agreements with companies that implemented energy efficiency actions are measured at the acquisition price after their registration in the National Register of EPCs and they are derecognised when they are delivered in order to comply with the obligations to contribute to the National Energy Efficiency Fund.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. For raw materials, the Group assesses whether or not the net realisable value of finished goods is greater than their production cost.

2.4.11. Share capital

Share capital is represented by ordinary shares.

Incremental costs directly attributable to the issue of new shares or options, net of tax, are deducted from equity as a deduction from reserves.

Dividends on ordinary shares are recognised as a deduction from equity in the year they are declared.

Acquisitions of own shares are recognised at acquisition cost, and are deducted from equity until disposal. Gains and losses on the disposal of own shares are recognised under "Reserves" in the consolidated balance sheet.

2.4.12. Share-based payments

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

As employees deliver services during the incentive vesting period, they are measured and recognised under "Personnel expenses" in the consolidated income statement with a balancing entry in “Reserves” in the consolidated balance sheet.

Trends in external market conditions do not trigger remeasurement of the amounts recognised in consolidated equity

2.4.13. Earnings per share

Basic earnings per share are calculated as a quotient between consolidated profit for the year attributable to equity holders of the company and the average number of ordinary shares outstanding during that period, excluding the average number of shares of the parent Company held by the Group.

Diluted earnings per share are calculated as a quotient between consolidated profit for the year attributable to the ordinary equity holders of the company adjusted by the effect attributable to the potential ordinary shares having a dilutive effect and the average number of ordinary shares in circulation during this period, adjusted by the average number of ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares of the parent company. Accordingly, the conversion is considered to take place at the beginning of the period or at the time of issue of the potential ordinary shares, if these were placed in circulation during the period itself.

2.4.14. Borrowings and equity instruments

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

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

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

2.4.15. Preference shares and subordinated perpetual debentures

Issues of preference shares and subordinated perpetual debentures are classified as equity instruments if and only if:

- They do not include a contractual obligation on the issuer to repurchase them, under conditions involving certain amounts and at certain dates or determinable amounts and at determinable dates, or the right of the holder to demand their redemption.

- The payment of interest is at the discretion of the issuer.

- The parent company controls the remuneration policy that determines cash outflows.

In the case of issues by a Group subsidiary that meet the above conditions, the amount received is classified in the consolidated balance sheet under “Non-controlling interests”.

2.4.16. Deferred revenue

This heading mainly includes:

- Capital grants received, relating basically to agreements with regional governments for the gasification or electrification of municipalities and other investments in gas or electricity infrastructure, for which Naturgy has met all the conditions established and which are stated at the amount granted. The amounts allocated are recognised in profit or loss systematically over the useful life of the subsidised asset concerned, offsetting the depreciation expense.

- Revenue received for the construction of facilities for connecting to the gas or electricity distribution network (connections), which is recognised for the cash amount received, as well as such facilities received under assignment, recognised at fair value. The allocated amounts are recognised in profit or loss on a systematic basis over the useful life of the facilities.

– The amount received from the US government in the form of investment tax credit (ITC) for commissioning renewable installations. Amounts received are recognised in profit or loss over the useful life of the facility in line with depreciation.

2.4.17. Value of adjustments for deviations in market price, pursuant to Article 22 of Royal Decree 413/2014

On 22 October 2021, the CNMV issued a statement establishing the criteria for recognising the value of adjustments due to variances in market price in accordance with Article 22 of Royal Decree 413/2014 of 6 June regulating electricity production from renewable energy sources, cogeneration and waste (RD 413/2014).

The value of the adjustments for variances in market price includes the differences arising in each financial year between revenues from energy sales at the price estimated by the regulator at the beginning of each regulatory half-period and the lower of the actual average market price and the weighted average value of the basket of electricity market prices for the year. In addition, estimated targeting rates for each year are used to determine the upper and lower limits for the year.

Following the approach established by the CNMV in 2021, Naturgy generally recognises each market deviation arising under RD 413/2014, whether positive or negative, as an asset or liability in the consolidated balance sheet.

However, if, over the residual regulatory life of the facilities according to Naturgy's best estimate of the future evolution of energy market prices, it is highly probable that market returns would be obtained in excess of those established in RD 413/2014 and, consequently, abandoning this remuneration regime would not have significantly more adverse economic consequences than remaining in it, it is considered that in this situation only the asset is recognised.

In the event that the facility is in the last half-period of its regulatory life or Naturgy has announced the early abandonment of the remuneration scheme established in RD 413/2014, an asset or liability will be recorded in each financial year for the net accumulated amount of the positive and negative variances generated in that half-period.

2.4.18. Provisions for employee obligations

a. Post-employment obligations and similar

- Defined contribution plans

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

Additionally, there is a defined contribution plan for a group of executives, for which Naturgy undertakes to make certain contributions to an insurance policy, guaranteeing for this group a yield of 125% of the CPI on the contributions made to the insurance policy. All the risks have been transferred to the insurance company, since it even insures the guarantee referred to above.

The contributions made are recognised under Personnel expenses in the consolidated income statement.

Additionally, some employees voluntarily contribute part of their remuneration to an insurance policy, at no cost to Naturgy.

- Defined benefit plans

For certain groups there are defined benefit commitments relating to the payment of retirement pension and death and disability supplements, in accordance with the benefits agreed by the entity and which have been externalised in Spain through single premium insurance policies under Royal Decree 1588/1999 of 15 October, which adopted the Regulations on the arrangement of company pension commitments.

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

Actuarial losses and gains arising from changes in actuarial assumptions or from differences between assumptions and reality are recognised directly in equity under "Other comprehensive income", for the entire amount, in the period in which they arise.

Past-service costs are recognised immediately in the consolidated income statement under “Personnel expenses”.

b. Other post-employment benefit obligations

Some of Naturgy’s companies provide post-employment benefits to their employers. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined-benefit pension plans. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited, directly in equity, to Other comprehensive income.

c. Termination benefits

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

2.4.19. Provisions

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

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

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

Naturgy must incur costs for dismantling its production facilities, including the cost of the work required to prepare the land on which they are located. In the case of nuclear power plants, all of which are located in Spain, it covers the costs incurred by the plant operator from the end of its useful life until the public business entity Empresa Nacional de Residuos Radiactivos, S.A. (ENRESA) takes over the decommissioning and waste management.

In the case of hydroelectric power plants, a provision for decommissioning is recognised only in cases where it is considered that maintaining the plant would be counter to the public interest or where it is not viable to continue operating it upon expiration of the administrative concession.

For these purposes, the estimated present value of these costs is recognised as an increase in the value of the asset with a credit to "Provisions" at the beginning of the asset's life. This estimate is reviewed regularly to ensure that the provision reflects the present value of all estimated future costs. The value of the asset is adjusted only for variances from the initial estimate. For facilities that have reached the end of their useful lives and the decommissioning stage has commenced, the provision is recognised in the income statement for the period.

Naturgy applies a risk-free rate to discount the provision as the future cash flows estimated to meet the obligation reflect the specific risks of the related liability. The risk-free rate used pertains to yields on government bonds of sufficient depth and creditworthiness at the end of the reporting period, in the same currency and with a similar maturity to the obligation. The variation in the provision arising from discounting is recorded against "Financial expenses" in the consolidated income statement.

In contracts in which the obligations undertaken include unavoidable costs greater than the economic benefits expected to be received from them, the expenses and respective provisions are recognised for the amount of the present value of the existing difference. The unavoidable costs of the contract will reflect the lower net costs of terminating the contract, i.e. the lower of the cost of complying with the terms of the contract and the indemnity derived from non-compliance. As from 1 January 2022, Naturgy has considered that the costs directly related to a contract comprise the incremental costs of contract performance and an allocation of other costs that are directly related to contract performance.

In order to cover the obligation concerning the delivery of CO_2 emission allowances for emissions made during the year, the CO_2 allowances to be delivered are recognised under Current provisions at acquisition cost, in the case of allowances purchased and recognised under Inventories, or at fair value for allowances pending purchase if not all necessary emission allowances are held.

2.4.20. Leases

At the commencement date of a contract, Naturgy assesses whether the contract is or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The lease term is the non-cancellable period considering the initial term of each contract unless Naturgy has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be taken into account.

Naturgy re-evaluates whether a contract is, or contains, a lease only if the terms and conditions of the contract change.

Lessee

In contracts where Naturgy is the lessee, it recognises an asset for the right of use and a financial liability for the lease (Notes 2.4.5. and 2.4.21.).

Lessor

Naturgy will classify each lease contract in which it is the lessor as either an operating lease or a finance lease.

A lease will be classified as a finance lease when Naturgy transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the customer. A lease will be classified as an operating lease if substantially all the risks and rewards incidental to the ownership of an underlying asset are not transferred.

- *Operating leases*: Operating lease payments will be recognised as revenue in the lessor's income statement on a straight-line basis over the lease term unless another allocation basis offers a better reflection of the distribution pattern of the benefit gained from the use of the underlying asset.

- Finance leases: Naturgy will recognise a receivable in the consolidated balance sheet in an amount equal to the present value of the lease payments plus the unguaranteed residual value, discounted using the implicit interest rate of the lease contract.

  The lessor will subsequently recognise the financial income over the term of the lease in such a manner as to obtain a constant interest rate in each period on the net investment outstanding under the lease (the leased asset). It will apply the lease payments against the gross investment to reduce both the principal and the accrued financial income.

When a contract includes both lease and non-lease components, Naturgy applies IFRS 15 to allocate the consideration under the contract to each component.

2.4.21. Financial liabilities for leases

On the lease commencement date, Naturgy recognises the lease liability for the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate.

The incremental interest rate used by Naturgy is differentiated based on the portfolio of similar leases, country and contract term. The weighted average incremental interest rate for 2024 is 5.79% in Spain and 5.03% in Latin America.

The lease payments to be made will include fixed payments less any incentives, variables that depend on an index or a rate, and residual value guarantees expected to be incurred, the exercise price of a purchase option if that option is expected to be exercised, and penalty payments for terminating the lease if the lease term reflects that the lessee will exercise an option to terminate the lease.

Any other variable payments are excluded from the measurement of the lease liability and right-of-use asset.

Subsequently, the lease financial liability will be increased by the interest on the lease liability and reduced by the payments made. The liability will be remeasured if there are changes in the amounts payable and the terms of the lease.

2.4.22. Income tax

Income tax expense includes the deferred tax expense and the current tax expense which is the amount payable (or refundable) on the tax profit for the year.
Naturgy includes the effect of uncertainty in tax treatment when determining taxable earnings, tax bases, unused tax losses, unused tax credits and tax rates.

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

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

Deferred tax assets and tax credits are recognised only to the extent that it is probable that future taxable income will be available against which to offset the temporary differences and apply the tax credits.

If tax rates change, deferred tax assets and liabilities are re-measured. These amounts are charged or credited to the consolidated income statement or to the item “Other comprehensive income for the year” in the consolidated statement of comprehensive income, depending on the account to which the original amount was charged or credited.

Where uncertainty exists regarding income tax treatments, Naturgy assesses whether a tax authority is likely to accept an uncertain tax treatment. If it concludes that it is unlikely that the tax authority will accept an uncertain tax treatment, the effect of the uncertainty on taxable profit (loss), tax bases, unused loss carryforwards or unused tax credits is reflected. The effect of the uncertainty is recognised using the method that, in each case, best reflects the outcome of the uncertainty: the most likely outcome or the expected value. In each case, Naturgy assesses whether to consider each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments, depending on which approach is most likely to achieve the resolution of the uncertainty.

2.4.23. Recognition of income and expenses

a. General

Revenue derived from contracts with customers is recognised on the basis of fulfilment of the performance obligations with customers.

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

Five steps are established for the recognition of revenue:

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

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

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

Sales are stated net of tax and discounts and transactions between Naturgy companies are eliminated.

b. Revenue from Gas transport and distribution network access

National Commission for Markets and Competition (CNMC) Circular 4/2020, of 31 March 2020, established the methodology for determining the remuneration for natural gas distribution applicable from 1 January 2021.

The remuneration for the regulated gas distribution activity is set annually for each remuneration period and each distribution company based on the customers connected to them and the volume of gas supplied.

CNMC Circular 9/2019, of 12 December 2019 lays down the methodology for determining the remuneration of natural gas transportation facilities and liquefied natural gas plants as from 1 January 2021.

The annual remuneration for the regulated gas transportation activity is set annually for each remuneration period, taking into account the investment and operating costs of these facilities.

The regulatory framework of the natural gas sector in Spain (Annex IV) provides a settlement procedure for redistributing, among the companies in the sector, the net revenues obtained by application of the tolls, so that each company receives the remuneration recognised for its regulated activities.

Royal Decree 1184/2020 of 29 December 2020, which lays down the methodologies for calculating gas system charges, regulated remuneration for basic underground storage facilities and the fees for their use, provides that, as from 1 October 2021, settlements will be made by gas year and by activity, differentiating between revenues from the application of tolls, fees and charges.

Subsequently, Order TED/1022/2021 of 27 September 2021 was published to further develop this Royal Decree, regulating the procedures for settling regulated activity remuneration, charges and quotas with specific destinations in the gas sector.

The entry into force on 1 October 2021 of the new Circular 6/2020 on tolls, Royal Decree 1184/2020, and Order TED/1022/2021 on settlements, changed the procedure for allocating and settling balances in the gas system. The new procedure lays down separate processes for the settlement of each of the toll items and charges defined in the above regulations. The final settlement of each procedure, whether positive or negative, will give rise to a receivable or payable for each party and these differences between the initially expected revenues and the actual revenues resulting from the application of the tolls relating to previous years will be settled as a single payment in the first available settlement of the following gas year. They will also be considered in the calculation of the costs to be included in each year's tolls.

The CNMC Resolution of 19 May 2022, published in the Official State Gazette on 25 May 2022, established the remuneration for regulated gas transportation and distribution activities for the 2023 gas year (1 October 2022 to 30 September 2023).

CNMC Resolution of 30 May 2023 establishing the gas remuneration for 2024 (from 1 October 2023 to 30 September 2024) for companies carrying out regulated activities related to natural gas transportation and distribution.

CNMC Resolution of 23 May 2024, establishing the remuneration for the 2025 gas year (1 October 2024 to 30 September 2025) for companies carrying out regulated activities related to liquefied natural gas plants, transportation and distribution of natural gas.

Both remunerations are financed by revenues from tolls and fees for network use. These tolls and fees are set annually, in accordance with CNMC Circular 6/2020, which lays down the method for calculating natural gas transportation, local network and regasification tolls, published in July 2020.

At the date of authorisation of these consolidated annual accounts, no final settlements from prior remuneration periods are outstanding.

The 2023 gas system remuneration period ended in 2024 with a deficit in the local network activity according to the final settlement for that year approved on 30 July 2024 by the CNMC, which has been applied as an additional charge in the settlement of the 2024 remuneration period.

The provision of distribution facilities to locate gas at supply points is considered to be a single performance obligation and, therefore, the remuneration for the regulated gas transmission and distribution activity is recognised as revenue on a straight-line basis since the service provided is similar over time.

c. Revenue from gas sales

Revenue includes the amount of both last-resort gas sales and free market sales, since the last-resort supplier and the free-market supplier are deemed to be a principal agent and not a commission agent for the supply made.

Royal Decree-Law 17/2021, of 14 September, on urgent measures to mitigate the impact of the escalation of natural gas prices on retail gas and electricity markets, limits the increase in the gas cost to be charged in the natural gas last resort tariff applicable from 1 October 2021 to 35% of the current value (Appendix IV). In the review at 1 January 2022, the maximum increase in the raw material cost compared to the figure applicable under the review at 1 October 2021 is set at 15%.

The difference between the raw material cost increase and the increase allocated in the tariff will be recovered in the reviews taking place after 1 January 2022, with a limit of 15% in the raw material cost increase.

The procedure for the recovery of the amounts owed cannot be terminated until the last resort supply companies have recovered the full amount owed, including any applicable interest. These payments will be covered out of billings under the last resort tariff and, failing that, they will be classified as a mismatch between revenues and costs in the gas system, in accordance with the provisions of Article 61 of Law 18/2014, of 15 October, approving urgent measures for growth, competitiveness and efficiency (as introduced by Royal Decree-Law 27/2021). However, this exceptional limit has been extended by successive Royal Decree-Laws until 31 December 2023, also modifying, under Royal Decree-Law 18/2022 of 18 October, the mechanism for recovering the amounts owed to last resort supply companies in order for them to be covered by the National Budget.

Royal Decree-Law 8/2023 of 27 December which adopted measures to address the economic and social consequences of the conflicts in Ukraine and the Middle East, and to alleviate the effects of the drought, extended the limitation of 15% of the increase in raw material costs included in the tariff of last resort for natural gas until 1 April 2024.

Under the previous regulations, Naturgy recognised as revenue the raw material cost variances not included in the last resort tariff applied from 1 October 2021 and during the validity of the measure. (Note 10).

Gas exchanges with other supply companies are considered to be collaboration contracts between companies in the sector and are not included in Revenue as they are not considered as contracts with customers.

The amount of gas sales is recorded as income at the time of delivery to customers, based on the quantities supplied and including the estimate of energy supplied not yet calculated in customers' meters (Note 2.4.25.).

d. Revenue from electricity transmission and distribution network access

The remuneration for electricity distribution and transmission has been set annually by the Ministry for the Ecological Transition (until 2019) and by the CNMC (since 2020), applying the approved methodology which recognises remuneration for investment and remuneration for asset operation and maintenance.

The provision of distribution facilities to locate power at supply points is considered to be a single performance obligation and therefore the remuneration for the regulated electricity transmission and distribution activity is recognised as income on a straight-line basis since the service provided is similar over time.

The regulatory framework of the electricity sector in Spain (Appendix IV) regulates a payment procedure for the redistribution amongst companies in the sector of the net turnover obtained, so that each company receives the remuneration recognised for its regulated activities.

In 2024, the CNMC published the Resolutions of 4 April 2024 and 31 July 2024 establishing the remuneration of companies owning electricity transmission facilities for 2021 and the remuneration of companies owning electricity distribution facilities for 2020.

Future publications of pending resolutions will replace those that have been approved annually in January for the purposes of the provisional settlement on account of the final settlement.

On 22 January 2025, the National Markets and Competition Commission published the Resolution of 10 January 2025, provisionally establishing the remuneration for electricity distribution companies for 2025, and the Resolution of 9 January 2025, provisionally establishing the remuneration for electricity transmission companies for 2025.

Following the enactment of Electricity Sector Law 24/2013 of 26 December 2013, temporary mismatches between electricity system revenues and costs are funded by the companies subject to the settlement system, including Naturgy, generating the right to recover the relevant amount over the following five years, including interest at a market rate. Consequently, the financing of the electricity system revenue shortfall is recognised as a financial asset since, on the basis of this regulation, Naturgy is entitled to a reimbursement and there are no future contingent factors.

In 2023, there was a surplus of revenue in the sector amounting to Euros 3,903 million. To cover charges in 2024, surpluses were carried forward in the amount of Euros 450 million from the 2022 surplus, pending to apply, in accordance with Royal Decree 8/2023 and Euros 1,024 million from the 2023 surplus in application of Royal Decree Law 4/2024. The rest of the 2023 surplus in relation to cover charges, in accordance with Royal Decree 4/2024, it will be carried forward to the 2025 with the same purpose.

e. Revenue from the sale of electricity

Revenue includes the amount of electricity sales in both the PVPC market and the free market, since the last-resort supplier and the free-market supplier are deemed to be a principal agent and not a commission agent for the supply made. Consequently, power purchases and sales are recognised for the total amount. Nonetheless, power purchases and sales from the pool made by the Group's generation and supply companies in the same time band are eliminated during the consolidation process.

The amount of electricity sales is recognised as revenue at the time of delivery to customers, based on the quantities supplied and including an estimate of energy supplied but not yet read on customers' meters (Note 2.4.25.).

In accordance with Royal Decree 413/2014 (RD 413/2014), renewable energy generation facilities in Spain qualify for certain incentives (specific remuneration scheme or RECORE). RD 413/2014 provides that certain remuneration parameters will be updated by ministerial order in each regulatory half-period.

RD 413/2014 regulates the procedure to be followed in the event that actual market prices in the half-periods of the regulatory useful life of the asset prove to be lower (positive adjustments) or higher (negative adjustments) than the prices estimated by the regulator at the beginning of the regulatory half-period and which were used to determine the incentives to be received for the investments under the scope of the regulation.

Although RDL 6/2022 established that the adjustment mechanism for market deviations would not apply to energy generated from 2023 onwards in order to encourage forward contracting, RDL 10/2022 subsequently reintroduced the adjustment for market price deviations. As a result, for 2023 and subsequent years this mechanism includes references to forward market products in the annual average price of the daily and intraday market.

On 28 June 2023, Royal Decree Law 5/2023 was approved, exceptionally adjusting the electricity market price benchmarks to be taken into account when updating the remuneration parameters of RECORE facilities for the 2023-2025 half-period.

Under this Royal Decree Law, on 30 June Order TED/741/2023 was approved which updated the remuneration parameters for standard facilities applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the regulatory half-period commencing on 1 January 2023.

On 4 June 2024, the Official State Gazette published Order TED/526/2024 of 31 May 2024, which establishes the methodology for updating the operating remuneration of electricity generation facilities whose operating costs depend essentially on the price of fuel and updates their operating remuneration values, applicable as from the first semester of 2024. With the new methodology, the remuneration for the operation of cogeneration and waste treatment facilities will now be updated every quarter instead of every half-year, resulting in the publication of the Secretary of State for Energy Resolutions of 27 June and 27 September 2024, updating the values of the remuneration, for the third and fourth calendar quarters of 2024, for operating standard electricity generation facilities whose operating costs depend essentially on the price of fuel.

The accounting treatment for market price deviations applied by Naturgy conforms to "Criterio para contabilizar el "Valor de los ajustes por desviaciones en el precio del mercado" (Vadjm), de acuerdo con el artículo 22 del real decreto 413/2014" published by the CNMV on 22 October 2021 (Note 2.4.17.), whereby:

- As a general rule, each of the positive and negative market variances arising under RD 413/2014 is recognised in the consolidated balance sheet with a balancing entry in revenue. The liabilities will be limited to the amount of the variances from the price that would have allowed the minimum yield guaranteed by the Royal Decree to be obtained and up to the limit of the Net Asset Value (NAV) of the facility.

- However, if, according to Naturgy's best estimates of the future evolution of energy market prices, it would be highly probable that market returns in excess of those established in RD 413/2014 would be obtained over the residual regulatory life of the facilities and, consequently, abandoning this remuneration regime would not have significantly more adverse economic consequences than remaining in it, the general approach is not followed and only the asset is recognised in the event of positive market deviations. The following facilities are included in this scenario:

a. Facilities which, at the date of these consolidated annual accounts, considering the estimated market prices for 2025 and subsequent years, are unaffected by being included in the premium scheme either because the NAV (as defined in RD 413/2014) has already been fully recovered or because it is estimated that, based on the observable prices, they will not collect the investment remuneration supplement (Rinv) after 2026. In both cases these facilities would have achieved the reasonable return provided by RD 413/2014 before the end of their regulatory lifetime.

b. These are facilities which, at the date of these consolidated annual accounts, will need to be supplemented by Rinv until the end of their regulatory useful lives but for which the abandonment of the remuneration system would not have significantly more adverse economic consequences than remaining in it. The threshold established by the Group to determine whether the economic consequences are not materially adverse has been calculated as the difference between the present value of the cash flows obtained by these facilities remaining in the specific remuneration scheme or leaving it, with this difference being equal to or less than 5%.

The Group regularly reviews the foreseeable evolution of market prices and other qualitative factors and determines whether leaving the remuneration scheme would not have significantly more adverse economic consequences than remaining in the regime and the installation remaining under the above-mentioned threshold. Otherwise, the general criterion would apply.

At the end of the asset's regulatory life, positive adjustments net of negative adjustments arising in the last regulatory half-year are recognised, based on the relevant balance, in asset or liability accounts with a balancing entry in net sales. At the reporting date of these consolidated annual accounts, there are facilities that are in the last half-period of their regulatory useful lives although no regulatory assets or liabilities have been recorded as the Net Present Value (NPV) of these facilities had previously been recovered.

Although for some facilities it is considered that leaving the remuneration scheme would not have significantly more adverse economic consequences than remaining in it, the scheme has not been abandoned and there is no intention to do so in the short term, basically because it does not generate significant additional obligations other than those inherent to efficiently managing the facilities and energy generation.

Naturgy has estimated market prices over the remaining regulatory useful lives of the facilities based on internal estimates used in Naturgy's normal budgeting operations, which are in line with the market consensus.

f. Long-term electricity sale contracts

Naturgy has contracts for the sale of electricity produced by renewable facilities that set the long-term conditions.

When the renewable facility is under control of the seller and there is a physical delivery of energy to the buyer in accordance with the entity's expected purchase, sale or usage requirements, this is regarded as a contract for “own use” and, therefore, revenue from the sale of electricity is recognised at the time of delivery to the buyer.

When the renewable facility is under control of the buyer to whom substantially all the risks and rewards of ownership of the facility are transferred, it qualifies as a finance lease and an account receivable is recognised initially, calculated as the fixed contract price receipts discounted at the implicit contract rate.

When the lease contract does not qualify as a finance lease because not all risks and rewards have been transferred, it qualifies as an operating lease. In this case, factors are considered such as limiting the buyer to a lease term that does not represent a substantial percentage of the asset's economic life, not receiving all the revenue from the facility, or the lack of a right to acquire the plant.

Contracts under which the facilities sell their production to the market and that provide a financial settlement for the difference between the market price and the price agreed in the contract are considered to be contracts for the sale of electricity settled by differences in which the underlying volume is the energy actually produced. These agreements are treated for accounting purposes as derivatives providing a cash flow hedge for the facilities' sales (Note 2.4.8).

g. Revenue from LNG sales

The amount of LNG sales is recognised as revenue at the time of delivery to the customer, the point at which the performance obligation is deemed to be met and control is transferred.

Long-term LNG sales contracts involve physical delivery to the buyer in accordance with the latter's expected purchase, sale or usage needs and are, therefore, "own-use" contracts as described in Note 2.4.8.

h. Other revenues

Naturgy has power generation capacity assignment contracts with the Federal Electricity Commission for its combined-cycle plants in Mexico (CFE), for a 25-year term as from the commencement of commercial operations. These contracts stipulate a pre-established collection schedule for the assignment of power supply capacity. As Naturgy has the capacity to operate and manage the plants and retains the rewards and risks of operations and can make material decisions that will affect future cash flows, these contracts represent the provision of services and are thus recognised on a percentage-of-completion basis.

Revenue from new subscriptions, which consist of the operation of coupling the gas reception facility to the network, as well as revenue from facility verifications, are recognised at the time these actions are carried out since it is at that time that the customer obtains the benefits of the service provided and there is no associated future obligation.

Revenue from the rental of meters and facilities is recorded as income over the period of the rental service that constitutes the performance obligation.

Revenues from contracts for the provision of service are recognised on a percentage-of-completion basis, i.e. when revenues may be reliably estimated, they are recorded over time based on the progress of contract execution at the year end, calculated in proportion to costs incurred to date in relation to estimated costs necessary to execute the contract.

If revenues from contracts cannot be estimated reliably, the revenues are only recognised for an amount equal to the costs incurred in the period to meet the commitment, provided that those costs are recoverable. The contract margin is not recorded until there is certainty of its materialisation, based on cost and income planning.

2.4.24. Cash flow statement

The consolidated cash flow statement has been prepared using the indirect method and contains the following terms, with their respective meanings:

a. Operating activities: activities that provide the group's ordinary revenues, as well as other activities that cannot be classified as investing or financing.

b. Investing activities: acquisition or disposal of non-current assets and other investments not included in cash and cash equivalents.

c. Financing activities: activities that result in changes in the size and composition of the Company's equity and liabilities that are not operating activities.

2.4.25. Significant accounting estimates and judgments and others

The preparation of the consolidated annual accounts requires the use of estimates and assumptions. The measurement standards that require the greatest number of estimates are set out below:

a. Intangible assets and property, plant and equipment (Notes 2.4.3. and 2.4.4.)

Determining the useful lives of intangible assets and property, plant and equipment requires estimates as to the level of utilisation of the assets, the expected technological developments and the existence of legal limits or any other restrictions on their use that might arise. The assumptions regarding the degree of use, technological framework and future development involve a significant degree of judgement, insofar as the timing and nature of future events are difficult to foresee.

b. Impairment of non-financial assets (Note 2.4.6.)

The estimated recoverable value of the CGU applied to the impairment tests has been determined using the discounted cash flows based on the projections approved by Naturgy, which have historically been substantially met.

Note 4 details the main assumptions used to determine the recoverable value of non-financial assets.

c. Derivatives, other financial instruments and gas purchase and sale contracts (Note 2.4.8.)

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Naturgy uses a variety of methods and makes assumptions that are based on market conditions existing at each consolidated balance sheet date.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the consolidated balance sheet date.
- The fair value of commodity derivatives is calculated by using forward quoted price curves at the consolidated balance sheet date.

The Company enters into gas purchase and sale agreements in the ordinary course of its business. The analysis to determine their classification as "own use" contracts requires judgements by management in relation to gas supply and demand forecasts, which are monitored on a systematic basis.

For disclosure purposes, it is assumed that the carrying amount of trade and other receivables less expected impairment losses approximates their fair value. The fair value of other financial liabilities for reporting purposes is calculated by discounting the future contractual cash flows at the current market interest rate to which Naturgy has access for similar financial instruments.

d. Provisions for employee benefits (Note 2.4.18)

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

e. Provisions (Note 2.4.19)

Naturgy makes an estimate of the amounts to be settled in the future, including amounts relating to contractual obligations, business contracts derived from them, pending litigation, future dismantling and decommissioning of certain facilities, land restoration, and other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects, as well as the outcome of negotiations associated with gas supply contracts.

f. Corporate income tax (Note 2.4.22.)

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which Naturgy operates. The decision as to whether the tax authority will accept a given uncertain tax treatment and the expected outcome of outstanding litigation requires material estimates and judgements to be made. Naturgy evaluates the recoverability of deferred tax assets based on estimates of future taxable income and the capacity to generate sufficient profits during the periods in which said deferred taxes are deductible. Deferred tax liabilities are recognised based on estimates of the net assets that will not be tax deductible in the future.

g. Revenue recognition (Note 2.4.23.)

Revenues from energy supply are recognised when the product has been delivered to the customer based on regular meter readings. Also included is an estimate of the energy supplied yet to be invoiced at the end of the reporting period as it has not been measured in the ordinary course of meter reading cycles.

The accrued energy yet to invoiced is estimated separately for each of the Group's business segments based on their specific features. The main variables involved in determining the revenue estimate are price and volumes consumed and purchased.

- Prices: determined as a function of the prices for different customer types based on the estimated consumption curves.
- Consumption: based on estimated daily consumption derived from seasonally-adjusted historical profiles for the various customer types and other measurable factors that affect consumption.
- Volume of energy purchased by the Group's supply companies to meet demand.

Naturgy has sufficient experience and sufficiently well developed information systems to guarantee the accuracy of the estimates recorded for this item under revenue in the consolidated profit and loss account, as well as compliance with the relevant accounting legislation. Historically, no material adjustments have been made relating to the amounts recorded as unbilled income and none are expected in the future.

Certain aggregates for the electricity and gas system, including those relating to other companies which allow for the estimate of the overall settlement of the electricity system that must materialise in the respective final payments, could affect the calculation of the shortfall in the settlements of electricity and gas regulated activities in Spain.

h. Determining lease terms (Note 2.4.20.)

In determining the lease term, Naturgy considers all relevant facts and circumstances that create a significant economic incentive for the lessee to exercise the renewal option or not to exercise the termination option. Renewal or termination options are only included in the determination of the lease term if it is reasonably certain that the lease will be extended or not terminated. If any significant event or significant change in circumstances arises that could affect the determination of the term, Naturgy reviews the valuations made when determining the lease term.

i. Estimated revenue from renewable energy generation facilities under the specific remuneration scheme

In accordance with Royal Decree 413/2014 (RD 413/2014), renewable energy generation facilities in Spain qualify for certain incentives (specific remuneration scheme). RD 413/2014 provides that certain remuneration parameters will be updated by ministerial order in each regulatory half-period.

RD 413/2014 regulates the procedure to be followed in the event that actual market prices in the half-periods of the regulatory useful life of the asset prove to be lower (positive adjustments) or higher (negative adjustments) than the prices estimated by the regulator at the beginning of the regulatory half-period and which were used to determine the incentives to be received for the investments under the scope of the regulation.

To determine the accounting adjustment for deviations in the market price of renewable generation facilities subject to the specific remuneration regime, Naturgy, in accordance with its best estimate of future energy market prices, estimates the Net Present Value (NPV), as well as the return on investment to be obtained in each of the standard facilities (TI) in which the Group operates in Spain in the recalculation of remuneration parameters of the next regulatory half-period.

These estimates, together with an analysis of other qualitative factors, determine whether leaving the remuneration scheme would not have significantly more adverse economic consequences than remaining in the scheme and therefore the general accounting treatment is not applied and the asset is only recognised in the event of positive market deviations. The amount of negative deviations not recognised for this reason at 31 December 2024 and 2023 is Euros 17 million and Euros 77 million, respectively.

The estimate of future market prices is based on the price path considered among the main assumptions described in Note 4.

j. Military conflicts in Ukraine and the Middle East

During 2024, the conflict between Ukraine and Russia that began in February 2022 continued to be a source of instability both in the region and globally, with both sides experiencing attrition, but with no clear signs of a solution in the short term.

The war has had a significant impact on the global energy market, particularly, on the gas industry since, at its outset, i worsened the price situation that had already begun to deteriorate at the end of 2021. After the war's turbulent first year, the situation stabilised somewhat in 2023 and 2024 as a result of high levels of gas in storage, diversification of supplies, and contained growth in demand.

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

In this context, as part of its diversified portfolio, Naturgy has a long-term contract for the procurement of gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50,1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. Since the beginning of the conflict, Naturgy has received the volumes strictly established in the contract. In 2024, the volume under this contract accounted for 16% of Naturgy's global procurements (15% in 2023).

None of Naturgy's counterparties are susceptible to being affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or have investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of those measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 18.

Meanwhile, Israel's military actions continued in Palestinian territory in 2024 following the terrorist attack in October 2023. At the end of January 2025, a truce was arranged that has allowed the release of hostages and prisoners on both sides. However, the situation remains fragile, with reports of sporadic ceasefire violations and persistent tensions in the region. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy has a wholly-owned subsidiary in Israel called Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reported less than Euros 1 million in EBITDA in 2023 and 2024. Despite the conflict, the company has continued to operate normally.

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

k. Climate change and the Paris Agreement

In line with the objectives of the Paris Agreement and the goal of achieving climate neutrality established in Regulation (EU) 2021/1119, Naturgy has a Climate Transition Plan (CTP) to achieve net zero emissions by 2050, considering all the scopes of the carbon footprint and prioritising the pathways to reduce global warming to 1.5ºC, where feasible and subject to the energy and regulatory policy of each of the countries where it operates.

Naturgy's greenhouse gas (GHG) emission reduction targets for 2030 are as follows:

- Reduction of Scope 1 and 2 emissions by 36% with respect to 2022, in line with the 1.5º global warming reduction pathway.

- Reduction of Scope 3 emissions in Spain by 22% with respect to 2022. This target is aligned with the "Well Below 2 Degrees" (WB2D) reduction pathway. If emissions from the other countries are considered, the Scope 3 reduction is expected to be 8%.

In 2024, the reduction with respect to 2022 was 21% for Scope 1 and 2 emissions and 2% for total Scope 3 emissions.

To achieve the objectives set out in the CTP, Naturgy will continue to promote and lead a business model and investment plan fully aligned with the energy trilemma: security of supply, accessibility and affordability of energy, and mitigation of environmental impact.

Naturgy's Strategic Plan 2025-2027 envisages continuing to invest in the energy transition, principally in to renewable generation, electricity grids and renewable gases. It also plans to continue developing energy solutions that promote efficiency at a competitive cost for customers.

The CTP's main lines of action, as set out in the Strategic Plan 2025-2027, are based on an integrated electricity and gas business model that promotes the decarbonisation of energy through technological neutrality and at the lowest possible cost for consumers, specifically:

- Promoting renewable electricity generation using solar and wind together with the necessary growth of electricity grids and back-up capacity using natural gas combined cycle plants.

- Developing renewable gases as a lever for the decarbonisation of natural gas through biomethane produced from organic waste and, in the medium/long term, green hydrogen generated from surplus renewable electricity. This promotes decarbonisation at the lowest possible cost to the consumer and drives the circular economy through the use of waste or surplus.

- Offering eco-efficient, carbon-neutral products and services at competitive prices to our customers.

- Increasing electrification of final demand in applications where it is most efficient.

Naturgy's CTP will contribute to the future objective of transforming the energy mix contemplated in the new National Energy and Climate Plan (NECP) 2023-2030, approved by the Spanish Cabinet on 24 September 2024, which is also aligned with the objective of climate neutrality in the EU by 2050. For the other countries where Naturgy operates, the published national plans and the GHG reduction pathways set out by the International Energy Agency in the "Net Zero Roadmap" scenario are taken into account.

Information on the Climate Transition Plan, the Group's decarbonisation strategy and the GHG emission reduction targets are set out in section "E-1 Climate change" of the Group's 2024 Consolidated non-Financial Information Statement and Sustainability Reporting, which is prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which Naturgy has accepted and which it has been adapting progressively since they were published in 2017. At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has taken over the TCFD's oversight responsibilities as of 2024.

These consolidated annual accounts have been prepared taking into account the decarbonisation commitments undertaken by Naturgy, in addition to the risks and uncertainties related to climate change and the decarbonisation of the economy. Production of these annual accounts were also based on the IASB publication "Effects of climate-related issues on financial statements" (updated in July 2023) concerning the impact of climate change on the application of IFRS in financial reporting and the guidelines set out in "ESRS E1. Climate Change", which elaborates upon the corporate sustainability reporting framework defined by the Corporate Sustainability Reporting Directive (CSRD) in this area, which is in the process of being transposed into Spanish law at the date of this report. The recommendations issued by the European Securities and Markets Authority (ESMA) were also taken into account, including the latest document published in October 2024.

The main accounting estimates and judgements relating to the expected effects of climate change and the energy transition that were made by Naturgy's management and directors when preparing the 2024 consolidated annual accounts are described below.

1. Recoverability of non-financial assets

As described in Note 2.4.6, the cash-flow projections used in the non-financial asset impairment tests are based on the best available forward-looking information and reflect the investment plans in place in each CGU for maintaining the CGUs' operating capacity. Those projections are in line with Naturgy's strategy, which takes into consideration the objectives of the Paris Agreement and, therefore, are based on the range of economic conditions that might exist in the foreseeable future in relation to climate change and the energy transition. The projections take into account the expected impact on wholesale and retail electricity market prices resulting from the entry into operation of new renewable generation facilities and developments in gas, oil and emission allowance prices, as well as expected demand.

Regarding emission rights in Spain, Naturgy's thermal electricity generation facilities are regulated by the European Emissions Trading Directive (Directive 2003/87/EC). That Directive has been revised several times to adapt to the EU's more ambitious targets, such as the revision for Phase IV (2021-2030), in which the targets were adjusted to align with the Paris Agreement and the EU's commitments to reduce emissions by 55% by 2030 with respect to 1990. Naturgy carries out comprehensive portfolio management for the acquisition of emission allowances equivalent to the verified emissions of its combined cycle and cogeneration facilities. To this end, Naturgy actively participates in both the primary market, through auctions, and in the secondary market. These emissions relate mainly to the combined cycle gas plants in Spain and represented 83% of Naturgy's direct emissions (scope 1) in 2024.

In Mexico, the impairment tests on the combined cycle plants assume the receipt of emission allowances equivalent to the tonnes of CO_2 emitted. In line with the Emissions Trading Scheme Test Programme currently in force and the draft Emissions Trading Scheme Rules, it is expected that the allowances received free of charge will cover expected emissions in line with production projections until 2026. Although the criteria for the allocation of allowances free of charge and the emissions reduction pathway that will be required have not yet been defined for 2027 and subsequent years, it is expected that the emissions generated will be covered by the free allocation and, when this is not sufficient or the free allocation is discontinued, that CO_2 costs will be passed through into selling prices as an additional operating cost, similar to the case in the European market.

The CO_2 prices considered in the impairment test are detailed in Note 4. Other material information on emission allowance costs in 2024 and 2023 is disclosed in Note 16 Provisions.

In the case of cash flow projections for the impairment tests that present terminal values, the latter are calculated on the basis of a long-term growth rate aligned with the future demand trend quantified by Naturgy using its energy models, in line with current expectations with regard to the transition to a low-carbon economy and considering the physical and transition risks associated with climate change.

Projections of hydroelectric, wind and solar electricity output from Naturgy's renewable assets are based on projected underlying weather conditions (temperature, precipitation, wind speed and insolation).

Decommissioning costs for combined cycle and renewable generation plants are estimated in line with the long-term target.

As required by accounting standards, the cash flows estimated for the value in use of each CGU take into account assets' current status and, therefore, do not include future investments due to technological changes or any strategic investments envisaged in the energy transition for which no assets currently exist.

The rates used to discount cash flows take into account all relevant factors affecting the perception of risk, including those associated with the energy transition and physical risks due to climate change. The cost of capital considered in each of the rates used implicitly incorporates market expectations about access to and costs of funding, provided that these risks are material for the industry and the specific context of the asset.

As indicated in Note 4, the update of the impairment test for non-financial assets did not result in additional impairments being recognised in the year as a result of the recoverable amount of the CGUs being found to be less than the net carrying amount.

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

2. Main Group assets subject to climate change and energy transition risk:

Naturgy maintains a structure of CGUs, detailed in note 4, whose definition has taken into account the risks and opportunities arising from issues related to climate change and the energy transition.

a. Coal-fired power plants

Following the closure of all Naturgy's coal-fired power plants in the first half of 2020, the group has not generated any coal-fired electricity. These facilities are fully depreciated/provisioned at 31 December 2024. During the year, progress continued to be made in decommissioning these plants: it has been completed at practically all of them and is at a very advanced stage at the remainder.

b. Combined cycle gas turbine (CCGT) power plants

The Group's combined cycle gas turbine plants (in Spain and Mexico) represent the most eco-efficient generation technology available at present to provide the necessary back-up for renewable energies and enable their widespread implementation while also guaranteeing security of supply, both of which are key factors for the energy transition.

In Spain, it is important to note that all the installed capacity of these plants is included in the NECP approved recently for 2023-2030, which is aligned with the European objective of achieving climate neutrality by 2050. These facilities are a fundamental element in ensuring the growth of renewable energies in the national electricity system, as they are provide back-up to maintain the electricity supply in the event of a lack of wind, sun or water. Accordingly, in December 2024 the Ministry for Ecological Transition and the Demographic Challenge released for public consultation a Draft Order proposing the creation of a capacity market in the Spanish mainland electricity system (See Annex IV. Regulatory framework. 2.2.4.1).

As at 31 December 2024, the carrying amount of these fixed assets is Euros 1,863 million, of which Euros 959 million relate to combined cycle plants in Spain. The carrying amount of the total combined cycle generation facilities in Spain is estimated for 2030, 2040 and 2050 at Euros 719 million, Euros 392 million and zero, respectively. The carrying amount, excluding goodwill (Note 5), of the combined cycle plants in Mexico is estimated for 2030, 2040 and 2050 at Euros 545 million, Euros 225 million and zero, respectively.

A trend in electricity output below the assumptions used by Naturgy as set out in Note 4 could have an impact on the recoverability of the carrying amount of these assets that is recognised in the consolidated balance sheet as at 31 December 2024. See the sensitivity analysis in Note 4 below.

c. Nuclear plants

In Spain, Naturgy is a joint owner of the Almaraz and Trillo nuclear power plants, alongside other electric utilities. At 31 December 2024, the carrying amount of those assets was Euros 215 million.
Naturgy relies on the Decommissioning Protocol agreed in 2019 with Enresa, Spain's national radioactive waste company, which establishes a schedule for the progressive closure of all nuclear power plants, in line with the energy transition to renewable sources and the decarbonisation target for 2050. The part of this protocol covering up to 2030 is also part of the NECP.

d. Hydroelectric power plants

At 31 December 2024, the carrying amount of these assets in Spain was Euros 916 million. The recoverable value of these assets could be affected in the event of a larger-than-expected future reduction in water availability due to climate change, particularly in run-of-river plants. The assumptions used in the hydroelectric power generation CGU impairment test include developments in water availability and their impact on river flows and, therefore, on production.

e. Renewable energy assets

At 31 December 2024, the carrying amount of these assets is Euros 7,320 million, of which Euros 4,543 million are in Spain. The main perceived risk for these assets is a potential negative future trend in solar and wind resources, which are the key variables in the performance of this line of business. There may also be reductions in the remuneration arrangements for renewable energies and lower prices in marginal wholesale markets due to an increase in renewable production with low variable costs. The impairment tests for 2024 did not consider any changes in the remuneration arrangements or the operation of the wholesale market that have not yet been approved, but did consider forecasts for solar and wind resources.

f. Electricity and gas transportation and distribution assets

At 31 December 2024, the carrying amount of these fixed assets was Euros 13,816 million. The total includes Euros 5,756 million for gas transport and distribution assets and Euros 8,060 million for electricity transmission and distribution. In Spain, Euros 2,546 million relate to the gas business and Euros 6,534 million to the electricity business; in Argentina, Euros 273 million relate mainly to the gas business; elsewhere in LatAm: Euros 592 million in Brazil, Euros 1,704 million in Chile and Euros 669 million in Mexico relate to the gas business and Euros 1,499 million in Panama relate to the electricity business.

These regulated assets are considered to be resilient to the energy transition. Increases in temperature and a higher frequency of extreme weather events could lead to greater technical losses (for a discussion of these risks, see Section E1-9 of the Consolidated Non-financial Information Statement and Sustainability Reporting), a deterioration in service quality levels, higher operating and maintenance costs and higher annual investments, albeit the volumes should be covered by the multi-year tariff reviews for these regulated businesses. The investment and response plans already in place, accumulated experience and network design (meshing and undergrounding of lines) should mitigate these effects. A potential massive development of distributed generation would be partially offset by the increasing electrification of the economy (e.g. electric cars) and investments in smart grids.

Naturgy's planning for the coming years envisages the coexistence in Spain of natural gas demand with demand for biomethane, to be distributed through the group's current infrastructures. It is estimated that the adaptation of existing networks for biomethane transportation will not require significant investments. Hydrogen distribution is still being considered, and the level of investment is expected to depend on the percentage of blending which, together with the relevant regulations, will determine the viability of using the current infrastructure. It is estimated that low percentages should not require significant investments to adapt the current network.

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

g. Supply

The Supply business CGU has net operating assets, excluding goodwill, amounting to Euros 127 million at 31 December 2024. The impact of climate change and the energy transition on the supply business is considered to be minor, as the lower demand for natural gas could be offset by expected higher growth resulting from the electrification of the economy and the supply of renewable gases.

The Group's current positioning, resulting from its investment focus on renewables and grids, puts it in a favourable position to address any transition risks. The Group considers that the opportunities arising from the decarbonisation of the global economy (growth in renewables, investment in integrating smart grids, electrification of demand, biomethane and green hydrogen, among others) outweigh the risks.

3. Useful lives of non-financial assets

The energy transition and the pace at which it progresses may impact the remaining useful life of assets. Nevertheless, Naturgy reviews the useful life of its assets at least at the end of each annual period.

Determining the useful lives of non-financial assets requires estimates as to the level of utilisation of the assets, the expected technological developments and the existence of legal limits or any other restrictions on their use that might arise. Based on the assumptions used in relation to Naturgy's assets, in 2024 there were no potential direct or indirect impacts arising from climate change making it necessary to re-estimate the useful life of the assets, not even in the specific case of gas transport and distribution infrastructures, considering the expected use of renewable gases in the short and medium term.

The calculation of the useful lives (Note 2.4.4) of assets located in Spain takes into account the objectives of the NECP and the energy transition, the protocol signed with Enresa in the specific case of nuclear plants, and the terms of administrative concessions in the case of hydroelectric power plants. For gas and electricity distribution network assets, the regulations of each country have been taken into account, as well as the terms of the concessions.

As indicated in the previous section, a very significant percentage of the carrying amount of the combined cycle gas plants at 31 December 2024 is expected to have been depreciated by 2030 and that they will be fully depreciated by 2050.

4. Decommissioning provisions

The energy transition and the pace at which it progresses may also bring forward the decommissioning of combined cycle plants. Most of the combined cycle plants owned by Naturgy in Spain are expected to start decommissioning in the period 2042-2046, when they reach the end of their useful lives. In the case of Mexico, the useful lives of the plants conclude between 2041 and 2043, with the exception of the last facility commissioned, whose useful life expires in 2050, and it is assumed that they will be decommissioned at the end of their useful lives. However, to date, there is no national plan in Mexico for the closure of these facilities.

The hydroelectric plants are covered by temporary administrative concessions. On completion of the terms of the administrative concessions, the facilities must revert to the Government in good working order, which is achieved through maintenance programmes. Therefore, it is not necessary to recognise provisions for decommissioning except in cases where maintaining the plant upon termination of the concession would be counter to the public interest or where it is not viable to continue operating it. Naturgy has recognised decommissioning provisions for these exceptional cases, which, in any case, represent a minor proportion of the total of this type of assets.

In addition to the decommissioning timeframe, Naturgy also uses a discount rate in line with the average remaining useful life of these assets.

Estimates of decommissioning costs are based on the regulatory and external environment that is known at the current date.

5. Recoverability of deferred tax assets

Sufficient taxable profits are expected to be generated within the planning period to ensure the recovery of the deferred tax assets recognised for accounting purposes at 31 December 2024. The recoverability of these assets was estimated using the same judgements and assumptions as for calculating the recoverable amount of non-financial assets.

6. Regulation

The Paris Agreement has had a major impact on the development of new climate policies and the adoption of new regulations. The EU, having assumed the commitment to climate neutrality by 2050 and "The European Green Deal" which embodies the EU's new growth strategy, has approved various regulations in this area. Spain has also issued regulations in this area, notably the Climate Change and Energy Efficiency Law 7/2021; consequently, the regulations in connection with climate change and the energy transition are constantly in flux and might have negative effects or offer opportunities for the Group's activities.

In relation to the other countries where Naturgy operates, the company complies with energy policy and regulations on climate change, although the EU regulation is by far the most advanced.

7. Distribution of dividends

Climate change risks are not expected to affect the Company's capacity to pay dividends to shareholders because of its strong cash flow and existing reserves.

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

8. Physical risks

The design and construction of Naturgy's assets serve to mitigate physical risks, whether or not related to climate change, and the associated costs are included in the initial recognition of these assets in the consolidated balance sheet. Naturgy recognises the need for a more comprehensive analysis and assessment of the climate-change resilience of all its assets, while continuing to monitor this issue to ensure that its operations are safe and that the Group's facilities can continue to operate in extreme weather conditions.

In recent years, there have been no weather events causing significant repercussions on operations or major financial losses. In particular, extreme rainfall produced flash floods in Spain in October 2024, affecting the Valencia region in particular, but did not have material consequences for operations or produce physical damage to the Group's assets located in the area, demonstrating their resilience, in particular that of the gas distribution networks, the assets that were most exposed assets. This event did not result in a reassessment of the physical risks in the impairment tests of the Group's assets. And no changes are envisaged with regard to climate change adaptation policy or the assessment of risk associated with extreme rainfall and floods.

Naturgy continuously assesses the physical risks for each asset (see the assessment of these risks in section E1-9 of the Consolidated Non-Financial Information Statement and Sustainability Reporting), and the impairment tests take them into account via each asset's generation/utilisation rates.

In the long term, Naturgy's business portfolio is expected to evolve with the energy transition, considering at all times the energy trilemma: security of supply, accessibility and affordability of energy, and mitigation of environmental impact. Decision-making on the future business portfolio will be guided by the pace of the company's progress as it moves towards meeting the objectives of the Paris Agreement. Setting the energy system on the path to net zero emissions will require unprecedented, coordinated action between energy suppliers, consumers and, above all, governments.

Note 3. Operational segment financial information

In line with the process of continuous transformation, the structure of financial reporting and segment composition were modified in 2023 with the aim of achieving greater clarity on the progress of operations, in view of the changes in the economic landscape in which the Group operates; the change entailed grouping Naturgy's businesses into two large areas: Distribution Networks and Energy Markets. As at 31 December 2024, the operating segment structure remains unchanged with respect to the one adopted in 2023.

Naturgy's segment structure is aligned and coherent with the its model for reporting to the Board of Directors, which is responsible for regularly reviewing the results of the segments within the company's operational decision-making process in order to decide on the resources to be allocated to each of them and assess their performance.

As at 31 December 2024, the business segments are grouped into two main blocks:

- **Distribution Networks:** groups together the business segments devoted to managing regulated gas and electricity distribution and transport infrastructures:

  - **Gas Spain**: regulated gas distribution business in Spain.
  - **Gas Mexico**: regulated gas distribution and supply in Mexico.
  - **Gas Brazil:** the regulated gas distribution and supply in Brazil.
  - **Gas Argentina**: regulated gas distribution and supply in Argentina.
  - **Gas Chile:** regulated gas distribution and supply in Chile.
  - **Electricity Spain:** regulated electricity distribution in Spain.
  - **Electricity Panama**: regulated electricity distribution and supply in Panama.
  - **Electricity Argentina:** regulated electricity distribution and supply in Argentina.

  This block also includes a holding company carrying out horizontal activities directly linked to this grouping's businesses.

- **Energy Markets:** includes the deregulated business segments as follows:

  - **Energy Management:** includes the following activities:
    - liquefied natural gas trading and shipping.
    - procurement and other gas infrastructure management and supply to energy-intensive consumers.
    - management of the Medgaz gas pipeline (equity-accounted).

  - **Thermal Generation:**
    - **Spain**: includes management of the conventional thermal generation fleet (which uses fuel for heat generation and which is not covered by a special regime) in Spain (nuclear and combined cycle).
    - **Latin America**: includes management of the conventional thermal generation facilities in Mexico, the Dominican Republic and Puerto Rico, the latter being equity-accounted through EcoEléctrica LP.

  - **Renewable Generation:**
    - **Spain**: includes management of facilities and generation projects using wind energy, mini hydro, solar and cogeneration, as well as hydroelectric power generation in Spain, and the development pipeline in other European countries.
    - **USA:** includes managing photovoltaic generation projects being developed in the United States.
    - **Latin America**: includes the management of the facilities and renewable electricity generation projects located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
    - **Australia**: includes management of the existing renewable power generation fleet and project pipeline in Australia.

  - **Renewable Gases**: management of renewable gas projects, mainly biomethane and green hydrogen.

- **Supply**: its goal is to manage the supply of gas, electricity and services to end customers by adopting new technologies and services and exploiting the brand's full potential.

A holding company carrying out cross-cutting activities directly linked to the grouping's businesses is also included.

- **Other:** basically includes the corporation's operating expenses and other lesser and residual activities.

Segment results and investments for the periods of reference are as follows:

Segment financial information – Income statement

2024	Networks										Markets													
												Thermal gen.		Renewable Generation										
	Spain Gas	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy Management	Spain	LatAm	Spain	USA	LatAm	Australia	Renewable gases	Supply	Holding and Eli.	Total	Rest	Eli.	Total
Consolidated Net sales	903	671	1,502	642	857	818	1,006	223	—	**6,622**	4,441	903	775	123	11	147	47	45	6,152	1	**12,645**	—	—	**19,267**
Net sales between segments	84	—	—	—	—	33	—	—	—	**117**	1,445	841	—	647	—	8	2	1	978	(2,433)	**1,489**	—	(1,606)	**—**
Net sales	987	671	1,502	642	857	851	1,006	223	—	**6,739**	5,886	1,744	775	770	11	155	49	46	7,130	(2,432)	**14,134**	—	(1,606)	**19,267**
Raw materials and consumables	(54)	(346)	(1,116)	(346)	(335)	—	(705)	(108)	—	**(3,010)**	(4,875)	(1,103)	(390)	(50)	—	(23)	(1)	(36)	(6,112)	2,422	**(10,168)**	—	1,613	**(11,565)**
Personnel expenses, net	(80)	(21)	(19)	(51)	(27)	(55)	(10)	(23)	(17)	**(303)**	(31)	(65)	(20)	(44)	(5)	(15)	(5)	(9)	(83)	(17)	**(294)**	(46)	—	**(643)**
Other operating income/ expenses / grants / gains and losses on disposals of fixed assets	(90)	(30)	(69)	(109)	(47)	(126)	(53)	(29)	(1)	**(554)**	(228)	(297)	(42)	(231)	1	(29)	(7)	(8)	(287)	(2)	**(1,130)**	(3)	(7)	**(1,694)**
EBITDA	763	274	298	136	448	670	238	63	(18)	**2,872**	752	279	323	445	7	88	36	(7)	648	(29)	**2,542**	(49)	—	**5,365**
Depreciation, amortisation & impairment losses	(259)	(63)	(52)	23	(57)	(269)	(59)	(1)	—	**(737)**	(86)	(128)	(77)	(238)	(14)	(32)	(30)	(4)	(140)	—	**(749)**	(38)	—	**(1,524)**
Impairment due to credit losses	(2)	(10)	(15)	(7)	—	2	(13)	(2)	—	**(47)**	40	(18)	(1)	(3)	—	—	—	(1)	(77)	—	**(60)**	17	—	**(90)**
Other results	—	—	—	—	42	—	—	—	(9)	**33**	(235)	—	—	—	—	—	—	—	—	—	**(235)**	—	—	**(202)**
Operating results	502	201	231	152	433	403	166	60	(27)	**2,121**	471	133	245	204	(7)	56	6	(12)	431	(29)	**1,498**	(70)	—	**3,549**
Net financial revenues/ (expenses)	(94)	(53)	(2)	(21)	23	(158)	(79)	(19)	(28)	**(431)**	(74)	(17)	2	(65)	(3)	141	(38)	(2)	15	(182)	**(223)**	1,136	(947)	**(465)**
Results of equity-consolidated companies	—	2	—	—	23	1	—	—	—	**26**	33	—	64	(3)	—	—	—	—	—	—	**94**	—	—	**120**
Income tax	(110)	(50)	(71)	(29)	(118)	(61)	(29)	(19)	5	**(482)**	(104)	(33)	(77)	(17)	5	6	(16)	3	(132)	3	**(362)**	9	—	**(835)**

2023	Networks										Markets													
												Thermal gen.		Renewable Generation										
	Spain Gas	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec.Spain	Elec.Panama	Elec.Argentina	Holding and Eli.	Total	Energy Management	Spain	LatAm	Spain	USA	LatAm	Australia	Renewable gases	Supply	Holding and Eli.	Total	Rest	Eli.	Total
Consolidated Net sales	1,028	718	1,753	267	877	770	887	98	—	**6,398**	6,468	1,133	771	82	(6)	145	15	—	7,561	49	**16,218**	1	—	**22,617**
Net sales between segments	84	—	—	—	—	34	—	—	—	**118**	2,318	1,277	6	625	—	10	—	—	1,167	(3,357)	**2,046**	53	(2,217)	**—**
Net sales	1,112	718	1,753	267	877	804	887	98	—	**6,516**	8,786	2,410	777	707	(6)	155	15	—	8,728	(3,308)	**18,264**	54	(2,217)	**22,617**
Raw materials and consumables	(148)	(378)	(1,312)	(160)	(483)	—	(655)	(44)	—	**(3,180)**	(7,539)	(1,756)	(441)	(72)	—	(8)	—	—	(7,579)	3,313	**(14,082)**	(12)	2,168	**(15,106)**
Personnel expenses, net	(52)	(21)	(22)	(29)	(29)	(48)	(9)	(11)	(11)	**(232)**	(31)	(60)	(25)	(45)	(4)	(14)	(4)	(3)	(69)	(23)	**(278)**	(70)	—	**(580)**
Other operating income/ expenses / grants / gains and losses on disposals of fixed assets	(90)	(28)	(63)	(58)	(42)	(106)	(48)	(17)	(14)	**(466)**	(112)	(194)	(41)	(153)	—	(26)	(16)	(2)	(376)	(35)	**(955)**	(84)	49	**(1,456)**
EBITDA	822	291	356	20	323	650	175	26	(25)	**2,638**	1,104	400	270	437	(10)	107	(5)	(5)	704	(53)	**2,949**	(112)	—	**5,475**
Depreciation, amortisation & impairment losses	(266)	(75)	(54)	(5)	(66)	(261)	(56)	(1)	—	**(784)**	(85)	(106)	(252)	(202)	(67)	(55)	(21)	—	(121)	(4)	**(913)**	(45)	—	**(1,742)**
Impairment due to credit losses	(1)	(5)	(21)	(2)	1	7	(13)	(1)	—	**(35)**	(39)	(53)	—	—	—	—	—	—	(81)	—	**(173)**	—	—	**(208)**
Other results	—	—	—	—	—	—	—	—	—	**—**	(40)	—	—	—	—	—	—	—	—	—	**(40)**	(15)	—	**(55)**
Operating results	555	211	281	13	258	396	106	24	(25)	**1,819**	940	241	18	235	(77)	52	(26)	(5)	502	(57)	**1,823**	(172)	**—**	**3,470**
Net financial revenues/ (expenses)	(104)	(51)	(23)	6	(45)	(92)	(75)	(24)	(32)	**(440)**	(26)	(35)	(4)	(88)	2	85	(17)	—	(13)	(171)	**(267)**	1,437	**(1,248)**	**(518)**
Results of equity-consolidated companies	—	2	—	—	17	2	—	—	—	**21**	24	—	59	(14)	—	—	—	—	—	—	**69**	—	**—**	**90**
Income tax	(115)	(55)	(78)	(4)	(53)	(75)	(10)	(6)	6	**(390)**	(132)	(64)	(53)	(32)	7	12	12	1	(120)	13	**(356)**	(22)	**—**	**(768)**

Segmental financial information – Assets, liabilities and investments

2024	Networks										Markets													
												Thermal gen.		Renewable Generation										
	Spain Gas	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy Management	Spain	LatAm	Spain	USA	LatAm	Australia	Renewable gases	Supply	Holding and Eli.	Total	Rest	Eli.	Total
Operating assets (a)	2,796	784	833	413	1,774	5,507	1,713	109	11	**13,940**	2,760	1,688	1,227	4,923	804	740	1,626	39	1,487	(754)	**14,540**	213	(263)	**28,430**
Investments under equity method	—	4	—	—	39	6	—	—	—	**49**	247	7	277	61	—	—	—	—	—	1	**593**	5	—	**647**
Operating liabilities (a)	689	88	345	127	171	1,287	298	49	141	**3,195**	1,313	1,022	167	562	144	61	88	13	1,293	(721)	**3,942**	378	(261)	**7,254**
Investment in intangible assets (b)	14	6	56	25	—	41	1	21	—	**164**	7	4	1	10	—	1	—	1	143	—	**167**	9	—	**340**
Invest. in property, plant & equipment (c)	107	59	—	4	51	400	134	—	—	**755**	1	126	45	434	240	7	305	2	3	—	**1,163**	7	—	**1,925**

2023	Networks										Markets													
												Thermal gen.		Renewable Generation										
	Spain Gas	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy Management	Spain	LatAm	Spain	USA	LatAm	Australia	Renewable gases	Supply	Holding and Eli.	Total	Rest	Eli.	Total
Operating assets (a)	2,956	903	1,046	159	1,880	5,430	1,463	33	11	**13,881**	2,526	1,884	1,182	4,644	511	781	1,262	2	1,590	(681)	**13,701**	291	(326)	**27,547**
Investments under equity method	—	4	—	—	29	6	—	—	—	**39**	234	8	260	64	—	—	—	—	—	1	**567**	6	—	**612**
Operating liabilities (a)	760	92	515	51	388	1,199	264	15	121	**3,405**	1,031	1,139	170	433	26	99	39	—	1,241	(682)	**3,496**	324	(326)	**6,899**
Investment in intangible assets (b)	15	7	68	13	1	46	1	12	—	**163**	3	5	1	9	—	2	—	—	134	—	**154**	10	—	**327**
Invest. in property, plant & equipment (c)	102	63	—	2	52	403	123	—	—	**745**	1	99	44	310	297	17	286	—	1	2	**1,057**	7	—	**1,809**
Business combinations (Note 32)	—	—	—	—	—	—	—	—	—	**—**	—	—	—	558	—	—	—	—	—	—	**558**	—	—	**558**

(a) There follows a breakdown of the reconciliation of "Operating assets" and "Operating liabilities" with consolidated "Total assets" and "Total liabilities":

	2024	2023
Operating assets	**28,430**	**27,547**
Goodwill	2,948	2,930
Investments carried under the equity method	647	612
Non-current financial assets	419	484
Deferred tax assets	2,009	1,919
Derivative financial instruments (Note 10)	127	138
Public administrations (Note 10)	117	103
Current tax assets	42	39
Other current financial assets	471	435
Cash and cash equivalents	5,626	3,686
TOTAL ASSETS	**40,836**	**37,893**

	2024	2023
Operating liabilities	**7,254**	**6,899**
Equity	11,653	11,929
Non-current financial liabilities	15,095	13,426
Deferred tax liabilities	1,945	2,016
Current financial liabilities	2,927	2,544
Derivative financial instruments (Notes 19 and 20)	1,192	504
Dividends payable (Note 19)	19	39
Public administrations (Note 20)	540	412
Current tax liabilities	211	124
TOTAL EQUITY AND LIABILITIES	**40,836**	**37,893**

(b) Includes the investment in "Intangible assets" (Note 5), broken down by operating segment

(c) Includes the investment in "Property, plant and equipment" (Note 6), broken down by operating segment.

Reporting by geographic area

Naturgy's assets, which include operating assets in line with the criterion applied in the above breakdown and investments recorded using the equity method, are as follows based on their location:

	31.12.2024	31.12.2023
Spain	18,360	18,212
Latin America	7,913	7,740
Argentina	522	192
Brazil	931	1,167
Chile	2,214	2,294
Mexico	2,049	2,287
Panama	1,755	1,503
LatAm Rest	442	297
Rest of Europe	374	434
Other	2,430	1,773
Australia	1,626	1,262
USA	804	511
Total	**29,077**	**28,159**

Naturgy's investments in property, plant and equipment and other intangible assets, as described above, assigned according to the location of the assets, are as follows:

	31.12.2024	31.12.2023
Spain	1,310	1,146
Latin America	410	407
Panama	135	124
Mexico	116	114
Brazil	57	70
Chile	51	70
Argentina	50	27
LatAm Rest	1	2
Other	545	583
Australia	305	286
USA	240	297
Total	**2,265**	**2,136**

Revenue by geographical area is detailed in Note 22.

Note 4. Non-financial asset impairment losses

Definition of Cash Generating Units

As at 31 December 2024, the Cash Generating Units (CGUs) are the same as those as at 31 December 2023 , as follows:

- **Networks**

    - **Gas networks Spain**: This is a single CGU as the development, operation and maintenance of the gas distribution network are managed jointly.

    - **Electricity networks Spain**: This makes up a single CGU since the network comprises a group of interrelated assets the development, operation and maintenance of which are managed jointly.

    - **Networks Latin America**: A CGU is understood to exist for each business and country in which there are operations since the businesses are subject to different regulatory frameworks. It includes the regulated gas distribution business in Argentina, Brazil, Chile and Mexico, and the regulated electricity distribution business in Argentina and Panama.

- **Markets**

    - **LNG and Markets and Procurement:** A single CGU is considered to exist as the sale of liquefied natural gas and maritime transport are both managed on a global scale, as are procurement and other gas infrastructures, and sales to large energy-intensive consumers.

    - **Gas pipelines:** Includes the CGU that manages the Medgaz pipeline.

    - **Thermal generation Spain:** A single CGU is considered to exist for thermal power generation in Spain (nuclear and combined cycle).

    - **Thermal generation Latin America:** A thermal power generation CGU is understood to exist in each country in which there are operations (Mexico, Dominican Republic and Puerto Rico) since the businesses are subject to different regulatory frameworks and are managed independently.

    - **Renewable Generation Spain:** One CGU is considered for renewable electricity generation (wind, mini-hydro, solar and cogeneration) and another CGU for hydroelectric power generation.

    - **Renewable Generation United States:** The assets in the country whose cash flows can be separately identified are considered to be CGUs.

    - **Renewable Generation Latin America:** A renewable power generation CGU is understood to exist in each country in which there are operations (Brazil, Costa Rica, Mexico, Panama and Chile) since the businesses are subject to different regulatory frameworks and are managed independently.

    - **Renewable Generation Australia:** The assets in the country whose cash flows can be separately identified are considered to be CGUs.

    - **Renewable Gases:** This is treated as a CGU that manages renewable gas projects.

    - **Supply:** Supply of natural gas, electricity and services is managed on a comprehensive basis, maximising the value of the portfolio by focusing on customers and with high potential for growth in services and solutions, for which there is a single CGU.

Information on impairment tests performed

Naturgy assessed the recoverable value of the CGUs based on the 2025-2027 Strategic Plan approved by the Board of Directors on 18 February 2025, which envisages continuing to invest in the energy transition, allocating the main investments to renewable generation, electricity grids and renewable gases.

The time-frame of the projections has been extended to 10 years or the remaining useful life for certain assets and concessions. When estimating cash flows, various potential future scenarios have also been considered if they provide more meaningful information for representing the future economic conditions of the assets.

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

In particular, the following aspects are relevant in the impairment tests:

– Impact of the Ukraine and Middle East conflicts, and the economic environment (Note 2.4.25.j):

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

In particular, the effects of legislation phasing out many of the exceptional measures that were adopted in Spain to deal with market volatility and high prices are considered.

With regard to the economic environment, inflation and interest rate trends in each country are considered, as well as the perception of risk associated with the macroeconomic environment and industry-specific risks that affected discount rates in particular.

– Climate change and energy transition risk:

The projected cash flows represent Naturgy's current positioning to drive the energy transition and decarbonisation, responding to its strategy which considers the objectives of its Climate Transition Plan, whose aim is to achieve net zero emissions by 2050.

It should be noted that the Consolidated Sustainability Report and Non-Financial Information Statement presents some theoretical temperature scenarios required by the ESRS in relation to climate risks and their effects on long-term climate trends in 2030, 2040 and 2050 in order to demonstrate the effects on the Company's performance in such circumstances and conditions in the years indicated and for this purpose only. In any case, the scenario that coincides with the Group's vision, which includes all the issues detailed in note 2.4.25.k Climate change and the Paris Agreement, is the one used in the impairment tests.

The impairment tests of Naturgy's assets consider both accelerated depreciation risks and energy transition risks that might generate losses in the value of certain assets, as mentioned in note 2.4.25.k.

In particular, the assumptions regarding the price trend used in the projections are in line with the energy transition, and the projected cash flows take into account greenhouse gas emission reduction targets as well as the impacts of climate change on the recoverability of non-financial assets.

Aspects of the projections used

The most sensitive aspects of the projections used are as follows:

– Gas and Electricity Networks Spain:

- Remuneration. Amount and growth of remuneration.In relation to the regulatory framework, the future cash flows of these business lines were reviewed taking into account the publications by the regulator described in Appendix IV with regard to the remuneration methodology for the regulated electricity and gas distribution activity.

- Operating and maintenance costs. Estimated on the basis of the historical cost of the managed network.

- Investments. Considering the investments required to keep the network in working order and guarantee supply quality, as well as the digitalisation of electricity networks and the estimated investment in line with industry requirements and the digital transition in the operation of gas networks.

- In the case of LPG distribution assets, a fair value estimate was used to determine the recoverable amount.

– Latin American networks: For the gas network CGUs in Brazil, Chile, Argentina and Mexico and electricity network CGUs in Argentina and Panama:

- Variations in tariffs. Valuation of tariffs in each country, based on existing regulatory conditions and both current and expected rate reviews, taking into account the experience gained from previous rate reviews in each country.

  The concessionaire in Brazil reached an agreement with the granting authority this year in relation to the 4th Integrated Tariff Review (RTI), and its impact on the negotiation of the 5th RTI in Brazil (Annex IV).

  In Argentina, Transitional Tariff Adjustment Agreements were signed in March 2024 between the Argentinian government and the gas distributors that allowed for a tariff increase as of April 2024, monthly updates of tariffs and the continuity of the five-yearly tariff review process.

  In response to ongoing changes in Argentina's macroeconomic variables, the government postponed until August the monthly tariff adjustment envisaged in the transitional agreements, which was originally scheduled to take effect on 1 May 2024.

  In August, ENARGAS released the methodology for the tariff review outlined in Article 3 of Necessity and Urgency Decree No. 55/2023. However, Necessity and Urgency Decree No. 1023/24, issued on 20 November 2024, extended the state of emergency in the domestic energy industry until 9 July 2025. Article 3 of the decree specified that the tariff charts resulting from the ongoing tariff review must take effect no later than 9 July 2025. On 14 January 2025, a public consultation was announced for the review of the gas distribution tariffs, held on 6 February 2025.

- Cost of procurement. Estimated using predictive models developed on the basis of knowledge of the energy markets in each country, considering also the regulations for distributors detailed in Annex IV.

- Operating and maintenance costs. Estimated on the basis of the historical cost of the managed network.

- Investments. Taking into account the investments required to keep the network in working order and guarantee supply quality and security.

  In the case of Argentina's gas distribution projections, different scenarios for the tariff review were considered, in terms of both the tariff adjustment amounts and the monthly update for inflation. When determining value in use and weighting the scenarios, it has been assumed that announcements suggesting an adjustment of transmission and energy tariffs are positive, which is beginning to materialise, even though the economic environment has not yet stabilised.

– Thermal generation Spain:

  The assumptions and projections for this CGU consider the possible impacts of the energy transition and the increased use of renewable energy sources, although they contemplate the need for all the installed capacity of the combined cycle units within the horizon of the projections (2033), as envisaged in the NECP 2023-2030.

In the case of nuclear power plants, Naturgy considers the Decommissioning Protocol signed in 2019 with Enresa, Spain's national radioactive waste company, which establishes a schedule for the progressive closure of all nuclear power plants in line with the energy transition to renewable sources and the decarbonisation objective for 2050; their output up to the point of decommissioning is considered in the impairment test.

The assumptions taken into consideration are the following:

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Pool price €/MWh (*)	62.9	79.4	67.3	63.5	68.2	73.4	74.9	81.4	83.0	85.0
Brent (USD/bbl) (*)	80.8	76.1	71.6	70.0	69.0	70.0	70.0	89.4	90.5	91.6
Gas Henry Hub (USD/MMBtu) (*)	2.3	3.9	4.1	3.8	3.6	3.6	3.6	4.3	4.3	4.4
PVB (€/MWh) (*)	33.3	46.9	38.2	30.6	26.5	26.5	26.5	27.7	28.9	28.7
CO_2 €/t (*)	65.2	77.7	80.3	82.7	77.4	89.1	93.1	98.4	103.7	126.2

(*) Estimated amounts at the date of the test.

The most sensitive aspects that are included in the estimate of the recoverable amount determined according to the value in use and applying the methodology detailed in Note 2.4.6 are the following:

- Electricity generated. Demand trends were estimated based on CNMC and analyst projections, considering also the existing contracts with Naturgy's supply companies. The share was estimated on the basis of Naturgy's market share in each technology and the expected trend in each technology's share of the total market, in line with the expected future evolution of the generation mix, maintaining the projected decline in thermal output, offset by the creation of a capacity market within the Spanish mainland electricity system that remunerates firm capacity (currently in the process of being established).

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on industry forecasts, trends in the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Fuel costs. Estimated on the basis of market prices.

- Operating and maintenance costs. These costs were estimated on the basis of the historical costs of managed facilities and the business plans of the nuclear power plants.

- The following were also considered:

  – The Electricity Market Reform Regulation and Directive presented by the Commission on 14 March 2023, which envisages, among other matters, fostering forward contracts, PPAs and contracts for differences for new investments in generating capacity, making capacity mechanisms permanent, providing greater system flexibility using demand-side management and storage, as well as measures to be adopted by member states in the event of a crisis and greater protection for end consumers.

  – The extension of existing sales contracts with the group's supply companies to cover nuclear generation facilities.

  – The costs of the 7% levy on the value of electricity production, which was reinstated gradually during 2024, and the unit values for financing of the energy subsidy ("bono social").

  – The approval of Royal Decree 589/2024 for nuclear generation facilities, which increases the amount payable to ENRESA as a consequence of the construction of decentralised temporary storage facilities (ATD).

To date, Naturgy has elected to not close the ten plants that were authorised following the Supreme Court ruling in 2023 and, therefore, this was not considered in the 2024 impairment test update.

– Thermal generation Latin America:

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

- Thermal generation in Mexico is carried out over most of the plants' useful lives under PPAs based on stable business models that are not at risk of fluctuation on the basis of market variables. In the Dominican Republic and Mexico, upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy situation, including the foreseeable evolution of the generating fleet, taking account of expected supply and demand, and production costs.

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

- The update of the recoverable amount of the Mexican combined cycle plants considers several scenarios, including an increase in development permits for renewable energy facilities, which will affect the market price used in the projections at the end of the long-term PPAs with the Federal Electricity Commission (CFE).

- The delivery of emission allowances equivalent to the tonnes of CO_2 emitted. Until 2026, the allocation of allowances free of charge, as provided in the draft Emission Trading System Rules, is assumed to cover emissions projected on the basis of production projections.

  From 2027 onwards, although the criteria for the allocation of allowances free of charge and the necessary emissions reduction pathway have not yet been defined, it is expected that the emissions generated will be covered by the free allocation and, when this is not sufficient or the free allocation is discontinued, CO_2 costs are expected to be passed through into selling prices as an additional operating cost, similar to the case in the European market.

In the case of the Puerto Rico Generation CGU:

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

– Renewable Generation Spain:

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

In the case of Renewable Generation Spain, fair value less selling costs is considered to be the best estimate of the recoverable amount and, therefore, the valuation includes the necessary flows that market players would take into account when assessing the value of the CGU based on the present value method.
Fair value was determined on the basis of external sources of information and the company's estimate is, therefore, a level 3 estimate.

The assumptions regarding pool price trends in the Renewable Electricity Generation and Hydroelectric Electricity Generation CGUs are the same as those considered in the Thermal Generation Spain CGU.

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

- Electricity generated.

  – For the renewable power generation CGU, projections of hours of operation of each park consistent with their historical output, and predictions based on historical records of similar parks have been used when there were no historical data. In addition, the increase in output due to the planned hybridisations and/or repowering of existing facilities has been taken into account.

  – For the hydroelectric power generation CGU, trends in precipitation and their impact on river flows and, therefore, on production are taken into account.

- Electricity price. Market electricity prices were calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable trend in generating capacity in Spain, based on industry forecasts, the trend in the energy situation on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.

- Remuneration.

  – For facilities in the renewable generation CGU that are entitled to specific remuneration, the remuneration has been estimated on the basis of the regulated revenue period. Specifically, Order TED/741/2023 was considered, which updated the remuneration parameters for standard facilities that are applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the 2023-2025 regulatory semi-period.

  – In the specific case of cogeneration facilities, the methodology for updating the remuneration for the operation of electricity generation facilities whose operating costs depend essentially on the price of fuel is considered.

- Operating and maintenance costs. Estimated from historical costs of the managed fleet and existing contracts.

- Investments. The investments necessary to keep the facilities in working order are considered; in the case of Renewable Electricity Generation, they are included in the cash flows of new projects available for development, repowering, storage and hybridisations, as well as the value of the generation capacity of new renewable generation projects.

- The following factors are also considered:

  – The projected flows include an estimate of the costs of the 7% tax on the value of electricity production and the unit values for financing the energy subsidy ("bono social").

  – The extension of existing sales contracts with the group's supply companies.

  – The regulations governing water in hydroelectric reservoirs.

– Renewable Generation United States:

In 2024, the company continued to manage the development of a pipeline of solar energy and storage projects, with one facility already in production (7v Solar Ranch, 302 MW), one farm under construction expected to reach commercial operation by the end of 2025 (Grimes, 262 MW) and another that has obtained its construction permit (Mark Center, 124.5 MW).

As part of project management, the acquired portfolio was analysed in 2024 and, as a result, acquired projects that are unlikely to be executed, mainly due to difficulties in interconnection and in obtaining licences, were impaired.

– Renewable Generation Latin America:

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

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

- Electricity price:Renewable electricity generation in Latin America is managed under PPAs based on stable business models that are not at risk of fluctuation on the basis of market variables.

- Operating and maintenance costs.Estimated on the basis of historical costs and of best forecasts when no historical data are available.

- Since Renewables Chile returned to the short-term market based on authorisation by the National Electricity Coordinator in June 2023, the company has been operating normally in the market and fulfilling its PPAs with the distribution companies.

  Structural problems arising from shortcomings in the transmission networks and the diversity of the generation mix at each node continue to negatively affect the company's margins and make it necessary for the company to closely monitor how these variables perform.

  In this situation, the assumptions made in the impairment test for 2023 are maintained and no scenarios are envisaged that could lead to a significant increase in the impairment already recognised for this company's assets.

– Renewable Generation Australia:

- Over most of the plants' useful life, electricity output is sold under PPAs based on stable business models that are not at risk of fluctuation on the basis of market variables. Upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy situation, including the foreseeable evolution of the generating fleet and taking into account expected supply and demand, and production costs.

- Operating and maintenance costs. Estimated on the basis of historical costs and of best forecasts when no historical data are available.

– Supply:

- Supply margin. Forecasts concerning trends in customer numbers and demand were used, considering unit margins of the contracts in place and estimates of these figures in contract renewals.

- The projected flows include:

  – The unit values for financing the energy subsidy (“bono social”) in 2024.

  – The ban on cutting off gas and electricity supplies to vulnerable customers is maintained until 31 December 2025.

Discount rates and growth rates used

The pre-tax discount rates used in the impairment tests carried out in 2024 and 2023 are as follows:

Discount rate	2024	2023
Networks		
Gas and Electricity Networks Spain	6.8 %-7.1 %	7 %-7.4 %
Gas and Electricity Networks Latin America	10.3 % - 22.1 %	10.2 % - 25.1 %
Redes de Gas Argentina (1)	22.1 %	25.1 %
Markets		
Generación Térmica España	8.5 %	9.0 %
Thermal Generation Latin America	9.5%-12.9 %	10.2%-13.1 %
Generación de Electricidad Renovable España	7.0 %	7.8 %
Generación de Electricidad Hidráulica España	7.3 %	8.4 %
Latin America Renewables	10.9 %-18.1 %	10.2 %-17.7 %
Generación Renovable Australia	9.1 %	9.3 %
Generación Renovable Estados Unidos	7.4 %	7.4 %
Gases Renovables	8.4 %	8.5 %
Supply	7.6 %	8.3 %

(1) Rate determined in USD

Growth rates, determined as indicated in Note 2.4.6, in the impairment tests performed in 2024 and 2023 were as follows:

Growth rate	2024	2023
Networks		
Gas and Electricity Networks Spain	1.5 %-2.0 %	1.5 %-2.0 %
Gas and Electricity Networks Latin America	1.6%-7.9%	2.1%-14.5%
Gas Networks Argentina	7.9 %	14.5 %
Markets		
Thermal Generation Spain	1.9 %	2.0 %
Thermal Generation Latin America	1.8 %	2,0%-2,1%
Renewable Generation Spain	1.9 %	2.0 %
Hydroelectric Generation Spain	1.9 %	2.0 %
Latin America Renewables	1.8 % - 2.9 %	2.1 %-3.2 %
Australia Renewables	2.5 %	2.1 %
USA Renewables	1.8 %	2.1 %
Renewable Gases	1.9 %	2.0 %
Supply	(0.1)%	(0.3)%

Results of the impairment tests

As a result of the impairment tests carried out in 2024 and 2023, the recoverable amounts, calculated according to the methodology described in Note 2.4.6, exceeded the carrying amounts recognised in these consolidated annual accounts except for:

2024

Impairments were reversed for a net amount of Euros 18 million under "Depreciation, amortisation and impairment losses" as follows:

- Gas distribution Argentina:

  Euros 38 million of the impairment recognised in 2020 for intangible assets under "Depreciation, amortisation and impairment losses" (Note 5) was reversed, mainly due to the estimated impacts of the tariff revisions included in the cash flow projections. The value of the Argentinian gas distribution CGU, determined according to its value in use based on the tariff revision scenarios considered, is Euros 221 million.

- Thermal Generation Spain

  Impairment in the amount of Euros 11 million was recognised under "Depreciation, amortisation and impairment losses" (Note 6). It arose basically as a result of problems in the operation of a facility, which led to the recognition of impairment of assets at both the facility and CGU level; a reversal has been considered due to the improvement in projected cash flows, basically caused by expectations of the creation of a capacity market in the Spanish mainland electricity system that will remunerate firm capacity (see Appendix IV Regulatory framework, item 2.2.4.1). The value of the Thermal Generation Spain CGU, determined based on its value in use, is Euros 1,036 million.

- Renewable Generation Spain

  Impairment amounting to Euros 5 million was recognised for property, plant and equipment (Note 6) under "Depreciation, amortisation and impairment losses" in the Renewable Generation Spain CGU due to assessment of the impact if the appeals against the permits for several wind farms under construction are upheld.

- Renewable Generation United States:

  The various projects in the pipeline were evaluated and an impairment of Euros 4 million was recognised, of which Euros 1 million relates to intangible assets (Note 5) and Euros 3 million to property, plant and equipment (Note 6), associated with acquired projects that are not expected to be executed, mainly due to difficulties with interconnection and obtaining permits.

2023

Impairment losses of Euros 288 million were recognised under "Depreciation, amortisation and impairment losses" as follows:

- Thermal Generation Mexico (Thermal Generation LatAm segment):

  As a result of updating the impairment test for the Mexican Thermal Generation CGU, goodwill impairment amounting to Euros 168 million was recognised.

- Renewable Generation Spain:

  As a result of the court ruling adopting precautionary measures to suspend the permits granted to a Renewable Generation facility in Spain that is under construction, the impairment of this facility was calculated for the event that these appeals are ultimately successful. In addition, the development of a photovoltaic facility has been halted due to the discovery of archaeological remains. For both cases, an impairment loss of Euros 20 million has been recognised under property, plant and equipment (Note 6). These projects have been impaired based on the recoverable value of the components that could be used in other Naturgy renewable generation facilities.

- Renewable Generation United States:

  The various projects were assessed and impairment of Euros 65 million was recognised, of which Euros 7 million relates to goodwill, Euros 34 million to intangible assets (Note 5) and Euros 24 million to property, plant and equipment (Note 6) relating to acquired projects that are unlikely to be executed and to farms under development, affected basically by an increase in construction costs.

– Renewable Generation Chile (GPG LatAm segment):

As a result of the situation with Cabo Leones described above, impairment in the amount of Euros 25 million was recognised under property, plant and equipment (Note 6).

– Gas Networks Mexico:

Although no impairment has arisen for the Gas Distribution Mexico CGU, impairment was recognised for certain energy solutions assets for an amount of Euros 10 million due to breach of contract by the customer. This asset has been fully impaired.

Sensitivity analysis

A sensitivity analysis has been carried out for the results of the impairment tests described. The following variations in the key assumptions for each of them have been considered separately, with the following result:

2024

Thermal generation Spain: the result of the sensitivity analysis is as follows:

– an increase in the discount rate of 50 basis points would entail an impairment of Euros 20 million.
– a decrease in the growth rate of 50 basis points would not entail any impairment.
– a decrease in electricity output of 5% would entail an impairment of Euros 123 million.
– a decrease of Euros 1/MWh in the average electricity price over the remaining life of the facility together with the related variation in the cost of gas and CO_2 would entail an impairment of Euros 14 million.

Hydraulic generation Spain: the result of the sensitivity analysis is as follows:

– an increase in the discount rate of 50 basis points would entail an impairment of Euros 48 million.
– a decrease in the growth rate of 50 basis points would entail an impairment of Euros 22 million.
– a decrease in electricity output of 5% would entail an impairment of Euros 79 million.
– a decrease of Euros 1/MWh in the average electricity price over the facility's remaining life would entail impairment of Euros 11 million.

Renewable Generation Spain: the result of the sensitivity analysis is as follows:

– an increase in the discount rate of 50 basis points would not entail any impairment.
– a decrease in electricity output of 5% would not entail any impairment.
– a decrease of Euros 1/MWh in the average electricity price over the remaining life of the facility would entail a Euros 59 million reduction in the CGU's fair value but would not give rise to impairment.
– an increase in operating and maintenance costs of 5% would not entail impairment.
– an increase of 5% in the capital cost would not entail impairment.

Gas distribution networks Argentina: the result of the sensitivity analysis is as follows:

– an increase in the discount rate of 50 basis points would entail a impairment of Euros 5 million.
– a decrease in the growth rate of 50 basis points would entail a impairment of Euros 2 million.
– a decrease in the rate/remuneration trend of 5% would entail a impairment of Euros 16 million.
– an increase in operating and maintenance costs of 5% would entail a impairment of Euros 4 million.
– an increase in investments of 5% would entail a impairment of Euros 5 million.

Thermal Generation Mexico: The result of the sensitivity analysis is as follows:

– an increase in the discount rate of 50 basis points would not entail any impairment.
– a decrease in the growth rate of 50 basis points would not entail any impairment.
– a decrease of 5% in the electricity sale price would not entail any impairment.

Renewable Generation United States: The result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not entail any impairment.
- an increase of 5% in the construction cost would not entail impairment.
- a decrease of 5% in the electricity sale price would not entail any impairment.

Renewable Generation Brazil: The result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not entail any impairment.

Renewable Generation Panama: The result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail impairment of Euros 1 million.

Renewable Generation Costa Rica: The result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not entail any impairment.

Other CGUs

For the remaining CGUs, Naturgy has carried out a sensitivity analysis of the unfavourable variations which, drawing on historical experience, may reasonably impact the aforementioned sensitive parameters on which the recoverable amounts have been determined. Specifically, the most significant sensitivity analyses performed were as follows:

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

These sensitivity analyses, performed separately for each basic assumption, would not affect the conclusions drawn to the effect that the recoverable amount exceeds the carrying amount for each of these CGUs.

Note 5. Intangible assets

The movement in 2024 and 2023 in intangible assets is as follows:

	IFRIC 12 concessions	Other concessions and similar	Computer software	Other intangible assets	Subtotal	Goodwill	Total
Gross cost	2,100	1,382	1,436	1,072	5,990	2,998	**8,988**
Accumulated depreciation	(1,043)	(22)	(1,128)	(557)	(2,750)	—	**(2,750)**
Impairment losses	(259)	—	—	(7)	(266)	—	**(266)**
Carrying amount at 31.12.2022	**798**	**1,360**	**308**	**508**	**2,974**	**2,998**	**5,972**
Investment (Note 3)	92	—	122	113	327	—	**327**
Amortisation charge (Note 28)	(55)	(1)	(110)	(134)	(300)	—	**(300)**
Impairment reversal/(losses) (Notes 4 & 28)	—	—	—	(34)	(34)	(175)	**(209)**
Currency translation differences (1)	(52)	(41)	(1)	(4)	(98)	(21)	**(119)**
Business combinations (Note 32) and asset acquisitions (Note 2.4.1.d.)	—	—	1	168	169	128	**297**
Reclassifications and other	—	—	1	—	1	—	**1**
Carrying amount at 31.12.2023	**783**	**1,318**	**321**	**617**	**3,039**	**2,930**	**5,969**
Gross cost	1,910	1,341	1,245	1,325	5,821	2,930	**8,751**
Accumulated depreciation	(947)	(23)	(924)	(697)	(2,591)	—	**(2,591)**
Impairment losses	(180)	—	—	(11)	(191)	—	**(191)**
Carrying amount at 31.12.2023	**783**	**1,318**	**321**	**617**	**3,039**	**2,930**	**5,969**
Investment (Note 3)	98	—	115	127	340	—	**340**
Amortisation charge (Note 28)	(51)	(1)	(112)	(162)	(326)	—	**(326)**
Impairment reversal/(losses) (Notes 4 & 28)	38	—	—	(1)	37	—	**37**
Currency translation differences (1)	(55)	(35)	(3)	1	(92)	18	**(74)**
Asset acquisitions (Note 2.4.1.d.)	—	—	—	12	12	—	**12**
Reclassifications and other	—	—	—	22	22	—	**22**
Carrying amount at 31.12.2024	**813**	**1,282**	**321**	**616**	**3,032**	**2,948**	**5,980**
Gross cost	2,165	1,306	1,350	1,503	6,324	2,948	**9,272**
Accumulated depreciation	(1,087)	(24)	(1,029)	(877)	(3,017)	—	**(3,017)**
Impairment losses	(265)	—	—	(10)	(275)	—	**(275)**
Carrying amount at 31.12.2024	**813**	**1,282**	**321**	**616**	**3,032**	**2,948**	**5,980**

(1) Includes the effect of inflation in Argentina (Note 2.4.2.).

Note 3 includes a breakdown of investments in intangible assets by segment.

The composition of the balance of the "Concessions IFRIC 12" heading is affected by the asymmetric trends over the last few years of inflation and exchange rates in Argentina, which has an impact on the Gas and Electricity Distribution Networks businesses that Naturgy has in that country, classified as a hyperinflationary economy.

As detailed in Note 4, the following impairments and reversals were recognised as a result of the impairment tests performed in 2024:

– Gas Networks Argentina: a reversal of the impairment recognised for IFRIC 12 Concessions in 2020, amounting to Euros 38 million (Notes 4 and 28).

– Renewable Generation United States: impairment of other intangible assets amounting to Euros 1 million (Notes 4 & 28).

As a result of the impairment tests performed in 2023, the following impairment was recognised:

– Thermal Generation Mexico: impairment of goodwill in the amount of Euros 168 million (Notes 4 & 28).

– Renewable Generation United States: impairment of Euros 41 million (Euros 7 million for goodwill and Euros 34 million for Other intangible assets) (Notes 4 & 28).

During 2024, the following asset recognitions took place: acquisition of renewable assets amounting to Euros 12 million under Other intangible assets, of which Euros 9 million euros relate to the Renewable Generation Australia business, derived from the acquisition, through the company Fraser Coast Solar Development Finco PTY, Ltd., of a solar project at an advanced stage of development, and Euros 3 million relate to the Renewable Gases business derived from the acquisition of 14 biomethane projects. Renewable asset additions totalling Euros 119 million were also recorded in Other intangible assets in 2023. (Note 2.4.1.d.).

The acquisition of ASR Wind in 2023 resulted in the recognition of a business combination of Euros 178 million, of which Euros 128 million relate to goodwill, Euros 49 million to other intangible assets and Euros 1 million to computer software (Note 32).

"Concessions IFRIC 12" includes concessions regarded as intangible assets under IFRIC 12 "Service concession agreements" (Note 33).

The "Other concessions and similar" heading includes principally:

– Concessions with indefinite useful lives arising from business combinations are as follows:

	31.12.2024	31.12.2023
Electricity distribution Spain	684	684
Gas distribution Chile	579	615

The "Other intangible assets" heading mainly includes:

– Licences for Renewable Generation farms totalling Euros 255 million at 31 December 2024 (Euros 288 million at 31 December 2023). This amount includes Euros 12 million for Hamel Renewables in the USA (Euros 12 million at 31 December 2023), Euros 14 million for Guimaranias in Brazil (Euros 18 million at 31 December 2023) and Euros 20 million for Renewable Generation Australia (Euros 12 million at 31 December 2023); the remainder relates to farm licences for Renewable Generation in Spain.

– Customer acquisition costs recognised as assets under IFRS 15 amounted to Euros 178 million at 31 December 2024 (Euros 169 million at 31 December 2023).

– The value of gas supply contracts and other contractual rights acquired as a result of business combinations in Chile for an amount of Euros 44 million at 31 December 2024 (Euros 54 million at 31 December 2023) of Naturgy Aprovisionamientos, S.A. relating to the Oman contract, for an amount of Euros 17 million (Euros 33 million at 31 December 2023) and contractual rights acquired from the business combination of ASR Wind amounting to Euros 16 million (Euros 17 million at 31 December 2023) (Note 32). This heading also includes the amount of Euros 32 million (Euros 32 million at 31 December 2023) representing the value produced by ASR Wind's hybridisation projects (Note 32).

Movements in, and the composition of, goodwill by CGU or aggregated CGUs in 2024 and 2023 are set out below:

	01.01.2024	Currency translation differences	Impairment losses	Business combinations	31.12.2024
Networks	1,297	1	—	—	1,298
Gas Mexico	23	(3)	—	—	20
Gas Brazil	14	(2)	—	—	12
Gas Chile	55	(3)	—	—	52
Electricity Spain	1,070	—	—	—	1,070
Panama Electricity	135	9	—	—	144
Markets	1,633	17	—	—	1,650
Energy Management	19	—	—	—	19
Thermal Generation	291	18	—	—	309
LatAm	*291*	*18*	—	—	*309*
Renewable Generation	896	(1)	—	—	895
Spain	*885*	—	—	—	*885*
LatAm	*9*	*(1)*	—	—	*8*
USA	*2*	—	—	—	*2*
Supply	427	—	—	—	427
Total	**2,930**	**18**	**—**	**—**	**2,948**

	01.01.2023	Currency translation differences	Impairment losses	Business combinations	31.12.2023
Networks	1,303	(6)	—	—	1,297
Gas Mexico	21	2	—	—	23
Gas Brazil	13	1	—	—	14
Gas Chile	59	(4)	—	—	55
Electricity Spain	1,070	—	—	—	1,070
Panama Electricity	140	(5)	—	—	135
Mercados de Energía	1,695	(15)	(175)	128	1,633
Energy Management	19	—	—	—	19
Thermal Generation	473	(14)	(168)	—	291
LatAm	*473*	*(14)*	*(168)*	—	*291*
Renewable Generation	776	(1)	(7)	128	896
Spain	*757*	—	—	*128*	*885*
LatAm	*10*	*(1)*	—	—	*9*
USA	*9*	—	*(7)*	—	*2*
Supply	427	—	—	—	427
Total	**2,998**	**(21)**	**(175)**	**128**	**2,930**

At 31 December 2024, Naturgy had recognised investment commitments totalling Euros 23 million (Euros 22 million at 31 December 2023) relating basically to the development of the gas distribution network with concessions classified as intangible assets under IFRIC 12.

At 31 December 2024, the intangible assets include Euros 684 million of fully amortised assets still in use (Euros 632 million at 31 December 2023).

Note 6. Property, plant and equipment

The movements in the accounts in 2024 and 2023 under property, plant and equipment and their respective accumulated depreciation and provisions were as follows:

	Land and buildings	Gas installations	Electricity generation plants	Plant for electricity transmission and distribution	Other property, plant and equipment	PPE under construction	Total
Gross cost	457	11,762	15,125	8,241	422	1,717	**37,724**
Accumulated depreciation	(175)	(7,229)	(6,546)	(3,016)	(237)	—	**(17,203)**
Impairment losses	—	(136)	(3,000)	(5)	(1)	—	**(3,142)**
Carrying amount at 31.12.2022	**282**	**4,397**	**5,579**	**5,220**	**184**	**1,717**	**17,379**
Investment (Note 3)	14	155	98	149	32	1,361	**1,809**
Divestment	(19)	—	—	—	—	(4)	**(23)**
Amortisation charge (Note 28)	(15)	(351)	(384)	(269)	(20)	—	**(1,039)**
Impairment losses (Note 4 & 28)	—	—	(69)	—	(10)	—	**(79)**
Currency translation differences (1)	(2)	9	(26)	(36)	7	(41)	**(89)**
Business combinations (Note 32) and asset acquisitions (Note 2.4.1.d.)	—	—	647	—	3	32	**682**
Reclassifications and other (2)	3	14	508	325	(18)	(806)	**26**
Carrying amount at 31.12.2023	**263**	**4,224**	**6,353**	**5,389**	**178**	**2,259**	**18,666**
Gross cost	447	11,778	16,604	8,655	477	2,259	**40,220**
Accumulated depreciation	(184)	(7,428)	(7,188)	(3,266)	(299)	—	**(18,365)**
Impairment losses	—	(126)	(3,063)	—	—	—	**(3,189)**
Carrying amount at 31.12.2023	**263**	**4,224**	**6,353**	**5,389**	**178**	**2,259**	**18,666**
Investment (Note 3)	11	165	111	167	35	1,436	**1,925**
Divestment	(7)	—	(1)	—	(5)	(11)	**(24)**
Amortisation charge (Note 28)	(16)	(347)	(439)	(281)	(12)	—	**(1,095)**
Impairment losses (Note 4 & 28)	—	—	(19)	—	—	—	**(19)**
Currency translation differences (1)	—	(149)	23	79	18	13	**(16)**
Asset acquisitions (Note 2.4.1.d.)	—	—	—	—	—	1	**1**
Reclassifications and other (2)	(4)	59	1,413	342	(10)	(1,771)	**29**
Carrying amount at 31.12.2024	**247**	**3,952**	**7,441**	**5,696**	**204**	**1,927**	**19,467**
Gross cost	440	11,736	17,899	9,242	588	1,927	**41,832**
Accumulated depreciation	(193)	(7,659)	(7,390)	(3,546)	(384)	—	**(19,172)**
Impairment losses	—	(125)	(3,068)	—	—	—	**(3,193)**
Carrying amount at 31.12.2024	**247**	**3,952**	**7,441**	**5,696**	**204**	**1,927**	**19,467**

(1) Includes the effect of inflation in Argentina (Note 2.4.2.).

(2) Mainly includes:
- transfer to operation of fixed assets under construction.
- capitalised plant decommissioning costs (Note 16).

Note 3 contains a breakdown of investments in property, plant and equipment by segment.

As detailed in Note 4, as a result of the impairment tests carried out in 2024, net impairment of Euros 11 million was recognised in the Thermal Generation Spain business, Euros 5 million for appeals filed against several wind farms under construction in the Renewable Generation Spain business and Euros 3 million in relation to projects under construction in Renewable Generation USA.

The following impairments were recognised in 2023: Euros 20 million for the assets of two wind farms under development in the Renewable Generation Spain business; Euros 24 million for various projects acquired in Renewable Generation USA; Euros 25 million for Cabo Leones (Renewable Generation Chile); and Euros 10 million for energy solution assets belonging to the Gas Mexico line of business (Note 4).

Acquisitions of renewable assets were recognised in 2024 in the amount of Euros 1 million in the category of fixed assets under construction in the Renewable Generation Australia business as a result of the acquisition, through the company Fraser Coast Solar Development Finco PTY, Ltd., of a farm at an advanced stage of development (Note 5). In 2023, asset acquisitions in the amount of Euros 30 million were recognised under fixed assets under construction (Note 2.4.1.d.).

In 2023, Euros 652 million were recognised as assets as a result of business combinations in connection with the acquisition of ASR Wind (Euros 647 million for electricity generation facilities, Euros 3 million for Other fixed assets, and Euros 2 million for Fixed assets under construction) (Note 32).

Set out below is a breakdown of fixed assets under construction, by business area:

	31.12.2024	31.12.2023
Networks	**319**	**326**
Spain Gas	22	18
Gas Mexico	8	12
Gas Chile	71	68
Gas Argentina	4	1
Electricity Spain	173	188
Panama Electricity	41	39
Markets	**1,608**	**1,933**
Energy Management	23	23
Thermal Generation Spain	185	171
Thermal Generation LatAm	36	38
Renewable Generation	1,362	1,697
Spain	622	505
LatAm	19	22
Australia	338	687
USA	383	483
Renewable Gases	2	1
Energy Markets Corporation	—	3
Total	**1,927**	**2,259**

Several renewable generation parks were commissioned in Australia and the United States in 2024.

As at 31 December 2024 and 2023, Naturgy did not have any material investment property.

As at 31 December 2024, property, plant and equipment include fully-depreciated assets in use totalling Euros 3,296 million (Euros 3,011 million at 31 December 2023).

It is Naturgy's policy to arrange insurance where deemed necessary to cover the risks to its fixed assets.

As at 31 December 2024, Naturgy had recognised investment commitments totalling Euros 410 million (Euros 762 million at 31 December 2023) relating basically to the construction of new renewable generation facilities and the development of the gas and electricity distribution network.

The financial expenses capitalised in 2024 during construction of fixed assets totalled Euros 93 million (Euros 71 million in 2023). The financial expenses capitalised in 2024 account for 11.0% of total financial costs on net borrowings (8.8% in 2023). The average capitalisation rate for 2024 and 2023 was 2.9% and 3.4%, respectively.

Note 7. Right-of-use assets

Changes in 2024 and 2023 in right-of-use asset accounts and the related accumulated amortisation and provisions are as follows:

	Land and buildings	Gas tankers	Vehicles	Other property, plant and equipment	Total
Gross cost	439	1,191	20	62	**1,712**
Accumulated depreciation	(102)	(430)	(14)	(4)	**(550)**
Carrying amount at 31.12.2022	**337**	**761**	**6**	**58**	**1,162**
Additions	128	—	10	—	**138**
Divestment	(2)	—	—	(7)	**(9)**
Amortisation charge (Note 28)	(43)	(65)	(5)	(2)	**(115)**
Currency translation differences	(1)	—	—	(1)	**(2)**
Business combinations (Note 32)	18	—	—	—	**18**
Reclassifications and other	2	—	(1)	(4)	**(3)**
Carrying amount at 31.12.2023	**439**	**696**	**10**	**44**	**1,189**
Gross cost	585	1,191	25	50	**1,851**
Accumulated depreciation	(146)	(495)	(15)	(6)	**(662)**
Carrying amount at 31.12.2023	**439**	**696**	**10**	**44**	**1,189**
Additions	168	—	8	—	**176**
Divestment	(4)	—	(4)	—	**(8)**
Amortisation charge (Note 28)	(49)	(65)	(5)	(2)	**(121)**
Currency translation differences	(7)	—	—	3	**(4)**
Reclassifications and other	(3)	—	—	—	**(3)**
Carrying amount at 31.12.2024	**544**	**631**	**9**	**45**	**1,229**
Gross cost	736	1,191	25	53	**2,005**
Accumulated depreciation	(192)	(560)	(16)	(8)	**(776)**
Carrying amount at 31.12.2024	**544**	**631**	**9**	**45**	**1,229**

Naturgy has concluded lease agreements in which it is the lessee for the following category of underlying assets:

- Land for energy use for combined cycle power plants, wind farms, photovoltaic farms, switching centres, and propane (LPG) and liquefied natural gas (LNG) installations.
- Structures (mainly offices, premises, industrial buildings and parking spaces).
- Gas carriers under long- and medium-term charter.
- Vehicles.

In 2023, additions from Business Combinations amounting to Euros 18 million were recognised in connection with the acquisition of ASR Wind (Note 32).

At 31 December 2024, "Gas tankers" included seven vessels under long-term finance lease arrangements (Note 17).

Note 8. Investments in companies

Associates and joint ventures

Set out below is a breakdown of investments accounted for using the equity method:

	31.12.2024	31.12.2023
Associates	50	54
Jointly-controlled entities	597	558
Total	**647**	**612**

Appendix I lists all the associates and joint ventures in which Naturgy holds an interest, stating their activity and the percentage of the shareholding and equity interest.

The most significant investments relate to EcoEléctrica L.P. and the interest in Medgaz through Medina.

Movements during 2024 and 2023 in equity-accounted investments, including a breakdown of the most significant shareholdings, are as follows:

	EcoEléctrica, L.P.	**Medina/ Medgaz**	**Other joint ventures**	**Total joint ventures**	**Associates**	**Total**
Value of shareholding 01.01.2023	**270**	**200**	**118**	**588**	**68**	**656**
Investment	—	—	2	2	—	2
Shares of profits/(losses)	59	16	29	104	(14)	90
Dividends received	(60)	(24)	(41)	(125)	—	(125)
Currency translation differences	(9)	—	(1)	(10)	—	(10)
Other comprehensive income	—	(1)	—	(1)	—	(1)
Value of shareholding 31.12.2023	**260**	**191**	**107**	**558**	**54**	**612**
Investment	—	—	1	1	—	1
Shares of profits/(losses)	64	18	42	124	(4)	120
Dividends received	(63)	(12)	(26)	(101)	—	(101)
Currency translation differences	16	—	—	16	—	16
Other comprehensive income	—	—	(1)	(1)	—	(1)
Value of shareholding 31.12.2024	**277**	**197**	**123**	**597**	**50**	**647**

In 2024 and 2023, there were no significant changes in Investments accounted for using the equity method. The changes in this heading relate basically to variations in these companies' equity.

There follows a breakdown of assets, liabilities, revenue and results of Naturgy's main interests in joint ventures (on the basis of the percentage stake):

	31.12.2024		31.12.2023	
	EcoEléctrica, L.P. (50 %)	**Medina/ Medgaz (50 %)**	**EcoEléctrica, L.P. (50 %)**	**Medina/ Medgaz (50 %)**
NON-CURRENT ASSETS	241	403	230	431
Current assets	48	29	39	30
Cash and cash equivalents	1	11	2	18
NON-CURRENT LIABILITIES	(6)	(195)	(6)	(223)
Non-current financial liabilities	—	(134)	—	(159)
Current liabilities	(6)	(40)	(3)	(47)
Current financial liabilities	(2)	(33)	—	(41)
Net assets	277	197	260	191
Net borrowings (1)	1	156	(2)	182

(1) Net borrowings: Non-current financial liabilities+Current financial liabilities-Cash and cash equivalents.

	2024		2023	
	EcoEléctrica, L.P. (50 %)	**Medina/ Medgaz (50 %)**	**EcoEléctrica, L.P. (50 %)**	**Medina/ Medgaz (50 %)**
Net sales	98	75	93	73
Personnel expenses	(6)	(1)	(6)	(1)
Other operating income/(expenses)	(18)	(5)	(19)	(6)
Gross operating results	**74**	**69**	**68**	**66**
Depreciation, amortisation and impairment losses	(8)	(30)	(7)	(30)
Operating profit	**66**	**39**	**61**	**36**
Financial income	—	(12)	1	(13)
Profit/(loss) before tax	**66**	**27**	**62**	**23**
Corporate income tax	(2)	(9)	(3)	(7)
Profit/(loss) attributed for the year from continuing operations	**64**	**18**	**59**	**16**
Share of profits	**64**	**18**	**59**	**16**

There are no contingent liabilities affecting interests in joint ventures.

At 31 December 2024 and 2023, there are no commitments to acquire interests in joint ventures. Contractual sales commitments at 31 December 2024 and 2023 are as follows:

Sale	**31.12.2024**	31.12.2023
Energy transmission (1)	473	546
Provision of capacity assignment services (2)	808	847
Total contractual obligations	**1,281**	**1,393**

(1) Includes Medgaz's long-term gas transport commitments.
(2) Reflects commitments by EcoEléctrica L.P. to provide services to Puerto Rico Electricity Power Authority under generating capacity assignment contracts.

Joint operations

Naturgy participates in joint operations that meet the conditions indicated in Note 2.4.1.b; they are detailed in Appendix I, section 3, which indicates that these operations are proportionately consolidated. The main interests in joint operations as at 31 December 2024 and 2023 are as follows:

	2024	2023
Comunidad de Bienes Central Nuclear de Almaraz	11.3%	11.3%
Comunidad de Bienes Central Nuclear de Trillo	34.5%	34.5%
Comunidad de bienes Central Térmica de Anllares	66.7%	66.7%

The contribution from the joint operations to Naturgy's assets, liabilities, revenue and results is shown below:

	31.12.2024	31.12.2023
Non-current assets	85	82
Current assets	86	77
Cash and cash equivalents	—	—
Non-current liabilities	(108)	(108)
Non-current financial liabilities	—	—
Current liabilities	(48)	(38)
Current financial liabilities	(11)	(11)
Net assets	**15**	**13**
Net borrowings (1)	**11**	**11**

(1) Net borrowings: Non-current financial liabilities+Current financial liabilities-Cash and cash equivalents.

	2024	2023
Net sales (1)	240	252
Operating expenses	(170)	(155)
Gross operating results	**70**	**97**
Depreciation, amortisation & impairment losses	(24)	(21)
Operating profit	**46**	**76**
Financial income	—	—
Profit/(loss) before tax	**46**	**76**
Corporate income tax	(11)	(19)
Profit/(loss) attributed for the year from continuing operations	**35**	**57**

(1) In order to reflect the contribution of the activity as a whole, the revenue figure also includes revenue from nuclear energy sales pertaining to the joint venturers.

Note 9. Financial assets

Current and non-current financial assets, classified by nature and category, are as follows at 31 December 2024 and 2023:

31.12.2024	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Equity instruments	8	—	—	8
Derivatives (Note 18)	53	—	—	53
Other financial assets	—	—	358	358
Non-current financial assets	**61**	**—**	**358**	**419**
Derivatives (Note 18)	109	33	—	142
Other financial assets	—	—	329	329
Current financial assets	**109**	**33**	**329**	**471**
Total	**170**	**33**	**687**	**890**

31.12.2023	Fair value through other comprehensive income	Fair value through profit or loss	Amortised cost	Total
Equity instruments	7	—	—	7
Derivatives (Note 18)	82	11	—	93
Other financial assets	—	—	384	384
Non-current financial assets	**89**	**11**	**384**	**484**
Derivatives (Note 18)	86	52	—	138
Other financial assets	—	—	297	297
Current financial assets	**86**	**52**	**297**	**435**
Total	**175**	**63**	**681**	**919**

Financial assets recognised at fair value at 31 December 2024 and 2023 are classified as follows:

	31.12.2024				31.12.2023			
Financial assets	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**
Fair value through other comprehensive income	—	162	8	**170**	—	168	7	**175**
Fair value through profit or loss	—	33	—	**33**	—	63	—	**63**
Total	**—**	**195**	**8**	**203**	**—**	**231**	**7**	**238**

The movements in 2024 and 2023 in financial assets carried at fair value, based on the method applied to calculate their fair value, are as follows:

	2024				2023			
	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**
1 January	—	231	7	**238**	—	283	8	**291**
Changes recognised directly in equity	—	(8)	—	**(8)**	—	(42)	—	**(42)**
Changes recognised in profit or loss (1)	—	8	1	**9**	—	(5)	(1)	**(6)**
Currency translation differences	—	3	—	**3**	—	(5)	—	**(5)**
Transfers and other (2)	—	(39)	—	**(39)**	—	—	—	**—**
As at 31 December	**—**	**195**	**8**	**203**	**—**	**231**	**7**	**238**

(1) In 2024 and 2023, this heading related entirely to derivatives.
(2) Includes the receipt of Euros 39 million of the deferred guaranteed amounts under the agreement reached in March 2021 with the Egyptian government in the context of disputes with Unión Fenosa Gas, S.A.

Fair value through other comprehensive income

– Equity instruments:

At 31 December 2024, this heading includes the 85.4% holding in Electrificadora del Caribe, S.A. ESP (Electricaribe), a company that was taken over on 14 November 2016 by the Superintendence for Residential Public Services of the Republic of Colombia, which announced on 14 March 2017 that the company was to be liquidated. Following arbitration before the Tribunal of the United Nations Commission on International Trade Law, in March 2021 an arbitration award was issued rejecting the claims of both Naturgy and the Colombian State.

Subsequently, on 24 March 2021, the Superintendence for Residential Public Services of the Republic of Colombia ordered the liquidation of the company to commence. As a result of this event, and of the conclusion of the claim against the insurers, the 85.4% interest in Electricaribe was valued at Euros 0 million at 31 December 2024 and 2023. Also, once the liquidation process began, a deferred tax asset of Euros 105 million was recognised for the tax loss that will be deductible once liquidation is completed.

This heading also includes minor shareholdings in unlisted companies amounting to Euros 8 million (Euros 7 million euro at 31 December 2023).

– Derivatives: this relates to the valuation of hedging derivatives linked to financial liabilities amounting to Euros 162 million (Note 18), of which Euros 109 million are classified as current assets (Euros 168 million at 31 December 2023, of which Euros 86 million are classified as current assets).

Fair value through profit or loss

– Derivatives:

This item includes derivatives linked to the financial liabilities of Ibereólica Cabo Leones II and GPG Solar Chile 2017 SPA amounting to Euros 33 million at 31 December 2024, classified as current assets (Euros 26 million at 31 December 2023, of which Euros 15 million classified under non-current assets) (Note 18). At the date of authorisation of these consolidated annual accounts, as indicated in Note 17, certain obligations under the project financing agreement for both projects have been breached and, consequently, the derivatives associated with those debts were classified under current derivatives (at 31 December 2023, only certain obligations under the project finance contract for GPG Solar Chile 2017, S.p.A. were breached).

In 2024, these derivatives generated hedging inefficiencies whose positive impact, amounting to Euros 10 million, was recognised under Variations in fair value of financial instruments in the consolidated income statement as at 31 December 2024 (negative Euros 5 million as at 31 December 2023) (Note 30).

Under the agreement concluded in March 2021 in relation to Unión Fenosa Gas, the latter is entitled to a contingent payment for the sale of a gas supply contract with a fair value that was estimated at the completion date to be Euros 19 million. The fair value recognised under current financial assets for this item as at 31 December 2023 amounts to Euros 37 million. That price adjustment was collected in February 2024 in the amount of Euros 39 million based on the average TTF gas price index until settlement.

Amortised cost

The breakdown at 31 December 2024 and 2023 is as follows:

	31.12.2024	31.12.2023
Commercial loans	31	26
Deposits and guarantees	110	106
Other loans	217	252
Other non-current financial assets	**358**	**384**
Commercial loans	11	10
Electricity system financing	75	—
Gas system financing	149	176
Dividend receivable	21	—
Deposits and guarantees	45	36
Other loans	28	75
Other current financial assets	**329**	**297**
Total	**687**	**681**

The breakdown by maturities at 31 December 2024 and 2023 is as follows:

Maturities	**31.12.2024**	31.12.2023
Before 1 year	329	297
Between 1 year and 5 years	53	62
More than 5 years	305	322
Total	**687**	**681**

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

– The "Gas system financing" heading includes temporary mismatches between gas system revenues and costs amounting to Euros 149 million (Euros 176 million at 31 December 2023) which, pursuant to Order TED/1022/2021 of 27 September, must be recovered in the following gas year. Specifically, Order TED 1022/2021 stipulates that the mismatch in the year will be recovered through the first available settlement of the following gas year. The entire amount of this financing has been recognised as a short-term item on the understanding that it is a temporary mismatch that will be recovered through system settlements within one year.

– The “Electricity system financing” heading includes temporary mismatches between electricity system revenues and costs funded by Naturgy pursuant to Law 24/2013, of 26 December. This amount will be recovered through electricity system settlements. The entire amount of this financing has been recognised as a short-term item on the understanding that it is a temporary mismatch that will be recovered through system settlements during the year. As at 31 December 2024, it amounted to Euros 75 million (the outstanding balance of temporary mismatches was zero at 31 December 2023).

– “Commercial loans" mainly include loans for the provision of energy management services which accrued interest at an average rate of 3.92% at 31 December 2024 and 2023.

– The “Deposits and guarantees” heading basically includes amounts deposited with the competent public administrations, under applicable legislation, in respect of guarantees and deposits received from customers when contracts are concluded to secure the supply of electricity and natural gas (Note 19), as well as deposits related to derivative positions arranged in organised markets.

“Other loans” includes basically:

- the value of generation concessions in Costa Rica that are treated as financial assets pursuant to IFRIC 12 “Service concession arrangements” (Note 2.4.3.b and Note 33), in the amount of Euros 95 million (Euros 97 million at 31 December 2023), of which Euros 14 million is classified in current assets (Euros 10 million in 2023). These financial assets are classified under this heading as they represent an unconditional right to receive fixed or determinable amounts of cash. The La Joya hydroelectric power generation concession expired on 30 June 2023, while the concession for the Torito power plant (Note 33) remains in force.
- Receivables of Euros 94 million relating to the accrued electricity distribution remuneration that is outstanding under system settlements and will be collected through these settlements in a term greater than 12 months (Euros 85 million at 31 December 2023), classified as non-current assets.
- At 31 December 2023, this included receivables of Euros 39 million, classified as current assets, relating to deferred receipts that are guaranteed under the agreement reached in March 2021 with the Egyptian government in relation to disputes with Unión Fenosa Gas, S.A. (merged with Naturgy Aprovisionamientos, S.A. in 2022) that were collected in the first half of 2024.

Note 10. Other non-current assets and trade and other receivables

The breakdown of the “Other non-current assets” and “Trade and other receivables” headings at 31 December 2024 and 2023, classified by nature and category, is as follows:

31.12.2024	**Fair value through other comprehensive income**	**Fair value through profit or loss**	**Amortised cost**	**Total**
Derivatives (Note 18)	58	1	—	59
Other assets	—	—	281	281
Other non-current assets	**58**	**1**	**281**	**340**
Derivatives (Note 18)	58	10	—	68
Other assets	—	—	3,773	3,773
Trade and other receivables	**58**	**10**	**3,773**	**3,841**
Total	**116**	**11**	**4,054**	**4,181**

31.12.2023	**Fair value through other comprehensive income**	**Fair value through profit or loss**	**Amortised cost**	**Total**
Derivatives (Note 18)	123	—	—	123
Other assets	—	—	302	302
Other non-current assets	**123**	**—**	**302**	**425**
Derivatives (Note 18)	11	4	—	15
Other assets	—	—	3,239	3,239
Trade and other receivables	**11**	**4**	**3,239**	**3,254**
Total	**134**	**4**	**3,541**	**3,679**

Financial assets recognised at fair value as at 31 December 2024 and 2023 are classified as follows:

	31.12.2024				31.12.2023			
Financial assets	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**
Fair value through other comprehensive income	—	116	—	**116**	—	134	—	**134**
Fair value through profit or loss	—	11	—	**11**	1	3	—	**4**
Total	**—**	**127**	**—**	**127**	**1**	**137**	**—**	**138**

The movements in 2024 and 2023 in financial assets carried at fair value, based on the method applied to calculate their fair value, are as follows:

	2024				2023			
	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**
1 January	1	137	—	**138**	39	351	—	**390**
Changes recognised directly in equity	—	(19)	—	**(19)**	(23)	(179)	—	**(202)**
Changes recognised in profit or loss (1)	(1)	6	—	**5**	(15)	(29)	—	**(44)**
Currency translation differences	—	3	—	**3**	—	(6)	—	**(6)**
Transfers and other	—	—	—	**—**	—	—	—	**—**
As at 31 December	**—**	**127**	**—**	**127**	**1**	**137**	**—**	**138**

(1) In 2024 and 2023, this heading related entirely to derivatives.

Fair value through other comprehensive income

Derivatives at fair value through other comprehensive income under financial assets include operational gas price hedging derivatives amounting to Euros 102 million (Euros 85 million at 31 December 2023), of which Euros 45 million are classified as non-current (Euros 76 million as at 31 December 2023) (Note 18).

This heading also includes long-term power purchase agreements for certain facilities in Australia amounting to Euros 14 million, of which Euros 13 million are classified as non-current (Euros 49 million at 31 December 2023, of which Euros 47 million were classified as non-current).

Fair value through profit or loss

At 31 December 2024, derivative financial assets at fair value through profit or loss include gas price operating derivatives amounting to Euros 9 million, of which Euros 8 million euro are classified as current, and exchange rate hedging operating derivatives amounting to Euros 2 million, classified as current.

Amortised cost

	31.12.2024	31.12.2023
Receivable, revenue from capacity services (Contract Asset)	110	171
Other receivables	171	131
Other non-current assets	**281**	**302**
Trade receivables	3,595	3,696
Receivables from related companies (Note 34)	1	2
Provision for impairment due to debtor credit losses	(745)	(910)
Customer receivables for sales and services	2,851	2,788
Public Administrations	117	103
Prepayments	121	103
Receivable, revenue from capacity services (Contract Asset)	75	—
Sundry receivables	567	206
Other receivables	880	412
Current income tax asset	42	39
Trade and other receivables	**3,773**	**3,239**
Other non-current assets and trade and other receivables	**4,054**	**3,541**

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

The “Receivable, revenue from capacity services” heading relates to revenue yet to be billed in respect of the levelling of the term of the service contracts for electricity generation capacity assignment with the Mexican Federal Electricity Commission.

At 31 December 2024, the "Trade receivables" account includes the accumulated balances for electricity and gas sales yet to be invoiced, amounting to Euros 1,160 million (Euros 1,027 million at 31 December 2023).

In general, outstanding invoices do not accrue interest as they fall due in an average period of 17 days.

The non-current "Other receivables" heading includes an amount of Euros 72 million (Euros 98 million at 31 December 2023) in connection with Brazil's Federal Supreme Court decision of May 2021 in favour of Naturgy companies CEG and CEG Rio in which it recognised their entitlement to collect the amounts paid unduly due to the inclusion of the Imposto sobre Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação (ICMS) in the calculation base of the Programas de Integração Social (PIS) and the Contribuição para Financiamento da Seguridade Social (COFINS). This asset, which the Brazilian authorities are entitled to offset from December 2023, was recognised with a credit to an account payable under "Other non-current liabilities" in the consolidated balance sheet (Note 19) based on the understanding that the tax credit will be passed on to end customers through tariff revisions, though not in the short term.

In addition, at 31 December 2024, the non-current balance of "Other receivables" includes Euros 93 million associated with adjustments for market price variances at facilities in the Renewable Generation Spain division that have a specific remuneration system (Note 2.4.25.i.). (Euros 23 million at 31 December 2023).

The current balance “Sundry receivables” includes the account receivable following notification on 17 July 2024 of the Supreme Court ruling of 4 July 2024 in relation to the enforcement of the judgement for the amounts paid to finance the energy subsidy borne by the group's non-regulated supply companies. At 31 December 2024, the amount recognised under this heading is Euros 74 million, i.e., Euros 63 million of contributions to financing the energy surplus, plus interest accrued since the date of payment.

At 31 December 2024, the balance of "Sundry debtors" includes the amount pending reimbursement by Sonatrach associated with the regularisation of the 2024 price of the gas supply contract; settlement in the amount of Euros 351 million has been agreed in 2025.

At 31 December 2023 the outstanding balance of Euros 15 million was recorded under "Sundry receivables" as a result of the difference between the cost of raw materials calculated using the current methodology and that resulting from the application of Royal Decree-Law 17/2021 of 14 September.

As at 31 December 2024, Naturgy had recognised unmatured balances totalling Euros 600 million (Euros 692 million at 31 December 2023) that have been factored without recourse and, consequently, were derecognised from the consolidated balance sheet as at 31 December 2024 and 2023.

The movement in the Provision for impairment due to debtor credit losses is as follows:

	2024	2023
1 January	**(910)**	**(857)**
Provision for impairment due to credit losses	(90)	(208)
Write offs	228	145
Currency translation differences	27	10
As at 31 December	**(745)**	**(910)**

Note 11. Non-current assets and disposal groups of assets held for sale, and discontinued operations

At 31 December 2024 and 2023, the Group did not have any non-current assets held for sale or any related liabilities.

At 31 December 2024, "Profit for the year from discontinued operations, net of taxes", amounting to Euros 22 million, included Euros 18 million for the re-estimate of the indemnities agreed with the buyer in the sale of the Electricity Distribution Chile business, which was completed in July 2021, and Euros 4 million associated with the sale of the Gas Distribution Italy business that was completed in February 2018.

Coal-fired generation in Spain was discontinued in 2020. During 2024, progress continued to be made on decommissioning the facilities; nearly all the plants have been decommissioned and the remainder are at very advanced stage (Note 25).

Note 12. Inventories

The breakdown of inventories is as follows:

	31.12.2024	**31.12.2023**
Natural gas and liquefied natural gas	500	739
Coal and fuel oil	3	5
Nuclear fuel	60	52
CO_2 emission allowances	194	415
Raw materials and other inventories	50	43
Total	**807**	**1,254**

At 31 December 2024, Naturgy has commitments for the acquisition of inventories, specifically nuclear fuel, amounting to Euros 49 million (Euros 55 million at 31 December 2023).

Gas inventories basically include inventories in underground storage facilities, in transit by sea, in plants and in pipelines, and also include the value of minimum security stocks access to which is restricted by law, amounting to Euros 277 million at 31 December 2024 (Euros 328 million at 31 December 2023).

Stocks of CO_2 allowances include CO_2 allowances to cover mainly certified emissions from combined cycle and cogeneration plants. Under an amendment to Directive 2003/87/EC, effective 1 January 2024 the EU emissions trading scheme was extended to cover emissions from maritime transport activities for ships where the port of loading and/or unloading is located in the EU or EEA (European Economic Area), within the scope of the EU ETS. This amendment will be phased in until 2027; specifically, allowances for 40% of 2024 emissions must be delivered in 2025, so that the stock of CO_2 rights as of 31 December 2024 contains Euros 6 million to meet this obligation. The obligation to deliver CO_2 allowances for emissions made during the year is recognised under "Current provisions" (Note 16).

Accumulated inventory impairment at 31 December 2024 amounts to Euros 18 million (Euros 19 million at 31 December 2023).

Note 13. Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.2024	**31.12.2023**
Cash at banks and in hand	3,847	2,644
Cash equivalents (Spain and rest of Europe)	1,433	766
Cash equivalents (International)	346	276
Total	**5,626**	**3,686**

Cash equivalents have contractual maturities of less than three months and earn interest at a weighted effective rate of 3.72% at 31 December 2024 (3.06% at 31 December 2023). They include a balance of Euros 200 million comprising two short-term deposits made in late November and December 2024 with a term of less than 3 months linked to CO_2 emission rights, consisting of a spot purchase transaction and a simultaneous forward sale with the same counterparty, the same risk and a guaranteed return. These deposits are readily convertible into specified amounts of cash, can be cancelled at any time without penalty and are subject to a negligible risk of changes in value.

At 31 December 2024 and 2023, there are no investments in sovereign debt, nor are there any significant restrictions on cash withdrawals.

Cash and cash equivalents are valued at amortised cost.

Note 14. Equity

The main equity items are analysed below:

Share capital and share premium

The variations in 2024 and 2023 in the number of shares and in the share capital and share premium accounts are as follows:

	Number of shares	Share capital	Share premium	Total
01.01.2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
31.12.2023	**969,613,801**	**970**	**3,808**	**4,778**
Variation	—	—	—	—
31.12.2024	**969,613,801**	**970**	**3,808**	**4,778**

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

There were no movements in the number of shares or in the "Share capital" and "Share premium" accounts during 2024 and 2023.

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

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

The main holdings in the share capital of Naturgy Energy Group at 31 December 2024 and 31 December 2023, based on the available public information and disclosures made to the Company, are as follows:

	Interest in share capital %	
	2024	2023
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	26.7	26.7
- BlackRock, Inc. (2)	20.9	—
- Global Infraestructure Partners III (2)	—	20.6
- CVC Capital Partners SICAV-FIS, S.A. (3)	20.7	20.7
- IFM Global Infrastructure Fund (4)	16.9	14.9
- Sonatrach (5)	4.1	4.1

(1) Holding through Criteria Caixa S.A.U.
(2) Since the acquisition of Global Infrastructure Partner on 1 October 2024, according to the notification of significant shareholdings to the CNMV. The indirect shareholding is held mainly through GIP III Canary 1, S.à.r.l., which has a direct shareholding of 20.6%.
(3) Through Rioja Acquisitions S.à.r.l.
(4) Through Global InfraCo O (2), S.à.r.l.
(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures.

All Naturgy shares are traded on the four official Spanish Stock Exchanges and the continuous market, and form part of Spain's Ibex 35 stock index.

Naturgy Energy Group S.A.'s share price at the end of 2024 stood at Euros 23.38 (last trading day: 31 December 2024). The share price at the end of 2023 was Euros 27.00 (last trading day: 29 December 2023).

In February 2024, Morgan Stanley Capital International (MSCI), a global benchmark for institutional investments and numerous mutual funds and exchange-traded funds, announced changes to the composition of several of its indexes. As a result, Naturgy ceased to be a component of several MSCI indices, effective as of market close on the last business day of February. The exclusion was based on the market value of Naturgy's free float, which had fallen below MSCI's minimum inclusion thresholds, and was unrelated to its current operating and financial performance.

Reserves and retained earnings

"Reserves" includes the following reserves:

	2024	**2023**
Legal reserve	200	200
Statutory reserve	100	100
Capital Redemption Reserve	31	31
Other reserves and retained earnings	5,649	5,001
Voluntary reserve Naturgy Energy Group, S.A.	9,731	9,731
Other reserves and retained earnings	(4,082)	(4,730)
	5,980	**5,332**

Legal reserve

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

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

Statutory reserve

Under the articles of association of Naturgy Energy Group, S.A., 2% of net profit for the year must be allocated to the statutory reserve until it reaches at least 10% of share capital.

Capital redemption reserve

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

In addition, pursuant to Article 335 c) of the Spanish Capital Companies Act, a restricted capital redemption reserve was created for an amount equal to the par value of the redeemed shares. The total accumulated capital redemption reserve amounts to Euros 31 million at 31 December 2024 and 2023.

Other reserves and retained earnings

Relates basically to voluntary reserves for retained earnings.

Share-based payments

On 31 July 2018, the Board of Directors approved a long term variable incentive plan (LTI) for the Executive Chairman and 25 other executives. The main characteristics of the plan were approved by the general meeting of shareholders on 5 March 2019. That incentive system covered the period of the Business Plan 2018-2022 ordinarily due in July 2023.

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

The LTI was arranged through the acquisition of shares in Naturgy Energy Group, S.A. by an investee company that may generate a surplus. Such surplus, if there were any, is the incentive that should be delivered to the participants. Upon conclusion of the plan, that company should obtain a result arising from the receipt of dividends attributed to its shares, changes in the share price and other revenues and expenses, mainly of a financial nature. At that time, it will sell such shares as are required to repay all the funds received to acquire the shares and, after settling its obligations, it will distribute any surplus, if there were any, among plan participants in the form of shares.

Such surplus will only be collected if a minimum profitability threshold has been exceeded, which means a share price of Euros 19.15 at the time of expiration of the LTI, assuming that all the dividends envisaged in the Business Plan 2021-2025 are distributed.

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

In order to compensate for the delay in the collection of the LTI as a result of the time extension, in 2021 Naturgy's Board of Directors established an interim compensation consisting of the payment of a cash amount to the beneficiaries who accepted the extension of the term until 2025.

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

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

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

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

	LTI 2018-2022	**LTI 2018-2025**
Forecast share price volatility (1)	25.32 %	25.32 %
Plan duration (years)	1,38	3,80
Dividends expected	5.24 %	5.03 %
Risk-free interest rate	0.71 %	1.06 %

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

As a result of accruing the incremental value associated with the extension of the instrument's term, an amount of Euros 2 million was recognised in the 2024 consolidated income statement under "Personnel expenses" (Euros 5 million in 2023, which also included accrual of the fair value of the equity instruments granted in the initial plan) with a credit to "Reserves" in the consolidated balance sheet.

Based on a reasoned proposal by the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors may adopt the decisions it deems necessary to administer, interpret, rectify, elaborate upon or continue the incentive scheme in the event of substantial variations in the circumstances of the Plan, taking into account the Company's interests and the objectives of the Plan.

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

On 22 April 2024, at the proposal of the Executive Chairman and in order to be able to act with absolute independence and neutrality and to avoid any conflict of interest linked to the outcome of any potential bid for Naturgy shares, the Board of Directors approved an amendment to the Executive Chairman's long-term variable incentive plan (LTI). Through this amendment, the Company returned to the initial remuneration scheme provided for in his February 2018 contract and in the Remuneration Policy approved by the Shareholders' Meeting in June 2018. The amended scheme is linked to the objectives of the Strategic Plan, and is no longer share-based. However, the main terms of the previous plan are maintained, such as the possibility of forfeiting the incentive, the duration and expiration of the plan, and the clawback clause. Additionally, under the amended plan, the Chairman may not receive more than he might have collected under the previous plan.

This amendment will be submitted for approval by the next Shareholders' Meeting; in the meantime, it is considered to be provisional and contingent upon such authorisation.

Treasury shares

Movements during 2024 and 2023 involving the treasury shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	Amount (million euro)	% Capital
01.01.2023	**8,695,493**	**201**	**0.9 %**
Share acquisition plan	357,094	10	— %
Delivered to employees	(172,992)	(5)	— %
31.12.2023	**8,879,595**	**206**	**0.9 %**
Share acquisition plan	—	—	— %
Delivered to employees	—	—	— %
31.12.2024	**8,879,595**	**206**	**0.9 %**

No gains or losses were obtained on transactions involving treasury shares in 2024 and 2023.

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares nor higher than their listed price.

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges, plus or minus 5%.

Transactions involving treasury shares of Naturgy Energy Group, S.A. relate to:

2024

No transactions involving treasury shares were carried out in 2024.

2023

In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the Shareholders' Meeting on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., capped at Euros 12,000 per year. During March 2023, 210,000 treasury shares were acquired for Euros 6 million; in April 2023, a total of 172,992 shares were delivered to employees for an amount of Euros 5 million; and in July 2023, 147,094 own shares were acquired for Euros 4 million, leaving a surplus of 184,102 own shares which has been added to the 55,898 surplus shares from the 2019-2021 Share Acquisition Plans, bringing the total treasury stock to 240,000 shares at 31 December 2023.

At 31 December 2024 and 2023, it also includes 8,639,595 treasury shares to cover the potential delivery of shares resulting from the increase in the value of the shares relating to the long-term variable incentive plan (see paragraph on share-based remuneration in this note).

Earnings per share

Earnings per share are calculated by dividing the net income attributable to the equity holders of the parent Company by the average number of ordinary shares outstanding during the year:

	31.12.2024	31.12.2023
Profit attributable to equity holders of the parent company	1,901	1,986
Average number of ordinary shares in issue	960,734,206	960,809,857
Earnings per share from continuing operations (in euro):		
- Basic	2.00	2.07
- Diluted	2.00	2.07
Earnings per share from discontinued activities (in euro):		
- Basic	(0.02)	—
- Diluted	(0.02)	—

The average number of ordinary shares used in the calculation of earnings per share in 2024 and 2023 is as follows:

	2024	2023
Average number of ordinary shares	969,613,801	969,613,801
Average number of treasury shares	(8,879,595)	(8,803,944)
Average number of shares in issue	960,734,206	960,809,857

Basic earnings per share are the same as diluted earnings per share as there were no instruments that could be converted into ordinary shares during those years and, at 2024 year-end, the conditions for considering the shares pertaining to the incentive described in the paragraph on Share-based remuneration in the calculation of diluted earnings are not met.

Dividends

Dividend payments made by Naturgy Energy Group, S.A., the Naturgy Group parent company, in 2024 and 2023 are detailed below:

	31.12.2024			31.12.2023		
	% of Nominal	Euros per share	Amount (1)	% of Nominal	Euros per share	Amount (1)
Ordinary shares	140 %	1.4	1,357	150 %	1.5	1,454
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
Total dividends paid	**140 %**	**1.4**	**1,357**	**150 %**	**1.5**	**1,454**
a) Dividends charged to profit or loss or retained earnings	140 %	1.4	1,357	150 %	1.5	1,454
b) Dividends charged to income statement or reminder	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

(1) Dividends paid, net of those received by group companies, amount to Euros 1,345 million and Euros 1,441 million at 31 December 2024 and 2023, respectively.

In addition, the dividends paid to non-controlling interests in 2024 amounted to Euros 226 million (Euros 183 million in 2023), which include remuneration on other equity instruments amounted to Euros 35 million (Euros 34 million in 2023). Consequently, total dividend payments amounted to Euros 1,571 million (Euros 1,624 million in 2023).

Year 2024

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

AVAILABLE FOR DISTRIBUTION

Profit.. 1,211
Retained earnings.. 2,592
Available for distribution.. 3,803

DISTRIBUTION:

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

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2023 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 1.00 per share by the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements and in accordance with the legal requirements, which disclosed the existence of sufficient liquidity for the distribution of these interim dividends out of profit for 2023 and,

ii. the amount obtained by multiplying Euros 0.40 per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the “Supplementary Dividend”) are determined.

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

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

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

TOTAL DISTRIBUTED 3,803

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.40 per share for each qualifying share outstanding at the proposed date of payment.

The general meeting of shareholders on 2 April 2024 approved a supplementary dividend of Euros 0.40 per share for shares not directly held as treasury stock on the payment date, which was fully paid on 9 April 2024.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,446 million.

On 22 July 2024, the Board of Directors of Naturgy Energy Group, S.A. declared an interim dividend of Euros 0.50 per share out of 2024 profits for shares not classified as direct treasury stock on the date of distribution, which was paid on 1 August 2024.

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 June 2024 drawn up by the Directors on 22 July 2024 is as follows:

Profit after tax		873
Reserves to be replenished		—
Maximum amount distributable		**873**
Forecast maximum interim dividend payment (1)		**485**
Cash resources	1,964	
Undrawn credit facilities	5,352	
Total liquidity		**7,316**

(1) Amount considering all shares issued.

On 29 October 2024, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay a second interim dividend of Euros 0.50 per share out of 2024 results for shares not classified as direct treasury shares on the date on which the dividend was paid, this being 6 November 2024.

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 September 2024 drawn up by the Directors on 29 October 2024 is as follows:

Profit after tax		1,049
Reserves to be replenished		—
Maximum amount distributable		**1,049**
2014 Interim dividend		485
Forecast maximum interim dividend payment (1)		**485**
Cash resources	2,860	
Undrawn credit facilities	5,269	
Total liquidity		**8,129**

(1) Amount considering all shares issued.

On 18 February 2025, the Board of Directors approved the following proposal for the distribution of the Company's 2024 net profit and retained earnings, for submission to the annual general meeting:

AVAILABLE FOR DISTRIBUTION

Profit.. 1,057
Retained earnings.. 2,446
Available for distribution.. 3,503

DISTRIBUTION:

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

i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2024 paid by Naturgy Energy Group, S.A., jointly equivalent to Euros 1.00 per share by the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements and in accordance with the legal requirements, which disclosed the existence of sufficient liquidity for the distribution of these interim dividends out of profit for 2024 and,

ii. the amount obtained by multiplying Euros 0.60 per share by the number of shares that are not direct treasury shares on the date on which the shareholders of record entitled to receive the supplementary dividend (the "Supplementary Dividend") are determined.

Euros 969 million of that dividend had already been paid on 1 August and 6 November 2024. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). That dividend will be paid to shareholders as from 9 April 2025.

The Board of Directors was empowered, with express powers of substitution by the director(s) it deems fit, to perform all the actions that may be required or advisable to carry out the distribution and, in particular, without limitation, to designate the entity that is to act as payment agent.

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

TOTAL DISTRIBUTED 3,503

This proposal for the distribution of profits and retained earnings adopted by the Board for approval by the annual general meeting includes a supplementary payment of Euros 0.60 per share for each qualifying share outstanding at the proposed date of payment, 9 April 2025. In the event that, at the time of distribution of the third and last payment of the proposed 2024 dividend (Euros 0.60 per share), the number of treasury shares were the same as at 2024 year end (240,000 treasury shares, see section on Treasury shares), the amount applied to retained earnings would be Euros 1,952 million.

Year 2023

On 20 February 2023, the Board of Directors approved the proposal, for submission to the general meeting of shareholders, for the distribution of Naturgy Energy Group, S.A.'s net profit for 2022 and retained earnings from previous years, as detailed in Note 14 to the consolidated financial statements for the year ended 31 December 2022.

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

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

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

On 20 July 2023, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay interim dividend of Euros 0.50 per share out of 2023 profit for shares not classified as direct treasury stock on the date of distribution, which was paid in full on 7 August 2023.

On 23 October 2023, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay a second interim dividend of Euros 0.50 per share out of 2023 results for shares not classified as direct treasury shares on the date on which the dividend was paid; it was paid on 7 November 2023.

Other equity items

Movements in other equity items break down as follows:

	Financial assets at fair value	Hedging operations	Tax effect	Total asset and liability revaluation reserves	Currency translation differences	Total
31.12.2022	**(468)**	**(1,323)**	**273**	**(1,518)**	**(1,326)**	**(2,844)**
Change in value	—	983	(129)	**854**	(110)	**744**
Taken to income statement	—	666	(94)	**572**	55	**627**
31.12.2023	**(468)**	**326**	**50**	**(92)**	**(1,381)**	**(1,473)**
Change in value	—	(1,174)	206	**(968)**	52	**(916)**
Taken to income statement	—	443	(69)	**374**	9	**383**
31.12.2024	**(468)**	**(405)**	**187**	**(686)**	**(1,320)**	**(2,006)**

The heading “Translation differences"includes the exchange differences described in Note 2.4.2 as a result of the euro's fluctuation against the main currencies of Naturgy's overseas companies. This heading also includes the effect of restating the financial statements of companies in hyperinflationary economies.

Non-controlling interests

The changes in non-controlling interests are detailed below:

	Non-controlling interests
Balance at 01.01.2023	**2,405**
Total comprehensive income for the year	300
Distribution of dividends	(184)
Early redemption subordinated debenture issuance	—
Return on subordinated perpetual debentures	(29)
Other changes	(11)
Balance at 31.12.2023	**2,481**
Total comprehensive income for the year	407
Distribution of dividends	(186)
Early redemption subordinated debenture issuance	(500)
Return on subordinated perpetual debentures	(29)
Other changes	2
Balance at 31.12.2024	**2,175**

In April 2024, Naturgy redeemed a Euros 500 million issue made in April 2015 with a coupon of 3.375%.

During 2023 there were no significant changes other than the profit for the year and the distribution of dividends and payment of remuneration.

The main non-controlling interests are detailed below:

	2024			2023		
Company	Attributed equity	Consolidated profit/(loss) for the year	Dividends and other remuneration	Attributed equity	Consolidated profit/(loss) for the year	Dividends and other remuneration
Metrogas, S.A.	390	100	37	355	29	—
Companhia Distribuidora de Gás do Río de Janeiro, S.A.	117	45	30	118	50	31
Fuerza y Energía de Tuxpan, S.A. de C.V.	111	21	—	100	15	—
Empresa de Distribución Eléctrica Metro Oeste, S.A.	119	17	—	95	3	11
Ecoelectrica L.P.	72	18	—	70	17	—
Gas Natural Mexico, S.A. de C.V.	41	14	28	52	15	31
Ceg Río, S.A.	45	12	5	44	17	15
Aprovisionadora Global de Energía, S.A.	48	45	38	44	42	37
Nedgia Catalunya, S.A.	147	35	—	145	32	—
Nedgia Madrid, S.A.	45	15	—	46	16	—
Other companies (1)	423	101	42	294	18	54
Subtotal	**1,558**	**423**	**180**	**1,363**	**254**	**179**
Preference shares	110	6	6	110	5	5
Subordinated perpetual debentures	507	17	29	1,008	29	29
Other equity instruments	**617**	**23**	**35**	**1,118**	**34**	**34**
Total	**2,175**	**446**	**215**	**2,481**	**288**	**213**

(1) 2024 includes dividends accrued amounting to Euros 4 million distributed by Holding de Negocios de Gas, S.A. (Euros 20 million in 2023).

The financial information on the main non-controlling interests is as follows (amounts for 100%):

	31 December 2024			31 December 2023		
Company	Total assets	Non-current liabilities	Current liabilities	Total assets	Non-current liabilities	Current liabilities
Metrogas, S.A.	1,688	(659)	(99)	1,864	(876)	(137)
Companhia Distribuidora de Gás do Río de Janeiro, S.A.	734	(282)	(188)	877	(437)	(173)
Fuerza y Energía de Tuxpan, S.A. de C.V.	733	(167)	(65)	668	(156)	(58)
Empresa de Distribución Eléctrica Metro Oeste, S.A.	1,587	(646)	(554)	1,337	(709)	(299)
Ecoeléctrica L.P. (1)	289	(6)	(6)	267	(6)	(3)
Gas Natural México, S.A. de CV	610	(219)	(249)	723	(351)	(192)
Ceg Río, S.A.	230	(65)	(51)	349	(82)	(154)
Aprovisionadora Global de Energía, S.A.	173	(36)	(35)	183	(39)	(52)
Nedgia Catalunya, S.A.	1,015	(104)	(126)	1,026	(104)	(146)
Nedgia Madrid, S.A.	341	(36)	(59)	357	(38)	(69)

(1) The financial information for Ecoeléctrica L.P., which is accounted for using the equity method, is shown on the basis of its percentage stake.

Appendix I contains a breakdown of Naturgy's investee companies, stating their activity and the percentage of the shareholding and equity interest.

The analysis performed to determine that Naturgy exercises control over the consolidated entities identified no cases requiring a complex judgement, since Naturgy is entitled to variable returns from its involvement in the investee and has the capacity to influence those returns through its power in the investee, based on Naturgy’s representatives on the Board of Directors and its participation in significant decisions. Additionally, in general terms, there are no significant restrictions on Naturgy's capacity to access or utilise the assets, or to settle the liabilities.

Perpetual subordinated debentures

At 31 December 2024 and 2023, the perpetual subordinated debt issued by Naturgy Finance Iberia, S.A.U. (formerly Naturgy Finance, B.V.) is detailed below:

	Outstanding nominal			
Issue	**31.12.2024**	**As at 31.12.2023**	**Call option**	**Coupon**
Apr 2015	—	500	2024	3.375%
nov. 2021	500	500	2027	2.374%

In April 2024, Naturgy redeemed a Euro 500 million issue made in April 2015 with a coupon of 3.375%.

Interest accrued on this debt is accumulated and must be paid if Naturgy pays dividends or if it is decided to exercise the call option.

Although no contractual maturity has been established for this debt, Naturgy Finance Iberia, S.A.U. has the option to call it on the call date and, subsequently, on every interest payment date.

Naturgy recognised the cash received under “Non-controlling interests” in equity in the consolidated balance sheet on the understanding that the issues did not meet the conditions to be classified as a financial liability, because Naturgy does not have a contractual commitment to deliver cash or any other financial asset nor any obligation to exchange financial assets or liabilities; the circumstances whereby it would be obligated in this respect are entirely at the discretion of Naturgy.

The interest accrued during 2024 amounts to Euros 17 million (Euros 29 million in 2023), recognised under “Non-controlling interests” in the consolidated income statement for 2024 and 2023.

Preference shares

In 2005 Union Fenosa Preferentes, S.A. issued preference shares for a nominal amount of Euros 750 million, of which Euros 640 million was redeemed in 2015 and the remainder is still outstanding.

Dividends are variable and non-cumulative: accruing interest at three-month Euribor plus a spread of 1.65%. The dividend is paid per calendar quarter in arrears, subject to the Naturgy having distributable profits (considering as such the lower between the reported net profit of Naturgy and the net profit of Naturgy Energy Group, S.A. as guarantor) and the dividend paid by Naturgy Energy Group, S.A. In addition, Unión Fenosa Preferentes, S.A.U. has the option, but not the obligation, to pay the holders of the preference shares remuneration in kind by increasing their nominal value.

The shares are perpetual, with the option for the issuer to redeem them at nominal value.

Naturgy recognised the cash received in “Non-controlling interests” under equity in the consolidated balance sheet on the understanding that the issue did not meet the conditions to be considered as a financial liability, because Naturgy Finance B.V. does not have a contractual commitment to deliver cash or any other financial asset nor any obligation to exchange financial assets or liabilities; the circumstances whereby it would be obligated in this respect are entirely at the discretion of Naturgy.

Note 15. Deferred revenue

The breakdown and the movements under this heading in 2024 and 2023 are as follows:

	Capital grants	Revenues from pipeline networks and branch lines	Other	Total
01.01.2023	**110**	**732**	**84**	**926**
Amount received	1	70	5	76
Release to income	(9)	(34)	(9)	(52)
Currency translation differences (1)	—	(1)	—	(1)
Transfers and other	(1)	—	3	2
31.12.2023	**101**	**767**	**83**	**951**
Amount received	6	94	136	236
Release to income	(8)	(40)	(13)	(61)
Currency translation differences (1)	—	4	3	7
Transfers and other	—	1	(5)	(4)
31.12.2024	**99**	**826**	**204**	**1,129**

(1) includes the impact of Argentina's hyperinflation.

This heading mainly includes:

- Capital grants relating basically to agreements with Spanish regional governments or other entities for the gasification or electrification of municipalities and other investments in gas infrastructure, for which Naturgy has met all the conditions established, are stated at the amount granted (Note 2.4.16).
- Revenue received for the construction of facilities for connecting to the gas or electricity distribution network (connections), which is recognised for the cash amount received, as well as such facilities received under assignment, which are recognised at fair value (Note 2.4.16.).
- Euros 122 million of investment tax credit ("ITC") proceeds received on completion of the construction of the 7V solar farm in the United States.

Note 16. Provisions

The breakdown of provisions at 31 December 2024 and 2023 is as follows:

	31.12.2024	31.12.2023
Provisions for employee obligations	366	388
Other provisions	1,475	1,460
Non-current provisions	**1,841**	**1,848**
Current provisions	**361**	**543**
Total	**2,202**	**2,391**

Provisions for employee obligations

A breakdown of the provisions relating to obligations to employees is as follows:

	2024			2023		
	Pensions and other similar obligations	Other obligations to personnel	**Total**	Pensions and other similar obligations	Other obligations to personnel	**Total**
1 January	**359**	**29**	**388**	**319**	**25**	**344**
Appropriations/reversals charged to income statement	20	10	30	21	14	35
Payments during the year	(19)	—	(19)	(26)	(10)	(36)
Currency translation differences	(10)	—	(10)	(3)	—	(3)
Changes recognised directly in equity	(25)	—	(25)	47	—	47
Transfers and other applications	2	—	2	1	—	1
As at 31 December	**327**	**39**	**366**	**359**	**29**	**388**

Pensions and other similar obligations

The breakdown of pension provisions by country is as follows:

Breakdown by country	**31.12.2024**	31.12.2023	01.01.2023
Spain	245	260	239
Brazil	43	63	56
Chile	4	6	5
Mexico	28	27	15
Rest	7	3	4
Total	**327**	**359**	**319**

Spain

Most of the Company's post-employment obligations consist of the contribution of defined amounts to occupational pension plans. As of 31 December 2024 and 2023, the Company had the following defined-benefit commitments to certain groups:

- Pensions to retired pensioners, disabled persons, widows and orphans who belong to certain groups.
- Defined-benefit supplementary obligations to retired personnel of the legacy Unión Fenosa group who retired before November 2002 and a residual part of current personnel.
- Retirement and death cover for certain employees.
- Gas subsidy for current and retired personnel.
- Electricity for current and retired personnel.
- Commitments to early retirees until they reach retirement age, and early retirement plans.
- Wage supplements and social security contributions for a group of early retirees until they reach ordinary retirement.
- Health care and other benefits.

Brazil

As at 31 December 2024 and 2023, Naturgy has the following benefits in force for certain employees in Brazil:

- Post-employment defined benefit plan, with coverage for retirement, death at work, disability pensions and lump sums.
- Post-employment healthcare plan.
- Other post-employment defined benefit plans that guarantee temporary pensions, life pensions and lump sums depending on years of service.

Chile

As at 31 December 2024 and 2023, Naturgy has the following benefits in force for certain employees in Chile:

- Severance pay for certain employees upon retirement, termination or death, calculated on the basis of the employee's length of service in the company.
- Long-service bonuses, which are paid on completing 5, 10, 15, 20, 25 and 30 years of service.

Mexico

As at 31 December 2024 and 2023, Naturgy has the following benefits in force for certain employees in Mexico:

- Long-service bonus after 15 years of service.
- Termination indemnity for employees, without a minimum seniority requirement, payable in the event of death on the job, disability and dismissal.
- Severance pay equivalent to 3 months' salary plus 20 days' salary per year of service.
- Additional compensation only in case of retirement equivalent to 1% of basic salary per year of service.

The provisions recognised in the consolidated balance sheet for pensions and similar obligations, detailing the countries with the largest balances, as well as the changes in the present value of the obligations and the fair value of the plan assets, are as follows:

	2024				2023			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Present value of obligations								
1 January	**714**	**133**	**6**	**30**	**689**	**122**	**5**	**18**
Service cost for the year	—	—	—	1	1	—	1	1
Interest cost	22	12	—	3	26	13	—	2
Changes recognised in equity	(23)	(17)	—	(5)	59	2	—	11
Benefits paid	(59)	(11)	(1)	—	(61)	(11)	—	—
Currency translation differences	—	(24)	(1)	2	—	7	—	(2)
As at 31 December	**654**	**93**	**4**	**31**	**714**	**133**	**6**	**30**
Fair value of plan assets								
1 January	**454**	**70**	**—**	**3**	**450**	**66**	**—**	**3**
Expected yield	14	7	—	—	17	8	—	—
Contributions	—	—	—	—	8	1	—	—
Changes recognised in equity	(15)	(5)	—	—	25	(1)	—	—
Benefits paid	(44)	(7)	—	—	(47)	(8)	—	—
Currency translation differences	—	(15)	—	—	—	4	—	—
Transfers and other	—	—	—	—	1	—	—	—
As at 31 December	**409**	**50**	**—**	**3**	**454**	**70**	**—**	**3**
Provisions for pensions and similar obligations	**245**	**43**	**4**	**28**	**260**	**63**	**6**	**27**

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

	2024				2023			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Service cost for the year	—	—	—	1	1	—	1	1
Interest cost	22	11	—	3	26	13	—	2
Expected return on plan assets	(14)	(6)	—	—	(17)	(8)	—	—
Total charge to profit or loss	**8**	**5**	**—**	**4**	**10**	**5**	**1**	**3**

Benefits to be paid in the coming years for the above-mentioned commitments are as follows:

	2024				2023			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
1 to 5 years	—	—	—	—	—	—	—	—
5 to 10 years	14	43	4	9	16	63	6	6
More than 10 years	231	—	—	19	244	—	—	21
Provision for pensions and similar obligations	**245**	**43**	**4**	**28**	**260**	**63**	**6**	**27**

The weighted average duration of the defined benefit obligation is as follows:

	2024				2023			
Years	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Weighted average term of pension commitments	14.44	8.95	7.32	13.73	13.25	9.79	7.15	14.39

The changes in liabilities recognised in the consolidated balance sheet are as follows:

	2024				2023			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
1 January	**260**	**63**	**6**	**27**	**239**	**56**	**5**	**15**
Charge against the income statement	8	5	—	4	10	5	1	3
Contributions paid and benefits	(15)	(4)	(1)	—	(22)	(4)	—	—
Changes recognised in equity	(8)	(12)	—	(5)	34	3	—	11
Currency translation differences	—	(9)	(1)	2	—	3	—	(2)
Transfers and other	—	—	—	—	(1)	—	—	—
As at 31 December	**245**	**43**	**4**	**28**	**260**	**63**	**6**	**27**

The accumulated amount of actuarial gains and losses recognised directly in equity is negative in the amount of €88 million as at 31 December 2024 (negative €113 million as at 31 December 2023), as follows:

	2024	**2023**
Spain	(1)	(9)
Brazil	(65)	(77)
Mexico	(9)	(14)
Chile	(13)	(13)
Total	**(88)**	**(113)**

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

	2024				2023			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Financial assumptions	(7)	(16)	—	(5)	25	6	—	4
Demographic assumptions	—	—	—	—	—	—	—	—
Experience	(1)	1	—	—	9	(2)	—	7
Limits on assets	—	4	—	—	—	(1)	—	—
As at 31 December	**(8)**	**(11)**	**—**	**(5)**	**34**	**3**	**—**	**11**

The main categories of plan assets, expressed as a percentage of the assets' total fair value, are as follows:

	2024				2023			
% of total	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Shares	— %	22 %	— %	— %	— %	27 %	— %	— %
Bonds	100 %	72 %	— %	100 %	100 %	64 %	— %	100 %
Real estate and other assets	— %	7 %	— %	— %	— %	9 %	— %	— %

The real return on plan assets in 2024 in Spain and Brazil was Euros 20 million (Euros 24 million in 2023).

The actuarial assumptions used were as follows:

	31.12.2024				31.12.2023			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Discount rate (1)	2.66% - 3.49%	12,49% - 12,96%	5.76%	10,55% - 10,70%	3,.1% - 3.30%	10.12%	5.30%	9,17% a 10,55%
Expected return on plan assets (1)	3.30% - 3.49%	12.55%	n/a	10.55%	3,.1% - 3.30%	10.12%	n/a	10.55%
Future salary increases (1)	2.00%	n/a	2,25% - 5,10%	5,00 - 5,50%	2.00%	n/a	2,25% a 5,10%	5.50%
Future pension increases (1)	2.00%	n/a	n/a	n/a	2.00%	n/a	n/a	n/a
Inflation rate (1)	2.00%	4.50%	3.00%	4.00%	2.00%	4.50%	3.00%	4.00%
Mortality table	PER2020 Col 1st order	AT-2000 smoothed	RV 2020	EMSSA 2009	PER2020 Col 1st order	AT-2000 smoothed	RV 2020	EMSSA 2009
Life expectancy:								
Men								
Retired at age 65 in the current year	25.13	20.04	22.6	22.03	25.00	20.49	21.53	22.47
Employees 45 years old currently, at the time of retirement	27.63	18.21	23.21	23.67	27.52	18.66	23.13	23.61
Women								
Retired at age 65 in the current year	28.85	22.61	26.59	24.38	28.72	23.06	25.74	24.83
Employees 45 years old currently, at the time of retirement	31.15	20.70	27.19	25.64	31.05	21.85	27.12	25.61

(1) Annual

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

The interest rates employed to discount the post-employment liabilities are based on the term of each commitment, and the reference curve is calculated from the observable rates for corporate bonds with a high credit rating (AA) issued in the Eurozone.

The amount of benefits payable and estimated contributions to be made in 2025 in millions of euros are as follows:

	Benefits				**Contributions**			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Post-employment	51	8	—	1	1	—	—	—
Post-employment medical	—	—	—	—	4	3	—	—
As at 31 December	**51**	**8**	**—**	**1**	**5**	**3**	**—**	**—**

The following table shows the effect on actuarial provisions and costs of a 1% change in the inflation rate, a 1% change in the discount rate and a 1% change in the cost of health care:

	Inflation 1%	**Discount rate +1%**	**Healthcare +1%**
Present value of obligations	37	(70)	10
Fair value of plan assets	27	(44)	—
Asset ceiling	—	(2)	—
Provision for pensions	**10**	**(24)**	**10**
Service cost for the year	—	(1)	—
Interest cost	2	3	1
Expected return on plan assets	1	2	—

Other obligations to personnel

In addition to the approval of the Strategic Plan 2021-2025, the long-term incentive plan for Naturgy executives not included in the plan mentioned in Note 14 that was implemented with the Strategic Plan 2018-2022 was extended. This change maintains the aim of aligning shareholders' interests, the materialisation of the Strategic Plan and executives' multi-year variable remuneration. The amendment extends the term of the plan until 31 December 2025 for certain serving beneficiaries in order to contribute to the achievement of the Strategic Plan 2021-2025.

In order to compensate for the delay in collection resulting from the extension of the plan, a cash indemnity was established and paid in cash at the time of the acceptance of the amendment and the approval of the new LTI by the General Meeting on 15 March 2022.

The provision for this commitment amounted to Euros 39 million as at 31 December 2024 (Euros 29 million as at 31 December 2023).

Other current and non-current provisions

Changes in current and non-current provisions are as follows:

	Non-current provisions			Current provisions	Total
	Due to facility closure costs	Other provisions	Total		
01.01.2023	**523**	**789**	**1,312**	**700**	**2,012**
Appropriations/reversals charged to income statement:					
– Appropriations due to financial update	11	28	39	—	**39**
– Appropriations with a charge to other items of profit or loss	9	164	173	561	**734**
– Reversals	(1)	(48)	(49)	(7)	**(56)**
Appropriations/reversals charged to fixed assets	(17)	—	(17)	—	**(17)**
Payment / Delivery of emission rights	(16)	(5)	(21)	(696)	**(717)**
Business combinations	22	—	22	—	**22**
Currency translation differences	(1)	(26)	(27)	(2)	**(29)**
Transfers and other	1	27	28	(13)	**15**
31.12.2023	**531**	**929**	**1,460**	**543**	**2,003**
Appropriations/reversals charged to income statement:					
– Appropriations due to financial update	11	14	25	—	**25**
– Appropriations with a charge to other items of profit or loss	80	220	300	289	**589**
– Reversals	(1)	(303)	(304)	(47)	**(351)**
Appropriations/reversals charged to fixed assets	62	—	62	—	**62**
Payment / Delivery of emission rights	(26)	(8)	(34)	(467)	**(501)**
Business combinations	—	—	—	—	**—**
Currency translation differences	—	(29)	(29)	(4)	**(33)**
Transfers and other	12	(17)	(5)	47	**42**
31.12.2024	**669**	**806**	**1,475**	**361**	**1,836**

The "Provisions for facility closure costs" heading includes provisions for obligations arising from decommissioning, restoration and other costs related to facilities, basically electricity generation, energy management and renewables.

The “Other provisions” heading mainly includes provisions recognised to cover obligations derived mainly from tax claims, litigation and arbitration, insurance and other liabilities. During the year, provisions were made for the evolution of certain civil, administrative and tax claims in various Group companies.

The changes in 2024 in the balance of "Other provisions" includes allocations to the provision for the proposed adjustment for the partial tax audit of the Temporary Energy Levy for 2023 and for the estimated adjustment of the levy for 2024 (Note 21) for the sanctioning proceedings UFD Distribución Electricidad S.A (Note 36) and for the indemnities agreed with the purchasers of the "Electricity distribution Chile" and "Gas Distribution Italy" businesses. This change also includes the reduction of the provision associated with the litigation between the Group's Chilean company Metrogas, S.A. and Transportadora de Gas del Norte, S.A. (TGN) and the reversal of provisions related to arbitration with Endesa (Note 36).

The "Current provisions" heading mainly includes the provision for CO_2 emissions for the year 2024 in the amount of Euros 262 million (Euros 413 million in 2023), which will be delivered in the following year. The CO_2 emission rights relating to emissions made in 2023 were delivered in 2024, with an impact on current provisions of Euros 413 million, and a balancing entry to the emission rights recorded under "Inventories".

The estimated payment dates of the non-current obligations provisioned in this heading are Euros 1,004 million between one and five years (Euros 1,023 million at 31 December 2023), Euros 57 million between five and ten years (Euros 87 million at 31 December 2023) and Euros 414 million over ten years (Euros 350 million at 31 December 2023).

Note 17. Financial liabilities

The composition of financial debt at 31 December 2024 and 2023 is as follows:

	31.12.2024	31.12.2023
Issuing of debentures and other negotiable obligations	5,027	6,197
Borrowings from financial institutions	8,675	5,932
Derivative financial instruments (Note 18)	14	1
Lease liabilities (Note 2.4.21)	1,379	1,296
Non-current borrowings	**15,095**	**13,426**
Issuing of debentures and other negotiable obligations	1,392	1,432
Borrowings from financial institutions	1,322	931
Derivative financial instruments (Note 18)	19	5
Lease liabilities (Note 2.4.21)	183	167
Other financial liabilities	11	9
Current borrowings	**2,927**	**2,544**
Total	**18,022**	**15,970**

Financial liabilities recognised at fair value as of 31 December 2024 and 2023 are classified as follows:

	31.12.2024				31.12.2023			
Financial liabilities	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**	Level 1 (listed price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	**Total**
Fair value through profit or loss	—	—	—	**—**	—	—	—	**—**
Hedging derivatives	—	33	—	**33**	—	6	—	**6**
Total	**—**	**33**	**—**	**33**	**—**	**6**	**—**	**6**

Other financial liabilities are measured at amortised cost.

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

	Carrying amount		**Fair value**	
	31.12.2024	31.12.2023	**31.12.2024**	31.12.2023
Issuing of debentures and other negotiable securities	5,027	6,197	4,936	5,988
Loans from financial institutions and other financial liabilities	8,675	5,932	8,738	5,868

The bonds and other marketable securities are listed and, therefore, their fair value is estimated on the basis of their listed price (Level 1). In bank borrowings and other financial liabilities, the fair value of the debt at fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available as at 31 December 2024 and 2023 for borrowings with similar credit and maturity characteristics. These valuations are based on the listed prices of similar financial instruments in an official market or on observable information in an official market (Level 2).

The following tables describe the financial debt by instrument as at 31 December 2024 and 2023 and their maturity schedule, considering the impact of derivative hedging:

	2025	2026	2027	2028	2029	2030 and thereafter	**Total**
31.12.2024							
Issuing of debentures and other negotiable securities							
Fixed	1,388	852	878	807	1,242	1,049	**6,216**
Variable	4	7	166	4	5	17	**203**
Institutional Banks and other financial institutions							
Fixed	91	91	91	309	163	1,407	**2,152**
Variable	14	19	37	38	37	200	**345**
Lease liabilities							
Fixed	183	174	161	122	122	800	**1,562**
Commercial Banks and other financial liabilities							
Fixed	342	1,080	69	21	853	5	**2,370**
Variable	905	1,021	587	1,671	408	582	**5,174**
Total Fixed	2,004	2,197	1,199	1,259	2,380	3,261	**12,300**
Total Floating	923	1,047	790	1,713	450	799	**5,722**
Total	**2,927**	**3,244**	**1,989**	**2,972**	**2,830**	**4,060**	**18,022**

	2024	2025	2026	2027	2028	2029 and thereafter	**Total**
31.12.2023							
Issuing of debentures and other negotiable securities							
Fixed	1,264	1,358	1,697	993	787	1,314	**7,413**
Variable	168	6	4	6	6	26	**216**
Institutional Banks and other financial institutions							
Fixed	94	92	91	91	249	529	**1,146**
Variable	27	2	2	2	33	497	**563**
Lease liabilities							
Fixed	167	159	159	130	117	731	**1,463**
Commercial Banks and other financial liabilities							
Fixed	270	204	1,188	17	186	53	**1,918**
Variable	554	730	951	854	152	10	**3,251**
Total Fixed	1,795	1,813	3,135	1,231	1,339	2,627	**11,940**
Total Floating	749	738	957	862	191	533	**4,030**
Total	**2,544**	**2,551**	**4,092**	**2,093**	**1,530**	**3,160**	**15,970**

If the impact of derivatives on financial debt is not taken into account, fixed-rate financial debt would amount to Euros 8,927 million at 31 December 2024 (Euros 9,576 million at 31 December 2023) and floating-rate financial debt would amount to Euros 9,062 million at 31 December 2024 (Euros 6,388 million at 31 December 2023).

The following tables show the currency-denominated gross financial debt as at 31 December 2024 and 2023 and its maturity schedule, considering the impact of derivative hedging:

	2025	2026	2027	2028	2029	2030 and thereafter	**Total**
31.12.2024							
Euro debt	1,536	1,116	1,475	2,688	1,926	3,299	12,040
Foreign Currency Debt:							
US Dollar	927	1,558	209	261	119	455	3,529
Chilean peso	76	193	89	—	—	—	358
Mexican peso	232	222	177	—	50	66	747
Brazilian real	106	135	20	7	7	40	315
Australian dollar	29	16	16	16	728	200	1,005
Argentinian peso	21	4	3	—	—	—	28
Total	**2,927**	**3,244**	**1,989**	**2,972**	**2,830**	**4,060**	**18,022**

	2024	2025	2026	2027	2028	2029 and thereafter	**Total**
31.12.2023							
Euro debt	1,474	1,579	2,008	1,828	1,104	2,355	10,348
Foreign Currency Debt:							
US Dollar	455	503	1,322	133	333	511	3,257
Chilean peso	102	82	138	62	—	—	384
Mexican peso	167	256	249	53	1	135	861
Brazilian real	74	120	140	9	8	55	406
Australian dollar	263	8	232	6	84	104	697
Argentinian peso	9	3	3	2	—	—	17
Total	**2,544**	**2,551**	**4,092**	**2,093**	**1,530**	**3,160**	**15,970**

Financial debt in euro bore interest at an average effective rate of 2.36% in 2024 (1.77% in 2023) and financial debt in foreign currency borne interest at an average effective rate of 7.94% in 2024 (8.77% in 2023), including the derivative instruments assigned to each transaction.

Average financial debt amounts to Euros 15,251 million (Euros 14,325 million in 2023), calculated as the average of gross financial debt excluding finance lease debt.

At 31 December 2024, Naturgy has credit lines for a total amount of Euros 5,859 million (Euros 5,720 million at 31 December 2023), of which Euros 5,611 million are undrawn (Euros 5,551 million at 31 December 2023).

As at 31 December 2024, bank borrowings amounting to Euros 4,392 million (Euros 3,911 million as at 31 December 2023) and outstanding bonds amounting to Euros 174 million (Euros 195 million at 31 December 2023) are subject to the fulfilment of certain financial ratios.

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

Specifically, as is habitual in the Euromarket, the outstanding bonds, in the amount of Euros 5,851 million (Euros 7,005 million as at 31 December 2023), might have to be repaid early if such a change in control triggered a downgrade of more than two full notches in at least two of the Company's three ratings, or if all the ratings fell below investment grade, provided that the rating agency stated that the rating downgrade was a result of the change in control.

There are also loans for an amount of Euros 5,360 million that could be subject to early repayment in the event of a change of control (Euros 2,248 million as at 31 December 2023). Most of this amount is linked to infrastructure financing with funds from the European Investment Bank that require a rating downgrade in addition to a change of control, and have special repayment terms that are longer than those relating to early termination events.

At the date of authorisation of these consolidated financial statements, Naturgy is not in breach of its financial obligations or of any type of obligation that might trigger early maturity of its financial commitments, except for GPG Solar Chile 2017, S.p.A. and Ibereólica Cabo Leones II, S.A., which are in breach of certain obligations under financing contracts. A waiver has been obtained from the lending banks to avoid early termination and the debt continues to be classified as current. GPG Solar Chile 2017, S.p.A. was already in breach of these obligations in the previous year, while Ibereólica Cabo Leones II, S.A. was not in breach at the end of the previous year.

As at 31 December 2024, Naturgy had bank borrowings secured by assets for an amount of Euros 1,141 million euros (Euros 718 million as at 31 December 2023).

Naturgy is in a process of continuous optimisation of the financing assigned to each of the business units in order to increase visibility in the accounts, their financial autonomy, and to obtain financing in the same currency in which the cash flows originate, with the aim of obtaining greater flexibility.

The Group continues to work on strengthening its financial profile; in this line, refinancing operations which do not imply substantial modifications to the conditions of the initial debt with credit institutions in Spain and in international businesses amounted to Euros 3,075 million and the equivalent of Euros 337 million, respectively.

The main financing instruments are as follows:

Issuing of debentures and other negotiable securities

Changes in debt securities in 2024 and 2023 are as follows:

	At 1.1.2024	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	**At 31.12.2024**
Issued in a European Union Member State which required the filing of a prospectus	6,999	1,000	(2,154)	(4)	5,841
Issued outside a European Union Member State	630	195	(165)	(82)	578
Total	**7,629**	**1,195**	**(2,319)**	**(86)**	**6,419**

	At 1.1.2023	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	**At 31.12.2023**
Issued in a European Union Member State which required the filing of a prospectus	7,508	—	(550)	41	6,999
Issued outside a European Union Member State	695	—	(105)	40	630
Total	**8,203**	**—**	**(655)**	**81**	**7,629**

The main features of Naturgy's principal bond and other marketable security programmes, excluding the impact of accrued and unpaid interest, is as follows:

31.12.2024

Programme/Company	Country	Year formalised	Currency	Programme limit	down nominal	Available	Issuances per year
Euro Commercial Paper (ECP) programme							
Naturgy Finance Iberia, S.A.U.	Spain	2010	Euros	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Finance Iberia, S.A.U.	Spain	1999	Euros	12,000	5,851	6,149	1,000
Negotiable bonds and Certificates Programme							
Guimarania I Solar Spe Ltda Guimarania II Solar II SPE Ltda	Brazil	2020	Brazilian real	7	7	—	—
Sobral I Solar Energia SPE Ltda.	Brazil	2018	Brazilian real	17	17	—	—
Sertao I Solar Energia SPE Ltda	Brazil	2018	Brazilian real	16	16	—	—
Naturgy México S.A. de C.V.	Mexico	2011	Mexican peso	464	405	59	195
Naturgy BAN, S.A.	Argentina	2015	Argentinian peso	6	—	6	—
Metrogas, S.A.	Chile	2015	Chilean peso	133	133	—	—

31.12.2023

Programme/Company	Country	Year formalised	Currency	Programme limit	down nominal	Available	Issuances per year
Euro Commercial Paper (ECP) programme							
Naturgy Finance B.V. (1)	Netherlands	2010	Euros	1,000	—	1,000	—
European Medium Term Notes (EMTN) programme							
Naturgy Capital Markets, S.A. and Naturgy Finance B.V. (1)	Netherlands/ Spain	1,999	Euros	12,000	7,005	4,995	—
Negotiable bonds and Certificates Programme							
Guimarania I Solar Spe Ltda Guimarania II Solar II SPE Ltda	Brazil	2020	Brazilian real	8	8	—	—
Sobral I Solar Energia SPE Ltda.	Brazil	2018	Brazilian real	21	21	—	—
Sertao I Solar Energia SPE Ltda	Brazil	2018	Brazilian real	21	21	—	—
Naturgy México S.A. de C.V.	Mexico	2011	Mexican peso	534	436	98	—
Naturgy BAN, S.A.	Argentina	2015	Argentinian peso	6	—	6	—
Metrogas, S.A.	Chile	2015	Chilean peso	143	143	—	—

(1) During 2024, the company Naturgy Finance BV has changed its registered office to Spain and changed its name to Naturgy Finance Iberia, S.A.U..

Details of the nominal amount issued under the EMTN programme are as follows:

Issue	Drawn-down nominal amount 31.12.2024	Drawn-down nominal amount 31.12.2023	Maturity	Coupon (%)
Marzo 2014	—	412	2024	2.88
Enero 2015	401	401	2025	1.38
Abril 2016	425	600	2026	1.25
Enero 2017	883	1,000	2027	1.38
Abril 2017	—	742	2024	1.13
Octubre 2017	300	300	2029	1.88
Noviembre 2017	800	800	2025	0.88
Enero 2018	850	850	2028	1.50
Noviembre 2019	900	900	2029	0.75
Abril 2020	292	1,000	2026	1.25
October 2024	500	—	2030	3.25
October 2024	500	—	2034	3.63
Total	**5,851**	**7,005**		

On 20 November 2023, the sole shareholders resolved to allow the Board of Directors of the issuer (Naturgy Finance, B.V.) to carry out a legal cross-border conversion in accordance with Directive (EU) 2019/2121 and the relevant implementing legislation in the Netherlands and Spain; under this process, the Issuer, without dissolving, winding up or going into liquidation, transferred its registered office from the Netherlands to Spain and converted its legal form from a Dutch limited liability company (B.V.) to a Spanish public limited corporation (S.A.). The process was registered at the Madrid Mercantile Registry on 28 May 2024 and, consequently, the issuer changed its corporate name from Naturgy Finance B.V. to Naturgy Finance Iberia, S.A.U.

2024

No issues were made under the ECP programme in 2024.

A bond issued by Naturgy México S.A. de CV in the amount of MXN 2,900 million (equivalent to Euros 165 million) matured in March 2024. In that same month, Naturgy México S.A. de CV issued a bond in the amount of MXN 3,500 million (equivalent to Euros 195 million), maturing in three years with a coupon of TIIE + 0.49%. The bonds issued in Mexico include a change of control clause that requires a tender offer to be made for all the bonds.

In October 2024, Naturgy made two bond issues under its EMTN programme for EUR 500 million each, maturing in six and ten years with coupons of 3.25% and 3.625%, respectively. The funds were used to call Euros 1,000 million of bonds maturing between 2026 and 2027. This transaction had a positive impact of EUR 19 million recognised under "Other financial income".

Bonds under that programme amounting to a total of Euros 1,154 million with an average coupon of 1.75% matured in 2024.

2023

There were no issues under the EMTN and ECP programmes in 2023.

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

Borrowings from financial institutions

Loans from European credit institutions (commercial/institutional banks)

At 31 December 2024, bank borrowings (commercial banks) include bank loans of Euros 4,519 million (Euros 2,404 million at 31 December 2023).

Additionally, in connection with borrowings from institutional banks, the European Investment Bank (EIB) had granted financing to Naturgy at 31 December 2024 in the amount of Euros 2,064 million maturing between 2025 and 2044 (Euros 1,550 million drawn down at 31 December 2023). During 2024, the EIB provided additional financing of Euros 1,000 million, of which Euros 400 million was drawn down in December 2024. The remaining Euros 600 million are restricted as they are conditional upon attainment of certain milestones.

There are also two loans from Spain's Official Credit Institute (ICO) totalling Euros 400 million maturing in 2034 at the latest (Euros 120 million at 31 December 2023).

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

Loans from Latin American credit institutions (commercial/institutional banks)

At 31 December 2024, borrowings from various Latin American financial institutions totalled Euros 2,251 million (Euros 2,223 million at 31 December 2023). The geographic breakdown of these loans is as follows:

Country	**31.12.2024**	31.12.2023
Chile	567	577
Panama	1,068	881
Brazil	268	349
Mexico	321	400
Other	27	16
	2,251	**2,223**

Bank loans in other countries (commercial/institutional banks)

At 31 December 2024, bank borrowings in other countries relates solely to Australia and amounts to Euros 762 million (Euros 565 million at 31 December 2023), to finance the wind farms under construction and development.

Lease liabilities

The main finance lease liabilities recognised under this heading at 31 December 2024 and 2023 are as follows:

– Vessels under finance leases are as follows:

Year acquired	**Capacity (m^3)**	**Term (years)**	**Maturity**	**Extension option**
2009	138,000	25	2029	5 years
2014	173,000	18	2032	—
2016	176,300	20	2036	—
2016	176,300	20	2036	—
2018	176,300	20	2037	—
2018	176,300	20	2037	—
2021	138,000	25	2029	5 years

– Other material financial liabilities associated with lease contracts, which relate to the leases on office buildings and land for energy use linked to generation facilities (Note 7).

Naturgy's activity as a lessor in contracts that qualify as finance leases is non-material, the main item being trade accounts receivable for the assignment of the right to use gas and energy management facilities.

The effective average interest rate on finance lease liabilities at 31 December 2024 is 5.8% (6.6% at 31 December 2023).

Financing linked to the fulfilment of ESG (environmental, social and corporate governance) objectives.

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

– Direct GHG emissions: three-year average reduction (Mt CO_2/GWh)
– CO_2 intensity of electricity generation: three-year average reduction (Mt CO_2/GWh)
– Water consumption: three-year average reduction (hm3)
– Women in management positions (%)

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

These credit lines, amounting to Euros 3,723 million as at 31 December 2024 (Euros 4,946 million as at 31 December 2023), have not been drawn down and, therefore, the impact on the funding cost of the degree of compliance with these indicators is not material.

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

Note 18. Risk management and derivative financial instruments

Risk management

Naturgy has a Risk Control and Management Model that seeks to ensure that the company's performance is predictable within an acceptable bounded range. This model identifies, controls, models, and establishes valuation methodologies, manages and establishes risk reporting, ensuring that the target risk profile and limits are maintained. The model is implemented on the basis of the principles of integration, segregation, homogeneity, coherence and transparency in corporate governance.

The Risk Management and Control Model is structured in four pillars:

- **Governance and risk management (Risk Governance)**
  Governance and management mechanism in place for all risk types, with the participation of the Management Committee.

- **Risk identification and assessment (Risk Assessment)**
  Methodology for the identification, evaluation and measurement/quantification of risks, defining the risk assessment methodologies, harmonising common procedures for the identification, assessment and treatment of the information associated with each risk, to ensure uniformity and coherence both when quantifying them individually and when subsequently aggregating them, with the aim of achieving a homogeneous, integrated vision of them.

- **Risk limits (Risk appetite)**
  Definition of risk tolerance by setting limits for the main risk categories, as a function of the Group's targets.

- **Risk reporting and monitoring (Risk reporting)**
  Regular, systematic risk reporting at different management levels, expressed in the Corporate Risk Map and recurring risk reports.

Interest rate risk

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

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

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

The financial debt structure at 31 December 2024 and 2023 (Note 17), after taking into account the hedges arranged through derivatives, is as follows:

	31.12.2024	31.12.2023
Fixed interest rate	12,300	11,940
Floating interest rate	5,722	4,030
Total	**18,022**	**15,970**

Floating interest rates are tied mainly to Euribor, SOFR (USD), BBSY (AUD) and and indexed rates in Mexico, Brazil, Argentina and Chile.

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

	Increase/decrease in interest rates (basis points)	Effect on profit before tax	Effect on equity before tax
2024	+50	(29)	70
	-50	29	(70)
2023	+50	(20)	46
	-50	20	(46)

After observing a decline in Eurozone inflation from a peak of 10.6% in October 2022 to 1.8% in October 2024, the European Central Bank determined in June, September, October and December 2024 to lower the three official interest rates, with the result that the main refinancing rate was reduced to 3.15%, from 4.5% in September 2023. On 30 January 2025, the European Central Bank announced a further reduction in the three official interest rates, bringing the main refinancing rate down to 2.90%.

US interest rates fell gradually in 2024 as the Federal Reserve took steps to ease monetary policy. From 5.50% at the beginning of 2024, the federal funds rate reached 4.50% in December 2024. These reductions were driven by controlled inflation, a stable unemployment rate and a moderation in economic growth.

Australian interest rates trended downwards in 2024 following decisions taken by the Reserve Bank of Australia (RBA) as both inflation and economic growth eased. From 4.35% at the beginning of 2024, the interest rate was reduced twice, by 25 basis points, to end the year at 3.85%. These cuts were driven by the slowdown in inflation and the cooling of the housing market.

In any event, Naturgy's floating rate debt at 31 December 2024 represents only 32% of the total (25% at 31 December 2023).

Exchange rate risk

Variations in exchange rates can affect the fair value of:

- Converted value of cash flows related to the purchase or sale of raw materials denominated in currencies other than local or functional currency.
- Debt denominated in currencies other than local or functional currency.
- Transactions and investments in currencies other than the euro, in terms of the euro-equivalent value of the equity contributed and results.

In order to mitigate these risks to the extent possible, Naturgy finances its investments in local currency. Furthermore, where possible, it tries to match costs and revenues by reference to the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in currencies other than the euro.

For open positions, risks in non-functional currencies are managed, where considered necessary, through financial swaps and foreign exchange insurance within the limits approved for hedging instruments.

The currency other than the euro in which Naturgy operates most is the US dollar. The sensitivity of Naturgy's profits and equity (Other equity items) to a 5% variation (increase or decrease) in the US dollar/euro exchange rate for the derivatives it arranges is as follows:

		Effect on profit before tax	Effect on equity before tax
2024	+5%	—	14
	-5%	—	(15)
2023	+5%	—	16
	-5%	—	(18)

Additionally, net assets of overseas companies whose functional currency is not the euro are subject to foreign exchange risk when their financial statements are translated to euros during the consolidation process. Exposure to risk countries where there is more than one exchange rate is not material.

Naturgy's equity at 31 December 2024 in Argentinian pesos amounts to Euros 252 million (Euros 115 million at 31 December 2023). A 5% variation in the Argentinian peso/euro exchange rate would have an impact of Euros 13 million on equity before taxes (Euros 6 million as at 31 December 2023).

The impact of exchange rate movements on the translation of the consolidated net financial debt at 31 December 2024 is as follows:

	% change vs. 2023	Net borrowings
US Dollar (USD)	(6.0)%	129
Mexican Peso (MXN)	15.1 %	(89)
Brazilian Real (BRL)	19.8 %	(17)
Argentinian Peso (ARS)	19.3 %	3
Chilean Peso (CLP)	6.2 %	(12)
Other currencies	—	(45)
Total	**—**	**(31)**

It corresponds to the variation in exchange rates at the end of each fiscal year.

Commodity price risk

A major part of Naturgy's operating profits are linked to the purchase of gas for supplying a diversified portfolio of customers.

Most gas procurement contracts are arranged on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives, and natural gas hub prices.

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

Therefore, Naturgy is exposed to the risk of fluctuations in gas procurement prices with respect to selling prices to end customers. This exposure is managed and mitigated by natural hedging, as an attempt is made to balance the commodity exposures of both prices. In addition, some procurement contracts allow this exposure to be managed through volume flexibility and price review mechanisms.

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

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

Gas prices began to escalate late in 2021 and peaked in 2022 following the impact of the war in Ukraine. Prices began to decline in 2023 and this trend was maintained in 2024, prices having stabilised somewhat.

The Group is also exposed to changes in the price of CO_2 emission rights, in particular the purchase of rights intended for generation in its combined cycle plants, although it is estimated that a reasonably possible change in the price of rights would not significantly affect profit for the year or equity.

The sensitivity of results and equity (Other equity items) to changes in the fair value of derivatives arranged to hedge commodity prices and derivatives used for trading purposes is analysed below:

	Increase/decrease in gas price	Effect on profit before tax	Effect on equity before tax
2024	+10%	—	(241)
	-10%	—	241
2023	+10%	—	(73)
	-10%	—	73

	Increase/decrease in electricity price	Effect on profit before tax	Effect on equity before tax
2024	+10%	(2)	(131)
	-10%	4	131
2023	+10%	(3)	(87)
	-10%	2	87

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

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

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

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

Credit risk

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

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

With regard to credit risk in relation to trade receivables, these are reflected in the consolidated balance sheet net of provisions for impairment due to expected credit losses (Note 10) estimated by Naturgy on the basis of available information on past events (such as customer payment behaviour), current conditions and forward-looking factors(e.g. macroeconomic factors such as GDP, inflation, interest rates, etc.) that might impact the credit risk of Naturgy's debtors in accordance with the prior segregation of customer portfolios.

Credit risk relating to trade accounts receivable has been limited in the past because, given the short period for collection from customers, significant amounts do not accumulate individually before supply can be suspended due to non-payment, in accordance with the applicable regulations.

With respect to other exposures to counterparties in transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such operations with reputable financial institutions in line with internal requirements. No significant defaults or losses arose in 2024 or 2023.

The main guarantees that are arranged are bank guarantees, sureties and deposits. As at 31 December 2024, Naturgy had received guarantees totalling Euros 591 million to cover the risk of large industrial customers (Euros 682 million as at 31 December 2023). In 2024, bank guarantees worth less than one million euro were enforced (Euros 0.5 million at 31 December 2023).

At 31 December 2024 and 2023, Naturgy did not have significant concentrations of credit risk. Concentration risk is minimised through diversification by managing and combining various areas of impact. Firstly, by having a customer base that is broadly distributed on an international scale; secondly, a diverse product range, from energy supply to the implementation of tailored energy solutions; thirdly, there are different customer types, such as residential customers, self-employed entrepreneurs and small and large businesses in both the public and private sectors and in varying segments of the economy.

An ageing analysis of financial assets and related expected losses at 31 December 2024 and 2023 is set out below:

31.12.2024	**Total**	**Current**	**0-180 days**	**180-360 days**	**More than 360 days**
Expected loss ratio	20.7%	1.0%	28.8%	70.0%	99.5%
Customer receivables for sales and services	3,596	2,648	271	110	567
Expected loss	745	26	78	77	564

31.12.2023	**Total**	**Current**	**0-180 days**	**180-360 days**	**More than 360 days**
Expected loss ratio	24.6%	1.1%	17.5%	86.6%	97.1%
Customer receivables for sales and services	3,698	2,441	394	217	646
Expected loss	910	26	69	188	627

The expected loss ratio is calculated as the expected loss divided by the balance of customer receivables for sales and services.

Movements in the expected loss provision are disclosed in Note 10.

At 31 December 2024, the balance of the provision for bad debts (expected loss) included the non-performing loans of the supply companies in the Wholesale Electricity Market in the amount of Euros 97 million (Euros 95 million at 31 December 2023).

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

Naturgy updated its credit risk management model as of 31 December 2024 based on economic forecasts in the main countries in which it operates, taking into account various factors including the ongoing geopolitical conflicts affecting the world economy and financial markets (see Note 2.4.25), but the Group's financial statements have not been materially affected by changes in debtor payment performance.

Liquidity risk

Naturgy has liquidity policies that ensure fulfilment of its payment commitments, while diversifying the coverage of financing needs and debt maturities. Prudent management of liquidity risk includes maintaining sufficient cash and realisable assets and having sufficient funds available to cover credit obligations.

Available cash resources at 31 December 2024 and 2023 are analysed below:

Liquidity source	Available 2024	Available 2023
Undrawn credit facilities (Note 17)	5,611	5,551
Cash and cash equivalents (Note 13)	5,626	3,686
Total	11,237	9,237

There is also additional unused capacity to issue debt in capital markets amounting to Euros 7,214 million (Euros 6,099 million at 31 December 2023) (Note 17).

The breakdown of estimated payments of financial liabilities recorded at 31 December 2024 and 2023 is as follows:

	2025	2026	2027	2028	2029	2030 and thereafter	Total
31.12.2024							
Trade and other payables (Note 20)	4,762	—	—	—	—	—	4,762
Financial liabilities (1)	3,664	3,908	2,557	3,502	3,322	7,181	24,134
Financial derivatives	19	14	—	—	—	—	33
Total	**8,445**	**3,922**	**2,557**	**3,502**	**3,322**	**7,181**	**28,929**

	2024	2025	2026	2027	2028	2029 and thereafter	Total
31.12.2023							
Trade and other payables (Note 20)	3,721	—	—	—	—	—	3,721
Financial liabilities (1)	3,108	3,075	4,586	2,501	1,919	5,996	21,185
Financial derivatives	5	1	—	—	—	—	6
Total	**6,834**	**3,076**	**4,586**	**2,501**	**1,919**	**5,996**	**24,912**

(1) Includes cash flows related to financial liabilities, principal repayments and interest payments accruing each year, broken down by maturity. Does not include financial derivatives.

In an international context that is deeply influenced by the war in Ukraine and current conflicts, and within the framework of the Group's financial policy, Naturgy maintains available funds to honour its obligations and to implement its business plans, guaranteeing at all times the optimum level of liquid funds and seeking to maximise efficiency in the management of financial resources.

Capital management

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

As an indicator of its long-term capital management objectives, Naturgy pursues a long-term leverage ratio of approximately 50%.

Naturgy's long-term credit rating is as follows:

	2024	2023
Standard & Poor's	BBB (*)	BBB (*)
Fitch	BBB (*)	BBB (*)

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

The leverage ratio is as follows:

	2024	2023
Net borrowings:	**12,201**	**12,090**
Non-current borrowings (Note 17)	15,095	13,426
Current borrowings (Note 17)	2,927	2,544
Cash and cash equivalents (Note 13)	(5,626)	(3,686)
Derivatives financial assets linked to financial liablities (Note 18)	(195)	(194)
Equity:	**11,653**	**11,929**
Equity attributed to the parent company (Note 14)	9,478	9,448
Non-controlling interests (Note 14)	2,175	2,481
Leverage (Net borrowings / (Net borrowings + Equity))	**51.1%**	**50.3%**

Derivative financial instruments

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

	31.12.2024		31.12.2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Hedging derivative financial instruments	**111**	**388**	**205**	**178**
Interest rate hedges				
Cash flow hedges	53	14	78	—
Exchange rate hedges				
Cash flow hedges	—	—	4	1
Price of commodities hedges				
Cash flow hedges	58	374	123	177
Other financial instruments	**1**	**1**	**11**	**—**
Commodity prices	1	1	—	—
Interest rates	—	—	11	—
Non-current derivative financial instruments	**112**	**389**	**216**	**178**
Hedging derivative financial instruments	**169**	**790**	**98**	**313**
Interest rate hedges				
Cash flow hedges	50	2	68	—
Interest and exchange rate hedges				
Cash flow hedges	—	2	—	—
Exchange rate hedges				
Cash flow hedges	59	15	18	5
Fair value hedges	2	1	1	5
Price of commodities hedges				
Cash flow hedges	58	770	11	303
Other financial instruments	**41**	**46**	**55**	**19**
Commodity prices	8	46	40	19
Interest rates	33	—	15	—
Current derivative financial instruments	**210**	**836**	**153**	**332**
Total	**322**	**1,225**	**369**	**510**

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

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

At 31 December 2024, asset derivatives linked to financial liabilities amount to Euros 195 million (Euros 194 million 31 December 2023) relating to:

– interest rate derivatives amounting to Euros 53 million in non-current assets and Euros 83 million in current assets (Euros 89 million in non-current assets and Euros 83 million in current assets as at 31 December 2023).

– cash flow exchange rate hedging derivatives amounting to Euros 59 million in current assets (Euros 4 million in non-current assets and Euros 18 million in current assets as at 31 December 2023).

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

	2024		2023	
	Operating profit	**Financial income**	Operating profit	Financial income
Cash flow hedge (1)	(462)	68	(2)	53
Fair value hedges	(1)	(4)	(16)	(6)
Other financial instruments	(17)	15	4	(3)
Total	**(480)**	**79**	**(14)**	**44**

(1) During 2024, revenue includes Euros 36 million arising from the maturity of gas sales hedging instruments that, as at 31 December 2023, were recognised as ineffective in that amount as a result of decoupling from the indexes hedged in the sales transactions. It also includes Euros 2 million in 2024 (Euros -28 million in 2023) for ineffectiveness in hedging arrangements for electricity sales in long-term contracts. As at 31 December 2024, the valuation of derivatives leading to ineffectiveness amounts to a negative amount of Euros 165 million, of which the effective portion is recognised in "Other equity components" with a negative amount of Euros 143 million (Euros 187 million and Euros 123 million, respectively, in 2023).

The breakdown of derivatives as of 31 December 2024 and 2023, their fair value and maturities of their notional values is as follows:

		31.12.2024						
		Notional value						
(million euros)	**Fair value**	**2025**	**2026**	**2027**	**2028**	**2029**	**Subsequent years**	**Total**
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	29	483	55	336	216	496	9	1,595
Financial swaps (USD)	30	2	689	2	2	2	22	719
Financial swaps (MXN)	4	—	82	—	—	—	—	82
Financial swaps (AUD)	24	(115)	7	12	11	11	720	646
EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	(14)	319	—	—	—	—	—	319
Foreign exchange insurance (AUD)	58	604	—	—	—	—	—	604
Fair value hedges:								
Foreign exchange insurance (EUR) (1)	—	5	—	—	—	—	—	5
Foreign exchange insurance (USD)	1	424	—	—	—	—	—	424
INTEREST AND EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Financial swaps (USD)	(2)	4	5	5	5	65	—	84
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	20	227	20	2	—	—	—	249
Commodities price derivatives (USD)	(856)	1,056	565	239	39	39	285	2,223
Commodities price derivatives (AUD)	(192)	96	122	136	146	147	1,031	1,678
OTHER:								
Commodities price derivatives (EUR)	(4)	—	—	—	—	—	—	—
Commodities price derivatives (USD)	(34)	35	—	—	—	—	—	35
Commodities price derivatives (AUD)	—	—	—	—	—	—	—	—
Financial swaps (USD)	33	211	—	—	—	—	—	211
Total	**(903)**	**3,351**	**1,545**	**732**	**419**	**760**	**2,067**	**8,874**

(1) Arranged by companies using a functional currency other than the euro.

(million euros)	Fair value	31.12.2023 Notional value 2024	2025	2026	2027	2028	Subsequent years	Total
INTEREST RATE HEDGES:								
Cash flow hedges:								
Financial swaps (EUR)	62	77	505	55	336	185	37	1,195
Financial swaps (USD)	43	2	2	647	2	2	22	677
Financial swaps (MXN)	5	—	—	95	—	—	—	95
Financial swaps (AUD)	36	5	5	4	5	5	243	267
EXCHANGE RATE HEDGES:								
Cash flow hedges:								
Foreign exchange insurance (USD)	10	306	125	—	—	—	—	431
Foreign exchange insurance (AUD)	6	482	26	—	—	—	—	508
Fair value hedges:								
Foreign exchange insurance (BRL)	—	16	—	—	—	—	—	16
Foreign exchange insurance (EUR) (1)	—	14	—	—	—	—	—	14
Foreign exchange insurance (USD)	(4)	104	—	—	—	—	—	104
COMMODITIES HEDGES:								
Cash flow hedges:								
Commodities price derivatives (EUR)	(61)	212	34	—	—	—	—	246
Commodities price derivatives (USD)	(264)	455	511	211	24	24	145	1,370
Commodities price derivatives (AUD)	(21)	62	102	115	113	114	953	1,459
OTHER:								
Commodities price derivatives (EUR)	(6)	1	—	—	—	—	—	1
Commodities price derivatives (USD)	31	43	—	—	—	—	—	43
Commodities price derivatives (AUD)	(4)	4	—	—	—	—	—	4
Financial swaps (USD)	26	71	5	6	7	7	107	203
Total	**(141)**	**1,854**	**1,315**	**1,133**	**487**	**337**	**1,507**	**6,633**

[(1)] Arranged by companies using a functional currency other than the euro.

Details of commodity derivatives and volumes (in physical units) by maturity at 31 December 2024 and 2023 are as follows:

31/12/2024	Fair value (Euros million)	Physical units 2025	2026	2027	2028	2029	Subsequent years	Total
Procurements hedges								
Gas (TBTU)	15	208	87	40	—	—	—	335
Electricity (GWh)	(3)	1,370	46	3	3	3	—	1,425
Sales hedges								
Gas (TBTU)	(786)	176	85	40	—	—	—	301
Electricity (GWh)	(254)	3,162	3,636	4,180	4,349	4,340	28,846	48,513
Others (non hedge)	(38)	—	—	—	—	—	—	—
Total	(1,066)							

31/12/2023	Fair value (Euros million)	Physical units						
		2024	2025	2026	2027	2028	Subsequent years	Total
Procurements hedges								
Gas (TBTU)	(100)	113	86	28	—	—	—	227
Electricity (GWh)	(25)	933	149	—	—	—	—	1,082
Sales hedges								
Gas (TBTU)	(179)	60	63	28	—	—	—	151
Electricity (GWh)	(42)	1,513	3,037	3,672	3,649	3,645	27,884	43,400
Others (non hedge)	21	—	—	—	—	—	—	—
Total	(325)							

Note 19. Other current and non-current liabilities

The breakdown of this heading at 31 December 2024 and 2023 is as follows:

	31.12.2024	31.12.2023
Deposits and guarantees	245	229
Derivative financial instruments (Note 18)	375	177
Other liabilities	324	227
Other non-current liabilities	**944**	**633**
Dividends payable	19	39
Expenses accrued pending payment	100	161
Other liabilities	60	82
Other current liabilities	**179**	**282**
Total other liabilities	**1,123**	**915**

There are no significant differences between the carrying values and the fair values of the items in the “Other non-current liabilities” account.

The “Deposits and guarantee deposits” heading basically includes amounts received from customers under contracts for the supply of electricity and natural gas, deposited with the competent public administrations (Note 9) as stipulated by law, and amounts received from customers to secure supplies of liquefied natural gas.

“Derivative financial instruments” includes the non-current market value of the Australian subsidiaries’ power purchase agreements amounting to Euros 181 million (Euros 51 million at 31 December 2023) and US subsidiaries’ power purchase agreements amounting to Euros 57 million (Euros 21 million at 31 December 2023). These PPAs are concluded with the government of the state in which they operate or with private companies, and they hedge the forward sale price of electricity for a given volume of MWh and a given time period. Additionally, as of 31 December 2024, they include operating gas price hedging derivatives in the amount of Euros 137 million (Euros 105 million at 31 December 2023).

As at 31 December 2024, "Other liabilities" includes the balancing entry for receivables in Brazil due to the inclusion of the “Imposto sobre Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação (ICMS)” in the PIS and COFINS assessment base described in Note 10 amounting to Euros 109 million (Euros 122 million at 31 December 2023).

In addition, as at 31 December 2024, the non-current balance of “Other liabilities” includes Euros 79 million and the current balance of "Other liabilities" includes Euros 20 million associated with negative market price variances at Renewable Generation facilities (Note 2.4.25.i.) (Euros 54 million non-current and Euros 11 million current as at 31 December 2023). As at 31 December 2023, these balances included Euros 18 million with no effect on the consolidated income statement as they arose from the business combination consisting of the acquisition of ASR Wind (Note 32). Additionally, the Renewable Generation Spain business includes Euros 78 million in balance that have been and can be transformed into grants, classified as non-current (recognised in the consolidated cash flow statement under "Other proceeds from investing activities").

“Other liabilities" also includes Euros 27 million non-current in respect of the levelling of the term of the service contracts for the assignment of electricity generation capacity with the Mexican Federal Electricity Commission (contract liabilities) (Euros 19 million non-current and Euros 17 current at 31 December 2023).

Note 20. Trade and other payables

The breakdown of this item as of 31 December 2024 and 2023 is as follows:

	31.12.2024	31.12.2023
Trade payables	3,035	2,751
Trade payables with related parties (Note 34)	8	5
Trade payables	**3,043**	**2,756**
Derivative financial instruments (Note 18)	**817**	**327**
Public Administrations	540	412
Accrued wages and salaries	145	95
Other payables	6	7
Other payables	**691**	**514**
Current tax liabilities	**211**	**124**
Total	**4,762**	**3,721**

The fair value and carrying value of these liabilities do not differ significantly.

"Derivative financial instruments" include the market value of the Australian subsidiaries' power purchase agreements amounting to Euros 24 million at 31 December 2024 (Euros 23 million at 31 December 2023) and of the US subsidiaries amounting to Euros 3 million (Euros 6 million at 31 December 2023). It also mainly includes commodities price derivatives in the amount of Euros 790 million at 31 December 2024 (Euros 293 million at 31 December 2023).

Information on average supplier payment period

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

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

	2024	2023
Total payments (million euro)	10,517	16,518
Total outstanding payments (million euro)	349	511
Average supplier payment period (days) (1)	22	21
Transactions paid ratio (days) (2)	22	21
Transactions pending payment ratio (days) (3)	28	28
Total payments within the period established in the delinquency regulations (Euros million)	10,465	16,426
Amount paid within the term established in the late payment regulations, as a % of the total amount paid	99.51 %	99.44 %
Number of invoices paid within the period established in the delinquency regulations	23,727,572	25,084,920
Invoices paid within the term established in the late payment regulations, as a % of total invoices paid	98.76 %	98.80 %

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

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

(3) Average age of outstanding balance to suppliers.

Note 21. Tax situation

Naturgy Energy Group, S.A. is the parent of Tax Consolidated Group 59/93, which includes all the companies resident in Spain that are at least 75% directly or indirectly owned by the parent company and that fulfil certain requirements, entailing the overall calculation of the group's taxable income, deductions and tax credits. The Tax Consolidated Group for 2024 is indicated in Appendix III.

The other Naturgy companies pay their taxes individually, in accordance with the schemes applicable to them.

Set out below is the reconciliation between corporate income tax recognised and the amount that would be obtained by applying the nominal tax rate in force in the parent company's country (Spain) to “Profit/(loss) before taxes" for 2024 and 2023:

	2024	%	2023	%
Profit/(loss) before tax	**3,204**		**3,042**	
Statutory tax	**801**	**25.0%**	**761**	**25.0%**
Effect of net results under equity method	(30)	(0.9%)	(23)	(0.8%)
Application of tax rates of foreign companies	45	1.4%	(91)	(3.0%)
Tax deductions	(31)	(1.0%)	(38)	(1.2%)
Other items (1)	50	1.6%	159	5.2%
Corporate income tax	**835**	**26.1%**	**768**	**25.2%**
Breakdown of current/deferred expense:				
Current-year tax	832		736	
Deferred tax	3		32	
Income tax	**835**		**768**	

(1) In 2024, "Other items" corresponds mainly to the non-deductibility of the energy tax (Note 26) and the non-deductibility of 5% of dividends. In 2023, this heading relates mainly to the non-deductibility of the energy tax (Note 26), the non-deductibility of the goodwill impairment recognised in Thermal Generation Mexico (Notes 4 and 5) and the non-deductibility of 5% of dividends.

Income qualifying for the tax scheme for transfers of assets made in compliance with competition law (Additional Provision 4 of the revised Corporate Income Tax Law) and the investments in which it was used in prior years are detailed below:

Year of sale	**Amount obtained on the sale**	**Amount reinvested**	**Capital gain**	**Capital gain included in tax base**	**Capital gain pending inclusion in tax base**
2002	917	917	462	20	442
2003	141	141	79	—	79
2004	292	292	177	11	166
2005	432	432	300	2	298
2006	310	310	226	—	226
2007	105	105	93	—	93
2009	161	161	87	—	87
2010	790	790	556	1	555
2011	468	468	394	2	392
2012	38	38	32	—	32
Total	**3,654**	**3,654**	**2,406**	**36**	**2,370**

The reinvestment was made in fixed assets related to economic activities carried out by the transferring company or any other company included in the Consolidated Tax Group, by virtue of the provisions of article 75 of the Corporate Income Tax Act.

The breakdown of the tax effect relating to each component of "Other comprehensive income" in the Consolidated Statement of Comprehensive Income for the year is as follows:

	31.12.2024			31.12.2023		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Cash flow hedges	(784)	153	(631)	1,716	(243)	1,473
Currency translation differences	55	—	55	(87)	—	(87)
Actuarial gains and loss (Note 17)	25	(6)	19	(47)	12	(35)
Total	**(704)**	**147**	**(557)**	**1,582**	**(231)**	**1,351**

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

Deferred tax assets	**Provisions for employee benefit obligations**	**Provision for bad debts and other provisions**	**Tax credits (1)**	**Amortisation differences**	**Valuation of assets and financial instruments**	**Other**	**Total**
01.01.2023	**226**	**929**	**102**	**496**	**395**	**62**	**2,210**
Charged/(credited) to income statement	(16)	(16)	3	(23)	—	22	**(30)**
Business combinations (Note 32)	—	4	6	—	—	3	**13**
Movements related to equity adjustments	12	—	—	—	(295)	—	**(283)**
Currency translation differences	1	(13)	(3)	12	(6)	(6)	**(15)**
Transfers and other	—	(13)	17	(10)	—	30	**24**
31.12.2023	**223**	**891**	**125**	**475**	**94**	**111**	**1,919**
Charged/(credited) to income statement	(17)	(44)	77	(66)	—	24	**(26)**
Movements related to equity adjustments	(6)	—	—	—	149	—	**143**
Currency translation differences	(4)	(19)	3	(11)	3	—	**(28)**
Transfers and other	3	2	3	—	—	(7)	**1**
31.12.2024	**199**	**830**	**208**	**398**	**246**	**128**	**2,009**

(1) At 31 December 2024 and 2023, the tax credits mainly relate to unused deductions. The recovery of these credits is reasonably assured as they are not subject to any time limit and pertain to companies that historically generate recurring profits.

Deferred tax liabilities	Amortisation differences	Deferred capital gains	Business combination valuation (1)	Valuation of assets and financial instruments	Other	Total
01.01.2023	**650**	**207**	**610**	**119**	**365**	**1,951**
Charged/(credited) to income statement	17	—	(37)	—	22	**2**
Business combinations (Note 32)	—	—	128	—	14	**142**
Movements related to equity adjustments	—	—	—	(40)	—	**(40)**
Currency translation differences	(24)	—	(12)	(2)	(8)	**(46)**
Transfers and other	10	—	3	—	(6)	**7**
31.12.2023	**653**	**207**	**692**	**77**	**387**	**2,016**
Charged/(credited) to income statement	(7)	—	(28)	—	6	**(29)**
Movements related to equity adjustments	—	—	—	(3)	—	**(3)**
Currency translation differences	(8)	—	(8)	1	10	**(5)**
Transfers and other	(5)	—	—	4	(33)	**(34)**
31.12.2024	**633**	**207**	**656**	**79**	**370**	**1,945**

[1] The “Business combination valuation” heading mainly includes the tax effect of the portion of the merger difference resulting from the absorption of Unión Fenosa, S.A. by Naturgy Energy Group, S.A. in 2009, allocated to net assets acquired, which will not have tax effects. It also includes the tax effect of the purchase price allocation of CGE by Naturgy in 2014 and of various prior acquisitions completed by CGE. Also included is the tax effect of the purchase price allocation of ASR Wind in 2023.

Tax credits yet to be recognised totalled Euros 41 million at 31 December 2024 (Euros 12 million at 31 December 2023).

In July 2021, partial tax audits were initiated in respect of nine companies in Group 59/93 for corporate income tax (tax consolidation regime) for the years 2016 to 2019 and the same companies in Group 273/08 for VAT (group of entities regime) for the period from September 2017 to December 2020. The notice of that tax audit also gave notice of a partial audit of personal income tax, withholdings and prepayments in respect of salaries for the period from September 2017 to December 2020.

During 2022, the scope of those audits was extended to include another company (Naturgy Aprovisionamientos, S.A.) for the same taxes and periods. Naturgy Energy Group, S.A. was also notified of the commencement of an audit of Naturgy Energy Group, S.A. in respect of withholdings and payments on account of investment income paid to non-resident entities for the period from April 2018 to December 2020.

In March 2023, the Group accepted assessments in respect of VAT and personal income tax withholdings, resulting in a total adjustment of Euros 0.2 million and Euros 1.2 million, respectively, including tax and interest.

In May 2023, the Group accepted assessments in respect of corporate income tax, resulting in an adjustment of Euros 36 million (Euros 31 million in tax and Euros 5 million in interest). Those amounts were fully provisioned and were paid within the statutory deadline.

In July 2023, an assessment was contested relating to withholdings and prepayments on investment income paid to non-resident entities which, at the date of issue of these consolidated annual accounts, has been appealed before the Central Economic-Administrative Court (Note 36).

Concerning the appeals against contested assessments in respect of corporate income tax for 2011-2015, which regularised the international double taxation tax credit, a ruling was received from the Central Economic-Administrative Court (TEAC) on 29 September 2022 rejecting the appeal in its entirety. A contentious-administrative appeal was filed against that decision with the National High Court. At the date of authorisation for issue of these consolidated annual accounts all the formalities have been completed at the National High Court, except for setting a date for the vote and judgement procedure. Enforcement of the ruling has been suspended and the tax liability, which including accrued late payment interest totalling Euros 19 million, has been fully provided for under "Provisions" (Note 16).

In February 2024, the Spanish tax authorities gave notice of a partial audit in respect of the Temporary Energy Levy for 2023. Pursuant to the provisions of the General Taxation Law, the inspectorate was asked to transform the proceedings into a full audit.

In September 2024, the Company rejected an assessment that proposed a total regularisation of Euros 86 million (Euros 83 million euros of tax and Euros 3 million of interest). Pleadings were submitted against this assessment that which were rejected by the tax authorities in a decision notified on 27 January 2025, which entails ratification of the assessment. Naturgy will appeal the assessment before the Central Economic-Administrative Tribunal within the legally established deadline and plans to post a bond in order to suspend the payment. At 31 December 2024, Naturgy had provisioned the assessment for the 2023 levy and for the estimate of a possible assessment in respect of the 2024 levy.

After an in-depth analysis of the regulations governing the energy levy, in 2023 the Group filed a claim before the National High Court and filed a request for Euros 165 million paid unduly in 2023 (in relation to 2022), and it is preparing a request for the refund of Euros 89 million paid unduly in 2024 (in relation to 2023).

In accordance with Spanish tax legislation, at the date of authorisation of these consolidated annual accounts, the Spanish Group's returns for the last four year for the principal taxes to which it is subject and which are not involved in the above-mentioned tax inspection are open to inspection.

In general, the other Naturgy companies are open to inspection for the following periods:

Country	Period
Argentina	2019-2024
Brazil	2020-2024
Chile	2019-2024
Mexico	2019-2024
Panama	2024
Costa Rica	2019-2024
Dominican Republic	2022-2024
USA	2022-2024
Australia	2021-2024

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

Naturgy assesses uncertain tax treatments and reflects the effect of uncertainty on taxable income (losses), tax bases, and unused tax losses or tax credits. Naturgy has adequate coverage for possible obligations deriving from a number of tax claims. There are no lawsuits or uncertain tax treatments which are individually significant.

Ahead of the implementation of the rules included in OECD Pillar Two, Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union was approved on 15 December 2022. That Directive establishes a minimum tax rate of 15% for all Group companies in each country where it operates. If in any country the minimum 15% rate is not complied with, the difference must be paid in the country of residence of the parent company, Spain in our case. The impact of this legislation on Naturgy is considered to be non-material, as taxation in the various jurisdictions in which the Group operates is almost always at an effective rate of over 15%.

In order to transpose the Directive into Spanish law, on 21 December 2024, Spain's Official State Gazette published Law 7/2024 of 20 December, which establishes a top-up tax to guarantee an overall minimum level for multinational enterprise groups and large-scale domestic groups, a tax on the net interest income and fees of certain financial institutions and a tax on liquids for electronic cigarettes and other tobacco-related products, and modifies other tax regulations.

An amendment was added to the Top-up Tax Law 7/2024 in its passage through Parliament: a final provision was added repealing Article 1 of Law 38/2022, which constitutes a de facto repeal of the Temporary Energy Levy and rules out the possibility that it may be extended to 2025 via a Royal Decree Law.

In response to this repeal, the subsequent meeting of the Spanish Cabinet on 23 December 2024 adopted Royal Decree Law 10/2024, of 23 December, published in the Official State Gazette on 24 December, which re-imposed the Temporary Energy Levy for 2025, on the basis of net sales in 2024.

The Plenary Session of the Congress of Deputies on 22 January 2025 did not ratify Royal Decree Law 10/2024, of 23 December, which consequently lapsed, meaning that no amount will accrue in 2025 for the Temporary Energy Levy.

Law 7/2024 also reintroduced the provisions of Royal Decree Law 3/2016 that had been declared unconstitutional by the Constitutional Court in its ruling on 18 January 2024. The one with the greatest implications of the Naturgy Group refers to the reversal of impairment losses on equity investments in other companies that were deductible prior to 1 January 2013, with an expected impact of Euros 9 million, plus default interest estimated at Euros 2 million, and a tax rebate of Euros 16 million, plus Euros 1.5 million in interest, arising from the cancellation of the limitation on offsetting tax loss carryforwards.

The amount recovered as a result of the reversal of the impairment of holdings must be repaid over the following three financial years, in accordance with the provisions of Law 7/2024.

Law 38/2022 introduced a change in the tax consolidation system with effects confined to 2023, under which the tax base of groups taxed under the consolidation scheme may only include 50% of individual tax losses, while the remaining 50% is to be applied over the following 10 years. The expected impact of this measure on corporate income tax for 2023 was a Euros 27.6 million increase in the tax expense. Law 7/2024 extended this rule to cover 2024 and 2025, resulting in an increase of Euros 69 million in the 2024 corporate income tax expense.

Royal Decree Law 8/2023, of 27 December, published in the Official State Gazette on 28 December, incorporated a series of tax measures with an impact in 2024, including the following:

- Extension of the application of the reduced VAT rate of 10% to the supply of electricity to customers with an installed capacity of less than 10 kW or who are at risk of social exclusion (to 31 December 2024), as well as to the supply of natural gas (to 31 March 2024), pellets, briquettes and wood from biomass for heating systems (to 30 June 2024).

- TheTax on the Value of Electricity Production is being gradually phased back in so that, the tax base for the first quarter will include only 50% of the total tax for production and incorporation into the electricity system, measured at power plant busbars. For the second quarter, 75% of the amount will be applied, while 100% of the tax base will apply in the third and fourth quarters.

- The rate of the Special Electricity Tax will gradually be increased, from 2.5% in the first quarter of 2024 to 3.8% in the second quarter; from the third quarter onwards, the rate provided for in Law 38/1992 on Excise Duties, set at 5.11269632%, will apply.

On 8 July 2024, the Spanish Supreme Court ruled, in the light of the case law of the Court of Justice of the European Union (CJEU), that the annulment of the exemption from the Special Tax on Hydrocarbons in connection with the supply of natural gas used for electricity generation, as provided for in Law 15/2012, was contrary to European law on the grounds that the environmental reasons given did not respond to any specific analysis or specific environmental policy. Although the State has filed a motion for annulment, it is believed that the matter may eventually be resolved in the Group's favour. The claims at issue in various instances amounts to Euros 146 million, plus default interest, currently estimated at an additional Euros 50 million.

Note 22. Net sales

The breakdown of this heading in the consolidated income statement for 2024 and 2023 is as follows, by category with the relevant operating segment reporting structure (in note 2.4.23 recognition of revenues and expenses is detailed the recognition model for each type of income):

	Networks									Markets								
2024	**Spain Gas**	**Gas Mexico**	**Gas Brazil**	**Gas Argentina**	**Gas Chile**	**Elec. Spain**	**Elec. Panama**	**Elec. Argentina**	**Total**	**Energy Manage ment**	**Thermal gen.**	**Renewable generation**	**Renew able Gases**	**Supply**	**Holding and Eli.**	**Total**	**Rest**	**Total**
Sales of gas and access to distribution networks	838	636	1,491	637	855	—	—	—	**4,457**	1,404	—	—	44	3,133	—	**4,581**	—	**9,038**
Sales of electricity and access to distribution networks	—	—	—	—	1	790	994	220	**2,005**	167	1,302	302	—	2,597	—	**4,368**	—	**6,373**
LNG sales	—	—	—	—	—	—	—	—	**—**	2,869	—	—	—	—	—	**2,869**	—	**2,869**
Registrations and facility checks	27	6	1	—	—	10	1	—	**45**	1	—	—	—	40	—	**41**	—	**86**
Assignment of power generation capacity	—	—	—	—	—	—	—	—	**—**	—	374	—	—	—	—	**374**	—	**374**
Rentals meters and facilities	24	—	3	—	—	18	—	—	**45**	—	—	—	—	301	—	**301**	—	**346**
Other revenues	14	29	7	5	1	—	11	3	**70**	—	2	26	1	81	1	**111**	—	**181**
Total	**903**	**671**	**1,502**	**642**	**857**	**818**	**1,006**	**223**	**6,622**	**4,441**	**1,678**	**328**	**45**	**6,152**	**1**	**12,645**	**—**	**19,267**

	Networks									Markets								
2023	**Spain Gas**	**Gas Mexico**	**Gas Brazil**	**Gas Argentina**	**Gas Chile**	**Elec. Spain**	**Elec. Panama**	**Elec. Argentina**	**Total**	**Energy Manage ment**	**Thermal gen.**	**Renewable generation**	**Renew able Gases**	**Supply**	**Holding and Eli.**	**Total**	**Rest**	**Total**
Sales of gas and access to distribution networks	968	683	1,742	265	870	—	—	—	**4,528**	1,561	—	—	—	3,943	—	**5,504**	—	**10,032**
Sales of electricity and access to distribution networks	—	—	—	—	4	743	879	97	**1,723**	180	1,580	190	—	3,146	—	**5,096**	—	**6,819**
LNG sales	—	—	—	—	—	—	—	—	**—**	4,727	—	—	—	—	—	**4,727**	—	**4,727**
Registrations and facility checks	24	6	1	—	—	8	1	—	**40**	—	—	—	—	42	—	**42**	—	**82**
Assignment of power generation capacity	—	—	—	—	—	—	—	—	**—**	—	321	—	—	—	—	**321**	—	**321**
Rentals meters and facilities	23	—	4	—	—	19	—	—	**46**	—	—	—	—	296	—	**296**	—	**342**
Other revenues	13	29	6	2	3	—	7	1	**61**	—	3	46	—	134	49	**232**	1	**294**
Total	**1,028**	**718**	**1,753**	**267**	**877**	**770**	**887**	**98**	**6,398**	**6,468**	**1,904**	**236**	**—**	**7,561**	**49**	**16,218**	**1**	**22,617**

Reporting by geographic area

Naturgy's revenue by country is analysed below:

	2024	2023
Spain	9,292	11,621
Rest of Europe	2,489	3,384
France	848	1,407
Netherlands	620	496
Portugal	584	573
United Kingdom	166	570
Germany	117	40
Italy	94	76
Belgium	29	45
Croatia	—	71
Turkey	—	106
Other Europe	31	—
Latin America	6,243	6,046
Brazil	1,560	1,776
Mexico	1,419	1,425
Panama	999	891
Argentina	934	434
Chile	842	941
Puerto Rico	356	397
Dominican Republic	124	129
Other Latin America	9	53
Other	1,243	1,566
Japan	301	180
China	287	448
South Korea	239	155
India	102	114
USA	89	458
Thailand	55	157
Australia	47	18
Other countries	123	36
Total	**19,267**	**22,617**

By application of the accounting treatment described in Note 2.4.17., "Net sales" for 2024 includes a negative amount of Euros 36 million as a net result of the positive and negative price deviations in the Renewable Generation Spain business under the specific remuneration regime, recognised on the consolidated balance sheet under "Other non-current receivables" (Note 10) and "Other current and non-current liabilities" (Note 19) (2023: Euros 24 million, negative).

Note 23. Raw materials and consumables

The breakdown of this heading in the consolidated income statement for 2024 and 2023 is as follows:

	2024	2023
Energy purchases	10,009	13,382
Access to distribution networks	1,266	1,390
Other purchases and changes in inventories	290	334
Total	**11,565**	**15,106**

Note 24. Other operating income

The breakdown of this heading in the consolidated income statement for 2024 and 2023 is as follows:

	2024	2023
Other management income	161	198
Concession construction or improvements services IFRIC 12 (1)	75	57
Total	**236**	**255**

(1) Estimated fair value by reference to the expenses incurred (Note 26), without any margin.

As detailed in Note 10, the Supreme Court recognised the right of group company Comercializadora Regulada Gas and Power, S.A. to be compensated for the amounts paid to finance the energy subsidy ("bono social"). At 31 December 2023, the "Other management income" heading included Euros 64 million for this item that was paid in August 2023.

Following a hearing on 17 April 2024, Naturgy was notified on 17 July 2024 of the decision of the Supreme Court of 4 July 2024 in relation to Naturgy's application for enforcement of judgment. Naturgy was recognised as entitled to be compensated for an amount of Euros 63 million with interest for sums paid in respect of the cost of funding the "bono social" in the open market, borne by the Group's open market supply companies. This compensation was recognised under "Other operating income", with a balancing entry under "Other receivables" in the consolidated balance sheet. As at 31 December 2024, these amounts were still outstanding (Notes 10 and 39).

Note 25. Personnel net expenses

The breakdown of this heading in the consolidated income statement for 2024 and 2023 is as follows:

	2024	2023
Wages and salaries	489	452
Termination benefits	81	26
Social security costs	93	94
Defined contribution plans	21	27
Defined benefit plans (Note 16)	1	3
Share-based payments (Note 14)	2	5
Own work capitalised	(80)	(79)
Other	36	52
Total	**643**	**580**

At 31 December 2024, the Group had carried out a review and update of the professional categories used for required disclosures in relation to the workforce. This change is intended to reflect the current organisational structure more closely and to improve alignment with the criteria used internally for staff management. The new system of professional categories provides a more representative and detailed view of the distribution of staff according to the roles and responsibilities assumed by each group within the organisation. To ensure comparability of information, the figures for the year 2023 that are presented for comparison have been reclassified in accordance with the new professional categories.

The average number of Naturgy employees was 7,014 in 2024 and 7,073 in 2023, analysed by category as follows:

	2024	2023
Senior management	16	12
Executives	507	502
Middle management	382	382
Staff not covered by collective bargaining agreement	1,423	1,402
Staff covered by collective bargaining agreement	4,686	4,775
Total	**7,014**	**7,073**

The average number of employees in the year with disability equal to or greater than 33% is as follows, by category:

	2024	2023
Senior management	—	—
Executives	3	3
Middle management	3	2
Staff not covered by collective bargaining agreement	16	14
Staff covered by collective bargaining agreement	86	80
Total	**108**	**99**

The number of Naturgy employees at the end of 2024 and 2023, broken down by category, gender and geographical area, is as follows:

	2024			2023		
	Men	Women	Total	Men	Women	Total
Senior management	13	4	17	10	1	11
Executives	335	197	532	328	170	498
Middle management	244	121	365	257	122	379
Staff not covered by collective bargaining agreement	770	648	1,418	770	642	1,412
Staff covered by collective bargaining agreement	3,148	1,461	4,609	3,266	1,444	4,710
Total	**4,510**	**2,431**	**6,941**	**4,631**	**2,379**	**7,010**

	2024	2023
Spain	4,017	4,061
Rest of Europe	19	22
Latin America	2,833	2,865
Rest	72	62
Total	**6,941**	**7,010**

The number of employees in joint venture operations is included on a pro-rata basis depending on the relevant percentage interest, with regard to both the calculation of the average number of employees and the calculation of the number of employees at Naturgy's year-end. As at 31 December 2024, the number of employees at year-end of these entities amounted to 141 (148 as at 31 December 2023) and the average number of employees amounted to 144 (149 as at 31 December 2023).

Calculation of the number of employees at year-end and of the average number of employees does not count employees of companies classified as discontinued operations (Note 11) or of companies recognised using the equity method. The breakdown is as follows:

	2024		2023	
	Number of employees at year-end	Average number of employees	Number of employees at year-end	Average number of employees
Discontinued operations (1)	12	18	21	21
Equity-consolidated companies	56	56	54	55

(1) The employees included pertain to coal-fired generation in Spain, which was discontinued in 2020 (Note 11).

Note 26. Other operating expenses

The breakdown of this heading in the consolidated income statement for 2024 and 2023 is as follows:

	2024	2023
Taxes	696	510
Operation and maintenance	414	334
Advertising and other commercial services	130	99
Professional services and insurance	144	143
Concession construction or improvements services (IFRIC 12) (Note 24)	75	57
Supplies	60	63
Services to customers	57	57
Lean services	124	183
Other	301	334
Total	**2,001**	**1,780**

At 31 December 2024, "Taxes" includes Euros 213 million in energy tax (Euros 165 million at 31 December 2023). The company required to pay the tax as the main operator in the energy sector, Naturgy Energy Group, S.A., has passed it on to the other companies making up the tax group.

In 2023, “Lean services” included Euros 41 million for transformation costs, while this item amounted to only Euros 4 million in 2024.

Note 27. Profit/(loss) on disposals of fixed assets

Gains on disposals of fixed assets in 2024 relate mainly to capital gains on the sale of Renewable Generation USA by Naturgy Candela Devco LLC. Specifically, this is an amount of Euros 4 million for the sale of the assets associated with the Agua Fría Solar, LLC project. (Note 2.4.1) and the Euros 6 million capital gain generated by the second milestone of the sale of the assets associated with the Vulcan project, signed in 2023.

In 2023, there was a Euros 7 million gain on the sale of land located in the Vallecas district of Madrid, Spain, by General de Edificios y Solares, S.L., and a Euros 10 million gain on the sale of assets relating to the Vulcan renewable generation project in the United States by Naturgy Candela Devco LLC.

Note 28. Depreciation and non-financial asset impairment losses

The breakdown of this heading in the consolidated income statement for 2024 and 2023 is as follows:

	2024	2023
Amortisation intangible assets (Note 5)	326	300
Depreciation PPE (Note 6)	1,095	1,039
Depreciation right-of-use assets (Note 7)	121	115
Intangible asset impairment (Notes 4 and 5)	(37)	209
PPE impairment (Notes 4 and 6)	19	79
Total	**1,524**	**1,742**

Note 29. Other results

In 2024, this heading primarily reflects the results arising from changes and/or updates to the status of situations described in the section on litigation and arbitration in Note 36. In particular, it relates to the award issued in June 2024 for the arbitration with EDP and the update of the provision for the claims by TGN against Metrogas, the Chilean subsidiary of the Naturgy Group, following the reversal of the first instance ruling this year. See Note 36.

In 2023, this heading mainly included losses of Euros 40 million arising from translation differences relating to the liquidation of Gas Natural Exploración, S.L. in October 2023.

Note 30. Net financial revenues/(expenses)

The breakdown of this heading in the consolidated income statement for 2024 and 2023 is as follows:

	2024	2023
Interest income	220	190
Other financial income (1)	186	123
Total financial income	**406**	**313**
Cost of borrowings (2)	(710)	(675)
Interest expenses pension plans	(15)	(21)
Other financial expense (3)	(117)	(121)
Total financial expense	**(842)**	**(817)**
Variations in the fair value of financial instruments (4)	12	(5)
Net exchange differences	(41)	(9)
Net financial revenues/(expenses)	**(465)**	**(518)**

(1) In 2024, this item included mainly revenue from the partial reversal of the provision for the claim against Metrogas, S.A. by Transportadora de Gas del Norte, S.A. (TGN) (Note 36), and revenue from the calculation of the present value of the compensation awarded for the funding of the energy subsidy ("bono social") in the open market (Note 24). It also includes the positive impact (Euros 19 million) linked to the EMTN bond issue and the buyback of EMTN bonds in October 2024 (Note 17).

(2) This includes the cost of financial lease liabilities (Euros 85 million in 2024 and Euros 84 million in 2023) and other refinancing costs (Euros 15 million in 2024 and Euros 29 million in 2023).

(3) This includes discounting to present value of the provisions reported in the section on litigation and arbitration in Note 36, and the inflation adjustment applicable to the distribution network companies in Argentina, as a hyperinflationary economy, with impacts of Euros -59 million in 2024 and Euros -86 million in 2023.

(4) It relates mainly to the change in value of derivative financial instruments (Notes 9 and 18). In 2024, this includes ineffectiveness of the financial derivatives at Ibereólica Cabo Leones II, S.A. and GPG Solar Chile 2017, S.p.A. for Euros +10 million (Euros -5 million in 2023).

Note 31. Cash generated by operating activities and other cash-flow breakdowns

The breakdown of cash generated from operations in 2024 and 2023 is as follows:

	2024	2023
Profit/(loss) before tax	**3,204**	**3,042**
Adjustments to profit/(loss):	**1,793**	**1,654**
Depreciation, amortisation and impairment expenses (Notes 4, 5, 6, 7 & 28)	1,524	1,742
Other adjustments to net income:	269	(88)
Net financial income (Note 30)	465	518
Profit of entities recorded by equity method (Note 8)	(120)	(90)
Other Results (Note 29)	202	55
Deferred revenues recognised in profit or loss (Note 15)	(61)	(52)
Profit/(loss) on disposals of fixed assets (Note 27)	(10)	(17)
Other result adjustments (2)	(207)	(502)
Changes in working capital (excluding the effects of adjustments in consolidation scope and exchange differences):	**58**	**828**
Inventories	301	370
Trade and other receivables	(575)	2,328
Trade and other payables	332	(1,870)
Other cash flows from operating activities:	**(1,063)**	**(667)**
Interest paid	(703)	(650)
Interest collected	221	233
Dividends received	82	127
Income tax paid	(663)	(377)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**3,992**	**4,857**

(1) Other adjustments to results in 2024 and 2023 chiefly include changes in provisions for the matters covered in Note 36 and the effects arising from the ineffectiveness recognised in respect of gas and electricity sales hedging derivatives (Note 18).

Payments on investments in Group companies, associates and business units at 31 December 2024 and 2023 break down as follows:

	2024	**2023**
Acquisition ASR Wind (Note 32)	—	(476)
Acquisition Cluster solar Marisol's assets	—	(42)
Acquisition Eólico Marisol assets	—	(44)
Acquisition Andújar Solar's assets	—	(28)
Acquisition Lepe Solar assets	—	(8)
Acquisition Glenellen Asset	—	(10)
Acquisition Fraser Coast Solar Development PTY, Ltd. assets	(10)	—
Acquisition of renewable bio gas assets	(4)	—
Other	(1)	(3)
Total	**(15)**	**(611)**

The breakdown of payments for the acquisition of equity instruments at 31 December 2024 and 2023 is as follows:

	2024	**2023**
Naturgy Energy Group, S.A. treasury shares (Note 14)	—	(10)
Amortization of subordinated obligations (Note 14)	(500)	—
Other	(10)	(10)
Total	**(510)**	**(20)**

Movements in borrowings in 2024 and 2023 are set out below. Changes that generate cash flows are disclosed separately from those that do not:

		Generates cash flow		**Does not generate cash flow**		
	01.01.2024	Increase	Decrease	Currency translation differences	Transfers and other	**31.12.2024**
Issuing of debentures and other negotiable obligations	7,629	1,195	(2,319)	(79)	(7)	6,419
Borrowings from financial institutions	6,863	4,246	(1,148)	11	25	9,997
Derivative financial instruments	6	—	—	—	27	33
Lease liabilities	1,463	—	(117)	48	168	1,562
Other financial liabilities	9	3	(1)		—	11
Total (Note 17)	**15,970**	**5,444**	**(3,585)**	**(20)**	**213**	**18,022**

		Generates cash flow		**Does not generate cash flow**		
	01.01.2023	Increase	Decrease	Currency translation differences	Transfers and other	31.12.2023
Issuing of debentures and other negotiable obligations	8,203	—	(655)	38	43	7,629
Borrowings from financial institutions	6,571	1,869	(1,693)	(95)	211	6,863
Derivative financial instruments	25	—	—	—	(19)	6
Lease liabilities	1,486	—	(137)	(33)	147	1,463
Other financial liabilities	16	—	(3)	(4)	—	9
Total (Note 17)	**16,301**	**1,869**	**(2,488)**	**(94)**	**382**	**15,970**

Note 32. Business combinations

Year 2024

No business combinations arose in 2024 (Note 2.4.1.d.).

Year 2023

Acquisition of ASR Wind

On 3 August 2023, through its subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in ASR Wind, S.L., which heads a group of nine companies (Parque Eólico Pujalt, S.L., Parque Eólico del Magre, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L.) which, in turn, hold an interest in two companies (SET Veciana, S.L. and SEC Valcaire, S.L.). This group of companies has a total of 422 MW distributed across 12 wind farms operating in Spain, diversified among various high-value locations in terms of wind and solar resources close to existing Naturgy operations (Castilla-La Mancha, Castilla y León, Catalonia, Andalusia and Galicia).

The cost of the business combination amounted to Euros 558 million. The goodwill, amounting to Euros 128 million, was calculated as the difference between the acquisition cost and the fair value of the identifiable assets and liabilities on the transaction date.

Purchase price	558
Fair value of net assets	430
Goodwill (Note 5)	**128**

	Fair value	Carrying amount
Intangible assets (Note 5)	50	18
Property, plant and equipment (Note 6)	652	174
Right-of-use assets (Note 7)	18	18
Non-current financial assets	17	17
Deferred tax assets (Note 21)	13	13
Trade and other receivables	11	11
Current financial assets	6	6
Cash and cash equivalents	82	82
Total Assets	**849**	**339**
Provisions	22	22
Non-current financial liabilities	180	180
Deferred tax liability (Note 21)	142	14
Other non-current liabilities	19	19
Current financial liabilities	35	35
Trade and other payables	20	20
Other current liabilities	1	1
Total Liabilities	**419**	**291**
Fair value of net assets acquired	**430**	**48**
Purchase price	558	
Cash and other equivalent liquid assets in the acquired subsidiary	(82)	
Net acquisition cost	**476**	

The net assets were measured in accordance with the following methodology:

- The projects were measured using the discounted cash flow for the investor, based on Level 3 input data, as these data were not observable in the market.
- Measurement was performed on the basis of the required return on the investment.
- A pipeline of solar hybridisations up to 435 MWp at an advanced stage of development was taken into account. Most such projects already have land and interconnection permits and will be operational in 2025.
- At the end of the useful life of the existing wind turbines, repowering them is considered.
- The revenues that guarantee profitability for the remaining regulatory period and estimated market prices for the remaining life of the operating assets and for hybridisation and repowering projects have been taken into account.
- The transaction represented an enterprise value of Euros 650 million for 100% of the holding company of the operating companies.

As part of the purchase price allocation process, assets that could be remeasured were identified from the balance sheets of the acquired companies as at the acquisition date. These were: intangible assets with an additional value of Euros 32 million, representing value that could be created by the hybridisation projects; tangible assets with an additional value of Euros 478 million, based on the installed capacity of wind farms operated by the acquirees (422 MW); and the repowering projects. Deferred tax liabilities were also recognised in connection with the remeasurement, since the goodwill recognised as a balancing entry is not expected to be deductible.

The consolidated profit contributed over the period since the acquisition date came to Euros 13 million. Acquisition costs recorded as expenses for the year amounted to Euros 3 million. If the acquisition had taken place on 1 January 2023, consolidated revenue, gross operating profit and consolidated profit attributable to equity holders of the parent company for the period would have changed by Euros 46 million, Euros 35 million and Euros 16 million, respectively.

As indicated in Note 2.4.1.d., on 30 November 2023 the merger of the acquired group of companies headed by ASR Wind, S.L. (with accounting effects from 3 August 2023, the date of acquisition of these companies) with Naturgy Vento, S.A.U. (named Energías Especiales Alcoholeras, S.A. until 28 June 2023) was registered.

Note 33. Service concession agreements

Naturgy manages a number of concessions containing provisions for the construction, operation and maintenance of facilities, as well as connection and power supply obligations during the concession period, in accordance with applicable regulations (Appendix IV). The total concession period and the period remaining to expiration of each time-limited concession are shown below:

Company	Activity	Country	Concession period (years)	Initial remaining period (years)
Gas Natural BAN, S.A.	Gas distribution	Argentina	35 (extendable 10)	3
Gasnor, S.A.	Gas distribution	Argentina	35 (extendable 10)	3
Energía San Juan S.A.	Electricity distribution	Argentina	60	32
Companhia Distribuidora de Gás do Río de Janeiro, S.A, Ceg Rio, S.A. y Gas Natural Sao Paulo Sul, S.A.	Gas distribution	Brazil	30 (extendable 20/30)	3-6
Unión Fenosa Generadora Torito, S.A.	Hydraulic power generation	Costa Rica	20	up to 7
Naturgy Generación S.L.U., S.A. and Naturgy Renovables, S.L.	Hydraulic power generation	Spain	14-65	up to 39
Naturgy México S.A. de C.V. and Comercializadora Metrogas S.A. de C.V.	Gas distribution	Mexico	30 (extendable 15)	3-14
Empresa Distribuidora de Electricidad Metro Oeste, S.A. and Empresa Distribuidora de Electricidad Chiriqui, S.A.	Electricity distribution	Panama	15	4

Under the terms of the Concession signed in 2003 with the Government of Costa Rica, Unión Fenosa Generadora's La Joya hydraulic power generation concession expired on 30 June 2023.

In accordance with the provisions of the current regulatory framework, in October 2024 Naturgy exercised its right to request an extension of the distribution licence in Argentina for an additional period of twenty years (Appendix. II Regulatory Framework 3.1.4.3).

As indicated in Note 2.4.3.b, Naturgy applies IFRIC 12 “Service concession arrangements”. The intangible asset model is applicable mainly to the gas distribution activities in Argentina and Brazil, and to the electricity distribution activity in Argentina, while the financial asset model applies to the electricity generation business in Costa Rica.

The hydroelectric power plant concessions in Spain (Note 2.4.4.) fall outside the scope of IFRIC 12, among other reasons because power selling prices are set in the market. The other international concessions fall outside the scope of IFRIC 12 because the grantor does not control a significant residual interest in the infrastructure at the concession end date and simultaneously determines the service price. Concession assets continue to be recognised in “Property, plant and equipment”.

Note 34. Information on transactions with related parties

For the purposes of this section, related parties are as follows:

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

  On the basis of that definition, Naturgy's significant shareholders are as follows:
  - Fundación Bancaria Caixa d’Estalvis i Pensions de Barcelona, “la Caixa”, through Criteria Caixa S.A.U. (Criteria)
  - BlackRock Inc., mainly through GIP III Canary 1, S.à.r.l. (BlackRock)
  - CVC Capital Partners SICAV-FIS, S.A., through Rioja Acquisitions, S.à.r.l. (CVC)
  - IFM Global Infrastructure Fund, through Global InfraCo O (2), S.à.r.l. (IFM)

– Directors and senior management of the company and their immediate family members. The term “director” means a member of the Board of Directors and the term “senior management” refers to the Executive Chairman in relation to his executive functions and the persons with senior management functions who report directly to the Board of Directors and its committees or to the Executive Chairman. Transactions with directors and members of senior management are disclosed in Note 35.

– Transactions between Group companies form part of ordinary activities and are effected on an arm's-length basis. Group company balances include the amount that reflects Naturgy's share of the balances and transactions with companies recognised under the equity method.

The aggregate amounts of transactions with related parties are follows (thousand euro):

2024	**Significant shareholders**				**Directors**	**Group companies**
Expense and Income (thousand euro)	Criteria	CVC	BlackRock	IFM		
Financial expenses	—	—	—	—	—	76
Leases	—	—	—	—	—	4
Receipt of services	—	—	—	—	—	1,551
Purchase of goods (1)	—	—	—	—	—	74,943
Other expenses	—	—	—	—	—	—
Total expenses	**—**	**—**	**—**	**—**	**—**	**76,574**
Financial income	—	—	—	—	—	909
Leases	—	—	—	—	—	—
Provision of services	—	—	—	—	—	—
Sale of goods (1)	994	1,059	—	887	—	78,589
Other revenues	—	—	—	—	—	1,942
Total income	**994**	**1,059**	**—**	**887**	**—**	**81,440**

(1) Basically includes purchases and sales of energy, mainly to/from Qalhat LNG S.A.O.C., Sociedad Galega do Medio Ambiente, S.A. and CH4 Energía S.A. de C.V.

	Significant shareholders				**Group companies**
Other transactions (thousand euro)	Criteria	CVC	BlackRock (2)	IFM	
Acquisition of property, plant and equipment, intangible assets or other assets	—	—	—	—	—
Finance agreements: loans and capital contributions (lender)	—	—	—	—	—
Dividends and other profits distributed (1)	362,544	281,201	280,193	212,387	—

(1) Dividends received by the Directors and senior management (Note 35) during the 2024 amounted Euros 241 thousands.
(2) Dividends received through the participation of GIP III Canary 1, S.à.r.l.

	Significant shareholders				**Directors**	**Group companies**
Trade debtors and creditors (thousand euros)	Criteria	CVC	BlackRock	IFM		
Trade and other receivables	226	16	—	41	—	813
Trade and other payables	—	—	—	—	—	7,642

2023 Expense and Income (thousand euro)	Significant shareholders Criteria	CVC	GIP	IFM	**Directors**	**Group companies**
Financial expenses	—	—	—	—	—	125
Leases	—	—	—	—	—	4
Receipt of services	—	—	—	—	—	1,483
Purchase of goods (1)	—	—	—	—	—	70,527
Other expenses	—	—	—	—	—	—
Total expenses	**—**	**—**	**—**	**—**	**—**	**72,139**
Financial income	—	—	—	—	—	1,031
Leases	—	—	—	—	—	—
Provision of services	—	—	—	—	—	—
Sale of goods (1)	954	1,924	—	962	—	68,745
Other revenues	—	—	—	—	—	1,877
Total income	**954**	**1,924**	**—**	**962**	**—**	**71,653**

(1) Basically includes purchases and sales of energy, mainly to/from Qalhat LNG S.A.O.C., Sociedad Galega do Medio Ambiente, S.A. and CH4 Energía S.A. de C.V.

Other transactions (thousand euro)	Significant shareholders Criteria	CVC	GIP	IFM	**Group companies**
Acquisition of property, plant and equipment, intangible assets or other assets	—	—	—	—	—
Finance agreements: loans and capital contributions (lender)	—	—	—	—	—
Dividends and other profits distributed (1)	388,440	301,287	300,207	212,184	—

(1) Dividends received by the Directors and senior management (Note 35) during the 2023 amounted Euros 254 thousands.

Trade debtors and creditors (thousand euros)	Significant shareholders Criteria	CVC	GIP	IFM	**Directors**	**Group companies**
Trade and other receivables	196	29	—	107	—	2,479
Trade and other payables	—	—	—	—	—	4,973

Note 35. Information on members of the Board of Directors and senior management

Remuneration of the members of the Board of Directors

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

The amount accrued by the members the Board of Directors of Naturgy Energy Group, S.A., for belonging to the Board of Directors, Audit and Control Committee (ACC), Appointments, Remuneration and Corporate Governance Committee (ARGC) and Sustainability Committee (SC), totalled Euros 3,737 thousand (Euros 3,737 thousand in 2023). The amount for 2024 is detailed below (expressed in euros):

	Position	Board	ACC	ARGC	SC	Total
Mr. Francisco Reynés Massanet	Executive Chairman	1,100,000				1,100,000
Ms. Helena Herrero Starkie	Coordinating Director	205,000	44,000		66,000	315,000
Mr. Ramón Adell Ramón	Director	175,000	44,000			219,000
Mr. Enrique Alcántara-García Irazoqui	Director	175,000		44,000		219,000
Ms. Isabel Estapé Tous	Director	175,000			44,000	219,000
Ms. Lucy Chadwick	Director	175,000			44,000	219,000
Mr. Rajaram Rao	Director	175,000		44,000		219,000
Mr. Claudi Santiago Ponsa	Director	175,000	66,000	44,000		285,000
Mr. Pedro Sainz de Baranda Riva	Director	175,000	44,000	66,000		285,000
Mr. Jaime Siles Fernández-Palacios	Director	175,000			44,000	219,000
Rioja S.à.r.l, Mr. Javier de Jaime Guijarro	Director	175,000		44,000		219,000
Mr. José Antonio Torre De Silva López de Letona	Director	175,000	44,000			219,000
		3,055,000	**242,000**	**242,000**	**198,000**	**3,737,000**

In 2024, as in 2023, no amounts were received for other items.

At 31 December 2024, the Board of Directors comprised 12 members (12 members at 31 December 2023), the Audit and Control Committee had 5 members (5 members at 31 December 2023), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members at 31 December 2023) and the Sustainability Committee had 4 members (4 members at 31 December 2023).

The members of the Board of Directors of Naturgy Energy Group, S.A., excluding the Executive Chairman, have not received remuneration from profit sharing, bonuses or indemnities, and have not been granted any loans or advances. Neither have they received shares or share options during the year, they have not exercised options and they do not have unexercised options.

The members of the Board of Directors are covered by the same liability policy that insures all directors and executives of Naturgy. The premium paid in 2024 by Naturgy Energy Group, S.A. amounted to Euros 519 thousand (Euros 673 thousand in 2023).

Senior management remuneration

For the sole purposes of the information contained in this section, the term "senior management" is understood to include the Executive Chairman in relation to his executive functions, and the executives reporting directly to the Board of Directors, its committees and the Executive Chairman.

As a result of the definition established in the preceding paragraph, as at 31 December 2024, this group comprised 17 people (11 people as at 31 December 2023).

The fixed remuneration, variable remuneration and other items accrued in 2024 by the 17 members comprised as senior management amounted to Euros 14,382 thousand (Euros 7,328 thousand, Euros 6,759 thousand and Euros 295 thousand, respectively) and Euros 11,504 thousand by the 11 members comprised as senior management in 2023 (Euros 5,650 thousand, Euros 5,608 thousand and Euros 246 thousand, respectively). As in 2023, the amount relating to the annual variable remuneration of the Executive Chairman will be settled as a voluntary contribution to his retirement plan, in accordance with the terms of the relevant agreement

During 2024, the executives making up senior management did not receive any advances on the long-term variable incentive plan (Euros 103 thousand in 2023). Share-based payments are detailed in Note 14.

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 1,923 thousand in 2024 (Euros 1,657 thousand in 2023). The funds accrued by all executives for these contributions, amount to Euros 32,913 thousand as at 31 December 2024 (Euros 25,873 as at 31 December 2023 for the 11 members comprised then as senior management).

As at 31 December 2024, Naturgy has granted guarantees on loans to senior management amounting to Euros 1,115 thousand (Euros 1,115 thousand at 31 December 2023) and advances amounting to Euros 29 thousand (there were no balances for advances as at 31 December 2023). No indemnities were received for departures from the Management Committee in 2024 (none in 2023).

The Chairman's contract was approved by the Board of Directors on 6 February 2018 and, in line with the Director Remuneration Policy approved by the General Meeting of Shareholders on 28 March 2023 provides for a severance payment in the event of termination or non-renewal of his position as director in the amount of two annuities of his total remuneration: the total fixed remuneration, the annual variable remuneration and the annualised part of the long-term remuneration (equivalent to 1.25 times the total fixed remuneration). The indemnity will not be payable in the event of the serious and culpable nonfulfillment of his professional obligations causing significant harm to Naturgy's interests. In addition, as consideration for a post-contractual no-competition agreement with a duration of one year, an indemnity equivalent to one year's full fixed remuneration is provided for.

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

Transactions with members of the Board of Directors and senior management

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

In 2024 and 2023, the directors of Naturgy Energy Group, S.A. did not notify the Board of Directors of any general situation of conflict of interest.

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

In 2024 or 2023, the members of the Board of Directors and senior management did not carry out related-party transactions outside the ordinary course of business, or transactions conducted other than on an arm's-length basis, with Naturgy Energy Group, S.A. or group companies.

Note 36. Litigation, arbitration, guarantees and commitments

Litigation and arbitration

The companies in the Naturgy Group are involved in certain judicial and extrajudicial disputes within the ordinary course of their activities. At the date of preparation of these consolidated annual accounts, the main litigation or arbitration in which Naturgy companies are involved are the following:

Claims for PIS and COFINS taxes in Brazil

In September 2005, the Río de Janeiro Tax Administration annulled the recognition that it had previously issued, in April 2003, for the offset of receivables in respect of PIS and COFINS sales taxes paid by Companhia Distribuidora de Gás do Rio de Janeiro - CEG, in which Naturgy holds an interest of 54.2%. The administrative court confirmed that ruling in March 2007 and, consequently, the company filed a contentious-administrative appeal (Justicia Federal do Rio de Janeiro). Subsequently, notification of a public civil action against CEG relating to the same events was received on 26 January 2009.

In November 2015, the Rio de Janeiro Federal Justice Department issued a first instance ruling partially upholding CEG's appeal, ordering the refund and the payment of the tax debt plus costs in the amount of BRL 105 million (Euros 16 million) and rejecting the imposition of default interest and fines. The ruling was appealed by the Federal Treasury of Brazil and by CEG before the Federal Court of Rio de Janeiro (Chamber of Appeal). On 5 October 2022, during a hearing before the fourth specialised chamber of the Federal Regional Court, one of the judges involved requested a more detailed examination of the records of the case, thereby delaying the judgment.

On 6 December 2023, this Federal Regional Court (Court of Appeals) issued a judgment confirming the 2015 first-instance ruling in connection with CEG for the principal amount plus the interest. This decision may be appealed against before the Court itself and the Supreme Court. Both the company and the Administration have appealed this ruling, so that the final award might be either higher or lower. Since the first two rulings were aligned, it is considered that the possibility of an increase or decrease in the award is remote and that the rulings are likely to be upheld. As at 31 December 2024, the updated amount is BRL 408 million, equivalent to Euros 63 million (Euros 74 million as at 31 December 2023). The likely outflow of funds in relation to this case will depend on the length of time that the appeal takes.

Claim against Metrogas, S.A.

In 2011 and 2015, Transportadora de Gas del Norte S.A. (TGN) lodged various complaints against Metrogas, S.A. (Metrogas), a Chilean company owned 55.6% by Naturgy, before the civil and commercial courts of first instance in Argentina for alleged breach of contract in the transportation of Argentinian gas to Chile during the Argentina gas crisis.

In April 2017, Metrogas received judicial notice of the joinder of claims, meaning that the total amount claimed by TGN stood at USD 227 million (Euros 219 million) plus interest.

On 4 August 2022, Metrogas received a first instance ruling ordering it to pay TGN approximately USD 250 million (Euros 241 million) for unpaid invoices and early termination of contracts (loss of earnings), plus costs and interest.

Following Metrogas's appeal against the first-instance ruling, on 7 May 2024, Argentina's Federal Civil and Commercial Court granted the appeal in its entirety, revoking the first-instance ruling and exonerating Metrogas. Subsequently, TGN filed extraordinary appeals, which were dismissed during the second half of the year. However, on 6 December 2024, TGN filed an extraordinary appeal with the Supreme Court of Justice of the Nation, so that, as of 31 December 2024, the judgment is not considered final.

As at 31 December 2024, Naturgy maintains and has updated a provision in the form of a reduction in the balance as at 31 December 2023 (Euros 313 million) based on the assessment of the changes that occurred during the first half of 2024 described in the preceding paragraph.

It is considered that disclosing further information on this matter might seriously impair Naturgy's position in the ongoing dispute with TGN and, therefore, it was decided to make the minimum disclosures required by IAS 37.92 for such cases.

Arbitration proceedings involving the Group

The group is regularly engaged in arbitration proceedings, normally within the framework of its gas procurement and sale contracts, price reviews or volume differences, which, due to the amounts involved and the duration of the proceedings themselves, can represent material amounts.

Arbitration with EDP

On 28 June 2024, a New York-based arbitral tribunal issued an award establishing that Naturgy must indemnify EDP for a net amount of USD 195 million (EUR 184 million) plus interest and a portion of the arbitration costs. The arbitral ruling relates to the now concluded contract whereby EDP delivered liquefied natural gas from Trinidad and Tobago to Naturgy and Naturgy, in turn, delivered an equivalent volume of gas to EDP in the Iberian Peninsula.

In August 2024, Naturgy paid EDP a total of USD 248 million (Euros 229 million) in accordance with the award and, consequently, no provision is recognised in this connection as at 31 December 2024. The aforementioned amount was recognised in consolidated profit and loss for 2024 as follows: Euros -235 million of compensation to EDP in "Other results"; Euros -46 million in "Financial expenses" for interest accrued until the date of payment; arbitration expenses of Euros -3 million in "Other operating expenses"; Euros 23 million of revenue in "Net sales" for indemnities received from EDP; and Euros 28 million of invoices that were outstanding in relation to the contract, recognised as a reversal of provision in "Impairment for credit losses"; plus Euros 4 million for exchange rate differences.

In September 2024, Naturgy filed a lawsuit before a New York court seeking the annulment of the aforementioned award, which was subsequently withdrawn voluntarily in order to pursue the claim or mitigate damages by other means. Consequently, Naturgy considers that the matter is still ongoing. Disclosure of the details of the new actions might seriously impair Naturgy's position with respect to the resolution of this dispute and, consequently, the disclosure in these consolidated annual accounts complies with the minimum description covered by IAS 37.92 for this type of case.

As at 31 December 2023, based on the evidence available at that time, Naturgy had concluded that the likelihood of an outflow of funds to settle the obligation was remote. Therefore, no provision was recorded for this matter at that date, except for an amount of Euros 28 million for invoices outstanding from EDP in relation to the same contract.

Arbitration with Endesa

During 2024, favourable awards were issued to Naturgy in respect of the two arbitrations with Endesa in relation to the contracts for the supply of gas for electricity generation, already concluded, and for the purchase and sale of liquefied natural gas, currently in force.

In the first half of the year, the arbitration relating to the generation supply contract was resolved, which led to the recognition of reversals of provisions existing at 31 December 2023 in the amounts of Euros 31 million and Euros 12 million, with an impact on "Net sales" and "Impairment of credit losses", respectively, plus the recovery of Euros 2 million in arbitration costs.

During the second half of 2024, as a result of the ruling related to the liquefied natural gas sales contract, a positive effect of Euros 8 million was recognised in "Net sales" due to the reversal of the provision existing at 31 December 2023.

As at 31 December 2024, there are no other arbitration proceedings in progress that would require a provision to be recognised, nor is there any contingent liability.

Environmental incentive for coal plants in Spain

In 2007, the Spanish authorities introduced an environmental incentive to support the installation of new sulphur oxide filters in existing coal plants. In November 2017, the European Commission opened an investigation to determine whether this incentive complied with the European Union's state aid rules. As a result, a provision of Euros 19 million was recorded only for the amounts received from November 2017 onwards, leaving aside the sum of Euros 67 million relating to the period prior to 2017 when the Royal Decree was not in force.

On 8 September 2021, the European General Court ruled against the action for annulment brought by Naturgy against the Commission's decision. An appeal in cassation against this ruling was lodged with the legal authorities. A judgement confirming the European General Court's ruling from 2021 is considered to be likely, which would require the repayment of all the aid that was received.

On 14 December 2023, the Court of Justice of the European Union upheld Naturgy's appeal against the judgment of the General Court. The judgment is based on purely formal grounds and, in particular, states that the decision to open the investigation is not sufficiently reasoned.

This risk continues to be classified as probable, pending the Commission's decision on the instigation of new proceedings, since the European Court of Justice's decision does not rule on the merits of the case but only on the lack of proper grounds for bringing the case.

At 31 December 2024, the risk associated with this case was provisioned under "Non-current provisions" in the amount of Euros 102 million (Euros 97 million at 31 December 2023) (Note 16).

Permits for renewable generation facilities in Spain

The permits for certain renewable wind and solar generation facilities in Spain that are under construction or completed have been appealed before the courts and their viability might be affected in the event that the appeals are upheld. For cases where the risk is considered likely to materialise, an impact of Euros 26 million has been estimated (Euros 15 million as at 31 December 2023).

For the remaining cases, the risk is not considered likely to materialise, although a maximum associated impact of Euros 100 million has been estimated (Euros 227 million as at 31 December 2023). The assessment of this risk was reduced after the final rulings in Naturgy's favour in 2024 in relation to the appeals that had been filed against the authorisations for the Los Barrancs, Punta Redonda and Tres Termes wind farms that the Group owns in the province of Tarragona and the Puerto del Rosario wind farm in Fuerteventura.

Electricaribe

On 14 November 2016 the Superintendence for Residential Public Services of the Republic of Colombia ("the Superintendence") announced the government take-over of Electricaribe, a Naturgy investee, as well as the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence. On 14 March 2017 the Superintendence announced the decision to liquidate Electricaribe. On 22 March 2017, Naturgy initiated arbitration proceedings before the Court of the United Nations Commission for International Trade Law (UNCITRAL) and on 15 June 2018 it lodged a complaint in which it claimed approximately USD 1,600 million. On 4 December 2018, the Republic of Colombia submitted its answer to the complaint and filed a counterclaim for approximately USD 500 million. In March 2021, an arbitration award was issued rejecting the claims of both Naturgy and the Colombian State (Note 9).

Several Colombian government agencies have brought administrative and judicial procedures against the Naturgy group or its employees on behalf of Electricaribe, including the Public Prosecutor's Office, the Superintendence for Public Services and the Superintendence for Companies.

Contested withholding tax assessments

On 7 July 2023, assessments were received in respect of withholdings on account of non-resident income tax for the period 2018-2020 amounting to Euros 191 million, including interest; those assessments are being disputed and an administrative-financial appeal has been filed with the Central Economic-Administrative Court. As at 31 December 2024, it is believed that the risk in those matters is not likely to materialise.

Tax-related claims in other countries

At 31 December 2024, Naturgy has filed various claims related to taxes or duties with the authorities in countries in which it operates. The risks believed likely to materialise in this connection are estimated at Euros 72 million (Euros 70 million as at 31 December 2023). The timing of the outflow of funds will depend on the evolution of the administrative and judicial proceedings, in which there has been no significant progress compared to the situation at the end of the previous year.

It is considered that disclosing further information on these claims could seriously impair Naturgy's position in the ongoing disputes with the relevant counterparties and, therefore, it was decided to make the minimum disclosures required by IAS 37.92 for such cases.

Complaint by Spain's National High Court against Naturgy Generación S.L.U.

During the first half of 2024, the Public Prosecutor's Office of Spain's National High Court (Audiencia Nacional) filed a complaint against Naturgy Generación S.L.U. in connection with an alleged crime in the bids made by the Sabón 3 combined cycle thermal power plant between March 2019 and December 2020.

As at 31 December 2024, notice had been received only of the order accepting the complaint for processing, two employees had testified, and no other judicial action has been taken; accordingly, it is impossible to estimate the risk or possible monetary impact. Nevertheless, it is not considered likely to materialise.

Disciplinary proceedings against UFD Distribución Electricidad S.A.

As at 31 December 2024, the Spain's National Commission for Markets and Competition (CNMC) had two disciplinary proceedings under way for alleged abuse of dominant position by group company UFD Distribución Electricidad S.A. in connection with the rental of meters to certain customers and with alleged discrimination in the treatment of electricity supply companies.

During the second half of 2024, and as a result of developments in the proceeding and the receipt of new information of relevance, Naturgy revised its assessment of the potential penalty. Based on the new evidence, the likely economic obligation was estimated at Euros 20 million and recognised as at 31 December 2024.

The Group continues to closely monitor developments in this disciplinary proceeding and will assess any new information that may arise, adjusting the provision, if necessary, in the financial statements of future years.

Naturgy's consolidated balance sheet as at 31 December 2024 includes provisions for litigation, based on the best estimate made using the information available at the date of preparation of these consolidated annual accounts on their progress and ongoing negotiations, which cover the estimated risks. Naturgy therefore considers that no significant liabilities will arise from the risks described in this section of this Note.

Guarantees

Guarantees furnished by Naturgy as at 31 December 2024 and 2023 are as follows:

- Guarantees provided to third parties, basically for investment commitments, construction and distribution network expansion, tenders, bids and business contracts amounting to Euros 1,978 million (Euros 1,713 million at 31 December 2023).
- Guarantees relating to the economic obligations resulting from its participation in the Spanish gas system (MIBGAS) and the Spanish electricity system (MEFF and OMIE) for Euros 582 million (Euros 747 million as at 31 December 2023).
- Guarantees provided to public bodies, mainly for tax obligations, amounting to Euros 313 million (Euros 308 million as at 31 December 2023).
- Guarantees for debt issues by group companies Natural Finance, B.V. and Unión Fenosa Preferentes, S.A.U. totalling Euros 6,461 million (Euros 8,115 million as at 31 December 2023).
- Guarantees for obligations under gas purchase and transport contracts and long-term (20 to 25 years) gas tanker chartering contracts of group companies Naturgy LNG Marketing Ltd, Naturgy LNG GOM Limited and Naturgy Aprovisionamientos, S.A. At 31 December 2024, these contracts amount to Euros 6,722 million (Euros 7,693 million as at 31 December 2023) measured on the basis of current market conditions for the commodities and currencies to which they are linked.
- Parent Company Guarantees (PCGs) associated with the derivative instruments arranged for a total amount of Euros 1,381 million (Euros 1,308 million as at 31 December 2023).

As the above guarantees are basically granted in order to guarantee the fulfilment of contractual obligations or investment commitments, the events that would lead to their execution and, consequently, a cash disbursement would be the nonfulfillment by Naturgy of its obligations in the ordinary course of its business, the probability of which is considered remote. Naturgy estimates that the unforeseen liabilities at 31 December 2024, if any, that might arise from guarantees furnished would not be material.

Contractual commitments

The following tables present the contractual commitments for purchases and sales as at 31 December 2024 (million euros):

		31.12.2024					
Acquisition	Total	2025	2026	2027	2028	2029	and later years
Energy purchases (1)	45,269	6,385	4,405	4,096	3,877	3,596	22,910
Energy transmission (2)	2,746	542	501	473	392	347	491
Investment (3)	433	374	53	3	1	1	1
Nuclear fuel purchases	49	30	19	—	—	—	—
Total contractual obligations	**48,497**	**7,331**	**4,978**	**4,572**	**4,270**	**3,944**	**23,402**

		31.12.2024					
Sale	Total	2025	2026	2027	2028	2029	and later years
Energy sales (4)	14,249	2,458	1,369	1,347	1,306	1,266	6,503
Provision of capacity assignment services (5)	1,851	410	346	287	171	89	548
Total contractual obligations	**16,100**	**2,868**	**1,715**	**1,634**	**1,477**	**1,355**	**7,051**

(1) Basically reflects the long-term commitments for natural gas purchases under gas supply contracts with take or pay clauses negotiated and held for "own use" (Note 2.4.8). These contracts are generally for 20-25 years, set a minimum amount of gas to be purchased, and provide mechanisms for price revisions indexed to international natural gas prices and the prices of natural gas in the countries to which the gas is shipped. The commitments under these contracts were calculated on the basis of natural gas prices as at 31 December 2024.

(2) Reflects the long-term commitments for gas transport and electricity transmission calculated on the basis of prices at 31 December 2024. It also reflects operating costs identified for charter contracts for gas tankers under finance leases for the tankers currently in operation.

(3) It reflects investment commitments basically for the construction of renewable generation plants in Spain, USA and Australia, the development of the distribution network and other gas infrastructures and the development of the electricity distribution network (Notes 5 and 6).

(4) It basically reflects long-term commitments to sell natural gas under gas sale contracts, containing take-or-pay clauses, negotiated and held for "own use" (Note 2.4.8). Calculated on the basis of natural gas prices at 31 December 2024.

This also includes long-term commitments to sell electricity, calculated on the basis of prices at 31 December 2024.

(5) It reflects service provision commitments under power generation capacity assignment contracts in Mexico (Note 2.4.23). The commitments made in these contracts were calculated on the basis of prices at 31 December 2024.

Note 37. Auditors' fees

Total fees for auditing and related services and other services in 2024 amounted to Euros 7,057 thousand (Euros 5,078 thousand in 2023).

The fees accrued in thousand euro by companies trading under the KPMG brand in 2024 and 2023 are as follows:

	Thousand euro					
	2024			2023		
	KPMG Auditores, S.L.	Rest KPMG network	**Total**	KPMG Auditores, S.L.	Rest KPMG network	**Total**
Auditing services (1)	2,359	2,180	**4,539**	2,079	1,887	**3,966**
Assurance services and services related to the audit (1)	302	569	**871**	265	315	**580**
Tax services	—	295	**295**	—	168	**168**
Other services	210	1,004	**1,214**	—	306	**306**
Total fees	**2,871**	**4,048**	**6,919**	**2,344**	**2,676**	**5,020**

Additionally, other audit firms have provided various Group companies with audit services amounting to Euros 138 thousand in 2024 (Euros 58 thousand in 2023).

Note 38. Environment

Environmental actions

Naturgy is aware of its activities' environmental impacts and, consequently, the Group pays particular attention to the protection of the environment and the efficient use of natural resources to meet energy demand. The Global Sustainability Policy defines Naturgy's environmental action around eco-efficiency, the rational use of natural and energy resources, the minimisation of environmental impact, the promotion of innovation and the use of the best available technologies and processes. It also establishes Naturgy's voluntary commitment to be a key player in the energy transition towards a circular, decarbonised economy model which, in line with the objectives of the Paris Agreement, drives climate action and biodiversity protection while promoting a fair and inclusive transition by generating and improving employment opportunities.

Naturgy's most immediate, concrete and measurable responsibility towards the environment is set out in the Sustainability Plan, based on the Strategic Plan 2025-2027. The Sustainability Plan establishes the objectives that guide the Group in its daily performance, in line with the applicable regulations, the European Sustainability Reporting Standards (ESRS) and the priorities defined in Naturgy's strategy.

Looking farther ahead, the Group is committed to investing today in sustainable activities, many of which are eligible under the European Taxonomy:

- Constructing new renewable generation facilities to reach an installed capacity of 9.5 GW by 2027.
- Focusing on carbon-neutral renewable gases with a target of injecting at least 1.6 TWh into gas networks in Spain by 2027.
- Protecting biodiversity, which is partly affected by the climate challenge, and overcoming the risk of a net loss of natural capital as a strategic priority,

Naturgy is committed to being one of the key players in the energy transition towards a circular, decarbonised economy, in line with the goals of the Paris Agreement.

To this end, Naturgy will focus on six strategic environmental axes:

- Environmental governance and management.
- Climate change
- Pollution
- Water resources
- Biodiversity and ecosystems
- Resource use and circular economy

Although the 2024 Consolidated Non-financial Consolidated Information Statement and Sustainability Reporting contains detailed information on the company's environmental management performance and results, the main milestones are summarised below.

<u>Environmental governance and management</u>

- In 2024, the Environmental Policy was updated and integrated into the new Sustainability Policy. Additionally, the new Sustainability Plan 2025-2027 was been drawn up, aligned with Naturgy's new Strategic Plan, and sets the environmental objectives for this period.
- Naturgy maintains its ISO 14001 certification and no major environmental non-conformities have been disclosed in this connection.
- Both climate-related and nature-related risks have been assessed using the voluntary TCFD (Task Force on Climate-related Financial Disclosures) and TNFD (Taskforce on Nature-related Financial Disclosures) frameworks, respectively.

Climate change

- At a meeting on 18 February 2025, the Board of Directors approved the Climate Transition Plan, which establishes the lines of action that Naturgy will pursue in the medium and long term to mitigate and adapt to climate change. In this regard, the company is committed to achieving net zero emissions (Net Zero) by 2050, considering all carbon footprint scopes and prioritising 1.5ºC reduction pathways where feasible, subject to the energy and regulatory policy of each of the countries where it operates, establishing intermediate emission reduction targets and minimising the use of offset mechanisms.

- In 2024, the total carbon footprint (scopes 1, 2 and 3) was increased by 4.2% compared with 2023. Scope 1 emissions (direct emissions) amounted to 11.5 million tCO_2eq, 7.9% lower than in the previous year, mainly due to the lower operation of the Group's combined cycle power plants (net reduction of scope 1 emissions 2.8% in electricity generation compared to 2023, mainly in Spain). The weather in Spain in 2024 meant that it was a good year for renewable generation, leading to a reduction in the activity of combined cycle plants, which act as a back-up for hydroelectric and wind power generation, in comparison with 2023, which was a particularly dry year. Indirect scope 2 emissions amounted to 0.5 million tCO_2eq, an increase of 14% and Scope 3 emissions amounted to 107.5 million tCO_2eq. The latter increased by 5.6% for several reasons, mainly the increase in end-user demand for natural gas and in the volume of LNG sold internationally..

- Renewable gases (biomethane and hydrogen) are the key lever for decarbonising Naturgy's gas business. In 2024, the Group was involved in biomethane projects, reaching a production and/or grid injection capacity of 0.348 TWh.

- 7,796GWh of renewable electricity was supplied in Spain with guarantees of origin certified by the CNMC for more than 2.2 million contracts, representing 46% of the energy purchased and and decrease of 27% over the previous year.

- 18.496 MWh of biomethane with renewable gas guarantees of origin, either in-house or purchased on the market, were supplied in Spain.

- Fuel consumption decreased by 9%% due to the reduced operation of combined cycle power plants.

Water resources

- Water is a natural resource used in the Group's processes to which particular attention is paid, through analyses of the risks related to water use, discharge quality control, ecological reservoir management, eco-efficiency and the reuse of water in processes, for instance through the integration of wastewater from other activities. Overall, 768.7 hm^3 were collected, of which 16.5 hm^3 were returned to the environment in the form of discharges. In absolute terms, water consumption was reduced by 3.2% in 2024. This was due to the fact that the weather in Spain was favourable for renewable generation, with the result that the combined cycle plans, which act as a back-up for hydroelectric and wind power generation, operated for fewer hours than in 2023, which was a particularly dry year.

Biodiversity and ecosystems

- In 2024, Naturgy undertook numerous actions in the area of natural capital and biodiversity, all with the aim of preventing, reducing or offsetting our impacts so as to advance with our commitment to zero net loss of biodiversity and the enhancement of the value of the natural surroundings. Specifically, 368 biodiversity initiatives were implemented worldwide.

- In 2024, environmental restoration actions were carried out on 303 hectares. 20% of that area relates to protected areas, habitats or species.

Note 39. Events after the reporting date

On 20 January 2025, the Secretary of State for Energy issued a Resolution recognising the right to be compensated for financing the energy subsidy ("bono social"), in the amount of Euros 63 million plus interest accrued from the date of payment until reimbursement; the Resolution urged that the amount be paid.

On 18 February 2025, Naturgy's Board of Directors approved the 2025-2027 Strategic Plan and, consequently, the early expiry of the long-term Variable Incentive Plan discussed in note 14. In addition to the early expiry of the plan, the Board of Directors, based on a proposal of the Appointments, Remuneration and Corporate Governance Committee, decided to settle it in cash the value of the surplus accumulated by the corporate vehicle in accordance with the conditions initially established, instead of shares. Additionally, this also implies to finish the plan implemented for executives not included in the previous plan, as described in note 16 of the Notes to the consolidated annual accounts.

Furthermore, as part of the 2025-2027 Strategic Plan, it has been resolved to propose that the next Shareholders' Meeting authorise a public tender offer to acquire up to 10% of own shares in order to subsequently increase the company's free float with these shares.

Also, on 18 February 2025, the Board of Directors adopted the proposal for the distribution of the Company's net profit for 2024 and prior-year retained earnings, which will be submitted to the shareholders at the annual general meeting, as described in Note 14.

Apart from that, there have been no other material events since the reporting date.

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APPENDIX I Naturgy companies

1. Subsidiaries

Company	Country	Activity	Consolidation method (1)	Total interest (%) % Controlling interest (2)	% Equity interest
Naturgy BAN, S.A.	Argentina	Gas distribution	F.C.	70.0	70.0
Gascart S.A.	Argentina	Gas distribution	F.C.	100.0	96.2
Naturgy Noa S.A. (formerly Gasnor S.A.)	Argentina	Gas distribution	F.C.	100.0	96.2
Gasmarket S.A.	Argentina	Gas distribution	F.C.	100.0	96.2
Gas Sur S.A.	Chile	Gas distribution	F.C.	100.0	92.3
Innergy Holdings S.A.	Chile	Gas distribution	F.C.	60.0	55.4
Innergy Soluciones Energéticas S.A.	Chile	Gas distribution	F.C.	100.0	55.4
Innergy Transportes S.A.	Chile	Gas distribution	F.C.	100.0	55.4
Metrogas S.A.	Chile	Gas distribution	F.C.	60.2	55.6
Aprovisionadora Global de Energía, S.A.	Chile	Gas distribution	F.C.	60.2	55.6
Ceg Río, S.A.	Brazil	Gas distribution	F.C.	59.6	59.6
Companhia Distribuidora de Gás do Río de Janeiro, S.A.	Brazil	Gas distribution	F.C.	54.2	54.2
Gas Natural Sao Paulo Sul, S.A.	Brazil	Gas distribution	F.C.	100.0	100.0
Gas Natural Redes GLP, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Gas Natural Transporte SDG, S.L.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Andalucía, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Aragón, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Castilla La Mancha, S.A.	Spain	Gas distribution	F.C.	95.0	76.0
Nedgia Castilla y León, S.A.	Spain	Gas distribution	F.C.	90.1	72.1
Nedgia Catalunya, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Cegas, S.A.	Spain	Gas distribution	F.C.	99.7	79.8
Nedgia Galicia, S.A.	Spain	Gas distribution	F.C.	68.5	54.8
Nedgia Madrid, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Navarra, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Rioja, S.A.	Spain	Gas distribution	F.C.	87.5	70.0
Comercializadora Metrogas, S.A. de CV.	Mexico	Gas distribution	F.C.	100.0	70.9
Naturgy México, S.A. de C.V.	Mexico	Gas distribution	F.C.	70.9	70.9
Agua Negra S.A.	Argentina	Electricity distribution	F.C.	100.0	100.0
Energía San Juan S.A.	Argentina	Electricity distribution	F.C.	100.0	100.0
Naturgy Argentina Gas y Electricidad, S.A.	Chile	Electricity distribution	F.C.	100.0	100.0

Company	Country	Activity	Consolidation method (1)	Total interest (%)	
				% Controlling interest (2)	% Equity interest
UFD Distribución Electricidad, S.A.	Spain	Electricity distribution	F.C.	100.0	100.0
Empresa de Distribución Electrica Chiriqui, S.A.	Panama	Electricity distribution	F.C.	51.0	51.0
Empresa de Distribución Electrica Metro Oeste, S.A.	Panama	Electricity distribution	F.C.	51.0	51.0
Gasoducto del Pacífico (Argentina) S.A.	Argentina	Gas infrastructure	F.C.	56.7	52.4
Gasoducto del Pacífico S.A.	Chile	Gas infrastructure	F.C.	60.0	55.4
Petroleum Oil & Gas España, S.A.	Spain	Gas infrastructure	F.C.	100.0	100.0
Europe Maghreb Pipeline, S.L.	Spain	Gas infrastructure	F.C.	77.2	77.2
Natural Energy, S.A.	Argentina	Gas supply	F.C.	100.0	100.0
Gas Natural Serviços, S.A.	Brazil	Gas supply	F.C.	100.0	100.0
Naturgy Aprovisionamientos, S.A.	Spain	Gas supply	F.C.	100.0	100.0
Sagane, S.A.	Spain	Gas supply	F.C.	100.0	100.0
Gas Natural Europe, S.A.S. In liquidation	France	Gas supply	F.C.	100.0	100.0
Naturgy LNG GOM Limited	Ireland	Gas supply	F.C.	100.0	100.0
Naturgy LNG Marketing Ltd.	Ireland	Gas supply	F.C.	100.0	100.0
Naturgy Servicios, S.A. de C.V.	Mexico	Gas supply	F.C.	100.0	70.9
Gas Natural Puerto Rico, Inc	Puerto Rico	Gas supply	F.C.	100.0	100.0
Comercializadora Regulada, Gas & Power, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Naturgy Commodities Trading, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Naturgy Iberia, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Naturgy Clientes, S.A.U.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Naturgy Comercializadora Empresas, S.A.U	Spain	Gas and electricity supply	F.C.	100.0	100.0
Berrybank 2 Asset Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Berrybank 2 Asset Trust	Australia	Electricity generation	F.C.	100.0	74.0
Berrybank Development Pty, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell 3 Development Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell Development Pty, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Asset Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Asset Trust	Australia	Electricity generation	F.C.	100.0	74.0
Ryan Corner Development Pty, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Cunderdin Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Cunderdin Development Landco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Cunderdin Development Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Global Power Generation Australia Pty, Ltd.	Australia	Electricity generation	F.C.	98.7	74.0
Berrybank 2 Hold Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Berrybank 2 Hold Trust	Australia	Electricity generation	F.C.	100.0	74.0

Company	Country	Activity	Consolidation method (1)	Total interest (%)	
				% Controlling interest (2)	% Equity interest
Berrybank Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell 3 Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Hold Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Hold Trust	Australia	Electricity generation	F.C.	100.0	74.0
Ryan Corner Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Paling Yards Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Paling Yards Development Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Fraser Coast Development Finco, PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Glenellen Development Finco PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Bundaberg Development Finco PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Bundaberg Solar Development PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Glenellen Asset Trust	Australia	Electricity generation	F.C.	100.0	74.0
Glenellen Asset PTY Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Fraser Coast Solar Development PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Global Power Generation Finco PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Guimarania I Solar Spe Ltda.	Brazil	Electricity generation	F.C.	100.0	75.0
Guimarania II Solar Spe Ltda.	Brazil	Electricity generation	F.C.	100.0	75.0
Sertao i Solar Energía, SPE, Ltda.	Brazil	Electricity generation	F.C.	100.0	75.0
Sobral i Solar Energía, SPE, Ltda.	Brazil	Electricity generation	F.C.	100.0	75.0
Gestión y Servicios Cabo Leones II	Chile	Electricity generation	F.C.	51.0	38.3
GPG Generación Distribuida, S.p.A.	Chile	Electricity generation	F.C.	100.0	75.0
GPG Solar Chile 2017 SpA	Chile	Electricity generation	F.C.	100.0	75.0
Iberéolica Cabo Leones II, S.A.	Chile	Electricity generation	F.C.	51.0	38.3
Inca de Varas I, SPA	Chile	Electricity generation	F.C.	100.0	75.0
Inca de Varas II, SPA	Chile	Electricity generation	F.C.	100.0	75.0
Parque Eólico Vientos del Pacífico, S.p.A	Chile	Electricity generation	F.C.	100.0	75.0
Almar CCS, S.A.	Costa Rica	Electricity generation	F.C.	100.0	75.0
Unión Fenosa Generadora La Joya, S.A.	Costa Rica	Electricity generation	F.C.	65.0	48.8
Unión Fenosa Generadora Torito, S.A.	Costa Rica	Electricity generation	F.C.	65.0	48.8
Boreas Eólica 2, S.A.	Spain	Electricity generation	F.C.	89.6	89.6
Corporación Eólica de Zaragoza, S.L	Spain	Electricity generation	F.C.	68.0	68.0
Energías Ambientales de Somozas, S.A.	Spain	Electricity generation	F.C.	97.0	97.0
Naturgy Vento, S.A.	Spain	Electricity generation	F.C.	100.0	100.0
Global Power Generation, S.A.	Spain	Electricity generation	F.C.	75.0	75.0
J.G.C. Cogeneración Daimiel, S.L.	Spain	Electricity generation	F.C.	97.6	97.6

Company	Country	Activity	Consolidation method (1)	Total interest (%) % Controlling interest (2)	% Equity interest
Naturgy Ciclos Combinados, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Generación, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Generación Térmica, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Renovables Canarias, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Renovables Ruralia, S.L.	Spain	Electricity generation	F.C.	75.0	75.0
Naturgy Renovables, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Parque Eólico Nerea, S.L.	Spain	Electricity generation	F.C.	95.0	95.0
Parque Eólico Peñarroldana, S.L.	Spain	Electricity generation	F.C.	95.0	95.0
Societat Eòlica de l´Enderrocada, S.A.	Spain	Electricity generation	F.C.	76.2	76.2
Tratamiento Cinca Medio, S.L.	Spain	Electricity generation	F.C.	90.0	90.0
Romera Eco Power Solar Energy, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
Mangos Energy, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
Encarnaciones Energy, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
Sol Morón Energy, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
ICE Andújar, S.L.	Spain	Electricity generation	F.C.	60.1	60.1
Sun&Wind Sierra Sur, A.I.E.	Spain	Electricity generation	F.C.	100.0	100.0
Biometano Segriá, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
Energías Renovables Agüimes, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Madridejos, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Biobarrax Albacete, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Tarancón, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Caspe, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
GNR Andalucía, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Biogas Mediana, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Carmona, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Criptana, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Membrilla, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Corral de Almaguer, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Biogas Lucainena, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Loja, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Vilches, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Bio Tobarra, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Montalto di Castro Solar S.R.L.	Italy	Electricity generation	F.C.	100.0	100.0
7V Solar Ranch, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Camino Solar Ranch, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Bar C Solar, LLC.	USA	Electricity generation	F.C.	100.0	100.0

Company	Country	Activity	Consolidation method (1)	Total interest (%)	
				% Controlling interest (2)	% Equity interest
Stonefield Solar, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Esmeralda North Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Front Range Midway Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Grimes County Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
1780 Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Mark Center Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Naturgy Candela Devco LLC.	USA	Electricity generation	F.C.	100.0	100.0
Naturgy Solar Operation USA LLC.	USA	Electricity generation	F.C.	100.0	100.0
Rough Hat 2 Solar, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Rough Hat Solar, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Scioto Farms Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Summer Shade Solar, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Naturgy Renewables USA Services Corp.	USA	Electricity generation	F.C.	100.0	100.0
Wagon Wheel Solar Ranch, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Rough Hat Clark Bess, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Spanish Israeli Operation and Maintenance Company, Ltd.	Israel	Electricity generation	F.C.	100.0	100.0
El Gritón Solar S.A. de C.V.	Mexico	Electricity generation	F.C.	80.0	60.0
Fuerza y Energía Bii Hioxo, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Hermosillo, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Naco Nogales, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Norte Durango, S.A de C.V	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Tuxpan, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
GPG Energía México, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Energía y Servicios de Panamá, S.A.	Panama	Electricity generation	F.C.	51.0	38.3
Generadora Palamara La Vega, S.A.	Dominican Rep.	Electricity generation	F.C.	100.0	75.0
Naturgy Rinnovabili Italia, SRL	Italy	Electricity generation	F.C.	100.0	100.0
Naturgy Renouvelables France SAS	France	Electricity generation	F.C.	100.0	100.0
Foggia Solar SLR	Italy	Electricity generation	F.C.	100.0	100.0
Bioenergía y Valoraciones Ambientales Sevilla, S.L.	Spain	Electricity generation	F.C.	65.0	65.0
Lignitos de Meirama, S.A.	Spain	Mining	F.C.	100.0	100.0
Gas Natural Fenosa Engineering Brasil , S.A., En Liquidaçao	Brazil	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento Energy Costa Rica, S.A.	Costa Rica	Engineering services	F.C.	100.0	75.0
Naturgy Engineering, S.L.	Spain	Engineering services	F.C.	100.0	100.0
Naturgy Ingeniería Nuclear, S.L.	Spain	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento Energy, S.A.U.	Spain	Engineering services	F.C.	100.0	75.0
Proyectos Balmes México, S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	75.0

Company	Country	Activity	Consolidation method (1)	Total interest (%) % Controlling interest (2)	% Equity interest
Unión Fenosa Operación México S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	75.0
Operations & Maintenance Energy Uganda Ltd	Uganda	Engineering services	F.C.	100.0	75.0
Natural Re, S.A.	Luxembourg	Insurance	F.C.	100.0	100.0
Naturgy Alfa Investments, S.A.U.	Spain	Financial services	F.C.	100.0	100.0
Naturgy Capital Markets, S.A.	Spain	Financial services	F.C.	100.0	100.0
Naturgy Participaciones, S.A.U.	Spain	Financial services	F.C.	100.0	100.0
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	F.C.	100.0	100.0
Naturgy Finance Iberia, S.A.U (formerly Naturgy Finance, B.V.)	Spain	Financial services	F.C.	100.0	100.0
Natural Servicios, S.A.	Argentina	Services	F.C.	100.0	100.0
Gas Natural do Brasil, S.A.	Brazil	Services	F.C.	100.0	100.0
Lean Grids Services Mexico, S.R.L. de C.V.	Mexico	Services	F.C.	100.0	100.0
General de Edificios y Solares, S.L.	Spain	Services	F.C.	100.0	100.0
Naturgy Nuevas Energías, S.L.U.	Spain	Services	F.C.	100.0	100.0
Naturgy Innovahub, S.L.U.	Spain	Services	F.C.	100.0	100.0
H2Meirama, S.L.	Spain	Services	F.C.	100.0	100.0
Administración y Servicios ECAP, S.A. de C.V.	Mexico	Services	F.C.	100.0	100.0
Administradora de Servicios de Energía México, S.A. de CV	Mexico	Services	F.C.	100.0	70.9
Energía y Confort Administración de Personal, S.A. de C.V.	Mexico	Services	F.C.	100.0	71.5
Sistemas de Administración y Servicios, S.A. de C.V.	Mexico	Services	F.C.	71.0	71.0
Naturgy Services, S.A.	Panama	Services	F.C.	100.0	100.0
Inversiones Hermill, S.A.	Dominican Rep.	Services	F.C.	100.0	100.0
Empresa Chilena de Gas Natural S.A.	Chile	Services	F.C.	100.0	55.6
Naturgy Chile Gas Natural, S.A.	Chile	Holding company	F.C.	92.3	92.3
GN Holding Argentina Comercializadora, S.A.	Argentina	Holding company	F.C.	100.0	92.3
Naturgy Argentina, S.A.	Argentina	Holding company	F.C.	100.0	100.0
Invergás, S.A.	Argentina	Holding company	F.C.	100.0	100.0
GN Holding Argentina, S.A.	Chile	Holding company	F.C.	100.0	92.3
Global Power Generation Chile, S.p.A.	Chile	Holding company	F.C.	100.0	75.0
GPG México Wind, S.L.U.	Spain	Holding company	F.C.	100.0	75.0
GPG México, S.L.U.	Spain	Holding company	F.C.	100.0	75.0
Holding de Negocios de Gas, S.A.	Spain	Holding company	F.C.	80.0	80.0
Holding Negocios Electricidad, S.A.	Spain	Holding company	F.C.	100.0	100.0
La Propagadora del Gas, S.A.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Acciones, S.L.U.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Distribución Latinoamérica, S.A.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Electricidad Colombia, S.L.	Spain	Holding company	F.C.	100.0	100.0

Company	Country	Activity	Consolidation method (1)	Total interest (%) % Controlling interest (2)	% Equity interest
Naturgy Infraestructuras EMEA, S.L.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Inversiones Internacionales, S.A.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Renewables USA Corp.	USA	Holding company	F.C.	100.0	100.0
Naturgy Solar USA LLC.	USA	Holding company	F.C.	100.0	100.0
Unión Fenosa México, S.A. de C.V.	Mexico	Holding company	F.C.	100.0	75.0
Distribuidora Eléctrica de Caribe, S.A.	Panama	Holding company	F.C.	100.0	100.0
Generación Eléctrica del Caribe, S.A.	Panama	Holding company	F.C.	100.0	75.0
Buenergía Gas & Power, LLC.	Puerto Rico	Holding company	F.C.	95.0	71.3

(1) Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.
(2) Parent company's interest in the subsidiary
(3) Companies recognised as held for sale

2. Joint ventures

Company	Country	Activity	Consolidation method (1)	Total interest (%) % Controlling interest (1)	% Equity interest
Gasoducto GasAndes, S.A. (Argentina)	Argentina	Gas infrastructure	E.M.	43.5	24.2
ENER RENOVA, S.A.	Chile	Electricity generation	E.M.	40.0	40.0
Andes Operaciones y Servicios S.A.	Chile	Gas infrastructure	E.M.	50.0	27.8
Gas Natural Producción, S.A.	Chile	Gas infrastructure	E.M.	36.2	33.4
Gasoducto GasAndes, S.A. (Chile)	Chile	Gas infrastructure	E.M.	43.5	24.2
GNL Chile S.A.	Chile	Gas infrastructure	E.M.	33.3	18.5
Medina Partnership, S.A.	Spain	Holding company	E.M.	50.0	50.0
MEDGAZ, S.A.	Spain	Gas infrastructure	E.M.	49.0	24.5
Eléctrica Conquense, S.A.	Spain	Electricity distribution	E.M.	46.4	46.4
Eléctrica Conquense de Distribución, S.A.	Spain	Electricity distribution	E.M.	100.0	46.4
Colectora la Serrata, S.L.	Spain	Electricity generation	E.M.	35.7	35.7
Infraestructuras Eléctricas La Mudarra, S.L.	Spain	Electricity generation	E.M.	39.6	39.6
Nueva Generadora del Sur, S.A.	Spain	Electricity generation	E.M.	50.0	50.0
Toledo PV, A.E.I.E.	Spain	Electricity generation	E.M.	33.3	33.3
ROBLA HUB, S.L.	Spain	Electricity generation	E.M.	50.8	50.8
Infraestructuras San Servan SET 400, S.L.	Spain	Electricity generation	E.M.	19.2	19.2
Instalaciones San Serván II 400, S.L.	Spain	Electricity generation	E.M.	23.8	23.8
Greene W2BM, S.L.	Spain	Electricity generation	E.M.	50.0	50.0
SET Veciana, S.L.	Spain	Electricity generation	E.M.	48.4	48.4
SEC Valcaire, S.L.	Spain	Electricity generation	E.M.	46.9	46.9
Evacuación Villanueva del rey, S.L.	Spain	Electricity generation	E.M.	14.8	14.8
Gestión Integral de Reciclaje de Aerogeneradores, S.L.	Spain	Electricity generation	E.M.	33.0	33.0
Evacuación San Serván 400, S.L.	Spain	Electricity generation	E.M.	31.3	31.3
Rice to Energy, S.L.	Spain	Services	E.M.	33.3	33.3
Gas Natural Vehicular del Norte Asociación en Participación	Mexico	Gas distribution	E.M.	51.3	36.4
CH4 Energía S.A. de C.V.	Mexico	Gas supply	E.M.	50.0	35.4
EcoEléctrica Holdings, LLC.	Puerto Rico	Holding company	E.M.	50.0	35.6
EcoEléctrica, L.P.	Puerto Rico	Electricity generation	E.M.	100.0	35.6
EcoEléctrica LLC.	Puerto Rico	Holding company	E.M.	100.0	35.6

[(1)] Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.
[(2)] Parent company's interest in the subsidiary

3. Jointly-controlled assets and operations

Company	Country	Activity	Consolidation method (1)	Total interest (%)	
				% Controlling interest (1)	% Equity interest
Bezana / Bigüenzo	Spain	Gas infrastructure	P.C.	55.6	55.6
Boquerón	Spain	Gas infrastructure	P.C.	4.5	4.5
Casablanca	Spain	Gas infrastructure	P.C.	9.5	9.5
Chipirón	Spain	Gas infrastructure	P.C.	2.0	2.0
Montanazo	Spain	Gas infrastructure	P.C.	17.7	17.7
Rodaballo	Spain	Gas infrastructure	P.C.	4.0	4.0
Central Térmica de Anllares, A.I.E.	Spain	Electricity generation	P.C.	66.7	66.7
Centrales Nucleares Almaraz-Trillo, A.I.E.	Spain	Electricity generation	P.C.	19.1	19.1
Comunidad de bienes Central Nuclear de Almaraz (Grupo I y II)	Spain	Electricity generation	P.C.	11.3	11.3
Comunidad de bienes Central Nuclear de Trillo (Grupo I)	Spain	Electricity generation	P.C.	34.5	34.5
Comunidad de bienes Central Térmica de Aceca	Spain	Electricity generation	P.C.	50.0	50.0
Comunidad de bienes Central Térmica de Anllares	Spain	Electricity generation	P.C.	66.7	66.7
UTE ESE Clece - Gas Natural	Spain	Services	P.C.	50.0	50.0

(1) Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.
(2) Parent company's interest in the subsidiary

4. Associates

Company	Country	Activity	Consolidation method (1)	Total interest (%)	
				% Controlling interest (1)	% Equity interest
Qalhat LNG S.A.O.C.	Oman	Gas infrastructure	E.M.	7.4	7.4
Sistemas Energéticos La Muela, S.A.	Spain	Electricity generation	E.M.	20.0	20.0
Sistemas Energéticos Mas Garullo, S.A.	Spain	Electricity generation	E.M.	18.0	18.0
Sociedade Galega do Medio Ambiente, S.A.	Spain	Electricity generation	E.M.	49.0	49.0
Bluemobility System, S.L. En Liquidación	Spain	Services	E.M.	20.0	20.0
Kromschroeder, S.A.	Spain	Services	E.M.	44.5	44.5

(1) Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.
(2) Parent company's interest in the subsidiary

APPENDIX II Changes in consolidation scope

The changes in the consolidation scope in 2024 were as follows:

Company name	Transaction type	Effective transaction date	Voting rights acquired/disposed of (%)	Voting rights after the transaction	Consolidation method after the transaction
Biometano Segria, S.L.	Incorporation	17 January	100.0	100.0	Full
Evacuación Villanueva del rey, S.L.	Acquisition	23 January	14.8	14.8	Equity
Sobral I Solar Energía, SPE, Ltda.	Acquisition	26 January	15.0	100.0	Full
Sertao I Solar Energía, SPE, Ltda.	Acquisition	26 January	15.0	100.0	Full
Energías Renovables Agüimes, S.L.U.	Incorporation	8 February	100.0	100.0	Full
Gas Natural Fenosa Ingeniería México, S.A. de C.V.	Liquidation	13 March	100.0	—	—
Win4H2-R1, S.L.	Disposal	21 March	50.0	—	—
Fraser Coast Solar Development PTY, Ltd.	Acquisition	19 April	100.0	100.0	Full
Naturgy Informática, S.A.U.	Liquidation	12 June	100.0	—	—
Global Power Generation Finco PTY, Ltd.	Incorporation	18 June	100.0	100.0	Full
Wagon Wheel Solar Ranch, LLC.	Incorporation	21 June	100.0	100.0	Full
Esmeralda North Solar Project, LLC.	Incorporation	1 July	100.0	100.0	Full
Naturgy Renewables USA Services Corp.	Incorporation	16 July	100.0	100.0	Full
Agua Fría Solar, LLC.	Disposal	7 August	100.0	100.0	Full
Naturgy LNG Singapore PTE. LTD.	Liquidation	14 September	100.0	—	—
Rough Hat Clark Bess, LLC.	Incorporation	24 September	100.0	100.0	Full
Defiance County Solar Project, LLC.	Liquidation	22 October	100.0	—	—
Esmeralda North Solar, LLC.	Liquidation	22 October	100.0	—	—
FT. Meade Solar, LLC.	Liquidation	22 October	100.0	—	—
Marshville Solar, LLC.	Liquidation	22 October	100.0	—	—
Saguache County Solar Project, LLC.	Liquidation	22 October	100.0	—	—
Yeager Solar, LLC.	Liquidation	22 October	100.0	100.0	Full
Renewable gas acquisitions					
Bio Madridejos, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Biobarrax Albacete, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Tarancón, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Caspe, S.L.U.	Acquisition	11 November	100.0	100.0	Full
GNR Andalucía, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Biogas Mediana, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Carmona, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Criptana, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Membrilla, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Corral de Almaguer, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Biogas Lucainena, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Loja, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Vilches, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Bio Tobarra, S.L.U.	Acquisition	11 November	100.0	100.0	Full
Global Power Generation Brasil Geracao de Energía Ltda.	Liquidation	19 November	100.0	—	—
Unión Fenosa Gas Exploración y Producción, S.A.	Liquidation	22 November	100.0	—	—
Centrogas S.A.	Liquidation	20 November	100.0	—	—
Financiamiento Doméstico S.A.	Liquidation	20 November	99.9	—	—
Naturgy LNG GOM, S.L.	Liquidation	5 December	100.0	—	—
Canoe Creek Solar Project, LLC.	Liquidation	13 December	100.0	—	—
Half Moon Solar Project, LLC.	Liquidation	13 December	100.0	—	—
Hayden Run Solar Project, LLC.	Liquidation	13 December	100.0	—	—
Knickerbocker Solar Project, LLC.	Liquidation	13 December	100.0	—	—
Stone Mill Solar, LLC.	Liquidation	13 December	100.0	—	—
Nedgia Balears, S.A.	Liquidation	17 December	100.0	—	—

The changes in the consolidation scope in 2023 were as follows:

Company name	Transaction type	Effective transaction date	Voting rights acquired/ disposed of (%)	Voting rights after the transaction (%)	Consolidation method after the transaction
Nueva Electricidad del Gas, S.A.U, en Liquidación	Liquidation	5 January	100.0	—	—
Adquisición Cluster Solar Marisol					
Romera Eco Power, S.L.	Acquisition	31 January	100.0	100.0	Full
Mangos Energy, S.L.	Acquisition	31 January	100.0	100.0	Full
Encarnaciones Energy, S.L.	Acquisition	31 January	100.0	100.0	Full
Sol Morón Energy, S.L.	Acquisition	31 January	100.0	100.0	Full
Sun&Wind Sierra Sur, A.I.E.	Acquisition	31 January	100.0	100.0	Full
Naturgy Comercializadora Empresas, S.A.U.	Incorporation	23 February	100.0	100.0	Full
Bundaberg Development Finco PTY, Ltd.	Incorporation	6 March	100.0	100.0	Full
Adquisición Andújar Solar					
Andujar 100 Solar, S.L. (1)	Acquisition	28 March	100.0	100.0	Full
ICE Andújar, S.L.	Acquisition	28 March	60.1	100.0	Full
H2Meirama, S.L.	Incorporation	30 March	100.0	100.0	Full
Fraser Coast Development Finco, PTY, Ltd.	Incorporation	30 March	100.0	100.0	Full
Adquisición Eólico Marisol					
Hazas Energy, S.L. (2)	Acquisition	27 April	100.0	100.0	Full
Josmanil Energy, S.L. (2)	Acquisition	27 April	100.0	100.0	Full
Cabreras Wind Energy, S.L. (2)	Acquisition	27 April	100.0	100.0	Full
Villanueva Energy, S.L. (2)	Acquisition	27 April	100.0	100.0	Full
Villanueva Two Energy, S.L. (2)	Acquisition	27 April	100.0	100.0	Full
Cortijo Nuevo Energy, S.L (2)	Acquisition	27 April	100.0	100.0	Full
Greene W2BM, S.L.	Incorporation	7 June	50.0	50.0	Equity
Lepe Solar 40, S.L. (2)	Acquisition	26 July	100.0	100.0	Full
Acquisition of ASR Wind					
ASR Wind, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Parque Eólico Pujalt, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Parque Eólico del Magré, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Parque Eólico Magaz, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Parque Eólico Cova da Serpe II, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Parque Eólico Sierra Sesnández, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Parque Eólico Loma del Capón, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Desarrollos Eólicos Manchegos El Pinar, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Energías Alternativas Castilla La Mancha, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
Energias Renovables del Duero, S.L. (2)	Acquisition	3 August	100.0	100.0	Full
SET Veciana, S.L.	Acquisition	3 August	48.4	48.4	Equity
SEC Valcaire, S.L.	Acquisition	3 August	46.9	46.9	Equity
Bioenergía y Valoraciones Ambientales Sevilla, S.L.	Acquisition	13 September	65.0	65.0	Full
First Independent Power (Kenya), Ltd.	Liquidation	21 September	100.0	—	—
Bundaberg Solar Development PTY, Ltd.	Acquisition	21 September	100.0	100.0	Full
Gas Natural Exploración, S.L.	Liquidation	16 October	100.0	—	—
Glenellen Asset Trust	Acquisition	27 October	100.0	100.0	Full
Glenellen Asset PTY, Ltd.	Acquisition	27 October	100.0	100.0	Full
Vulcan Solar Project, LLC.	Disposal	21 November	100.0	—	—
Naturgy LNG, S.L.	Liquidation	21 December	100.0	—	—
GPG Ingeniería y Desarrollo de Generación, S.L.	Liquidation	28 December	100.0	—	—

(1) As indicated in Note 2.4.1, this company was merged with Naturgy Renovables, S.L.U. on 1 September 2023.
(2) As indicated in note 2.4.1, these companies were merged on 30 November 2023 with Naturgy Vento, S.A. (fomerly Energías Especiales Alcoholeras until 28 July 2023).

APPENDIX III Naturgy tax group companies

The companies in the Naturgy tax group are as follows:

Naturgy Energy Group, S.A.	Naturgy Generación Térmica, S.L.U.
Biometano Segria, S.L.	Naturgy Generación, S.L.U.
Boreas Eólica 2, S.A.	Naturgy Iberia, S.A.
Comercializadora Regulada, Gas & Power, S.A.	Naturgy Informática, S.A.U.
Encarnaciones Energy, S.L.	Naturgy Infraestructuras EMEA, S.L.
Energías Ambientales de Somozas, S.A.	Naturgy Ingeniería Nuclear, S.L.
Energías Renovables Agüimes, S.L.U.	Naturgy InnovaHub, S.L.
Europe Maghreb Pipeline, S.L.	Naturgy Inversiones Internacionales, S.A.
Gas Natural Comercializadora, S.A.	Naturgy LNG GOM, S.L.
Gas Natural Redes GLP, S.A.	Naturgy Nuevas Energías, S.L.U.
Gas Natural Transporte SDG, S.L.	Naturgy Participaciones, S.A.U.
General de Edificios y Solares, S.L.	Naturgy Renovables Canarias, S.L.U.
Global Power Generation, S.A.	Naturgy Renovables Ruralia, S.L.
GPG Ingeniería y desarrollo de Generación, S.L.U.	Naturgy Renovables, S.L.U.
GPG México Wind, S.L.U.	Naturgy Vento, S.A.
GPG México, S.L.U.	Nedgia Andalucía, S.A.
H2Meirama, S.L.	Nedgia Aragón, S.A.
Holding de Negocios de Gas, S.A.	Nedgia Balears, S.A.
Holding Negocios Electricidad, S.A.	Nedgia Castilla La Mancha, S.A.
J.G.C. Cogeneración Daimiel, S.L.	Nedgia Catalunya, S.A.
La Propagadora del Gas, S.A.	Nedgia Cegas, S.A.
Lignitos de Meirama, S.A.	Nedgia Madrid, S.A.
Mangos Energy, S.L.	Nedgia Navarra, S.A.
Naturgy Acciones, S.L.U.	Nedgia, S.A.
Naturgy Alfa Investments, S.A.U.	Operación y Mantenimiento Energy, S.A.
Naturgy Aprovisionamientos, S.A.	Parque Eólico Nerea, S.L.
Naturgy Capital Markets, S.A.	Parque Eólico Peñarroldana, S.L.
Naturgy Ciclos Combinados, S.L.U.	Petroleum Oil & Gas España, S.A.
Naturgy Clientes, S.A.U.	Romera Eco Power Solar Energy, S.L.
Naturgy Comercializadora Empresas, S.A.U.	Sagane, S.A.
Naturgy Commodities Trading, S.A.	Societat Eòlica de l'Enderrocada, S.A.
Naturgy Distribución Latinoamérica, S.A.	Sol Morón Energy, S.L.
Naturgy Electricidad Colombia, S.L.	Tratamiento Cinca Medio, S.L.
Naturgy Engineering, S.L.	UFD Distribución Electricidad, S.A.
Naturgy Finance Iberia, S.A.U.	Unión Fenosa Preferentes, S.A.U.

Appendix IV. Regulatory framework

1. European regulatory environment

The European regulatory environment in 2024 was shaped by the culmination of the approval and publication of the last remaining regulatory texts of the "Fit for 55" Legislative Package, which had been under development since 2021 and includes adjustments to European climate, energy, transport and taxation policies aimed at achieving the European Union's new, more ambitious targets of a 55% net emissions reduction by 2030 with respect to 1990 (compared to the 40% previously in force) and the goal of climate neutrality of emissions by 2050. This legislative package includes mainly amendments to the existing Directives and Regulations on emissions trading, promotion of renewable energy, energy taxation, energy efficiency and the internal market for natural gas, renewables and hydrogen.

The following items of legislation were published in 2024:

- Regulation (EU) 2024/1106 of the European Parliament and of the Council of 11 April 2024 amending Regulations (EU) No 1227/2011 and (EU) 2019/942 as regards improving the Union's protection against market manipulation on the wholesale energy market. This Regulation came into force on 7 May 2024.

- Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings. This Directive aims to reduce buildings' greenhouse gas (GHG) emissions and their final energy consumption by 2030, and to establish a long-term vision with a view to achieving climate neutrality by 2050 (zero-emission building stock: increase the rate of renovation, decarbonise heating, etc.). This Directive must be transposed into domestic law from 1 January 2025.

- Directive (EU) 2024/1711 of the European Parliament and of the Council of 13 June 2024 amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union's electricity market design.

- Regulation (EU) 2024/1747 of the European Parliament and of the Council of 13 June 2024 amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union's electricity market design.

Among other matters, the latter two items of legislation encourage the use of forward contracts, PPAs and contracts for differences for new investments in power generation, eliminate the temporary nature of capacity mechanisms and simplify the approval procedure, and increase system flexibility using demand response and storage. They also regulate measures to be adopted by member states in the event of a crisis, and afford more protection for end consumers.

- Directive (EU) 2024/1788 of the European Parliament and of the Council of 13 June 2024 on common rules for the internal markets for renewable gas, natural gas and hydrogen, amending Directive (EU) 2023/1791 and repealing Directive 2009/73/EC.

- Regulation (EU) 2024/1789 of the European Parliament and of the Council of 13 June 2024 on the internal markets for renewable gas, natural gas and hydrogen, amending Regulations (EU) No 1227/2011, (EU) 2017/1938, (EU) 2019/942 and (EU) 2022/869 and Decision (EU) 2017/684 and repealing Regulation (EC) No 715/2009 (recast).

The latter two enactments widen the rules on the internal market for gas to include the regulation of renewable gases and hydrogen. Among other measures, the gas demand aggregation mechanism is extended (although participation by companies will be voluntary) in preparation for joint gas procurement at EU scale.

- Regulation (EU) 2024/1787 of the European Parliament and of the Council of 13 June 2024 on the reduction of methane emissions in the energy sector and amending Regulation (EU) 2019/942.
- Opinion on the Spanish Implementation Plan for the Capacity Mechanisms of 19 July 2024 on the proposal submitted by MITERD on 13 November 2023 setting out the measures to be adopted due to the lack of coverage of the Spanish electricity system.

- Commission Implementing Regulation (EU) 2024/2493 of 23 September 2024 amending Implementing Regulation (EU) 2018/2066 as regards updating the monitoring and reporting of greenhouse gas emissions (Monitoring and Reporting Regulation, MRR).

- Commission Implementing Regulation (EU) 2024/2995 of 29 November setting the filling trajectory with intermediary targets for 2025 for each Member State with underground gas storage facilities on its territory and directly interconnected to its market area.

- Regulation (EU) 2024/3012 of the European Parliament and of the Council of 27 November establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products. This Regulation came into force on 26 December 2024.

As a continuation of the measures adopted in 2022 due to the war in Ukraine, on 31 March 2023 the Official Journal of the European Union (OJEU) published Council Regulation (EU) 2023/706 of 30 March 2023 amending Regulation (EU) 2022/1369 with the aim of prolonging the voluntary gas consumption reduction of 15% for the period from 1 April 2023 to 31 March 2024, with the same exceptions already defined in Regulation (EU) 2022/1369.

In December 2023, the Energy Council agreed to extend the Regulations on emergency measures for a further year, as published in the OJEU:

- Council Regulation (EU) 2023/2919 amending Regulation (EU) 2022/2576 on joint gas purchases and other measures to avoid excessive gas prices, such as the liquefied natural gas benchmark, as regards the prolongation of its period of application (extended until 31 December 2024).

- Council Regulation (EU) 2023/2920 amending Regulation (EU) 2022/2578 establishing a gas market correction mechanism as regards the prolongation of its period of application (extended until 31 January 2025).

- Council Regulation (EU) 2024/223 amending Regulation (EU) 2022/2577 laying down a framework to accelerate the deployment of renewable energy by shortening permit-granting procedures (extended until 30 June 2025).

Additionally, in September 2024, Mario Draghi, former Italian Prime Minister and former President of the European Central Bank, presented a report, 'The Future of European Competitiveness'. In his report, Draghi identifies 3 key areas for transforming the EU and fostering growth:

- Innovation: R&D investment gap.
- Decarbonisation and competitiveness: transition to low-cost clean energy.
- Security of supply and reduced dependencies.

The Commission Notice on phasing out financial incentives for stand-alone boilers powered by fossil fuels under the recast Energy Performance of Buildings Directive was published on the OJEU on 18 October 2024.

2. Regulation of the energy industry in Spain

2.1. Regulation of the natural gas industry in Spain

2.1.1. Main characteristics of the natural gas industry in Spain

The Spanish gas industry is regulated by Law 34/1998 of 7 October, on the hydrocarbons sector, Law 18/2014, Royal Decree-Law 1/2019, and their implementing regulations.

In general, the Spanish gas industry is characterised by the following factors:

- It is an industry in which regulated and unregulated activities coexist. The regulated activities consist of transport, regasification, storage and distribution of natural gas. The non-regulated activities comprise production, procurement and supply of natural gas.

- The principle of economic and financial sustainability of the gas system applies, and the annual mismatch between system revenues and costs is capped.

- In compliance with EU legislation, the supply of natural gas in Spain has been fully liberalised and all Spanish consumers have been free to choose their natural gas supplier since 1 January 2003, although a tariff of last resort is maintained for the lower volume consumers. The supply activity, including supply of last resort, is carried out by supply companies.

2.1.2. Regulated activities in the natural gas industry

The main characteristics of regulated activities are (i) the need for prior administrative authorisation of a regulated nature, (ii) the allocation of a regulatory remuneration, (iii) the imposition of specific obligations on third party access to the network, and (iv) the establishment of specific rules on unbundling.

2.1.2.1. Transport

The transport activity includes regasification, storage and transmission of gas in the strict sense through the basic very high pressure gas pipeline network:

The transport network is owned mainly by Enagás, S.A., although other companies, including various Naturgy investees, own a small proportion of it.

Under Royal Decree-Law 8/2023 of 27 December, transport network operators may act provisionally as hydrogen core network operators, pending the definitive designation of Hydrogen Network Operators in accordance with European regulations, and may carry out hydrogen core network development functions within the scope of common European interest projects.

2.1.2.2. Distribution

Natural gas is transported from the very high pressure transport grid to the final consumer through the high, medium and low pressure distribution grid.

The distribution business is based on a system of administrative authorisations that do not grant exclusive use rights. A zone distributor has preference to obtain authorisations for adjoining zones.

A distributor's activity is restricted to the expansion and management of distribution networks. Supply is the exclusive domain of specially authorised supply companies.

2.1.2.3. LPG supply

As well as natural gas distribution, Naturgy also supplies piped liquefied petroleum gas (LPG), regulated by Law 34/1998 on the oil and gas industry. The Ministry for the Ecological Transition and Demographic Challenge (MITERD) sets the selling rates for piped LPG for end consumers and the assignment prices of LPG at which it is purchased by piped LPG distributors, by setting the specific rates or establishing a system for calculating and updating them automatically. These prices are published in monthly resolutions.

2.1.3. Economic regime applicable to regulated activities

Following the approval of Royal Decree-Law 1/2019, the CNMC was entrusted with approving the remuneration methodologies in the natural gas sector to be applicable from 31 December 2020, and it was empowered to establish the methodology and conditions for access and capacity assignment in the gas system. Accordingly, the CNMC approved the following Circulars that determine, inter alia, the methodologies for remunerating gas activities that are applicable in the 2021-2026 regulatory period:

- Circular 2/2019 of 12 November 2019, which established the methodology for calculating the remuneration for the regasification, transportation and distribution of natural gas.

- Circular 8/2019 of 12 December 2019, as amended by Circular 9/2021 of 15 December establishing the method and conditions for access and allocation in the natural gas system.

- Circular 9/2019, of 12 December 2019, which establishes the methodology for determining the remuneration of natural gas transportation facilities and liquefied natural gas plants.
- Circular 4/2020, of 31 March, establishing the methodology for determining the remuneration for natural gas distribution.
- Circular 6/2020, of 22 July, establishing the methodology for calculating transportation, local grid and regasification tolls for natural gas.
- Circular 8/2020, of 2 December, establishing the unit reference values for investment and for operation and maintenance for 2021-2026 and the minimum requirements for auditing investments and costs in natural gas transportation facilities and LNG plants.
- Circular 7/2021, of 28 July, establishing the methodology for calculating, overseeing, measuring and settling losses in the gas system.

Under the allocation of competences established in Royal Decree-Law 1/2019, the Ministry adopted Royal Decree 1184/2020 of 29 December establishing the methodologies for calculating the gas system charges, the regulated remuneration for basic underground storage facilities and the fees for their use.

In accordance with the methods mentioned above, the following resolutions applicable in 2024 were approved by the Ministry and the CNMC:

- CNMC Resolution of 30 May 2023 establishing the remuneration for the 2024 gas year (1 October 2023 to 30 September 2024) for companies carrying out regulated activities related to liquefied natural gas plants, transportation and distribution of natural gas.
- CNMC Resolution of 30 May 2023 establishing the access tolls for the transportation networks, local networks and regasification for the 2024 gas year (1 October 2023 to 30 September 2024).
- Order TED/1072/2023, of 26 September, establishing the gas system charges and the remuneration and fees for basic underground gas storage facilities for the 2024 gas year (from 1 October 2023 to 30 September 2024).
- CNMC Resolution of 23 May 2024 establishing the access tolls for the transportation networks, local networks and regasification for the 2025 gas year.
- CNMC Resolution of 23 May 2024 establishing the remuneration for the 2025 gas year for companies carrying out regulated activities related to liquefied natural gas plants, transportation and distribution of natural gas.
- CNMC Resolution of 12 August 2024, establishing the method of calculating the adjustment to be made to the annual remuneration for natural gas transport, regasification and distribution companies for the provision of related services.
- Order TED/1013/2024, of 20 September, establishing the gas system charges and the remuneration and fees for basic underground storage facilities for the 2025 gas year.
- Order TED/1193/2024, of 30 October, establishing energy policy guidelines for the CNMC in relation to the proposed amendment of Circular 2/2019, of 12 November, which established the method of calculating the remuneration rate for natural gas regasification, transport and distribution activities.

On 16 April 2024, the Official State Gazette published the CNMC Resolution of 4 April 2024, which determines the transitory price for the rental of natural gas smart meters with a flow rate of less than or equal to 6 m^3/h for customers connected to networks of less than 4 bar and consumption less than or equal to 50 MWh/year.

2.1.4. Unregulated activities in the natural gas industry

2.1.4.1. Procurement

The procurement of natural gas in Spain, in the form of gas or LNG, is mostly handled by gas operators such as Naturgy. Although natural gas production is an unregulated activity, since there is little production in Spain, it is subject to two types of limit, basically to ensure diversified procurement and introduce competition in the market: 1) no single country can supply more than 50% of the gas imported into Spain; and 2) no party or business group as a whole can supply natural gas for consumption in Spain in excess of 70% of national consumption, excluding self-consumption.

The promotion of renewable gases is one of the decarbonisation measures included in the National Energy and Climate Plan (NECP 2023-2030) and is reflected, inter alia, by the approval of the Hydrogen Roadmaps and the Biogas Roadmap. Regulations in this area include Royal Decree 376/2022 and Order TED/1026/2022 on systems for guaranteeing the origin of gas from renewable sources, as well as the amendments made to Law 34/1998 and Royal Decree 1434/2002 to encourage the development of renewable gases by regulating the connection of production plants to the existing natural gas transport and distribution network and the publication in the Official State Gazette on 30 April 2024 of the CNMC Resolution of 19 April 2024, which establishes the procedure for managing connections of biomethane generation plants to the transport or distribution network.

In addition, following the adaptation of the competencies established by Royal Decree-Law 1/2019, the CNMC approved Circular 2/2020, of 9 January, which establishes the natural gas balancing rules.

2.1.4.2. Supply

The Supply business is fully deregulated and customers are free to choose their supplier. As a deregulated activity, Supply is remunerated at a price freely agreed by the parties. However, the Law recognises the right of consumers connected at less than 4 bar who do not exceed a certain consumption threshold (50 MWh/year) to be supplied at a maximum price called the tariff of last resort (TUR). The TUR is reviewed quarterly when cost variations so require, in accordance with the methodology established in Order ITC/1660/2009 of 22 June.

However, in view of the exceptional rise in international natural gas prices, Royal Decree-Law 17/2021 of 14 September introduced an exceptional limit on increases in the cost of the raw material to be passed on to the TUR, which was extended under successive Royal Decree-Laws, in particular Royal Decree-Laws 18/2022 and 20/2022, until 31 December 2023. Royal Decree-Law 8/2023 of 27 December again extended this limitation until the TUR reviews of 1 April 2024. Amounts paid by last-resort suppliers as a result of this limitation are recovered from the central government budget.

In order to allow domestic consumers with centralised boilers to benefit from a regulated tariff, the aforementioned Royal Decree-Law 18/2022 defined a new TUR tariff for communal boilers on a temporary basis until 31 December 2023, which was also extended by Royal Decree-Law 8/2023 until 30 June 2024. The flexibility measures introduced for the contracting of gas for industry and self-employed workers were also extended until 30 June 2024. Legislative Royal Decree 4/2024 established the new TUR for communal boilers indefinitely, and extended the existing flexibility measures to 31 December 2024.

The tariffs of last resort (TUR) in force during 2024 are those published in the following Resolutions:

- Resolution of 28 December 2023 of the Directorate-General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 January 2024.

- Resolution of 26 March 2024 of the Directorate-General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 April 2024.

- Resolution of 27 June 2024 of the Directorate-General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 July 2024.

- Resolution of 28 September 2024 of the Directorate-General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 October 2024.

Organised gas market

The organised gas market was set up under Law 8/2015, as subsequently implemented by Royal Decree 984/2015 and other implementing regulations. The organised gas market managed by MIBGAS began operating in December 2015 with a view to extending over the entire Iberian Peninsula, although trading in products with delivery in Portugal did not begin until March 2021.

Vulnerability

Royal Decree-Law 15/2018 introduced a thermal energy subsidy ("bono social térmico"), consisting of a single annual payment as direct assistance in paying for heating, hot water and cooking, to consumers that had availed themselves of the electricity subsidy ("bono social eléctrico") at 31 December the previous year, irrespective of the fuel they use, or as support for savings actions or improvements in energy efficiency. The amount to be received will depend on the degree of vulnerability and the climate zone. It is funded out of the central government budget.

In view of the exceptional increase in natural gas prices since 2021, the amount of this aid and the budget allocation have increased and some of the measures adopted during the Covid-19 pandemic have been extended, such as the prohibition on terminating supplies to vulnerable consumers and the flexibility measures for changes in the conditions of access contracts until December 2023 and, under Royal Decree-Law 8/2023, until June 2024. Royal Decree-Law 4/2024 of 26 June 2024 further extended this measure to 31 December 2024.

In addition, Royal Decree-Law 17/2022 on urgent measures in the energy area reduced VAT from 21% to 5% for all gas consumers until 31 December 2022, and was extended until 31 December 2023 by Royal Decree-Law 20/2022 of 27 December. Royal Decree-Law 8/2023 published on 27 December maintains a reduced VAT rate for all gas consumers during the first quarter of 2024, but raises it to 10%. The VAT on gas was reset to 21% as from 1 April 2024, i.e. restoring the rate that was in force before the aforementioned exceptional measures were introduced.

Royal Decree-Law 9/2024, of 23 December, once again extended, until 31 December 2025, the prohibition on cutting gas supplies to vulnerable electricity consumers on grounds of non-payment.

2.2. Regulation of the electricity industry in Spain

2.2.1. Main characteristics of the electricity industry in Spain

The Spanish electricity sector is regulated by Law 24/2013 of 26 December and its implementing regulations.

The main features of the electricity sector are as follows:

- It is an industry in which regulated and non-regulated activities coexist. The regulated activities consist of electricity transmission and distribution (as well as the operation of the system). The non-regulated activities comprise generation and supply of electricity.
- The principle of economic and financial sustainability applies to the electricity system and and mismatches due to revenue shortfalls are capped.
- Revenues in the electricity industry arise from access tolls and other regulated prices, specific tax measures and, exceptionally, certain items in the central government budget.
- In compliance with EU legislation, the supply of electricity in Spain is fully liberalised with all Spanish consumers are free to choose their electricity supplier, although regulated prices are maintained for the lowest volume consumers. The supply activity is carried out by supply companies, including the supply of last resort performed by the reference suppliers.

2.2.2. Regulated activities in the electricity industry

The regulated electricity transmission and distribution activities are characterised by the fact that access to them is subject to administrative authorisation, their remuneration is established by regulation, and their performance is subject to a number of specific obligations on the unbundling of activities into separate companies, with an obligation to maintain functional unbundling under separate brands and brand images, as in the case of the natural gas industry.

2.2.2.1. Transport

Electricity transmission links the plants with the distribution networks and specific final customers. The transmission grid is owned mainly by Red Eléctrica de España, although other companies, including Naturgy's subsidiary UF Distribución de Electricidad, S.A., own a small proportion of the secondary transmission network.

2.2.2.2. Distribution

Electricity distribution includes all activities that bring electricity from the high tension grid to the final consumer.

2.2.3. Remuneration framework for regulated activities

Following the approval of Royal Decree-Law 1/2019, the CNMC was entrusted with approving the remuneration methodologies in the electricity sector which were applicable from 1 January 2020, and establishing the methodology and conditions for access to the electricity system.

The CNMC approved the following Circulars defining the transmission and distribution remuneration methods for the period 2020-2025:

- Circular 2/2019 of 12 November, which established the method for calculating the remuneration for electricity transmission and distribution activities, based on the WACC method.

- CNMC Circular 5/2019 of 5 December, providing the methodology for calculating electricity transmission remuneration.

- CNMC Circular 6/2019 of 5 December, providing the methodology for calculating electricity distribution remuneration.

- Circular 7/2019 of 5 December, approving the standard installations and the unit reference values for fixed asset operation and maintenance to be used in calculating the remuneration of companies that own electricity transmission installations.

- Circular 3/2020 of the CNMC of 15 January establishing the method for calculating electricity transmission and distribution tolls.

- CNMC Circular 1/2021 of 20 January establishing the methodology and conditions for access and connection of electricity production facilities to the transmission and distribution networks.

- CNMC Circular 1/2024 of 27 September establishing the methodology and conditions for access and connection of electricity demand facilities to the transmission and distribution networks.

Moreover, the Ministry for Ecological Transition and the Demographic Challenge, by virtue of the assignment of powers laid down in Royal Decree-Law 1/2019, adopted Royal Decree 148/2021, of 9 March, which establishes the methods for calculating electricity system charges. In addition, some of the provisions contained in Royal Decree 1183/2020, of 29 December, on access to and connection to electricity transmission and distribution networks, are still in force.

In applying these Circulars, the CNMC has so far only published the Resolutions of 27 July 2023, 4 April 2024 and 31 July 2024, which establish the remuneration of companies owning electricity transmission facilities for 2020 and 2021, and the remuneration of companies owning electricity distribution facilities for 2020. The CNMC has yet to approve and publish the resolutions establishing the remuneration of distribution companies and companies owning electricity transmission facilities for each of the years 2021 (distribution only), 2022 and 2023, in accordance with the approved methods. These final resolutions will replace the resolutions approved to date in January each year for the purposes of provisional calculation ahead of the final calculation. The resolutions on transmission remuneration for 2022 and distribution remuneration for 2021 are now in the process of being approved, however. The Resolution of 10 January 2025 of the National Markets and Competition Commission (CNMC), provisionally establishing the remuneration of electricity distribution companies for 2025, was published in the Official State Gazette (BOE) on 22 January 2025. This resolution is based on the methodology and parameters defined in Circular 6/2019.

On 30 October 2024, Order TED/1193/2024 was published in the Official State Gazette (BOE) establishing energy policy guidelines for the CNMC in relation to the proposed amendment of Circular 2/2019, of 12 November, which established the method of calculation of the remuneration rate for electricity transmission and distribution activities.

The electricity system tolls and charges applicable from 1 January 2024 were approved under the following instruments:

- CNMC Resolution dated 21 December 2023 establishing the access tolls for the electricity transmission and distribution networks applicable as from 1 January 2024.

- Royal Decree-Law 8/2023, of 27 December, and Order TED/113/2024, extended the charges in force for 2023 set out in Order TED/1312/2022, of 9 February, which established the prices of electricity system charges and a range of regulated electricity system costs for 2024.

The 80% rebate on tolls for electro-intensive supplies introduced in 2022 was extended for all of 2023. Royal Decree-Law 8/2023 of 27 December extended this reduction until 30 June 2024 and Royal Decree-Law 4/2024 of 26 June extended this measure to 31 December 2024. Finally, Royal Decree-Law 9/2024, of 23 December, extended this measure to 31 December 2025.

2.2.4. Unregulated activities in the electricity industry

2.2.4.1.Electricity generation

Law 24/2013 of 26 December on the Electricity Sector provides that the production of electrical energy is to be subject to the rules of free competition, although the commissioning, modification, temporary closure, transfer and final closure of facilities is subject to prior administrative authorisation. The remuneration for this activity derives from participation in the electricity production market, made up of the forward, daily and intraday markets, unorganised markets and other services related to the security of the electricity system, such as adjustment and balancing services.

The Law also provides for the possibility of establishing capacity mechanisms. These mechanisms are governed by provisions establishing an investment incentive. The capacity mechanisms to be implemented must conform to the provisions of Internal Market Regulation 2019/943. In order to implement capacity mechanisms, it is necessary that the system be shown to be inadequate on the basis of a European coverage analysis that may be complemented by an analysis at national level. In compliance with this regulation, in November 2023 the European Commission submitted Spain's Implementation Plan to public consultation as a prelude to the processing and authorisation of capacity mechanisms in Spain. On 18 December 2024, the Draft Order of the Ministry for Ecological Transition and the Demographic Challenge, which proposes the creation of a capacity market in the Spanish mainland electricity system, was submitted to public consultation. The public consultation period ends on 29 January 2025.

In addition, electricity generation is subject to various taxes created by Law 15/2012 of 27 December on fiscal measures for energy sustainability: a 7% tax on the value of electricity production, taxes on the production and storage of nuclear waste, and the water levy. The 7% tax on the value of electricity production, the application of which was initially suspended for 2021 due to the exceptional rise in electricity market prices, was not applied during 2023. Under Royal Decree-Law 8/2023, this 7% tax was gradually restored throughout 2024, so that from July 2024 it will once again reach the level of 7% that applied before introduction of the exceptional measures.

Royal Decree-Law 8/2023 did not extend the exceptional deduction from the remuneration of infra-marginal generation using the internalised gas price in the wholesale electricity market nor the production cost adjustment mechanism for the reduction of electricity prices in the wholesale market. Both exceptional measures were adopted in 2021 and 2022 and applied until 31 December 2023.

In relation to nuclear power plants, the 7th General Radioactive Waste Plan. approved on 27 December 2023, entails a significant increase in the estimate of future costs for the temporary management of spent nuclear fuel and radioactive waste. On 26 June 2024, Royal Decree 589/2024, of 25 June, was published in the Official State Gazette (BOE), modifying the fixed unit tariff relating to the non-tax public provision by means of which the service of the Empresa Nacional de Residuos Radiactivos, S.A., S.M.E., (ENRESA), paid for by the licensees of operating nuclear power plants, is funded. According to the new Royal Decree, as of 1 July 2024, the applicable rate will be 10.36 €/MWh (previously 7.98 €/MWh).

As mentioned above, access and connection of generation facilities to electricity grids is regulated by the following provisions:

- Royal Decree 1183/2020 of 29 December on access and connection to the electricity transmission and distribution networks.

- CNMC Circular 1/2021 of 20 January establishing the methodology and conditions for access and connection of electricity production facilities to the transmission and distribution networks.

Following the reorganisation of powers and duties, the CNMC approved Circular 3/2019, of 20 November, which establishes the procedures governing the operation of the wholesale electricity market and system operation management, reflecting the guidelines of EU Regulations 2015/1222, 2016/1719 and 2017/21.

Royal Decree Law 8/2023 of 27 December introduced changes to the regulation of access and connection to electricity grids in order to promote the orderly incorporation of renewable energy production facilities into the electricity system, as well as orderly access to demand to avoid speculative hoarding. Among others matters, and on an exceptional basis, it extended the deadlines for accreditation of compliance with the administrative milestones of Royal Decree-Law 23/2020.

Royal Decree Law 8/2023 also introduced amendments to the Water Law to promote hydroelectric energy storage based on pumped storage plants, and the adoption of extraordinary measures to correct or mitigate the effects of drought.

Finally, Royal Decree 1217/2024, of 3 December enacted the Regulations on nuclear and radioactive facilities and other activities connected with exposure to ionising radiation.

2.2.4.2. Renewable, high-efficiency cogeneration, and waste-to-power facilities

The regulation of renewable cogeneration and waste-to-power facilities and, in particular, their remuneration scheme, is regulated, in accordance with Law 24/2013 on the electricity sector, by these two legal instruments and their implementing regulations:

- RD 413/2014 of 6 June regulating the activity of electricity production from renewable energy sources, cogeneration and waste, which developed the specific remuneration system provided for in Article 14.7 of Law 24/2013 on the Electricity Sector. This specific remuneration scheme is based on obtaining a reasonable return for standard facilities and comprises a term per unit of installed capacity (remuneration for the investment, Rinv) which covers any investment costs for each standard facility that cannot be recovered through the sale of energy on the market and, where appropriate, a term per unit of energy generated (remuneration for operation, Ro) covering the difference between the operating costs and market revenues of that standard facility, which is of particular importance for facilities with operating costs that depend essentially on fuel prices (as is the case, among others, for cogeneration, biomass and waste-to-energy plants).

- RD 960/2020 of 3 November regulating a new economic scheme for renewable energies for electricity production facilities, issued under Royal Decree-Law 23/2020, as an alternative remuneration framework to the specific remuneration system, based on the long-term recognition of an energy price and granted by means of an auction mechanism. Under Royal Decree-Law 8/2023 of 27 December, non-financial awarding criteria may be included in auctions, which hitherto had not been allowed.

On 28 June 2023, Royal Decree Law 5/2023 was approved, adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine, of which the following measures in relation to renewable energies and cogeneration should be highlighted:

- The deadline for accreditation of obtaining construction authorisation for projects at the preparatory stage was extended by 6 months; and

- The electricity market price references to be taken into account when updating the remuneration parameters of RECORE (renewable, cogeneration and waste) facilities for the 2023-2025 half-period, as well as fuel prices to be taken into account when updating operating remuneration for the first and second half of 2023, were adjusted on an exceptional basis.

In accordance with this Royal Decree-Law 5/2023, Order TED/741/2023 was adopted, updating the remuneration parameters for standard installations applicable to certain electricity production facilities using renewable energy sources, cogeneration and waste, for the purposes of application to the 2023-2025 regulatory half-period; it also established the remuneration in the first half of 2023 for the operation of facilities whose operating costs depend essentially on the price of fuel.

Royal Decree Law 5/2023 also provided for the inclusion in the Electricity Sector Law of the basic regulations governing Citizen Energy Communities and Renewable Energy Communities, in accordance with the provisions of EU Directives.

Royal Decree Law 8/2023 of 27 December again extended the deadlines for accreditation of having obtained administrative authorisation for construction and operation, and determined the estimated prices to be applied in updating the remuneration for operations in the first half of 2024.

On 4 June 2024, the Official State Gazette published Order TED/526/2024 of 31 May 2024, which establishes the methodology for updating the operating remuneration of electricity generation facilities whose operating costs depend essentially on the price of fuel and updates their operating remuneration values, applicable as from the first semester 2024. This order was issued in compliance with the mandate established in Legislative Royal Decree 6/2022 and it repealed Order IET/13445/2015 of 2 July. Under the new approach, cogeneration and waste treatment facilities' operating remuneration will be updated every quarter instead of every six months.

In application of this Order TED 526/2024, the Secretariat of State for Energy Resolutions of 27 June and 27 September 2024 were published, updating the values of the operating remuneration for the third and fourth calendar quarters of 2024 for standard electricity generation facilities whose operating costs depend essentially on the price of fuel.

In addition, Royal Decree 662/2024 published in the Official State Gazette (BOE) on 1 August 2024 established the regime governing the installation of floating photovoltaic plants in reservoirs located in public waters in river basins managed by the central government. Royal Decree 962/2024 of 24 September 2024 regulated the production of electricity from renewable sources in facilities located in the sea.

2.2.4.3. Supply

The Supply business is fully deregulated and customers are free to choose their supplier. As a deregulated activity, Supply is remunerated at a price freely agreed by the parties.

However, consumers with power equal to or less than 10 kW may opt to use the open market or continue consuming under a regulated price (PVPC). A series of successive enactments have established the basis for setting the PVPC. In particular, Royal Decree 216/2014 provides that, in any case, the PVPC must include all supply costs in an additive manner, including energy production costs, access tolls and supply costs.

Royal Decree 446/2023 was published in the Official State Gazette on 15 June 2023, amending Royal Decree 216/2014 on the methodology for calculating the PVPC to allow the indexation of the PVPC to forward signals, reducing its volatility. References from the forward markets were therefore gradually incorporated into the calculation of the production cost to be included in the PVPC from 1 January 2024, reducing its indexation to the daily and intraday market, in order to increase its stability. This Royal Decree included a new billing term in the PVPC that includes the cost of financing the energy subsidy that has been borne by supply companies since the entry into force of Royal Decree Law 6/2022.

With the aim of also taking steps in relation to demand in the wholesale market, Royal Decree-Law 17/2022 on urgent measures in the energy area introduced an active demand response service managed by the System Operator through annual auctions, the first of which was held in October 2022, for the service to be provided between 1 November 2022, and 31 October 2023. On 4 December 2023, the second annual auction was held for the period 1 January 2024 to 31 October 2024.

In addition, Royal Decree-Law 18/2022 extended the flexibility measures relating to electricity contracting for companies and the self-employed under certain conditions until 31 December 2023, and these measures were again extended until 30 June 2024 under Royal Decree-Law 8/2023 of 27 December. Royal Decree-Law 4/2024 of 26 June 2024 further extended these measures to 31 December 2024.

Naturgy also has power purchase agreements (PPA) with industrial groups in Spain that provide for a stable supply of electricity to meet their long-term needs. Those agreements are normally for ten years, and the volume and price are determined at the time of signature. Part or all of the energy supplied is renewable in origin and, therefore, the sale also includes the sale of guarantees of origin certifying the origin of the energy supplied.

These agreements provide for a physical delivery of energy to the buyer in accordance with the latter's procurement needs and, consequently, qualify for the "own use" exception under IFRS 9, the revenue being recognised as the energy is delivered.

Guarantees of origin

The Group's supply companies enter into agreements with some of their customers for the supply of green-certified electricity and gas.

There are two routes for certifying the origin of electricity consumed by a customer. First, through redemption of Guarantees of Origin assigned directly by the supplier to the customer's consumption, as identified by their CUPS (Spanish 'Universal Supply Point Code'). Secondly, through sale by a supplier labelled as green, where the CNMC certifies the renewable origin of all the energy sold by that supplier.

At Naturgy, Guarantee of Origin certificates for renewable energy sources are mainly generated by the Group's renewable energy facilities.

The Group's renewable generation facilities initially request the CNMC to issue the Guarantee of Origin certificate which, once certified, is transferred to the Group's supply company, which then proceeds to redeem the Guarantees of Origin assigned to customers by certifying consumption at their point of supply (CUPS), or by certifying the energy sold by the Group's green supplier.

For gas, the source of biomethane consumed by customers is certified by redeeming Guarantees of Origin for each point of consumption, in a similar way to electricity. Gas origin management and certification is handled by Enagás.

Vulnerability

Vulnerable consumers of electricity can avail themselves of an energy subsidy ("bono social") that is regulated in Article 45 of Law 24/2013 and Royal Decree 897/2017, which regulated the definition of vulnerable consumers, the energy subsidy and other forms of protection for residential consumers of electricity.

The subsidy consists of a discount of 25% on the electricity bill for vulnerable consumers and of 40% for very vulnerable consumers, subject to a cap on the amount of electricity consumed; both subsidies are means-tested on the basis of the household's total income and number of children. The regulations also establish special conditions for consumers at risk of social exclusion. For beneficiaries of the energy subsidy, a minimum vital supply measure has been established that prohibits cut-off of the service for non-payment for six months in addition to the existing four months, and power must be supplied at the standard maximum.

In 2021, in view of the exceptional price rises, these discounts were extended until 31 December 2023 and, under Royal Decree-Law 8/2023 of 27 December, they were extended again until 30 June 2024, standing at 65% for the vulnerable and 80% for the severely vulnerable. The consumption limits qualifying for the energy subsidy were extended, as was the category of consumers entitled to the energy subsidy and the new temporary social justice category with a 40% discount, effective to 30 June 2024.

Royal Decree-Law 4/2024, of 26 June, published in the Official State Gazette on 28 July, extended the higher discounts of 65% and 80% for the electricity subsidy, which will taper down to permanent values by 1 July 2025 of 35% for vulnerable consumers and 50% for severely vulnerable consumers. These values are still higher than those in force before the crisis measures. However, Royal Decree-Law 9/2024 postpones the expected date for reaching the 35% and 50% discounts to 31 December 2025.

Since Royal Decree-Law 6/2022, the energy subsidy has been funded by all parties in the electricity system (generators, carriers, distributors, suppliers and direct consumers in the market). The CNMC is entrusted with calculating the distribution each year and the Ministry is responsible for approving, by Order, the unit values to be applied each year by each player in each activity. Royal Decree Law 8/2023 of 27 December adopted the distribution of sums to be funded for the energy subsidy for 2024.

The reduction in VAT from 21% to 5% was also extended until 31 December 2023 for <10 kW consumers, provided that the market price exceeds 45 €/MWh and, in any event, for consumers that receive the energy subsidy, as was the reduction in electricity tax (from 5.1% to 0.5%), complying with the minimum limits under the Directive. In accordance with Royal Decree-Law 8/2023 of 27 December, the reduced VAT rate applicable to electricity supply rose to 10% from 1 January 2024 to 31 December 2024, after which it returned to the usual rate of 21% from 1 January 2025. The Special Electricity Tax (IEE) was reintroduced gradually, increasing from 0.5% to 2.5% in the first quarter of 2024 and to 3.8% in the second quarter and returning to its usual rate of 5.1% from 1 July 2024.

Furthermore, in accordance with Royal Decree Law 8/2023, the prohibition on cutting off supply to vulnerable consumers in the event of non-payment will remain in force until 30 June 2024. Royal Decree-Law 4/2024 of 26 June 2024 further extended this measure to 31 December 2024. Subsequently, Royal Decree Law 9/2024 kept the measure in effect to 31 December 2025.

2.2.4.4. Energy efficiency

Spanish Law 18/2014 established a national system of energy efficiency obligations under which an annual energy saving quota (saving obligation) is assigned to gas and electricity supply companies, oil product wholesalers and liquefied petroleum gas wholesalers. Royal Decree-Law 23/2020 extended the validity of this national system until 2030.

The mechanism whereby liable parties must fulfil this obligation is through a monetary contribution to the National Energy Efficiency Fund (FNEE). On 26 January 2023, Royal Decree 36/2023 of 24 January was published, establishing a scheme of Energy Savings Certificates (CAE) as an alternative mechanism to the financial contribution to the National Energy Efficiency Fund (FNEE). The implementing regulations for its effective application were subsequently released, envisaging it as a voluntary and alternative measure, either in whole or in part.

Each year, each liable party's obligations to make contributions to the National Energy Efficiency Fund are established by a ministerial order. On 23 March 2024, Spain's Official State Gazette (BOE) published Order TED/268/2024 of 20 March, which establishes new energy-saving obligations, details compliance measures via Energy Saving Certificates, and sets the minimum required contributions to the National Energy Efficiency Fund for 2024.

2.3. Other regulations in Spain

Concerning taxation, Law 38/2022 of 27 December, published in the Official State Gazette on 28 December 2022, creates a temporary energy levy of 1.2% of revenue for 2022 and 2023 (calendar years prior to those in which the payment obligation arises: 2023 and 2024) for the main operators in the energy sectors, excluding, inter alia, revenue from regulated activities. Royal Decree-Law 8/2023 of 27 December extended this tax throughout 2024 and announced the introduction in the following central government budget of a tax incentive for strategic investments in energy transition projects made on or after 1 January 2024. The incentive was included in the tax code with effect for 2024.

Law 7/2024 was amended in its passage through Parliament: a final provision was added repealing Article 1 of Law 38/2022, which constitutes a de facto repeal of the Temporary Energy Levy and rules out the possibility that it may be extended to 2025 via a Royal Decree Law. In response to this repeal, the subsequent meeting of the Spanish Cabinet on 23 December 2024 adopted Royal Decree Law 10/2024, of 23 December, which re-imposed the Temporary Energy Levy for 2025, on the basis of net sales in 2024.

The Plenary Session of the Congress of Deputies on 22 January 2025 did not ratify Royal Decree Law 10/2024, of 23 December, which consequently lapsed, meaning that no amount will accrue in 2025 for the Temporary Energy Levy.

In September 2024, the final version of the NECP 2023-2030 was approved in the Official State Gazette (BOE); it updates the European targets, the published roadmaps and the progress made since the publication of the NECP 2021-2030. Key highlights include a rise in renewable energy use within the transport sector, the retention of the 2030 target for installed renewable capacity, and a 20 GWh biomethane target. The investment required to meet these goals increased to €308 billion, up from €294 billion in the previous iteration of the plan. Conversely, the energy efficiency target was reduced, with primary energy efficiency falling from 42% to 39.5% and final energy efficiency declining from 44% to 43%, relative to 2007 levels. In addition, the regulation envisages use of the full installed capacity of the combined cycle gas turbines as a back-up for the other technologies.

Spain does not currently provide for the free allocation of emission allowances to offset emissions from combined cycle gas power plants under the European Union Emissions Trading Scheme (ETS). Since phase III of the ETS (2013-2020), free allocation of emission allowances has been significantly reduced and focuses on sectors thought to be at risk of carbon leakage, such as energy-intensive industrial sectors. Electricity generation facilities, including combined cycle gas power stations, must purchase their emission allowances at auction or on the secondary market, as they do not receive free allocations under current ETS rules. However, co-generation facilities, which simultaneously produce electricity and useful heat, can receive free emission allowances, provided that the heat produced is used for industrial purposes or district heating networks. Free allocation does not cover 100% of emissions, as it is designed to provide an incentive for energy efficiency and decarbonisation. Among the facilities under Naturgy's control, only one cogeneration facility is subject to the ETS and qualifies for free allocation of allowances.

3. Regulation of the gas industry in Latin America

3.1. Main characteristics of the natural gas industry in Latin America

In all these countries, gas industry regulations are well-established and stable, and are implemented and administered by independent regulators.

- This is an industry in which regulated and unregulated activities coexist:
    - Regulated activities: natural gas transport, distribution and supply to customers at regulated tariffs.
    - Unregulated activities: natural gas production, procurement and supply to unregulated customers by supply companies.

- The principle that the regulated activities must be economically and financially sustainability is reflected in periodic tariff updates to adjust for inflation and fluctuations in natural gas prices, and regulatory periods of 4 or 5 years in which Comprehensive Tariff Reviews are conducted in order to define the maximum tariffs for the entire tariff period. These tariffs must be approved by the regulatory body in each country, except in the case of Chile, where the distribution company is free to set its own tariffs, although the return on investment is capped.

- The degree of regulation of the supply of natural gas to customers in the open market varies in each country. Markets are currently being opened up to a greater number of customers, depending on the range of consumption, and access to the transmission grids is being liberalised. In all countries where Naturgy operates in the distribution area, supply to the residential market continues to be a regulated activity carried out by the distribution company.

- As the supply of natural gas to regulated tariff customers is the responsibility of the distribution companies, they must conclude procurement contracts with various procurement and supply companies in order to obtain natural gas under appropriate conditions (volumes and flexibility) for supplying these customers.

3.1.2. Regulated activities in the natural gas industry in Latin America

Regulated activities in the countries where Naturgy is present (Mexico, Brazil, Argentina and Chile) share significant similarities: distribution is based on a concession regime regulated by various laws and concession agreements in each of the countries, which specify, inter alia, service characteristics, the scope of the regulated market, the return on investment and how the tariff regime is to be updated.

3.1.2.1. Transmission

This consists of transporting natural gas from entry points (LNG plants, well-heads, international pipeline entries) to the distribution companies' delivery points (city gates).

The transportation networks are owned by transport companies. Naturgy does not engage in this activity to any significant extent in any of these countries.

3.1.2.2. Distribution

Natural gas is transported from the very high pressure transport grid to the final consumer through the high, medium and low pressure distribution grid.

The distribution activity is based on a system of fixed-term concession agreements which may be extended and which do not entail exclusive rights of use (there is generally no exclusivity in the concession areas).

Distribution companies' activities are restricted to expanding and managing distribution networks and supplying natural gas to non-deregulated customers or deregulated customers that choose to be supplied by the distribution company.

Revenues from the distribution activity are obtained via tolls (distribution tariff) paid by all regulated market and open market customers connected to the distribution network.

The main characteristics of the regulated natural gas distribution activities are i) the need for a concession agreement, ii) the conclusion of a natural gas supply contract between the distributor and a supply company for supplying the distributor's regulated tariff customers, iii) validation by the regulator of this supply contract, and iv) access to the transportation network.

3.1.3. Economic regime applicable to regulated activities in Latin America

3.1.3.1. Distribution in Brazil, Mexico and Argentina

In these countries the regulatory model is based on a price cap, where the regulator sets the maximum tariffs for the following 5-year regulatory period (Annual Tariff Review). These maximum tariffs are based on economic sufficiency to adequately remunerate all costs, capital and operating expenses which distribution companies are required to incur in order to carry out the activities included in the concession agreement.

The calculation of these revenues is based on the projection of the investment plan, operating expenses, asset base, and depreciation for the 5-year tariff period. The rate of return at which the assets are remunerated is also calculated. The calculated rate of return is a real rate, net of the inflation rate forecast for the tariff period. Tariffs are updated at different intervals in each country to adjust for the effect of inflation and variations in natural gas prices.

3.1.3.2. Distribution Chile

In Chile, the regulatory model is based on the revenue cap system in which the distribution company is free to set tariffs. Each year, the regulator verifies the return obtained by the distribution company to ensure that it is below a specified limit (which varies based on asset age).

The rate of return consists of the discount rate that matches the present value of the flows associated with the distribution business margin (sales revenue less operating costs) with the value of the assets. In the event that the return exceeds the established rate, the law requires the regulator to set mandatory tariffs for low consumption customers.

The asset base is appraised every 4 years using the replacement cost method.

The cap on the rate of return is calculated each year, also using a real rate, and, therefore, the asset base is updated for inflation and the tariffs set by the distribution company may take this inflation adjustment into account.

3.1.4 Regulatory situation of natural gas distribution companies in Latin America

3.1.4.1. Brazil

There are three different concessions in Brazil, two in the state of Rio de Janeiro (CEG and CEG RIO) and a third in the state of São Paulo (SPS). Regulation in Brazil is based on a price cap model in which the regulator sets maximum tariffs with a gas price pass-through.

CEG and CEG RIO

On 24 March 2021, the Rio de Janeiro State regulator (AGENERSA) released Resolutions 4198/2021 and 4199/2021 with the outcome of the 4th tariff review for CEG and CEG RIO, respectively. Subsequently, on 29 March 2021, AGENERSA suspended the validity and effects of the Resolutions for the 4th tariff review for CEG and CEG RIO to enable the concession authority to come to a decision on the third addendum to the concession agreement. On 14 June 2021, AGENERSA published its decision to hold the Resolution in abeyance and reinstate the procedural deadlines for the decisions contained in it. The concession companies appealed against the decision.

At the Regulatory Session held on 25 May 2023, the annual readjustment of the margins of the companies CEG and CEG RIO was applied, so that in 2023 two increases were introduced: a) an increase of +7.1% to offset the difference between the adjustment applied in the period from 1 December 2020 to 30 November 2022 (+10.74%) and that which would have resulted from the change in the GPI-M inflation index (+17.8%) and b) an increase of +5.90% for the change in the GPI-M inflation index from 1 December 2021 to 30 November 2022, to be applied from 1 January 2023.

On 27 December 2023, AGENERSA approved the new gas distribution tariffs for CEG and CEG RIO, which include adjustments for the variance between the natural gas price and the IGP-M index (-3.46%), effective from 1 January 2024.

On 14 November 2024, AGENERSA validated an agreement between concession holders and the conceding authority (the State of Rio de Janeiro) in relation to the 4th tariff review (RTI). Under the agreement, the CEG margin increases by +6.15% (to be collected via flows) and the CEG RIO margin decreases by -29.33% (to be offset via additional capital expenditure), but this will not apply until the next tariff cycle, i.e., until the 5th tariff review (RTI) is approved.

On 1 January 2025, the new tariffs for CEG and CEG RIO came into effect, with adjustments in line with the annual inflation index of IGP-M (+6.33%) according to Resolutions 4840 and 4841/2024 of 23 December 2024.

Following the agreement reached in relation to the 4th RTI, the negotiation process was resumed in relation to the 5th RTI (period 2023-2027), which is currently at the stage of analysis of the rate of remuneration and the asset base.

Furthermore, as part of the liberalisation of the natural gas market, which began in 2020, a regulatory framework has been published for the State of Rio de Janeiro that governs relations between deregulated customers and distribution companies. Currently, the combined cycle power stations already have access to the market, and three industrial customers in Rio de Janeiro have applied for permission to migrate to it.

This regulatory framework for the liberalisation of the natural gas market has set a distribution margin for deregulated customers, with a 1.9% reduction in the tariff, and allows access to the free market to customers that consume more than 10,000 m^3/day.

Gas Natural Sao Paulo Sur, S.A. (SPS)

On 26 May 2023, the Utilities Regulator of the State of São Paulo (ARSESP), under Resolution No. 1410/23, approved a tariff update of the annual readjustment of SPS margins by the inflation rate of -2.21% for the period 1 June 2023 to 31 May 2024.

The following readjustments applied to margins in effect from 1 June 2023:

- Margin increase of +7.05% each year (to be applied in four annual stages, with the 2023 adjustment being the third year of application) for the residential, collective residential and commercial segments, relating to the staggered update of the accumulated change in the IGP-M for the period April 2020 to April 2021 (+32.02%).

- Compensatory adjustment of +6.97% for the delayed implementation of the result of the 4th RTI.

- Compensatory adjustment of +21.56%, to the residential, collective residential and commercial segments relating to the IGP-M variation for the period May 2019 to April 2020 (one-year delay in application).

- Compensatory adjustment of +7.77%, to the other consumption segments (except residential and commercial) referring to the amount of the variation in the IGP-M not applied for the period May 2019 to April 2020 (two-year delay in application).

In April 2024, the Sao Paulo Public Services Regulatory Agency (ARSESP) approved the Sao Paulo Financial Remuneration Rate for the following regulatory period (1 June 2024 to 31 May 2025). The approved rate was 7.88%. Gas Natural Sao Paulo Sur, S.A. (SPS) believed this an insufficient return on investment and lodged an appeal.

On 27 May 2024, ARSESP, under Resolution No. 1,522/24, approved the tariff update of the annual readjustment of SPS margins by the inflation rate of -3.09% for the period 1 June 2024 to 30 May 2025.

The following readjustments applied to margins in effect from 1 June 2024:

- Margin increase of +7.06% each year (to be applied in four annual stages, with the 2024 adjustment being the third year of application) for the residential, collective residential and commercial segments, relating to the staggered update of the accumulated change in the IGP-M for the period April 2020 to April 2021 (+32.02%) during the pandemic.

- Offset adjustment of -7.21% to the other consumption segments (except residential and commercial), to finalise the amount of the IGP-M not applied for the period between May 2019 and April 2020 (two-year delay in application) which was fully offset in the last 12 months. On 27 May 2024, the Utilities Regulator of the State of São Paulo (ARSESP), under Resolution No. 1522/24, approved a tariff update of the annual readjustment of SPS margins by the inflation rate of -3.09% for the period 1 June 2024 to 31 May 2025.

The five-yearly review of SPS is scheduled for May 2025. On 6 January 2025, SPS filed the Business Plan with ARSESP under the new criteria of the recent resolutions: WACC methodology, maximum tariff approach and tariff design specifications. In January 2025, the regulator began the analysis phase, which will lead to a public consultation to set the tariffs for the following period.

3.1.4.2. Mexico

The tariff periods for the concessions for Monterrey, Bajío, Saltillo, Mexico City, Toluca and Nuevo Laredo are valid until 31 December 2025. However, the tariffs for the concessions for Mexico City, Saltillo and Nuevo Laredo are under appeal and now pending a decision, while Monterrey, Toluca and Bajío are still in the evidence-gathering phase.

In the last plenary session of December 2024, the Energy Regulatory Commission (CRE) approved the new tariffs for the second tariff period of Valle de México. However, it has not yet officially notified the result of the tariff review for this concession.

For the Tabasco, Campeche and Mérida distribution areas, the tariff period ended in December 2023. For Península it ended in June 2024. The business plans for Tabasco, Campeche and Mérida were filed on 4 December 2023, while the business plan for Península was filed in April 2024. The regulatory body is expected to issue the relevant resolutions. However, the concessions in these areas have not yet started operations, as there is no gas available at the sites.

Regarding the maximum tariffs in force, the Energy Regulatory Commission (CRE) approved the regulatory inflation rate for the following concessions: Monterrey, Bajío, Saltillo, Mexico City, Toluca and Nuevo Laredo. The Monterrey rates have already been published in the Official Journal of the Federation (DOF) and are already being applied. The rest of the tariffs for the other concessions are in the process of being published in the DOF so that they can be applied.

In accordance with the provisions of the 2024 Regulatory Programme, on 30 September 2024 the Energy Regulatory Commission (CRE) sent to the National Commission for Regulatory Improvement (CONAMER) a draft of an "Agreement whereby the Energy Regulatory Commission issues guidelines for maximum visibility of current prices and identification of storage tanks and dispensing modules at vehicle service stations for sale to the public of natural gas, petrol, diesel and liquefied petroleum gas". The draft agreement, which will be open to public consultation on the CONAMER website, raises the visibility of prices at Naturgy's natural gas refuelling stations in Mexico.

In addition, the Regulatory Programme of the Energy Regulatory Commission envisages the following proposals:

- In December 2024, submit to public consultation the draft general administrative provisions establishing the requirements for applications and modifications of concessions for the transport, storage, distribution, liquefaction, regasification, compression, decompression, sale to customers, management of integrated systems and supply of natural gas, oil, condensates, natural gas liquids and methane hydrates, which are expected to be approved in March 2025.

- In January 2025, submit for public consultation the draft agreement that establishes the criteria for the injection of biomethane into natural gas distribution systems through pipelines, to be approved by the Energy Regulatory Commission in March 2025.

At the date of authorisation for issue of these consolidated financial statements, the Energy Regulatory Commission had not yet submitted any of these drafts for public consultation.

3.1.4.3. Argentina

The company has two gas distribution concessions in Argentina: Naturgy BAN, S.A. (BAN) (part of the province of Buenos Aires) and Naturgy NOA, S.A. (NOA) (provinces of Tucumán, Salta, Jujuy and Santiago del Estero). Argentina's regulatory framework, which is very similar to those in Mexico and Brazil, uses a price cap model: maximum tariffs are set by the regulator, ENARGAS, with gas costs passed through to consumers.

On 16 December 2023, Necessity and Urgency Decree (DNU) 55/2023 was published in the Argentinian government gazette, declaring a state of emergency in the national energy sector for 2024. The decree grants the Secretariat of Energy a power to establish tariff mechanisms aimed at maintaining real revenue levels and addressing investment requirements to ensure uninterrupted service provision. The deadline for approving tariffs under the integrated tariff review for natural gas distribution companies was set for 31 December 2024. During this period, ENARGAS may determine transitory tariff adjustments and periodic adjustments on account of the tariff tables of the tariff review. As noted below, Necessity and Urgency Decree No. 1023/24 of 20 November 2024 extended the National Energy Sector Emergency to 9 July 2025.

On 27 December 2023, the President of Argentina sent a Bill entitled "Bases and Starting Points for the Freedom of Argentinians" to Congress which declares a public emergency in economic, financial, fiscal, social, health, security, defence, tariff and energy matters until 31 December 2025 and provides the following in relation to natural gas distribution:

- Amendment to Law 24076 raising the period for the extension of licences from 10 to 20 years without altering the procedure and the deadline for exercising this right.
- Merger of the Gas and Electricity Regulators.
- Creation, modification, transformation and/or elimination of energy sector trust funds created by law, including those earmarked for subsidies, reviewing their origin and destination.

On 26 March 2024, the Argentinian government and natural gas distributors signed two temporary tariff adjustment agreements. These agreements restored tariff levels and initiated a five-year tariff review process in line with the regulatory framework, as provided by Decree No. 55/2023, which declared a tariff emergency through December 2024.

In principle, the temporary tariff adjustment agreements have allowed: (i) a tariff increase effective April 2024 of 435% for Naturgy BAN and 498% for Naturgy NOA; (ii) the introduction of a monthly tariff adjustment schedule; (iii) a nine-month investment commitment through December 2024; and (iv) the continuation of the five-year tariff review process, with the decree stipulating that the resulting tariff tables must take effect no later than 31 December 2024.

Subsequently, in response to ongoing shifts in Argentina's macroeconomic variables and to continue with the disinflation process, the government postponed the monthly tariff adjustment outlined in the transitional agreements, originally scheduled to take effect on 1 May 2024. The monthly tariff adjustment resumed in August, with distribution tariff adjustments implemented in August, September, October, and November to maintain as much stability as possible in sector prices and tariffs. However, these adjustments differ from those outlined in the transitional agreements, leading to a unilateral alteration of the remuneration framework established for distributors. This issue is currently under discussion with the regulator.

In August, ENARGAS released the methodology for the tariff review outlined in Article 3 of Necessity and Urgency Decree No. 55/2023. However, Necessity and Urgency Decree No. 1023/24, issued on 20 November 2024, extended the state of emergency in the domestic energy industry until 9 July 2025. Article 3 of the decree specified that the tariff charts resulting from the ongoing tariff review must take effect no later than 9 July 2025.

As a particularly significant development, on 28 October 2024, the Company notified ENARGAS of its decision to exercise its right to request a 20-year extension of its distribution licence, as provided for in the sector's regulatory framework. For its part, the regulatory authority, in response to the providers' requests, is required to evaluate the service provision by each applicant in order to propose the renewal of its licence to the central government. Following this, a public hearing must be convened, after which the government will make its decision.

On 3 December 2024, Resolution SE No. 384 was published in the official gazette, extending the period of transition to targeted energy subsidies for a period of six months, from 1 December 2024 to 31 May 2025.

On 13 January 2025, ENARGAS, by means of Resolution 2025-16, announced Public Hearing No. 106 on 6 February 2025, with the purpose of submitting for consideration: a) a five-yearly review of gas transport and distribution tariffs; b) Methodology for the periodic adjustment of gas transport and distribution tariffs; c) Modification of the Distribution Service Regulations in relation to the items linked to the power to cut off service for non-payment.

3.4.1.4. Chile

In Chile, tariffs may be set freely subject to a cap on returns. Tariffs are therefore set by the distributor, which is also responsible for supply. Annual profitability may not exceed a specific rate of return. The law currently governing the natural gas industry is the Decree with Force of Law No. 323 of 1931, of the Ministry of the Interior, and the "General Law on Gas Services", as last amended by Law No. 20.999 published in the Official Gazette of 9 February 2017.

In this context, in July 2017, the National Energy Commission established the rules for the production of the Annual Profitability Report by concession areas of concessionaires of the public service of piped gas distribution, which will apply until the corresponding regulations are issued.

On 29 June 2022, the Chilean government submitted a Bill for the improvement of the gas market. In the natural gas area, the Bill establishes that distribution concession companies with gas purchase contracts signed with companies of the same business group or with related persons or entities must include the costs and revenues associated with the gas supply by their related supplier in their profitability test. The Bill under consideration would render inapplicable Transitional Article 12 of Law 20999, on the basis of which the CNE verified the efficiency of the supply contract between Metrogas and its related company Aprovisionadora Global de Energía S.A. The Bill provides for a reduction in the maximum rate of return allowed for assets over 20 years old, from 9% to 6%. This bill is currently under review but has not yet been approved, as legislators await the submission of a new bill with a broader scope of application.

A Committee of Experts was set up by the Ministry of Energy to analyse possible regulatory improvements to the natural gas market. The Committee submitted a report with its conclusions on 22 May 2023. Based on this report, the development of the latter Bill with a broader scope is envisaged, which could result in major changes in the national regulatory model. At 31 December 2023, this new Bill had not yet been submitted for processing and possible approval.

4. Regulation of the international electricity sector

4.1. Main characteristics of the international electricity industry

In all countries within Naturgy's footprint, electricity sector regulations are well-established and stable; legislation is implemented and administered by independent regulators.

- This is an industry in which regulated and unregulated activities coexist:
    - Regulated activities: electricity transmission, distribution and supply to customers at regulated tariffs.
    - Unregulated activities: electricity generation and supply to unregulated customers by supply companies.

- The principle of the economic and financial sustainability of regulated activities is reflected in periodic tariff updates to adjust for inflation and regulatory periods of 4 or 5 years in which Comprehensive Tariff Reviews are conducted in order to define the maximum tariffs for the entire tariff period. These tariffs must be approved by regulators in each country.

- The degree of regulation of the electricity supply to customers in the open market varies in each country In countries where Naturgy operates in the distribution area, namely Panama and Argentina, electricity supply to the residential market continues to be a regulated activity carried out by the distribution company.

- As the supply of electricity to regulated tariff customers is the responsibility of the distribution companies, they must conclude supply contracts with generators and supply companies to have the energy and capacity required to supply these customers.

4.2. Regulated activities in the international electricity industry (Latin America)

The electricity sector in Panama and Argentina shares key similarities with the natural gas sector: the distribution activity is based on a concession regime regulated by various laws and concession agreements in each of the countries, which specify, inter alia, service characteristics, the scope of the regulated market, the return on investment and how the tariff regime is to be updated.

Transport

Electricity transport links power generation plants and international transport grids with distribution networks and customers. Naturgy's involvement in the transmission business is insignificant.

Distribution

Electricity distribution comprises all activities required to deliver energy from the high-voltage transmission grid to end consumers, as well as the supply of electricity at a regulated tariff to customers who are not in the free market (based on consumption and power range).

4.2.1. Remuneration framework for regulated activities

The remuneration model in both Panama and Argentina is based on a price cap model. The regulator is responsible for setting the maximum tariffs for the following regulatory period (Annual Tariff Review). These maximum tariffs are based on economic sufficiency to adequately remunerate all costs, capital and operating expenses which distribution companies are required to incur in order to carry out the activities included in the concession agreement.

4.2.1.1. Panama

Although the regulatory model in force in Panama is a price cap, unlike in Argentina, revenue is calculated by projecting investments and operating expenses based on efficiency equations that are calculated based on the performance data of a group of companies (USA and Panama), i.e. it is a projective model whose parameters are based on a process of benchmarking with comparable companies.

The rate of return calculated is a real rate which discounts the inflation forecast for the tariff period, and, therefore, tariffs are updated to adjust for the effect of inflation (to the extent determined by the regulator) and variations in electricity prices.

The regulatory period in Panama is 4 years.

The range of potential fluctuations in this rate of return is established by law. The regulator sets the rate to be applied during the subsequent regulatory period based on an economic analysis. The upper limit of this range is calculated as the sum of 800 basis points and the yield on 30-year US Treasury bonds, plus an additional 200 basis points. The lower limit is determined as the sum of 800 basis points and the yield on 30-year US Treasury bonds, minus 200 basis points.

4.2.1.2. Argentina

The regulatory model in Argentina for electricity distribution is very similar to the regulatory model for natural gas distribution. It is based on the price cap model where the regulator sets the maximum tariffs for the next regulatory period (5 years).

The calculation of these revenues is based on the projection of the investment plan, operating expenses, asset base, and depreciation for the 5-year tariff period. The rate of return at which the assets are remunerated is also calculated. The calculated rate of return is a real rate, net of the inflation forecast for the tariff period. Tariff updates are carried out at different intervals in each country to adjust for the effect of inflation and variations in electricity prices.

As this is a price cap system relying on incentive-based remuneration, distribution companies make significant efforts during the regulatory period to reduce operating costs so that, at the end of the tariff period, customers may benefit from a reduction in tariffs in the following tariff period due to lower unit operating costs.

4.2.2. Regulatory situation of international electricity distribution companies (Latin America)

4.2.2.1. Panama

On 31 March 2022, the Public Services Authority (ASEP) issued Resolution AN-17542, subsequently amended by Resolution AN-17554, extending the validity of the tariff schedule of the distribution companies EDEMET and EDECHI, approved for the period from 1 July 2018 to 30 June 2022, while studies were being conducted for the new maximum allowed revenue (IMP) for the period between July 2022 and June 2026 and until the new tariff schedules were approved.

On 19 January 2023, under Resolution AN-18166, the tariff review (RTI) applicable to the period 1 July 2022 to 30 June 2026 was approved.

On 21 June 2023, the regulator (ASEP) published Resolution AN-18496 whereby it approved the Maximum Permitted Revenue (IMP) of the electricity distribution companies EDEMET and EDECHI for the period 1 July 2022 to 30 June 2026. The results obtained from the approved IMP represent an increase of approximately 25% of the Distribution Added Value with respect to the previous tariff review, in line with the increase in investments that are planned for the period July 2022 to June 2026 for the development, growth and modernisation of the distribution network in the concession area of the distribution companies EDEMET and EDECHI.

On 5 October 2023, through Resolution AN-18737, the new tariff schedules were approved, resulting in an average price increase for regulated customers of +3.18% for EDEMET and +1.26% for EDECHI compared to the average prices of the previous period.

The tariffs related to the distribution and supply of electricity, approved by Resolution AN-18737 on 5 October 2023 for the period from 1 July 2023 to 30 June 2026, are updated every six months throughout the tariff period until June 2026, based on the consumer price index in the proportion specified by the applicable tariff regime. During 2024, an update was applied for the January-June 2024 half-year period, and subsequently for the July-December 2024 half-year period. At the end of 2024, the regulator announced the application of a new half-yearly update, which took effect on 1 January 2025 and will remain in force until 30 June 2025.

Throughout 2024, the State's contribution was sustained by applying discounts from the tariff stabilisation fund (FET) for EDEMET and EDECHI customers consuming up to 300 kWh per month, as well as through contributions from the Occidente tariff fund (FTO) for EDECHI customers. In addition, at the end of December 2024, a Government Resolution was issued approving the extension of the application of the FTO until June 2025.

On 23 July 2024, the Panama Cabinet, through Cabinet Resolution No. 64, officially ended the state of national emergency that had been declared in March 2020 in response to the COVID-19 pandemic. In this regard, ASEP issued Resolution AN No. 19511-Elec on 16 August 2024, which reinstates the cost of energy not supplied (CENS) to its pre-pandemic value of 1.85 PAB/kWh, replacing the reduced value of 0.50 PAB/kWh that had been implemented during the national emergency.

The regulator (ASEP) approved Naturgy's proposal to implement an intensive maintenance plan on the network, which involves adjustments and pruning/felling works on the most critical circuits to enhance the quality of service in our concession area. Accordingly, it issued Resolution AN No. 19567 on 6 September 2024, which exempts these works from the quality indicators for a period of six (6) months starting from 1 September 2024.

4.2.2.2. Argentina

In Argentina, each provincial jurisdiction has its own regulation to establish the Distribution Added Value (VAD). That is, each province is the grantor of the Public Electricity Distribution Service in its area. However, the values relating to the acquisition cost of energy, capacity and transmission are pass-through values and are subject to national regulation.

The tariff scheme in the province of San Juan, where Naturgy operates through Energía San Juan S.A., consists of five-yearly Ordinary Tariff Reviews (RTO) and half-yearly Extraordinary Tariff Reviews (RTE). The latter restate the variables contained in the VAD, make market projections and make adjustments (between estimated and actual figures) to taxes, levies and charges that are not set out explicitly in the invoices for the service.

The RTO process envisaged in the Concession Agreement, which sets the tariffs for the five-year period from 2021 to 2025, was completed early in 2021. Subsequently, public hearings have been systematically held for the four subsequent RTEs.

On 24 January 2024, the Provincial Electricity Regulator approved Resolution EPRE No. 085/24, relating to the conclusion of the 6th Extraordinary Tariff Review, approving new maximum unit values of the Distribution Cost and Commercial Cost, to be applied to consumption from 23 January 2024 onwards. For Energía San Juan S.A., this Resolution represents an increase of approximately 89% in the average sales tariff and 174% in the Distribution Added Value (VAD) that will be phased in over the six months following its entry into force.

In addition, the National Energy Secretariat published the new prices to be applied in the wholesale electricity market for energy, capacity and transmission for consumption during the three-month period from February to April, and it ordered the total elimination of subsidies in all tariffs except for all residential customers to whom the Social Tariff applies (approximately 25% of users).

Due to the high levels of inflation, the Regulator additionally established a monthly oversight mechanism to monitor the trend in the inflation indexes that are used. Based on this mechanism, on 22 April 2024, the EPRE issued Resolution EPRE No. 420/24 in which it recognised the differences accrued as at 30 March 2024 in favour of Energía San Juan S.A.

Decree No. 465/2024, establishing a transition period until the implementation of the "Focused Energy Subsidies", projected for the months of June to November 2024, was published on 28 May 2024. The National State Subsidies (SEN) will be restructured during this transition period in order to ensure a gradual transition towards a system in which the actual costs of energy can be passed on to users, energy efficiency is encouraged, and vulnerable residential users' access to electricity is guaranteed.

On 2 July 2024, the Provincial Energy Regulator issued Resolution EPRE No. 653/24, initiating a public information process for the 7th Ordinary Tariff Review for the 2021-2025 five-year period. This process will determine the new distribution and supply costs to be applied to consumption from 23 July 2024 onwards. The public hearing was scheduled for 31 July 2024.

As a result of the public hearing, on 15 August 2024, the provincial electricity regulator issued Resolution EPRE No. 756/24, notifying the distributor of the approval of the new maximum unit values for the distribution cost and the commercial cost, effective from 23 July 2024. This Resolution entails increases of approximately 13% in the distributor's average sales tariff and 31% in the distribution added value (VAD).

On 29 November 2024, the Provincial Energy Regulator issued Resolution EPRE No. 1106/24, initiating a public hearing process for the 8th special tariff review for the 2021-2025 five-year period. As a result of the public hearing, on 23 December 2024, the provincial electricity regulator issued Resolution EPRE No. 1200/24, notifying the distributor of the approval of the new maximum unit values for the distribution cost and the commercial cost, effective from 23 January 2025. This Resolution entails decreases of approximately -4.4% in the distributor's average sales tariff and -6.6% in the distribution added value (VAD). This decrease results from lower real inflation compared to inflation estimated for the previous tariff review.

4.3. Unregulated activities in the international electricity industry

4.3.1. Generation

Naturgy operates as a power generator in Mexico, Panama, Costa Rica, Dominican Republic, Puerto Rico, Chile, Brazil, Australia and the United States.

4.3.1.1. Costa Rica and Puerto Rico

The Group generates electricity under Power Purchase Agreements (PPA) with the national enterprises in the industry, which are vertically integrated state-owned companies with exclusive responsibility for transmission, distribution and supply.

In the case of Costa Rica, there are contracts in place with the Costa Rican Electricity Institute (ICE), to which the La Joya hydroelectric plant was handed over in 2023 in compliance with the contractual terms after 20 years of operation, while the 50 MW Torito plant has been in operation since 2015 under a 20-year concession agreement with the ICE. Once that term expires, that plant will also be transferred to the ICE free of charge. During the concession period, Naturgy recognises revenues from electricity sales to the ICE as well as the facility's operating revenues.

In Puerto Rico, a power and capacity sale contract has been concluded with the state-owned Puerto Rico Electric Power Authority (PREPA). In this case, capacity revenues are recognised when received and revenues from the sale of electricity are recognised on the basis of the actual delivery of electricity produced. Naturgy's stake in EcoEléctrica, the company that owns the Puerto Rico combined cycle plant, is carried using the equity method.Changes are taking place in the sector in Puerto Rico as transmission, distribution and electricity system operation are being privatised. LUMA Energy has been responsible for operating and managing the electricity transmission and distribution system since 1 June 2021. The company chosen with respect to generation operations is Genera PR, which, since July 2023, has been responsible for operating, maintaining and decommissioning generating assets owned by PREPA.

4.3.1.2. Panama

Electricity produced by Naturgy's hydropower plants in the country is sold through bilateral contracts with distributors as a result of auctions carried out by the transmission company (ETESA) and approved by the National Public Services Authority (ASEP). Power is also sold on the open market.

Revenues from energy sales and contracted capacity are recognised in accordance with the firm capacity contracted in the PPA as a function of fulfilment of the performance obligations, and revenues from energy sales are accrued as the energy is delivered.

In 2024, there were no regulatory changes impacting Naturgy's generation operations in Costa Rica. However, new tenders for bilateral agreements with distribution companies are anticipated in 2025.

The presidential election of 5 May 2024 resulted in the victory of José Raúl Mulino. Regulatory changes are expected during his tenure; however, none have been implemented to date that affect the operation of the business.

4.3.1.3. Dominican Republic

Naturgy operates two oil-fired generation plants: Palamara, with a capacity of 102 MW, and La Vega, with a capacity of 92.5 MW, have been in operation since 2000 and 2001, respectively. Both plants take part in the wholesale electricity market, covering approximately 3% of the country's demand.

The Dominican Republic's electricity market is governed by Electricity Law 125-01 with implementing regulations 555-02 and, in the renewable sector, by Law 57-07. This Law lays down the general regulatory framework for the electricity sub-sector, applicable to the production, transmission, distribution and supply of electricity, and establishes the functions and powers of government bodies involved in this area.

Naturgy plants in the Dominican Republic participate in the spot market. This market uses marginal pricing, and payment is split, based on the year's peak demand, between thermal and hydroelectric plants, based on their availability statistics for the last 10 years. The Coordination Body is responsible for conducting market transactions and issuing settlements between participants.

On 19 May 2024, presidential elections took place, leading to the re-election of Luis Abinader. Given his re-election, the political and regulatory environment is expected to remain stable.

4.3.1.4. Mexico

The combined cycle gas turbine plants in Mexico have 25-year electricity generating capacity and production sale with the Federal Electricity Commission (CFE) that were signed between 2001 and 2010.

The company generates power under PPAs, and sells electricity as an independent power producer (IPP) to the Comisión Federal de Electricidad (CFE). Surpluses are delivered to partners and are traded on the Wholesale Electricity Market (MEM). In addition, financial energy transactions are carried out through bilateral contracts with third parties. These last two procedures were created under the 2013 Energy Reform.

The contracts with the CFE stipulate a pre-established collection schedule for the assignment of power supply capacity. As Naturgy has the capacity to operate and manage the plants, retains the rewards and risks of operations, and can make material decisions that will affect future cash flows, these contracts represent a service delivery and, consequently, are recognised on a percentage-of-completion basis. Revenues from the sale of energy under the contracts with the CFE are recognised as the energy is generated and delivered to the CFE since they qualify for the "own use" exception under IFRS 9.

Additionally, the Bii Hioxo wind farm, commissioned in 2014, generates wind energy that it sells to large customers on a self-supply basis under medium and long-term bilateral contracts that qualify as "own use" under IFRS 9, and revenues are accrued as the energy is generated.

Significant measures in the area of electricity generation were introduced in 2019, such as the creation of a pilot emissions trading scheme, the cancellation of long- and medium-term electricity auctions, and the merger of power generation subsidiaries back into the CFE.

The Emissions Trading Scheme (ETS) trial programme, which was originally scheduled to run for three years before the ETS entered its final phase, has been in force since 1 January 2020. The ETS is a system designed to reduce GHG emissions for facilities that emit more than 100,000 tonnes of CO_2 per year, consists of placing a cap on the total emissions of each sector. Facilities registered with the ETS must submit an emission allowance for each tonne of CO_2 they release to the atmosphere. At year-end 2024, the final rules of the ETS had not been published, nor had a public consultation been called, so the trial phase of the ETS remains in force.

During the trial programme, the authority grants free allowances. This is an operational phase in which emission allowances carry no economic value because there is no active market in the country. Currently, the four combined cycle gas plants that Naturgy operates in Mexico are registered with the ETS and received free emission allowances from the authority to cover emissions over the period 2020-2024 under the grandfathering scheme (calculation for free allocation based on historical emissions).

In May 2024, through the ETS Advisory Committee (COCOSCE), the Mexican Ministry of the Environment and Natural Resources circulated the draft final rules for industry comment. On 4 June 2024, a meeting was held with industry representatives, at which the allowances allocation mechanism was explained. This mechanism is expected to be applied during the final phase, in 2025. The draft final rules provide for free allocation of allowances based on reported system emissions in 2021 plus an annual growth factor for the period 2022-2026 and emission reduction factors designed to meet targets during that period. The rules are yet to be approved officially, however.

On 9 March 2021, a reform of the Electricity Industry Law (LIE) was enacted. The key changes include: modification of the order of dispatch by technology, the revision of independent power producer (IPP) agreements, the establishment of contracts for the physical delivery of energy and capacity between basic service providers, and the issuance of clean energy certificates irrespective of the date on which commercial operation commenced. However, this law was appealed against by companies operating in the sector and it has been definitively suspended. Accordingly, the 2014 law remains in force.

In the oil and gas sector, the Reform to the Hydrocarbons Law was published on 4 May 2021; the main implications refer to the granting of permits that are contingent upon accreditation of the storage capacity determined by the Ministry of Energy (SENER), the revocation of permits in the event of repeat violations and fuel smuggling, and the possibility of suspension of permits due to imminent danger to national security, energy security or the national economy, establishing the procedure for the suspension of permits. This reform was suspended on 26 May 2021. Since 2023, the implementation of this reform has been suspended pending the resolution of all appeals, leaving the 2014 law currently in effect.

On 6 May 2024, the National Commission for Regulatory Improvement (CONAMER) released the first regulatory document on storage for consultation by stakeholders; the document aims to establish the general conditions under which electric energy storage systems (ESS) will be integrated into the national electric system. This document was approved by the governing body of the Energy Regulatory Commission on 30 September 2024 and is expected to be officially promulgated during the first quarter of 2025.

The presidential elections on 2 June 2024 resulted in the election of Claudia Sheinbaum as President, with a majority in the Congress of the Union (Chamber of Deputies and Senators). During her six-year term (2025-2030), this will enable changes to be made to the Constitution derived from the programme released by her party, which drove major modifications in the country's energy policy during the previous six-year term.

On 31 October 2024, a reform to Articles 25, 27, and 28 of the Constitution was enacted, focusing on strategic industries and companies. This reform converted PEMEX and CFE into state-owned corporations, establishing their pre-eminence over private entities. Additionally, it eliminated the possibility of entering into contracts with private parties for the provision of public transmission and distribution services. As a result of this reform, it is anticipated that several laws will be amended, impacting the operation of the wholesale electricity market.

On 6 November 2024, President-elect Claudia Sheinbaum unveiled her national electricity sector strategy. The plan includes investment by the CFE in generation, transmission, and distribution from 2024 to 2030, alongside various scenarios for private sector participation by adding between 6.4 and 9.5 GW of renewable energy to the national electricity system. It raises the threshold for exempt generation from 0.5 MW to 0.7 MW, limits private companies to a maximum of 46% in electricity dispatching, proposes the option for delivering energy and power to CFE through long-term agreements, and emphasises that the self-supply regime must transition to other participation frameworks under the Foreign Investment Law.

4.3.1.5. Chile

Naturgy was awarded the energy tender for regulated customers conducted in August 2016, securing a 20-year long-term Power Purchase Agreement (PPA) to supply electricity to distributors. To meet this commitment, Naturgy has developed and constructed two projects (wind and solar) that came on stream in January 2021 with a total installed capacity of approximately 330 MW. Revenues from electricity sales are recognised in line with physical deliveries of energy and capacity in accordance with their purchase requirements and, therefore, qualify for the "own use" exception under IFRS 9, the revenue being recognised as the energy is delivered

In addition, Naturgy is developing and constructing 12 “small means of distributed generation - PMGD” plants (9 MW maximum capacity) which, under current regulations, have access to a Stabilised Node Price that is regulated for a term of up to 14 years. The combined total capacity of these 11 projects currently in commercial operation is approximately 53 MW.

Law 21.505 was published at the end of 2022, promoting the development of electricity storage systems and electromobility. It allows any party interested in investing in this technology to do so, taking part in the short-term electricity market and being eligible for remuneration for the electricity transferred into the system.

On 4 April 2024, the Ministry of Energy established the working groups with representatives of the industry to review the proposals to amend the Coordination and Operation Regulation (DS125 of 2019), which is one of the most important regulatory texts in defining the national electric system. To date, the proposal is still under analysis and discussion; it is expected to be published in the second half of 2025.

On 10 July 2023, an initiative to reform the General Electricity Services Law (LGSE) focused on decarbonisation and energy transition was submitted to the National Congress. The reform aims to establish a strategy enabling the energy sector to achieve the goal of becoming a carbon-neutral and resilient country by 2050, a target set as a legal mandate under the Framework Law on Climate Change. On 6 November 2024, the Bill was approved by the Mining and Energy Commission of the Chamber of Deputies. This Bill highlights Chile's plans to expand electricity transmission and is expected to be enacted in the first quarter of 2025.

In August 2024, the Government submitted a Bill to the Chamber of Deputies to expand the coverage of the electricity subsidy. This proposal involves modifying various legal frameworks related to tariff stabilisation to raise USD 9 billion through three main mechanisms: increasing the tax on emissions of CO_2, collecting the net value-added tax on the rise in electricity tariffs, and implementing a charge associated with withdrawal from the system by small distributed generation facilities. This Bill was approved by the Mining and Energy Committee of the Chamber of Deputies; it is expected to be debated and voted on in November 2024.

4.3.1.6. Australia

The Australian electricity market is divided into two main unconnected domains: NEM (National Energy Market) and WEM (Wholesale Electricity Market).

The NEM is Australia's primary electricity market, operated by the Australian Energy Market Operator (AEMO). It connects the five interconnected states of Queensland, New South Wales (including the ACT), Victoria, South Australia, and Tasmania. The WEM supplies power in the state of Western Australia via the South West Interconnected System (SWIS). Both markets are configured as wholesale commodity markets in electricity.

The electricity market operates as a spot market (pool), where energy supply and demand are matched in real time through a centrally coordinated dispatching process. Generators submit offers to supply the market with specified quantities of electricity at designated prices for specific time periods and can revise their offers at any time.

Based on the bids submitted, AEMO determines the order of dispatch for the generators. Both the NEM and WEM are designed to operate in a manner that meets electricity demand (or consumption) in the most cost-effective way.

The Australian Federal and State Governments have established renewable energy generation targets for 2030 as part of their energy transition and decarbonisation strategies. Achieving these renewable targets has been encouraged through energy auctions conducted by State Governments (such as the ACT Government, Victoria, and Queensland) and, more recently, through the Federal Government's Capacity Investment Scheme (capacity auctions). These schemes enable long-term energy sales contracts at a "regulated" tariff, typically under a contract for differences arrangement.

The rising demand for renewable energy has created an attractive and growing market for bilateral Power Purchase Agreements (PPAs) between generators and corporations, primarily industrial and technology companies, as well as electricity supply companies (retailers).

In Australia, Naturgy has energy sale contracts for both the operational wind farms and the projects under construction and development. Those contracts are signed for terms ranging from ten years for the solar projects under construction to twenty years for the Crookwell wind project, which is operational.

Under these contracts, the farms sell their output to the market (at market price) and a financial settlement is made for the difference between that price and the contractual price. These are contracts for the sale of electricity settled by differences in which the underlying volume is the energy actually produced. These agreements are treated for accounting purposes as derivatives (IFRS 9 2.4) and are designated as cash flow hedges of the sales made by the parks.

Naturgy developed the Crookwell 2 wind generation project (96 MW) in New South Wales has been operating it since November 2018 under a 20-year feed-in tariff agreement with the ACT Government. In 2018, Naturgy was awarded 180 MW of generation capacity in the Berrybank 1 wind project in Victoria, which commenced operations in April 2021. In this instance, the agreement is a 15-year bilateral Power Purchase Agreement (PPA) with the State of Victoria at a regulated tariff.

In early 2023, commercial operation of the 10 MW/20 MWh ACT Battery energy storage system commenced, enhancing the quality of power supplied to the city of Canberra. This facility is part of the commitments acquired with the construction of the Berrybank 2 wind farm, the third wind generation project in the country, which began operating in mid-2023 and consists of a second stage of the Berrybank 1 wind farm, with a capacity of 109 MW. The project operates under a ten-year power purchase agreement with the ACT Government at a feed-in tariff.

In 2024, three new generation facilities located in the states of New South Wales and Victoria began commercial operation. In August 2024, the Hawkesdale wind farm in Victoria, with a capacity of 97 MW and a 15-year PPA agreement at a regulated tariff for all the energy supplied to the system, commenced operations. In November 2024, the Ryan Corner wind farm in Victoria, with an installed capacity of 217 MW, and the Crookwell 3 wind farm in New South Wales, with an installed capacity of 57 MW, began operations. Ryan Corner has a 15-year PPA at a regulated tariff for 75% of the energy supplied to the system, while Crookwell 3 has a 12.5-year PPA at a regulated tariff for all the energy supplied to the system.

In addition to the seven facilities (Crookwell 2, Berrybank 1, Berrybank 2, ACT Battery, Hawkesdale, Ryan Corner and Crookwell 3) already in operation, there is a robust pipeline of projects under construction and in advanced development with a combined capacity of 1.1 GW, concentrated in the states of Western Australia, New South Wales and Queensland. Projects currently under construction and expected to be commissioned in 2024 and 2025 include the Cunderdin hybrid solar and battery project, along with the 100 MW Bundaberg and 260 MW Glenellen solar projects.

The Cunderdin hybrid plant is Naturgy's first solar hybrid project to be developed in the country. It will have an installed solar photovoltaic capacity of 128 MW and a 55 MW/220 MWh battery storage system. The project is currently in trial operation, has not entered into any PPAs, and benefits from regulated revenues for firm capacity.

In early 2024, the state of solar projects was as follows: Construction had begun on the 100 MW Bundaberg project in Queensland and the 260 MW Glenellen project in New South Wales. Both projects have sold their output under 10-year PPAs and expect to begin operations by the end of 2025. The Fraser Coast hybrid project represents Naturgy's second solar hybrid project Australia. It will feature a solar PV capacity of 330 MW and a battery energy storage system with 180 MW/360 MWh.

4.3.1.7. Brazil

Naturgy operates in Brazil through four photovoltaic generation plants with a total capacity of 153 MW that came into operation in 2017 and 2018 and have 20-year contracts for the sale of reserve energy to Câmara de Comercialização de Energia Elétrica (CCEE).

In these contracts, there is a physical delivery of energy to the buyer in accordance with the latter's purchasing needs and, therefore, they qualify for the "own use" exception under IFRS 9, the revenue being recognised as the energy is delivered.

4.3.1.8. USA

Naturgy Group's presence in the United States centres on electricity generation using solar technology, with over 21 projects at various stages of operation, construction, and development, concentrated in three main markets: CAISO (California, Nevada), ERCOT (Texas) and PJM (Ohio, Kentucky).

In the United States, there are energy sales contracts in place for both the operational wind farms and the projects under construction and development. Those contracts are signed for terms ranging from ten to fifteen years and the sale price is set at the time of signature.

Under these contracts, the farms sell their output to the market (at market price) and a financial settlement is made for the difference between that price and the contractual price. These are contracts for the sale of electricity settled by differences in which the underlying volume is the energy actually produced. These agreements are treated for accounting purposes as derivatives (IFRS 9 2.4) and are designated as cash flow hedges of the sales made by the farms.

In addition, there is a forward physical power sale contract on one of the US renewable assets that is classified as for "own use".

The American Inflation Reduction Act (IRA), passed in August 2022, provides major tax incentives for the development of renewable energies and decarbonisation, and provides additional bonuses to reward investments with a higher domestic production content or located in the so-called Energy Communities. These are economically depressed areas and/or areas with high pollution rates close to mines or coal-fired power plants that have been decommissioned, or which meet certain statistical unemployment criteria.

During the first half of 2023, the U.S. Treasury Department (Treasury) and Internal Revenue Service (IRS) published guidelines which set out the criteria for determining the local manufacturing content of projects and the requirements for identifying an energy community, in order to benefit from the aforementioned bonuses in addition to the tax incentives.

In Texas, several energy bills have been proposed and are awaiting final enactment. These include House Bill 1500 and Senate Bill 2627, which seek to enhance the reliability and resilience of the energy grid through new ERCOT (Electric Reliability Council of Texas) reporting requirements for operators, as well as new incentives for grid reinforcement, storage, backup technologies, and more. The other two bills, which required new controls and more extensive environmental procedures for renewables projects, as well as an increase in interconnection costs for such projects, were eventually not approved.

Concerning the processing of permits, it is worth noting the approval of new regulations in some states within the PJM electricity market, such as Ohio, which now requires a favourable opinion from the local authority for the issuance by the competent authority at state level of administrative permits for the construction of projects, which is causing many new projects to be rejected.

Moreover, the review of FERC Order 2023 is underway, focusing on the rules governing the managers of various interconnection systems, which are primarily overseen by the Federal Energy Regulatory Commission (FERC). The objective is to streamline and manage interconnection queues in their respective operational areas. These queues currently impose more challenging conditions on system participants, leading to higher costs and risks for operators seeking to secure interconnection positions for their projects.

The regulatory environment in the United States in the first half of 2025 will be shaped by the inauguration of President Trump following the election on 5 November 2024. In line with announcements during the campaign, the new administration is expected to issue regulations to protect local manufacturing and to relax the country's commitments to fighting climate change.

Naturgy's exposure to the United States is confined to photovoltaic plant projects, which the new administration apparently views more favourably than other technologies, such as offshore and onshore wind.

Listed below are some of the legislative developments in the first weeks of the Trump presidency that may provide an indication of how matters will develop in the coming months:

- Executive Order 14154 "Unleashing American Energy", dated 20 January 2025, to promote the exploration and production of the country's natural resources in order to reduce the cost of energy for citizens and make the country a world energy leader.

- Executive Order No. 3415 "Temporary Suspension of Delegated Authority", dated 20 January 2025, ordering a 60-day halt on granting new federal permits for renewable facilities. The order provides for exceptions and the Group has already applied for exceptions for certain projects currently in the permitting phase, and no material risks are envisaged for the development of those projects.

- Executive Order No 14162 "Putting America First In International Environmental Agreements", dated 20 January 2025, withdrawing the United States from the Paris Agreement on climate change.

- Executive orders dated 1 February 2025 imposing tariffs on imports of products from Mexico (25%), Canada (25%) and China (10%). The executive orders relating to Mexico and Canada were subsequently suspended for a period of 30 days.

- Fact Sheet: President Donald J. Trump Restores Section 232 Tariffs, dated 11 February 2025, imposing 25% tariffs on imports of steel and aluminium.

The new administration may foreseeably adopt measures in two areas that might impact investment in renewable energy projects in the United States:

- Import policies

  In order to promote local manufacturing, the new administration could issue executive orders tightening import policies on commodities for the renewable industry, which would produce tensions in the supply chain and, consequently, raise the price of inputs.

  New or higher tariffs on imports of goods from certain countries might be imposed using executive orders under the powers granted to the President by, among others, Section 232 of the Expansion Act of 1962, Section 301 of the Trade Act of 1974, Section 338 of the Tariff Act of 1930, and the International Emergency Economic Powers Act (IEEPA).

  The US might also tighten import controls on products from certain geographies associated with the application of the UFLPA (Uyghur Forced Labor Prevention Act (Public Law No. 117-78)).

- Tax benefits

  The relaxation of environmental commitments announced by the President could be accompanied by a review of fiscal support for investment in renewables.

  The Biden administration's Inflation Reduction Act (IRA) 2022 could be revised by reducing the associated tax benefits and/or by tightening the conditions for accessing those benefits.

  Restrictions might be imposed on Chinese companies' access to tax benefits associated with investment in manufacturing facilities within the US, leading to a slowdown in investment in such facilities and, consequently, constraints on locally manufactured equipment.

  As these legislative changes affect existing laws, they would require ratification by Congress, which is a lengthy and more complex process.

However, based on the information available at the date of authorisation of these consolidated financial statements, no significant risks to the recoverability of Naturgy's assets in the United States have been identified.

CONSOLIDATED DIRECTORS' REPORT

Consolidated Directors' Report for the year ended 31 December 2024

Appendices

1. Company situation

1.1. Corporate mission, purpose and values

Naturgy Energy Group, S.A. was incorporated in 1843. Its registered office is located at Avenida de América 38, Madrid. In 2023, the company celebrated 180 years of providing solutions to advance society.

Naturgy Energy Group, S.A. and subsidiaries (hereinafter, Naturgy) is a Group engaged in the production, distribution and supply of energy and services. Our business model, focused on value creation, is committed to the sustainable development of society by ensuring a supply of competitive safe energy with maximum respect for the environment.

Naturgy operates in over 20 countries, supplying gas and electricity to almost 16 million customers, with market shares of 42.8% in gas contracts and 14.2% in electricity contracts in Spain, more than 17.9 GW of installed capacity, and a diversified power generation mix.

It operates in regulated and liberalized gas and electricity markets, and international activities are making a growing contribution, mainly in the following areas:

- Gas and electricity distribution
- Electricity generation and supply
- Natural gas infrastructure, procurement and supply

Naturgy's **mission** is:

- To respond to the energy needs of society and our customers by offering quality and environmentally-friendly products and services.
- To respond to the needs of our shareholders by offering increasing and sustainable returns.
- To respond to the needs of our employees by offering them the opportunity to develop their professional skills.

<table>
<tr><th>Meet the needs of ...</th><th>With a vision of ...</th><th>Based on our values</th></tr>
<tr><td>Our shareholders</td><td>Offering increasing sustainable profitability</td><td rowspan="4">▪ Customer focus
▪ Commitment to results
▪ Sustainability
▪ Interest in people
▪ Social responsibility
▪ Integrity</td></tr>
<tr><td>Our customers</td><td>Being leaders in continuous growth and with a multinational presence, offering high-quality products that respect the environment</td></tr>
<tr><td>Our employees</td><td>Offering opportunities for professional and personal development</td></tr>
<tr><td>Society</td><td>Contributing positively through a commitment to global citizenship</td></tr>
</table>

While not forgetting our roots, our vision for the future aims to transform the current business model and lay the foundations to continue creating value through the energy transition, focusing on renewable energy, developing renewable gas (hydrogen and biomethane) by leveraging our leading position in the conventional natural gas market, and promoting energy efficiency and the circular economy.

Our purpose as a company is that “We are transforming the world through energy by resolutely tackling the challenges of the energy transition and the demands of society and our customers, and working with excellence, transparency and the talent of a committed team. And we want to do this in partnership with our employees, customers, shareholders and partners.”

And we verbalize it through the claim "Transforming together" and the four values that define us:

Transforming together

Forward Vision: innovating for a better tomorrow

We are transforming the world through innovation, proactivity and adaptability, addressing the challenges and seizing the opportunities of the energy transition, new business models and digitalisation.

Excellence Driven: excellence in what we do

We are transforming the world through leadership, determination and continuous improvement, committed to generating value from each of our businesses and markets, and responding rigorously to the expectations of all stakeholders.

People Oriented: transforming from the most human side

We are transforming the world through proximity, transparency and trust, through a firm commitment to people – employees, customers, shareholders and partners – and leveraging talent and passion to have a positive impact.

One Planet: for a more sustainable society

We are transforming the world through sustainability, respect and commitment to the environment, society and corporate governance, evidencing that we are a responsible company that contributes significantly to the progress, welfare and future of the planet.

1.2. Business model and organizational structure

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

Under a process of continuous transformation, in 2023 Naturgy reorganised its businesses around two major strategic areas (Distribution Networks and Energy Markets) to provide greater clarity on the progress of operations, in view of the evolution of the economic model in which the Group operates, by defining the following operating segments, which have remained unchanged:

- **Distribution Networks:** groups together the business segments devoted to managing regulated gas and electricity distribution and transport infrastructures:

  - **Gas Spain**: regulated gas distribution business in Spain.
  - **Gas Mexico**: regulated gas distribution and supply in Mexico.
  - **Gas Brazil:** regulated gas distribution and supply in Brazil.
  - **Gas Argentina**: regulated gas distribution and supply in Argentina.
  - **Gas Chile:** regulated gas distribution and supply in Chile.
  - **Electricity Spain:** regulated electricity distribution in Spain.
  - **Electricity Panama**: regulated electricity distribution and supply in Panama.
  - **Electricity Argentina:** regulated electricity distribution and supply in Argentina.

  This block also includes a holding company carrying out horizontal activities directly linked to this grouping's businesses.

- **Energy Markets:** includes the deregulated business segments as follows:

  - **Energy Management:** includes the following activities:
    - liquefied natural gas trading and shipping.
    - procurement and other gas infrastructure management and supply to energy-intensive consumers.
    - management of the Medgaz gas pipeline (equity-accounted).

  - **Thermal Generation:**
    - **Spain**: includes management of the conventional thermal generation fleet (which uses fuel for heat generation and which is not covered by a special regime) in Spain (nuclear and combined cycle).
    - **Latin America**: includes management of the conventional thermal generation facilities in Mexico, the Dominican Republic and Puerto Rico, the latter being equity-accounted through EcoEléctrica LP.

  - **Renewable Generation:**
    - **Spain**: includes management of facilities and generation projects using wind energy, mini hydro, solar and cogeneration, as well as hydroelectric power generation in Spain, and the development pipeline in other European countries.
    - **USA:** includes managing photovoltaic generation projects being developed in the United States.
    - **Latin America**: includes the management of the renewable electricity generation facilities and projects located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
    - **Australia**: includes management of the renewable power generation fleet and project pipeline in Australia.

  - **Renewable Gases**: management of renewable gas projects, mainly biomethane and green hydrogen.

  - **Supply**: its goal is to manage the supply of gas, electricity and services to end customers by adopting new technologies and services and exploiting the brand's full potential.

A holding company carrying out cross-cutting activities directly linked to the grouping's businesses is also included.

– **Other:** basically includes the corporation's operating expenses and other lesser and residual activities.

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

Appendix I to the Consolidated Annual Accounts details the companies that form part of Naturgy and the activities in which they engage.

Geographic footprint

USA
Generation (302 MW, solar) and renewable generation projects (4.5 GW, solar and battery storage).

Puerto Rico
NG/LNG infrastructure (regasification plant).

Dominican Republic
Generation (198 MW, fuel-oil).

Mexico
Gas distribution (15 states and 1.6 million customers) and generation (2,446 MW, combined cycles and 234 MW, wind).

Costa Rica
Generation (50 MW, hydraulic).

Panama
Electricity distribution (Panama central, west, central provinces, Chiriqui and Bocas del Toro and 0.8 million customers) and generation (22 MW hydraulic).

Chile
Gas distribution (4 regions and 0.7 million customers, gas transport), NG/LNG supply and generation (206 MW wind and 162 MW solar).

Canada
NG/LNG supply.

Portugal
NG/LNG and electricity supply.

Spain
Transportation, distribution and supply of gas and electricity.
Generation (Combined cycles, nuclear, hydraulic, wind, solar, co-generation and mini-hydraulic).
Renewable gases (biomethane and green hydrogen projects).

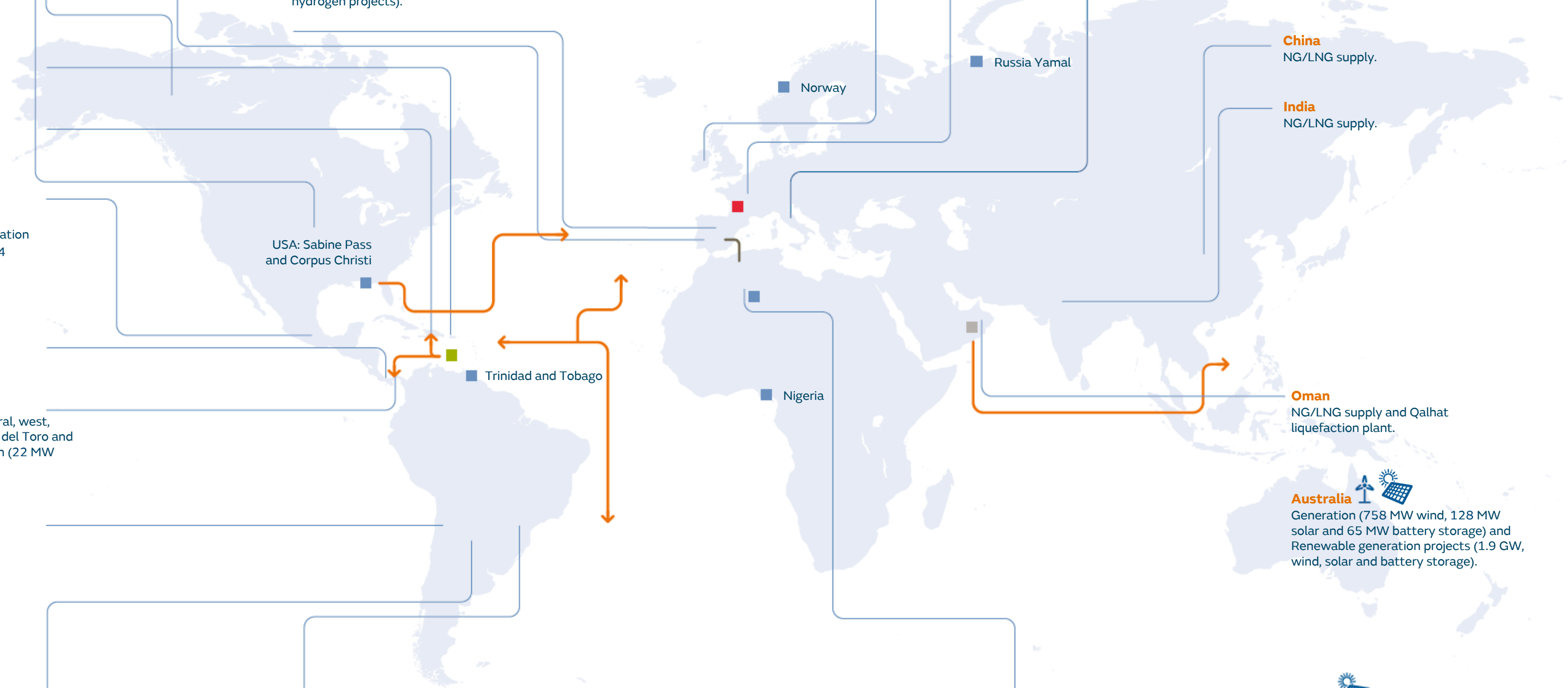
Ireland
NG/LNG supply.

France
NG/LNG supply.
Montoir regasification.

Italy
Renewable generation projects (0.8 GW).

China
NG/LNG supply.

India
NG/LNG supply.



Oman
NG/LNG supply and Qalhat liquefaction plant.

Australia
Generation (758 MW wind, 128 MW solar and 65 MW battery storage) and Renewable generation projects (1.9 GW, wind, solar and battery storage).

Argentina
Gas distribution (4 provinces and 30 Grand Buenos Aires districts and 2.3 million customers) and electricity distribution (1 province and 0.3 million customers).

Brazil
Gas distribution (Rio de Janeiro state, Sao Paulo South and 1.2 million customers), NG/LNG supply and generation (154 MW, solar).

Algeria
NG/LNG supply and Medgaz gas pipeline.

- Gas flow.
- Medgaz gas pipeline.
- Liquefaction plant.
- Regasification plant.
- Leased regasification plant.
- Long-term gas contracts.

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

Leadership in the gas business

	Gas Distribution Networks	Infrastructure	Procurement	Renewable Gases	Supply
	11.1 million supply connections **137,567 km** of network.	LNG carriers on long-term lease Medgaz transportation pipeline.	A supply portfolio totalling ~ **20 bcm**.	A biomethane plant with an installed capacity of **4.1 MW**.	**234.1 TWh** of gas supplied.
Our positioning	**Spain** Leader in Spain with a **70%** market share, distributing natural gas to **5.3 million** customers in more than 1,221 municipalities in ten autonomous regions. **Latin America** Latin America's leading distributor, catering for more than **5.7 million** customers. Presence in Argentina, Brazil, Chile, Mexico and in five of the largest cities in those countries.	Seven LNG carriers (**1.16 Mm3**). **24.5%** interest in Medgaz gas pipeline. Stake in the Ecoeléctrica regasification plant and Qalhat liquefaction plant. **0.8 bcm** of leased storage capacity.	Business model based on diversification and flexibility that has made Naturgy a global operator with a strong international profile. Naturgy has procurement contracts with suppliers worldwide, both in a gaseous state (NG) and in the form of liquefied natural gas (LNG).	**Biomethane**: 10.7 GWh of biomethane supplied. 3 owned production plants, 1 under construction and a portfolio of more than 60 projects under development for producing biogas and upgrading to biomethane for injection into the natural gas grid. **Green hydrogen:** Naturgy is working on the development of green hydrogen projects located in just transition zones and studying its use to produce biofuels of non-organic origin.	More than **3.4 million** retail and industrial customers in Spain and LNG sales in numerous countries worldwide. A global operator with the flexibility to tap markets offering attractive margins. **42.8 %** market share in gas contracts in Spain. Competitive supply to combined cycle plants (CCGT).
Our strength	Naturgy is a leader in the markets where it operates, affording it an excellent platform for organic growth, in terms both of attracting new customers in municipalities with gas and of expanding networks to areas without gas.	Naturgy has an integrated gas infrastructure that affords it considerable stability, making its operations more flexible and enabling it to transport gas to the best business opportunities.	Naturgy has a diversified and flexible portfolio of procurement contracts, with price adjustment mechanisms.	The existence in parallel, and gradual substitution, of Renewable Gases in the Group's current distribution infrastructure will drive decarbonization in both existing networks and in sectors that use gas (manufacturing, residential and transportation).	Naturgy has a diversified portfolio of end customers, and supplies gas both in Spain and internationally. Naturgy is a leader in dual energy supply and offers a broad range of value-added services.

A key player in the electricity business

	Electricity			
	Distribution Networks	**Thermal Generation**	**Renewable Generation**	**Supply**
	4.9 million supply connections **157,165 km** of network.	**10.7 GW** of generating capacity.	**7.3 GW** of generating capacity.	**19.5 TWh** of electricity supplied.
Our positioning	**Spain** The third-largest operator in the Spanish market, where it distributes electricity to **3.9 million** customers. **Latin America** Presence in Argentina and Panama **1.0 million** customers. Naturgy has a leadership position in the markets where it operates.	**Spain** **8.0 GW** of capacity (7.4 GW CCGT and 0.6 GW nuclear). Coal-fired power generation was discontinued in June 2020. Naturgy's market share is **16%**. **International** **2.6 GW** of capacity: 2.4 GW CCGT (Mexico) and 0.2 GW oil-fired (Dominican Republic).	**Spain** **5.3 GW** of capacity (2.1 GW hydroelectric, 2.4 GW wind, 0.7 GW solar and 0.1 GW cogeneration). Naturgy's market share, excluding cogeneration, is **6.4%**. **International** **2.0 GW** of capacity: 0.1 GW hydroelectric (Costa Rica and Panama), 1.2 GW wind (Mexico, Chile and Australia), and 0.7 GW solar (USA, Brazil, Chile and Australia).	Leader in the mainstream consumer and residential segments, with a total market share in Spain of **14.2%.** One of the main traders in the Spanish market. A dual energy offering and a broad range of value-added services.
Our strength	Naturgy is efficient in terms of operation and maintenance costs in the electricity distribution business.	Naturgy has considerable know-how in the power generation technologies it operates and its infrastructure can adapt to the needs of each energy model and to the reality of each country.	Naturgy has a good position focused mainly on growth, which will enable it to seize investment opportunities in power generation in these geographies.	Naturgy is a leader in the combined supply of gas and electricity, which provides major advantages such as lower service costs, integrated customer care and lower acquisition costs, not to mention greater customer loyalty.

1.3. Corporate governance model

Attached as an Appendix and forming an integral part of this Directors' Report are the Annual Report on Corporate Governance 2024 and the Annual Report on Director Remuneration 2024, as required by article 538 of the Capital Companies Law.

Corporate governance model

Naturgy is governed in accordance with the principles of efficacy, transparency and accountability in line with the main international recommendations and standards.

The corporate governance regulations comprise mainly:

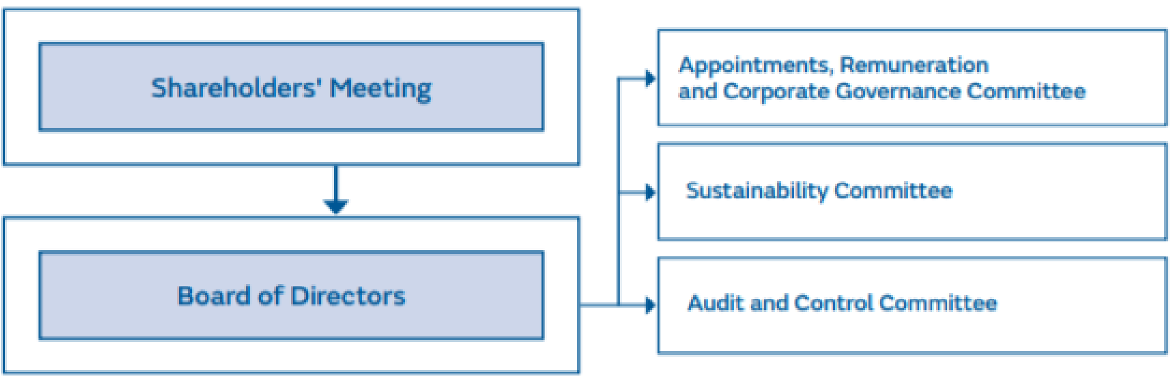
- Articles of Association (adopted in 2018, updated in 2022).
- Regulations of the Board of Directors and its committees (updated in 2024).
- Regulations of the General Meeting of Shareholders (adopted in 2018, updated in 2022).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2024)

At 31 December 2024 and 2023, the main shareholders of Naturgy are as follows:

	Interest in share capital %	
	2024	2023
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	26.7	26.7
- BlackRock, Inc. (2)	20.9	—
- Global Infraestructure Partners III (2)	—	20.6
- CVC Capital Partners PLC (3)	20.7	20.7
- IFM Global Infrastructure Fund (4)	16.9	14.9
- Sonatrach (5)	4.1	4.1

(1) Holding through Criteria Caixa S.A.U.
(2) Since the acquisition of Global Infrastructure Partner on 1 October 2024, according to the notification of significant shareholdings to the CNMV. The indirect shareholding is held mainly through GIP III Canary 1, S.à.r.l., which has a direct shareholding of 20.6%.
(3) Through Rioja Acquisitions S.à.r.l.
(4) Through Global InfraCo O (2), S.à.r.l.
(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures.

Naturgy's governance structure is as follows:



Shareholders' Meeting

Any person who is a shareholder of record five days before the Shareholders' Meeting is entitled to attend the Meeting.

Board of Directors

The Board of Directors of Naturgy operates via plenary meetings and committees, in accordance with the provisions of the Capital Companies Law. Accordingly, the Board of Directors of Naturgy has an Audit Committee, an Appointments, Remuneration and Corporate Governance Committee, and a Sustainable Committee, whose functions are substantially as set out in the Law or those that the Board of Directors has considered appropriate to attribute to them by delegation. Independent directors make up the majority of the Audit and Control Committee. All of the Board Committees are chaired by an Independent Director.

Since the Chairman of the Board of Directors of Naturgy is also an executive director, the company has appointed a lead independent director to mitigate potential conflicts of interest. This position is held by Ms. Helena Herrero Starkie, who is an independent director, a member of the Audit and Control Committee and Chairman of the Sustainability Committee. Pursuant to Article 529 septies of the Capital Companies Law, the lead independent director is empowered to request the convening of meetings of the Board of Directors or the inclusion of additional items on the agenda, and to coordinate and convene meetings of the non-executive directors.

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

Each year, by authorising the respective reports, the Board of Directors reviews and approves the information on risks and opportunities in the areas of corporate governance and corporate responsibility.

The main issues considered by the Board of Directors and its committees within their remit in 2024, as well as all issues related to corporate governance, are detailed in the Annual Report on Corporate Governance, attached as an Appendix of this document.

The Board of Directors of Naturgy has 12 members, the Audit and Control Committee has 5 members, the Appointments, Remuneration and Corporate Governance Committee has 5 members, and the Sustainability Committee has 4 members.

The composition of the Board of Directors and its committees on 31 December 2024 is as follows:

Board of Directors		Audit and Control Committee	Appointments, Remuneration and Corporate Governance Committee	Sustainability Committee	Category of director	Seniority on Board
Executive Chairman	Mr. Francisco Reynés Massanet				Executive	6/02/2018
Lead director	Mrs. Helena Herrero Starkie	Director		Chairman	Independent	4/05/2016
Director	Mr. Enrique Alcántara-García Irazoqui		Director		Proprietary	13/05/2021
Director	Mrs. Lucy Chadwick			Director	Proprietary	16/03/2020
Director	Mrs. Isabel Estapé Tous			Director	Proprietary	16/03/2020
Director	Mr. Ramón Adell Ramón	Director			Proprietary	11/02/2022
Director	Mr. Rajaram Rao		Director		Proprietary	21/09/2016
Director	Rioja S.à.r.l, Mr. Javier de Jaime Guijarro		Director		Proprietary	1/08/2019
Director	Mr. Pedro Sainz de Baranda Riva	Director	Chairman		Independent	27/06/2018
Director	Mr. Claudi Santiago Ponsa	Chairman	Director		Independent	27/06/2018
Director	Mr. José Antonio Torre De Silva López de Letona	Director			Proprietary	28/03/2023
Director	Mr. Jaime Siles Fernández-Palacios			Director	Proprietary	11/02/2022
Secretary (not a director)	Mr. Manuel García Cobaleda	Secretary (not a director)	Secretary (not a director)	Secretary (not a director)	N/A	29/10/2010

Management structure

There is only one executive director, as described in the previous section, to whom the Board has delegated all its functions except those that the law or the Regulation of the Board of Directors do not permit to be delegated.

Accordingly, the Chairman of the Board of Directors has responsibility for all of the Group's businesses.

The Group has a structure of executives and managers with the necessary powers to conduct the company's operations and undertake basic activities relating to its management. The personnel with executive responsibility and reporting directly to the Executive Chairman, Mr. Francisco Reynés Massanet, are considered members of the Management Committee.

As of 31 December 2024, the Management Committee is composed of the Executive Chairman and the following:

- Procurement and Wholesale Markets Department, headed by Mr. Jon Ganuza Fernández de Arroyabe
- Network Management Department, headed by Mr. Pedro Larrea Paguaga
- Renewable Generation Department, headed by Mr. Jorge Barredo López
- Renewable Gases Department, headed by José Luis Gil Sánchez
- Supply Department, headed by Mr. Carlos Francisco Vecino Montalvo
- Technology and Systems Department, headed by Mr. Rafael Blesa Martínez
- Financial Markets and Corporate Development Department, headed by Mr. Steven Douglas Fernández Fernández
- Company Secretariat and Secretariat of the Board of Directors, headed by Mr. Manuel García Cobaleda
- Public Affairs and Sustainability Department, headed by Mr. Jordi García Tabernero
- People and Resources Department, headed by Mr. Enrique Tapia López

In addition to the members of the Management Committee, the executives who report directly to the Board, its Committees or to the Company's chief executive, Mr. Francisco Reynés Massanet, are classified as Senior Management. As of 31 December 2024, are as follows:

- Planning and Control Department, headed by Mrs. Rita Ruiz de Alda Iparraguirre
- Consolidation and Administration Department, headed by Mr. Gabriel Alejandro Deseff Rodríguez
- External Communication Department, headed by Mr. Víctor Manuel Márquez Moya
- Compliance Unit, headed by Mrs. María Isabel González Alfaro
- Environment and Social Responsibility Department, headed by Mrs. Nuria Rodríguez Peinado
- Internal Audit Department, headed by Mrs. Eva Fernández Roselló

1.4. Regulatory environment

Appendix IV. Regulatory Environment of the Consolidated annual accounts contains a description of the regulations governing the industry and electricity and gas system in the markets in which Naturgy operates.

2. Business performance and results

2.1. Main aggregates

Main financial aggregates

	2024	2023	**Change (%)**
Net sales	19,267	22,617	(14.8)
EBITDA	5,365	5,475	(2.0)
Operating Profit	3,549	3,470	2.3
Consolidated profit attributable to the parent company	1,901	1,986	(4.3)
Capital expenditure (CAPEX) [1]	2,280	2,747	(17.0)
Net financial debt	12,201	12,090	0.9
Free cash flow after non-controlling interests [1]	1,418	1,925	(26.3)

[1] The definition of theses alternative performance measures has been redefined to better reflect the investment effort of the Group's businesses (see Appendix I of the Alternative performance metrics).

Key financials & metrics

	2024	2023
Leverage (%)	51.1%	50.3%
EBITDA/Net financial debt cost	10.9x	11.3x
Net financial debt/EBITDA	2.3x	2.2x

Main stock market ratios and shareholder remuneration

	2024	2023
Total no. of shares ('000)	969,614	969,614
Average no. of shares outstanding ('000) [1]	960,734	960,810
Share price at 31/12 (Euros)	23.38	27.00
Market capitalisation at 31/12 (Euros million)	22,670	26,180
Earnings per share (Euros) attributable to the parent company	1.98	2.07
Dividend paid	1,357	1,454

[1] Calculated using the average number of outstanding shares in the year (average number of ordinary shares minus average number of treasury shares).

Key operating figures

Distribution	2024	2023
Gas distribution (GWh)	392,953	378,390
Electricity distribution (GWh)	34,410	32,496
Gas supply points ('000)	11,066	11,060
Electricity supply points ('000)	4,913	4,868
Gas distribution network (km)	137,567	136,970
Length of electricity transmission and distribution network (km)	157,165	156,232

Gas	2024	2023
Supply (GWh)	123,972	141,638
International LNG (GWh)	110,117	106,937
Total gas supply (GWh)	**234,089**	**248,575**

Electricity	2024	2023
Supply (GWh)	18,111	19,471
Electricity sales (GWh)	1,414	1,124
Total Electric supply (GWh)	**19,525**	**20,595**
Installed capacity thermal generation (MW)	10,675	10,675
Installed capacity renewable excluding batteries (MW)	7,254	6,467
Total installed capacity (MW)	**17,929**	**17,142**
Battery storage (MW)	**65**	**10**
Net production thermal generation (GWh)	28,279	31,184
Net production renewable (GWh)	14,381	12,704
Total net production (GWh)	**42,660**	**43,888**

Environmental and social performance

Environment	2024	2023
Power generation emission factor (t CO_2/GWh)	234	247
Greenhouse gas (GHG) emissions (M tCO_2 eq)[1]	11.9	12.9
Emissions-free installed capacity (%)	43.7	41.0
Emissions-free net production (%)	43	38.6

Interest in people	2024	2023
No. of employees at year-end [2]	6,941	7,010
Training hours per employee [3]	46.0	41.5
Women representation (%)[2]	35.0	33.9

Health and safety	2024	2023
No. of accidents leading to days lost	12	9
Frequency	0.18	0.13

Commitment to society and integrity	2024	2023
Economic value distributed (Euros million)[4]	17,173	20,193
No. of complaints received by the Ethics Committee	117	80

[1] GHG: greenhouse gases, measured as tCO_2 equivalent (scope 1 and 2).
[2] Does not include the number of employees at discontinued operations (12 persons in 2024 and 21 persons in 2023).
[3] Considering the employees managed, according Non-Financial Information Statement and Sustainability Report.
[4] As defined in Appendix I: Alternative Performance Metrics.

2.2. Executive summary

2024 has been marked by lower energy prices compared to 2023, both in gas and electricity, resulting in a more challenging energy scenario. Following the volatility experienced in recent years, energy prices have gradually rebalanced towards pre-energy crisis levels but remain sensitive to ongoing global developments.

Naturgy business focus and risk management initiatives contributed to deliver strong and resilient results amid the less favorable backdrop. During the period, the Group's EBITDA reached Euros 5,365 million, a decrease of 2.0% compared to 2023, maintaining a balanced contribution between regulated and liberalized activities, which represented approximately 53% and 47% of total EBITDA respectively. Net income attributable to the parent company reached Euros 1,901 million in 2024, a decrease of 4.3% compared to 2023. Naturgy has delivered strong results only slightly below 2023 record, exceeded its guidance and successfully delivered on its commitments for 2024.

Throughout 2024, liberalized activities have seen a decline in profitability and contribution compared to the previous year. Specifically, Energy Management activities, including gas and LNG procurement, and Supply faced significant margin contraction after exceptionally strong performances in 2022 and 2023. On the other hand, regulated activities proved resilient and experienced growth, supported by the positive regulatory developments in some Latin America regions and growth in Spain Electricity.

During 2024, Naturgy invested Euros 2,280 million, mainly in Renewable developments and Networks. Renewable Generation installed capacity reached 7.3 GW and approximately 1.6 GW renewable capacity are currently under construction, of which 838 MW in Spain, 360 MW in Australia and 387 MW in the United States. Approximately additional 0.9 GW are expected to become operational during 2025.

Moreover, Naturgy continued to progress on Renewable Gases in Spain and has formed a partnership with agricultural and livestock waste management firm Hispania Silva to develop up to 30 biomethane plants across Spain until 2030, with an annual generation capacity of approximately 2.5 TWh, equivalent to the consumption of 500,000 homes, contributing to the decarbonization of the economy, with the reduction of 450,000 tons of CO_2. Naturgy aims to be the leading company in promoting renewable gases in Iberia and is well-positioned to take advantage of this opportunity and willing to deploy significant investments and resources in this business.

Naturgy's net financial debt as of 31 December 2024 stood at Euros 12,201 million compared to Euros 12,090 million at the end of 2023. Net financial debt to EBITDA stands at 2.3x, slightly above 2023, that amounted 2.2x . Moreover, the evolution of net financial debt considers the Euros 500 million hybrids redeemed in April 2024 and therefore Naturgy's overall indebtedness and balance sheet has continued to strengthen in the period. Furthermore, Naturgy maintains an ample liquidity buffer, with Euros 11.2 billion in available cash and equivalents and undrawn credit lines as of year-end 2024.

In terms of shareholder remuneration and during 2024, Naturgy distributed Euros 1,345 million dividends (net of those received by other Group entities), corresponding to 2023 final dividend of 0.40 €/share, paid in April 2024 and two interim dividends of 0.50 €/share each, paid in August and November 2024. A total dividend against 2024 results of 1.60 €/share will be proposed to the Annual Shareholder's Meeting, in accordance with the committed dividend policy. The final dividend of 0.60 €/share shall be payable in April 2025, subject to Annual Shareholder's Meeting approval.

During 2024 Naturgy's share price was influenced by external factors such as the negotiations between Criteria Caixa and TAQA in the first half of the year or the exclusion from the Morgan Stanley Capital International (MSCI) indices in February 2024 (effective as of the close of the last trading day of the month). Notwithstanding, Naturgy's management team remained focused on executing its strategic roadmap, investing in profitable growth projects, proactively managing regulatory developments and uncertainties and improving long term visibility, reaching a price agreement with Sonatrach to ensure a competitive energy supply for Spain, as well as optimizing the Company's capital structure, among other relevant achievements.

The Company is today in a position of strength to continue its transformation.

Shareholder structure developments

On 16 and 17 April, Criteria Caixa, S.A.U. and TAQA each issued a regulatory disclosure confirming that they were in discussions that could result in an offer for the shares of Naturgy Energy Group, S.A.

Subsequently, on 10 June 2024, Criteria Caixa, S.A.U. issued a statement in which it disclosed that the aforementioned negotiations had concluded without reaching any agreement. However, it reaffirmed its long-term commitment to Naturgy's project and announced that it was in talks to explore potential partners that might enable Naturgy to deepen its transformation and accelerate its energy transition. On 11 June 2024, TAQA issued a similar statement announcing that it would not be performing the transaction.

MSCI (Morgan Stanley Capital International)

MSCI (Morgan Stanley Capital International), a global reference for institutional investors and a benchmark for many mutual funds and exchange-traded funds (ETFs) announced constituent changes on various of its indices, following its February 2024 review. As a result, Naturgy was removed as a constituent from various MSCI indices, effective as of the close of the last trading day of February. The exclusion was based on Naturgy’s free float market value, number of shares in circulation without restrictions to be traded in the market, which had fallen below the minimum thresholds for MSCI inclusion criteria. The exclusion of Naturgy from the MSCI indices was completely unrelated to its operational and financial performance.

Energy demand and commodity prices

During 2024, average gas and electricity prices in Europe were substantially lower compared to 2023, affected by supply and demand dynamics and mild temperatures. In this context, gas prices on major hubs experienced relevant declines, with the TTF, JKM and HH comparing on average 29.6%, 26.7% and 20,7% below 2023 respectively. Wholesale electricity prices for their part compared 27.7% below on average vs. 2023. Finally, average Brent prices were 2.2% lower than in 2023.

Demand had a positive evolution across markets, with higher distributed energy in all markets. Spain Gas remained stable (+0.8%) while Mexico Gas, Brazil Gas, Chile Gas and Argentina Gas experienced growth of 10.3%, 14.6%, 1.2% and 5.0% respectively. Spain Electricity, Panama Electricity and Argentina Electricity posted 6.5%, 3.4% and 5.3% growth respectively.

2.3. Key comparability factors

Reporting structure

As discussed in section 1.2 Business model and organizational structure of this report, Naturgy, undergoing a process of continuous transformation, structured its businesses in 2023 into two large strategic areas (Distribution Networks and Energy Markets) that gave greater clarity on the progress of operations. No significant changes have been made in the reporting structure during 2024.

Perimeter changes

There were no material transactions in 2024 affecting the comparability of the information for 2024 with that of 2023. The changes in consolidation scope in 2024 and 2023 are detailed in section 2.4.1.d. of the Notes to the Consolidated Annual Accounts for 2024, and Appendix II to the Consolidated Annual Accounts sets out the main changes in the consolidation scope in both periods.

Foreign exchange impact

Exchange rate fluctuations in 2024, and their effects, are detailed below:

Currency	Average exchange rate 2024	Change (%)	EBITDA	Consolidated profit attributable to the parent company
USD/€	1.08	0.1	(9)	(7)
MXN/€	19.82	3.3	(9)	(2)
BRL/€	5.83	7.9	(28)	(10)
ARS/€ (1)	1,067.48	19.3	(23)	(9)
CLP/€	1,021.37	12.4	(27)	(11)
Other			(2)	(1)
Total			**(98)**	**(40)**

(1) Exchange rate as of 31 December 2024 as a consequence of considering Argentina as an hyperinflationary economy

Exchange rate fluctuations in 2024 had a negative impact on EBITDA and on Consolidated profit attributable to the parent company in the amount of Euros 98 million and Euros 40 million respectively. The main currencies in which the Group operates depreciated compared to 2023.

2.4. Consolidated results

	2024	2023	**Change (%)**
Net sales	19,267	22,617	(14.8)
EBITDA	**5,365**	**5,475**	**(2.0)**
Depreciation, amortisation and impairment expenses	(1,524)	(1,742)	(12.5)
Impairment of credit losses	(90)	(208)	(56.7)
Other results	(202)	(55)	267.3
Operating Profit	**3,549**	**3,470**	**2.3**
Net financial income/ (expenses)	(465)	(518)	(10.2)
Profit of entities recorded by equity method	120	90	33.3
Corporate income tax	(835)	(768)	8.7
Profit for the year from discontinued operations, net of taxes	(22)	—	—
Non-controlling interest	(446)	(288)	54.9
Consolidated profit attributable to the parent company	**1,901**	**1,986**	**(4.3)**

Net sales

Net sales in 2024 amounted to Euros 19,267 million, 14.8% less than 2023, mainly as a result of lower energy prices compared to the exceptionally high prices experienced during 2023.

EBITDA

Consolidated EBITDA reached Euros 5,365 million in 2024, a decrease of 2.0% compared to 2023. The Group posted strong and resilient results despite the less favorable energy scenario, supported by growth in regulated businesses, which was offset by lower contribution from liberalized activities, notably in Energy Management, including gas and LNG procurement, and Supply, which experienced lower margins after the exceptionally strong performance in 2023.

The comparative breakdown of EBITDA by business is as follows:

	2024	2023	**Change (%)**
Distribution Networks	2,872	2,638	8.9
Energy Markets	2,542	2,949	(13.8)
Rest	(49)	(112)	(56.3)
EBITDA	**5,365**	**5,475**	**(2.0)**

Operating Profit

Depreciation, amortization and impairment expenses amounted to Euros 1,524 million for the period, making a 12.5% decrease compared to 2023, due to lower impairments. In 2024, impairments/reversals for a net positive amount of Euros 18 million have been recorded, mainly due to a reversal of the impairment recorded in 2020 in Argentina Gas (Euros 38 million), as well as minor impacts on Spain Thermal Generation, USA Renewable Generation and Spain Renewable Generation. In 2023 the amount of impairment arrived to Euros 288 million, most of which related to Latin America Thermal Generation (Euros 168 million). For further details, see Note 4 “Non-financial asset impairment losses” in the Notes to the consolidated annual accounts in 2024.

Impairment of credit losses reached Euros 90 million in 2024, 56.7% less than 2023. The comparison with the previous year is affected by the provision in 2023 of outstanding invoices associated with arbitration processes that ended in 2024 after the publication of the respective rulings that led to the reversal of the provisions. Likewise, provisions were also recognised in 2023 in relation to late payments by suppliers in the wholesale electricity market (see Credit Risk in Note 18 of the Consolidated annual accounts in 2024) .

“Other results”, with a net amount of Euros 202 million, includes the impacts related to updates of the litigation and arbitration process. In particular, the negative impact of the award rendered in June 2024 in the arbitration between EDP and Naturgy, as well as TGN (Transportadora de Gas del Norte, S.A.) claims against Metrogas, as described in Note 36 “Litigation, arbitration, guarantees and commitments” in the Notes to the consolidated annual accounts.

Net financial income

	2024	2023	**Change (%)**
Cost of net financial debt	(490)	(485)	1.0
Other financial expenses/income	25	(33)	(175.8)
Net financial income/ (expenses)	**(465)**	**(518)**	**(10.2)**

Financial result totalled Euros 465 million, 10.2% less than in 2023. Cost of net financial debt increased slightly due to higher average cost of gross financial debt in the period, to 4.0% vs. 3.9% in 2023, both excluding cost from IFRS 16 debt and other refinancing costs. As of 31 December 2024, 68% of gross debt is at fixed rates and 67% is denominated in Euros.

Profit of entities recorded by equity method

Equity-accounted affiliates amounted to Euros 120 million, up from Euros 90 million in 2023, corresponding to EcoElectrica (Euros 64 million), the Chile Gas (Euros 23 million), Medina/Medgaz (Euros 18 million), Qalhat (Euros 14 million), Renewable Generation Spain (Euros -3 million) and other subsidiaries (Euros 4 million).

The 33.3% increase with respect 2023 is mainly the result of better results from holdings in Renewable Generation Spain activities as well as Qalhat and Chile Gas.

Corporate income tax

The effective tax rate in 2024 was 26.1%, compared with 25.2% in 2023.

Profit for the year from discontinued operations, net of taxes

As of December 31, 2024, the heading “Result of the year from discontinued operations, net of taxes” amounts to Euros 22 million, which includes Euros 18 million for the re-estimation of the compensation agreed with the buyer in the sale of the Chile Electricity business, the sale of which was finalized in July 2021, and Euros 4 million associated with the sale of the Italy Gas business completed in February 2018.

Consolidated profit attributable to the parent company

Consolidated profit attributable to equity holders of the parent company amounted to Euros 1,901 million in 2024, a 4.3% decrease compared to 2023, aligning with the EBITDA trend.

Income attributed to non-controlling interests

Income attributed to non-controlling interests totalled Euros 446 million in 2024, a 54.9% increase year-on year, as detailed below:

	2024	2023	Change (%)
Spain Gas	(66)	(73)	(9.6)
Chile Gas	(159)	(79)	101.3
Other affiliates (1)	(198)	(102)	94.1
Other equity instruments	(23)	(34)	(32.4)
Total	**(446)**	**(288)**	**54.9**

(1) Including Latin America Thermal Generation, Latin America and Australia Renewable Generation, Gas in Brazil, Mexico and Argentina and Panama Electricity

Income attributed to non-controlling interests increased due to the improved results of the businesses with minority interests, especially Gas Chile and Thermal Generation Mexico.

2.5. Results by business unit

2.5.1. Distribution Networks

Below is the detail of the reported EBITDA for the period ended December 31, 2024 and 2023:

	2024	2023	Change (%)
Distribution Networks	**2,872**	**2,638**	**8.9**
Spain Gas	763	822	(7.2)
Mexico Gas	274	291	(5.8)
Brazil Gas	298	356	(16.3)
Argentina Gas	136	20	580.0
Chile Gas	448	323	38.7
Spain Electricity	670	650	3.1
Panama Electricity	238	175	36.0
Argentina Electricity	63	26	142.3
Holding and eliminations	(18)	(25)	(28.0)

EBITDA increased by 8.9% to Euros 2,872 million at the end of 2024. The improvement in EBITDA in the Latin American businesses was mainly due to the full year effect of the regulatory review in Panama in July 2023, tariff updates in Argentina and the tariff update and higher domestic demand in Gas Chile. These effects were partially offset by tariff updates with negative indexes, lower demand and currency depreciation in Gas Brazil and the tariff update with negative effects in Mexico, coupled with the depreciation of its currency.

In Spain, growth in electricity networks was driven by investments that increased the asset base and lower loss penalties while gas distribution recorded weaker results due to the current year's regulatory adjustment and lower demand in the residential segment.

The exchange rate effect has a negative impact in the period of Euros 87 million, primarily due to the depreciation of the Chilean peso (Euros 29 million), Brazilian real (Euros 27 million) and the Argentinean peso (Euros 23 million), which substantially moderated its depreciation trend compared to recent years.

Spain Gas

Results

	2024	2023	**Change (%)**
Net sales	987	1,112	(11.2)
Procurement	(54)	(148)	(63.5)
Gross margin	**933**	**964**	**(3.2)**
Other operating income	34	34	—
Personnel expenses	(80)	(52)	53.8
Taxes	(16)	(17)	(5.9)
Other operating expenses	(108)	(107)	0.9
EBITDA	**763**	**822**	**(7.2)**
Depreciation, provisions and other results	(261)	(267)	(2.2)
EBIT	**502**	**555**	**(9.5)**

EBITDA amounted to Euros 763 million in 2024, 7.2% less than in 2023, driven by the negative adjustment in the ongoing-year gas networks remuneration, as established in the current regulatory framework, as well as lower demand in the residential segment due to mild temperatures, which was partially compensated by better performance in the industrial and commercial segments.

Main aggregates

The main aggregates in the Gas Distribution Networks activity in Spain are as follows:

	2024	2023	**Change (%)**
TPA - Sales (GWh)	160,138	158,893	0.8
LPG Sales (tn)	63,044	59,167	6.6
Distribution network (km)	57,093	56,992	0.2
Increase in connection points, thousand	(21)	(18)	16.7
Connection points (thousand)(at 31/12)	5,331	5,352	(0.4)

Both Gas and LPG sales increased by 0.8% and 6.6% respectively compared to 2023, while connection points decreased 0.4% compared to previous year.

Mexico Gas

Results

	2024	2023	Change (%)
Net sales	671	718	(6.5)
Procurement	(346)	(378)	(8.5)
Gross margin	**325**	**340**	**(4.4)**
Other operating income	22	24	(8.3)
Personnel expenses	(21)	(21)	—
Taxes	(1)	(1)	—
Other operating expenses	(51)	(51)	—
EBITDA	**274**	**291**	**(5.8)**
Depreciation, provisions and other results	(73)	(80)	(8.8)
EBIT	**201**	**211**	**(4.7)**

EBITDA decreased by 5.8% to Euros 274 million. This decline was primarily due to regulatory updates in tariffs, lower margins in supply activities, and a slightly negative exchange rate impact of Euros 8 million. These negative effects were partially compensated by positive demand evolution in the generation+TPA segment.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	Change (%)
Gas activity sales (GWh)	**52,372**	**47,483**	**10.3**
Gas sales	24,115	23,927	0.8
TPA	28,257	23,556	20.0
Distribution network (km)	23,317	23,192	0.5
Increase in connection points (thousand)	10	(1)	(1,100.0)
Connection points (thousand)(at 31/12)	1,581	1,570	0.7

Gas sales activity increased by 10.3% and connection points grew by 0.7%.

Brazil Gas

Results

	2024	2023	Change (%)
Net sales	1,502	1,753	(14.3)
Procurement	(1,116)	(1,312)	(14.9)
Gross margin	**386**	**441**	**(12.5)**
Other operating income	39	47	(17.0)
Personnel expenses	(19)	(22)	(13.6)
Taxes	(6)	(6)	—
Other operating expenses	(102)	(104)	(1.9)
EBITDA	**298**	**356**	**(16.3)**
Depreciation, provisions and other results	(67)	(75)	(10.7)
EBIT	**231**	**281**	**(17.8)**

EBITDA amounted to Euros 298 million in 2024, down 16.3% year-on-year. This decline was primarily due to regulatory tariff updates in a negative inflationary environment, along with lower demand, particularly in the residential and vehicular segments. Additionally, the exchange rate effect had a negative impact of Euros 27 million.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Gas activity sales (GWh)	**44,169**	**38,526**	**14.6**
Gas sales	31,621	29,083	8.7
TPA	12,548	9,443	32.9
Distribution network (km)	8,422	8,358	0.8
Increase in connection points (thousand)	5	10	(50.0)
Connection points (thousand)(at 31/12)	1,191	1,186	0.4

Gas activity sales increased by 14.6% year-on-year as a result of higher demand in the generation+TPA segment (66.9%) respectively, due to lower hydro resource vs. 2023 that was partly compensated by lower residential demand due to temperatures, as well as lower vehicular demand.

The number of connection points remained relatively stable, having increased slightly in the year of 0.4%.

Argentina Gas

Results

	2024	2023	**Change (%)**
Net sales	642	267	140.4
Procurement	(346)	(160)	116.3
Gross margin	**296**	**107**	**176.6**
Other operating income	20	8	150.0
Personnel expenses	(51)	(29)	75.9
Taxes	(42)	(24)	75.0
Other operating expenses	(87)	(42)	107.1
EBITDA	**136**	**20**	**580.0**
Depreciation, provisions and other results	16	(7)	(328.6)
EBIT	**152**	**13**	**1069.2**

In 2024, EBITDA amounted to Euros 136 million, 6.8x more than in 2023, due to the tariff updates approved by the government during the year and higher overall demand. Exchange rate depreciation trends significantly moderated in Argentina compared to recent years and its negative impact amounted to Euros 15 million in the period.

In 2024, a reversal of the impairment recognised in 2020 of EUR 38 million was recognised under 'Amortisation and impairment losses'. The reversal is mainly due to the estimated impacts of the tariff revisions included in the cash flow projections for this business.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	Change (%)
Gas activity sales (GWh)	**101,541**	**96,709**	**5.0**
Gas sales	35,278	46,445	(24.0)
TPA	66,263	50,264	31.8
Distribution network (km)	40,364	40,119	0.6
Increase in connection points (thousand)	1	4	(75.0)
Connection points (thousand)(at 31/12)	2,261	2,260	—

Gas activity sales increased by 5.0%, driven by the segments generation+TPA up to 9.4% and retail up to 7.1%, partially compensated by the Industrial segment which experienced the highest correction (-14.1%).

Chile Gas

Includes the gas distribution and supply activities.

Results

	2024	2023	Change (%)
Net sales	857	877	(2.3)
Procurement	(335)	(483)	(30.6)
Gross margin	**522**	**394**	**32.5**
Other operating income	4	10	(60.0)
Personnel expenses	(27)	(29)	(6.9)
Taxes	(4)	(4)	—
Other operating expenses	(47)	(48)	(2.1)
EBITDA	**448**	**323**	**38.7**
Depreciation, provisions and other results	(15)	(65)	(76.9)
EBIT	**433**	**258**	**67.8**

EBITDA in 2024 amounted to Euros 448 million, a 38.7% increase year-on-year. The increase is mainly in the gas distribution business due to the effects of the tariff update and the increase in domestic demand. The results for the year also reflect the adjustment of the provision related to TGN claims, following the reversal of the first instance ruling acquitting Metrogas (see Note 36 'Litigation and arbitration, guarantees and commitments' of the Consolidated annual accounts 2024). The supply business benefited from higher prices and margins. The exchange rate impact was negative in Euros 29 million during the year.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Gas activity sales (GWh)	**34,733**	**36,779**	**(5.6)**
Gas distribution sales (GWh)	10,381	10,261	1.2
Gas sales (GWh)	1,844	1,544	19.4
TPA (GWh)	22,508	24,974	(9.9)
Distribution network (km)	8,371	8,309	0.7
Increase in connection points (thousand)	10	13	(23.1)
Connection points (thousand)(at 30/12	702	692	1.4

Gas distributed increased moderately by 1.2% mainly driven by the domestic and commercial segments, while supply sales increased by 19.4% mainly due to higher surplus sales.

The number of connections points increased by 1.4%.

Spain Electricity

Results

	2024	2023	**Change (%)**
Net sales	851	804	5.8
Procurement	—	—	—
Gross margin	**851**	**804**	**5.8**
Other operating income	22	20	10.0
Personnel expenses	(55)	(48)	14.6
Taxes	(24)	(24)	—
Other operating expenses	(124)	(102)	21.6
EBITDA	**670**	**650**	**3.1**
Depreciation, provisions and other results	(267)	(254)	5.1
EBIT	**403**	**396**	**1.8**

EBITDA amounted to Euros 670 million in 2024, increasing 3.1% year-on-year, mainly due to the increase in the asset base as a result of the investments made and the lower penalty in relation to the loss incentive.

Main aggregates

The main aggregates in the Electricity Distribution Networks activity in Spain are as follows:

	2024	2023	**Change (%)**
Sales - TPA (GWh)	**26,355**	**24,747**	**6.5**
Distribution network (km)	115,984	115,664	0.3
Connection points (thousand)	3,859	3,836	0.6
ICEIT (minutes)	32.6	30.7	6.2

In 2024, there was an upturn in demand, as shown by the evolution of electricity sales, which recorded an increase of 6.5%. Connection points increased slightly compared to previous year (0.6%).

Panama Electricity

Results

	2024	2023	**Change (%)**
Net sales	1,006	887	13.4
Procurement	(705)	(655)	7.6
Gross margin	**301**	**232**	**29.7**
Other operating income	8	6	33.3
Personnel expenses	(10)	(9)	11.1
Taxes	(7)	(7)	—
Other operating expenses	(54)	(47)	14.9
EBITDA	**238**	**175**	**36.0**
Depreciation, provisions and other results	(72)	(69)	4.3
EBIT	**166**	**106**	**56.6**

EBITDA amounted to Euros 238 million in 2024, up 36.0% year-on-year driven by the effect of a full year of implementation of the tariff update (from July 2023) and higher sales (3.4%) due to higher temperatures.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Electricity business sales (GWh)	**5,869**	**5,674**	**3.4**
Electricity sales	4,862	4,678	3.9
TPA	1,007	996	1.1
Distribution network (km)	30,824	30,317	1.7
Connection points (thousand)	789	771	2.3

A 3.4% demand increase due to temperatures. The number of connection points increased by 2.3% compared to 2023.

Argentina Electricity

Results

	2024	2023	**Change (%)**
Net sales	223	98	127.6
Procurement	(108)	(44)	145.5
Gross margin	**115**	**54**	**113.0**
Other operating income	18	7	157.1
Personnel expenses	(23)	(11)	109.1
Taxes	(7)	(4)	75.0
Other operating expenses	(40)	(20)	100.0
EBITDA	**63**	**26**	**142.3**
Depreciation, provisions and other results	(3)	(2)	50.0
EBIT	**60**	**24**	**150.0**

EBITDA amounted to Euros 63 million in 2024, 2.4x more than in 2023, mainly driven by regulatory tariff updates mandated by the government during the year as well as demand growth due to temperatures. Exchange rate significantly moderated compared to recent years and its impact was negative in Euros 8 million.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	Change (%)
Electricity business sales (GWh)	**2,186**	**2,075**	**5.3**
Distribution network (km)	10,357	10,251	1.0
Connection points (thousand)(at 31/12)	265	261	1.5

Electricity sales grew by 5.3% and supply points increased by 1.5% when compared to 2023.

2.5.2. Energy Markets

Below is the detail of the reported EBITDA for the period ended December 31, 2024 and 2023:

	2024	2023	Change (%)
Energy Markets	**2,542**	**2,949**	**(13.8)**
Energy Management	**752**	**1,104**	**(31.9)**
Thermal Generation	**602**	**670**	**(10.1)**
Spain	279	400	(30.3)
Latin America	323	270	19.6
Renewable Generation	**576**	**529**	**8.9**
Spain	445	437	1.8
USA	7	(10)	(170.0)
Latin America	88	107	(17.8)
Australia	36	(5)	(820.0)
Renewable Gases	**(7)**	**(5)**	**40.0**
Supply	**648**	**704**	**(8.0)**
Holding and eliminations	**(29)**	**(53)**	**(45.3)**

The Energy Markets business segments reported aggregate EBITDA of Euros 2,542 million, a decrease of 13.8% when compared to 2023.

The year 2024 has been marked by lower energy prices compared to 2023, both in gas and electricity. As a result, liberalized activities in 2024 experienced lower results compared to the previous year.

Energy Management activities, including gas and LNG procurement and wholesales, were mainly affected by the decline in gas prices compared to the previous year.

Spain Thermal Generation experienced lower results due to lower production and margins, as higher renewable production translated into a lower thermal gap during the period. Latin American Thermal Generation for its part experienced better results due to higher availability and production in Mexico.

Positive evolution in Renewable Generation is mainly driven by higher installed capacity and production in Spain and Australia, higher overall production in Latin America and an improvement in the derivatives effectiveness in Australia.

Contribution from the Renewable Gases business segment, which includes the management of renewable gas projects, specifically biomethane and green hydrogen, remains non-material.

Finally, the Supply business in Spain benefited from the favorable final court ruling on the electricity subsidies (Euros +63 million) but experienced lower margins compared to 2023 due to lower energy prices, particularly in electricity.

2.5.2.1. Energy Management

Results

	2024	2023	**Change (%)**
Net sales	5,886	8,786	(33.0)
Procurement	(4,875)	(7,539)	(35.3)
Gross margin	**1,011**	**1,247**	**(18.9)**
Other operating income	19	58	(67.2)
Personnel expenses	(31)	(31)	—
Taxes	(126)	(125)	0.8
Other operating expenses	(121)	(45)	168.9
EBITDA	**752**	**1,104**	**(31.9)**
Depreciation, provisions and other results	(281)	(164)	71.3
EBIT	**471**	**940**	**(49.9)**

Energy Management reflects the integration of the former Markets and Procurement, International LNG and Pipelines segments.

In 2024, EBITDA amounted to Euros 752 million, a 31.9% decrease when compared to 2023 mainly due to the effects of the evolution of international gas prices, which registered a significant drop compared to the previous year. Likewise, the comparison between years is affected due to the impact in 2023 of the maturity of derivative instruments that were ineffective due to decoupling from the indices covered in sale transactions. There is a negative exchange rate effect amounting to Euros 6 million in 2024.

Active management of hedged LNG volumes resulted in improved target margins compared to previous objectives.

Additionally, during the 2024 financial year, an agreement was reached with Sonatrach in relation to the 2024 price of the gas procurement contract, which confirms the strength of the relations between Naturgy and the Argelian gas supplier and ensures that the prices reflect current market conditions, as well as Naturgy's commitment to ensure supply in Spain.

Energy Management results are affected by the award rendered in June 2024 due to EDP arbitration. For further details, see section Litigation and arbitration on Note 36 “Litigation, arbitration, guarantees and commitments” in the consolidated accounts.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Gas supply (GWh)	**166,399**	**181,076**	**(8.1)**
CCGT	21,410	26,931	(20.5)
Third parties	34,872	47,208	(26.1)
LNG Gas sales (GWh)	110,117	106,937	3.0
Electricity sales (GWh)	1,414	1,124	25.8
Shipping fleet capacity (m3)	1,159,998	1,159,998	—

Total Gas sales amounted to 166,399 GWh in 2024, a decrease of 8.1% year-on-year, while electricity sales increased by 25.8% year-on-year.

2.5.2.2. Thermal Generation

Spain

Results

	2024	2023	Change (%)
Net sales	1,744	2,410	(27.6)
Procurement	(1,103)	(1,756)	(37.2)
Gross margin	**641**	**654**	**(2.0)**
Other operating income	26	26	—
Personnel expenses	(65)	(60)	8.3
Taxes	(228)	(129)	76.7
Other operating expenses	(95)	(91)	4.4
EBITDA	**279**	**400**	**(30.3)**
Depreciation, provisions and other results	(146)	(159)	(8.2)
EBIT	**133**	**241**	**(44.8)**

EBITDA amounted to Euros 279 million in 2024, a 30.3% decrease compared to 2023, mainly due to lower margins and production resulting from higher renewable production in the period.

Pool average price, in the daily electricity market, decreased by 27.7% with respect to 2023, averaging 63.0 €/MWh in the year.

In 2024, an endowment of Euros 11 million was recorded, mainly generated by problems in the operation of a facility (See Note 4 “Non-financial asset impairment losses” in the Notes to the consolidated annual accounts in 2024).

The regulatory processes continue progressing to introduce capacity payments in 2025 (see Note 2.24.1 of the Appendix IV Regulatory Framework).

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	Change (%)
Installed capacity (MW)	**8,031**	**8,031**	**—**
Nuclear	604	604	—
CCGTs	7,427	7,427	—
Electric energy produced (GWh)	**13,393**	**16,604**	**(19.3)**
Nuclear	4,240	4,512	(6.0)
CCGTs	9,153	12,092	(24.3)

Total production decreased by 19.3%, with CCGTs experiencing a reduction of 24.3% and nuclear production decreasing by 6.0% during the year.

Latin America

Results

	2024	2023	Change (%)
Net sales	775	777	(0.3)
Procurement	(390)	(441)	(11.6)
Gross margin	**385**	**336**	**14.6**
Other operating income	2	—	—
Personnel expenses	(20)	(25)	(20.0)
Taxes	(1)	(1)	—
Other operating expenses	(43)	(40)	7.5
EBITDA	**323**	**270**	**19.6**
Depreciation, provisions and other results	(78)	(252)	(69.0)
EBIT	**245**	**18**	**1261.1**

EBITDA amounted to Euros 323 million in 2024, 19.6% more than in 2023, mainly supported by results in Mexico due to higher revenues from the Power Balance Market after the 2023 settlement, higher capacity revenues and sales of the PPA contract. These results were offset by a negative exchange rate effect of Euros 3 million.

Negotiations are ongoing to extend long-term power purchase agreements (PPAs) with the Federal Electricity Commission (CFE) beyond 2027.

In 2023, it was recognized a Euros 168 million impairment, consistent with the energetic scenario.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	Change (%)
Installed capacity (MW)	**2,644**	**2,644**	**—**
Mexico (CCGT)	2,446	2,446	—
Dominican Republic (Fuel)	198	198	—
Electric energy produced (GWh)	**14,886**	**14,580**	**2.1**
Mexico (CCGT)	14,187	13,858	2.4
Dominican Republic (Fuel)	699	722	(3.2)

Overall energy production increased by 2.1%, compared to 2023, with Mexican combined cycle plants production up by 2.4% that partially compensates the reduction in production in Dominican Republic by 3.2%.

2.5.2.3. Renewable Generation

Below is the detail of the reported EBITDA for the period ended December 31, 2024 and 2023:

	2024	2023	**Change (%)**
Renewable Generation	**576**	**529**	**8.9**
Spain	445	437	1.8
USA	7	(10)	(170.0)
Latin America	88	107	(17.8)
Australia	36	(5)	(820.0)

Renewables Spain

Results

	2024	2023	**Change (%)**
Net sales	770	707	8.9
Procurement	(50)	(72)	(30.6)
Gross margin	**720**	**635**	**13.4**
Other operating income	19	10	90.0
Personnel expenses	(44)	(45)	(2.2)
Taxes	(119)	(46)	158.7
Other operating expenses	(131)	(117)	12.0
EBITDA	**445**	**437**	**1.8**
Depreciation, provisions and other results	(241)	(202)	19.3
EBIT	**204**	**235**	**(13.2)**

2024 EBITDA amounted to Euros 445 million in 2024, 1.8% higher than in 2023, which is primarily driven by the commissioning of new wind and solar capacity installed as well as higher hydroelectric production, partially offset by lower selling prices.

In 2024, an impairment of Euros 5 million has been allocated when assessing the impact of the successful appeals filed on the permits for several wind farms under construction (See Note 4 “Non-financial asset impairment losses” in the Notes to the consolidated annual accounts in 2024).

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Installed capacity (MW)	**5,238**	**4,967**	**5.5**
Hydroelectric (1)	2,062	2,062	—
Wind	2,456	2,426	1.2
Solar	669	428	56.3
Cogeneration and others	51	51	—

(1) Gross hydraulic generation capacity

	2024	2023	Change (%)
Electric energy produced (GWh)	**10,791**	**9,710**	**11.1**
Hydroelectric	4,731	4,113	15.0
Wind	4,930	4,650	6.0
Solar	843	652	29.3
Cogeneration and others	287	295	(2.7)
Market share of renewables	**6.3 %**	**6.2 %**	**0.1 pp**

Spain Renewable installed capacity was 5,238 MW at 2024 year-end, up 271 MW year-on-year (241 MW solar and 30 MW wind).

Total production increased by 11.1% year-on-year, with solar technology increasing by 29.3%, hydroelectricity technology by 15.0% and wind technology by 6.0% with the result that the market share reached 6.3%.

Renewables USA

Results

	2024	2023	Change (%)
Net sales	11	(6)	(283.3)
Procurement	—	—	—
Gross margin	**11**	**(6)**	**(283.3)**
Other operating income	17	11	54.5
Personnel expenses	(5)	(4)	25.0
Taxes	(3)	(1)	200.0
Other operating expenses	(13)	(10)	30.0
EBITDA	**7**	**(10)**	**(170.0)**
Depreciation, provisions and other results	(14)	(67)	(77.6)
EBIT	**(7)**	**(77)**	**(89.6)**

EBITDA in 2024 amounted to Euros 7 million, compared with a negative contribution of Euros 10 million in 2023, due to the starting of operation of the first Naturgy solar plant in United States, 7V Solar Ranch, in December 2023. Higher revenues have been partially offset by higher operating expenses, mainly insurance, maintenance and personnel expenses.

In 2023, an impairment of Euros 65 million was recognized for acquired projects with a low probability of completion and for wind farms under development, basically affected by the increase in the cost of construction. In 2024, an impairment of Euros 4 million was allocated associated with acquired projects that are not estimated to be carried out due to difficulties in relation to interconnection and obtaining licenses (See Note 4 "Non-financial asset impairment losses" in the Notes to the consolidated annual accounts in 2024).

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	Change (%)
Installed capacity (MW)	**302**	**300**	**0.7**
Solar	302	300	0.7
Electric energy produced (GWh)	**496**	**1**	**—**
Solar	496	1	—

Naturgy started operations of its first solar plant in the United States, 7V Solar Ranch, with an installed capacity of 302 MW. Total production in 2024 reached 496 GWh.

Additionally, Grimes solar plant construction is underway, with a installed capacity of 262 MW and estimated commercial operating date during the first half of 2025.

Latin America

Results

	2024	2023	**Change (%)**
Net sales	155	155	—
Procurement	(23)	(8)	187.5
Gross margin	**132**	**147**	**(10.2)**
Other operating income	13	15	(13.3)
Personnel expenses	(15)	(14)	7.1
Taxes	(2)	(3)	(33.3)
Other operating expenses	(40)	(38)	5.3
EBITDA	**88**	**107**	**(17.8)**
Depreciation, provisions and other results	(32)	(55)	(41.8)
EBIT	**56**	**52**	**7.7**

EBITDA amounted to Euros 88 million in 2024, 17.8% lower than in 2023, driven by lower margins in Chile and the end of La Joya concession in Costa Rica in July 2023, leaving the Torito plant operational. On the other hand, Mexico has experienced a reduction in production due to lower wind use compared to 2023. Brazil's performance was quite stable, while Panama benefited from good hydro conditions during the year. The exchange rate impact was moderately negative and amounted to Euros 2 million.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Installed capacity (MW)	**828**	**814**	**1.7**
Mexico (Wind)	234	234	—
Brazil (Solar)	154	153	0.7
Chile (Solar)	162	149	8.7
Chile (Wind)	206	206	—
Costa Rica (Hydroelectric)	50	50	—
Panama (Hydroelectric)	22	22	—
Electric energy produced (GWh)	**1,898**	**1,973**	**(3.8)**
Mexico (Wind)	638	709	(10.0)
Brazil (Solar)	290	295	(1.7)
Chile (Solar)	299	277	7.9
Chile (Wind)	318	297	7.1
Costa Rica (Hydroelectric)	240	304	(21.1)
Panama (Hydroelectric)	113	91	24.2

Installed capacity in Latin America increased up to 1.7% compared to 2023, reaching 828 MW as of 31 December 2024. Regarding the energy produced, 1,898 GWh are recorded in the year, 3.8% down to 2023, due to the concession ending of La Joya in Costa Rica during the first semester of 2023 and lower production in Mexico.

Australia

Results

	2024	2023	**Change (%)**
Net sales	49	15	226.7
Procurement	(1)	—	—
Gross margin	**48**	**15**	**220.0**
Other operating income	—	—	—
Personnel expenses	(5)	(4)	25.0
Taxes	(1)	(1)	—
Other operating expenses	(6)	(15)	(60.0)
EBITDA	**36**	**(5)**	**(820.0)**
Depreciation, provisions and other results	(30)	(21)	42.9
EBIT	**6**	**(26)**	**(123.1)**

EBITDA amounted to Euros 36 million in 2024, compared with a negative contribution of Euros 5 million in 2023. This positive evolution is driven by higher installed capacity.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Installed capacity (MW)	**886**	**386**	**129.5**
Solar	128	—	—
Wind	758	386	96.4
Battery storage (MW)	**65**	**10**	**550.0**
Electric energy produced (GWh)	**1,196**	**1,020**	**17.3**
Solar	10	—	—
Wind	1,186	1,020	16.3

At 31 December 2024, installed capacity stood at 886 MW, of which 758 MW in wind and 128 MW in solar. Additionally, Naturgy has 65 MW in battery storage, that allow more efficient management of the energy produced and margin optimization.

2.5.2.4. Renewable Gases

Results

The Renewable Gases business segment includes the management of renewable gas projects, specifically biomethane and green hydrogen, whose contribution to consolidated EBITDA at this point remains nonmaterial (Euros -7 million).

	2024	2023	Change (%)
Net sales	46	—	—
Procurement	(36)	—	—
Gross margin	**10**	**—**	**—**
Other operating income	—	—	—
Personnel expenses	(9)	(3)	200.0
Taxes	(1)	—	—
Other operating expenses	(7)	(2)	250.0
EBITDA	**(7)**	**(5)**	**40.0**
Depreciation, provisions and other results	(5)	0	—
EBIT	**(12)**	**(5)**	**140.0**

Main aggregates

The main aggregates of the activity are as follows:

Biomethane	**2024**	2023	**Change (%)**
Operation capacity (MW) [(1)]	3	2	50.0
Production (MWh)	1,201	204	488.7

[(1)] Innovation unit incorporates an additional 0.6 MW

Naturgy manages a wide portfolio of projects across the territory at various stages of development and already has three production plants in operation, with a total capacity of 3.0 MW that produced 1,201 MWh in 2024. One more facility in Utiel (Valencia) is expected to become operational in the coming months..

Recently, Naturgy formed a partnership with agricultural and livestock waste management firm Hispania Silva to develop up to 30 biomethane plants across Spain until 2030, with an annual generation capacity of approximately 2.5 TWh, equivalent to the consumption of 500,000 homes, contributing to the decarbonization of the economy with the reduction of 450,000 tons of CO_2.

Naturgy is well positioned to take advantage of the Renewable Gases opportunity and is willing to deploy capital and resources in this business, complying with its minimum return hurdles.

2.5.4. Supply

Results

	2024	2023	Change (%)
Net sales	7,130	8,728	(18.3)
Procurement	(6,112)	(7,579)	(19.4)
Gross margin	**1,018**	**1,149**	**(11.4)**
Other operating income	78	77	1.3
Personnel expenses	(83)	(69)	20.3
Taxes	(102)	(115)	(11.3)
Other operating expenses	(263)	(338)	(22.2)
EBITDA	**648**	**704**	**(8.0)**
Depreciation, provisions and other results	(217)	(202)	7.4
EBIT	**431**	**502**	**(14.1)**

In 2024, EBITDA amounted to Euros 648 million, 8.0% lower than 2023. Electricity supply has achieved lower margins amid the lower pool prices in the period compared to 2023. On the other hand, the business benefited from the favorable final court ruling on the electricity subsidies for liberalized customers for the 2016-2021 period. Gas supply experienced some margin pressure in the industrial and SM&E segments, while margins in the residential segment remained resilient supported by lower volumes indexed to regulated tariffs.

In July 2024, the Supreme Court decided to recognise compensation of Euros 63 million plus interest on the amounts paid for the cost of financing the social bonus on the free market supported by Naturgy's supply companies. In 2023, the Supreme Court had recognised a compensation of Euros 64 million in relation to the social bonus of the regulated market. In both cases, it was recorded in “Other Operating Income”. See Note 24 “Other operating income” in the Notes to the consolidated annual accounts in 2024.

Main aggregates

The main aggregates of the activity are as follows:

	2024	2023	**Change (%)**
Gas sales (GWh) [1]	**67,690**	**67,499**	**0.3**
Residential Spain	14,971	17,243	(13.2)
Industrial clients	51,263	48,552	5.6
SM&E	1,456	1,704	(14.6)
By segment	**67,690**	**67,499**	**0.3**
Liberalised	59,439	59,347	0.2
Regulated	8,251	8,152	1.2
Electricity sales (GWh)	**18,111**	**19,471**	**(7.0)**
Residential Spain	9,438	9,218	2.4
Industrial clients	6,809	8,328	(18.2)
SM&E	1,864	1,925	(3.2)
By segment	**18,111**	**19,471**	**(7.0)**
Liberalised	15,027	16,416	(8.5)
Regulated	3,084	3,055	0.9
Retail contracts (thousand)	**10,501**	**10,818**	**(2.9)**
Gas	3,400	3,539	(3.9)
Electricity	4,283	4,379	(2.2)
Services	2,818	2,900	(2.8)
Contracts per customer (Spain)	**1.48**	**1.50**	**-0.02 pp**
Gas contract market share (Spain)	**42.8**	**44.3**	**-1.5 pp**

[1] including gas sales of energy efficiency contracts

Power sales decreased by 7.0% compared to 2023., mainly in the industrial and SM&E segments decreasing by 18.2% and 3.2% respectively, while retail sales increased by 2.4%.

Gas sales remained stable, slightly up to 0.3% vs. 2023, with a net effect of the reduction in SM&E and retail segments down by 14.6% and 13.2% respectively, offset by the industry segment growth of 5.6%.

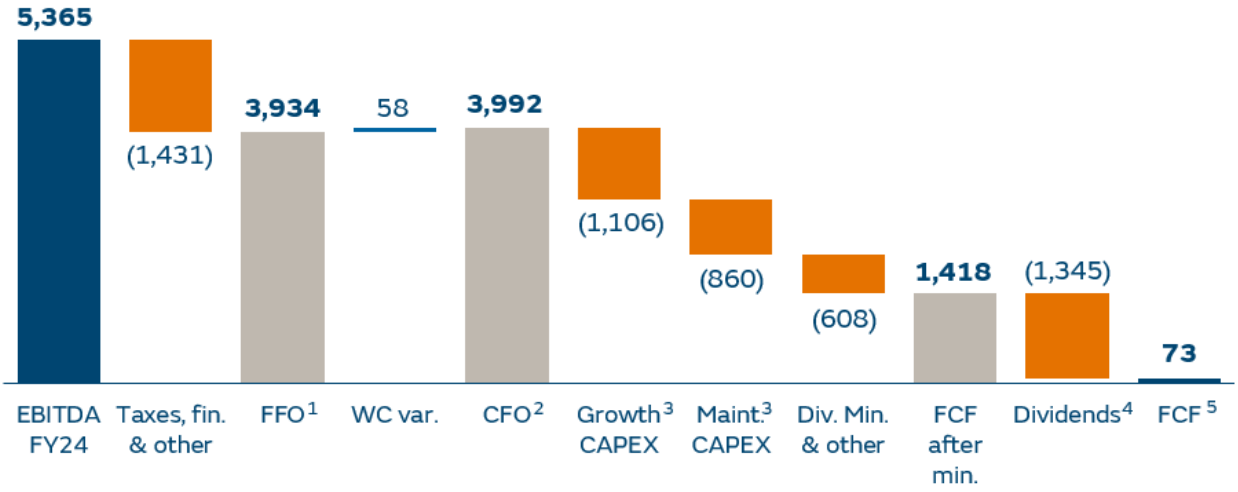
Total number of contracts kept quite stable vs. 2023., with a small contraction of 2.9%.

On a different note, Naturgy has launched a new digital platform aimed to transform the interaction with customers with new AI tools.

Lastly, Naturgy has been the first company to redeem Energy Saving Certificates (ESC) in Spain.

2.6. Cash flow

The evolution of cash flow for the year 2024 is detailed below:



Notes:
[1] FFO: Funds from operations.
[2] CFO: Cash flow from operations. (Cash flows from operating activities according to the Consolidated Cash Flow Statement).
[3] Net CAPEX.
[4] Dividends paid net of those received by Group companies.
[5] FCF: Net Free cash flow.

FFO generated by operating operations was strong in the period underpinned by the overall strong performance of the Networks, Renewable Generation and Supply activities, allowing for a positive FCF after dividend distribution and investments.

Net financial debt increased moderately by Euros 111 million during 2024 to Euros 12,201 million as of 31 December 2024 (vs. Euros 12,090 million in 2023) despite the payment of Euros 500 million hybrids redeemed on 24 April 2024, and despite Euros 1,966 million in CAPEX and Euros 1,345 million dividend distribution in the period, corresponding to the final dividend on 2023 results and the first and second interim dividends against 2024 results.

Working capital got to Euros 58 million cash in the period, reducing the financing necessities.

Capital expenditure (CAPEX)

The breakdown of Capital expenditure (CAPEX) by type was as follows:

	2024	2023	**Change (%)**
Capital expenditure (CAPEX)	2,280	2,747	(17.0)
Other proceeds from investing activities	(314)	(76)	313.2
Net capital expenditure (Net CAPEX)	**1,966**	**2,671**	**(26.4)**

The breakdown of Capital expenditure (CAPEX) by activities is as follows:

	2024	2023	Change (%)
Distribution Networks	**919**	**908**	**1.2**
Spain Gas	121	117	3.4
Mexico Gas	65	70	(7.1)
Brazil Gas	56	68	(17.6)
Argentina Gas	29	15	93.3
Chile Gas	51	53	(3.8)
Spain Electricity	441	449	(1.8)
Panama Electricity	135	124	8.9
Argentina Electricity	21	12	75.0
Energy Markets	**1,345**	**1,822**	**(26.2)**
Energy Management	8	4	100.0
Thermal Generation	176	149	18.1
Spain	130	104	25.0
Latin America	46	45	2.2
Renewable Generation	1,008	1,532	(34.2)
Spain	445	918	(51.5)
USA	240	297	(19.2)
Latin America	8	19	(57.9)
Australia	315	298	5.7
Renewable Gases	7	0	—
Supply	146	135	8.1
Holding and eliminations	0	2	(100.0)
Rest	**16**	**17**	**(5.9)**
Capital expenditure (CAPEX)[1]	**2,280**	**2,747**	**(17.0)**

[1] Theses alternative performance measures have been redefined to better reflect the investment effort of the Group's businesses (see Appendix I of the Alternative performance metrics).

A breakdown of maintenance and growth CAPEX provides useful insight into the Group's investment profile.

Maintenance CAPEX amounted to Euros 875 million in 2024, compared to Euros 844 million in 2023, as a result of higher maintenance in Energy Markets than in 2023.

Growth CAPEX in the period represented over 60% of total CAPEX and amounted Euros 1,405 million. The main items of growth CAPEX in 2024 are as follows:

- A total of Euros 352 million invested in the development of distribution networks in Spain and Latin America, of which Euros 200 million in Spain, including gas and electricity, Euros 57 million in Panama Electricity, Euros 30 million in Mexico Gas, Euros 28 million in Chile Gas, Euros 26 million in Argentina (gas and electricity) and Euros 11 million in Brazil Gas.
- A total of Euros 926 million invested in the construction of different renewable projects, of which Euros 374 million in Spain, Euros 311 million in Australia, Euros 240 million in USA and Euros 1 million in Latin America. It includes Euros 10 million for the acquisition of assets in Fraser Coast Solar Development PTY, Ltd.
- A total of Euros 7 million in the development of renewable gases projects. It includes Euros 4 million for the acquisition of assets in BIOs Renewable Gases.
- A total of Euros 120 million in the Supply activity.

Naturgy remains committed to Renewables technologies development and has reached more than 7.3 GW of installed capacity at 2024 year-end. During the year, 0.8 GW of additional capacity came on stream, of which 271 MW in Spain, 2 MW in USA, 500 MW in Australia and 14 MW in Latin America.

In addition, the Group has close to 1.6 GW of renewable capacity under construction, of which 838 MW in Spain, 360 MW in Australia and 387 MW in the USA. During 2025 Naturgy expects to put into operation additional 649 MW in Spain and 262 MW in USA.

In Australia, Naturgy continues the construction and development of the following projects which are expected to become operational during 2026: Glenellen (260 MW) in New South Wales and Bundaberg (100 MW) in Queensland,.

Lastly, in the USA Naturgy continues the construction of the Grimes photovoltaic project (262 MW) in Texas, which will be its second installation in this geography, with commercial operating date in the first half of 2025.

The Company is also leading the renewable gas developments in Spain as a key pilar of decarbonization. Accordingly, as of year-end 2024, Naturgy had three biomethane production projects in operation: the Elena Plant, in Cerdanyola del Vallès (Barcelona), which was the first to inject renewable gas from landfills into the gas distribution network, the plant located at A Coruña EDAR Bens (wastewater treatment plant), and the Vila-sana plant (Lérida), installed on the Porgaporcs livestock farm. One more facilitiy in Utiel (Valencia) is expected to become operational in the coming months.

Recently, Naturgy formed a partnership with agricultural and livestock waste management firm Hispania Silva to develop up to 30 biomethane plants in Spain until 2030, with an annual generation capacity of approximately 2.5TWh, equivalent to the consumption of 500,000 homes, contributing to the decarbonization of the economy,with the reduction of 450,000 tons of CO_2.

2.7. Financial Position

As of 31 December 2024, net financial debt amounted to Euros 12,201 million, slightly above 2023 year-end (Euros 12,090 million), reflecting the resiliency of Naturgy's businesses during the period.

During 2024, the most relevant transactions and refinancing operations included:

- Refinancing of loans and revolving credit lines, that do not imply substantial modifications to the conditions of the initial debt, in Spain for a total of Euros 3,075 million and international businesses for a total of Euros 337 million.

- The holding company has agreed on a facility of Euros 1,000 million for renewables projects in Spain with the EIB, and whose first drawdown occurs in December 2024 for Euros 400 million over 17 years.

- Naturgy Mexico, S.A. issued a bond for Euros 195 million with a maturity of 3 years and rate TIIE + 0.49%.

- Through a statutory cross border conversion the issuer vehicle Naturgy Finance B.V. changed to Naturgy Finance Iberia, S.A.U.

- Naturgy Finance Iberia, S.A.U. redeemed Euros 500 million deeply subordinated notes (hybrid) in April 2024.

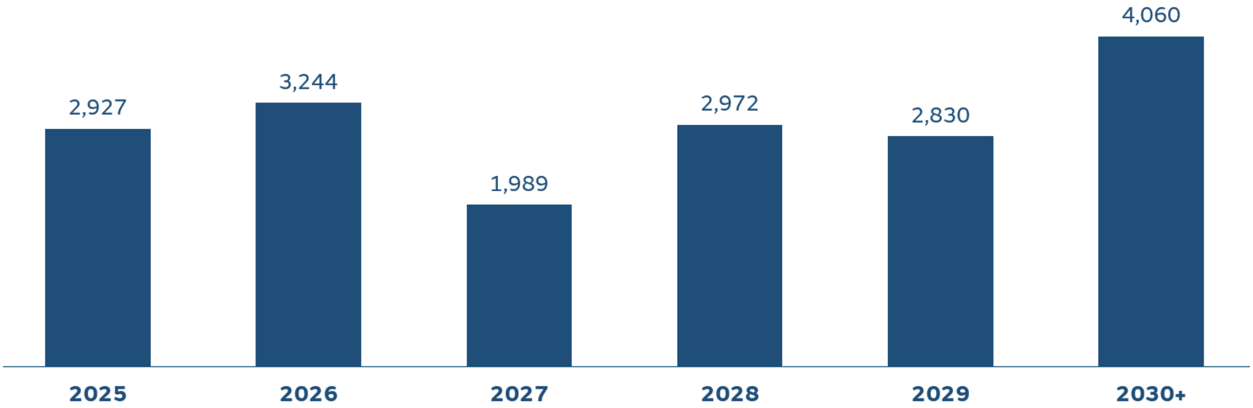
- Naturgy Finance Iberia, S.A.U. issued a bond for Euros 500 million with a maturity of 6 years and rate 3.25% and a bond for Euros 500 million with maturity of 10 years and rate 3.625%. The proceeds of both issues were applied to repurchase bonds for Euros 1,000 million.

- Naturgy Finance Iberia has renewed EMTN program of Euros 12,000 million and ECP program of Euros 1,000 million for a period of 1 year respectively.

- Global Power Generation, S.A. has formalized a facility for Renewable Generation projects in operation and development in Australia over 5 years which, as at 31 December 2024, show an amount of Euros 762 million. In addition, previous loans for Euros 565 million, have been amortized.

Gross debt maturities

The breakdown of the gross financial debt by maturity at 31 December 2024 amounting Euros 18,022 million is as follows:



Debt structure

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

		Consolidated		Chile		Brazil	Argentina	Mexico	Panama	Australia	Holding & others
		2024	**2023**	**CLP**	**USD**	**BRL**	**ARS**	**MXN**	**USD**	**AUD**	**EUR/ Others**
Net financial debt	€m	12,201	12,090	222	(24)	36	(55)	487	969	840	9,726
Average cost of gross financial debt (1)	%	4.0	3.9	8.6	8.1	12.1	73.5	10.5	8.1	6.0	2.4
% fixed rated (gross debt)	%	68	75	44	51	1	—	53	10	100	71

(1) Does not include neither cost of finance lease liabilities nor other refinancing costs.

The average cost of gross financial debt for the period, excluding the cost of lease liabilities and other refinancing costs, was 4.0%, a slightly higher than in 2023 (3.9%).

The evolution of the principal ratios applied referent to the net financial debt were as follows:

		2024	2023
EBITDA/Net financial debt cost	times	10.9	11.3
Net financial debt/EBITDA	times	2.3	2.2

The ratio of net financial debt to EBITDA arouse from 2.2x at 2023 year-end to 2.3x at 2024 year-end. This demonstrates the Group's strong financial and leverage position, especially considering the hybrids redeemed in April 2024.

3. Liquidity and capital

Capital management

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

As an indicator of its long-term capital management objectives, Naturgy pursues a long-term leverage ratio of approximately 50%.

Naturgy's long-term credit rating is as follows:

	2024	2023
Standard & Poor's	BBB (*)	BBB (*)
Fitch	BBB (*)	BBB (*)

(*) S&P: Perspectiva estable, Fitch: Perspectiva estable.

Net financial debt amounted to Euros 12,201 million at 31 December 2024 and leverage stood at 51.1% (Euros 12,090 million and 50.3%, respectively, at 31 December 2023).

Liquidity

Naturgy has liquidity policies that ensure fulfilment of its payment commitments, while diversifying the coverage of financing needs and debt maturities. Prudent management of liquidity risk includes maintaining sufficient cash and realisable assets and having sufficient funds available to cover credit obligations.

Liquidity at 31 December 2024 stood at Euros 11,237 million, including Euros 5,626 million in cash and cash equivalents and Euros 5,611 million in undrawn and fully committed credit lines. Moreover, the ECP programme was completely unused at 31 December 2024.

The breakdown of liquidity at 31 December 2024 is as follows:

	Consolidated		**Chile**		**Brazil**	**Argentina**	**Mexico**	**Panama**	**Holding & others**
	2024	2023	**CLP**	**USD**	**BRL**	**ARS**	**MXN**	**USD**	**EUR/ Others**
Cash and cash equivalents	5,626	3,686	135	84	205	83	83	84	4,952
Undrawn credit facilities	5,611	5,551	—	29	34	—	110	40	5,398
Total	11,237	9,237	135	113	239	83	193	124	10,350

The average maturity of undrawn credit lines is shown below:

	2025	**2026**	**2027**	**2028**	**2029**	**2030+**
Undrawn credit facilities	149	3,887	495	75	1,004	1

4. Main risks, opportunities and uncertainties

4.1. Risk management model

Naturgy's risk management model seeks to ensure that the company's performance is predictable within an acceptable bounded range. The model quantifies the variability of performance and ensures that it is in line with strategically defined target levels in all aspects that are of importance to its stakeholders.

Core goals of the risk measurement and management model include ensuring that material risk factors are correctly identified, assessed and managed. The final objective is to ensure that the level of risk exposure assumed by Naturgy in the course of its business is consistent with the company's defined overall risk profile and the attainment of annual and strategic objectives.

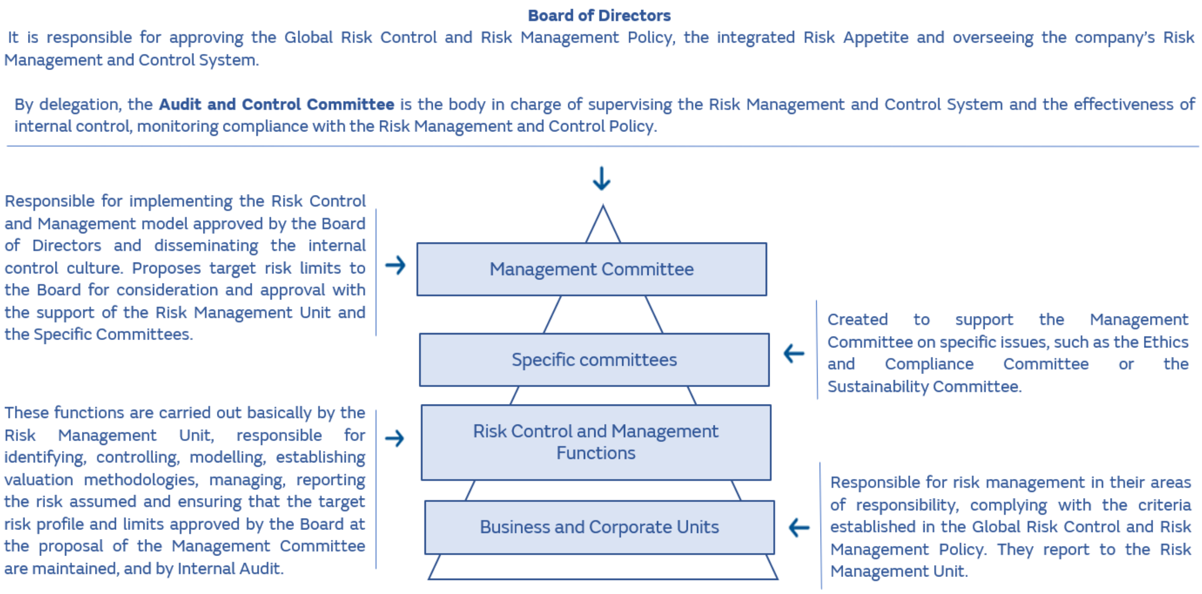
The Integrated Risk Management and Control System is structured around four pillars:

- **Risk Governance**: risk governance and management mechanism for all risk classes and all businesses, with Management Committee involvement.
- **Risk Assessment**: methodology, procedure and process for identifying, assessing and measuring risks.
- **Risk Appetite**: definition of risk tolerance by setting limits for the main risk categories, as a function of the Group's targets.
- **Risk Reporting**: regular and systematic risk reporting at different management levels, expressed in the Corporate Risk Map and recurring risk reports.

Risk management bodies

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

To this end, it has a number of bodies with clearly identified areas of responsibility, making it possible to delimit the predictability and ensure the sustainability of the company's operational and financial performance.



The **specific committees** are made up of members of the Management Committee and other executives and are intended to support the Management Committee in specific matters.

The **Risk Management and Control functions** are mainly carried out by the Risk Management and Internal Audit units. These units may be represented in specific committees:

- Risk Management, which is responsible for identifying, monitoring, modelling, establishing valuation methodologies and reporting the risk assumed and ensuring that the target risk profile and limits approved by the Board at the proposal of the Management Committee are maintained. Modelling of the financial statements is aimed at identifying their main sensitivities, anticipating potential negative impacts and taking corrective or mitigating actions.
- Internal Audit, as a third line of defence, conducts appropriate audits to assess the level of compliance with the Global Risk Control and Risk Management Policy.

The **Business and Corporate units** are responsible for risk management in their areas of responsibility, in line with the criteria established in the Global Risk Control and Risk Management Policy. They report to the Risk Management Unit on progress with the risks in their area of responsibility.

Comprehensive management

Naturgy analyses its overall risk profile on the basis of the potential impact on its annual accounts. In this way, it determines the maximum acceptable level of risk exposure in order to manage it appropriately.

The tools that enable the company to achieve continuous improvement in the process of identifying, characterising, determining and monitoring its risk profile are:

- Global Risk Control and Risk Management Policy: the most recent version was approved by the Board of Directors of Naturgy in February 2024. Its purpose is to establish the general principles and standards of behaviour required to ensure proper identification, reporting, assessment and management of Naturgy's exposure to risk.
- Corporate Risk Map: identifies and quantifies the risks which might affect Naturgy's performance, considering the characteristics of the risk position (impact variables, potential severity in quantitative and qualitative terms, likelihood of occurrence, and degree of management and control). It is updated and submitted regularly to the Audit and Control Committee by the Risk Management unit.
- Other risk maps: developed on a discretionary basis with respect to a specific risk typology or the risks of a specific business, with a methodology that conforms to and is aligned with the Corporate Map.
- Risk Measurement System: The metrics used to assess risk depend on the nature of the risk:
    - Stochastic/probabilistic: a probabilistic simulation of deviations in monetary and volume metrics within a confidence interval.
    - Deterministic/scenarios: expected impact of an event based on its probability.
    - Financial and non-financial stress tests:
    - Heatmaps: qualitative analysis of the risk on a factor basis.

Risk categories

Naturgy defines five risk types in its Corporate Risk Map: Economic, Financial, Operational, Reputational/ Sustainability, and Strategic.

Types of economic and financial risk

Economic and financial risks are assessed by quantitative modelling.

Categories of economic risk

Risk factors with an impact on business results, caused by the volatility of exogenous factors, amendments to regulatory frameworks, or changes in demand with an impact on short-term results:

- **Commodity risk**, the uncertainty caused by variability in the prices of the energy and other commodities that the company uses.
- **Exchange rate risk**, the uncertainty associated with changes during the year in the exchange rates of the currencies in which Naturgy's businesses are denominated.
- **Regulatory risk**, the risk associated with changes to the remuneration frameworks for the regulated businesses and/or updates to the specific remuneration parameters and/or amendments to the regulatory framework under which Naturgy businesses operate.
- **Volume risk**, risk associated with the variation in volumes produced, distributed and/or supplied due to variations in temperature, changes in customer behaviour as a result of climate change, and the macroeconomic or competitive environment with respect to the base scenario considered in the projections.
- **Margin/price risk**, understood as the price risk not contemplated under commodity risk that arises from changes in competitive pressure or failed margin assumptions.
- **Legal risk**, related to the outcome of litigation, arbitration or legal claims against Naturgy in the year of analysis.

Financial risk categories

Risk factors with an impact on the company's cash flow and balance sheet caused by the volatility of financial variables, potential impact of counterparties, amendments to tax frameworks, and provisioning.

- **Credit risk**, unexpected loss due to uncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of the end customers and counterparties with which Naturgy deals.
- **Interest rate risk**, variability of the company's financial expenses caused by changes in interest rates and in refinancing needs in the currencies in which Naturgy's debt is denominated.
- **Tax risk**, associated with the proper application of tax regulations, the complexity of their interpretation, and possible amendments, with a potential economic impact on the Naturgy's accounts.
- **Liquidity risk**, risk associated with a potential increase in the financing needed to maintain the company's target rating.
- **Rating risk**, risk of a downgrade of the company's credit rating, considering that the company targets an anchor BBB rating.
- **Provisioning and warranty risk**, risk of maintaining an excessive volume of provisions on the balance sheet, resulting in the risk that they may materialise and their effect on cash outflows.

Types of operational, reputational/sustainability and strategic risk

Operational, reputational/sustainability and strategic risk are generally assessed using heat maps.

Operational risk categories

Risk factors derived from operating the company's human and material assets.

- **Operational risk**, associated with events of force majeure or accidents affecting persons, and with accidents, damage or non-availability of the company's operating assets, after coverage by Naturgy's insurance programme.
- **Security risk**, understood as the residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.
- **Business continuity and crisis management risk**, the risk of a service-level breach as a result of inadequacy or failure of processes, systems or performance by in-house or third-party staff.
- **Fraud risk**, derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.
- **Cybersecurity risk**, arising from malicious attacks or accidental events with an operational impact that affect data, computer networks or technology.
- **Data protection risk**, the risk associated with breach of data protection obligations that may result in an administrative sanction or civil judgement.
- **Environmental and biodiversity risk**, associated with the possibility that natural phenomena or human action may result in regulatory environmental limits being exceeded or in harm to third parties, ecosystems or biodiversity.

– **Health and safety risk**, understood as the risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.

Reputational/Sustainability risk categories

Risk factors associated with behaviours that constitute a departure from good practices in the area of reputation, *ESG* commitment, compliance, people and climate change.

– **Reputational and ESG risk**, uncertainty in the evolution of stakeholders' perception of the company's reputation and its capacity to engage in business sustainably from an environmental, social and governance point of view.
– **Compliance risk**, risk of Naturgy suffering penalties, financial loss or loss of reputation as a result of non-compliance with legal obligations, as well as regulations, policies and other internal regulations applicable to its activities.
– **Customer satisfaction risk**, risk of not offering the customer a distinctive value proposition that places the company in a privileged position to define new relationship models and address the digital transformation.
– **Climate change risk**, arising from the energy transition (changes to regulations, markets or technologies) and the physical impacts of climate change (acute and chronic).

Strategic risk categories

Risk factors associated with the company's business portfolio: Long-term commodity exposure, capital employed by geography (soft vs. hard currencies), business risk profile (exposure to regulated vs. merchant businesses).

4.2. Description of the main risks

Commodity risk

Electricity and gas price volatility

A large proportion of Naturgy's operating results is linked to the purchase of gas for supply to a diversified portfolio of customers.

Most gas procurement contracts are arranged on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives, and natural gas hub prices.

However, sale prices to end customers are generally arranged on a short/medium term basis and depend on the supply-demand balance in the gas market at any given time. This may result in decoupling with respect to gas procurement prices.

Consequently, Naturgy is exposed to variations in gas procurement prices with respect to the sale price to end customers. This exposure is managed and mitigated by natural hedging, as an attempt is made to balance the commodity exposures of both prices. Additionally, the main long-term procurement contracts enable us to manage this exposure through volume flexibility and price review mechanisms.

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

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

The company is exposed to fluctuations in the price of CO2 emission allowances, particularly the purchase of allowances for power generation by its combined cycle plants.

Exchange rate risks

Naturgy has interests in several countries and is exposed to the exchange rate in each of their currencies.

Exchange rate risk is largely mitigated by financing investments in local currency. Naturgy tries to match costs and revenues in the same currency, as well as amounts and maturities of assets and liabilities arising from transactions denominated in non euro currencies.

Additionally, the exchange rate risk is managed by arranging financial derivatives within the limits approved for hedging instruments, the level of exposure and the risk appetite approved each year.

Margin/price risk

In the framework of liberalised businesses, there is competitive pressure on prices and market shares.

Naturgy monitors and quantifies the margins of all its businesses, identifies material deviations from its assumptions as to margins, and mitigates the risk by adapting sale and purchase formulas to all terms.

Gas and electricity volume risk

Some purchases of natural gas and liquefied natural gas (LNG) are made under long-term contracts that include clauses under which Naturgy is obliged to buy certain volumes of gas each year (take-or-pay clauses). In the event of a reduction in gas demand, Naturgy might be obliged by contract to pay the minimum amount to which it is bound under such clauses.

Moreover, in an alternative scenario where there is a shortage of gas or excess demand, the additional cost of short-term procurements might have a material adverse effect on the Group's operating costs.

All volume risks are measured, monitored and quantified each year, and the company assesses the adequacy of hedges for those linked to climate (temperature, precipitation, etc.), which are managed in accordance with the approved policies and risk appetite.

In the area of electricity generation, Naturgy's earnings are exposed to volume variability, driven by electricity demand and the generation mix in the market, which is being particularly affected by the growing share of renewable energy production.

Naturgy manages its contracts and assets in an integrated manner, optimising the energy balance.

Regulatory risk

Regulated and non-regulated activities coexist in the gas and electricity distribution businesses. The legislation applicable to the natural gas and electricity industries is typically subject to regular review by the competent authorities, which might have an impact on the remuneration for regulated activities, affecting Naturgy's business operations and financial position.

Naturgy manages regulatory risk on the basis of regular communication with the regulators. In addition, in its regulated activities, Naturgy adjusts its costs and investments to the allowed rates of return for each business.

Operational risk

Naturgy's activities are exposed to various operational risks, such as breakdowns in the distribution network, accidents at electricity generation facilities, accidents in gas tankers, explosions, pollutant emissions, toxic spills, fires, adverse weather conditions, and breaches of contract.

Additionally, claims might be brought against Naturgy for personal injury and/or other damage arising in the ordinary course of its operations. Such claims could result in the payment of indemnities under the legislation applicable in the countries in which Naturgy operates.

Naturgy has an extensive insurance programme to cover its operational exposure.

Cybersecurity risk

Naturgy is exposed to threats in connection with the availability, confidentiality, integrity and privacy of the information and technology that support business processes as well as the risk of non-compliance with regulations related to cybersecurity.

Such threats include unauthorised access and the use, disruption, modification or destruction of information as a result of terrorist acts, malicious attacks, sabotage and other intentional acts.

Naturgy has cybersecurity policies that establish vigilance, contingency and security plans, and has arranged insurance to cover this exposure.

Environmental and biodiversity risk

This refers to the possibility that, as a result of the company's activities and due to the occurrence of an event, whether unforeseen, accidental, voluntary or involuntary, environmental limits set by the regulator are exceeded and/or damage is caused to third parties.

This risk includes, but is not limited to, events derived from emissions of polluting gases other than greenhouse gases (GHG), noise, consumption and/or contamination of surface or groundwater, spills, soil contamination, poor waste management, landscape impact, impact on cultural heritage, etc.

Naturgy has identified the environmental risks at its facilities based on the reference standard (UNE 150008 in Spain). To prevent these risks, the company has implemented a certified integrated management system that includes operational control and environmental management procedures. This system is audited internally and certified and audited externally each year by AENOR.

Naturgy has also implemented emergency plans at facilities and warehouses at risk of environmental accidents, including an action plan, means of containment, and regular drills. Naturgy arranges specific insurance policies to cover risks of this type.

This area also includes potential threats related to dependence on nature and impacts on nature. They include, but are not limited to, physical impacts and impacts derived from changes in regulation, the destruction and/or alteration of ecosystems, damage to protected or high-value areas and/or species, and impacts on areas of high water stress due to consumption, discharge and/or regulation of flows.

These impacts and dependencies may generate risks associated with the impact on endangered species and tightening of biodiversity protection regulations, which could lead to delays in project authorisation, higher operational and development costs, reduced revenues and even reputational risks.

Naturgy has adopted the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) for analysing the risks and opportunities related to biodiversity.

Biodiversity risks are discussed in more detail in chapter E4. "Biodiversity and ecosystems" of the Consolidated Non-financial Information Statement and Sustainability Reporting 2024.

Reputational and ESG risk

Naturgy has identified its stakeholder groups and subgroups and defines reputational risk as the gap between those groups' expectations and the company's performance in the environmental, social and governance dimensions.

Naturgy has updated the Sustainability Plan that determines the commitments and lines of action for 2025-2027 and that, from next year, accompanies the company's transformation process, aligning the Strategic Plan 2025-2027 with the commitments of the Global Sustainability Policy. To ensure the reliability of information on environmental, social and governance aspects, Naturgy has implemented a system of Internal Control over Sustainability Reporting (ICSR).

Climate change risk

In order to integrate the climate variable into Naturgy's strategic planning, climate change risks and opportunities are identified, measured and managed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

In line with the TCFD taxonomy, climate change risk is derived from two risk factors: the energy transition, arising from changes in regulations, the market or technology, and the physical impacts of climate change, classified into acute physical impacts (increase in extreme weather events) and chronic physical impacts (sustained increase in average temperatures, and sea level rise).

In recent years, there have been no weather events causing significant repercussions on operations or major financial losses. In particular, extreme rainfall produced flash floods in Spain in October 2024, affecting the Valencia region in particular, but did not have material consequences for operations or produce physical damage to the Group's assets located in the area, demonstrating their resilience, in particular that of the gas distribution networks, the assets that were most exposed.

The Board of Directors has approved the Climate Transition Plan, which establishes the lines of action in the coming years to mitigate the effects of climate change on Naturgy and to adapt the company to the constantly changing climate conditions. Naturgy's Strategic Plan 2025-2027 envisages continuing to invest in the energy transition, principally in renewable generation, electricity grids and renewable gases. It also plans to continue developing energy solutions that promote efficiency at a competitive cost for customers.

The targets of the Climate Transition Plan (CTP) are aligned with the Paris Agreement goals of achieving net zero emissions by 2050 by reducing total Scope 1, 2 and 3 greenhouse gas emissions, and setting targets aligned with the 1.5ºC global warming and the Well Below 2 Degrees (WB2D) reduction pathways.

Naturgy's Climate Transition Plan will contribute to the future objective of transforming the energy mix contemplated in the new National Energy and Climate Plan (NECP) 2023-2030, approved by the Spanish Cabinet on 24 September 2024, which is also aligned with the objective of climate neutrality in the EU by 2050. For the other countries where Naturgy operates, the published national plans and the GHG reduction pathways set out by the International Energy Agency in the "Net Zero Roadmap" scenario are taken into account.

Naturgy assesses the physical risks for each asset on an ongoing basis (see the assessment of these risks in section "E1-9 Expected financial effects of physical and material transition risks and potential opportunities related to climate change" of the Consolidated Non-financial Information Statement and Sustainability Reporting 2024). Climate change risk is discussed in detail in note 2.4.25.k of the Consolidated Annual Accounts and in chapter "E1. Climate change" of the Consolidated Non-financial Information Statement and Sustainability Reporting 2024.

Other risks

Financial risks (interest rate, credit, liquidity and rating-related capital management risk) and legal risks are discussed in Notes 18 and 36, respectively, to the consolidated accounts.

Tax, compliance and fraud risk are discussed in chapter " 6. Disclosures stemming from other legislation (Law 11/2018)" and in chapter "G1. Corporate culture and business conduct policies" in the Consolidated Non-financial Information Statement and Sustainability Reporting 2024, respectively.

Data protection and customer satisfaction risks are discussed in chapter "S4. Consumers and end users" and cybersecurity risks in chapter "5. Specific information on the organisation" in that same report.

Main risks: management, metrics and trends

Risk type		Description	Management	Metric		Trend
Commodity risk						
Commodity prices	Gas	Volatility in the international markets that determine the gas price.	Physical and financial hedges. Management of the procurement and sale portfolio.	Stochastic	⇆	Gas index volatility Decoupling of commodity price performance.
	Electricity	Volatility in electricity markets.	Physical and financial hedges. Optimisation of the generating fleet and supply structure.	Stochastic	↑	Penetration by renewables with zero marginal cost and intermittent production. Decoupling of commodity price performance.
Exchange rate risk						
Exchange rate		Volatility in international currency markets.	Geographic diversification. Hedging via local-currency funding, derivatives and pricing.	Stochastic	↑↑	Uncertainty about growth and inflation prospects in Latin America, especially in Argentina, Brazil, and Mexico, to a lesser extent.
Regulatory risk						
Regulatory		Exposure to reviews of criteria and returns recognised for regulated activities and/or regulatory measures to mitigate emerging macroeconomic situations.	Step up communications with regulators. Adjust efficiency and capital expenditure to recognised rates.	Scenarios	↑	Pressure from regulators, as a function of the situation of the country/industry.
Volume risks						
Volume	Gas	Mismatch between gas supply and demand.	Optimisation of contracts and assets worldwide.	Deterministic/ Stochastic:	⇆	Aggregate demand pressure. Risk of curtailment or interruption of supply.
	Electricity	Reduction of the available thermal gap. Uncertainty as to renewable production volume due to resource variability.	Optimisation of the supply-generation balance.	Stochastic	⇆	Aggregate demand pressure. Predictability of renewable output.
Margin/price risk						
Margin/price		Risk created by changes in competitive pressure or margin optimisation scenarios.	Portfolio management by adapting long-term purchase and sale formulas.	Scenarios	⇆	Reviews of long-term gas contracts

Risk type	Description	Management	Metric	Trend
Legal risk				
Legal	Uncertainty as to the eventual outcome of litigation, arbitration or legal claims.	Analysis and mitigation of legal risk affecting the company's operations and corporate governance. Engagement of top-level law firms. Recognition of provisions in accordance with accounting standards.	Scenarios	⇆ The business units are affected by different laws in each country.
Operational risk				
Insurable risks	Accidents, damage and non-availability of Naturgy assets.	Continuous improvement plans.Optimisation of total cost of risk and of hedges.	Stochastic	⇆ Uncertainty in the insurance market, as a function of geography and the type of technology, in the face of the rising frequency and severity of extreme weather events, and cybersecurity claims.
Credit risk				
Credit	Uncertainty associated with the probability of non-payment of financial obligations and/or deterioration of the credit quality of end customers and counterparties.	Analysis of customer solvency to define specific contractual conditions.Debt collection process.	Stochastic	⇆ Stability of expected and unexpected losses.
Interest rate risk				
Interest rates	Volatility of interest rates on borrowings, both existing debt and refinancing.	Financial hedges.Diversification of funding sources.	Stochastic	⇆ Uncertainty about the interest rate scenario.
Tax risk				
Tax	Ambiguity or subjectivity in the interpretation of current tax regulations, or due to a material amendment of same. Approval of unexpected fiscal measures.	Queries to independent expert bodies. Engagement of top-level advisory firms. Adoption of the Code of Best Tax Practices. Recognition of provisions in accordance with accounting standards.	Scenarios	↑ Different business units are affected by different taxes.

Risk type	Description	Management	Metric	Trend
Liquidity, solvency, rating and provision risks				
Liquidity, solvency, rating, provision and guarantee risks	Financial risks associated with maintaining the company's rating, derived from liquidity conditions or other causes.	Establishment of a target rating and ensuring sufficient liquidity to maintain it in the event of a potential adverse scenario.	Scenarios	⇆ Ratification of the target of an investment grade.
Security risk				
Security	Residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.	Corporate positioning through the Security Policy, defining a specific protection model for Critical Infrastructures (CI). Engagement with the businesses, Centro Nacional para la Protección de Infraestructuras Críticas (CNPIC), Instituto Nacional de Ciberseguridad (INCIBE-CERT) and other bodies.	Heatmap/ Scenarios	⇆ Certification audits of critical operators by the regulator (CNPIC), in which technology is of great importance.
Business continuity and crisis management risk				
Business continuity and crisis management	Risk of failing to maintain service levels as a result of a shortcoming or failure in processes, systems or staff performance.	Annual internal audit plan Weakness detection. Implementation of improvement actions. Audit and Control Committee.	Heatmap/ Scenarios	↑ Increase in the percentage of material recommendations that are implemented.
Fraud risk				
Fraud	Risk derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.	Control mechanisms through the Global Policy of the Financial information and Sustainability, with the Internal Control over Financial Information System (ICFIS). Arrangement of hedges in the insurance market.	Scenarios	⇆ Maintain low levels of fraud at Naturgy
Cybersecurity risk				
Cybersecurity	Malicious attacks or accidental events that affect data, computer networks or technology.	Implementation of security measures; Event analysis and remediation measures; Training.	Scenarios/ Heatmaps	↑ The cybernetic situation is becoming more demanding. Threat protection plan to mitigate the likelihood of these risks and their associated impact.

Risk type	Description	Management	Metric		Trend
Data protection risk					
Data protection	Uncertainty associated with breaches of data protection obligations that may result in an administrative sanction or civil judgement.	Action Plan by business area to mitigate the risk associated with each obligation based on priority and criticality. The company works in line with the requirements of the General Data Protection Regulation (GDPR) and Spain's Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD). Internal audit plan in connection with regular compliance reviews.	Heatmap/ Scenarios	↑	Uncertainty and tightening regulatory requirements.
Environmental and biodiversity risk					
Environmental	Possibility that natural phenomena or human action may result in binding regulatory environmental limits being exceeded, resulting in harm to third parties, ecosystems or biodiversity.	Emergency plans at facilities with risk of environmental accident. Specific insurance policies.End-to-end environmental management.	Scenarios/ Heatmaps	⇆	Implementation of an Integrated Management System that is audited and certified each year by AENOR.
Health and safety risk					
Health and safety	Risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.	Health and safety management system. Safety plan aimed at controlling the six most critical risk factors in terms of accident frequency and severity: confined spaces, work at heights, electrical risk, tree felling and pruning, load handling, and road safety.	Heatmap/ Scenarios	⇆	Accident rates at partner firms.
Reputational and ESG risk					
Reputational and ESG	Impairment of stakeholders' perception of Naturgy due to environmental, social and governance issues.	Identification and tracking of potential reputational events.Transparency. Control mechanism through Internal Control over Sustainability Information System (ICSIS).	Scenarios/ Heatmaps	⇆	Stabilisation of the RepRisk index scores.

Risk type	Description	Management	Metric	Trend
Compliance risk				
Reputational and crime risk	Administrative and criminal penalties. Impairment of Naturgy's reputation.	Crime prevention policy, Code of Ethics and Anti-corruption Policy. Whistleblower channel. Training.	Heatmap/ Scenarios	↑ Commission of criminal offences, penalties, financial losses, and loss of reputation, contracts and customers.
Counterparty risk	Administrative and criminal penalties. Harm arising from breach of contract.	Counterparty Due Diligence Procedure.Training		
Climate change risk				
Climate change	Uncertainty arising from the energy transition (regulation, markets and/or technologies) and the physical impacts of climate change.	Corporate positioning via the Global Sustainability Policy and Sustainability Plan, which strengthen governance in climate issues and set energy transition targets.	Stochastic/ Scenarios/ Heatmap	↑ Future technology uncertainty. Increased requirements for financial reporting to be coherent with the company's objectives.

Metrics used:

- Stochastic: production of trend lines for the main magnitudes, taking the maximum deviation from the benchmark scenario to be the risk, within a pre-set confidence interval. Those magnitudes are generally EBITDA and free cash flow after non-controlling interests.
- Scenarios: analysis of the impact, with respect to the benchmark scenario, of a limited number of possible incidents.
- Heatmap: the main risk factors for each risk category are assessed to quantify the impact and probability of occurrence of each one.
- Non-financial stress factors
- Application of international risk assessment frameworks: Task Force on Climate-Related Financial Disclosures (TCFD), as regards climate change, and Task Force on Nature-related Financial Disclosures (TNFD), as regards biodiversity.

4.3. Main opportunities and uncertainties

Naturgy views the energy transition as an opportunity to transform the business and is committed to driving decarbonization while balancing sustainable growth, energy security, and price competitiveness. In this context, and based on the 2025-2027 Strategic Plan, Naturgy's main opportunities are as follows:

- Integration industrial model with presence across the value chain, with growth potential and solid regulatory frameworks and attractive risk-returns.
- Multi energy position with presence in power and gas, as a key energy transition source.
- Renewable Generation: growth in renewable generation capacity in line with the global energy transition, combined with hybridizations and repowering of wind farms in operation and complementary batteries to photovoltaic plants.
- Operation and growth in Distribution Networks: continue to improve and upgrade the quality of the networks and energy supply to integrate renewables generation to meet customer demands.
- Lead the development of Renewable Gases: acquisition of third-party developments, as well as partnerships and alliances accelerate the decarbonization and consolidate the role of gas in the energy transition.
- Gas as an essential component to guarantee security of supply and flexibility and cornerstone of the energy transition.

In line with these opportunities, there are horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, which materialise and have an impact on many of the risk types described in the previous section.

Uncertainty in the macroeconomic context

During 2024, the conflict between Ukraine and Russia that began in February 2022 continued to be a source of instability both in the region and globally, with both sides experiencing attrition, but with no clear signs of a solution in the short term.

The effects of Russia's war on Ukraine, as well as those derived from the measures and sanctions imposed on Russia, initially had serious repercussions for the world economy, energy being one of the industries most severely affected, with significant increases in the price of natural gas and oil and extreme volatility in daily prices. Despite the turbulence in 2022, the situation stabilised somewhat in 2023 and 2024 due to sizeable stocks of gas in storage, diversification of supplies, and contained growth in demand.

Consequently, Naturgy monitors the current situation and the emerging impacts of the crisis by constantly tracking macroeconomic and business variables in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts of the conflict on business activity, financial situation and economic performance, with particular reference to the widespread increase in commodity prices and the reduced availability of supplies from conflict-affected areas.

In this context, Naturgy has a long-term contract to procure gas of Russian origin that it entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%); this contract is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. Since the conflict began, Naturgy has received the volumes strictly established in the contract, which accounted for 16% of Naturgy's global procurements in 2024 and 15% in 2023.

Moreover, none of Naturgy's counterparties are susceptible to being affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or have investments in those countries, or cash balances or equivalent liquid assets that are unavailable as a result of those measures and sanctions.

Additionally, during 2024 Israel engaged in military actions in Palestinian territory following the terrorist attack in October 2023. At the end of January 2025, a truce was arranged that has allowed the release of hostages and prisoners on both sides. However, the situation remains fragile, with reports of sporadic ceasefire violations and persistent tensions in the region. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

Naturgy has a wholly-owned subsidiary in Israel called Spanish Israeli Operation and Maintenance Company Ltd that has been providing services at the Ramat Gavriel and Alan Tavor CCGT plants since the end of 2019. That company reported less than Euros 1 million in EBITDA in 2023 and 2024. Despite the conflict, the company has continued to operate normally.

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

The regulatory framework is described in Appendix IV of the Consolidated Accounts as of 31 December 2024.

External geopolitical exposure

Naturgy's operations and assets are exposed to the evolution of political, economic and social environments throughout the world, notably in three main geographical areas outside the European Union:

- Latin America

  Uncertainties related to investment and business in Latin America include the influence of national governments on the economy, fluctuating economic growth rates, high levels of inflation, and devaluation, depreciation or overvaluation of local currencies, a changing interest rate environment, as well as social tensions and political instability.

- Middle East and Maghreb

  Naturgy has major procurement contracts for gas from several countries of the Maghreb and the Middle East. The political instability in the region may result in physical damage to the assets of Naturgy's investee companies or the obstruction of their operations or those of other companies, with the result of interrupting or delaying the Group's gas inputs or increasing shipping costs.

- Asia

  The Asian market is emerging as a major source of geopolitical uncertainty, given the current heavy dependence of processed renewable component supply chains on Chinese exports. Interruptions in the supply of these components, due to transportation and distribution problems or direct import restrictions, might lead to an increase in material costs and to delays in commissioning renewable energy projects in progress. Naturgy's operations are also exposed to the growth of the region's economies, such as China, as well as demand from these countries.

5. Subsequent events

Events subsequent to the end of the period are described in Note 39 of the Notes to the Consolidated annual accounts.

6. Forecast Group performance

6.1. Energy sector trends

Naturgy aims to adapt and enhance the Company's competitive positioning in response to the evolving energy sector trends, leveraging on its competitive strengths. In this respect, Naturgy observes the following energy sector trends.

- Energy prices remain volatile and sensitive to geopolitical uncertainties.
- Higher penetration of renewables leads bigger fluctuations in energy production and supply, and importance of flexibility.
- Higher investments in power grids to integrate renewables and higher electricity demand.
- Gas as an essential component to guarantee security of supply and flexibility.
- Renewable gases, and specially biomethane, act as a vehicle for decarbonization.
- Demand driven market with customer excellence required to differentiate.

6.2. Vision

Naturgy is a leading a multi-energy player, committed to driving the energy transition, achieving operational excellence, and delivering exceptional customer service. Naturgy aims to be present in energy value chain, investing with financial discipline, ensuring a BBB rating and a sustainable shareholder remuneration.

Naturgy is committed to driving decarbonization while balancing sustainable growth, energy security, and price competitiveness. The Group's industrial model focuses on maximizing operational efficiency and capturing integrated margins across the value chain and is based on the following pillars.

Industrial Model

Integrated with presence across the value chain

- Networks resilience providing stable cash flows
- Vertical integration between power generation and clients
- Industrial role, capturing integrated margin

Multi energy position

- Presence in power and gas, as a key energy transition source
- Flexible generation (CCGTs) and selective renewable generation growth to meet customer demands
- Leadership in biomethane to accelerate decarbonization and consolidate the role of gas in the transition

Client at the centric

- Multi-energy offering with value added services to meet all client needs,along with eco-efficient and carbon-neutral products and services at competitive prices
- Final demand as a key driver for investment decisions across the value chain
- Excellence in client service and consolidation of new commercial model

Strategic Roadmap 2025-2027

The 2025-2027 strategic roadmap is based on Naturgy's resilient cash flow and solid balance sheet, which will facilitate the execution of the Group's investment plan and ensure attractive and sustainable profitability for its shareholders. This strategy is guided by the following key principles:

Operational excellence

- Best-in-class operations across business units
- Excellence in commercial delivery
- Innovation in customer service

Financial discipline and profitability

- Commitment to a BBB rating and continuous balance sheet optimization
- Thresholds for selective investments to assure value creation and returns clearly above cost of capital over size
- Maintaining organic growth optionalities

Shareholder remuneration and liquidity

- Attractive and sustainable shareholder remuneration
- Promote actions to restore an adequate free float and liquidity and being truly listed

The Strategic roadmap 2025-2027 aims to position Naturgy to thrive in the evolving energy landscape, ensuring sustained profitability and value creation for all stakeholders. Following the successful results and achievements obtained in 2022-2024, in which the company exceeded various of the committed targets of the previous Strategic Plan, expectations for the coming years have been reviewed and improved, maintaining a record EBITDA in 2025-2027.

(€bn)	2022-2024	Strategic Plan 2025-2027
EBITDA[1]	5.3	5.3
CAPEX[1]	6.0	6.4
Net financial debt[2]	12.2	15.9
Dividends[2]	€1.6/share	€1.9/share

1 Based on the annual average of the period
2 Based on the latest year of the period

6.3. Investment plan 2025-2027

The Strategic Plan envisions investments of **Euros 6,400 millions** for the period 2025-2027. This investment focuses on organic growth and the existing business portfolio, while maintaining financial discipline as a cornerstone. By rigorously evaluating investments based on business, geography, and specific risk, the group aims to ensure returns that exceed the cost of capital, ensuring the value creation.

The investment plan focuses on three key business unit: Distribution Networks, Renewable Generation and Renewable Gases.

Distribution Networks

The Strategic Plan envisions investments of **Euros 3,300 millions** on adequately remunerated and visible regulatory frameworks.

1. Spain Electricity

- At the forefront of electricity networks digitalization, including the replacement of smart meters
- Investments continue to improve and upgrade the quality of the networks and energy supply
- Investments to integrate renewables generation

2. Spain Gas

- Networks digital transition, which deployment of smart meters, to ensure bes-in-class operations
- Accelerating the contribution to decarbonization, through the integration of biomethane injection points for the transition of existing infrastructure

3. Latin America Gas and Electricity

- Portfolio management maximizing profitability
- Investments to guarantee maintenance and safety standards

Renewable Generation

The Strategic Plan envisions selective investments of **Euros 1,200 millions** meeting minimum returns and/or vertically integrated positioning.

1. Vertically integrated geographies

- Solid regulatory frameworks
- Selective investments meeting minimum returns

2. Technologies

- Hybridizations and repowering of operating wind farms
- Batteries complementing operating PV plants

Renewable Gases

The Strategic Plan envisions investments of **Euros 800 millions** to lead the development of biomethane in Spain.

- Lead the development accelerate the decarbonization and consolidate the role of gas in the energy transition.
- Technological proactivity to gain operational flexibility, efficiency and options for waste management.
- Early-stage project portfolio of approximately 4.5 TWh.
- Acquisition of third-party developments, as well as partnerships and alliances to accelerate growth.
- Proactive regulatory management to demonstrate that it is the most efficient solution to decarbonize the residential and industrial sector.
- Gas networks can distribute biomethane without modifications.

6.4. Shareholder remuneration

Naturgy's strong performance over recent years has significantly strengthened its business profile and financial position. Additionally, the Group has achieved levels of EBITDA above Euros 5 billions per annum and demonstrated strong and resilient results and cash flow generation, supported by efficient regulated networks and and risk management. The strong cash flow and solid balance sheet enable the envisioned investment plan and an attractive shareholder remuneration, maintaining a commitment to a BBB rating.

Naturgy has revised its dividend distribution policy for the years 2025-2027, establishing a trajectory of increasing annual dividend per share from 1.6 Euros per share in 2024 to 1.9 Euros per share in 2027, subject to maintaining a BBB credit rating. The dividend per share will also increase, subject to the number of treasury shares.

Likewise, as part of the Strategic Plan 2025-2027, it was also approved to propose to the next Shareholders' Meeting the authorization of a public offer to acquire shares up to 10% of treasury stock with the purpose of subsequently increasing the company's floating capital with said shares.

The prospective information contained in the different sections of the forecast Group performance reflects the plans and forecasts based on assumptions that are considered reasonable, without said prospective information being interpreted as a guarantee of the future performance of the entity, in the sense that such plans or forecasts are subject to risks and uncertainties that imply that the future performance of the Group may not coincide with the preliminary forecast.

7. Innovation

Naturgy views innovation as a key tool to develop new energy solutions that drive the energy transition, combat climate change, and evolve technological breakthroughs that streamline processes, improve cybersecurity and enhance data management. In addition, Naturgy sees digitalisation as a mainstay for achieving its goals.

Our innovation model, designed to create and develop new solutions and businesses, is driven by a range of key factors:

- **Innovation is collaborative and open**, able to respond quickly to signals of change in the landscape and evolve in complex scenarios; effective innovators draw lessons from mistakes and look ahead to the future based on understanding the past and observing the present.
- **Innovation is a key lever for growth**, as it opens the door to the adoption of best practices, new business models and technological solutions that contribute to the digitalisation, automation and optimisation of processes; it helps ensure safety, enhances operational performance and eases access to information for optimal decision-making. Through all of this, we put the consumer at the centre to deliver sustainable, value-added solutions and ensure the company's long-term competitiveness.
- **The production of renewable gases, such as renewable hydrogen and biomethane**, for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediate decarbonisation solution for intensive industry and transportation. Additionally, it holds significant potential for energy storage and integration. Biomethane, an established technology that can replace natural gas while eliminating abatement costs and the need to modify end-user infrastructure or equipment, serves as a clear example of the circular economy by producing renewable gas from organic waste. Innovation projects in this area are aimed at optimising performance and production.
- **Optimisation of renewable energy generation** through innovative systems due to their superior energy efficiency and their ability to be integrated into the environment at a lower cost or with greater reliability. This will attract new players into the system to cover part of the energy needs of households, SMEs and public administrations.
- **Direct use of energy** through new manageable electricity consumption that allows for flexibility—for example, in air conditioning—as well as through storage for later use.
- **Responding to increasingly atomised markets**, with small, adaptable competitors, in both supply and generation, through smaller renewable plants that are closer to consumers.

In a way that both complements and cuts across this model, we believe it is essential to introduce disruptive information technology (IT) that will accelerate the digitalisation of Naturgy, as it not only enhances safety and optimises operations, but also makes it easier to access quality information for more effective decision-making. We focus all of this on creating value to ensure Naturgy's long-term competitiveness. Moreover, the use of AI is a disruptive force in current and future innovation, enabling process automation, service customisation and creation of new business models in all areas.

Naturgy designs its technology strategy around the core pillars of digitalisation, in line with the following principles:

- **Simplicity:** a core principle that focuses on:

    - **Streamlined processes:** paring away complexity in internal processes to improve operational efficiency.
    - **Agile projects:** swiftly implementing projects using agile methods that enable rapid adaptation to changes in the context.

- ***Cloud*:** evolving from a *Cloud-first* to a *Cloud-only* model is essential to ensure:
    - **Modular solutions:** developing solutions that can be readily adapted and scaled up according to business needs.
    - **Flexibility and scalability:** adjusting cloud resources and services to demand to ensure efficient and cost-effective operation.

  Evolution to a cloud-based model makes it easier to adopt emerging technologies such as blockchain, IoT, robotics, artificial intelligence and edge computing.

- ***Data centric*:** data management, governance and protection are essential to a successful digitalisation strategy. Naturgy takes a global and strategic view of its relationship with the main software manufacturers, and focuses on:
    - **Data management:** implementing data-centric architectures, such as data lakes, to centralise and manage large volumes of data.
    - **Data governance and protection:** establishing policies and procedures to ensure data integrity, confidentiality and availability.
    - **Data-driven decision-making**: strengthening our internal capacity to make informed, data-driven decisions.

  Robust data management and governance enables a more effective adoption of AI, a key lever in Naturgy's digitalisation: by using analytical AI and generative AI on large volumes of data, we can extract valuable insights for the business.

- **Cybersecurity:** a mainstay of Naturgy's digitalisation strategy. We aim to protect and secure our information and systems by:
    - **Information protection:** implementing technical security measures to protect information.
    - **Systems security:** shielding IT infrastructure against threats and vulnerabilities.

To achieve our goals, at Naturgy we have implemented a range of innovation tools focused on identifying opportunities (through acceleration and investment in operations) and developing a portfolio of projects that allow us to expand the company's industrial profile (such as startup incubators, investment vehicles, and more).

We briefly describe below the main initiatives applied to our businesses. For more details on our innovation projects, see section 5, Specific information on the organisation", of the Non-Financial Information Statement and Sustainability Report 2024.

Main initiatives applied to business units

Supply

The NewCo project, a wide-ranging initiative that seeks to upgrade Naturgy's digital tools and optimise customer management, involves development of a new digital platform and implementation of a customer relationship management (CRM) system. This will enable Naturgy to manage customer interactions more effectively and create a mobile app for easier access to Naturgy services from anywhere.

Spain electricity networks

The Smart Grids project leverages Internet of Things (IoT) technology to sensorise network assets, enabling remote monitoring of the electricity grid.

By installing various types of low-consumption sensors, the system determines the status and maximum capacity of the grid in real time by analysing variables such as power line temperature, ambient temperature, and humidity levels. We also analyse different vibration patterns in the power lines to pinpoint the cause and exact location of incidents.

This enables more efficient use of the infrastructure and more accurate intervention times in response to dynamic variations in the load, which maximises efficiency while avoiding overload at specific points in the electricity grid.

Thermal Generation Spain

The remote operation of combined cycle plants from a centralized control centre allows for a more homogeneous and structured response to peaks in demand through simultaneous cycle starts and stops, compared to plant-by-plant management. This approach offers enhanced flexibility in meeting demand while improving overall efficiency.

Renewable Generation

The Moira project aims to achieve digitalisation objectives by automating the processes of extracting, processing, and utilising the capacities of the electricity grid as published by the agents. It focuses on efficient management of the unique characteristics of the data provided, as well as developing an advanced report through an interactive map for easy data exploitation. This approach identifies grid capacity opportunities for potential electricity generation projects.

The Sibila project is a generative AI-powered system designed to interpret information from government websites (such as Spain's national gazette (BOE) and regional gazettes) containing documentation on the status and permits of renewable energy plants.

8. Annual Corporate Governance report

Attached as an annex and forming an integral part of this Directors' Report is the Annual Report on Corporate Governance 2024, as required by article 526 of the Capital Companies Law.

9. Annual Directors' Remuneration Report

Attached as an annex and forming an integral part of this Directors' Report is the Annual Directors' Remuneration Report 2024, as required by article 538 of the Capital Companies Law.

10. Additional information

10.1. Treasury shares

Movements during 2024 and 2023 involving treasury shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	Amount (million euro)	% Capital
01.01.2023	**8,695,493**	**201**	0.9 %
Share acquisition plan	357,094	10	—%
Delivered to employees	(172,992)	(5)	—%
31.12.2023	**8,879,595**	**206**	**0.9 %**
Share acquisition plan	—	—	—%
Delivered to employees	—	—	—%
31.12.2024	**8,879,595**	**206**	**0.9 %**

No gains or losses were obtained on transactions involving treasury shares in 2024 and 2023 such as to affect reserves .

On 2 April 2024, the Shareholders' Meeting authorised the Board of Directors to purchase fully paid Company shares in one or more transactions in a period of not more than five years; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares nor higher than their listed price.

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges, plus or minus 5%.

Transactions involving treasury shares of Naturgy Energy Group, S.A. relate to:

Year 2024

No transactions involving treasury shares were carried out in 2024.

Year 2023

In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the Shareholders' Meeting on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., capped at Euros 12,000 per year. During March 2023, 210,000 treasury shares were acquired for Euros 6 million; in April 2023, a total of 172,992 shares were delivered to employees for an amount of Euros 5 million; and in July 2023, 147,094 treasury shares were acquired for Euros 4 million, leaving a surplus of 184,102 treasury shares which, added to the 55,898 surplus shares from the 2019-2021 Share Acquisition Plans, brought total treasury stock to 240,000 shares at 31 December 2023.

At 31 December 2024 and 2023, it also includes 8,639,595 treasury shares to cover the potential delivery of shares resulting from the increase in the value of the shares relating to the long-term variable incentive plan.

Note 14 of the Notes to the Consolidated annual accounts contains full information on treasury shares.

10.2. Information on average supplier payment period

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

The disclosures in the notes to the annual accounts about the average supplier payment period that are required under that legislation are as follows:

	2024	2023
Total payments (million euro)	10,517	16,518
Total outstanding payments (million euro)	349	511
Average supplier payment period (days) (1)	22	21
Transactions paid ratio (days) (2)	22	21
Transactions pending payment ratio (days) (3)	28	28
Total payments within the period established in the delinquency regulations (Euros million)	10,465	16,426
Amount paid within the term established in the late payment regulations, as a % of the total amount paid	99.51 %	99.44 %
Number of invoices paid within the period established in the delinquency regulations	23,727,572	25,084,920
Invoices paid within the period established in the late payment regulations, as a % of total invoices paid	98.76 %	98.80 %

(1) Calculated on the basis of amounts paid and pending payment.
(2) Average payment period of transactions paid during the year.
(3) Average age of outstanding balance to suppliers.
(4) Disclosures required under Law 18/2022.

11. Consolidated Non-financial Information Statement and Sustainability Reporting

Attached as an annex and forming an integral part of this Directors' Report is the Consolidated Non-Financial Information Statement and Sustainability Report 2024.

Annex I. Alternative performance metrics

Naturgy's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS.

The chosen APM are useful for persons consulting the financial information as they allow an analysis of the financial performance, cash flows and financial situation of Naturgy, and a comparison with other companies.

Below is a glossary of terms with the definition of the APM. Generally, the APM terms are directly traceable to the relevant items of the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows or notes to the financial statements of Naturgy. To enhance the traceability, a reconciliation is presented of the calculated values.

As at 2024 year-end, the following APM had been redefined to better reflect the investment effort of the businesses:

- Capital expenditure (CAPEX)
- Net capital expenditure (Net CAPEX)
- Free cash flow after non-controlling interests

Consequently, the APM using the figures for 2023 presented for comparison, and the interim figures for June 2024, have been restated.

Alternative performance metrics	Definition and terms	Reconciliation of values at 31.12.2024	Reconciliation of values at 31.12.2023	Relevance
EBITDA	Gross operating results = Net sales (2) – Procurements (2) + Other operating income (2) – Personnel expenses (2) – Other operating expenses (2) + Gain/(loss) on disposals of fixed assets (2) + Release of fixed asset grants to income and other (2)	Euros 5,365 million	Euros 5,475 million	EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") measures the Group's operating profit before deducting interest, taxes, depreciation and amortisation. By dispensing with financial, tax and accounting expenses that do not entail a cash outflow, it makes it possible to compare earnings performance over time. This indicator is widely used in the markets to compare the results of different companies.
Operating expenses (OPEX)	Personnel expenses (2) + Own work capitalised (4) (Note 25) + Other operating expenses (2) - Taxes (4) (Note 26)	Euros 2,028 million = 643 + 80 + 2,001 - 696	Euros 1,929 million = 580 + 79 + 1,780 - 510	Measures the expenses incurred by the Group to carry out its business activities, without considering taxes. Permits comparisons with other companies.
Capital expenditure (CAPEX) (6)	Investment in property, plant and equipment (4) (Note 5) + Investment in intangible assets (4) (Note 6) + Payments for investments in Group companies, associates and business units (3)	Euros 2,280 million = 340 + 1,925 + 15	Restated at 31 December 2023: Euros 2,747 million = 327 + 1,809 + 611 Restated at 30 June 2024: Euros 947 million = 137 + 800 + 10	Measure of the investment in each period in assets of the various businesses, including accrued and unpaid investments. Provides information on how funds are allocated and enables comparison between periods. Comprises investments in maintenance and growth (funds invested in developing and expanding the Group's activities), including investments in Group companies, associates and business units.
Net capital expenditure (Net CAPEX) (6)	CAPEX (5) - Other proceeds from investing activities (3)	Euros 1,966 million = 2,280 - 314	Restated at 31 December 2023: Euros 2,671 million = 2,747 - 76 Restated at 30 June 2024: Euros 711 million = 947 - 236	Measure of the investment in each period, without considering assets transferred or contributed to third parties.
Gross financial debt	Non-current financial liabilities (1) (Note 17) + Current financial liabilities (1) (Note 17)	Euros 18,022 million = 15,095 + 2,927	Euros 15,970 million = 13,426 + 2,544	Measure of the Group's indebtedness. Includes current and non-current items. This indicator is widely used in capital markets to compare different companies.

Alternative performance metrics	Definition and terms	Reconciliation of values at 31.12.2024	Reconciliation of values at 31.12.2023	Relevance
Net financial debt	Gross financial debt (5)– Cash and cash equivalents (1) – Derivative financial assets linked to financial liabilities (4) (Note 8)	Euros 12,201 million = 18,022 - 5,626 - 195	Euros 12,090 million = 15,970 - 3,686 - 194	A measure of the Group's indebtedness, including current and non-current items, net of cash and cash equivalents and asset derivatives linked to financial liabilities. This indicator is widely used in capital markets to compare different companies.
Leverage (%)	Net financial debt (5) / (Net financial debt (5) + Equity (1))	51.1% = 12,201 / (12,201 + 11,653)	50.3% = 12.090 / (12.090 + 11.929)	Measure the proportion of borrowed funds in financing the business activity. This indicator is widely used in capital markets to compare different companies.
Cost of net financial debt	Cost of financial debt (4) (Note 30) – Interest revenue (4) (Note 30)	Euros 490 million = 710 - 220	Euros 485 million = 675 - 190	Measures the cost of borrowings, net of interest revenues. This indicator is widely used in capital markets to compare different companies.
EBITDA/Cost of net financial debt	EBITDA (5) / Cost of net financial debt (5)	10.9x = 5,365 / 490	11.3x = 5,475 / 485	A measure of the company's ability to generate operating funds, expressed as a multiple of the cost of borrowings. This indicator is widely used in capital markets to compare different companies.
Net financial debt / EBITDA	Net financial debt (5) / EBITDA (5)	2.3x = 12,201 / 5,365	2.2x = 12,090 / 5,475	A measure of the Group's ability to generate funds to service its debt. This indicator is widely used in capital markets to compare different companies.
Net Free Cash Flow	Cash flows from operating activities (3) + Cash flows from investing activities (3) + Cash flows from financing activities (3) - Proceeds/payments on financial liability instruments (3)	Euros 73 million = 3,992 - 1,821 - 239 -1,859	Euros 474 million = 4,857 - 2,739 - 2,263 + 619	A measure of cash flow that indicates the volume of funds available to service debt.

Alternative performance metrics	Definition and terms	Reconciliation of values at 31.12.2024	Reconciliation of values at 31.12.2023	Relevance
Free cash flow after non-controlling interests	Free cash flow (5) + Dividends received by parent company net of those received by Group companies (4) (Note 14) + Purchase of own shares (4) (Note 14)	Euros 1.418 million = 73 + 1,345 + 0	Restated at 31 December 2023: Euros 1,925 million = 474 + 1,441 + 10 Restated at 30 June 2024: Euros 671 million = 287 + 384 + 0	A measure of cash generated by operating and investing activities. It is used to assess the funds available to pay dividends to shareholders and service debt.
Average cost of gross financial debt	Cost of borrowings (4) (Note 30) - Cost of finance lease liabilities (4) (Note 30) - Other refinancing costs (4) (Note 30) / annual average of gross financial debt (considering the closing balances at each month of the year) (4) (excluding finance lease liabilities) (Note 17)	4.0% = (710 - 85 - 15) / 15,251	3.9% = (675 - 84 - 29) / 14,325	A measure of the effective interest rate on borrowings. This indicator is widely used in capital markets to compare different companies.
Liquidity	Cash and cash equivalents (1) + Undrawn and fully committed lines of credit (4) (Note 17)	Euros 11,237 million = 5,626 + 5,611	Euros 9.237 million = 3,686 + 5,551	A measure of the Group's ability to meet any type of payment.
Economic value distributed	Procurements (2) + Other operating expenses (including taxes) (2) + Income tax payments (3) + Personnel expenses (2) + Work on fixed assets (4) (Note 25) + Financial expenses (2) + Dividends paid by the parent company (4) (Note 14) + Expenses of discontinued operations (4) (Note 11)	Euros 17,173 million = 11,565 + 2,001 + 663 + 643 + 80 + 842 + 1,357 +22	Euros 20,193 million = 15,106 + 1,780 + 377 + 580 + 79 + 817 + 1,454 + 0	Measure of the company's value considering the economic value generated by its activities, distributed to the various stakeholders (mainly shareholders, suppliers, employees, government and society).
Market capitalisation	No. of shares ('000) outstanding at end of period (4) (Note 14) * Market price at end of period (4) (Note 14)	Euros 22,670 million = 969,614 * Euros 23.38	Euros 26,180 million = 969,614 * Euros 27.00	A measure of the company's market value based on its share price.

(1) Consolidated balance sheet line item

(2) Consolidated income statement item

(3) Consolidated statement of cash flows line item

(4) Figure detailed in the Notes to the Consolidated financial statements

(5) Figure detailed in the APM

(6) Figure detailed in the Directors' report

Naturgy

Consolidated Non-Financial Information Statement and Sustainability Reporting 2024

Summary

01. General disclosures

1. Basis for preparation

General basis for preparation of Consolidated Non-Financial Information Statement and Sustainability Reporting (BP-1)

The present Consolidated Non-Financial Information Statement and Sustainability Reporting, for the purposes of simplification Sustainability Report, forms part of the Consolidated Directors' Report of Naturgy Energy Group, S.A. and subsidiaries -the Naturgy Group- (hereinafter, Naturgy, the "company" or the "group"). It is subject to the same criteria for approval, submission and publication as these reports and has been verified by an independent verification services expert.

With the emission of this report Naturgy Energy Group, S.A. complies with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), as set out in Annex I of Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.

Additionally, the company complies with the provisions of the "Joint statement pending the transposition of the CSRD directive into Spanish law" issued by the Spanish Accounting and Auditing Institute (ICAC) and Spanish National Securities Market Commission (CNMV), dated 27 November 2024, and has aligned the contents of this Report with the information requirements established by Law 11/2018, of 28 December, which transposes into Spanish law Directive 2014/95/EU of the European Parliament and of the Council 22 October 2014, which modifies Directive 2013/34/EU as regards the disclosure of non-financial information. In particular, a response has been provided to those requirements that are not covered by the framework of the ESRS.

Scope of information

Introduction to scope of information BP-1_01

Aligned with the mandate of the CSRD, Naturgy has taken into account, for the definition of the coverage of this report, the companies over which it has the capacity to control, those over which it has significant influence and those activities relevant to the company from the Environmental, Social and Governance (ESG) points of view. In this sense, this Sustainability Report has been prepared on the basis of the consolidated group of companies.

Scope of the report

BP-1_02 The group financial and sustainability data presented in this report are consolidated and refer to all activities carried out during the calendar year 2024 as a global gas and electricity operator through the companies included in Appendix I of the Consolidated Financial Report for the financial year 2024.

BP-1_03 This report has been prepared on a consolidated basis, so that all companies included within the scope, present in any of the member countries of the European Union and which are subject to the CSRD, are exempt from submitting an individual sustainability report. This exemption also extends to those companies of the company that are not subject to CSRD.

BP-1_04 Throughout this report, information is presented on the company's value chain activity, which has been used to perform the doble materiality assessment described in the section "Description of the process to identify and assess material impacts, risks and opportunities" in this chapter. It is important to highlight that this information covers all of Naturgy's own operations and, partially, the activities upstream and downstream in its value chain, as permitted in the first years of application of the sustainability reporting directive on which this report is based. The detail of the scope provided is explained in the description of Naturgy's current value chain, which appears in the section "Naturgy and its value chain" in this chapter.

Additional considerations BP-1_05; BP-1_06

Naturgy has not chosen to omit specific items of information on intellectual property, know-how or results of innovation in accordance with point 7.7. of ESRS 1.

Disclosures in relation to specific circumstances (BP-2)

Disclosures stemming from other legislation and reference standards

BP-2_16 As mentioned above, Naturgy has prepared its Sustainability Report, in terms of structure and reporting information, within the framework of the ESRS and Law 11/2018 of 28 December. However, this Report has been prepared, in turn, in accordance with other European legislation and globally accepted initiatives.

On one side, Naturgy responds to the information requirements derived from the Taxonomy Regulation, Regulation (EU) 2020/852 of the European Parliament and the Council of Europe, which establishes a classification system for economic activities that defines on the basis of objective criteria what is and is not sustainable. Specifically, Naturgy complies with the technical information requirements established in the EU Taxonomy Delegated Acts 2021/2139, 2022/1214 and 2023/2486, which complement the above-mentioned regulation, and reports on the degree of eligibility and alignment of its activities in accordance with the European taxonomy for the objectives of climate change mitigation, adaptation to climate change, protection of water and marine resources, transition to a circular economy, prevention and control of pollution and protection and restoration of biodiversity and ecosystems

BP-2_17 Furthermore, the recommendations of the international working groups Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD) have been adopted, regarding the analysis of climate risks and opportunities and those related to biodiversity and ecosystems, respectively.

At the end of this chapter, different tables have been included that break down all the disclosure requirements that have been answered in the Report. Additionally, in the Annexes chapter, a correspondence of the contents of Law 11/2018 covered by the Report, and its equivalence with the ESRS, will be included.

Time horizons addressed

Considering that the reporting period of this report, as well as of the consolidated financial statements, is 2024, the following time horizons have been established, in line with the ESRS:

- **Short term:** one year after the reference period, i.e. the year 2025.
- **Medium term:** covers the period 2026-2030 inclusive.
- **Long term:** from 2030 onwards.

Naturgy has determined that the timeframes presented above are those that best fit the company's strategic sustainability planning for the coming years, and provide the most realistic view of a possible materialisation of impacts, risks and ESG opportunities. However, in order to determine the risks derived from climate change, a scenario analysis was carried out using the following time horizons:

- **Short term:** until 2030.

- **Medium term:** until 2040.
- **Long term:** until 2050.

The use of different time horizons is due to the fact that, in the case of climate risks and opportunities, Naturgy considers that they provide a more realistic view in terms of probability of occurrence and financial impact, in line with the international initiative Task Force on Climate-Related Financial Disclosures (TCFD).

Value chain estimation BP-2_03; BP-2_04; BP-2_05; BP-2_06

This Sustainability Report includes the main ESG matter considered material for Naturgy's activity and its value chain. In accordance with transitional provision 10.2. of ESRS 1, the company has not made quantitative estimates relating to the value chain, except for the calculation of greenhouse gas emissions of scope 3. In this case, the quantification methodology can be consulted in the chapter on climate change, section "Methodology for calculating the greenhouse gas (GHG) emissions inventory".

Limitations of the information reported

Naturgy considers that this report provides a reasonable and balanced reflection of the company's environmental, social and governance performance. In the event that any particular indicator could not be prepared in accordance with the requirements of the ESRS, explanatory notes are added at the foot of each table.

BP-2_10; BP-2_11; BP-2_12 Throughout the Report, when it is considered to facilitate the interpretation of the data, the scope of each of the indicators shown is specified, as well as relevant variations with respect to the previous year. This case applies, for example, to those metrics that have undergone modifications in their preparation with respect to the previous report, or have been replaced together with the justification for this fact, whenever possible.

BP-2_07; BP-2_08; BP-2_09 In addition, indicators subject to a high degree of uncertainty have been identified in the body of the document, such as those referring to forward-looking economic or operational estimates, for which the calculation methodologies used (approximations and assumptions) and sources of uncertainty are also reported.

BP-2_13; BP-2_14; BP-2_15 In a continuous improvement exercise, the qualitative and quantitative information submitted in previous years is reviewed annually to ensure its accuracy. Therefore, possible inaccurate references and their nature are identified, and their correct value is determined if possible, or the reason why the correction is impracticable is explained.

Verification

The integrity, robustness and veracity of the information contained in this report are preserved by the policies and procedures incorporated in Naturgy's Sustainability Information Internal Control System (SCIIS), and are intended, among others, to ensure the correct presentation of the company's information to third parties.

Naturgy annually commissions an independent third party to verify the contents of its report. This report, corresponding to financial year 2024, has been verified by KPMG, which reviews compliance with the contents of the Sustainability Report in accordance with the ESRS, the technical requirements defined in the EU Taxonomy Delegated Acts 2021/2139, 2022/1214 and 2023/2486, which complement Regulation 2020/852 of the European Parliament and the Council of Europe (see more information in the chapter "EU Taxonomy Report (Regulation 2020/852) and sustainable financing") and, exceptionally for this financial year, Law 11/2018 of 28 December.

The objectives, scope and conclusions of the verification, as well as the procedures used, are included in the independent assurance report issued by KPMG, attached in the "Annexes" chapter of this Sustainability Report.

Finally, the inventory of greenhouse gas emissions for the year 2024, corresponding to Naturgy's carbon footprint for that monitoring period, and included in the chapter "Climate Change", has been verified by Verico SCE, in accordance with the requirements established in the UNE-ISO 14064 and GHG Protocol standards.

Incorporation of information by reference BP-2_20

In general terms, the disclosure requirements derived from the ESRS, Spanish Law 11/2018 and other legislation have been addressed in this Sustainability Report. On occasions, the report is supplemented with information contained in other corporate reports for the sole purpose of expanding on the detail contained herein, in which case cross-references to the relevant documentation have been included.

Corporate policies

Naturgy has a Corporate Responsibility Policy that establishes, for the entire Group, the common framework of action that guides the socially responsible behaviour of the company and includes the commitments with its different stakeholders. This policy was updated and approved by the Board of Directors in January 2019, following international best practices and the recommendations of the Good Governance Code of Listed Companies.

The policy establishes eight specific commitments and principles of action focused on generating long-term profitability and value creation:

- Commitment to results.
- Service excellence.
- Responsible environmental management.
- Interest in people.
- Health and safety.
- Responsible supply chain.
- Social commitment.
- Integrity and transparency.

These commitments are further developed through specific policies. The policies related to the material impacts, risks and opportunities developed in this report are detailed below:

- Code of Ethics and other policies derived from compliance (see chapter on Business Conduct in this Report).
- Global Human Rights Policy.
- Global Environmental Policy.
- Global People Policy.
- Global Safety, Health and Welfare Policy.
- Global Compensation Policy.
- Global Industrial Relations Policy.
- Global Management Talent and Training Policy.
- Global Outsourcing Policy.
- Global Supplier Policy.
- Global Cybersecurity Policy.
- Global Personal Data Protection Policy.
- Global Institutional Relations Policy.

At the time of preparing this report, Naturgy is in the process of defining a new regulatory model that includes the review policies related to the material issues identified. There are two circumstances that lead the company to consider it more appropriate not to definitively approve these policies until it has greater visibility and, if necessary, to introduce possible adjustments derived from the resolution of these.

The first of these situations is that the CSRD Directive has not yet been transposed into Spanish law, and the second is that the company is defining its strategy for the period 2025-2027 at the same time as this report is being drawn up. Once both scenarios have been resolved, Naturgy will make the appropriate adaptations in order to subsequently approve and publish the corresponding policies, currently in a preliminary version.

The future regulatory model is based on the Declaration of Principles and Policies (DPP), which replaces the Corporate Responsibility Policy. The DPP expresses the principles (purpose, values and commitments) that guide its activities to establish trusting, stable, solid and mutually beneficial relationships with its stakeholders, contributing to building a sustainable economic model in the regions where it operates. Through the DPP, the Board of Directors establishes and undertakes to fulfil and enforce twelve commitments, focused on generating profitability and creating long-term value through the company's general strategy, in an ethical and socially responsible manner, while preserving the environment and biodiversity.

The commitments made in the DPP are as follows:

- Ethics and integrity.
- Human rights.
- Environment.
- Safety, health and well-being.
- Clients.
- Persons.
- Supply chain.
- Society.
- Transparency and communication.
- Asset protection.
- Excellence.
- Results.

These commitments are developed through the Code of Ethics (revised and approved for the last time during the financial year 2024), the Internal Audit Charter (revised and approved for the last time during the financial year 2023), the Global Policies and those policies on specific issues that emanate from these and require further development. The Global Policies, in the process of approval, among others, are:

- Sustainability (encompasses the existing Global Environmental Policy and the Global Human Rights Policy).
- Safety, Health and Welfare.
- People (encompasses current global people policies, compensation, labour relations, managerial talent and training).
- Outsourcing and suppliers (encompasses current outsourcing and supplier policies).
- Financial and Sustainability Information.
- Taxation.
- Regulations.
- Integrated Management System.
- Information Technology.
- Risks.

The DPP and the policies shall apply to all companies in which Naturgy has a majority shareholding and in those in which it is responsible for their operation and/or management. Likewise, the knowledge and application of this by those persons or companies that collaborate with Naturgy throughout its value chain is encouraged.

The information provided below and in the rest of the disclosure requirements established by the European Sustainability Reporting Standards (ESRS) relating to policies is developed in accordance with the texts of the policies currently in force, complemented by the provisions of the drafts of the above-mentioned new policies in the process of final approval, as mentioned above. In this respect, and for simplification purposes, the name of the new policies will be used in each case.

Throughout this report, a description is provided of the key content and overall objectives of the policy or policies that have been established in relation to each sustainability issue identified as material, and their identified material impacts, risks or opportunities, as well as the management and monitoring of these.

In the case of the environmental ESRS, Naturgy establishes its main principles and commitments in relation to climate change, pollution, water resources, biodiversity and ecosystems and use of resources and circular economy in the Global Environmental Policy which, as mentioned above, will be integrated into the future Global Sustainability Policy. This policy establishes the governance, strategy, identification of impacts, risks and opportunities and the establishment of metrics and objectives that guarantee the management of the environmental issues established in the ESRS by defining the principles, responsibilities and tools.

The common minimum disclosure requirements (MDR-P) relating to standards E1 to E5 (which also apply to standards S1-S4) are defined below on this Global Sustainability Policy and the specific ones (MDR-P_01 and MDR-P_04) are explained in the corresponding chapter:

- [MDR-P_02] These policies apply to all companies or entities in which the group has, directly or indirectly, a majority stake or responsibility for their operation and/or management, regardless of the geographical area in which they operate. Likewise, Naturgy undertakes to establish the necessary mechanisms and actions to extend their application to third parties directly involved in the upstream and downstream stages of its value chain.
- [MDR-P_03] This policy will be approved by the Board of Directors, as was the current Global Environmental Policy, and the highest level in the organisation responsible for its implementation is the Management Committee, as stated in the policy itself.
- [MDR-P_05] [MDR-P_06] Naturgy has defined and periodically reviews the principles and commitments of these policies, taking into account and incorporating the interests and concerns of stakeholders, and establishes mechanisms and channels to make them available and make them known:
    - makes policies public, both internally and externally;
    - reports in a transparent and rigorous manner on its actions in relation to sustainability issues in order to comply with the principles and commitments it has made;
    - disseminates risks and opportunities related to material sustainability issues;
    - develops the necessary actions to ensure that stakeholders involved in the implementation of these policies are aware of them and can comply with them;
    - raises awareness and educates employees and other relevant stakeholders on environmental and human rights issues by promoting collaboration and dialogue.

In the case of the social ESRS, Naturgy sets out its main principles and commitments in relation to the material issues in the Global Sustainability Policy and in other policies which are explained in the policy requirement of each chapter. Those minimum disclosure requirements (MDR-P) for standards S1-S4 that are covered by the Global Sustainability Policy according to the information above will be referenced in this section and MDR-P not disclosed here will be reported in the corresponding section of each standard.

In the case of the ESRS on business conduct, the chapter explains in detail how the Code of Ethics, the policies derived from compliance and other policies set out the principles and commitments relating to the identified material impacts, risks and opportunities.

2. Governance

The role of the administrative, management and supervisory bodies (GOV-1)

Naturgy's governance structure

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

- Articles of Association (updated in 2022).
- Regulations of the Board of Directors and its Committees (updated in 2024).
- Regulations of the General Meeting of Shareholders (updated in 2022).
- Code of Ethics (updated in 2024) and its development policies.
- Statement of Principles and Policies (adopted in 2024).

In addition, it should be noted that the actions carried out by the Board of Directors have a clear vocation for compliance with good governance standards, mainly with regard to aspects related to the strategic plan, decision-making, the establishment of control mechanisms, risk supervision, regulatory compliance and monitoring of ethical, social and environmental issues in the development of the company's activities. Likewise, Naturgy periodically reviews its activities through compliance and internal audit processes, and includes in its internal regulations the practices that should result in the best behaviour of employees.

Naturgy's commitment to good governance extends to its entire workforce, through the development and transmission of its corporate ethical culture. The bodies responsible for governance within the company are its **governing bodies**. In this sense, Naturgy's governing bodies are structured on the basis of three levels:

- **Administrative** body, composed exclusively of the Board of Directors.
- **Supervisory** bodies, consisting of three board committees (Appointments, Remuneration and Corporate Governance Committee, Sustainability Commission, and Audit and Control Committee).
- **Management** bodies, consisting mainly of the Management Committee, which in turn has other supporting committees.

In addition, and in accordance with the Capital Companies Act, Naturgy's General Meeting of Shareholders is held annually, which deals with those matters that are attributed to it by the Regulations of the meeting and by law.

Administrative and supervisory bodies

The Board of Directors is the body with the greatest responsibility for corporate governance in the company. Its members, with the exception of the Chairman, make up the respective specific committees, whose activity facilitates the proper performance of the Board's functions.

This section provides information on the structure of the Board of Directors and its specific committees, as well as diversity indicators and other relevant aspects about the directors, particularly about their knowledge and experience in Naturgy's operating sector.

Board of Directors

GOV-1_01; GOV-1_02; GOV-1_07 The Board of Directors is made up of twelve members, with its Chairman, Mr. Francisco Reynés Massanet, being the only executive director. Therefore, eleven members of the Board are considered non-executive. Of these, eight hold the category of proprietary director, and three hold the category of independent director (representing 25% of the total number of directors).

Due to the fact that the Chairman of the Board of Directors of Naturgy is also an executive director, the company has appointed the position of coordinating director, aimed at mitigating possible conflicts of interest. This position is held by Ms. Helena Herrero, who is also an independent director, member of the Audit and Control Committee and chairwoman of the Sustainability Committee. Pursuant to article 529 Septies of the Spanish Companies Act, the coordinating director is empowered to request the calling of board meetings or the inclusion of new items on the agenda, and to coordinate and bring together the non-executive directors.

For more information on the composition of the Board, refer to section C.1.3 of the Annual Corporate Governance Report 2024, as well as to the infographic "Board of Directors and its Committees composition (as of 31 December 2024)", presented below.

With regard to the functions of the Board of Directors, this body is responsible for carrying out such acts as may be necessary for the fulfilment of the corporate purpose set out in the Articles of Association.

The Board of Directors is, in turn, the highest body responsible for approving corporate governance and corporate social responsibility policies (Statement of Principles and Policies in the case of Naturgy). Its activities include the preventive management of risks and the consideration of aspects linked to sustainability. In addition, annually, through the formulation of the respective reports, it reviews and approves the information on risks and opportunities in these matters.

The Board of Directors exercises the powers attributed to it by law, the Articles of Association and its Organisation and Functioning Regulations. Specifically, according to article 3 of the Regulations, the following general powers correspond exclusively to the Board of Directors:

- Non-delegable matters:
  - Those provided for in legislation as non-delegable.
  - The establishment, investment and supervision of the management of staff pension plans and any other commitments to staff involving the company's long-term financial liabilities.
  - The appointment and dismissal of directors who report directly to the Board or any of its members, as well as the establishment of the terms of their contracts, including their remuneration.
  - Matters subject to enhanced majority voting as referred to in Article 7(4) of the Regulation.
  - The approval of those related-party transactions whose competence has not been attributed by law to the General Meeting of Shareholders.
- Matters which ordinarily cannot be delegated, but which may be adopted by the bodies or people delegated for duly justified reasons of urgency, and which must be ratified at the first meeting of the Board of Directors held after the adoption of the decision, the most important of which are as follows:
  - Approval of management objectives, annual financing plan, investment and financing policy, corporate social responsibility policy (in the case of Naturgy, Statement of Principles and Policies).
  - Determining the company's corporate governance policy, risk control and management policy, including tax risks, and supervising internal information and control systems.
  - Approval of the financial and sustainability information that, as a listed company, the company must periodically publish.
  - Approval of investments or operations of a strategic nature.

Board of Directors committees

The Board of Directors, in order to support it in the performance of its duties, has the statutory power to create specific committees, which shall assume the powers specified by law and those entrusted to them by the Board.

In 2024, Naturgy counts on three fundamental committees, which make up the supervisory bodies of the company:

- Audit and Control Committee.
- Appointments, Remuneration and Corporate Governance Committee.
- Sustainability Commission.

Further details of the functions and powers of each of these can be found in section C.2.1 of the Annual Corporate Governance Report 2024.

Audit and Control Committee GOV-1_01; GOV-1_02

The Audit and Control Committee is the supervisory body for the effectiveness of internal control and financial and sustainability risk control and management systems, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks. It also approves the Corporate Risk Map and ensures compliance with the Global Risk Control and Management Policy approved by the Board of Directors.

Another of its main functions, as detailed in the Annual Corporate Governance Report 2024, is to participate in the process of renewing the external auditor, who is responsible, in particular, for verifying the sustainability information included in this document. It is made up of five directors, all of whom are non-executive directors.

Appointments, Remuneration and Corporate Governance Committee GOV-1_01; GOV-1_02

The Appointments, Remuneration and Corporate Governance Committee, among other functions, evaluates and periodically reviews the adequacy of the company's corporate governance system, participates in the process of appointing or renewing directors, verifies the policy for selecting directors, and periodically reviews the remuneration policy applied to directors and senior management. It is made up of five directors, all of whom are non-executive directors.

Sustainability Commission GOV-1_01; GOV-1_02

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

GOV-1_08 Additionally, the Sustainability Commission is the body responsible for the governance of sustainability and ESG aspects in the company. In particular, it is responsible for supervising the results of the double materiality assessment, that is, the present and future impacts, risks and opportunities which are applicable to Naturgy. The Commission is made up of four directors, all of them non-executive, whose identity can be consulted in the infographic below:

- **Board of Directors and its Committees composition (as of 31 December 2024)**
  GOV-1_08

Mr. Francisco Reynés Massanet
1,100,000€
06/02/2018

Mr. José Torre de Silva López de Letona
219,000€
28/03/2023

Ms. Isabel Estapé Tous
219,000€
16/03/2020

Ms. Lucy Chadwick
219,000€
16/03/2020

Mr. Enrique Alcántara García-Irazoqui
219,000€
13/05/2021

Mr. Claudi Santiago Ponsa
285,000€
27/06/2018

Mr. Jaime Siles Fernández Palacios
219,000€
10/02/2022

Mr. Pedro Sainz de Baranda Riva
285,000€
27/06/2018

Ms. Helena Herrero Starkie (Consejero Coordinador)
315,000€
04/05/2016

Rioja, S.à.r.l. (Mr. Javier de Jaime Guijarro)
219,000€
01/08/2019

Mr. Rajaram Rao
219,000€
21/09/2016

Mr. Ramón Adell Ramón
219,000€
10/02/2022

Nature of the position

- Executive
- Proprietary
- Independent

Committee type

- Audit and Control Committee
- Appointment, Remuneration and Corporate Governance Committee
- Sustainability Committee

- Committee chairman/chairwoman
- Comitte Member

Board's and its committees diversity metrics GOV-1_05

GOV-1_06 Naturgy's Board of Directors is made up of twelve members, of which three are women, representing 25% of the total number of Directors. Thus, the gender distribution of the Board of Directors and the specific committees as of 31 December 2024 is as follows:

- **Administrative and supervisory breakdown by gender (%)**

	2024	2023
Board of Directors	**12**	**12**
Male	9	9
Female	3	3
Total (%)	**25**	**25**
Audit and Control Committee	**5**	**5**
Male	4	4
Female	1	1
Total (%)	**20**	**20**
Appointment, Retribution and Corporate Governance Committee	**5**	**5**
Male	5	5
Female	0	0
Total (%)	**0**	**0**
Sustainability Committee	**4**	**4**
Male	1	1
Female	3	3
Total (%)	**75**	**75**

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

As vacancies arise on the Board or as directors' terms of office expire, and always with full respect for the shareholders' right to proportional representation, the company will deliberately seek out and include among the potential candidates women who meet the professional profile sought, ensuring that the number of female directors is in line with the best practices established both in the CNMV's good governance recommendations and in Spanish Organic Law 2/2024 of 1 August on equal representation and balanced presence of women and men, which transposes Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on a better gender balance among directors of listed companies and related measures. The Appointment, Remuneration and Corporate Governance Committee shall implement measures to ensure that this is achieved and to encourage the appointment of a significant number of female directors in the company.

With regard to the selection of candidates for Board membership, the process starts with an assessment by the Appointment, Remuneration and Corporate Governance Committee, which may be assisted by external advisors. The analysis, in line with the company's Director Selection Policy, is based on the needs of the company and on the skills, knowledge and experience required on the Board, as well as on the candidate's alignment with Naturgy's principles, values and vision. This issue will be dealt with in the following section.

Another indicator of diversity relating to the Board of Directors is the age of its members. Board members categorised below according to this metric:

- **Directors breakdown by age category (%)**

	2024	**2023**
Under 55 (%) years old	25	25
Between 55 and 60 (%) years old	17	33
Over 60 (%) years old	58	42
Total (%)	**100**	**100**

Directors knowledge and experience GOV-1_04

The Board of Directors, as mentioned in the previous section, is made up of individuals with the necessary knowledge and experience to carry out the functions determined by the Regulations that govern it, and by law. Among the members of the Board there is a diversity of professional experience and academic knowledge (engineers, lawyers or economists, among others), as has been identified in the Board's competency matrix, which is presented below. In particular, this matrix reflects their past experience in Naturgy's sector of activity, in the markets in which it operates, and in the management of the services offered by the group:

	Mr. Ramón Adell	Ms. Isabel Estapé	Mr. Enrique Alcántara	Mr. Jaime Siles Fernández-Palacios	Ms. Helena Herrero	Mr. Javier de Jaime	Mr. Rajaram Rao	Mr. Francisco Reynés	Mr. Pedro Sainz de Baranda	Mr. Claudi Santiago	Ms. Lucy Chadwick	Mr. José Antonio Torre de Silva
Global energy trends / strategy / technology	🟥		🟥	🟩	🟩		🟩	🟩		🟩	🟥	
Infrastructure (investments in regulated environments)	🟥	🟥	🟥	🟩		🟩	🟩	🟩		🟥	🟩	🟩
B2C (customer experience and new services)	🟥				🟩	🟥		🟩	🟥			🟥
Operational excellence and process optimisation	🟥				🟩			🟩	🟩	🟩		
Regulators / other relations with public stakeholders	🟩	🟩	🟩	🟥			🟥	🟩			🟩	
Experience in Spain	🟩	🟥	🟥	🟩	🟩	🟩	🟥	🟩	🟩	🟩	🟥	🟩
Experience in Latin America	🟥	🟥	🟥	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟥	🟩
International experience	🟥	🟥	🟥	🟩	🟥	🟥	🟩	🟩	🟩	🟩	🟩	🟥
Experience in senior management				🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩	🟩
Accounting / auditing / risk management	🟩	🟥	🟥	🟥	🟥	🟥	🟩	🟥	🟥	🟥	🟥	🟩
Corporate finance	🟥	🟩		🟩	🟥	🟩	🟩	🟩	🟥	🟥		🟩
Industry and energy technologies (industry technologies)								🟩	🟩	🟩	🟥	
Industry and energy technologies (information technologies)					🟩			🟥	🟩	🟩	🟩	
Talent management and remuneration	🟥	🟥			🟩	🟥	🟥	🟩	🟩	🟩	🟥	🟥
Corporate governance and sustainability (ESG)	🟥	🟩	🟩	🟥	🟥	🟥	🟥	🟩	🟥	🟥	🟩	🟥
Climate change		🟥		🟥	🟩			🟥		🟥	🟩	🟥

Nature of the position

■ Executive. ■ Independent. ■ Proprietary.

Experience

🟩 Executive professional experience.

🟥 Experience as a director or indirect executive experience.

GOV-1_15; GOV-1_16 As indicated in the Regulations of the Organisation and Functioning of the Board of Directors and its Committees, in order to guarantee the correct performance of the duties of the Directors, particularly in sustainability matters, the Board shall establish training programmes that provide them with the required knowledge of the company and its corporate governance rules. The Chairman shall also agree on refresher programmes for Directors when circumstances so advise.

On the other hand, the directors shall have access, through the chairman and, where appropriate, the secretary, to all Naturgy services and to the necessary information and advice about the company. Such information may be provided directly to them, they may be offered appropriate interlocutors or other relevant measures.

The directors may also propose to the Board of Directors the engagement of legal, accounting, technical, financial, commercial or any other type of advisers they consider necessary in the interests of the company and to facilitate the exercise of their functions - in the event of specific problems of a certain importance and complexity.

The knowledge of the directors acquired through their experience or the indicated advice, as well as the quality and efficiency of the functioning of the Board and its committees, are evaluated annually, in accordance with the recommendations of the Good Governance Code of Listed Companies of the CNMV and Naturgy's own Regulations of the Board of Directors. Every three years, the evaluation is carried out by an external consultant, whose independence is verified by the Appointments, Remuneration and Corporate Governance Committee.

In 2024, an internal evaluation process of the Board of Directors and its Committees has been carried out. The last evaluation process by an external consultant was carried out in 2023.

As part of this self-assessment process, the directors completed a series of questionnaires on the functioning of the Board and its Committees, asking for their assessment on issues related to the structure of the Board and its functioning, on its work in supervising aspects such as internal audit, compliance, risks, or the monitoring of the company's strategic plan.

The process of evaluation and analysis of the functioning and effectiveness of the Board has been structured around those areas which, in accordance with the CNMV's Technical Guide 1/2029 on Appointments and Remuneration Committees, have been considered key, mainly those related to the structure and composition of the Board, the functioning of the Committees, the evaluation of the performance of the Chairman of the Board of Directors, the Chairmen of each of the Committees, the Coordinating Independent Director and the Secretary of the Board.

The assessment of each of the subjects identified has been addressed through a series of critical questions in the questionnaires submitted.

After receiving the evaluation report, the Board of Directors, at its meeting held on 18 February 2025, agreed to implement some of the suggestions for improvement contained in the report during 2025.

[GOV-1_17] Access to specialised knowledge enables Directors to properly perform their corporate duties. This is particularly relevant for the members of the Sustainability Commission, given their responsibility in supervising the company's material impacts, risks and opportunities, approving the appropriate policies for their management, or establishing a sustainability roadmap to manage ESG issues appropriately.

For proper management of the environmental issues identified in the double materiality assessment, the experience of its member, Ms. Lucy Chadwick, is noteworthy for her work on the Investment Committee of Global Infrastructure Partners (GIP), as an advisor on ESG considerations, being also responsible for ESG of that group, which allows her to operate with all GIP investments in the Energy, Transport, Water and Waste and Digital sectors, or that of Mr. Jaime Siles for his participation in the Investment Committee of the company specialising in the management of the integral water cycle, Aqualia.

At the same time, with regard to social issues, the experience of the chairwoman of the Commission, Ms. Helena Herrero, should be highlighted for her participation in prominent business, institutional, social and cultural forums, which focus on areas of special social impact, or on the digital divide, among others. Also worthy of mention is the employment history of Ms. Isabel Estapé, who, having been a member of numerous boards of directors and being a member of the Royal Academy of Economic and Financial Sciences, holds the position of patron of various social foundations and collaborates with various charities, and that of Mr. Pedro Sainz de Baranda and Mr. Javier de Jaime, who also hold the positions of patron of various social foundations.

In terms of business conduct, a high percentage of the directors have previously served on the Boards of Directors of other companies, so their experience in terms of corporate governance and business conduct is extensive. In this regard, it is worth highlighting the figures of Mr. Ramón Adell, Mr. Javier De Jaime Guijarro, Ms. Helena Herrero, Mr. Pedro Sainz de Baranda and Mr. Claudi Santiago, among others.

Management bodies

The management team is responsible for the direct management of the Company through the various business and corporate units, based on the implementation of the strategies, policies and roadmaps established by the Board of Directors. In this area, the most representative body is the Management Committee, whose activity is complemented, in addition to other committees regulating specific issues of the entity, by the activity of other members who are considered at senior management level, in the terms defined by the CNMV.

Management Committee and senior management

The chief executive of the company is also the Chairman of the Board of Directors and has responsibility for all the Group's businesses. The company has a management structure with the necessary powers to carry out both the company's own operations and its basic management activities. As at 31 December 2024, the following persons, in addition to the Executive Chairman, are considered members of the Management Committee:

- Networks Management Department, managed by Mr. Pedro Larrea Paguaga.
- Procurement and Wholesale Markets Department, managed by Mr. Jon Ganuza Fernández de Arroyabe.
- Renewable Generation, managed by Mr. Jorge Barredo López.
- Commercialisation Department, managed by Mr. Carlos Francisco Vecino Montalvo.
- Renewable Gases Department, managed by Mr. José Luis Gil Sánchez.
- Company and Board Secretariat, managed by Mr. Manuel García Cobaleda.
- Capital Markets and Corporate Development Department, managed by Mr. Steven Fernández Fernández.
- Public Affairs and Sustainability Department, managed by Mr. Jordi García Tabernero.
- People and Resources Department, managed by Mr. Enrique Tapia López.
- Technology and Systems Department, managed by Mr. Rafael Blesa Martínez.

The Management Committee, led by its chairman, periodically analyses the sustainability action plans and their specific proposals, and supervises their performance and execution. It also ensures the implementation and monitoring of business and sustainability policies, strategies, plans and objectives, and proposes measures in the areas of energy transition, climate change and sustainable development, among others.

In addition to the members of the Management Committee, senior management includes those executives who report directly to the Board or to the chief executive of the company, Mr. Francisco Reynés Massanet.

As of 31 December 2024, the senior management is composed, in addition to the Management Committee, of

- Planning and Management Control Department, managed by Ms. Rita Ruiz de Alda Iparraguirre.
- Consolidation and Administration Department, managed by Mr. Gabriel Deseff Rodríguez.
- External Communications Department, managed by Mr. Víctor Márquez Moya.
- Compliance Unit, managed by Ms. Isabel González Alfaro.
- Environment and Social Responsibility, managed by Ms. Nuria Rodríguez Peinado.
- Internal Audit Department, managed by Ms. Eva Fernández Roselló.

Among other functions, senior management is responsible for the implementation of the Risk Control and Management model approved by the Board of Directors and for disseminating the internal control culture. It proposes to the Board the target risk limits for consideration and approval supported by the specific committees.

Diversity metrics in senior management GOV-1_05

Senior management consists of 17 members, 4 of whom are women, representing 24% of the total.

	2024		2023	
Female	4	24 %	1	9 %
Male	13	76 %	10	91 %
Other(2)	-	-	-	-
Not disclosed(3)	-	-	-	-

(1) The information is expressed in total number of persons and as a % of the total.
(2) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(3) 'Not disclosed' refers to cases where employees have not declared their gender or have not provided this information for personal or administrative reasons.

An additional factor of diversity in senior management is the age distribution of its members. A categorisation of this group based on this criterion is presented below:

- **Senior management breakdown by age category (%)**

	2024	2023
Under 55 (%) years old	53	50
Between 55 and 60 (%) years old	41	50
Over 60 (%) years old	6	0
Total (%)	**100**	**100**

Naturgy's Director Selection Policy, mentioned above, expressly contemplates the implementation of measures to encourage the appointment of a significant number of women in senior management. These measures are aimed at enhancing the professional role of women in Naturgy, their visibility and networking, moving towards gender parity at different levels of the company through specific training actions, career development programmes and promotion of diverse leadership, as well as the prioritisation of this group in internal mobility plans, organisational evolutions and succession plans. The company is also committed to generational balance through recruitment and development programmes for young professionals and intergenerational talent development programmes.

Senior management members experience GOV-1_04; GOV-1_15; GOV-1_16; GOV-1_17

With regard to the diversity in the composition of the members of the senior management, it is worth highlighting the plurality of profiles that comprise it. The areas of expertise existing at 31 December 2024 are as follows:

- three degrees in law,
- seven engineers,
- a degree in political science,
- two degrees in Business Administration and Management,
- a National Public Accountant,
- a degree in economics and finance,
- two degrees in information science.

They all have a broad business and professional background, with extensive knowledge of the energy sector and, in particular, of the functioning of energy markets.

In addition, due to the international presence of the group's activities, senior management has extensive international experience in the geographies where the company operates.

The members of Naturgy's senior management also have proven experience in corporate governance, as their functions include sitting on various boards of directors or even on the board of trustees of a foundation. Likewise, by virtue of the functions they perform, they have competencies in corporate finance, strategic planning and usually participate in the identification and management of risks inherent to each of the activities carried out by the company.

In addition, most members of senior management are also members of specific committees in the areas of Ethics and Compliance, Sustainability or energy regulation.

Finally, all senior management members are regularly advised by experts in the various matters under their responsibility. They also all receive training and participate in events related to the company's material topics.

Governance model on ESG issues

GOV-1_12 Naturgy's commitment with sustainability is integrated at all levels of the company's hierarchy. In this regard, the group can provide a coordinated response to ESG impacts, risks and opportunities identified in the double materiality assessment, thus boosting the resilience of the business and the corporate strategy. The different lines of sustainability reporting to the governing bodies are presented below:

(1) Administrative body.
(2) Supervisory body.
(3) Management body.

The reporting and control processes established on the company's sustainability information apply particularly to the impacts, risks and opportunities identified and assessed in the double materiality assessment. Thus, each body is attributed different responsibilities, as indicated below, to facilitate the integration of material issues for Naturgy in the company's strategy and business model.

GOV-1_09 Naturgy integrates the management of impacts, risks and opportunities as a key element of its governance, which helps to ensure long-term sustainability, value creation for stakeholders and capacity to anticipate and respond to risks and impacts.

In this area, the Sustainability Commission, a Board of Directors delegated body, is responsible for supervising and approving the development of the double materiality assessment. In addition, the Environment and Social Responsibility Unit coordinates the Sustainability Committee and reports to the Management Committee and the Sustainability Commission on sustainability matters, integrates the material impacts, risks and opportunities into Naturgy's strategic vision and is responsible for the implementation and supervision of policies related to this matter.

GOV-1_13 Naturgy has a governance framework that brings together the vision of Governance, Risk and Compliance, enabling an integrated view of the Group's processes, the risk associated with them and the controls in place to mitigate these risks.

It has different bodies that play an active role in designing, implementing and monitoring processes, procedures and controls that let anticipating and managing impacts, risks and opportunities.

The various controls associated with ESG impacts, risks and opportunities are integrated into other internal functions of each body, as detailed below.

Board of Directors

The Board of Directors is the highest-ranking body accountable for approving corporate governance policies and those related to sustainability issues, as well as those related to any environmental or social issues. It is also the body responsible for approving the financial and sustainability information to be published by the company, and is also responsible for supervising the internal information and control systems.

In the specific case of climate change, given the importance for Naturgy of both this matter and the energy transition, the Board has approved the Climate Transition Plan, which establishes the commitments made by the company to reduce greenhouse gas (GHG) emissions and the action lines to reduce and mitigate climate impacts and risks, as well as to take advantage of the opportunities associated with energy transition, which have been established taking the Paris Agreement as a reference, among others. The different action lines approved by the Board are implemented by the corporate and business units.

Furthermore, the Board is informed by the Sustainability Commission of the consultations made to stakeholders on sustainability matters, so that their perspectives are integrated into the company's strategy, commitments and management systems. In particular, the Board is responsible for approving a Policy for communication with shareholders, investors and proxy advisors, which is published on the corporate website.

The Board is also empowered to approve the Corporate Responsibility Policy, the content of which is expressed through the Statement of Principles and Policies (see more information in the "Corporate Policies" section of this Report). Additionally, since the entry into force of the CSRD and the ESRS reporting framework, Naturgy has considered it appropriate to develop a new Global Sustainability Policy that reflects the company's vision and cross-cutting commitments in ESG matters, as detailed in the aforementioned section.

GOV-1_10 In risks terms, the Board of Directors is the body responsible for approving the Risk Management and Control Policy, the integrated Risk Appetite and for supervising the company's Risk Management and Control System.

A particular case that requires special attention is the increase in risks and threats related to cybersecurity. This is why, in the double materiality assessment carried out, it has been determined as a specific material topic for the entity (see chapter 5 of this report). In this regard, the company has a global cybersecurity governance system for the entire organisation, and the Board of Directors is in charge of supervising this matter.

GOV-1_11 The Board of Directors has delegated to different bodies the activities of identification, supervision and management of impacts, risks and opportunities in ESG topics.

Audit and Control Committee

The Audit and Control Committee is, by delegation, the body in charge of supervising the Global Risk Control and Management Policy, as well as the company's Integral Risk Management and Control System. In this regard, it is responsible for reviewing, informed by the Internal Audit function, the financial and sustainability risk control and management systems, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks.

It is also the body in charge of supervising, updating and approving the Corporate Risk Map, including the sustainability risks analysed in the double materiality assessment, which is updated and presented to the Committee by the Planning and Management Control corporate unit, and ensures compliance with the Global Risk Control and Management Policy approved by the Board of Directors.

Another of its fundamental functions is to supervise the process of preparing and reporting financial and sustainability information, as well as its assurance through two internal control systems: the Financial Information Internal Control System (SCIIF) and the Sustainability Information Internal Control System (SCIIS), respectively.

In addition, the Committee analyses and reports to the Board of Directors on the economic conditions and accounting impact of future transactions involving structural and corporate changes.

For the exercise of its functions, the Committee may summon any employee or manager of the group, including requiring his or her appearance without the presence of any other manager. The Committee meets regularly, at least four times a year. For further information, refer to the Report on the functioning of the Audit and Control Committee during financial year 2024, as well as to section C.2.1 of the Annual Corporate Governance Report 2024.

Sustainability Commission

The Sustainability Commission has, as one of its functions, the supervision and approval of the double materiality assessment process and its results. In this regard, the sustainability impacts, risks and opportunities are integrated into the corporate strategy. In this regard, the Commission is responsible for proposing to the Board of Directors the approval of the Global Sustainability Policy, in the terms mentioned above.

GOV-1_14 In addition, the Commission proposes to the Board, informed by the Environment and Social Responsibility corporate unit, the corporate objectives and guidelines on environmental, health and safety and social responsibility matters, all of which are included in the company's Sustainability Plan. Also in relation to ESG issues, and more particularly the impacts, risks and opportunities identified, the Commission is responsible for analysing and reviewing sustainability, environmental and social policies and ensuring that the company's practices are aligned with energy transition, the Paris Agreement and contribute to the 2030 Agenda for Sustainable Development Goals. In addition, the Commission determines and reviews the target ESG risk profile and oversees its management by the units.

The Commission is also responsible for supervising the application of the corporate policy regarding communication with shareholders and investors, proxy advisors and other stakeholders, particularly the way in which Naturgy relates and communicates with small and medium-sized shareholders. In addition, it is responsible for reviewing the information disclosed by the company on sustainability and for supervising the design, implementation and monitoring of the Sustainability Information Internal Control System (SCIIS).

For the exercise of its duties, the Commission may invite to its meetings any employee or officer of the group it deems appropriate. The Commission meets regularly at least three times a year. Further information can be found in section C.2.1 of the company's Annual Corporate Governance Report 2024.

Management Committee

The Management Committee is responsible for the implementation and monitoring of business and sustainability policies, strategies, plans and objectives, and proposes measures in the areas of energy transition, climate change and sustainable development. In addition, it approves safety action plans, specifically the Safety Action Plan 2024-2025.

In risks terms, the Management Committee, with the support of senior management, is responsible for implementing the Risk Control and Management model and proposes the target risk limits to the Board for consideration and approval.

In addition, the Management Committee integrates the corporate cybersecurity function, through the figure of the Chief Information Officer. This corporate function (Global Head Chief Information Security Officer) is responsible for ensuring the correct strategic alignment of the policies and regulations applicable in each of the businesses, which in turn have specific cybersecurity officers (Business Information Security Officers).

Sustainability Committee

The Sustainability Committee, with representation from all areas of the company, monitors the metrics and defines and promotes the projects and actions necessary to ensure compliance with the Sustainability Plan targets. Additionally, it monitors compliance with the group's ESG policies.

Environment and Social Responsibility unit

The Environment and Social Responsibility unit, in coordination with the business and corporate areas, designs the policies, metrics and targets for the environment, climate change and sustainability in general, monitors the evolution, consolidates the information and centralises the report to the Sustainability Committee, the Management Committee and the Sustainability Commission. In addition, it continuously assesses the main climate and ESG risk factors.

Planning and Management Control corporate unit

The Planning and Management Control corporate unit is responsible for aggregating the risks reported by the rest of the company's units and preparing a global and integrated vision for senior management of all the company's risks through the Corporate Risk Map.

Consolidation and Administration corporate unit

From a financial point of view, this Report includes quantitative data that come from other company documents, and which have been assured through the Financial Information Internal Control System (SCIIF). In this respect, the Consolidation and Administration corporate unit is accountable for the implementation and operation of the SCIIF, ensuring compliance with corporate criteria within its business. On the other hand, the role of the consolidation function in certifying the reasonableness of Naturgy's individual and consolidated annual accounts, which are submitted to the Board of Directors for approval, is also noteworthy.

At the same time, it monitors and assesses the financial impacts that ESG issues may have on the company's financial statements and assets.

Other Business and Corporate Units

The various business and corporate units apply general principles and strategies and develop plans, projects and activities to meet the different ESG targets set out in the Sustainability Plan.

Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies (GOV-2)

[GOV-2_01] In Naturgy, the commitment to sustainability is transversal to all hierarchical levels of the company. Therefore, the different governing bodies are informed about the impacts, risks and opportunities identified in the annual double materiality assessment.

This analysis was carried out by the corporate Environment and Social Responsibility unit, headed by Ms. Nuria Rodríguez Peinado, and the results and methodology used were submitted to the Sustainability Commission at its meeting on 25 June 2024, where they were approved.

The corporate Environment and Social Responsibility unit also reports periodically, and during the sessions held by the Sustainability Commission, about the results of the application of the different policies and initiatives in sustainability matters, beyond the related information reported in the other delegated committees or to the Board of Directors itself by other members of senior management. In addition, at the same sessions, the company's performance with respect to the indicators and objectives established in the 2021-2025 Sustainability Plan is supervised, as well as the proposal of objectives for the following period, 2025-2027, and, at the session prior to the formulation of the annual accounts by the Board of Directors, the annual Sustainability Report is presented for prior validation.

Furthermore, as described in the following sections, Naturgy carries out due diligence processes to identify potential counterparty risks. The results of the application of these processes are periodically reported by the Compliance unit to the Audit and Control Committee.

[GOV-2_02] The reporting lines to the aforementioned governing bodies enable the integration of ESG impacts, risks and opportunities in Naturgy's strategic and operational planning. On the one hand, it should be noted that Naturgy has approved in 2025 its new Strategic Plan 2025-2027, which has an investment objective in assets that promote decarbonisation and allow progress towards energy transition. These lines of action are complemented by those included in the Climate Transition Plan, also newly approved, which will set Naturgy's course of action for the management of its climate impacts, risks and opportunities, in order to meet the ambitions established by the Paris Agreement.

A new Sustainability Plan 2025-2027 is linked to the Strategic Plan, which includes Naturgy's main ESG objectives and indicators for this period, and which enables the correct implementation of its sustainability strategy to be supervised. More specific details on the indicators included and their target values can be found in the section "Purpose and strategy" of this chapter.

The double materiality assessment is also reviewed by the Audit and Control Committee within the scope of its functions as supervisory body of the complete inventory of financial and sustainability risks of the company. Naturgy continues to work on updating the corporate Risk Map with the results of the double materiality exercise and the evaluation of ESG risks in order to integrate sustainability impacts, risks and opportunities in the company's Comprehensive Risk Management and Control System.

[GOV-2_03] In conclusion, the governing bodies have addressed the following sustainability impacts, risks and opportunities:

- The Sustainability Commission, as the supervisory body that approves the double materiality assessment and its results, has been informed by the corporate Environment and Social Responsibility unit of all impacts, risks and opportunities in ESG matters, including those considered specific to Naturgy, not covered by the ESRS.
- The Board of Directors has approved the Climate Transition Plan, informed by the Sustainability Commission, ensuring oversight of identified climate change impacts, risks and opportunities.
- In addition, other members of senior management, given their function, have a high level of knowledge about the results of the double materiality exercise:
    - Mr. Jordi García Tabernero, manager of Public Affairs and Sustainability Department.
    - Mr. Manuel García Cobaleda, Company and Board of Directors Secretary.
    - Mr. Enrique Tapia López, manager of People and Resources Department.
    - Ms. María Isabel González Alfaro, manager of Compliance Unit.
    - Ms. Nuria Rodríguez Peinado, Manager of Environment and Social Responsibility.
    - Ms. Rita Ruiz de Alda Iparraguirre, Manager of Planning and Management Control Department.
    - Mr. Gabriel Deseff Rodríguez, Manager of Consolidation and Administration Department.
    - Ms. Eva Fernández Roselló, manager of Audit Department.

Integration of sustainability-related performance in incentive schemes (GOV-3)

Board of Directors' remuneration model GOV-3_01

The remuneration of the directors represents an issue of special importance in the good governance of the company. As such, and in accordance with the existing legal framework, Naturgy periodically reports on the remuneration of the members of the Board of Directors through the Integrated Annual Report, the Annual Accounts and the Annual Report on Directors' Remuneration, all of which are available on the corporate website.

The remuneration of directors for the performance of non-executive duties has a fixed nature. Additionally, the Chairman of the Board of Directors receives remuneration in relation to the executive functions he performs in the company.

The remuneration system is oriented towards promoting the long-term profitability and sustainability of the company and incorporates the necessary safeguards to avoid excessive risk-taking and rewarding unfavourable results.

GOV-3_06 The Board of Directors is responsible for determining the remuneration of each director. To this end, it takes into account the functions and responsibilities attributed to each of them, the membership of Board Committees and other objective circumstances that it considers relevant. In this respect, directors' remuneration should be in reasonable proportion to the importance and economic situation of the company and the market standards of comparable companies.

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

Further details on the components of directors' remuneration can be found in the Annual Report on Directors' Remuneration 2024.

GOV-3_02 The variable remuneration of the Executive Chairman has two dimensions:

Annual or short-term variable remuneration

GOV-3_04 The annual variable remuneration of those directors who perform executive functions is associated with the achievement of a combination of pre-set, specific and quantifiable objectives, aligned with Naturgy's social interest and strategy. These objectives, as well as their degree of achievement, are set annually by the Board at the proposal of the Appointments, Remuneration and Corporate Governance Committee. In this regard, the variables of an economic-financial nature, efficiency and profitable growth and other qualitative objectives account for 80% of the total short-term variable remuneration, and further details can be obtained in the Annual Report on Directors' Remuneration 2024 (IARC).

GOV-3_03; GOV-3_05 On the other hand, ESG aspects have a weighting of 20% of total annual variable remuneration, by virtue of four variables: health and safety, gender diversity, environment (emission-free electricity generation capacity), and employee satisfaction index, each with a weighting of 5%. In addition, the indicators budgeted at the beginning of the year are compared with the actual data obtained at the end of the year.

Further details on the components of directors' remuneration can be found in the Annual Report on Directors' Remuneration 2024.

Multi-year or long-term variable remuneration

The multi-year variable remuneration of the executive chairman from 2018 until its review, by resolution of the board of 21 April 2024, has been configured through a long-term incentive (LTI) in which, in addition to the executive chairman, other active executives participate. The main features of the LTI have been reported in the annual remuneration reports of previous years.

Based on the Board resolution of 21 April 2024, the multi-year variable remuneration of the Executive Chairman for the current year is no longer linked to the ILP, but has remained in force for all other executives with a shareholding in the ILP.

Further details of the multi-year variable remuneration scheme can be found in the Annual Report on Directors' Remuneration 2024.

Statement on due diligence (GOV-4) GOV-4_01

Naturgy develops due diligence processes throughout its operations, with the aim of identifying the impacts it may generate on the environment and society, as well as those risks that may have significant impact on its activity. The procedures that Naturgy develops within the framework of due diligence are of a diverse nature, allowing the company to establish preventive or mitigation measures that optimise the management of the impact or risk identified. Furthermore, due diligence applies to all Naturgy's businesses and all the geographies in which it operates.

As a starting point, it is worth mentioning that due diligence is also present in the execution of the corporate sustainability strategy. Thus, Naturgy annually reviews its performance indicators to analyse compliance with the objectives of its Sustainability Plans, which emanate directly from the company's Strategic Plans (see more information in the "Purpose and strategy" section of this chapter). Some of these indicators are directly linked to the variable remuneration of the management bodies, as mentioned in the previous section.

Naturgy collaborates with its stakeholders to ensure that the application of due diligence procedures favours the interests of the different groups. Therefore, Naturgy maintains a continuous dialogue with stakeholders, through tools such as complaint channels or the establishment of committees for specific issues, through which they can express their expectations and concerns to be integrated into the company's sustainable management, starting with the policies that regulate the different ESG issues.

In addition, stakeholders participate in the double materiality assessment in order to identify the material impacts, risks and opportunities related to the operations associated with its value chain. This exercise allows Naturgy to know which aspects of its strategy and business model may be most related to the negative impacts and risks identified, and to be able to take the necessary measures for their correct management. For further details, see the section on 4. Impact, risk and opportunity management in this chapter.

These actions in response to the impacts and risks identified may be specific, and those considered most relevant have been included throughout the chapters of this report, or they may form part of larger procedures, such as, for example:

- The performance of environmental impact studies at the design stage of the facilities to ensure compliance with applicable regulations and to foresee possible future impacts on the environment and society, particularly the groups affected.
- The maintenance of an environmental management system, externally certified according to the ISO 14001 standard, for the control and compliance with environmental requirements, the prevention of environmental accidents and the continuous improvement in the reduction of the company's impacts.
- Regular monitoring by the Compliance area to ensure compliance with Naturgy's internal regulations, applicable to all levels of the company.
- Specific due diligence procedures to ensure compliance with the Global Human Rights Policy (future Global Sustainability Policy), and to identify potential human rights risks.

- The maintenance of an externally audited occupational health and safety management system in accordance with the ISO 45001 standard, which covers all the company's own personnel working in the company's centres, for the development of preventive and/or corrective health and safety measures.
- Due diligence procedures for the analysis of counterparty risks, as well as other supplier assessments, to ensure compliance with applicable legislation and the minimum standards set by Naturgy for the establishment and development of the business relationship.

The following is a mapping of those sections of this Report where the main elements of due diligence mentioned above are located, in line with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises:

Essential elements of due diligence	Sections of the Sustainability Report	Pages
Integration of due diligence into governance, strategy and business model	– General disclosures, GOV-2 – General disclosures, GOV-3 – General disclosures, SBM-3	25-26, 26-28, 50-61
Engaging with affected stakeholders at all key stages of due diligence	– General disclosures, GOV-2 – General disclosures, SBM-2 – General disclosures, IRO-1 – General disclosures, Corporate policies (minimum disclosure requirements regarding policies) – Sections S1-2, S2-2, S3-2 y S4-2 (processes of engagement with the different collectives)	25-26, 48-50, 62-64, 9-11, 200-202, 239-240, 254-257, 271-273
Identification and assessment of adverse impacts	– General disclosures, IRO-1 – Chapters E1-E5, G1; IRO-1 – General disclosures, SBM-3 – Chapters E1, E4, S1, S2, S3, S4, G1; SBM-3	62-64, 120-123, 160-161, 162-163, 178-180, 194-195, 289-290 50-61, 109-119,170-177, 196-199, 235-237, 251-253, 266-269
Taking actions to address these adverse impacts	– Sections E1-3, E3-2, E4-3, S1-4, S2-4, S3-4, S4-4, G1-1, G1-3 (minimum disclosure requirements regarding actions) – Sections S1-3, S2-3, S3-3, S4-3 (processes for negative impact remediation and remediation channels)	124-133, 163-164, 182-185; 205-221, 241-248, 259-264, 277-284, 289-295, 302-303 202-204, 240-241, 257-258, 273-277
Monitoring the effectiveness of these efforts and communication	– Chapters E1, E3, E4, S1, S2, S3, S4, G1 (section of metrics and targets and minimum disclosure requirements regarding targets) – Methodological annex (minimum disclosure requirements regarding indicators)	134-141, 164-165,185-188, 222-226, 248-250, 264-265, 284-286

Risk management and internal controls over sustainability reporting (GOV-5)

Sustainability Information Internal Control System (SCIIS) GOV-5_01

In 2023, in order to ensure the reliability of the information on environmental, social and governance aspects, Naturgy has implemented the Sustainability Information Internal Control System (SCIIS), whose objective is to ensure the quality and reliability of the sustainability information reported, as well as the robustness of its reporting process. This implementation was carried out following recommendation 42 of the 'Good Governance Code of Listed Companies' published by the CNMV in June 2020. This Code places the obligations of supervision and evaluation of the preparation process and the requirement of integrity of financial and sustainability information on an equal footing, as well as the risk control and management systems, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of criteria, as well as ensuring, in general, that the policies and systems established in the area of internal control are effectively applied in practice.

The development of the SCIIS has been carried out within the framework of the Corporate Sustainability Reporting Directive (CSRD), which modifies the Non-Financial Reporting Directive (NFRD). Among the main changes that will start to apply from the moment the directive is transposed into Spanish law will be the need for verification of sustainability information under reasonable assurance within the foreseen timeframe. In an exercise of caution, the contents of this Sustainability Report (SR), from the year commencing 1 January 2024, are subject to systematic internal control, supervision and monitoring to guarantee the quality and reliability of the sustainability information.

In view of the appearance of this new regulatory framework, Naturgy's SCIIS is evolving, pending the incorporation of those requirements derived from the forthcoming transposition of the CSRD and the supervision guidelines by the Spanish Institute of Internal Auditors. During 2025, once both reference frameworks are available, Naturgy will carry out a review of the SCIIS for its adaptation.

Additionally, during 2024 several modifications have been carried out, but do not represent a significant evolution with respect to the previous version, although greater clarity has been provided regarding the responsibilities of the different bodies, corporate units and business units, and the different processes of control and preparation of the sustainability information.

In relation to latest version of the SCIIS, it should be noted that the global Financial and Sustainability Reporting Policy, approved by the Board of Directors on 17 September 2024, establishes the general principles and responsibilities in the process of preparation, reporting and control of Naturgy's sustainability information, which is structured according to five differentiated stages:

- **Definition of sustainability information policies and criteria:** criteria are established for reporting sustainability information, homogeneous among the different business functions, and in accordance current legislation. The definition of these criteria is the responsibility of the corporate Environment and Social Responsibility function, which reports to the Sustainability Commission for subsequent approval by the competent body.
- **Preparation of individual sustainability information**: the different business and corporate units collect and certify, on an annual basis, the different relevant events occurring in ESG matters, and establish the first line of control to guarantee the reliability of the information, which will subsequently be consolidated as applicable.
- **Consolidation of sustainability information:** the corporate Environment and Social Responsibility function is responsible for consolidating the sustainability information developed by the different units in order to prepare this Sustainability Report, which is submitted, together with the Consolidated Management Report, to the CNMV after internal approval.
- **Supervision, approval and disclosure of sustainability information:** the corporate Environment and Social Responsibility function prepares the Sustainability Report, the approval of which is proposed to the Board of Directors through the Audit and Control Committee, and which is verified by an external auditor.

- **Monitoring and improvement of internal control systems SCIIS:** The monitoring of sustainability information takes place at three levels.
    - Business and corporate units: annually update, within their scope of action, the sustainability information control processes, and carry out the Annual Internal Certification of the SCIIS model.
    - GOV-5_03 Corporate Environment and Social Responsibility function: informed by each unit of the different annual updates in the SCIIS model, implements and develops controls to mitigate the risks identified in the sustainability reporting.
    - Corporate Internal Audit function: under the framework of the Internal Audit Plan (IAP), it monitors the SCIIS and reports to the Audit and Control Committee on weaknesses detected in the SCIIS.

GOV-5_02 The main role of the SCIIS is to ensure that the information reported is complete, reliable and robust. In this sense, an end-to-end analysis of the metrics to be reported has been carried out based on the double materiality assessment, in order to identify all those processes that could jeopardise the reliability or robustness of the data to be reported.

GOV-5_03 The main risk factors identified are:

- Failure to identify material issues, as well as failure to identify clear objectives, failure to allocate necessary resources or the use of non-accepted methodologies for the assessment of impacts, risks and opportunities.
- Errors in quantitative data resulting from either incorrect calculations, omission of data or lack of appropriate breakdowns.
- Fraud, such as greenwashing or socialwashing.
- Information systems and cybersecurity.
- Regulatory changes.
- Disclosure of Naturgy's confidential information.

In order to mitigate these risks, a series of controls have been established that those responsible for the reporting process must take into account when providing information in a reliable and robust manner. In addition to the implementation of the controls, documents (technical instructions) have been prepared with the process that has been established in order to mitigate the aforementioned risks. In addition to the technical instructions, a series of documents have been drawn up to document the SCIIS, such as the risk and control matrix, the role and control matrix and the SCIIS policy and manual, which document the procedure for internal control and supervision of the group's sustainability information, among others.

Governance in reporting sustainability information GOV-5_04; GOV-5_05

The control processes of the sustainability information that Naturgy reports to the market integrate the different hierarchical levels of the company. At the lower level are the different business and corporate units, which execute the different control processes defined by the corporate Environment and Social Responsibility function.

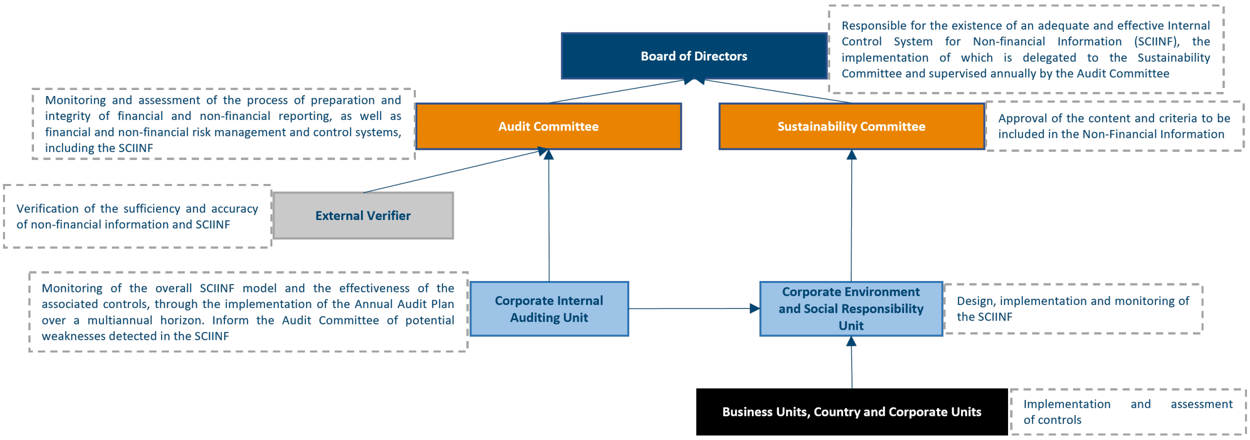
This function is also responsible for supervising the correct implementation of the SCIIS and for preparing the content included in this Sustainability Report, in accordance with scope and reporting criteria defined by the Sustainability Commission and the applicable regulations.

Furthermore, to ensure the integrity of the sustainability information included in the Report, the corporate Internal Audit function supervises the corporate risk management and control systems and, in particular, the SCIIS, reporting any deficiencies detected to the Audit and Control Committee. Ultimately, and in the event of such deficiencies, the Audit and Control Committee will discuss the weaknesses identified with the external auditor and follow up on the corrective action plans that apply.

Finally, following a favourable report from the Audit and Control Committee on the sustainability reporting process, the Board of Directors gives final approval to the Sustainability Report, which is published according to the established timetable and duly submitted to the CNMV.

GOV-5_04 The findings of the risk analysis and the controls in place are audited by a third party on an annual basis. As mentioned above, the Audit and Control Committee will discuss the weaknesses identified with the external auditor and a corrective action plan will be established, where applicable. The Environment and Social Responsibility Area will be responsible for implementing the action plan to address these weaknesses. The Audit and Control Committee is the body in charge of monitoring the implementation of the action plans.

GOV-5_05 In addition, the Internal Audit area will report annually to the Audit and Control Committee on the main conclusions of the SCIIS audit process.



3. Strategy

Strategy, business model and value chain (SBM-1)

Business model SBM-1_25

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

SBM-1_02 Naturgy Energy Group, S.A. and its subsidiaries form a group dedicated to the generation, distribution and commercialisation of energy and services. The company is present in more than 20 countries, operating mainly in Spain, Latin America (Argentina, Brazil, Chile, Mexico and Panama), the United States and Australia. In this regard, there have been no updates on the markets where it operates compared to the previous year. For more information, see the following section, Geographical Presence.

SBM-1_01; SBM-1_02 Naturgy supplies gas and electricity, in regulated and deregulated markets, to almost 16 million customers globally, having consolidated its position as the main gas supplier at national level, as well as having a reference position in the electricity sector. In Spain, it also provides users with energy solutions and services for maintenance or repair. Naturgy's customers are classified into three main groups: Residential, SMEs and Communities of Owners, and Industrial Sector and Companies.

In the electricity generation business, the company has an installed capacity of 17.9 GW and a diversified generation mix.

Naturgy has organised its businesses around two major strategic areas, Distribution Networks, which brings together the regulated businesses, and Energy Markets, which includes all the deregulated businesses, whose structure is based on the operating segments defined below:

- **Distribution Networks**: it groups the business segments dedicated to the management of regulated gas (Spain, Argentina, Brazil, Chile and Mexico) and electricity (Spain, Argentina and Panama) distribution and transmission infrastructures. In the case of the Latin American countries, the supply of energy to customers is regulated and assigned to the gas or electricity distribution activity. This segment includes also a holding company that carries out transversal activities directly linked to the businesses of this group.
- **Energy Markets**: integrates the following liberalised business segments:
  - **Energy Management**: includes, among others, the activity of liquefied natural gas commercialisation, the management of gas infrastructures, and the management of the Medgaz gas pipeline.
  - **Thermal Generation**: includes conventional thermal generation and nuclear generation (not managed by Naturgy) in Spain, and conventional thermal generation of Global Power Generation (GPG) in Latin America (Mexico, Dominican Republic and Puerto Rico, in the latter case through the participation in the company EcoEléctrica LP).
  - **Renewable Generation**: in Spain it includes generation from renewable sources and cogeneration[1]; internationally, GPG's renewable electricity generation in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama) and Australia, and photovoltaic generation in the United States.
  - **Renewable gases**: includes the management of renewable gas projects, specifically biomethane and green hydrogen, as well as sustainable mobility projects.
  - **Commercialisation**: manages the commercial model to end customers for gas, electricity and services in Spain.

  It also includes a holding company that carries out transversal activities directly linked to the businesses of this segment grouping.

[1] In Naturgy's Consolidated Directors' Report at 31 December 2024 and 2023, the cogeneration activity is considered to form part of the Renewable Generation Spain CGU due to the fact that there is a single management unit that manages the cogeneration operations and assets together with the wind, mini-hydro and solar generation businesses. Likewise, the remuneration of cogeneration facilities, as is the case with wind and solar facilities in Spain, is subject to Royal Decree 413/2014, of 6 June, which regulates the activity of electricity production from renewable energy sources, cogeneration and waste.

- **Other**: includes operating expenses of the corporation, and other minor and residual activities.

A highlight of 2024 was the creation of the new renewable gases division. Created to accelerate the development of these gases and thus contribute to the energy transition and the circular economy through carbon-neutral energy generated from organic waste (biomethane) or surplus renewable energy (green hydrogen). In this regard, the gas distribution business promotes the injection of biomethane produced by other companies. In 2024, production capacity and injection into own networks was 0.35 TWh.

More information can be found in the chapter "Situation of the entity" of the Consolidated Directors' Report 2024. In addition, Appendix I of the Annual Consolidated Financial Report provides details of the companies that form part of Naturgy and the activities they carry out.

Main results in 2024

SBM-1_06; SBM-1_09; SBM-1_10 The development of the above activities by Naturgy has allowed it to obtain, in the financial year 2024, a net profit of 1,901 million euros, associated with a Net Turnover (NT) amounting to 19,267 million euros, with the following remarkable results:

- SBM-1_13The INCN associated with non-renewable gas activities, specifically gas distribution, gas commercialization, and thermal generation in combined cycle power plants, has reached 13,535 million euros.
- SBM-1_12 The thermal generation activity in fuel-fired power plants, as well as the distribution and commercialization of petroleum-derived products, specifically liquefied petroleum gas (LPG), has resulted in an INCN of 187 million euros.
- SBM-1_11 Naturgy has continued the dismantling process of the four coal-fired power plants under its management, and therefore, has not generated any revenue associated with this fuel.

Further information can be found in the 2024 Annual Consolidated Financial Report.

SBM-1_14 In addition, Naturgy has carried out an analysis of the eligibility of its activities in accordance with the Taxonomy Regulation, (EU) 2020/852. In this regard, the company has recorded a turnover of 5,217 million euros eligible under the Taxonomy, of which 2,886 million euros are aligned with the criteria set out in the Regulation. Details of the assessment methodologies and the results obtained can be found in the "UE Taxonomy Report UE (Regulation 2020/852) and sustainable financing" chapter of this Report.

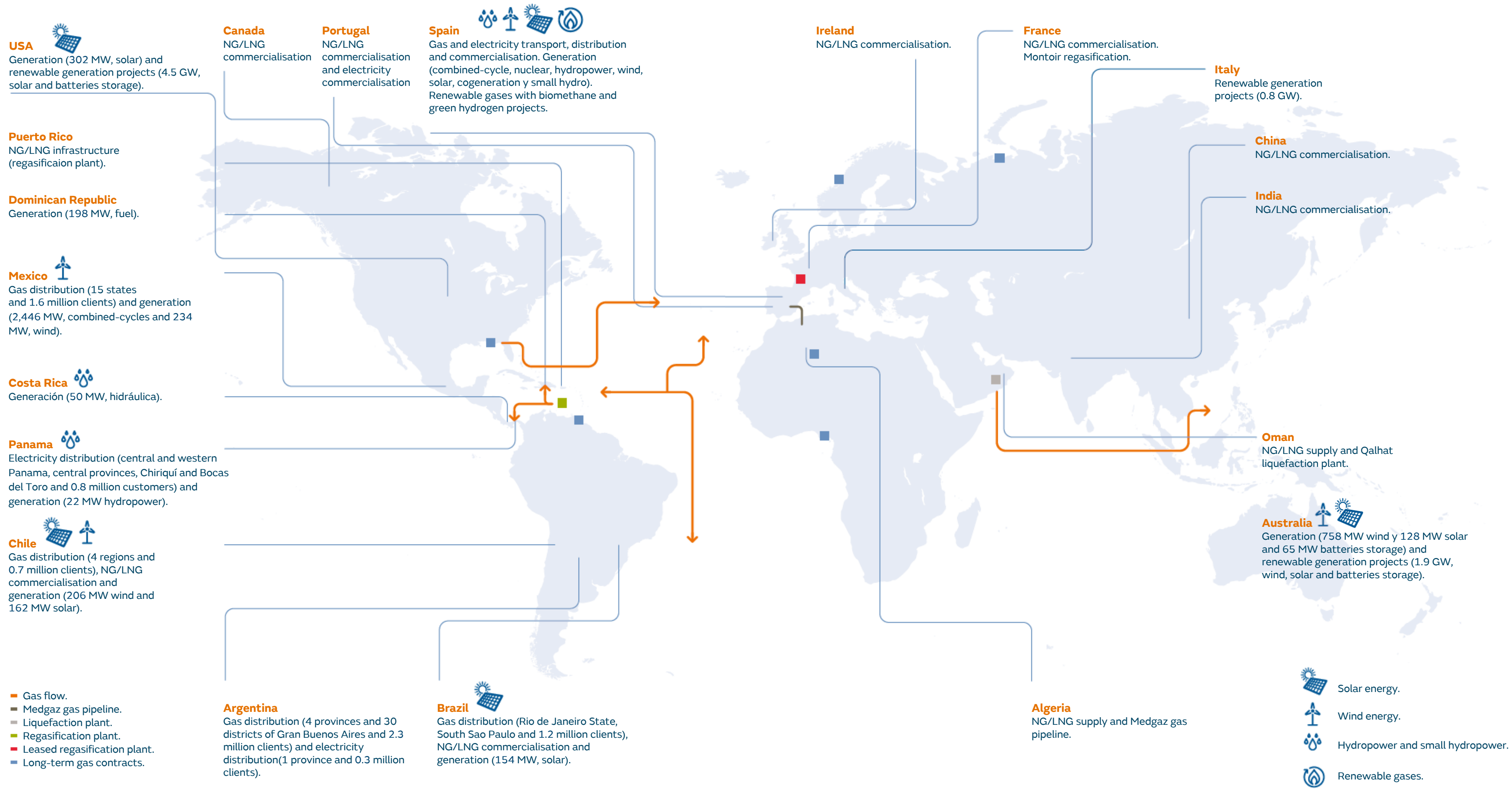
SBM-1_03; SBM-1_04 To ensure the proper development of the activities described above, Naturgy has a multidisciplinary, professional and committed team, which helps to ensure a quality service to all its customers, regardless of geography. As of 31 December 2024, Naturgy's workforce consisted of 6,812 people, with the following geographical distribution:

	2024	2023
Argentina	853	880
Spain	3,891	3,934
Mexico	714	697
Other (1)	1,354	1,372
Total employees	6,812	6,883

(1) Other: considers those countries with less than 50 employees or with more than 50 employees but representing less than 10% of the total number of employees. These countries are: Australia, Brazil, Chile, Costa Rica, Dominican Republic, France, Ireland, Israel, Italy, Luxembourg, Netherlands, Panama, Portugal, Puerto Rico, United States and United States. In 2023, the Netherlands was in this category, in 2024 there are no employees.

For more information, see section "Characteristics of the undertaking's employees", where the characteristics of the company's own workforce are reported. In any case, the figure for Naturgy's workforce at 31 December disclosed in note 25 of the Annual Consolidated Financial Report differs from that shown in the previous table, as well as in the aforementioned section. Note 25 shows the consolidated workforce (6,941 people), while this report shows the workforce actually managed (6,812), the difference between one workforce and the other being the people in Spain of joint operation entities (-141 people) and the people of the coal-fired power plants (+ 12 people).

Geographical presence



Purpose and strategy

In a socio-economic context marked by different parallel crises, geopolitical conflicts, the challenge of climate change and growing inequalities, Transforming together, Naturgy's purpose, defines the direction and future of the company based on four fundamental values: innovate for a better future (Forward Vision), work with excellence (Excellence Driven) from the most human side (People Oriented), and with the ultimate goal of contributing to a more sustainable world (One Planet).

SBM-1_23 With this purpose, Naturgy intends to respond to the main sustainability challenges that it faces in the future:

- As a priority, work on mitigating and adapting to climate change and its consequences on the environment.
- To advance in the energy transition, with the implications associated with the current paradigm of energy generation and distribution, and transform it into a decarbonised and circular economy model, preserving at all times security of supply at affordable prices.
- To guarantee respect for human rights (labour and non-labour) in all areas of operation of Naturgy and its value chain.
- To contribute to local employment and the revival of the economy in regions affected by the closure of thermal power plants, and thus certify a just energy transition.
- To integrate the ESG vision into the different governance processes of the company, including business decision-making, following the recommendations of international frameworks.

To achieve Naturgy's purpose, as well as to face the challenges that lie ahead, the group has implemented a sustainability strategy based on the 2021-2025 Strategic Plan, and endorsed and updated by the 2025-2027 Strategic Plan.

2021-2025 Sustainability Plan

In 2021, Naturgy approved the 2021-2025 Strategic Plan, which was revised in 2023, and which establishes the basis of the business strategy and, by extension, of sustainability. The Plan is based on five pillars: the search for organic growth, the focus on renewables and network activities, the continuous improvement of processes (including especially customer relations), the full integration of Environmental, Social and Governance (ESG) criteria in strategy and management, and the cultural transformation that makes all of the above possible. For its proper implementation, Naturgy projected an investment plan of 13,200 million euros, and specifically approximately 9,900 million euros for the period 2023-2025.

These five pillars translate into the following ESG objectives for the year 2025:

		2025	2024	2020	
Environment	GHG emissions reduction	27%	27%	16%	Reduction of tCO_2eq (scopes 1+2+3)[1]
	Biodiversity	350	368	265	Projects (no.)
Social	Enhancing diversity	40.0	39.6	27.0	Women in managerial positions (%). Spain
	Extending ESG policies in the value chain	95.0	88.3	70.0	Suppliers audited in ASG (%)
Governance	ESG objectives as part of management incentives	20%	20%	3%	ESG-linked variable remuneration
	Climate Change Risk and Taxonomy Reports	100%	90%	Partial	Implementation of TCFD and EU Taxonomy

Note:
[1]. vs. 2017. Scopes 1+2 aligned with 1.5ºC scenario and Scope 3 aligned with WB2D scenario.

Naturgy's business strategy is oriented towards the company playing a key role in providing a realistic and balanced solution to the energy trilemma, so that the company contributes to environmental objectives, ensuring a quality and uninterrupted supply, allowing energy to be offered at affordable prices that favour a fair and efficient transition.

With regard to environmental aspects, an essential part of the strategy is to establish the necessary measures to contribute to the mitigation of climate change and adaptation to its consequences, which could affect the company's assets dedicated to the generation and distribution of electricity and gas.

In this regard, the climate roadmap is determined by the Climate Transition Plan, approved in 2025 and aligned with the Paris Agreement, which sets the goal of Net Zero by 2050 for scopes 1 and 2 globally, as well as for scope 3 in Spain, the country where Naturgy's majority activity takes place.

The main action lines to achieve these goals derive from an integrated electricity and gas business model that promotes the decarbonisation of energy through technological neutrality, at the lowest possible cost for consumers and based mainly on:

- Promoting solar and wind renewable energies in electricity generation together with the necessary growth of electricity grids, relying on the back-up energy provided by natural gas combined cycles that guarantee security of supply.
- Developing renewable gases as a lever for the decarbonisation of natural gas through biomethane produced from organic waste and, in the medium/long term, green hydrogen generated from surplus renewable electricity. This promotes decarbonisation at the lowest possible cost for the consumer, the circular economy with the use of waste or surpluses and the economy in rural areas.
- Offering products and services that promote efficiency and are carbon neutral at competitive prices to consumers and end-users.
- Increased electrification of final demand in those uses where it is most efficient.

The Climate Transition Plan is explained in detail in section "Transition plan for climate change mitigation" in chapter "Climate Change".

Although this strategy will contribute to the mitigation of climate change and therefore to the reduction of one of the main threats to biodiversity conservation, the way to achieve this is largely through the construction of new infrastructures, such as wind farms, photovoltaic plants, renewable gas production plants and electricity grids. These activities can cause negative local impacts, mainly associated with changes in land use due to the occupation of new infrastructures, and the impact on fauna, particularly birds. To address these challenges, the company's management focuses on prevention, integrating the protection of biodiversity and ecosystems into the design of new facilities.

Furthermore, the economic and social changes resulting from the energy transition, whether due to job losses, changes in living conditions due to the development of renewable energies or the rising cost of raw materials such as energy, mean that the solution for tackling climate and nature issues must take people into account. In such a way that change contributes to the creation of shared wealth, which allows for a fair adaptation and does not cause greater inequalities.

In this regard, Naturgy's strategy in the social sphere is based on respect for labour and non-labour human rights. In the particular case of its own staff, one of its main interest groups, the company is committed to promoting the professional development of its workforce, committed in all cases to diversity, inclusion, fair and equitable working conditions, as well as establishing effective health and safety measures to ensure quality working environments, regardless of their responsibility and the place where they perform their duties. The company also extends this commitment to the employees of its business partners, mainly its suppliers.

2021-2025 Sustainability Plan SBM-1_21

From the 2021-2025 Strategic Plan, in force in 2024, comes the Sustainability Plan for the same period, which establishes 70 metrics and targets organised according to six action levers, based on the commitments of the Corporate Responsibility Policy, which Naturgy uses as a scorecard to analyse its annual performance in relation to material environmental, social and governance issues.

Although a significant number of these indicators are aligned with the ESRS, Naturgy has chosen to include additional metrics to ensure a complete and adapted monitoring to its particular business and operation. In any case, the ESG objectives included throughout this Report have been evaluated with respect to this Plan, in force until the approval of the new Strategic Plan, and by extension Sustainability Plan, 2025-2027.

	2025 Target	2024	2023
Driver 1. Integrity and trust			
Sustainable financing and/or financing compatible with energy transitions (green finance, transition bonds...) (million euro)	5,492	6,138	7,983
Meetings held with ESG investors (number)	50	23	17
ESG risk (RepRisk) (1)	BBB	BBB	BB
Cost of resolving cybersecurity incidents (direct, indirect and reputational cost) (€) / IT disbursement (%)	0.3	0.0	0.0
Cybersecurity incidents / Millions of attacks (%)	4.74	0.72	3.20
Naturgy Energy Group BitSight International Index	790	780	780
Coverage level of ESG audits over purchase volume with high ESG risk (%)(6)	95.0	88.3	84.4
Purchase volume with acceptance of the Code of Ethics (%)(6)	95.0	95.6	96.4
Implementation of the Social Media Management and Use Guidelines	Implanted	Implanted	Implanted
Maintain and renew ISO37001 and UNE19601 Certification (anti-bribery and criminal compliance management)	Renew	Yes	Yes
Criminal indictments for corruption-related offences (number)	0	0	0
Annual external audit of the Crime Prevention Model in accordance with article 31 bis of the Criminal Code	Favourable outcome in all subject countries	Favourable outcome in all subject countries	Favourable outcome in all subject countries
Counterparties assessed on the basis of ESG risk (number) (2)	100	100	100
Non-financial indicators with qualifications (number)	0	0	0
Publish the Tax Transparency Report	Publish the Tax Transparency Report	In progress	In progress

	2025 Target	2024	2023
Degree of compliance with the new recommendations of the CNMV' Good Governance Code (%)	Absorb all modifications to the CNMV's recommendations that may arise and undertake to comply with any others that are not related to the composition of the shareholding structure and the right to proportional representation, or related to previously acquired commitments	83	81
Adaptation of ICSNFI to ESRS requirements [1]	ICSNFI adapted to ESRS	ICSNFI adapted to Law 11/2018, GRI and SASB	ICSNFI adapted to Law 11/2018, GRI and SASB
Adaptation of reporting to ESRS requirements [1]	SR adapted to ESRS	SR adapted to ESRS	Requirement analysis initiated
Driver 2. The opportunity of environmental challenges			
Absolute GHG emissions Scope 1 and Scope 2 (million tCO_2eq) [2][6]	11.0	11.9	12.9
Absolute GHG emissions Scope 3 (million tCO_2eq) [2][6]	109.4	107.5	101.7
CO_2 intensity in electricity generation (tCO_2/GWh) [2][6]	199	234	247
Installed capacity from renewable sources (%) [2][6]	48	40	37
Capacity free of emissions (%) [1]	51	44	41
Renewable gases (TWh) [2][6]	0.52	0.35	0.30
Water consumption (hm^3) [2][6]	14.7	16.5	17.0
Intensity of water consumption in generation (hm3/TWh) [1][6]	0.31	0.39	0.39
Waste produced (kt)[6]	110	106	115
Recycled or recovered waste (%) [2][6]	93.3	92.3	95.4
Atmospheric emissions SO_2 (kt) [1][6]	0.89	0.69	0.68
Atmospheric emissions NOx (kt) [1][6]	8.82	7.56	8.18
Initiatives to improve biodiversity (number)[6]	350	368	353
TNFD recommendations [3] implementation at corporate level (%) [1][6]	100	60 %	25
Activity with ISO 14001 environmental certification (% Ebitda) [4]	95.0	96.8	97.2
Calculation of physical climate and energy transition risks at corporate level (50%) and at business unit level (100%) (%)	100	90	75
Eligible Capex according to European Taxonomy (%)	80	75	79
Driver 3. Customer experience			
Net Promoter Score (NPS) Spain commercialisation (global) (%) [2]	45.0	29.7	27.0
Net Promoter Score (NPS) Argentina BAN (global) (%) [2]	57.5	59.2	57.4
Net Promoter Score (NPS) Argentina Noa(global) (%) [1]	pending	63.1	64.1
Net Promoter Score (NPS) Brazil (global) (%) [2]	60.0	59.7	58.7
Net Promoter Score (NPS) Chile Metrogas (global) (%)	65.0	58.0	68.0

	2025 Target	2024	2023
Net Promoter Score (NPS) Mexico (global) (%) [2]	46.0	79.0	73.0
Net Promoter Score (NPS) Panama (customer service) (%) [2]	20.0	-27.0	7.0
Global satisfaction with service quality (1-10) [2][6]	8.5	7.9	8.0
No. of complaints registered / No. of contacts (%) [2][6]	4.05	3.33	4.57
Customers with online billing (%) [1]	60.0	52.8	31.2
Interaction with digital channels. Spain (%) [1]	53.0	47.8	47.6
Interaction with digital channels. Latin America (%) [1]	50.0	58.4	31.1
Installed Photovoltaic self-consumption capacity. Spain (MW) [1][5]	308	102	73
Photovoltaic self-consumption facilities. Spain (number) [1][5]	29,889	7,749	2,779
Energy sold with renewable GoO. Spain (GWh) [1]	11,724	7,796	10,490
Volume of offset emissions. Spain (ktCO_2eq)[1]	420	342	444
Driver 4. Commitment and talent			
People trained out of the total number of employees included in talent transformation programmes (%)[6]	75.0	86.4	81.7
Training per employee (hours)[6]	>35,0	46.0	41.5
Women in executive positions. Spain (%)[7]	40.0	39.6	36.1
Diversity of skills (out of total) (%)	2.5	1.7	1.6
Staff under 30 years of age (%)[6]	10	7	6
Promoter employees (%)[6]	40	54	49
Lost time accidents severity rate for own workforce (per 1,000,000 hours worked)[6]	0.60	0.89	0.66
Lost time accidents frequency rate for own workforce (per 1,000,000 hours worked)[6]	30.75	32.00	28.10
Absenteeism rate due to common contingency(%)[6]	≤3,0	2.20	1.83
Driver 5. Innovation and new business development			
Energy billed for mobility services (GWh)	1,377	695	793
Managed recharging points for NG-LNG vehicles (number)	19	13	13
Storage capacity. Spain (MWh) [1]	240	0	0
Storage power. Spain (MW) [1]	120	0	0
Signals remotely monitored / MW installed renewable technologies (number)	240.00	154.00	175.54
ICEIT. Spain (minutes)	36.4	32.6	30.7
Investment in innovation over Ebitda (%)	>2	1.83	1.54
Opex innovation and technological innovation Totex (million euro) [1]	249	182	85
Driver 6. Social responsibility			
Attendees at energy efficiency workshops in Spain (number)	7,900	4,649	4,134
Energy rehabilitations. Spain (number)	>5.000	5,194	4,435
Volunteers (number)	1,000	1,218	908
Collaborating social entities (number)	20	45	47
Initiatives with impact assessment (%)	100	75	50

	2025 Target	2024	2023
Social investment in the local community (million euro)	>8	10	11
Purchase volume assigned to local suppliers (%)	> 85,0	90.5	89.9

(1) New objectives introduced in 2023 in the revision of the Strategic Plan to 2025.

(2) Targets revised in 2023 in the revision of the Strategic Plan to 2025.

(3) Task Force on Nature Related Financial Disclosures (TNFD).

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

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

(6) Target associated with an ESG impact, risk or opportunity.

(7) One woman was included in the 'Senior Management' category in the 2023 Report, therefore there is a variation compared to the previously published data.

SBM-1_21 Naturgy implements these strategic pillars, and associated objectives, in all the markets where it operates, and works to promote economic and social growth in these geographies. With the aim of contributing to the energy transition, and in line with the 2021-2025 Strategic Plan, the company is committed to investing in geographies with low-risk currencies and a stable regulatory framework that provides legal certainty when undertaking long-term investment projects with a reasonable financial return.

SBM-1_22 Given the nature of Naturgy's activity, the main objectives in relation to the products and services offered by the company are those that assess greenhouse gas emissions, since they determine the climate impact generated during the generation, distribution and consumption of energy. Thus, Naturgy has set itself the 2025 target of reducing its Scope 1 and 2 emissions, together, to 11.0 $MtCO_2eq$, having recorded 11.9 $MtCO_2eq$ in the current financial year. The ambition was also set to reduce scope 3 emissions to a value of 109.4 $MtCO_2eq$, and 107.5 $MtCO_2eq$ were generated this year. Both indicators are on track to meet the 2025 target.

Another noteworthy objective in relation to Naturgy's portfolio is the forecast to increase the installed capacity of renewable origin to reach 48% in 2025. At year-end, this percentage rises to 40, with licensing deadlines being the main obstacle to meeting the target.

Additionally, Naturgy develops its own initiatives such as the production of renewable gases, to be subsequently injected into the natural gas distribution network. In this regard, the 2021-2025 Sustainability Plan includes reaching a production and injection of renewable gas of 0.52 TWh in 2025, having reached 0.35 TWh this year, thus promoting the circular economy and climate change mitigation.

In relation to the evolution of other objectives, the decrease in the sustainable financing indicator is noteworthy, which is explained by the elimination of KPIs linked to sustainability in the refinancing processes for existing operations.

On the other hand, the decrease in the indicator of electricity sold with renewable Guarantees of Origin (GdO) in Spain is noteworthy, due to the fact that in 2024 only renewable GdO were purchased, whereas in 2023 it also included high-efficiency cogeneration GdO.

Lastly, the NPS indicator in the Panama business closed the year in negative values, well below the previous year's figure. This decline is partly due to changes in the political environment resulting from regulatory and tariff changes that had a negative impact on customer perception of the service provided by the company.

Strategic Plan 2025-2027

At the time of publication of this Sustainability Report 2024, Naturgy concludes the 2021-2025 Strategic Plan and has established the objectives of the new 2025-2027 Plan, which was approved at the Board meeting of 18 February 2025. In this way, Naturgy updates the ambitions presented in the previous Sustainability Plan, aligns its strategy with international benchmark initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD), and prepares for the adoption of the new regulatory framework derived from the CSRD.

In these terms, Naturgy maintains its vision of the future challenges to be faced, as well as the main action lines to be developed in the medium-term, in order to achieve the Net Zero objectives set out in the aforementioned Climate Transition Plan and thus advance in the sustainable, just and competitive energy transition.

Sustainability Plan 2025-2027

The publication of the Strategic Plan in 2025 comes with the approval of a new Sustainability Plan for the period 2025-2027. The new metrics are based on the new reporting framework established by the ESRS, although other specific Naturgy indicators from the previous Sustainability Plan, considered significant for an adequate monitoring of the company's performance in sustainability matters, have been maintained.

As an additional note, the ESG targets included throughout this Report are shown, on the one hand, according to the previous Sustainability Plan to compare the achievement of results in 2024 and, on the other hand, according to the new Sustainability Plan to 2027 to give prospective visibility on material issues, with the exception of the interim emission reduction targets set out in the Climate Transition Plan for 2030. With the exception that in the case of GHG emission targets, the Climate Transition Plan has also set intermediate targets to 2030 (for more information, see section "Transition plan for climate change mitigation" in the "Climate Change" chapter).

- ### Indicators of the Sustainability Plan 2025-2027

	Base year	Target 2027	Baseline value
ESRS 1 - Climate Change			
Installed capacity from renewable sources (%)	2022	47	34
Capacity free of emissions (%)	2022	50	37
Renewable gas injection capacity. Spain (TWh)	Not applicable	1.60	Not applicable
Absolute GHG emissions Scope 1 (million tCO_2eq)	2022	10	15
Absolute GHG emissions Scope 2 (million tCO_2eq)	2022	0.4	0.4
Absolute GHG emissions Scope 3 (million tCO_2eq)	2022	103.4	110.1
CO_2 intensity in electricity generation (tCO_2/GWh)	2022	184.0	279.3
Eligible installations according to taxonomy with material physical risks with climate change adaptation measures (%)	Not applicable	100	Not applicable
ESRS E2 - Pollution			
Air pollution value chain(1)	Not applicable	Phase-in provisions	Not applicable
Water pollution value chain(1)	Not applicable	Phase-in provisions	Not applicable
ESRS E3 - Water and marine resources			
Total water consumption (m3)	2022	17	19
ESRS E4 - Biodiversity and ecosystems			
Initiatives to improve biodiversity (number)	2022	375	345
Activity with ISO 14001 environmental certification (% Ebitda)	2022	98.5	97.9

ESRS E5 - Resource use and circular economy			
Resource inputs, including resource utilization, in the value chain(1)	Not applicable	Phase-in provisions	Not applicable
Waste in the value chain(1)	Not applicable	Phase-in provisions	Not applicable
ESRS S1 - Own Workforce			
Lost time accidents severity rate for own workforce (per 1,000,000 hours worked)(2)	2022	<0.6	0.6
Lost time accidents frequency rate for own workforce (per 1,000,000 hours worked)(2)	2022	<30.75	28.3
Absenteeism due to temporary incapacity (%)	2022	<3	2.6
Promoter employees (annual average %)	2022	>51.3	33.3
Employees with disabilities. Spain	2022	>2.5	1.6
Women in the workforce (%)	2022	>37	33.2
Women in executive positions. (%) (3)	2022	40	32.7
Training per employee (hours)	2022	55	35.9
ESRS S2 - Workers in the value chain			
Lost time accidents frequency rate for suppliers and contractors (per 1,000,000 hours worked)(2)	2022	< 1.75	1.55
Coverage level of ESG audits over purchase volume with high ESG risk (%)	2022	95	82.7
Purchase volume with acceptance of the Code of Ethics (%)	2022	96	95.4
ESRS S3 - Affected communities			
Total social investment (million euro)	2022	15	11
ESRS S4 - Consumers and end-users			
Global satisfaction with service quality (1-10)	2022	8.7	7.6
No. of complaints registered / No. of contacts (%)	2022	3.59	4.80
ESRS G1 - Business conduct			
Employee training in compliance	Not applicable	At least one training per year	Not applicable
Entity-specific information			
Naturgy Energy Group BitSight International Index	2022	800	730
Open innovation and technological innovation Totex (million euro)	2022	196	75

(1) Not material subtopic for own operations. Therefore, Naturgy uses the transitional provision to define a target.

(2) In 2022, the published value was calculated per 200,000 hours worked (OSHA criterion), but in this report, it is expressed per 1,000,000 hours worked.

(3) The figure reported differs from that published in 2022 due to a change in the calculation methodology in 2024.

A base year of 2022 has been set for all metrics, taking as a reference the ESRS Climate Change Standard, in particular for GHG emissions.

As indicated in the previous section, as a result of the preparation of the new Strategic Plan, it has been decided to conclude the 2021-2025 Sustainability Plan, which is why the results for 2024 are compared with the objectives of that plan and it is considered the end year. From 2025, in line with the new 2025-2027 Strategic Plan, the new Sustainability Plan for the period 2025-2027 is implemented, establishing objectives aligned with this new strategy. Consequently, the objectives set for 2025 in the previous 2021-2025 Sustainability Plan are no longer in effect, being replaced by the new Plan.

Compared to the previous Sustainability Plan, it can be seen that:

- Climate change continues to play a leading role in Naturgy's sustainability strategy, with the quantification of greenhouse gas (GHG) emissions being one of the company's priorities. In terms of products and services, the target values for installed capacity from renewable sources, as well as the production and distribution of renewable gases, have also been updated.
- Regarding its own employees, Naturgy consolidates its commitment to contribute to providing adequate working conditions by updating its health and safety objectives, and promoting equal treatment and opportunities for all through training and diversity goals, among others.
- Naturgy has increased its investment target in the community, thus renewing its ambition to generate a positive impact on society through direct and indirect aid.
- The company remains committed to ensuring excellence in its customer service, and therefore proposes a more demanding target in terms of user satisfaction, and continues to monitor its performance in terms of the number of complaints filed by users.
- The incorporation of metrics relating to issues that are material only in the scope of activities upstream or downstream of the value chain is envisaged, however, the target to be achieved will be defined in future exercises, with the company availing itself of the transitional provision relating to the omission of information relating to the value chain.

More information about the Strategic Plan 2025-2027 can be found on the corporate website (https://www.naturgy.com/inicio).

Naturgy and its value chain SBM-1_28

Naturgy is a company dedicated to the generation, distribution and commercialisation of energy and energy services and to carry them out it does this through a wide variety of activities, and involves different types of actors.

The complete flow of activity is composed of three stages:

- **Own operations**: this is the set of activities carried out by Naturgy, mainly in the areas of electricity and gas generation and distribution.
- **Upstream activities**: this essentially corresponds to the stage of supplying raw materials for the generation stage; they take place prior to the actual operations.
- **Downstream activities**: these are all those actions that are fundamentally related to the commercialisation of the company's products and services; they take place after the company's own operations.

Upstream and downstream activities are part of Naturgy's value chain and are essential for the correct functioning of the group's operations.

SBM-1_27 Throughout the value chain, Naturgy's business model is differentiated by being a leader in the gas sector and a benchmark in the electricity sector, in both cases guaranteeing the continuity of supply, an essential aspect for providing a quality service and for the fulfilment of the company's social function; providing a wide range of value-added services, through sustainable innovation as a driver of development with the ultimate aim of guaranteeing the well-being of people, the progress of companies and society, as well as the sustainability of the planet.

The mission of Naturgy, in relation to its own operations, includes meeting the needs of its shareholders by offering them growing and sustainable profitability. This takes the form of attractive remuneration that compensates for interest rates and inflation. According to Naturgy communicated to the market in July 2023, this remuneration was set for the period 2023-2025 at 1.40€/share, subject to the maintenance of a BBB credit rating by S&P. Further information can be found in chapter ‘6. Foreseeable developments of the Group’ of the 2024 Consolidated Directors' Report.

Own operations

Naturgy's own operations are basically organised into three types:

- Generation and distribution of electricity.
- Renewable gas production and gas distribution.
- Energy management.

Electricity generation and distribution

From the fuels acquired, Naturgy produces electricity that it subsequently distributes to companies and individuals, being the third largest operator in the Spanish electricity market, and with an international presence, particularly in Latin America. The generation activity is based on various technologies:

Thermal generation

Naturgy has a total of 10.68 GW of thermal electricity generation capacity, from different combined cycle, nuclear and fuel oil plants, mainly in Spain and Latin America. It should also be noted that Naturgy abandoned in June 2020 the activity of coal generation.

In the field of nuclear generation, Naturgy has stakes in the Almaraz and Trillo nuclear power plants, with 11.29% in Almaraz and 34.50% in Trillo. In November 1999, the companies owning both plants set up the Almaraz and Trillo Nuclear Power Plants formed an Economic Interest Grouping (CNAT by its Spanish acronym), with the aim of managing, operating and administering both facilities in an integrated manner, while maintaining their ownership stakes unchanged. Given its percentage shareholding, Naturgy has no direct responsibility for operational management, although it proportionally consolidates electricity generation within its operating figures. However, for the purposes of reporting under the European Sustainability Reporting Standards (ESRS), and not having operational control, these facilities are considered within the value chain of the company.

Renewable generation

Naturgy counts, at present, with a total capacity of 7.25 GW of electricity generation through renewable sources, though its hydro, solar, wind and cogeneration[2] plants, with a special presence in Spain, Australia, the United States and Latin America.

[2] In Naturgy's Consolidated Directors' Report at 31 December 2024 and 2023, the cogeneration activity is considered to form part of the Renewable Generation Spain CGU due to the fact that there is a single management unit that manages the cogeneration operations and assets together with the wind, mini-hydro and solar generation businesses. Likewise, the remuneration of cogeneration facilities, as is the case with wind and solar facilities in Spain, is subject to Royal Decree 413/2014, of 6 June, which regulates the activity of electricity production from renewable energy sources, cogeneration and waste.

Electricity distribution

Naturgy, throughout its 4.9 million supply points located across 157,165 km of network, distributes electricity in three principal markets: Spain, Panama and Argentina. In the first case, Naturgy is the third largest operator in the country with more than 3.9 million customers. In Latin American countries, it has overcome one million customers.

Renewable gas production and gas distribution

Naturgy has, at the present, an installed capacity of 3.5 MW of biomethane production in its own plants, which has allowed an annual generation of 1,201 MWh. In addition, the total injection capacity of own and third party biomethane into the gas distribution network is 0.35 TWh. In addition, Naturgy is in the process of developing research programmes to promote the production of green hydrogen, especially in those transition nodes located in regions affected by the closure of thermal power plants. For more information, see section "Actions and resources in relation to climate change policies" of this Report.

However, Naturgy carries out its main operation in the gas market through its distribution networks. In this sense, it has 11.1 million supply points and 137,567 km of network, being the leading company in Spain and in those regions of Latin America where it has a concession.

Energy management

This operating segment of the company, which is transversal to the two previous activities, encompasses the commercialisation of LNG and its transport by sea, the management of the Medgaz gas pipeline, as well as the management of gas supply and marketing to large energy-intensive consumers.

Upstream activities

The upstream activities of the company's value chain consist mainly of the supply of fuels and raw materials that will subsequently be used for electricity generation or the distribution of natural gas or biomethane to end customers.

SBM-1_26 The main raw materials purchased by the company are as follows:

- **Natural gas**: Naturgy has a diversified and flexible portfolio of 21 bcm through supply contracts, with review mechanisms in the event of price misalignment, which has turned Naturgy into a global operator with an important international profile.

  Naturgy has supply contracts with suppliers around the world, both in gaseous form (NG) and in the form of liquefied natural gas (LNG).

  Diversified sources of supply are accompanied by an integrated gas infrastructure aimed at providing business stability, operational flexibility, and enabling gas to be transported to the best business opportunities. This supply infrastructure consists of:
  - Seven LNG carriers with a 1.16 Mm^3 capacity.
  - 24.5% stake in the Medgaz gas pipeline.
  - Participation in the Ecoeléctrica regasification plant and the Qalhat liquefaction plant.
  - Leased storage capacity of 0.8 bcm.
- **Organic waste**: from the waste generated by the livestock and agri-food sector, mainly in Spain, as well as organic waste, wastewater and other industrial organic waste, the company obtains the raw material necessary for the generation of biomethane, a renewable alternative to fossil-based natural gas.
- **Fuel**: Naturgy imports fuel oil, which is then used in the generation plant in the Dominican Republic.
- **Water**: Naturgy uses this resource mainly for power generation in combined-cycle power stations, which have water management plans certified under the ISO 14001 standard. It should also be noted that most of the total water captured is returned to the environment.

- **Other materials, products and services**: In addition to the supplies necessary to provide natural gas and generate electricity, the company purchases various equipment necessary for operations and contracts for services.

Downstream activities

Downstream of Naturgy's value chain are the activities related to the commercialisation of gas, electricity and services to end customers and customer service.

In Spain, Naturgy markets energy and services through four marketers:

Deregulated Market	Residential, Communities of Owners and Businesses	Naturgy Iberia S.A. Naturgy Clientes S.A.U.
	Industrial	Gas Natural Comercializadora S.A.
Regulated Market	Residential, Communities of Owners and Businesses	Comercializadora Regulada Gas & Power S.A.

In this sense, Naturgy has marketed a total of 248.6 TWh of gas to more than 5.3 million customers in Spain, as well as a value of 20.6 TWh of electricity in that country for 3.9 million customers. Thus, Naturgy is positioned as a leading company in the sale of gas at national level and a reference in the electricity sector.

In Latin America, Naturgy markets and distributes gas to 5.7 million customers in Argentina, Brazil, Chile and Mexico and is present in five of the main cities in these countries. In relation to the distribution and marketing of electricity, Naturgy provides service in Argentina and Panama to 1.0 million customers.

SBM-1_27 Naturgy is firmly committed to favouring a quality customer experience, through a competitive and affordable commercial offer adapted to the needs of each consumer, and guaranteeing a personalised service based on agile and digital solutions that maximise self-service, through which Naturgy takes into account their interests, complaints and opinions. More information can be found in the section "Processes to remediate negative impacts and channels for consumers and end-users to raise concerns" of this Report.

Interests and views of stakeholders (SBM-2)

SBM-2_01 Stakeholder engagement

The development of Naturgy's business activity generates an impact on people, both positive and negative, whose correct management is essential to avoid or mitigate the possible damage that the company may generate, as well as to favour the various opportunities arising from its activity.

Naturgy understands that the way to advance in its strategy and achieve the above purpose is through collaboration with its different stakeholders. For this reason, the company systematically includes their vision in its decision-making process, through the establishment of two-way relationships and outreach channels. Thus, establishing trusting relationships based on transparency and the creation of shared value is key to the development of competitive advantages for Naturgy and to contributing to the development of the communities in which it operates.

SBM-2_02; SBM-2_03 As part of its strategy, Naturgy periodically reviews the identification and prioritisation of the company's main stakeholders. As a result of this exercise, Naturgy has currently defined the following priority stakeholders, with whom it carries out different relationship activities through different communication and outreach channels adapted to their characteristics and needs. The main stakeholders for Naturgy are as follows:

- Shareholders and investors.
- Affected communities.
- Consumers and end-users.
- Own workforce.
- Suppliers.
- Society.
- Associative entities.
- Business partners.
- Analysts.
- Market agents.
- Public administrations.
- Regulatory bodies.
- Funding groups.
- Insurance and reinsurance agencies.

SBM-2_04 The company's interaction with its stakeholders is approached differently depending on each group. In this regard, Naturgy carries out different direct dialogue initiatives, through outreach or consultation measures (continuous, periodic or specific), or indirectly, through the correct application of internal regulations or the development of mechanisms to integrate the views of society into the company's day-to-day business. Naturgy also has different channels for collecting the concerns and expectations of stakeholders, such as the telephone channel, e-mail and through social networks or the corporate website.

As an additional support to the company's collaboration exercise, in 1992 the Naturgy Foundation was set up, a non-profit organisation that carries out different projects to disseminate, educate, inform and raise awareness among the general public on matters related to energy, the environment and social action.

SBM-2_06 Stakeholders' expectations are duly collected and analysed, and are taken into account transversally in the company's strategy. On the one hand, knowing the impact that Naturgy may have on the different groups allows the definition of appropriate action plans to mitigate the potential negative effects that may arise. In addition, knowledge of market trends determines Naturgy's long-term roadmap, in line with its own ambitions to deepen the transformation of the sector. This Sustainability Report has been elaborated in view of these purposes and the perspectives of stakeholders.

SBM-2_07 To reflect the above aspects, Naturgy has carried out a double materiality assessment, in which it has integrated the results of the participation of stakeholders, as set out in the section "Description of the processes to determine and assess material impacts, risks and opportunities" of this chapter. The involvement of stakeholders in this exercise allows the company to know their opinions and concerns, especially about those aspects of Naturgy's strategy and business model that may potentially affect them.

SBM-2_05 In conclusion, Naturgy establishes a close relationship with its stakeholders with the aim of building trusting, stable, solid and mutually beneficial relationships with them, facilitating their involvement in its day-to-day operations, as well as addressing the impacts, risks and opportunities that its activity presents for them. This commitment is embodied in the Global Sustainability Policy, which establishes the common framework for action that guides the company's socially responsible behaviour, includes commitments to its different stakeholders and assumes the obligation to establish channels of dialogue. In addition, this Policy inspires the actions of third parties in the development of the activities they provide to the company.

Stakeholder governance

SBM-2_12 Stakeholder management depends functionally on Naturgy's Public Affairs and Sustainability Department, which reports directly to the company's chief executive. The Sustainability Commission and the Board of Directors are periodically informed about the operation of these outreach and relationship channels with stakeholders, as well as the results of the consultations raised and any notification from them.

Likewise, during 2024, Naturgy's directors have been informed about aspects such as employee and customer satisfaction levels, indicators of the level of attraction and commitment of employees, queries and communications received through corporate channels, especially the Code of Ethics.

It is also important to note that the Sustainability Commission has approved the double materiality assessment in ESG matters, as well as its final results. As mentioned above, the process of determining impacts, risks and opportunities integrates the opinions of stakeholders, which helps the governing bodies to be aware of their perspectives on sustainability issues.

SBM-2_08; SBM-2_09 As a result of this analysis and the ongoing relationship with stakeholders, improvement plans, actions or mitigation measures are carried out at the operational level to respond to their concerns (described throughout this Report) and, at the global level, they are taken into account in the preparation of the company's Strategic Plan and its updates, through the Sustainability Plans.

SBM-2_10; SBM-2_11 In particular, on 18 February 2025, the new 2025-2027 Strategic Plan was approved, which determines Naturgy's roadmap for the coming years, and reinforces the commitments made in the previous Plan, thus providing continuity to its responsibilities with stakeholders.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

Naturgy has carried out a double materiality assessment to identify those sustainability impacts, risks and opportunities that are related to its strategy and business model, and are derived from the activity of its own operations or its value chain.

SBM-3_11; SBM-3_12 During the execution of the double materiality assessment, the 37 subtopics defined by the European Sustainability Reporting Standards (ESRS), and 2 additional subtopics considered to be specific to the entity (innovation and cybersecurity) have been assessed. As a result, Naturgy has identified a total of 26 material subtopics, 9 of which are considered to be of particular relevance for the company, and material from both the impact and financial perspective:

- Energy.
- Mitigation of change.
- Adaptation to climate change.
- Impacts on species status.
- Resource inputs, including resource utilisation.
- Information-related impacts for consumers and/or end users.
- Corporate culture.
- Corruption and bribery.
- Cybersecurity.

Associated with the different sub-topics, Naturgy has identified 53 impacts (impact materiality), 12 risks and 13 opportunities (financial materiality).

In 2023, a list of impacts, risks and opportunities was not disclosed, although a materiality assessment was performed, where ten relevant environmental, social, governance and financial issues were identified.

SBM-3_01; SBM-3_02The following tables describe the impacts, risks and opportunities considered material, grouped by the ESG topics and subtopics defined by the ESRS, as well as those that are specific to the company (categorised as "Other"). They contain the following information:

- SBM-3_07 The stage where the impact, risk or opportunity occurs, that is, own operations, upstream, downstream or the entire value chain. Additionally, the business (electricity or gas) to which it is related is indicated, thus providing greater detail on its relationship with Naturgy's business model.
- SBM-3_06 The time horizon in which the impact, risk or opportunity is expected to materialise, that is, at present, or in the short, medium or long term, which have been defined in section "Information in relation to specific circumstances" of this chapter.

SBM-3_03 In addition, throughout the different chapters of this Report, the effects that these impacts, risks and opportunities, both current and in the different time horizons analysed, have or may have on Naturgy's strategy, business model, decision-making or value chain are detailed, as well as the different initiatives that the company carries out to manage them appropriately.

SBM-3_04; SBM-3_05 In the particular case of material impacts, the information gathered in the different chapters includes how these relate to Naturgy's strategy, and the benefit or detriment, as applicable, that they may generate on the environment and people.

SBM-3_08; SBM-3_09 The double materiality assessment performed by Naturgy does not identify significant impacts or risks in the short-term, and therefore does not induce an impact in terms of situation, financial performance and cash flows and considers that there is no significant risk of a material adjustment in the next financial year to the carrying amounts of the assets and liabilities recognised in the corresponding financial statements.

On the other hand, regarding the disclosure of expected financial effects for sustainability risks and opportunities, Naturgy makes use of the transitional provision contained in ESRS 1, appendix C.

In any case, see also note 2.4.25 k "Climate change and Paris Agreement" of the 2024 Annual Consolidated Financial Report, which details the analysis performed on the effects of climate change on the financial statements in the year.

SBM-3_10 At the end of this section, Naturgy's analysis of the resilience of its strategy and business model with respect to material impacts, risks and opportunities, including the assumptions used and the results obtained, has been reported.

▪ Environment

		Value chain [2][3]	Business [4]	Time horizon [5]
CLIMATE CHANGE				
Climate change adaptation				
P.I.[1]	Adaptation to the effects of possible droughts derived from climate change through the regulatory capacity of the reservoirs associated to hydroelectric power stations, which provide protection against floods due to intense rains and droughts mitigation	OO	Electricity	Current
R	Damage to facilities, loss of production, and/or prolonged interruption of power generation and distribution businesses due to extreme winds, tropical cyclones, floods, extreme rainfall, and fires.	VC	Both	Short-term
Climate change mitigation				

N.I.	Impact on climate change due to direct GHG emissions (scope 1).	OO	Both	Current
	Impact on climate change due to indirect GHG emissions associated to energy (scope 2).	OO	Electricity	Current
	Impact on climate change due to indirect GHG emissions (scope 3).	VC	Gas	Current
R	Displacement of natural gas due to climate policies and regulations (taxes, emissions trading systems, carbon pricing).	VC	Both	Short-term
	Litigation and sanctions related to an alleged liability of the company or sector in relation to the effects of climate change.	VC	Both	Short-term
Energy				
N.I.	Impact due to the depletion of fossil fuels (natural gas and, to a lesser extent, petroleum derivatives).	VC	Both	Current
P.I.	Contribution to the energy transition and the decarbonisation of the economy by replacing fossil energies with renewable energies (wind, solar, biomethane, hydrogen).	OO	Both	Current
O	Regulatory impulse of the development of biomethane and green hydrogen as an energy vector for storage and blending in gas networks in order to guarantee their sustainability in a decarbonised future.	VC	Gas	Medium-term
	Regulatory impulse of the development of renewable electricity generation projects.	OO	Electricity	Short-term
	Regulatory impulse of new energy storage projects (reversible hydroelectric plants, batteries, etc.) to support renewable generation mixes.	OO	Electricity	Medium-term
	Regulatory impulse that leads to an improvement of electricity grids through their digitalization.	OO	Electricity	Short-term
	Regulatory impulse of new business models based on energy efficiency, distributed generation, decarbonised energy sale, etc.	OO	Both	Short-term
POLLUTION				
Pollution of air				
N.I.(1)	Air pollution due to natural gas usage by customers: NOx emissions (all) and other pollutants to a lesser extent (VOCs, Hg, etc.) are generated. NOx and VOC emissions can contribute to the generation of ozone in the environment.	Downstream	Gas	Current
O	Improve air quality by replacing coal or petroleum derivatives with natural gas and electricity in cities with air pollution.	Downstream	Both	Short-term
Pollution of water				
N.I.	Water quality impairment and impacts on ecosystems and local communities in the vicinity of facilities dedicated to the extraction and processing of the fossil fuels used (mainly natural gas and, to a lesser extent, petroleum derivatives) and in the value chain of the equipment used in new projects (solar panels, etc.) due to spills (oil spills, pipelines breakage, leaks, chemicals, hazardous substances).	Upstream	Both	Current
WATER AND MARINE RESOURCES				
WATER				
P.I.(1)	Freshwater consumption reduction in water stress areas due to the use of reused water as input water to combined-cycle power stations (Mexico, CCPS Naco, Hermosillo and Durango, and Spain, CCPS Málaga) or by the use of seawater in cooling in combined-cycle power plants, several of them located in water stress areas.	OO	Electricity	Current
R	Electricity production reduction in water stress areas in hydroelectric or thermal power stations that use freshwater. Increases in costs due to the increase in the price of water.	OO	Electricity	Short-term
BIODIVERSITY AND ECOSYSTEMS				
Direct impact drivers of biodiversity loss				
N.I.(1)	Biodiversity loss due to the occupation of the terrestrial ecosystem and land-use change due to the construction of new infrastructures (photovoltaic plants, electricity grids), as well as hydroelectric power plants constructed in the past, which produced land- and freshwater-use changes.	OO	Both	Current
	Immediate biodiversity loss due to habitat destruction caused by clearing, land-use change and occupation linked to the necessary operations for the supply of fuels, materials and equipment.	Upstream	Both	Current

Impacts on the state of species				
N.I.	Deterioration in the state of species, with special relevance for endangered species, mainly in wind farms (collision of birds and bats), power lines (collision and electrocution of birds), photovoltaic plants (impact on steppe birds) and hydropower plants (aquatic species).	OO	Electricity	Current
R	Sanctions or operational losses associated to impacts on endangered species. Delay in the authorisation of new projects or increase in development and operation costs due to stricter nature protection requirements. Decrease in revenue from hydropower generation due to stricter ecological flow criteria. Loss in brand value related to negative impacts on biodiversity.	OO	Electricity	Short-term
Impacts on the extent and condition of ecosystems				
N.I.	Ecosystems deterioration due to climate change caused by greenhouse gas emissions.	VC	Both	Current
RESOURCE USE AND CIRCULAR ECONOMY				
Resources inflows, including resource use				
N.I.(1)	Use of materials and resources for manufacturing the necessary equipment for operations (wind turbines, photovoltaic panels, pipelines, wires, supports, tanks, etc.). Special emphasis on equipment that requires the use of critical minerals.	Upstream	Both	Current
R	Cost increase and delays of new projects due to situations of shortage of raw materials, specifically critical minerals.	Upstream	Both	Long-term
Waste				
N.I.	Waste generation produced in the value chain of fuels, materials and equipment used.	Upstream	Both	Current

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

- **Social**

		Value chain (2)(3)	Business (4)	Time horizon (5)
OWN WORKERS				
Working conditions				
N.I.[1]	Increased accident rate due to long working shifts, usually to ensure continuity of operations.	OO	Both	Long-term
N.I.[1]	Restriction of the right of workers to join a trade union or engage in collective bargaining.	OO	Both	Long-term
N.I.[1]	Increase in critical accidents/incidents (death, serious injuries, etc.) due to inadequate management of occupational risk prevention.	OO	Both	Long-term
N.I.[1]	Increased psychosocial risks due to poor work-life balance.	OO	Both	Long-term
P.I.	Promote a safe working environment through occupational health and safety management and training (preventive culture).	OO	Both	Current
P.I.	Reduction of the accident rate through the implementation and adequate management of an Occupational Health and Safety Management System (OHSMS).	OO	Both	Current
P.I.	Improvement of working conditions through social benefits for employees, e.g. life insurance, health insurance, disability cover, pension plan, remuneration in the form of company shares, etc.	OO	Both	Current
P.I.	Promotion of professional development through training initiatives and career plans.	OO	Both	Current
P.I.	Contribute to permanent employment and the payment of living wages above average wages.	OO	Both	Current
Equal treatment and opportunities for all				
N.I.	Discrimination on the basis of race, colour, gender, disability, religion, etc., due to lack of effective protocols against it and/or lack of training of workers on equality and non-discrimination.	OO	Both	Long-term
P.I.	Promoting inclusion and equity in those territories where the company is present, encouraging an inclusive corporate culture.	OO	Both	Current
VALUE CHAIN WORKERS				
Working conditions				
N.I.[1]	Precarious work due to non-compliance with minimum working conditions and occupational health and safety management by suppliers.	VC	Both	Current
N.I.[1]	Increase in accidents/incidents associated with work overload due to the demands of the company.	VC	Both	Current
N.I.[1]	Increase in critical accidents/incidents (fatalities, serious injuries, etc.) associated with the execution of operational activities classified as high risk.	VC	Both	Short-term
O	Working with local/national suppliers contributes positively to the economic development of communities.	VC	Both	Short-term
Equal treatment and opportunities for all				
N.I.	Discrimination on the basis of race, colour, gender, disability, religion, etc., due to lack of effective anti-discrimination protocols and/or training of workers on equality and non-discrimination, especially in countries with a high rate of discrimination.	VC	Both	Short-term
N.I.	Exclusion of candidates from local communities in recruitment favourable to a dominant ethnic group or migrant workers.	VC	Both	Short-term
P.I.	Encourage an inclusive culture by promoting inclusion and equity in those territories where the company operates.	VC	Both	Current
AFFECTED COMMUNITIES				
Communities' economic, social and cultural rights				

N.I.[1]	Affecting human health due to the emission of atmospheric pollutants derived from the activity of the company and the value chain.	VC	Both	Current
	Affecting the well-being of local communities through noise pollution from activities causing problems to health and well-being, both physical and mental.	OO	Both	Current
P.I.	Dynamisation of the economy and contribution to the GDP of the regions where the company operates derived from the contribution of profits (taxes, infrastructures, community development programmes).	VC	Both	Current
	Promoting the creation of local employment in the construction and operation phases of the infrastructures.	VC	Both	Current
	Promoting the employment of minorities and vulnerable groups.	VC	Both	Current
Rights of indigenous people				
N.I.	Displacement of local communities and violation of the territorial rights of indigenous communities through infrastructure projects that may require large extensions of land.	VC	Electricity	Medium-term
	Put at risk the cultural heritage, traditional knowledge and/or spiritual sites of indigenous communities due to project activities.	VC	Electricity	Medium-term
	Non-compliance with recognising the right of indigenous communities to maintain their customs and social practices, as well as the ownership of those territories that have been legally granted to them, according to the provisions of Convention 169 of the International Labour Organisation (ILO).	VC	Electricity	Medium-term
CONSUMERS AND END-USERS				
Information-related impacts for consumers and/or end-users				
N.I.[1]	Violation in the processing of personal data.	VC	Both	Current
P.I.	Increase data availability and improve security and operational efficiency for the customer experience through the digital transition.	OO	Both	Current
	Guarantee the protection of personal data through a policy based on an appropriate management system.	OO	Both	Current
R	Complaints from customers about contract changes without the user's consent.	Downstream	Both	Short-term
	Infringements related to data protection law.	Downstream	Both	Short-term
Social inclusion of consumers and/or end-users				
PI..	Reducing energy poverty through a energy vulnerability plan to facilitate payment and the development of all the necessary operations to speed up the procedures to prioritise people in vulnerable situations.	Downstream	Gas	Current
O	The development of new and efficient services allows for the generation of new customers (self-consumption, energy efficiency).	Downstream	Both	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

- ## Governance

		Value chain (2)(3)	Business (4)	Time horizon (5)
BUSINESS CONDUCT				
Corporate culture				
P.I. (1)	Increased stakeholder trust through the promotion of an ethical culture.	VC	Both	Current
O	Attraction of business/financing opportunities by applying responsible practices as a company standard.	OO	Both	Medium-term
	Reduced fines and penalties resulting from having a regulatory framework based on ethics and compliance.	OO	Both	Medium-term
Protection of whistle-blowers				
P.I.	Increased trust of complainants given the correct resolution/ management of the complaints/enquiries made.	VC	Both	Current
Political engagement and lobbying activities				
N.I.	Lobbying activities to influence the passing of laws that are favourable to the company's interests.	VC	Both	Current
P.I.	Encourage the development of certain countries through private initiative (investments, etc.).	VC	Both	Medium-term
R	Regulation with a negative impact on the company's medium-term strategy.	OO	Both	Medium-term
Management of relationships with suppliers including payment practices				
P.I.	Contribution to sustainability through the environmental and social evaluation of new suppliers under ESG criteria for their subsequent selection.	VC	Both	Current
	Development and consolidation of long-term relationships with suppliers of products and services.	VC	Both	Current
Corruption and bribery				
P.I.	Decreasing corruption through communication and training on anti-corruption policies and procedures to reinforce the culture of ethics and integrity in the company.	OO	Both	Current
R	Theft of relevant company material and/or information.	OO	Both	Short-term
	Internal fraud.	OO	Both	Short-term
O	Maintenance of a certified and third-party audited management system to support regulatory compliance and the crime prevention model.	OO	Both	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

- **Others**

		Value chain (2)(3)	Business (4)	Time horizon (5)
OTHERS				
Innovation				
O (1)	Reduced costs and carbon footprint due to investment in the development of new technologies.	OO	Both	Current
	Development of innovation projects to favour the energy transition in renewable gases, energy efficiency, sustainable mobility, etc.	OO	Both	Current
Cybersegurity				
N.I.	Loss of personal data due to cybersecurity breaches.	OO	Both	Current
P.I.	Ensure the right to data protection through a personal data protection policy.	OO	Both	Current
R	Increased costs and loss of trust and reputation due to security breaches of company information, both personal and critical operational information.	OO	Both	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section "Naturgy and its value chain". The term "VC" has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities "Gas", "Electricity" and "Both" are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the "Current" category are those that have occurred the present year, and thus no time horizon applies.

Resilience of Naturgy's strategy and business model SBM-3_10

Context analysis and methodology

In order to analyse the capacity of Naturgy's strategy and business model to address material impacts and risks and to take advantage of material opportunities, the company has taken into account how the different ESG issues, included in the ESRS, may induce significant risks for the company's operations (including all types of its assets), as well as for its value chain, regardless of the nature of its activity and the geography where it is located.

This assessment is based on the results obtained in the double materiality assessment, which not only takes into account the possible external risks that may affect Naturgy (financial materiality), but also studies the potential strategic or business model adaptations that the company should carry out to reduce its impact on the outside world (impact materiality). In order to maximise knowledge of the company's real situation and reduce potential bias, the perspectives of Naturgy's different stakeholders have been integrated.

In addition, this resilience analysis is supported by other more specific assessments, in order to have the maximum detail, highlighting:

- Due diligence processes.
- Analysis of climate change risks and opportunities.
- Nature risk analysis according to the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).
- Analysis of risks related to suppliers, by purchasing category.

- Process safety risk analysis (occupational health and safety).

The time horizons used during the study are those specified in section Disclosures in relation to specific circumstances. of this chapter.

Results of the resilience analysis

Resilience in the environmental field

In order to analyse Naturgy's environmental resilience, technological advances, regulation and sources of financing to undertake the investment plans necessary to contribute to the energy transition have been taken into consideration. The most relevant issues considered have been:

- Emissions of greenhouse gases (GHG) and other pollutants and their relation to climate change.
- Renewable generation.
- Resource consumption, especially water, and the principles of the circular economy.
- Net loss of biodiversity.

Naturgy considers that one of the issues of greatest concern both internally and externally, in relation to the environment, is climate change. The company has carried out a specific and focused analysis on this issue, the results of which can be consulted in the chapter "Climate change".

From an impact perspective, it has been observed that the contribution to climate change derives mainly from GHG emissions associated with the company's non-renewable gas activity and its value chain, that is, the non-renewable electricity supply and generation phases, the gas distribution activity and the downstream consumption of natural gas by customers.

In contrast, from a financial impact perspective, climate change can be detrimental to the company in two main ways: through temporary adverse conditions in the medium and long term, which can directly affect business continuity, or through a technological or regulatory change, which generates the need for sudden adaptation to a socio-economic situation that is more adverse than the current one, in terms of operating capacity and resulting revenues.

For this reason, Naturgy is accelerating the transformation of its business portfolio since 2018, the year in which it was decided to close the coal-fired power generation plants and set the guidelines on which successive strategic plans have been based, focusing on renewable energies for electricity generation, the development of renewable gases (biomethane and hydrogen) for the entire gas value chain and the electricity and gas network businesses. This roadmap has enabled to reduce total GHG emissions by 27% in the period 2017-2024, to reach 75% CAPEX alignment according to the Taxonomy Regulation, in 2024 (74% in 2023), and to decouple EBITDA generation in a sustained manner in recent years. The approved Climate Transition Plan is underpinned by the same pillars that were established in 2018 to contribute to the energy transition.

In environmental terms, beyond climate change, biodiversity is at the centre of the main non-climate impacts, risks and opportunities, as both factors are interrelated. The chapter "Biodiversity and ecosystems" of this report includes the risk analysis carried out following the TNFD recommendations.

In terms of ecosystem dependency, water availability and regulation become particularly relevant in a context of increasing scarcity due to climate change. This particularly impacts infrastructures such as hydroelectric and thermal power plants that require fresh water for their operation. However, Naturgy's strategy prioritises renewable technologies that do not depend on water or alternatives for the use of reused water or seawater, significantly mitigating these risks. These impacts and dependencies may generate risks associated with the impact on endangered species and the tightening of biodiversity protection regulations, which could result in delays in the authorisation of projects, higher operational and development costs, reduced revenues or even reputational risks.

Consequently, Naturgy integrates the environmental variable in all its activities. On the one hand, from the design and construction stage of the facilities, prior environmental impact assessments are carried out, which must be approved by the competent authorities, paying special attention to the availability of water in the regions where they are located, and the potential damage they could cause to this resource and to the environment in general. On the other hand, the company has developed an environmental management system, which is externally audited and certified under the ISO 14001 standard, which is articulated around environmental indicators and objectives to monitor the different processes and promote their continuous improvement. In this way, Naturgy aims to reduce its dependence on natural resources and opt for lower impact alternatives, while maintaining the level of service to its customers.

Resilience in the social field

Naturgy, as a company with an international presence, recognises the importance of integrating all stakeholders in its, present and future, project as the driving force to achieve its objectives and is committed to the Human Rights of all people with whom it relates, whether employees or third parties, in accordance with the principles expressed in the Universal Declaration of Human Rights of the United Nations and in the Declaration of the International Labour Organisation (ILO) and other international frameworks of reference. Thus, Naturgy's resilience in relation to society has been assessed with respect to three aspects:

- Human capital.
- Naturgy and its relationship with the affected groups.
- A customer-focused business.

On the one hand, the company has analysed its dependence on human capital, and how its management can induce or, on the contrary, avoid significant damage to its own staff and workers in the value chain. With regard to its own workforce, the issues considered most relevant are the management of working conditions and equal treatment and opportunities.

With regard to working conditions, Naturgy assesses the risks associated with the work carried out in its own facilities, within the framework of its Occupational Health and Safety Management System (OHSMS), which is externally audited and certified by the ISO 45001 standard. This system includes, in particular, the necessary action plans to address the most critical risks, as is the case of the current Health and Safety Plan 2024-2025.

With regard to equal treatment and opportunities, Naturgy rejects any kind of discrimination on the grounds of ideology, religion, belief, ethnicity, race, nation, gender, sexual orientation, family situation, illness or disability and has policies and management measures aimed at ensuring the materialisation of this commitment; it also extends this same commitment to all workers in the value chain through the Supplier Code of Ethics.

On the other hand, Naturgy faces the challenge of transmitting its corporate culture to all its employees, particularly in terms of sustainability, as well as fostering their professional development. This is why the group has a training programme, which is implemented through the Corporate University, and whose management system is certified in accordance with the ISO 9001:2015 standard. In parallel, it is worth highlighting other talent development programmes such as "Flex&Lead" or "Transforma", through which Naturgy incorporates young profiles with and without work experience, especially women.

While human capital is a fundamental asset for Naturgy, the resilience analysis also focuses on how the company's activity could have an impact on the community, that is, those groups living in the vicinity of its operations. Naturgy has analysed, in particular, whether the construction or operation of its assets may impact local communities or indigenous peoples. The possible impact on local communities is closely related to the management of biodiversity and ecosystems.

Thus, for the installation of the company's various generation and distribution assets, it is necessary to acquire land. In addition, the very operation of the facilities may have a negative impact due to various nuisances arising from this activity. To avoid significant damage and guarantee respect for local and indigenous rights, Naturgy has developed a Social Relationship Model (SRM), based on the recognition and protection of local values and knowledge, and which establishes the tools for dialogue with the groups to ascertain their perspectives, as well as other initiatives to generate value such as the promotion of local employment or training.

Finally, in the social sphere, Naturgy has analysed the resilience of its strategy and business model with respect to its customers, as one of its main stakeholders. In this sense, offering affordable and environmentally friendly energy products and services and personalised attention to the needs of consumers, ensuring supply at all times, are the priorities of the commercialisation activity.

In the context of a climate transition towards a low-carbon economy, an imbalance in any of these priorities could imply a loss of confidence on the part of users and, consequently, a significant reduction in the company's revenues. That is why Naturgy, in addition to developing specific initiatives to achieve its energy transition objectives, as previously mentioned, has a quality management system certified to ISO 9001 standard, relating to the marketing of services and the management of gas and electricity distribution networks.

On the other hand, customers' trust in the company may also be affected by other adversities, such as the improper processing of personal data, due to security breaches or individual negligence. To prevent and mitigate this, Naturgy has established a Global Personal Data Protection Policy, which includes the basic principles of action to ensure the correct treatment of personal data from the time it is collected until it is deleted.

Resilience in the governance field

In relation to the material impacts and risks arising from matters related to business conduct, Naturgy has determined that the most critical issues for its strategy and business model in this regard are supplier management, possible cases of corruption, bribery and/or fraud of its own employees and cybersecurity.

In the first two cases, Naturgy's position is robust, with different prevention, adaptation and correction measures. Thus, within the framework of the compliance management model, the company assesses the degree of compliance with its internal regulations on corporate governance, highlighting the Code of Ethics and its associated policies, in particular:

- Compliance Policy.
- Counterparty Due Diligence Procedure.
- Anti-corruption policy.

These internal rules are supervised periodically, and their application is supported by mechanisms such as the Criminal Prevention Model, whistleblowing channels, the Counterparty Due Diligence Procedure, and outreach and training actions, among others. In any case, the supervisory bodies act swiftly and effectively to implement the corrective or sanctioning actions they deem appropriate.

In parallel, supplier management is also exercised specifically through Naturgy's purchasing model. Firstly, the company establishes the internal regulations governing its relationship with suppliers, which must be complied with by them. Subsequently, it evaluates the different suppliers according to different risk factors, additionally requiring the approval of those candidates who must carry out activities classified as critical.

Once selected and contracted, suppliers are subject to different monitoring and follow-up mechanisms, including the ESG audit process, as a result of which possible breaches of internal regulations or of the environmental specifications required by Naturgy are detected, and the relevant corrective measures are established to remedy the damage caused, which may lead to the termination of commercial relations if the measures imposed are not implemented.

More information on Naturgy's relationship with its suppliers can be found in section "Management of the relationship with suppliers" in chapter 4 of this Report.

Finally, a matter of relevance for Naturgy is cybersecurity. The rapid progress in the development and implementation of new technologies at all levels of society implies an inherent increase in the number of vulnerabilities that companies must identify and remedy. Naturgy's ability to prevent and correct this problem is reflected in the Cybersecurity Plan, which makes use of cutting-edge measures to reduce the risk to which corporate information is exposed, both for internal use and for processing by third parties. Further details can be found in the section on "Cybersecurity" in Chapter 5 of this Report.

Conclusions of the analysis

In accordance with the above, Naturgy considers that it is well positioned to address impacts and risks thanks to its focus on diversification of the energy portfolio, optimisation of operations, the management systems it has in place, regulatory compliance and risk management.

The company remains committed to sustainability, continuity and quality of supply at affordable prices, being part of a future where renewable energies are gradually gaining ground, without neglecting the importance of fossil fuels as transitional energy and always from the perspective of working with a focus on people and their well-being and with a way of doing business based on ethical principles and integrity.

4. Impact, risk and opportunity management

Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1)

Double materiality assessment: methodology and sources of information

IRO-1_04 To determine which environmental, social and governance (ESG) matters are related to the company's activity, strategy and business model, and therefore subject to reporting, Naturgy has carried out, in 2024, a double materiality assessment that has taken into account the operations carried out by its business partners along the value chain, thus obtaining a holistic view of Naturgy's relationship with the natural environment and society as a whole, as well as an assessment of the degree of implementation of its corporate culture.

IRO-1_01 In particular, the determination of material impacts, risks and opportunities is based on the provisions of the European Sustainability Reporting Standards (ESRS), ESRS 1, Application Requirement 16, which provides a list of ESG topics, subtopics and sub-subtopics to be considered by the company.

The process of determining material impacts, risks and opportunities integrates two complementary perspectives:

- Inside-out view (hereafter **impact materiality**): analyses how the company's activity impacts on the environment and society and how this impact is perceived by the different stakeholders.
- Outside-in view (hereafter **financial materiality**): analyses how sustainability issues affect the company's performance, how they can affect value creation and how these issues are perceived by financial stakeholders.

IRO-1_14 During the analysis, the following sources of information have been taken into account: the sustainability and financial reports of different energy companies operating in the main countries where Naturgy operates; various regulatory initiatives, both mandatory and voluntary, applicable to the gas and electricity utilities and electricity generation sectors, as well as a representative number of news articles. All of this in the main geographies where the company operates. In addition, the company has also used the international sustainability standards Global Reporting Initiative (GRI Standards) and the Sustainability Accounting Standards Board (SASB) as a reference.

IRO-1_05 To determine the materiality of the different impacts, risks and opportunities, the perspectives of the company's stakeholders have been integrated. To this end, the company set up a transversal working group of experts from the main business and corporate areas of Naturgy. The members of the working team assumed the role of representatives of the main stakeholders, integrating into the double materiality assessment the perspective of each of them in relation to the impacts, risks and opportunities identified.

Additionally, Naturgy considers that the sources of information used are also relevant when integrating stakeholders in the analysis. On the one hand, financial reports as well as mandatory regulations and regulatory bodies are considered representative sources for incorporating the expectations of investors and shareholders into the analysis and allow for understanding financial materiality. On the other hand, sustainability reports, news and voluntary regulatory initiatives incorporate issues that are relevant to other stakeholders and facilitate the understanding of impact materiality.

IRO-1_15 The methodology for performing the double materiality assessment has been updated with respect to the previous year. The process has been aligned with section 3 of ESRS 1. Thus, these recommendations have been integrated when establishing materiality thresholds to determine the material impacts, risks and opportunities, which allows for a more accurate assessment of the issues that apply to the company. In addition, in 2024, the stakeholder perspective has been integrated in a more direct way.

Impact Materiality and Financial Materiality IRO-1_02; IRO-1_07

IRO-1_06 Firstly, it was analysed the **materiality from an impact perspective**, each impact has been classified according to whether it is positive or negative and whether it is actual or potential. The following factors have also been assessed:

- **Scale:** analyses the severity or benefit of the negative or positive impact analysed, respectively.
- **Scope:** studies the extent of the impact, both in terms of location and people affected.

In addition, in the case of negative impacts, their **irremediable character** is analysed, that is, the difficulty associated with repairing the damage generated to society and the environment. These two or three factors, for negative impacts, measure the **severity** of the impact, and can take as possible values, whole numbers between one and five, inclusive.

Finally, regardless of the positive or negative nature of the impact, in the case of a potential impact, the probability of it occurring in the short, medium or long term is analysed, and a real value between 0.1 (highly unlikely) and 1 (very likely) is assigned. In any case, for those potential negative impacts that have an effect on human rights, severity will prevail over probability.

The combination of severity and probability (as applicable) has allowed Naturgy to assign a materiality value to each impact, considering that these will be material when this value is higher than 2, that is, the impact materiality threshold.

IRO-1_08 In the next phase, ESG risks and opportunities have been identified and assessed. During this exercise, the connections and interrelation that these may have with the impacts previously identified have been taken into account, as well as with the possible dependencies that may exist on natural, human, financial or other resources. Taking the above into account, Naturgy has identified the types of assets and/or business activities that generate material impacts and dependencies, and has studied, reciprocally, what potential risks and opportunities could arise as a result.

IRO-1_09 During the analysis of **materiality from a financial perspective**, all risks and opportunities analysed have been considered as potential, and therefore the assessment has been made taking into account the **scale**, which measures the potential magnitude of the financial effects associated with them, and the **probability** of occurrence over different time horizons. Both factors are measured according to values analogous to impact materiality.

On the basis of the scale and probability factors, Naturgy has assigned a materiality value to each risk and opportunity, considering these to be material when the figure is greater than 1, in other words, the financial materiality threshold.

IRO-1_10 On the other hand, Naturgy counts on a risk management model that analyses the global risk profile of the company and integrates ESG risks among its typologies. Nonetheless, within the framework of the double materiality analysis from the financial perspective, the company has carried out the identification of potential risks associated with sustainability issues with a greater degree of detail and granularity than that used in the corporate risk map. In this regard, the company gives priority to sustainability-related risks in this particular context.

IRO-1_03 Additionally, during the dual double materiality assessment, the company has analysed whether each impact, risk and opportunity is more frequent or likely to occur in a specific stage of the value chain or in certain geographies, or whether they occur in a generalised manner in all stages of the value chain and are transversal to Naturgy's geographies and operating businesses.

As stated in the section "Material impacts, risks and opportunities and their interaction with strategy and business model" of this Report, most of the impacts, risks and opportunities assessed have been identified as applying to all stages of the value chain, all businesses and geographies. Those impacts, risks and opportunities identified for specific stages of the value chain or specific to a particular business and geography are conveniently indicated throughout the different chapters of this Report, in the sections listing the material impacts, risks and opportunities identified for each material subtopic.

As result of the analysis described above, it has been possible to establish the definitive list of the company's material impacts, risks and opportunities, presented in the previous section.

Materiality and its relation to the governing bodies

IRO-1_11 The Sustainability Commission is the body in charge of supervising the double materiality assessment and approving its results. This activity is complemented by the work of the Audit and Control Committee, which is responsible for reviewing the company's sustainability risks, as well as the systems for controlling them.

IRO-1_12; IRO-1_13 Furthermore, the results of the double materiality assessment are integrated with the group's risk assessment. In the medium and long term, the issues identified as material could come to represent a management risk for Naturgy.

The methodology and process followed in performing the double materiality assessment is reviewed by the auditor in charge of the verification of the report who assesses the alignment of the process followed with the ESRS and the recommendations of the European Financial Reporting Advisory Group (EFRAG).

Disclosure requirements in ESRS covered by the undertaking’s sustainability statement (IRO-2)

IRO-2_13 Naturgy has adapted its Sustainability Report to the requirements derived from the ESRS based on the double materiality assessment carried out, taking into account the recommendations provided by EFRAG regarding the application of thresholds for each impact, risk and opportunity. As a result of this analysis, Naturgy has assessed the ESRS and respective disclosure requirements that are material. In this sense, it has been concluded that the ten thematic standards are applicable to the company together with ESRS 2, which is not subject to materiality, but is mandatory and transversal to all companies included in the scope of the CSRD directive.

However, for the topics of "Pollution" and "Resource use and circular economy", only material impacts, risks and opportunities have been identified in the upstream and downstream activities of the value chain, but not in the scope of Naturgy's own operations. Given that the company avails itself of the transitional provision expressed in section 10.2 of ESRS 1, which allows the information corresponding to the value chain to be omitted during the first three years of application of the ESRS, for these standards Naturgy only discloses the information corresponding to the disclosure requirement relating to the processes for determining the material impacts, risks and opportunities for both topics.

- **List of the Disclosure Requirements complied with in preparing the reporting** [IRO-2_02]

ESRS		Disclosure Requirements	Pages
GENERAL DISCLOSURES			
ESRS 2 - General Disclosures	BP-1	General basis for preparation of sustainability statements	6-7
	BP-2	Disclosures in relation to specific circumstances	7-11
	GOV-1	The role of the administrative, management and supervisory bodies	12-25
	GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	25-26
	GOV-3	Integration of sustainability-related performance in incentive schemes	26-28
	GOV-4	Statement on due diligence	28-29
	GOV-5	Risk management and internal controls over sustainability reporting	29-32
	SBM-1	Strategy, business model and value chain	33-48
	SBM-2	Interests and views of stakeholders	48-50
	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	50-61
	IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	62-64
	IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	64-75
Environment			
ESRS E1 - Climate Change	E1.GOV-3	Integration of sustainability-related performance in incentive schemes	103-104
	E1-1	Transition plan for climate change mitigation	104-109
	E1.SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	109-119
	E1.IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	120-123
	E1-2	Policies related to climate change mitigation and adaptation	124
	E1-3	Actions and resources in relation to climate change policies	124-133
	E1-4	Targets related to climate change mitigation and adaptation	134-141
	E1-5	Energy consumption and mix	141-143
	E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	144-154
	E1-7	GHG removals and GHG mitigation projects financed through carbon credits	154-156
	E1-8	Internal carbon pricing	156-157
	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Phase-in provision
ESRS E2 - Pollution	E2.IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	160-161

ESRS E3 - Water and marine resources	E3.IRO-1	Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	162-163
	E3-1	Policies related to water and marine resources	163
	E3-2	Actions and resources related to water and marine resources	163-164
	E3-3	Targets related to water and marine resources	164-165
	E3-4	Water consumption	165-168
	E3-5	Anticipated financial effects from water and marine resources-related impacts, risks and opportunities	Phase-in provision
ESRS E4 - Biodiversity and ecosystems	E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy	169-170
	E4.SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	170-177
	E4.IRO-1	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	178-180
	E4-2	Policies related to biodiversity and ecosystems	180-181
	E4-3	Actions and resources related to biodiversity and ecosystems	182-185
	E4-4	Targets related to biodiversity and ecosystems	185-188
	E4-5	Impact metrics related to biodiversity and ecosystems change	189-193
	E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	Phase-in provision
ESRS E5 - Resource use and circular economy	E5.IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	194-195

- **List of datapoints in cross-cutting and topical standards that derive from other EU legislation IRO-2_01**

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law	Pages
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 (5), Annex II		16
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		12
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				28-29
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicator number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (6)Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		34
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 (7), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818 (7), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	104

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law	Pages
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		104
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		135, 137
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				141-142
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				141-142
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				143
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	ndicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		145

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law	Pages
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		149
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	154-155
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Reglamento Delegado (UE) 2020/1818, anexo II Reglamento Delegado (UE) 2020/1816, anexo II		Phase-in provision, ESRS 1, appendix C
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Phase-in provision, ESRS 1, appendix C
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Phase-in provision, ESRS 1, appendix C
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Phase-in provision, ESRS 1, appendix C

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law	Pages
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				Not material
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				163
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table #2 of Annex 1				No applicable
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				163
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				166
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				167-168
ESRS 2- IRO 1 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				174-177
ESRS 2- IRO 1 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				172
ESRS 2- IRO 1 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				172
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				181
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				181
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				181
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				Not material
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				Not material

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law	Pages
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex 1				198
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (G)	Indicator number 12 Table #3 of Annex 1				198
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				199
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		199
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex 1				199
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex 1				200
ESRS S1-3 grievance/ complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex 1				203-204
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		232
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex 1				232
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		233
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex 1				233
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex 1				234

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law	Pages
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		234
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				236
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				238-239
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				237-239
ESRS S2-1Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		238
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		238
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				242
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				254
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		254
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				265

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law	Pages
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				270
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		271
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				279
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				292
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				295
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)		303
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				303

02. Environment

UE Taxonomy Report UE (Regulation 2020/852) and sustainable financing

Introduction

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

In particular, it pursues the following environmental objectives:

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

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

The Taxonomy establishes two types of activity:

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

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

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

Scope of the report

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

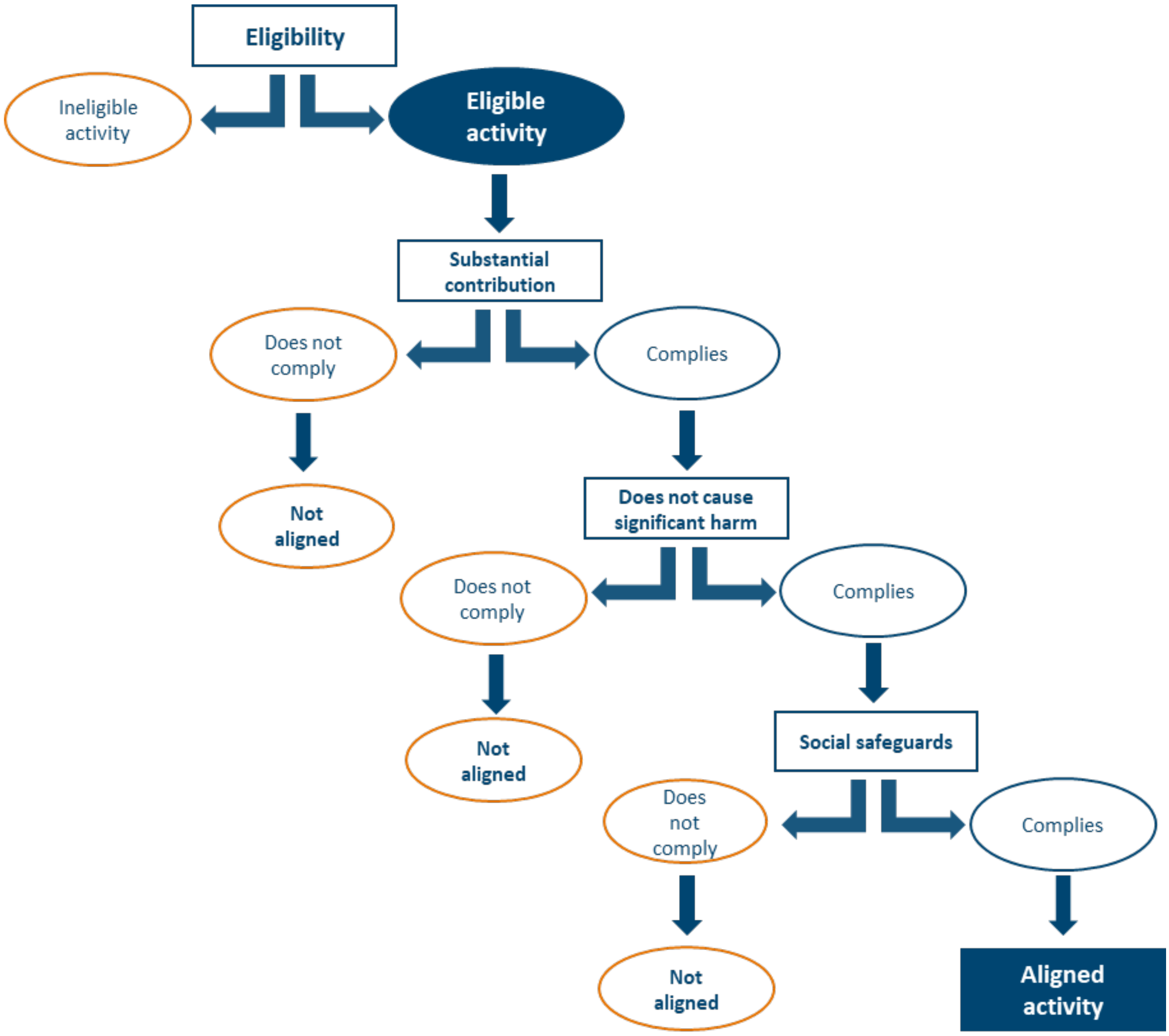
Naturgy's activities fall within the energy sector. After analysing the contribution of the company's businesses to the six climate goals set out in the Delegated Regulation, it is concluded that the objectives that are material to the reporting of taxonomic activities are the climate goals. The annexes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

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

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

Analysis process

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



1. Eligibility

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

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

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

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

a. Electricity Spain: includes the regulated electricity distribution business in Spain and corresponds to the activity:

i. 4.9. Electricity transmission and distribution.

b. Electricity Panama: encompasses the regulated electricity distribution and commercialisation business in Panama and includes the activity:
   i. 4.9. Electricity transmission and distribution.
c. Electricity Argentina: encompasses the regulated electricity distribution and commercialisation business in Argentina and includes the activity:
   i. 4.9. Electricity transmission and distribution.

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

a. Thermal generation in Spain: which includes the conventional thermal generation plant in Spain:
   i. 4.29. Electricity generation from fossil gaseous fuels.
b. Thermal generation GPG Latin America: which includes the conventional thermal generation within the scope of Global Power Generation in Mexico and the Dominican Republic (Puerto Rico is integrated by the equity method):
   i. 4.29. Electricity generation from fossil gaseous fuels.
c. Renewable generation:
   1. Spain: includes the management of the wind farm and generation projects for wind, mini-hydro, solar and co-generation[3] energy sources, also incorporating the generation of hydropower electricity located in Spain. In addition, it includes the development portfolio in the rest of Europe.
      i. 4.1. Electricity generation using solar photovoltaic technology.
      ii. 4.3. Electricity generation from wind power.
      iii. 4.5. Electricity generation from hydropower.
      iv. 4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels.
   2. United States: includes the management of photovoltaic generation projects being developed in the United States:
      i. 4.1. Electricity generation using solar photovoltaic technology.
   3. GPG Latin America: includes the management of renewable electricity generation facilities and projects of Global Power Generation (GPG) located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama):
      i. 4.1. Electricity generation using solar photovoltaic technology.
      ii. 4.3. Electricity generation from wind power.
      iii. 4.5. Electricity generation from hydropower.
   4. GPG Australia: includes the management of GPG's renewable electricity generation facilities projects in Australia:
      i. 4.1. Electricity generation using solar photovoltaic technology.
      ii. 4.3. Electricity generation from wind power.
      iii. 4.10. Storage of electricity.
d. Renewable gases: covers the management of renewable gas projects, specifically biomethane and green hydrogen, as well as sustainable mobility projects. These are incipient activities and, therefore, are currently of little materiality from an economic point of view, as shown in the tables below.
   i. 3.10. Manufacture of hydrogen.
   ii. 5.6. Anaerobic digestion of sewage sludge.

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

iii. 5.7. Anaerobic digestion of biowaste.
iv. 5.10. Landfill gas capture and utilisation.
v. 6.15. Infrastructure enabling low-carbon road transport and public transport.

e. Commercialisation: the goal is to manage the business model for end customers for gas, electricity and services, incorporating new technologies and services, as well as developing the full potential of the brand. Naturgy provides its residential and industrial customers with all the necessary services for the installation of photovoltaic panels that allow them to produce renewable energy for self-consumption, for example, through the Naturgysolar product or services necessary to have electric charging points for mobility powered by renewable energy. These projects correspond to the following activity:

i. 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings).
ii. 7.6. Installation, maintenance and repair of renewable energy technologies.

Finally, the Holding area, which develops transversal activities linked to the businesses, includes the innovation area, which is responsible, among other activities, for developing renewable gas projects (hydrogen, biomethane) and electricity storage projects. These projects correspond to the following activities:

i. 3.10. Hydrogen production.
ii. 4.10. Electricity storage.
iii. 5.6. Anaerobic digestion of sewage sludge.
iv. 5.7. Anaerobic digestion of biowaste.

2. Alignment

a. Substantial contribution to a goal

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

Climate change mitigation

a. Renewable electricity generation: For the activity of electricity generation from hydropower, the main criterion considered to validate that there is a substantial contribution to climate change mitigation is power density. The power densities have been calculated for each installation considering the net power value defined in the register of electricity production installations and the surface area of the reservoir. Most facilities met the criterion, for the rest whose power density is less than 5W/m2, specific studies have been carried out to verify compliance with the life cycle GHG emissions threshold of less than 100 g CO_2e/kWh.
b. Electricity grids: the electricity transmission and distribution activity carried out in Spain meets the eligibility criterion for climate change mitigation as it is integrated in the interconnected European system. In the case of Panama and Argentina, the criteria of emissions thresholds of newly activated generation capacity in the system and average grid emissions factor have been considered.
c. Electricity generation in combined-cycle power stations: for the activity of electricity generation from fossil gaseous fuels, compliance with the lifecycle GHG emissions threshold has been analysed, as well as the rest of the complementary criteria in all facilities.
d. Cogeneration: for the activity of high-efficiency co-generation of heat/cool and power from fossil gaseous fuels, the GHG emission threshold criteria have been analysed in all plants, as well as the rest of the complementary criteria.

Climate change adaptation

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

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

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

b. Do no significant harm to other goals

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

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

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

c. Social safeguards

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

- Code of Ethics, which establishes the guidelines that must govern the ethical behaviour of Naturgy's managers and employees in their daily performance with regard to the relationships and interactions it maintains with all its stakeholders. It includes the commitments assumed by Naturgy in matters of good governance, corporate responsibility and issues related to ethics and regulatory compliance. Chapter "Business Conduct" details the information in relation to the policies that the company has defined to promote a corporate culture based on upright behaviour.
- Statement of Principles and Policies, which establishes Naturgy's commitments to sustainable development and to the different stakeholders, including the creation of quality employment, the strengthening of local communities and the reduction of social inequalities.
- Global Sustainability Policy, which describes the company's commitments in relation to respect for human rights. It covers the entire scope of activities and compliance with the regulatory framework of the various countries in which activities are carried out. Through 10 commitments, it considers respect for fundamental rights, including labour rights and the rights of local communities affected by the company's activities.
- Affected Communities Policy. Within the framework of its Global Sustainability Policy, the company makes a firm commitment to respect local communities. In order to achieve this commitment, key aspects are the assessment of the social impact that the company's activities may have on the affected communities and the contribution to the improvement of their living conditions. To this end, it has a Social Relationship Model (SRM) that seeks to integrate social management as a discipline throughout the life cycle of new renewable generation projects. Chapter "Affected communities" of this Report details the processes and actions that the company develops
- Naturgy is firmly committed to people, their development and the promotion of safe and healthy working environments. The "Own workforce" chapter of this report presents a detailed analysis of the company's policies and actions in this regard.

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

3. Calculation of the main indicators

a. Calculation of turnover %

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

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

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

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

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

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

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

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

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

Accordingly, the total reported sales are detailed in Note 3 Segment Reporting in the Notes to the 2024 Annual Consolidated Financial Report.

b. Calculation of taxonomic Capex %

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

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

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

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

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

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

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

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

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

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

c. Calculation of taxonomic Opex %

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

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

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

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

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

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

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

d. Criteria considered in the calculations

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

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

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

Results

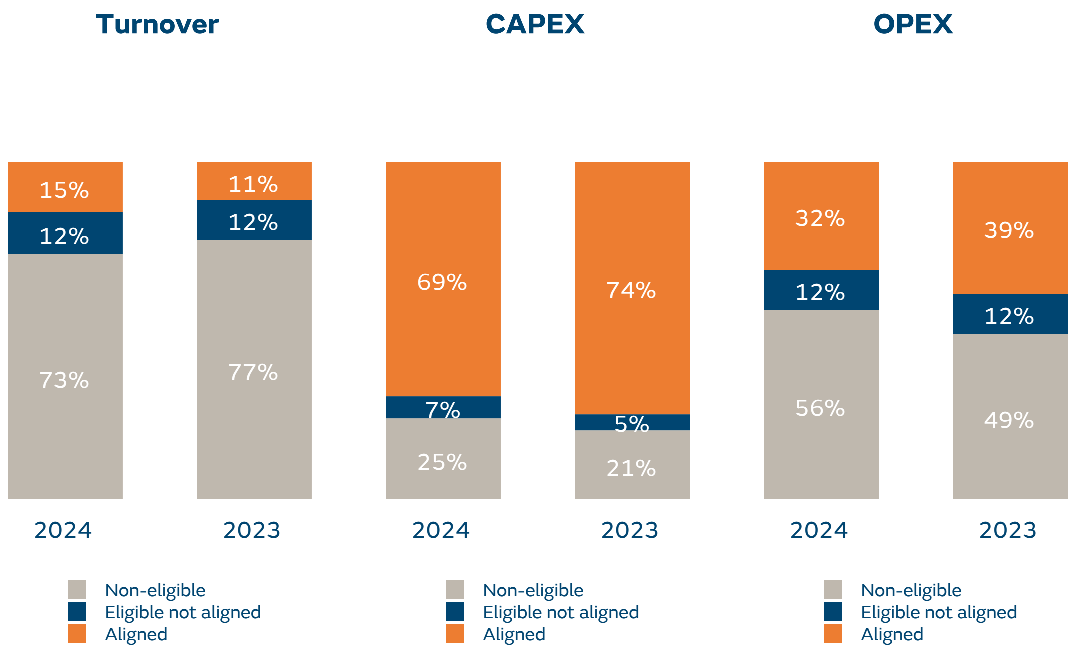
The proportion of eligible and ineligible activities according to the European Taxonomy is shown below. The results have shown different degrees of eligibility according to the indicator.

The turnover indicator shows 27% eligibility, the taxonomic Opex indicator rises to 44% eligibility and the taxonomic Capex indicator reaches 75% eligibility. The result obtained for taxonomic Capex demonstrates the solvency of a sustainable business model and the creation of long-term value in favour of the planet and people.

Compared to last year's results, the turnover figure has increased by 4%, both in alignment and eligibility.

Regarding the percentage of eligibility for taxonomic Capex, it has decreased by 4%, while alignment has also declined by 5%. This reduction in Capex indicators is due to the fact that, in the 2023 fiscal year, business combinations (transactions in which Naturgy takes control over a business; that is, through inorganic growth) in taxonomic activities amounted to €476 million, whereas no such transactions occurred in 2024. If the inorganic business combination amount from 2023 were excluded, the percentage of Capex eligibility and alignment would remain completely stable.

Finally, taxonomic Opex has decreased by 7% in both eligibility and alignment.



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

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- **2024 Turnover**

Financial year 2024		2024		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2023	Category enabling activity	Category transitional activity
		€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of hydrogen	CCM 3.10	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation using solar photovoltaic technology	CCM 4.01	102	1	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation from wind power	CCM 4.03	440	2	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1		
Electricity generation from hydropower	CCM 4.05	331	2	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity distribution and transportation	CCM 4.09	1,997	10	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	5	E	
Storage of electricity	CCM 4.10	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Anaerobic digestion of sewage sludge	CCM 5.06	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes		Yes	Yes	Yes	Yes	0		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	

Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.04	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.06	15	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2,886**	**15**	**15**	**0**	**0**	**0**	**0**	**0**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**6**		
Of which Enabling		**2,013**	**10**	**10**	**0**	**0**	**0**	**0**	**0**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**8**	**E**	
Of which Transitional		**0**	**0**	**0**						Yes	Yes	Yes	Yes	Yes	Yes	Yes	**0**		**T**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation from gaseous fossil fuels	CCM 4.29	2,275	12	EL	EL	N/EL	N/EL	N/EL	N/EL								12		
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30	56	0	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2,331**	**12**	**EL**	**EL**	**N/EL**	**N/EL**	**N/EL**	**N/EL**								**12**		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**5,217**	**27**	**27**	**0**	**0**	**0**	**0**	**0**								**23**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**14,050**	**73**																
TOTAL		**19,267**	**100**																

	Proportion of turnover/Total turnover	
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
CCM	15.0%	27.1%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

- ## 2024 Capex

Financial year 2024		2024		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Capex	Proportion of Capex	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2023	Category enabling activity	Category transitional activity
		€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of hydrogen	CCM 3.10 / CCA 3.10	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation using solar photovoltaic technology	CCM 4.01 / CCA 4.01	717	29	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	22		
Electricity generation from wind power	CCM 4.03 / CCA 4.03	346	14	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	13		
Electricity generation from hydroelectric power	CCM 4.05 / CCA 4.05	15	1	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1		
Electricity distribution and transportation	CCM 4.09 / CCA 4.09	595	24	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	23	E	
Storage of electricity	CCM 4.10 / CCA 4.10	1	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Anaerobic digestion of sewage sludge	CCM 5.06 / CCA 5.06	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Anaerobic digestion of biowaste	CCM 5.07	4	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15 / CCA 6.15	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	

Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	CCM 7.04 / CCA 7.04	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.06 / CCA 7.06	15	1	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1,693**	**69**	**69**	**0**	**0**	**0**	**0**	**0**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**59**		
Of which Enabling		**611**	**25**	**25**	**0**	**0**	**0**	**0**	**0**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**23**	**E**	
Of which Transitional		**0**	**0**	**0**						Yes	Yes	Yes	Yes	Yes	Yes	Yes			**T**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity generation from nuclear energy in existing installations	CCM 4.28 / CCA 4.28	0	0	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Electricity generation from gaseous fossil fuels		157	6	EL	EL	N/EL	N/EL	N/EL	N/EL								5		
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30 / CCA 4.30	3	0	EL	EL												0		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**160**	**7**	**7**	**0**	**0**	**0**	**0**	**0**								**5**		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**1,853**	**75**	**75**	**0**												**79**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**602**	**25**																
TOTAL		**2,454**	**100**																

Adaptation activities are aligned, which is why they are indicated in the table with "Y", but the granularity in systems to obtain the economic data for the Key Performance Indicator is not available. For this reason the activity is reported as aligned but with amount 0.

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
CCM	69.0%	75.5%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

- **2024 Opex**

Financial year 2024		2024		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Opex	Proportion of Opex	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2023	Category enabling activity	Category transitional activity
		€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of hydrogen	CCM 3.10 / CCA 3.10	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation using solar photovoltaic technology	CCM 4.01 / CCA 4.01	7	2	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1		
Electricity generation from wind power	CCM 4.03 / CCA 4.03	48	11	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	15		
Electricity generation from hydroelectric power	CCM 4.05 / CCA 4.05	13	3	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	3		
Electricity distribution and transportation	CCM 4.09 / CCA 4.09	68	16	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	19	E	
Storage of electricity	CCM 4.10 / CCA 4.10	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Anaerobic digestion of sewage sludge	CCM 5.06 / CCA 5.06	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15 / CCA 6.15	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	CCM 7.04 / CCA 7.04	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	

Installation, maintenance and repair of renewable energy technologies	CCM 7.06 / CCA 7.06	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1	E	
Opex of environmentally sustainable activities (conforming to the taxonomy) (A.1)		**137**	**32**	**32**	**0**	**0**	**0**	**0**	**0**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**39**		
Of which Enabling		**68**	**16**	**16**	**0**	**0**	**0**	**0**	**0**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**20**	**E**	
Of which Transitional		**0**	**0**	**0**						Yes	Yes	Yes	Yes	Yes	Yes	Yes	**0**		**T**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity generation from nuclear energy in existing installations	CCM 4.28 / CCA 4.28	0	0	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Electricity generation from gaseous fossil fuels	CCM 4.29 / CCA 4.29	46	11	EL	EL	N/EL	N/EL	N/EL	N/EL								11		
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30 / CCA 4.30	4	1	EL	EL	N/EL	N/EL	N/EL	N/EL								1		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**50**	**12**	**12**	**0**	**0**	**0**	**0**	**0**								**12**		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**186**	**44**	**44**	**0**	**0**	**0**	**0**	**0**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of ineligible activities according to the taxonomy		**240**	**56**																
TOTAL		**426**	**100**																

Adaptation activities are aligned, which is why they are indicated in the table with “Y”, but the granularity in systems to obtain the economic data for the Key Performance Indicator is not available. For this reason the activity is reported as aligned but with amount 0.

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
CCM	32.1%	43.8%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

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- **Nuclear and fossil gas related activities**

The Templates required by the EU Delegated Regulation 2022/1214 are included below. As there are no aligned activities, Templates 2 and 3 do not apply in the case of Naturgy.

Template 1

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Template 4

This section incorporates the Templates published in the EU Delegated Regulation 2022/1214.

2024 taxonomic turnover

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	2,275	11.8%	2,275	11.8%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	56	0.3%	56	0.3%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the Turnover**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
8	**Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable Turnover**	**2,331**	**12.1%**	**2,331**	**12.1%**	**0**	**—%**

2024 taxonomic Capex

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	127	6.4%	127	6.4%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	5	0.1%	5	0.1%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the Capex**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
8	**Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable Capex**	**132**	**6.5%**	**132**	**6.5%**	**0**	**—%**

2024 taxonomic Opex

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	37	10.7%	37	10.7%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	3	0.9%	3	0.9%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the Opex**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
8	**Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable Opex**	**40**	**11.7%**	**0**	**11.7%**	**0**	**—%**

Template 5

Attached below are the Templates 5 for the non-eligible activity of nuclear power generation.

2024 taxonomic turnover

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Turnover	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Turnover	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Turnover	236	1%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Turnover	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Turnover	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Turnover	0	—%
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the Turnover**	**13,815**	**72%**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the Turnover**	**14,050**	**73%**

2024 taxonomic Capex

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Capex	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Capex	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Capex	21	1%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Capex	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Capex	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Capex	0	—%
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the Capex**	**581**	**24%**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the Capex**	**602**	**25%**

2024 taxonomic Opex

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Opex	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Opex	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Opex	25	6%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Opex	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Opex	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation2021/2139 in the denominator of the Opex	0	—%
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the Opex**	**215**	**50%**
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the Opex**	**240**	**56%**

Sustainable financing and investor activities that take ESG criteria into account

Since 2017 and in line with its sustainability commitment, Naturgy has a framework for the issuance of Green Bonds targeted at financing renewable energies. Under this framework, on 15 November 2017, Naturgy issued a Green Bond for an amount of Euros 800 million, maturing in May 2025. The issue pays an annual coupon of 0.875%. The Green Bond was approved by the Oekom rating agency, obtaining a B+ rating.

In the banking market, Naturgy currently has an amount of green finance amounting to 6,138 million euros, 61% (3,723 million euros) of which corresponds to loans whose cost is linked to at least one of the following indicators:

- Direct GHG emissions: three-year average reduction ($MtCO_2$/GWh).
- CO_2 intensity of electricity generation: three-year average reduction (tCO_2/GWh).
- Water consumption: three-year average reduction (hm^3).
- Women in executive positions (%).

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

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

- **ESG indicators of sustainable financing**

	2024	2023
Direct GHG emissions: three-year average reduction ($MtCO_2eq$)	12.9	13.4
CO_2 intensity of electricity generation: three-year average reduction (tCO_2/GWh)	254	263
Water consumption: three-year average reduction (hm^3)	17.4	17.0
Women in executive positions (1) (%)	37.4	34,5 (2)

(1) The percentage of women in management positions in Spain is 39.6% (36.1% in 2023), in line with Naturgy's Sustainability Plan target of 40% by 2027.

(2) The figure reported differs from that published in 2023 due to a change in the calculation methodology in 2024.

In addition, Naturgy has several loans granted by the European Investment Bank (EIB) amounting to 1,478 million euros for projects of activities that help mitigate climate change, specifically in electricity networks and electricity generation projects with renewable technologies that are aligned with the EU Taxonomy.

1. Climate Change (E1)

Integration of sustainability-related performance in incentive schemes (GOV-3)

E1.GOV-3_01; E1.GOV-3_02 Naturgy is one of the main actors in the energy sector in Spain and in the Latin America regions where it operates. The company's operating sector is considered to have high climate impact, in terms of greenhouse gas (GHG) emissions and consumption of natural resources.

Consequently, Naturgy has positioned itself as an asset in energy transition and in the fight against climate change. To this regard, it has established a strategy driven by the governing bodies that must be applied and developed by all hierarchical levels of the company.

In the General disclosures chapter of this Report and, more specifically, in section "GOV-3 Integration of sustainability-related performance in incentive schemes", the remuneration system of the administrative, management and supervisory bodies and the integration of sustainability therein have been explained. Thus, in addition to the fixed annual remuneration, and in the same period, the Executive Chairman and the management team receive a variable incentive that depends on different economic-financial, operational and sustainability variables. The weighting of objectives linked to sustainability or ESG aspects is 20%, and 5% corresponds to environmental aspects. At present, the criteria used are indirectly associated with climate variables such as the reduction of GHG emissions, as the 5% indicated is fully associated with the achievement of the company's emission-free electricity generation installed capacity targets.

Transition plan for climate change mitigation (E1-1)

Climate change and its consequences are considered priority matters for Naturgy's strategic planning process. The urgent need to involve all actors in the sector, administrations and civil society to achieve the goal of Net Zero emissions by 2050, in line with the Paris Agreement, through a clean, just and competitive energy transition, is an innovation and investment driver with the ultimate aim of mitigating the effects of climate change and finding new solutions to reduce human impact on environment.

E1-1_01; E1-1_13; E1-1_14 Naturgy's strategy on climate change has been a priority matter for years and was included in the 2021-2025 Strategic Plan currently in force, although there has been a significant update during this year. In this regard, Naturgy has approved the Strategic Plan 2025-2027, which endorses the group's commitments in terms of promoting the use of less carbon-intensive technologies and more efficient energy consumption. For the operational development of the new Strategic Plan, on 18 February 2025, the Board of Directors has also approved the Climate Transition Plan, which establishes the lines of action that Naturgy will develop in the medium- and long-term for climate change mitigation and adaptation. Thus, this Transition Plan is established as an integral part of the company's strategy and the financial planning for the coming years is aligned with the lines of action that comprise it.

E1-1_12 At present, Naturgy is excluded from the EU Paris-aligned benchmarks because of the revenues obtained in its natural gas distribution activity. However, it is worth mentioning the company's commitment to promote alternative solutions such as biomethane or green hydrogen, which are neutral in terms of greenhouse gas (GHG) emissions. Natural gas is also considered the fossil fuel with the lowest climate impact and is necessary as back-up power in the development of renewable energies.

Climate Transition Plan associated targets

Naturgy voluntarily assumes the commitment to be a key actor in energy transition towards a circular and decarbonised economy model, in line with the objectives of the Paris Agreement. Therefore, the company is committed to achieving Net Zero emissions in 2050, considering all the scopes of the carbon footprint and prioritising the 1.5ºC reduction pathways where feasible, subject to the energy and regulatory policy of each of the countries where it operates, establishing intermediate emission reduction targets and minimising the use of compensation mechanisms.

Naturgy has set the following GHG emission reduction targets for 2030:

- Reduce the Group's Scope 1 and Scope 2 emissions to 9.70 MtCO_2eq in 2030, a 36% reduction in GHG emissions from the base year 2022. This target is aligned with the 1.5°C reduction path set by the Paris Agreement. This target is split into Scope 1 and Scope 2 emissions as follows:
  - Reduce Scope 1 emissions from 14.74 MtCO_2eq in the base year 2022 to 9.35 MtCO_2eq in 2030, a reduction of 37%, a 54% reduction compared to 2017.
  - Reduce Scope 2 emissions from 0.36 MtCO_2eq in the base year 2022 to 0.35 MtCO_2eq in 2030, a reduction of 4%, a 74% reduction compared to 2017.

- Reduce Scope 3 emissions in Spain to 30.7 $MtCO_2eq$ in 2030, a 22% reduction compared to the base year 2022. This target is aligned with the Well Below 2 Degrees (WB2D) reduction pathway of the cross-sector SBTi.
- Reduce the Group's Scope 3 emissions to 101.6 $MtCO_2eq$ in 2030, a 8% reduction compared to the base year 2022.

In addition, Naturgy has the following objectives for 2050:

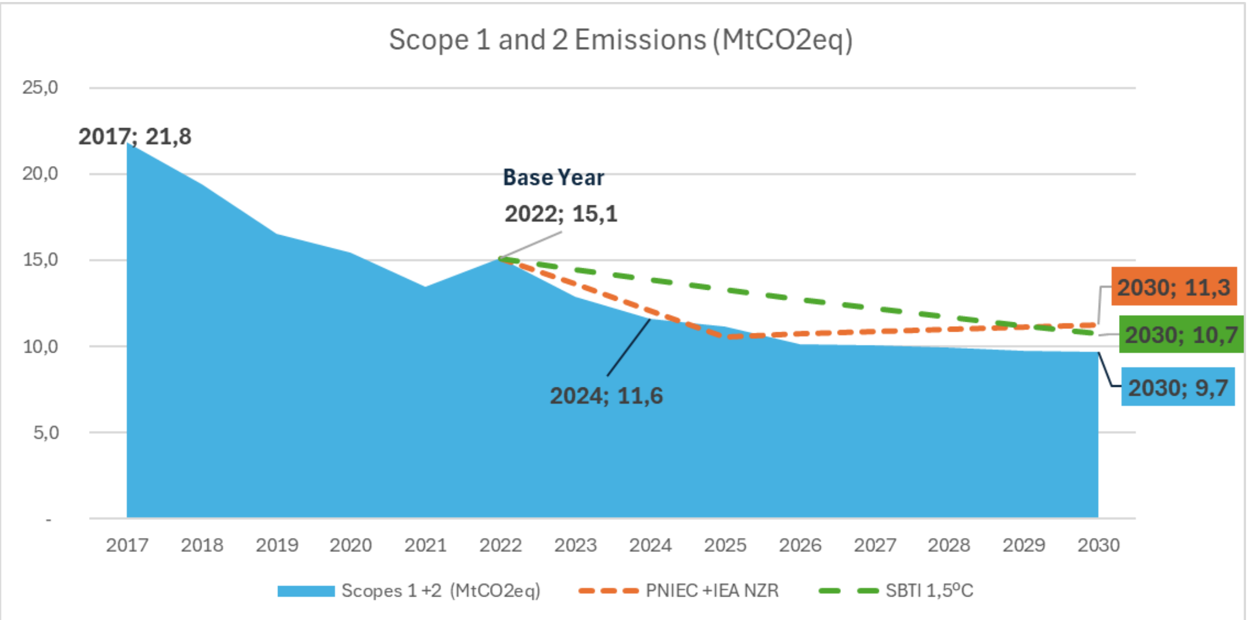
- Achieve the Net Zero target for the group's Scope 1 and Scope 2 emissions.
- Achieve the Net Zero target for Scope 3 emissions in Spain.

All these targets include 100% of emissions and all greenhouse gases (GHG).

E1-1_02 The targets set for Scope 1 and Scope 2 in 2030 are aligned with the 1.5ºC reduction pathway, following the references below:

- In Spain: Integrated National Energy and Climate Plan (PNIEC) 2023-2030.
- In the other countries where no national plans exist, the International Energy Agency (IEA) NET Zero Road Map (2023) reference has been used.
- This target is consistent with the cross-sector pathway set by SBTi for Scopes 1 and 2 with 1.5ºC, detailed in the document "Target Validation Protocol for Near-Term Target TWG-PRO-002, version 3.1".

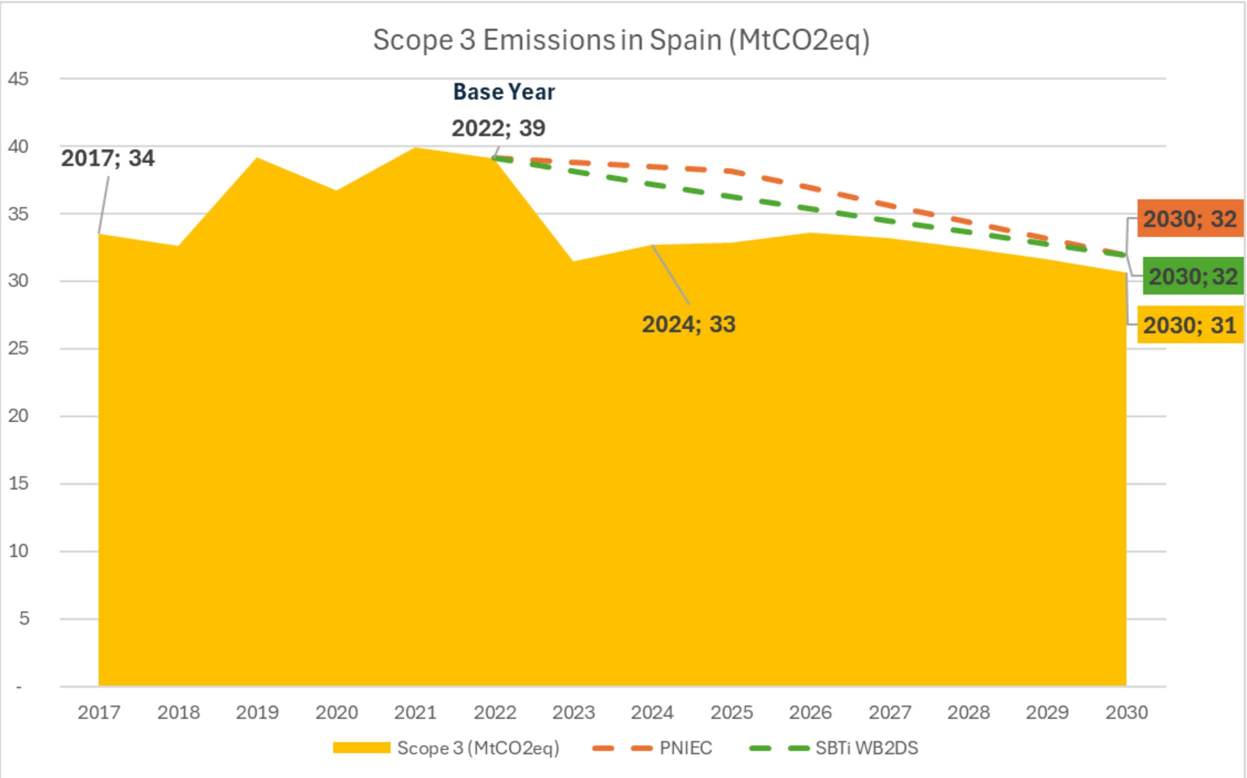
The following graph shows how Naturgy's estimated Scope 1 and 2 emissions in 2030 are below the 1.5ºC reference pathway:



On the other hand, the targets set for Scope 3 in Spain are aligned with the WB2DS reduction pathway, following the references below:

- Integral National Energy and Climate Plan (PNIEC) 2023-2030.
- Cross-sector pathway marked by SBTi for Scope 3 for WB2DS, in the document "Target Validation Protocol for Near-Term Target TWG-PRO-002, version 3.1".

The following graph shows how the estimated Scope 3 emissions in Spain in 2030 are below the path set by the WB2DS:



E1-1_07 Given that the energy sector is a strategic sector for world economies, provides an essential service and is subject to government policies, Naturgy's achievement of the climate neutrality target is subject to the energy and regulatory policies of each of the countries where it operates. With this safeguard, and independently of the development of other technologies to reduce or capture GHG, Naturgy has estimated that the locked-in emissions for 2050 might be zero (or approximately zero), since, in any case, by that date all thermal power generation plants owned will have completed their useful life and the long-term contracts of LNG tankers will have ended (see note 4 “Non-financial asset impairment losses”, section "Information on tests performed" of the Annual Consolidated Financial Report).

Climate Transition Plan action lines

E1-1_03 In line with the provisions of the Climate Transition Plan, Naturgy will continue to promote and lead a business model, and an investment plan fully aligned with the energy trilemma: security of supply, accessibility and affordability of energy and mitigation of environmental impact.

Naturgy's Strategic Plan 2025-2027 envisages continuing to invest in energy transition, allocating the main investments to renewable energies, electricity grids and renewable gases. It also plans to continue developing energy solutions that promote efficiency at a competitive cost for customers.

In this regard, the main Climate Transition Plan action lines, included in the Strategic Plan, emanate from an integrated electricity and gas business model that promotes the decarbonisation of energy through technological neutrality and at the lowest possible cost for consumers, specifically:

- Promote solar and wind renewable energies in electricity generation together with the necessary growth of electricity grids, with the back-up power provided by natural gas combined-cycle power stations guaranteeing security of supply.
- Developing renewable gases as a decarbonisation lever of natural gas through biomethane produced from organic waste and, in the medium-/long-term, green hydrogen generated from surplus renewable electricity. This promotes decarbonisation at the lowest possible cost for the consumer, circular economy with the use of waste or surpluses and the economy in rural areas.

- Offer products and services that promote efficiency and are carbon-neutral at competitive prices to consumers and end-users.
- Increased electrification of final demand in those uses where it is most efficient.

It should be noted that the estimate of cash flows for the value-in-use of each of the cash generating units corresponding to Naturgy's businesses, as required by accounting regulations, has taken into account the current state of the assets at closing date, and therefore does not include future investments due to technological changes or those strategic investments foreseen in energy transition.

In order to achieve Climate Transition Plan's 2050 targets, the following action levers will be taken into consideration[4]:

Electricity generation

Spain

The Net Zero 2050 objective for Scopes 1, 2 and 3 is based on investment in renewable energies that will gradually displace production with gas combined-cycles over time, up to the point at which storage technologies are developed and security of supply allows it. All of this will be in line with the country's energy policy.

The target proposes, thus, to use all the installed power of gas combined-cycle power stations as a back-up unit until the end of their useful lives, provided that security of supply is guaranteed. The cash flow projections used in the impairment tests of Naturgy's gas combined-cycle facilities in Spain foresee their operation until the end of their useful lives, which in all cases will occur before 2050, so it is estimated that at the end of that year the net carrying amount of these assets will be zero.

Mexico

The Net Zero 2050 target for Scopes 1 and 2 and by extension Scope 3 can be met through combined-cycle power stations closure at the end of their useful life, subject to the country's energy policy for security of supply.

As is the case of Spain, the impairment tests for gas combined-cycle power stations in Mexico foresee their use until the end of their useful lives, which will occur before the end of 2050.

Dominican Republic

The Net Zero 2050 target for Scopes 1, 2 and, by extension, Scope 3 can be met by closing the fuel oil-thermal power plant at the end of its useful life, subject to the country's energy policy for security of supply. The financial projections for the case of the Dominican Republic foresee the operation of the Palamara and La Vega facilities until the end of their useful life, which are estimated to be extended to cover the period of the strategic plan.

Distribution and marketing of natural gas

Spain

The Net Zero 2050 target for Scope 3, the most significant for this business, can be met taking into consideration, on the one hand, a foreseeable decrease in natural gas demand due to energy policies associated with electrification and, on the other hand, the development of renewable gases, mainly biomethane in the short term. In this regard, the PNIEC 2023-2030 sets a biogas/biomethane target of 20 TWh to cover gas demand by 2030.

In this regard, Naturgy foresees a target of distributing and marketing 1.1 TWh of biomethane in 2027.

[4] Supplementary financial information on the Climate Transition Plan action lines can be found in Note 2.24.25 k "Climate change and Paris Agreement" of the 2024 Annual Consolidated Financial Report.

In the case of the Net Zero 2050 objective for Scope 1 for gas distribution activity, actions are planned to reduce fugitive emissions from networks and compensate, when it is no longer possible to reduce the remaining emissions. The volume these locked-in emissions represent in the total carbon footprint of Naturgy as a whole, in 2024 was 0.04%.

Based on the assumptions considered, Naturgy determined that it has not been necessary to re-estimate the useful life of the assets as a result of, direct or indirect, potential impacts arising from climate change, even for the particular case of gas networks, considering the expected use, in the short- and medium-term, of renewable gases without foreseeing significant investments for their adaptation.

With regard to commercialisation assets, it is considered that a decrease in natural gas demand could be compensated by the effects of the electrification of the economy and the commercialisation of renewable gases.

Latin America

Net Zero 2050 target in Scope 3, the most significant of this business, could be met taking into account, on the one hand, a foreseeable decrease in natural gas demand due to energy policies associated with electrification and, on the other hand, a potential development of biomethane. In this sense, the development of biomethane in the countries where the company distributes and commercialises gas is incipient, so therefore, a Net Zero 2050 target has not been established to date in this Scope 3.

In the case of the Net Zero 2050 target for Scope 1 of the gas distribution activity, actions are planned to reduce fugitive emissions from networks and compensate, when it is no longer possible to reduce them, the remaining emissions. The volume these locked-in emissions represent of Naturgy's total carbon footprint in 2024 was 0.7%.

In the case of financial projections related to gas distribution assets in Argentina, Brazil, Chile and Mexico, the same strategy applied in Spain is foreseen, although with a slower implementation and always in line with the energy policies of each country.

Electricity Distribution

The Net Zero 2050 target for Scopes 1, 2 and only for Spain in the case of Scope 3 can be met through the progressive decarbonisation of the electricity systems in which Naturgy operates at the pace set by the countries where this activity is maintained. On the other hand, the remaining technical losses due to Joule effect can be compensated as they are negligible over the total.

Natural gas/LNG procurement

The Net Zero 2050 target can be met depending on the foreseen completion of supply contracts, however, this situation is subject to the conditions of security of supply and energy policies of the countries to which it is destined, so that Naturgy can not establish Net Zero 2050 commitment to date in this activity.

Progress in the implementation of the Climate Transition Plan E1-1_15

In relation to the Climate Transition Plan targets, the following progress has been made in 2024 compared to the base years 2017 and 2022:

- Scope 1 and 2 emissions have been reduced by 45% compared to 2017 and by 21% compared to 2022.
- Scope 3 emissions have been reduced by 25% compared to 2017 and by 2% compared to 2022.
- There has been an increase of 3,786 MW (109%) in installed capacity from renewable sources compared to 2017, and 1,792 MW (33%) compared to 2022.
- The company's renewable gas production and injection capacity in its distribution networks stands at 0.35 TWh.

- The group's emissions intensity, measured in tCO_2/GWh, has been reduced by 40% compared to 2017 and by 16% compared to 2022.

E1-1_04; E1-1_05; E1-1_06 In order to achieve the objectives of the Climate Transition Plan, Naturgy has planned an investment of 6.4 billion euros in the period of the Strategic Plan 2025-2027, noting that investments for the development of electric renewable energies, development of electricity grids and development of renewable gases, especially biomethane, reach 3.8 billion euros, 59% of the total.

This investment would be almost entirely aligned with the European Taxonomy Regulation (EU) 2020/852 as far as CapEx is concerned. In turn, it is envisaged to finance the investment plan applying the financial discipline of recent years and in any case maintaining a debt rating of BBB.

E1-1_09; E1-1_10; E1-1_11 CapEx invested in the 2025-2027 reference period in natural gas and LPG networks-related activities are up to 1.5 billion euros, 24% of the total, mainly for their proper operation and maintenance and, to a lesser extent, to the increase of networks in Latin American countries where the company has this activity and where investments are required for reasons of security of supply or energy planning of the country. On the other hand, CapEx in electricity generation with natural gas combined-cycle power stations-related activities amount to 0.4 billion euros, 7% of the total, also earmarked for the proper operation and maintenance of these facilities and in any case for expansion.

E1-1_08 For economic activities subject to Taxonomy, but not aligned with the previously mentioned Regulation, Naturgy's Transition Plan foresees the following:

- In combined-cycle power stations electricity generation, Naturgy foresees a dependence reduction on them in the long-term, until their eventual complete replacement by renewable sources, in order to meet the Net Zero target in 2050 as detailed above.
- In the natural gas and LPG networks in Spain, Naturgy foresees a gradual substitution of the fossil fuel they carry for renewable gases (biomethane and green hydrogen), in order to meet the Net Zero target in 2050. In case of natural gas networks in Latin America, this substitution by renewable gases may require a different speed to the development in Spain, being the reason why no targets have been set for 2050.

The implementation of the Transition Plan is carried out through different concrete initiatives, which will be described in section "E1-3 Actions and resources in relation to climate change policies" of this chapter.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

E1.SBM-3_01 Climate change is one of the key topics for Naturgy at a strategic level, as highlighted in its Climate Transition Plan described in the previous section. That is why the company has analysed climate change exhaustively on the double materiality assessment, whose methodology is explained in the section "Description of the process to identify and assess material impacts, risks and opportunities" in the General disclosures chapter of this Report.

The climate change analysis has focused on three key sub-topics: mitigation, adaptation and energy management, having concluded that they are all material from both an impact and financial perspective. The full list of impacts, risks and opportunities, which are managed through the different adaptation and mitigation measures included throughout this chapter, is presented below.

		Value chain (2)(3)	Business (4)	Time horizon (5)
CLIMATE CHANGE				
Climate change adaptation				
P.I.[1]	Adaptation to the effects of possible droughts derived from climate change through the regulatory capacity of the reservoirs associated to hydroelectric power stations, which provide protection against floods due to intense rains and droughts mitigation	OO	Electricity	Current
R	Damage to facilities, loss of production, and/or prolonged interruption of power generation and distribution businesses due to extreme winds, tropical cyclones, floods, extreme rainfall, and fires.	VC	Both	Short-term
Climate change mitigation				
N.I.	Impact on climate change due to direct GHG emissions (scope 1).	OO	Both	Current
	Impact on climate change due to indirect GHG emissions associated to energy (scope 2).	OO	Electricity	Current
	Impact on climate change due to indirect GHG emissions (scope 3).	VC	Gas	Current
R	Displacement of natural gas due to climate policies and regulations (taxes, emissions trading systems, carbon pricing).	VC	Both	Short-term
	Litigation and sanctions related to an alleged liability of the company or sector in relation to the effects of climate change.	VC	Both	Short-term
Energy				
N.I.	Impact due to the depletion of fossil fuels (natural gas and, to a lesser extent, petroleum derivatives).	VC	Both	Current
P.I.	Contribution to the energy transition and the decarbonisation of the economy by replacing fossil energies with renewable energies (wind, solar, biomethane, hydrogen).	OO	Both	Current
O	Regulatory impulse of the development of biomethane and green hydrogen as an energy vector for storage and blending in gas networks in order to guarantee their sustainability in a decarbonised future.	VC	Gas	Medium-term
	Regulatory impulse of the development of renewable electricity generation projects.	OO	Electricity	Short-term
	Regulatory impulse of new energy storage projects (reversible hydroelectric plants, batteries, etc.) to support renewable generation mixes.	OO	Electricity	Medium-term
	Regulatory impulse that leads to an improvement of electricity grids through their digitalization.	OO	Electricity	Short-term
	Regulatory impulse of new business models based on energy efficiency, distributed generation, decarbonised energy sale, etc.	OO	Both	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

In terms of material impacts, direct and indirect greenhouse gas emissions are the main focus of current Naturgy's concern. Thus, failing to reduce emissions at intersectoral level is a direct impact driver on climate change, with the consequent damage to the environment and society in general. Given that this problem is already occurring today, Naturgy has been taking them into account in the company's strategic planning for years, being the reason why it has updated its commitments and climate roadmap in the Climate Transition Plan, detailed in the previous section, the aim of which is to establish medium- and long-term targets to reduce its own emissions and those of its value chain and mitigate the impacts. Naturgy's performance in this area in recent years can be consulted in section "Gross Scopes 1, 2, 3 and Total GHG emissions" of this chapter.

Another priority issue for Naturgy, which is related to the above, is climate change adaptation. Being carried out preventively from design and planning and taking into account the climate and nature risks analyses of (the latter are detailed in chapter "Biodiversity and ecosystems"), it involves improving the resilience of activities and assets, both its own and those of the value chain. Otherwise, the impacts and associated risks may be greater.

As a complement, and derived from the sector in which it operates, energy management and the transition to a low-carbon economy are challenges that at the same time present relevant opportunities for Naturgy as an integrated electricity and gas company. In this regard, decarbonisation and energy efficiency have been and will be transformation levers to implement the Climate Transition Plan and the financial plan for the coming years.

In terms of risks, Naturgy has observed that these are transversal to its value chain. On the one hand, the physical consequences of climate change may be detrimental to the normal development of upstream and downstream value chain operations, and to the integrity of certain company assets. On a different level, the current conception of the business model may be affected by changes in users consumption habits (in a commitment to purchase or contract low-carbon products and services, instead of traditional solutions such as natural gas) or by climate regulation in the different countries where Naturgy operates, which are more demanding as the energy transition progresses.

Finally, in terms of opportunities, regulation itself could induce a change in the paradigm of the energy sector, both in the gas and electricity business. In the first case, the commitment of countries to greater renewable gases injection such as biomethane or green hydrogen would favour an activity with a lower impact in terms of greenhouse gas emissions in an efficient manner and better use of existing resources and infrastructures. On the other hand, in relation to the electricity market, government support for new solutions for electricity storage, as well as for the digitalisation of electricity grids, would allow for optimisation that would benefit all market actors and society in general.

Climate risk and opportunity assessment according to TCFD

The financial materiality of climate change double materiality assessment is based on a climate-related risks and opportunities analysis, which provides a realistic view of the potential financial impact in the short-, medium- and long-term. For this analysis, it is essential to distinguish between the concept of **physical** and **transition** risks and opportunities. As a context, and with the aim of creating a common and consistent framework at global level for the consideration of economic risks derived from global warming, the Taskforce on Climate-related Financial Disclosures, TCFD, created by the FSB (Financial Stability Board), established in 2017 a definition and categorisation of these risks that has today become the global reference standard. Specifically, the risks arising from physical events or changes and those arising from the transition to a low-carbon economy are detailed below:

- **Physical risks and opportunities**: those arising from the increasing severity and frequency of extreme weather events (acute physical risks) or from a gradual, long-term change in the earth's climate (chronic physical risks). They can affect companies directly through damage to their assets or infrastructure or indirectly by disrupting their operations or making their activities unviable. These extreme weather events, both chronic and acute, could also lead to an increase in one-off or chronic energy demand and therefore business opportunities for the company.

– **Transition risks and opportunities**: the commitments made by the Paris Agreement signatories and the consequent transition to a decarbonised production system imply a drastic transformation of the global economy through significant changes in regulations, the market or technology, and transversally in the reputation of companies. These changes entail significant risks for companies, but also opportunities.

Physical and Transitional Risks and Opportunities Classification according to TCFD

RISKS		OPPORTUNITIES	
Physical	**Transition**	**Physical**	**Transition**
Acute	**Political-legal**	**Acute**	**Energy sources**
Increased severity of extreme weather events such as cyclones, hurricanes or flooding	Climate change policy developments	Revenue growth due to increased electricity demand in the face of increasing frequency of extreme cold and heatwaves	Investment in renewable energy generation
Chronic	**Market**	**Chronic**	**Products and services**
Long-term changes in weather patterns (rising sea level and temperatures, changes in precipitation patterns, etc.)	Changes in supply and demand for certain raw materials, products and services	Revenue growth due to increased electricity demand from warmer temperatures	Developing low-emission products and services to take advantage of changing preferences
	Technology		**Market**
	Structural technological changes favouring the transition to a lower carbon and more energy-efficient system		New markets or diversification of activities
	Reputational		**Resource efficiency**
	Changes in perceptions of contribution or detraction to the transition to a lower carbon economy		Improving the efficiency of production and distribution processes
			Resilience
			Climate resilience to better manage the associated risks and opportunities

Climate change risks and opportunities assessment E1.SBM-3_06

E1.SBM-3_02; E1.SBM-3_03; E1.SBM-3_04 During 2024, Naturgy has updated the climate-related physical and transition risks and opportunities analysis for each of its businesses, considering a series of scenarios determined by different international bodies.

In this regard, a qualitative analysis and an approximation of the anticipated financial effects from climate risks and opportunities could be made and more information can be found in section "Anticipated financial effects from material physical and transition risks and potential climate-related opportunities" of this chapter.

E1.SBM-3_05 The time horizons considered in the risk analysis are: short-term, 2025-2030, medium-term, until 2040, and long term, until 2050. The use of time horizons different to those established by the ESRS is due to the fact that, in the case of climate risks and opportunities, Naturgy considers that they provide a more realistic vision in terms of probability of occurrence and financial impact, in line with TCFD. For more information on the time horizons taken into account in the assessment of the rest of impacts, risks and opportunities, refer to section "Disclosures in relation to specific circumstances" in the General disclosures chapter of this Report.

The results of this analysis are presented below:

Identification of physical risks and opportunities

Classification	Type of risk / opportunity	Potential impacts for Naturgy	Businesses with material impact
Acute physical risks	Extreme winds (cyclone, hurricane, gale)	Damage to facilities, loss of production and/or prolonged business interruption caused by an increased frequency of extreme events associated with strong wind gusts.	RE / GT / GS
	Extreme rainfall-flooding	Damage to facilities, loss of production and/or prolonged business interruption caused by increased frequency and intensity of extreme events associated with rainfall and flooding.	GH
	Forest fires	Damage to facilities, loss of production and/or prolonged business interruption caused by an increased incidence of extreme events associated with forest fires.	RE
Chronic physical risks	Sustained temperature increase effects	Damage caused by a gradual and sustained increase in global's average temperature over time. Reduction in demand, distribution and commercialisation of gas, inducing profit and earnings losses.	GT / A / RG / Com
	Increase in insurance premiums	Increased expenses due to higher insurance premiums associated with higher occurrence of extreme events.	Corp

Corp: Corporation; RE:Electricity grids; GS: Solar generation; GE: Wind generation; GH: Hydropower generation; GT: Thermal generation; A: Procurement; RG: Gas networks; Com: Commercialisation; GRen: Renewable gases

Identification of physical risks and opportunities

Classification	Type of risk / opportunity	Potential impacts for Naturgy	Businesses with material impact
Transition risks	Natural gas displacement due to climate policies and regulations (taxes, emissions trading systems, carbon pricing).	Decline in gas demand due to energy transition, changes in consumption habits and customers' predisposition towards more sustainable technologies and products affecting LNG distribution, commercialisation and trading businesses, resulting in a decrease in revenues and a loss of long-term value of distribution assets.	A / RG / Com
	Market risk affecting thermal power generation	Decline in thermal electricity generation due to a displacement of thermal generation by a higher share of renewable energies may impact the results and the value loss of thermal generation assets.	GT
	Litigation and sanctions related to alleged liability of the company or sector for climate change effects.	Derived financial penalties and negative reputational impact.	Corp
Transition opportunities	Regulatory impulse for the development of biomethane and green hydrogen.	Revenues associated with new business lines (renewable gases). Exploitation of existing natural gas infrastructures.	GRen / RG
	Regulatory impulse for the improvement of electricity grids through their digitalisation.	Increased electricity demand due to increased electrification rate. Revenues associated with increased electricity distribution and commercialisation.	RE
	Regulatory impulse for the development of renewable electricity generation projects.	Revenues associated with renewable electricity generation, and increased provision of electricity guarantees of origin.	GE / GS/ GH
	Regulatory impulse of new business models and services based on energy efficiency, distributed generation, sale of decarbonised energy, etc.	Optimisation of costs associated with national final energy savings obligations through CAEs management. Increased benefits from self-consumption and distributed generation services.	Com

Corp: Corporation; RE:Electricity grids; GS: Solar generation; GE: Wind generation; GH: Hydropower generation; GT: Thermal generation; A: Procurement; RG: Gas networks; Com: Commercialisation; GRen: Renewable gases

Resilience of the company's strategy and business model E1.SBM-3_07

Naturgy has reduced its GHG emissions by 27% between 2017 and 2024, decoupling them from EBITDA generation, which has increased by 37% in the same period of time. These results endorse the solvency of the company's climate and business strategy and the Climate Transition Plan established puts it in a favourable position to address transition risks and ensure its long-term resilience.

The company's short-, medium- and long-term planning is aligned with Paris Agreement commitments and the agreements reached at COP 28 in Dubai, to carry out an energy transition in a just, orderly and equitable manner to achieve net zero emissions by 2050, tripling renewable energy and doubling energy efficiency by 2030 and gradually replacing fossil fuels with low-carbon energy. Additionally, in Spain, it is also consistent with the update of the Integrated National Energy and Climate Plan for 2023-2030 (PNIEC). This is described in Note 2.24.25 k "Climate change and Paris Agreement" of the Annual Consolidated Financial Report, where the impacts of climate risks on the financial statements are explained.

On a recurring basis, the company will continue to update its operational and energy transition plans based on the evolution of all the factors that influence the climate risks assessment. In this regard, Naturgy voluntarily assumes the commitment to be a key actor in energy transition towards a circular and decarbonised economy model, in line with Paris Agreement objectives. Therefore, the company is committed to achieving net zero emissions in 2050, considering all the scopes of the carbon footprint and prioritising the 1.5ºC reduction pathways where feasible, subject to the energy and regulatory policy of each of the countries where it operates, establishing intermediate emission reduction targets and minimising the use of compensation mechanisms.

It should be noted that the climate risks and opportunities analysis helps Naturgy guide its strategic decisions, given that it enables it to assess the situation of the company's assets and business activities and their possible future evolution. Therefore, for the risks and opportunities described above, Naturgy develops mitigation, adaptation and utilisation activities as applicable, allowing a rapid adaptation of its strategy according to the needs of each case.

Management of main climate-related physical risks

Classification	Type of risk	Management and mitigation measures	Adaptation measures
Acute physical risks	Extreme winds (cyclone, hurricane, gale)	Consideration of extreme weather events during the infrastructure design process and integration of necessary mitigation measures during construction and operation. Property damage/loss of profit policies, environmental liability and land liability. Continuously updated emergency plans for all facilities. Emergency and breakdown management plans.	All facilities are designed to operate in extreme weather conditions and have rules of engagement in case of severe weather warnings.
	Extreme rainfall-flooding		Use of reservoirs and regulation of ecological flows. In case of extreme floods caused by heavy rainfall, use of reservoirs as key elements to mitigate the associated risks. Conducting studies to assess the structural and functional capacity of dams to adequately mitigate floods, transforming this risk into an opportunity. Greenfield developments have prior hydrological and geological studies for the reinsurance of these assets if they are located in flood-prone areas.
	Forest fires	Property damage/loss of profit policies, environmental liability and land liability. Innovative projects for the improvement of felling and pruning work for the maintenance of power line buffer strips.	GALA electricity distribution project, which consists of a digital model for the networks to detect vegetation areas proximity using drone images and to programme felling and clearing for the maintenance of the buffer strip. All facilities are equipped with fire protection systems.

	Sustained temperature increase effects	All facilities are designed to operate in extreme weather conditions, taking into account extreme weather events. All risks to employees are assessed, including the effects of heat waves	Increase the contribution of the electricity businesses, both the promotion of electrification and the development of renewable generation and renewable gases for the gas businesses (see management and adaptation measures in Transition Risks).
Chronic physical risks	Increase in insurance premiums	Efficiently manage the procurement of insurance policies to ensure maximum coverage of incidents and potential losses, minimising both premium costs and damages potential costs. This is achieved through the contracting of the Consortium (in Spain), the consideration of synergies between the Group's businesses and by applying a series of operational measures such as maintaining an adequate risk management policy, maintaining operational rigour, developing asset maintenance plans following recommendations from insurers and technologists, building long-term relationships with insurance markets as well as retaining certain risks within the Group's Captive.	Consideration in the calculation of premiums of the good practices of infrastructure operation and risk management employed by Naturgy that reduce the possible damages derived from extreme weather events.

Management of main climate-related transition risks

Classification	Type of risk	Management and mitigation measures
Transition risks	Natural gas displacement due to climate policies and regulations (taxes, emissions trading systems, carbon pricing).	The Climate Transition Plan and financial plans envisage continued investment in energy transition, with the main investments in renewable energies, electricity grids and renewable gases. In addition, it is planned to continue developing energy solutions that promote efficiency at a competitive cost for customers. In this regard, the main action lines of the Climate Transition Plan, included in the Strategic Plan, emanate from an integrated electricity and gas business model that promotes energy decarbonisation through technological neutrality and at the lowest possible cost for consumers, specifically: – Promote solar and wind renewable energies in electricity generation together with the necessary growth of electricity grids, counting on the back-up power provided by natural gas combined-cycle stations that guarantee security of supply. – Develop renewable gases as a natural gas decarbonisation lever through biomethane produced from organic waste and, in the medium/long-term, green hydrogen generated from surplus renewable electricity. This promotes decarbonisation at the lowest possible cost for the consumer, circular economy with the use of waste or surpluses and the economy in rural areas. – Offer products and services that promote efficiency and are carbon neutral at competitive prices to consumers and end-users. – Increased electrification of final demand in those uses where it is most efficient.
	Market risk affecting thermal power generation.	
	Litigation and sanctions related to alleged liability of the company or sector for climate change effects.	Naturgy has a governance and compliance structure to efficiently manage all aspects of sustainability and ESG aspects, id est, the current and future impacts, risks and opportunities that apply to Naturgy. Likewise, Naturgy has voluntarily undertaken the commitment to be a key actor in energy transition towards a circular and decarbonised economy model.

Management of main climate-related physical risks

Classification	Type of opportunity	Management and utilisation measures
Transition opportunities	Regulatory impulse for the development of biomethane and green hydrogen.	The impulse and innovation for renewable gas development (biomethane and green hydrogen) will make it possible to provide a new energy product, which can replace natural gas, but with neutral CO_2eq emissions in a circular economy model. Renewable gas will maintain the value of distribution network assets in the long-term and allow customers to decarbonise the energy they use with minimal changes to their facilities, in a more efficient way thanks to existing gas infrastructures.
	Regulatory impulse for the improvement of electricity grids through their digitalisation.	Growth in the electricity distribution and commercialisation business associated with the growing trend of economy electrification, as well as the increase in the global average temperature.
	Regulatory impulse for the development of renewable electricity generation projects.	Development of new renewable projects to decarbonise power generation. Reduce investment costs compared to other technologies. Positioning in a renewable energies-linked market (Power Purchase Agreement, Guarantees of Origin, etc.). In the medium-term, combined-cycle power stations represent the best possible back-up for renewable energy.
	Regulatory impulse of new business models and services based on energy efficiency, distributed generation, sale of decarbonised energy, etc.	Impulse in energy efficiency by investing in real energy efficiency actions through the management of Energy Saving Certificates (CAEs). Optimisation of the costs associated with the annual obligation to contribute financially to the National Energy Efficiency Fund (FNEE), taking into account the energy saving targets of the obligated parties. Commitment to energy service companies (ESCOs) business models. Development of new services to promote renewable self-consumption among customers, currently launched through Naturgy Solar.

Description of the processes to identify and assess material climate-related impacts, risks and opportunities (IRO-1)

The identification of impacts, risks and opportunities, applicable to Naturgy's operations and its value chain, related to climate change, has been conducted as from the 2024 double materiality assessment. For more information on the methodology used, the section “Description of the processes to identify and assess material impacts, risks and opportunities", in the General disclosures chapter of this Report can be consulted.

In the particular case of the impacts evaluated, there has been paid special attention to actual and potential GHG emissions along the value chain, given their direct link to climate change, and in line with the Paris Agreement, the European Climate Law, and Naturgy's own ambition in terms of climate neutrality. Therefore, and as every year, Naturgy has calculated and disclosed its total emissions, according to the three scopes, and has analysed the possible future evolution of its assets and business relationships in this matter.

Furthermore, as introduced in the previous section, the financial materiality assessment relies on a climate-related physical and transition risks and opportunities analysis, based on the following inputs:

- The international TCFD framework.
- The company's risk policies and risk profile to identify what is an acceptable level of risk.
- Context analysis of potential theoretical scenarios, where public projections by international organisations, as well as internal assumptions based on the specific characteristics of each business, were taken into consideration.
- E1.IRO-1_16 The scenarios used are compatible with the Climate Transition Plan and the financial strategy 2025-2027.
- E1.IRO-1_05 Consideration of various time horizons for carrying out sensitivity analyses of the defined climate scenarios:
  - Short-term, corresponding to the period 2025-2030.
  - Medium-term, up to 2040.
  - Long-term, up to 2050.

  The use of different time horizons to those included in the ESRS is due to the fact that, in the case of climate-related risks and opportunities, Naturgy considers that they provide a more realistic view in terms of probability of occurrence and financial impact, in line with the TCFD initiative. More information can be found in section “Disclosures in relation to specific circumstances”, in the General disclosures chapter of this Report.
- Identification of variables and indicators related to climate change and energy transition and collection of associated data for each of Naturgy's activities and assets in operation; as well as the main key metrics for the energy system, including, among others, energy demand, commodity and CO_2 prices, total electricity generation and by technology, as well as renewable gases development.

Climate scenarios used E1.IRO-1_08; E1.IRO-1_13; E1.IRO-1_15

The use of theoretical climate scenarios is an important component of the climate-related risks and opportunities analysis, especially with regard to assumptions about temperature variability, greenhouse gas emission trajectories based on policies, international commitments and energy and land-use transformations, the frequency and intensity of extreme weather events, new technological developments, resource use, socio-economic factors, etcetera, which help to understand how climate conditions and associated impacts may evolve. The scenario analysis is aligned with TCFD recommendations.

For the physical risks analysis, in particular, the scenarios used in the models show how physical climate phenomena change in response to increases in greenhouse gases, including variables such as temperature rise, sea level rise and changes in the frequency and severity of extreme weather events. And for the transition risks and opportunities analysis, the scenarios consider the impact on global temperature from the implementation of different policies and regulations in relation to emissions reductions, energy transition, investments in resilient infrastructure and technology development.

A total of three theoretical global climate scenarios are used according to their climate ambition, two scenarios where global temperature will not increase by more than 2ºC by 2100 compared to pre-industrial times, meeting the TCFD recommendation, and a third, less climate ambitious scenario, where slower adoption of global commitments and policies may lead to temperature increases of 2.7ºC by the end of this century.

They are based on the projections published by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and the Network for Greening the Financial System (NGFS). In addition, specifications of each business in every geography where Naturgy carries out its activities and the company's strategic projections have been considered.

In this regard, Naturgy is aligned with ESRS requirements, having considered at least one scenario consistent with the Paris Agreement and limiting climate change to 1.5°C (NZE, on the basis of which the ambitions of the Climate Transition Plan are aligned) for the assessment of its physical and transition risks and opportunities, as well as a high-emissions scenario (STEPS), for the physical risk assessment.

Naturgy considers that these scenarios are optimal for modelling possible future climate risks and opportunities, although sometimes these are regional scenarios and obtaining more granular results (for example, at country level) complicates the analysis, so they must be complemented with entity-specific information in the geographies where it operates.

Sustainability

Scenarios used	Scenario 1: SSP1 - 1.9 + NZE +1.5ºC			Scenario 2: SSP1 - 2.6 + In-house projection +1.7ºC				Scenario 3: SSP2 - 4.5 + STEPS +2.7ºC		
Reference scenarios	IPCC	IEA	NGFS	IPCC	IEA	Naturgy	NGFS	IPCC	IEA	NGFS
	SSP1 - 1.9 Sustainability	**NZE** Net Zero emissions by 2050	**Net Zero 2050**	**SSP1 - 2.6** Middle of the road	**APS** Announced pledges	**In-house projection**	**Below 2ºC**	**SSP2 – 4.5** Regional rivalry	**STEPS** Stated Policies	**Determined contributions**

Scenario 1: Net Zero Emissions (NZE)

This is the most ambitious climate scenario, based on the IPCC's SSP1-1.9, the IEA's "Net Zero emissions by 2050" and the NGFS' "Net Zero 2050" scenarios, as it assumes that net zero emissions will be achieved by 2050, with some developed economies achieving this goal earlier than expected. It considers sustainable social and economic growth with a global temperature increase of no more than 1.5°C by 2100. It sets out a regulatory framework that encourages the reduction of fossil fuel use and promotes the development and use of clean technologies.

It foresees rapid economic growth thanks to the creation of thousands of jobs related to energy transition due to the promotion of renewable energies, which, in addition to improving life quality, will help to meet the 2030 Agenda. Investments in the development of electric means of transport, in fuels that generate lower emissions and in technologies for clean energy production (wind, solar, among others) will lead to 100% renewable electricity generation by 2050.

Scenario 2: Announced Pledges Scenario (APS)

This scenario assumes that all current published global climate commitments, including Nationally Determined Contributions and Net Zero targets, will be met on time. However, only those economies aiming for net zero emissions by 2050 will achieve this goal through international cooperation, social participation, and a gradual reduction fossil fuels use and price, while CO_2 prices will rise. A temperature increase of no more than 1.7°C is projected for 2100.

This analysis is based on the IPCC's SSP1-2.6, the IEA's Announced Pledges Scenario and the NGFS' Below 2ºC, together with in-house Naturgy estimates aligned with the Integrated National Energy and Climate Plan (PNIEC) 2023-2030 and the Long Term Decarbonisation Strategy 2050 (ELP 2050).

It considers an increase in policies and regulatory standards in order to meet climate commitments, as well as international cooperation to promote the use of alternative fuels and technologies. In particular, in Spain, a rapid and extensive development of renewable gases as a decarbonisation lever is expected.

Greater social involvement is also expected to support the 2030 Agenda, with investments and access to clean energy in low-income countries, generating employment in renewable energy and energy efficiency.

Scenario 3: Stated Policies Scenario (STEPS)

In this scenario, a slowdown in the setting of more ambitious commitments or potential breaches of commitments made is considered. Policies are adopted to reduce the use of fossil fuels, but demand remains high and investment in renewable energies is conservative. As a consequence, developed economies do not reach net zero emissions by 2050 and global temperature rises by 2.7ºC by 2100. Some of the assumptions of this scenario include:

- It is based on the IPCC's SSP1-4.5, the IEA's “Stated Policies Scenario”, and the NGFS' “Nationally Determined Contributions” scenarios.
- It is assumed that governments do not meet all announced climate targets, but only those that are currently feasible.
- Demand for fossil fuels remains constant compared to current consumption. There is still dependence on fossil fuel imports. The current risk with regard to price volatility in energy markets remains.
- The transition to renewable energies use is, therefore, delayed.

E1.IRO-1_07 Note that in the analyses of previous years, the SSP-8.5 scenario was used as the high emissions scenario for the assessment of physical risks. Nevertheless, Naturgy currently uses the SSP-4.5 scenario as a high emissions scenario, given that it reflects a more realistic trend, maintaining current CO2 emissions until mid-century, which means that progress towards a low-carbon economy would be slow and Net Zero would not be reached until 2100. In contrast, the SSP-8.5 scenario assumes that emissions continue to rise throughout the 21st century, and has been considered highly unlikely since IPCC AR5, since it considers an overestimation of the projected use of coal and fossil fuels and doubts about the global supply to meet these demands.

Physical risks and opportunities assessment process E1.IRO-1_02

E1.IRO-1_04 Physical risks are assessed at the level of the facilities themselves (using their geolocation) and types of assets (linear networks), in order to ensure that they can be operated and accessed in a safe manner under extreme weather conditions. To this end, the methodology for assessing physical risks is based on the following premises:

- **Assets damage**: estimation of potential damage to assets resulting from catastrophic events, considering the variables of occurrence and intensity of the events.

- **Business disruption**: estimated annual business disruption costs proportional to the number of days on which the hazard intensity exceeds a relevant threshold. It assumes that on each of these days a fixed proportion of revenue is lost, specific to each sector.

E1.IRO-1_03; E1.IRO-1_06 Climate-related physical risk affects all company's facilities to different degrees. Particularly those infrastructures with a long useful life and located in regions with greater exposure to extreme weather events are at risk. Therefore, Naturgy's risk model is based on modelling the exposure and vulnerability of assets to different adverse weather events:

Term	Definition
Exposure	The number of items that are prone or subject to certain hazards and that may cause effect on them
Vulnerability Sensitivity Susceptibility	An asset's predisposition to be affected, including sensitivity or susceptibility to financial damage (or opportunities) and adaptation capacity.
Danger Risk	Natural phenomenon in question: occurrence probability and extreme weather events intensity.

In the section "Material impacts, risks and opportunities and their interaction with strategy and business model" of this chapter, the various climate-related hazards that could result in risk to the company and the potential impact should they materialise are indicated.

Transition risks and opportunities assessment process E1.IRO-1_09

Transition risks and opportunities assessment aims to provide a qualitative and prospective analysis of the impact that climate change may have on the profitability of an activity or company:

- Identification of risk parameters in each business and country, id est, those parameters sensitive to potential changes in each of the simulated climate scenarios: current and future climate regulation and policies, technological advances in terms of energy efficiency, new energy sources or carbon emissions capture, the evolution in the supply and demand of fossil fuels and decarbonised products and services or the increase in production costs, among others.
- Analysis of the risk parameters behaviour according to the scenario: what actions are required to adapt the business model to emerging trends and new opportunities in each scenario.
- Impact assessment: variations in the above operational parameters affect profitability and other indicators for each business and country.

E1.IRO-1_10; E1.IRO-1_11; E1.IRO-1_12 In this regard, the analysis carried out has enabled Naturgy to assess which assets typologies are exposed to transition risks in the short-, medium- and long-term, depending on the evolution of the risk parameters considered for each business and in each scenario. Although Naturgy has availed itself of the phase-in provision on disclosing information on anticipated financial effects from risks and opportunities, as established by ESRS 1 in Appendix C (see section "Anticipated financial effects from material physical and transition risks and potential climate-related opportunities" in this chapter), qualitative information on such effects has been included. Anticipated financial effects have also been identified during the year 2024 and are reflected in Note 2.24.25 k of the Annual Consolidated Financial Report.

E1.IRO-1_14 On the other hand, business activities that require efforts to be compatible with the transition to a carbon-neutral economy are those related to natural gas. Naturgy's Climate Transition Plan (section "Transition plan for climate change mitigation" of this chapter) establishes the action lines that the company must develop in the future to achieve its decarbonisation targets and move towards the energy transition.

Policies related to climate change mitigation and adaptation (E1-2)

[E1.MDR-P_01-06] Naturgy sets out its main principles and commitments regarding its contribution to climate change mitigation and adaptation in the Global Sustainability Policy.

This Policy establishes the basic action principles that guide Naturgy's activity in relation to the impacts, risks and opportunities derived from energy use and associated with climate change mitigation and adaptation. [MDR-P_01]

[MDR-P_04] Specifically, Naturgy voluntarily assumes the commitment to be a key actor in energy transition towards a circular and decarbonised economy model, in line with Paris Agreement objectives. Therefore, the company is committed to achieving net zero emissions by 2050, considering all the scopes of the carbon footprint and prioritising the 1.5ºC reduction pathways where feasible, subject to the energy and regulatory policy of each of the countries where it operates, establishing intermediate emission reduction targets and minimising the use of compensation mechanisms.

[MDR-P_02] [MDR-P_03] [MDR-P_05] [MDR-P_06] Further details on other minimum disclosure requirements on this policy can be found in the "Corporate Policies" section of the General disclosures chapter of this Report.

[E1-2_01] In addition, the Global Sustainability Policy establishes the following climate change-related commitments:

- Develop and communicate transition plans for climate change mitigation, with the aim of achieving net zero emissions by 2050, considering all scopes of the carbon footprint and prioritising 1.5ºC reduction pathways where feasible, subject to the energy and regulatory policy of each of the countries where it operates, setting intermediate emission reduction targets and minimising the use of compensation mechanisms.
- Develop strategies and implement specific actions for climate change adaptation.
- Identify, assess, manage and report the impacts and financial effects of climate-related (physical and transition) risks and opportunities, in accordance with the regulatory requirements of the countries in which it operates.
- Align investments with the company's climate transition plan.
- Publish the carbon footprint in all its scopes annually, verified by an independent third party.
- Develop products and services to reduce greenhouse gas emissions in the value chain.
- Promote decarbonisation targets in accordance with just transition principles, involving and seeking consent of affected parties.
- Carry out advocacy activity in line with Paris Agreement objectives ensuring permanence only in partnerships or entities that meet this criterion.

Actions and resources in relation to climate change policies (E1-3)

Naturgy has demonstrated its commitment with climate change over the last few years, through various initiatives to progress in its decarbonisation ambitions and move towards energy transition.

Naturgy's climate strategy to date has been determined by the 2021-2025 Strategic Plan and the subsequent 2021-2025 Sustainability Plan, although this year the ambitions in this matter have been updated following the publication of the Climate Transition Plan, described in section "Transition plan for climate change mitigation" of this chapter.

E1-3_01 The Climate Transition Plan includes different climate change mitigation and adaptation and energy decarbonisation levers, where Naturgy must focus its efforts around in order to achieve the ambitions set for the long- term. The main actions promoted by Naturgy this year, in line with these levers, have been as follows:

Investment in renewable energy generation

MDR-A_01; MDR-A_02 Naturgy has been committed for years to promote renewable energies as a driver for carbon neutral economy. Thus, as indicated in the new Transition Plan, Naturgy considers preferential to promote the development of wind and solar energy, ensuring on the other hand the security of supply with the operation of natural gas combined-cycles. At present, Naturgy's global renewable energy portfolio amounts to 7.25 GW of installed capacity.

MDR-A_03; MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12 In order to achieve the above ambitions, in line with the 2021-2025 Strategic Plan, a capital allocation of 862 million euros has been recorded in 2024, mainly for the construction of new wind and photovoltaic farms. This funding will be extended in subsequent years following the approval of the new Strategic Plan 2025-2027 and the Climate Transition Plan.

MDR-A_04; MDR-A_05 The main projects developed during 2024 have been:

- In Australia, a financing facility of more than 2,300 million Australian dollars has been approved through its international generation subsidiary Global Power Generation (GPG), to be executed around a portfolio of eight operating facilities (six wind farms, one battery storage project and one solar hybrid with storage), two photovoltaic plants under construction and one solar hybrid with battery project under development.
- In the same geography, GPG has closed 2024 with 1 GW of projects in operation, following the grid connection of the Ryan Corner wind farm (218 MW), the Hawkesdale wind farm (97 MW), the Crookwell 3 wind farm (58 MW), and the Cunderdin hybridisation project (128 MW solar and 55 MW/220 MWh of storage).
- Naturgy has reached an agreement with Amazon for the supply of the energy produced by the new wind farm located in Hawkesdale, in the state of Victoria, which produces energy equivalent to the consumption of 67,000 homes.
- Naturgy's first renewable facility in the United States has come into operation: the 7v Solar Ranch photovoltaic plant, located in the state of Texas, which has 555,600 photovoltaic modules, with a peak power of 300 MW, and will generate 560 GWh of electricity per year.
- In Spain, Naturgy has reached an agreement with the European Investment Bank (EIB) to receive a 1,000 million euros loan to support investment in new solar photovoltaic and onshore wind power plants, as well as the repowering and hybridisation of existing plants in the country, with the aim of increasing Spain's renewable energy generation capacity by 2.3 GW.
- Also in Spain, construction has begun on a photovoltaic plant in Campo de Arañuelo, located in the province of Cáceres (Extremadura). With 300 MW of peak power, it is estimated to produce 515 GWh/year of renewable energy and reduce CO_2 emissions by more than 250,000 tonnes per year. The investment associated with the development of this project will be more than 150 million euros.

The development of renewable energies not only supports the mitigation of climate change and the decarbonisation of the economy, but also, in certain cases, can serve as a vector for adaptation to the consequences of climate change. Thus, Naturgy has in operation different hydroelectric generation plants, which, through proper and efficient management, could generate a positive impact by regulating adverse weather phenomena such as droughts or extreme rains. Further details can be found in the section "Material impacts, risks and opportunities and their interaction with strategy and business model" in this chapter.

Just energy transition

The energy transition is so necessary and urgent that it creates a number of unintended consequences for communities, especially for working people who may see their livelihoods disappear.

The example of this that has affected Naturgy in Spain is the closure decreed by the competent administration of the coal-fired power plants. To mitigate the impacts of the closure, the "Agreement for a Just Energy Transition for thermal power plants in closure" was signed in 2020. This includes the commitments of the Spanish government, energy companies and trade unions to guarantee employment and the reactivation of the economy in the areas affected by the closure of thermal power plants located in Aragon, Andalusia, Principality of Asturias, Castile and Leon and Galicia. This agreement also established the commitment of the parties to work on the elaboration of Just Transition Agreements that would include a participatory process of mobilisation and consultation for their elaboration.

Closure of coal-fired power plants and accompanying plans

MDR-A_01; MDR-A_02; MDR-A_04 In 2020, Naturgy closed all its coal-fired power plants in Spain, so this fuel is no longer used for electricity generation in its own operations, which has reduced the company's impact on the environment thanks to the reduction of scope 1 GHG emissions.

Naturgy has also drawn up accompanying plans for each of the closed plants, which detail the commitments made by the company:

- Proposals for new investments in renewable energies in the same territories.
- Outplacement plans for own workers.
- Prioritisation of local companies and affected workers, in the contracting of decommissioning work.
- Search for investors.
- Participation in support schemes for the improvement of employability in new activities, including specific training schemes.

These support plans have taken into account the main affected stakeholders and are focused primarily on promoting economic activity in the areas where the plants were located. The company's approach to these plans is based on the following premises:

- Prioritise environmental measures and health and safety procedures in decommissioning.
- Engage with stakeholders in the plant environment.
- Giving sites a second life by finding alternatives for new industrial uses.
- Mitigate as far as possible the economic and employment impact on the areas and maintain the historical link with the territories.
- Support job creation and contribute to the training of workers in new skills adapted to the requirements of the energy transition.

MDR-A_05 During 2024, Naturgy has continued with the decommissioning process of the four coal-fired power plants under its management. The situation at the end of 2024 of the decommissioning process of the different sites, and its comparison with respect to 2023, is as follows:

Facility	Degree of progress (%) 2024	Degree of progress (%) 2023	Revaluation and/or recycling rate (%)
TPS Anllares	100	98	97.0
TPS La Robla	99	93	92.5
TPS Meirama	100	86	91.9
TPS Narcea	85	56	85.4

MDR-A_03 The decommissioning of the Anllares and Meirama power stations was completed in 2024. In the case of the La Robla power station, dismantling was also completed in 2024, although the levelling of the site on which it was located is pending (for which the aggregate produced by crushing the aggregate from demolition is used), pending environmental permits, and its completion is scheduled for 2025. Finally, the dismantling of the Narcea power station is also scheduled for completion in 2025.

In the dismantling work, priority has been given to safety procedures and environmental measures that do not affect third parties and the environment. To this end, priority is given to ensuring that the demolition techniques are minimised in terms of risk and that the dismantling materials and equipment are reused and recycled.

As a result of the decommissioning, Naturgy has drawn up an investment plan in the affected areas that prioritises more efficient, less emitting and more environmentally friendly generation technologies. The alternative plans to date are as follows:

La Robla power station (Castile and Leon)	**Meirama power station (Galicia)**	**Narcea power station (Asturias)**
– Development of three photovoltaic parks and substation. – Green hydrogen plant together with Enagás Renovable with an electrolysis capacity of 280 MW. – Electrical storage with Li-ion batteries connected stand-alone at the Just Transition node in La Robla with a capacity of 40 MWh and a power of 20 MW.	– Meirama and As Encrobas wind farms and new substation, with favourable Environmental Impact Statement (EIS) since November and December 2022, respectively. These projects have been suspended as a precautionary measure by the High Court of Justice of Galicia. – Development of a green hydrogen production hub together with Repsol and Reganosa. – Biogas plant together with Repsol and Reganosa.	– Transfer to Tineo Town Council of the village annexed to the power station to be used for social purposes. The refurbishment project has received 3.5 million euros in aid from the IJT. – Execution of the project for the reorganisation of the Narcea riverbed as it passes through the power station. – Construction of an urban wastewater treatment plant to replace the existing one at the power station.

The new Global Sustainability Policy includes among its commitments regarding climate change and energy transition, the promotion of decarbonisation targets in line with the principles of just transition, involving and seeking the consent of affected parties.

Since the start of the decommissioning of coal-fired plants, this principle has guided the company's actions through investment plans aimed at developing new renewable technologies that contribute to the decarbonisation targets or, as in the case of the Narcea thermal power station, adapting the land where the plant was located to donate it to the municipality so that an alternative economic activity can be started. In the design of these plans, collaboration with the different stakeholders and the creation of alliances have been a constant feature.

E1-3_05 Both the decommissioning and the foreseen investment plans require the availability of both financial and human resources. These resources have been provided by Naturgy and will continue to be so as the materialisation of these investments makes it necessary. It should be pointed out that some of the planned actions go beyond the company's legal decommissioning obligations; for example, the financing of the project for the reorganisation of the Narcea riverbed as it passes through the plant.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12; E1-3_06; E1-3_07; E1-3_08 In financial terms, and following the closure of all Naturgy's coal-fired power plants in the first half of 2020, the Group has not returned to generating electricity with coal. These facilities are fully depreciated/provisioned at 31 December 2024, taking into account that, as previously mentioned, during this year progress has continued to be made in the dismantling of the same, being concluded for practically all the plants and at a very advanced stage for the rest.

Employment and training

MDR-A_01; MDR-A_02; MDR-A_04 In addition to the development of projects that contribute to maintaining the economic and industrial activity of these areas, Naturgy's commitment includes the promotion of employment. In this regard, it should be noted that the closure of the plants was communicated both to the workforce directly affected and to the workers' representatives. For the relocation of professionals, the aim was to minimise the impact of the change of work centre, making the most of the means offered by Naturgy and the flexibility of the units and equipment. Thus, a large part of the workforce requirements for the renewable technology development projects were covered with personnel from the coal-fired thermal power plants.

Regarding the workers in the value chain, communication was established with the contracting companies to inform them about the next steps to be taken and about the channels for applying for employment in the dismantling work. These channels have ensured equal opportunities based on the identification of the typology of profiles by the companies awarded the dismantling work at each of the work centres.

As far as possible, for decommissioning work priority has been given to hiring personnel residing in the municipalities where the plants are located or in nearby areas. Local employees are considered to be those who reside in the municipality of the sites or who reside in different municipalities and are registered in the Institute for a Just Transition labour exchange.

- **Local employment (% of total number of people hired)** MDR-A_05

Power station	2024	2023
La Robla	58	56
Meirama	33	24
Narcea	37	37

MDR-A_03 The contracting of local personnel for the dismantling of the plants ends at the end of this process. At present there are no local personnel contracted at the La Robla, Meirama and Anllares power stations, without prejudice to the possibility of occasional contracting of local company services. In contrast, local personnel are available at Narcea, where the degree of progress of the decommissioning process is less advanced.

In addition, when construction work begins on the projects planned at the various sites (wind farms, photovoltaic farms, substations, etc.), new opportunities will open up for the recruitment of local staff.

Job creation requires people training and preparation. Thus, within the Alliance for Vocational Training framework of the Ministry of Education and Vocational Training and linked to the Vocational Training Programme for Employability, the Naturgy Foundation provides workshops aimed at teachers, students of training cycles, unemployed and employees in the sector. Specific training in new energy technologies such as the installation and maintenance of photovoltaic panels, renewable gases and the digitalisation of electricity grids should be highlighted.

Along these lines, the Institute for Just Transition and the Naturgy Foundation signed an agreement to collaborate on training, improving employability and gender equality in the energy sector. The protocol establishes the collaboration lines between the two institutions in the fields of training and research related to the promotion of green employment in areas of just transition, as well as in strengthening the requalification of female workers in areas of just transition.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12; E1-3_06; E1-3_07; E1-3_08 The financial allocation associated to these initiatives is included in the company's social investment, which is detailed in the "Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities" section of "Affected communities" chapter of this Report.

Renewable gas production: biomethane and green hydrogen

MDR-A_01; MDR-A_02; MDR-A_03; MDR-A_04 Given the weight of the gas business in the company's portfolio, in 2024, a new business unit has been created with the aim of promoting the development of renewable gases on a large scale, being one of the essential vectors of the Climate Transition Plan, covered by the Global Sustainability Policy. This initiative contributes to reducing Scope 1 and Scope 3 GHG emissions associated with fossil fuel natural gas, using existing infrastructures and without abatement costs for the customer when this renewable gas is used instead of natural gas, especially biomethane. In addition, it fosters other positive impacts such as the use of organic waste as a resource, promoting the circular economy and job creation, especially in rural areas.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12; E1-3_06; E1-3_07; E1-3_08 For the development of the main initiatives related to renewable gases, Naturgy has allocated a total of 11 million euros, with the breakdown shown in note 2.6 of the Consolidated Management Report 2024.

In the case of Spain, the use of renewable gases as energy is recent and, taking into account the current implementation of natural gas in the country and the potential it has, it is an opportunity to contribute to national GHG emission reduction targets and this is being reflected in different regulations. In this regard, in 2022, the Royal Decree 376/2022 was approved, which establishes the creation of a system of guarantees of origin (GdOs) for renewable gases (biogas, biomethane and renewable hydrogen) managed by Enagás, which is already in operation. These electronic certificates accredit the renewable nature of the gas and contain different information about its production process, thus offering customers the certainty that the energy contracted and obtained from said gases is, in fact, of renewable origin. For more details on the use of these certifications, see section "Gross Scopes 1, 2, 3 and Total GHG emissions" in this chapter.

In relation to the use cases of biogas and biomethane, Naturgy has capacity, between own production and injection into the grid of 0.35 TWh. This fact, although still incipient, supports the ambition reflected in the Integrated National Energy and Climate Plan (PNIEC) 2023-2030 to reach a biomethane production of 20 TWh in 2030.

The company manages an extensive portfolio of projects throughout Spain at different stages of development and already has three of its own production plants in operation, at the Bens WWTP (A Coruña), in Cerdanyola del Vallès (Barcelona) and in Vila-Sana (Lleida). These will be joined in the coming months by another two facilities under advanced development and construction in Utiel (Valencia) and Utrera (Seville).

By the end of 2024, Naturgy has signed a strategic alliance with Hispania Silva, a company specialising in waste recovery with extensive experience in the agricultural and livestock sector, for the construction of a minimum of 20 biomethane production plants, which could reach up to 30. The plants that form part of this alliance, which will be distributed throughout Spain and will be operational before 2030, will have the capacity to generate 2.5 TWh of biomethane per year, equivalent to the consumption of 500,000 homes. In addition, they will contribute to the decarbonisation of our economy, reducing 450,000 tonnes of CO_2. With this alliance, biomethane will be produced from organic waste, transforming waste into a clean energy source. It will also take advantage of the synergies between the two companies to offer a comprehensive approach, covering the entire renewable gas value chain, from waste management to biomethane.

The biomethane produced in these plants will be distributed through existing natural gas networks, both to households and industries, to offer them a decarbonisation solution without the need for additional investments in their boilers and energy facilities. At the same time, these projects will contribute to circular economy, fostering job creation, benefiting local economies and returning kilometre 0 organic fertilisers to the countryside, as well as non-polluting irrigation water for the soil.

Moreover, green hydrogen is a medium-term energy carrier capable of:

- Channelling large amounts of renewable energy from power generation to sectors where electrification is not a feasible option.
- Store and manage energy massively and over long periods of time, matching energy supply and demand.

Naturgy has been researching the development of hydrogen for years due to the enormous potential it represents for a country like Spain. Currently, research, development and innovation lines are focused on analysing technologies that allow:

- Intermittent hydrogen operation, with sufficient safeguards.
- Consider hydrogen production using water of lower purity.
- Technologies enabling the combination of hydrogen and CO_2 to obtain other fuels derived from it.

This way, during 2024, the company has worked on the development of renewable hydrogen production projects linked to areas of just transition, especially in areas affected by the closure of thermal power plants, as described the previous section.

For example, the company is working with Enagás Renovable on the development of a renewable hydrogen production plant in La Robla (León), using the site of the former thermal power station, which was authorised to close in 2020. The objective is to produce renewable hydrogen from a 280 MW electrolyser. The hydrogen production will be used mainly for the decarbonisation of industry in Asturias and, to a lesser extent, for sustainable mobility in the region. The renewable electricity needed for hydrogen production will come from several photovoltaic developments that both Naturgy and Enagás Renovable own in the area. It will reduce GHG emissions and promote the penetration of renewable energies in sectors that are difficult to electrify. In 2024, the project was awarded a 42 M€ grant under the third call for large-scale projects under the European Union's Innovation Fund.

Hydrogen production project at Meirama

Naturgy, together with Repsol and Reganosa, have planned a renewable hydrogen hub of up to 200 MW in Meirama. The initial phase of the project will reach 30 MW of power. The plant will supply Repsol's refinery in A Coruña and other consumers.

The project represents an opportunity for sustainable economic development in Galicia. Being located in the municipality of Cerceda in A Coruña, a Just Transition area affected by the closure of the Meirama thermal power station, the project will promote the creation of stable employment and the training of highly qualified professionals.

The renewable hydrogen generated will be destined for industrial use to replace the conventional hydrogen currently used by the Repsol refinery, and for other uses on a minority basis. All these uses will reduce the carbon footprint of the area.

The project thus demonstrates the feasibility of deploying renewable hydrogen to decarbonise industry, as well as the reuse of existing facilities in areas affected by the decommissioning of thermal power plants.

The hydrogen production plant will not only lead to a high level of job creation, but will also bring social benefits.

Nature-based solutions

While biodiversity and ecosystem actions and resources are described in section "E4-3 Actions and resources related to biodiversity and ecosystems" of this Report, and in particular nature-based solutions, details of projects involving biogenic removals of CO_2 are provided below.

MDR-A_01; MDR-A_02; MDR-A_03; MDR-A_04 Naturgy has carried out two reforestation projects in Spain, registered in the Spanish Climate Change Office (OECC), to contribute to both CO_2 absorption and biodiversity recovery, aligned with the climate and biodiversity commitments included in the Global Sustainability Policy. The basic details of both initiatives are described below.

- The Naturgy Foundation Forest, located in Cadalso de los Vidrios, Madrid (code OECC 2024-b043), is a reforestation project that aims to recover a non-forested area by planting native species. Trees and shrubs such as *Acer monspessulanum, Amelanchier ovalis, Celtis australis, Crataegus monogyna, Prunus spinosa, Quercus pyrenaica, Sorbus aria* and *Sorbus aucuparia*, species selected for their adaptation to the conditions of the environment and their contribution to biodiversity, have been introduced in an area of 8.05 hectares. The project, which began on 15 January 2023, will run for 50 years and is estimated to absorb 2,222 tonnes of CO_2 in that time.
- The Naturgy Forest, located in Pardesoa, Forcarei, Pontevedra (code OECC 2024-b095), is a reforestation project focused on the recovery of an area through the plantation of *Pinus pinaster subsp. atlantica* in the Northern Coastal Zone. The project covers an area of 1.01 hectares, starting on 30 April 2023, and will last for 30 years. It is estimated that in this time it will achieve an absorption of 484 tonnes of CO_2, thus contributing to climate change mitigation and forest restoration in the area.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12; E1-3_06; E1-3_07; E1-3_08 In both cases, no revenues have been generated for the company and, reciprocally, Naturgy's financial contribution in terms of capital investments and associated operating expenses is not significant.

Products to facilitate the decarbonisation of customers in Spain

Energy transition is an opportunity to offer new products and services to customers who are increasingly committed to reducing emissions. These include: carbon footprint calculation, cmpensating emissions through voluntary markets, emission reduction plans for customers, self-consumption solutions, management of Guarantees of Origin (GDOs) for gas and electricity and the market for Energy Saving Certificates (CAEs).

MDR-A_01; MDR-A_02; MDR-A_03 In 2023, Naturgy launched Naturzero, a new brand designed to accompany its customers in their decarbonisation objectives, through actions for climate change mitigation and adaptation, helping to position companies in a market that is increasingly aware and values the most sustainable organisations and products. This initiative provides a comprehensive service to its customers, thanks to three associated products:

- Naturzero Calcula: enables companies to calculate their scopes 1, 2 and 3 carbon footprint, verified by an accredited entity.
- Naturzero Reduce: offers each customer an ad-hoc plan to reduce emissions, based on multiple energy solutions within the Naturgy services catalogue, including photovoltaic self-consumption with batteries or renewable gases such as biomethane. Many of these measures, aimed at reducing emissions, involve more efficient energy consumption in lighting, air conditioning, heating and transport, which ultimately translates into financial savings that benefit the consumer.
- Naturzero Compensa: compensation or neutralisation of emissions not avoided in reduction plans.

This action is fully aligned with the ambition to develop products and services to reduce greenhouse gas emissions in Naturgy's value chain, explicitly stated in the new Global Sustainability Policy.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12; E1-3_06; E1-3_07; E1-3_08 With regard to the Naturzero initiative, Naturgy has not obtained significant revenues as a result of its execution, nor has a representative amount been recorded in terms of CapEx and OpEx.

1 naturzero calcula

Access to the web tool with your detailed footprint calculation and Reduction Plan

2 naturzero reduce

Portfolio of products available to reduce your footprint from day one

3 naturzero compensa

Offsetting of emissions not avoided in the process

Energy efficiency measures

MDR-A_01; MDR-A_02; MDR-A_03 Within the framework of its commitment to energy transition, and aligned with the new Global Sustainability Policy, Naturgy has a series of measures to promote energy efficiency in the value chain, among which is the management of Energy Saving Certificates (CAEs), by offering its customers a turnkey service that includes advice on investments aimed at improving energy efficiency, calculation of energy savings and all the associated document management so that the consumer can benefit from the CAE.

A CAE is a document that certifies the amount of energy saved by a customer. In Spain, Royal Decree 36/2023, of 24 January, established a system of Energy Saving Certificates to encourage compliance with the indicative energy efficiency targets set by the European Union.

The measures that can be implemented to promote savings include the installation of solar thermal panels, rehabilitation of the thermal envelope of buildings, replacement of lighting systems, renovation or replacement of windows, among others focused on the improvement of production processes in the industrial field.

Naturgy Solar is another of Naturgy proposal made available to its customers to promote self-consumption in all market segments, individuals, communities of owners, SMEs and companies, facilitating the installation of panels and batteries, which also includes the design, management and processing of permits and subsidies.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12; E1-3_06; E1-3_07; E1-3_08 The various energy efficiency measures do not represent a significant expense for Naturgy in terms of CapEx or OpEx nor, reciprocally, a representative income for the company, which should be recognised in the financial statements.

GHG emissions reductions and associated energy savings E1-3_03

E1-3_03 Some of the initiatives described have achieved significant reductions in GHG Scopes 1 and 2 emissions, which not only contribute to climate change mitigation, but also generate tangible savings in energy consumption.

For the quantification of GHG emission reductions and associated energy savings, actual emissions and energy consumption data from 2017 to 2024 have been used for the following initiatives:

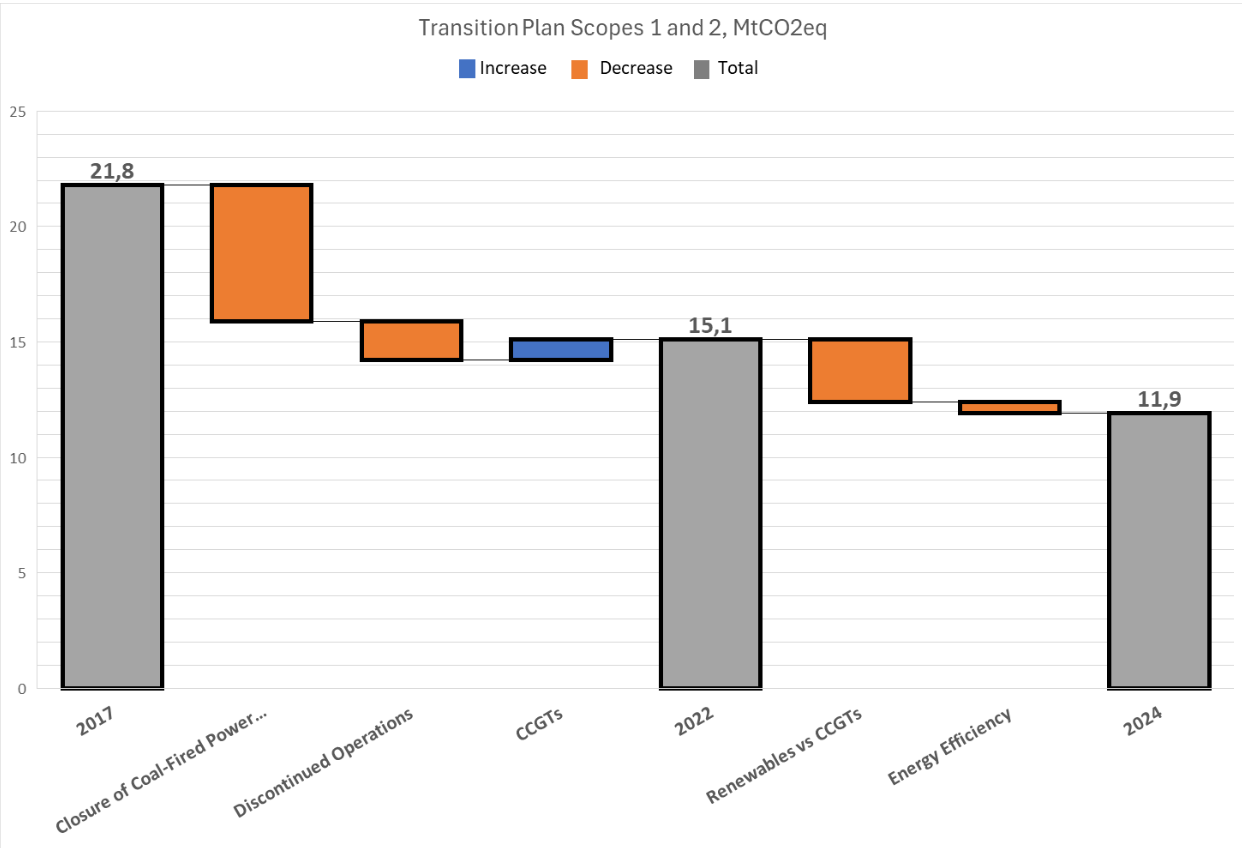
- Closure of all coal-fired power plants.
- Discontinued activities that were in the financial perimeter and are no longer in the financial perimeter, in particular:
  - gas distribution activities in Colombia and Italy;
  - electricity distribution activities in Chile and Moldova;
  - natural gas transport activity in Morocco;

  - electricity generation activity in Kenya: and
  - mining activity in Spain and South Africa.
- The displacement of combined-cycle production by renewable energies in Spain. Other renewable developments in other countries are not counted if there is no thermal production in the country owned by Naturgy, since they do not reduce the company's carbon footprint or energy consumption savings in the country.
- Energy efficiency actions in natural gas networks by replacing different network materials with polystyrene, with a lower methane leakage rate.

Initiatives to reduce GHG emissions and associated energy savings

Initiatives	tCO_2eq	MWh
Closure of coal-fired power plants	5,907,386	15,712,644
Discontinued operations	1,670,796	4,806,112
Displacement of combined-cycles by renewable energies in Spain	2,709,637	12,685,590
Energy efficiency in gas networks	369,383	237,219
Total	**10,657,202**	**33,441,565**

The following graph shows the actions that have made it possible to reduce GHG Scope 1 and 2 emissions in the period 2017-2024.



E1-3_04 The emissions expected to be reduced by these initiatives amount to 5 $MtCO_2eq$ for the period 2022-2030, due to the displacement of combined-cycle production by renewable generation technologies.

Targets related to climate change mitigation and adaptation (E1-4)

E1-4_01 Naturgy has a Transition Plan to achieve net zero emissions in 2050, considering all the scopes of the carbon footprint and prioritising the 1.5ºC reduction pathways, when feasible and subject to the energy and regulatory policy of each of the countries where it operates. As described in section "Transition plan for climate change mitigation" of this chapter.

E1-4_20 As a general note for the different climate targets, the baseline values used are considered representative in the sense that they consider all the activities carried out by the company and its value chain, and also take into account external factors such as the increase in temperature for the estimation of operational magnitudes, such as the demand for natural gas for heating or electricity for cooling.

MDR-T_09 The methodology and assumptions used to establish the targets are based on the operational magnitudes of each of the company's businesses, as set out in the Strategic Plan. These magnitudes are transformed into emissions for each of the scopes, using appropriate conversion factors from the IPCC (Intergovernmental Panel on Climate Change) or the OECC (Spanish Climate Change Office) in Spain. Subsequently, the calculated reduction pathway is compared with the science-aligned reductions according to the Science Based Targets Initiative (SBTi), the International Energy Agency (IEA) and the PNIEC in Spain. In the event of not achieving the reductions aligned with science, it is notified in case it is necessary to re-evaluate or redefine any of the operational magnitudes included in the Strategic Plan. Finally, with the final values of the Strategic Plan, the GHG emissions target is calculated and subsequently published.

MDR-T_11 In a cross-cutting manner, it should be noted that although stakeholders have not been directly involved in setting the targets, their interests and expectations have been taken into account. In particular, the Net Zero 2050 targets for Scopes 1 and 2 overall, and 3 in Spain have been set in line with the requirements of the SBTi, detailed in the document "Target Validation Protocol for Near-Term Target TWG-PRO-002, version 3.1".

Climate Transition Plan targets

In the Strategic Plan, and resulting Sustainability Plan, for the period 2021-2025, Naturgy established a commitment to climate neutrality (net zero emissions) to 2050, GHG emissions reduction targets to 2025, from the base year 2017, and a theoretical reduction pathway projection to 2030 aligned with science.

These commitments and milestones have been updated in the Climate Transition Plan, coinciding with the preparation of the new 2025-2027 Strategic Plan and Sustainability Plan in order to adapt the premises used to the current energy, geopolitical and regulatory context in terms of climate change, in each of the geographies where the company operates, and always subject to the degree of uncertainty implicit in any long-term projection exercise.

E1-4_21 In 2024, a consultation has been raised to EFRAG on application requirement 29, regarding the inclusion of early reductions prior to the 2021-2025 Sustainability Plan with respect to the base year 2017 to demonstrate the alignment of reduction pathways with science. As of the date of publication of this Report, no response has been obtained, so the assessment of science-alignment has been carried out with respect to the 2022 base year, without taking into account early reductions with respect to the 2017-2020 period of the Sustainability Plan, but it is not ruled out in the future including these early reductions if a positive response is obtained from EFRAG.

Climate Transition Plan targets and the evolution of GHG emissions since 2017, compared to the climate objectives established in the 2021-2025 Sustainability Plan, are detailed below, as a guarantee of the commitment and solvency of the company's strategy to mitigate climate change.

2050 GHG emissions targets

MDR-T_04; E1-4_18 With the analysed scenarios and factors influencing the achievement of climate neutrality, the targets set out in the Climate Transition Plan for 2050, as detailed in section "Transition plan for climate change mitigation" of this chapter, are:

- Achieve Group-wide net zero Scope 1 and 2 emissions.
- Achieve net zero Scope 3 emissions in Spain.

The targets defined take into account all carbon footprint scopes 1, 2 and 3, all greenhouse gases, is consistent with the company's GHG inventory described in section "Gross Scopes 1, 2, 3 and Total GHG emissions" of this chapter, and applies to all of the company's activities and geographies, with no exclusions. Maximum emissions reduction is the priority and, only if necessary, GHG emission removal mechanisms would be used to offset residual emissions.

MDR-T_07; MDR-T_09; MDR-T_10 Likewise, the emission reduction pathways established in the three scopes take into account the temperature scenarios of the Paris Agreement, the projections of the International Energy Association in its "Net Zero Emissions by 2050" scenario and, in the case of Spain, additionally, with what is contemplated in the Integrated National Energy and Climate Plan 2021-2030 (PNIEC), and endorsed in the PNIEC 2023-2030.

MDR-T_12; E1-4_22; MDR-T_11 The difficulty in establishing the intermediate reduction pathways lies in the uncertainty of the evolution of new non-emitting technologies that are alternatives to natural gas and in the energy and climate change policies developed in each of the countries where the company operates. In any case, this situation has been taken into account during the definition of the different milestones to achieve the long-term targets set, which are based on conclusive scientific evidence, and in accordance with the temperature scenarios aligned with the Paris Agreement, as well as with the SBTi initiative in the document "Target Validation Protocol for Near-Term Target TWG-PRO-002, version 3.1".

MDR-T_01 Compliance with the emission reduction targets established for each period is monitored on a quarterly basis, and is the result of the Global Sustainability Policy, the Climate Transition Plan and the strategic and sustainability plans in force at any given time, the latter approved for the period 2025-2027.

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06; MDR-T_13; E1-4_03; E1-4_04

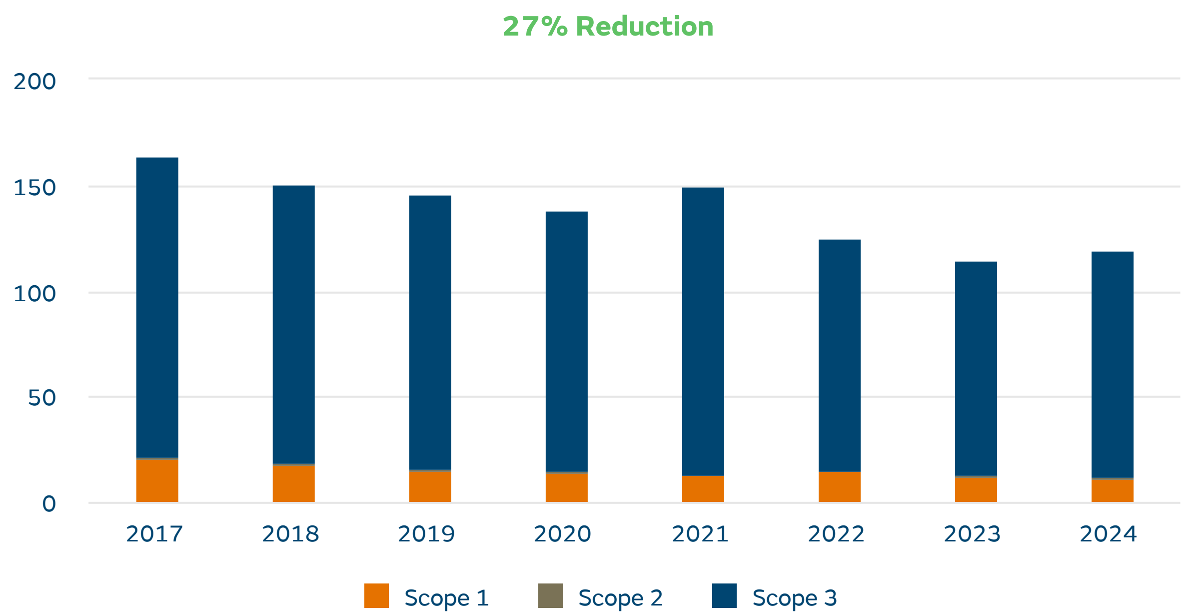
The evolution of GHG emissions from the base year, 2017, considered in the 2021-2025 Sustainability Plan until 2024 is shown in the following table:

Initial 2050 GHG emissions target (later updated in the Climate Transition Plan)	Approval year	Base year	Year 2024 ($MtCO_{2eq}$)	Year 2024 (% reduction on base year)	Baseline value ($MtCO_2eq$)
2050 Net Zero Sustainability Plan scopes 1, 2 and 3 (reformulated in 2023)	2021	2017	119.4	27 %	164.5
2050 Net Zero Climate Transition Plan scopes 1 and 2 Group	2025	2022	Not applicable	Not applicable	15.10
2050 Net Zero Climate Transition Plan scope 3 Spain	2025	2022	Not applicable	Not applicable	39.13

Note: all scopes and GHG are included

In view of the above data, a 27% reduction in emissions compared to the base year 2017 is observed for the three scopes, which indicates that Naturgy is on the right reduction path and endorses the Net Zero 2050 commitment reformulated in the company's Climate Transition Plan, without having identified the need to modify its strategy significantly to achieve it in the future.

The evolution of the carbon footprint 2017-2024 in terms of $MtCO_2eq$ is shown in the graph below:



Further information on the emission volumes reported in the table and graph above can be found in section "Gross Scopes 1, 2, 3 and Total GHG emissions" of this chapter.

2030 GHG emissions targets MDR-T_08

The interim GHG emission reduction targets 2025-2030 have been updated in the Climate Transition Plan, based on developments in recent years, the business plan of the new 2025-2027 Strategic Plan and projections up to 2030, taking into account applicable national and international energy and climate change benchmarks.

MDR-T_09; MDR-T_10 In section "Transition plan for climate change mitigation" of this chapter, and as a result of the above-mentioned exercise, the following GHG emission reduction targets for 2030 have been set in the Climate Transition Plan:

- Reduce the Group's Scope 1 and Scope 2 emissions to 9.70 $MtCO_2eq$ in 2030, a 36% reduction compared to the 2022 base year and a 56% reduction compared to the 2017 base year of the 2021-2025 Sustainability Plan. This target is aligned with the 1.5ºC reduction pathway, in accordance with the "Target Validation Protocol for Near-Term Target TWG-PRO-002, version 3.1". This target is split into Scope 1 and Scope 2 emissions as follows:
  - Reduce Scope 1 emissions from 14.74 $MtCO_2eq$ in the base year 2022 to 9.35 $MtCO_2eq$ in 2030, a reduction of 37%, a 54% reduction compared to 2017.
  - Reduce Scope 2 emissions from 0.36 $MtCO_2eq$ in the base year 2022 to 0.35 $MtCO_2eq$ in 2030, a reduction of 4%, 74% compared to 2017.
- Reduce Scope 3 emissions in Spain to 30.7 $MtCO_2eq$ in 2030, a reduction of 22% compared to the 2022 base year and 8% compared to the 2017 base year of the 2021-2025 Sustainability Plan. This target is aligned with the Well Below 2 Degrees (WB2D) reduction pathway, according to the document "Target Validation Protocol for Near-Term Target TWG-PRO-002, version 3.1".
- Reduce the Group's total Scope 3 emissions to 101.6 $MtCO_2eq$ in 2030, a 8% reduction from the 2022 base year and a 28% reduction from the 2017 base year of the 2021-2025 Sustainability Plan.

The target applies equally to all of the company's activities and geographies, with no exclusions. Maximum emissions reduction is the priority and only, if necessary, GHG emission removal mechanisms would be used to compensate residual emissions.

MDR-T_01; MDR-T_12 Compliance with the emission reduction targets established in each period is monitored quarterly, and are the result of the Global Sustainability Policy, the Climate Transition Plan and the strategic and sustainability plans in force at any given time, the latter approved for the period 2025-2027.

These targets are not validated by the SBTi initiative because, as of the date of this Report, SBTi has not published the validation protocol with the reference pathways for the oil & gas sector.

The GHG emissions for the three scopes and the reductions in percentage achieved in relation to the targets of the previous Sustainability Plan 2021-2025, which support the 2030 targets set out in the Climate Transition Plan, are presented below:

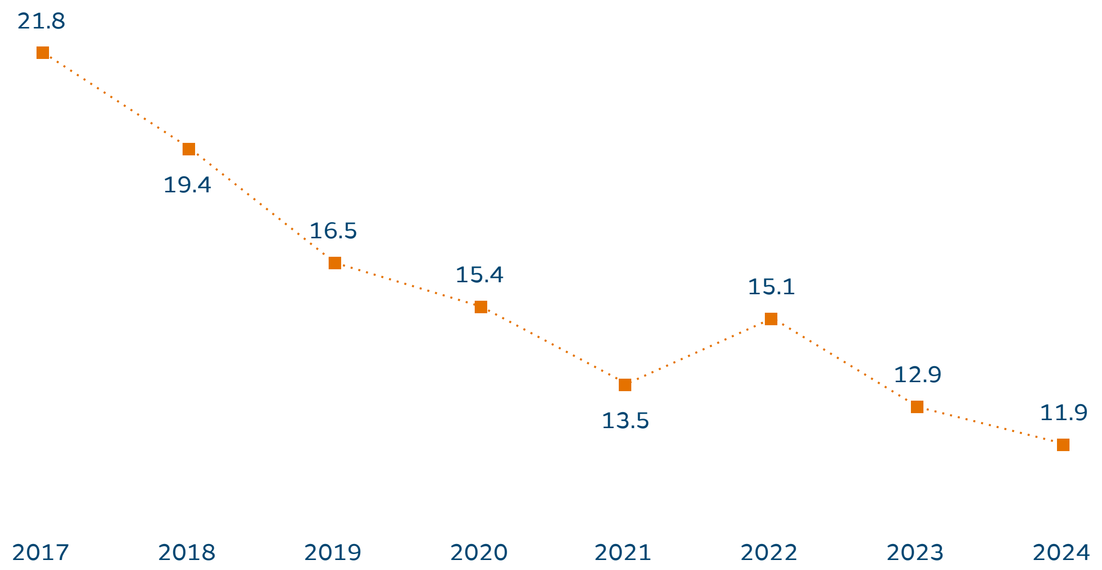
MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06; MDR-T_07; MDR-T_13; E1-4_02; E1-4_07; E1-4_10; E1-4_16

	Approval year	Base year	Target (% reduction)	Year 2024 ($MtCO_{2eq}$)	Year 2024 (% reduction on base year)	Baseline value ($MtCO_2eq$)
2025 Sustainability Plan, Scopes 1 and 2 (reformulated in 2023)	2021	2017	50 %	11.9	45 %	21.8
2025 Sustainability Plan, scope 3 (reformulated in 2023)	2021	2017	23 %	107.5	25 %	142.6
2030 Climate Transition Plan scope 1	2025	2022	37 %	Not applicable	Not applicable	14.7
2030 Climate Transition Plan scope 2	2025	2022	4 %	Not applicable	Not applicable	0.4
2030 Climate Transition Plan scope 3 (Spain)	2025	2022	22 %	Not applicable	Not applicable	39.1
2030 Climate Transition Plan scope 3 (group)	2025	2022	8 %	Not applicable	Not applicable	110.1

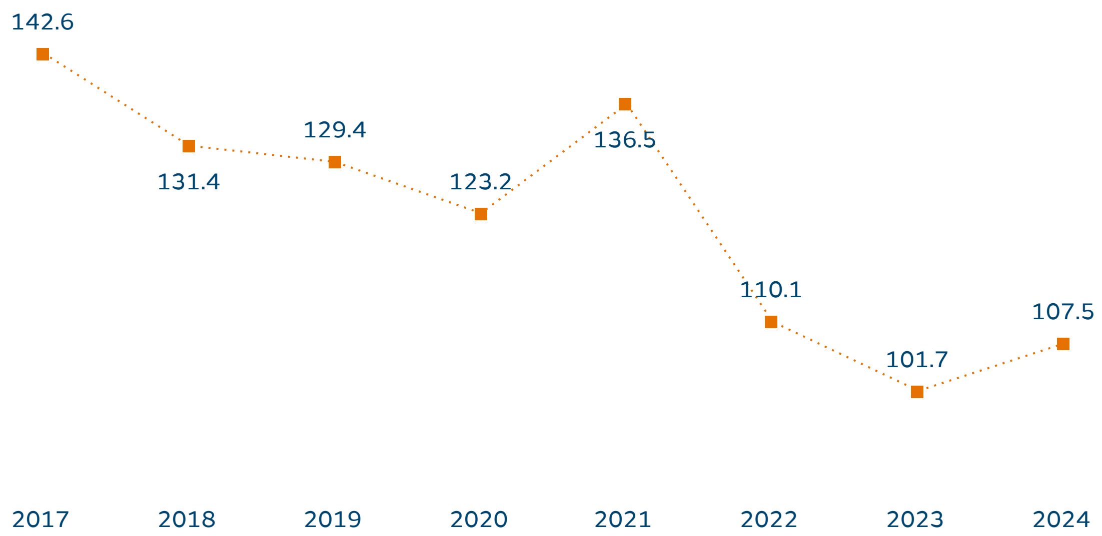
Reformulated targets in 2023 with updated values 2025 Strategic Plan

In 2024, Naturgy has achieved a 91% compliance with the target set out in the 2021-2025 Sustainability Plan for Scope 1 and 2 emissions and 106% for Scope 3 emissions. In view of the above data, Naturgy has not considered the need to significantly modify its strategy in recent years to achieve future target values, beyond the fact that the short-term objectives are updated according to the company's successive financial plans.

- **GHG Scopes 1 and 2 emissions evolution ($MtCO_2eq$)**



- **GHG Scope 3 emissions evolution ($MtCO_2eq$)**



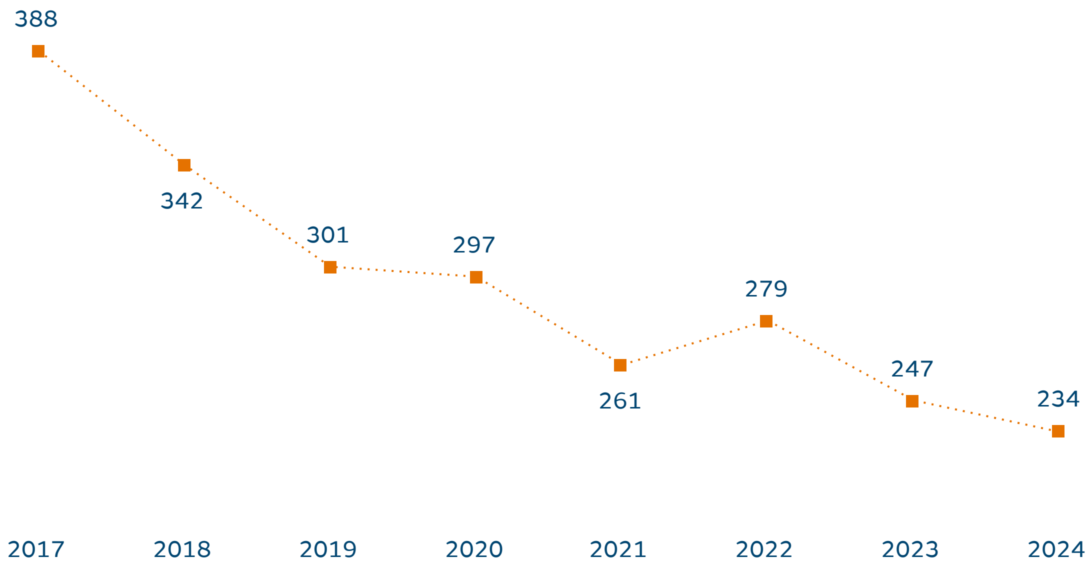
Emissions intensity targets for electricity generation

MDR-T_01; MDR-T_04 Emissions intensity targets for electricity generation are the amount of CO_2 emitted by the electricity produced (tCO_2/GWh), responsible for about 90% of the company's direct emissions. Therefore, the existence of these targets serves as a basis for progress in Naturgy's decarbonisation.

The targets for this metric, initially set in the Strategic Plan, and the resulting 2021-2025 Sustainability Plan, and included in the Climate Transition Plan, are associated with the company's new 2025-2027 plans, as they are subject to the capital expenditures on electricity generation.

The evolution of this metric and the targets set in the different periods are shown below:

- **Emissions intensity in energy generation (tCO_2/GWh)**



MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06; MDR-T_07; MDR-T_13; E1-4_02; E1-4_05

	Approval year	**Base year**	**Target (% reduction)**	**Year 2024 (tCO_2/GWh)**	**Año 2024 (% reduction on base year)**	**Baseline value (tCO_2/GWh)**
2025 Sustainability Plan 2021-2025 (reformulated in 2023)	2021	2017	49 %	234	40 %	388
2027 Sustainability Plan 2025-2027	2025	2022	34 %	Not applicable	Not applicable	279

Naturgy has achieved in 2024, one year before closing the 21-25 target, a compliance of 81%. The target set for the period 2025-2027 is a 35% reduction compared to the base year 2022. Consequently, Naturgy has not considered the need to significantly modify its strategy in recent years to achieve future target values, beyond the fact that the objectives are updated with the successive financial plans of the company.

MDR-T_01; MDR-T_09; MDR-T_12 Compliance with the targets is monitored on a quarterly basis and commitments stem directly from the Global Sustainability Policy, the Climate Transition Plan and the 2025-2027 Strategic Plan.

MDR-T_10 The 2025-2027 electricity generation emissions intensity target is aligned with the 1.5ºC reduction pathway, according to the "Target Validation Protocol for Near-Term Target TWG-PRO-002, version 3.1".

The target applies to all of the company's geographies, with no exclusions. Minimising emissions, and by extension the emissions intensity of electricity generation, is the priority and only, if necessary, GHG emission absorption mechanisms would be used to compensate residual emissions. Monitoring of these targets and associated metrics is on a quarterly basis.

Renewable energy target

Electricity

MDR-T_01; MDR-T_02; MDR-T_03; MDR-T_04; MDR-T_05; MDR-T_06; MDR-T_07 The commitment to renewable energies is one of the strategic lines for reducing emissions, as set out in the company's Global Sustainability Policy. To this end, the 2021-2025 Strategic Plan included the objective of reaching a percentage of installed renewable power of 48% in the generation mix in the company's own operations by 2025, so this goal does not require a year and a base value.

MDR-T_09; MDR-T_10 In addition, neither a specific methodology has been used to set this target, nor does the use of scientific evidence apply, as the value set is based on the allocated capital set by the company for renewable electricity generation.

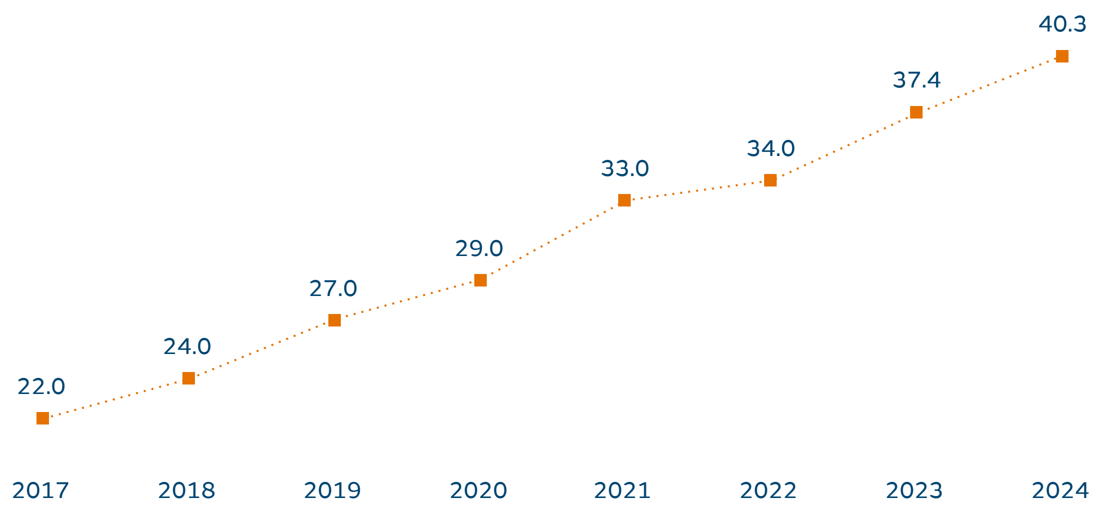
MDR-T_08; MDR-T_12 This value was updated in 2023 with the medium-term review of the 2021-2025 Strategic Plan, and is monitored quarterly to ensure compliance. Naturgy has not considered the need to significantly modify its strategy in recent years to achieve the future target values, beyond the fact that the objectives are updated with the company's successive financial plans. The Strategic Plan includes different annual milestones that Naturgy has used as a reference, although the target expires in 2025 and interim milestones do not apply.

In terms of meeting this target, by 2024, 271 MW of renewable capacity had come into operation in Spain, of which 100% is solar photovoltaic capacity. In Australia in 2024, 372 MW wind, 128 MW solar and 55 MW batteries have come into operation, along with 13 MW of solar capacity in Chile and other adjustments in solar photovoltaic capacity of 2 MW in the USA and 1 MW in Brazil. Thus, Naturgy has managed to increase its renewable power capacity by 8% over the previous year.

Given the delays in obtaining permits and the consequent increase in the time taken to implement the projects, in the exercise of the new 2025-2027 Strategic Plan, Naturgy has established the renewable installed capacity target aligned with the previous Plan for 2025 as the target of the new Plan for 2027, that is, reaching 47%.

The target applies to electricity generation and to all of the company's geographies, without exclusions. This target monitored on a quarterly basis.

- **Renewable power (%)** MDR-T_13



Gas

MDR-T_01; MDR-T_02; MDR-T_03; MDR-T_04; MDR-T_05; MDR-T_06; MDR-T_07 The commitment to renewable energies is one of the strategic lines for reducing emissions, as set out in the company's Global Sustainability Policy. To this end, the 2021-2025 Strategic Plan included the objective of reaching 0.52 TWh of renewable gas production and/or injection capacity (biomethane) by 2025, so this target does not require a year and a base value.

MDR-T_09; MDR-T_10 No specific methodology has been used to set this target, nor does the use of scientific evidence apply, as the value set is based on the actions foreseen in the company's strategy.MDR-T_08; MDR-T_12 This value is monitored annually and there are no intermediate milestones. It should be noted that there have been no changes in the definition of the target.

In terms of meeting this target, in 2024, in Spain there is a renewable gas capacity of 0.35 TWh.

In the new Strategic Plan 2025-2027, Naturgy has redefined the objective, establishing the goal of reaching a renewable gas injection capacity in Spain in 2027 of 1.60 TWh. This objective is monitored on an annual basis.

Target related to the adaptation to climate change physical risks

MDR-T_01; MDR-T_02; MDR-T_03; MDR-T_04; MDR-T_05; MDR-T_06; MDR-T_07 The Global Sustainability Policy establishes the commitment to develop strategies and implement specific actions to adapt to climate change. To this end, the new Sustainability Plan includes the objective that by 2027, 100% of the facilities with material risks should have climate change adaptation measures in place.

MDR-T_09; MDR-T_10 Neither a specific methodology has been used to set this target, nor does the use of scientific evidence apply, as the value set is based on the company's climate risk assessment.

Roadmap for achieving climate targets

E1-4_23 As reflected in the Climate Transition Plan, described in section "Transition plan for climate change mitigation" of this chapter, Naturgy has established different decarbonisation levers to achieve its decarbonisation objectives and advance in the energy transition. In quantitative terms, Naturgy estimates that the absolute contribution to emissions reduction is leveraged in the following lines of action:

- Promote solar and wind renewable energies in electricity generation together with the necessary growth of electricity grids, with the back-up power provided by natural gas combined-cycle power stations guaranteeing security of supply. It is estimated that this line's associated emissions reduction will be 5 $MtCO_2eq$ in 2030 for Scopes 1 and 2.
- Developing renewable gases as a decarbonisation lever of natural gas through biomethane produced from organic waste and, in the medium-/long-term, green hydrogen generated from surplus renewable electricity. This promotes decarbonisation at the lowest possible cost for the consumer, circular economy with the use of waste or surpluses and the economy in rural areas. It is estimated that this line's associated emissions reduction will be 5 $MtCO_2eq$ in 2030 for Scope 3.
- Offer products and services that promote efficiency and are carbon-neutral at competitive prices to consumers and end-users. The emission reductions associated to this line are included in the previous lines.
- Increased electrification of final demand in those uses where it is most efficient. The emission reductions associated to this line are included in the previous lines.

E1-4_24 It should also be noted that Naturgy has carried out different climate scenario analyses to assess the climate-related risks and opportunities that could occur both in the present and in the future. Such is their relevance that the results of this exercise were taken into account to establish the different decarbonisation levers presented here. More information on the assessment of climate risks and opportunities can be found in section "Description of the processes to identify and assess material climate-related impacts, risks and opportunities" of this chapter.

Energy consumption and mix (E1-5)

Naturgy energy consumption (MWh)

Within the framework of the Integrated Management System, Naturgy develops management and control procedures aimed at minimising the consumption of energy and material resources. With regard to energy, Naturgy's commitment to renewable energies and the promotion of energy saving and efficiency, both in its own facilities and in homes, businesses and customer facilities, contributes to the reduction of environmental impacts.

The energy consumption data within the organisation is included below.

E1-5_01; E1-5_02; E1-5_03; E1-5_04; E1-5_05; E1-5_06; E1-5_07; E1-5_08; E1-5_09; E1-5_10; E1-5_11; E1-5_12; E1-5_13; E1-5_14; E1-5_15

- **Energy consumption (MWh)**

	2024	2023
Fuel consumption from coal and coal products	0	0
Fuel consumption from crude oil and petroleum products	2,172,647	2,326,697
Fuel consumption from natural gas	56,800,792	61,822,958
Fuel consumption from other fossil sources	0	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources	696,917	531,618
Total fossil energy consumption	**59,670,356**	**64,681,273**
Share of fossil sources in total energy consumption (%)	82 %	82 %
Consumption from nuclear sources	**11,942,380**	**13,442,000**
Share of consumption from nuclear sources in total energy consumption (%)	16 %	17 %
Fuel consumption for renewable sources, including biomass	0	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	1,096,994	837,484
The consumption of self-generated non-fuel renewable energy	0	0
Total renewable energy consumption	**1,096,994**	**837,484**
Share of renewable sources in total energy consumption	2 %	1 %
Total energy consumption	72,709,730	78,960,757

The energy consumption figure for 2023 has been modified, since energy sold to third parties was considered an offset for total consumption.

The result of energy consumption differs in magnitude from the historical series reported, since according to the previous methodology used, aligned with the Global Reporting Initiative (GRI), this consumption was reduced by the electricity sold from fossil sources, thus representing a "net" consumption. Consequently, if the values included in the table above were subtracted from the electricity sold from fossil fuel sources, the values would be consistent with the historical series reported in 2023 and previous years.

The calculation methodology is based on the energy consumption reported in the verification reports by electricity generation facilities under Emissions Trading Systems. For the rest of the installations, the calorific values reported by the Spanish Climate Change Office have been used. It is important to note that natural gas is calculated according to the Higher Calorific Value (HCV), while the rest of the fuels are calculated according to the Lower Calorific Value (LCP).

In 2024, there has been a 9% decrease in energy consumption within the organisation attributable to the reduction in electricity generation from gas combined cycle plants in Spain. This situation is due to the increased production of renewable generation, which has reduced the need for back-up from these plants, as shown in the following section.

Net electricity production by energy source (MWh) E1-5_16; E1-5_17

In 2024, the company generated a total of 42,660,000 MWh of electricity, of which 24,184,000 MWh corresponds to the Spanish market. Below is a breakdown of electricity production in this financial year, according to its renewable or non-renewable origin.

	2024	%	2023	%
Nuclear	4,240,000	10	4,512,000	10
Combined-cycle	9,153,000	21	12,092,000	28
Cogeneration	287,000	1	295,000	1
Thermal production. Spain	**13,680,000**	**32**	**16,899,000**	**39**
Hydroelectric	4,731,000	11	3,554,000	8
Wind	4,930,000	12	4,650,000	11
Solar	843,000	2	652,000	1
Small hydro		0	559,000	1
Renewable production. Spain	10,504,000	25	9,415,000	21
Total production. Spain	**24,184,000**	**57**	**26,314,000**	**60**
Fuel-oil	699,000	2	722,000	2
Combined-cycle	14,187,000	33	13,858,000	32
Thermal production. International	**14,886,000**	**35**	**14,580,000**	**33**
Hydroelectric	353,000	1	395,000	1
Wind	2,142,000	5	2,026,000	5
Solar	1,095,000	3	573,000	1
Renewable production. International	**3,590,000**	**8**	**2,994,000**	**7**
Total production. International	**18,476,000**	**43**	**17,574,000**	**40**
Total renewable production	**14,094,000**	**33**	**12,409,000**	**28**
Total thermal production	**28,566,000**	**67**	**31,479,000**	**72**
Total production	**42,660,000**	**100**	**43,888,000**	**100**

Note: hundreds have been rounded to zero for simplification purposes.

Energy intensity (MWh) E1-5_18

E1-5_19 Based on the previously recorded energy consumption, and given the company's net turnover in 2024, the following table shows the annual energy intensity ratio.

	2024			2023		
	Energy consumption within the organisation (MWh)	Net turnover (million euros)	Ratio (MWh / net turnover)	Energy consumption within the organisation (MWh)	Net turnover (million euros)	Ratio (MWh / net turnover)
Total	72,709,730	19,267	3,773.80	78,960,757	22,617	3,491.21

The 2023 energy intensity figure has been adjusted due to the change in total energy consumption.

It is important to note that direct energy consumption has been reported following the ESRS E1 guidelines, although in the case of the electricity sector this is not proper consumption within the organisation, as part of this consumption is transformed into electricity that is sold and consumed outside the organisation. To calculate the direct consumption within the organisation, it would therefore be necessary to subtract the electricity sold. The resulting value would then be comparable with the reported historical series.

E1-5_20; E1-5_21 For the calculation of the energy intensity ratio, the total net turnover of the company has been used, given its operation in the "Electricity, gas, steam and air conditioning supply" sector, as registered in section D of the National Classification of Economic Activities (NACE), considered to have a high climate impact according to Delegated Regulation (EU) 2022/1288 of the European Commission. The value of the net turnover can be consulted in Note 3 of the Annual Consolidated Financial Report.

Although energy consumption has decreased by 8% compared to 2023, the energy intensity ratio has increased by 8% compared to 2023 due to a decrease in turnover of 15%.

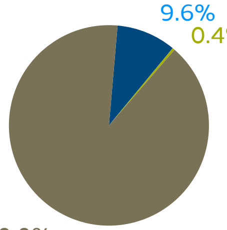
Gross Scopes 1, 2, 3 and Total GHG emissions (E1-6)

In recent years, the company has focused its efforts on reducing its greenhouse gas (GHG) emissions from its operation as well as along the value chain, as shown below.

Carbon footprint at a glance

2024 footprint

119.4 million tCO_2eq



2017-2024 carbon footprint reduction and

↓45% Scopes 1 and 2 emissions

↓27% Total footprint (scopes 1, 2 and 3)

Scope 1
Direct emissions
11.5 mill tCO_2eq

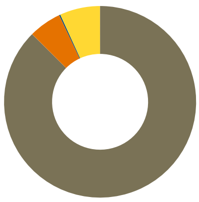
Scope 1 reduction between 2017 and 2024
↓44%

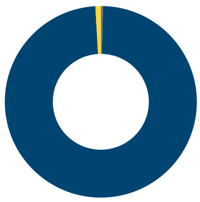
Scope 2
Indirect emissions
0.5 mill tCO_2eq

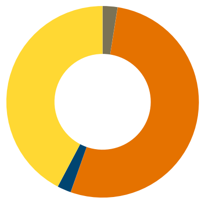
Scope 2 reduction between 2017 and 2024
↓65%

Scope 3
Rest of indirect emissions
107.5 mill tCO_2eq

Scope 3 reduction between 2017 and 2024
↓25%







87% thermal fossil generation plants

98% losses in energy distribution networks

95% customers emissions from distributed and commercialised gas

Electric generation
Electric distribution
Distribución gas
Gas supply, LNG anc gas commercialisation

2024 total compensated emissions: 355,216 tCO_2eq

In 2024, the company's GHG emissions have been reduced compared to those recorded in 2017 (base year for the emissions targets of the 2021-2025 Sustainability Plan) by 27% considering the three scopes.

GHG emissions breakdown by scope (tCO2eq) E1-6_01; E1-6_04; E1-6_06; E1-6_07; E1-6_08; E1-6_09; E1-6_10; E1-6_11; E1-6_12; E1-6_13

	Retrospective				Milestones and new target years		
	2021-2025 Sustainability Plan				2021-2025 Sustainability Plan		2025-2027 SP(2) and Transition Plan
	Base year (2017)	2024	2023	Variation (%)	2025	25-17 annual reduction target (%)	2030
Significant Scope 1 GHG emissions							
Gross Scope 1 emissions	**20,531,127**	**11,482,448**	**12,463,378**	**-7.9**	**9,914,864**	**-6.5**	**9,354,693**
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)		85 %	83 %	2.4			
Significant Scope 2 GHG emissions							
Gross location-based Scope 2 emissions	1,317,179	453,649	397,497	**14.1**	360,410	-9.1	347,806
Gross market-based Scope 2 emissions	—	—	—	**—**	—		—
Significant Scope 3 GHG emissions							
Total Gross indirect (Scope 3) emissions	**142,609,613**	**107,461,382**	**101,726,269**	**5.6**	**106,997,494**	**-3.1**	**101,605,947**
Goods and services purchased	—	164,683	186,131	-11.5			
Capital goods	—	43,892	— %	100.0			
Activities associated with upstream fuels and energy	31,621,210	26,902,224	25,367,070	6.1			
Coal	589,395	—	—	—			
Natural gas	17,569,486	23,852,401	22,738,966	4.9			
Oil	582,655	245,996	263,439	-6.6			
Electricity	12,879,674	2,803,827	2,364,665	18.6			
Transport and distribution of goods	—	—	—	—			
Waste produced in the operation	—	—	—	—			
Business trips	6,215	2,840	2,068	37.3			
Mobilisation of employees	16,236	5,356	5,408	-1.0			
Upstream leased goods	—	—	—	—			
Downstream transport and distribution	—	—	—	—			
Procedure for products sold	—	—	—	—			
Use of products sold: natural gas	110,157,600	80,342,387	76,165,592	5.5			
End-of-life processing of products sold	—	—	—	—			
Downstream leased goods	—	—	—	—			
Franchises	—	—	—	—			
Investments	808,352	—	—	—			
Total GHG emissions							

	Retrospective				Milestones and new target years		
	2021-2025 Sustainability Plan				2021-2025 Sustainability Plan		2025-2027 SP[(2)] and Transition Plan
	Base year (2017)	2024	2023	Variation (%)	2025	25-17 annual reduction target (%)	2030
Total emissions (location-based)	**164,457,919**	**119,397,479**	**114,587,144**	**4.2**			
Total emissions (market-based)	**163,140,740**	**118,943,830**	**114,189,647**	**4.2**			

E1-6_05 Note: for scope 3 emissions, within the categories defined by GHG Protocol (the use of the categories according to ISO 14064-1 has not been considered at present), emissions with a weight of less than 1% have been excluded, as long as the sum of all of them does not exceed 5%.

E1-6_17; E1-6_24; E1-6_28 Note: Scope 1, 2 or 3 biogenic emissions from combustion, biodegradation or other biomass life cycle activity do not apply, but do apply to biomethane combustion, with a value of 1,382 tCO_2eq.

(1) Until last year, issues in the category "Capital goods" were reported under the category "Purchased goods and services". This year, they have been disclosed separately.

(2) Sustainability Plan.

Changes in comparison to the previous year

Naturgy has reduced its scope 1 and 2 emissions, together, by 7.2% compared to the previous year, with this decrease being even more notable compared to the base year. In the case of Scope 3 emissions, they have increased by 5.6% with respect to the year 2023, but remain at significantly lower values than the base year 2017.

Scope 1 emissions have been reduced by 0.98 $MtCO_2eq$. This reduction in emissions is mainly due to:

- The increase in renewable generation in Spain compared to the previous year by 12%, motivated by the entry into operation of 271 MW of new solar photovoltaic generation, improved conditions for hydropower generation, whose values have increased by 15% compared to 2023, and for solar and wind generation, which have generated 29% and 6% more respectively. As a result, to meet Naturgy's electricity demand, combined-cycle power stations generation has fallen by 2,939,000 MWh. In contrast, combined-cycle power stations in Mexico have increased their generation by 329,000 MWh. There has also been a decrease in production in the Dominican Republic from thermal power of -23,000 MWh. As a result of the above, the emissions reduction in electricity generation was 0.87 $MtCO_2eq$.
- Better management of fugitive emissions in gas distribution, especially in Argentina, has led to a reduction of 0.06 MtCO2eq.
- A decrease in fleet emissions from LNG tankers of 0.05 $MtCO_2eq$.

Scope 2 emissions have remained almost unchanged with a difference of less than 0.06 $MtCO_2eq$ during 2024 compared to 2023.

Scope 3 emissions have increased by 5.74 $MtCO_2eq$. This increase is mainly due to:

- Indirect emissions from downstream end-use of gas vehicles (category A3.11) have increased by 4.18 $MtCO_2eq$ due to an increase in natural gas demand of 14,443 GWh in end-use consumption in all countries where natural gas is distributed, except in Chile, which has experienced a slight decrease. The volume of international LNG sold increased by 3,567 GWh.

- Indirect emissions associated to upstream transported gas (category A3.3) have increased by 1.54 $MtCO_2eq$ mainly due to the increase in downstream transported gas discussed above.

E1-6_14; E1-6_16 As additional notes, it should be highlighted that throughout the year 2024 there have been no significant changes in the perimeter of the company or its value chain (both upstream and downstream). In addition, the reference period used by Naturgy coincides with that of the different actors in its value chain, so the data reported on emissions correspond entirely to the natural year 2024.

Other GHG emissions-related indicators

Alternative Naturgy's emissions breakdowns

GHG Scope 1, 2 and 3 emissions by country (tCO_2eq) E1-6_03

	Scope 1	Scope 2	Scope 3
Argentina	621,891	113,640	22,429,003
Australia	279	16	386
Brazil	58,583	1,921	8,844,525
Chile	24,758	1,436	5,241,693
Costa Rica	22	2	24
Spain	4,774,921	48,684	33,065,868
Mexico	5,531,346	14	5,866,294
Panama	306	287,937	1,582,165
Dominican Republic	470,341	0	197,812
Rest	0	0	30,233,612
Total	**11,482,448**	**453,649**	**107,461,382**

GHG Scope 1, 2 and 3 emissions by business area (tCO_2eq) E1-6_03

	Scope 1	Scope 2	Scope 3
Procurement, LNG and Commercialisation	630,042	27	57,620,594
Electricity Distribution Argentina	360	110,023	681,747
Electricity Distribution Spain	23,101	47,901	540,320
Electricity Distribution Panama	259	287,937	1,581,912
Gas Distribution Argentina	619,833	2,200	21,312,026
Gas Distribution Brazil	58,521	1,921	8,844,199
Gas Distribution Chile	23,926	697	5,240,797
Gas Distribution Spain	41,902	783	4,298,406
Gas Distribution Mexico	40,923	0	4,804,447
Generation Spain	4,075,651	0	1,058,977
International Generation (GPG)	5,959,489	0	1,257,866
Corporation	8,443	2,161	220,091
Total	**11,482,448**	**453,649**	**107,461,382**

GHG Scope 1, 2 and 3 emissions by GHG type (tCO_2eq) E1-6_03

	Scope 1	Scope 2	Scope 3
CO_2 (tCO_2eq)	10,635,353	451,606	102,470,539
CH_4 (tCO_2eq)	813,150	550	4,917,090
N_2O (tCO_2eq)	7,642	1,493	73,753
SF_6 (tCO_2eq)	24,173	0	0
HFC (tCO_2eq)	2,129	0	0
PFC (tCO_2eq)	0	0	0
Total	**11,482,447.72**	**453,648.8**	**107,461,382.03**

GHG emissions intensity by turnover (tCO_2eq/M€) E1-6_30; E1-6_31; E1-6_32; E1-6_33; E1-6_34; E1-6_35

The relationship between the emissions recorded by the company's entire value chain and Naturgy's revenues in the year is assessed by calculating emissions intensity. For this purpose, the ratio between total emissions (scopes 1, 2 and 3) and total net turnover is calculated, which can be cross-checked in Note 3 of Annual Consolidated Financial Report. The main Naturgy's ESRS operation sector corresponds to "Electricity, gas, steam and air conditioning supply", as recorded in section D of the National Classification of Economic Activities (NACE), considered of high climate impact according to the Delegated Regulation (EU) 2022/1288 of the European Commission, as discussed in section "Energy consumption and mix" of this chapter.

It should be noted that the 2023 figure is different from that disclosed in the previous report, as in that case only Scope 1 emissions were taken into consideration for the calculation, whereas this year total emissions have been used, therefore aligning with the relevant ESRS requirements.

	2024	2023	Variation (%)
Location-based emissions (tCO_2eq)	119,397,479	114,587,144	4.2
Market-based emissions (tCO2eq)	118,943,830	114,189,647	4.2
Net turnover (M€)	19,267	22,617	-14.8
Location-based emissions intensity (tCO2eq/M€)	6,197.0	5,066.4	22.3
Market-based emissions intensity (tCO_2eq/M€)	6,173.4	5,048.8	22.3

Taking into account the note on the emissions considered, the increase in the emissions-net turnover ratio, in tCO_2eq/M€ , is due to a combination of higher total location and market-based emissions in 2024 compared to the previous year (4.2% in both cases), and the decrease in net turnover for the same period (-14.8%), resulting in a 22.3% higher intensity ratio in both cases.

Typology of contracts used in the purchase and sale of energy E1-6_18; E1-6_19; E1-6_21; E1-6_22; E1-6_23

The company supplied 7,796 GWh of renewable electricity in Spain with guarantees of origin (GdO) certified bythe CNMC for more than 2.2 million contracts, representing 46% of the energy purchased, and a reduction of 27% compared to the previous year. The GdO have decreased compared to the previous year as in 2024 only renewable GdO have been purchased, whereas in 2023 it also included high-efficiency cogeneration GdO.

In addition, in 2023, biomethane was marketed for the first time in Spain with renewable gas guarantees of origin, either own or purchased on the market, specifically 7,596 MWh. In 2024, this figure is up to 18,496 MWh, which represents an increase of 143% compared to the previous year.

On the other hand, Naturgy has not purchased electricity certified with guarantees of origin for consumption in Spain, since they are issued mainly for energy marketed for the use of the company's customers.

Greenhouse gas (GHG) emissions inventory calculation methodology E1-6_15

Assessment and reduction of uncertainty

The uncertainty associated with reporting Scope 1 emissions for 2020 is 6.8%.

For facilities under the EU Emissions Trading Scheme, in accordance with Decision 2007/589/EC of 18 July, uncertainties regarding GHG emission values will be lower than those corresponding to the approach levels approved by the competent authority. For all other emission sources, the uncertainty associated with the calculation of GHG emissions is a combination of the uncertainties associated with the activity data and emission factors, using the references established in 2.38. IPCC 2006 GHG, vol. 2, table 2.12.

To minimise the uncertainty associated with the activity data, all emission sources have environmental and quality management systems that conform to ISO 14001:2015 and ISO 9001:2015 standards. In order to minimise the uncertainty associated with the emission factors, official sources are always used, as are, by default, the core values recognised in the 2006 IPCC Guidelines for GHG Inventories.

Methodology E1-6_29

To quantify Naturgy's greenhouse gas emissions, an application and calculation methodology has been developed based on the following standards and methodologies:

- Scopes 1, 2 and 3 emissions are included according to "The Greenhouse Gas Protocol. A Corporate accounting and reporting standard".
- Scope 3 reported in accordance with Corporate Value Chain (Scope 3).
- It includes the emissions of the six GHG set out in IPCC in accordance with the 2006 IPCC Guidelines for national GHG inventories (hereinafter 2006 IPCC GHG).
- Standard UNE-ISO 14064-1. Greenhouse gases. Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.
- Standard UNE-ISO 14064-2. Greenhouse gases. Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements.
- Standard UNE-ISO 14064-3. Greenhouse gases. Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.
- Definition of the life cycle in accordance with the UNE- EN-ISO 14040 and ENE-EN-ISO 14044 standards for life cycle analysis.
- Specific emission factors are used in accordance with the 2006 IPCC guidelines for national GHG inventories (hereinafter 2006 IPCC GHG) and other verifiable documentary and bibliographic sources.

Operational limits E1-6_29

Naturgy's carbon footprint inventory includes GHG emissions from the following group activities:

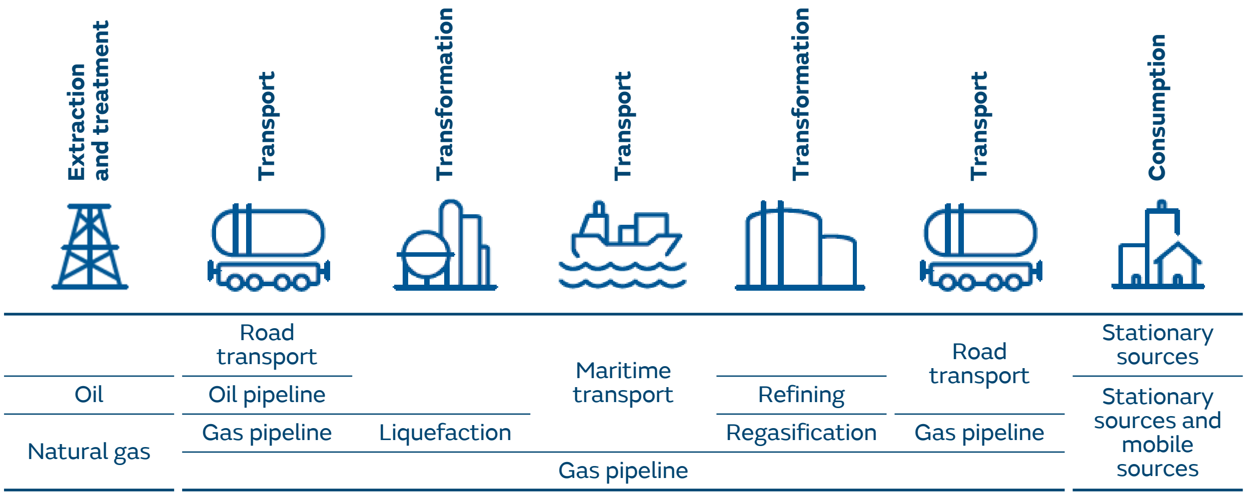
- Extraction, road transport, maritime transport, distribution and commercialisation of natural gas.
- Thermal power stations from coal and fuel oil, combined-cycle power stations, cogeneration, generation at wind farms, photovoltaic power stations and hydroelectric power stations.
- Distribution of electrical.
- Emissions associated to the purchase of goods and services including capital goods for turnkey projects developed.
- Offices, fleets and travel.

Within the aforementioned activities, different calculation units corresponding to each of the facilities comprising those activities have been defined. These calculation units or facilities are treated according to the global consolidation criteria, in accordance with the shareholding percentages.

Life cycles of fuels used

Energy (fuels, electricity) is consumed throughout the various processes, producing emissions throughout its life cycle. A diagram with the life cycles of the main fuels used is included below.

The fuels used in both fixed sources (fuels from thermal power stations, offices, gas transport and distribution facilities, etc.) and in mobile sources have been considered.



Electric energy

Emissions derived from electrical energy have only been considered when it is used in primary energy terms and is not generated by any of the group's calculation units:

- Electricity consumption purchased from external suppliers.
- Losses arising from the transport and distribution of energy distributed and not generated by the company in each country.
- Emissions from the life cycle of the fuels used in the generation mix of each country.

Geographical limits E1-6_29

All the countries in which activities are carried out, as well as the countries from which the fuels originate, have been considered.

For the annual preparation of the inventory, a series of prior studies are carried out to update the initial data, such as the review of gas supply routes.

Three types of data are updated annually:

- Characteristics of the extraction points (specific factors depending on the country, technology, type of well or mine, etc.).
- Definition of the routes themselves (distances from each country of passage and specific factors).
- Fuel balances in destination countries.

Emissions typologies

Scope 1

Direct GHG emissions, meaning those from sources controlled by the company itself.

Scope 2

Indirect emissions due to the generation of electricity that is acquired by the company for its own consumption but is not generated by the group.

Scope 3 E1-6_26; E1-6_27; E1-6_29

Indirect emissions, not included in scope 2, derived from the value chain of activities, including upstream and downstream emissions, over which the group has no direct influence or control. Within the categories defined by the GHG Protocol, those with a weight of less than 1% have been excluded, provided that the sum of all of them does not exceed 5%. The excluded categories are:

- Transport and distribution of goods.
- Waste produced in the operation.
- Upstream leased goods.
- Downstream transport and distribution.
- Procedure for products sold.
- End-of-life processing of products sold.
- Downstream leased goods.
- Franchises.
- Financial investments[5].

On the other hand, the reported categories are:

- Goods and services purchased and capital goods: emissions derived from the purchase of goods and services including capital goods from turnkey projects developed.
- Fuel life cycles: emissions derived from the life cycles of fuels. This category includes the following subcategories:
  - Emissions derived from the extraction, treatment (liquefaction and regasification) and transport (by gas pipeline and/or methane tanker not owned by the company) of natural gas.
  - Emissions derived from the extraction, treatment (refining) and transport (by oil pipeline and/or oil tanker) of petroleum products.
  - Emissions produced in the life cycles of the fuels used for electricity generation of the energy mix of each country.
  - Emissions due to electricity losses in the transmission and distribution of electricity consumed but not generated.
  - Emissions of energy that has been consumed by the group but not generated and/or distributed.
- Business trips: emissions derived from the movement of employees by plane, train or any other means of transport not belonging to the fleet of vehicles owned by the group. It is divided into two subcategories:
  - Trips made by company employees by train.
  - Trips made by company employees by plane.
- Employees commutes: emissions derived from employees commuting from their respective homes to the workplace.
- End use of products sold: emissions derived from the combustion of products, which correspond to those derived from the combustion of natural gas sold by the group to the customer, discounting the gas consumed within the organisation.

Scope 3 emissions related to energy, both upstream and end-use, are always calculated with inputs from the specific activities, such as distribution, natural gas trading, LNG trading, electricity distribution and power generation. Thus, the percentage of Scope 3 emissions that have been calculated with primary data from the value chain is at least 75%.

[5] Emissions associated to joint ventures (particularly Ecoelectrica and the Qalhat liquefaction plant), as they are considered part of Naturgy's energy value chain, have been included in the category "Upstream fuel and energy activities" and the category “End use” instead of "Financial investments" to avoid double counting.

Organisational limits E1-6_29

The GHG emissions inventory includes all businesses and activities under financial consolidation criteria, according to the shareholding percentages.

Main emission factors used E1-6_29

Unit	Unit	Value	Source
EF CO_2 petrol	kg CO_2/GJ	2.237	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CH_4 petrol	kg CH_4/GJ	0.224	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF N_2O petrol	kg N_2O/GJ	0.021	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CO_2 diesel/gas oil A	kg CO_2/GJ	2.487	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CO_2 diesel/gas oil C	kg CO_2/GJ	2.705	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CH_4 diesel/gas oil fixed sources ("fs")	kg CH_4/GJ	0.365	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF N_2O diesel/gas oil fs	kg N_2O/GJ	0.022	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CO_2 MDO carriers	t CO_2/t MDO	3.206	IMO: International Maritime Organization
EF CH_4 diesel/gas oil mobile sources ("ms")	kg CH_4/GJ	0.004	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF N_2O diesel/gas oil ms	kg N_2O/GJ	0.106	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CO_2 HFO carriers	t CO_2/t HFO	3.1144	IMO: International Maritime Organization
EF CH_4 fuel oil ms	kg CH_4/GJ	0.283	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF N_2O fuel oil ms	kg N_2O/GJ	0.081	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CO_2 natural gas	kg CO_2/GJ	0.182	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH_4 natural gas fs	kg CH_4/GJ	0.016	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF N_2O natural gas ms	kg N_2O/GJ	0.000	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CO_2 LNG carriers	tCO_2/tGNL	2.75	IMO: International Maritime Organization
EF CH_4 natural gas carriers	kg CH_4/GJ	0.050	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF N_2O natural gas carriers	kg N_2O/GJ	0	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CO_2 propane	kg CO_2/GJ	2.966	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF CH_4 propane ms	kg CH_4/GJ	0	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
EF N_2O propane ms	kg CO_2/GJ	0.0002	España, Informe Inventarios GEI 1990-2022 (Edición 2024).
GWP Methane	kg CO_2/kg CH_4	27.9	IPCC 6th Assessment Report
GWP SF_6	kg CO_2/t SF_6	23500	IPCC 6th Assessment Report
GWP N_2O	kg CO_2/t N_2O	273	IPCC 6th Assessment Report
GWP HFC	kg CO_2/t HFC	12,400	IPCC 6th Assessment Report
GWP PFC	kg CO_2/kg PFC	11,100	IPCC 6th Assessment Report

Calculation of scope 1 emissions covered by CO_2 emissions trading schemes

Most of the thermal electricity generation facilities that Naturgy has in Spain are regulated by the European Directive 2003/87/EC on Emissions Trading, which establishes the rules for the acquisition of emission rights equivalent to verified emissions from its combined cycle and cogeneration facilities, among others. This means that the Directive regulates the trading of this energy, which is why the company participates in the supply on the primary market through auctions, as well as on the secondary market. The emissions covered come from the gas combined-cycle power stations and cogeneration of Almazán, all of them in Spain, and represent 83.0% of the direct emissions (scope 1) of Naturgy in 2024. The operation of these plants is included in the Integrated National Energy and Climate Plan (PNIEC) approved for the period 2021-2030 and endorsed in the PNIEC 2023-2030 approved in 2024, aligned with the European objective of climate neutrality in 2050.

Since 1 January 2024, by amending Directive 2003/87/EC, EU emissions trading has been extended to emissions from maritime transport activities, for those ships where the port of loading and/or unloading is located in EU/EEA (European Economic Area) countries, within the scope of the EU ETS. The implementation will be progressive until 2027, specifically, in 2025, 40% of the emissions of 2024 must be delivered. Naturgy's maritime transport activity is, therefore, currently regulated by this directive. Emission allowances equivalent to 40% of the verified emissions of the shipping fleet have been acquired and will be surrendered.

In Mexico, the Emissions Trading System (ETS) has been implemented, in which emissions from combined cycle power plants are included. From 2020 to 2022, the test phase was carried out, which included the free allocation of 100% of the facilities regulated by this cap & trade system that emit more than 100,000 tCO_2/year. From 2023 to 2026, the allocation of free allowances, established in the draft ETS Bases, is expected to cover projected emissions in accordance with production projections. In fact, according to current estimates, a surplus of free allowances will be generated in this period compared to the emissions produced.

Installations registered in the ETS must submit emission allowances equivalent to the tonnes of CO_2 they emit. Currently, Naturgy's combined cycle plants in Mexico are registered in the ETS and have received the corresponding emission allowances from the authority.

GHG removals and GHG mitigation projects financed through carbon credits (E1-7)

Emissions storage, reduction and elimination through carbon credits are voluntary instruments in the fight against climate change that consist of investing in projects registered under international or national standards that generate CO_2 absorption credits (reforestation projects, blue carbon, etc.) and emission reduction credits (CERs, VERs, etc.), either through direct promotion in projects or through the secondary market.

E1-7_21; E1-7_22; E1-7_23; E1-7_24; E1-7_25 The use of carbon credits, in any case, can be considered a complementary measure to achieve the goal of climate neutrality by 2050, in line with European climate legislation. However, these mechanisms cannot be considered a substitute for the GHG emission reduction targets adopted by the company, nor will they be used by Naturgy as the main way to achieve net zero emissions in 2050, in the terms reflected in the Climate Transition Plan, described in section "Transition plan for climate change mitigation" of this chapter.

E1-7_20 The targets set include GHG scopes 1, 2 and 3 emissions, and are applicable to the entire value chain, in geographies and operations, to meet the aspirations of the Paris Agreement, contemplating projects to absorb GHG emissions in the future to offset residual emissions. In addition, the company has established interim milestones aligned with international SBTi initiatives.

Absorption and mitigation of GHG emissions E1-7_01

E1-7_05; E1-7_06; E1-7_09 Two CO_2 absorption projects are being carried out to date, registered in 2024 in the Climate Change Office of the Ministry of Ecological Transition and Demographic Challenge, described in section "Actions and resources in relation to climate change policies" of this chapter. Together, they cover an area of 9.06 hectares and are expected to absorb 2,706 tCO_2 over their lifetime.

E1-7_07; E1-7_08 As this project evolves, as well as others that may be developed at the operations or value chain level, the volume of emissions removed, reduced or stored, and potential reversals, together with the methodologies used for their quantification, will be disclosed annually.

E1-7_02; E1-7_03 It should be noted that emission removal and reduction projects are mostly implemented in developing countries as a form of crowdfunding for climate action, as the acquisition of these credits enhances the global emission reduction target, while at the same time benefiting local communities. These projects can be, for example, related to renewable energy (wind farms, biomass, hydro), energy efficiency, waste management, fuel substitution or forest conservation.

On many occasions, Naturgy has acquired emission reduction carbon credits solely to carry out voluntary offsetting of emissions, but in no case are these projects used as a means of achieving emission reduction targets, nor to eliminate overall emissions along the value chain, reported in section "Gross Scopes 1, 2, 3 and Total GHG emissions" of this chapter. The different offset initiatives include the following:

Neutral gas

Naturgy has developed different low-carbon solutions to help reduce the carbon footprint of its customers. In addition, the group has acquired different carbon credits for the voluntary compensation of CO_2 emissions linked to the consumption of natural gas supplied to customers, both at residential and SME level, where 20% of demand has received offset natural gas, and at large customer level, where companies in the healthcare, telecommunications and university sectors have opted for offset natural gas supply.

Compensation is carried out in voluntary markets, taking into account the client's needs in terms of technology, geography and social impact. This offsetting is certified by an accredited third party. In 2024, 341,772 tCO_2eq were compensated, which demonstrates the interest in this type of value-added products and services, and Naturgy's commitment to offer alternatives to reduce emissions.

COmpensa2

This initiative allows voluntary compensation of workplace emissions, company travel and CO_2eq emissions from the company's own fleet.

The table below shows the amount of emissions offset through the purchase of emission reduction carbon credits, in tonnes of CO_2 equivalent (tCO_2eq):

- **Emissions compensation** E1-7_04

	Compensated emissions in 2024	Compensated emissions in 2023
Neutral gas	341,772	443,683
COmpensa2 Initiative	13,444	15,912
Scope 1 emissions from fuel use at workplaces (stationary sources and fleet)	8,443	5,994
Scope 2 emissions from electricity consumption at workplaces	2,161	2,442
Scope 3 emissions for business travel (plane and train)	2,840	7,476
Total	355,216	459,595

The decrease compared to 2023 is due to lower demand for these carbon credits.

E1-7_17 Of the total 355,216 carbon credits purchased in 2024, all of them beyond the borders of the European Union, they are cancelled as follows:

- E1-7_10; E1-7_12; E1-7_16 100% of these credits are verified against international UNFCCC standards. Of these, 96.5%, which corresponds to the Gas Neutral initiative, were cancelled at the end of the 2024 financial year.
- E1-7_11; E1-7_19 For the remaining 3.5%, corresponding to the COmpensa2 initiative, Naturgy does not have sufficient visibility at present to estimate the specific date of its cancellation.

- **Description of emissions-compensation projects: Neutral Gas 2024 initiative** E1-7_04

Project	Description	Period	tCO_2
MM7321	Hydropower Project in Union of Myanmar	CP2	4,000
VCS 1930	Henan Nanzhao Afforestation Project	CP2	604
KE3773	Olkaria II Geothermal Expansion Project	CP2	273
MX7346	Fuerza y Energía Bii Hioxo Wind Farm	CP2	334,106
BD2765	Instalación de sistemas solares domésticos en Bangladesh		389
BD5125	Improving Kiln Efficiency in the Brick Making Industry in Bangladesh	CP1	300
MD173	Moldova Energy Conservation and Greenhouse Gases Emissions Reduction	CP1	236
PH5979	Methane recovery and combustion with renewable energy generation from anaerobic animal manure management systems under the Land Bank of the Philippines's (LBP) Carbon Finance Support Facility	CP1	217
RW3404	Rwanda Electrogaz Compact Fluorescent Lamp (CFL) distribution project	CP1	422
MX0846	La Venta II (México)	CP2	1,225
			341,772

Note:
CP1: issued 2008-2012.
CP2: issued 2013-2020.

All the emissions included in the table refer to Neutral Gas 2024.

The above compensations can be classified into two types: ex ante and ex post. Ex ante compensation applies to those customers who require their gas consumption to be carbon neutral from the signing of the contract. For this purpose, a forecast of annual consumption is made and the corresponding certified emission reduction credits (VERRA, Gold Standard, MITECO, UNFCCC, among others) are cancelled in advance on a voluntary basis. If actual consumption differs from planned consumption, the imbalances are carried forward to the following year. Ex post compensation is applied to all other customers. In this case, compensation is made during the first quarter of the year, taking as a reference the gas consumption billed during the previous year.

E1-7_13; E1-7_14; E1-7_15 The above projects are considered, in their entirety, emission reduction projects. However, Naturgy has implemented two projects in Spain, registered in the Climate Change Office and described in section "Actions and resources in relation to climate change policies", which correspond to biogenic GHG sinks, as they allow the natural retention of CO_2, preventing its release into the atmosphere.

E1-7_18 In addition, no projects have been registered aligned with Article 6 of the Paris Agreement, that is, that are attached to a carbon market.

Internal carbon pricing (E1-8)

Naturgy recognises the role of carbon pricing mechanisms as the most effective way to instrumentalise compliance with committed GHG emission reduction targets and uses different carbon price benchmarks depending on the objective pursued with the use of carbon pricing:

- Strategic decision-making.
- Investment analysis.
- Identification of opportunities according to the degree of maturity in low-carbon technologies.
- Climate change risks analysis and energy transition.
- Analysis of climate change and GHG regulation.

E1-8_03; E1-8_04; E1-8_05; E1-8_06; E1-8_07; E1-8_08 For example, when looking for an average unit price applicable to all businesses, covering 100% of the company's emissions in the year and characterised by a stable reference in the short and medium term, a CO_2 cost reference of around 40 €/tCO_2 is used, taking into account the following considerations:

- This price is estimated to maximise emission reductions in the energy sector at the lowest possible cost in the EU-ETS, considering the cost competitiveness analysis of thermal power generation and renewable generation. This benchmark is considered the "barrier price" to displace, in the wholesale electricity market, coal-fired thermal power generation to the benefit of gas-fired combined-cycles, as wind and solar technologies today do not need a CO_2 price to be competitive and displace gas-fired combined-cycles. This is therefore a price signal with which strategic decisions have been taken, such as the closure of Naturgy's coal-fired plants.
- In addition, this price is being used as a valid reference in previous EU-ETS 2 analyses.
- This price is a higher value, and therefore valid, than the current price in other markets such as the Mexican ETS and other diffuse sectors, such as gas distribution in Latin America or LNG trading.

E1-8_09 On the other hand, for the calculation of impairment losses on non-financial assets, see detail in Note 4 of the 2024 Annual Consolidated Financial Report, future projections of the price of CO2 have been used based on the best prospective information existing to date, considering the hypotheses of thermal generation established in the PNIEC 2021-2030, endorsed by the PNIEC 2023-2030 approved in 2024.

Therefore, the internal carbon price applied is aligned with the Annual Consolidated Financial Report, and is used in the assessment of the useful life of Naturgy's assets, their impairment and residual value, as well as in the valuation of the assets of the acquired companies.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
CO_2 €/t	65.2	77.7	80.3	82.7	77.4	89.1	93.1	98.4	103.7	126.2

Anticipated financial effects from material physical and transition risks and potential climate-related opportunities (E1-9)

Naturgy has carried out a double materiality assessment and a risk and opportunity analysis following the recommendations of TCFD, by means of which it has assessed the risks and opportunities that may generate a financial impact in the short-, medium- and long-term. More information on the methodology for identifying these risks and opportunities can be found in the section "Description of the processes to identify and assess material climate-related impacts, risks and opportunities" of this chapter.

In accordance with the phase-in provision contained in ESRS 1, Appendix C, regarding the disclosure of information on anticipated financial effects from risks and opportunities, the quantitative results obtained from the climate risk assessment at the different time horizons in which the study has been carried out are not disclosed in this Report. However, where potential financial effects have been identified during 2024, they are disclosed in note 2.4.25 k "Climate change and Paris Agreement" of the Annual Consolidated Financial Report.

The qualitative trends of the material physical risks are shown below, based on how the operational parameters behave in each of the simulated scenarios and how they could impact Naturgy's assets and business:

Classification	Type of risk	Time horizon relevance	Impact evaluation NZE scenario	APS scenario	STEPS scenario
Acute physical risks	Extreme winds (cyclone, hurricane, gale)	Medium/Long	■	■	■
	Extreme rainfall-flooding	Medium/Long	■	■	■
	Forest fires	Medium/Long	■	■	■
Chronic physical risks	Sustained temperature increase effects	Medium/Long	■	■	■
	Increase in insurance premiums	Long	■	■	■

Risk: high (■), medium (■), low (■).

Time horizons: short 2030, medium 2040, long 2050.

As a result of the analysis carried out, it is concluded that the physical risks derived from climate change are specific to each geographical area, are progressive, associated with each technology, with low and homogeneous impacts between the different scenarios and over relatively long periods of time. However, the increase in the frequency and intensity of some extreme meteorological phenomena can be perceived in the shorter term, although the impacts are being adequately mitigated by the management policies and adaptation measures implemented in the different facilities affected.

An example of this in 2024 was the DANA in Valencia (Spain) on 29 October, where the physical damage to business assets was minor and did not compromise the supply chain continuity, despite being the most extreme event to occur in Spain in recent years. Se Note 2.24.25 k of the Annual Consolidated Financial Report for further details.

As can be seen in the table above, in terms of impact, extreme winds, rainfall and floods and, above all, fires, are the acute risks that materially affect Naturgy's different facilities.

In relation to chronic physical risks, the sustained increase in temperature is the variable that has the greatest impact on Naturgy's business, as it would affect the reduction in energy consumption, in particular, the reduction in the demand for natural gas.

Also, the increase in the severity and frequency of severe weather events could lead to an increase in insurance premiums covering the affected assets. These increases could occur to a greater extent outside Spain, taking into account the non-existence of an Insurance Compensation Consortium or in coverages not serviced by the Consortium. There could also be an increase in the current levels of deductibles payable by policyholders.

The qualitative results for the transition risks in the different scenarios analysed are shown below:

Classification	Type of risk/opportunity	Time horizon relevance	Impact evaluation NZE scenario	 APS scenario	 STEPS scenario
Transition risks	Natural gas displacement due to climate policies and regulations (taxes, emissions trading systems, carbon pricing).	Medium/Large	🟥	🟥	🟧
	Market risk affecting thermal power generation	Short/Medium	🟥	🟥	🟧
	Litigation and sanctions related to alleged liability of the company or sector for climate change effects.	Short/Medium	🟧	🟨	No impact
Transition opportunities	Regulatory impulse for the development of biomethane and green hydrogen.	Medium/Large	🟢	🟩	⬜
	Regulatory impulse for the improvement of electricity grids through their digitalisation.	Medium/Large	🟩	🟩	🟢
	Regulatory impulse for the development of renewable electricity generation projects.	All	🟩	🟩	🟩
	Regulatory impulse of new business models and services based on energy efficiency, distributed generation, sale of decarbonised energy, etc.	Medium/Large	🟢	🟢	🟢

Risk: high (🟥), medium (🟧), low (🟨).

Opportunity: high (🟩), medium (🟢), low (⬜).

Time horizons: short 2030, medium 2040, long 2050.

As it can be seen, the speed of energy transition, marked by decarbonisation policies, consumer behaviour, technological innovation or the geopolitical, social and economic situation, will have a significant impact on the evolution of the energy mix and demand by energy type and, as a whole, may represent a greater risk for Naturgy the greater the pace at which changes occur if the company wasn't able to adapt to them.

Given the weight that natural gas businesses currently have in Naturgy, the impact of transition risks could be high in the three scenarios used, although it is more pronounced in the most ambitious scenarios in relation to climate targets and in any case higher than the physical risks.

The assessment of short-, medium- and long-term risks is a management tool for mitigating and adapting to climate change, given that the modelling of the operating parameters in each of the scenarios and the risks and opportunities assessed allow us to identify the action lines that the company must develop in the future to achieve its decarbonisation objectives and guarantee its resilience.

2. Pollution (E2)

Description of the processes to identify and assess material pollution-related impacts, risks and opportunities (IRO-1)

In the previous chapter, Naturgy exposed in depth all the problems associated with climate change and its active role in mitigating and adapting to it. In particular, it has been evaluated how the emission of greenhouse gases (GHG) into the atmosphere affects climatic conditions. However, Naturgy's activity, or the activity of its partners and any company in the sector, may generate other substances, beyond GHGs, which may be harmful to the environment and society. Consequently, this chapter will be dedicated to explaining which of Naturgy's and its value chain's activities may produce an increase in pollution, as well as the substances that require greater attention.

E2.IRO-1_01 In this regard, Naturgy has included the matter of pollution in its double materiality assessment, which evaluates the impacts, risks and opportunities that may arise from, or affect, Naturgy's or its value chain's activity. The definitive list, which is presented below, has been developed according to the methodology indicated in the General disclosures chapter from this Report, section "Description of the processes to identify and assess material impacts, risks and opportunities".

E2.IRO-1_02 The fundamental role of stakeholders in determining the most relevant matters should be highlighted. Thus, within the framework of continuous dialogue, consultations have been conducted with the different groups on how Naturgy's assets may harm them in terms of pollution, therefore nurturing the double materiality assessment. The participation of stakeholders in the environmental impact assessments of the facilities is also relevant, and further details can be found in chapter "Biodiversity and ecosystems".

		Value chain (2)(3)	Business (4)	Time horizon (5)
POLLUTION				
Pollution of air				
N.I.(1)	Air pollution due to natural gas usage by customers: NOx emissions (all) and other pollutants to a lesser extent (VOCs, Hg, etc.) are generated. NOx and VOC emissions can contribute to the generation of ozone in the environment.	Downstream	Gas	Current
O	Improve air quality by replacing coal or petroleum derivatives with natural gas and electricity in cities with air pollution.	Downstream	Both	Short-term
Pollution of water				
N.I.	Water quality impairment and impacts on ecosystems and local communities in the vicinity of facilities dedicated to the extraction and processing of the fossil fuels used (mainly natural gas and, to a lesser extent, petroleum derivatives) and in the value chain of the equipment used in new projects (solar panels, etc.) due to spills (oil spills, pipelines breakage, leaks, chemicals, hazardous substances).	Upstream	Both	Current

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section "Naturgy and its value chain". The term "VC" has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities "Gas", "Electricity" and "Both" are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the "Current" category are those that have occurred the present year, and thus no time horizon applies.

E2.IRO-1_03 Under ESRS disclosure framework, the pollution chapter must be understood according to three dimensions: air, water and soil. In order to carry out a full assessment, Naturgy has taken into account all its own facilities, as well as those related to its value chain, whenever possible, using the best available data to make the relevant inferences. The following conclusions can be drawn from this evaluation:

- The impacts, risks and opportunities related in own operations have not exceeded the thresholds set in the assessment and are therefore considered not material for the company.
- Soil pollution is considered non-material for Naturgy, both in own operations and value chain.
- The generation or usage of substances of concern and substances of very high concern is also considered as non-material.

With regard to air and water pollution, it should be noted that no material risks have been identified in the short-, medium- or long-term, although negative impacts have been detected.

On the one hand, it has been concluded that the gas distributed and commercialised by Naturgy, at the stage of end-use by its customers, may be detrimental to air quality due to the emission of gaseous pollutants, other than GHGs. This situation may be harmful to people's health in population centres, as well as to the fauna and flora inhabiting neighbouring regions. On the other hand, given that natural gas is considered the least polluting fossil fuel, its commercialisation as a substitute for oil or coal derivatives could be an interesting solution to consumers, predominantly in the short-term, while at the same time solutions for the electrification of urban centres are provided.

In addition, the extraction and processing of fossil fuels, as well as the usage of other substances that can be harmful in the event of a spill, have resulted in a negative impact on water resources in the value chain.

In view of the above, and given that the negative impacts and opportunities identified in this matter are only related to the value chain, in terms of reporting quantitative information on the value chain, Naturgy has availed itself of the transitional provision 10.2 of ESRS 1, which is transversal to this chapter.

Additionally, in accordance with the requirements of Spanish Law 11/2018, Naturgy has analysed the materiality of light and noise pollution. In the first case, the assessment that was carried out determines that it is not a material matter for Naturgy's or its value chain's activity. In the case of noise pollution, it is included as a material issue, but from the perspective of the affected communities, due to the possible impact on their well-being. Therefore, as a way of mitigation, the facilities that require it have silencers, insulation and other acoustic measures to ensure compliance with legal limits and reduce the nuisance to the surrounding population and fauna, as well as monitoring and measurement programmes to ensure compliance with these requirements.

3. Water and marine resources (E3)

Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities (IRO-1)

Water is an indispensable resource for the correct functioning of the planet, and its responsible management is a matter of interest for companies. Naturgy uses water for electricity generation, being especially relevant in the operation of combined-cycle power and hydropower plants.

E3.IRO-1_01 Given the relevance of this matter, Naturgy has paid special attention to it during the double materiality assessment, as a result of which the impacts, risks and opportunities related to water, associated with Naturgy's or its value chain's operations, have been identified and evaluated. In the General disclosures chapter of this Report, section "Description of the processes to identify and assess material impacts, risks and opportunities", the process followed is described.

E3.IRO-1_02 In relation to water, the perspectives of stakeholders have also been taken into account to ensure their integration in the double materiality assessment, through a continuous listening strategy, as well as specific consultations, especially during the design and construction stages of the electricity generation facilities, through the environmental impact assessments. Further information can be found in chapter "Biodiversity and ecosystems".

		Value chain (2)(3)	Business (4)	Time horizon (5)
WATER AND MARINE RESOURCES				
WATER				
P.I.(1)	Freshwater consumption reduction in water stress areas due to the use of reused water as input water to combined-cycle power stations (Mexico, CCPS Naco, Hermosillo and Durango, and Spain, CCPS Málaga) or by the use of seawater in cooling in combined-cycle power plants, several of them located in water stress areas.	OO	Electricity	Current
R	Electricity production reduction in water stress areas in hydroelectric or thermal power stations that use freshwater. Increases in costs due to the increase in the price of water.	OO	Electricity	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

Firstly, it can be concluded, from the double materiality assessment, that marine resources are not considered to be a matter that has exceeded the materiality thresholds set, both in terms of use and impact due to discharges into the marine environment.

On the other hand, it should be noted that no negative impacts related to water have been identified. This is due to the fact that Naturgy has an environmental management system certified according to the ISO 14001 standard, which includes specific procedures for water management. According to the monitoring process that was carried out, throughout the year 2024, 9 incidents of non-compliance related to water quantity or quality permits, standards and regulations have been recorded. In all cases, these were isolated exceedances, with no associated consequences reported. In parallel, as part of the environmental management system, 20 studies have been carried out at thermal and hydropower generation facilities to assess the water impacts on the environment. These included sampling campaigns to analyse the physical, chemical and biological characteristics of water bodies. The results of the studies confirmed the normal situation observed in previous years and concluded that the facilities studied did not generate material negative impacts.

In contrast, combined-cycle power plants that require water for their operation generate a positive impact on this resource, since the design of the plants focuses on optimising its use, *id est*, avoiding the consumption of freshwater in areas where it is scarce, by using alternative sources such as seawater or reusing discharges from other activities.

However, a potential risk associated with the most water-intensive facilities has been identified, specifically thermal power and hydropower plants. Specifically, the risk associated with water consumption is relevant when the facilities are located in water-stress areas, since electricity production may be affected by the scarce availability of the resource and the consequent increase in the price associated to it, and not by poor management by the company. As mentioned above, Naturgy has an environmental management system, through which it ensures responsible use of water.

Policies related to water and marine resources (E3-1)

[E3.MDR-P_01-06] Naturgy establishes in its Global Sustainability Policy the basic principles of action that guide Naturgy's activity in relation to the impacts, risks and opportunities related to water use. Further details on this policy can be found in the "Corporate policies" section of the General disclosures chapter of this Report.

[E3-1_01]; [E3-1_02]; [E3-1_03]; [E3-1_04]; [E3-1_05]; [E3-1_06] Specifically, this policy establishes the following commitments in relation to the use of water resources:

- Manage water responsibly and efficiently, to preserve the resource, protect aquatic ecosystems and social uses, especially in areas of water risk.
- Minimise the use of freshwater in the design of new facilities located in areas of water risk, prioritising its regeneration and reuse or the use of alternative sources.
- Prevent pollution and treat waste discharges adequately before they are released into the environment, complying with regulatory water quality standards.
- Protect, restore or regenerate aquatic ecosystems affected by company's activities in the manner established by the relevant regulations or concession titles.

[E3-1_09] Given the activity carried out by Naturgy, no material impacts on the use of oceans have been identified, so the company has not adopted specific policies in this regard.

Actions and resources related to water and marine resources (E3-2)

Naturgy considers sustainable water management a priority matter, given its direct implications on the environment and society as a whole. In this regard, the company establishes different initiatives, including the application of the best available techniques in water management, to efficiently use this resource, reduce its consumption and, thus, reduce the impact on the environment.

E3-2_03; MDR-A_01; MDR-A_02; MDR-A_03 Therefore, Naturgy always applies the precautionary principle to avoid potential impacts and mitigate possible risks related to water management. Proof of this is that, in the design phase of its facilities, with special attention to those more intensive in water consumption located in regions of water risk (including areas of high water-stress), environmental impact studies are carried out taking into account the project alternatives and the natural environment, paying special attention to water and its availability, both for ecosystems and for the affected population. As a result, the necessary measures are included in the project design to ensure the minimisation of environmental and social impacts and risks linked to water use.

In the environmental impact assessment process, both the project and the study itself are subject to public information to ensure stakeholder participation and input. The result is an environmental authorisation that specifies the concrete conditions of the project and guarantees water management adjusted to the local context of availability of the natural resource and compliance with public policies.

MDR-A_04 Once the facilities enter the construction or operation phase, the monitoring and analyses established in the environmental studies and authorisations are carried out to ensure compliance. This way, Naturgy minimises business continuity risk associated with water consumption at its facilities' locations, especially in regions of water-stress[6]. In addition, strict operational control and risk management procedures are implemented (environmental emergency plans, drills, etc.) to prevent incidents or minimise damage.

MDR-A_05 As already mentioned in the section "Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities" of this chapter, in 2024, 9 incidents of non-compliance related to water quantity or quality permits, standards and regulations have been identified, with no associated harm; as well as 20 studies at thermal power and hydropower generation plants in order to assess water impacts on the environment, being non-significant in all cases.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12 In economic terms, all the actions related to water do not generate income for the company, and Naturgy's financial contribution in concept of capital investments and associated operating expenses is not significant, and is consolidated in economic items of greater entity. Therefore, at accounting level, it is very difficult to provide individualised details of these items.

Although the impacts identified are concentrated under the scope of its own operations, Naturgy extends its commitment to sustainable water management to its value chain.

Targets related to water and marine resources (E3-3)

Naturgy carries out its activity guaranteeing, in all cases, the responsible and sustainable use of natural resources. Given the nature of its operations, the company has identified a significant current dependence on water, especially in its thermal power and hydropower generation plants. Although these facilities have water management plans (within the framework of the environmental management system), they are designed to limit water consumption to the minimum necessary levels.

MDR-T_04; MDR-T_07; E3-3_01; E3-3_03; E3-3_08 Naturgy, voluntarily, integrated two global targets related to water management in its 2021-2025 Sustainability Plan, aimed at minimising its impact, especially in those locations where the availability of the resource is limited.

The first of these targets aims to reduce total water consumption, while the second one focuses on limiting the intensity of water consumption in electricity generation activities. The latter commitment is aligned with the company's strategy of promoting sustainable growth, by encouraging a greater share of renewable technologies, such as wind and photovoltaic, which do not require water to operate.

[6] Plants are considered to be in water-stress areas when relative water scarcity levels exceed 40%.

MDR-T_11; MDR-T_12; MDR-T_13 The achievement of these targets is supervised annually by the Board of Directors, through the Sustainability Commission, in order to ensure compliance. When setting the goals, the Board has taken into consideration the vision of Naturgy's stakeholders in terms of water consumption and, in an exercise of good practice, has aligned the company's ambitions with the perspectives of the different groups, although they have not been directly involved in the decision-making process. On the other hand, it is worth mentioning that there have been no changes either in the target, nor in the methodology for measuring Naturgy's performance, assumptions, limitations, data sources or processes to collect them.

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Total water consumption (m^3)	2021	2017	14.7	16.45	17.0	28.0
Water consumption intensity in generation (hm^3/TWh)	2021	2017	0.31	0.39	0.39	0.60

MDR-T_13 In 2024, Naturgy has consumed a total of 16.45 hm^3 of water, which means a 3.2% less than the previous year, mainly due to a reduced operation of combined-cycle power plants in Spain. On the other hand, the annual water consumption intensity has been 0.39 hm^3/TWh, equivalent to the previous year.

As mentioned in the "Purpose and strategy" section of the General disclosures chapter, Naturgy has published a 2025-2027 Sustainability Plan, which stems from the new Strategic Plan 2025-2027, approved during the Board's meeting held on 18 February 2025. The targets included in the new Sustainability Plan in relation to water management are indicated below:

	Approval year	Base year	Target 2027	Baseline value
Total water consumption (m^3)	2025	2022	17.3	18.8

E3-3_02 In any case, the targets established by Naturgy do not relate to marine resources since, as a result of the double materiality assessment, it has been concluded that these are not applicable to Naturgy and its value chain.

Water consumption (E3-4)

E3-4_06 Naturgy assesses the impact that can generate on water throughout the hydrologic cycle, as well as the risks and opportunities associated to it, through the double materiality assessment. This section has been developed regarding this vision, and is useful to know the company's performance with respect to water resources management in 2024. In particular, water consumption across all the geographies where Naturgy operates will be presented, as well as in areas of high water-stress.

As an additional note, company's water consumption represents only 2.1% of total water withdrawn, as most of the water used is returned to the environment. The most relevant facilities in relation to water management are thermal power plants (combined-cycle power plants, fuel-engine power plants and cogeneration plants), which account for 99.5% of Naturgy's total water consumption. The highest consumption occurs in the cooling towers of combined-cycle power plants, where water evaporates during the cooling process and is released into the atmosphere in the form of steam, thus reintegrating into its natural cycle. In addition, water consumed in these plants comes mostly from discharges from other facilities that are reused or from seawater, which helps to reduce the pressure on freshwater reserves in the regions where facilities are located. This approach is particularly relevant in areas with water scarcity, where the optimisation of resources is of great importance.

E3-4_11 Although according to ESRS E3-4 disclosure requirement only water consumption data needs to be reported, according to the requirements of Spanish Law 11/2018, it is necessary to report withdrawals and discharges data in own operations, as detailed in the table below:

- **Water withdrawals, consumption and discharges (m^3)** E3-4_01

	2024	2023
Withdrawals	768,703,804	776,660,371
Consumption	16,453,893	16,993,077
Discharges	752,415,300	759,832,452

Globally, in absolute terms, in 2024, there has been a 3.2% decrease in water consumption. This was due to the fact that the weather in Spain was favourable for renewable generation, so the combined cycle plants, which back up hydroelectric and wind generation, operated less than in 2023, which was particularly dry.

The following table provides details of water consumption at Naturgy in cubic metres (m^3), broken down according to its source of origin.

- **Water consumption by source (m^3)**

	2024
Seawater[1]	5,993,456
Wastewater used from another organisation (reuse)[1]	9,084,504
Surface freshwater[2]	1,009,779
Fresh groundwater[2]	280,126
Water from supply network[2]	86,028
Total	16,453,893

[1]Total dissolved solids (TDS) > 1.000 mg/l.

[2]Total dissolved solids (TDS) ≤ 1.000 mg/l.

Water consumption in thermal power plants, which account for 99.5% of total consumption, is calculated as a water balance based on direct measurements obtained through flow meters and records of the operation of supply pumps. In addition, discharges are measured, and their consumption is calculated as the difference between the water supplied and the discharges recorded. This methodology allows to obtain consumption data in installations based, above all, on values obtained by direct measurement in the installations, and it is not necessary to resort to extrapolations or sectoral factors.

E3-4_03 It is worth mentioning that Naturgy also uses wastewater that comes from other industries or from urban origin and that is treated for reuse. In this regard, the company has consumed a total of 9,084,504 m^3 of reused water. To determine this value, it was applied the methodology described in the previous paragraph.

E3-4_04; E3-4_05 Finally, it should be noted that neither Naturgy has stored water to carry out its operations in future years, nor has it used water stored in previous years. It should also be noted that the reservoirs associated with hydropower generation facilities do not store water for consumptive use, so it is not taken into consideration for this purpose.

Water consumption in water-risk areas E3-4_06

The previous section analysed how water quantity and its typology (freshwater, seawater, etc.) determine Naturgy's impact on this resource. However, an additional factor of great relevance in assessing a company's performance in this matter is the pressure associated with water conditions of the regions where its facilities are located.

As stated above, thermal power plants account for 99.5% of the company's total water consumption, while the rest of the facilities have a negligible water impact. The company has therefore focused its consumption analysis on the regions where its thermal power plants are located. In order to do so, Naturgy used the Aqueduct global water risk mapping tool developed by the World Resources Institute (WRI), which provides detailed indicators to assess water availability and quality in different areas.

Among these indicators, there are two that could be used. On the one hand, the water stress index, which measures the relationship between demand and the annual renewable availability of water resources in a region, identifying areas where current demands may exceed the replenishment capacity of the resource. On the other hand, the water risk index, which takes a broader view by considering, in addition to water stress, factors such as floods, droughts and water quality.

In order to decide which of the two indicators is considered in the analysis, a previous analysis has been carried out in which significant differences were detected between both indexes. Considering the water stress index, 16 of the 22 thermal facilities of Naturgy are located in areas classified as high water-stress (relative water scarcity levels exceed 40%). However, when applying the water risk index, only 12 of these facilities remain within the areas identified as high water-risk (high or extremely high). This discrepancy shows that the water stress index is more conservative, as it considers only the direct pressure on the resource, without including other factors that could soften the assessment.

For this reason, the water stress index was chosen as the main indicator for this analysis, as it allows for a more restrictive assessment. By adopting this methodology, Naturgy ensures that its conclusions reflect more demanding scenarios, prioritising the safety and sustainability of its operations.

Naturgy's thermal power plants have been designed to minimise their impact in areas with low water availability, using mainly seawater or wastewater from other activities, which significantly reduces freshwater consumption. In fact, only 12.4% of the water consumed by thermal power plants in water-stress areas corresponds to freshwater, reflecting an efficient and sustainable approach to the management of this resource.

In the table below further detail of water consumption in water-stress areas can be found, differentiating the sources and volumes used.

- **Water consumption in areas of high water-stress (m^3)** E3-4_02

	2024
Seawater[1]	1,672,852
Wastewater used from another organisation (reuse)[1]	7,432,388
Surface freshwater[2]	1,009,357
Fresh groundwater[2]	247,388
Water from supply network[2]	27,502
Total	10,389,487

[1]Total dissolved solids (TDS) > 1.000 mg/l.

[2]Total dissolved solids (TDS) ≤ 1.000 mg/l.

E3-4_06, E3-4_07 As an additional note, the calculation of water consumption of thermal power plants in water-stress areas is aligned with the general methodology explained on previous pages.

Water intensity ratio E3-4_08

Naturgy has evaluated its performance with respect to water consumption by calculating water intensity. In this regard, the company's dependence on this resource when generating its net income can be measured. A comparison of the current year with the previous one is presented below.

	2024			2023		
	Water consumption (m^3)	Net turnover (million €)	Ratio (m^3 / million € net turnover)	Water consumption (m^3)	Net turnover (million €)	Ratio (m^3 / million € net turnover)
Total	16,453,893	19,267	853.99	16,993,077	22,617	751.34

Although water consumption has decreased by 3.2% in comparison to the previous year, the water consumption intensity ratio has increased as the value of net turnover has decreased.

Anticipated financial effects from water and marine resources-related impacts, risks and opportunities (E3-5)

Naturgy, in 2024, has availed itself of the phase-in provision determined in ESRS 1, appendix C, regarding the disclosure of information on anticipated financial effects from the risks and opportunities in this chapter.

4. Biodiversity and ecosystems (E4)

Transition plan and consideration of biodiversity and ecosystems in strategy (E4-1)

Biodiversity is fundamental to human well-being and sustainable development, providing essential services such as food production, climate regulation and water purification, known as ecosystem services. It is therefore necessary to take action in order to conserve and restore biodiversity by effectively integrating it into the policies, plans and practices of all economic and social sectors.
Naturgy integrates biodiversity in a global manner with the axes of energy transition towards decarbonisation: climate, nature and people. Although the company does not have a specific transition plan yet with respect to biodiversity and ecosystems, the strategy and business model focuses on the development of renewable energies, both in electricity generation and renewable gases, to contribute to climate mitigation, which is one of the main negative impacts drivers on biodiversity. This strategy requires the construction of new infrastructure, such as wind farms, photovoltaic plants, renewable gas production plants and electricity grids. While these activities contribute positively to mitigating climate impacts at global level, they can also cause negative local impacts, mainly associated with land-use change due to the occupation of new infrastructure; and with impacts on wildlife, particularly birds. To address these challenges, management focuses on prevention, integrating biodiversity and ecosystem protection into the design of new facilities. New projects undergo rigorous environmental impact assessment processes prior to their authorisation, in addition to implementing preventive and corrective measures and operational controls throughout their useful life.

Although the existing facilities also generate impacts on biodiversity, the environmental management system certified under ISO 14.001 guarantees the monitoring and control of these impacts during operation. This ensures that they are kept at levels that are compatible with the conservation of the environment, and promotes continuous improvement in environmental management.

In relation to biodiversity and ecosystem dependencies, water and its flow regulation becomes relevant in future scenarios marked by the scarcity of water resources in certain areas due to climate change. This particularly affects existing infrastructures, such as hydropower plants or thermal generation facilities that use freshwater. However, the new renewable electricity generation technologies planned in the strategy, which do not require water to operate, limit these risks significantly.

These impacts and dependencies can generate significant risks, notably those related to damaging threatened species and the tightening of biodiversity protection regulations. The latter can result in delays in the authorisation of new projects, increased development and operating costs, reduced revenues or even reputational risks for the organisation.

E4-1_01 Naturgy considers the management of biodiversity and the impacts of its activities on ecosystems as a key factor for its resilience, describing below the assumptions, scenarios and conclusions of the resilience analysis.

Resilience analysis assumptions E4-1_03

E4-1_02 The information used to analyse the resilience of the strategy and business model in relation tp biodiversity and ecosystems comes from the double materiality assessment, described in the General disclosures chapter of this Report, section "Description of the processes to identify and assess material impacts, risks and opportunities", which has evaluated all the activities carried out by Naturgy and its value chain. In the specific case of biodiversity, for its own operations, this analysis has been based on the application of the LEAP approach, recommended by the Taskforce on Nature-related Financial Disclosures (TNFD) initiative, about which greater detail is provided in the following section. However, it has not been possible to also use the LEAP approach for the value chain, due to the lack of the necessary baseline data.

E4-1_04 With regard to the temporal scope, the time horizons described in the General disclosures chapter, in the section "Disclosures in relation to specific circumstances" have been respected, *id est*:

- **Short-term**: this corresponds to the year after the reporting period, that is, the year 2025.
- **Medium-term**: covers the period 2026-2030, both included.
- **Long-term**: beyond 2030.

E4-1_06 In addition, the perspectives of Naturgy's different stakeholders have been taken into consideration, through a representative from each group. In particular, the expectations of affected communities have taken on great relevance, given their exposure to potential negative impacts related to biodiversity and ecosystems, as well as the reputational risk that the materialisation of these impacts could entail for the company.

With regard to future scenarios that may occur in the future for assessing risks and opportunities, a TNFD scenario has been considered, which combines two key aspects: the degree of degradation of biodiversity and ecosystem services, and the level of alignment of government and market forces with biodiversity protection. Specifically, it has been assumed the scenario in which there is a moderate loss of biodiversity and in which new regulatory requirements aimed at biodiversity protection emerge, together with voluntary initiatives driven by companies to encourage investment in nature, motivated by the need to mitigate reputational risks, as well as by growing social and financial pressures.

E4-1_05 Resilience analysis conclusions

This chapter details the analysis that was carried out to measure the resilience of Naturgy's business model, taking into account the dependencies, impacts, risks and opportunities on biodiversity and ecosystems, related to the activities carried out by the company. The analysis shows that the loss of biodiversity in the expected scenario, although significant, does not compromise the viability of the development of Naturgy's activities. Furthermore, the increase in investments and expenses intended to the protection of biodiversity and ecosystems, derived from tighter regulatory requirements, is assumable and does not affect the company's financial results significantly. In addition, the management measures implemented ensure that residual risks are limited, both for the environment and for the organisation itself. In conclusion, the resilience analysis confirms that Naturgy's current strategy and business model are resilient to the different risks identified, including new legislative requirements and growing social sensitivities.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

As mentioned in the previous section, Naturgy has carried out a double materiality assessment, including the value chain and based on the application of the LEAP methodology for its own operations, from which current and potential impacts, risks and opportunities related to biodiversity and ecosystems, which could be applicable to its own operations and value chain, have been identified and evaluated. Using impact and financial materiality thresholds, the results obtained are presented in the table below.

		Value chain (2)(3)	Business (4)	Time horizon (5)
BIODIVERSITY AND ECOSYSTEMS				
Direct impact drivers of biodiversity loss				
N.I.[1]	Biodiversity loss due to the occupation of the terrestrial ecosystem and land-use change due to the construction of new infrastructures (photovoltaic plants, electricity grids), as well as hydroelectric power plants constructed in the past, which produced land- and freshwater-use changes.	OO	Both	Current
	Immediate biodiversity loss due to habitat destruction caused by clearing, land-use change and occupation linked to the necessary operations for the supply of fuels, materials and equipment.	Upstream	Both	Current
Impacts on the state of species				
N.I.	Deterioration in the state of species, with special relevance for endangered species, mainly in wind farms (collision of birds and bats), power lines (collision and electrocution of birds), photovoltaic plants (impact on steppe birds) and hydropower plants (aquatic species).	OO	Electricity	Current
R	Sanctions or operational losses associated to impacts on endangered species. Delay in the authorisation of new projects or increase in development and operation costs due to stricter nature protection requirements. Decrease in revenue from hydropower generation due to stricter ecological flow criteria. Loss in brand value related to negative impacts on biodiversity.	OO	Electricity	Short-term
Impacts on the extent and condition of ecosystems				
N.I.	Ecosystems deterioration due to climate change caused by greenhouse gas emissions.	VC	Both	Current

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

Naturgy has concluded that material impacts on biodiversity and ecosystems are associated to its own operations, due to the modification of the habitats where its different types of assets are installed, and the consequent impact on the species that inhabit them, which generates an additional risk in the case of interaction with threatened species.

For the assessment of impacts and dependencies associated to own operations, based on the LEAP methodology, specific matrices have been used for each type of asset, developed from the ENCORE tool (Exploring Natural Capital Opportunities, Risks and Exposure). These matrices have been adjusted through a collaborative analysis carried out within the framework of the Natural Capital Working Group of the energy sector in Spain, in which seven companies from the sector participate. More detail on the methodology used can be found on the following section, "Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities".

With regards to the company's value chain, it has also been inferred that procurement activities generate an impact on the habitats surrounding the facilities and their biodiversity, being this situation aggravated by the GHG emissions along the value chain, which intensify the consequences of climate change.

E4.SBM-3_05; E4.SBM-3_06 However, it should be noted that in relation to Naturgy's operations or its value chain, no material impacts related to land degradation, desertification or soil sealing have been identified.

Description of material impacts and implemented mitigation measures

The impacts assessed as material for each impact driver are described below, along with the mitigation measures that, where appropriate, have been considered necessary to be implemented in the different technologies. These measures aim to keep the magnitude of the impact at acceptable levels, avoiding the loss of biodiversity and the affectation of ecosystem services that could generate negative consequences for communities. Further details on these measures can be found in section "Actions and resources related to biodiversity and ecosystems".

Impact drivers of terrestrial ecosystems- and freshwater-use change

- The material impacts on terrestrial ecosystems are associated with the photovoltaic power plants, due to the large areas occupied by the panels, and the power lines, which require buffer strips without tree vegetation. These impacts are avoidable and recoverable, as prior studies are carried out to select the alternatives with the least impact and, after the works completion, affected areas are restored, except for those permanently occupied, which are recovered by dismantling them at the end of their useful life.
- Material impacts on freshwater ecosystems are mainly related to hydropower plants, which transform river ecosystems into lake ecosystems due to the creation of reservoirs. These facilities, which were built years ago, had historical impacts on terrestrial ecosystems, mainly through the flooding of areas occupied by the reservoirs. However, it should be noted that these reservoirs have generated valuable aquatic natural spaces that fostered biodiversity and motivated subsequent environmental protection, as detailed in section "Impact metrics related to biodiversity and ecosystems change".

Impact drivers of effects on biodiversity

- Aquatic ecosystem disturbance is a potential impact for combined-cycle power stations, due to the possible effects of higher temperature cooling discharges. However, this impact is not material, as it is kept within low significance levels thanks to the design of the facilities (including cooling towers) and continuous monitoring of thermal impact, which ensures compliance with regulations and limitation of negative effects on aquatic ecosystems.
- Biological disturbances are a material impact for hydropower plants, wind farms, photovoltaic plants and power lines. In hydropower plants, dams and reservoirs generate permanent disturbances to aquatic fauna by affecting spawning areas and migration flows; however, measures such as the implementation of ecological flows and fish ladders are adopted. Wind farms involve collision risks for birds and bats and photovoltaic plants can affect steppe bird habitats, while power lines involve collision and electrocution risks for birds. In all these projects, during the design phase, environmental studies are carried out and the sensitive species existing in the surroundings of the sites are analysed, adapting the location, implementing preventive, corrective or compensatory measures and carrying out environmental monitoring throughout their useful life to ensure that the impacts are kept at acceptable levels. In particular, wind farms include additional measures, where necessary, such as the collection of carrion to avoid attracting scavenger birds and their risk of collision or the installation of systems that stop wind turbines in the event of an imminent risk. On the other hand, power lines incorporate specific designs with supports, insulators and bird guards to reduce impacts on birds.

It should be noted that the applied LEAP methodology, recommended by TNFD, considers a nature-based approach, which includes both biodiversity and other components such as climate change, pollution or resource use. In any case, these issues are specifically addressed in detail in other chapters of this Report ("Climate change", "Pollution", "Water and marine resources" and "Resource use and circular economy").

Based on the impacts identified in the double materiality assessment and the dependencies evaluated, the list of facilities within sensitive areas has been determined, according to the process described in the section "Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities". As a result, the sites that could potentially affect high biodiversity areas or protected natural areas are presented below, classified by facility type.

- **Material sites in its own operations** E4.SBM-3_01; E4.SBM-3_02; E4.SBM-3_03; E4.SBM-3_04

2024	Sites in sensitive areas	Related potential material impacts	Related potential material dependencies	Key Biodiversity Areas (protected)	Ecological status of the area (% facilities in areas of high biological integrity)
ELECTRICITY GENERATION					
Renewable technology					
Wind farms	51%	▪ Biological disturbance/ interference: risk of bird and bat collisions	▪ Climate regulation ▪ Storm mitigation	MNA, MAB, IBA, ZEPA, OSPAR, ZREEN, RNE, PPG, ZIC, PNA, PEIN	96%
Photovoltaic power plants	13%	▪ Terrestrial ecosystem use: land occupation and land-use change ▪ Biological disturbances/ interferences: negative effects on steppe species	▪ Climate regulation ▪ Storm mitigation	IBA, ZREEN	60%
Hydropower plants	59%	▪ Water use: flow diversion ▪ Use of terrestrial and freshwater ecosystem: reservoir ▪ Biological disturbances/ interferences: impact on aquatic species	▪ Water supply ▪ Flood mitigation ▪ Climate regulation ▪ Soil and sediment retention ▪ Rainfall pattern regulation ▪ Water flow regulation	MAB, IBA, ZREEN, PNA, MNA, RNE, RF	92%
Conventional technology					
Combined-cycle power stations	47%	▪ Water use: water consumption ▪ Use of other resources: natural gas consumption ▪ Climate change: GHG emissions	▪ Water supply ▪ Other supply services: fuels ▪ Water purification ▪ Rainfall pattern regulation ▪ Water flow regulation	IBA, ZREEN, PJN, RAMSAR, PEIN, MAB, ZH	88%

2024	Sites in sensitive areas	Related potential material impacts	Related potential material dependencies	Key Biodiversity Areas (protected)	Ecological status of the area (% facilities in areas of high biological integrity)
Fuel oil-fired power stations	50%	▪ Use of other resources: consumption of oil derivatives ▪ Climate change: GHG emissions	▪ Other supply services: fuels	AUS	100%
Cogeneration	40%	▪ Use of other resources: consumption of oil derivatives ▪ Climate change: GHG emissions	▪ Other supply services: fuels	IBA, ZREEN, MAB	100%
Coal-fired power stations (decommissioning)	50%	▪ No material impacts have been identified	▪ No material dependencies have been identified	ZREEN, MAB	100%
RENEWABLE GASES					
Biomethane plants	0%	▪ No material impacts have been identified	▪ Biomass supply: organic waste	Not applicable (see notes at the end of the table)	Not applicable (see notes at the end of the table)
ENERGY GRIDS					
Electricity grids					

2024	Sites in sensitive areas	Related potential material impacts	Related potential material dependencies	Key Biodiversity Areas (protected)	Ecological status of the area (% facilities in areas of high biological integrity)
Power lines	20%	▪ Use of terrestrial ecosystem: occupation and land-use cjange in the construction phase, by opening the buffer strip and removing tree vegetation. ▪ Biological disturbance/ interference: bird collisions and electrocutions	▪ Climate regulation ▪ Storm mitigation	PN, AUS, PPG, LPM, RAMSAR, ZREEN, MNA, RNE, PNA, PR, M, IBA, MAB, RF, HP, ZECIC, ZIC, PNPE, ZEPA, OSPAR, ARM, INDEF, AGHE	Not applicable (see notes at the end of the table)
Substations	22%	▪ No material impacts have been identified	▪ No material dependencies have been identified	PN, PPG, MAB, IBA, ZREEN, PNA, PR, HP, RF	96%
Gas networks					
Gas pipelines	5%	▪ No material impacts have been identified	▪ No material dependencies have been identified	PPG, MAB, PN, AUS, MNA, RNE, AGHE, RFS, SN, ZREEN, RNP, PNPE, PR, PJNM, ZEPIM, PNA, M, PJNIN, ZIC, ZECIC, EN, PEIN, PPU, HP, ZH, ZEPA, RAMSAR, OSPAR, IBA, PJN, ANP, ZPECP, PE, PU, ZPHE, ZSCE	Not applicable (see notes at the end of the table)
LNG, CNG and LPG plants	34%	▪ No material impacts have been identified	▪ No material dependencies have been identified	PPG, MAB, IBA, ZREEN, ZECIC, PEIN, PR, ZH, RAMSAR, PNA	97%

2024	Sites in sensitive areas	Related potential material impacts	Related potential material dependencies	Key Biodiversity Areas (protected)	Ecological status of the area (% facilities in areas of high biological integrity)
Key Biodiversity Areas legend:	IUCN: AGHE-Habitat/species management areas (IV) (Bra Pan); AUS-Protected area with sustainable use of natural resources (VI) (Arg Bra Mex Pan Dom); MNA-Natural monument (III) (Bra Esp Mex Pan); PN-National park (IIb) (Arg Bra Esp Mex Pan); PPG-Protected terrestrial/marine landscape (V) (Arg Bra Esp Pan); RNE-Strict Nature Reserve (I) (Bra Esp). International Agreements: LPM-World Heritage Site (Arg Pan); MAB-Biosphere Reserve (Arg Chl Cri Esp Mex Pan); OSPAR-Protected Areas, of the Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR) (Esp); RAMSAR-Wetlands of International Importance especially as Waterfowl Habitat (Arg Esp Mex Pan); ZEPIM-Specially Protected Areas of Importance of the Mediterranean Sea (Esp). Others: ANP-Natural Protected Area (Mex); ARM-Managed Resource Area (Pan); EN-Natural Enclave (Esp); HP- Protected Wetland (Esp); IBA-Important Bird Area (important areas for the conservation of birds and biodiversity) (Esp); INDEF-UNDEFINED (Pan); M-Microreserve (Esp); PE-State Park (Mex); PEIN-Special Protection Plan (Esp); Natural Place (Esp); PJNIN-Natural Park of National Interest (Esp); PJNM-Municipal Natural Park (Esp); PNA-Natural Park (Esp); PPU-Periurban Park (Esp); PR-Regional Park (Esp); PU-Urban Park (Mex); RF-Fluvial Reserve (Esp); RFS-Forestry reserve (Chl); RNP-Partial Natural Reserve (Esp); SN-Nature Sanctuary (Chl); ZECIC-Special Conservation Area of Community Importance (Esp); ZEPA-Special Protection Area for Birds (Esp); ZH-Wetlands (Esp); ZIC-Zone of Community Importance (Esp); ZPECP-Zone of Ecological Preservation of Population Centres (Mex); ZPHE-Zone of Hydrological and Ecological Protection (Mex); ZREEN-Zone of European Ecological Natura 2000 Network (Esp); ZSCE-Zone Subject to Ecological Conservation (Mex); PNPE-Peripheral Zone of Protection of National Park (Esp).				
Countries legend:	Esp (Spain), Bra (Brazil), Chl (Chile), Cri (Costa Rica), Mex (Mexico), Pan (Panama), Dom (Dominican Republic)				

As additional notes on the table above, it must be considered that:

- The methodology for determining material sites located in biodiversity-sensitive areas is explained in detail in the (L) and (E) phases of the LEAP approach, which is described in the section below. Further details on the impact on biodiversity-sensitive areas can be found in the table "Sites within or adjacent to biodiversity-sensitive areas".
- The value in column "Sites in sensitive areas" represents the percentage of total sites that are within or adjacent to biodiversity-sensitive areas. To calculate this percentage, the number of installations has been considered in the case of one-off infrastructures, and linear kilometres for networks. The methodology and sources of information used for this calculation are described in more detail in the following section.
- The value in column "Ecological status of the area" indicates the percentage of sites located in sensitive areas that are located in areas with high biological integrity (BII ≥ 0.7). The methodology used and the sources of information used to determine this value are detailed in the following section.
- In the case of linear infrastructures, such as gas pipelines and power lines, their extensive nature prevents the assignment of a specific ecological status to the areas they cross, unlike one-off facilities, with geo-referencing, where this categorisation is more feasible. It has therefore been indicated in the table as "Not applicable".
- In technologies where there are no installations in sensitive areas, it has been indicated as "Not applicable" in the cells for "Key Biodiversity Areas" and "Ecological status of the area".

Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities (IRO-1)

E4.IRO-1_01; E4.IRO-1_03; In order to determine the impacts, risks and opportunities related to biodiversity and ecosystems described in the previous section, Naturgy, in the case of its own operations, has applied the LEAP methodology recommended by TNFD, as described above.

The double materiality assessment that was carried out also includes the activities of the value chain. Specifically, in relation to the risks derived from the value chain, the company's purchasing and supplier management model (see chapter "S2 Workers in the value chain", section "Actions to manage negative and positive impacts") contemplates ESG criteria that cover all environmental aspects, including biodiversity. In this regard, a specific assessment of nature risk is carried out for all suppliers.

E4.IRO-1_05; E4.IRO-1_06; E4.IRO-1_07; E4.IRO-1_08 It should also be noted that the analysis has taken into account the perspectives of affected stakeholders in terms of biodiversity and ecosystems, especially those from affected communities, although Naturgy's commitment in relation to them is not only limited to this analysis.

On the one hand, with regard to new facilities, the precautionary principle is applied, carrying out environmental impact analyses during the design phase in order to evaluate the surroundings of the sites, paying special attention to protected areas of high ecological value. These studies and the project itself are subject to public information, thus guaranteeing the participation of stakeholders, particularly affected communities. The positive response from the regulator to the environmental impact analysis implies the tacit approval of stakeholders, given that all possible allegations presented are taken into account. As a result of the study, Naturgy adapts the location and components of the project to avoid negative impacts and establishes the necessary corrective or compensatory measures when it is not possible to avoid the impact.

In addition, Naturgy carries out specific social relationship plans with affected communities throughout the entire lifecycle of the projects, beyond the design stage. More information on Naturgy's relationship model with affected communities can be found in chapter "Affected communities" of this Report.

Once the facility is in operation, the company applies operational control procedures and, in those facilities where there may be a greater potential impact, environmental risk assessments are carried out and emergency plans are defined to prevent the incident before it occurs, or to minimise its damage. Periodic environmental emergency drills are also carried out to test the defined procedures.

LEAP methodology description

LEAP methodology is structured in four phases: Locate, Evaluate, Assess and Prepare. The first three (L, E and A) are described below, since phase P, corresponding to the preparation and reporting of information, is fully complied with in this Report, following the reporting standards established by the ESRS.

Locate phase (L)

In order to identify key activities and their interaction with nature, a business model and value chain analysis has been carried out. This analysis has revealed that, although there are material dependencies and impacts along the entire chain, mainly upstream, the lack of complete information limits the possibility of a comprehensive analysis of all stages. For this reason, the scope of the LEAP analysis has been restricted to facilities under own control, where sufficient data is available to apply this methodology.

For this purpose, a Geographic Information System is used to geolocate all the company's facilities.

E4.IRO-1_14 Because of this System, the interaction of the facilities with nature has been assessed, taking into account their location and areas of influence in relation to sensitive areas, defined according to the following criteria:

- **Importance for biodiversity:** ecosystems identified as biodiversity hotspots, protected areas or other internationally recognised areas have been considered. In these areas, the risks associated with the loss or deterioration of nature are higher. The World Database on Protected Areas (WDPA) has been used for this assessment in all countries except Spain, where information from the Natura 2000 Sites Network (RN2000) has been used.
- **Ecosystem integrity or conservation status:** in ecosystems with a high conservation status, activities with higher impact could significantly compromise their condition. This criterion has been assessed using the Biodiversity Intactness Index (BII), based on the global geographic layer available on the UK Natural History Museum website (https://www.nhm.ac.uk/our-science/data/biodiversity-indicators/about-the-biodiversity-intactness-index.html).
- **Water-stress areas:** identification of those areas where the quantity or quality of available water is deteriorating. These conditions expose water-consuming activities to increased environmental risk related to water availability. This criterion is detailed in section "Water consumption" of this Report.

As a result of this phase, sensitive areas have been identified and interwoven with the sites, including their areas of influence, to determine whether the facilities are located within or near key biodiversity areas. For sites located in sensitive areas, an analysis of the conservation status of the ecosystems in these areas has been carried out, considering:

- BII ≥ 0.7: Ecosystems with maintained integrity.
- BII < 0.7: Ecosystems that have deteriorated.

Evaluate phase (E) E4.IRO-1_01; E4.IRO-1_02

In this phase, the assessment of impacts and dependencies associated with Naturgy's operations is carried out. For this purpose, specific matrices developed for each type of asset have been used, based on the ENCORE tool (Exploring Natural Capital Opportunities, Risks and Exposure). These matrices have been adapted through a collaborative analysis carried out within the framework of the Natural Capital Working Group of the energy sector in Spain, which brings together seven companies in the sector. This approach has allowed the integration of key information from historical baseline studies, environmental impact assessments, facility monitoring and analyses of the accumulated events over time.

The assessment has considered the impacts and dependencies of various typologies of installations throughout the lifecycle stages of the assets. This includes not only the operation phase, but also the construction phase of wind farms, photovoltaic plants, biomethane plants and power grids, due to the planned investments in these technologies. In addition, the decommissioning phase of coal-fired power plants has been assessed.

The potential impacts and dependencies of each type of technology have been classified on a scale of five levels of materiality, ranging from very low to very high. To determine their materiality, technologies with moderate, high or very high values have been considered to have significant impacts or dependencies on nature and are therefore considered material facilities.

As a result, a matrix of potential material impacts and dependencies has been developed for each type of technology and each stage of the lifecycle of direct operations. The table "Material sites in own operations", presented above, specifies the impacts and dependencies that have been identified as material for each technology.

Analyse phase (A) E4.IRO-1_03

E4.IRO-1_04 As stated in the international TNFD framework, nature risks depend on the specific characteristics of the environment in which activities take place. Their impacts and dependencies can lead to potential risks if they are not properly managed. These risks are classified into three typologies: physical, transition and systemic.

Physical risks are associated with the materialisation of damages to nature and changes in the stocks and flows of natural resources, such as loss of biodiversity, degradation of ecosystems or a decrease in the availability of essential ecosystem services.

On the other hand, transition risks arise as a consequence of changes in policies, legal requirements, technologies or consumer preferences, driven by the need to mitigate environmental impacts. Importantly, the greater the magnitude and severity of the expected physical risks, the greater the likelihood that transition risks will intensify, as they may result in the implementation of new, more demanding regulations or significant market adjustments.

With regard to systemic risks, these affect society, the economy and the environment in a broad and interconnected way, generating impacts that go beyond the scope of an individual organisation. These risks can manifest themselves as collapses in natural systems, such as the loss of a key ecosystem affecting entire sectors, or as global economic disruptions caused by imbalances in biodiversity and ecosystem services. While these risks are less frequent, their nature can have serious and far-reaching consequences.

Conclusions

E4.IRO-1_15 The application of the LEAP methodology (phase L) has made it possible to elaborate the table "Sites within or adjacent to biodiversity-sensitive areas", included in section "Impact metrics related to biodiversity and ecosystems change". Based on this table, and with the list of material impacts and dependencies drawn up (phase E), the table of "Material sites in own operations", included in the previous section, has been constructed. This includes information on those installations located in areas classified as sensitive. In addition, it specifies the dependencies and impacts that have been identified as material for each technology, providing a detailed and contextualised analysis.

It is important to note that those risks linked to the potential impacts and dependencies listed in this table may or may not materialise depending on the specific characteristics of the facilities, the impact prevention and correction measures that have been implemented and the particularities of the environment in which they are located. These elements largely determine the magnitude and relevance of the associated impacts.

E4.IRO-1_16 In this sense, Naturgy has implemented specific measures at those sites where the need has been identified, as described in the previous section. For more detailed information on these measures, see section "Actions and resources related to biodiversity and ecosystems".

Finally, risks have been identified (phase A) using the scenario described in section "Transition plan and consideration of biodiversity and ecosystems in strategy" and following the classification proposed by TNFD: physical, transition and systemic risks (no material risks have been identified in the latter category). These risks have been taken as the basis for the double materiality assessment, whose results are reported in the previous section.

Policies related to biodiversity and ecosystems (E4-2)

[E4.MDR-P_01-06] Naturgy establishes its commitments and main principles of action in relation to the impacts, risks and opportunities related to biodiversity and ecosystems in the Global Sustainability Policy. Further details on this policy can be found in the "Corporate policies" section of the General disclosures chapter of this Report.

[MDR-P_04] Through the application of this policy Naturgy voluntarily assumes the commitment to integrate biodiversity into the company's strategy and decision-making processes and to develop transition plans, aligned with the Kunming-Montreal Global Biodiversity Framework.

[E4-2_01] In addition, the Global Sustainability Policy establishes the following commitments:

- identify, assess, manage and report nature-related dependencies, impacts, risks (physical, transition and systemic) and opportunities in accordance with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD), using the LEAP approach;
- protect and promote biodiversity through initiatives, especially in sensitive areas, with action plans and monitoring in accordance to the impact mitigation hierarchy and promoting nature-based solutions;
- analyse carefully the location of new projects in protected areas or areas of high biodiversity, avoiding them if required by legislation;
- achieve zero net deforestation in new projects and reduce the removal of trees associated with the operation of energy grids to the minimum necessary to ensure the safety of facilities and the environment;
- respecting the natural and cultural heritage around operational sites, monitoring impacts on ecosystems and relevant species and implementing the necessary measures to ensure their protection.

The Global Sustainability Policy is transversal to the environmental standards and therefore covers issues such as climate change or water resources, as already disclosed in chapters "Climate change" and "Water and marine resources". These issues are considered to be impact drivers of biodiversity loss.

On the other hand, according to the results of the double materiality assessment, Naturgy does not consider the possible introduction of invasive alien species to be applicable, therefore this matter has not been included in the aforementioned Policy.

[E4-2_18]; [E4-2_19]; [E4-2_20] On a different level, as listed in the commitments above, the company has adopted practices to address deforestation in its operating environments, however, neither has it adopted sustainable land or agriculture practices or policies, nor sustainable oceans or sea practices or policies policies, as they do not apply to its activities.

[E4-2_02]; [E4-2_03] The commitments listed above are linked to the material impacts and risks of Naturgy and establish the bases on which the company's management system is based in order to minimise the dependencies and negative impacts that its activities may produce on biodiversity and ecosystems and thus avoid the materialisation of potential risks.

[E4-2_17]; [MDR-P_02] The Global Sustainability Policy applies to all companies or entities in which the group has, directly or indirectly, a majority shareholding or responsibility for their operation and/or management, regardless of the geographical area in which they operate. Likewise, Naturgy undertakes to establish the necessary mechanisms and actions to extend its application to third parties directly involved in its upstream and downstream value chain. Therefore, these commitments are applicable to the company's sites, including sites in biodiversity-sensitive areas.

[E4-2_04] The Global Sustainability Policy does not currently set out explicit commitments in relation to the traceability of products, components and raw materials with material impacts on biodiversity and ecosystems. As the company integrates value chain impacts into its reporting, it will work to define these commitments and set them out in the policy as appropriate.

[E4-2_05] Given the nature of Naturgy's business activities, the company has not defined commitments regarding production, supply or consumption from managed ecosystems, as this is not a material matter.

[E4-2_06] The company's commitment to respect cultural heritage in the environments where it operates includes addressing the social consequences of impacts related to biodiversity and ecosystems.

Actions and resources related to biodiversity and ecosystems (E4-3)

Naturgy develops initiatives to improve biodiversity and ecosystems throughout facilities lifecycle (construction, operation, decommissioning) in order to reduce and compensate the negative impacts caused. These initiatives contemplate all the stages of the mitigation hierarchy: **avoiding** negative impacts generated by the company on the environment, **minimising** those negative impacts that could not be avoided, **restoring** and **regenerating** biodiversity when the impacts cannot be fully minimised, and finally **compensating** the net loss of biodiversity.

The company conceives caring for nature as a commitment to be made by society as a whole. That is why sectoral, intersectoral and global communication and collaboration is essential to advance towards no net loss of biodiversity and the reduction of the impact on ecosystems throughout the planet. In particular, Naturgy carries out, in line with the information gathered in the section "Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities" of this chapter, measures to mitigate or compensate the negative impacts generated and the risks deriving from them.

E4-3_02; E4-3_03; E4-3_04; E4-3_08 Compensation measures should be understood as the last step in the mitigation hierarchy and a method to replenish the unavoidable impact generated, through, for example, initiatives such as the reintegration of threatened species in their natural habitats. Naturgy does not currently undertake biodiversity offsets in a sense analogous to the use of carbon credits or similar initiatives, as these types of biodiversity-related markets are under development processes.

MDR-A_01 In any case, all the measures carried out in the area of biodiversity and ecosystems are a reflection of the commitments made by the company through its Global Sustainability Policy. In particular, the Policy aims to protect and promote biodiversity through initiatives, especially in sensitive areas. In addition, another mandate of the Policy is to identify, assess, manage and report on nature-related dependencies, impacts, risks (physical, transition and systemic) and opportunities in accordance with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD), using the LEAP approach.

MDR-A_06; MDR-A_07; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12 In general, initiatives included under this section are not carried out with the aim of obtaining an economic benefit for the company, but exclusively to generate a positive impact on biodiversity and ecosystems and, in a broader sense, on the environment and society in general. The financial resources allocated to the achievement of the projects highlighted are consolidated in larger economic items, so at accounting level it is very difficult to provide individualised details of operating or capital expenditures.

E4-3_09 Additionally, the different action lines presented below integrate the perspectives of the company's stakeholders in terms of biodiversity and ecosystems. It should be noted that Naturgy carries out studies prior to the construction of facilities to reduce their environmental and social impact, which are subject to public information. In those projects in which there is interaction with indigenous peoples, such consultation contributes to incorporating their knowledge into the project.

MDR-A_03 The following actions are considered to be the most important, according to the mitigation hierarchy, which are directly related to biodiversity and ecosystems. In general, their development is long-term, given that a high volume of the initiatives are linked to the operation of facilities, or are associated with deepening relations with stakeholders or awareness-raising and sensitisation.

Actions related to water, GHG emissions or pollution are not included in this section, although these also generate benefits for biodiversity, as they are specifically addressed in chapters "Water and marine resources", "Climate change" and "Pollution" respectively.

Environmental Management System (avoidance and minimisation)

MDR-A_01; MDR-A_02; MDR-A_04 For years, the company has had an Integrated Management System (IMS) covering quality, environment and health and safety. In the environmental field, it is certified under ISO 14001 standard and is audited externally every year. Its main objective is to promote continuous improvement, prevent pollution and reduce environmental impacts at all stages of the value chain, involving employees, suppliers and other stakeholders. This approach not only ensures regulatory compliance, but also actively contributes to the control and reduction of impacts on biodiversity.

Preliminary studies and adapted design (avoid)

MDR-A_01; MDR-A_02; MDR-A_04 In relation to new facilities, prior environmental impact studies are carried out during the design phase. These studies analyse in detail the environment of the sites, with special emphasis on protected areas or high-biodiversity regions, as enacted by Naturgy's Global Sustainability Policy. As a result, the location, design and components of the project are adapted to avoid or minimise negative impacts on biodiversity and ecosystems. In cases where it is not possible to completely avoid the effects, the study proposes the necessary corrective or compensatory measures to mitigate their impact. The following sections detail these measures for each type of project.

Maintenance of measures and monitoring (minimise)

MDR-A_01; MDR-A_02; MDR-A_03; MDR-A_04 During the operation phase, the company not only applies operational control procedures, but also maintains facilities and develops measures designed to reduce environmental impacts. In those facilities with the greatest potential impact, environmental risk assessments are carried out and environmental emergency plans are established, aimed at both preventing incidents and minimising damage in the event of their occurrence.

In addition, periodic environmental emergency drills are carried out, where the defined procedures are evaluated and tested, thus ensuring the effectiveness of the measures implemented and the capacity to respond to possible contingencies. This combination of maintenance, control and simulation ensures proactive and effective management of environmental impacts, which is considered a key factor in the Global Sustainability Policy.

Ecosystem protection (avoidance and minimisation)

MDR-A_01; MDR-A_02; MDR-A_03; MDR-A_04 The company has implemented, operated and maintained various measures to reduce the impact of operating facilities on ecosystems. The main actions include:

- In wind farms, measures such as the painting of blades or towers to reduce the risk of bird collisions, the implementation of systems that stop wind turbines in real time in the event of a collision risk, and the systematic removal of carrion to avoid attracting birds of prey, have been applied.
- In hydropower stations, an ecological flow is left, when necessary, and in some installations there are fish ladders to facilitate the passage of migratory species. At the Frieira hydropower station, fish species such as salmon, shad, eels and lamprey are regularly caught and released in collaboration with the Xunta de Galicia.
- Electrical networks: supports have been adapted to reduce the risk of electrocution of birds, and bird guards have been installed and maintained on several sections to minimise collisions.
- Early detection system for fires in the electricity grid in Spain: this system uses real-time information provided by the European Union's Copernicus and NASA satellites to generate early warnings, significantly reducing response time and thus damage to biodiversity.

Ecosystem restoration (restore, regenerate and compensate)

MDR-A_01; MDR-A_02; MDR-A_03; MDR-A_04 Naturgy has established different projects aimed at restoring and regenerating ecosystems affected by its operations or compensating for residual impacts on biodiversity. Among the most relevant are the following:

- Environmental restoration carried out around new renewable projects.
- Projects to promote the conservation of threatend bird species (steppe, lesser kestrel, etc.). These actions include improving the habitat of the capercaillie in the Lago de Sanabria protected natural park, in collaboration with the Fundación Patrimonio Natural, thanks to the construction of a breeding centre. Another example is the support to the wildlife recovery centre, in Guadalajara, of the Junta de Castilla-La Mancha, with the housing of wildlife species, captive breeding programmes and temporary stays of species with reintroduction programmes.

In short, Naturgy has carried out various environmental restoration actions, through which the company expects to generate a direct benefit for ecosystems located beyond the company's value chain, in particular, protected habitats, or which may be home to endangered species. The section "Impact metrics related to biodiversity and ecosystems change", under the heading "Restoration initiatives", lists the main projects carried out during the year, together with the area positively affected by them.

Nature-based solutions

MDR-A_01; MDR-A_02; MDR-A_03; MDR-A_04 The collaborative environments developed have allowed Naturgy to carry out innovation initiatives that use nature-based solutions to respond to some day-to-day problems in company's operations. These initiatives have been developed mainly in Spain and have been of a one-off nature, highlighting the following:

- Reforestations using endemic species that contribute to both CO_2 absorption and biodiversity recovery, in line with the objective set out in the Global Sustainability Policy of achieving zero net deforestation in the group's new projects.
- Use of livestock for the maintenance of power line safety corridors and on photovoltaic power plants plots. The reduction of vegetation on power lines' corridors and solar plants' enclosures is a necessary measure to ensure safety. The replacement of machinery with indigenous livestock, which has less impact on the environment, promotes traditional pastoralism and rural development.

Knowledge generation, dissemination and education

MDR-A_01; MDR-A_02; MDR-A_03; MDR-A_04 Naturgy is committed to transmitting its corporate culture in environmental matters in order to raise awareness of the importance of respecting the resources provided by nature. In this regard, it establishes collaborative environments in order to spread environmental knowledge, encourage responsible behaviour towards nature and echo the vision of stakeholders, in particular the knowledge of affected communities, to improve corporate management of biodiversity and ecosystems. In 2024, various training projects were carried out in different countries where the company has presence, the most relevant being:

- In Spain, in collaboration with GREFA, training sessions have been held for schools, both in-person and virtual, with a total of 2,051 attendees.
- In Argentina, several actions on environmental education have been carried out, including various topics of interest, such as the responsible use of natural resources.

Stakeholder participation and involvement

MDR-A_01; MDR-A_02; MDR-A_04 In addition to knowledge transfer measures, Naturgy, in accordance with its Global Sustainability Policy mandate, carries out other collaborative initiatives with leading companies in the sector, as well as other reference organisations, in order to ensure that all stakeholders are duly represented in the company's strategic decisions on biodiversity and ecosystems, being especially relevant when there are affected communities that may be potentially harmed by the construction or operation of the company's assets.

The main agreements signed by Naturgy in this area, both nationally and internationally, are:

- Iniciativa Española Empresa y Biodiversidad: in 2013, Naturgy signed the Biodiversity Pact and since then has participated in this initiative coordinated by the Biodiversity Foundation of the Ministry for Ecological Transition and the Demographic Challenge. In May 2023, the company signed the new Pact for Biodiversity and Natural Capital, assuming the highest level of ambition.
- Participation in collaborative business initiatives: such as the Industry and Ecological Transition Commission of the Spanish Confederation of Business Organizations (CEOE), the Nature Business Ambition initiative of Forética or the working group on Natural Capital and Energy, together with other companies in the sector (Cepsa, EDP Spain, Enagás, Endesa, Red Eléctrica Group, Iberdrola and Repsol), to implement a harmonised framework for assessing the impact on the natural capital of the Spanish energy sector.
- Collaboration with different third sector organisations in biodiversity initiatives (GREFA, FIEB, etc.).
- Through its Foundation, Naturgy carries out numerous initiatives to disseminate, train, inform and raise awareness in society on environmental issues. For example, it collaborates with public administrations, universities, conservation associations, other companies in the sector and various entities in protection initiatives, as well as in the creation and dissemination of technical knowledge to improve biodiversity protection. It also organises environmental volunteer activities for the company's employees and their families, which encourage the development of individual attitudes and behaviours based on respect and conservation of the natural environment.
- Participation in the 16th edition of the "Conference of the Parties on Biodiversity" (COP16) held in Cali (Colombia) in October 2024.

Targets related to biodiversity and ecosystems (E4-4)

Naturgy, through its new Global Sustainability Policy, has updated its commitment in relation to appropriate management and protection of biodiversity and ecosystems. To this end, and following the recommendations of the TNFD, the company has developed a biodiversity assessment project in all its activities.

In particular, as presented at the beginning of this chapter, Naturgy has carried out an analysis of the impacts, dependencies, risks and opportunities related to biodiversity. As part of the mitigation measures for the risks identified, the company has defined a dashboard that includes all the impact drivers that are material for the activities. These indicators (for example, GHG emissions, water consumption or total waste produced) refer to the five environmental ESRS given their direct or indirect connection to nature.

E4-4_05 This dashboard has two targets directly related to biodiversity and ecosystems, which will be presented below, which reflect the maximum level of ambition assumed by Naturgy to contribute to the targets set out in the Kunming-Montreal Agreement, which establishes the Global Biodiversity Framework and global targets for 2030. These targets also support Naturgy's subscription to the Pact for Biodiversity and Natural Capital, within the framework of the Iniciativa Española Empresa y Biodiversidad (IEEB).

E4-4_01; E4-4_02; E4-4_03; E4-4_04; E4-4_08 Additionally, it is worth mentioning that these two targets have not been set using ecological thresholds or impact allocations to Naturgy, nor biodiversity offsets, but have been set voluntarily by the company, in accordance with the provisions of the Kunming-Montreal Agreement and the TNFD initiative.

MDR-T_12; MDR-T_13 The Board of Directors, through the Sustainability Commission, ensures compliance with these objectives through an annual monitoring process, having reached the conclusion that it has not been necessary a profound modification in Naturgy's performance to advance in the roadmap until its achievement. Furthermore, these targets have not been modified to date, nor in the underlying measurement methodologies, assumptions used, potential limitations, data sources or data collection processes.

MDR-T_11 On the other hand, based on continuous dialogue with stakeholders, the company has established a series of targets in relation to biodiversity and ecosystems, although these groups have not been directly involved in the target-setting process itself.

In addition, as stated above, the company's facilities are subject to assessments from the phases prior to their construction, subject to public information in the general interest, and have the approval of the competent administration, so that the rights of the indigenous peoples that could be affected are respected in all cases.

Biodiversity enhancement initiatives

MDR-T_01; MDR-T_04; MDR-T_09; E4-4_07; E4-4_09 This target is fully aligned with Naturgy's Global Sustainability Policy, specifically with the commitment to protect and promote biodiversity through initiatives focused especially in sensitive areas, including action and monitoring plans based on the impact mitigation hierarchy, and promoting nature-based solutions. The definition of the target has been based on an analysis of current and planned initiatives, which is consistent with the company's Strategic Plan.

The scope of this target covers all geographies and applies to all companies or entities where Naturgy has, directly or indirectly, a majority shareholding or responsibility for operation and/or management.

Finally, it should be noted that all initiatives are underpinned by the hierarchy of impact mitigation: avoid, reduce, restore and regenerate, and ultimately compensate. This approach ensures sustainable and responsible management, aligned with the highest environmental standards.

MDR-T_07; MDR-T_10; E4-4_06 As a reflection of this commitment, Naturgy defined for the period 2021-2025 the objective of developing, in the last year, 350 initiatives related to biodiversity and ecosystems. Through these initiatives, Naturgy contributes to reducing and mitigating its negative impacts, especially in terms of recovering the optimum state of the habitats where its activity (and the value chain) is located, as well as the species that inhabit them. This target, although not based on conclusive scientific evidence, contributes to progress in the protection of biodiversity and ecosystems.

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Biodiversity enhancement initiatives (number)	2021	2020	350	368	353	265

MDR-T_13 As shown in the table above, 368 projects have been carried out in this matter in 2024, which implies an increase of 4% compared to 2023. It should also be noted that this figure again exceeds the target value for 2025, demonstrating the commitment to biodiversity and ecosystems.

Implement TNFD recommendations

MDR-T_01; MDR-T_04; MDR-T_09; E4-4_06; E4-4_07; E4-4_09 The established target is fully aligned with Naturgy's Global Sustainability Policy, specifically with the commitment to identify, assess, manage and report the dependencies, impacts, risks (physical, transition and systemic) and opportunities related to nature in accordance with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD), using the LEAP approach. The definition of the target has been based on the recommendations made by TNFD and is applied at corporate level, so it covers all geographies and companies or entities where the company has, directly or indirectly, a majority shareholding or responsibility for operation and/or management. Finally, it should be noted that it is a cross-cutting target in relation to the mitigation hierarchy.

MDR-T_07; MDR-T_10 Specifically, Naturgy established for the period 2021-2025 the implementation of these TNFD recommendations at corporate level. Although this target is not based on conclusive scientific evidence, it enables to progress significantly in the protection of biodiversity and ecosystems.

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Implement TNFD recommendations at corporate level (%)	2021	2021	100 %	60 %	25 %	0%

MDR-T_13 Therefore, in 2024, a degree of compliance with the TNFD recommendations of 60% has been achieved, thus increasing the degree of compliance by 140% compared to the previous year.

Activity with ISO 14001 environmental certification

MDR-T_01; MDR-T_04; MDR-T_09; E4-4_07; E4-4_09 Biodiversity also includes the target of achieving ISO 14001 certification. Having certified facilities and activities significantly reduces environmental risks, as standardised procedures are applied, continuous environmental improvement is promoted and internal and external audits are carried out to ensure greater safety and compliance. This contributes directly to avoiding and reducing environmental impacts, including those related to biodiversity, natural and cultural heritage, in line with the new Global Sustainability Policy.

MDR-T_07; MDR-T_10 This target, in force during the period 2021-2025, is not based on conclusive scientific evidence, although it does allow reducing the impact of Naturgy's own operations on biodiversity and ecosystems. The percentage of facilities with environmental certification over the total is shown below:

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Activity with ISO 14001 environmental certification (% Ebitda)	2021	2021	95.0	96.8	97.2	93.1

MDR-T_13 In conclusion, despite the 0.4% reduction in certified EBITDA in 2024 compared to the previous year, Naturgy has also placed this figure above the 95.0% target for 2025, which demonstrates the corporate commitment to reduce its impact on biodiversity and ecosystems.

On the other hand, in the "Purpose and strategy" section of the General disclosures chapter, it is indicated that Naturgy has elaborated a 2025-2027 Sustainability Plan, whereby the indicators of the previous Sustainability Plan are updated. In the case of biodiversity, a new ambition has been set regarding the number of biodiversity initiatives to be implemented by Naturgy in 2027, as well as with respect to the environmentally certified activity:

	Approval year	Base year	Target 2027	Baseline value
Biodiversity enhancement initiatives (number)	2025	2022	375	345
Activity with ISO 14001 environmental certification (% Ebitda)	2025	2022	98.5	97.9

Impact metrics related to biodiversity and ecosystems change (E4-5)

Biodiversity and ecosystem management metrics

Naturgy monitors its activity and position with respect to nature through a dashboard that considers the main matters that can generate significant damage to biodiversity and ecosystems, such as GHG emissions, water consumption and pollution, among others. Using these indicators, the company monitors the different matters that may have a material impact on the environment and particularly, directly or indirectly, on biodiversity.

E4-5_04 Naturgy has concluded, as per the double materiality assessment conducted in 2024, that its activity may contribute to land-use change in those regions where its assets are located and operate. Therefore, the aforementioned dashboard includes different metrics through which the company determines its degree of impact, that are presented in the table below.

Impact driver	Indicator	Metric	Location of data in the report
Land-use change	Spatial footprint	Total area occupied by type of facility	See “Impact on biodiversity-sensitive areas” section below
		Environmentally restored area by activity and country	See “Restoration initiatives” section, “Restored areas” table below
	Impact on natural areas	Number of facilities and km of linear infrastructure within or adjacent to protected areas by type of facility. Total area occupied within or adjacent to protected areas by type of facility. Percentage of area occupied within or adjacent to protected areas by geography.	See “Impact on biodiversity-sensitive areas” section, “Sites within or adjacent to biodiversity-sensitive areas” table below
		Environmentally restored area in protected areas or benefiting protected species by activity and country. Number of biodiversity initiatives in protected areas	See “Restoration initiatives” section, “Restored areas” table below

In addition to the metrics mentioned above, there are others related to water use, GHG emissions and pollution. Although these factors also have a significant influence on biodiversity, they are analysed in the specific chapters of this Report, where the corresponding indicators, their impact and associated measures are detailed.

Impact on biodiversity-sensitive areas

According to the analysis conducted by Naturgy in relation to biodiversity and ecosystems, and as a complement to the detail on material sites in own operations presented in previous sections, it has been determined that the company has facilities within or near biodiversity-sensitive areas (including protected areas). In order to determine which facilities are located adjacent to or in these types of areas, not only their physical boundaries were considered, but also certain impact ratios by type of facility. Thus, infrastructures are classified as interior (within areas of high biodiversity), adjacent (impact radius within the protected area) or exterior when they are outside these areas.

To carry out the analysis, the Geographic Information System has been used, which makes it possible to geolocate all company's facilities and integrate additional information (protected areas, water stress levels, etcetera). Each type of technology has been evaluated considering a specific area of influence, established according to the characteristics of the technology and its interaction with the environment.

E4-5_01; E4-5_02 As a result of this study, a total of 312 owned, leased or managed facilities have been located within or adjacent to these areas, totalling 60,391 hectares affected. The table on the following page gives a breakdown of this surface area by typology of asset.

It is important to consider that 20,123 ha, practically the entire surface area of hydropower plants located within or next to protected areas, corresponds to hydropower plants in Spain that were built after 1910 and before the protection figures for these areas existed. This surface area represents 93% of the surface area of the electricity generation category within or next to protected areas. This shows that these reservoirs, prior to the classification of protection, constitute high value natural aquatic spaces that have created richness in terms of biodiversity, which led to the subsequent environmental classification of protected areas.

In relation to energy grids, it should be noted that final connections are not included, as although they are part of the company's assets, they are integrated into buildings or urban infrastructures and therefore do not impact biodiversity. This means that the total lengths of electricity grids and gas networks may be slightly shorter than those considered in the section "Naturgy and its value chain", in General disclosures chapter.

Finally, it should be indicated that the number of facilities located within or adjacent to key biodiversity areas is greater than the sum of the facilities within or adjacent to such areas separately. This is because some facilities are located both within and adjacent to these areas, and have been excluded from the totaliser to avoid double counting.

- **Sites within or adjacent to biodiversity-sensitive areas**

2024	Total sites			Total sites within protected areas			Total sites adjacent to protected areas			Total sites within or adjacent to protected areas			
	no. (one-off infrastructures)	km (linear infrastructures)	occupied surface area (ha)	no. (one-off infrastructures)	km (linear infrastructures)	occupied surface area (ha)	no. (one-off infrastructures)	km (linear infrastructures)	occupied surface area (ha)	no. (one-off infrastructures)	km (linear infrastructures)	occupied surface area (ha)	Sites with environmental management plans (%)
ELECTRICITY GENERATION													
Renewable technology													
Wind farms	89	n.a.	2,174	33	n.a.	478	26	n.a.	419	45	n.a.	897	100 %
Photovoltaic power plants	39	n.a.	2,989	4	n.a.	306	2	n.a.	6	5	n.a.	312	100 %
Hydropower plants	56	n.a.	21,752	31	n.a.	14,475	20	n.a.	5,653	36	n.a.	20,128	100 %
Conventional technology													
Combined-cycle power stations	15	n.a.	245	3	n.a.	39	6	n.a.	78	8	n.a.	117	100 %
Fuel oil-fired power stations	2	n.a.	8	1	n.a.	1	1	n.a.	4	1	n.a.	4	100 %
Cogeneration	5	n.a.	18	1	n.a.	5	1	n.a.	1	2	n.a.	6	100 %
Coal-fired power stations (decommissioning)	4	n.a.	266	2	n.a.	165	1	n.a.	57	2	n.a.	221	100 %
RENEWABLE GASES													
Biomethane plants	3	n.a.	0	0	n.a.	0	0	n.a.	0	0	n.a.	0	100 %
ENERGY GRIDS													
Electricity grids													
Power lines	n.a.	134,849	120,853	n.a.	27,066	29,174	n.a.	n.a.	n.a.	n.a.	27,066	29,174	100 %
Substations	530	n.a.	514	110	n.a.	185	16	n.a.	43	119	n.a.	228	100 %
Gas networks													
Gas pipelines	n.a.	110,782	190,075	n.a.	5,130	9,267	n.a.	n.a.	n.a.	n.a.	5,130	9,267	100 %
LNG, CNG and LPG plants	277	n.a.	223	78	n.a.	30	16	n.a.	6	94	n.a.	36	100 %
TOTAL NATURGY													
Total	1,020	245,631	339,117	263	32,196	54,125	89	n.a.	6,266	312	32,196	60,391	100 %

Restoration initiatives

Another metric used by Naturgy to manage biodiversity and ecosystems is the positively affected land area by its restoration initiatives (more details can be found in section "Actions and resources related to biodiversity and ecosystems").

Within the biodiversity initiatives, it is worth highlighting those that aim to restore or maintain environmentally restored areas. The following table gives a breakdown of these initiatives, indicating the restored area, whether they benefit protected areas or species and whether they are validated by external independent professionals.

Country	Activity	Actions and objective	Result: restored surface area (ha)	Benefits protected area or species	Validated by external independent professionals
Brazil	Renewable generation: photovoltaic	Maintenance, monitoring, pest control and replacement of revegetated areas around photovoltaic plants. Some of the species used in revegetation are threatened according to the IUCN.	0.19	Yes	Yes
Chile	Renewable generation: wind	Rescue of valuable plant specimens, relocation and environmental restoration in the surroundings of new wind farms.	2.44	No	Yes
Costa Rica	Renewable generation: hydroelectric	Maintenance of reforestation in the area surrounding the hydropower plant, prioritising the area of the new containment dike. This dike was built as a climate adaptation measure to prevent damage to the facility caused by river flooding. Revegetation is a nature-based solution to prevent river erosion.	0.20	No	No
Spain	Renewable generation: photovoltaic	Reforestation, maintenance and environmental restoration in the surroundings of the new photovoltaic installations, to create reserve areas for biodiversity. In some cases they include watering ponds to favour amphibians and reptiles and also as a watering point for birds and livestock.	237.05	No	Yes
Spain	Renewable generation: photovoltaic	Maintenance of a conservation reserve area for steppe birds within a ZEPA protected area by maintaining an area of long-term fallow land. To this end, agreements have been reached with farmers responsible for the land so that it can be left fallow and used by steppe birds, such as the little bustard (endangered).	15.00	Yes	Yes
Spain	Renewable generation: wind	Maintenance of revegetation, planting and accompaniment of ecological lavandin crops in the vicinity of wind farms.	22.73	Yes	Yes
Spain	Thermal generation: combined-cycles	Control and monitoring to eliminate the invasive species Cortaderia selloana (Pampas grass) continues in the area around the Sabón power station.	0.60	No	No
Spain	Gas distribution	Reforestation with 1,050 trees of species adapted to the environment to create a resilient forest that will contribute to the fight against climate change, reverse the loss of biodiversity and support the health of forest ecosystems. Employees participated in the planting as volunteers, promoting environmental awareness.	1.30	No	No
Spain	Corporation	Expansion of the Naturgy forest, through a new initiative, by planting conifers in a coastal area to capture CO_2 and expand the forest ecosystem.	1.01	No	No

Spain	Corporation	Completion of the restoration of Jarama river banks, in collaboration with the Natural Environment Service, in the "Carrizales y Sotos del Jarama y Tajo" ZEPA, an area of great ecological value which is a refuge for marshland bird species. Planting of riverside specimens and nesting boxes for birds and bats has been carried out.	9.00	Yes	Yes
Mexico	Thermal generation: combined-cycles	Greenhouses have been set up at the facilities of two combined-cycle power stations, in which native species used for reforestation reproduce. Universities and technology centres in the area have collaborated in this project.	0.04	No	Yes
Panama	Renewable generation: hydroelectric	Maintenance of the reforestation carried out in a water reserve to strengthen the gallery forest and the headwaters of the hydrological basin.	0.40	Yes	No
Panama	Electricity distribution	Various reforestation actions have been carried out in protected areas that are in poor condition, with the aim of improving biodiversity. In all cases, volunteers have been involved and environmental awareness has also been promoted.	11.33	Yes	Yes
Dominican Republic	Thermal generation: conventional	Participation in the "Misión Rescate Línea Roja" project promoted by the National Botanical Garden, the Ministry of Environment and ECORED to rescue endangered species in the Dominican Republic. Specifically, Naturgy has sponsored the species Pimienta ozua (endangered), carrying out seed collection, nursery reproduction and planting, as well as awareness-raising activities in the Humedales del Ozama National Park.	1.90	Yes	Yes
Total restored area 2024 (ha)			303.19		

Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities (E4-6)

Naturgy, in 2024, has availed itself of the phase-in provision determined in ESRS 1, Appendix C, regarding the reporting of information on anticipated financial effects from the risks and opportunities in this chapter.

5. Resource use and circular economy (E5)

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities (IRO-1)

Naturgy uses materials of different type for the development of its activities, so ensuring their responsible management and consumption throughout the value chain is considered essential. Furthermore, Naturgy makes public its ambition of transitioning to a low-carbon economy, based on circularity principles.

E5.IRO-1_01 Consequently, Naturgy has included this matter as a subject of study in its double materiality assessment, from which the impacts, risks and opportunities related to resource use and circular economy, derived from Naturgy's own operations and its value chain, have been established. With reference to the methodology and assumptions analysed, EFRAG's recommendations have been taken into account, with further explanation in the section "Description of the processes to identify and assess material impacts, risks and opportunities", in the General disclosures chapter of this Report. In particular, all types company's assets have been analysed, as well as the nature of the activities carried out by its third party associates.

E5.IRO-1_02 During the execution of the analysis, stakeholders have been involved in order to ensure that the results obtained are fully aligned with their vision regarding resource use and circular economy and their interaction with Naturgy. To this end, a representative of each stakeholder (in particular, the affected communities) has been included during the exercise, although Naturgy carries out a continuous process of listening and accompaniment to ensure fluid communication with all of them. The results of the assessment are presented below.

		Value chain (2)(3)	Business (4)	Time horizon (5)
RESOURCE USE AND CIRCULAR ECONOMY				
Resources inflows, including resource use				
N.I.(1)	Use of materials and resources for manufacturing the necessary equipment for operations (wind turbines, photovoltaic panels, pipelines, wires, supports, tanks, etc.). Special emphasis on equipment that requires the use of critical minerals.	Upstream	Both	Current
R	Cost increase and delays of new projects due to situations of shortage of raw materials, specifically critical minerals.	Upstream	Both	Long-term
Waste				
N.I.	Waste generation produced in the value chain of fuels, materials and equipment used.	Upstream	Both	Current

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

Based on the results obtained, it is concluded that resource inflows, including resource use, is not considered material for Naturgy's own operations, although an impact related to this matter has been evaluated in the upstream value chain, during the stage of obtaining the materials that are, subsequently, integrated into the company's generation and distribution assets.

A related aspect with the previous matter, which could have long-term financial implications, is the possible shortage of critical minerals as a result of their overexploitation and the global geopolitical scenario. This situation could lead to cost increases and delays in the entry into operation of new assets, directly impacting the viability and competitiveness of operations.

Moreover, waste generation is also considered a material matter in the upstream value chain, linked to fuel extraction and supply as well as equipment manufacturing.

Another conclusion from the double materiality assessment is that matters such as resource outflows (with the exception of waste generation in the upstream value chain) and the transition to a circular economy are not material, both from the point of view of own operations and company's value chain.

In view of the above, and given that negative impacts and risks identified in this matter are only related to the value chain, in terms of reporting quantitative information on the value chain, Naturgy has availed itself of the transitional provision 10.2.contained in ESRS 1, which is transversal to this chapter.

Finally, in compliance with the requirements of Spanish Law 11/2018, Naturgy has assessed the materiality of food waste, determining that it is not a relevant matter for the company, due to the fact that its activity is not linked to the food sector and the company does not carry out intensive food consumption.

03. Social

1. Own workforce (S1)

Naturgy upholds a firm commitment to people and their development, promoting their leading role at the centre of decisions based on the company's strategy, purpose and value proposition.

In its commitment to people's well-being, it offers stable and quality employment, with an attractive and solid professional career. The profile of the company's professionals, in all countries and businesses, is that of people with an interest in continuous learning, with professionalism, motivation, innovative spirit and commitment to the company's objectives.

The information provided in response to this standard takes into account the definition of value chain workers as expressed in Annex II 'Acronyms and glossary of terms' of the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards. Thus, own workers are employees who are in an employment relationship with the undertaking («employees») and non-employees who are either individual contractors supplying labour to the undertaking («self-employed people») or people provided by undertakings primarily engaged in «employment activities».

For the reporting year 2024, Naturgy will only disclose information on its own 'employee' workforce under the one-year phasing-in set out in ESRS 1, Appendix C, regarding the reporting of information on 'non-employee' workforce.

Interests and views of stakeholders (SBM-2)

As explained in the chapter General disclosures, section "Interests and opinions of stakeholders", Naturgy gathers the opinions of its employees through different dialogue actions. These consultation or dissemination actions are established through surveys, meetings or communication actions of various kinds, with different frequency depending on the action (continuous, daily, weekly, monthly, etc.).

Furthermore, the Sustainability Plan establishes the achievement of a series of commitments and objectives that reaffirm the company's interest in people and their health and safety. At the same time, Naturgy is committed to respecting and protecting fundamental rights, including the labour rights of employees working for the company, through the Global Sustainability Policy.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

[S1.SBM-3_01] When assessing the material impacts, risks and opportunities, in accordance with the double materiality assessment described in the chapter General information of this report, section 4. Impact, risk and opportunity management, Naturgy has only considered those who are employees within its own workforce.

[S1.SBM-3_02]] According to this double materiality assessment, the company has obtained a full and comprehensive view of the impact of the company's activities on its own employees, which will enable it to take appropriate measures to ensure their well-being. The list of material impacts is presented below:

		Value chain (2)(3)	Business (4)	Time horizon (5)
OWN WORKERS				
Working conditions				
N.I.(1)	Increased accident rate due to long working shifts, usually to ensure continuity of operations.	OO	Both	Long-term
	Restriction of the right of workers to join a trade union or engage in collective bargaining.	OO	Both	Long-term
	Increase in critical accidents/incidents (death, serious injuries, etc.) due to inadequate management of occupational risk prevention.	OO	Both	Long-term
	Increased psychosocial risks due to poor work-life balance.	OO	Both	Long-term
P.I.	Promote a safe working environment through occupational health and safety management and training (preventive culture).	OO	Both	Current
	Reduction of the accident rate through the implementation and adequate management of an Occupational Health and Safety Management System (OHSMS).	OO	Both	Current
	Improvement of working conditions through social benefits for employees, e.g. life insurance, health insurance, disability cover, pension plan, remuneration in the form of company shares, etc.	OO	Both	Current
	Promotion of professional development through training initiatives and career plans.	OO	Both	Current
	Contribute to permanent employment and the payment of living wages above average wages.	OO	Both	Current
Equal treatment and opportunities for all				
N.I.	Discrimination on the basis of race, colour, gender, disability, religion, etc., due to lack of effective protocols against it and/or lack of training of workers on equality and non-discrimination.	OO	Both	Long-term
P.I.	Promoting inclusion and equity in those territories where the company is present, encouraging an inclusive corporate culture.	OO	Both	Current

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

[S1.SBM-3_03] With regard to the material impacts identified as negative, all of them are of a potential nature and can be considered that in the contexts in which the company operates they may occur in widespread occurrence. However, Naturgy has processes, actions and resources aimed at managing and reducing the probability of these negative impacts materialising. These management mechanisms are described in greater detail throughout this chapter.

[S1.SBM-3_04] In addition, various actions are carried out that generate positive material impacts. These activities include:

- **Healthy Organisation management system (SIGOS):** a comprehensive approach that enables any type of organisation to provide safe and healthy working environments, foster a culture of organisational wellbeing and exercise a responsible commitment to society by promoting a culture where people's wellbeing is fundamental. It is based on four influencing factors: people's health and safety, lifestyle, organisational wellness culture and community engagement. Under the criteria of the SIGOS model, the company evolved from a ‘healthy company’ to a perspective that integrates wellbeing in all its dimensions, with the aim of improving the quality of life of employees, their families and the communities where it operates through safety conditions, ergonomics, psychosocial factors and a culture of wellbeing. In addition, specific health promotion campaigns are designed according to a prioritisation of problems based on severity, frequency and scientific evidence, based on a study of the pathologies or health alterations detected in our own personnel.
- **Development of the Occupational Health and Safety Management System (OHSMS)**: this is a tool that facilitates the homogeneity of prevention criteria and their adequate integration in all business areas with special attention to those in which operational activities with a higher risk of accidents are carried out, where the rigorous application of the established procedures and operational control contribute to maintaining a high level of operational discipline, reducing the risks of these activities and their associated accident rate.
- **Working conditions:** encompasses actions aimed at optimising the working environment, promoting the well-being and stability of staff. It includes measures such as pension plans, life insurance and other complementary guarantees, as well as reimbursable advances or guarantees for the purchase of a first home, vehicles, international adoptions or personal needs. Benefits for physical or mental disability and the possibility of taking out health care policies with advantageous economic conditions are also contemplated, highlighting initiatives such as the Total Compensation Plan. The promotion of work-life balance is another key aspect, with the implementation of teleworking options and flexible working hours, which facilitates a better balance between personal and professional life and reinforces the wellbeing of the team. Likewise, the commitment to permanent contracts and the offer of competitive salaries reinforce job stability, promoting an equitable and motivating work environment.
- **Talent management model:** it places its employees at the centre and identifies evaluation, segmentation and action processes that allow it to promote their professional development and guarantee the necessary coverage and succession, based on objective measures that ensure transversality and diversity.
- **Corporate University:** responsible for the training and continuous learning of Naturgy's professionals, managing a learning model adapted to the current and future needs of the business. It generates positive impacts by promoting, among others, a preventive culture, an inclusive culture and professional development.

[S1.SBM-3_06] In the double materiality assessment process, no material impacts on the company's own workforce have been identified as a result of the company's actions to reduce carbon emissions.

It has not been identified any operations with significant risk of child labour or forced labour in the locations where the company operates. Furthermore, Naturgy's Global Sustainability Policy reaffirms the company's strong commitment to the eradication of child labour and forced labour.

[S1.SBM-3_05] [S1.SBM-3_07] [S1.SBM-3_08] [S1.SBM-3_09][S1.SBM-3_10] In terms of risks and opportunities, these have not been concluded to be of a material nature.

[S1.SBM-3_11] [S1.SBM-3_12] It has also been assessed whether there could be situations affecting vulnerable groups in precarious or discriminatory working environments or conditions (young people, women, migrants), but no risks associated with this casuistry have been identified.

With regard to health and safety, there is an occupational risk assessment procedure that determines, for all jobs, those relevant issues that may pose specific risks for particularly sensitive persons and for the childbearing function of employees. In addition, aspects related to diversity, gender equality, sexual violence or harassment at work are considered.

The assessment of occupational risks takes into account the protection of workers who, due to their own personal characteristics or known physical condition - including those with recognised physical, mental or sensory disabilities - are particularly sensitive to the risks arising from work. In this respect, at least the following situations shall be taken into account:

- The presence of factors of risk that may have a differential impact depending on the gender of the working person, especially those that may affect pregnancy, breastfeeding and reproduction.
- The existence of workers who are recognised as having a physical, mental or sensory disability and who, once this disability has been assessed by the health services, it is determined that they are suitable for the job.
- The existence of workers who are sensitive to a risk in their job or to the performance of a specific activity, either temporarily or permanently.

Policies related to own workforce (S1-1)

[S1.MDR-P_01-06] [S1-1_01] Naturgy establishes its major principles and commitments in relation to working conditions and equal treatment and opportunities for everyone within the Global Sustainability Policy and develops these commitments in greater detail in the Global Health Policy, Safety and Welfare Policy and in the Global People Policy.

[MDR-P_02][MDR-P_03][MDR-P_05][MDR-P_06] As indicated in the Corporate Policies section of the General disclosures chapter of this Report, the approval of the Global Sustainability Policy corresponds to the Board of Directors and its application to the Management Committee. Furthermore, this section details the scope of the policies and explains the commitments and principles for considering the interests of stakeholders, as well as the mechanisms made available to them.

[S1-1_07] [S1-1_04] [MDR-P_04] The Global Sustainability Policy establishes the fundamental elements of operating in accordance with the principles expressed in the United Nations Universal Declaration of Human Rights and the Declaration of the International Labour Organisation (ILO), the principles of the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance and the European Directives and national laws that regulate these principles.

[S1-1_03] In this regard, it defines specific commitments concerning: avoiding discriminatory practices or practices that undermine the dignity of its own workforce, protecting the health of its employees, and ensuring adequate employment and pay.

[S1-1_05] Labour relations include a commitment to guarantee freedom of association and collective bargaining, thereby promoting active collaboration with staff through social dialogue.

[S1-1_06] In the other side, it defines the basic principles that should guide the implementation of the policy itself. These principles include the way in which the company should act in the event of human rights violations, committing to develop the necessary measures to ensure adequate reparation of the adverse impacts directly derived from its operations and to exert its influence to promote the application of similar effective reparation measures among its business partners.

[S1-1_08] Although aspects such as child or forced labour are not material issues for Naturgy according to its double materiality assessment, given their relevance, this policy also establishes specific commitments in this regard so that the company rejects all forms of exploitation.

[S1-1_09] In relation to whether the company has a management system or a policy for the prevention of accidents in the workplace, Naturgy has a Global Health, Safety and Well-being Policy whose objective is to establish the safety, health and welfare management principles and policies that must govern the development of all activities carried out by Naturgy, as well as its associated responsibilities, all with the aim of consolidating the healthy organisation model and guaranteeing compliance with the commitments acquired. A fundamental pillar of this commitment is to have an Integrated Management System of global application, implemented and certified in accordance with the ISO 45001 standard (Safety and Health at Work) and the SIGOS (Healthy Organisation) referential.

[S1-1_10] With regard to whether the company has specific policies aimed at eliminating discrimination, and in particular harassment; Naturgy has a specific protocol on labour, sexual and gender-based harassment through which the company formalises that it expressly rejects and prohibits any manifestation of physical, psychological, moral, sexual, gender-based harassment or abuse of authority. It also expressly rejects and prohibits any other conduct that may generate an intimidating, offensive or hostile working environment for people.

With regard to equal treatment and opportunities for all, there are several Naturgy policies and standards that establish commitments. The Code of Ethics states that the company "With regard to equal treatment and opportunities for all, there are several Naturgy policies and standards that establish commitments. The Code of Ethics states that the company "does not accept any type of employment or professional discrimination in the workplace or professional for reasons of age, race, colour, gender, religion, political opinion, nationality, social origin or disability".

[S1-1_11][S1-1_12] Additionally, the Global People Policy defines the promotion of diversity, paying special attention to the inclusion of disability and equal opportunities in an environment of respect, listening and permanent dialogue as one of the fundamental pillars that make up Naturgy's culture.

[S1-1_13] Finally, Naturgy possesses mechanisms to detect possible non-compliances with these policies (see the chapter on Business Conduct) and, as mentioned above, the company is committed to developing the necessary measures to ensure adequate remediation of any impacts that may materialise.

Processes for engaging with own workers and workers' representatives about impacts (S1-2)

Labour relations are based on key principles such as non-discrimination, fairness, freedom of association and collective bargaining, as well as transparency and good faith. In addition, health and safety at work, respect for labour rights, participation and consultation, work-life balance and job stability are prioritised, with the aim of creating a fair, respectful and productive working environment.

Engagement processes

[S1-2_02] Naturgy promotes an environment where workers participate actively, encouraging open communication through its different channels, with them and their representatives. Participation is an essential component of its principles of action, creating a continuous dialogue that enriches labour relations and strengthens the atmosphere in the organisation.

The Naturgy Group's 3rd Collective Bargaining Agreement, signed on 14 October 2022, reinforces these channels, establishing and articulating different committees and forums for discussion aimed at jointly addressing various issues affecting labour relations. These forums not only facilitate communication, but also ensure that workers have an active voice in decision-making. [S1-2_05] In addition, this agreement with workers' representatives includes respect for labour rights.

Social dialogue is also present in Naturgy's companies in Argentina, Brazil, Chile, Mexico and Panama, where collective bargaining is the way to reach agreements on working hours, work-life balance, wage increases and social benefits, among others.

[S1-2_01] [S1-2_03] In this sense, the points of view of the people working in Naturgy are not only heard, but also influence the management of real and potential impacts. The company strives to integrate these perspectives into operational and strategic decisions, ensuring that the contributions of the people working at Naturgy are taken into account when defining the policies and actions that are implemented. Continuous participation in the phases of identification and resolution of critical issues contributes to more effective management. Therefore, the contributions of people are collected through various tools such as satisfaction surveys, the Equality Committee, the various Harassment Protocols and the Code of Ethics Channel, internal innovation programmes or listening spaces with the management bodies.

[S1-2_04] The Labour Relations and Prevention Directorate, together with the People units of each business, coordinate and supervise the dialogue and consultation processes, ensuring that the results of these interactions influence the company's overall approach to labour relations.

[S1-2_06] Naturgy records the assessment of its actions and the commitment of its workforce through Happyforce, a measurement tool and technological support to obtain the opinion and perception of those who work in the company, globally and transversally in all geographies and areas. As a result of the listening via this platform, focus groups are also held to go deeper into the perceptions gathered. Thanks to this virtual and face-to-face listening, more than 130 actions have been implemented during 2024 to improve the employee experience, with an impact on satisfaction and commitment, mainly in the areas of health and well-being, recognition, leadership, alignment, relationships and feedback.

In health and safety matters, collaborative work is essential to optimise actions and processes. The consultation and active participation of employees is integrated as a key element in regular health and safety meetings held across the organisation. This approach is intended not only to maintain, but also to continuously improve the processes of prevention and well-being, ensuring optimal and sustainable results.

Naturgy has established the following specific processes and bodies for consultation, participation and two-way communication with the workforce:

- **Health and Safety Committees**, a joint and collegiate body representing workers. The Health and Safety Committees meet ordinarily at least once a quarter, and extraordinarily when very relevant events occur or at the request of any of the parties.
- **Technical Health and Safety Committees and Territorial Health and Safety Committees**, joint and collegiate bodies that represent the employees which also meet on a regular basis at least once a quarter.
- **Channels for participation and consultation** - noticeboard, personalised letters, intranet, suggestion boxes, Employee Care Service (SAE) - through which anyone can propose ideas, comments, complaints or improvements, without barriers or obstacles.
- **Regular meetings** between unit managers and their health and safety teams in accordance with the health and safety standard. These instances encourage awareness and participation of all employees, while also responding to their information needs through their lines of command.
- **Tools t**o enhance individual commitment such as "Zero Tolerance", preventive safety observations and documented safety inspections.
- **Code of Ethics channel**, at the disposal of all the workers, where they can make complaints about relevant safety non-compliances that require confidential and impartial treatment.
- **Happyforce tool**: allows us to know the opinion of people about their experience in Naturgy and to maintain an open and direct dialogue with them. This tool not only allows us to know their perception regarding indicators that affect their daily lives, but also allows us to collect spontaneous suggestions and contribute to the design of specific actions for continuous improvement.
- **Classification and Professional Development Committee:** With competencies linked to the professional classification of functions and promotion within the same professional group, analysing and debating any issues that may exist relating to these aspects.

- **Equality Committee:** With the aim of analysing the implementation and development of the different measures and strategies defined in the Equality Plan.
- **Investigation committee for the investigation of sexual and/or gender-based harassment:** made up of representatives of the company and representatives of the workers and a prevention technician with the aim of investigating, when so requested by the complainant, the processes of sexual harassment reported by the workers.
- **Agreement Monitoring Committee**: a joint body for the interpretation and monitoring of the Agreement, which may also exercise conciliation, mediation and arbitration functions in those cases in which the parties submit it for its consideration.
- **Election Committee:** a joint committee with the purpose of establishing the election timetable and regulating other aspects related to trade union elections, in the interest of better organisation.

In line with Naturgy's commitment to information, consultation and participation, any change that affects or may affect labour relations is communicated to the social partners in full compliance with the deadlines and guarantees established in the legislation in force. Furthermore, Naturgy keeps open additional communication channels, beyond the formal ones, to guarantee the resolution of doubts and the continuous updating of information.

Engagement with vulnerable groups

[S1-2_07] It is essential for Naturgy to promote diversity and equal opportunities among all employees who are part of the company. An environment of respect, listening and permanent dialogue is promoted to achieve the goals set in terms of gender and inclusion of people with disabilities.

The company's commitment is embodied in the global vision, in the sustainability and people strategy, as well as in the Global Sustainability Policy, the Code of Ethics,Protocol for the Prevention of Workplace Harassment and the Protocol for the Prevention of Sexual and Gender-based Harassment

The signing of Naturgy's Equality Plan on 8 March 2023 unanimously identifies the strengths of the company in this area and establishes a catalogue of specific measures and actions to maintain, correct and prevent deviations in gender equality.

Within the framework of the Equality Plan, the company is committed to the establishment and development of policies that promote equal treatment, guaranteeing that, with equal aptitudes, knowledge and qualifications, all workers can carry out their job without gender representing an obstacle or a criterion for differentiation for the purposes of pay, promotion and professional training.

Similarly, the signing of the Protocol on Sexual Harassment and/or Gender-based Harassment with employee representatives reinforces the company’s commitment to zero tolerance of harassment situations, as well as encouraging greater involvement of the social partners in these matters.

In addition, Naturgy maintains a strong commitment to physical and digital accessibility for people with disabilities, as well as to equal opportunities, incorporating these values into the company's culture. Awareness and training on disability and accessibility helps to create an inclusive culture that makes it easier for all members of the workforce to understand and respect the needs of people with disabilities. Naturgy fosters a working environment in which everyone can participate on equal terms, through furniture and equipment ergonomically adapted to the needs, accessible facilities and parking spaces, social action actions with an impact on the disabled, volunteer actions aimed at people with disabilities and training of its professionals.

Processes to remediate negative impacts and channels for own workforce to raise concerns (S1-3)

[S1-3_01] In the double materiality exercise carried out in 2024, no actual negative impacts have been identified. In the event that the potential impacts identified were to occur, Naturgy attaches the utmost importance to remedying them, promoting a safe and respectful working environment through the use of specific procedures.

Thus, for example, in cases of harassment at work or sexual and/or gender-based harassment, an action protocol is activated which includes: reception of the complaint, exhaustive investigation by a specialised team, accompaniment and, if necessary, intervention of the workers' legal representatives, and protective measures if necessary for the person affected.

Similarly, those negative incidents reported through the Code of Ethics Channel also have the activation of mechanisms for the analysis and correction of the incidents reported.

The People and Organisation Management (P&O), in coordination with the corresponding bodies, carry out exhaustive monitoring to ensure that any deviations have been corrected and that the working environment complies with the established standards of respect and safety. This commitment, together with continuous improvement, ensures that any incidents are dealt with sensitively, fairly and effectively.

Internal channels for own workforce

[S1-3_02] [S1-3_05]] Naturgy recognises the importance of providing spaces for communication and dialogue where its employees can express not only their concerns and needs, but also complaints or denunciations to the company. For this reason, it currently has different specific channels that allow communication between the company and its employees.

Code of Ethics Channel

The Code of Ethics Channel allows not only the company's own workforce, but also all stakeholders, to confidentially report non-compliances of regulations, as well as cases of corruption. This channel is available through Naturgy's external website and the company's intranet (https://naturgy.integrityline.com). The channel is managed by an independent third party, EQS IntegrityLine. The channel guarantees the strictest confidentiality and, where appropriate, anonymity of the complaints received through this channel. [S1-3_06] It is available for all the countries where Naturgy has presence, except for Chile where they have another external complaints system, although it is planned to adopt the same as the rest of the countries.

Through the Internal Information System Policy, Naturgy enables this public communication channel that is available to those individuals referred to in Article 3 of Law 2/2023. This policy undertakes to provide adequate information in a clear and easily accessible form, and determines the management procedure of this system. This information is available on the company's website, in a separate and easily identifiable section.

More information on this channel is included in the Corporate Culture section of the Business Conduct chapter of this report.

[S1-3_07] The monitoring and control of the cases reported in the Code of Ethics Channel is carried out by means of a regulated process, involving different roles and levels of responsibility, both at corporate level and in the business units, through the Code of Ethics Channel Regulations and the Internal Reporting System Regulations for those complaints within the scope of Law 2/2023. Both, in addition to establishing roles and responsibilities, establish the deadlines for the resolution of complaints, the procedures to be followed in the investigation thereof and the responsibilities of each of the parties involved in the process.

In addition, evaluations of the efficiency of the Channel are carried out on the basis of best practices and specific surveys. This information allows Naturgy to develop actions that make possible the continuous improvement of processes.

The effectiveness of the Channel is assessed every year both by AENOR, according to the UNE 19601 standards of the Criminal Compliance Management System and ISO 37001 of the Anti-bribery Management System, and by an external auditor of recognised prestige that verifies the information provided in Naturgy's Sustainability Report.

[S1-3_08] On the other hand, actions to assess the degree of awareness of the Code of Ethics Channel among employees have been carried out. An e-mail was sent to all own workforce in Spain and they were invited to take part in a survey on their level of knowledge and satisfaction with the activities carried out by the Compliance unit. Thus, 90% of the employees interviewed said they were aware of the Code of Ethics channel and knew that anonymous complaints could be made. In turn, 66% had a great deal or total confidence in the channel if they had to make a complaint.

[S1-3_09] In addition, Naturgy periodically carries out communication campaigns aimed at promoting, among its own workforce, the use of the Code of Ethics Channel. These campaigns underline relevant aspects, such as confidentiality and anonymity of communications, with special emphasis on the prohibition of reprisals against whistleblowers. This practice is fully aligned with the stipulations of Naturgy's Internal Information System Policy, as well as with the applicable legislation.

Employee Care Service (SAE)

Naturgy's Employee Assistance Service is a consolidated and highly relevant channel within the organisation, with more than 10 years of experience in the management of queries, requests, incidents and complaints from employees. The SAE has a multi-channel approach, thanks to the virtual platform (saeonline) for personalised attention and accessible from any device to facilitate its use. From the point of view of its functional scope, it covers both the main processes of the People and Resources function (personnel and payroll administration, labour relations, prevention, health, training, talent, culture, organisation, media, medical services, security, etc.) and other cross-cutting processes (customer service for own staff, Naturgy Foundation, internal communication, etc.).

The channel that connects employees with the company has been established, facilitating the carrying out of procedures and consultations, and playing an important role as a vehicle for the communication campaigns or actions launched by the different People and Resources teams.

[S1-3_06]The SAE is a legitimate and procedurally established channel, which guarantees security and impartiality for all persons involved in the process. This service operates under public rules and procedures, accessible to all employees through Naturgy Net, has a specific consultation guide for the treatment and resolution of each matter, and has solid guarantees of confidentiality, which fosters the confidence of all parties.

[S1-3_07]This channel has implemented a rigorous follow-up process for all enquiries received, ensuring the effectiveness of all its means of contact by monitoring key performance indicators. Communication and active listening are fundamental at every stage, enabling solutions to be found that respect the rights and needs of all those involved.

Thus, it has a platform that ensures the traceability of each interaction, from the opening to the closing of the request, providing employees with transparent information on the progress of their requests. In case of dissatisfaction, the request can be complained about or reopened, ensuring a continuous improvement process. This approach not only offers a reliable and comprehensive service to workers, but also allows for rigorous monitoring of complaints and compliance with ethical principles by resolution teams. Traceability facilitates audits and preventative actions, ensuring fair responses aligned with company values, and enabling any situation to be resolved effectively.

[S1-3_08] 08 Finally, the worker always has the opportunity to evaluate the service through a satisfaction survey, and can even enter a suggestion or complaint through the platform itself, which will also receive a response.

Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (S1-4)

[S1-4_05] When determining what actions are necessary, Naturgy the company has had an integrated management system (IMS) for quality, environment, health and safety. This system, certified according to the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards, is audited externally every year. One of the fundamental pillars of the IMS is its orientation towards continuous improvement, based on adequate follow-up of findings and evaluation of the effectiveness of the associated actions.

Through an IT tool, implemented in all countries and geographical areas (certified) with the exception of Chile (Metrogas), all the findings identified in the framework of the SIG are managed, Naturgy determines which actions are necessary and appropriate when responding to a certain actual or potential impact on its own staff. To accomplish this, the tool manages all the findings identified in the Integrated Management System of quality, safety, environment, health and welfare through an initial classification of the same based on different criteria:

- **Origin:** if they have been identified in process monitoring and control actions, in internal or external audits, if they respond to legal requirements, if they come from complaints, claims or suggestions from third parties, if they are associated with operational incidents, etc.
- **Priority and treatment** as a major or minor non-conformity, observation or opportunity for improvement and its scope, which can be global with company-wide impact or limited to certain business areas.

The process of managing a finding, in addition to its categorisation, includes a process of investigation of the finding from which an action plan is defined with the identification of specific actions directed at the root cause of the finding. Each finding may give rise to one or more actions, which are assigned to a person responsible for their treatment. A finding is closed when all actions associated with it have been completed.

[S1-4_08] Naturgy applies an approach focused on well-being, fairness and respect. In this way, the company not only guarantees that it does not cause negative impacts on its employees through its practices, but also ensures that it complies with the highest labour standards.

[S1-4_09] In addition, several resources are allocated to the management of material impacts to ensure an effective and appropriate response. The company has teams specialised in managing its own workers, both at corporate level and in each of the businesses. In addition, Naturgy provides its workforce with technological tools and channels to encourage and facilitate their participation, as well as to promote talent and development through training actions.

[S1-4_06][S1-4_07] In relation to the management of risks and opportunities, given that the double materiality assessment carried out has not identified significant risks or opportunities for Naturgy, it has not been necessary to develop specific actions in addition to the detailed management processes to mitigate risks or implement specific measures to exploit opportunities.

[S1-4_02] The main actions that Naturgy takes to prevent potential negative impacts and to enhance actual positive impacts on its workforce are described below.

[MDR-A_06][MDR-A_07][MDR-A_09][MDR-A_10][MDR-A_11][MDR-A_12] In economic terms, these actions require a financial contribution from Naturgy in the form of related capital investments and operating expenses, which are not significant and are aggregated into larger accounting items, as it is very difficult at the accounting level to provide individual details of these items.

Actions to manage negative and positive impacts [S1.MDR-A_01-12]

Health and Safety

Naturgy manages the potential negative impacts related to increased accident rates and critical incidents, as well as those related to increased psychosocial risks, through actions such as: the development of an Occupational Health and Safety Management System (OHSMS), the Health and Safety Plan 2024-2025 and comprehensive health and medical assistance services.

In addition, these initiatives have a positive impact on the workforce, reducing the accident rate through the proper implementation and management of OSHMS and fostering a safe working environment through occupational health and safety management and training (preventive culture).

Occupational Health and Safety Management System (OHSMS)

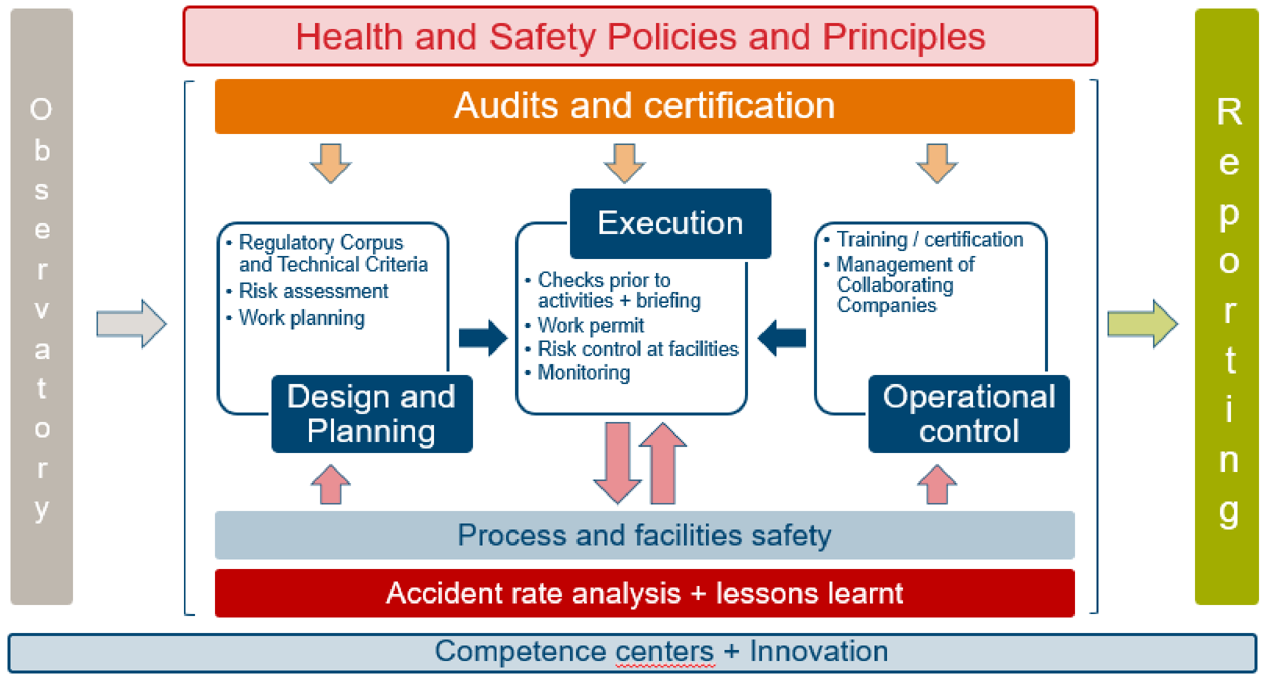
The OSHMS is unique for the entire company, has been developed in collaboration with all business units and focuses on the areas of greatest risk criticality. This system covers 100% of the company's own workers. This system, in accordance with the Global Health, Safety and Welfare Policy, is integrated with Naturgy's quality and environmental management systems and is audited and certified by third parties in accordance with the ISO 45001 specification.

The system makes it possible to define specific actions aimed at minimising the accident rate associated with the most critical risk factors, both through operational control tools and through the definition of "red lines", the exceeding of which entails the application of penalties.

Development of the OHSMS

The development of the OSHMS takes into account the following elements:

- An integrated occupational health and safety management system audited and certified by a third party, with scope for all businesses.
- The integration of health and safety in the value chain, including procurement, design and planning of activities and facilities.
- Action plans to address the most critical aspects, ensuring the implementation of preventive and/or corrective measures and strategic lines of work.
- Itineraries and training requirements tailored to the job.
- Uniform supervisory tools for the assessment and monitoring of risks, legal requirements, accidents and lessons learnt and their dissemination.
- Periodic reporting of health and safety performance, adjusted to the needs of the different stakeholders, with transparent and clear communication.
- Compliance with relevant international occupational health and safety standards and regulations, such as ISO 45001.
- Consultation and participation of workers or their representatives.
- A commitment to continually improve the occupational health and safety management system.
- The establishment of quantitative targets for the improvement of occupational health and safety performance, linked to the monitoring of the evolution of indicators and action plans arising from incidents and accidents.



Health and Safety Plan 2024-2025

[MDR-A_01][MDR-A_02][MDR-A_03] This plan, which is implemented during 2024-2025, aims to focus on 'visible leadership in safety', not only its own but also that of the management of the collaborating companies (CC), and to evolve the company's safety model to the new forms of work organisation and its associated risks.

Two key objectives are considered for this period:

Revitalising the corporate safety culture through leadership	Security, a necessary contributor to operational excellence
– The Group Management Committee and Business Committees as a key lever for reinforcing visible safety leadership at all levels	– Sustainable, homogeneous security model, continuously adapting to new processes.
– Personal security action plan for business leaders.	– Asset operation security and asset integrity.
– Role of the management of the usual CCs as prescribers of Naturgy's commitment to safety throughout the subcontracting chain.	– Zero Accidents vision, greater rigour in the investigation, ensuring the implementation of action plans associated with PSIF (potential serious injury or fatality) events.

The Plan, which covers all geographies and businesses where the company operates, aims to address new forms of work organisation, organisational evolutions and process transformation through adjustments to the safety model, a refocusing of leadership and global communication actions that reinforce a single safety and health culture.

Its development is structured in six main networks, with a priority focus on:

[MDR-A_05] The pillars of the Security Plan 2024-2025 are:

- Approval of a new health and safety policy.
- Steering Committee health and safety leadership workshop.
- Actions to reinforce the 5 health and safety principles. The principles are:
  - Nothing is more important than safety and health, not production, not sales, not profits.
  - Every accident can be avoided, there are no unavoidable accidents.
  - Security is a management responsibility and must be managed as such.
  - Safety is an individual responsibility and a condition of employment, and a condition of employment for partner companies.
  - All work must be planned and executed with the safety of ourselves, our employees, partners, visitors, customers and the community in mind.
- Health and safety talks with the Management Committee and all staff.
- Psychosocial factors: focus on the management of psychosocial risks and development of the Action Plan on Psychosocial Risks. [S1-4_01]

  Naturgy has taken a significant step forward in its commitment to safety, health and well-being by visibly integrating the management of psychosocial factors within its Occupational Risk Prevention (PRL) management system, implementing procedures to identify, assess and monitor these risks at all levels of the organisation.

  [MDR-A_01] [MDR-A_02] Naturgy's Action Plan on Psychosocial Risks is structured in a transversal plan to be applied in all businesses and to all its own staff for the period 2024-2025 and includes more than 150 specific actions, divided into primary and secondary actions, to address psychosocial factors in a comprehensive manner. Each business line also develops its own specific plan that adapts the transversal actions to the particularities of its operations and to the most relevant psychosocial factors in each area.

  [MDR-A_03] The Action Plan covers all groups, but places special emphasis on those groups that are more exposed to psychosocial risks. In these cases, more concrete and specific measures are implemented to mitigate risks and improve well-being. In addition, the plans for each business focus on those groups with the most critical results in the risk assessments, allowing for a more precise and personalised intervention in the areas where it is most necessary.

  The main aspects of this Plan are structured as follows:

  - Psychosocial leadership.
  - Communication and recognition.
  - Digital disconnection.

- Equality.
- Internal mobility.
- Technical and psychosocial training.
- Change management.

[MDR-A_05] During 2024, Naturgy has achieved significant progress in the implementation of the Plan:

- Strengthening effective practices, such as flexible working hours or hybrid working arrangements, which enable workers to better manage their time and meet personal and work responsibilities in a balanced way.
- Measures aimed at digital disconnection, redistribution of tasks or automation of tasks to improve workload.
- Reinforcement of technical training.
- Reinforcement of actions aimed at the participation of workers (communication, individual interviews with workers, participation forums, breakfasts, ...).
- Greater involvement of the Management and Business Committees, and especially the People units.

Comprehensive health and medical care services

Naturgy is firmly committed to offering its employees a healthy working environment and well-being. The Comprehensive Medical and Health Assistance Unit is based on excellence and ongoing innovation to make available to employees, their relatives, CCs, customers and the social environment in which the company operates, a global, health and well-being strategy that encompasses everything necessary for their benefit, both with regard to prevention, promotion and healthcare, in a customised way, as well as training and information with regard to healthy habits, taking into account both individual needs as well as the particular circumstances of each country.

- **Healthy Organisation management system of AENOR (SIGOS):** In 2015, Naturgy became the first energy multinational to obtain the "Healthy Company" certification in accordance with AENOR's Healthy Company Model, inspired by the World Health Organisation model. In 2022, the scope of this certification was extended, achieving AENOR's Healthy Organisation System (SIGOS) certification, with the necessary adaptations to reflect Naturgy's commitment to continuous improvement in organisational health and well-being.

  SIGOS represents Naturgy's commitment to a comprehensive approach that allows any type of organisation to provide safe and healthy working environments, foster a culture of organisational well-being and exercise a responsible commitment to society, promoting a culture where the well-being of people is fundamental. Under the criteria of the SIGOS model, it has evolved from the "healthy company" model to a model that integrates well-being in all its dimensions, with the aim of improving the quality of life of workers through safety conditions, ergonomics, psychosocial factors and a culture of well-being.

  Naturgy's health and wellness management is based on four influencing factors:

  - **People's health and safety:** ensuring safe and healthy working conditions that minimise risks and promote physical and mental well-being.
  - **Lifestyle:** encouraging healthy lifestyle habits among the company's people, supporting them in developing routines that improve their overall well-being.
  - **Organisational culture of well-being:** fostering a culture where well-being is a priority, promoting an inclusive, collaborative and respectful work environment.
  - **Commitment to the community:** extending the company's commitment to society, actively collaborating with the communities in which it operates.

The international implementation of this model covers Naturgy's operations in Argentina, Brazil, Mexico and the Dominican Republic.

- **Health promotion campaigns**

The company's health services carry out a recurring annual study of the pathologies and alterations detected in its personnel based on the data from the Health Surveillance conclusions, as well as the aggregate reports on absenteeism due to common illness provided by the entities managing the Social Security benefits. A prioritisation of problems is then established for which specific prevention campaigns are designed according to the severity, frequency and scientific evidence of the preventive measures to be applied.

Campaigns are designed to reach as many workers as possible, through Health Surveillance examinations or through specific campaigns at different times of the year, Among the campaigns offered, the following stand out:

- **Primary prevention campaigns:** which focus on risk factors such as smoking and other addictions, nutritional support for obesity and overweight, promotion of physical activity, as well as the annual flu vaccination campaign every autumn. Also informative campaigns such as the prevention of sleep disorders, mindfulness or emotional fitness.
- **Secondary prevention campaigns:** such as early detection of the most common cancers: colon cancer, lung cancer in smokers, breast and gynaecological cancer for women and prostate cancer for men. As well as singularly the:
  - **Cardiovascular campaign:** offering electrocardiograms, monitoring of arterial hypertension and, from the age of 50 (or earlier depending on medical criteria), specific tests for the early detection of coronary or valvular disease by means of stress tests or echocardiography.

In relation to mental health, and in view of the increasing incidence observed in recent years, in 2024, preventive actions and campaigns have continued to be reinforced:

- **In Spain,** a programme for the detection of psychological disorders has been implemented in medical check-ups, and specialised psychological care is offered free of charge in order to improve the quality of life and well-being of workers, as well as absenteeism for this reason.
- **In Brazil,** a platform to provide online psychotherapy and counselling continues to be implemented. This initiative facilitates access to specialists and allows the scheduling of therapy sessions, helping to reduce stress and improve well-being.
- **In Mexico,** there is a psychological service to provide personalised attention to workers who need support (in some cases extending it to family members) and a psychological first aid service.
- **In Argentina,** the medical insurance for employees and their families (spouse and student children up to and including the age of 25), the total cost of which is borne by the company, provides access to various treatments, including psychological and psychiatric treatment, both in person and virtually, depending on their needs.

Monitoring and evaluation Health and Safety actions [S1-4_04]

At Naturgy, safety management is integrated throughout the management chain, which is responsible for managing the material impacts associated with its activities and assigning the human and material resources necessary for their treatment.

Naturgy has a structure of Health and Safety Committees responsible for periodically monitoring the evaluation of the main safety indicators that may have a negative impact, and for supervising that all the necessary control mechanisms to keep them under control remain in place.

The priority objectives of the Health and Safety Steering Committee are:

- Define global strategies and lines of action to ensure the effective application of the Global Business Health, Safety and Welfare Policy.
- Setting targets for safety, health and welfare performance indicators.
- Approval and verification of the degree of implementation of action plans arising from fatal or particularly significant accidents.

To guarantee the transversality of the actions, it is supported by a Health and Safety Operating Committee made up of representatives from all the businesses and whose main functions are:

- Definition and monitoring of cross-cutting health and safety objectives and action plans and determination of detailed actions to ensure correct implementation in the businesses.
- Monitoring of the specific plans developed by the business units, identifying best practices and promoting their transversal implementation.
- Approval of the health and safety standards that make up the common regulatory map applicable to the entire group.
- Development and dissemination of safety breaks and lessons learned.
- Detailed monitoring of investigation processes and action plans associated with relevant events.
- Development and monitoring of the function's performance indicators.
- Creation of "competence centres" made up of multidisciplinary teams that will be responsible for addressing specific cross-cutting needs or monitoring actions associated with specific action plans. In 2024, as a result of the Psychosocial Risks Action Plan, a competence centre has been created to monitor transversal and specific actions in each of the business areas.

The correct implementation of the OHSMS, which is part of the group's IMS, is one of the tools that has proven to be most effective in keeping under control the potential negative impacts related to the safety aspects identified in the double materiality assessment. To this end, a computer tool is available to identify and classify all findings.

To ensure the effectiveness and legal compliance of the OHSMS, annual internal and external audits are carried out, as well as safety diagnostics. These external audits, carried out by an accredited and independent entity in accordance with a previously defined annual plan, make it possible to evaluate the correct implementation of the systems in all business areas, identifying strengths, risks and opportunities for improvement.

All the external audits carried out by accredited entities of international prestige under the ISO 45001 standard have concluded with a positive assessment of the level of implementation and integration of the OHSMS in the audited processes. It is highlighted that the system is effectively maintained, complies with the legal obligations in force and promotes continuous improvement in occupational health and safety. In particular, the external audits carried out in 2024 confirmed these positive results, reinforcing the commitment to excellence in this area.

Working conditions and equal treatment and opportunity for all

Flexibility and conciliation are essential pillars for the well-being of the workforce and the success of the organisation, as they contribute directly to an improvement in the working conditions of employees. Naturgy promotes this improvement with actions, highlighting for example the signing of the Naturgy Group’s 3rd Collective Bargaining Agreement that allows the reduction of possible negative impacts that restrict the rights of the workforce to join a union or participate in collective bargaining, as well as the Total Compensation Plan that contributes not only to the payment of decent wages, but also to the payment of wages in line with the needs of our people.

[S1-4_19] It should be noted that measures have been taken to minimise future negative impacts related to the energy transition that could affect the working conditions of Naturgy employees. Through the International Labour Organisation, a working framework that, under the concept of "just transition", was agreed between governments, companies and trade unions. In Spain, the just transition of territories affected by the closure of thermal power plants in 2020 is managed through the "Agreement for a Just Energy Transition", which commits the government, companies and trade unions to guarantee employment and reactivate the economy in the affected areas, such as A Aragon, Andalusia, Principality of Asturias, Castilla y León and Galicia.

Naturgy considers it a priority to promote diversity and equal opportunities among all the people who form part of the company, reinforcing its commitment to an inclusive and balanced working environment. The Equality Plan contributes to minimising any negative impact due to discrimination, while also generating positive impacts by promoting inclusion and equity.

Naturgy`s Collective Bargaining Agreement [S1-4_01]

[MDR-A_01] [MDR-A_02] Naturgy is committed to the work-life balance of its employees. Flexibility and work-life balance are fundamental pillars of staff well-being and organisational success. Improved opportunities for work-life balance also lead to greater commitment on the part of employees.

For this reason, Naturgy's Collective Bargaining Agreement 2021-2024 includes the following as the main measures for work-life balance and promoting co-responsibility:

- Flexibility in start and finish times, as well as in the meal break period.
- Continuous working day from June to September (four months) and every Friday of the year.
- More extensive paid leave due to marriage, illness and death of family members.
- Paid leave not covered by legislation such as separation or divorce, marriage of children or leave for expectant mothers from the 38th week of pregnancy.
- Possibility of taking paid leave not necessarily on consecutive days.
- Reductions in working hours for personal reasons in cases other than those provided for by law.
- Possibility of accumulating breast-feeding periods.
- Adaptation of the weekly working day by one hour, as a measure to promote conciliation.
- Teleworking for one or two days a week, for those workers who carry out functions which by their nature can be performed remotely.
- Possibility of adapted teleworking for positions which, due to the nature of their functions, cannot combine two days of teleworking.
- Flexibility for the adaptation of the working week of up to two hours for those in shared custody situations.

[MDR-A_05] The work-life balance measures indicated have had a positive impact on the well-being of the staff, facilitating work-life balance.

During 2024, the company has reinforced the dissemination of these initiatives through the work-life balance guide and the publication of the FRC (Family Responsible Company) measures, to ensure that all employees are aware of them, in Spain, Argentina, Brazil, Mexico, Panama, Costa Rica and the Dominican Republic, where the company's global measures apply, in addition to the fact that each geography has its own. The FRC certification is explained below.

Global FRC Certification

The EFR Global model consolidates the vision of Naturgy on work-life balance, co-responsibility, well-being and diversity as the cornerstones of the company's value proposition and people strategy in the geographies where the company operates.

The model is managed through benefits, flexibility, well-being, health and professional development measures that are adapted to the diversity of the workforce, according to their situation and time of life, in order to promote a balance between professional and personal life.

In this context, work-life balance at Naturgy is a commitment to co-responsibility and equal opportunities; it is the promotion of a plural culture of inclusion and balance; it is constant listening, for the proposal of improvement actions and the recognition of the company's teams; it is a lever for well-being and also for motivation.

The FCR model is global in scope, although it adapts to local particularities through measures that obey the particularity of each geography, generating a transformative professional experience and contributing to a more egalitarian and sustainable society.

- **Pioneering and global**

  After a decade of managing the FRC model in Spain, Argentina, Brazil, Costa Rica, Dominican Republic, Mexico and Panama, Naturgy has been recognised for its pioneering vision by being the first company in the world to obtain the Global FRC seal (Family Responsible Company), certified by AENOR (according to Standard 1000/23) and awarded by the Masfamilia Foundation. For this purpose, in 2024, it has been accredited policies, indicators, measures and benefits in five areas: quality in work, temporary and spatial flexibility, family support.

- **Management 2024**

  [MDR-A_05] In 2024, the certification was renewed for three years, obtaining a proactive B rating, according to the updated standard. In this exercise, 375 local measures were accredited, distributed in the geographies where the company operates, as well as 18 measures of global application. Also certified were 26 management indicators and 48 improvement actions between the different countries, as defined by the global Standard 1000/23 FRC and the AENOR audit.

The EFR measures of global application in the 7 geographies in scope of the standard are as follows:

1. Employment quality

- Job stability
- Health and Safety
- Health and Wellbeing
- Forecasting and insurance
- Social Benefits
- Teams' work tools

2. Temporal and spatial flexibility

- Flexible working hours and teleworking
- Paid leave for personal and family reasons

3. Support for the personal environment

- Integration activities with employees and their families
- Support for the family environment

4. Personal and professional development

- Professional development programmes
- Competency-based leadership model
- Corporate University
- Extra-occupational activities and volunteer programmes
- Internal mobility

5. Equality of opportunity

- Programme for Executives
- Awareness-raising with a focus on sustainability
- Adherence to the Global Sustainability Policy and the Human and Social Development Policy

Total Compensation Plan [S1-4_03]

[MDR-A_01][MDR-A_02] The Total Compensation Plan offers its own workforce a comprehensive platform that allows them to manage their remuneration and benefits package in a personalised way, comprising a Benefits Package and a Substitution Amount. [MDR-A_03] In this way, this plan of short term allows the personalised configuration of their remuneration and benefits package, guaranteeing flexibility and adaptation to their individual needs.

In addition, the possibility of increasing the available benefits is granted, allowing the employee to allocate a percentage of their gross annual remuneration to the acquisition of additional benefits, in any case, within the limit set by the applicable legislation, in accordance with the rules established for each group.

- **Benefits Exchange:** each person will be able to view the amount corresponding to their 'benefits bag', made up of the benefits that correspond to them, in accordance with their contract and the company's policies, being able to allocate this amount to the acquisition of different benefits within a catalogue predefined by the company, adjusting it to their personal preferences.
- **Substitution Amount**: this is the maximum amount of the annual monetary remuneration that the worker can allocate to contracting products offered in the Plan. This amount is determined by the percentages established by the company (according to the group to which they belong) on the fixed and variable remuneration, including in this limit the value of other remuneration in kind that they are receiving. The amount you choose to allocate through this amount will be deducted from your gross annual remuneration in cash and will be converted in kind through the products selected in the Plan.

[MDR-A_05] In 2024, the integration of flexible remuneration and the benefits plan in a Total Compensation platform has represented a significant advance with respect to 2023, as it is possible to directly select the products from the catalogue that one wishes to include as social benefits for the current year. In this way, each year Naturgy employees decide how they want to distribute the elements of the remuneration package, opting for those that best suit their personal circumstances or monetising them and optimising net salary, with the tax advantages that some of them offer. This plan seeks not only to improve the well-being and satisfaction of the workforce, but also to provide a compensation structure that adapts to the diverse realities and individual preferences, enhancing commitment and motivation within the organization.

In addition, this platform incorporates:

- Savings in Personal Insurance (home, life, car, death, ...).
- "My Wellbeing and Health" space.
- Health Insurance.
- Time Bank.
- Discounts in more than 600 online shops and 100 travel portals with a percentage of the purchase price refunded.
- Extensive and competitive social benefits offered by the company, both company-paid and eligible through the total and flexible compensation platform: pension plan, health insurance, holiday home, tariff bonus, advances/loans, study grants, life insurance, meal vouchers, etc.

Naturgy Group Equality Plan in Spain 2023-2027 [MDR-A_01]

[MDR-A_01] Naturgy's Equality Plan in Spain, is part of the company's commitment and commitment to the development of labour relations based on equal treatment and opportunities between women and men and non-discrimination. In addition, Naturgy also rejects any other form of discrimination based on gender, sexual orientation, marital status, disability, age, race, political and religious beliefs, trade union membership or any other type of discrimination.

[MDR-A_03] Unanimously agreed within the Negotiating Committee, it is an effective tool for safeguarding equality between women and men. Equal treatment and opportunities in employment and occupation is a fundamental principle of labour relations and people management in the company, this being the main objective of the Naturgy Group's Equality Plan in Spain.

Naturgy declares its firm commitment to ensure equal treatment in all areas and for all purposes, not allowing discrimination on the grounds of gender or otherwise and promoting working conditions that respect equality. Likewise, it is committed to the establishment and development of policies that promote equal treatment, guaranteeing that, with equal aptitudes, knowledge and qualifications, all workers can carry out their job without gender representing an obstacle or a criterion for differentiation for the purposes of pay, promotion and professional training.

The diagnosis of the different companies, carried out within the Negotiating Committee, has made it possible to define a series of objectives and measures for action included in the Equality Plan. Likewise, actions have been defined to monitor them, so that it can be a tool to ensure effective equality between men and women.

[MDR-A_02] This Plan is applicable to all Naturgy's own personnel in Spain, including persons who, where appropriate, have been assigned by Temporary Employment Agencies during the periods of service provision.

As specific objectives of the Equality Plan, it is highlighted:

- **Communication and awareness-raising:** promote an inclusive culture free of bias, where equal opportunities are a transversal reality throughout the company and where there are no stereotypes or preconceived ideas that may hinder the effectiveness of this principle.
- **Selection and recruitment:** attract the best and most diverse talent (focusing on the incorporation of women, especially in positions with more technical profiles) using criteria of capacity, competence, merit and equal opportunities that guarantee objectivity and transparency in all selection and recruitment processes.
- **Occupational classification and underrepresentation of women**: ensure that the job classification system in force at any given time respects the principle of equal opportunities.
- **Training:** develop the most under-represented talent, through specific technical and leadership training, to achieve a pipeline of people with potential access to senior positions.
- **Promotion and development:** accelerate gender equality at all levels, especially at those levels where women are under-represented, through internal talent promotion and management. Prioritising where possible women to fill positions in male-dominated areas.
- **Co-responsible exercise of reconciliation rights:** facilitating the co-responsible exercise of the rights of employees to reconcile family, work and personal life in order to achieve an appropriate balance between work, personal needs and professional development within the Company.
- **Remuneration:** ensure equal pay for women and men for work of equal value by maintaining compensation systems that ensure pay transparency, promote objectivity and fairness, reward achievement and value performance.
- **Prevention of sexual and/or gender-based harassment:** ensure a safe and healthy working environment, free from violence and harassment.
- **Gender-based violence:** disseminate, implement and improve the legally established rights of female victims of gender-based violence, thus further contributing to their protection.
- **Occupational health with a gender perspective**: integrate a gender perspective into the regular functioning of the prevention system.

[MDR-A_05] Throughout the year 2024, different measures derived from the Equality Plan have been implemented, such as:

- Training actions to raise staff awareness of equal opportunities and non-discrimination, sexual and/or gender-based harassment.
- Increase of women in managerial positions.

- Definition and dissemination of the guide on work-life balance.
- Actions to raise awareness of the International Day against Gender Violence.
- Training in occupational and psychosocial risks with a gender perspective for prevention delegates.
- Carrying out occupational and psychosocial risk assessments incorporating a gender perspective.
- Adaptation of the standard "Identification, evaluation and control of occupational risks" of health and safety for the integration of aspects related to the gender perspective, sensitive personnel, reproduction, pregnancy and breastfeeding.
- Construction and results of the Remuneration Register available to the Workers' Representation.
- Wage gap below the legal limits set by European legislation.

The definition of specific measures for the achievement of all these objectives and the constitution of the Equality Plan Monitoring Committee, allows the company to continue advancing jointly in the continuous improvement and management of equal treatment and opportunities.

Monitoring and evaluation of actions on working conditions and equal treatment and opportunities. [S1-4_04]

On the one hand, the analysis of the number of complaints or allegations filed, their seriousness and recurrence, the average time taken to deal with and resolve these complaints, the impact on staff training in the prevention of harassment and the periodic review of the protocols for action make it possible to evaluate the effectiveness of preventive actions on harassment and equal treatment and opportunities.

On the other hand, through the Equality Plan Monitoring Committee and the Agreement Monitoring Committee, actions relating to equal treatment and opportunities, work-life balance and other labour measures implemented in the company are shared and evaluated.

Developing internal talent and inclusive culture

At Naturgy, the training of professionals is one of the strategic levers for transformation and development in the company. Therefore, Naturgy's talent management model drives growth from a continuous and evolutionary process, which begins in processes of evaluation, segmentation and development of talent, through dynamic processes that promote exponential value for talent.

In addition, actions such as the "Flex&Lead" and "Transforma" programmes, the Executive Talent Management Model and the Corporate University, which are described below, generate positive impacts through the promotion of professional development.

“Flex&Lead" and "Transform" programmes [S1-4_03]

[MDR-A_01] [MDR-A_02] [MDR-A_03] Naturgy has the programmes ‘Flex & Lead’ and ‘Transforma’, focused on the recruitment of diverse talent between the years 2021-2025. With this initiative, it is pursued to advance in the intergenerational and gender balance in the company, in line with Naturgy's strategic business and sustainability objectives.

The objective proposed from the start of the "Flex & Lead" programme, and until 2025, is to recruit more than 340 young people with a STEM profile, marked by agility, flexibility and collaboration, with digital skills and a data-oriented mindset. Similarly, the target for hiring women through the "Flex" programme (which specifically aims to hire young professionals with no previous experience) is 60%, and in the case of "Lead" (which connects young people with some professional experience) it is 70%.

The "Transforma" programme, launched in 2023, focuses on profiles with high management and leadership potential, enriching the diversity of the talent pool. The objective is to reach more than 50 new hires by 2025 with 60% female profiles. The experience of this new talent includes participation in major projects, internal mobility between business areas and participation in career acceleration processes towards positions of responsibility.

[MDR-A_05] In the whole programme, a total of 301 young people have joined the 'Flex & Lead' programme with an average age of 28 years and 82% are women and 29 professionals in the 'Transforma' programme, 86% of whom are women.

Executive talent management model [S1-4_03]

[MDR-A_01] [MDR-A_02] Naturgy has a management talent management model that, based on the company's leadership model, identifies evaluation, segmentation and action processes that allow promoting professional development and guaranteeing the necessary coverage and succession based on objective measures that ensure transversality and diversity in the process. Thus, through this model, Naturgy drives growth from continuous and dynamic processes that promote exponential value for talent.

This model, which ensures the coverage of positions in the company's organisational structure, identifies risks and develops talent, [MDR-A_03] is currently in place and is carried out through periodic and recurring processes. An example of this are the development interviews, Internal Talent Review and External Review, internal and external expert interview processes, which allow the development profile of the group's managers to be updated, reviewed and oriented.

Feedback conversations and direct comparison with each person on their competencies as a leader, their motivation and their career interests are encouraged. This information, together with that from the rest of the model's processes, enables transversal or specific action plans to be activated (training, coaching, career acceleration, mobility, promotion, etc.). [MDR-A_05] Over the year 2024, 404 management talent development interviews have been conducted.

Corporate University [S1-4_03]

[MDR-A_01][MDR-A_02][MDR-A_03] The Corporate University (CU) is the representative and backbone element of the training experience in Naturgy through the development of key knowledge, the connection with the latest trends and technologies, as well as the development of skills and competencies linked to the leadership and cultural models of the company. This transformation lever is currently implemented with recurring processes aimed at executives, middle management and employees of the group in general, external collaborating companies, customers and suppliers.

Alignment between the CU and the Global Training Policy is ensured through regular monitoring committees, where visions, proposals and practices are exchanged, facilitating the influence and integration of training into key processes. In this way, the CU is structured into:

- **Transformational Leadership Academy (TLA)**

  Based on a vision of the future and linked to Naturgy's strategic plan, in 2024 the TLA has continued its training deployment to ensure the leading role of the company's leaders in the transformation and achievement of business objectives through four axes:

  - **Digital Academy:** with the aim of transforming the professional profile in Naturgy towards more digital professionals.
  - **New Energy:** with the vision of developing managers and high potentials to meet future challenges and market trends.
  - **Naturgy Leadership:** with the aim of promoting the role of leadership as drivers and connectors of organisational and cultural change in the company.
  - **Happiness Academy:** with the aim of promoting motivation and well-being with a holistic vision.

    This academy promotes training in aspects and dimensions that affect people's happiness. It integrates existing training content together with new offerings linked to the promotion of health and physical, mental and emotional balance, through transformational experiences, inspiring talks and the promotion of healthy leadership and psychological security.

- **Tech Academy (TA)**

  The Tech Academy, on the other hand, transfers to the professionals of each unit the technical knowledge for the development, quality and homogeneity of expert knowledge, necessary to face current and future challenges in each of the company's businesses.

Training catalogue

On the other hand, transformation and change processes have been proposed that are implemented in the environment and culture and are applied through the development of new skills to guarantee the sustainability and diversity of the company, learnability, critical thinking and assertiveness. The Corporate University promotes a new concept of leadership: digital, exponential leader, with influence and management of complex environments.

[MDR-A_05] As novelties in 2024 with respect to previous years, the 'Happiness Academy', 'STEAM Women's Community', 'Focused Leaders Cycle Programme' and 'AI and AIGen School' programmes have been incorporated, respectively.

This year's programmes have been organised in the following areas:

- **Transversal programmes, with high impact on the commitment to the culture and values of the company:**
  - **Transformation and entrepreneurship:** intra-entrepreneurship programme with Junior Achievement, for the training of internal mentors to support start-ups.
  - **Well-being:** programmes aimed at improving self-awareness and managing emotions in a healthy way, such as "Naturgy Leader Well-being" (Healthy Leadership) and workshops on psychosocial risks. Well-being actions have also been carried out through mindfulness programmes. In addition, specific cohesion actions have been carried out for work teams, to raise awareness of the importance of self-leadership and teamwork; and awareness-raising webinars on well-being issues.
  - **Happiness**: creation of the "Happiness Academy" with courses on topics related to employee well-being and motivation. These are open courses for employees to enrol voluntarily in the content that best suits their needs and availability. The trainings can be synchronous or asynchronous and are available in the different corporate languages and are available on the training platform where employees can easily access them. This repository of resources is updated periodically with the aim of always offering new content related to the subject. From January to December 2024, around 3,823 attendees have passed through this school with a total of 5,953.48 training hours, with training courses such as: "The Sense Programme", "The pillars of happiness", "Sustainable happiness programme", "In the words of...", "El Gefe" (happiness management),"Mindfulness corporate training", workshops on psychosocial risks or "Naturgy Leaders Well-being".
  - **Sustainability**: trainings to put sustainability at the centre of the business strategy such as "Carbon Footprint and Climate Change", "Decarbonisation and Sustainability Congress", "Corporate Sustainability Certification" and "Energy Storage and Green Transition". In addition, a new cross-cutting pill is being developed to assist and support the entire organisation.
  - **Diversity:** throughout the year to raise awareness of diversity issues such as: "Inclusive Language" which raises awareness on the inclusive use of language with guidelines to facilitate its application, "Prejudices, stereotypes and unconscious biases and their impact on the workspace" which allows to know and raise awareness regarding the reality of LGTBI+ people in the workplace, "Intergenerational Leadership" which highlights the new leadership model to make multigenerational teams, "Women's Week" with five webinars in which 526 attendees participated, to raise awareness, visibility and female empowerment and "STEAM Women's Community" with 60 members at the beginning and 206 members in 2024, including employees from Latin America.

- **Compliance:** updating of the general course "Crime Prevention Model" reskilling programmes for the continuous training of specific groups such as "Conduct fraudulent conduct against the code of ethics" and "Training in compliance" in Brazil. Seminars such as "Jose Manuel Maza Seminar on criminal compliance and criminal liability of legal entities", "Fundamentals of fraud prevention", "Fundamentals of fraud detection", "Fundamentals of fraud investigation" and "The board and compliance/ESG/sustainability".
- **Innovation**: training courses such as "Connecting Energy", which adopts the way of thinking and the business models of start-ups as a tool for growth, the "Disrupt" programme to delve into the aspects that define a start-up and how it evolves in the different phases, the "Agora Talks" and "Innovation Week" with different webinars and pills. The Agile methodology is also facilitated through Scrum actions and certifications.
- **Cybersecurity**: New Cybersecurity 2.0 course in which the cyberattacks with the greatest impact on an organisation are learnt in a practical way. Awareness-raising webinars were also held, such as "CEO fraud" and "Antiphising". Finally, development of awareness-raising videos with ad-hoc content, "Elevator with H".
- **Communication:** different actions according to the groups such as “Communication Skills” in which both written and oral communication are worked on, “Club Cautiva” in which with the Learning by doing learning method, biweekly sessions are held on different topics of communication skills, “Elevator Pitch” and “Impact Communication”.

– **Programmes to boost the company’s professionals digital profile**

- **Digital Culture:** open programmes that reinforce the company's digital vision on OneDrive, Teams and SharePoint, Digital Marketing knowledge, AI trainings in general and, in particular, the realisation of the "PersonIA Project" with recordings of internal pills with tips on digital tools.
- **Digital skills:** "Data Programmes", which deals globally with data management processes (Computational thinking + Data Analytics + Data science), programming languages such as Python, SQL or Visual Basic, and other tools such as Power Apps, Power Automate or Power BI. Reskilling-oriented training has been carried out according to the different business needs: a programme for marketing management and the "B-Digital programme" to create solutions oriented to the automation of processes in data processing and visualisation. "PYSPARK" to learn the fundamentals and functionalities of Pyspark for data transformation. B- Digital Amateur support sessions to work on real projects based on MS technologies. "NAPAI Project" to develop skills on the "AWS Data Analytics" platform and "Data Business Owner Women STEAM", data skills programmes for the STEAM women community. This year, we have started with the digitalisation processes in the AI world, which has a great impact and is transversal to all businesses. With the AI Framework & Governance, a global vision of the AI governance model was provided. SCRUM Certification.

– **Leadership promotion programmes, as a lever for the group’s transformation and vision.**

- **AI School and IAGen:** this new school offers knowledge and training resources to all employees on the subject according to their roles and needs and the evolution of technologies.
- **All you need is Grow (ANG)**: management development programme, one of the most relevant, aimed at all the people in the group of managers that has been carried out during 2023 and 2024, to promote vision and strategic thinking, develop leadership skills, enhance individual development, inspire, motivate and mobilise the team, access resources that promote continuous improvement and strengthen the personal network of contacts.
- **Focused Leaders Cycle Programme:** a programme designed for Naturgy executives in a face-to-face format with two sessions, in a collaborative, challenging, networking-generating space focused on the opportunities and challenges that the company will face.

- **Top Executives:** these are external seminars in the best business schools (Harvard, LBS or IMD) with different themes, which are selected by the executives themselves according to their development needs.
- **Mentoring Programme:** fosters a culture of internal leadership that is committed to developing talent and continuous improvement at all organisational levels, aligning individual efforts under a shared vision. Training courses such as "Growing Talent", "Mentoring Change Riders", "MENTOR & COACH Competencies", "Mentoring Club and Mentor Day". The mentoring interviews are monitored and supervised and training support is given to both mentors and mentees. Specific external mentoring for female empowerment has also been carried out with institutions for programmes such as "Women Cross Mentoring" of AED, "Promociona" and Progresa" with ESADE and “Mentoring Program: Destiny Leadership ” in collaboration with 50&50 Gender Leadership. The total number of mentoring hours in 2024 was 1,374 hours distributed among 130 participants between mentors and mentees.
- Coaching: during 2024, we continued to work on processes of reflective accompaniment to maximise potential and achieve personal and professional objectives. Different individual processes have been worked on with the Escuela Europea de Coaching and Humaniza, in addition, respecting traditional and corporate methodologies, online coaching actions have been carried out through the CoachHub platform. The total number of individual coaching hours in 2024 was 1,920 hours distributed among 287 people.

Monitoring and evaluation of internal talent development actions and inclusive culture [S1-4_04]

Developing internal talent

The development of internal talent is monitored and evaluated through the various committees set up for the collective.

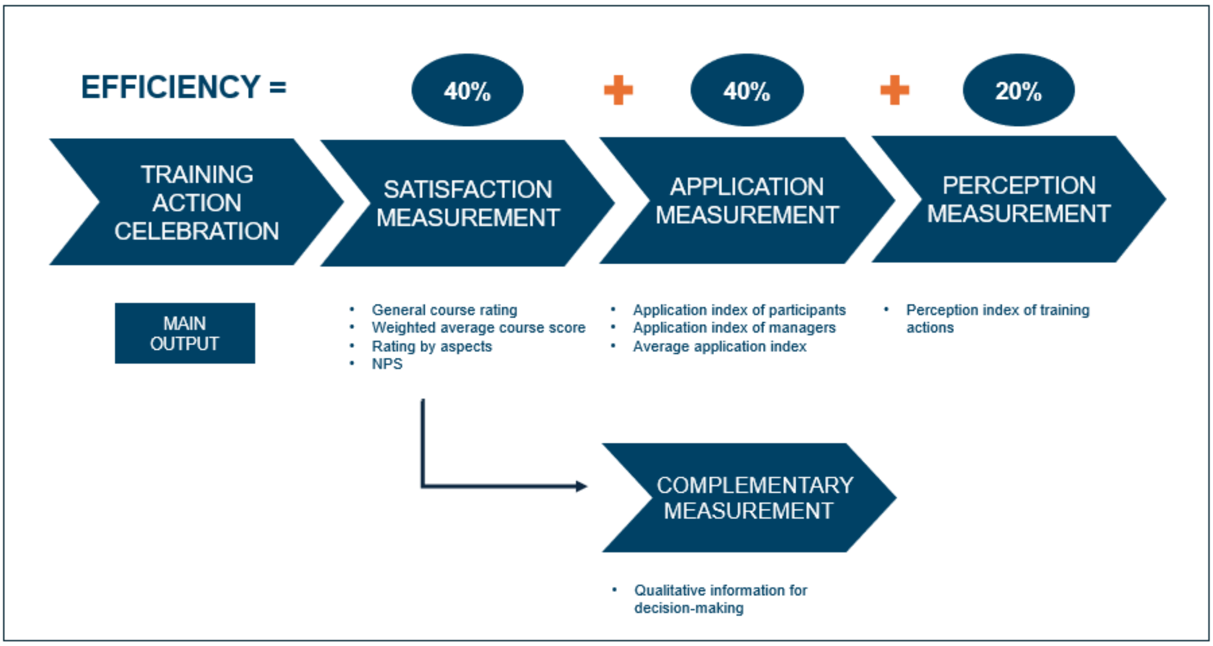
The Management Positions Coverage Committee is held fortnightly to assess the different coverage needs and development opportunities, monitoring the diversity and transversality criteria in the shortlists of candidates presented and assessed, as well as the indicators and objectives set. In this line, mobility, promotion and progress in gender and age objectives are monitored in order to promote the diversity of the group. It also reports on the evolution of the percentage of women in management positions, the objective of which is to reach 40% by 2025.

The monthly Non-Managerial Mobility Committee's main objective is to ensure compliance with the commitments set out in the new Non-Managerial Internal Mobility model. To strengthen the consistency and monitoring of the process, the committee defines and establishes clear rules and creates a single point of reference that centralises formal information needs in relation to the process. These include overseeing the publication of all internal vacancies for contract staff, establishing criteria for transparency and accessibility, as well as the requirement of a minimum of two years' seniority in the current position in order to apply for a vacancy. It is important to note that the commitment acquired in this committee goes beyond what is established in the agreement itself and is to publish all vacancies that are generated for agreement staff, excluded and middle management.

Corporate University measurement and monitoring model

The Corporate University has its own model for measuring the effectiveness and results of training through satisfaction surveys, learning application and perception of those responsible for the corporate units and Naturgy's businesses. The purpose of the measurement is to improve training quality, seeking excellence and opportunities for improvement. According to the results shown in the last four years, it can be concluded that the measurement model has been consolidated.

The results show a training effectiveness rate of 8.4% in 2024 and with an implementation of 78.1% of the workforce. In view of these results, areas of opportunity have been identified and specific measures have been taken to further strengthen training initiatives, thus ensuring a positive impact on the professional development of Naturgy's own staff.



In addition, the logistical management of all back office activities, as well as the monitoring and measurement of the Corporate University's activity, are managed externally through process outsourcing, allowing the University's technicians to focus on valuable activities linked to the knowledge and training demands of the business.

The technicians of the Corporate University work as an observatory of training trends in order to connect business needs with the latest trends in training.

To carry out the training actions, Naturgy has a reference campus (Campus Puente Nuevo) and training classrooms distributed throughout its geography, in addition to the meeting rooms available in each work centre.

The training plan is supported by the management team and has internal experts who collaborate in developing new content and delivering training programmes. In addition, there are alliances with business schools and a network of external training consultants with extensive experience and solvency both at technological and pedagogical level, capable of accompanying Naturgy in its objectives to meet the training needs.

In addition, as an integral part of Naturgy's continuous improvement plan, a series of actions have been implemented that have further strengthened the Corporate University. These actions include:

- The recertification according to the ISO 9001:2015 standard of the Corporate University, which demonstrates Naturgy's commitment to excellence in quality management and continuous improvement of training processes.
- The updating and development of new procedures based on effective integration under a single model, which has made it possible to standardise and optimise operations.
- A comprehensive review of all the company's indicators, together with the establishment of a monthly monitoring model to check and compare trends, has provided a more complete and accurate picture of performance over time.

In addition, Naturgy has the CLIP (Corporate Learning Improvement Process) accreditation awarded by the European Foundation for Management Development (EFMD), which recognises the quality of the learning and development processes of people in business education organisations. For 2024, it has been renewed for a further 5 years.

These actions demonstrate the continued commitment to quality, efficiency and innovation at the Corporate University, and position Naturgy solidly to face the challenges and take advantage of the opportunities that arise in the future.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S1-5)

In order to manage the negative and positive impacts on our own staff, as well as to manage related material risks and opportunities, it is key to use results-oriented targets to encourage and measure progress. The following objectives have been defined through the Strategic Plan and Sustainability Plan.

Health and Safety targets

Naturgy's strategy is based on the principle that "nothing is more important than the safety, health and well-being of people" and is developed in collaboration with the business units to promote a culture of safety and health throughout the entire organization. Naturgy seeks to avoid and prevent accidents and damage to health, while providing a safe and healthy environment.

[MDR-T_01] [MDR-T_09] [MDR-T_07] Therefore, in accordance with the Strategic Plan and Sustainability Plan 2021-2025, accident rate and absenteeism targets were established that are below the average values for the energy sector and at best-in-class levels. These targets are:

- **Lost time accidents frequency rate:** number of lost-time accidents occurring during the working day per million hours worked.
- **Lost time accidents severity rate:** number of days lost as a result of accidents at work per million hours worked.
- **Absenteeism rate due to common contingency (%):** hours of absenteeism due to occupational illness and non-occupational illness per 100 theoretical working hours.

[MDR-T_04] The accident rate targets include our own workforce and workers hired through temporary employment agencies, and the absenteeism target only includes our own workforce due to common illness. The three objectives are applicable to all the countries in which the group operates.

The reference value, base year and target level are presented below:

[MDR-T_02][MDR-T_03][MDR-T_05][MDR-T_06]

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Lost time accidents severity rate for own workforce (per 1,000,000 hours worked)	2021	2021	0.60	0.89	0.66	0.60
Lost time accidents frequency rate for own workforce (per 1,000,000 hours worked)	2021	2021	30.75	32.0	28.1	32.50
Absenteeism rate due to common contingency (%)	2021	2021	<3%	2.15	1.83	<3%

[MDR-T_13] Targets are monitored and reviewed in the quarterly follow-ups of the Sustainability Plan. In 2024, the number of accidents with lost time increased with respect to the previous year from 9 to 12 accidents. Of these, 7 occurred in the Argentina Gas business (same result as the previous year) and there was a slight increase in Brazil and Mexico (3 accidents compared to 0 the previous year). The causal factors are associated with finger entrapment, overexertion, falling from a vehicle, falling while on foot, falling from a tool during handling, sprained feet and traffic accidents. Although the majority of accidents are minor, some of them are associated with traumatic pathologies that are slow to recover, hence the increase in the severity rate. [MDR-T_11] In addition, the company's own staff participated, through the Health and Safety Committees, in the setting and monitoring of accident rate targets and in the monitoring of the quarterly report to the workers' representatives in the case of absenteeism.

In section "Information on social and personnel issues" of the chapter "Disclosures stemming from other legislation (Law 11/2018)" it is included the information required by the Spanish Law 11/2018 in terms of work organisation.

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[MDR-T_08][MDR-T_12] It should be highlighted that no milestones or intermediate targets have been established. In addition, no changes have been made to the objective, corresponding metrics, underlying measurement methodologies, significant assumptions, limitations, sources and processes adopted to collect data. However, only the way the indicator is expressed has been changed to adapt it to the requirements of the ESRS. In previous years, the indicator was shown per 200,000 hours worked (OSHA criterion), but in this report it is expressed per 1,000,000 hours worked.

In accordance with what is mentioned in the "Purpose and strategy" section of the General disclosures chapter, Naturgy has drawn up a new Sustainability Plan 2025-2027, under the framework of the new Strategic Plan 2025-2027, as a continuation of the previous Sustainability Plan 2021-2025. The objectives that the 2025-2027 Sustainability Plan includes in relation to Health and Safety are indicated below:

	Approval year	Base year	Target 2027	Baseline value
Lost time accidents severity rate for own workforce (per 1,000,000 hours worked)	2025	2022	<0.6	0.60
Lost time accidents frequency rate for own workforce (per 1,000,000 hours worked)	2025	2022	<30.75	28.30
Absenteeism rate due to temporary incapacity (%)	2025	2022	<3	2.60

Equal treatment and opportunities for all targets

[MDR-T_01] In accordance with the Strategic Plan and Sustainability Plan 2021-2025, following objectives were set to achieve the commitments established in this area:

[MDR-T_02][MDR-T_03][MDR-T_05][MDR-T_06]

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Promoter employees (%)	2021	2021	40.0	54.0	49.0	24
Women in management positions(1). Spain (%)	2021	2021	40.0	39.6	36.1	32.4
Staff under 30 years of age (%)	2021	2021	10.0	7.1	6.0	4.0

(1) One woman was included in the 'Senior Management' category in the 2023 Report, therefore there is a variation compared to the previously published data.

[MDR-T_04] [MDR-T_08][MDR-T_09][MDR-T_11][MDR-T_12][MDR-T_13] The methodology used for each objective is given below:

- **Promoter employees (%):** refers to employees who vote 9 or 10 in the quarterly eNPS question out of the overall group. The methodology set to establish the target for employee champions was to take the reference value of 2021 and increase the percentage according to the benchmark carried out. The People and Resources team was involved in this process as a representative of the stakeholder group.

In addition, the performance of these objectives is reviewed in the quarterly monitoring of the culture area and in the Employee Experience Committee, composed of the People and Resources directors of the business units, in monthly monitoring of the People and Resources scorecard, and finally, in the monitoring of the Sustainability Plan.

In the case of employee promoters, no milestones or interim targets have been defined, nor have the objective, metrics, methodologies, assumptions, limitations, sources or processes of data collection been modified.

- **Women in executive positions. Spain (%)**: the percentage of female managers out of the total of this group in Spain. The methodology used to define the objective took into account the base data by business, the reference according to the benchmark carried out and the internal analysis of talent management (recruitment, mobility and promotion).

  The People and Resources team proposed the definition of the objective, but no interim targets or milestones were set. The performance of the objectives is assessed in the same follow-ups as the objective "Employee champions".

- **Staff under 30 years of age (%):** the percentage of employees under 30 years of age out of the total workforce. The methodology used to set the target takes into account the base figure by business, the benchmark reference and the internal analysis of talent attraction and recruitment.

  No milestones or interim targets were set for this objective, and the People and Resources team was involved in setting them. Again, there have been no changes to the objective, metrics, methodologies, assumptions, limitations, sources or data collection processes.

  Its performance is reviewed in the monthly monitoring of the talent attraction and recruitment programmes by people managers from the People and Resources and Executive Talent and Culture teams, in the monthly monitoring of the People and Resources scorecard and in the monitoring of the Sustainability Plan.

In accordance with what was mentioned in the previous section, Naturgy has a new Strategic Plan and Sustainability Plan 2025-27, in which new objectives have been established in relation to working conditions and equal treatment and opportunities for all. These are:

	Approval year	Base year	Target 2027	Baseline value
Promoter employees (annual average %)(1)	2025	2022	>51,3	33.3
Women in executive positions. (%)	2025	2022	40	32.7
Women in workforce. Group (%)	2025	2022	>37	33.2
Employees with disabilities. Spain	2025	2022	>2,5	1.6

(1) This target has been reformulated in terms of calculation, being measured as an annual average instead.

Internal talent development and inclusive culture targets

[MDR-T_01] In accordance with the Strategic Plan and Sustainability Plan 2021-2025, the following objectives were established to achieve the training commitments:

[MDR-T_02][MDR-T_03][MDR-T_05][MDR-T_06]

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
People trained out of the total number of employees included in talent transformation programmes (%)	2021	2021	75.0	86.4	81.7	55.0
Training per employee (hours)	2021	2021	>35	46	41.50	>25

[MDR-T_04] [MDR-T_08] [MDR-T_11] [MDR-T_12] The scope of these objectives covers all Naturgy's activities globally. Both objectives have involved the participation of the People and Resources (CU) team and no milestones or interim targets were set. Furthermore, no changes have been made to the objectives, corresponding metrics, underlying measurement methodologies, significant assumptions, limitations, sources and processes adopted to collect data.

[MDR-T_09] The methodology used to establish the target of "People trained out of the total number of employees included in talent transformation programmes (%)" is the projection of the participation rate according to the programme planning of the Transformational Leadership Academy (CU), and the percentage of annual participation in courses of the Corporate University.

In the case of "Training per employee (hours)", the methodology used to define the target is the projection of the participation rate according to the programme planning of the three UC academies and the annual participation benchmark percentage that was in 2021.

[MDR-T_13]] Its performance is monitored in the monthly follow-ups of the Corporate University, the monthly follow-ups of the People and Resources scorecard and the follow-ups of the Sustainability Plan.

The target of internal talent development and inclusive culture that has been established in the new Sustainability Plan 2025-2027 under the framework of the Strategic Plan 2025-2027, as indicated in the "Purpose and strategy" section of the General disclosures chapter, is:

	Approval year	Base year	Target 2027	Baseline value
Training per employee (hours)	2025	2022	55	35.9

(1) The baseline for this target will be set in 2025 as it is a new indicator.

Characteristics of the undertaking's employees (S1-6)

At the end of the 2024 financial year, Naturgy's human team was located in: Europe, America and Oceania. S1-6_17] The figure for Naturgy's workforce at 31 December that appears in Note 25 of the Annual Consolidated Financial Report differs from that shown in this section. Note 25 shows the consolidated workforce (6,941 people), while this report shows the workforce actually managed (6,812), the difference between one workforce and the other being the people in Spain of joint operation entities (-141 people) and the people of the coal-fired power plants (+ 12 people).

Below it is provided a set of tables illustrating the breakdown of Naturgy's employees by gender, country and type of contract:

▪ **Number of employees by gender at 31 December** [S1-6_01][S1-6_02]

	2024	2023(1)
Male	4,398	4,516
Female	2,414	2,367
Other(1)	-	-
Not reported(2)	-	-
Total employees	6,812	6,883

(1) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(2) 'Not reported' refers to cases where employees have not declared their gender or have not provided this information for personal or administrative reasons.
(3) The figure of "Male" and "Female" in 2023 is modified following the identification of three females assigned with the wrong gender in systems.

▪ **Number of employees by country at 31 December** [S1-6_04][S1-6_05]

	2024	2023
Argentina	853	880
Spain	3,891	3,934
Mexico	714	697
Other (1)	1,354	1,372
Total employees	6,812	6,883

(1) Other: considers those countries with less than 50 employees or with more than 50 employees but representing less than 10% of the total number of employees. These countries are: Australia, Brazil, Chile, Costa Rica, Dominican Republic, France, Ireland, Israel, Italy, Luxembourg, Netherlands, Panama, Portugal, Puerto Rico, United States and United States. In 2023, the Netherlands was in this category, in 2024 there are no employees.

▪ **Number of employees by type of contract and by gender** [S1-6_07][S1-6_09]

	2024					2023				
	Male	Female	Other (1)	ND (2)	Total	Male	Female	Other	ND	Total
Number of permanent employees	2,315	4,279	-	-	6594	2,261	4,389	-	-	6650
Number of temporary employees	99	119	-	-	218	106	127	-	-	233
Number of non-guaranteed hours employees(3)	0	0	-	-	0	0	0	-	-	0
Number of full-time employees	2,414	4,398	-	-	6812	2,367	4,516	-	-	6883
Number of part-time employees	0	0	-	-	0	0	0	-	-	0
Number of employees	2,414	4,398	-	-	6,812	2,367	4,516	-	-	6,883

(1) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(2) 'Not reported (NR)' refers to cases where employees have not declared their gender or have not provided this information for personal or administrative reasons.
(3) This category is not applicable as it is not contemplated in the legal-labour framework in which the companies of the Naturgy Group operate.

In section "Information on social and personnel issues" of the chapter "Disclosures stemming from other legislation (Law 11/2018)" it is included the information required by the Spanish Law 11/2018 in terms of employment.

- **Turnover rates** [S1-6_11][S1-6_12]

	2024	2023
Number of employees who have left	337	348
Turnover rate (1)	4.89	5.01

(1) Total number of leaves in the year (aggregate number of employees who leave voluntarily or due to dismissal, retirement, or death in service/ average number of employees

[S1-6_13] [S1-6_14] [S1-6_15] The data presented in the tables are expressed in "number of persons" and to the reference period. The calculation methodology is indicated in the section "Methodology for calculating indicators (MDR-M)" in the Annexes chapter.

[S1-6_16] It is important to note that the data presented have not experienced significant fluctuations compared to the previous year, 2023.

The information required by the Spanish Law 11/2018 in terms of dismissals is included in the section "Information on social and personnel issues" of the chapter "Disclosures stemming from other legislation (Law 11/2018)".

Characteristics of non-employee workers in the undertaking's own workforce (S1-7)

According to Appendix C. List of Disclosure Requirements that are phased-in of ESRS 1, the information required by this disclosure requirement is omitted for the first reporting year.

Collective bargaining coverage and social dialogue (S1-8)

At Naturgy, the importance of collective bargaining as a tool to guarantee fair and equitable working conditions is essential, and for this reason it is established as one of the pillars on which labour relations within the company are based.

Consequently, on 14 October 2022, the 3rd Naturgy Collective Bargaining Agreement for Spain was signed, which reinforces these channels by establishing and articulating different committees and spaces for dialogue to address the different aspects that affect labour relations.

The Naturgy companies in Brazil, Argentina, Chile, Panama and Mexico also have collective bargaining agreements or agreements negotiated with the social partners that cover aspects related to wages, social benefits, working hours and working time, and conciliation, among others, with dialogue and the adoption of agreements being the basis on which labour relations are built.

The percentage coverage, both inside and outside the European Economic Area (EEA), by collective bargaining agreement is presented below:

- [S1-8_01] [S1-8_02][S1-8_03] **Percentage of its total employees covered by collective bargaining agreements**

	2024	2023
Total in the EEA[1]:	**60.5**	**61.7**
Spain	60.6	61.7
Total outside EEA:	**73.5**	**73.9**
Argentina	70.1	70.7
Australia	0.0	0.0
Brazil	71.9	70.9
Chile	90.8	91.4
Costa Rica	88.9	93.8
United States	0.0	0.0
Israel	0.0	0.0
Mexico	81.9	82.1
Panama	43.3	42.7
Puerto Rico	0.0	0.0
Dominican Republic	92.5	97.1
Total (inside and outside the EEA)[2]	**66.1**	**66.9**

(1) Spain is disaggregated, as it is the only country with more than 50 employees. representing more than 10 % of total employees in the EEA. France, Ireland, Italy, Luxembourg, the Netherlands (only in 2023) and Portugal fall below the threshold. (2) The notations have been used: European Economic Area (EEA).

[S1-8_07] Naturgy has arrangements for workplace representation through trade unions. However, an agreement for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council. has not been established to date, although it may be considered in the future if deemed necessary.

- [S1-8_08] **Countries with collective bargaining and social dialogue agreements by coverage rate**

	Collective Bargaining Coverage [1]		**Social dialogue**
Coverage rate	Employees - EEA(2)	Employees – Non-EEA	S1-8_06 Workplace representation (EEA only)
0-19%			
20-39%			
40-59%			
60-79%	Spain	Argentina	
80-100%		Mexico	Spain

(1) Countries with more than 50 employees have been considered. which represent more than 10% of total salaried employees
(2) The notations have been used: European Economic Area (EEA)

Diversity metrics (S1-9)

The diversity strategy is a commitment to the organisation and people to invest in and promote diverse and transformative talent through integration programmes, recognition and promotion of diversity. Naturgy's diverse talent management strategy has been focused on advancing the talent balance by generational gaps and gender parity.

- **Distribution of employees by age group** [S1-9_03] [S1-9_04] [S1-9_05]

	2024			2023		
	<30	**30-50**	**>50**	**<30**	**30-50**	**>50**
Total employees by age group	445	4,199	2,168	403	4,471	2,009

Naturgy aims to be a diverse company in terms of gender, age and skills, and to this end has set medium and long-term objectives that seek to accelerate, for example, the presence of women in positions of responsibility. The progress made in the presence of women at senior management levels is reported below.

[S1-9_06] With regard to senior management, Naturgy adopts the definition indicated by the CNMV for the purposes of the Annual Corporate Governance Report (IAGC), that is, those executives who report directly to the Board of Directors or to the chief executive of the company and, in any case, the internal auditor. Senior management has the following gender distribution:

- **Gender distribution of senior management(1)** [S1-9_01] [S1-9_02]

	2024		2023	
Female	4	24 %	1	9 %
Male	13	76 %	10	91 %
Other(2)	-	-	-	-
Not disclosed(3)	-	-	-	-

(1) The information is expressed in total number of persons and as a % of the total.
(2) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(3) 'Not disclosed' refers to cases where employees have not declared their gender or have not provided this information for personal or administrative reasons.

In section "Information on social and personnel issues" of the chapter "Disclosures stemming from other legislation (Law 11/2018)" it is included the information required by the Spanish Law 11/2018 in terms of diversity.

Adequate wages (S1-10)

[S1-10_01] One of the commitments of the Global Sustainability Policy seeks to ensure adequate employment and wages. Therefore, all the own workforce of Naturgy receives an adequate salary, taking as a reference the local minimum wage in each country or an equivalent reference index.

Social protection (S1-11)

[S1-11_01] [S1-11_02] [S1-11_03][S1-11_04][S1-11_05] Naturgy's own workforce is covered by social protection in Argentina, Australia, Chile, Spain, the United States, France, Ireland, Israel, Italy, Luxembourg, Portugal and Puerto Rico, in the event of loss of income for the following reasons: illness, unemployment, accidents at work and acquired disability, parental leave and retirement.

Unemployment benefit in countries such as Brazil, Costa Rica, Dominican Republic, Mexico and Panama is guaranteed by public bodies; it does not require employer contributions.

- **Social protection coverage by country and by non-guaranteed life events in 2024 (%)** [S1-11_06][S1-11_07][S1-11_08][S1-11_09][S1-11_10][S1-11_11]

Country (1)(2)(3)	Type of Employees	Unemployment	Parental leave	Retirement
Brazil	Permanent	0	100	100
	Temporary	-	100	100
Costa Rica	Permanent	0	0	100
	Temporary	-	-	100
Mexico	Permanent	0	100	16(4)
	Temporary	0	100	0
Panama	Permanent	0	100	100
	Temporary	-	100	100
Dominican Republic	Permanent	0	100	100
	Temporary	-	100	100

NOTES:
(1) In those countries where there are no temporary employees this has been reflected with '-'.
(2) A percentage of 100% indicates that all employees are covered for the life event.
(3) 0% indicates that no employees are covered for that life event.
(4) 16% indicates that this is the percentage of employees in that country who are covered by the assumption.

Persons with disabilities (S1-12)

[S1-12_01] Currently, the percentage of people with disabilities in Spain is 2.3% (above the legally required percentage) and in the Group as a whole it is 1.70%, which responds to the company's commitment to equal opportunities for all. In this sense, a culture of respect, listening and permanent dialogue is promoted to achieve the objectives set in terms of inclusion of people with disabilities.

The breakdown of employees with disabilities by gender is shown below.

- [S1-12_02] **Employees with disabilities by gender (%)**

	2024				2023			
	Female	**Male**	**Other(1)**	**ND(2)**	**Female**	**Male**	**Other**	**ND**
Employees with disabilities (3)	52	64	-	-	44	54	-	-
Employees with disabilities among total employees (%)	0.76	0.94	-	-	0.64	0.78	-	-

(1) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(2) The notation: Not disclosed (ND) has been used, this category refers to those cases in which employees have not declared their gender or have not provided this information for personal or administrative reasons.
(3) Information at Naturgy Group level.

[S1-12_03] For the compilation of the data, the relevant information has been requested from the human resources responsible in each one of the geographies, who have provided the number of people with disabilities in the workforce, according to the degree of disability legally established in each jurisdiction.

Training and skills development metrics (S1-13)

Naturgy's business plan, from a transversal management and at the same time segmented by business units, with initiatives that are adapted to the reality and specific to the reality and specific requirements of each one, according to their own objectives and groups.

In this context, during 2024, the following training hours have been given:

- **Training indicators** [S1-13_03] [S1-13_04]

	Male	Female	Other(1)	ND(2)	Total per employee
Average number of training hours	46.3	45.6	-	-	46.0

(1) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(2) 'Not disclosed' refers to cases where employees have not declared their gender or have not provided this information for personal or administrative reasons.
(3) Data calculated using the perimeter template of the Corporate University. They therefore only include companies that have access to SuccessFactors. These companies represent 93% of the total workforce scope.

In addition, it was conducted regular performance and career development reviews that have been offered to employees to promote continuous professional development, to enhance their skills and to facilitate continued employability.

- **Indicators of carrer development by gender** [S1-13_01][S1-13_02]

	Male	Female	Other(1)	ND(2)	Total per employee
Employees that participated in regular performance and career development reviews (%)	81.4	85.4	-	-	82.8
Number/proportion of performance reviews per employee;	0.9	0.9	-	-	0.9
Number of reviews in proportion to the agreed number of reviews by the management	1.1	1	-	-	1

(1) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(2) 'Not disclosed (ND)' refers to cases where employees have not declared their gender or have not provided this information for personal or administrative reasons.

In section "Information on social and personnel issues" of the chapter "Disclosures stemming from other legislation (Law 11/2018)" it is included the information required by the Spanish Law 11/2018 in terms of training.

Health and safety metrics (S1-14)

Naturgy has a unique Occupational Health and Safety Management System (OHSMS) for the entire group, developed in collaboration with all business units and focused on the areas of greatest risk criticality. The level of coverage is shown below.

- **Coverage of the Occupational Health and Safety Management System by 2024**

	Coverage (%)	Nº of employees
OHSMS coverage [S1-14_01]	**100 %**	**6,812**
OSHMS coverage certified according to ISO 45001 standard (%)	92.5%	6,300
OSHMS coverage to be certified (%)(1)	7.5%	512

(1) This includes: Argentina (Gasnor, Gas Market and ESJ), Australia (Renewables) and Spain (Naturgy Provisioning).

This system covers 100% of the company's own employees and other salaried employees who, while not being its own employees, carry out their actions in work centres owned by Naturgy and facilitates compliance with both the local regulations in force in the territories where the company operates and the requirements of the international standard ISO 45001:2018.

Health and Safety

In 2024, incidents and accidents have been analysed and investigated and proactively reported throughout the organisation.

Below is the breakdown of events that took place in 2024:

- **Health and Safety Parameters**

	2024	2023
Fatalities as a result of work-related injuries [S1-14_02]	0	0
Fatalities as a result of work-related ill health [S1-14_03]	0	0
Recordable work-related accidents [S1-14_04]	14	13
Recordable work-related accidents rate (per million hours) [S1-14_05]	1.04	0.95
Number of cases of recordable work-related ill health [S1-14_06]	5	8
Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health S1-14_07	750	633

In section "Information on social and personnel issues" of the chapter "Disclosures stemming from other legislation (Law 11/2018)" it is included the information required by the Spanish Law 11/2018 in terms of health and safety.

Work-life balance metrics (S1-15)

The 3rd Collective Bargaining Agreement 2021-2024 includes a commitment to work-life balance, through the implementation of measures that significantly promote work-life balance, as well as joint responsibility between men and women. These measures are also aimed at achieving real and effective equality between men and women.

[S1-15_01][S1-15_02] While 14.7% are entitled to take leave for family reasons, 18.2% were entitled to take leave for family reasons (maternity, paternity, parental and carers). The breakdown by gender is shown below:

- **[S1-15_03] Employees entitled to family-related leave and those who took family-related leave by gender (%)**

	2024				2023			
	Male	Female	Other(1)	NR(2)	Male	Female	Other(1)	NR(2)
Employees entitled to take family-related leave(%)	10.3	4.4	-	-	12.6	5.4	-	-
Entitled employees that took family-related leave (%)(3)	1.3	0.9	-	-	1.6	1.0	-	-

(1) 'Other' refers to employees belonging to a third, often neutral, gender. However, this category is not applicable as data for this gender is not available.
(2) 'Not reported' refers to cases where employees have not declared their gender or have not provided this information for personal or administrative reasons.
(3) Maternity and paternity leave is taken by almost 100% of the people (women and men) who are entitled to it. Parental leave (Spain), being an unpaid leave for the time being (pending regulatory legal development), has had little or no acceptance among the workforce.

[S1-15_04] All employees of the company are entitled to family-related leave either through collective agreements, agreements or social policy.

Compensation metrics (pay gap and total compensation) (S1-16)

Gender pay gap

The calculation of the pay gap has been carried out as follows:

$$\text{Gender pay gap} = \frac{\text{Males' average remuneration} - \text{Females' average remuneration}}{\text{Males' average remuneration}} \times 100$$

A percentage greater than zero represents the percentage that women are paid less than men.

Currently, there is less female representation in positions of greater responsibility and, therefore, with a higher level of remuneration. In addition, women are mainly concentrated in management and support positions, while men occupy proportionally more technical and operational positions, where all variable pay (shifts, standby, overtime, etc.) takes place, which explains many of the pay differentials. Finally, there is a predominance of men in the most senior positions, which has an impact on pay.

This scenario highlights the need for diverse profiles, as well as STEAM careers and technical training for the development of the company's business activities.

The evolution of the pay gap is presented below.

- [S1-16_01] **Gender pay gap**

	2024	2023
% of gap	11.8	11.2

The gap data for 2023 and 2024 is based on the total remuneration received by employees, which includes, in addition to fixed and variable remuneration, other additional items such as bonuses or remuneration in kind. It has not been possible to obtain the data for 2022 with the same level of detail, so the data would not be comparable and is therefore not published.

Total remuneration

With regard to the formula for the calculation of the total annual remuneration ratio, the following formula has been considered:

$$\frac{\text{Annual total remuneration for the undertaking's highest paid individual}}{\text{Median annual total remuneration for all employees (excluding the highest-paid individual)}}$$

The ratio is calculated by taking the base salary, benefits in cash, benefits in kind and direct remuneration (all annual long-term incentives) of all employees of the company.

- [S1-16_02] **Annual total remuneration ratio**

	2024	2023
Annual total remuneration ratio	63.3	69.6

[S1-16_03] A global database has been created for all geographies with individualised details of all Naturgy Group employees, including fixed elements, seniority and bonuses, activity bonuses, remuneration in kind, social security contributions and long-term incentives. The total remuneration made up of the sections described above supports the total remuneration ratio requested.

Incidents, complaints and severe human rights impacts (S1-17)

The table below shows the number of work-related incidents/complaints and serious incidents. human rights-related issues among its own workers:

	2024	2023
Incidents of discrimination, including harassment, reported[S1-17_02]	15	5
Complaints submitted to the Code of Ethics Channel concerning working conditions, equal treatment and opportunities for all, and the rights inherent to the job [S1-17_03]	19	22
Serious human rights cases (e.g. forced labour, child labour)(1) [S1-17_08] [S1-17_10]	0	0

(1) [S1-17_09] No cases of non-compliance with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Business have been reported.

[S1-17_04] The complaints indicated in the table above are those received through the company's Code of Ethics Channel. In relation to complaints submitted to OECD National Contact Points for Multinational Enterprises, no complaints were received through this channel.

[S1-17_07] The reported cases arising from harassment of any kind (gender, work-related, sexual, etc.) are due to cases that have entered the channel during the reporting exercise, although they need to be confirmed after instruction. As regards reported cases related to ‘respect for persons’ and health and safety issues, they do not need to be confirmed after instruction.

[S1-17_05] [S1-17_06] [S1-17_11] [S1-17_12] During 2024, the company has not received any fines, penalties or compensation arising from serious human rights claims and cases as no such cases have occurred.

2. Workers in the value chain (S2)

Suppliers and collaborating companies are key players in the optimal functioning of Naturgy's value chain, with whom the company promotes the maintenance of trustworthy, stable, solid and mutually beneficial relationships based on the principles of transparency and risk management.

The information provided in response to this standard takes into account the definition of value chain workers as expressed in Annex II 'Acronyms and glossary of terms' of the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards. Thus, value chain workers are "persons performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking".

Interests and views of stakeholders (SBM-2)

In the chapter General disclosures, section "Interests and views of stakeholders", explains how Naturgy collects their opinions, among which are the suppliers and workers of these companies that participate in the company's value chain. As explained in this section, during the double materiality assessment process, the company has taken into account the perspectives of the workers in the value chain, paying special attention to those aspects of Naturgy's strategy and business model that may potentially affect them.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

[S2.SBM-3_01] In the double materiality assessment described in the chapter General disclosures of this report, section 4. Impact, risk and opportunity managements, those people who work for Naturgy's supplier companies and who could be affected through their operations, products or services have been considered as workers in the value chain.

[S2.SBM-3_02] [S2.SBM-3_03]The types of workers in the value chain that could be significantly affected by the company are:

- **Workers working on the undertaking sites** where Naturgy carries out its own operations but who are not part of own workforce (covered in standard S1). This includes workers of companies that provide complementary support services to the general activity.
- **Workers who are employed by entities that participate in previous phases** of the value chain of Naturgy providing services in business areas such as construction, operation, maintenance and supply of materials for power plants or in the development and maintenance of networks of both gas and electricity.
- **Workers who work for entities that are involved in downstream stages of the value chain** by providing business management services, in-store service, customer care or repairing breakdowns.

The development of these activities by supplier companies and their workers has taken place mainly in Argentina, Australia, Brazil, Chile, Spain, Mexico, Panama, USA and, to a lesser extent, Costa Rica, France, Italy, Israel and the Dominican Republic.

[S2.SBM-3_08] [S2.SBM-3_09] In the double materiality process, the general typologies of value chain workers previously listed were considered. Nevertheless, workers with specific characteristics, those who work in particular contexts or those who perform particular activities according to the ESRS definition (for instance young workers, who may be more vulnerable to impacts on their physical and mental development, workers in a context where women are routinely discriminated against in relation to working conditions, or migrant workers in a context where the labour supply market is poorly regulated and recruitment fees are systematically charged to workers) were not included.

This is due to the nature of the company's activities, which do not usually involve workers with these particular characteristics. The company's operations, focused on highly technical and regulated activities, generally involve workers with high standards of training and regulatory compliance, which significantly reduces the presence of vulnerable groups identified by the ESRS on which negative impacts could materialise.

The impacts, risks and opportunities considered to be material according to the double materiality assessment are detailed below:

		Value chain (2)(3)	Business (4)	Time horizon (5)
VALUE CHAIN WORKERS				
Working conditions				
N.I.(1)	Precarious work due to non-compliance with minimum working conditions and occupational health and safety management by suppliers.	VC	Both	Current
N.I.(1)	Increase in accidents/incidents associated with work overload due to the demands of the company.	VC	Both	Current
N.I.(1)	Increase in critical accidents/incidents (fatalities, serious injuries, etc.) associated with the execution of operational activities classified as high risk.	VC	Both	Short-term
O	Working with local/national suppliers contributes positively to the economic development of communities.	VC	Both	Short-term
Equal treatment and opportunities for all				
N.I.	Discrimination on the basis of race, colour, gender, disability, religion, etc., due to lack of effective anti-discrimination protocols and/or training of workers on equality and non-discrimination, especially in countries with a high rate of discrimination.	VC	Both	Short-term
N.I.	Exclusion of candidates from local communities in recruitment favourable to a dominant ethnic group or migrant workers.	VC	Both	Short-term
P.I.	Encourage an inclusive culture by promoting inclusion and equity in those territories where the company operates.	VC	Both	Current

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

[S2.SBM-3_04] Naturgy has a risk map that identifies, for certain products or services and geographies where it operates, the potential risk of violations of workers' rights and specifically the risk of child, forced or compulsory labour. In this way, Naturgy identifies those suppliers with the highest ESG risk.

The company has concluded that this risk is greater for the following countries: Argentina, Brazil, Costa Rica, Israel, Mexico and Panama. In these countries, specific actions are carried out in the evaluation and monitoring of suppliers to ensure compliance with minimum social criteria, which, if they cannot be ensured, may be grounds for exclusion of the supplier.

Throughout this chapter, more detail is provided on the processes and actions implemented by Naturgy to ensure that suppliers guarantee adequate working conditions for workers in the value chain.

[S2.SBM-3_05] With regard to whether the material negative impacts are systemic impacts in the context of the company's operation or are related to individual cases, due to the management systems in place at Naturgy, the occurrence of these impacts is not widespread and, if they do occur, it is due to fortuitous breaches in the control and prevention mechanisms in place.

Naturgy's Supplier Code of Ethics is the basic instrument that establishes the guidelines that, as a minimum, must govern the ethical behaviour of suppliers, contractors and external collaborators, in accordance with the corporate culture, with Naturgy's regulatory system and with the laws of each of the countries where Naturgy carries out its activities.

Naturgy, from the very first moment it establishes a commercial relationship with a third party, implements mechanisms to ensure the alignment of these with the company's guidelines for action and therefore minimise the materialisation of material impacts on workers in the value chain.

Specifically, in order to minimise the occurrence of negative health and safety impacts and, specifically, to reduce the accident rate associated with its activities, the company has a Occupational Health and Safety Management System (OHSMS) that includes different operational control instruments applicable in the different phases of the activity execution process, which guarantee that the activity of workers in the value chain is carried out in the most appropriate conditions, complying with both legal and regulatory requirements and internal health and safety standards.

This chapter describes in detail the management systems and tools that Naturgy has at its disposal to prevent the materialisation of material negative impacts from being generalised.

[S2.SBM-3_06] With regard to positive impacts, Naturgy considers that the guidelines of conduct established in the Supplier Code of Ethics contribute to the promotion of an inclusive culture and equity between supplier companies and workers in the value chain, as it enables suppliers, contractors and external collaborators to strengthen ethical behaviour in the performance of their activity and in their relationship with Naturgy and its customers, and with third parties. Suppliers shall provide the necessary means for their employees to be aware, at all times, of the external and internal regulations relevant to the functions they perform, and shall establish the necessary internal control models to ensure compliance with legality and ethical values. All suppliers must adhere to the Supplier Code of Ethics, which establishes guidelines for conduct relating to human rights, respect for people and equal opportunities.

[S2.SBM-3_07] In relation to material risks and opportunities, Naturgy considers working with local/national suppliers as a material opportunity, given that it positively promotes the economic development of the communities. In this way, and whenever possible, the company supports the generation of positive social benefits by promoting the contracting of suppliers from the country or region where it carries out its activities, preserving the company's reputation and ensuring Naturgy's sustainable action principles in the purchasing and contracting processes.

According to the double materiality assessment, no material risks arising from impacts that could affect workers in the value chain are identified.

Policies related to value chain workers (S2-1)

[S2.MDR-P_01-06][MDR-P_01][S2-1_06] Naturgy addresses the material impacts on workers in the value chain through three policies: the Global Sustainability Policy, the Global Health, Safety and Well-being Policy and the Supplier Code of Ethics.

The Global Sustainability Policy defines the basic principles of action in matters of respect for Human Rights that Naturgy assumes and, specifically, establishes a commitment to people linked to suppliers, contractors, collaborating companies and business partners. It therefore assumes that:

- The company will communicate its commitment to human rights throughout its value chain. It will encourage suppliers, contractors, business partners and other collaborating companies to formalise their commitment to human rights and, in particular, that they acquire with the people they employ the same commitments that Naturgy acquires with its workforce, facilitating adherence to Naturgy's policy to those who request it in the event that they do not have their own policy.
- Naturgy will include specific clauses on respect for human rights in contracts where the risk is higher, enabling it, in the event of a non-compliance being detected , to cease the contractual relationship depending on the nature and seriousness of the non-compliance.

[MDR-P_02][MDR-P_03][MDR-P_05][MDR-P_06] As indicated in the Corporate Policies section of the General disclosures chapter, the approval of the Global Sustainability Policy corresponds to the Board of Directors and its application to the Management Committee. In addition, the above-mentioned section details the scope of the policies and explains the commitments and principles when considering the interests of stakeholders, as well as the mechanisms made available to them.

[MDR-P_04] [S2-1_01] [S2-1_08][S2-1_09]The commitments established in the Global Sustainability Policy regarding human rights are constituted in accordance with the principles of third-party standards and initiatives, the company is not aware of any reported breaches of these international instruments.. The details of these aspects are specified in the section Policies related to own workforce.

[S2-1_04] In addition, Naturgy's Global Sustainability Policy defines the company's way of acting in the event of human rights violations, committing itself to develop the necessary measures to ensure adequate reparation of the adverse impacts directly derived from its operations and to exert its influence to promote the application of similar effective remedial measures among its business partners.

[MDR-P_01][MDR-P_02] The Global Safety, Health and Well-being Policy establishes the basic commitments that guide the company's actions in relation to the prevention of negative safety and health on both its own workforce and on workers in the value chain. In this sense, Naturgy considers health and safety management as a key factor of business leadership. Doing things right the first time is doing them safely, avoiding accidents or damage to health and obtaining optimal and efficient results in all activities.

Among the commitments established by this policy, those aimed at preventing the materialisation of negative impacts on workers in the value chain are listed below:

- Establish health and safety as an individual responsibility that conditions the employment of Naturgy's workers, as well as the activity of its collaborating companies.
- Promote well-being by maintaining a working environment with safe and healthy working conditions.
- Prevent possible injury and damage to health by ensuring that any potential risk situations are assessed and managed in an appropriate way to eliminate hazards and reduce risks.
- Integrate stringent health and safety criteria and objectives in business , as well as in the selection and evaluation of suppliers and collaborating companies.

[MDR-P_03][MDR-P_06] Each business unit is ultimately responsible for ensuring that partner companies are aware of and apply the commitment to safety, health and well-being established in this policy and extend it to all workers in the value chain.

The Supplier Code of Ethics is understood as an extension of Naturgy's Code of Ethics and aims to establish the guidelines that, as a minimum, must govern the ethical behaviour of suppliers, contractors and external collaborators, in accordance with Naturgy's corporate culture and regulatory system, with the laws of each of the countries where Naturgy carries out its activities, respecting the values of their respective cultures. It also includes the commitments derived from the United Nations Global Compact and the following Naturgy policies and codes: the Global Sustainability Policy, the Anti-Corruption Policy and the Code of Ethics.

[S2-1_02] Therefore, the Supplier Code of Ethics defines a series of social and labour conduct guidelines and specifically defines lines of action relating to: respect for legality, human rights and ethical values; respect for people; professional development and equal opportunities and dignified employment.

[S2-1_03] Likewise, integrates collaboration with workers in the value chain into its approach, through respect for people and attending to complaints received through the Internal Information System of workers in the value chain that arise in the execution of the contracts that the company maintains with the contractor companies for which these workers work.

[S2-1_05] Although aspects such as child or forced labour among workers in the value chain are not material matters for Naturgy according to its double materiality assessment, given the relevance of these, the Supplier Code of Ethics defines obligations aimed at eliminating any form or modality of forced or compulsory labour or involving human trafficking and to require that minimum hiring ages be respected in accordance with applicable legislation, and to have the means to ensure its compliance.

Processes for engaging with value chain workers about impacts (S2-2)

[S2-2_01] Naturgy is aware of the importance of knowing suppliers' perspectives, and therefore collaborates with them when developing its activities or making decisions regarding impact management. The mechanisms used to ensure that their perspectives are taken into account in the impact management and prevention processes are described below.

Value chain workers' channel

Health and Safety

[S2-2_02][S2-2_03] In respect to health and safety, collaboration is established through systematic participation in regular business activity coordination meetings which, at different organisational levels, address a variety of issues to ensure a safe working environment and proper management of operational activities. [S2-2_05] However, collaboration is not established within Global Framework Agreements or with global union federations in terms of human rights.

The meetings deal with aspects such as: leadership in safety by the management of the collaborating companies; adequate control of their subcontracting levels with a standard demand equivalent to that of Naturgy; having adequate mechanisms for the selection, coordination and training of their workers; the correct planning of activities or an adequate selection of the safety equipment and materials to be used. These are all priority aspects that are shared in these coordination meetings to promote an adequate safety culture throughout Naturgy's value chain.

The meetings are held according to the following schedule:

Level	**Directorate** [S2-2_04]	Frecuency	Scope
1	General Directorates (first operational line reporting to the Board of Directors) or Country Managers of the Countries.	Annual, preferably in the 1st quarter	Collaborating Companies at Country level
2	Directorates or units under Level 1 (Area Directorates, etc.)	Half-yearly	Collaborating Companies at Zone level
3	Department or units under Level 2 (Zones, Delegations, Sectors, Technical Services, etc.)	Quarterly, when necessary, specific meetings may be held with a specific Collaborating Company.	Collaborating Companies at Sector level

[S2-2_06] It is especially important to measure the effectiveness of the collaboration with collaborating companies that carry out high-risk activities (activities related to the construction, operation, maintenance and development of works) and the impact of the measures on the improvement of the safety conditions in which their workers carry out their activity. To this end, mechanisms are defined to measure, control and manage continuous improvement in health and safety performance. For more information, see the sub-section "Actions to manage negative and positive impacts" in this chapter.

Equal treatment and opportunities for all

[S2-2_03] The impacts in terms of equal treatment and opportunities for all are managed through the commitment to comply with the ethical standards contemplated in the Supplier Code of Ethics, throughout the contract period.

[S2-2_05] The Code includes the commitments derived from the principles of The United Nations Global Compact, to which Naturgy adhered in 2002. [S2-2_02] This commitment facilitates a direct participation of the supplier in this matter and is extensible to all workers in the value chain.

[S2-2_04] The acceptance of the Supplier Code of Ethics is an indispensable condition for establishing a contractual relationship with Naturgy.

[S2-2_06] The evolution of the indicator "Purchase volume with acceptance of the Code of Ethics (%)" shows the effectiveness of this action, since in 2017 the value was 67.8% and in 2024 it is 95.6%. It should be borne in mind that the implementation of the purchasing model has followed a progressive approach, so there are companies that have only recently joined the model and therefore the percentage is not 100%. In companies where the model is fully consolidated, percentages of around 99% are reached.

Furthermore, all suppliers, contractors and external collaborating companies have the possibility of confidentially addressing, in good faith and without fear of reprisals, Naturgy's Ethics and Compliance Committee to make queries or report any non-compliance through the Code of Ethics Channel. These communications are managed by the Compliance unit in order to respond to actual or potential impacts.

[S2-2_07] Although the company does not have specific mechanisms to understand the perspectives of workers who may be especially vulnerable to impacts, the Code of Ethics channel is also available for these groups. Through it, they can file complaints if they occur during the execution of contracts between Naturgy and suppliers. If these workers suffer any kind of discrimination in the work or professional sphere, whether due to age, race, colour, gender, religion, political opinion, national descent, social origin or disability, they must report it through this channel.

Processes to remediate negative impacts and channels for value chain workers to raise concerns (S2-3)

[S2-3_01] As mentioned above, Naturgy has a series of control tools aimed at reducing the probability of material negative impacts occurring. In this sense, the company works mainly on establishing mechanisms to ensure that suppliers and collaborating companies have in turn implemented management systems and control elements to minimise as far as possible the occurrence of negative impacts on workers in the value chain.

Naturgy has implemented a supplier evaluation and selection process that is explained in the section on Management of relationships with suppliers (G1-2), in the chapter on Business Conduct. In summary, this process is based on a classification of suppliers according to the level of risk assigned by the company to the product or service to be contracted. Depending on this level of risk, Naturgy requires the acceptance of certain minimum requirements, ranging from acceptance of the Supplier's Code of Ethics to the performance of approvals in the case of suppliers with higher risk. Subsequently, and once the supplier is contracted, the company has a series of measures aimed at assessing its performance, both in operational aspects and in quality or sustainability issues, through internal assessments and ESG audits carried out by third parties.

This series of measures is aimed at assessing whether suppliers adequately comply with the company's requirements for each product or service contracted and whose final result is to establish a series of corrective actions in the event that non-compliances are detected which, among other consequences, may result in negative impacts on workers in the value chain.

In addition, and given the importance of the health and safety factor in the activities carried out by Naturgy, the company manages and investigates accidents through the standard "Process of communication, investigation and monitoring of accidents and incidents", in order to address the real negative impacts caused by accidents. Thus, in 2024, 100% of the accidents and incidents occurred were investigated and the relevant corrective and preventive actions were applied, with the aim of restoring compliance as soon as possible to minimise their consequences and avoid their repetition.

These measures are described in detail in the next section of this chapter.

To ensure that the corrective plans are effective, Naturgy requests documentation on the specific actions established and the deadline for their execution, as well as the presentation of evidence that must be validated by a representative of the company once the detected non-conformities have been solved. In the event of repeated non-compliance, the materialisation of negative impacts and the supplier's failure to implement corrective actions, the company considers the possibility of terminating contracts or reducing the workload assigned to these suppliers. In the case of de-classification or de-certification of suppliers, they would no longer be able to work with Naturgy. For further information on classification and approval, see the section on Management of relationships with suppliers (G1-2)in the chapter on Business Conduct.

Value chain workers' channel

The specific channel available to workers in the value chain to express their concerns is the Code of Ethics Channel, which is accessible through Naturgy's website (www.naturgy.com). Through this channel, suppliers, contractors and external collaborating companies can express their concerns.

[S2-3_02][S2-3_03][S2-3_04][S2-3_05][S2-3_06] For more information on the availability and effectiveness of the channel, as well as on the follow-up of issues raised in the channel, stakeholder confidence and the policy of protection against retaliation, see "Internal channels for own workforce" in the subsection "Processes to remediate negative impacts and channels for own workforce to raise concerns" in chapter S1. Own workforce.

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action (S2-4)

[S2-4_05][S2-4_06] Naturgy has structured processes that result in actions aimed at identifying, preventing and, if necessary, responding to actual or potential negative impacts that may affect workers in its value chain. These processes include the evaluation, approval, monitoring and development of suppliers. The ultimate aim is to follow a preventive approach so that the necessary measures are implemented to ensure responsible supplier management and to minimise the likelihood of negative impacts on workers in the value chain. Likewise, the processes defined by the company contribute to strengthening the capacities of suppliers, extending Naturgy's principles of action to collaborating companies with the ultimate aim of generating positive impacts.

[S2-4_07] In relation to how the company ensures that processes to provide or enable remediation in case of material negative impacts are available and effective in their application, please refer to the information disclosed in the section above on "Processes to remediate negative impacts and channels for value chain workers to raise concerns".

[S2-4_10] As explained in the previous sections, Naturgy has a series of mechanisms aimed at preventing the occurrence of negative impacts on workers in the value chain within the framework of its operations. These mechanisms are based on the specific commitments determined in the policies defined by the company and are accompanied by due diligence procedures aimed at reducing the likelihood of impacts occurring. [S2-4_11] It is worth noting that no serious cases or complaints related to human rights have been identified regarding workers in the value chain.

[S2-4_12] Naturgy assigns specialised resources for the management of material impacts, ensuring a structured and efficient approach. The company has specific teams to manage the relationship with suppliers and teams focused on occupational risk prevention. In addition, the company has teams dedicated to preventing and limiting the safety risks associated with the entire life cycle of industrial assets (design, operation, maintenance), as well as the safety conditions in which the processes associated with them are carried out, in order to avoid accidents and incidents that could cause damage or harm to people, property or the environment. To execute the processes and actions, Naturgy relies on various technological tools and management systems.

[MDR-A_06][MDR-A_07][MDR-A_09][MDR-A_10][MDR-A_11][MDR-A_12] In economic terms, these actions require a financial contribution from Naturgy in the form of related capital investments and operating expenses, which are not significant and are aggregated into larger accounting items, as it is very difficult at the accounting level to provide individual details of these items.

Below is a description of the actions that Naturgy has developed in 2024 to address both negative impacts and promote positive ones, as well as to take advantage of opportunities. The actions are focused not only on preserving and promoting working conditions in terms of health and safety, but also on promoting equal treatment and opportunities for all through policies, preventive plans and corrective measures, among others.

Actions to manage negative and positive impacts

Supplier Code of Ethics [S2-4_01]

[MDR-A_02] Naturgy is aware that the risk in relation to the integrity of the company goes far beyond its operations. For this reason, it has established various mechanisms to manage the relationship with the companies that participate in the value chain, as inadequate performance of its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption may damage the integrity of the company.

[MDR-A_01]The Supplier Code of Ethics determines the guidelines of conduct in the social and labour, ethical and good governance, health and safety, environmental and quality areas. Therefore, Naturgy tries to prevent possible cases of discrimination or exclusion of vulnerable groups and establishes the following social and labour guidelines:

- **Respect for legality, human rights and ethical values:** it undertakes to act in accordance with the legislation in force, with the internal regulatory system established in accordance with internationally accepted ethical practices, with respect for human rights and freedoms, and ensures that its suppliers strictly assume this commitment.
- **Respect for people:** it rejects any conduct by its employees and suppliers that could create an intimidating or offensive environment for people's rights.
- **Professional development and equal opportunities:** it promotes the professional and personal development of its employees, in order to ensure equal opportunities through its policies.
- **Providing decent employment:** Naturgy's suppliers, contractors and external collaborators shall remunerate their employees in a decent manner.

[MDR-A_03] [MDR-A_05] Since 2016, as mentioned above, all Naturgy suppliers must systematically adhere to the Supplier Code of Ethics in order to participate in tenders or receive orders. In the case of awarded suppliers, this adherence is carried out annually. [S2-4_04] Naturgy monitors the indicator "Purchase volume with acceptance of the Code of Ethics (%)" whose value has risen from 67.8% in 2017 to 95.6% in 2024. The objective from 2022 is to maintain it above 95%. It should be borne in mind that the implementation of the purchasing model has followed a progressive approach, so there are companies that have only recently joined the model and therefore the percentage is not 100%. In companies where the model is fully consolidated, percentages of around 99% are reached.

Official approval a of suppliers [S2-4_01]

The supplier approval process for ESG risk and quality factors is described in the Management of relationships with suppliers section of the Business Conduct chapter.

[MDR-A_01][MDR-A_02][MDR-A_03] Specifically and prior to contracting, all supplier companies that according to Naturgy's risk matrix are going to supply products or services to Naturgy with high health and safety risk are evaluated according to an exhaustive homologation process where the supplier must give an initial response to aspects such as:

- The management and employees are committed to Naturgy's safety principles and policies, and accept its safety principles, recognising that safety is a condition of employment for employees and a condition of contracting for collaborating companies.
- They have an assessment of the risks associated with the different positions and activities they carry out for Naturgy, and having a certified health and safety management system is valued.
- Workers have the appropriate education, training and qualification for the contracted activities and are provided with the necessary protective equipment and safety materials.
- The line management feels responsible for the safety of its own and subcontracted personnel.
- The supervision of the line of command integrates the monitoring and operational control of the activities carried out for Naturgy.
- Naturgy's safety commitment is transferred in cascade, ensuring that subcontractors assume the same safety commitments.

Making the initial supplier selection and approval process very demanding in terms of health and safety compliance minimises the potential negative impacts associated with precarious work, lack of resources and poor planning, which can lead to work overload and the potential lack of health and safety measures.

Performance monitoring [S2-4_01]

[MDR-A_01][MDR-A_02][MDR-A_03] Supplier performance is monitored annually for the most relevant suppliers, that is, those providing high-risk services, with recurring contracts and high amounts. This action consists of carrying out evaluations that measure the degree of satisfaction of the operating units and assess aspects of quality of the services provided, health and safety, operational and ESG aspects.

[MDR-A_05] In 2024, 1,556 performance evaluations have been carried out on suppliers in Argentina, Brazil, Chile, Spain, Mexico and Panama, evaluating a total of 1,010 suppliers.

The results and the classification obtained are passed on to the supplier, also indicating their weaknesses and areas for improvement. As a result of these evaluations, corrective actions are implemented for those suppliers whose rating does not reach the standard set by the company. In 2024, action plans have been agreed with 97 suppliers with insufficient scores in the performance measurement.

[S2-4_04] Likewise, Naturgy monitors this action through the "Health and Safety Performance Assessment" of the collaborating companies that carry out high-risk activities. In it, aspects and criteria are established to evaluate and control in an objective and homogeneous way the performance of the collaborating companies in health and safety in order to promote continuous improvement in this area.

The evaluation system is set out in a safety standard that is available to all collaborating companies. It assesses indicators whose evolution has a direct impact on the improvement of safety conditions when carrying out the work and on the reduction of the accident rate associated with it. The indicators used in the evaluation are as follows:

- **Accident rate**: this is calculated taking into account the occupational accidents that the collaborating company has had.
- **Positive metric rate**: this is calculated considering health and safety incidents, work stoppages, safety improvement proposals or proposals for action reported by the collaborating company.
- **Documented inspections rate**: this is calculated by considering the results of documented inspections of the cooperating company.
- **Rate of occupational health and safety documentation delivered**: is calculated considering the health and safety documentation delivered by the collaborating company.
- **Work health and safety maturity rate**: this is calculated considering the involvement and commitment of the collaborating company with Naturgy's health and safety project.
- **Infringements and penalties rate**: this is calculated taking into account the infringements and penalties imposed on the collaborating company in health and safety matters.

The total assessment of these indices is made on a maximum basis of 100 points, so that the collaborating companies must obtain an overall minimum score of 70 points. If the value is below 70, they are required to submit an action plan. In addition, the results are shared with the partner companies so that they are aware of their relative position in each business.

ESG audits [S2-4_01]

In addition to the performance monitoring explained above and carried out internally by its own personnel who supervise the work carried out by suppliers and collaborating companies, Naturgy relies on external audits aimed at assessing the management systems and performance of suppliers in relation to sustainability issues in order to mitigate negative impacts.

[MDR-A_01][MDR-A_02][MDR-A_03] Audits are carried out continuously, being valid those carried out in the last three years on suppliers with high ESG risk, in all the countries where Naturgy has established the purchasing model, regardless of the supplier's country of origin: Argentina, Brazil, Costa Rica, Spain, Mexico and Panama. This model establishes a management process with unified and universal criteria for the entire scope of action of Naturgy. Key processes of these functions are centralised so that there is global coordination that makes it possible to identify opportunities for improvement.

These on-site ESG audits are managed by external consultants (Achilles) using protocols, standards and procedures defined by the Community of utilities in Southern Europe and South America. The following audits will be carried out depending on who requests it:

- At Naturgy's request on suppliers categorised as high ESG risk with a higher purchasing volume.
- At the request of other members of the RePro Community in shared suppliers: these correspond to requirements of other purchasing companies that are members of the Community, addressed to their suppliers according to the criteria established by these companies. In some cases, the suppliers are common to those of Naturgy.
- Within the RePro Community: on-site audits on those suppliers whose assessments of financial, people (working environment, hiring practices, working hours, occupational risk prevention), reputational, compliance and corporate social responsibility (ethics and integrity, non-discrimination, community relations) risk criteria do not exceed the target parameters established by this Community.

Repro is a supplier evaluation community for the energy and utilities industry used in South America and Southern Europe. It currently consists of 50 purchasing companies and evaluates around 15,000 supplier companies annually.

Regarding audits, in 2024, both audits requested by Naturgy to suppliers with high ESG risk and collaborative audits requested by other members of the Repro Community to shared suppliers have been carried out.
[MDR-A_05] Since 2017, Naturgy has the indicator "Coverage level of ESG audits over purchase volume with high ESG risk (%)", whose value has risen from 41.4% in 2017 to 88.3% in 2024. Likewise, the 2021-2025 Sustainability Plan has the objective of reaching 95% regarding the level of coverage of ESG audits on purchase volume with high ESG risk in 2025.

Suppliers who submit material non-conformities in social, environmental or governance aspects during audits are required to provide a corrective action plan for resolution. Suppliers have a maximum of one year to provide such a plan. [S2-4_04] In addition, the company has a platform whose purpose is to monitor non-conformities, in which suppliers upload evidence of their resolution and these are analysed and validated by an auditor. Naturgy's purchasing and operating units are informed of the existence of non-conformities so that the appropriate measures can be taken in the event of seriousness, repetition or failure to implement corrective actions.

In addition, and due to the relevance of the subject, Naturgy is developing a series of measures specifically aimed at minimising the impacts in relation to health and safety at work. To this end, the company has the 2024-2025 health and safety plan, the positive metrics tool and the management and investigation of accidents and incidents.

Health and Safety Plan 2024-2025 [S2-4_01]

[MDR-A_01] [MDR-A_02] [MDR-A_03] Health and Safety Action Plan 2024-2025 is aimed both at the company's own workforce (for more information on the company's own workers see the Health and Safety section of the Own workforce chapter) and at collaborating companies, both contractors and subcontractors.

This plan approved by the Management Committee in October 2023 is the continuation of the Health and Safety Action Plan 2021-2023, which was implemented as an urgent response to the increase in fatal accidents in 2020. This plan is aligned with both the commitments and objectives of the Global Safety, Health and Well-being Policy.

[MDR-A_05] In 2024, actions have been integrated such as:

- Security Communication Plan 2024.
- Accountability of partner companies, improving their proactivity throughout the subcontracting chain.
- Updating of training and informative content for collaborating companies.

The following table shows the evolution of the fatality rate in collaborating companies, as well as the accident rates:

	2024	2023
Fatality rate in collaborating companies	1	1
Fatality rate in collaborating companies (per million hours)	1.65	1.75
Lost time accidents severity rate (per million hours)	66.70	53.85

In 2024, a fatal accident occurred due to a fall from height during the assembly of a photovoltaic installation on the roof of a ceramic manufacturing company. The work had an approved installation project, a health and safety study carried out by a competent technician and a health and safety coordinator during the execution phase. The investigation is still open.

Positive Metric Tool (M+) [S2-4_02]

[MDR-A_04] The Positive Metrics (M+) tool aims to proactively identify and report unsafe situations and acts, so as to subsequently analyse their causes and launch actions, plans or improvement programmes aimed at managing the actual and potential impacts on workers in the value chain.

[MDR-A_01][MDR-A_03][MDR-A_02] The permanent availability of a safety management tool such as Positive Metric (M+), has a very relevant impact on the reduction of the negative impacts associated with the accident rate of operations and on the improvement of safety proactivity of the collaborating companies.

- The communication of incidents that occur during the development of activities, and whose identification and analysis can anticipate preventive measures that minimise the probability of an accident.
- The preventive stoppage of works in which safety breaches are detected and their non-continuation until these have been rectified and the necessary safety measures have been put in place.
- Safety and health improvement proposals (SHI) reported by workers that may affect facilities, processes and activities.

Positive Metric Indicators (M+)

	2024	2023
Nº of Preventive safety Observations (PSO)	8,640	8,670
Nº de incidentes	2,598	2,434
Nº de paralización de trabajos	1,665	1,763
Nº of proposals for improvement of health and safety (HSP)	557	539

Its design and implementation always urges all workers in the value chain not to proceed with, or give higher priority in any circumstances to, the performance of any work involving an uncontrolled risk for which the necessary means and knowledge are not available. [MDR-A_02] Thus, in all locations, workers have the right to stop work if they feel the situation is unsafe.

[S2-4_04] The effectiveness of the actions implemented, both through the Health and Safety Plan and through the Positive Metrics tool, is assessed through the performance evaluation, explained above.

Management and investigation of accidents and incidents [S2-4_02]

[MDR-A_01][MDR-A_03] Naturgy carries out the identification, treatment and investigation of the causes of accidents and incidents are defined in the internal safety standard "Process for reporting, investigation and follow-up of accidents and incidents". This action involves the investigation of all accidents and incidents occurring until their closure, in all geographical areas where Naturgy operates, as well as participation in the investigation of accidents and incidents involving workers of collaborating companies.

The investigation process starts as soon as the event becomes known. The persons in charge of the investigation, in order to know the circumstances in which it occurred, collect physical evidence and gather information, which is complemented by interviews, review of procedures, tests or analyses deemed necessary.

The purpose of the investigation throughout the process is:

- Identify the causes and contributing factors of the accident/incident: why.

- Identify, if appropriate, actions to be taken to reduce the risk of the event happening again: learning.

[S2-4_04] The investigation processes include the participation of the line managers of the workers and employees involved and any other person who can provide relevant information for the determination of the causes.

To facilitate the first purpose, Naturgy has a unified incident investigation system whose model is based on root cause analysis and optimised according to existing best practises and the HFACS (Human Factor Analysis Classification Scheme) methodology:

- It enables root-causes to be reached through gradual reflection.
- It facilitates the process of capturing information and disseminating lessons learned.
- It discriminates responsibilities among the value chain actors involved and allows for a diagnosis of hierarchical levels at which to act.
- It facilitates the adoption of short- and medium-term measures, including the review of processes, activities and applicable standards.

In relation to learning, any findings from the investigation feed into the risk assessment, so if the need for a review is identified, the reason for this is recorded. The corrective and preventive actions defined are also reported, with the aim of restoring compliance as soon as possible to minimise consequences and avoid recurrence.

The company considers that not all events that occur have the same "Potential Serious Injury or Fatality (PSIF)". [MDR-A_04] For this reason, the business units focus on critical risk factors, which are those whose occurrence can cause severe alterations in the health of the worker, of a permanent or long-term nature, or even death.

The introduction of this concept means a change in the analysis and monitoring of accidents and incidents, the main negative impact of Naturgy's activity on people, because an even more exhaustive investigation process is carried out and a rapid implementation of those control measures that act on these precursors, eliminating or reducing their impact.

[MDR-A_02][MDR-A_05] In 2024, a total of 2,666 incidents and accidents have been analysed and investigated, proactively reported by own workforce and workers in the value chain.

Development of suppliers [S2-4_03]

In addition to the measures described so far aimed at preventing and mitigating negative impacts, Naturgy collaborates with supplier companies with the aim of helping them to improve their management practices and, ultimately, contribute to the generation of positive impacts, such as fostering an inclusive culture by promoting inclusion and equity.

[MDR-A_01] [MDR-A_02] [MDR-A_03] Naturgy permanently promotes both the technical and management training of its suppliers and the development of knowledge and ESG practices through the Extended Academy(EA) of Naturgy's Corporate University to encourage the improvement of operational efficiency, the incorporation of innovative methodologies and the development of skills aimed at excellence in operations and service.

Since 2022, Naturgy is part, as a driving company, of the "Training Programme: Sustainable Suppliers", in collaboration with the Spanish Network of the United Nations Global Compact. This programme, which promotes the training of suppliers in ESG aspects, is focused on training SMEs suppliers of large companies in specific areas of the Ten Principles of the Global Compact and the Sustainable Development Goals (SDG). [MDR-A_05] Thus, in 2024, a total of 47 SMEs suppliers of Naturgy had the opportunity to participate in this training programme.

Through this programme, participants have had the opportunity to receive training on general aspects of sustainability, the Sustainable Development Goals and the ten principles of the Global Compact, and to study in depth, among others, issues such as diversity, equity and inclusion in the business environment, understand how to define an equality plan or examine the importance of respect for human rights in business practice.

Additionally, with the aim of promoting equality in collaborating companies, Naturgy has issued a communication to all suppliers in the EMEA area that have contracts in force with the company. This communiqué provides information on the Naturgy Group's Equality Plan 2023-2027 and highlights the company's commitment to promoting equal opportunities, rejecting any form of discrimination based on gender, sexual orientation, marital status, disability, age, race, political and religious beliefs, trade union membership or any other type of discrimination. The communication has also been published on the Group's website so that it can be consulted by new or potential suppliers.

Actions to manage risks and opportunities

[S2-4_08] In the double materiality assessment, no material risks arising from impacts on workers in the value chain have been identified, so the company does not disclose the required information regarding actions planned or underway to mitigate material risks.

[S2-4_09] On the other hand, the main measure that Naturgy has established to take advantage of the material opportunity identified is the action aimed at collaborating with supplier companies in order to promote and prioritise the contracting of local/national suppliers.

Collaboration with local suppliers

[MDR-A_01][MDR-A_02] Naturgy promotes collaboration with local or national suppliers to positively influence the economic development of communities. [MDR-A_03] Through the Sustainability Plan, the company has established the objective that, by 2025, more than 85% of the purchasing volume awarded will be from local suppliers. [MDR-A_05]Thus, in 2024, a level equal to 90.48 was reached.

It is part of the work of the purchasing teams to encourage the contracting of suppliers from the country or region where the company carries out its activities in face of similar competitiveness in other locations, thus supporting the generation of positive social impact. [S2-4_04] The effectiveness of this action is also monitored through the above-mentioned objective.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S2-5)

[S2.MDR-T_01-13][S2-5_01][S2-5_02][S2-5_03] Naturgy establishes the targets for managing the impacts and opportunities identified in the double materiality assessment. These targets are shared with suppliers and their performance is analysed annually in the business activity coordination meetings, so that the companies are aware of the evolution of their performance.

The objectives set for the management of impacts, risks and opportunities are set out below:

Targets related to the material sub-topic of working conditions of value chain workers

[MDR-T_01] It is worth noting that the opportunity to work with local/national suppliers has a positive impact on the economic development of communities, for this reason the 2021-2025 Sustainability Plan has the objective “Purchase volume assigned to local suppliers (%)”, which makes it possible to monitor Naturgy's commitments in relation to its value chain (for more information on commitments, see the section on Management of relationships with suppliers with suppliers in the Business Conduct Chapter).

[MDR-T_09] The target was established by calculating the volume of purchases assigned to suppliers located in the same geographical area from where the purchase is made as a proportion of the Group's total purchase volume.

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Purchase volume assigned to local suppliers (%)	2021	Not applicable	> 85.0	90.5	89.9	Not applicable

[MDR-T_11][MDR-T_13] This objective is known by all the collaborating companies with which Naturgy carries out its operations. Likewise, these goals are reported and supervised by the Sustainability Committee in the different meetings held during the year.

[MDR-T_08][MDR-T_12] Finally, those target has had no milestones or interim targets, nor changes to the corresponding metrics, underlying measurement methodologies, significant assumptions, limitations, sources and processes to collect data adopted within the defined time horizon.

[MDR-T_01] .[MDR-T_04] [MDR-T_07] In the Sustainability Plan 2021-2025, Naturgy did not have targets for the management of negative impacts on working conditions in the field of workers in the value chain. However, as mentioned in the section "Sustainability purpose and strategy" of the General disclosures chapter, Naturgy has designed a Sustainability Plan for the years 2025-2027, in which targets have been included to address the above-noted impacts.

The new objectives, which have a global scope, for collaborating companies (CC) in the period 2025-2027 are:

	Approval year	Base year	Target 2027	Baseline value
Lost time accidents frequency rate for contractors (per 1,000,000 hours worked)	2025	2022	< 1.75	1.55

Targets related to positive and negative impacts of equal treatment and equal opportunities for all

[MDR-T_01] The 2021-2025 Sustainability Plan has objectives that make it possible to assess the responsible management of the value chain and ensure that it, through the Supplier Code of Ethics, complies with the principles set out in the company's Code of Ethics.

[MDR-T_09] The established target-setting methodologies are as follows:

- **Coverage level of ESG audits over purchase volume with high ESG risk (%):** this is determined by calculating the volume of high ESG risk purchasing audited in the last 3 years out of the group's total volume of high ESG risk purchasing.
- **Purchase volume with acceptance of the Code of Ethics (%):** this is established by calculating the purchasing volume of general contracting from suppliers that have accepted the Naturgy Supplier Code of Ethics in the year over the total purchasing volume of the Group.

[MDR-T_11][MDR-T_13]The targets are known by all the collaborating companies with which the company carries out its activities. Similarly, the targets are communicated and monitored by the Sustainability Committee at meetings held during the year.

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Coverage level of ESG audits over purchase volume with high ESG risk (%)	2021	Not applicable	95.0	88.3	84,4	Not applicable
Purchase volume with acceptance of the Code of Ethics (%)	2021	Not applicable	95.0	95.6	96,4	Not applicable

These indicators maintain the same scope at country and business level as the previous objective ‘Purchase volume assigned to local suppliers (%)’. In addition, the code of ethics acceptance indicator does not include the Chile gas network business as the Group's systems used to calculate this indicator are not available, which represents 2.48% of the total volume of purchases awarded.

[MDR-T_08][MDR-T_12] During the established period, there have been no milestones or intermediate targets, as well as no changes in the corresponding parameters, underlying measurement methodologies, significant assumptions, constraints, sources and processes for data collection.

In addition, on the occasion of the new Sustainability Plan 2025-2027, which updates the indicators of the previous Sustainability Plan, the following two objectives have been set to be met by 2027:

	Approval year	Base year	Target 2027	Baseline value
Coverage level of ESG audits over purchase volume with high ESG risk (%)	2025	2022	95	82.7
Purchase volume with acceptance of the Code of Ethics (%)	2025	2022	96	95.4

3. Affected communities (S3)

The information provided in response to this standard takes into account the definition of value chain workers as expressed in Annex II 'Acronyms and glossary of terms' of the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards. . Therefore, affected communities are "People or group(s) living or working in the same area that have been or may be affected by a reporting undertaking's operations or through its upstream and downstream value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples".

Naturgy is committed to respecting the groups affected in the Global Sustainability Policy, described in the chapter General disclosures, section Corporate policies of this report. The analysis of the social impact that the company's activities may have on the affected groups and the contribution to improving their living conditions, from energy, are key to the fulfilment of this commitment.

Interests and views of stakeholders (SBM-2)

As explained in the chapter General disclosures, section "Interests and views of stakeholders", Naturgy gathers the opinions of all stakeholders through different dialogue and collaboration actions. Specifically, in the case of affected communities, the company shows a great willingness to relate to this community through early and transparent communication. This collaboration is developed in the Affected Communities Policy, with the Social Relationship Model (SRM) is the tool that not only makes it possible to know their opinions, but also to look after their interests. Both references are detailed throughout this chapter.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

[S3.SBM-3_01] All affected communities that could be affected by the company, either by its own operations, its products or services or by business relationships, have been considered in the double materiality assessment, described in the chapter General disclosures of this report, section 4. Impact, risk and opportunity management.

[S3.SBM-3_02] [S3.SBM-3_03] These groups are identified in the projects during the initial phases and in their continuous review throughout the life cycle of the activity, in the locations where they are developed. In this sense, the affected communities by the company's material impacts are the people or groups who live or work in the same area where the company carries out its activities and who have been or may be affected by them, as well as the indigenous peoples located in these areas. Such is the case of the Quilombolas in Sobral and Sertao (Brazil) and the Zapotecos in Juchitán de Zaragoza, Oaxaca (Mexico).

Within these groups, special attention is given to the most vulnerable groups that could be most affected by the company's activities, for example: women, people from socio-economically vulnerable backgrounds, people with disabilities and rural communities.

Following the double materiality , it has been concluded that this issue is material only from an impact perspective, as reflected in the table below .[S3.SBM-3_06] Therefore, no material risks or opportunities, considered from a financial perspective, arising from the company's interaction with the affected groups are detailed. The impacts are:

		Value chain (2)(3)	Business (4)	Time horizon (5)
AFFECTED COMMUNITIES				
Communities' economic, social and cultural rights				
N.I.(1)	Affecting human health due to the emission of atmospheric pollutants derived from the activity of the company and the value chain.	VC	Both	Current
	Affecting the well-being of local communities through noise pollution from activities causing problems to health and well-being, both physical and mental.	OO	Both	Current
P.I.	Dynamisation of the economy and contribution to the GDP of the regions where the company operates derived from the contribution of profits (taxes, infrastructures, community development programmes).	VC	Both	Current
	Promoting the creation of local employment in the construction and operation phases of the infrastructures.	VC	Both	Current
	Promoting the employment of minorities and vulnerable groups.	VC	Both	Current
Rights of indigenous people				
N.I.	Displacement of local communities and violation of the territorial rights of indigenous communities through infrastructure projects that may require large extensions of land.	VC	Electricity	Medium-term
	Put at risk the cultural heritage, traditional knowledge and/or spiritual sites of indigenous communities due to project activities.	VC	Electricity	Medium-term
	Non-compliance with recognising the right of indigenous communities to maintain their customs and social practices, as well as the ownership of those territories that have been legally granted to them, according to the provisions of Convention 169 of the International Labour Organisation (ILO).	VC	Electricity	Medium-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section "Naturgy and its value chain". The term "VC" has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities "Gas", "Electricity" and "Both" are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the "Current" category are those that have occurred the present year, and thus no time horizon applies.

[S3.SBM-3_04] Regarding the negative impacts, actual or potential, that have an effect on or could have an effect on the affected communities, these are individual incidents that the company deals with closely with the authorities and the areas in charge of social management.

[S3.SBM-3_05] Naturgy develops different actions that generate a positive impact on the communities affected by its operational activity, through these actions it seeks to promote the economic and social development of the regions in which it is present. For example, the company carries out training programmes in different countries, such as Argentina or Brazil, focused on promoting the employability of young people in vulnerable situations (for more information, see the subsection "Actions to manage negative and positive impacts" in this chapter).

[S3.SBM-3_07] During the double materiality assessment, the impact that the company's activity could have on the indigenous population has been specifically analysed. Naturgy is aware that these communities have particular characteristics that must be taken into account and that there is a greater risk that their rights may be violated. However, in accordance with the above, no risks or opportunities have been identified that could significantly affect the collectives affected globally, or specific groups of affected collectives.

It should be noted that during the socio-demographic classification of the area, a fundamental stage within the Social Relationship Model(SRM), the local communities and their characteristics are studied and, based on this analysis, it is determined whether the project in question is viable, taking into account the particular needs of the collectives.

Policies related to affected communities (S3-1)

[S3.MDR-P_01-06] [MDR-P_01] Naturgy defines its main principles and commitments regarding the economic, social and cultural rights of communities and the rights of indigenous peoples in the Global Sustainability Policy and develops this commitment in greater detail in the Affected Communities Policy, which defines how Naturgy manages the impacts of its business on these groups from an operational perspective.

[S3-1_01] The Global Sustainability Policy defines the basic principles of action in matters of respect for Human Rights that Naturgy assumes and specifically establishes various commitments with people, communities and society. In this sense, it undertakes to:

- Provide the means to ensure that the company's activities do not have a negative impact on the natural environment or on the traditional ways of life and work of the people living in its areas of operation.
- [S3-1_06] Comply with the terms of Convention 169 and with the indications of the competent authorities in each case, in the event that their activities have an impact on areas where indigenous peoples are present.
- Respect the right of indigenous communities to maintain their customs and traditional ways of life, as well as those real rights that they have acquired in accordance with the legal framework in force or, where appropriate, in accordance with tradition and generally accepted practices, ensuring them fair compensation and at least that legally provided for in the event of suffering any detriment or prejudice as a result of the activities carried out by Naturgy.

[S3-1_07] Naturgy considers these commitments to be in line with internationally recognised standards relevant to collectives and indigenous peoples, including the UN Guiding Principles on Business and Human Rights, and is not aware of any reported breaches of these international instruments.

[MDR-P_02][MDR-P_03][[MDR-P_05]][MDR-P_06] With regard to the Global Sustainability Policy, the Corporate Policies section of the General disclosures chapter of this report provides exhaustive details of the scope of the policies, the bodies responsible for their application and, in addition, the commitments and fundamental principles established to incorporate the interests and concerns of this group, as well as the mechanisms and channels made available to them.

[MDR-P_04][S3-1_02] The commitments made in the Global Sustainability Policy have been established in accordance with the principles expressed in the United Nations Universal Declaration of Human Rights and the Declaration of the International Labour Organisation (ILO), the principles of the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance and the European directives and national laws that regulate these principles.

[MDR-P_02] The scope of application of this policy covers all companies or entities in which the Group has, directly or indirectly, a majority shareholding or responsibility for their operation and/or management.

[S3-1_01][S3-1_03][S3-1_04][S3-1_05] This policy establishes that Naturgy respects the cultural diversity and human rights of communities, especially indigenous peoples and vulnerable groups. To this end, it undertakes to act with the necessary due diligence, to assess and, if necessary, mitigate social risks and impacts, identifying possible effects on human rights and to establish solid and cooperative relations with the groups in the areas of influence of the activities, integrating social management as another discipline in the entire life cycle of the activities.

Processes for engaging with affected communities about impacts (S3-2)

[S3-2_01] The Social Relationship Model (SRM) is the main process that Naturgy implements to collaborate with the affected communities in terms of impacts. This model takes into account the perspectives of all groups, as it carries out a diagnosis based on which the area of influence and social impact is determined, as well as the mapping and classification of stakeholders. Specifically, this model is applied in the geographies where the company has a presence, adapting the actions to the idiosyncrasies of each geography.

The collaboration process for the incorporation of the concerns and interests of the groups affected by the company's activity is developed in the following way:

- **Pre-feasibility and opportunity analysis:** the area of influence is determined, as well as the possible impacts, risks and opportunities that could occur. In addition, a mapping of the communities that could be affected by the company's activity is carried out and a relationship plan aimed at managing them is initiated. Particular emphasis is placed on the concerns of vulnerable groups and, if necessary, indigenous peoples, with prior consultation in accordance with established standards.
- **Design, processing and procurement:** permanent communication is established, developing bonds of trust, as well as agreements with landowners and/or affected neighbours. Finally, the Social Relations Plan (SRP) is activated, incorporating the expectations and concerns of the affected groups.
- **Construction and implementation:** progress is reported and dialogue with communities is maintained through working with neighbourhood representatives, community sessions and instant messaging applications. In this phase, containment measures are included, if necessary, and agreements are signed. In addition, if impacts materialise, remediation mechanisms are activated.

[S3-2_02] Within the framework of the SRM, the company carries out a mapping and characterisation of stakeholders and identifies the communities affected by the company's activities as well as their needs and aspirations. [S3-2_03] This consultation, participation and information collaboration is established both directly with the community and with legitimate representatives or credible proxies during the different phases of the life cycle of the activities and depending on the context of each location.

Below, it is illustrated, with the most relevant examples of this exercise, how this collaboration process is carried out in different geographical areas and businesses where the company is active:

Engagement processes

Engagement in Spain

[S3-2_03] [S3-2_02] In Spain, the business that has had the greatest impact on the groups affected by its growth in recent years and the type of projects carried out is renewable generation. In the territories where the MRS has been implemented, there is a social management team formed with local-level specialists. This team maintains a close and permanent relationship with the neighbours of the projects developed by the company, fostering collaboration and two-way communication based on trust, consultation, participation and access to information.

The work of the social managers comprises a cabinet and a field part. The figure of the social manager intervenes in the different stages of the MRS, performing information functions, mediation in the event of possible impacts, resolving doubts about the project, gathering information from the territory through participatory processes and supervising the proper implementation of the model, in coordination with Naturgy teams, and local stakeholders and interest groups (neighbourhood communities, associations, local administration, third sector entities and others).

[S3-2_04] In order to guarantee collaboration, the most senior managers of the activity, such as the heads of Development, Construction and Operations directly, and indirectly, the General Manager of of Renewable Generation and transversal units, support with resources and provide guidelines on the strategies to be followed.

[S3-2_05] While there is no fully implemented effectiveness measurement model, results are assessed through regular monitoring and reporting meetings such as the Project Development and Construction Committees, both at regional and project level.

International engagement

In the international sphere, the figure of the social manager is present in the main geographies where the company operates. In countries where the company is less present, the company has its own workforce prepared to undertake the social functions, ensuring communication with the legitimate representatives.

[S3-2_02] [S3-2_03] In Mexico, active collaboration is carried out with the affected collectives in the mapping and identification phase. The teams involved identify the representatives of the Community Participation Commissions and organise information meetings to provide project details, deadlines, legal documents and means of communication. In addition, a house-to-house survey is carried out to hand out information leaflets and collect feedback from affected groups, which allows a detailed report to be drawn up and specific actions to be planned to address doubts or opposition. Finally, meetings are held with community representatives to ensure participation and compliance with project objectives.

[S3-2_02] [S3-2_03] In Brazil, the company holds regular meetings with community leaders to discuss impacts and define corrective actions. In addition, it offers digital platforms and customer service channels for communities to express their concerns. It also implements social investment programmes based on identified needs, benefiting affected communities with infrastructure and education projects.

[S3-2_05] The effectiveness of this collaboration is evaluated through surveys, meetings, events, dissemination through the corporate website and social networks. These collaborative processes have generated tangible results, such as the identification of sensitive areas and the adoption of preventive measures, improving trust and social acceptance. Active collaboration has resulted in initiatives aligned with local needs, such as infrastructure improvements and training programmes.

[S3-2_02][S3-2_03] In Argentina, in those territories where projects have been implemented with the communities, there is a coordinating team that relies on foundations and non-governmental organisations (NGOs), because of their role as recognised spokespersons. In this way, they are responsible for establishing and maintaining a close and continuous relationship with the neighbours of the projects being developed. Their work ensures the correct implementation of the model, promoting information, active participation and effective coordination with local groups, including neighbourhood communities, local governments and third sector organisations, among other relevant actors. [S3-2_05] Collaboration with these entities also makes it possible to evaluate the effectiveness of the actions developed.

[S3-2_04] In the area of network businesses, stakeholder management depends functionally on the country's Communication and Institutional Relations Department, reporting directly to the first executive of the company in that geography.

Engagement with vulnerable groups

[S3-2_06] Local social managers, land managers and business unit representatives with the most direct interaction with affected groups maintain direct dialogue and communication with them. However, for specific cases and groups, such as vulnerable groups, appropriate interlocutors are designated and the most appropriate consultation and participation methods are defined for each situation, which may include direct individual interactions, the mediation of legitimate representatives or the organisation of open information days, among others.

For example, in the case of Mexico, in the socio-demographic identification phase, which is part of all projects, an analysis is carried out to understand the perspectives of specific communities and to detect the possibility that these groups may be particularly affected, either directly or indirectly. The analysis takes into account:

- Age distribution in the population.
- Classification by age groups (children, youth, adults, elderly).
- Proportion of men and women.
- Cultural diversity and presence of minorities.
- Distribution according to level of education attained (primary, secondary, tertiary, etc.).
- Literacy and access to education.
- Employment and unemployment rates.
- Predominant types of occupations and economic sectors.

After the socio-demographic identification of the area, the various stages of consultation and participation described above are carried out, where a closer approach is achieved with the possible groups affected, which guarantees the knowledge and consideration of their needs and points of view.

Indigenous people

[S3-2_07] Naturgy respects the autonomy of indigenous communities and recognises their right to preserve their culture and traditional ways of life.

The Social Relationship Model, accordance with the provisions of the Affected Communities Policy, develops the corresponding consultation process to obtain free, prior and informed consent in accordance with the terms of Convention 169 and the indications of the competent authorities in each case. In this way, their participation in decisions that affect their lives, lands and resources is guaranteed through the right to maintain and strengthen their cultures, traditions and institutions.

In the case of Australia, all social relations activities are based on the development and implementation of a specific Social Relationship Model in each of the projects, starting in the development phase of the projects and continuing during the operation phase, based on permanent communication with the most relevant stakeholders in the environment.

It should be noted that the projects developed by Naturgy in that country do not have a direct impact on the lives of the First Nations Peoples (name in Australia) identified, as they do not live in the vicinity of the projects and facilities. However, the action may affect their cultural heritage. This heritage includes tangible aspects that are part of the culture of these populations, such as Aboriginal artefacts or native vegetation, or intangible aspects, such as their values.

In this way, Aboriginal peoples are identified as part of the key stakeholders in each of the projects and are involved from the beginning of each one as part of the Cultural Heritage Management Plan. The Aboriginal peoples are:

- EMAC (Eastern Maar Aboriginal Corporation): through the recently under operatoins Ryan Corner Wind Farm and Hawkesdale Wind Farm projects, and through the development of the Darlington Wind Farm and Tarrone BESS projects.

- Wiradjuri: on projects in the development of Paling Yards Wind Farm and the construction of Glenellen Solar Farm.
- PCCC (Port Curtis Coral Coast Trust): in the construction phase of the Bundaberg Solar Farm project.
- Wathaurong: in the Berrybank BESS project.

Consultation with Aboriginal groups is a must in Australia from the beginning of the project as they are one of the main stakeholders. Their participation is encouraged from the outset as they are considered the "Traditional Owners" of the land and are treated in a very respectful manner.

The steps are as follows:

- First of all, the aboriginal group present in the project area is identified, and research is carried out on this group, their background, culture, activities, etc.
- The company then contacts them and holds an initial meeting to present the company and the specific project, in order to inform them and get their opinion.
- Joint work is done on the Cultural Heritage Management Plan or Agreement (CHMP) that is mandatory to be developed as requested in the project permit. This document has to be negotiated and agreed with the Aboriginal group. It includes how their cultural heritage (tangible and intangible) in the project area is to be managed by our team and our contractors in accordance with their values and traditions.
- The Aboriginal group is the one that conducts all surveys on the project site to ensure that possible cultural artefacts, indigenous vegetation, etc., are properly managed.
- The company works together with partner companies in accordance with the cultural heritage requirements of the CHMP.
- The Aboriginal group also provide cultural training induction to our employees and contractors, and participate in smoking ceremonies on site (prior to the start of construction) and also in groundbreaking ceremonies once the project is built and commissioned.

Processes to remediate negative impacts and channels for affected communities to raise concerns (S3-3)

[S3-3_10] The general approach followed by Naturgy when providing or contributing to the remediation of negative impacts is defined by the four fundamental principles of action that underpin the Social Relationship Model:

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

Therefore, based on the needs, concerns and expectations identified by the company through the collaboration processes with the groups involved, explained in the previous section, Naturgy defines in each geography and/or project an initial plan for the relationship with the affected groups, aimed at managing the impacts identified and based on these four principles of action.

In addition, through environmental and social impact studies prior to the implementation of any project, the company identifies the environmental compensatory actions aimed at mitigating the possible impacts of the projects.

Internal channels for affected groups

Code of Ethics Channel

[S3-3_11][S3-3_13][S3-3_15] The Code of Ethics Channel is a communication mechanism accessible to any stakeholder, designed to resolve doubts and report possible breaches of the established rules and principles of conduct. The availability of this channel, the process for following up on issues raised and the policy for protection against retaliation are detailed in the section "Internal channels for own workforce" in the section "Processes for remediate negative impacts and channels for own personnel to express their concerns (S1-3)" in chapter S1. Own workforce. This channel is available in all businesses and geographies except the gas networks business in Chile.

In Chile, the Code of Ethics channel, known as the “Linea de Denuncia”, is available through the website (https://naturgy.cl/linea-de-denuncias/). In this case, the whistleblower may choose to make the report anonymously or identify him/herself, and the protocol that protects the confidentiality of the report is defined in the Crime Prevention Model Policy.

Specific channels in the framework of the projects

[S3-3_11] In addition to the Code of Ethics Channel, the company establishes specific channels and procedures for each project or geography and, as explained in the previous section, the company appoints social managers to facilitate communication and conflict resolution.

Some examples are given below:

- Renewable technology development projects in Australia: in accordance with the requirements of the authorisations, Naturgy provides a complaints box for the affected community at each of the sites. In addition, there are social managers who facilitate communication and conflict resolution.
- In the Mexican gas networks business, messaging channels such as WhatsApp are used. The channel is managed by the social management team itself, in conjunction with other operational areas. Through the group chat, information is provided on the phases and progress of the projects, as well as the mitigation actions that the company develops in the face of possible negative impacts.
- Argentina's gas network business has a damage prevention plan that includes communication channels that allow affected groups to anticipate, denounce or report possible excavations or breakage of installations.
- In the Brazilian gas network business, the company provides affected groups with various channels such as customer service centres or the web channel where they can make their complaints and concerns known. In addition, regular meetings are organised with community leaders and residents to discuss concerns and propose joint solutions.

[S3-3_13] To follow up and monitor the issues raised and addressed, each business uses tools such as databases, regular reports and follow-up meetings, making sure to respond to the requests and needs of the community. Although there is currently no common systematic approach to this follow-up, the company believes that the measures taken ensure that the effectiveness of the channel is guaranteed.

[S3-3_14] In relation to whether the company assesses whether the affected groups know and trust these channels to raise their concerns, the company does not have specific methodologies, however the effective use of the channels and the assignment of dedicated teams and social managers, allows a close follow-up and relationship that leads to the conclusion that the channels are reliable.

Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions (S3-4) [S3.MDR-A_01-12]

The management of impacts, both current and potential, is a priority task within the organisation. Therefore, Naturgy works both to prevent and mitigate those impacts that may negatively affect communities, and to promote those measures that generate positive effects.

[S3-4_05] The Social Relationship Model (SRM) and the collaboration processes with the affected communities explained in the previous sections are the main processes through which the company determines what actions are necessary and appropriate to respond to the negative impacts on the communities. With the results of these processes, the company designs Social Relations Plans (SRP) that include specific actions and measures adapted to each project.

[S3-4_06] The approach followed when adopting measures in relation to negative impacts is based on the principles of action that guide the Social Relationship Model, as explained in the previous section. In addition, in those cases in which the nature of the project makes it necessary to lease land, the company makes financial compensation to the owners.

[S3-4_07] Naturgy has various mechanisms to confirm that the processes for repairing negative impacts are accessible, effective and satisfactory for those affected by means of a people-centred approach. The collaboration channels explained and, especially, the figure of social managers, allow the company to ensure that the solutions and actions proposed to address and, where appropriate, compensate the negative impacts are considered adequate by the affected groups.

[S3-4_08][S3-4_09] Specific plans for managing risks and opportunities are not disclosed because they are not recognised as material.

[S3-4_10] As explained in the previous sections, Naturgy has a series of mechanisms focused on preventing the occurrence of negative impacts on the affected communities within the framework of its operations. These mechanisms are based on the specific commitments determined in the policies defined by the company and are accompanied by due diligence procedures aimed at reducing the likelihood of impacts occurring.

In the field of operations, Naturgy carries out environmental and social impact assessments prior to the development of projects and incorporates listening, dialogue and collaboration activities with the affected groups from the early stages. As a result of these initial activities, the company defines social relations plans that it executes throughout the life of the projects. These plans incorporate actions aimed at preventing the appearance of negative impacts, establish compensatory actions in the event that any impact has materialised, and propose actions aimed at generating positive impacts. These actions are disclosed in more detail in this section.

[MDR-A_06][MDR-A_07][MDR-A_09][MDR-A_10][MDR-A_11][MDR-A_12] In economic terms, these actions require a financial contribution from Naturgy in the form of related capital investments and operating expenses, which are not significant and are aggregated into larger accounting items, as it is very difficult at the accounting level to provide individual details of these items.

[S3-4_12] Naturgy assigns specialised resources for the management of material impacts, ensuring a structured and efficient approach. The company has specific teams to manage relations with affected communities and groups, as well as to manage impacts on the environment and human rights. In addition, as part of the budget for each project, the company allocates specific items aimed at preventing and, where appropriate, mitigating negative impacts and executing the actions of the social relations plans aimed at generating positive impacts.

Actions to manage negative and positive impacts

Social Relations Plan [S3-4_01][S3-4_02][S3-4_03]

[MDR-A_01] [MDR-A_02] As explained throughout in this chapter, Naturgy has a Social Relationship Model based on principles of action that, starting from the identification of the concerns, interests and expectations of the affected groups, leads to the definition of Social Relations Plans aimed at addressing the potential impacts identified in the initial stage of the projects and defines the actions to be developed during all phases of the project, to generate a positive impact that promotes the well-being of the community and the remediation mechanisms to be applied when necessary.

These social relations plans are the basic management tool and as such are recognised and described in the Affected Communities Policy and contribute to achieving the objectives derived from it.

[S3-4_04] Although the company does not have a system for monitoring and evaluating the effectiveness of actions that is uniform and applicable to the different geographies where it operates, it maintains an active presence at the sites and, through social managers or other company representatives, monitors and follows up on the development and effectiveness of the actions implemented.

[MDR-A_03] [MDR-A_05] Below is a description of some of the initiatives that the company has developed during the 2024 financial year within the framework of the different social relations plans defined in the businesses and geographies.

Actions aimed at generating positive impacts and preventing negative impacts on the economic, social and cultural rights of communities.

[MDR-A_04] Naturgy develops action plans in order to prevent accidents that may have an impact on human well-being. As a result of the current negative impacts identified, such as noise pollution and the emission of atmospheric pollutants, the company has taken a preventive approach to avoid future materialisations that affect communities and thus ensure human well-being. It also develops plans and actions to promote positive impacts.

The most representative of this 2024 exercise are highlighted below, by country:

Spain

During 2024, social management actions were carried out in various areas of Spain, specifically in the Canary Islands, Andalusia, Castilla La Mancha, Castilla y León and Galicia. Below is a breakdown and detail of the main lines of action carried out:

- Employability:
    - Signed a letter of convenience to leverage the local employability strategy with three partner companies in wind farms and photovoltaic plants.
- Education:
    - Educational and awareness-raising visits to the facilities with local stakeholders (primary, secondary and vocational schools, universities and local associations) throughout the country.
    - Participation in local promotion conferences, for example, in the Rural Hashtag conference to connect with young talent and challenges of companies located in Tabernas, Almeria.
    - Twelve training scholarships to attend the summer course on renewable energies at the International University of Andalusia in Huelva and 15 scholarships for the course at the University of Almeria.
    - Win win Lab in municipal swimming pools in Almonacid de Zorita and Zorita de los Canes, Guadalajara.
    - Energy efficiency workshop in the museum of Bolarque, Guadalajara, with children from nearby towns.
    - Collaboration with summer courses of the University of Vigo in Muíños Town Council, on environmental issues and heritage conservation.

- Culture and local heritage:
  - Promotion of activities at local cultural festivals, e.g. dubbing workshops at the Festival de Nuevo Talento Cine Andaluz in Casares, Festival de flamenco bellota in El Almendro (Huelva).
  - Participation in the regional environmental awards 2024 with a project on social and environmental sustainability in renewable energies in Castilla La Mancha.
  - Sponsorship of summer cultural activities in San Bartolomé de las Abiertas, Toledo.
  - Collaboration in the ancestral cultural festival "Rapa das bestas de Candaoso" in Viveiro, Lugo.
  - Collaboration with "Arde Lucus", a cultural festival of historical re-enactment in Lugo.
  - Collaboration with the sporting event "21 leagues" as one stage runs through the Novo wind farm, La Coruña.
- Social:
  - Activities to improve the environment: provision of furniture for a municipal study room, rejuvenation of municipal trees in Andújar, Jaén.
  - Provision of furniture (tables, chairs and shelving) for a municipal study room in La Puebla de Cazalla, Seville.
  - Awarding of prizes and scholarships to promote gender equality, to recognise people and companies that strive to achieve it and to provide scholarships to Canarian women without income to study a postgraduate course associated with the Agüimes wind farm, Las Palmas.
  - Revitalisation and support of the local economy around the photovoltaic plants in Zorita I and II, Guadalajara, through dialogue with local businesses to find out about their services and capacities and with the hotel, catering and services sector.
  - Collaboration with the Ribeira Sacra Classical Festival in Galicia, managed by a local cultural association.
  - Public information day to inform neighbours about photovoltaic plants and collaborate in land management, Santa Eufemia del Barco, León.

Chile

An open day was held as part of SOFOFA's Open Companies initiative and involved a visit by around 200 students from technical schools and vocational colleges to the Regasification Satellite Plant (PSR) of Puerto Montt and the Metrogas Laboratory in Las Parcelas. In addition, the "Training Plan for Collaborating Companies" is being developed with the aim of training technicians, administrative staff and teachers from collaborating companies through short-term courses and workshops, with the aim of promoting growth, development and service quality, improving performance and strengthening competitiveness.

Argentina

The "Pueblos Solares" project, developed by Naturgy and Fundación León, promotes the use of solar energy in the Calchaquíes Valleys (Tucumán) by promoting the climate adaptation of 40 homes of small producers through the installation of solar panels and a training programme on their use, maintenance, clean energy and climate change. In addition, thanks to the Asociar Energía programme, which provides 10 canteens in the Yungas area of Salta and Jujuy with a strategy of equipping spaces with ecological biomass cookers, this project generates a positive impact by employability and entrepreneurship.

In the area of employability, programmes have been developed such as "Energía del Sabor", whose objective is to train young people between 18 and 25 years of age, unemployed or in precarious employment situations, to generate genuine and sustainable employment that will allow them to escape from the situation of social vulnerability in which they find themselves. In addition, as of 2022, the company decided to add the entrepreneurship axis to the programme in order to acquire knowledge that will enable them, in the future, to start their own business and carry out trades related to gastronomy.

Also noteworthy is the “Future Graduates Programme” of the León Foundation, which promotes the effective transition from the academic world to the world of work through personalised, systematic and continuous accompaniment throughout the secondary education stage, in order to guarantee access to better and greater educational opportunities that enrich the construction of a life project.

Mexico

The company collaborates with local communities on an ongoing basis, with the following initiatives per facility being of particular note:

- Tuxpan III and IV combined cycle power station: the deployment of the relationship plan with the communities located along the state highway "Carretera de los Kilómetros" from kilometre point cerp to 16,000 continues, developing activities focused on strengthening traditions and community coexistence; support for the needs of the Nakú Kayám house; aid for the rainwater collection system and waste separation; aid to schools for materials and furniture.
- Durango combined cycle power station: collaboration with the Bebeleche Museum for the educational urban garden; collaboration with the Martín Luis Guzmán kindergarten for the rainwater collection system; and contribution to the purchase of an intensive care ambulance.
- Naco Nogales combined cycle power station: the support plan for the communities surrounding this 300 MW power station, located near the city of Agua Prieta (Sonora), has focused on social and educational activities. This year, support has been given to the Agua Prieta firefighters in prevention and first response actions; collaboration for the school canteen pantry; economic promotion for events with economic and tourism development in Agua Prieta.
- Hermosillo combined cycle power plant: donations to the Red Cross and fire brigade; rehabilitation of roads and canals; and support for the Nueva Creación primary school in Colonia La Cholla.

Australia

In 2024, Global Power Generation's (GPG) growth in Australia continued with the start of construction of two solar PV plants (Glenellen NSW and Bundaberg QLD) and the commissioning of three wind farms (Crookwell III, Ryan Corner and Hawkesdale).

Some of the most outstanding initiatives of these plans have been:

- Actions for community benefit with the participation of neighbours: collaborations in community events, such as Donation for Health Services at Ryan's Corner wind farm, Community open Day at various projects, Scholarship Programme at Cunderdin PV plant, Neighbour Benefif Programme at PE Crookwell III.
- Social projects: Leighdale Equestrian Centre and Play Like a Girl Foundation in Berrybank.
- Education promotion projects: Scholarship programme with several universities, Lismore Primary School (Berrybank).
- Project website for the Cunderdin photovoltaic plant.
- Cultural projects: Bigga Halls Cinea Project in Crookwell.

Dominican Republic

The social initiatives highlighted in the Dominican Republic are related to:

- Lighting of the entrance road to the Palamara community and main street, to avoid road accidents due to poor visibility and minimise the risk of vandalism.
- Purchase and installation of 17 drinking fountains and a freezer for the José Francisco Peña Gómez School for the community of Palamara.
- Supply of notebooks for the school and literacy day for children in the communities of Cristo Rey, Villa Juana, Villa Consuelo, Los Alcarrizos and surrounding communities.
- Donation of electronic equipment discarded due to obsolescence to the CENAPEC educational institution.

Costa Rica

Outstanding social initiatives in Costa Rica are related to:

- "Books for all", support for the provision of textbooks for children.
- Contribution for the roofing of the Yama community hall and a project to supply water to plots in the Yama settlement by extending the branch of the Pavones de Turrialba aqueduct.

Actions aimed at reducing negative impacts on indigenous peoples' rights

Considering the prevention measures available to Naturgy, the negative material impacts in relation to the rights of indigenous peoples are of a potential nature. The following are some of the actions carried out during 2024.

In the case of Mexico, various actions have been carried out to reduce possible risks at the Bii-Hioxo wind farm facilities. All the actions carried out in the community of Juchitán de Zaragoza (Oaxaca) are aimed at the Zapotec indigenous community in order to favour and promote the economic and social development of the area. In 2024 they would be:

- Donation of vouchers for social work to 185 landowners where the Bií Hioxo wind farm is located.
- Donation of vouchers for social work to 185 landowners where the Bií Hioxo wind farm is located.
- Donation of vouchers to fishermen's cooperatives in the Seventh Section.
- Rehabilitation of the chapels of Guelabeñe, Chigueze and Guzebenda.
- Summer Course 2024.
- Provision of gifts for homeowners for annual cohabitation.
- Community Development Service.
- Rehabilitation of the Community House.
- Rehabilitation of the sports field in Col. Lorenza and the Santa Martha children's recreational centre.
- Diagnosis of social risks in the area surrounding the park.
- Donations to Civil Protection and fire brigades.
- Reforestation days.

Furthermore, in Brazil, since the start-up in 2017 of the Sobral I photovoltaic plant, located in the municipality of São João do Piauí (Piauí, Brazil), a Quilombola Basic Environmental Project (PBAQ) is being implemented as a mitigation and compensation measure for the impacts that this operation may cause in the Quilombola communities of the Riacho dos Negros and Saco/Curtume territories. For the development of the PBAQ, a close and continuous relationship has been maintained with the community and local authorities in order to identify, design and implement actions aimed at promoting economic and social development in the region.

During 2024, the implementation of the Quilombola Basic Environmental Project (PBAQ) has continued. The project has several lines of action, which include a series of specific actions of which the following have been developed in 2024:

- Beekeeping project, with development of the 2nd stage: 70 families contemplated, 350 hives plus individual beekeeping equipment (Riacho dos Negros).
- Craft workshops project: workshops in cutting and sewing, ceramic handicraft workshops (Riacho dos Negros).
- Provision of equipment for collective use: 4 centrifuges and 4 honey de-operculators (Riacho dos Negros).

Finally, in Chile, the Diaguita Tierra y Mar indigenous community receives the annual funds agreed with the company that owns the wind farm. With these funds, the community begins the process of purchasing inputs to implement its projects, which consist of strengthening the productive capacity of individual projects and collective projects grouped into 13 families.

Productivity will be improved in the development of activities such as:

- Goat husbandry and dairying.
- Harvesting, handling and transport of seaweed.
- Artisan bakery.
- Food truck sales outlets.
- Palletisation and support for livestock farmers.
- Diaguita handicrafts: works in stone, wood, wool and the making of costumes to enhance the traditional activities they carry out in different places, such as field days, the Challa festival, gathering and sighting of animals, collection of medicinal plants.

The purchase of these materials, tools and inputs is expected to minimise product processing and production times, improve the productivity and profitability of family enterprises and provide a traditional quality to the activities they carry out.

[S3-4_11] During 2024, Naturgy has not registered any serious cases regarding the rights of the affected communities in the different geographies in which it operates, nor cases related to indigenous peoples.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S3-5)

[S3-5_01] [S3-5_02] [S3-5_03] The affected collectives or their legitimate representatives have not been directly participated in the setting of objectives, in the monitoring of their results or in the identification of improvements based on the results. Nevertheless, the actions developed by the company and whose economic investment is evaluated in the objective presented below take into account their needs and expectations, as explained in previous sections.

[S3.MDR-T_01-13] [MDR-A_01] Naturgy is strongly committed to the economic and social development of the areas in which it operates. For this reason, it has established the objective of 'Total social investment' within its Sustainability Plan 2021-2025, in order to mitigate the negative impacts and promote the positive impacts that affect the groups involved. The amount of the social investment has been allocated to:

- **Donations:** financial contributions to foundations and non-profit organisations for which the company receives no compensation.
- **Partnerships**: financial contributions to foundations and non-profit organisations for which the company receives some compensation.
- **Sponsorships:** amount allocated to other types of entities, not necessarily non-profit making and for which the company receives some compensation.

The main lines of action are:

- **Education, training and development:** collaboration with entities dedicated to promoting and training young people to improve their future employability.
- **Environment and sustainability:** collaboration with institutions dedicated to the preservation, conservation and rehabilitation of the environment, and also with entities that carry out educational activities on sustainability, energy and the environment.
- **Artistic and musical culture**: in the field of cultural sponsorship, the promotion of music, art and education is of particular importance.

The performance of the objective is presented below:

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Total social investment (million euro)	2021	Not applicable	>8	10	11	Not applicable

[MDR-T_09] This objective groups together the economic contributions in terms of social investment initiatives that the company allocates to different actions aimed at reducing the negative impacts of the activity on the affected groups and indigenous peoples, as described throughout this chapter, as well as those initiatives aimed at generating positive impacts. [MDR-T_12] It should be noted that there have been no changes in criteria or calculation methodology for this indicator in recent years.

[MDR-T_08] It is a metric developed internally and which the company believes allows it to adequately assess the performance of its management in relation to this issue. Due to the nature of the objective, it has not been necessary to use hypotheses or scenarios for its definition, nor have milestones or interim objectives been established.

[MDR-T_11] [S3-5_01] Stakeholders or their legitimate representatives have not been directly involved in setting the objective, although, as explained in the sections of this chapter, the actions that the company decides to implement and that require the allocation of economic resources that follow this objective are based on collaboration with stakeholders and respond to their needs and expectations.

[MDR-T_13] At the end of 2024, and as has been the case in recent years, the target performance is ahead of plan and the company has met its target.

As indicated in the "Purpose and strategy" section of the General disclosures chapter, Naturgy has designed a new Sustainability Plan, within the framework of the 2025-2027 Strategic Plan. Below is the objective that the new Sustainability Plan contemplates in terms of the groups affected:

	Approval year	Base year	Target 2027	Baseline value
Total social investment (million euro)	2025	2022	15	11

4. Consumers and end-users (S4)

Naturgy, as a group integrated along the energy value chain, understands customer experience as a fundamental pillar of its activity. Naturgy is a reference energy company, and to this end accompanies, cares for and advises its customers with the aim of receiving the best service at the lowest possible price.

The information provided in response to this standard takes into account the definition of value chain workers as expressed in Annex II 'Acronyms and glossary of terms' of the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards. . Therefore, customers are "individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes" and end-users are "individuals who ultimately use or are intended to ultimately use a particular product or service".

Throughout the standard, the term "customers" will be used to refer both, consumers and end-users.

In Spain, energy commercialisation and distribution activities are clearly separated. The commercialisation of gas and electricity is liberalised, however, distribution is regulated. This means that the customer is free to choose which supplier provides the energy.

As explained in the Business Model section of the General disclosures chapter, in Spain Naturgy commercialises energy and services through four marketers.

In Latin America, the gas and electricity distributors provide full customer service from supply to billing and customer service.

Interests and views of stakeholders (SBM-2)

For Naturgy, customers are at the centre of all operations. In order to provide the quality service demanded by the company's standards, Naturgy takes the utmost care in the service it offers its customers to ensure that it is agile and efficient and a benchmark in the sector, in addition to complying with legal and profitability requirements. To this end, it is essential to establish an active dialogue to ascertain needs and resolve doubts, claims and complaints in the most satisfactory manner for the customer (for more information on dialogue actions, see the section "Stakeholder interests and opinions" in the General disclosures chapter of this report).

The Sustainability Plan has initiatives and objectives aimed at customers in order to improve their experience. In addition, the Statement of Principles and Policies has considered all stakeholders, including its customers, when establishing commitments.

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

[S4.SBM-3_01] Customers were recognised as a key pillar for the company when conducting the double materiality assessment (see chapter General disclosures, section 4. Impact, risk and opportunity management, of this report).

[S4.SBM-3_02] [S4.SBM-3_03]] In accordance with the nature of its operations, as well as the digital environment in which the market evolves, Naturgy is aware of its capacity to cause positive or negative material impacts on customers it serves or with whom it interacts. The types of customers most affected are highlighted below:

- Customers who may be adversely affected in relation to the right to the protection of their personal data.

- Customers who are particularly vulnerable to health or privacy impacts or to the impact of marketing and sales strategies, such as economically vulnerable people.

Naturgy works actively to ensure that its services are safe and mitigate negative impacts, implementing robust privacy and ethical information management policies. In addition, the company maintains a sensitive approach to these vulnerable groups and for this purpose has actions such as the Energy Vulnerability Plan.
The list of material impacts, risks and opportunities that could, or may, affect customers is:

		Value chain (2)(3)	Business (4)	Time horizon (5)
CONSUMERS AND END-USERS				
Information-related impacts for consumers and/or end-users				
N.I.(1)	Violation in the processing of personal data.	VC	Both	Current
P.I.	Increase data availability and improve security and operational efficiency for the customer experience through the digital transition.	OO	Both	Current
	Guarantee the protection of personal data through a policy based on an appropriate management system.	OO	Both	Current
R	Complaints from customers about contract changes without the user's consent.	Downstream	Both	Short-term
	Infringements related to data protection law.	Downstream	Both	Short-term
Social inclusion of consumers and/or end-users				
PI..	Reducing energy poverty through a energy vulnerability plan to facilitate payment and the development of all the necessary operations to speed up the procedures to prioritise people in vulnerable situations.	Downstream	Gas	Current
O	The development of new and efficient services allows for the generation of new customers (self-consumption, energy efficiency).	Downstream	Both	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

[S4.SBM-3_05] Naturgy carries out different activities aimed at developing positive impacts on customers, among which the following stand out:

- **Measures of Data Protection:** through the Global Personal Data Protection Policy, ensures the proper treatment of data throughout its life cycle: from collection and processing to disposal. With this, Naturgy's marketers and its collaborating companies rigorously comply with the applicable regulations on data protection and with the guidelines and communications issued by the competent body, in Spain the AEPD (Spanish Data Protection Agency).

- **Improvement plan for the Commercial Information Management System (Spain)**: contributes to mitigating commercial fraud through several initiatives, such as the creation of the Information Control Unit, whose mission is to prevent and reduce the risks associated with commercial fraud, the implementation of improvements in commercial systems and the development of the Next Peak project, focused on guaranteeing the adequacy of the databases used by the sales channels, among other measures.
- **Newco Project (Spain):** enables the transformation and digitisation of all processes linked to the customer life cycle with Naturgy; from the first contact, through any of the channels, to the possible cancellation, including commercial acquisition, billing and customer service in the retail segment. This new technological solution has an intuitive and functional design that facilitates navigation and access to information, significantly improving the customer experience, which results in increased customer satisfaction and loyalty, as well as optimising internal processes.
- **Improving the industrial customer experience (new virtual office in Spain)**: project aimed at creating and implementing a specialised area to meet the specific needs of customers in the industrial sector.
- **Energy Vulnerability Plan:** guarantees that customers in vulnerable situations can access a basic and secure energy supply both in Spain and Latin America.
- **Support plan for those affected by the cut-off low in Valencia (Spain)**: an aid scheme has been launched for those affected by the hurricane of 29 October in the Community of Valencia, mainly for all customers who have been left in a situation of vulnerability.

[S4.SBM-3_04]] As part of its strategy, the company works to minimise any negative impact on customers, always prioritising their well-being, satisfaction and trust. Therefore, once cases of violation of personal data protection rights have been identified, whether individual incidents-affecting one or a few customers- or systematic -due to information security breaches or the accumulation of isolated cases that may lead to inspections or the initiation of sanctioning proceedings of a general nature-, measures are taken to mitigate these negative impacts. These measures include the development of a body of regulations aimed at guaranteeing the protection of personal data provided by customers.

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

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

[S4.SBM-3_06] Additionally, the material opportunity to development of new and efficient services allows for the generation of new customers is a way to boost the energy commercialisation and services business in the market. This is achieved by offering innovative and sustainable solutions focused on satisfying customer needs through the creation of differentiated value propositions, always prioritising the provision of services with the highest quality of service. An example of this are the solutions that promote self-consumption and savings through products such as "Virtual Battery", "Naturgy Solar", "Naturzero" and Energy Saving Certificates (CAE); all of them in Spain.

The risk of receiving complaints from customers about contract changes without the user's consent (only in Spain) occurs when a contract is entered into without the customer having requested it; while the risk of data protection law infringements can occur through mishandling, storage or misuse of customer data, such as unauthorised access.

[S4.SBM-3_07] During the double materiality assessment, Naturgy has developed an understanding of how certain customer groups may be significantly affected. To do this, firstly, customers have been identified who could present particular casuistry due to various factors, among others: regulatory reasons, economic or disabilities. This has made it possible to determine the particularities of each group, the risks to which they may be exposed and the necessary measures to be implemented to ensure adequate care and protection.

In parallel, Naturgy identifies and manages the most vulnerable groups through the following procedures:

- The communication channels available with the social services of the town councils and third sector entities, enabled as a result of the Vulnerability Plan, make it easier for Naturgy to identify vulnerable customers, which means that these customers can be protected from supply cuts and their supply is ensured in their usual home.
- The contracting of marketing services to collaborating companies makes it possible to identify users with specific casuistics. As part of the commercial collaboration contract, an annex of good commercial practices is included, including some points related to people under 18 years of age, special attention to people who cannot understand the scope of the information provided to them (especially the elderly) and people in vulnerable situations (for example, social vouchers in Spain).
- In addition, in the contracting and service processes, essential electricity customers are identified and registered, and the supply cut-off process is blocked and their immediate replacement is activated if necessary.

[S4.SBM-3_08] In relation to the material risks and opportunities arising from impacts on vulnerable consumers, the company considers that the development of new services that promote energy efficiency, such as self-consumption products, represents a particularly relevant opportunity for these consumers, as it contributes to reducing their energy consumption and therefore their energy expenditure. In the case of the material risk identified, it is not considered that this risk could be aggravated in the case of vulnerable consumers.

Policies related to consumers and end-users (S4-1)

[S4.MDR-P_01-06][S4-1_01] Naturgy establishes its principles and commitments in relation to customers in the Declaration of Principles and Policies, in the Global Sustainability Policy and in the global Personal Data Protection Policy. Specifically, the company establishes commitments and lines of action relating to impacts related to information for customers and their social inclusion.

The Declaration of Principles and Policies establishes the basic lines of action that guide the company in the definition of products and services for customers. In this way, Naturgy is committed to:

- [S4-1_04] Promote an active and bidirectional communication that allows understanding customers' expectations and opinions and adapting Naturgy's responses to their needs, reinventing the relationship with the customer.
- Facilitating customer relations through simple, efficient, omnichannel operations and boosting digitalisation.
- To provide innovative products and services that promote energy efficiency and contribute to the sustainability of society, accelerating the digital transformation.
- Provide a differential value proposition to the customer through products and services that are adapted to each segment and their needs.
- Apply technological innovation and best available techniques as a means to maintain an efficient, safe and sustainable supply.

[MDR-P_01] [S4-1_03] The Global Sustainability Policy defines the basic principles of action in terms of respect for human rights that Naturgy assumes and, specifically, establishes specific commitments in relation to customers. Thus, the company undertakes to:

- Offer their services while minimising the risk to customers.
- Provide accurate and complete information about them.
- Take measures to protect the right to privacy of personal data of all individuals who interact with the company.

[S4-1_05] In addition, this same policy establishes the principles for action in the event that the company finds that negative impacts on human rights have materialised. Specifically, it establishes that it will develop the necessary measures to ensure adequate remediation of the adverse impacts derived directly from its operations and will exert its influence to promote the application of similar effective remediation measures among its business partners.

[MDR-P_02][MDR-P_03][MDR-P_05][MDR-P_06] As indicated in the Corporate policies section of the General disclosures chapter, the approval of the Global Sustainability Policy corresponds to the Board of Directors and its application to the Management Committee. This section also details the scope of the policy and explains how the principles and commitments have been defined in order to incorporate the interests and concerns of stakeholders, as well as the mechanisms and channels established to make them available to them.

[MDR-P_04][S4-1_02][S4-1_06] Furthermore, human rights commitments included in the Global Sustainability Policy, in accordance with the principles, standards and initiatives of third parties, are indicated in the section "Policies related to own workforce".

[MDR-P_01] [MDR-P_05] With regard to the Global Personal Data Protection Policy, it defines the general principles governing the processing of personal data in the company. In addition, it sets out Naturgy's main commitments regarding the protection of personal data, which are as follows:

- Comply with the legal provisions in force regarding the protection of personal data.
- Promote knowledge of and respect for the applicable regulations on data protection by carrying out the appropriate communication and information actions.
- Establish general guidelines (organisational, legal, technical, operational and control) in order to safeguard the data protection rights of data subjects.
- Respect the ownership of personal data.
- Inform the data subject in a transparent manner in all matters relating to the processing of his or her personal data.
- To make it easier for data subjects to exercise their data protection rights.
- Ensure the existence and enforcement of a disciplinary system that sanctions conduct contrary to the applicable regulations.
- Enable appropriate communication channels through which Naturgy employees and Stakeholders may exercise their rights, make their queries and, where appropriate, report possible breaches of data protection, ensuring confidentiality and absence of reprisals for the communicating party.
- Respond to requests from data subjects to exercise their data protection rights within the legally established deadlines.
- Adopt in each of the jurisdictions in which Naturgy has a presence, by means of the approval of the corresponding internal regulations implementing this Policy, such other additional practices and commitments as may be necessary to ensure that any processing is in accordance with the applicable local regulations.

[MDR-P_02] The scope of this policy includes all investee companies or entities over which the group has effective control or responsibility for their operation and/or management. In those investee companies and entities over which it does not have effective control, Naturgy shall promote the implementation of compliance systems consistent with the principles, values and commitments described in this policy. [MDR-P_03] Likewise, the Ethics and Compliance Committee is the highest level of the company's organisation responsible for the application of the policy.

[S4-1_07] During 2024, no downstream cases of non-compliance with international human rights frameworks involving customers have been reported.

Processes for engaging with consumers and end-users about impacts (S4-2)

[S4-2_01] It is essential to establish an active dialogue to identify needs and satisfactorily resolve customer queries, claims and complaints. this regard, the company has various sources for gathering information, including: customer satisfaction surveys and reasons for cancellations, meetings with official bodies and product tests, among others.

The information obtained is taken into account to define actions, whether preventive or corrective, applicable in areas such as the design of products and systems, the provision of services or user service. In Naturgy, two different methodologies are established based on the type of consumer input:

- **Corrective methodology:** when faced with specific customer problems, these are resolved on an individual basis, including complaints, poor ratings in surveys, customer complaints, etc., which are managed according to the processes and procedures established for each of them.

  For example, in the context of managing dissatisfied customers identified through a survey, a detailed analysis and direct management is carried out with these customers. This process is activated when an alert is generated in the system, and they are contacted personally to attend to and resolve their particular case.
- **Preventive methodology:** in the case of global opinions that affect groups of customers, information is collected and the situation raised is analysed, which may be of a very different nature, in order to identify and assess the measures to be implemented to eliminate and/or mitigate the casuistry. Customer feedback is also taken into account in product and service design testing, in churn surveys and in the design of customer services.

Another example would be the consideration of customer feedback from service delivery surveys. These ratings are used to identify opportunities for improvement both in the systems and in the service offered through the different communication channels.

Engagement processes

[S4-2_02] Naturgy has various processes of constant dialogue with customers in the geographies where the company is present, and also with their representatives, aimed at managing the impacts that may arise in the different stages of the customer's life cycle. Each of the initiatives carried out has a specific scope (consultation or information), frequency and a different person in charge. The most significant examples are detailed below:

Dialogue with customer

- **Media communication campaigns:** Naturgy carries out permanent communication campaigns aimed at both customers and society in general. These campaigns, of an informative nature, cover various modalities, such as institutional, commercial or social, and are disseminated through a wide variety of channels and media, both at the global company level and at the particular level of a business or country. Responsibility for the execution of these actions varies depending on the scope, being driven the marketing units of the businesses and corporation.
- **Customer surveys or market research:** Naturgy conduct different dialogue actions directly with customers depending on the objective and need. Customer satisfaction and service quality surveys, carried out through various media such as telephone, are a fundamental tool to ensure continuous feedback. They help to identify critical points in the processes and guide the search for improvements. In addition, the results obtained, complemented with the analysis of the cases dealt with in the different customer service channels, facilitate the evaluation of the impact and effectiveness of the improvements implemented in the customer experience.

  Thus, for example, in Spain, daily surveys are conducted both with customers who have made contact with Naturgy on a consultative basis and with those who have decided to terminate their contract with the company. These surveys are the responsibility of the Quality unit. Additionally, without a defined frequency and depending on the need, the Marketing unit conducts studies with customers for product design.

At the international level, the Customer Service Directorate in both Chile and Argentina is responsible for ensuring that this company-customer interaction takes place, while in Mexico and Panama it is the Commercial Strategy Directorate.

Dialogue with representatives

- **With the social services of local councils and representatives of the third sector**: It should be noted that Naturgy participates in various forums and working groups in Spain aimed at alleviating the problem of energy vulnerability. In addition, in Spain, meetings are held periodically from the Vulnerability unit of the Commercialisation business with those responsible for the social services of the municipalities in which the company has a higher percentage of vulnerable customers. At these meetings, the needs of these entities are actively listened to and action plans are defined. Finally, the company participates in the public consultations that the Ministry for Ecological Transition and various regional governments carry out to approve measures.

  In Chile, meetings are held with administrators and community representatives, together with the commercial manager and the collaborating company, promoting collaboration aimed at addressing issues of community impact and strengthening interaction with stakeholders.

- **With consumer and arbitration bodies (Spain)**: permanent contact is maintained and regular meetings are held with the Directorates-General for Consumer Affairs or equivalent bodies in the Autonomous Communities, as well as with the Municipal Consumer Information Offices in the main cities of Spain, and with the main consumer organisations of greatest relevance.

  Fluid communication makes it possible to exchange the main news and concerns that arise on a day-to-day basis, with the aim of providing a swift response to customers' needs, avoiding as far as possible complaints that could go to second instance and potentially lead to the opening of disciplinary proceedings. The actions carried out are not only for consultation or information, but also for dissemination and training, always being at the disposal of the different entities, in order to carry out informative or training actions, whenever requested, or when an ad-hoc action is deemed necessary.

  The Customer Service Guarantee Office receives and resolves files from local councils' consumer bodies on a daily basis, and communication channels are made available to them so that they can pass on their concerns and queries regarding customer complaints, enabling a dialogue with consumer agents.

- **With regulatory bodies**: there is a permanent dialogue, although with no specific established frequency, in different areas of the administration and whose scope can be of a diverse nature, consultative, informative, etc. in relation to the activities that may affect customers.

[S4-2_05] The effectiveness of the collaboration processes is measured through the satisfaction of Naturgy's customers. Measuring satisfaction allows us to gather their opinions in order to evaluate quality standards, identify opportunities for improvement and detect needs and expectations. This measurement is carried out through two methodologies, which are applied in the different businesses and countries according to specific needs:

- **Contact point or transactional model:** the objective is to know the perception of Naturgy's customer in the interactions (contact points) of the main processes of its activity. This voice of the customer survey is sent to Naturgy customers who participate in some process (customer service, sales, shop, web) and allows monitoring the main quantitative and qualitative indicators of the customer experience. Together with the analysis of the texts of communications with customers, surveys with low ratings are analysed and reprocessed.
- **Positioning or relational model:** the objective is to know the assessment of Naturgy's customers and the competition, providing an overall assessment of the positioning or perception of the market. The satisfaction survey is aimed at customers and non-customers, whether or not they have had recent contact with the company, which allows the results to be contextualised by incorporating the vision of the competition, and is based on quarterly tracking with weekly distribution of surveys for the retail segment and half-yearly survey for the industrial segment.

The different studies and surveys conducted lead to the identification of two main indicators: the NPS (Net Promoter Score) index, which measures the degree of recommendation that customers would be willing to make about Naturgy, and the Satisfaction Index, which assesses the overall satisfaction of customers with the company.

Complementarily, additional indicators are used to assess the effectiveness of the partnership.. For example, in Panama, specific metrics are used focused on the resolution of complaints and claims, while in Mexico, an algorithm is used to analyse the frequency of words, phrases and mentions related to the brand, which allows the identification and evaluation of customer sentiment on social networks.

Engagement with vulnerable groups

[S4-2_06] Naturgy takes into account the opinion of vulnerable customers for the management of impacts, either directly with them or through the public administrations that represent them. Their collaboration is an important aspect in defining and developing the actions to be implemented.

The following are examples of how their opinion has been taken into account in Spain:

- Campaigns to vulnerable customers to offer them debt relief.
- Campaigns to vulnerable customers to encourage them to apply for the bono social so that they can receive a discount on their bill.
- New channels for applying for the bono social, in order to facilitate access to the discount.

The customer area plays a key role in identifying this group in order to reinforce the customer service channels for vulnerable customers and promote collaboration with the social entities that support them.

In addition, Naturgy has another specific service for third sector entities. Through this channel, NGOs and social entities can also streamline procedures and carry out formalities, as well as receive advice on their users' contracts.

This channel allows for a quick identification of vulnerable households. Social services contact the retailer and the company proceeds to protect these customers. Furthermore, in addition to the identification, they can quickly carry out various procedures to optimise the contracts of these customers, such as making transfers to the regulated supplier, power adjustments, processing the social bonus or debt instalments with more advantageous conditions than for other consumers. In addition, the identification of a vulnerable customer means that debt follow-up actions are paralysed and more continuous monitoring is carried out.

At the international level, it is the public administrations that identify which customers are vulnerable according to previously established criteria such as income or area of residence and communicate the register of beneficiaries to the distribution companies.

Processes to remediate negative impacts and channels for consumers and end-users to raise concerns (S4-3)

[S4-3_01] For Naturgy, ensuring privacy and data protection is a relevant issue. Therefore, it complies with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 n the protection of natural persons with regard to the processing of personal data and on the free movement of such data, as well as with all regulations related to this matter in Spanish legislation.

In addition, the company has defined a Global Personal Data Protection Policy, which ensures the proper treatment of data throughout its life cycle (from its collection and processing to its removal) and avoids any negative impact due to a breach in the processing of personal data.

On the other hand, procedures have been established for updating and correcting when new vulnerabilities are identified in the systems, in order to encourage better proactive practice in the prevention of security incidents and in the analysis and management of information security risks. In addition, if group companies identify a breach of a customer's data protection rights, their first action is to immediately correct and reverse the situation that is causing the breach.

An example of this type, in Spain, could occur when a customer's right of objection is not respected and commercial communications are sent without their consent. In this case, Naturgy takes the necessary measures to ensure that such communications cease immediately and that the customer's opposition is duly recorded in the systems. If the management is being carried out by an external company, Naturgy issues the relevant instructions to ensure compliance with this right.

The detection of a breach of data subjects' rights can occur in several ways:

- The interested party itself notifies Naturgy.
- An agency informs Naturgy.
- In the course of an ex officio action Naturgy discovers it.

Remediation action

There are procedures for updating and correcting new vulnerabilities in systems, in order to encourage proactive best practice in the prevention of security incidents and in the analysis and management of information security risks.

Once the violation has been detected, Naturgy proceeds to remedy the situation giving rise to the violation and, if required, notifies the data subject and/or the Spanish Data Protection Agency (AEPD), in the case of Spain, if required. The remediation process depends on the violated right, the number of data subjects, etc.

For example, in the event that the security of personal data is compromised due to a cyber-attack directed at the Client Area, Naturgy can proactively reset passwords and request those affected to create new access credentials, thus guaranteeing the protection and security of the information.

However, if an employee has mistakenly shared a customer's personal data with an unauthorised third party, the remedy may be to warn the employee of his or her mistake, remind him or her of data protection obligations and best practices, and, finally, notify the Spanish Data Protection Agency and the data subject, if necessary.

In Argentina, access to customer data is through the commercial management system that resides on Naturgy's own servers, accessible only from the company's internal network. People with access to the commercial management system do so by identifying themselves by means of users and passwords and are associated with a profile that includes the transactions they need to perform their work with the strategy of the minimum necessary privilege. User registrations, cancellations and modifications are reported by the heads of the business areas to Information Security for implementation. For commercial service calls, the collaborating companies (callcenters) use the Salesforce platform with access to specific modules (invoicing and debt management) and with read mode permission to deal with queries and complaints.

Customer service in Spain

Naturgy offers its current and potential customers a convenient customer service model, with agile and digital solutions, offering solutions adapted to each typology and seeking to maximise self-service.

[S4-3_02] Therefore, in Spain the customer service model is offered by telephone, email and post, as well as digitally via the web, social networks (X, Facebook, Instagram), Pepe (web Chatbot), Customer Area and WhatsApp, based on proximity, simplicity and multi-channeling, as well as service in different languages. Naturgy also offers customers its 130 shops throughout the country. In addition, for the industrial customer segment, it provides users with personalised account managers for their attention, as well as web tools, mail, call centre, etc.

In all channels, the customer experience is intended to be homogeneous. In addition, these contact channels are reported on invoices, contracts and on the website.

[S4-3_03] Naturgy, in order to guarantee the availability of customer service channels, develops several processes, which are described below:

- **Channels Managed by Third Parties:** the company guarantees the availability of the channels managed by third parties through the commercial contracts and Service Level Agreements (SLA) that they establish:
    - Minimum levels of trained staff to ensure care.
    - Specific response and resolution time commitments.
    - Penalties in case of contractual breaches.

  Performance is monitored with defined indicators, regular reporting and joint reviews with providers, and mechanisms are put in place through queue management, call routing and overflow between service platforms to ensure that the service is always available.

  In addition, the channels have contingency protocols to respond to any incident in real time and avoid interruptions due to technical failures or other unavailability unrelated to the service. Likewise, a dedicated technical and operational support team is available to respond to possible incidents.
- **Own channels: (Web and Client Area)**
    - Cloud infrastructure: the Client Area operates on a cloud platform that ensures availability of more than 99.9%, backed by systems with redundancy and scalability. This allows for continuous operation even at peak demand.
    - Business Continuity Plan (BCP): the company has a BCP designed to minimise the impact of possible system outages. This plan includes clear protocols for restoring operations in the shortest possible time, ensuring that services are available to customers in any scenario.
    - Real-time monitoring: use of advanced real-time monitoring tools that monitor system performance and detect potential failures before they affect operations. These tools issue automatic alerts, allowing proactive action to prevent disruptions.

To provide continuous support to these channels, in the event of any incident, the company has a specialised technical team that is available 24 hours a day, 7 days a week, to resolve problems quickly and efficiently. This team operates under defined Service Level Agreements (SLAs), which guarantee response and resolution times in line with customer expectations.

[S4-3_04] In addition, Naturgy has a Quality Management System certified by TÜV Rheinland under the ISO 9001 standard, which guarantees that the processes comply with standards of recognised prestige, particularly in the commercialisation of services. It also has various tools and methodologies that support the quality assurance system in the processes, ensuring the proper provision of services to customers, such as:

- **IT systems:** they support the processes and activities carried out and promote the homogeneity of actions, mitigate errors, favour traceability and control of the provision of services.
- **Data-driven analytics and technology:** use of advanced artificial intelligence (AI) models and advanced analytics tools to monitor and evaluate interactions between customers and agents. These technologies enable the identification of satisfaction patterns, main causes of complaints and recurring concerns.
- **Documented information (procedures):** associated with the processes and operating manuals of the different operations to be carried out, which enable the management of knowledge and homogeneity of the service, available on different platforms depending on the process or activity to be developed.
- **Training**: enables the development of the different processes or activities both for our own personnel and for collaborating companies, promoting the transfer of knowledge and the homogeneity of operations.
- **Process quality indicators**: the degree of compliance with the established parameters is evaluated and, if necessary, allows preventive or corrective actions to be taken. Quality monitoring sessions are held with the channels to guarantee these indicators.

- **Quality controls**: for different processes or activities carried out, such as mystery shopper, listening to customer service and sales recordings, service quality inspections, etc.

[S4-3_05] Naturgy assesses whether customers know and trust the aforementioned channels, through the surveys carried out with the Touch Point or Transactional Model. This model allows measuring the satisfaction of customers who have had an interaction with the company and is described in the section "Dialogue with customer" of this chapter.

[S4-3_06] The processing of the information collected that the company does through these surveys is always used in an aggregate manner in accordance with the Global Personal Data Protection Policy and, only in the event that a customer shows dissatisfaction, the company contacts the customer to rectify and repair the situation that caused the customer's dissatisfaction. In any case, the company does not use these channels to exercise any kind of retaliation with its customers.

Customer service in Latin America

In the Latin American area, gas and electricity distributors provide full customer service from supply to billing and customer care. Customer service in the field of electricity and gas networks business in Latin America is focused on taking advantage of the technological benefits of digitalisation to automate, streamline and simplify processes and offer customers an increasingly autonomous and multi-channel service experience.

[S4-3_02] Customer service is offered through different channels, adapted to each region, where customers can express their concerns or needs directly to the company, which responds to them. In Panama, Chile, Mexico, Brazil and Argentina, there are face-to-face customer service centres, call centres and virtual channels (e-mail, virtual office, website, mobile app) based on proximity, simplicity and multi-channeling.

In Panama, in 2024, the mobile office was implemented, with the aim of reaching 11 head municipalities located in remote and difficult-to-access areas, to serve more than 5,000 customers.

In Chile, the gas distributor's customer service management is outsourced through the commercial and emergency call centre and in the commercial offices. This also includes the technological platform for video calls and the Online Help Centre.

Additionally, in Argentina, it is worth highlighting the availability of an interactive voice service platform (IVR) and the Cognitive Contact Center (CCC) tool, based on artificial intelligence, which allows customers to interact with a virtual assistant that provides clear, useful and concrete answers, available 24 hours a day, 7 days a week.

[S4-3_03] [S4-3_04] Both, the processes for ensuring the availability of Naturgy's channels and the methods for monitoring, controlling the issues raised and ensuring their effectiveness, differ from country to country. These procedures by country are:

- **Panama:** processes are managed through the integrated system on the Softexpert platform, where current regulations are published. The customer service unit is responsible for the customer service channels, which are managed by third parties. It also monitors their availability through agreements based on service level indicators, in accordance with current regulations. These indicators are reported on a monthly basis.

  Continuous listening is carried out in search of preventive actions to improve the customer experience. Weekly committees are held to identify reasons for dissatisfaction, establishing corrective and preventive actions to minimise the negative impact of customer dissatisfaction. To this end, repeated customer requests are analysed to find the root cause of the problem and to improve the efficiency of the processes in to respond from the first contact.
- **Chile:** the availability of all customer service channels is required, supervised and guaranteed, in accordance with the criteria established in Gas Network Service Regulations, Decree No. 67. In addition, availability and compliance is through service and attention levels, adjusting to a response time that guarantees the efficiency of the channel and its continuity.

Calls are automatically recorded and stored for monthly quality audits through random samples defined by quality guidelines. Additional audits are also performed when errors or omissions are detected in the service and a SAP CRM module records Completion of Contact (FDC), detailing the reason for the enquiry, the date and the person responsible for the service.

- **Mexico:** virtual channels, as well as telephone and messaging channels, are available around the clock. As for the face-to-face service centres, they are available during the established service hours.

  The follow-up of the issues raised is managed through a comprehensive platform that allows for a back-up of all incoming and outgoing calls with customers, and through manual call calibrations and evaluations, process improvements are made as a result of listening to customers and interactions with agents.

- **Brazil**: all customer service channels in Brazil (telephone, face-to-face and digital) are ready for customers to express their concerns or needs.

  In addition, there is a back-office specialised in managing complaints and claims, responsible for contacting customers, monitoring deadlines and providing personalised responses. It also analyses recurring issues to improve customer service processes and team training.

- **Argentina:** the regulator requires the availability of face-to-face and telephone channels. The Customer Services Department has internal procedures that allow it to know the status of the channels and ensure their availability through alerts.

  The performance of each channel is periodically analysed by means of dashboards, where opportunities for improvement are detected. Furthermore, once implemented, their evolution and acceptance is measured. In addition, a self-management system for queries, actions and complaints has been implemented, which customers value positively. As a result, more than 80% of contacts with customers are resolved through self-management.

[S4-3_05] In Argentina, Chile, Brazil and Panama, the level of customer confidence with the channels is assessed through satisfaction surveys related to their experience in the complaints process. In Mexico, key performance indicators such as first contact resolution, number of cases escalated to resolution areas, frequency of recurring customer requests, number of unique customers and resolution time are analysed. These indicators provide direct information on users' perception of the quality of service received and their confidence in the channels available.

[S4-3_06] In compliance with the Global Personal Data Protection Policy, in Latin America, the data of whistleblowers are also safeguarded with strict confidentiality. In the case of Naturgy's collaborating companies, in the specific contracting conditions, a confidentiality agreement is signed, which is strictly complied with. This guarantees that under no circumstances may reprisals be taken against the customer.

Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions (S4-4)

[S4-4_05] Naturgy has structured processes that result in actions aimed at identifying, preventing and, if necessary, responding to actual or potential negative impacts that may affect customers. These processes include the design and execution of operations from the sales and commercialization process, through the provision of the service and customer service throughout the customer's life cycle with the company. [S4-4_06] The ultimate goal is to take a comprehensive, preventive and reactive approach to managing material negative impacts arising from inadequate management of customers' personal information.

[S4-4_07] Naturgy has specific procedures for correcting and remedying breaches of rights related to the protection of personal data, designed individually according to the type of breach, without there being a common standard procedure for all of them. Additionally, the control mechanisms for such repairs are also adapted in a particular way to each type of violation.

[S4-4_10] The company also works to ensure that business practices and data use do not have a negative impact on consumers through an ethical and transparent approach. In marketing activities, the company ensures that customers are informed and give their explicit consent to the use of their personal data, in compliance with current data protection regulations. In the event of a breach of the processing of personal information, the company carefully assesses the potential impact on end users, always seeking alternatives to minimise any harm. In addition, it has implemented various measures to manage these impacts, which are described below.

[S4-4_11] It should be noted that the company maintains a firm commitment to respect and protect human rights in all activities, including customer relations. At present, no problems or serious cases have been identified or received regarding human rights related to Naturgy's customers.

[S4-4_12] Naturgy has specialised teams that ensure regulatory compliance and define and implement actions aimed at preventing and, if necessary, mitigating negative impacts on customers, relying on technological and financial resources to manage material impacts on operations and take advantage of opportunities arising from sustainability aspects.

[S4-4_04] Finally, the company carries out monitoring and evaluation of the effectiveness of the actions and initiatives that it sets up by establishing objectives on key metrics, such as the Net Promoter Score (NPS), the customer satisfaction index and the volume of complaints received. It also analyses customer feedback, conducts regular surveys and monitors response times and quality in customer service channels. Internal reviews and sector benchmarking are also carried out to ensure continuous improvement and alignment with best practices in the market. These mechanisms make it possible to adjust the actions developed and guarantee an optimal customer experience.

[MDR-A_06][MDR-A_07][MDR-A_09][MDR-A_10][MDR-A_11][MDR-A_12] In economic terms, the actions disclosed below require a financial contribution from Naturgy in the form of capital investments and associated operating expenses is not significant, and is consolidated in larger economic items, since at accounting level it is very difficult to provide individualised details of these items.

Below is a description of the actions that Naturgy has developed in 2024 to address both negative impacts and promote positive ones, as well as to mitigate risks and take advantage of material opportunities. The actions are focused on managing the impacts derived from the treatment of customer information and promoting the social inclusion of customers.

Actions to manage negative and positive impacts

[S4.MDR-A_01-12] In Naturgy, the commitment to excellence in customer service is reflected in concrete and proactive actions. For this reason, the company works continuously to prevent, mitigate and repair any significant negative impact, implementing measures adapted to their particular circumstances.

[S4-4_01] The negative impacts identified are current, not potential. Therefore, it has been provided the necessary corrective actions to provide or contribute to the remediation of the current impact related to the breach in the treatment of personal information.

In addition, the company works to generate positive impacts through the increase in the availability of data, improvement, security and operational efficiency for the customer experience, due to the promotion of digital transformation, by means of initiatives such as the Newco project and the new virtual office in Spain. Moreover, it is guaranteed the protection of personal data through a Global Personal Data Protection Policy or it is carried out actions that promote social inclusion, to contribute to the fight against energy poverty through an Energy Vulnerability Plan.

Measures of Data Protection [S4-4_03]

Defining a Global Personal Data Protection Policy and guidelines not only ensures the protection of personal data through an adequate management system, but also reduces the risk of data breaches.

This policy applies to all organisational units and companies of the company that collect or process personal data, as well as to partners and suppliers that collaborate in such processing.

In addition, Naturgy performs all necessary actions to comply with the legislation on data protection when it is responsible for the processing of data, among which include, but are not limited to, the following:

- It processes personal data in a lawful, fair and transparent manner.
- It collects data for specified, explicit and legitimate purposes.
- It minimises the data subject processing.
- It updates the data, providing data subjects with simple systems for this update.
- It limits the data storage periods.
- It applies appropriate technical and organisational measures to guarantee the security, integrity and confidentiality of the data.
- It obtains the consent of the data subject for processing whenever necessary. › It introduces simple and adequate mechanisms so that the data subject, directly or through their legal or voluntary representation, can exercise their rights pursuant to prevailing legislation.
- It chooses processors that offer sufficient guarantees to implement appropriate technical and organisational measures to ensure that the data processing is carried out in compliance with the requirements of the relevant legislation. It also enters into contracts with such data processors under which the data processor will only process the data in accordance with the instructions of the data controller, and will not apply or use the data for purposes other than those stated in the contract, nor disclose them, even for storage purposes, to third parties.
- It keeps a record of data-processing activity.
- It carries out the impact assessments it deems appropriate.
- It has a collegiate body that acts as Data Protection Officer.
- It performs audits to guarantee compliance with data protection regulations.
- It includes specific guidelines for action in the field of information and knowledge processing in the Code of Ethics. In this regard, all Naturgy employees and suppliers must comply with the legislation in force in each of the countries in the field of data protection, respecting the right to privacy and protecting the personal data entrusted by its customers, employees, suppliers and external collaborators or other persons. Failure to comply with the Code of Ethics may result in the application of appropriate sanctions.
- It clauses the contract with the sales channels and the best practice guide.
- It ensures the authentication of authorised users on the systems through systems and procedures .
- It confirms the traceability of the contract by the customer: a series of communications are sent by e-mail or SMS including, inter alia, access to the contract signing and downloading portal, acceptance of the use of personal data, notification of activation or non-activation of the contract in case of refusal, and assistance in reprocessing.
- It controls the quality of sales with verification calls to customers.
- It terminates contracts with suppliers who manage sales channels.

In 2024, Naturgy has received 74 requests for information from the Spanish Data Protection Agency (110 requests in 2023), which have been duly dealt with and, at the date of preparation of this report, none of them has resulted in a sanction.

Improvement plan for the Commercial Information Management System. Spain

[MDR-A_01] [MDR-A_02] [MDR-A_03] The improvement of the Commercial Information Protection Management System in Spain has the short-term objective of mitigating commercial fraud and complaints from residential customers for misuse of personal information, within the framework of the Global Personal Data Protection Policy. To this end, a record is kept of all complaints filed by customers with the CNMC, AEPD and other official bodies for changing supplier without consent, in addition to the record of those addressed directly by customers to Naturgy. Subsequently, the processes that have given rise to these contracts are analysed and proposals are made to improve the processes that may have weak points in terms of data protection.

[MDR-A_04] Initially, online contracting procedures have been reviewed and security measures have been implemented, including the design of web forms, penalties against the companies responsible for these contracts in the event that a lack of consent or deception is detected, among others.

Work is currently underway on more than thirty improvement actions in the areas of processes, technology and organisation, including the definition and implementation of a risk matrix for commercial agents. Its implementation is expected to be completed during the first four months of 2025, with the objective of finalising the plan through the development of three analytical models adapted according to the type of channel: sales, customer service and shops.

[MDR-A_05] In 2024, important new developments have been developed that mark a significant advance in processes and services:

- Establishment of the Commercial Information Control Unit, whose responsibilities include the governance of commercial fraud, with the aim of guaranteeing the quality of sales and preventing fraud.
- Implementation of numerous improvements in the recruitment process (compulsory voice-overs in all cases, blocking the contracting of dubious telephone numbers/emails, meetings with collaborating companies, etc.), and progress in the implementation of "The Next Peak" as a lead provider for collaborating companies that allows the filtering of databases.
- Implementation of daily alerts for the detection of anomalous behaviour which are communicated to sales managers, as well as a process for blocking users with communication through GECO.
- Establishing relationships with Cybersecurity to restrict mass access to personal data by blocking bots.

Newco Project. Spain [S4-4_03]

[MDR-A_01][MDR-A_02][MDR-A_03] This project seeks to transform the operating model of the marketer to achieve excellence in customer service, particularly in the residential segment, in the short term. The main objective of NewCo is to position Naturgy as a leading marketer in Europe in customer service. It also seeks to consolidate a leading position in the sector, taking advantage of new opportunities and technological developments.

The project is structured around three fundamental areas of action: systems, processes and culture. In the case of systems, new technological tools have been implemented, including a CRM system, an invoicing system, and a customer service and sales front-end. In the area of processes, the simplification of aspects such as price plans or the product portfolio. Finally, in terms of culture, continuous improvement is promoted, based on agility for optimisation and data-based decision-making.

The work plan is structured in three phases, these being:

- **Design and implementation:** operational diagnosis, implementation of critical systems, roll-out to first customers.
- **Portability:** mass transfer of customers and scaling of systems to the entire customer base.
- **Operational stabilisation and optimisation:** prioritisation of resources, monitoring and improvement of customer service.

[MDR-A_05] As a result, the new technological solution has been implemented for all after-sales processes and the transfer of more than 5 million gas, electricity and service contracts to the new platform.

Improving the industrial customer experience (new virtual office). Spain [S4-4_03]

[MDR-A_01][MDR-A_02][MDR-A_03] The short-term project consists of the design and implementation of a new area designed to meet the specific needs of industrial customers. This development has been carried out with an integrated approach, considering the perspectives and needs of all the agents involved, including customers, operations, sales force and systems.

The main objectives of the action are:

- **Improving the customer experience**: creating a platform that facilitates interaction and service management for industrial customers, improving their satisfaction and loyalty.
- **Optimisation of operations**: integrating efficient operational processes that allow for a more agile and effective management of customer requests and needs.
- **Sales force support**: providing tools and resources that enable the sales force to offer a more personalised and effective service.
- **Innovation in systems**: implementing advanced technological solutions to support the operation and management of the new customer area.

[S4-4_04] In order to monitor the development project of the new industrial customer area, it has been essential to implement a structured process that includes the definition of clear objectives. In addition, it has been essential to create a detailed schedule, allocate adequate resources and hold regular meetings to review progress, identify and mitigate risks, as well as maintain open and transparent communication with all stakeholders to collect and act on the feedback received.

During the development of the new industrial office project, several key meetings have been held to ensure its success. Project committees have met fortnightly to review overall progress, make strategic decisions and approve major changes. Weekly working meetings have allowed the operational and development teams to coordinate, resolve issues and adjust tasks as needed. Business meetings, held fortnightly, have been crucial in aligning the expectations and needs of the business team with the project objectives. In addition, user testing has been conducted where direct feedback from industrial customers has been gathered to make continuous improvements to the platform. These tests have been fundamental to ensure that the final solution meets the real expectations and needs of the users.

On the whole, these meetings and tests have ensured effective communication, adequate risk management and successful project implementation.

[MDR-A_05] As a result, an increase in customer satisfaction has been identified, resulting from a more personalised and efficient customer service, as well as an increase in operational efficiency. During 2024, the implementation of a modern and attractive customer area has contributed to improving the company's image by facilitating access to information for this customer segment. This initiative reflects a strong commitment to innovation and quality, which can not only attract new customers, but also strengthen relationships with existing ones.

Energy Vulnerability Plan [S4-4_03]

Energy vulnerability in Spain

[MDR-A_01][MDR-A_02][MDR-A_03] The Energy Vulnerability Plan of Naturgy is a strategy designed to support customers facing difficulties in accessing energy supply. Its main objective is to facilitate payment and optimise the necessary procedures, prioritising the needs of people in vulnerable situations.

[MDR-A_05] As a result of the action, more than 90,000 arrangements on vulnerable customers has beenmade in 2024.

As mentioned above in the "Collaboration with vulnerable groups" subsection of this chapter, identification work is carried out to optimise customer service channels for vulnerable customers. The company also provides another specific customer service for those entities belonging to the third sector that represent these groups.

Additionally, in compliance with RD 897/2017, which regulates the figure of the vulnerable consumer, the social bonus and other protection measures for domestic consumers of electricity, Naturgy sends weekly to the bodies established by each autonomous community, the list of electricity supply points to which payment has been required. In this way, the regional administrations are informed of situations of non-payment so that they can take the measures deemed appropriate.

In relation to the social bonus, Naturgy has closed the year with 202,047 customers to whom the discount is applied in the electricity bill, as regulated by the government for households considered vulnerable due to their socio-economic conditions.

Energy vulnerability in Latin America

- **Argentina**: vulnerable customers are identified by the public administration, according to criteria based on family income, registrable assets, social assistance, disability, etc. The State creates a register of customers who should receive tariff subsidies, classified into different levels, with the most vulnerable segment being Social Tariff customers located in cold areas (also defined by the State).

  The billing system complies with the provisions of PEN Decree No. 332/2022, which promotes the creation of the Registry of Access to Energy Subsidies (RASE), under the orbit of the Undersecretariat of Energy Planning of the National Secretariat of Energy. As of June 2022, this regulation established a regime for the segmentation of subsidies to residential users of electricity and natural gas services through the network, with the aim of achieving reasonable energy prices that can be applied according to criteria of fairness and distributive equity.

  Each month, the distributor receives the register of subsidy beneficiaries. The file is processed so that the company’s systems can properly identify the supply points subject to this special pricing and issue the subsidised bill according to the level assigned by the administration
- **Brazil**: vulnerable clients are registered in one of the government programmes for low-income citizens in vulnerable situations, the “Minha Casa Minha Vida” programme or the “Morar Carioca” programme.

  The customer submits to the distribution company a series of documents proving that they meet the requirements to be a beneficiary of the social tariff for piped gas. The social tariff offers a discount on the first two consumption brackets of the current tariff table.

  Beyond the discount on the bill, the management of vulnerable customers is the same as that of other customers in terms of collections, supply cuts or supply point management.
- **Mexico:** vulnerable customers are considered to be those people over 60 who live in areas considered socially marginalised given the value of the properties in which they reside and who consume an average of 20 m3 of gas per month. For these customers, the company applies a lower tariff for their consumption.
- **Panama:** vulnerable customers are those living in areas considered socially marginalised given the value of the properties in which they reside and social security.   The company applies and, in accordance with current regulations, a percentage subsidy assumed by the government. In addition, it offers payment agreement options with more comfortable instalments and longer terms.

Support plan for those affected by the cut-off low in Valencia. Spain [S4-4_03]

[MDR-A_01][MDR-A_02][MDR-A_03]] In view of the situation caused by the impact of the cut-off low that took place at the end of 2024 on the population in general, and Naturgy customers in particular, in several towns in Valencia, the company has developed an aid plan aimed at those affected with the aim of supporting those customers who are in a situation of vulnerability.

Likewise, the aid has been defined until 31 January 2025, which can be extended according to customer demand. This initiative reflects the company's commitment to the assistance and well-being of its customers at critical times.

The main measures implemented include:

- Payment for the repair and/or replacement of household equipment (indoor gas installation, boilers and heaters) to all affected customers.
- Aid of €300 to all affected residential customers to guarantee hot water, hygiene and food (fridges, washing machines and heat pumps). Agreement with the Divelsa chain (Euronics / Tien21) and Comelsa (Milar).
- Aid of €600 to businesses (bars, bakeries, markets, laundries) and public service companies (schools, residences, health centres, etc.) affected to guarantee the restitution of services in the localities. Agreement with the Divelsa (Euronics / Tien21) and Comelsa (Milar) chains.
- Proactive call and free installation check for all gas customers, prioritising the most affected areas.
- €2,000 to all customers with solar panels for the replacement and/or repair of their equipment.
- Forgiveness of the total amount of the bill corresponding to the month of November (being the one with end date in November for electricity and end date November or December for bimonthly gas supplies) to residential and SME gas, utilities and electricity customers in the affected areas.

[MDR-A_05] As of 31 December, the action is still ongoing, having received a total of 9,638 calls from users, from which a total of 2,571 actions have been generated.

Actions to manage risks and opportunities

[S4-4_08] When it comes to managing potential risks, such as customer complaints about contract changes without user consent (Spain) and breaches related to data protection law, it has been implemented actions such as the improvement plan for the Commercial Information Management System and the Global Personal Data Protection Policy and associated measures, which are described in the previous section.

The opportunity to develop new and efficient services enabling the generation of new customers (e.g. self-consumption and energy efficiency) is addressed by offering a simple commercial offer, customisable to the consumer and committed to the energy transition, while at the same time improving the existing services and facilities on offer.

Development of a customised commercial offer. Spain [S4-4_09]

[MDR-A_01] [MDR-A_02] [MDR-A_03] Naturgy maintains a constant commitment to offer a commercial offer committed to the energy transition and adapted to different customer profiles identified.

[MDR-A_05] In 2024, Naturgy has maintained the diverse commercial offer of recent years, among which the following stand out:

- Promotion of self-consumption and charging of electric vehicles in all segments.
- A tariff portfolio segmented according to the needs of each type of client:
    - For Residential: fixed price per kWh, with and without hourly discrimination for electricity, or a personalised flat rate for electricity or a fixed price or personalised flat rate for gas.
    - For SMEs and homeowners' associations: fixed price per kWh for electricity adapted to the different consumption periods, fixed prices for gas with a specific commitment tariff for homeowners' associations and prices pegged to the market, both for electricity and gas.
    - For the Industrial Sector and Companies: wide range of flexible gas and electricity solutions with a focus on renewable solutions, providing services focused on decarbonisation and managing subsidies for its customers. In these solutions, Naturgy offers a comprehensive service ranging from the initial study, planning of the solution, installation, support management and maintenance throughout the contract, thus achieving maximum efficiency.

In this segment, the commercial offer is also adapted according to the reference price indices, in addition to providing fixed prices that allow them to secure their costs in the medium and long term.

- For all customers, the possibility of green electricity commercialisation through the allocation of guarantees of origin equivalent to the previous year's consumption -managed by the CNMC-, and neutral gas with CO2 emissions offset with CERs (Certified Emission Reduction Certificates) -a process certified by AENOR-. Commercialisation of biomethane (renewable gas) with guarantees of gas origin has also started.
- New power recommendation tool: improvement of the online power optimisation process to encourage customers to assess whether they can make any adjustments to their contracted power in order to save on their bill.
- Development of new maintenance services that reinforce the commitment to peace of mind at home: from Servigas (focused on gas supply and equipment), Servielectric (electricity supply and equipment), Servihogar (home services) and Servisolar (specific for self-consumption installations).
- Solutions for the renovation of equipment in the home to improve comfort and energy efficiency, including financing options, extended warranty and maintenance.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S4-5)

[S4.MDR-T_01-13] Setting targets is fundamental to managing identified impacts, risks and opportunities because it provides clear direction and a framework for decision-making. It also allows for monitoring the effectiveness of policies and actions.

[S4-5_01[S4-5_02][S4-5_03] Customers participate indirectly in the setting, monitoring and identification of improvements through the responses to the actions carried out or the satisfaction surveys where needs and expectations are collected.

Objectives related to actions addressed to consumers and/or end-users

Global satisfaction with service quality and Net Promoter Score (NPS)

[MDR-T_01] Naturgy evaluates the effectiveness of the actions aimed at managing impacts, risks and opportunities, presented in the previous section, through the objectives established in the 2021-2025 Sustainability Plan. The indicators of Global satisfaction with service and Net Promoter Score (NPS), in addition to being a sign of efficient management of impacts, risks and opportunities, if their results are positive, also constitute a key reference for gathering customer feedback, assessing quality standards and understanding their needs and expectations in relation to the services offered. [MDR-T_08] It should be noted that these objectives do not have milestones or interim targets.

[MDR-T_09] For the definition of the objectives, the evolution of historical data has been analysed, the performance is assessed against the valuation received by other competitors and the impact that the evolution of the future scenario could have on the performance of the indicators has been taken into account.

Detailed information on the objectives is presented below:

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
Global satisfaction with service quality (1-10)	2021	Not applicable	8.5	7.9	8.0	Not applicable
Net Promoter Score (NPS) Spain commercialisation (global) (%)	2021	Not applicable	45.0	29.7	27.0	Not applicable
Net Promoter Score (NPS) Argentina BAN (global)	2021	Not applicable	57.0	59.2	57.4	Not applicable
Net Promoter Score (NPS) Argentina NOA (global) (%)	2021	Not applicable	pending	63.1	64.1	Not applicable
Net Promoter Score (NPS) Brazil (global) (%)	2021	Not applicable	60.0	59.7	58.7	Not applicable
Net Promoter Score (NPS) Chile Metrogas (global)	2021	Not applicable	65.0	58.0	68.0	Not applicable
Net Promoter Score (NPS) Mexico (global) (%)	2021	Not applicable	46.0	79.0	73.0	Not applicable
Net Promoter Score (NPS) Panama (customer service)(%)	2021	Not applicable	20.0	-27.0	7.0	Not applicable

[MDR-T_11] Naturgy considers excellence and customer satisfaction as fundamental pillars of its strategy and takes them into account when defining its objectives in order to ensure that the services provided meet the highest standards of quality, safety and reliability to satisfy its customers.

[MDR-T_12] On the other hand, the target has no changes in parameters, measurement methodologies, assumptions, limitations, data collection sources or processes.

[MDR-T_13] A monitoring of the performance of the target is carried out by the areas involved, in the different countries and businesses, in claims management. In 2024, the performance of the indicator has been particularly good due to the fact that some countries have recorded significantly fewer complaints compared to previous years. Given that this decline is not explained by changes in operations or in the way the indicator is measured, the company has slightly increased its ambition, although it has decided to keep its target at similar orders of magnitude to those expected in the past.

In accordance with the "Purpose and strategy" section of the General disclosures chapter, Naturgy has drawn up a Sustainability Plan 2025-2027, under the framework of the new Strategic Plan 2025-2027, whereby the objectives of the previous Plan are updated. In this case, the following objectives have been established for 2027:

	Approval year	Base year	Target 2027	Baseline value
Global satisfaction with service quality (1-10)	2025	2022	8.7	7.6

In the 2025-2027 Sustainability Plan, the company has decided to establish the global satisfaction index with the quality of service as a target, as this is a consolidate metric at group level and allows the perception that customers have of the company's services to be assessed, and to dispense with the NPS targets as they are considered redundant for this purpose.

No. of complaints registered / No. of contacts (%)

[MDR-T_01]] The 2021-2025 Sustainability Plan has established the objective of maintaining the indicator "no. of complaints registered / total no. of customer contacts (%)" with the aim of reducing incidents related to the information provided to customers. Through this objective, the company seeks to improve the customer experience, ensuring an efficient and high quality service. [MDR-T_08] It is important to highlight that this objective does not have milestones or interim targets.

Detailed information on the objective is presented below:

MDR-T_02; MDR-T_03; MDR-T_05; MDR-T_06

	Approval year	Base year	Target 2025	Year 2024	Year 2023	Baseline value
No. of complaints registered / No. of contacts (%)	2021	Not applicable	4.05	3.33	4.57	Not applicable

[MDR-T_11] In addition, through feedback from management assessment and satisfaction surveys, which identify needs and expectations, customers and end-users have indirectly contributed to the definition of the objectives.

[MDR-T_09] For the definition of the objectives, the evolution of historical data has been analysed, performance is assessed against the valuation received by other competitors and the impact that the evolution of the future scenario could have on the performance of the indicators has been taken into account.

[MDR-T_13] A monitoring of the performance of the target is carried out by the areas involved, in the different countries and businesses, in the management of complaints. In 2024, the performance of the indicator has been particularly good because some countries have recorded significantly fewer complaints due to the operational improvements implemented, especially in Spain. The target set for 2027 does not fully reflect the good performance in 2024 as it excludes unique situations that have occurred this year, for example in Mexico.

Furthermore, and in accordance with what is indicated in the "Purpose and strategy" section of the General disclosures chapter, Naturgy has drawn up a 2025-2027 Sustainability Plan , whereby the indicators of the previous Sustainability Plan are updated. The new target for the percentage of complaints registered with respect to the total number of contacts is:

	Approval year	Base year	Target 2027	Baseline value
No. of complaints registered / No. of contacts (%)	2025	2022	3.59	4.80

04. Business conduct

One of Naturgy's guiding principles is to be a company where integrity and trust are the foundations on which the business model is based. For that purpose, the company has different policies, procedures and governing bodies that allow it to aspire to be accountable, transparent and transparent. committed to all stakeholders, as set out in the main recommendations recommendations of the national and international standards.

The role of the administrative, supervisory and management bodies (GOV-1)

[G1.GOV-1_01] In addition to the information provided in section 2. Governance in the General disclosures chapter of this report, the key role and experience of the administrative, management and supervisory bodies in relation to business conduct is detailed below.

The main responsibility in relation to business conduct on the part of the Board of Directors is the formulation and approval of Naturgy's Code of Ethics. This document establishes the guidelines that must govern the ethical behaviour of Naturgy's directors, managers and employees in their daily performance with regard to the relations and interactions it maintains with all stakeholders. It sets out the commitments assumed by the company in matters related to ethics and regulatory compliance. Since its approval in 2005, it has been renewed periodically to adapt it to the new realities facing the company, the last in 2024.

In this regard, within the framework of the approval of Law 2/2023 of 20 February, regulating the protection of persons who report regulatory infringements and the fight against corruption, the update that Naturgy's Board of Directors carried out to comply with the obligations established therein is noteworthy. The main measures adopted were as follows:

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

More information on the Code of Ethics, the whistleblower channel, among others, can be found in section F.1.2 of the Annual Corporate Governance Report 2024.

[G1.GOV-1_02] The company recognises the importance of administrative, management and supervisory bodies in promoting responsible and ethical business practices. In this regard, the business conduct experience of these bodies is detailed in section 2. Governance of the General disclosures chapter of this report.

Nevertheless, the experience and knowledge of the directors on the Audit and Control Committee, Mr Claudio Santiago Ponsa, Mr José Torre de Silva López de Letona, Ms Helena Herrero Starkie, Mr Ramón Adell Ramón and Mr Pedro Sainz de Baranda Riva, as well as the executive chairman, Mr Francisco Reynés Massanet, should be highlighted, both for their work on the board and for the regular updates they receive on matters relating to business conduct.

Moreover, together with the specific functions entrusted to the Board of Directors, Naturgy relies on a series of supervisory bodies to ensure compliance in relation to business conduct.

The Ethics and Compliance Committee, made up of the head of the Compliance unit, the General Secretariat and the Board, Internal Audit, Public Affairs and Sustainability, Management Control, and Control and People and Resources, disseminates the Code of Ethics and acts as an advisor and guide in the event of doubts or conflicts regarding the Code.

The Ethics and Compliance Committee receives support from the Compliance unit through the supervision of compliance with external regulations and the policies and procedures implemented in the Group to mitigate the main risks in this area. These include legal, corruption and fraud risks.

[G1-1_01] In addition, the Compliance Unit is responsible, in relation to Naturgy's Code of Ethics, for its communication, ensuring compliance with the provisions of the same, in the Anti-Corruption Policy and in the rest of the policies and procedures of its scope of action. This unit reports regularly to the Ethics and Compliance Committee and the Audit and Control Committee (delegated committee of the Board of Directors) on the activity carried out in the exercise of its functions. It also provides periodic reports on the most relevant matters related to the dissemination of and compliance with the Code of Ethics, the Anti-Corruption Policy and other policies and procedures within its scope of action, and monitors its main indicators.

During 2024, the Ethics and Compliance Committee held 6 working meetings, which, in addition to analysing the monitoring of the main compliance indicators, paid special attention to the monitoring of complaints received through the Code of Ethics Channel and the proposal of appropriate measures to close them, the communication and training activities promoted by the Compliance unit and the analysis of the counterparties that, due to the singularities presented, have been submitted for analysis by said unit.

Within the management bodies, responsibility for aspects related to business conduct lies with Senior Management, who will serve as a reference model with their behaviour and level of compliance with the Code of Ethics and the Compliance Policy, and will promote knowledge of and compliance with the same by the employees under their management. It will also ensure the correct identification of the compliance risks inherent to the company's activity, with the support and according to the criteria established by the Compliance unit.

Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1)

In section 4. Impact, risk and opportunity management in the General disclosures chapter of this report, the process for determining and assessing impacts, risks and opportunities carried out in the double materiality assessment is described.

The material impacts, risks and opportunities to be addressed throughout the chapter are presented below.

		Value chain (2)(3)	Business (4)	Time horizon (5)
BUSINESS CONDUCT				
Corporate culture				
P.I. (1)	Increased stakeholder trust through the promotion of an ethical culture.	VC	Both	Current
O	Attraction of business/financing opportunities by applying responsible practices as a company standard.	OO	Both	Medium-term
	Reduced fines and penalties resulting from having a regulatory framework based on ethics and compliance.	OO	Both	Medium-term
Protection of whistle-blowers				
P.I.	Increased trust of complainants given the correct resolution/ management of the complaints/enquiries made.	VC	Both	Current
Political engagement and lobbying activities				
N.I.	Lobbying activities to influence the passing of laws that are favourable to the company's interests.	VC	Both	Current
P.I.	Encourage the development of certain countries through private initiative (investments, etc.).	VC	Both	Medium-term
R	Regulation with a negative impact on the company's medium-term strategy.	OO	Both	Medium-term
Management of relationships with suppliers including payment practices				
P.I.	Contribution to sustainability through the environmental and social evaluation of new suppliers under ESG criteria for their subsequent selection.	VC	Both	Current
	Development and consolidation of long-term relationships with suppliers of products and services.	VC	Both	Current
Corruption and bribery				
P.I.	Decreasing corruption through communication and training on anti-corruption policies and procedures to reinforce the culture of ethics and integrity in the company.	OO	Both	Current
R	Theft of relevant company material and/or information.	OO	Both	Short-term
	Internal fraud.	OO	Both	Short-term
O	Maintenance of a certified and third-party audited management system to support regulatory compliance and the crime prevention model.	OO	Both	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

Business conduct policies and corporate culture (G1-1)

Business conduct policies

Based on the impacts, risks and opportunities of this issue identified through the double materiality assessment, Naturgy has developed a framework of policies aimed at managing them. This body of regulations derives from the Code of Ethics and reinforces and extends the principles expressed therein.

[G1.MDR-P_01-06] The policies adopted to address the issues for which Naturgy has identified material impacts, risks and opportunities are described below:

Material matter	Policy [MDR-P_01][MDR-P_03]	Targets
Corporate culture	***Compliance Policy.*** Approved by the Board of Directors.It establishes the roles and responsibilities for the compliance management system. Effective from 2019.	– Promote a culture of compliance and zero tolerance of non-compliance. – Ensure, through prevention, detection, monitoring, training and response activities, the organisation's compliance with external and internal regulations. – Avoid possible sanctions, financial losses and reputational damage.
Whistleblower protection	**Internal Information System Policy.** Approved by the Board of Directors. It establishes the necessary guidelines to have an Internal Information System under the terms established in Law 2/2023.	– Delimit the scope of the Internal Information System both objectively and subjectively. – State the general principles that should govern the functioning of the Internal Information System. – Establish guarantees for the protection of whistleblowers. – Facilitate the guidelines to be followed for the correct processing, investigation and resolution of complaints and queries received.
	Management Procedure of the Internal Reporting System. Establishes the process for processing information relating to any of the infringements referred to in article 2 of Law 2/2023.	Procedure for the investigation of: – Any acts or omissions that may constitute breaches of European Union law that meet the criteria set out in Law 2/2023. – Actions or omissions that may constitute a criminal offence. – Actions or omissions that could constitute a serious or very serious administrative offence.
Political commitment	**Global Institutional Relations Policy.** Approved by the corresponding General Manager. It establishes a common framework and guidelines for Naturgy's dialogue with public institutions and political parties to convey its position and defend its interests.	– It details the principles of action that should govern the dialogue: integrity, guarantee of transparency and honesty. – Defines the guidelines of conduct to be followed in Naturgy's dialogue with authorities, public officials and political parties. – Regulates the internal management of participation in foundations, associations and other entities.
Suppliers relations management	**Supplier Code of Ethics.** Approved by the Ethics and Compliance Committee. It establishes the guidelines that will govern the ethical behaviour of its suppliers, contractors and external collaborators. Updated in October 2024.	– It includes the commitments derived from the United Nations Global Compact. – It determines the guidelines for conduct in the social and labour, ethical and good governance, health and safety, environmental and quality areas.

Corruption and bribery	**Anti-Corruption Policy.**[G1-1_03] **Approved by the Management Committee.** It establishes the principles for all employees and managers of Naturgy companies. In this way it complies with national and international legislation in this matter, as well as aligning itself with the universally accepted principles of the United Nations Global Compact.	Guide the conduct of employees and managers in the face of any corrupt practices within the company, through: – Prevention. – Detection. – Reserch. – Remedy.
	Business Courtesies Policy. Approved by the Management Committee. It establishes the conditions under which Naturgy's directors and employees may accept or offer business courtesies to business counterparties in the performance of their professional duties.	– Avoid improperly influencing their commercial, professional or administrative relations with both public and private entities. – It must comply with the principles set out in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy
	Policy for the Prevention of Money Laundering and Terrorist Financing. Approved by the Management Committee in development of chapter 4.8. "Irregular payments and money laundering" of Naturgy's Code of Ethics, as well as its Anti-Corruption Policy.	– Define the general principles that should guide the conduct of all employees and directors of Group companies with respect to the prevention of money laundering and terrorist financing. It must comply with the principles set out in the Anti-Corruption Policy.
	Conflict of Interest Policy. Approved by the Director General concerned.Its purpose is to implement the provisions of chapter 4.10. "Loyalty to the company and conflict of interest" in the Naturgy Code of Ethics, which establishes that Employees must act with loyalty and in the best interests of Naturgy	– Establish the guidelines to be followed by employees in the event of a conflict of interest, based on the principles of loyalty, abstention and transparency for the resolution of these situations. – It must comply with the principles set out in the Code of Ethics, the Supplier Code of Ethics, the Compliance Policy, the Anti-Corruption Policy and the Internal Code of Conduct on Matters Relating to Securities Markets and Treasury Stock Policy (ICR).
	Counterparty Due Diligence Procedure. Approved by the Compliance Officer.Its purpose is to ensure that all areas of the Naturgy group carry out analyses, corruption and reputational risk assessments and their monitoring in an efficient and uniform manner, when third parties are involved in the business relations of the companies that make up the Naturgy group.	– Comply with the principles set out in the Code of Ethics, the Crime Prevention Model, the Compliance Policy and the Anti-Corruption Policy.

[MDR-P_02] The policies listed are mandatory and affect all investee companies in which Naturgy has management control. Likewise, the group promotes and encourages among its suppliers and collaborating companies the adoption of behavioural guidelines consistent with those defined in the Code of Ethics and the rest of Naturgy's policies, for which it has established as an essential requirement to be a supplier of the company that they formally accept to comply with the supplier's Code of Ethics.

[MDR-P_04] The company bases itself on available trends and best practices when defining its policies. In the case of the Code of Ethics, the pillar of the regulatory body and from which the aforementioned policies emanate, it is aligned with and ultimately seeks to comply with the ten principles of the United Nations Global Compact.

[MDR-P_05][MDR-P_06] The policies described integrate the perspectives and opinions of the different stakeholders affected by each of them. Most of them are accessible to all of them through Naturgy's corporate website (www.naturgy.com). Due to its more operational nature, the counterparty Due Diligence procedure is hosted in Naturgy's internal regulatory browser tool and on the company's intranet, being accessible to all employees, thus facilitating their knowledge and application of the due diligence processes.

Corporate culture

Naturgy has a series of mechanisms to identify, report and investigate problems associated with unlawful behaviour or practices contrary to the Code of Ethics or business conduct policies:

- Controls associated with the Crime Prevention Model.
- Channels for reporting related to ethics and integrity.
- Dissemination and training actions.
- Counterparty Due Diligence Procedure.

Crime Prevention Model

This model, which is international in scope, updated annually. Thus, in 2024, the model has continued to adapt to Naturgy's new organisational structure.

The Compliance unit is in charge of managing the Criminal Prevention Model and, in collaboration with the different units concerned, assesses the risks in the models it develops.

Internationally, Naturgy has criminal prevention models in Argentina, Brazil, Chile, Mexico and the USA and is also progressively implementing criminal prevention models linked to all the activities carried out in the rest of the countries where it is present, such as Australia and Panama, all of which have legislation on the criminal liability of legal persons.

Although the different Criminal Prevention Models include all the criminal risks applicable to Naturgy, in accordance with article 31 bis of the Criminal Code or the applicable local regulations, the fight against fraud, corruption and the criminal risks related to money laundering are, due to their importance, those on which more detailed information is provided below.

- **Fight against fraud and corruption:** Naturgy's mechanisms to ensure the proper implementation of the Anti-Corruption Policy, and to prevent, detect, investigate and sanction cases of corruption.
- **Prevention of money laundering:** Naturgy has mechanisms, procedures and policies that seek to prevent and, where appropriate, detect and react to any possible breaches in the prevention of money laundering detected in the exercise of its activity.

Channels for reporting related to ethics and integrity

Naturgy has a Code of Ethics channel, which is the corporate instrument for compliance with the law and respect for the rules of conduct and principles contained in the Code of Ethics and the rules that develop it.

The Code of Ethics channel is a transparent and confidential tool through which employees, managers and directors anywhere in the world, as well as other partners and third parties, can raise concerns:

- Enquiries relating to the application and interpretation of the Code of Ethics and the rules which, in terms of compliance, develop it.

- Complaints relating to conduct, behaviour or practices within Naturgy that may breach the Code of Ethics and the rules that, in terms of compliance, develop it.

Since the entry into force of the Organic Law on Data Protection and Guarantee of Digital Rights, and in accordance with the provisions of the same, and with Law 2/2023, Naturgy's Code of Ethics channel allows for anonymous queries and complaints.

[G1-1_05][G1-1_06][G1-1_12] In the case of Spain, since 2023, the Code of Ethics channel has been incorporated into the Internal Reporting System, in accordance with the requirements of Law 2/2023 (transposition of Directive (EU) 2019/1937 into Spanish law) regulating the protection of persons who report breaches of regulations and the fight against corruption. In this regard, both the Internal Reporting System Policy and the Code of Ethics Channel Operating Regulations prohibit any act constituting retaliation, including threats of retaliation and attempts at retaliation against persons who submit a report in accordance with the provisions of said law or the channel's own regulations.

[G1-1_08] The company's Internal Reporting System, approved by Naturgy's Board of Directors in 2023, handles complaints and cases related to business conduct, including potential cases of corruption and bribery:

- Any acts or omissions that may constitute breaches of European Union law that meet the criteria set out in Law 2/2023.
- Actions or omissions that may constitute a criminal offence.
- Actions or omissions that could constitute a serious or very serious administrative offence.

The software solution implemented by Naturgy (EQS integrityline) through which the Internal Reporting System is managed, makes it possible to file complaints that may constitute breaches referred to in Article 2 of Law 2/2023 (internal reporting system, only for the EU), which refer to breaches of the Code of Ethics (for all countries where Naturgy has a presence. non-EU area), and also complaints of sexual harassment or gender-based harassment (only for Spain). This channel, which is , traceable, with secure software and certified in Europe, is available through Naturgy's external website (https://naturgy.integrityline.com) and the company's intranet.

Naturgy's own workforce has been informed of the availability of both channels, as procedures for reporting violations and has received information on both the use of the channel and the management procedures of both, in accordance with the applicable internal regulations. On the other hand, it has been reported that both the person responsible for the Internal Information System, as well as the members of the Compliance, People and Internal Audit units of the company, have received the necessary training to perform their duties in accordance with the aforementioned regulations, whose aim is to facilitate the guidelines to be followed for the correct processing, investigation and resolution of the complaints and queries received.

Dissemination and training actions.

[G1-1_10] Regarding to business conduct, Naturgy's general policy is to ensure that all employees understand and comply with the applicable ethical principles, laws and regulations. Training in business conduct is aimed at the entire organisation and is annual. Through the Corporate University, from the moment they join Naturgy, all employees are required to take the various training programmes available. The coverage of this training is broad and detailed, covering key issues such as knowledge of the Code of Ethics, the scope of the Crime, Prevention Model, the Anti-Corruption Policy, the Conflict of Interest Policy, the Prevention of Harassment, and the basic principles arising from the legislation on data protection. In addition, specific training activities are scheduled on an annual basis for specific groups within the company on various topics such as market abuse regulations, competition law, etc.

[G1-3_06] On a regular basis, Naturgy carries out training actions in order to disseminate its commitment to the fight against corruption and ensure that its managers, employees and suppliers have adequate and sufficient information to act in this area. Among other actions, it is carried out periodically:

- Update of the Naturgynet space dedicated to compliance.
- Regular reporting to the Board of Directors on the activities of the Ethics and Compliance Committee (notifications received, activities carried out, etc.).
- Training course on the Criminal Prevention Model, Code of Ethics and Anti-Corruption Policy.
- Specific training in relation to the Criminal Prevention Model and Anti-Corruption Policy for new employees and managers.
- [G1-3_08]The administrative, management and supervisory bodies are regularly informed of the basic elements of the Crime Prevention Model, its updates and the main crime risks associated with Naturgy's activity.

[G1-1_11][G1-3_07] The persons considered especially exposed in Naturgy amounted in 2024 to 242 persons, representing 3.55%% of the total number of employees of the Group. Naturgy considers as especially exposed persons, and therefore at risk of greater corruption or bribery, those who are part of the following groups:

- Members of Naturgy management.
- Persons assigned to the Compliance area, as well as those assigned to financial or business units (e.g. Investor Relations, trading activity), who, due to their relationship with operations or payments to third parties, may be subject to the risk of bribery.

Likewise, persons who, due to the content and criticality of the position to be performed, merit such consideration by the People in Business and Corporate and Compliance areas, may be categorised as particularly exposed persons.

Naturgy offers training programmes to all the people who make up this risk group in order to prevent and mitigate cases of corruption and bribery.

[G1-4_03] Below are the courses and declarations in relation to corruption that have been carried out, showing the percentage of completion.

- ## Anti-corruption and bribery training Group

Topics covered	Particularly exposed positions	Senior management	Other own workforce
Crime prevention model	90%	100%	81%
Conflicts of interest	79%	88%	75%

- ## Anti-corruption and bribery training (Spain)

Topics covered	Particularly exposed positions	Senior management	Other own workforce
Crime prevention model	95%	100%	98%
Conflicts of interest	87%	88%	96%
Responsible declaration of compliance	98%	100%	98%
Market abuse (2)	100%		

Notes:
(1) Training aimed exclusively at trading, internal audit, compliance and legal services workers of some businesses in Spain (all of them considered particularly exposed).

On the occasion of the adoption of the law on the comprehensive guarantee of sexual freedom, Organic Law 10/2022 of 7 October, which introduces the possibility of criminal liability of the legal person in this area, numerous face-to-face training sessions were held with the Group's employees in Spain, with special emphasis on the group of executives and middle management.

The training has been developed according to the following outline:

- **2 Hybrid sessions:** delivered by the Compliance Officer in collaboration with external advisors for all staff.
- **10 Hybrid sessions:** delivered by the Compliance Officer for all staff.
- **10 Face-to-face sessions**: given by the head of Compliance to the Management Committee and committees of the different business and corporate areas.

On-site training sessions have also been developed for the trading area in relation to the regulation against market abuse and disclosure of inside information. The aim of this training has been to analyse the European regulation on market abuse and the obligations that this regulation entails for Naturgy.

Also in the second half of the year, a communication campaign called "No es broma, es Compliance" (It's not a joke, it's Compliance) was carried out, starring members of the unit who, through amusing videos, tried to make employees aware of "realsituations in this area. The videos and themes addressed were as follows:

- **"Los favores" (July 2024):** bribery with 970 reproductions.
- **"La madre" (September 2024):** importance of due diligence with 917 reproductions.
- **"El palo" (October 2024)**: business attentions with 535 reproductions.
- **"El primo" (November 2024):** conflicts of interest with 388 reproductions.
- **“** the Christmas campaign reinforces the importance of notifying gifts received at this time of the year through the business services form. 387 reproductions.

Likewise, together with the rest of Naturgy's Compliance teams in Argentina, Brazil, Panama. Mexico and Chile, the video "Compliance without borders" was published on Naturgy TV to highlight their work.

In April, the Compliance unit participated in the annual Expansión awards. These awards highlight the best practices in regulatory compliance in companies and are sponsored by Deloitte Legal, Aenor and ESADE, as an academic partner. Thus, the company won the award for the 'Ibex 35 company with best compliance practices in 2023' and the 'Most innovative company in compliance'.

Finally, Naturgy hosted the VII National Anti-Fraud Congress organised by the World Compliance Association, with the head of Compliance participating in the inaugural conference.

Counterparty Due Diligence Procedure

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

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

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

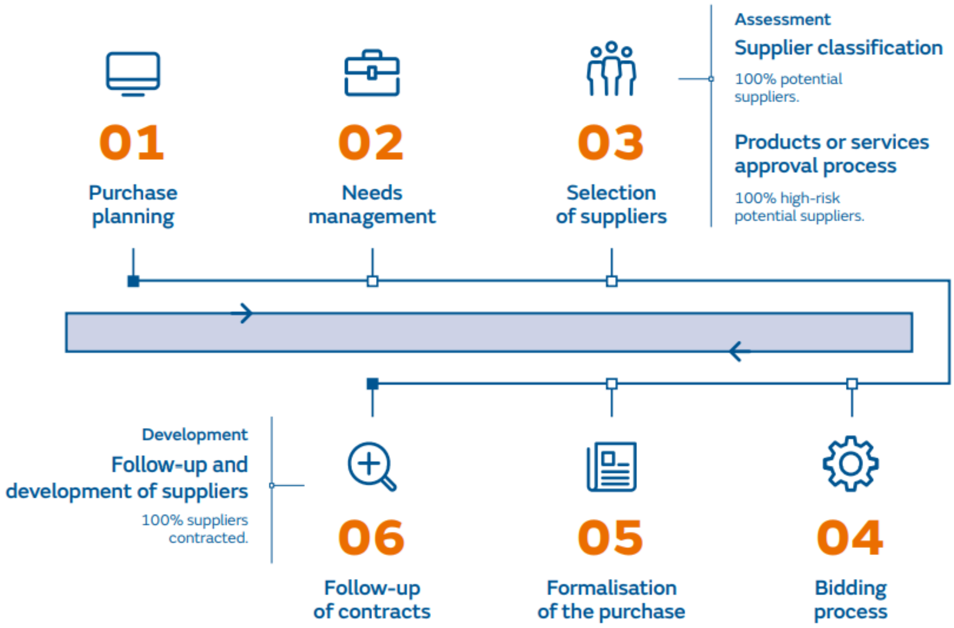
During 2022, a new analysis tool was implemented that visually and globally includes all the risks associated with counterparties that must be taken into account in any analysis ((sanctions, adverse media, geopolitical risk, particularly exposed persons, State Owned Entities (SOE's), environmental, social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

Management of relationships with suppliers (G1-2)

Approach to management of supplier relationships

[G1-2_02 Suppliers and collaborating companies are key players in the optimal functioning of Naturgy's value chain. Thus, the company promotes the maintenance of trustworthy, stable, solid and mutually beneficial relationships, under the principles of transparency and risk management that contribute to the development and consolidation of long-term relationships. In 2024, Naturgy has established commercial relations with a total of 5,284 suppliers.

Naturgy follows a procurement process that aims to meet the needs for goods and services in an efficient manner. It covers all phases of purchasing, from identifying the need for a good or service to monitoring the management of contracts or orders.



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

This interaction with third parties represents a potential risk for Naturgy that could be be severely impacted by an inadequate activity by its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption. Risk management derived from relations with suppliers in Naturgy is based on their compliance with standards equivalent to those applied internally and is based on the following commitments:

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

The management of suppliers participating in Naturgy's value chain is articulated through various elements listed below:

Statement of Principles and Policies	It establishes commitments, actions and indicators for the responsible management of the company's value chain. As explained in the "Corporate policies" section of the General disclosures chapter, this standard integrates the commitments established in the current Corporate Responsibility Policy.
Global Sustainability Policy	It expresses Naturgy's commitments to Human Rights. The evaluation of suppliers includes questions relating to human rights practices that are excluded in the event of an unsatisfactory response. In 2024, no non-compliance has been detected in the area of human rights in suppliers. As explained in the section "Corporate policies" of the General disclosures chapter, this policy is an integral part of the current Global Human Rights Policy.
Supplier Code of Ethics	Since 2016 all group suppliers have to adhere to the Supplier Code of Ethics. Further details are provided in the sub-section Actions to manage negative and positive impacts in the chapter on Workers in the value chain.
Global Outsourcing Policy	It establishes the general principles applicable to all procurement and contracting of works, goods and services carried out by the Group, guaranteeing a homogeneous, efficient and quality model for the management of the procurement process.
Global Supplier Policy	Describes the supplier evaluation, approval, monitoring and development processes. Guarantees sustainable management of the supply chain, identifying and assessing risk factors, evaluating suppliers and ensuring compliance with Naturgy's sustainability commitments. Its general principles include promoting responsible supply chain management and ensuring the Group's sustainability performance principles in procurement and contracting processes. In particular, in environmental, social and governance matters, ensuring, among others, ethical behaviour and human and labour rights, transparency, full and fair opportunity, respect for the interests of stakeholders, respect for the principle of legality and international standards of behaviour, focus on needs, integration and continuous improvement.

Transparency in purchases and communication with suppliers	Naturgy is committed to ensuring free competition, objectivity, impartiality, transparency and traceability throughout the entire procurement process:
	– The use of secure electronic means for management of all tenders brings greater transparency to the procurement process and ensures information traceability.
	– Communication channels with the supplier that facilitate access to all the information necessary for their participation in the procurement processes:
	  ▪ A specific section for suppliers on Naturgy's website.
	  ▪ The Supplier Portal and SAP Business Network, online platforms for transferring technical regulations to suppliers, notifying updates and managing orders.
	  ▪ The Supplier Channel, an online mailbox available to suppliers to resolve doubts or incidents and to make queries or suggestions.

Reporting channel	All suppliers, contractors and external collaborators of Naturgy have the possibility to address confidentially and anonymously, in good faith and in good faith. without fear of reprisal to Naturgy to report any non-compliance with the guidelines. of the Code of Ethics that they observe in their professional performance. Such communication can be made through the Internal Information System, accessible through www.naturgy.com.

Risks in the supply chain

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

With the risk assessment of the 331 purchase categories that are managed worldwide, and after assessing the risks of 50 countries where the company usually contracts, we obtain the risk of each purchase category in accordance with its activity and the country where the activity is conducted.

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

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

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

Risk factors

Risk Map
↓

Quality Risk

Operational Risk

ESG Risk | Climate Risk | Reputational Risk (Compliance) | Cybersecurity Risk | Data Protection Risk

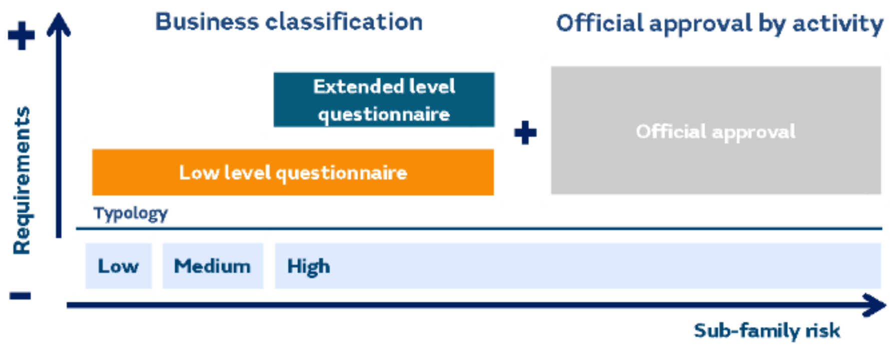
Health and Safety Risk

High level | Medium level | Low level

Legal Risk

Supplier assessment and selection

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



The business classification evaluates suppliers' compliance with Naturgy's requirements through questionnaires and requests for evidence from suppliers via the Achilles-Repro platform, based on criteria established in the standards and methodology defined by the utilities community in southern Europe and South America. All suppliers must pass this process before maintaining commercial relations with Naturgy.

The supplier business classification model establishes:

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

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

In 2024, Naturgy has managed the ESG assessment of 5,333 suppliers, including potential and active suppliers. The latter must be evaluated on an annual basis.

On the other hand, the process of approving suppliers in health and safety is described in the section Actions to manage negative and positive impacts in the chapter on Workers in the value chain. Naturgy has established that all suppliers that carry out critical activities - as they are defined as high risk in any of the ESG and quality risk factors - must be approved by means of audits or assessments documented by Naturgy employees or by hired consultants, which are carried out at the supplier's facilities or on-site, depending on the criticality, to verify compliance with the specific requirements defined for the service or material. If anomalies are detected during the audits, they will have to carry out actions aimed at correcting and implementing them within the deadlines agreed between Naturgy and the supplier, this period always being less than one year.

In 2024, 551 audits were performed on suppliers and subcontractors, of which 88 were conducted at their facilities (28 audits of approval and 60 inspections at source). If anomalies arise in the approval process, this may lead to a plan of corrective actions, or to the non-approval of the supplier, which would prevent such supplier from performing this activity for Naturgy.

54% of the approval audits carried out at the suppliers' premises has resulted in the need to submit a corrective action plan. On the other hand, in 2023, no supplier's approval has been suspended or withdrawn, nor has the contractual relationship been terminated for non-compliance with safety, quality and other requirements.

In addition, the company also approves and, therefore, carries out audits managed by Naturgy employees or contracted consultants, to non-tier 1 suppliers corresponding to purchase categories of critical products for operations, on which audits are carried out based mainly on aspects related to quality. Critical products are considered to be those defined by the business based on the interruptibility of the service, the consequences in the event of failure, delays or failures in delivery, among other factors.

Application of ESG criteria in the assessment and selection of suppliers [G1-2_03]

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

Risk Factors Environment	Risk Factors Good Governance	Risk Factors Social
Climate change. Pollution. Biodiversity. Water. Soil. Landscape · Territory · Heritage. Consumption of resources. Waste.	Fraud. Corruption. Competition. Terrorism. Professional ethics. Regulatory compliance.	Community well-being. Human Rights. Employee rights. Data protection. Safety and quality of products. Freedom.

→ ↓ ←

ESG Risk Map (activity/country)

High level | Medium level | Low level

Due to the importance for Naturgy of occupational Health and Safety and climate change, the ESG risk matrix is complemented by the specific risk matrix for these two factors, and the company establishes regulations and processes for prevention and mitigation in both cases.

In this way, Naturgy identifies suppliers with high sustainability risk, considering those that present a high level of risk in health and safety and ESG factors. In 2024, the number of suppliers considered in this category has been 600, which represents 31.56 of the total purchase volume. The 97% of these suppliers present high risk in health and safety as this is the predominant factor due to the nature of the activity carried out by Naturgy, construction, operation and maintenance of natural gas networks, electricity networks and power plants.

Monitoring, follow-up and development of suppliers

[G1-2_02] Once the company has procured works, goods and services, monitoring, follow-up and supplier development activities are essential to ensure a homogeneous, efficient and sustainable model, in line with the company's general principles set out in its policies, standards and procedures.

Monitoring and follow-up of suppliers

Since 2019, Naturgy's purchasing areas, in coordination with the compliance unit, have been monitoring online the reputational risks of the portfolio of suppliers with which it has a commercial relationship. A screening tool is used to detect the exposure to reputational risk of counterparties.

For the monitoring of health and safety and ESG risks, the mechanisms used are:

Environmental specifications	Naturgy has developed specific environmental specifications for suppliers and contractors that are attached to the corresponding contracts, based on the purchase category supplied, which include minimum environmental management requirements for application and monitoring during procurement.
Documented Safety Inspections	In suppliers involved in activities classified as high risk in health and safety, "Documented Safety Inspections" are carried out, which are audits performed on site by Naturgy employees or external consultants. In 2024, 24,371 documented safety inspections have been carried out on suppliers of the Group and in 14.53% of these inspections, deviations have been detected which generated the corresponding corrective actions in 100% of the cases for their resolution.
Performance on climate matters	Naturgy contractually requires suppliers categorised as high risk in climate change and with a large volume of contracted purchases to report annually, through questionnaires on the CDP Supply Chain platform, their degree of performance in climate matters, thus involving suppliers in the improvement of their environmental impacts. In 2024, a total of 254 Naturgy suppliers have been invited to report their information through CDP Supply Chain.

In addition, ESG audits and performance monitoring are conducted. Audits are used to assess suppliers classified as having a high ESG risk level on-site, while follow-ups are used to monitor various aspects in terms of quality, health and safety, operational and ESG (for more details, see the section "Actions to manage negative and positive impacts" in the chapter Workers in the value chain).

For suppliers in critical purchasing categories with current awards, self-assessment and quality control mechanisms are agreed upon prior to the delivery of products or services. The categories that are considered critical are those that present a high risk in terms of quality, health and safety. Likewise, equipment calibration control is carried out and it is verified that personnel who carry out high-risk activities are authorised or certified to perform them, and accreditations or identifications are granted.

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

Training an development of suppliers

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

In this way, the EA contributes to the establishment of a common planning and management model, favouring the professionalisation of the companies participating in Naturgy's value chain, with a recurrent activity of more than 13,556 participants per year and more than 39,242 hours of training. The unique participants in 2024 have been 6,789. For further information, see the section "Actions for the management of negative and positive impacts" in the chapter "Workers in the value chain".

This specific training action is in addition to other training and knowledge dissemination actions aimed at employees who are part of the procurement teams. One example is the specific training sessions that employees received following the introduction of the progressive valuation of the carbon footprint of suppliers in tendering processes, as this entails changes in the procurement process and its implications. These training programmes are conducted on a recurring basis with the aim of ensuring the effective application of sustainability principles among the company's buyers and internal teams involved in purchasing decisions, in order to provide essential knowledge on the design of sustainable strategies, taking into account the potential impacts on society and the environment.

In addition, during 2024, Naturgy, on behalf of the RePro community of which the company is part, participated in the 'Sustainability Forum: Q&A between suppliers and buyers' during the celebration of the I ESG Awards Day, organised by Achilles. These awards have the objective of recognising suppliers who stand out in their commitment to sustainability. This event was attended by all suppliers of Naturgy Spain.

Finally, the relationship with strategic suppliers is managed in order to strengthen alliances, in an environment of collaboration and efficiency, by sharing information , aligning strategies, seeking continuous improvement and fostering innovation.

Average supplier payment period

[G1-2_01] Although Naturgy does not currently have a formalised policy to avoid delays in payments, particularly to SMEs, company has various internal procedures in place to ensure the optimal functioning of payment to third parties.

As explained at the beginning of this section, Naturgy has established contracting conditions that regulate the contractual relations between the companies of the Group and its suppliers. These apply to the contracting of works and services or the acquisition of materials and equipment. They consist of a general part applicable in all countries and a specific part corresponding to each country, available on the corresponding web pages.

These terms and conditions set out in the country-specific parts, inter alia, the nature of the defined payment conditions and, in any case, comply with the legally established conditions.

In addition, Naturgy has internal regulations that establish the management and authorisation criteria and requirements to proceed with the payment of invoices to suppliers. As a general criterion, payment of invoices is made by bank transfer, by the previously planned payment chains, according to the date agreed in the contract or, failing that, two months from the invoice date. In those cases in which a delay may occur, due to Naturgy's internal processes, resulting in a delay in payment, the regulations allow early payment to be managed.

In addition to the regulatory aspects and contractual conditions, Naturgy supports its supplier relations process with various technological tools that help to make the processes more agile and reduce the risk of errors or administrative delays.

The company also publishes annually in Note 20 to the consolidated report, which forms part of the Annual Consolidated Financial Report, the average payment period to suppliers, which is prepared in accordance with Law 15/2010, which establishes measures to combat late payment in commercial transactions, as well as with the amendments established in Law 18/2022, of 28 September, on the creation and growth of companies.

Prevention and detection of corruption and bribery (G1-3)

In accordance with the information provided in the sub-section on 'Corporate Culture' of this chapter, the Anti-Corruption Policy establishes the principles that should guide the behaviour of all employees and managers of Naturgy's companies in the event of any corrupt practice within the company. In this way, it complies with national and international legislation on this matter through: prevention, detection, investigation and remedy.

Anti-fraud and anti-corruption plans

Anti-fraud and anti-corruption plans, in addition to their preventive nature, help to reduce risks such as internal fraud and theft of relevant company material and information. They also generate positive impacts, such as reducing corruption, through communication and training on anti-corruption policies and procedures, in order to reinforce the culture of ethics and integrity in the company.

[G1-3_01] Naturgy has the following procedures and actions in place in order to ensure the proper implementation of the Anti-Corruption Policy, and to prevent, detect and address cases of corruption or bribery:

- Monitoring of the operation and assessment of the effectiveness of the organisation, control and compliance models implemented in the different corporate and business areas of Naturgy, especially the Crime Prevention Model (for further details, see the "Corporate culture" subsection of this chapter).
- Employees, as well as Naturgy's stakeholders, have at their disposal channels so that they can bring to the attention of the Ethics and Compliance Committee any non-compliance or irregular or suspicious behaviour in this area. the compliance unit, together with the internal audit, people and organisation or other areas of the company whose intervention is required, carry out the relevant investigations arising from reports of corruption and bribery. If the reported behaviour is confirmed, and in application of the Operating Regulations of the Code of Ethics Channel or the Management Procedure of the Internal Reporting System for the infringements referred to in article 2 of Law 2/2023, the imposition of sanctions and the adoption of the corrective measures deemed appropriate are envisaged.

- [G1-3_05] In 2024, the periodic Declaration of Compliance was launched through which, every two years, all Naturgy Group employees must formally state that they are aware of and comply with the principles established in the Code of Ethics, Compliance Policy and Anti-Corruption Policy. It should also be noted that the aforementioned declaration is annual for those employees considered especially exposed either by their area of dedication or by the position they hold in the company. In addition, all employees have access to both the Code and the indicated Policies through Naturgy's website or the Intranet.
- The training actions carried out on corruption and bribery have been carried out by 98.30% of the workforce in Spain and 81.34% of the total Group (for more details see the sub-section "Corporate culture").
- Business Courtesies Policy: the purpose of this policy is to regulate the conditions under which Naturgy's directors, managers and employees may accept/offer business hospitality from/to third parties within the framework of the performance of their professional duties, which are legitimate, reasonable, proportional and appropriate to the level of the offeror and the recipient, so as to ensure effective compliance with the principles of objectivity, impartiality and transparency established in the Code of Ethics and in Naturgy's Anti-Corruption Policy. The Policy is established as a basic framework for anti-bribery compliance in accordance with the international standard UNE-ISO 37001, on anti-bribery management systems.
- Conflict of interest policy that seeks to establish mechanisms to identify situations of conflict of interest in order to minimise it so that it does not become a risk of fraud and corruption.

[G1-3_03]] The Compliance unit provides regular reports to the Ethics and Compliance Committee and the Audit and Control Committee (delegated committee of the Board of Directors) on the dissemination of and compliance with the Anti-Corruption Policy.

[G1-3_02] Finally, it is important to note that both the investigators and the relevant investigative committee will always be separated from the management chain involved in the matter, whether by corruption and/or bribery.

Confirmed incidents of corruption or bribery (G1-4)

[G1-4_01] [G1-4_02] During 2024, no convictions or fines related to violations of anti-corruption and anti-bribery laws were recorded.

[G1-4_03] Naturgy carries out informative actions and training sessions, both for its own employees at risk and for other employees in order to prevent breaches in the procedures and rules for fighting corruption and anti-bribery (see the sub-section "Corporate culture" of this chapter).

[G1-4_04] During the financial year 2024, the company received 27 complaints through the Code of Ethics Channel concerning corruption and bribery or fraud. Of the complaints received and closed during the financial year, a total of 24, 14 have been estimated. Of these, following the investigations carried out by the corresponding investigation teams, 8 cases of internal fraud and 8 cases of corruption and bribery have been confirmed and remediation measures have been adopted in this area.

Actions for corruption and bribery breaches

[G1.MDR-A_01-12] [MDR-A_01][MDR-A_03] The actions taken to address breaches of anti-corruption and anti-bribery procedures and standards are set out below.

[MDR-A_05] Actions taken in 2024 (time horizon to be confirmed) as a result of cases detected as breaches of anti-corruption and anti-bribery can be summarised as follows:

- Specific internal audit plans in those areas where failures in existing controls or processes have been detected.
- Application of sanctions to contractors in application of the contracts signed with them, if the infractions have been committed by these third parties.

- Plans to improve processes and controls in order to make the control system more robust.
- Training and awareness-raising actions.

[MDR-A_02] The scope of the measures has been focused on those businesses and geographical locations where control weaknesses have been detected.

[MDR-A_06][MDR-A_07][MDR-A_09][MDR-A_10][MDR-A_11][MDR-A_12] In economic terms, the actions disclosed require a financial contribution from Naturgy in the form of capital investments and associated operating expenses is not significant, and is consolidated in larger economic items, since at accounting level it is very difficult to provide individualised details of these items.

Political influence and lobbying activities (G1-5)

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

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

[G1-5_01] The General Director of Public Affairs and Sustainability, within the administrative, management and supervisory bodies, is responsible for overseeing political lobbying activities.

[G1-5_11] With regard to the appointment as a member of the administrative, supervisory and management bodies of persons who may have held a comparable position in the public administration in the two years prior to the financial year 2024, this circumstance has not occurred.

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

Since 2019, Naturgy has had an Institutional Relations Policy which, among other matters, regulates its participation in this type of entities and associations.

Naturgy annually allocates resources to form part of and actively collaborate in associative entities whose objectives include transferring positions and information that contribute to the construction of public policies and regulations. At the end of 2024, Naturgy had more than 220 relevant participations in 15 countries and an annual investment equal to 2,911,550 euros.

Among the company's main stakeholders are the World Economic Forum, Sedigas, the Real Instituto Elcano and the Spanish Chamber of Commerce.

[G1-5_02] [G1-5_03] [G1-5_06] [G1-5_07] In addition, it is worth mentioning that Naturgy does not make monetary or in-kind contributions of a political nature, in accordance with the provisions of principle 9 of the Group's Code of Ethics, the monetary value of which is equal to zero euros.

[G1-5_09] During the reporting period, the main issues addressed through Naturgy's activities with associated entities have been aimed at the promotion and development of investment in renewable technologies in Spain and have been as follows:

- The promotion and development of renewable gases within Spain's energy matrix.
- Encouragement of legislation to promote the deployment of biomethane plants.
- Promoting measures that benefit the process of industrial decarbonisation in Spain, making visible opportunities for the industrial sector, especially in those processes that cannot be electrified.

[G1-5_10] In order to ensure transparency in Naturgy's interactions with public and regulatory institutions, Naturgy (under the name "NATURGY ENERGY GROUP") is registered in the Transparency Register of the European Union. The identification number in the EU Transparency Register is 67833029261-54, which can be publicly consulted through the portal of the European Union register.

Payment practices (G1-6)

Naturgy manages payments to suppliers in an efficient and transparent manner, ensuring that the agreed deadlines are met in order to maintain solid and sustainable business relationships

[G1-6_01] The average payment period to suppliers in Spain refers to Law 15/2010, which establishes measures to combat late payment in commercial transactions, as well as the amendments established in Law 18/2022, of 28 September, on the creation and growth of companies. [G1-6_05] Likewise, Naturgy analyses all invoices received and takes the date of the invoice as the reference date for the start of the computation of the payment period.

	2024	**2023**
Average payment period to suppliers (days)	22	21

[G1-6_02] Naturgy sets the usual payment term generally at 60 days, in accordance with Law 15/2010, with the exception of international gas suppliers, gas and electricity distributors and some official bodies that require tighter deadlines.

[G1-6_03] The percentage of payments that comply with these deadlines is presented below:

	2024	**2023**
Payments aligned with these standard terms (%)	99.51	99.44

In the case of Latin America, the average payment period is not required by the regulations applicable to Note 20 ‘Trade and other payables’ of the Annual Consolidated Financial Report.

[G1-6_04] Furthermore, Naturgy is committed to meeting its financial obligations in an appropriate manner and in line with the principles of business conduct and the regulations in force. During 2024, there were no legal proceedings related to payment delays.

The company's priority is to ensure that all purchases comply with the agreed terms, especially those related to SMEs, in order to strengthen relations with suppliers and other business partners. In this regard, work continues to improve control mechanisms to prevent or correct situations of non-compliance in the supplier payment chain.

It should be noted that this report does not break down data specifically for small and medium-sized enterprises (SMEs) or by type of supplier because the company's current systems do not allow this level of detail to be obtained. The company will analyse for future years what is involved in implementing the necessary technical improvements to the organisation.

05. Specific information

Cybersegurity

The process used to determine the material impacts, risks and opportunities related to cybersecurity has been the double materiality assessment, described in the chapter General disclosures of this report, section 4. Impact, risk and opportunity management, where cybersecurity has been considered as a specific subject of Naturgy. The impacts and risks identified of a material nature are presented below. No material opportunities have been identified as they are below the materiality thresholds established.

		Value chain (2)(3)	Business (4)	Time horizon (5)
OTHERS				
Cybersegurity				
N.I.	Loss of personal data due to cybersecurity breaches.	OO	Both	Current
P.I.	Ensure the right to data protection through a personal data protection policy.	OO	Both	Current
R	Increased costs and loss of trust and reputation due to security breaches of company information, both personal and critical operational information.	OO	Both	Short-term

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
(2) The following notations have been used: own operations (OO); value chain (VC)
(3) The "Upstream" and "Downstream" stages correspond to those defined in the section “Naturgy and its value chain”. The term “VC” has been used in cases where the impact, risk or opportunity applies to both stages.
(4) The possibilities “Gas”, “Electricity” and “Both” are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the “Current” category are those that have occurred the present year, and thus no time horizon applies.

Naturgy carries out actions to prevent, mitigate and repair both the current negative impacts and the possible risks that may affect stakeholders in a transversal manner.

Cybersecurity Governance

The increase in threats, both in terms of a significant increase in cyber-attacks, as well as in terms of greater sophistication and supported by technologies such as Artificial Intelligence (AI), represents a constant challenge in the field of cybersecurity in Naturgy. In addition, the company manages and provides essential services and critical infrastructures in the markets in which it operates, which makes cybersecurity management a priority issue.

In this sense, Naturgy has policies, regulations, control framework and a global cybersecurity governance system for the entire organisation.

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

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

One of the pillars on which the company's cybersecurity is based is the training of people. Naturgy offers cybersecurity training to its entire workforce, including its management bodies, in order to identify and mitigate the cybersecurity risks to which its operations are exposed: For this purpose, different means are used, such as the Corporate University or the company's intranet, and different media such as webinars, training pills, courses, roleplays or live fire exercises.

In order to know its level of performance in this area, Naturgy uses, among others, the BitSight index, which allows rating the level of cybersecurity of the entity and comparing it with other companies in the sector or other areas. This indicator transforms the way companies manage information security with objective, verifiable and actionable security ratings. Naturgy closed the year 2024 with 780 points in this index, which is based on a scale of 250 to 900, with 250 being the most basic and 900 the most advanced. Naturgy is in the "Advanced" level range, which is considered from 740 onwards, being among the world leaders in the energy sector.

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

Cybersecurity measures

Naturgy has a Cybersecurity Plan updated in 2024 that implements new strategies and initiatives for the transformation of cybersecurity in Naturgy, in a context where it is a priority to continue strengthening the measures already taken in previous cybersecurity plans and maintaining proactivity in the face of new demands and threats. This plan seeks to increase the prevention, protection and investigation of cyber-attacks and, accordingly, to strengthen the company's resilience in digital environments in order to ensure the protection of all Naturgy's information assets. The plan is globally applicable and is based on three fundamental pillars: people, processes and technology.

In the field of technology, and very significantly, Naturgy consolidates its operations on cutting-edge technologies following the best market practices and has a zero-trust policy that seeks to minimize the surface area of exposure to cyber threats.

In order to integrate cybersecurity into projects from the early stages, Naturgy has a technical office of security projects that helps to include cybersecurity from the conceptualisation and design of projects. These regulations are updated periodically and a series of international standards and good practices, such as ISO 27001 or national standards such as the National Security Framework (ENS), are used as a control framework.

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international.

.As regards cyber intelligence tasks, Hunting teams and CyberSOC (Security Operations Centre):

- They continue to integrate new sources of cyber intelligence, as well as new use cases aligned with the MITRE Matrix that classifies tactics, techniques and procedures used in cyber attacks to facilitate understanding of how attackers operate and how best to protect against them, thus enabling early detection.

- They integrate the latest AI trends into their cyber security operations processes.
- They carry out the study and simulation of the main cybercriminal groups and their attack trends that could pose threats to the company's operations, articulating an annual plan of controlled intrusions in processes and infrastructures.
- In addition, and as a final step in this process, the company has defined a protection plan, consisting of the mitigation of those use cases that could be exploitable on its infrastructure, thus guaranteeing the minimisation of potential damage.

Regarding the extension of the principles to the supply chain, Naturgy establishes cybersecurity criteria that are required in the processes of procurement or contracting third party services, and qualification assessments are carried out for the main suppliers that process company information.

Process and infrastructure

In the event of a cyber incident, and depending on its level of criticality, Naturgy mobilises and executes the appropriate levels of response, thus limiting its impact on the Group, the value of the share, service provision and customer confidence. It is worthy of mention that there have been no infrastructure incidents during 2024 that prevented business continuity.

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

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

Likewise, Naturgy carries out annual:

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

Innovation

Naturgy conceives innovation as an indispensable tool in the development of new energy solutions that enable progress in the energy transition and combat climate change, as well as evolving towards technological solutions that promote the simplification of processes, cybersecurity and data management, with digitalisation also being a fundamental pillar for achieving the company's objectives.

Naturgy has assessed this matter in the framework of its materiality assessment,materiality assessment described in the General disclosures chapter, section "IRO-1 Description of the process for determining and assessing material impacts, risks and opportunities", as a entity-specific topic, and has concluded that it is material from a financial perspective and only for own operations, as reflected in the table below.

		Value chain (2)(3)	Business (4)	Time horizon (5)
OTHERS				
Innovation				
O (1)	Reduced costs and carbon footprint due to investment in the development of new technologies.	OO	Both	Current
	Development of innovation projects to favour the energy transition in renewable gases, energy efficiency, sustainable mobility, etc.	OO	Both	Current

NOTES:
(1) The following notations have been used: positive impact (P.I.), negative impact (N.I.), risk (R) and opportunity (O). Negative and positive impacts refer to Impact materiality, and risks and opportunities reder to Financial materiality.
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(4) The possibilities "Gas", "Electricity" and "Both" are included to indicate the relationship between each impact, risk or opportunity and the company's business model.
(5) Impacts under the "Current" category are those that have occurred the present year, and thus no time horizon applies.

To take advantage of the opportunities identified in the analysis, Naturgy has designed an innovation model based on weaving collaboration networks with the ecosystem, which allow it to respond to the complexity of the environment and solve challenges in an agile and efficient manner.

The innovation model aimed at generating and developing new solutions or businesses is based on the following pillars:

- **Innovation is collaborative and ope**n, able to respond quickly to signals of change in the environment and evolve in complicated scenarios, able to transform mistakes into learning, and projecting the future by understanding the past and observing the present.
- **Innovation is a key lever for growth**, as it enables the incorporation of best practices, new business models and technological solutions that contribute to the digitisation, automation and optimisation of processes; guaranteeing safety, operational improvement and facilitating access to information for better decision-making. All of this, putting the consumer at the centre to provide value-added and sustainable solutions, and guaranteeing the company's competitiveness in the long term.

- **The generation of renewable gases such as renewable hydrogen or biomethan**e, for those end-uses in which electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediately decarbonising solution in intensive industry or in transport. In addition, it offers great potential for energy storage and energy integration. Regarding biomethane, it is an existing technology that allows replacing natural gas with no abatement costs to adapt infrastructures or equipment for the end user, and it is also a clear example of circular economy by producing a renewable gas from organic waste. In this instance, innovation projects are aimed at optimising performance and production.
- **The optimisation of renewable energy generation** through innovative systems due to their improved energy efficiency and their ability to be integrated into the environment, at lower cost or with greater reliability. This promotes the entry of new agents into the system and the coverage of part of the energy needs of households, SMEs and public administrations.
- **The direct use of energ**y in a direct way through new manageable electricity consumption that provides flexibility, for example, in air conditioning, as well as through storage for its later use.
- **The response to increasingly atomised markets**, with small and flexible competitors, both commercially and in generation, with renewable developments closer to consumers and smaller in size.

In a transversal and complementary manner to this model, it is essential to introduce disruptive IT technologies that catalyse Naturgy's digitalisation. These technologies not only guarantee security and optimise operations but also facilitate access to quality information for more effective decision-making. All of this is geared towards value creation, ensuring the company's long-term competitiveness. Likewise, the incorporation of Artificial Intelligence acts as a disruptor in current and future innovation, enabling the automation of processes, the personalisation of services and the creation of new business models in all areas of the company.

Naturgy defines its technological strategy on the basis of digitalisation pillars in accordance with the following principles:

- **Simplicity**: is a key principle focused on:
  - **Simplified Processes:** reduction of complexity in internal processes to improve operational efficiency.
  - **Agile Projects**: rapid implementation of projects using agile methodologies that allow rapid adaptation to changes in the environment.
- **Cloud:** the evolution from a Cloud-first model to a Cloud-only model is essential to ensure:
  - **Modular Solutions:** development of solutions that can be easily adapted and scaled according to business needs.
  - **Flexibility and Scalability**: ability to adjust cloud resources and services according to demand, ensuring efficient and cost-effective operation.

  The evolution to a Cloud model facilitates the incorporation of emerging technologies such as Blockchain, IoT, Robotics, Artificial Intelligence and Edge Computing.
- **Data centric**: data management, governance and protection are essential for a successful digitalisation strategy. Naturgy adopts a global and strategic vision in its relationship with leading software manufacturers and focuses on:
  - **Data management**: implementation of Data Centric architectures, such as Data Lakes, to centralise and manage large volumes of data.
  - **Data Governance and Protection**: establishment of policies and procedures to ensure the integrity, confidentiality and availability of data.
  - **Data-driven decision making:** enhancing internal capacity to make informed, data-driven decisions.

  Robust data management and governance enables a more efficient adoption of Artificial Intelligence, an essential lever in Naturgy's digitalisation, based on the incorporation of analytical Artificial Intelligence, as well as generative Artificial Intelligence to large volumes of data to obtain insights of value for the business.

- **Cybersecurity:** this is a fundamental pillar in Naturgy's digitalisation strategy. It focuses on ensuring the protection and security of information and systems through:
  - **Information protection:** implementation of technical security measures to protect information.
  - **Systems security:** securing the technological infrastructure against threats and vulnerabilities.

To achieve the objectives set out in both fields of innovation, Naturgy has deployed a set of innovation tools based on the search for opportunities -acceleration and investment in operations- and the deployment of a portfolio of projects to broaden the company's industrial profile; start-up incubator, investment vehicles, etc.

Evolution and results

Investment in innovation

Innovation investment and expenditure (€M)	2024	2023
Open innovation and technological innovation Totex	98	85
Open innovation Totex	3	6
Technological innovation Totex	95	79

Highlights of the year

- Naturgy, together with the Catalonia Energy Research Institute (IREC), is developing a new methanation technology to maximise biomethane production. After obtaining positive results in the laboratory and in the first pilot reactor at the landfill located in Mas de Barberans (Tarragona), the design of the multi-reactor pilot is being developed in order to test it in a demonstration pilot in 2025.
- Naturgy, through the agreement signed with the Ciudad de la Energía Foundation, has launched an energy storage project using second-life batteries. These batteries, from Mercedes-Benz electric vehicles, total 26 units with a total capacity of 480 kWh. Naturgy has been awarded the "first call for aid for electricity generation facilities from renewable sources in the Canary Islands" of the IDAE and launches an innovative energy storage project that uses hybrid batteries from Hesstec, combining lithium and ultracapacitors. This advanced system allows for greater efficiency and flexibility in energy management, taking advantage of the benefits of both types of storage. Lithium batteries provide high energy density, while ultracapacitors offer fast response and high durability. In addition, grid-forming converters are used to provide synthetic inertia to the system. This combination optimises system performance, ensuring a more stable and reliable energy supply, and contributing to sustainability and energy efficiency.
- Naturgy has implemented Indoorclima's air conditioning management software in the corporate building on Av. Diagonal, in Barcelona. The aim of this software is to actively control and manage the air conditioning systems, adjusting to the energy demand. In this way, it seeks to optimise energy consumption, improve operational efficiency and guarantee the comfort of the building's occupants. In addition, the use of this software allows constant and accurate monitoring of the air conditioning systems, facilitating the detection of possible incidents and their resolution in real time.

Open innovation programmes and projects

Programmes

Forumtech

Technology monitoring and competitive intelligence take place through Forumtech, involving over 140 people from the various business units and corporate areas. These groups, which have a markedly collaborative nature, share and analyse information with a comprehensive vision, bringing together the areas of: technology, commercial, regulatory, social and market aspects. Insights are generated that guide the innovation activity and contribute to the evolution and transformation of the business. They facilitate the take-up of new technologies and best practices, awakening ideas and facilitating the development of new opportunities.

Scouting y Open Innovation

During 2023 Naturgy received and analysed more than 100 opportunities for collaboration, mainly due to the work of scouting of start-ups where the company combines collaboration with the leading international scouters and active internal search. In addition, Naturgy actively participates in initiatives with other corporations in the search for solutions to joint challenges.

Connecting Energy

This year, Naturgy has successfully completed the third edition of its startup incubation programme and launched the fourth edition in September. Through this programme, Naturgy makes the knowledge and talent of its employees available to the entrepreneurial community, promoting the creation of new companies. Twelve projects are currently being promoted, with the support of a team of 34 Naturgy professionals, including mentors and specialists. Incubation allows the company to be part of the development of new business models and knowledge of new technologies, strengthening ties with the entrepreneurial ecosystem.

Innovahub powered by Naturgy

In 2024, Innovahub participates in third-party innovative projects by promoting the implementation of pilots of novel technologies created by startups, validating the technologies in an industrial environment and helping to consolidate the business projects that generate them.

In a second line of activity, Innovahub is the vehicle for testing new business models through the creation of new companies with third parties, as a venture builder.

Proyectos destacados

Greene

Naturgy and Greene have formed a partnership (W2BM) to develop a technology over the next few years to obtain renewable gas from synthesis gas for injection into the distribution network or for its use in mobility, which represents a new way to produce low-carbon gas. This is the first project of its kind in Spain for the production of synthetic bio-natural gas from the material recovery of industrial waste that is difficult to manage, thus making an important contribution to the circular economy.

During the first phase of development - including the laboratory and experimental stage, as well as the design, assembly and operation of a pilot plant - the conversion of syngas to low-emission syngas through a biological fermentation process that maximises biomethane concentration and reduces syngas conditioning needs is being investigated. This includes the construction and operation of a pilot plant located in Elche (Alicante), with a capacity to produce 2.4 kg/h with a purity of over 95%.

In a second phase of the project, an industrial-scale plant with a treatment capacity of 45,000 tonnes/year of waste will be built to produce around 6,200 tonnes/year of synthetic natural biogas.

Wildfire

Naturgy and the Australian company Wildfire have reached an agreement to research and develop a novel gasification technology to obtain high quality green hydrogen from the thermochemical treatment of a wide range of dry municipal and agricultural waste.

With this collaboration, Wildfire will operate a pilot plant in Brisbane, Australia, for the production of hydrogen for use in any application, including mobility. For its part, Naturgy will use its experience in renewable gas projects to validate the process and ensure its scalability at industrial level, with the aim of studying its implementation in Spain and Europe.

UniSieve

Naturgy and the Swiss company UniSieve have started a collaboration to develop and validate novel gas separation membranes with MOF technology for use in the biomethane upgrading or enriching process. Naturgy will use the experience gained in renewable gas projects to validate the advantages of these membranes and ensure their industrial scalability.

Sakowin

Naturgy and the French company Sakowin have reached an agreement to develop a pilot plant for a novel technology owned by Sakowin to produce hydrogen from natural gas. It is a technology based on plasma pyrolysis of natural gas that allows modular hydrogen production without the use of a catalyst. The technology captures carbon in the form of solid carbon avoiding CO_2 emissions, which can even have a high value-added in certain markets.

The development of this technology makes it possible to use existing gas infrastructure and produce hydrogen wherever it is needed from natural gas or biomethane. Naturgy, together with Sakowin, will pilot the first commercial-scale module of this 100kW technology, producing approximately 4.5 kg/h of hydrogen, equivalent to the output of a 250kW electrolyser. The pilot is scheduled to start in the first half of 2025.

Sempre-Bio

Naturgy participates in the European project Sempre-Bio, co-financed by the Horizon Europe programme of the European Commission, with the aim of testing and demonstrating new cost-effective ways to produce biomethane that facilitate compliance with the Green Deal.

The project consortium, led by Cetaqua, the Water Technology Centre in Barcelona, is an international consortium made up of companies, research centres and universities from Spain, Belgium, France, Norway, Denmark and Germany.

To achieve its goal, Sempre-Bio will create three innovation ecosystems in which, through co-creation processes, specific solutions will be proposed for each of the scenarios representative of the different situations existing in Europe with regard to biomethane production. In particular, five innovative technologies will be tested, which will contribute to diversifying the conversion technology base for biomethane production, and their replication in other facilities will be encouraged.

On the other hand, an exhaustive technological and economic assessment will be carried out to demonstrate the benefits of these solutions compared to conventional technologies, where Naturgy will have an important participation.

Edar Bens Experimental Centre

Research project developed by Naturgy, the EnergyLab Technology Centre and Edar Bens (A Coruña) for the investigation of renewable gases.

Throughout 2024, experiments have been carried out with two electrolysers with a total of 70 kW, one with alkaline technology and the other with PEM technology, and a hydraulic turbine that allows the energy use of the treated water flow, a pilot plant of 1Nm3/h biological methanation pilot plant, an experimental membrane pilot plant to separate H_2 from CH_4 and an experimental pressure swing adsorption (PSA) pilot plant to purify the H_2 obtained in the membrane separation plant of H_2 from CH_4.

VAutosin

Naturgy participates with the Catalonia Energy Research Centre (IREC) in a research project on the catalytic methanation process consisting of the synthesis of methane from carbon dioxide of biogenic or reused origin, and hydrogen of renewable origin. The approach stems from the experience gained in the previous CoSin project.

This project aims to rethink the current methanation technology by means of a novel reactor concept which, if successful, would allow a reduction of auxiliary equipment as well as a decrease in energy consumption, improving energy balances and economic cost.

This year Naturgy and IREC have launched the first pilot to produce renewable gas with this technology in the controlled landfill of Mas de Barberans (Tarragona). Experimental operation of the plant is underway to validate the technology developed and its business model.

Zeppelin

Naturgy participates in the Zeppelin project, which aims to investigate a flexible set of technologies for the production and storage of green hydrogen by alternative routes to water electrolysis. It develops technologies based on the use of waste and by-products, seeking to improve production costs and efficiency.

This project addresses the different technological challenges linked to biogas and bioethanol reforming, dark fermentation, microbial electrolysis, gasification and H_2 storage, establishing new models for obtaining green hydrogen complementary to electrolysis with renewable energies, integrated into a decarbonised energy model under the principles of the circular economy and digitalisation.

Naturgy is leading the research and optimisation of H_2 production from thermochemical techniques, for which it is studying the gasification process from waste and the separation and purification processes of H_2 and syngas. This year, an experimental gasifier has been commissioned at Energylab's facilities and the test programme has started using mixtures of lignocellulosic waste together with WWTP sludge to study the optimal process conditions in terms of syngas quality (feed rate, temperature, gasifying agent, use of additives, etc.).

In addition, this year saw the design of a sorption enhanced water gas shift (SEWGS) that will be built and integrated into the plant to purify the syngas-to-hydrogen stream.

The Zeppelin project consists of a consortium of eight companies and has a duration of approximately 38 months, with completion expected in early 2025. It is subsidised by the Centre for the Development of Industrial Technology (CDTI), within the framework of the 2021 call of the Science and Innovation Missions Programme (Recovery, Transformation and Resilience Plan). The project is funded by the European Union through the Next Generation EU Fund.

Sungreen

Naturgy will promote disruptive green hydrogen production technologies through a novel electrolysis technology in collaboration with the startup Sungreen.

The aim of this project is to design, build, install and test a 50 kW prototype electrolyser to validate the technology and compare the results with current commercial technologies. The Anion Exchange Membrane (AEM) technology promises a number of efficiency improvements and considerable cost reductions due to the reduced need to use scarce and exhaustible materials, such as noble metals. It is also a technology that is easily adaptable to the variability of renewable energies, allowing for great flexibility and rapid response.

As part of this development, a 2 kW prototype has been installed at the Instituto Tecnológico de Canarias facilities and its characteristics have been validated and optimised, which will allow the final design of the 50 kW electrolyser.

Second life battery project

Naturgy, in collaboration with the Ciudad de la Energía Foundation (CIUDEN), completed, in 2024, the installation and commissioning of an energy storage system based on second-life batteries from Mercedes-Benz electric vehicles. These batteries had been discarded at the factory due to temporary degradation and withdrawn from circulation after use on the roads. The project addresses one of the great challenges of the future: finding a new use for end-of-life batteries from electric vehicles, a waste that is destined to grow significantly in the coming years.

As part of this project, 480kWh of energy storage capacity has been installed using these second-life battery systems. Over the next two years, extensive tests will be carried out to analyse how the batteries behave in different situations, such as peak shaving, optimisation of solar self-consumption, price arbitrage in the energy market and other applications. These tests will provide information on the degradation and performance of batteries under different usage scenarios, helping to determine their long-term viability and efficiency.

BESS El Escobar

Naturgy has launched an innovative energy storage project in the Canary Islands (Spain) that uses a hybrid battery system, combining lithium and ultracapacitors. This advanced system allows for greater efficiency and flexibility in energy management, taking advantage of the benefits of both types of technologies. Lithium batteries provide high energy density, while ultracapacitors offer fast response and high durability. The hybrid system includes a local control module for the batteries and the ultracapacitors, with a control layer called UCMS (UCAP Management System) for the ultracapacitors due to their greater need for real-time control and processing speed.

The main objective of this project is to optimise the performance of the energy storage system, ensuring a more stable and reliable supply. The advantages of the system include improved transient stability, black start capability, and islanding. In addition, the system enables energy management to maximise the integration of renewable energies and provides frequency and active and reactive power control services at the connection node, as well as the capacity to provide synthetic inertia thanks to the grid-forming converters. This project contributes to sustainability and energy efficiency and was awarded in the first call for IDAE grants for energy storage in the Canary Islands.

Technological innovation programmes and projects

Cross-cutting initiatives

Below is a set of initiatives that reflect Naturgy's commitment to technological innovation and digital transformation, ensuring transversal cooperation throughout the group.

SM@RT Latam expansion and New corporate modules

The SM@RT project transforms Naturgy's corporate and business processes to simplify, standardise and digitise key areas such as budgeting, investment and expenditure tracking, treasury, general accounting, monthly/annual closings and consolidation. The main actions include:

- Elimination of paper-based administrative processes.
- Automation of analytical reporting.
- Digitisation of the procurement process.
- Access to financial and accounting information from any digital platform.

To achieve this transformation, standard solutions such as SAP HANA, SAP Ariba, SAP Analytics Cloud will be implemented. The project is executed in agile format and in public cloud, aligned with the global strategy of Cloud Only. Extension of the initial scope of SM@RT with the deployment of a new financial planning and consolidation system based on SAP BPC, and the implementation of two SAP GRC (Governance, Risk and Compliance) modules: Audit Management and Risk Management.

Trip To Cloud

Naturgy accelerates its 'Cloud First' strategy to offer greater flexibility and scalability in IT. This strategy fosters innovation, provides access to recent technologies and improves efficiency in the development of digital applications.

Cybersecurity

New strategies to strengthen cybersecurity in Naturgy that later lead to actions included in the company's Cybersecurity Plan. Structural measures are addressed in processes, people and technology to respond to growing cyber threats. This project, defined by the IT department, ensures a resilient organisation in the face of new threats.

FactorIA & Digital Academy

Naturgy has created FactorIA as the reference centre to drive the adoption of Artificial Intelligence (AI). FactorIA's strategy is based on three key principles: Train, Do and Promote.

- **Training**: Through the Digital Academy, employees are trained in digital skills and develop competent profiles in data, technology and AI.
- **Do**: Initiatives are promoted for the adoption and development of Data & AI projects. The lines of action include identifying use cases, carrying out PoCs, providing a technological and methodological framework, and collaborating with startups and AI experts.
- **Promote:** Naturgy uses channels such as the dataHub community, with more than 1,200 active members, and FactorIA, to disseminate and arouse interest in Data & AI. The purpose is to facilitate access to new AI tools for all employees.

These initiatives reflect Naturgy's commitment to technological innovation and digital transformation, ensuring transversal cooperation throughout the group.

Initiatives applied in business

Commercialisation

NewCo Project

The NewCo project is a comprehensive initiative that seeks to improve Naturgy's digital tools and optimise customer management. This project includes the development of a new digital platform, the implementation of a customer relationship management (CRM) system and the creation of a mobile application. The digital platform will feature a modern design, improved navigation and advanced functionalities to provide a better user experience. The CRM will enable Naturgy to manage customer interactions more effectively, while the mobile app will facilitate access to Naturgy's services from anywhere.

The project also encompasses new digital capabilities in the residential front-end CRMs and the implementation of a new energy management and billing system for large customers.

Electricity Networks Spain

Smart Grids

IoT (Internet of Things) sensorisation of network assets enables remote monitoring of the electricity grid.

Through the installation of different types of low-consumption sensors, it is possible to know the status and maximum capacity of the network at all times, through real-time monitoring and analysis of parameters such as cable temperature, ambient temperature and humidity. We also identify different patterns of vibrations produced in the power lines, in order to locate the cause and the exact location of the incidents.

In this way, it is possible to rationalise the use of the infrastructure and intervention times in a more precise way in the face of scenarios of dynamic variations in the load it supports, in order to achieve maximum efficiency, while avoiding saturation of specific points of the electricity grid.

In low voltage, it takes advantage of the remote management infrastructure deployed and is integrated with other monitoring elements in the transformer substations to detect overloads, undervoltages or overvoltages before faults occur, and thus intervene to prevent them from occurring. And if a fault does occur, to see whether it is an individual fault or whether it is a fault affecting a section of the low-voltage network. In this way, problems that generate calls from customers are anticipated, the time it takes to restore service is reduced, as well as the journeys made by field personnel.

Thermal Generation Spain

Remote Operation in Conventional Generation

Remote operation of the combined cycle plants from a single control centre, designed to respond to peaks in demand for simultaneous starting and stopping of cycles, in a much more homogeneous and structured way than is possible on a plant-by-plant basis. It is a tool that provides a great deal of flexibility in demand and also efficiency.

The Sagunto CCR Project is an initiative that aims to implement the real-time remote operation of Naturgy's combined cycle plants in Spain, from the Remote Control Centre (RCC) located in the Sagunto power plant (Valencia).

The aim of the project is to optimise and standardise the operational processes of the cycles, given that the CCR has a global vision of the functioning of all of them, which allows it to improve its operations.

One of the challenges of the project has been to manage to implement in a single SCADA the different technologies of origin of the turbogroups, starting from very different SCADAs in terms of design and standardisation, having to adapt them to the standard created for the RCC and provide the operator with a single environment.

Work has also been done on efficient, redundant and secure communications to optimise the reliability of the operation from the RCC.

To do this, improvements had to be made to the communications networks, the configurations of the cybersecurity systems had to be modified, and at the end of the whole process, the necessary tests had to be carried out to validate the correct functioning of the system.

Renewable Generation

MOIRA

The objectives of the digitalisation project were to automate the process of extracting, processing and exploiting the electricity grid capacities published by the agents, to manage the singularities of the data offered by these in an efficient manner and to develop an advanced report by means of an interactive map for the simple exploitation of the data, in such a way that grid capacity opportunities can be identified for possible electricity generation projects.

All of this is based on a technological solution with the following characteristics:

- High availability.
- Scalability.
- Minimise downtime.
- Integration in Naturgy's network.
- Cybersecurity.
- Monitoring of services (Observability).
- Cost reduction.

SIBILA

It is a system based on Generative AI that has the capacity to interpret the information published in portals (BOE and Regional Bulletins) where documentation is stored regarding the status and authorisation permits for renewable plants.

Additionally, it includes the ingestion, treatment and processing of information through reporting tools, facilitating strategic analysis and the search for new development opportunities.

06. Disclosures stemming from other legislation (Law 11/2018)

Information on social and personnel issues

For the purpose of optimising the management of Naturgy's workforce and improving the traceability of information, a new distribution of professional categories has been implemented, aligned with the needs of the company. This approach avoids the need to adapt the organisational structure to groupings that do not reflect natural operations, allowing for more efficient and accurate management.

On the other hand, in compliance with the guidelines of the Spanish National Securities Market Commission (CNMV), the Senior Management group has been identified and differentiated.

As a result, the new professional groupings established are as follows:

- **SM (Senior Management)**, in accordance with CNMV criteria, is considered to be the Executive Chairman, in relation to his executive functions, and the executives who report directly to the Board of Directors, its Committees or the Executive Chairman.
- **EX (Executives)**, which includes strategic and operational management positions.
- **MM (Middle Management)**, corresponding to the middle management level.
- **NCBA (Staff not covered by collective bargaining agreement)**, other workers whose employment relationship is not referenced to the collective bargaining agreement.
- **CBA (Staff covered by collective bargaining agreement)**, workers whose employment relationship is governed by collective bargaining agreements.

This classification responds to the need for a clear and transparent structure that facilitates both internal management and regulatory compliance.

In addition, the headcount data at 31 December shown below differ from those in Note 25 of the Annual Consolidated Financial Report. Note 25 shows the consolidated workforce (6,941), whereas this report shows the managed workforce (6,812). The difference between the two is the number of employees in Spain of joint operation entities (-141 employees) and the number of employees at the coal-fired plants (+12 employees).

▪ Distribution of employees by country, gender and professional category (%)

2024

	Senior management		Executives		Middle management		NCBA		CBA	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Argentina	0.0	0.0	0.2	0.0	0.3	0.1	1.7	1.4	6.9	1.8
Australia	0.0	0.0	0.0	0.0	0.1	0.0	0.4	0.0	0.0	0.0
Brazil	0.0	0.0	0.2	0.2	0.1	0.0	0.5	0.4	2.3	1.4
Chile	0.0	0.0	0.2	0.0	0.2	0.1	0.1	0.0	4.9	2.6
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Spain	0.2	0.1	3.5	2.3	2.1	1.1	6.7	6.5	22.9	11.7
USA	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Israel	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Italy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	0.0	0.0	0.4	0.2	0.4	0.2	0.6	0.2	5.8	2.8
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Panama	0.0	0.0	0.2	0.1	0.2	0.1	1.0	0.8	1.2	0.6
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Puerto Rico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dominican Rep.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.2
Total	**0.2**	**0.1**	**4.8**	**2.9**	**3.4**	**1.7**	**11.3**	**9.5**	**44.8**	**21.2**

2023

	Senior management		Executives		Middle management		NCBA		CBA	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Argentina	0.0	0.0	0.2	0.0	3.3	0.1	1.7	1.3	7.1	1.9
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.1	0.0	0.0
Brazil	0.0	0.0	0.2	0.2	0.2	0.0	0.5	0.5	2.3	1.3
Chile	0.0	0.0	2.5	0.0	0.2	0.1	0.1	0.1	5.1	2.4
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Spain	0.2	0.0	3.5	2.0	2.2	1.1	6.6	6.3	23.4	11.8
USA	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Israel	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Italy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	0.0	0.0	0.3	0.1	0.4	0.2	0.6	0.2	5.8	2.5
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Panama	0.0	0.0	0.1	0.1	0.2	0.1	1.0	0.8	1.2	0.6
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Puerto Rico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dominican Rep.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.2
Total	**0.1**	**0.0**	**4.7**	**2.5**	**3.6**	**1.7**	**11.2**	**9.4**	**46.0**	**20.8**

▪ Number of contracts by gender and type at 31 December

	2024			2023[1]		
	Male	Female	Total	Male	Female	Total
Indefinite full-time	4,279	2,315	6,594	4,389	2,261	6,650
Indefinite part-time	0	0	0	0	0	0
Total indefinite	**4,279**	**2,315**	**6,594**	**4,389**	**2,261**	**6,650**
Temporary full-time	119	99	218	127	106	233
Temporary part-time	0	0	0	0	0	0
Total temporary	**119**	**99**	**218**	**127**	**106**	**233**
Total full-time	**4,398**	**2,414**	**6,812**	**4,516**	**2,367**	**6,883**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**

(1) Note: The figure for 'Men' and 'Women' in 2023 is restated because three women have been identified as being assigned the wrong gender in systems.

▪ Annual average of contracts by gender and type

	2024			2023[1]		
	Male	Female	Total	Male	Female	Total
Indefinite full-time	4,364	2,294	6,659	4,465	2,247	6,712
Indefinite part-time	0	0	0	0	0	0
Total indefinite	**4,364**	**2,294**	**6,659**	**4,465**	**2,247**	**6,712**
Temporary full-time	125	104	229	131	102	233
Temporary part-time	0	0	0	0	0	0
Total temporary	**125**	**104**	**229**	**131**	**102**	**233**
Total full-time	**4,489**	**2,399**	**6,887**	**4,597**	**2,349**	**6,945**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**

(1) Note: The figure for 'Men' and 'Women' in 2023 is restated because three women have been identified as being assigned the wrong gender in systems.

▪ Number of contracts by age and type at 31 December

	2024				2023			
	< 30 years	30-50 years	> 50 years	Total employees	< 30 years	30-50 years	> 50 years	Total employees
Indefinite full-time	380	4,049	2,165	6,594	316	4,328	2,006	6,650
Indefinite part-time	0	0	0	0	0	0	0	0
Total indefinite	**380**	**4,049**	**2,165**	**6,594**	**316**	**4,328**	**2,006**	**6,650**
Temporary full-time	65	150	3	218	87	143	3	233
Temporary part-time	0	0	0	0	0	0	0	0
Total temporary	**65**	**150**	**3**	**218**	**87**	**143**	**3**	**233**
Total full-time	**445**	**4,199**	**2,168**	**6,812**	**403**	**4,471**	**2,009**	**6,883**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

- **Annual average of contracts by age and type**

	2024				2023			
	< 30 years	30-50 years	> 50 years	Total employees	< 30 years	30-50 years	> 50 years	Total employees
Indefinite full-time	354	4,189	2,115	6,659	284	4,490	1,939	6,712
Indefinite part-time	0	0	0	0	0	0	0	0
Total indefinite	**354**	**4,189**	**2,115**	**6,659**	**284**	**4,490**	**1,939**	**6,712**
Temporary full-time	80	146	3	229	88	142	3	233
Temporary part-time	0	0	0	0	0	0	0	0
Total temporary	**80**	**146**	**3**	**229**	**88**	**142**	**3**	**233**
Total full-time	**434**	**4,335**	**2,118**	**6,887**	**372**	**4,632**	**1,942**	**6,945**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

- **Number of contracts by professional category and type at 31 December**

2024

	Senior management	Executives	Middle management	NCBA	CBA	Total
Indefinite full-time	17	527	344	1,408	4298	6594
Indefinite part-time	0	0	0	0	0	0
Total indefinite	**17**	**527**	**344**	**1,408**	**4,298**	**6,594**
Temporary full-time			6	10	202	218
Temporary part-time	0	0	0	0	0	0
Total temporary			**6**	**10**	**202**	**218**
Total full-time	**17**	**527**	**350**	**1,418**	**4,500**	**6,812**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**

2023

	Senior management	Executives	Middle management	NCBA	CBA	Total
Indefinite full-time	11	493	361	1,391	4,394	6,650
Indefinite part-time	0	0	0	0	0	0
Total indefinite	**11**	**493**	**361**	**1,391**	**4,394**	**6,650**
Temporary full-time	0	0	3	22	208	233
Temporary part-time	0	0	0	0	0	0
Total temporary	**0**	**0**	**3**	**22**	**208**	**233**
Total full-time	**11**	**493**	**364**	**1,413**	**4,602**	**6,883**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**

- ## Annual average of contracts by professional category and type

	Senior management	Executives	Middle management	NCBA	CBA	Total
						2024
Indefinite full-time	16	502	362	1,408	4372	6659
Indefinite part-time	0	0	0	0	0	0
Total indefinite	**16**	**502**	**362**	**1,408**	**4,372**	**6,659**
Temporary full-time	0	0	5	16	208	229
Temporary part-time	0	0	0	0	0	0
Total temporary	**0**	**0**	**5**	**16**	**208**	**229**
Total full-time	**16**	**502**	**367**	**1,424**	**4,579**	**6,887**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**

	Senior management	Executives	Middle management	NCBA	CBA	Total
						2023
Indefinite full-time	12	498	363	1,371	4,469	6,712
Indefinite part-time	0	0	0	0	0	0
Total indefinite	**12**	**498**	**363**	**1,371**	**4,469**	**6,712**
Temporary full-time	0	0	3	32	198	233
Temporary part-time	0	0	0	0	0	0
Total temporary	**0**	**0**	**3**	**32**	**198**	**233**
Total full-time	**12**	**498**	**367**	**1,403**	**4,666**	**6,945**
Total part-time	**0**	**0**	**0**	**0**	**0**	**0**

Number of layoffs by gender, age and job classification

- ## Rotation index by gender and age group (%)

	2024				2023			
	<30 años	30-50 años	>50 años	Total	<30 años	30-50 años	>50 años	Total
Hombres	1	11	4	16	3	12	14	29
Mujeres	0	12	1	13	3	12	7	22
Total	**1**	**23**	**5**	**29**	**6**	**24**	**21**	**51**

- ## Rotation by professional category and gender

	Senior management	Executives	Middle management	NCBA	CBA	Total
						2024
Male	0	2	1	1	12	16
Female	0	1		6	6	13
Total	**0**	**3**	**1**	**7**	**18**	**29**

2023

	Senior management	Executives	Middle management	NCBA	CBA	Total
Male	0	2	1	9	17	29
Female	0	1	1	6	14	22
Total	**0**	**3**	**2**	**15**	**31**	**51**

Average remuneration by age, gender and professional category

- ### Average fixed and variable remuneration by professional category and gender

2024

	Senior management	Executives	Middle management	NCBA	CBA
Male	711,639	156,406	83,904	60,145	37,966
Female	277,717	132,495	81,496	54,211	38,031

NB: The exchange rate used is at the year end closing.

2023

	Senior management	Executives	Middle management	NCBA	CBA
Male	771,830	153,535	79,466	55,870	35,503
Female	Confidencial	135,011	73,956	49,862	36,637

NB:
(1) NB: The exchange rate used is at the year end closing.
(2) Confidential: due to data protection law, this data is not provided as it is the remuneration of a single person.

- ### Average fixed and variable remuneration by age range and gender

2024

	< 30 years	30-50 years	> 50 years
Male	30,000	49,081	67,572
Female	35,003	50,635	65,858

NB: The exchange rate used is at the year end closing.

2023

	< 30 years	30-50 years	> 50 years
Male	28,303	46,827	62,368
Female	34,054	47,505	61,175

NB: The exchange rate used is at the year end closing.

- ### Average remuneration of Directors (thousands of euros)

	2024		2023	
	Male	Female	Male	Female
Executive (1)	1,100		1,100	
Independent/Proprietary	236	251	236	251

(1) It does not include remuneration for executive functions

Organisation of the work

- **Total lost hours (Absenteeism)**

	2024	2023
Argentina	25,284	26,312
Brazil	10,631	10,041
Chile	37,107	34,389
Costa Rica	1,096	64
Spain	202,771	186,706
Mexico	11,760	9,372
Panama	1,915	2,388
Dominican Republic	1,256	2,596
Total	**291,820**	**271,868**

Health & Safety

- **Health & Safety indicator**

	2024			2023		
	Male	Female	Total	Male	Female	Total
No. of recordable accidents (No. of employees)	12	2	14	10	3	13
No. of lost time accidents (No. of employees)	10.00	2.00	12.00	7.00	2.00	9.00
Recordable accident frequency rate per 1 million hours worked(TRIR)	1.36	0.43	1.04	1.11	0.65	0.95
Lost time accidents frequency rate (per million hours worked)	1.14	0.43	0.89	0.78	0.43	0.66
Lost time accidents severity rate (per million hours worked)	47.63	2.76	32.00	38.57	7.60	28.10
Occupational illnesses	5	0	5	9	0	9

Training

- **Training hours per employee**

	2024	2023
Senior management	322	90
Executives	34,947	22,230
Middle management	16,716	13,400
NCBA	179,771	170,230
CBA	59,636	59,516
Total	**291,391**	**265,465**

Note: Training data only includes companies with access to SuccessFactors and companies in Chile. All of them represent 92.7% of the total workforce reach.

Information on respect for human rights

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

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

Each area of the company is responsible for complying with the Global Sustainability Policy. Knowledge is strengthened through mandatory training, seminars and information sessions.

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

The company introduces specific measures for management of potential impacts and risks to human rights from the projects and investments, and will ensure that sufficient resources are targeted at the implementation of the corrective measures identified. More detailed information can be found in the chapter Affected communities, sub-section "Actions to manage negative and positive impacts".

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

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

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

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

Any breaches of human rights are studied in accordance with the internal procedures, legal regulations and the prevailing agreements, and could give rise to disciplinary or employment measures as determined in the internal regulations and legislation, as indicated in the chapter on Business conduct, section "Business conduct policies and corporate culture".

Employees of Naturgy are obliged to report any breach of the undertakings set out in this policy to the company, confidentially and without fear of reprisals. Those people who, without being company employees, witness potential malpractice in this area through the Code of Ethics Channel (see the Business Conduct chapter, sub-section "Corporate culture").

Taxation

Tax principles and policies

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

All of Naturgy's tax policies are aligned with:

- The **Naturgy's Declaration of Principles and Policies**, in which one of the commitments and principles of of its behaviour is to "adopt responsible business management practices and comply with all tax obligations in all jurisdictions in which the company operates, accepting the commitment to accountability and collaboration with the corresponding tax agencies".
- The **Naturgy Code of Ethics** establishes that "all employees of the Group must comply with the laws in force in the countries where they conduct their activities, thereby heeding the spirit and objectives of the laws and behaving ethically in all their actions".
- The **Global Tax Policy**, approved on 28 January 2025 by the Board of Directors, constitutes Naturgy's Tax Control Framework and defines the process, activities, responsibilities and key performance indicators for the group's tax strategy, implementing the provisions of Naturgy's Statement of Principles and Policies, and specifically the provisions of the Capital Companies Act, according to which the determination of the tax risk control and management policy is a non-delegable power of the members of the Board of Directors.
- The **Code of Best Tax Practices (CBTP)**, approved on 20 July 2010 by the Plenary session of the Large Companies Forum, a body established by the Spanish National Tax Agency with Spain's largest companies, including Naturgy Energy Group, S.A. The CBTP contains recommendations by the tax authorities, which Naturgy has adopted voluntarily, that are aimed at improving the application of the tax system by enhancing legal certainty, reducing litigation, fostering mutual co-operation based on good faith and legitimate trust, and the application of responsible tax policies.

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

Global Tax Policy

The main lines of the Global Tax Policy are as follows:

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

The global and integrated responsibility for the tax function is centralised in the Taxation unit. The whole Group has common tax policies to enable the correct functioning and coordination between the company's different tax units. In this way, they are developed under a single, common criterion, without prejudice to the peculiarities of each business and jurisdiction.

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

Tax strategy

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

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

Subsequently, the Board of Directors of 28 January 2025, within the framework of the review of the Group's policies, has approved an update of the document maintaining unchanged the basic principles governing Naturgy's tax strategy.

Tax Risks and Tax Control Framework

To align Naturgy's tax practices with these principles, the Group has a General Tax Control Framework Standard that has been designed in accordance with the guidelines of the Organisation for Economic Co-operation and Development (OECD) for multinational companies and other best practices, both national and international, existing in the market, so that the Group can have a Tax Control Framework.

Naturgy also has a risk map that specifically identifies the tax risks and issues regarding the interpretation or application of tax law. The main matters with a tax impact are detailed in Note 21 "Tax situation" of the Annual Consolidated Financial Report 2024.

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

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

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

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

Finally, with regard to the mechanisms for reporting concerns, the Code of Ethics allows for queries and/or complaints about tax behaviour that is contrary to the rules or which, without being expressly regulated, any employee may consider not to be in line with the principles and good practices set out in the Code of Good Tax Practices approved by the Board of Directors.

Tax havens

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

At year-end 2024, Naturgy does not have any company in any territory considered as a non-cooperative jurisdiction, in accordance with the new regulations arising from the EU Directive 2016/1164 of the Council of 12 July 2016 and which has been implemented in Spanish domestic legislation through Law 11/2021 of 9 July, which amended the First Additional Provision of Law 36/2006 of 29 November on the prevention of tax fraud, and, specifically, the list of non-cooperative jurisdictions published in Order HFP/115/2023 of 9 February. At year-end 2023, there were no companies in any territory classified as non-cooperative jurisdictions.

Tax contribution

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

It considers, in line with the United Nations, that taxes play a fundamental role in the achievement of global development objectives in terms of sustainability and that they are a key mechanism through which Naturgy makes a very significant contribution to the economies of the different countries where it operates.

The demand for fiscal transparency is growing among investors and other stakeholders of organisations and, to a greater extent, when these organisations operate in regulated markets (e.g. the energy sector).

For this reason, Naturgy decides to share with its stakeholders the total tax burden it bears each year. To increase transparency, in this financial year 2024, it has decided to adapt the tax contribution structure it had been using in recent years, in order to reflect more accurately the tax burden borne (both direct and indirect), the costs of its management as well as the new figures approved in each country where it operates.

In this exercise, given their growing importance, in addition to taxes, other non-tax economic benefits required by the state and by autonomous/regional and local administrations are included separately, both when they represent a charge against the company's results and when they are passed on to third parties; in this case, because the management costs represent an increase in the so-called indirect tax burden, which must also be considered. This exercise will be carried out progressively in other jurisdictions, for which, at this stage, a sufficiently precise breakdown is not available to carry it out in a a technically solvent manner.

On these assumptions, Naturgy's total tax contribution in 2024 amounted to 3,056 million euros (2,781 million euros in fiscal year 2023 expressed in homogeneous terms with 2024). The following table shows the breakdown of taxes and other levies effectively paid by Naturgy by country and segmented between those that represent a direct expense for the Group (called taxes and other levies that affect the result), and those that are withheld or passed on to the final taxpayer (called managed taxes), but which represent a not insignificant management cost and, at least on occasions -VAT and excise taxes- also a financial cost that is difficult to quantify:

	Taxes affecting the result						**Tax and non-tax benefits and other levies affecting profit and loss**						**Taxes and other benefits managed**										**Total Tax Contribution**	
	Income tax (1)		Other taxes and benefits, state, regional and local (2)		**Total**		Temporary Energy Levy		Other tax and non-tax benefits (3)		**Total**		VAT		Hydrocarbons tax and Electricity tax		Withholdings of personal income tax and social security contributions		Others (5)		Total			
	2024	2023	2024	2023	**2024**	**2023**	2024	2023	2024	2023	**2024**	**2023**	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	**2024**	**2023**
Spain	370	33	421	356	**791**	**389**	89	165	336	448	**425**	**613**	814	534	176	92	167	178	17	104	1,173	908	**2,389**	**1,911**
Argentina	11	10	12	4	**23**	**14**	0	0	0	0	**0**	**0**	15	2	0	0	0	0	0	0	15	2	**38**	**16**
Brazil	59	73	39	17	**98**	**90**	0	0	0	0	**0**	**0**	63	116	0	0	7	8	0	0	70	124	**169**	**214**
Chile	73	42	3	39	**76**	**81**	0	0	0	0	**0**	**0**	65	48	0	0	1	1	0	0	66	49	**142**	**130**
Mexico	106	63	4	4	**110**	**67**	0	0	0	0	**0**	**0**	73	88	0	0	7	44	0	0	81	132	**191**	**200**
Panama	9	14	8	6	**17**	**20**	0	0	0	0	**0**	**0**	4	3	0	0	2	0	0	0	6	3	**24**	**23**
Other Latam	13	15	2	7	**15**	**22**	0	0	0	0	**0**	**0**	2	28	0	0	0	1	0	0	2	29	**16**	**51**
Total Latam	271	217	69	78	**340**	**295**	0	0	0	0	**0**	**0**	222	285	0	0	17	54	0	0	240	339	**579**	**634**
Others	32	127	7	6	**39**	**133**	0	0	0	0	**0**	**0**	35	95	10	6	0	0	2	3	48	104	**87**	**236**
Total	**673**	**377**	**497**	**439**	**1,170**	**816**	**89**	**165**	**336**	**448**	**425**	**613**	**1,071**	**914**	**186**	**98**	**184**	**233**	**19**	**106**	**1,460**	**1,351**	**3,056**	**2,781**

(1) Income tax actually paid in the year shown in the Cash Flow Statement of the Consolidated Financial Statements and including withholdings on interest receipts (€10m). It does not include accruals. Information on the reconciliation between the income tax recorded and that which would result from applying the nominal tax rate in force in the country of the parent company (Spain) on the 'profit before tax' is detailed in Note 21 'Tax situation' of the Annual Consolidated Financial Report.

(2) Includes state, regional and local energy taxes, as well as the employer's social security contribution in Spain, and other taxes specific to each country. In Spain, these include, among others, social security contributions (€54m), property tax (IBI) (€32m), income tax (IAE) (€15m) and the 1.5% tax on occupation of the public domain (€109m).

(3) Includes items such as wind and hydroelectric taxes, air pollution tax, landfill tax, taxes related to the impact on the nature of installations, energy production and transport, as well as non-tax benefits on wind farms and photovoltaic plants at regional and/or local level.

(4) Basically includes employee withholdings and social security on behalf of the employee.

(5) Includes withholdings other than personal income tax, the financing of the Social Bonus and other items that are passed on to consumers through the bill, as well as management costs that reflect the so-called indirect tax burden.

The main difference in the tax contribution of Naturgy with respect to 2023 is mainly explained by the gradual recovery during the financial year 2024 of the general VAT tax rates in Spain, with respect to the reduction of rates applied by the Government during the financial year 2023 in order to mitigate the impact of inflation on energy prices. In addition, the gradual increase in excise taxes on electricity and electricity production should be considered, together with the consideration of the aforementioned non-tax benefits, which should make visible the specific contribution made by Naturgy to the financing of the energy transition (National Energy Efficiency Fund) and certain social expenses for the benefit of energy consumers (Social Bonds).

As for the information on revenues from sales to third parties and revenues from intra-group transactions with other tax jurisdictions in 2024, at the close of this report it is not available in a disaggregated manner by country. The information will be available for the country-by-country statement filed in December next year. For 2023 information, details are provided in the following table:

- **Revenues from sales to third parties and intra-group transactions (€M)**

		2024
Tax jurisdiction	**Third parties**	**Related entity**
Argentina	1,000	7
Australia	25	10
Brazil	1,864	4
Chile	970	441
Costa Rica	26	2
Spain	13,316	20,743
United States	10	1
France	1	0
Ireland	2,589	2,418
Israel	5	0
Luxembourg	7	0
Mexico	1,612	388
Netherlands	2	266
Panama	914	23
Portugal	32	0
Puerto Rico	625	62
Dominican Republic	129	0

NB: Data aggregated at country level; transactions between Group companies within the same country are not eliminated.

Subsidies

The movement in capital grants received is detailed in Note 15 of the Annual Consolidated Financial Report. Capital grants have been received in 2024 amounting to € 6 million (€ 1 million in 2023). If operating grants had been received, these would be detailed in Note 24 of the Annual Consolidated Financial Report which forms part of this report, neither in 2024 nor in 2023 have any such grants been received.

Profits earned by country (million of euros)

	2024
Argentina	94.1
Australia	(35.2)
Brazil	105.0
Chile	195.1
Colombia	0.2
Costa Rica	4.3
Spain	1,035.4
France	(1.5)
Netherlands	5.8
Ireland	210.1
Italy	(0.7)
Luxembourg	7.7
Morocco	0.0
Mexico	190.1
Oman	14.5
Panama	32.3
Puerto Rico	44.3
Dominican Rep.	11.2
Singapore	(6.2)
USA	(5.9)
Total	**1900.7**

Solidarity Company

Naturgy ticked the Company Solidarity Company Box of the 2023 Corporate Income Tax, with which it expressly states its willingness to allocate 0.7% of the full amount of Corporate Income Tax to subsidise activities of general interest considered to be of social interest, as provided for in the hundredth additional provision three of Law 6/2018, of 3 July, on the General State Budget for 2018. For this reason, the company has obtained the Solidarity Company Seal, awarded by the Third Sector Platform, which recognises those companies that have ticked the ‘Solidarity Company Box’ of the Corporate Income Tax this year.

Index of contents required by Law 11/2018

Content index in accordance with the provisions of Act 11/2018, of 28 December, which amends the Commercial Code, the consolidated text of the Corporate Enterprises Act approved by Legislative Royal Decree 1/2010, of 2 July, and Act 22/2015, of 20 July, on Auditing, in connection with non-financial and diversity reporting.

Contents	Pages	Reporting Criteria	Reason for the omission
Business model.			
Description of the business model. – Its business environment. – Its organisation and structure. – The markets in which it operates. – Its goals and strategies. – The main factors and trends that may affect their future.	33-48	ESRS 2 SBM-1	
Reporting framework used to report non-financial information.	6-7	ESRS 2 BP-1	
Policies.			
A description of the group's policies on these issues. 1. Due diligence procedures applied for the identification, assessment, prevention and mitigation of risks and impacts, and verification and control, including what measures have been adopted. 2. Key performance indicators of policy implementation to enable monitoring and evaluation of progress.	9-11, 124, 163, 180-181, 199-200, 237-239, 253-254, 269-270, 289-292	ESRS BP-2 ESRS E1-2 ESRS E3-1 ESRS E4-2 ESRS G1-1 ESRS S1-1 ESRS S2-1 ESRS S3-1 ESRS S4-1	
Risks.			
The main risks related to these issues associated with the activities of the group, including, where relevant and proportionate, its business relationships, products or services that could have an adverse effect on those areas, and how the group manages such risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter.	50-61, 62-64, 64-68, 109-119, 160-161, 162-163, 170-177, 194-195, 196-198, 235-237, 251-253, 266-269, 288-289	ESRS2 SBM-3 ESRS 2 IRO-1 ESRS 2 IRO-2 ESRS E1.SBM-3 ESRS E2.IRO-1 ESRS E3.IRO-1 ESRS E4.SBM-3 ESRS E5.IRO-1 ESRS G1.IRO-1 ESRS S1.SBM-3 ESRS S2.SBM-3 ESRS S3.SBM-3 ESRS S4.SBM-3	
Materiality assessment.	50-61, 62-64, 64-68	ESRS2 SBM-3 ESRS 2 IRO-1 ESRS 2 IRO-2	
Social and personnel issues.			
Employment. – Number and distribution of employees by country, gender, age group and professional category. – Total number and distribution of employment contract types and annual average of: ▪ Indefinite contracts by gender, age and professional category. ▪ Temporary contracts by gender, age and professional category.	225-227, 228-229, 320-323	ESRS S1-6 ESRS S1-9 GRI 405-1	
Number of layoffs by gender, age group and professional category.	323-324	GRI 405-1	
Average remuneration by gender, professional category and age group.	324	GRI 405-2	
Pay gap.	233	S1-16	
Average remuneration of directors and senior managers, including bonus, allowances, compensation, payment to long-term savings schemes and any other payment broken down by gender.	324	GRI 405-1	

Introduction of policies on disconnecting from work.	199-200, 211-212	ESRS S1-1 ESRS S1-4
Percentage of disabled employees.	230	ESRS S1-12
Work organisation.		
Organisation of work time.	211-212	ESRS S1-4
Number of hours of absenteeism.	325	GRI 403-9
Measures to facilitate work-life balance and encourage the co-responsible exercise of these by both parents.	211-212, 232	ESRS S1-4 ESRS S1-15
Health and safety.		
Health and safety conditions in the workplace.	206-211 229, 231-232	ESRS S1-4 ESRS S1-11 ESRS S1-14
Number of work accidents by gender.	325	GRI 403-9
Occupational diseases by gender.	325	GRI 403-9
Social relations.		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff.	200-202, 227-228	ESRS S1-2 ESRS S1-8
Percentage of employees covered by collective bargaining agreements.	227-228	ESRS S1-8
Balance of the collective bargaining agreements in the field of occupational health and safety.	200-202	ESRS S1-2
Description of the company's mechanisms and procedures to promote employee involvement in the management of the company, in terms of information, consultation and participation.	200-202, 202-204	ESRS S1-2 NEIS S1-3
Training.		
Policies introduced in the field of training.	217	ESRS S1-4
Total number of training hours by professional category.	325	GRI 3-3
Universal accessibility for people with disabilities.	214-216 230	ESRS S1-4 ESRS S1-12
Equality.		
Measures taken to promote equal treatment and opportunities between women and men.	214-216, 223-224	ESRS S1-4 ESRS S1-5
Equality plans.	214-216	ESRS S1-4
Measures adopted to foster employment.	214-216	ESRS S1-4
Protocols against sexual and gender-based harassment.	202	ESRS S1-2
Integrity and universal accessibility for people with disabilities.	214-216, 230	ESRS S1-4 ESRS S1-12
Policy against all types of discrimination and, where appropriate, diversity management.	199-200, 202	ESRS S1-1 ESRS S1-2
Environmental issues.		
Management approach.		
Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety.	50-61, 62-64, 64-68, 109-119, 160-161, 162-163, 170-177	ESRS 2 IRO-1 ESRS 2 IRO-2 ESRS 2 SBM-3 ESRS E1.SBM-3 ESRS E2.IRO-1 ESRS E3.IRO-1 ESRS E4.SBM-3 ESRS E5.IRO-1
Environmental assessment or certification procedures.	163-164, 183	ESRS E3-2 ESRS E4-3
Resources targeted at the prevention of environmental risks.	124-133, 163-164, 182-185	ESRS E1-3 ESRS E3-2 ESRS E4-3

The application of the precautionary principle.	124-133, 163-164, 182-185	ESRS E1-3 ESRS E3-2 ESRS E4-3
The amount of provisions and guarantees for environmental risks.	124-133, 163-164, 182-185	ESRS E1-3 ESRS E3-2 ESRS E4-3
Pollution.		
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment (also includes noise and light pollution).	160-161	ESRS E2.IRO-1
Circular economy, sustainable use of resources and waste prevention.		
Measures for prevention, recycling, reuse, and other forms of recovery and disposal.	NA	Not material
Actions to combat food waste.	NA	Not material
Sustainable use of resources.		
Water consumption and water supply in accordance with local constraints.	165-68	ESRS E3-4
Consumption of raw materials and measures taken to improve the efficiency of their use.	NA	Not material
Direct and indirect energy consumption	141-143	ESRS E1-5
Measures to improve energy efficiency.	124-133	ESRS E1-3
Use of renewable energies.	141-143	ESRS E1-5
Environmental issues.		
Climate change.		
Greenhouse gas emissions.	144-154	ESRS E1-6
Measures to adapt to climate change.	104-109, 124-133	ESRS E1-1 ESRS E1-3
Targets to reduce greenhouse gases.	104-109, 134-141	ESRS E1-1 ESRS E1-4
Sustainable finance taxonomy – Regulation (EU) 2020/852 of the European Parliament and of the Council – Commission Delegated Act Regulation (UE) 2021/2139 – Commission Delegated Act Regulation (UE) 2021/1214	76-103	Company criteria
Biodiversity.		
Measures to preserve or restore biodiversity.	182-185	ESRS E4-3
Impacts caused by the activity.	189-193	ESRS E4-5
Information on respect for human rights.		
Application of due diligence procedures.	28-29, 326	ESRS 2 GOV 4 GRI 2-23 GRI 2-26
Measures for the prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible abuses.	28-29, 214-216, 242, 260-264	ESRS 2 GOV 4 ESRS S1-4 ESRS S2-4 ESRS S3-4
Complaints about human rights violations.	234	ESRS S1-17
Promotion and enforcement of the provisions of ILO core conventions related to respect for freedom of association and the right to collective bargaining, elimination of forced or compulsory labour and the effective abolition of child labour.	199-200, 237-238	ESRS S1-1 ESRS S2-1
Information on corruption and bribery.		
Measures to prevent corruption and bribery.	290-296, 303-304	ESRS G1-1 ESRS G1-3
Anti-money laundering measures	292	ESRS G1-1

Contributions to foundations and not-for-profit associations.	264-265	ESRS S3-5 GRI 201-1	
Information about the company.			
Commitments of the companies to sustainable development.			
– The impact of society on local employment. – The impact of society's activity on local populations and the territory. – The relations maintained with the local community players and the types of business with them. – The actions of association or sponsorship.	254-257, 258, 260-263	ESRS S3-2 ESRS S3-4	Naturgy has not implemented a methodology to accurately measure the indirect economic contribution of the organisation.
Responsible supply chain management.			
– The inclusion of social, gender equality and environmental issues in the procurement policy. – Consideration in relations with suppliers and subcontractors of their social and environmental responsibility. – Monitoring and auditing systems.	296-302, 242-248	ESRS G1-2 ESRS S2-4	
Management of customers relations.			
– Measures for the health and safety of consumers. – Complaint systems. – Complaints received and their resolution.	273-277, 277-284, 286	ESRS S4-3 ESRS S4-4 ESRS S4-5	
Tax information and transparency.			
– Profits country by country. – Taxes paid on profits. – Public grants received.	327-332	GRI 201-1 GRI 207-1 GRI 207-2 GRI 207-3	

07. Annexes

Methodology for calculating indicators (MDR-M)

The purpose of this section is to provide a detailed description of the sustainability indicators presented in this Report, explaining the methodology used for their calculation, as well as the assumptions used and the limitations encountered. The indicators presented below take into account the minimum disclosure requirements established in ESRS 2, regarding the reporting of sustainability indicators (MDR-M).

[MDR-M_03] These indicators, relating to material sustainability issues, have been verified by KPMG, which reviews the adaptation of the contents of the Sustainability Report to what is indicated in the ESRS framework and, exceptionally this year, to Spanish Law 11/2018.

Glossary of indicators

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Breakdown of management and supervisory bodies by gender (%)	Percentage of men and women on the Board of Directors, the Audit and Control Committee, the Sustainability Committee and the Nomination, Remuneration and Corporate Governance Committee.	Direct measurement. To calculate this indicator, the members of each body are identified, and the number of women (respectively men) in the body is divided by the total number of members.	GOV-1
Breakdown of directors by age category (%)	Percentage of Board members by age category.	Direct measurement. To calculate this indicator, the respective ages of the councillors are identified, and the results are categorised according to the specified ranges. **Assumptions.** Age ranges: under 55 years, between 55 and 60 years, and over 60 years.	GOV-1
Diversity metrics in senior management	Percentage of men and women in senior management.	Direct measurement. To calculate this indicator, members of senior management are identified, and the number of women in senior management is divided by the total number of senior management. **Assumptions.** Senior management is defined as members of the Management Committee and those executives who report directly to the Board or to the chief executive of the company.	GOV-1
Breakdown of senior management by age group (%)	Percentage of senior management according to three age categories.	Direct measurement. To calculate this indicator, the respective ages of the principals are identified, and the results are categorised according to the specified ranges. **Assumptions.** Age ranges: under 55 years, between 55 and 60 years, and over 60 years.	GOV-1

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Net Turnover (millions of euros)	Volume of revenue obtained after the application of taxes (direct and indirect) and other special discounts. This value is used for the calculation of energy consumption intensity, greenhouse gas emission intensity and water consumption intensity.	Please refer to Note 22 of the Consolidated Financial Statements for further information.	SBM-1
Eligible turnover according to Taxonomy (million Euros)	Share (in million euros) of total revenues from activities eligible under the European Taxonomy Regulation (EU) 2020/852.	See Taxonomy section.	SBM-1
Renewable gas injection capacity. Spain (TWh)	Ability to inject biomethane of similar quality to conventional natural gas into distribution networks in Spain.	Direct measurement. The sum of the actual injections of biomethane plants into the company's distribution networks in Spain is considered.	SBM-1
Emission-free capacity (%)	Percentage that represents the installed capacity in the technologies considered emission-free, over the total installed capacity at the end of the financial year.	Direct measurement. The installed capacity for each type of emission-free electricity generation asset is taken and divided by Naturgy's total electricity generation capacity. **Assumptions.** Emission-free technologies are considered to be those not associated with fossil fuels (hydro, mini-hydro, wind, nuclear and solar).	E1. SBM-1
Climate action lines CAPEX according to Strategic Plan	Capital expenditure associated with the different action lines described in the Climate Transition Plan, included in the new Strategic Plan 2025-2027.	Direct measurement. The sum of CapEx associated with the company's initiatives related to climate transition.	SBM-1
Transition Action Plan: Current investment in fossil fuel activities	CapEx and OpEx associated with the company's operation with fossil fuels (coal, natural gas, oil and oil derivatives,...).	Direct measurement. The sum of CapEx and OpEx associated with the company's initiatives related to natural gas, LNG, biomethane, green hydrogen and LPG.	E1-1
Revaluation and/or recycling rate (%)	Percentage of waste generated in the decommissioning of coal-fired power plants that has been destined for revalorisation and/or recycling.	Direct measurement. The volume of waste generated in the decommissioning of coal-fired power plants destined for revalorisation and/or recycling is calculated and divided by the total volume of waste generated in this activity.	E1-3
Local employment (% of total persons hired)	Percentage of local people hired for the decommissioning of coal-fired power plants.	Direct measurement. The total number of local employees hired for the decommissioning of each plant is calculated and divided by the total number of employees for decommissioning. **Assumptions.** Local employees are those who reside in the municipality of the power plant in question, or in different municipalities but are registered in the job exchange of the Just Transition Institute.	E1-3
GHG emission reductions and associated energy savings	Volume of emissions that have been reduced by the implementation of climate change mitigation actions.	See section "GHG emission reductions and associated energy savings".	E1-3

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Installed capacity from renewable sources (%)	Percentage that the installed capacity of renewable energy technologies represents of the total installed capacity at the end of the financial year.	See Taxonomy section.Direct measurement. The installed capacity for each type of renewable electricity generation asset is taken and divided by Naturgy's total electricity generation capacity. **Assumptions.** Renewable technologies are considered to be hydro, mini-hydro, wind, solar and biomethane.	E1-4
CO2 intensity of electricity generation (tCO2 eq/ GWh)	Ratio of greenhouse gas (GHG) emissions associated with electricity generation activity, per energy consumed.	Direct measurement. The installed capacity for each type of renewable electricity generation asset is taken and divided by Naturgy's total electricity generation capacity.	E1-4
Total energy consumption in MWh by origin (fossil, nuclear and renewable)	Volume of energy consumed by the company's activities.	See section "Energy consumption in Naturgy (MWh)".	E1-5
Non-renewable and renewable energy production (MWh)	Volume of energy produced as a result of the company's own operations.	Direct metering. Each power generation plant records production in real time, and the annual sum is added up from the data provided by each installation.	E1-5
Energy intensity (total energy consumption per net revenue)	Ratio of energy consumption in own operations per net income generated.	Ratio of energy consumption in own operations per net income generated. Direct measurement. The total energy consumption of the company is taken, and divided by the net income for the year. **Assumptions.** The denominator used is the Net Turnover.	E1-5
Revenue from the fossil fuel sector (oil and gas)	Gross revenues generated by the company's operation in the generation and distribution of electricity from non-renewable sources, and from the distribution of natural gas and LNG.	Please refer to Note 22 of the Consolidated Financial Statements for further information.	E1-5
Net revenues from activities in sectors with a high climate impact	Net value of the company's revenues generated from operating in sectors with high climate impact.	Please refer to Note 22 of the Consolidated Financial Statements for further information.The value of the Net Turnover Amount (NTI) is used. Given that Naturgy only operates in the gas and electricity generation and distribution sector, the total amount of the INCN is used. **Assumptions.** Further information can be found in Note 22 of the Consolidated Financial Statements.	E1-5/E1-6
Absolute GHG emissions scopes 1 (MtCO2 eq)	Direct GHG emissions, i.e. from sources that are controlled by the company.	See section "Greenhouse gas (GHG) emissions inventory calculation methodology".	E1-6
GHG emissions Scope 1 as % from regulated emission trading schemes	Percentage of direct GHG emissions covered by emissions trading systems.	See section "Greenhouse gas (GHG) emissions inventory calculation methodology".	E1-6

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
GHG emissions Scope 2 broken down by location-based and market-based emissions (MtCO2 eq)	Indirect emissions due to the generation of electricity that is purchased by the company for its own consumption but not generated by the Group.	See section "Greenhouse gas (GHG) emissions inventory calculation methodology".	E1-6
GHG Scope 3 emissions by relevant Scope 3 categories (MtCO2 eq)	Indirect emissions, not included in scope 2, arising from the value chain of activities, including upstream and downstream emissions, over which the Group has no direct control or influence.	See section "Methodology for calculating the greenhouse gas emissions inventory".	E1-6
GHG emissions intensity (total GHG emissions per net revenue)	Ratio of total greenhouse gas (GHG) emissions per net revenue generated.	Direct measurement. The total emissions of the company and its value chain are taken and divided by the net income for the year. **Assumptions.** The denominator used is the Net Turnover.	E1-6
Incidents of non-compliance related to permits, standards, and water quantity or quality regulations (no.)	Number of incidents recorded at facilities that do not comply with water quantity or quality permits, standards, and regulations subscribed to by the company.	Direct measurement.Each facility is subject to mandatory minimum legal requirements as well as voluntary standards for alignment with best available technologies in terms of water management. Consequently, any non-compliance with the above aspects is recorded, and an annual sum is made to consolidate the total of the company's plants.	E3-2
Water impact assessment studies (no.)	Number of water impact assessment studies of the company's thermal and hydroelectric generation facilities.	Direct measurement. The facilities, specifically the thermal and hydroelectric generation plants, report annually on the initiatives carried out, including the water impact assessment studies to analyse the possible impact on the environment in which they are located. Finally, the total sum is added up at the end of the year.	E3-2
Intensity of water consumption in generation (hm3/TWh)	Ratio of water consumption in electricity generation activities, per energy produced.	Direct metering. The water consumption of the company's electricity generation facilities is taken, and divided by the total energy produced in 2024, in TWh.	E3-3
Intensity of water consumption (m3/M€)	Ratio of total water consumption in the company's own operations per net income generated.	Direct measurement. Total water consumption in own operations is taken, and divided by net income for the year.	E3-4
Total water consumption in areas at water risk, including areas of high water stress (m3)	Volume of water consumed by company facilities located in water-risk regions.	See section "Water consumption".	E3-4
Total recycled and reused water (m3)	Volume of water and wastewater (treated or untreated) that has been used in the same production process (recycled) or in other company facilities (reused), prior to final discharge.	See section "Water consumption".	E3-4
Total water reused (m3)	Volume of wastewater originating from other industries or urban origin, which is treated for reuse.	Direct metering. The facilities measure and report water abstracted by source, including reused water.	E3-4

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Water withdrawal (m3)	Volume of water entering the boundaries of the company, irrespective of source and end use, during the financial year.	Direct metering. The facilities measure and report the water captured by source.	E3-4
Water discharge (m3)	Volume of water that leaves the boundaries of the company and is released to surface or groundwater, or to third parties, during the financial year.	Direct measurement. Facilities measure and report wastewater discharges.	E3-4
Participants in training sessions for schools (no.)	Number of people who have attended training sessions (face-to-face and virtual) for schools, within the framework of collaboration with GREFA.	Direct measurement. For each session held, the number of participants is recorded and a total sum is added up at the end of the year.	E4-3
Biodiversity enhancement initiatives (no.)	Number of initiatives that can fit into the biodiversity and ecosystem mitigation hierarchy.	Direct measurement. Each initiative developed by Naturgy related to biodiversity and ecosystems is recorded manually, and a sum is added up at the end of the year.	E4-4
Implement TNFD recommendations at corporate level (%)	Degree of alignment with the fourteen TNFD outreach recommendations on biodiversity and ecosystems.	Direct measurement. The ratio between the TNFD recommendations on reporting on biodiversity and ecosystems that have been implemented by Naturgy during the year is calculated and divided by fourteen.	E4-4
Number and area (in hectares) of sites owned, leased or managed in or near such protected areas or key biodiversity areas	Number and size of company-owned, leased, or managed sites located within, or in close proximity to, a protected area or key biodiversity area.	See section "Impact indicators related to biodiversity and ecosystem change".	E4-5
Initiatives with positive impact on protected sites, habitats or species (%)	Percentage of the company's biodiversity and ecosystem initiatives that result in a benefit to a protected area or species.	Direct measurement. All businesses and units report on biodiversity initiatives undertaken, including different information. Among this information is whether the initiatives are carried out in protected areas or habitats or to benefit protected species. Initiatives that meet any of these three criteria are aggregated to give the data.	E4-5
Environmentally restored area (ha)	Area positively affected by the company's biodiversity and ecosystem restoration initiatives.	Direct measurement. All businesses and units report on biodiversity initiatives carried out, including different information. Among this information is the area of environmental restoration. To give the data, the areas of these restoration initiatives are added together.	E4-5
Employees aware of the Code of Ethics	Percentage of Code of Ethics employees who indicated that they were aware of the Code of Ethics through a form.	Direct methodology. Number of affirmative answers (Yes) divided by the total number of answers (Yes/No).	S1-3
Employees satisfied with the Code of Ethics (%)	Percentage of Code of Ethics employees who indicated high or total satisfaction with the Code of Ethics through a form.	Direct methodology. Number of responses that rate "very or fully" satisfaction divided by the total number of responses. **Limitation.** Respondents to the questionnaire	S1-3

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Local "Global EFR Certification" measures	Number of local measures accredited to the EFR Global Certification standard".	Direct. The sum of all the local measures accredited by the Global EFR Certificate over a period of one year. **Limitation.** Respondents to the questionnaire.	S1-4
Global measures of "Global EFR Certification	Number of global measures accredited by the EFR Global Certification standard".	Direct. The sum of all measures of global scope accredited by the Global EFR Certificate over a period of one year.	S1-4
EFR-certified management indicators	Number of management indicators certified by the global Standard 1000/23 EFR and AENOR audit over a period of time.	Direct. All management indicators that have been certified by the global Standard 1000/23 EFR and the AENOR audit during one year are added together.	S1-4
EFR-certified improvement actions (no.)	Number of improvement actions certified by the global Standard 1000/23 EFR and the AENOR audit during a period of time.	Direct. The sum of all improvement actions carried out and certified during the year is added up.	S1-4
Flex & Lead" staff additions (no.)	Young people, with or without work experience, who have joined the company in the framework of the "Flex & Lead" programme during the last year.	Direct measurement. The sum of the number of young people, with or without experience, who have joined the company under the "Flex&Lead" programme.	S1-4
Staff additions in the framework of the "Transforma" programme (no.)	Number of professionals who have joined the company within the framework of the "Transforma" programme during the last year.	Direct measurement. The sum of the number of professionals who have joined the company under the "Transforma" programme is added up.	S1-4
Management talent development interviews	Total number of interviews conducted in the framework of the "Executive Talent Management Model" during the last year.	Direct measurement.The sum of the interviews of this type carried out is made up as follows	S1-4
Women in workforce (%)	Percentage of employees within the company who are women in relation to the total workforce.	Direct measurement. The sum of persons with gender 'female' is added up and divided by the total number of employees	S1-5
Own employees with disabilities. Spain (%)	Percentage of own employees with disabilities in the total workforce in Spain.	Direct measurement. The total number of salaried employees with disabilities in Spain is added up and divided by the total number of salaried employees in Spain.	S1-5
People trained out of the total number of employees included in talent transformation programmes (%)	Proportion of employees who have received training under talent transformation programmes, in relation to the total number of employees included in such programmes.	Direct measurement. The number of own staff trained through talent transformation programmes is taken and divided by the total number of employees considered in such programmes.	S1-5
Training per employee (hours)	Average number of hours of training received by a company employee in the year.	Direct measurement. The hours of training provided are added up and divided by the total number of employees in the company. **Limitation.** Training data only includes companies that have access to SuccessFactors. These companies represent 93% of the total workforce reach.	S1-5/ S1-13

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Number of employees by gender	Total number of employees of the company at year-end and classified by gender (male, female, other, not reported).	Direct measurement. A count is made of the number of employees belonging to each gender at the end of the year. **Assumptions.** Employees belonging to the third, often neutral, gender are considered to be in the "Other" category.	S1-6
Number of employees by country	Total number of employees of the company at the end of the financial year and classified by country where the company is present.	Direct measurement. The total number of wage earners within each country is added up and the detail is broken down into those countries with significant employment and the rest of the countries are included under the category "other". **Assumptions.** According to the criterion expressed in ESRS S1, a country is considered to have "Significant Employment" if the company has, in that country, a minimum number of 50 effective employees representing at least 10 % of its total number of employees.	S1-6
Number of employees by type of contract and broken down by gender	Total number of employees by type of contract (permanent, temporary and non-guaranteed) and by gender (male, female, other, not reported).	Direct measurement. Employees are broken down by each type of contract available and by gender. **Assumptions.** Employees belonging to the third, often neutral, gender are considered to be in the "Other" category.	S1-6
Number of employees who have left the company in the reference period	Number of employees leaving the enterprise, either voluntarily or due to dismissal, retirement or death in service, in the reference period.	Direct measurement. The sum of employees who have left the company for any of the following reasons: voluntary, dismissal, retirement or death in service.	S1-6
Turnover(%)	Percentage of departures as a percentage of the average number of employees.	Direct measurement. The aggregate number of employees leaving employment voluntarily or due to dismissal, retirement or death in service is taken and divided by the average number of employees.	S1-6
Employees in collective bargaining agreements by country (%)	Percentage of employees covered by collective bargaining agreements, inside and outside the European Economic Area (EEA).	Direct measurement. Take the number of employees covered by collective bargaining agreements in a country, and divide by the number of employees in the same country. **Assumptions.** A country is considered to have "Meaningful Employment" if the company has, in that country, at least 50 or more employees representing at least 10 % of its total number of employees.	S1-8
Country with social dialogue agreements for coverage rate	Countries within the European Economic Area (EEA), with significant employment, represented by employee representatives (social dialogue) by coverage rate (0-19%; 20-39%; 40-59%; 60-79%; 80-100%).	Direct measurement. Countries with significant employees are taken and broken down by level of social dialogue coverage. **Assumptions.** A country is considered to have "Meaningful Employment" if the company has, in that country, at least 50 or more employees representing at least 10 % of its total number of employees	S1-8

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Distribution of employees by age groups	Percentage of employees by age group; under 30 years; between 30 and 50 years; over 50 years.	Direct measurement. The total number of employees in the company is taken and broken down by the following age ranges: under 30, 30 and 50, and over 50.	S1-9
Gender distribution of senior management	Number of employees in the "top management" category by gender.	Direct measurement. The total number of employees in senior management is taken and broken down by the following genders: male and female. **Assumptions.** Senior management is defined as members of the Management Committee and those executives who report directly to the Board or to the chief executive of the company.	S1-9
Social protection coverage for life events and country in a given period of time (%)	Percentage of social protection coverage for life events by country, for a given time period	Direct measurement. The total number of employees covered by social protection against life events in each country is taken and divided by the total number of employees in that country. **Assumptions.** The following cases are considered as life events: illness; unemployment from the moment the employee works for the company; parental leave; retirement.	S1-11
Employees with disabilities by gender (%)	Proportion of people with disabilities among total number of employees, broken down by gender	Direct measurement. The total number of wage earners with disabilities is taken, and broken down by the following genders: male, female, other, not reported. **Assumptions.** Employees belonging to the third, often neutral, gender are considered to be in the "Other" category.	S1-12
Hours of training offered and completed by gender	Average number of hours of training per employee and by gender (male, female, other, not reported)	Direct measurement. The average number of hours of training provided and completed per employee is taken and broken down by the following genders (male, female, other, not reported). **Assumptions.** Employees belonging to the third, often neutral, gender are considered to be in the "Other" category.	S1-13
Participation in regular performance and career development appraisals by gender (%)	Percentage of employees who have participated in performance appraisals and career development, broken down by gender (male, female, other, not reported).	Direct measurement. Data is taken on employees who participated in performance and career development appraisals, disaggregated by gender. The percentage of participation of each group in relation to their total is then calculated. **Assumptions.** Employees belonging to the third, often neutral, gender are considered to be in the "Other" category.	S1-13
Reviews carried out/ agreed by management (%)	Percentage of reviews performed compared to those agreed upon by management	Direct measurement. Data is taken from revisions carried out and divided by planned revisions.	S1-13

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Coverage of Occupational Health and Safety Management System (%)	Percentage of the company's employees who are protected and covered by a formalised occupational health and safety management system, in relation to the total number of employees.	Direct measurement. The number of employees belonging to companies with an Occupational Health and Safety Management System is taken and divided by the total number of employees in the company.	S1-14
Fatalities due to work-related injuries	Total number of fatalities from work-related injuries over a period of time	Direct measurement. Data are collected on fatalities directly caused by occupational injuries. **Assumptions.** It is considered "work-related" if it results from work-related injuries and health problems.	S1-14
Deaths due to work-related diseases	Total number of deaths due to work-related diseases over a period of time	Direct measurement. The number of deaths attributable to occupational diseases during the specified period is taken. **Assumptions.** It is considered "work-related" if it results from work-related injuries and health problems.	S1-14
Recordable accidents at work	Number of occupational accidents, which meet the criteria to be recorded, during a set period of time.	Direct measurement. The sum of occupational accidents recorded during a period of one year. **Assumptions.** An "Accident" is an incident that causes injury or health problems.	S1-14
Recordable occupational injuries	Number of work injuries, which meet the criteria to be recorded, during a set period of time.	Direct measurement. The sum of work injuries recorded over a period of one year.	S1-14
Cases of recordable work-related health problems	Number of recorded incidents in which employees have experienced health problems directly related to their work activities.	Direct measurement. The sum of the number of cases of work-related health problems recorded during a one-year period. **Assumptions.** Work-related health problems may include acute, recurrent and chronic health problems caused or aggravated by working conditions or working practices	S1-14
Number of days lost due to work-related injuries and fatalities	Number of days lost due to work-related injuries as a result of occupational accidents, work-related health problems and deaths due to illness.	Direct measurement. The sum of days lost due to work-related injuries as a result of occupational accidents, work-related health problems and deaths due to illness. **Assumptions.** The number of days lost is counted including the first full day and the last day of absence. In addition, calendar days are taken into account for the calculation. Absences for other non-work related reasons, such as common illnesses or personal leave, are excluded.	S1-14
Employees entitled to family-related leave and those who took family-related leave by gender (%)	Percentage of employees entitled to family-related leave who have actually made use of this entitlement, broken down by gender (male, female, other, not reported).	Direct measurement. The number of employees entitled to family-related leave (maternity leave, paternity leave, parental leave and carers' leave) by gender is taken. Then, the percentage of each group is calculated by dividing the employees who took leave by the total entitled employees. **Assumptions.** Employees belonging to the third, often neutral, gender are considered to be in the "Other" category.	S1-15

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
% wage gap	Difference between the average pay levels of male and female employees.	Direct measurement. The difference between the average annual gross pay of men and women is calculated and divided by the average annual gross pay of men.	S1-16
Total annual remuneration (%)	Ratio of the total annual remuneration of the highest paid person to the average total annual remuneration of all employees.	Direct measurement. The total annual remuneration of the highest paid person is taken and divided by the average total annual remuneration of all employees (excluding the highest paid person). **Assumptions.** Remuneration includes the following items: fixed elements, length of service and bonuses, activity bonuses, remuneration in kind, social security contributions and long-term incentives.	S1-16
Notifications on the Code of Ethics Channel	Number of notifications and complaints submitted through the Code of Ethics channel by the company's own staff.	Direct measurement. The sum of the notifications submitted by employees through the Code of Ethics Channel.	S1-17
Purchasing volume with acceptance of the Code of Ethics (%)	Percentage of the purchasing volume awarded by the company that has acceptance of the supplier's code of ethics.	Direct measurement. The volume of procurement that has Code of Ethics acceptance is taken and divided by the total procurement awarded during a set period of time.	S2/G1-2
Performance appraisals carried out	Total number of performance evaluations carried out on suppliers during the year.	Direct measurement. The sum of the performance evaluations carried out on suppliers. **Assumptions.** Performance evaluations carried out in Argentina, Brazil, Chile, Spain, Mexico and Panama are considered.	S2-4
Suppliers evaluated by performance	Total number of suppliers whose performance has been assessed during the year.	Direct measurement. Suppliers that have received a performance evaluation are added together. **Assumptions.** Performance evaluations carried out in Argentina, Brazil, Chile, Spain, Mexico and Panama are considered.	S2-4
Action plans for underperformance	Number of action plans agreed with suppliers for underperformance.	Direct measurement. A summation of the action plans agreed with suppliers is made. Assumptions. Performance evaluations carried out in Argentina, Brazil, Chile, Spain, Mexico and Panama are considered.	S2-4
Level of ESG audit coverage of purchase volume with high ESG risk (%)	Percentage of ESG audit coverage of suppliers out of total procurement volume assigned with high ESG risk.	Direct measurement. The ESG high ESG risk purchase volume audited in the last 3 years is calculated over the total ESG high ESG risk purchase volume of the group.	S2-4
No. of Preventive Security Observations (PSOs)	Number of preventive security observations made by the inspection, monitoring and control mechanisms implemented in all business units.	The sum of preventive security observations recorded through the inspection, monitoring and control mechanisms in all business units is added up.	S2-4

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Work stoppage	Number of stoppages of work that have been carried out due to the detection of risk situations not foreseen in the risk identification procedures.	Direct measurement. The sum of the stoppages recorded by means of the "Metric (+)" mechanism.	S2-4
Health and Safety Improvement Proposals (HSP)	Number of initiatives or improvement actions proposed by employees of the company or collaborating companies to improve the safety of any process or activity.	Direct measurement. The sum of the Health and Safety Improvement Proposals (HIPs) recorded through the "Metrics (+)" mechanism.	S2-4
Incident and accident investigations	Total number of incidents and accidents reported by own staff and value chain workers that have been analysed and investigated.	Direct measurement. The sum of incidents and accidents investigated under the "Process of communication, investigation and follow-up of accidents and incidents".	S2-4
SME suppliers attending the Training Programme	Total number of the company's SMEs that participated in the "Training Programme: Sustainable Suppliers" during the reporting period.	Direct measurement. The SMEs that participated in the "Training programme: Sustainable suppliers" are added.	S2-4
Volume of purchases awarded to local suppliers (%)	Percentage of the total procurement volume that has been awarded to local suppliers in a given period.	Direct measurement. The total volume of the organisation's purchases that have been awarded to local suppliers is taken and divided by the total purchase volume. **Assumptions.** A "Local Supplier" is a supplier located in the same geographical area from where the purchase is made.	S2-4
Fatal accidents Collaborating Companies	Number of contractor personnel who have died as a result of occupational accidents.	Direct measurement. Data are taken on fatalities due to occupational accidents among contractor personnel.	S2-4
Lost Time Accident Frequency Rate Contractor personnel	Number of lost time accidents per 1 million hours worked	Direct measurement. The number of accidents involving sick leave is taken and multiplied by 1 million hours, this product is divided by the total number of hours worked in the reporting period.	S2-4
Severity rate of lost time accidents contractor personnel	Number of days lost as a result of occupational accidents to contractor personnel per million hours worked.	Direct measurement. Number of days lost due to accidents at work and multiplied by 1 million hours worked, this product is divided by the total hours worked in the reporting period.	S2-4
Total social investment (in millions)	Total monetary value, in millions of euros, of the economic amounts allocated to actions aimed at promoting the economic and social development of the territories where the company operates.	Direct measurement. The amount of the actions carried out within the framework of the projects, whether they are donations, partnerships or sponsorships, is recorded and added up.	S3-5
Customers with social voucher	Total number of customers benefiting from the government-regulated electricity bill discount for socio-economically vulnerable households.	Direct metering. The sum of the number of discounted customers is added to the invoice.	S4-4
Complaints registered/ total number of contacts (%)	Percentage of total customer contacts or interactions with the company that resulted in a formal complaint	Direct measurement. The total number of complaints received is taken, and divided by the total number of contacts received from customers in the different customer service channels.	S4-5

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Overall satisfaction with the quality of service (0-10)	Level of user satisfaction with the quality of a specific service on a scale of 0 to 10.	Direct measurement. The sum of the ratings given by customers on a scale of 0 to 10 is added up and divided by the number of valid surveys completed by customers.	S4-5
Positions particularly exposed to training programmes (%)	Percentage of positions within the company that are most at risk of corruption and bribery covered by training programmes on corruption and bribery	Direct measurement. Data were taken from the positions with the highest risk of corruption that received training, and divided by the total number of positions with the highest risk.	G1-1
Anti-corruption and bribery training	Percentage of own staff who have received some form of training to prevent corruption and bribery	Direct measurement. Employees who have received each type of training reported are identified and divided by the total number of staff within that group. The groups are: particularly exposed positions, senior management and other employees. The information is calculated aggregated for the group and for Spain. **Assumptions.** The subjects on which training has been provided are: criminal prevention model, conflict of interest and, in Spain, the responsible declaration of compliance and market abuse have also been considered. The definition of personally exposed and senior management can be found in this section.	G1-1
Total Suppliers	Number of suppliers that have remained active (registered in the supplier database) during the financial year, and to whom purchases have been awarded during the financial year;	Direct measurement. The sum of active suppliers with purchase awards in the reported period is added up.	G1-2
Suppliers with high ESG risk	Number of suppliers considered to be high ESG risk	See section "Supplier relationship management (G1-2)".	G1-2
High ESG risk purchase volume	Total monetary amount purchased from suppliers supplying categories of purchases considered as high ESG risk for the financial year	Direct measurement. The total monetary amount corresponding to the awards of the financial year considered as high ESG risk is added up.	G1-2
Documented Security Inspections	Number of documented safety inspections of suppliers carrying out activities classified as having a high Health and Safety risk.	Direct measurement. The sum of the security inspections carried out in the financial year is taken as the sum of the inspections carried out in the financial year.	G1-2
Documented safety inspections with deviations (%)	Percentage of documented safety inspections of the company's suppliers in which deviations have been detected.	Direct measurement. The summary of inspections with deviations is taken, and divided by the total number of safety inspections carried out in the year.	G1-2
Suppliers invited to report their information through CDP Supply Chain	Number of Naturgy suppliers invited to report their information via CDP Supply Chain	Direct measurement. In addition to the suppliers that were invited to report through CDP Supply Chain	G1-2
Participants in supplier training	Number of participants in the Extended Academy of the Corporate University	Direct measurement. The summation of EA participants in the exercise is performed.	G1-2
Supplier training hours	Total number of hours of supplier training through the Extended Academy of the Corporate University	Direct measurement. The sum of the hours of training provided by AE in the year is added up.	G1-2

Indicator	Description [MDR-M_01]	Methodology and significant hypotheses [MDR-M_02]	Location
Allegations of corruption and bribery or fraud	Total number of complaints through the Code of Ethics Channel concerning corruption and bribery or fraud during a set period of time.	Direct measurement. Sum of corruption and bribery/fraud complaints received by the Code of Ethics Channel in the year.	G1-4
Closed complaints of corruption and bribery or fraud	Total number of complaints closed through the Code of Ethics Channel relating to corruption and bribery or fraud in the exercise	Direct measurement. The sum of the complaints resulting from the exercise, both those confirmed and those rejected, are added together.	G1-4
Estimated allegations of corruption and bribery/ fraud	Total number of confirmed allegations of corruption and bribery/fraud following investigations by the relevant investigative teams	Direct measurement. The sum of the complaints that, after the corresponding investigation, were found to be confirmed as corruption and bribery or fraud in the financial year.	G1-4
Shareholdings in associative entities	Total number of participations in associative entities	Direct measurement. Active participations in associative entities in the financial year are added up.	G1-5
Countries with participations in associative entities	Total number of countries where the company has participations in associative bodies	Direct measurement. Data are taken from countries where the company has active shareholdings in the year.	G1-5
Investment in associative entities	Total monetary value of investments made to associative organisations	Direct measurement. The sum of the total monetary amount spent on membership payments in partner entities is added up.	G1-5
Average invoice payment days	Average time taken by the company to pay an invoice in number of days	Direct measurement. The difference between the date of issue and the date of actual payment of the invoices is added up and divided by the total number of invoices paid.	G1-6
Payments in line with deadlines (%)	Percentage of payment periods that are in line with the company's usual payment period in number of days	Direct measurement. The number of invoices paid on time is taken, and divided by the total number of overdue invoices.	G1-6
Pending legal proceedings for late payments	Number of legal proceedings currently pending for payment delays in the period established	Direct measurement. The sum of the number of legal proceedings opened against the company due to non-compliance or delays in payment to suppliers.	G1-6
Naturgy Energy Group BitSight International Index (points)	Cybersecurity rating provided by BitSight, which assesses the level of security of the company's digital infrastructure and general market acceptance.	NA	Specific topics
TOTEX for Open Innovation and Technological Innovation (' million)	Monetary value of, capital and operational expenditure, earmarked for open innovation and technological innovation (' million)	Direct measurement. The sum of CAPEX and OPEX allocated to open innovation and technological innovation projects and initiatives.	Specific topics

Carbon footprint verification statement

Verification Statement

LK-2024-24-NATURGY ENERGY GROUP
CORPORATE CARBON FOOTPRINT

The emissions report dated 13.02.2025, issued by
NATURGY ENERGY GROUP, S.A.
Avenida de América 38
28028 Madrid (España)

for the reporting period **01.01.2024 - 31.12.2024**

has been verified in accordance with ISO 14064-03:2019
in relation to compliance with the requirements of
ISO 14064-01:2019 together with GHG Protocol

Naturgy Energy Group, S.A. Carbon Footprint

Total greenhouse gas emissions	**119.397.479** t CO_2-Eq
Scope 1 emissions	11.482.448 t CO_2-Eq
Scope 2 emissions	453.649 t CO_2-Eq
Scope 3 emissions	107.461.382 t CO_2-Eq
GHG emissions according ISO 14064-01:2019 standard	
Category 1 Direct GHG emissions and removals	11.482.448 t CO2-Eq
Category 2 Indirect GHG emissions by imported energy	453.649 t CO2-Eq
Category 3 Indirect GHG emissions from transport (business travel, commuting)	8.195 t CO2-Eq
Category 4 Indirect GHG emissions from products used by the organisation (purchased goods and services, capital goods, upstream fuel and energy activities)	27.110.800 t CO2-Eq
Category 5 Indirect GHG emissions associated with the organisation's product use	80.342.387 t CO2-Eq

Agreed assurance level Reasonable

Materiality thresholds 5% of the total carbon footprint amount

This verification statement is only valid for the stated scope and in conjunction with the objectives and criteria for the assessment as well as our conclusions (pages 2-5).

verico SCE, Hagenaustrasse, 7 – 85416 Langenbach, Germany
Accredited Greenhouse Gas Verification Body by DAkkS according to DIN EN ISO/IEC 17029:2020, EN ISO 14065:2022 y DIN EN ISO 14064-3:2020 (Acreditation Nr. D-VS-19003-01-00)

Langenbach, 13.02.2025

Sergio Degener
Certification Entity
VERICO SCE

verico SCE

Explanations of the verification statement

Brief description of the verification process

NATURGY ENERGY GROUP, S.A. (hereinafter, Naturgy) has voluntarily commissioned verico SCE (verification body) to carry out an independent (third party) verification of its greenhouse gas emissions report "Informe de emisiones de gases efecto invernadero. Naturgy 2024. Febrero 2025" (*Greenhouse gas emissions report. Naturgy 2024. February 2025*), as corporate carbon footprint, for the time period 01.01.2024 - 31.12.2024.
This review is based on the expected scope, targets and criteria associated with the offer dated 12.12.2024 and Naturgy's subsequent confirmation.

The team appointed by the verification office carried out an audit on 3 and 4 February 2025 with representatives of the client, including a documentary review and a complete review of Naturgy's corporate systems in which the emissions of the different business units of Naturgy, worldwide, including gas and electricity supplies and supplies to customers, are registered.

The verification audit took place at Naturgy's corporate headquarters, located at Avenida de América 38, 28028 Madrid (Spain).

Roles and responsibilities

The determination of greenhouse gas (GHG) emissions and the reporting on them is the sole responsibility of the client.

verico SCE role and responsibility as an accredited verification body was to independently verify the adequacy of the GHG emissions reported by our client, as well as the underlying systems and processes for recording, analyzing and controlling them, in accordance with the requirements of ISO 14064-3.

Standard for the collection of GHG data

ISO 14064-1:2019 ("Specification providing guidance on the quantitative determination and reporting of greenhouse gas emissions and removal of greenhouse gas emissions greenhouse gases at the organizational level") in conjunction with Greenhouse Gas Protocol. The data and information supporting the claim are historical in nature.

Scope of application / Boundaries

This verification covers Naturgy's activities worldwide, specifically:

- Electricity generation (gas power plants, renewable sources)
- Electricity distribution
- Natural gas distribution
- Natural gas: infrastructures, procurement, transportation, supply and marketing of natural gas, in the form of standard fuel, liquefied natural gas and natural gas for vehicles.
- Corporate offices.

The countries where Naturgy has subsidiaries reporting GHG emissions are: Spain, Argentina, Brazil, Mexico, Panamá, Puerto Rico, Dominican Republic, Costa Rica, France, Luxembourg, Ireland, Portugal, Australia, Israel, Italy, United States and Chile.

Naturgy has also carried out natural gas supply or marketing operations in the following countries: Algeria, Germany, The Netherlands, Taiwan, China, South Korea, Japan, Belgium, Thailand, United Kingdom, Poland and Kuwait.

The corporate headquarters of NATURGY ENERGY GROUP S.A. is located at Avenida de América 38, 28028 Madrid (Spain). The main activities of the company have been described above.

The following partial contributions are identified by Naturgy as the main sources of GHG, and their amount is quantified according to the methods described in the GHG report *Greenhouse gas emissions report. Naturgy 2024. February 2025*. The categories correspond to those established in the ISO 14064-01:2019 standard (Naturgy reports on the basis of the GHG Protocol categories, which are indicated into Categories 3 and 4):

<u>Scope 1:</u>
Category 1 Direct GHG emissions and removals.
<u>Scope 2:</u>
Category 2 Indirect GHG emissions from imported energy
<u>Scope 3 :</u>
Category 3: Indirect GHG emissions from transport: business travel, mobilisation of workers.
Category 4 Indirect GHG emissions from products used by the organisation: purchased goods and services, capital goods, activities associated with upstream fuels and energy.
Category 5 Indirect GHG emissions associated with the use of the organisation's products.

Within the categories defined by the Greenhouse Gas Protocol (scopes 1, 2 and 3), those with a weight of less than 1% have been excluded, provided that the sum of all of them does not exceed 5%.

This assessment of the importance and the resulting decision on the delimitation of these Greenhouse Gas Protocol categories (definition and terminology of scopes according to the requirements established by the Ministry of Ecological Transition and Demographic Challenge -MITERD- of Spain, for the registration of corporate carbon footprints) are presented in a comprehensible manner in the Greenhouse Gas Declaration of NATURGY ENERGY GROUP S.A., substantiated in the GHG report *Greenhouse Gas Emissions Report. Naturgy 2024. February 2025.*

Relevant greenhouse gases and greenhouse gases included in the accounting

The Naturgy inventory/report *Greenhouse gas emissions report. Naturgy 2024. February 2025*, contains the greenhouse gases considered with information in CO_2 equivalent. The gases identified as GHG and included in the inventory are: CO_2, CH_4, N_2O, SF_6, HFC.

No GHG emissions other than these were identified.

Reduction measures / special features in reporting

Naturgy has established a new Strategic Plan ("Plan Estatégico"), which includes a specific Climate Transition Plan ("Plan de Transición Climática"), with the following objectives:

(a) Reduction of Group's Scope 1 and Scope 2 emissions to 9.70 MtCO2eq in 2030, which means reducing GHG emissions by 36% in 2022, in line with the 1.5°C reduction path of the Paris Agreement.
b) Reduction of Scope 3 emissions in Spain to 30.7 MtCO2eq in 2030, a 22% reduction compared to 2022.
c) To reduce the Group's Scope 3 emissions to 101.6 MtCO2eq in 2030, which represents a reduction of 8% compared to 2022.

Furthermore, Naturgy has the following objectives for 2050:

- Reach the Net Zero target for the Group's Scope 1 and Scope 2 emissions.
- Reach the Net Zero target for Scope 3 emissions in Spain.

Intended Users of this Verification Statement

1. Naturgy, to make decisions based on this GHG-related information (e.g. measures to reduce the carbon footprint at organizational level).

2. Provision of this information to third parties (e.g. customers, public) upon

3. The Ministry of Ecological Transition and Demographic Challenge (MITERD) of the Kingdom of Spain, for the registration of the corporate carbon footprint of Naturgy Energy Group S.A. in the *Register of carbon footprint, offsetting and carbon dioxide absorption projects* of the MITERD.

Standard for verification

DIN EN ISO/IEC 17029:2020 & DIN EN ISO 14064-3:2020. GHG Protocol.

Verification goals

The review was conducted in accordance with our impartiality in a risk-based approach. Rational methods were used to reach reliable and reproducible conclusions. As part of our audit, the Company's representatives and the persons responsible for the audit had to collect and explain in the audit a sufficient amount of appropriate evidence. This ensured sufficient comprehensibility of the information presented with the GHG statement.

Criteria

The review of the data was carried out according to the following criteria: relevance, completeness, accuracy, transparency of information and consistency. An assessment of the alternatives that could be applicable according to the underlying quantification model was carried out in accordance with the principle of applying conservative criteria.

Agreed level of assurance: reasonable

If there is a reasonable, but not absolute, degree of certainty, we check whether the greenhouse gas statement is substantially correct. This includes checking the accuracy and correctness of processes, data and tests with an appropriate statistical sample size.

Materiality

5 % for the total sum of reported greenhouse gas emissions according to the accruals made by Naturgy.

The materiality threshold is a measure of our assessment of data gaps, misstatements and non-conformities remaining at the end of our review. Gaps, omissions or inaccuracies detected in the course of the review that result in amounts above the established thresholds constitute a 'material deviation', i.e. a non-conformity that must be corrected before a verification statement can be issued.

verico SCE

Verification methodology

1) Interviews with the responsible personnel of Naturgy Energy Group S.A.
2) Review of data and information systems and methodology to collect, aggregate, analyze and verify the information used to determine GHG emissions.
3) Sampling of data and evidence for the determination of GHG emissions.
4) Monitoring of electricity and natural gas production, distribution, transmission, supply and trading throughout the year 2024, including verification of emission factors used
5) Strategic analysis and risk assessment of GHG reporting
6) Plausibility check by recalculation of individual GHG balance categories
7) Independent review (quality assurance by an auditor who is not involved in the audit process).

Findings (Non-Conformities) that have not been addressed prior to the issue of the verification statement: **none**

Conclusions

With the review of the greenhouse gas report of Naturgy Energy Group S.A. "Informe de emisiones de gases efecto invernadero. Naturgy 2024. Febrero 2025" (*Greenhouse gas emissions report. Naturgy 2024. February 2025*), for all of the entity's worldwide considered corporate carbon footprint, we note that the greenhouse gas emissions for the year 2024, determined in accordance with the selected criteria, are presented in an objectively correct manner in all material aspects of the specifications and standards set out herein.

Naturgy Energy Group S.A. has introduced appropriate recording methods which, with the submitted corporate emissions report, make it possible to determine the GHG emissions included here for the year 2024.

Reasonable assurance level: based on the results of our review process, we confirm the reported emissions and the achievement of the agreed assurance level as well as compliance with the agreed materiality thresholds in relation to the considered emission categories.

Our verification statement is only valid in conjunction with the Company's GHG report (in the final version of February 2025) as a whole.

This statement is issued in accordance with our agreement with the Client and within the framework of our Verification and Validation Regulation. The results recorded here are based on our internal documentation of 16.12.2024 on this verification with project no. LK-2024-24-NATURGY HUELLA DE CARBONO CORPORATIVA 2024 (*LK-2024-24-NATURGY corporate carbon footprint 2024*).

Verification letters

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

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

Limited Assurance Report Issued by an Assurance Provider on the Consolidated Non-Financial Information Statement and Sustainability Reporting of Naturgy Energy Group, S.A. and subsidiaries for 2024

To the Shareholders of Naturgy Energy Group, S.A.:

Limited Assurance Conclusion

Pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review of the Consolidated Non-Financial Information Statement (hereinafter NFIS) of Naturgy Energy Group, S.A. (hereinafter the Entity) and its subsidiaries (hereinafter the Group) for the year ended 31 December 2024, which forms part of the consolidated Directors' Report of the Group.

The content of the NFIS includes additional information to that required by prevailing mercantile legislation concerning non-financial information, specifically including the sustainability reporting prepared by the Group for the year ended 31 December 2024 (hereinafter the sustainability reporting) in accordance with Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting (CSRD). This sustainability reporting has also been subject to limited assurance review.

Based on the procedures conducted and the evidence we have obtained, no issues have come to our attention that would lead us to believe that:

a) the Group's Non-Financial Information Statement for the year ended 31 December 2024 has not been prepared, in all material respects, in accordance with the contents included in prevailing mercantile legislation and with the European Sustainability Reporting Standards (ESRS) or other criteria in accordance with each subject area in the "Index of contents required by Law 11/2018" of the aforementioned statement;

b) the sustainability reporting as a whole has not been prepared, in all material respects, in accordance with the sustainability reporting framework applied by the Group and identified in the accompanying note "(BP-1): General basis for preparation of the sustainability statement", including:

- That the description provided of the process to identify the sustainability reporting included in note "4. Management of Impacts, Risks and Opportunities" is consistent with the process in place and that it identifies the material information to be disclosed in accordance with the requirements of the ESRS.
- Compliance with the ESRS.
- Compliance of the disclosure requirements, included in subsection "EU Taxonomy Report (Regulation 2020/852) and sustainable financing" of the environmental

section of the sustainability reporting with article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

Basis for Conclusion

We have performed our limited assurance engagement in accordance with generally accepted professional standards applicable in Spain and specifically with the guidelines contained in the Revised Guidelines 47 and 56 issued by the Spanish Institute of Registered Auditors on assurance engagements on non-financial information and considering the content of the note published by the ICAC on 18 December 2024 (hereinafter generally accepted professional standards).

The procedures applied in a limited assurance engagement are less extensive compared to those required in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the level of assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under those standards are described in more detail in the Responsibilities of the assurance provider section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) of the International Ethics Standards Board for Accountants (IESBA Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1 (ISQM 1), which requires a quality management system to be designed, implemented and operated that includes policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Directors' Responsibilities

The preparation of the NFIS included in the consolidated directors' report of the Group, and the content thereof, is the responsibility of the Directors of Naturgy Energy Group, S.A. The NFIS has been prepared in accordance with prevailing mercantile legislation and the selected ESRS and other criteria described in accordance with each subject matter in the "Index of contents required by Law 11/2018" of the aforementioned statement.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Directors of Naturgy Energy Group, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS was obtained.

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In relation to sustainability reporting, the entity's Directors are responsible for developing and implementing a process to identify the information to be included in sustainability reporting in accordance with the CSRD, the ESRS and article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and for disclosing information about this process in the sustainability disclosures themselves in note "4. Impact, risk and opportunity management". This responsibility includes:

- Understanding the context in which the Group's business activities and relationships are conducted, and its stakeholders, in relation to the Group's impact on people and the environment;
- Identifying actual and potential impacts (both negative and positive), and any risks and opportunities that might affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to financing and the cost of capital in the short, medium or long term;
  - Evaluating the materiality of the impacts, risks and opportunities identified;
  - Making assumptions and estimates that are reasonable in the circumstances.

The Directors are also responsible for the preparation of sustainability reporting, including the information identified by the process, in accordance with the sustainability reporting framework applied, including compliance with the CSRD, compliance with the ESRS and compliance with the disclosure requirements included in subsection "EU Taxonomy Report (Regulation 2020/852) and sustainable financing" of the environmental section of the sustainability reporting with article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

This responsibility includes:

- Designing, implementing and maintaining such internal control as the Directors determine is relevant to enable the preparation of sustainability reporting that is free from material misstatement, whether due to fraud or error.
- Selecting and applying appropriate methods for sustainability reporting and making assumptions and estimates that are reasonable in the circumstances for specific disclosures.

Inherent Limitations in the Preparation of the Information

In accordance with the ESRS, the entity's Directors are required to prepare prospective information based on assumptions, which are to be included in the sustainability reporting, about events that may occur in the future, as well as possible future actions, if any, that the Group may take. The actual outcome may differ significantly from the estimate, as it refers to the future and future events often do not occur as expected.

In determining sustainability disclosures, an entity's management interprets legal and other terms that are not clearly defined and may be interpreted differently by other people, including the legal conformity of such interpretations, and are therefore subject to uncertainty.

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Responsibilities of the Assurance Provider

Our objectives are to plan and perform the assurance engagement in order to obtain limited assurance about whether the NFIS and sustainability reporting is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report containing our conclusions thereon. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this information.

As part of a limited assurance engagement, we apply our professional judgement and maintain an attitude of professional scepticism throughout the engagement. We also :

- Design and implement procedures to assess whether the process for identifying the information to be included in both the NFIS and sustainability reporting is consistent with the description of the process followed by the Group and enables, where appropriate, the identification of material information to be disclosed in accordance with the requirements of the ESRS.
- Apply risk-based procedures, including obtaining an understanding of internal controls relevant to the engagement in order to identify the disclosures in which it is most likely that material misstatements arise, whether due to fraud or error, but not for the purpose of providing a conclusion about the effectiveness of the Group's internal control.
- Design and implement procedures that respond to disclosures in both the NFIS and sustainability reporting in which material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Carried Out

A limited assurance engagement includes performing procedures to obtain evidence to support our conclusions. The nature, timing and extent of the procedures selected depend on professional judgement, including an identification of the disclosures in which material misstatements, whether due to fraud or error, are likely to arise in the NFIS and sustainability reporting.

Our work has consisted of making inquiries of management, as well as of the different units and components of the Group that have participated in the preparation of the NFIS, reviewing the processes for compiling and validating the information presented in the NFIS and sustainability reporting and applying certain analytical procedures and sample review tests, which are described below::

In relation to the NFIS assurance review process :

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.

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• Analysis of the scope, relevance and completeness of the content of the NFIS for 2024 based on the materiality analysis performed by the Group and described in section "4. Impact, risk and opportunity management" considering the content required by prevailing mercantile legislation.

• Analysis of the processes for compiling and validating the data presented in the NFIS for 2024.

• Review of the information related to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2024.

• Corroboration, through sample testing, of the information relative to the content of the NFIS for 2024 and whether it has been adequately compiled based on data provided by the information sources. En relación con el proceso de verificación de la información sobre sostenibilidad:

In relation to the assurance on sustainability reporting process:

• Making inquiries of Group personnel:

• To gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.

• To understand the source of information used by management (e.g. stakeholder interaction, business plans and strategy documents); and the review of the Group's internal documentation on its process.

• Gaining, through inquiries with Group personnel, an understanding of the entity's processes for collecting, validating and presenting information relevant to the preparation of its sustainability reporting.

• Assessing the consistency of the evidence obtained from our procedures on the Group-implemented process to determine the information to be included in sustainability reporting with the description of the process included in such disclosures, and assessing whether the Group-implemented process identifies the material information to be disclosed in accordance with the requirements of the ESRS.

• Assessing whether all the information identified in the Group-implemented process to determine the information to be included in sustainability reporting is effectively included.

• Assessing the consistency of the structure and presentation of sustainability reporting with the provisions of the ESRS and the rest of the sustainability reporting framework applied by the Group.

• Conducting inquiries of relevant personnel and analytical procedures on information disclosed in the sustainability reporting, considering information in which material misstatements are likely to arise, whether due to fraud or error.

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- Performing, where appropriate, substantive sampling procedures on the information disclosed in the selected sustainability reporting, considering information in which material misstatements are likely to arise, whether due to fraud or error.

- Procuring, where applicable, the reports issued by accredited independent third parties accompanying the consolidated Directors' Report in compliance with EU regulations and, in relation to the information to which they refer and in accordance with generally accepted professional standards, confirming, exclusively, the accreditation of the assurance provider and that the scope of the report issued complies with EU regulations.

- Procuring, where appropriate, the documents containing the information included by reference, the reports issued by auditors or assurance providers of such documents and, in accordance with generally accepted professional standards, confirming, exclusively, that, as regards the document to which the information included by reference, the conditions described in the ESRS for including information by reference in the sustainability reporting are met.

- Procuring a representation letter from the Directors and management regarding the NFIS and sustainability reporting.

Other Information

Entity management is responsible for the other information. The other information comprises the consolidated annual accounts and other information included in the consolidated Directors´ Report, but does not include either the auditor's report on the consolidated annual accounts or the assurance reports issued by accredited independent third parties required by EU law on specific disclosures contained in the sustainability reporting and accompanying the consolidated Directors´ Report.

Our assurance report does not cover the other information and we do not express any assurance conclusions about it.

In connection with our assurance engagement on the sustainability reporting, our responsibility consists of reading the other information identified above and, in doing so, consider whether there is a material inconsistency between the other information and the sustainability reporting or the knowledge we have obtained during the assurance engagement that could be indicative of material misstatements in the sustainability reporting.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Patricia Reverter Guillot

February 19, 2025

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

IDENTIFICATION OF ISSUER	
ENDING DATE OF REFERENCE FINANCIAL PERIOD	31/12/2024
CIF	A-08015497

Registered Name:
NATURGY ENERGY GROUP, S.A.

Registered Office:
Avenida de América, 38 – 28028 Madrid

A. OWNERSHIP STRUCTURE

A.1 Including, where applicable, those corresponding to shares with loyalty voting rights, at the end of the financial year:

Indicate whether the company's articles of association contain provision for double loyalty voting:

Yes ☐ No ☒

Date of approval at the general meeting:

Minimum period of uninterrupted ownership required by the articles of association:

Indicate whether the company has attributed loyalty votes:

Yes ☐ No ☒

Date of last change of share capital	Share capital (€)	Number of shares	Number of voting rights (not including additional votes attributed for loyalty)	Number of additional voting rights attributed corresponding to loyalty voting shares	Total number of voting rights, including additional votes attributed on the basis of loyalty
21/07/20	969.613.801	969.613.801	969.613.801		

Número de acciones inscritas en el registro especial

pendiente de que se cumpla el periodo de lealtad

Comments

Please indicate if there are different types of shares with different rights associated:

Yes ☐ No ☒

Class	Number of shares	Face value	Number of voting rights	Rights and obligations conferred by

Comments

A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, including directors having a significant shareholding:

Name or company name of shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights	Of the total number of voting rights attributed to the shares, indicate, if applicable, the additional votes attributed that correspond to the shares with loyalty voting	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
BLACKROCK INC		20,9%		0,037%	20,9%		
SOCIÉTÉ NACIONALE POUR LA RECHERCHE, LA PRODUCTION, LE TRANSPORT, LA TRANSFORMATION ET LA COMMERCIALISATION DES HYDROCARBURES	4,1%				4,1%		
FUNDACIÓN BANCARIA CAIXA D'ESTALVIS i PENSIONS DE BARCELONA		26.7%			26,7%		
CVC Capital Partners SICAV-FIS S.A.		20,7%			20,7%		
IFM GLOBAL INFRASTRUCTURES FUND.		16,9%			16,9%		

Detail of the indirect holding:

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% voting rights attributed to shares (including votes out of loyalty)	% voting rights through financial instruments	Total % of voting rights	Of the total number of voting rights attributed to the shares, indicate, if applicable, the additional votes attributed that They correspond to shares with voting loyalty
BLACKROCK INC (1)	GIP III CANARY 1, S.À R.L.	20,9%	0,037%	21,0%	
FUNDACION BANCARIA CAIXA D'ESTALVIS i PENSIONS DE BARCELONA	CRITERIA CAIXA S.A.U.	26,70%		26,70%	
CVC Capital Partners SICAV-FIS S.A. (2)	RIOJA ACQUISITION S.À R.L.	20,7%		20,7%	
IFM Global Infrastructure Fund (3)	Global InfraCo O (2) S.à. r.l.	16,9%		16,9%	

Observaciones
For the sake of clarity, the above percentages have been calculated on the basis of the share capital. As there are 8,879,595 treasury shares (section A.9) which therefore have no voting rights, the percentage of significant shareholders in terms of voting rights is slightly higher than the percentage in terms of share capital. (1) GIP III Canary 1 S.á.r.L is an investment vehicle controlled by the private fund Global Infrastructure Partners III whose investment manager is Global Infrastructure Management LLC, whose ultimate parent company is BlackRock, Inc. The % of voting rights reflected corresponds to participation through GGIP III Canary 1 S.á.r. and other entities of the Blackrock group (2) Rioja Acquisition S.a r.l. is indirectly majority owned by CVC Capital Partners VII (A) L.P., CVC Capital Partners VII Associates L.P. and CVC Capital Partners Investment Europe VII L.P. (collectively, "CVC Fund VII"). CVC Capital Partners VII Limited is the general partner and manager of CVC Fund VII. CVC Capital Partners VII Limited controls Rioja Holdings S.a r.l., which controls Rioja Investments S.a r.l., Rioja Investments S.a r.l. controls Rioja Luxembourg S.a r.l. (through its 74.269% stake in Rioja Luxembourg S.a r.l.). Rioja Luxembourg S.a r.l. is the sole shareholder of Rioja Acquisition S.a.r.I., which in turn is a direct shareholder of Naturgy Energy Group, S.A. CVC Capital Partners VII Limited exercises the voting rights of CVC Fund VII at the general meetings of shareholders of Rioja Holdings S.a r.l. CVC Capital Partners VII Limited is the indirect and wholly owned subsidiary of CVC Capital Partners plc, a public company listed on Euronext Amsterdam
(3) Global InfraCo O (2) S.à. r.l. held as at 31 December 2023 14.9% of the voting rights is indirectly owned by the Trust IFM Global Infrastrcuture Fund whose principal advisor is IFM Investors Pty Ltd which, in turn, has no legal personality and is represented and acts through the regulated trustee, Conyers Trust Company (Cayman) Limited. IFM GIF maintains its participation in Global InfraCo O (2) S.à r.l. through a chain of companies headed by Global InfraCo S.à r.l. In this sense, the direct shareholder of Naturgy Energy Group, S.A. is a company owned 100% by Global InfraCo O (1) S.à r.l., which is in turn owned 100% by Global InfraCo Spain, S.L.U., which is in turn owned 100% by Global InfraCo Spain, S.L.U., which is in turn owned 100% by Global InfraCo S.à r.l. Global InfraCo NL Coöperatief U.A. is 99.9995% owned by Global InfraCo S.à.r.l., which is in turn owned 100% by Global InfraCo Spain, S.L.U., which is in turn owned 100% by Global InfraCo NL Coöperatief U.A. InfraCo S.à r.l., with the remaining 0.0005% owned by IFM GIF. Finally, Global InfraCo S.à r.l. is 100% owned by IFM GIF.

Indicate the most significant changes in the shareholder structure occurred during the year:

Most significant movements
There have been no significant movements in the year

Name or company name of shareholder	**Date of the transaction**	**Description of the transaction**

A.3 Complete the following tables regarding the members of the company's Board of Directors who hold voting rights over the company shares:

Name or company name of Director	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. FRANCISCO REYNES MASSANET		0,008			0,008		
RIOJA S.À.R.L	0				0		
Mr. JAVIER DE JAIME GUIJARRO	0,0001				0,0001		
Mrs. LUCY CHADWICK	0				0		
Mr. PEDRO SAINZ DE BARANDA RIVA		0,002			0,002		
Mr. RAMÓN ADELL RAMÓN	0,002				0,002		
Mrs. ISABEL ESTAPÉ TOUS	0,0005				0,00		
Mr. CLAUDIO SANTIAGO PONS	0				0		
Mr. ENRIQUE ALCANTARA-GARCIA IRAZOQUI	0,003				0,003		
Mr. JAIME SILES FERNÁNDEZ PALACIOS	0				0		
Mrs. HELENA HERRERO STARKIE	0				0		
Mr. RAJARAM RAO	0				0		

% total voting rights held by the Board of Directors	0,015 %

Comments

Detail of the indirect holding

Name or company name of Director	Name or company name of the direct holder	% derechos de voto atribuidos a las acciones (incluidos votos por lealtad)% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights	% voting rights that can be transferred through financial instruments
Mr.. Francisco Reynés Massanet	ABREYGI, SL	0,008			
Mr.. Pedro Sáinz de Baranda Riva	INVERSORES DE TORNÓN S.L.	0,002			

Give details of the total percentage of voting rights represented on the board:

total % of voting rights represented on the board of directors	0,01 %

Observations:

A.4 Indicate, where applicable, the family, commercial, contractual or corporate relations which could exist between the owners of significant stakes, provided they are known by the company, unless they are irrelevant or arise from normal trading activities, excluding those enquired about in section A.6:

Name or company name of related parties	Relationship type	Brief outline

Observations

A.5 **Indicate, where applicable, the commercial, contractual or corporate relations which could exist between the holders of significant shares and the company and/or its group, unless they are irrelevant or arise from normal trading activities:**

Name or company name of related parties	Relationship type	Brief outline
CRITERIA CAIXA S.A.U	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.
CVC Capital Partners SICAV-FIS S.A.	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.
GIP III CANARY 1, S.À R.L.	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.
IFM GLOBAL INFRASTRUCTURES FUND.	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.

A.6 Describe the relationships, unless they are scarcely relevant to the two parties that exist between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal entity administrators.

Explain, where appropriate, how significant shareholders are represented. Specifically, give details of those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such relationships. In particular, mention shall be made, where appropriate, of the existence, identity and position of board members, or representatives of directors, of the listed company, who are, in turn members of the administrative body, or their representatives, in companies that hold significant holdings in the listed company or in entities of the group of said significant shareholders.

Name or company name of related director or representative	Name or company name of significant related shareholder	Company name of the significant shareholder group	Description of the relationship/ position
MR. ENRIQUE ALCANTARA-GARCIA IRAZOQUI	CRITERIA CAIXA S.A.U	Criteria Caixa S.A.U	Proprietary/ Director
MRS. ISABEL ESTAPÉ TOUS	CRITERIA CAIXA S.A.U	Criteria Caixa S.A.U	Proprietary/ Director
MR. RAMÓN ADELL RAMÓN	CRITERIA CAIXA S.A.U	Criteria Caixa S.A.U	Proprietary
MRS. LUCY CHADWICK.	GLOBAL INFRASTRUCTURE MANAGEMENT LLP		Proprietary/ Partner
MR. RAJARAM RAO	GLOBAL INFRASTRUCTURE MANAGEMENT LLP		Proprietary/ Partner
MR.. JAVIER DE JAIME GUIJARRO	CVC CAPITAL PARTNERS SICAV-FIS S.A.		Proprietary/ Partner
MR.. JOSÉ ANTONIO TORRE DE SILVA LÓPEZ DE LETONA	CVC CAPITAL PARTNERS SICAV-FIS S.A.		Proprietary/ Employee
MR JAIME SILES FERNANDEZ PALACIOS	IFM GLOBAL INFRASTRUCTURES FUND		Proprietary/ Employee

Observations

A.7 **Indicate whether or not the company has been notified of parallel shareholders agreements that affect it as per Articles 530 and 531 of the Spanish Corporate Enterprises Act. Where applicable, give a brief description and list the shareholders associated with the agreement:**

Yes ☒ No ☐

Parties to parallel shareholders agreements	% of share capital affected	Brief outline of agreement	Expiration date of the agreement, if there is one
CRITERIA CAIXA, S.A.U GIP III CANARY 1, S.À R.L.	47,7%	The agreement reported in Relevant Fact No. 242612 of 12/09/2016 specifies that the intervening parties assume certain undertakings concerning corporate governance of the Company and which are for the purpose of respecting the rights to proportional representation both on the Board as well as on Committees.	
ALBA EUROPE S.À R.L. RIOJA CAPITAL RESEARCH AND MANAGEMENT COMPANY INVESTMENT S.À R.L,	20,7%	The agreement reported in Relevant Fact No. 265818 of 18 May 2018 was modified on 1 August 2019 to include the new shareholder, Rioja Acquisitions SARL replacing Rioja Bidco Shareholdings (Relevant Fact Nº 281047). This Agreement affects 1.- The proposal for designation of directors in representation of Rioja Acquisitions Sarl, 2.-The adoption of decisions on the Board at the Meeting, and 3.- The system for transfer of shares.	
Global InfraCo O (2) S.à. r.l. GIP III CANARY 1, S.À R.L.	37,8%	According to the letter dated 25 January 2021 attached by IFM to the previous announcement of the takeover bid, it has entered into an agreement with GIP in which GIP undertakes to vote in favour and support resolutions and actions at an initial or subsequent General Shareholders' Meeting, with the objective that the composition of Naturgy's Board of Directors reflects the principle of proportional representation taking into account the CNMV's corporate governance recommendations of June 2020, and subject to GIP and IFM maintaining a stake of over 5% in Naturgy's share capital.	
Global InfraCo O (2) S.à. r.l. RIOJA ACQUISITION S.À R.L.	37,6%	According to the letter dated 25 January 2021 attached by IFM to the previous announcement of the takeover bid, it has entered into an agreement with Rioja in which the latter undertakes to vote in favour and support reasonable resolutions and actions at the General Shareholders' Meeting with the objective that the composition of Naturgy's Board of Directors be adjusted to reflect the principle of proportional representation established by Spanish law.	

Indicate whether or not the company is aware of the existence of concerted actions among its shareholders. Give a brief description as applicable:

Yes ☐ No ☒

Parties to concerted action	% of share capital affected	Brief description of the concerted action	Expiry date of the concerted action, if there is one

If any modification or cancellation of said agreements or concerted actions have taken place during the year, please make express mention of this:

NOT APLICABLE

A.8 **Indicate whether any individual or legal entity currently exercise control or could exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify:**

Yes ☐ No ☒

Name or company name

Observations

A.9 **Complete the following table on the company's treasury share:**

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
240.000,00	8.639.595,00	0,9158%

Observations
Details of significant changes

.

(*) Through

Name or company name of the direct direct holder of the interest	**Number of direct shares**
Naturgy Alfa Investments S.A.	8.639.595
Total:	8.639.595

Observations

Explain the significant changes during the year:

Explain the significant changes
N/A

A.10. **Give details of the terms and conditions corresponding to the General Meeting of Shareholders current mandate to the Board of Directors for issuing, repurchasing or assigning own shares.**

1.- The General Meeting of Shareholders held on 25 April 2024, in item 8 on the Agenda, authorised the Board of Directors to agree to acquire company shares by onerous title and to do so within a deadline of five (5) years, under the following conditions:

"To authorize the Board of Directors to proceed, in accordance with the provisions of articles 146 and 509 of the Capital Companies Act, and for a period of five years from the adoption of this agreement, to make the derivative acquisition of own shares, either directly or through any subsidiary companies in which the Company is the controlling company, with respect to the legal limits and requirements and the following conditions:

a. *The acquisition may be made in one or several times, through purchase and sale, exchange or any other transaction permitted by law.*
b. *The nominal value of the shares acquired directly or indirectly, added to that of those already owned by the Company and its subsidiaries, may not exceed 10% of the subscribed capital.*
c. *The price or value of the consideration may not be less than the nominal value of the shares or exceed the value of their stock market quotation.*
d. *The acquisition, including the shares that the Company or a person acting on its own behalf but on behalf of the Company had previously acquired and held in its portfolio, will in no case produce the effect that the net assets are less than the amount of the share capital plus the legally or statutorily unavailable reserves.*

For the purposes of article 146 of the Capital Companies Act, the shares acquired under this authorisation, as well as those already held by the Company and its subsidiaries, may be delivered, in whole or in part, directly or as a result of the exercise of option rights, to the employees or directors of the Company or of companies in its Group by virtue of employee or director remuneration plans of the Company or its Group.

Likewise, the shares acquired under this authorisation may be used, in whole or in part, both for their sale or amortisation and for the achievement of potential corporate or business operations or decisions, as well as for any other legally possible purpose.

The Board is empowered to delegate this authorization and its execution to the person or persons it deems appropriate. This authorization is extended to the acquisition of shares in the Company by controlled companies

The Board is empowered to delegate this authorization and its execution to the person or persons it deems appropriate. This authorization is extended to the acquisition of shares in the Company by controlled companies"

2.- The General Shareholders' Meeting of 15 March 2022 , under item fourteen of the Agenda, authorised the Board of Directors to resolve to increase the share capital within a period not exceeding 5 years, under the following conditions:

"To delegate to the Board of Directors, as broadly as is legally necessary, the power to increase the share capital of the Company, in accordance with the provisions of article 297.1. b) of the Capital Companies Act, within the legal period of five years from the date of this General Meeting, up to the maximum amount corresponding to 50% of the Company's share capital at the time of this authorisation, with the power to carry out the increase on one or more occasions, in such amount as it may decide, by issuing new voting or non-voting shares, ordinary or preference, including redeemable shares, or any other type of shares permitted by law, with or without a share premium, the consideration for such shares consisting of cash contributions; and may establish the terms and conditions of the capital increase, inter alia, determine the par value of the shares to be issued, the issue premium, their characteristics and any privileges conferred on them, the attribution of the right of redemption and the conditions thereof, as well as the exercise thereof by the Company.

Any capital increases resolved by the Board of Directors under this delegation of powers shall be carried out through the issue and flotation of new ordinary, preference or redeemable shares, voting or non-voting, or any other type, with a fixed or variable premium, or without premium, the consideration for which shall consist of cash contributions.

The Board of Directors may establish, in all matters not provided for in this delegation resolution, the terms and conditions of the capital increases, including, but not limited to, the characteristics of the shares, the type of issue, the investors and markets for which the increases are intended and the placement procedure, as well as freely offer the new shares that are not subscribed for within the preferential subscription period or periods, in the event that this right is not excluded.

The Board of Directors may also provide that, in the event of incomplete subscription, the capital increase shall be without effect or that the share capital shall be increased only by the amount of the subscriptions made, as well as redraft Article 4 of the Articles of Association concerning the share capital and the number of outstanding shares, after each increase has been approved and implemented.

2.- The Board of Directors is also expressly empowered to:

a. that, in accordance with the provisions of article 506 of the Capital Companies Act, it may exclude, in whole or in part, shareholders' pre-emptive subscription rights when the corporate interest so requires. In this case, the capital may be increased, once or several times, up to a maximum nominal amount equal to 20% of the share capital of the Company at the time of approval of this resolution.

b. to apply for admission to trading, continued listing and, if appropriate, delisting on organised secondary markets, in Spain or abroad, of the shares that may be issued by virtue of this authorisation, taking the necessary or appropriate steps and actions before the competent bodies of the various national or foreign securities markets for admission to trading, continued listing and/or, if appropriate, delisting.

c. to delegate or replace the powers contained in this resolution.

d. to redraft the article of the Articles of Association relating to share capital once the increase has been agreed and implemented.

3.- This delegation implies the express revocation, insofar as it has not been used prior to the adoption of this resolution, of the delegation conferred on the Board of Directors, by virtue of the resolution adopted by the Ordinary General Shareholders' Meeting held on 20 April 2017, with an analogous nature to that included in this item on the Agenda".

A.11 Estimated floating capital:

	%
Estimated floating capital	11,00%

Observaciones

A.12 Indicate whether there is any restriction (statutory, legislative or of any other nature) on the transferability of securities and/or any restrictions on the voting rights. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as those authorisation or prior notification systems that apply to acquisitions or transfers of financial instruments of the company through sectoral regulations, will be reported.

Yes ☒ **No** ☐

Description of the restrictions

As a Company that incorporates certain regulated and quasi-regulated assets and activities into its Group, the acquisition of NATURGY ENERGY GROUP S.A. shares may be subject to the provisions laid down in Additional Provision 9 of Law 4/2013, of 4 June, governing the National Commission on Markets and Competition.

Given its nature as a major operator in the gas and electricity markets, the holding of its shares is subject to the restrictions laid down in article 34 of Decree-Law 6/2000, governing Urgent Measures to intensify competition in the goods and services markets.

Additionally, there are certain restrictions on foreign investments - including intra-community investors - that affect NATURGY ENERGY GROUP S.A., both as a listed company and as operating in a sector subject to foreing investment control. These restrictions are regulated in Article 7 bis of Law 19/2003, of July 4, on the legal regime of capital movements and economic transactions with abroad, the Sole Transitory Provision of Royal Decree-Law 34/2020, of November 17, on urgent measures to support business solvency and the energy sector, and in tax matters, and Royal Decree 571/2023, of July 4, on foreign investments..

A.13 Indicate whether the General Meeting of Shareholders has agreed to take up measures of neutralisation against a takeover bid by virtue of the provisions laid down in Law 6/2007.

Yes ☐ **No** ☒

If appropriate, indicate the different types of shares and, for each type of share, the rights and obligations conferred.

Explain the measures approved and the terms under which inefficiency will occur.

A.14 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☐ No ☒

If appropriate, indicate the different types of shares and, for each type of share, the rights and obligations conferred.

B. GENERAL MEETING OF SHAREHOLDERS

B.1 Indicate and, where applicable, give details of whether the quorum required for constitution of the General Meeting of Shareholders differs from the system of minimum quorums established in the Corporate Enterprises Act ("LSC" in Spanish).

Yes ☐ No ☒

	% quorum different to that laid down in Article 193 LSC for general cases	**% quorum different to that laid down in Article 194 LSC for special cases**
Quorum required for the first call to meeting		
Quorum required for the second call to meeting		

Description of the differences

B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate agreements and the framework established in the Corporate Enterprises Act ("LSC" in Spanish):

Yes ☐ No ☒

Describe how the system differs from that of the LSC.

	Reinforced majority other than that laid down by Article 201.2 LSC for the cases of 194.1 LSC	**Other cases of reinforced majorities**
% laid down by the institution for the adoption of agreements		

Describe the differences

B.3 Indicate the rules governing amendments to the company's Articles of Association. In particular, indicate the majorities required to amend the Articles of Association and, if applicable, the rules for protecting shareholders' rights when changing the Articles of Association.

The amendment of the Articles of Association is regulated in article 6.2 of the Articles of Association and in article 12 of the Regulations on the General Meeting of Shareholders, which is supplemented with the corresponding provisions of the Corporate Enterprises Act.

The shareholders constituted in a duly convened General Meeting of Shareholders, shall generally decide by simple majority vote (except in cases where a higher majority is required by law or in the Articles of Association) on the matters which fall to the terms of reference of the Meeting. In such case an agreement shall be deemed adopted when it obtains more votes in favour than against of the share capital either present or represented.

All shareholders, including dissidents and those that have not taken part in the meeting, are subject to the resolutions of the General Meeting of Shareholders.

In order for the ordinary or extraordinary General Meeting of Shareholders to validly agree the issue of bonds convertible into shares or bonds that give bondholders a share in company profits, the increase or reduction of share capital, the removal or limitation of the preferential subscription right for new shares or convertible bonds, as well as the transformation, merger, spin-off or global assignment of assets and liabilities, the transfer of the company's registered office abroad and, in general, any modification to the Articles of Association, will require, at the first call to meeting, the attendance of shareholders, either present or represented, that hold at least fifty percent (50%) of the subscribed share capital with voting rights. In the second call to meeting, it will be sufficient for twenty-five (25%) of the share capital to be present.

Agreements that require specific or special majorities by mandatory legal provision remain safe.

The modification of the Articles of Association must be agreed by the General Meeting of Shareholders and requires the concurrence of the following requisites:

1. 1) The Board of Directors or, where appropriate, the shareholders that make the proposal, must compile a written report with justification for the amendment.

2) The call to meeting must clearly express the proposed points of change, as well as the right all shareholders have to examine, at the registered office, the full text of the proposed modification and a report on this. They also have the right to ask for handover or free-of-charge sending of said documents.

3) The agreement must be adopted by the General Meeting of Shareholders in accordance with the provisions set out in these Articles of Association.

4) Under the circumstances, the agreement must be set out in a public deed, which will be registered with the Mercantile Registry and published in the Official Bulletin of the Mercantile Registry.

B.4 Indicate the attendance data of the General Meetings held during the financial year to which this report refers and that of the previous financial year:

Date of General Meeting of Shareholders	Attendance data				
	% physical presence	% represented	% represented	% remote voting Electronic	Total
15/3/2022	81,85%	8,49%	0%	0%	90,34%
Of which free float 2022	0,09%	4,36%	0%	0%	4,46%
28/3/2023	87,7%	4,1%	0	0	91,85%
Of which free float 2023	0,10%	4,13%	0	0	4,23%
2/4/2024	67,58	23,02	0	0	90,60%
Of which free float 2024	0,08	2,38	0	0	2,46%

B.5 Indicate whether at the General meetings held during the year there has been any item on the agenda that, for whatever reason, has not been approved by the shareholders.

Yes ☐ **No** ☒

Agenda items that have not been approved	% of votes against (*)

(*)If the non-approval of the item is for a reason other than a vote against, this will be explained in the part of the text and "n/a" will be placed in the "% of votes against" column".

B.6 Indicate whether or not there is a statutory restriction to the minimum number of shares required to attend the General Meeting of Shareholders.

Yes ☐ **No** ☒

Number of shares required to attend the General Meeting of Shareholders	
Number of shares required to vote remotely	

Observations

B.7 Indicate whether it has been established that certain decisions, other than those established by Law, which involve the acquisition, disposal, the contribution to another company of essential assets or other similar operations must be submitted to approval of the general meeting of shareholders.

Yes ☐ **No** ☒

Explanation of the decisions that must be submitted to the board other than those established by law

B.8 Indicate the URL of the company and the means of access to corporate governance content and other information concerning the general meetings and which must be made available to shareholders through the company's website.

With regard to the Corporate Governance section, the path is as follows:https://www.naturgy.com/accionistas-e-inversores/gobierno-corporativo
With the following itinerary www.naturgy.com → Shareholders and Investors → Corporate Governance.

With regard to the General Meeting of Shareholders section, the itinerary is as follows:
https://www.naturgy.com/accionistas-e-inversores/gobierno-corporativo/junta-general-de-accionistas-2024, with the following itinerary www.naturgy.com → Shareholders and Investors → General Meeting of Shareholders 2024.

C. STRUCTURE OF THE COMPANY'S MANAGEMENT

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors stipulated in the Articles of Association and the number set by the General Meeting of Shareholders:

Maximum number of directors	15
Minimum number of directors	11
Number of directors set by the General Meeting of Shareholders	12

Observations

C.1.2 Complete the following table with Board members' details.

Name or company name of Director	Representative	Type of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure	Date of birth
Mr.. Francisco Reynes Massanet		Executive	Chairman	6/02/2018	28/03/2023	Agreement General Meeting of Shareholders	08-04-1963
Mr. Ramón Adell Ramón		Proprietary	Director	10/02/2022	15/03/2022	Agreement General Meeting of Shareholders	09-01-1958
Mrs Isabel Estapé Tous		Proprietary	Director	16-03-2020	26-05-2020	Acuerdo Junta General de Accionistas	05-04-1957
Mr. Enrique Alcantara-García Irazoqui		Proprietary	Director	13-05-2021	15/03/2022	Agreement General Meeting of Shareholders	21-10-1944
Mr.Jaime Siles Fernández Palacios		Proprietary	Director	10/02/2022	15/03/2022	Agreement General Meeting of Shareholders	26-05-1986
Mrs. Helena Herrero Starkie		Independent	Director	04/05/2016	26/05/2020	Agreement General Meeting of Shareholders	13-06-1959
Mr. Rajaram Rao		Proprietary	Director	21/09/2016	26/05/2020	Agreement General Meeting of Shareholders	03-04-1971
RIOJA, S.à.r.l	Mr. Javier de Jaime Guijarro	Proprietary	Director	01/08/2019	26/05/2020	Agreement General Meeting of Shareholders	26-11-1964
Mr. Claudi Santiago Ponsa		Independent	Director	27/06/ 2018	28/03/2023	Agreement General Meeting of Shareholders	20-09-1956
Mr. Pedro Sáinz De Baranda		Independent	Director	27/06/ 2018	28/03/2023	Agreement General Meeting of Shareholders	23-03-1963
Mrs. Lucy Chadwick		Proprietary	Director	16-03-2020	26-05-2020	Acuerdo Junta General de Accionistas	11-02-1967
Mr. José Antonio Torre de Silva López de Letona		Proprietary	Director	18/05/2018	28/03/2023	Agreement General Meeting of Shareholders	23-10-1971

Total number of directors	12

Indicate the removals from office due to resignation, dismissal or for any other reason that have occurred on the Board of Directors during the reporting period:

Name or company name of Director	Category of director at time of vacancy	Date of last appointment	Date of vacancy	Specialist committees of which he or she was a member	Indicate whether the removal from office occurred before the end of the mandate

Reason for the dismissal, when it has occurred before the end of the term of office and other observations; information on whether the director has sent a letter to the other members of the board and, in the case of dismissals of non-executive directors, an explanation or opinion of the director who has been dismissed by the AGM

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS

Name or company name of Director	Position in the company's management structure	Profile
Mr. Francisco Reynes Massanet	Executive Chairman	Engineering and international business profile: Industrial Engineer, specialising in mechanics, with a degree from the Polytechnic University of Barcelona, and an MBA from IESE; he has also completed Senior Management programmes in the United States and Germany.

Total number of executive directors	1
% of the entire board	8,33%

OBSERVATIONS

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of Director	Name or title of significant shareholder represented by the director or that has proposed the director's appointment	Profile
Mrs. Isabel Estapé Tous	CRITERIA CAIXA S.A.U	Economic, legal and business profile: Graduate in Economics and Business Studies. Notary Public. Director of Criteria Caixa and Patron of la Caixa. She is also a full member of the Royal Academy of Economic and Financial Sciences.
Mr. Enrique Alcántara-Garcia Irazoqui	CRITERIA CAIXA S.A.U	Economics and business profile: Degree in Business Administration and Management and Master's degree in Business Administration and management from ESADE.
Mr. Ramón Adell Ramón	CRITERIA CAIXA S.A.U	Expert profile in the financial and accounting area: Doctor in Economic and Business Sciences. Lawyer. Professor of Financial Economics and Accounting. He is a corresponding member of the Royal Academy of Economic and Financial Sciences of Spain and Honorary Member of the European Higher Council of Doctors and Honorary Doctors.
Mr. Rajaram Rao	GIP III Canary 1 S.à r.l.	IT, economics and international business profile: Qualified Electronic and Telecommunications Engineer. He also holds an MBA from the University of Delhi and a Master's degree in Finance from the London Business School.
Mrs. Lucy Chadwick	GIP III Canary 1 S.à r.l.	IT, economics and International profile: She is a member of GIP's senior management and Global Head of ESG. Formerly Director General at UK Department for Transport, and executive in Accenture
Rioja S.à.r.l.. (Mr. Javier de Jaime Guijarro)	Rioja Adcquisitions Sarl, S.L.U	Economics, international and business profile: Graduate in law from the Comillas University (ICADE) and MB from Houston University.
Mr. José Antonio Torre de Silva López de Letona	Rioja Acquisitions S.à.r.l.	Economics, international and business profile: Degree in industrial Engineering from the Higher Technical School of the Comillas Pontifical University (ICAI) and MBA from the University of Navarre (IESE).
Mr. Jaime Siles Fernández Palacios	Global InfraCo O (2) S.à. r.l.	Economic and business profile. Civil Engineer from the Polytechnic University of Valencia and Executive MBA from the Collège des Ingénieurs de Paris.

Total number of proprietary directors	8
% of the entire board	67 %

OBSERVATIONS
They represent shareholders representing 82.5% of the share capital.

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of Director	Profile
Mr. Claudi Santiago Ponsa	IT and international business profile; energy sector: Degree in Computer Engineering from the Autonomous University of Barcelona (UAB) and International executive programme (INSEAD) through the Executive International Business at Georgetown University.
Mr. Pedro Sáinz de Baranda Riva	Engineering and international business profile; capitals market: Mining Engineer from the University of Oviedo, PhD in Engineering, Rutgers University of New Jersey and an MBA from the Sloan School of Management of Massachusetts Institute of Technology (MIT).
Mrs. Helena Herrero Starkie	IT, and R&D&i and international business profile: Degree in Chemical Sciences. She is the Chairperson and CEO of Hewlett Packard (HP) for Spain and Portugal.

Total number of independent directors	3
% total of the board	25

OBSERVATIONS
The percentage of share capital that is not represented by proprietary directors is 15%.

Indicate whether or not any director qualified as independent receives from the company, or from its group, any amount or benefit for an item other than remuneration as director, or holds or has held, over the last year, a business relationship with the company or any other group company, whether in their own name or as a significant shareholder, director or senior executive of an entity that maintains or has maintained any such relationship.

Where appropriate, include a reasoned statement from the board on the grounds why it believes this director many perform his/her duties as an Independent Director.

Name or company name of Director	Description of the relationships	Reason statement

OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Name or company name of Director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile

Total number of external directors	
% total of the board	

OBSERVATIONS

List any changes in the category of each director which have occurred during the year:

Name or company name of Director	Date of change	Former category	Current category

OBSERVATIONS

C.1.4 Complete the following table with information regarding the number of female directors at the close of the last four financial years, and their category:

	Number of female directors				% of total directors of each type			
	Financial year Q	Financial year Q-1	Financial year Q-2	Financial year Q-3	Financial year Q	Financial year Q-1	Financial year Q-2	Financial year Q-3
Executive	0	0	0	0	0	0	0	0
Proprietary	2	2	2	2	25 %	25 %	25 %	33,33%
Independent	1	1	1	1	33 %	33 %	33,33 %	20%
Other external	0	0	0	0	0	0	0	0
Total:	3	3	3	3	25%	25%	25%	25%

OBSERVATIONS

C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized enterprises, in accordance with the definition contained in the Accounts Auditing Law, will at least have to report the policy they have established in relation to gender diversity.

Yes ☐ **No** ☐ **Partial policies** ☒

If yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

Naturgy's director selection policy includes guidelines aimed at selecting candidates whose appointment favours professional, knowledge and gender diversity within the Board of Directors. In any case, this policy is applied with full respect for the shareholders' legally recognised right to proportional representation.

Specifically, said policy establishes that the Appointments, Remuneration and Corporate Governance Committee shall ensure that the selection procedures do not suffer from implicit biases that could imply any discrimination, and that no candidate may be excluded on the grounds of ideology, religion or beliefs, membership of an ethnic group, race or nation, gender, sexual orientation, family situation, illness or disability, and shall deliberately seek and include among the potential candidates women who meet the professional profile sought, endeavouring to ensure that, as vacancies occur on the Board or as the terms of office of the Directors expire, the number of female Directors represents at least 30% of the total number of members of the Board of Directors.

During the 2024 financial year, there were no vacancies on the Board of Directors, so it was not necessary to apply the Director Selection Policy.

C.1.6 Explain the measures which, where appropriate, have been agreed by the Appointments Committee so that the selection procedures are unaffected by any implicit bias that hampers the selection of female directors, and which shows that the company purposefully seeks and includes women that satisfy the professional profile sought among the potential candidates and to achieve a balanced presence of women and men. Also indicate whether these measures include encouraging the company to have a significant number of senior managers:

Explication of the measures

The Appointment , Remuneration and Corporate Governance Committee is entrusted with the task of reviewing the skills required of the candidates to fill each vacancy, compliance with the requirements for each category of director and the process of incorporation of new members, submitting the appropriate reports or proposals to the Board when appropriate. When filling new vacancies, care is taken to ensure that the selection process is not implicitly biased in such a way as to hinder the proposal of female directors, with special consideration being given, under the same conditions among potential candidates, to women who meet the profile sought.

The Selection Policy for Board Members, whose latest modification was approved by the Board of Directors in February 2022, incorporates a competency matrix that reflects the Company's needs regarding the competencies, knowledge, and experience required on the Board, and establishes that said matrix must be used in the selection processes for Board Members.

Additionally, said policy contemplates the implementation by the Company of measures to encourage the appointment of a significant number of senior managers. These measures are aimed at enhancing the professional role of women in Naturgy, their visibility and networking, moving towards gender parity at different levels of the company through specific training actions, career development programmes and promoting diverse leadership, as well as prioritising this group in internal mobility plans, organisational evolutions and succession plans. The company is also committed to generational balance through recruitment and development programmes for young professionals and intergenerational talent development programmes.

When, despite the measures adopted, the number of female directors is zero or few, explain the reasons for this:

Explanation of the reasons

Due to the composition of the company's social capital, in which more than 82% belongs to significant shareholders with the right to appoint representatives on the Board of Directors, the coverage of any vacancy must respect the proportional representation right recognized by the capital companies law. This means that the Appointment, Remuneration, and Corporate Governance Committee can only fully exercise its proposal powers in relation to independent directors. In this sense, it should be noted that the number of independent directors is 3, and the percentage of independent female directors represents 33.3% of this group .

C.1.7 Explain the Appointments Committee's on the verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Appointments, Remuneration and Corporate Governance Committee has verified that the Director Selection Policy has been complied with as regards the filling of vacancies on the Board, all within the framework of the Company's shareholding structure, which imposes respect for certain legal requirements of proportional representation of shareholders. The recommendations on good corporate governance must comply with this mandatory requirement. The Committee has found that the selection processes for directors have taken into consideration the balance of criteria such as: i) knowledge, ii) skills, iii) diversity and iv) experience.

C.1.8 Where applicable, explain why proprietary directors have been appointed at the request of shareholders whose shareholding in the capital is less than 3%:

Name or company name of shareholder	Explanation

Indicate whether or not formal requests have been accepted for presence on the board from shareholders whose holding is equal to or higher than that of others for whom proprietary directors have been appointed. If so, explain why these requests have not been answered:

Yes ☐ No ☒

Name or company name of shareholder	Explanation

C.1. 9 Indicate, in the event that they exist, the powers and faculties delegated by the Board of Directors to directors or to board committees:

Name or company name of the director or committee	Brief outline
Mr. Francisco Reynes Massanet	He has delegated extensive powers of representation and administration in accordance with the nature and requirements of the position of Executive Chairman.

C.1.10 List the Members of the Board of Directors, if any, who hold office as Administrators or representatives of Administrators or Directors in other companies belonging to the listed company's group:

Name or company name of Director	Company name of group entity	Position	Do they have executive duties?

C.1.11. Identify, where applicable, the directors or representatives of legal persons of your company, who are members of the Board of Directors or director representatives, legal persons of other companies listed on regulated stock exchanges in Spain other than those of your group, that have been reported by the company:

Name or company name of Director	Corporate name of the listed company	Position
Mr. Francisco Reynés Massanet	VEOLIA	Director
	ABREYGI , S.L.	Director
Mr. Ramón Adell Ramón	Oryzon Genomics, S.A.	Director
	Edificio Rostower Socimi, S.A.U.	Director

	BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A	
	Polne S.L	Director
Mr. Pedro Sainz de Baranda Riva	Gestamp Automoción, S.A.	Director
	TK Elevator GmbH	Director
	Sainberg, S.L.	Director
	Scalpers Fashion, S.L.	Director
	Acerinox S.A	Consejero
	Pedro Duro S.L.	Administrator
	Inversores de Tornón	Administrator
	Fundación Princesa de Asturias	Patron
	Universidad Antonio de Nebrija	Patron
Mrs Lucy Chadwick	Edinburgh Airport Limited	Director
	Gatwick Airport Limited	Director
	Ivy Holdco Limited	Director
	Ivy Super Holdco Limited	Director
	Ivy Bidco Limited	Director
	Ivy Property Limited	Director
Mr. Enrique Alcantara Garcia Irazoqui	Bufete Alcántara, S.L.P.	Administrator
	Criteria Caixa, S.A.U	Director
Mrs. Isabel Estapé Tous	CriteriaCaixa S.A.U.	Director
	Fundación "la Caixa"	Patron
	Triana 88 SL	Joint administrator
Mrs. Helena Herrero Starkie	HP Printing and Computing Solutions, S.L.U.	Chairwoman and CEO
	Mutua Madrileña	Director
Mr. Rajaram Rao	Global Infraestructure Partners	Chairman and COO
	Mata Biles Ltd	Director
	VENA ENERGY	Chairman
	Asia Society	Director
	SEO	Director
Mr. JAVIER DE JAIME GUIJARRO: Representante del Consejero Dominical Rioja S.à.r.l.	CVC Capital Partners, S.L.	Managing partner and board member
	CVC Investment Advisory Services S.L.	Chairman
	Baranoa Directorship, S.L.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Vitalia Plus, S.A.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	Vivaly Inversiones Globales, S.L.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.

	Universidad Privada de Madrid, S.A. / En representación de Theatre Directorship Services Alpha S.à r.l.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	Guadarrama Proyectos Educativos, S.L.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	LaLiga Group International, S.L.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	Compañía de Gestion e Inversión Jade, S.L.	Administrator
	Jade Agroalimentación S.L.	Administrator
	Fundación CVC España	Patron
	Fundación Humana Spes	Patron
Mr. Claudi Santiago Ponsa	FINAVES, IESE Business School (Barcelona)	Director
Mr. JOSÉ ANTONIO TORRE DE SILVA LÓPEZ DE LETONA.	CVC Investment Advisory Services S.L	Director
	Tendam Retail, S.A.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Tendam Brands S.A.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Tendam Fashion S.L.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Exolum Corporación, S.A.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Sigurd Europe S.L.	Administrator
	Porterdale S.L.	Chairman
	Monbake Grupo Empresarial S.A.U	Chairman
	Colegio Alegra S.L.	Chairman
Mr. Jaime Siles Ferández Palacios	IFM INVESTORS (UK) LTD	Executive Director
	Global Infraco SP Neum S.L.U.	Joint Administrators
	Kestros Mersin Services S.L.U.	Joint Administrators
	Meander Mersin Services S.L.U.	Joint Administrators
	Sarus Mersin Services S.L.U.	Joint Administrators

IList any other remunerated activities of directors or directors' representatives, whatever their nature, other than those indicated in the above table.

Identification of the director or representative	Other gainful activities paid activities
Pedro Sainz de Baranda Riva	Consejo Asesor, Banco de Sabadell S.A.
Ramón Adell Ramón	Professional activity as a lawyer
José Antonio Torre de Silva López de Letona	CVC Investment Advisory Services S.L employee
Lucy Chadwick	Partner Global Infrastructure Management LLP
Rajaram Rao	Partner Global Infrastructure Management LLP
Isabel Estapé Tous	Professional activity as a Notary
Claudi Santiago Ponsa	Consulting activity

Observations

C.1.12 Indicate and, where appropriate, explain whether the company has established rules about the maximum number of company Boards on which its directors may sit, identifying how this is regulated where appropriate:

Yes ☐ **No** ☒

Explanation of the rules and identification of the document where it is regulated

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the Board of Directors:

Overall remuneration earned by the Board of Directors during the year (thousands of euros)	3.737
Cumulative amount of rights of current directors in pension scheme (thousands of euros)	19.627 (*)
Cumulative amount of rights of former directors in pension scheme (thousands of euros)	0

OBSERVATIONS
(*) includes the amount corresponding to the variable remuneration for the years 2018 to 2024, both inclusive, which are settled as a contribution to the Social Security Plan of which the Executive President is the beneficiary.

C.1.14 Identify members of senior management who are not also executive directors, and indicate the total remuneration they earned during the year:

Name or company name	**Position/s**
Mr. Carlos Francisco Vecino Montalvo	Marketing Manager
Mr. Pedro Larrea Paguaga	Network Manager
Mr. Jorge Barredo Lopez	Renewables Manager
Mr. Enrique Tapia Lopez	People and resources Manager
Mr. Rafael Blesa Martinez	Technology and Systems Manager
Mr. Manuel García Cobaleda	General and Board Secretary
Mr. Jordi García Tabernero	Public affairs and Sustainability Manager
Mr. Steven Douglas Fernández	Financial Market and Corporate Development Manager
Mr. Jon Ganuza Fernandez De Arroyabe	Energy Procurement and Wholesale Markets Manager
Mr. José Luis Gil Sánchez	Renewable Gases Manager
Mrs. Eva Fernández Roselló	Internal Audit Manager
Mrs. Nuria Rodríguez Peinado	Environment and Social ResponsibilityManager
Mrs. Rita Ruiz de Alda Iparraguirre	Planning and Management Control Manager
Mr.Victor Manuel Marquez Moya	External Communication Manager
Mr. Gabriel Alejandro Deseff Rodríguez	Consolidación y Administración Manager
Mrs .María Isabel González Alfaro	Compliance Officer

Number of women in senior management	**4**
Percentage over total members of senior management	**24%**

Total remuneration of senior management (in thousands of euros)	**14.382**

OBSERVATIONS

Managers reporting directly to the Executive Director or to the Board of Directors

C.1.15 Indicate whether or not there has been any modification to the regulations of the board during the year:

Yes ☐ **No** ☒

Description of modifications

C.1.16 Indicate the procedures for appointing, re-electing, evaluating and removing directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

The procedures for the appointment, re-election, evaluation and removal of directors are regulated in Article 7 of the Articles of Association and in Articles 9 and 10 of the Regulations for the Organisation and Functioning of the Board of Directors and its Committees, supplemented by the provisions of Article 529 decies of the Spanish Corporate Enterprises Act ("LSC" in Spanish).

1.- Appointment and re-election:

The General Meeting of Shareholders is competent for appointing directors and establishing the number thereof, subject to the limits stipulated in Article 7 of the Articles of Association.

If vacancies were to arise during the term for which the Directors were appointed, the Board shall be entitled to designate, using the co-option system, the persons to occupy these vacancies until the first General Meeting of Shareholders is held.

The status of Shareholder is not required to be appointed Director.

Anyone who is in any of the situations that, pursuant to prevailing legislation, prevents such characterisation, cannot be proposed, appointed or qualified as Independent Directors.

It will be necessary to appoint persons who not only satisfy legal provisions and those laid down in the Articles of Association for the position, but who have a prestigious position and are equipped with the professional skills and expertise required to perform their duties.

Directors are appointed and re-elected in accordance with a formal and transparent procedure and the proposals which the Board of Directors submits to the General Meeting of Shareholders, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a proposal from the Appointments and Remuneration Committee in the case of Independent Directors, or a report for the remaining Directors. When the Board does not follow the recommendations of said committee, it will have to explain the reasons and record the said reasons in the Minutes.

In addition, the Board of Directors, on the proposal of the Appointments and Remuneration Committee and in line with the recommendations of the Guide of the CNMV on Appointment and Remuneration Committees, approved in their meeting in October 2019 a Competency Matrix, for which assistance was provided by an Independent Expert. The Policy for selecting Directors was modified on February 2022 to include the need for preparing and taking into consideration this Competency Matrix in all processes for selecting Directors.

2.- Re-election:

Directors elected will hold office for a maximum term of four (4) years, and may be re-elected.

The Independent Directors shall not remain in their post for a period of more than twelve (12) years.

3.- Replacement or removal:

Directors shall be replaced in their position for the length of the term for which they were appointed, unless they are re-elected, and when so determined by the General Meeting of Shareholders by virtue of the powers granted thereto. Likewise, directors shall be replaced in all other circumstances where applicable pursuant to the Law, the Articles of Association and Regulations of the Board of Directors.

Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deemed it appropriate, in the following cases:

a. When Executive Directors step down from their executive positions.

b. When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these Regulations.

c. When they commit a serious breach of their obligations as directors, jeopardising the interests of the Company.
d. When circumstances arise that may affect the credit or reputation of the Company or, in any other way, put the Company's interests at risk

e. When the reason why they were appointed as independent, executive or proprietary directors is no longer applicable.

In any case, the Board of Directors pays special attention to issues of diversity and not only gender diversity, within the framework of full respect for the right of shareholders as recognised by the Law on Proportional Representation. For this reason, in 2020, a modification was introduced in the selection policy for board members to incorporate a competency matrix that has been used in all the processes for filling vacancies or re-election of directors since then..

In this regard, the Board of Directors approved on 24 novermber 2020 a new modification to the Director Selection Policy to expressly include the Company's commitment to gender diversity, providing for the implementation by the Company of measures that encourage the appointment of a significant number of female senior executives.

Subsequently, at its February 2022 meeting, the Board again amended the Directors' Section Policy to expressly provide that in the selection process no candidate may be "excluded on the grounds of ideology, religion or beliefs, membership of an ethnic group, race or nation, gender, sexual orientation, family situation, illness or disability, and shall be deliberately sought and included among potential candidates who meet the professional profile sought.
or nation, gender, sexual orientation, family situation, illness or disability, and a deliberate search for and inclusion among potential candidates of women who meet the professional profile sought, ensuring that, as vacancies arise on the Board or as the terms of office of the members of the Board of Directors expire, "no candidate may be excluded on the grounds of his or her ideology, religion or beliefs, membership of an ethnic group, race or nation, gender, sexual orientation, family situation, illness or disability".
The number of female directors shall represent at least 30% of the total number of members of the Board of Directors".

C.1.17 Explain, if applicable, to what extent this annual evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of modifications

In 2023, an evaluation process of the Board was carried out by an external consultant, which concluded that the Board of Directors met the compliance requirements of an orderly, responsible and advanced administrative body. In 2024, an internal self-evaluation process of the Board was carried out, which confirmed the conclusions reached in the evaluation carried out in 2023.

Describe the evaluation process and the areas evaluated by the Board of Directors, assisted by an outsourced consultant, regarding the operation and composition of its committees, and any other area or aspect that has been subject to evaluation.

Description of the evaluation process and areas evaluated

In the 2024 financial year, the evaluation process of the Board of Directors and its Committees has been carried out internally

Within the framework of this self-evaluation process, directors completed a series of questionnaires relating to the functioning of the Board and its Committees, in which they were asked to give their assessment on questions relating to the structure of the Board and its functioning, its work in the supervision of aspects such as Internal Audit, Compliance, risks, or the process of elaboration of the Company's Strategic Plan.

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

The self-evaluation of each of the matters identified was addressed through a series of critical questions in the questionnaires sen.

After receiving the self-evaluation report, the Appointments, Remuneration and Corporate Governance Committee, in meeting held on 18 Februrary 2025, has agreed to implement some of the improvement suggestions included therein throughout 2025.

C.1.18 Explain, for any of the years in which the evaluation has been assisted by an external advisor, the business relationship the adviser or any group company maintains with the company or any group company.

NONE

C.1.19 Indicate the cases in which directors must resign.

Directors shall be replaced in their position for the length of the term for which they were appointed, unless they are re-elected, and when so determined by the General Meeting of Shareholders by virtue of the powers granted thereto. Likewise, directors shall be replaced in all other circumstances where applicable pursuant to the Law, the Articles of Association and Regulations of the Board of Directors.

Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deems it appropriate, in the following cases:

a. When Executive Directors step down from their executive positions.

b. When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these Regulations.

c. When they commit a serious breach of their obligations as directors, jeopardising the interests of the Company

d. When circumstances arise that may affect the credit or reputation of the Company or in any other way jeopardise the interests of the Company.

e. When the reason why they were appointed as Independent, Executive or Proprietary Directors is no longer applicable.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☒ No ☐

Where appropriate, describe the differences.

Description of the differences
Article 7.4 of the Regulations of the Board of Directors states the following: “4.- The resolutions must be adopted with the vote of the absolute majority of the directors who attend, whether present or represented, unless the Law, the Articles of Association or these Regulations establish an enhanced majority. In particular, the favourable vote of more than two thirds of the directors, whether present or represented, will be required for the valid adoption of resolutions on the following matters reserved for the plenary session of the Board and, therefore, non-delegable: a) The acquisition or disposal of assets belonging to the Company (regardless of the legal means used for this purpose and, in particular, even if they are carried out through merger, spin-off or other operations of subsidiaries) in excess of Euros 500,000,000, unless its approval corresponds to the General Meeting of Shareholders or is carried out in execution of the budget or strategic or business plan of the Company. b) The approval of the budget and the strategic or business plan of the Company. c) The modification of the dividend distribution policy and the approval of a new one. d) The subscription, modification, renewal, non-renewal or termination by the Company of financing or refinancing agreements for an amount exceeding Euros 500,000,000. e) The subscription, modification, renewal, non-renewal or termination by the Company of any material contract, other than those provided for in section d) above, whose amount exceeds Euros 500,000,000 in the case of gas supply contracts and of Euros 200,000,000 in the case of other contracts. f) The material changes in the accounting and tax criteria and policies of the Company, unless they are due to modifications of applicable legislation or compliance with the guidelines and criteria set by the competent authorities in the matter. g) The reformulation of the Company’s annual accounts, unless such reformulation is due to a modification of applicable legislation or compliance with the guidelines and criteria set by the competent authorities in the matter. h) Capital investments (capex) not provided for in the Company’s annual budget for an amount exceeding Euros 200,000,000 euros. i) The modification of the matters of paragraph a) to i) or modification of the enhanced majority of the vote required for any of them.”

C.1.21 Indicate if there are specific requirements other than those relating to directors in order to be appointed as Chairman of the Board of Directors.

Yes ☐ No ☒

Description of requirements

C.1.22 Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors:Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors:

Yes ☐ **No** ☒

	Age limit
Chairman	
Chief Executive Officer	
Director	

Observations

C.1.23 Indicate whether the Articles of Association of the Board regulations set a limited term, or other requirements stricter than those legally determined, or office for independent directors different to the one established in the regulations:

Yes ☐ **No** ☒

Additional requirements and/or maximum number of years of in office

C.1.24 Indicate whether the Articles of Association or Board Regulations stipulate specific rules on appointing a proxy to the Board, the procedures thereof and, in particular, the maximum number of proxy appointments a Director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. Where appropriate, give a brief description of these rules.

Article 7.5 of the Articles of Association states: "Directors who are unable to attend may delegate their proxy to another director, with or without voting instructions, and must notify the Chairman or the Secretary."

Article 7.3 of the Regulations of the Board states: "Each director may grant a proxy to another director, with no limit on the number of proxies that each may hold for attendance at Board meetings, although they must attend at least 75% of the meetings to which they are called each year. The Board of Directors may waive this obligation in justified cases. Proxies for absent directors may be granted by any written documentary means, any electronic means addressed to the Chairman or Secretary of the Board prior to the start of the meeting being valid".

In addition, at its meeting in October 2019, the Board of Directors agreed to formally urge the Directors, in line with recommendation 27 of the Good Governance Code of Listed Companies, to include instructions on proxy voting.
ode of Good Governance of Listed Companies, they include voting instructions in proxy representations.

C.1.25 Indicate the number of board meetings held during the year. Also indicate, where applicable, how many times the Board has met without the Chairman being present. When calculating the number, representations made with specific instructions shall be considered as attendance.

Number of board meetings	15
Number of board meetings without the Chairman attending	0

Observations

Indicate the number of meetings held by the Coordinating Director with the rest of the Directors, without the attendance or representation of any Executive Director.

Number of meetings

Observations

In addition to the informal contacts between the three independent directors, three meetings of independent directors were held in 2024, convened and chaired by the coordinating director, which were not attended by the Executive Chairman.

Indicate the number of meetings held by the different board committees over the year:

Number of meetings of the Executive Committee	0
Number of meetings of the Audit and Control Committee	4
Number of meetings of the Appointments and Remuneration Committee	3
Number of meetings of the Appointments Committee	
Number of meetings of the Remuneration Committee	
Number of meetings of the Sustainability Committee	3

Observations

C.1.26 Indicate the number of board meetings held during the year with all Members in attendance:

Number of meetings attended in person by at least 80% of the Directors	15
% of attendance over the total number of votes during the year	95 %
Number of meetings with attendance in person, or representations made with specific instructions of all the Directors	11
% votes cast with attendance in person and representations made with specific instructions, on total votes during the year	95 %

Observations

C.1.27 Indicate whether the consolidated and individual annual accounts submitted for authorisation for issue by the Board are certified previously.

Yes ☒ No ☐

Identify, where applicable, the person(s) who has/have certified the company's individual and consolidated annual accounts in order to be drawn up by the Board:

Name	Position
Mr. Gabriel Alejandro Deseff Rodríguez	Responsible for accounting consolidation and accounting planning

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated annual accounts it prepares from being laid before the General Meeting of Shareholders with a qualified audit report.

By virtue of those established in Article 529.4 of the Corporate Enterprises Act and in the Articles of Association, and of the competences attributed by the Board of Directors, the Audit and Control Committee is responsible for, among others, the functions of informing the General Meeting of Shareholders about the issues that arise in relation to those matters that fall within the remit of the Committee and, in particular, on the result of the audit, explaining how this has contributed to the integrity of the financial reporting and the role that the Committee has played in that process, as well supervising the process of preparation and presentation of mandatory financial reporting and submitting recommendations or proposals to the administrative body, aimed at safeguarding its integrity.

To this end, the Audit and Control Committee has supervised the process of preparing financial information, as well as the Internal Control System of Financial Informationand has engaged in fluid dialogue with the external auditor, with the utmost respect for its independence, where it has been informed of the Audit Plan, of the preliminary and final results of the auditor's analyses, and where its independence has been specifically ensured. In any case, it is noteworthy that in financial year 2024 no accounting qualifications have been made.

C.1.29 Is the Secretary of the Board also a Director?

Yes ☐ No ☒

Complete if the secretary is not also a Director:

Name or corporate name of the Secretary	Representative
Mr. Manuel García Cobaleda	

Observations

C.1.30 Indicate the specific mechanisms introduced by the Company to preserve the independence of the External Auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Among the legal functions that correspond to the Audit and Control Committee are to establish the appropriate relations with the external auditor to receive information on those issues that may pose a threat to its independence, for examination by the committee, and any others related to the process for conducting the accounts audit and, where appropriate, the authorisation of services other than those prohibited, under the terms set out in Articles 5, paragraph 4, and 6.2.b) of Regulation (EU) No. 537/2014, of 16 April, and as set out in section 3 of chapter IV of title I of Law 22/2015, of 20 July, on Accounts Auditing, on the independence regime, as well as those other communications provided for in the audit legislation of accounts and in the auditing standards. In all cases, on an annual basis, the Audit and Control Committee shall receive from the Auditors written confirmation of their independence vis-à-vis the company or entities related to it directly or indirectly, in addition to detailed and individual information on additional services of any kind rendered to these entities by the aforementioned auditors or person or entities related to them in conformity with the provisions of auditing legislation.

In this respect, the Audit and Control Committee's criterion is that the assignment of non-audit work to the external auditor should be substantially less than the recommended 70%.

In order to comply with the functions established in letters e and f of section 4 of article 529 quaterdecies of the Capital Companies Act, the Audit and Control Committee is responsible for supervising the proposals for contracting services with the Accounts Auditor outside the accounts auditing service, to ensure that these are neither prohibited, nor are they incompatible with their work as auditors, nor do they compromise their independence, all in accordance with the limitations established in current legislation and in particular in article 16 of the Accounts Auditing Act.

The Internal Audit Department is in charge of coordinating with the External Auditor the needs for contracting services other than auditing services that may be required by the Company and their subsequent communication to the Audit and Control Committee in order to obtain its authorisation.

The Company's Internal Audit Manager periodically submits to the Audit and Compliance Committee exhaustive information on the non-audit engagements required by the Company, attaching in each case the auditors' letter of independence and the letter justifying the need for the service signed by the corresponding Director.

The Audit and Compliance Committee reviews the documentation provided in order to ensure the independence of the auditor, verifying that he/she does not fall within any of the grounds for incompatibility set out in the Audit Act, and that the services to be contracted are permitted as they are not related to the auditing of accounts.

In the event of urgency in contracting, if the Audit and Compliance Committee is not scheduled to meet immediately, the Committee has set up an exceptional procedure whereby the Chairman of the Committee receives the report on the services to be contracted, together with the supporting documentation (letter of independence of the external auditor and justification of the service signed by the corresponding director). Once it has been analysed that the services in question are not prohibited and that they do not compromise the independence of the auditors, the Chairman may authorise such engagement, although in all cases, the Chairman must report on the use of this power at the first meeting of the Audit and Compliance Committee held for possible ratification.

It is also the duty of the Audit and Compliance Committee to issue annually, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms is compromised. In order to fulfil this function, the Audit Committee receives annually from the external auditors a declaration of their independence in relation to the entity or entities directly or indirectly related to it, as well as detailed and individualised information on the additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or by the persons or entities related to it, in accordance with the provisions of the regulations governing the auditing of accounts.

As regards the mechanisms established to guarantee the independence of financial analysts, investment banks and rating agencies, it should be noted that the Board of Directors approved at its meeting of 24 November 2020 the Policy on Communication with Shareholders, Investors and Voting Advisors. This policy establishes the principles that underpin the Company's relationship with them as those of transparency, truthfulness, completeness and clarity, immediacy and in a timely manner, equal treatment, non-discrimination and symmetry in dissemination, homogeneity and simultaneity. This policy establishes the channels and units responsible for dialogue with the various agents.

Naturgy also has an Internal Code of Conduct on matters relating to the securities markets and treasury stock policy, which establishes in Article 11 that the public dissemination of Inside Information must be made as soon as possible and in such a way as to allow rapid access and a complete, correct and timely evaluation of the information by the public. The content of the communication must be truthful, clear, complete and, where required by the nature of the information, quantified, so as not to be misleading or deceptive.

C.1.31 Indicate whether the company has changed its external audit firm during the year. If appropriate, identify the incoming and outgoing auditors:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

Observations

In the case of disagreements with the outgoing auditor, explain the content of the said disagreements:

Yes ☐ No ☒

Explanation of the disagreements

C.1.32 Indicate if the audit company performs other tasks for the company and/or its group other than auditing activities and the percentage of the fees billed to the company and/or its group:

Yes ☒ No ☐

	Company:	Group	Total
Amount of tasks other than auditing activities (in thousands of euros)	607	1.773	2.380
Amount of tasks other than auditing/Amount billed by the audit company (%)	52,1 %	52,5 %	52,4 %

Observations

C.1.33 Indicate if the auditor's report on the annual accounts corresponding to the previous year involves reservations or exceptions. Where applicable, indicate the reasons given by the Chairman of the Audit and Control Committee to

Yes ☐ No ☒

Explication of the reasons and direct link to the document made available to shareholders at the time of the call in relation to this matter

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing accounts of the Company. Also indicate the percentage of the number of years audited by the current audit company over the total number of years that the annual accounts have been audited:

	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	4	4

	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	11,76 %	11,76 %

Observations

C.1.35 Indicate, and give details if any, whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

Yes ☒ No ☐

Details of the procedure

Articles 6.2 and 6.3 of the Regulations of the Board of Directors state: "2-Notices convening sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, and may be effected by any of the channels set out in the Articles of Association. The notification shall include the place and the agenda of said meeting and shall be issued, at least five (5) days before the meeting is to be held, specifying the agenda of the meeting. In the event of an emergency duly justified by the Chairman and thus appreciated by the Board at the start of the meeting, a call to meeting will be made by telephone, fax, email or any other telematic means, with sufficient notice to allow the directors to participate in the meeting. Prior to each meeting the directors shall be furnished with the information and documentation considered to be pertinent or relevant regarding the subjects to be addressed in the Board Meeting. Directors shall also be furnished with the Minutes of the previous meeting, regardless of whether said minutes have been approved or not. The Chairman shall be authorised to establish the order of the day, except in the event of the compulsory convening in which case the agenda of the convened meeting will include the issues indicated by the Directors who request it. 3.- The Board Meeting shall have a quorum, without being previously convoked, if all the directors are present or represented and unanimously accept that the board meeting be held".

The procedure followed involves sending, usually a week in advance, the call to meeting, the agenda and any information that is available and may be useful for more accurate knowledge of the matters to be discussed in the Board Meeting. The rest of the documentation is sent as it becomes available - normally 5 days in advance, except for those that, for example, for reasons of urgency do not allow such advance notice. The presentations clearly identify which issues are for information only and which are for decision.

To this end, the Board's documentation is made available to the directors through a electronic platform, which allows them permanent access to it. The Directors have access to the documentation of all bodies of the Board, irrespective of whether or not they are members of a Committee. In addition, Directors are provided with other information relevant to the exercise of their functions (relevant events, new regulations, access to press reviews, etc) through the platform.

Furthermore, the matters dealt with by the Board are usually presented by the managers responsible for the proposals, so that the Board Members can directly request clarifications, data or opinions from them in relation to the points dealt with in the session and can directly appreciate their qualifications for the position.

Finally, the Directors may request the additional information they deem necessary for the exercise of their duties through the Board Secretary.

C.1.36 Indicate and, where applicable, give details of whether or not the Company has laid down rules that oblige the Directors to report and resign when situations occur that affect them, whether or not they are related to their actions in the company itself, which may damage the company's credit and reputation:

Yes ☒ **No** ☐

Explain the rules
In accordance with Article 11.4 of the Board Regulations, the Director is subject to the duty of loyalty under the terms established in prevailing legislation and, in particular, section e) of said article 11.4, establishes that the Director shall inform the Company of any kind of legal or administrative claim or any claim of any nature in which he/she is involved which, due to its significance, could have a serious bearing on the reputation of the Company. The Board shall examine the matter and adopt the appropriate measures in the Company's interest and with the required urgency. Also, the Article 10.2 of the Board Regulations establishes that Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deems it appropriate, in the following cases: a) When Executive Directors step down from their executive positions. b) When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these Regulations. c) When they commit a serious breach of their obligations as directors, jeopardising the interests of the Company. d) When circumstances arise that may affect the credit or reputation of the Company or, in any other way, put the Company's interests at risk. e) When the reason why they were appointed as independent, executive or proprietary directors is no longer applicable.

C.1.37 Unless there are special circumstances that have been recorded in the minutes, indicate whether the Board has been informed of or has otherwise become aware of any situation that affects a director, whether or not it is related to his or her actions in the company, that could damage the company's credit and reputation:

Yes ☐ **No** ☒

Director's name	Criminal Case	Observations

In the above case, indicate whether the board of directors has examined the case. If the answer is affirmative, explain in a reasoned manner if, in view of the specific circumstances, any measure has been adopted, such as the opening of an internal investigation, requesting the resignation of the director or proposing his dismissal.

Indicate also whether the Board's decision has been supported by a report from the Appointments Committee

Yes ☐ **No** ☒

Decision taken/action taken	Reasoned explanation

C.1.38 Detail the major agreements, entered into by the company based on the takeover, and the effects of these agreements.

Most outstanding financial debt includes a change of control clause, either by acquisition of more than 50% of the voting shares or obtaining the right to appoint the majority of members of the Board of NATURGY ENERGY GROUP, S.A. These clauses are subject to conditions additional, so its activation depends on the simultaneity of some of the following events: the significant reduction in the credit rating or rating caused by the change of control, or loss of investment grade by rating agencies; the inability to fulfill the financial obligations of the contract; a material damage to the creditor, or a material change adverse to solvency. These clauses involve the repayment of the debt arranged, although they usually have a longer period than that granted in cases of early resolution.

Specifically, the bonds issued, in an approximate volume of 5,850.6 Million Euros, as is usual in the uromarket, would be susceptible to early maturity whenever that change of control will cause a fall of two or more steps or "full notches" in at least one of the two qualifications he had and all the qualifications fell below investment grade" and always that the Rating Agency expressed that the reduction of the credit rating is motivated by the change of control. Likewise, there are loans for an amount of approx. 4,785 million Euros, one part linked to long-term financing of infrastructure with funds from the European Bank of Investments and other long-term bilateral bank debt, which could be repaid anticipated in the event of a change of control. For the activation of these clauses in addition to the event of the change of control requires a reduction in the rating and has special debt repayment terms that are longer than those in cases of early resolution

C.1.39 Identify, individually, when referring to Directors and in aggregate form in all other cases, and provide detailed information on agreements between the Company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of operations.

Number of beneficiaries	**13**
Beneficiary type	**Description of the agreement**
Executive Chairman	The Chairman's contract establishes compensation for the cessation or non-renewal of the position of Director for the overall mount of two years of: The fixed monetary remuneration provided for in clause 3 (a) of the contract. b) The variable monetary remuneration provided for in clause 3.4, as well as, where applicable and in substitution of the part that may correspond to the previous one, the contribution to the social security system regulated in clause 3.5. c) A lump sum of 1.25 times the fixed monetary remuneration provided for in clause 3 (a) of the contract. The compensation will not be payable in the event of serious and culpable breach of their professional obligations that causes significant damage to the interests of Naturgy. Furthermore and as a post-contractual non-competition agreement, compensation equivalent to one year's fixed remuneration has been established. The contract of the Executive Chairman sets out the termination of the contract and the payment of compensation if he forfeits his executive functions and will continue as non-executive Chairman. In this case, the compensation provided is identical to that of the previous section, but reduced by half, that is, one full year.
Executives	The contracts signed with 10 executives contain a clause that establishes a minimum compensation of one full year of fixed remuneration in some cases and two full years of compensation in others in certain cases of termination of the relationship, which include certain cases of change of control, unfair dismissal or the cases set out in Articles 40, 41 and 50 of the Workers' Statute. These contracts also contain a clause which sets out compensation equivalent to one year's fixed remuneration for post-contractual non-competition for a period of two years. . In addition, 1 executive have compensation agreements whose amounts entitle them to receive a minimum compensation of one fixed full year of remuneration in some cases and two full years of compensation in other in certain cases of termination of the relationship, which include unfair dismissal or the cases set out in Articles 40, 41 and 50 of the Workers' Statute. Moreover, there are compensation agreements with 2 other executives, equivalent to one year's fixed remuneration for post-contractual non-competition for a period of two (s) years.

Indicate whether, beyond the cases stipulated by the regulations, these contracts have to be reported and/or approved by the bodies of the company or its group. If so, specify the procedures, assumptions foreseen and the nature of the bodies responsible for their approval or communication:

	Board of Directors	**General Meeting of Shareholders**
Body that authorises the clauses	YES	NO

	YES	NO
Is the General Meeting of Shareholders informed of the clauses?		X

Observations
In relation to the clauses of management personnel, the Appointments and Remuneration and the Board are informed of their terms and beneficiaries. The main terms of the contracts of the executives who report directly to the executive director are approved by the Board.

C.2. Committees of the Board of Directors

C.2.1 Give details on the board committees, their members and the proportion of executive, proprietary and independent directors:

EXECUTIVE COMMITTEE

Name	Position	Category

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external directors	

Observations
IT DOES NOT APPLY AS THE EXECUTIVE COMMITTEE NO LONGER EXISTS

Explain the committee's duties, other than those already described in section C.1.9, and describe the procedures and rules for the organisation and operation of the organisation. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law, by the Articles of Association or by other corporate agreements.

NOT APPLICABLE.

AUDIT COMMITTEE

Name	Position	Category
Mr. Claudi Santiago Ponsal	Chairman	Independent
Mr. Ramón Adell Ramón	Board Member	Proprietary
Mr. Pedro Sainz de Baranda Riva	Board Member	Independent
Mrs. Helena Herrero Starkie	Board Member	Independent
Mr. Jose Antonio Torre de Silva López de Letona	Board Member	Proprietary

% of proprietary directors	40 %
% of independent directors	60 %
% of other external directors	-

Observations

Explain the functions, including, if applicable, those additional to those legally envisaged, which have been attributed to this committee, describe the procedures and rules for the organisation and functioning of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolutions.

a) Functions of the Audit and Control Committee:

The Committee has the powers established by law and those entrusted to it by the Board of Directors in general or in particular.

a) Functions of the Audit and Control Committee:

1.- Drawing up the report on the functioning of the Audit and Compliance Committee.

2.- To ensure that the Board of Directors endeavours to present the accounts to the General Meeting of Shareholders without limitations or qualifications in the audit report and that, in those cases in which the auditor has included a qualification in its audit report, the Chairman of the Audit and Compliance Committee clearly explains to the General Meeting the opinion of the Audit and Compliance Committee on its content and scope, making a summary of said opinion available to the shareholders at the time of publication of the notice of the meeting, together with the rest of the proposals and reports of the Board, a summary of said opinion.

3.- Approval of the annual work plan of the Internal Audit Unit, and supervision, on an annual basis, of the activities of the said Unit.

4.- In relation to the information and control systems:

a. Supervise the process of preparation and the integrity of financial and non-financial information, as well as the systems of control and management of financial and non-financial risks relating to the company and, where appropriate, to the group, including operational, technological, legal, social, environmental, political and reputational risks or risks related to corruption, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b. Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the budget for that service; approve or propose approval to the board of the internal audit orientation and annual work plan, ensuring that its activity is focused primarily on relevant risks, including reputational risks; receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c. Ensure the independence of the unit that assumes the Compliance function and propose the selection, appointment and dismissal of its head, appointment and dismissal of its head; propose the budget for this service

d. Establish and supervise a mechanism which, while guaranteeing confidentiality and even anonymity, enables employees and other persons related to the company to report any potentially significant irregularities, including financial, accounting or any other type of irregularity related to the company, that they may notice within the company or its group, (d) In general, ensure that the policies and systems established for internal control are effectively applied in practice.

e. Approve the fixed and variable remuneration of the heads of the Internal Audit and Compliance Units. Compliance

5.- In relation to the external auditor.

a. In the event of resignation of the external auditor, to examine the circumstances giving rise to such resignation.

b. Ensure that the external auditor's remuneration for his work does not compromise his quality or independence.

c. Supervise that the company notifies the CNMV of the change of auditor and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content.

d. Ensure that the external auditor holds an annual meeting with the full board of directors to report to it on the work performed and on developments in the company's accounting and risk situation.

e. Ensure that the company and the external auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on auditor independence.

6.- To summon any employee or manager of the Company, and even arrange for them to appear without the presence of any other manager.

7.- To analyse and inform the Board of Directors on the economic conditions and accounting impact and, in particular, if appropriate, on the exchange ratio, in relation to the structural and corporate modifications that the Company plans to carry out.

8.- Supervision of the exercise of the functions of the internal risk control and management department.

9.- In relation to the supervision of compliance with the Codes of Conduct.

a. Supervision of compliance with the company's internal codes of conduct.

b. Supervision of the application of the general policy relating to the communication of economic-financial and non-financial information.

c. Assessing all aspects of the company's non-financial risks, including operational, technological, legal, social, environmental, environmental, political and reputational risks.

d. Coordination of the reporting of non-financial and diversity information in accordance with applicable regulations and international benchmarks.

10. Report on related-party transactions to be approved by the general meeting or the board of directors and supervise the internal procedure established by the company for those whose approval has been delegated.

b) Procedures, and organisational and operational rules

in accordance with Article 26 of the Regulations of the board

The Audit and Control Committee shall comprise a minimum of three (3) and a maximum of seven (7) Directors appointed by the Board of Directors from among the non-executive directors, and one of them will be appointed taking into account their knowledge and experience in issues of accountancy, audit or both. Its members shall leave their post when they do so in their capacity as Directors or as agreed by the Board of Directors.

The Board of Directors shall elect the Chairman from amongst the members of the Committee, the majority of whom will have the status of Independent Director; the Chairman shall not have the casting vote. The post of Secretary of the Committee will be held by the person who is the Secretary of the Board of Directors, if there is one.

The Committee shall hold meetings whenever necessary in order to issue its reports or proposals, and will be convened by its Chairman on his own initiative or upon prior request of two of its members. At least four (4) meetings per year must be held. The Committee may invite to its meetings any executive or employee it deems appropriate.

c) Main actions taken during the year 2024.

In the exercise of its powers during the year, it has reported and/or adopted proposals on, inter alia, the following matters:

In addition to the regular supervisory functions, e.g. on risk, cyber-security or related party transactions,, the Committee has addressed the following relevant issues during 2023:

- The independence of the External Auditor
- Oversight of Treasury Share transactions
- Authorisation of the provision of non-audit services by the External Auditor
- Oversight of the Group's Crime Prevention Model
- Monitoring the Work Plan of the Internal Audit and Compliance Areas.
- The process of renewing the External Auditor
-The proposal to the Board of Directors to update the Naturgy Code of Ethics-
-The coordination with the Sustainability Committee for the distribution of powers related to the Sustainability Report
-The analysis of the CNMC technical guide 1/2024 on Audit Committees

Identify the Directors who are Members of the Audit and Control Committee who have been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both, and state the date that said Director was appointed Chairman.

Name of Directors with experience	DON RAMÓN ADELL RAMÓN
Date of appointment as Chairman	10/02/2022

OBSERVATIONS

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Mr. Pedro Sainz De Baranda Riva	Chairman	Independent
Don Claudi Santiago Ponsa	Board Member	Independent
Don Enrique Alcantara-García Irazoqui	Board Member	Proprietary
Don Rajaram Rao	Board Member	Proprietary
RIOJA S.à.r.l (Rep D. Javier De Jaime Guijarro)	Board Member	Proprietary

% of proprietary directors	60 %
% of independent directors	40 %
% of other external directors	-

Observations

Explain the committee's duties, describe the procedure, and organisational and operational rules. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolutions.

a) Duties of the Appointments, Remuneration and Corporate Governance Committee:

The Committee has the powers set out in Law and those entrusted to it by the Board of Directors in a general or specific manner.

The Board of Directors has entrusted it with the following functions:

1. Make proposals and report on Corporate Governance initiatives.

2. Prepare the report on the operation of the Appointments and Remuneration Committee.

3. Verify the policy for the selection of Board members and report on it in the Annual Corporate Governance Report.

4. Prepare a report in the event of the separation of an independent board member, before the statutory period for his/her appointment has expired.

5. Prepare a report in the event that the Board of Directors proposes the adoption of measures when it is aware that the actions of a Board member could damage the credit and reputation of the company or when he/she is considered to be under investigation in a criminal case R-22, Organise and coordinate the periodic evaluation of the Board of Directors and of the Chief Executive Officer of the Company.

6. Verify the independence of the external consultant selected to carry out the evaluation of the Board and its committees.

7. Propose to the Board of Directors the basic conditions of senior management contracts.

8. Verify compliance with the remuneration policy established by the Company.

9. Periodically review the remuneration policy applied to board members and senior management, including the share based remuneration systems and their application, as well as ensuring that their individual remuneration is proportionate to that paid to the other board members and senior management of the company.

10. Ensure that any conflicts of interest do not undermine the independence of the external advice provided to the committee.

11. Verify the information on directors' and senior executives' remuneration contained in the various corporate documents, including the annual report on directors' remuneration.

12. Supervise compliance with the company's corporate governance rules, ensuring that the corporate culture is aligned with its purpose and values.

13. The evaluation and periodic review of the adequacy of the company's system of corporate governance, in order for it to fulfil its mission of promoting the corporate interest and taking into account, as appropriate, the legitimate interests of other stakeholders.

14. Prepare a report on the remuneration systems that award shares, options or financial instruments when the director requests their sale before the three-year period from their award in order to deal with extraordinary situations that may arise.

b) Procedures, and organisational and operational rules

In accordance with Article 25 of the Regulations of the Board:

The Appointments, Remuneration and Corporate Governance Committee shall comprise a minimum of three (3) and a maximum of seven (7) Directors appointed by the Board of Directors from among the non-executive directors, and at least one of them will be appointed taking into account their knowledge and experience in issues of accountancy, audit or both. Its members shall leave their post when they do so in their capacity as Directors or as agreed by the Board of Directors.

At least two of the members of the Nomination, Remuneration and Corporate Governance Committee shall be Independent Directors, from which the Board of Directors shall elect the Chairman of the Committee, who shall not have a casting vote. The Secretary of the Committee shall be the Secretary of the Board of Directors, although the Deputy Secretary, if any, may act as Secretary of the Committee.

The Committee shall hold meetings whenever necessary in order to issue its reports or proposals, and will be convened by its Chairman on his own initiative or upon prior request of two (2) of its members. At least four (4) meetings per year must be held. The Committee may invite to its meetings any executive or employee it deems appropriate.

c) Main actions taken during the year 2024:

In addition to the regular monitoring functions, the Commission has addressed the following relevant issues during 2023:

- Analysis of Organic Law 2/2024, of August 1, on equal representation and balanced presence of women and men
- The proposal for remuneration of the executive director, the management team and the board of directors
- The proposal to modify the long-term variable remuneration of the Executive President
- Monitoring compliance with the CNMV's recommendations on good corporate governance
- Monitoring of talent development and succession plans, including gender diversity
- Work Environment Analysis
- Director training plan

APPOINTMENTS COMMITTEE

Name	Position	Category

% de consejeros dominicales	
% de consejeros independientes	
% de otros externos	

Observations

Explain the committee's duties, including, if applicable, those additional to those legally established, which this committee has been assigned, and describe the procedures and rules of organisation and operation of the same. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, either by law or by the statutes or other corporate resolutions.

REMUNERATION COMMITTEE

Name	Position	Category

% of proprietary directors	
% of independent directors	
% of other external directors	

Explain the committee's duties, including, if applicable, those additional to those legally established, which this committee has been assigned, and describe the procedures and rules of organisation and operation of the same. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, either by law or by the statutes or other corporate resolutions.

SUSTAINABILITY COMMITTEE

Name	Position	Category
Helena Herrero Starkie	Chairman	Independent
Isabel Estapé Tous	Board Member	Proprietary
Jaime Siles Fernández Palacios	Board Member	Proprietary
Lucy Chadwick	Board Member	Proprietary

% of proprietary directors	75 %
% of independent directors	25 %
% of other external directors	0

Explain the committee's duties, describe the procedure and organisation and operational rules. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you either by law or by the statutes or other corporate resolutions.

In accordance with Article 26 of the Rules of Organization of the Board of Directors and its committees, the Sustainability Committee will be made up of a minimum of three and a maximum of six Board Members, appointed by the Board of Directors from among the non-executive Board Members, taking into account the knowledge, skills and experience of the Board Members and the tasks of the Committee.

Its members will resign when they cease to be Board members or when the Board of Directors so decides.

The Board of Directors will elect the Chairman of the Committee who will have the category of Independent Board Member and will not have a casting vote. The Secretary of the Committee will be the Secretary of the Board of Directors although the Vice-Secretary, if any, may act as Secretary of the Committee.

The Sustainability Committee will have the powers assigned to it by the Board of Directors.

The Committee, called by its Chairman, will meet when necessary to issue the reports or proposals within its competence or when deemed appropriate by its Chairman or at the request of two of its members and at least three times a year. The Commission may invite any manager or employee it considers appropriate to attend its meetings.

The powers granted to it by the Board of Directors are as follows:

1. To propose to the Board of Directors the approval of a Sustainability Policy
2. To propose to the Council the objectives and guidelines of the Group in the field of environment, health and safety and social responsibility, included in the Sustainability Plan.
3. Periodically analyse indicators in the field of environment, health and safety and social responsibility
4. The review of the information published by Naturgy to the market in relation to sustainability
5. The supervision of compliance with the policies and rules of society in environmental and social matters.
6. The evaluation and periodic review of the environmental and social policy of the society, in order that they fulfil their mission of promoting the social interest and take into account, as appropriate, the legitimate interests of other stakeholders.
7. Monitoring that society's environmental and social practices are in line with the set strategy and policy.
8. Monitoring the implementation of the general policy on communication with shareholders and investors, proxy advisors and other stakeholders, as well as monitoring how the institution communicates and engages with small and medium-sized shareholders.
9. Supervision of the design, implementation and monitoring of the SCIINF

10. Approval of the content and criteria to be included in the Non-financial Information
11. The proposal to the Executive President of the appointment and dismissal of the head of the Environment and Social Responsibility Unit
12. The approval of the fixed and variable remuneration of the head of the Environment and Social Responsibility Unit

Specifically, regarding the Sustainability Report

13. The establishment of the scope and general criteria to be included in the Sustainability Report.
14. The annual monitoring of the update of the material issues resulting from the last materiality exercise.
15. The proposal of the objectives and guidelines in the environmental field to ensure compliance with the objectives of the Sustainability Plan
16. The proposal of the practices in the environmental field to ensure compliance with the established strategy and policy and the evolution of the environmental performance of the company, through the monitoring of the main indicators and objectives.
17. The proposal may be made to propose projects and actions that contribute to the fulfillment of the objectives of the Sustainability Plan

En concreto, en lo relativo al Informe de Sostenibilidad

The most relevant actions in 2024 were:

a. Implementation of the Internal Control System for Non-Financial Information (SCIINF).
b. Impacts of the new Non-Financial Reporting Directive, CSRD and work plan for its adaptation to the non-financial reporting from January 1, 2024.
c. Sustainability Plan 2021-2025: monitoring of established objectives and updating of those objectives that have been considered appropriate to align with the performance and projections of the business plans.
d. Promotion of new projects in environmental and social matters as a consequence of new regulations or improvement of the company's performance in terms of sustainability.
e. Responsible supply chain: measurement of the carbon footprint by collaborating companies
f. ESG indices and ratings: the Commission has examined the evolution of results, areas for improvement identified and the way in which third parties appreciate Naturgy's efforts in this area, as well as the recognitions received.
g. Safety and health: the Commission has reviewed the incidents and accidents that occurred during the year, being concerned in which lessons are drawn from the incidents suffered.

C.2.2 Complete the following table on the number of female directors on the various board committees at the end of the past four years:

	Number of female directors							
	Financial Year 2024		Financial Year 2023		Financial Year 2022		Financial Year 2021	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	-	-	-		-	-	-	-
Audit Committee	1	20 %	1	20,00 %	1	20,00 %	3	43 %
Appointments and Remuneration Committee	0	0%	0		0		0	0%
Appointments Committee	-		-	-	-	-	-	
Remuneration Committee	-		-	-	-	-	-	
Sustainability Committee	3	75 %	3	60%	3	60%	-	60 %

C.2.3 Indicate, where applicable, the existence of committee regulations, the location at which they are available for consultation and the modifications that have been made during the financial year. Also indicate whether any annual report on each committee's activities has been voluntarily drafted.

The Board Committees are regulated in the Articles of Association and in the Regulations for the Organisation and Functioning of the Board of Directors of NATURGY and its Committees.

Both documents are published on the Company's website (www.naturgy.com) →Shareholders and investors →Corporate governance → governance bodies and rules.

The Executive Committee, the Audit and Control Committee and the Appointments, Remuneration and Corporate Governance Committee have all drawn up a report on the quality and effectiveness of their performance over the previous year.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related party or intra-group transactions.

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Procedures for approving related party transactions

Pursuant to Art. 529 Duovicies LSC:
(i) the power to approve related-party transactions whose amount or value is equal to or exceeds 10 % of the total asset items according to the last annual balance sheet approved by the company is vested in the general meeting.

ii) The power to approve all other related-party transactions shall be vested in the board of directors, which may not delegate it.

In both cases, the approval of a related-party transaction shall be subject to a prior report by the Audit and Compliance Committee, which shall report on the reasonableness of the transaction from the point of view of the company and, where appropriate, of the shareholders other than the related party, and shall give an account of the assumptions on which the evaluation is based and the methods used.

Furthermore, and as provided for in section 4 of Art. 529 Duovicies, the board of directors at its meeting held on 21 December 2021 resolved to delegate to the executive chairman the approval of the following related-party transactions:
(a) transactions between Naturgy group companies that are carried out within the scope of ordinary management and on an arm's length basis;
b) transactions entered into by virtue of contracts whose standardised conditions are applied en masse to a large number of customers, are carried out at prices or rates established generally by the party acting as supplier of the good or service in question, and whose amount does not exceed 0.5 per cent of the net turnover of the company.

For the approval of this type of transaction, the board of directors has approved at its meeting of 21 December 2021 an internal procedure for periodic information and control, in which the Audit and Control Committee participates, shall verify the transparency of such transactions and, where appropriate, compliance with the legal criteria applicable to such transactions.

.

D.2 List individually those transactions that are significant due to their amount or relevant due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or represented on the company's board of directors, indicating which body was competent to approve them and whether any shareholder or director affected abstained. In the event that the board was competent, indicate whether the proposed resolution was approved by the board without the majority of independent directors voting against::

Name or Company Name of Significant Shareholder	% Shareholding	Name or Company Name of the Company or Entity of the Group	Nature of the Relationship	Type of operation and other information necessary for the assessment of the operation	Amount (thousands of euros	Approving body	Ildentification of the significant shareholder or director who abstained from voting	The proposal to the board, if any, has been approved by the board without a majority of independent directors voting against.

Observations

The economic amounts materialised in the year corresponding to transactions approved in previous years are disclosed in Note 34 Information on related party transactions to the annual accounts of the ACs.

D.3 List individually the transactions that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the directors or executives of the company, including those transactions carried out with entities that the director or executive controls or jointly controls, indicating which body was competent to approve them and whether any shareholder or director affected abstained. In the event that the board was competent, indicate whether the proposed resolution was approved by the board without the majority of independent directors voting against: :

:

Name or Company Name of the Administrators or Executives	Name or Company Name of the Related Party	Relationship	Nature of the Operation	Amount (thousands of euros)	Body which approved it	Iidentification of the shareholder or director who abstained from voting	The proposal to the board, if any, has been approved by the board without the majority of independents voting against.

Observations

The economic amounts materialised in the year corresponding to transactions approved in previous years are disclosed in Note 34 Information on related party transactions to the annual accounts of the ACs.

D.4 Report on the significant transactions carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drafting the consolidated financial statements and are not part of the company's usual trading in terms of its purpose and conditions.

Under all circumstances, report any intra-group transaction performed with entities established in countries or territories considered to be a tax haven:

Company Name of the Entity of the Group	Brief description of the Operation	Amount (thousands of euros)

Observations

The economic amounts materialised in the year corresponding to transactions approved in previous years are disclosed in Note 34 Information on related party transactions to the annual accounts of the ACs.

D.5 List individually any transactions that are significant in amount or material in terms of their subject matter carried out by the company or its subsidiaries with other related parties that are significant in accordance with International Accounting Standards as adopted by the EU and have not been reported under the preceding headings.

Name of the Entity of the Group	Brief description of the Operation	Amount (thousands of euros)

Observations

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

1.- Directors:

In accordance with the Regulations of the Board:
The Director is subject to the duty of loyalty under the terms established in prevailing legislation and, in particular:

In accordance with the regulations, the Director must inform the other members of the Board of his or her conflict of interest and must abstain from participating in the vote.

In the cases in which a situation of conflict of interest has been observed, the affected Board Member(s) have been absent from the meeting when the point on the agenda they have a conflict of interest with has been dealt with and the Secretary has ensured that these Board Members have not been able to access the affected information either.

2.- Directors and executives:

On the other hand, pursuant to Article 3 and 4of the Internal Code of Conduct in Matters relating to the Securities Markets and Treasury Stock Policy (ICC), persons with management responsibilities and insiders, during certain periods of time will refrain from carrying out transactions on their own or for the account of a third party, directly or indirectly on the Affected Securities (i) Transferable securities issued by companies of the NATURGY Group, which are traded on a secondary market or other regulated markets, in multilateral trading systems or in other organised secondary markets, or for which an application for admission to trading on one of these markets or systems has been made. (ii) financial instruments and contracts of any kind giving the right to acquire or sell the securities referred to in (i) above (iii) The financial instruments and contracts whose underlying are the securities indicated in (i)(iv) For the sole purpose of the rules of conduct regarding privileged information contained in Title III of these Regulations, the securities and financial instruments issued by other companies or entities other than the NATURGY Group, regarding which there is Privileged Information

The Supervisory Body, upon written request, describing and justifying the Personal Operation to be carried out and that the specific operation cannot be carried out at any other time than a limited period may authorise Persons with Management Responsibilities to perform personal transactions on Affected Securities in the periods in which there is a general prohibition when certain circumstances are given and justified in the ICC itself. The Supervisory Body will inform the Audit and ControlCommittee at least once a year about the authorisations that have been requested.

For their part, pursuant to section 4.10 of the Code of Ethics, employees must inform the company in the event that they or their close relatives participate or will participate on the governing bodies of other companies that may clash with the interests of Naturgy. In the performance of their professional responsibilities, employees must act with loyalty and defend the interests of the group. Furthermore, they must avoid situations that may give rise to a conflict between personal interests and the interests of the company. Accordingly, Naturgy employees must refrain from representing the company and participating in and influencing decisions in any situation in which they directly or indirectly have a personal interest.

3.- Significant shareholders:

It will be the responsibility of the Board of Directors, pursuant to a report from the Audit and Control Committee, to approve transactions carried out by the company or the companies in its Group with directors under the terms set forth in the current applicable legislation or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the company's Board of Directors or the board of other companies belonging to the same group or with persons associated with them.

D.7 Indicate whether the company is controlled by another entity within the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relationships with such entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

Yes ☐ **No** ☒

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries on the one hand and the parent company or its subsidiaries on the other have been publicly defined:

Yes ☐ **No** ☒

Report on the respective areas of activity and any business relationships between, on the one hand, the listed company or its subsidiaries and, on the other hand, the parent company or its subsidiaries, and identify where these aspects have been publicly reported
N/A

Indicate the mechanisms laid down to solve possible conflicts of interests between the other parent company of the listed company and the other companies in the group:

Mechanisms for solving possible conflicts of interests
N/A

E. CONTROL SYSTEMS AND RISK MANAGEMENT

E.1 Describe the control and risk management system in place at the company, including fiscal risks.

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

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

The Integrated Risk Management and Control System is structured in on 4 pillars:

a. Risk Governance & Management: risk governance and management mechanism for all types of risks and for all businesses.
b. Risk Assessment: methodology, procedure and process for identifying, assessing and measuring risks.
c. Risk Appetite: definition of risk tolerance through the setting of limits for the most relevant risk categories, by nature of the risk and by business according to the objectives.
d. Risk Reporting: systematic and periodic reporting and monitoring of risk at different management levels: Business Units, Corporate Units, Audit and Control Committee and Board. It is materialized through the Corporate Risk Map, other risk maps and the periodic report of the market risk position to the Management Committee and the Businesses.

E.2 Identify the bodies responsible for preparing and implementing the control and risk management system, including fiscal risks.

Naturgy has a framework that integrates the vision of Governance, Risks and Compliance, enabling an integrated view of the group's processes, the existing controls over them and the associated risk.

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

Board of Directors

It is responsible for approving the company's Risk Control and Management Policy and Risk Appetite and takes decisions to assume or mitigate risks that exceed the approval thresholds established in the Board Regulations.Supervises the company's Risk Management and Control System.

Audit and Control Committee

It is the body in charge of overseeing the risk model and the effectiveness of control, monitoring compliance with the Global Risk Control and Management Policy. It ensures that they identify the different types of risks and the measures to mitigate them and to address them should they materialise.

Management Committee

It is responsible for the effective implementation of the risk strategy approved by the Board of Directors and for disseminating the internal control culture and risk control and management. Proposes to the Board the objective risk limits for consideration and approval, supported by Risk Management and the specific Committees.

Specific Committees

They are made up of members of the Management Committee and other executives of the organization and their purpose is to support the Management Committee in specific matters.

Risk Management Functions

As a key task, the modelling of the financial statements stands out, aimed at identifying their main sensitivities and anticipating possible negative impacts and corrective or mitigation actions.

Of these units, which may have representation in the specific Committees, the following stand out:

- **Risk Management,** responsible for identifying, controlling, modelling, establishing assessment methodologies, managing, reporting the risk assumed and guaranteeing the maintenance of the objective risk profile and limits approved by the Board at the proposal of the Management Committee.
- **Internal Audi**t, as a third line, examines through appropriate audits the level of compliance with the Risk Control and Management Policy.

The Business and Corporate Units are responsible for risk management in their areas of responsibility, complying with the criteria established in the Global Risk Control and Management Policy. They report to the Risk Management Unit on the monitoring of the risks in their area of responsibility.

E.3 Indicate the main risks, including fiscal, to the extent that those derived from corruption are significant (the latter being understood to be within the scope of Royal Decree Law 18/2017) which may prevent the company from achieving its business targets.

Market risk		Description	Management
Raw material pricess	Gas	Volatility in international markets which determine gas prices.	Physical and financial hedges. Portfolio management
	Electricity	Volatility in electricity markets in Iberia and Europ	Physical and financial hedges. Optimisation of generation park.
Exchange rate	.	Volatility in international currency markets.	Geographical diversification. Hedging through local currency funding and financial derivatives and pricing..
Regulatory		Exposure to revision of the criteria and recognised profitability levels for regulated activities and/or regulatory measures to mitigate macro overhang scenarios.	Intensified communication with regulatory bodies. Adjustment of efficiencies and investments to recognised rates. .
Volume	Gas	Gap between gas supply and demand.	Optimisation of contracts and assets. Trading.
	Electricity	Reduction in available thermal gap. Uncertainty in the volume of renewable production due to variability of the resource.	Optimisation of the marketing-generation balance
Margin/price		Risk arising from changes in competitive pressure or margin optimisation scenarios.	Financial coverage. Diversification of financing sources.

Legal	Uncertainty arising from the potential outcome of litigation, arbitration or open legal claims.	Analysis and mitigation of legal risks affecting the company's operations and corporate governance. Hiring of top-level legal firms. Provisioning with criteria of prudence
Insurable risks	Accidents, damage or unavailability of Naturgy's assets..	Continuous improvement plans. Optimisation of the total cost of risk and coverage.
Fiscal	Ambiguity or subjectiveness in the interpretation of the prevailing fiscal regulations, or through a relevant change to the same.	Consultations with independent expert organisations. Recruitment of leading consultancy firms. Adhesion to the Code of Good Tax Practices. Allocation of provisions with criteria of prudence.
Interest rate	Volatility in financing interest rates, due to existing debt or debt refinancing.	Financial hedging. Diversification of sources of financing. .
Credit	uncertaintyUncertainty associated with the probability of non-payment of financial obligations and/or deterioration of the credit quality of the different end customers and counterparties with which Naturgy operates.	Diversification of sources of financing.
Liquidity, Solvency, Rating and Provisions	Financial risks associated with the maintenance of the company's rating, derived from liquidity conditions or other causes.	Setting a target rating and managing sufficient liquidity to maintain it in a potential scenario.
Security	Residual risk associated with personal injury or property damage intentionally caused by a third party to critical facilities..	Corporate positioning through the Security Policy, defining a specific protection model for Critical Infrastructure specific protection model for Critical Infrastructures (IICC). Liaison with businesses, the National Centre for the Protection of Critical Infrastructure (CNPIC), the National Cybersecurity Institute (INCIBE-CERT) and other bodies.
Business continuity and crisis management	Risk of loss of service level maintenance resulting from inadequate or failed processes, systems or staff performance...	Annual Internal Audit Plan. Detection of weaknesses. Implementation of improvement actions (recommendations). Audit and Control Committee.
Fraud	Risk derived from any intentional, unlawful action by an employee or third party, to achieve a direct or indirect benefit for themselves or for the company, through the improper use of Naturgy's resources or assets.e.	Control mechanisms through the Global Financial Reporting and Sustainability Policy, with the Internal Control System for Financial Reporting (ICFR) Contracting coverage in the insurance market
Cybersecurity	Malicious attacks or accidental events affecting data, computer networks or technology.	.Implementation of security measures. Analysis of events and application of remedies Training

Data protection	Uncertainty associated with non-compliance with Data Protection obligations that may result in an administrative sanction or civil judgement.	Action plan by business area to mitigate the risk associated with each obligation according to priority and criticality. Work is carried out in line with the requirements of the General Data Protection Regulation (GDPR) and Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD). Internal audit plan for periodic review of compliance.
Environmental	Possibility of exceeding mandatory environmental limits set by the regulator, either naturally or by human action, damaging ecosystems or biodiversity.	Emergency plans for facilities at risk of environmental accidents. Specific insurance policies. Comprehensive environmental management
Health and Safety	Risk of injury and deterioration of the health of Naturgy professionals and collaborating companies related to the activity.	Health and safety management system. Safety plan aimed at controlling of the six most critical risk factors in terms of frequency and severity of accidents: confined spaces accident rate: confined spaces, work at height, electrical risk, tree felling and pruning, load handling and road safety.
Reputational and ESG	Deterioration of the perception of Naturgy from different stakeholders, for environmental, social and governance reasons.	Identification and monitoring of potential reputational events. Transparency in communication. Control mechanism through the Internal Control System for Sustainability (ICISS)
Compliance risk		
Reputational and criminal risk	Administrative and criminal sanctions. Deterioration of the reputational image of NATURGY.	Crime Prevention Model. Ethics Code and Anticorruption Policy. Whistleblowing Channel. Compliance Training.
Thrid-Party risk	Administrative and criminal sanctions. Damage derived from contractual breach.	Third-Party Due Diligence Procedure

E.4 Identify if the company has a risk tolerance level, including tax risks.

The company has risk tolerance levels established at corporate level for the main types of risk through the setting of limits, by nature of the risk, including tax risks, and by business, depending on the objectives.

The risk assessment process starts with the identification of risks, generally by the businesses that support the exposure. Annually, with the preparation of the Corporate Risk Map, a tool that allows the company to continuously improve the process of identification, characterisation and determination of Naturgy's risk profile, an in-depth review is carried out to ensure the correct identification of all exposures, both current and potential.

E.5 Identify any risks, including tax risks, which have occurred during the year.

The risks and opportunities materialised during the year, were inherent to the activity carried out, such as the volatility of gas and electricity prices, exchange rates, interest rates, volume, credit and counterparty risks and other relevant contingencies.

The company will seek to position itself in stable geographic areas to ensure steady growth that contributes to the generation of value and profitability of the businesses and the company: balancing the weight of its businesses in its mix of activities, placing greater ambition on increasing the contribution of regulated activities and renewable generation capacity in line with the global energy transition, optimising the natural gas and LNG supply portfolio and developing innovation projects in biogas and its blending in gas networks, other renewable gases, energy efficiency, sustainable mobility and just transition.

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E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to new challenges.

Naturgy analyses its global risk profile according to the potential impact on its financial statements. With this, it determines the maximum accepted level of risk exposure, as well as the admissible limits for its management.

The Board of Directors has recurrently received information on the potential impact on results of the evolution of the energy scenario in order to adopt business and risk mitigation decisions in real time, as well as on the different regulatory and tax aspects, both in the draft phase and after their formal approval, which could impact on the business or on said estimated results.

For matters that not reach the threshold for approval by the Board of Directors, this task was carried out by the the Steering Committee and, where appropriate, specific committees, monitoring and taking business and risk mitigation decisions.

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F. INTERNAL SYSTEMS OF CONTROL AND RISK MANAGEMENT WITH REGARD TO THE INTERNAL CONTROL SYSTEMS OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that make up your entity's internal control system and management of risks with regard to the financial information reporting process (ICFR).

F.1 The company's control environment

Report on, duly detailing their main characteristics, at least:

F.1.1. Which bodies and/or functions are in charge of: (i) the existence and upkeep of an appropriate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Naturgy has defined its Internal Control over Financial Reporting System (hereinafter, ICFR) in the "Global Policy Financial and Sustainability Reporting" and the "Technical Standard of the Internal Control over Financial Reporting System (ICFR) of Naturgy", the responsibility model being as follows:

- Board of Directors: It is responsible for the existence of an adequate and effective ICFR, as established in Article 3 section II of the Regulations of Organisation and Functioning of the Board of Directors of Naturgy Energy Group, S.A. and its Committees.

- Audit and Control Committee: It is responsible, on a delegated basis, for the supervision of the ICFR, as established in article 26 section 2 of the Regulations of the Board of Directors.

- Internal Audit Unit: It is responsible for supporting the Audit and Control Committee in the supervision and continuous assessment of the effectiveness of the Internal Control System in all areas of Naturgy.

- Consolidation and Administration Unit: It is responsible for establishing the criteria and principles of the design of the ICFR, to ensure the integrity, consistency and accuracy of financial information and approve the regulations in this area, as well as discuss with the auditor of accounts the significant weaknesses of the internal control system detected in the development of the audit.

- Business Administration and Operational Monitoring Unit: Responsible for the implementation and operation of the ICFR, ensuring compliance with corporate criteria within its business.

- Compliance Unit: Responsible for the Criminal Prevention Model in Naturgy, it provides information and support to the Audit and Control Committee on the control model.

- Business and corporate units involved in the process of preparing financial information (control owners): They are responsible for executing the processes and maintaining the daily operations, ensuring that the control activities implemented are carried out, evaluating them or supervising the outsourced service activities, when they participate in relevant processes in the preparation of financial information, with the established frequency and, annually, performing the Annual Internal Certification of the ICFR (direct and/or supervised control activities).

F.1.2. Whether or not the following elements exist, particularly with regard to the procedure for financial reporting:

- **Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of the lines of responsibility and authority, with an appropriate distribution of tasks and duties; and (iii) that there are sufficient procedures for proper dissemination at the entity.**

The design and review of the organizational structure of the directors, who reports directly to the Board or one of its members, are approved by the Board of Directors, at the proposal of the Appointments and Remuneration Committee through the Executive President in collaboration with the People and Resources Department.

In turn, the People and Organization Unit is responsible for defining the Group's organizational structures, assigning functions and responsibilities of the different units deployed, ensuring dissemination procedures within the organization.

The Consolidation and Administration Unit is responsible for establishing policies and procedures relating to the financial reporting process.

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions of the recording of transactions and preparation of financial information), body responsible for analysing breaches and proposing corrective actions and sanctions.**

Naturgy has a Code of Ethics, approved by the Board of Directors, which is mandatory for all employees of NATURGY ENERGY GROUP, S.A. and all investee companies in which Naturgy has management control and which incorporates in Chapter 3, the guiding principles of conduct in Naturgy and in Chapter 4 the specific guidelines for action to be observed by employees in the areas of content determined therein, referring in Chapter 4 to the treatment of information, obliging all employees to transmit truthfully all information to be communicated both internally and externally 4.11 to the treatment of information, obliging all employees to truthfully transmit all information to be communicated both internally and externally.

The body in charge of analysing breaches and proposing corrective actions and sanctions in Naturgy is the Ethics and Compliance Committee, which is also responsible for promoting the dissemination and application of the Code of Ethics and the Compliance Policy, among other rules, throughout the group and providing a communication channel to all employees for queries and notifications of breaches of these regulations.

The Committee is chaired by the Compliance Officer and is made up of representatives from different units involved in monitoring compliance with internal and external regulations.

The Committee reports regularly to the Management Committee and to the Audit and Control Committee. It reports and makes recommendations, proposing corrective actions to the units in charge of solving the problems arising from the practical application of the Code of Ethics and other applicable internal and external regulations, acting in turn as a liaison between them and the employees.

The sanctioning regime, where necessary, is referenced to the Collective Bargaining Agreement and the Workers' Statute.

- **Whistleblowing channel, which enables communication to be sent to the Audit and Control Committee concerning any irregularities of a financial and accounting nature, along with any possible breaches of the Code of Conduct and irregular activity within the organisation, and state whether said channel is confidential whether it allows for anonymous communications while respecting the rights of the complainant and the accused.**

In accordance with the provisions of Law 2/2023 of 20 February, regulating the protection of persons who report regulatory infringements and the fight against corruption, Naturgy has an Internal Reporting System that integrates the various communication channels of the Naturgy Group through which employees and third parties can file complaints. at the web address https://naturgy.integrityline.com

The aforementioned Internal Reporting System corresponds to an open channel (a web platform accessible from any device), accessible to all Naturgy employees and interested third parties that allows all group employees, suppliers and collaborating companies to collect or provide information on irregularities of a financial and accounting nature, breaches of Naturgy's Code of Ethics or any other irregular activity that may eventually be carried out in the organisation.

All communications made through the channel are absolutely confidential and may, at the choice of the informant, be anonymous, respecting the provisions set out in Law 2/2023 and in the Personal Data Protection regulations.

More detailed information on the Code of Ethics, the Anti-Corruption Policy, the Compliance Policy, the activities of the Ethics and Compliance Committee and the use of the Internal Reporting System can be found in the Annex to Naturgy's Consolidated Non-financial Information Statement and Sustainability Information 2024.

- **Training programmes and periodic retraining for personnel involved in the preparation and review of financial reporting, as well as the assessment of the ICFR, which at least cover the accounting, audit, internal control and risk management standards.**

The Global Policy for Management Talent and Training establishes the training model that guarantees the adequacy and development of skills and competencies that, for the economic-financial area, focuses on specific knowledge of updating accounting and financial criteria, the new SAP Hana economic-financial system, risk management and control in the value chain of the group's businesses and activities, budgeting, energy transition, climate change and sustainability, compliance and auditing, international regulations and tax knowledge; as well as providing sufficient knowledge on financial modelling, company valuation, financial derivatives, artificial intelligence applied to financial reporting, big data and cybersecurity, among others.

In total, in 2024, more than 370 professionals from the economic and financial areas dedicated almost 1,200 hours to training in this content.

F.2 Assessment of financial reporting risks

Provide information, at least, on the following:

F.2.1. What are the main characteristics in the risk identification process, including risks of error or fraudulent practices, with regard to:

- **If the process exists and it is documented.**

TNaturgy has a financial information risk identification process documented through three internal procedures that determine the applicable criteria and methodology:

- The Financial Reporting Scope Definition Matrix: sets out the critical, relevant and material processes to be covered by the internal control model.ing .

- The Financial Reporting Risk Matrix identifies the financial reporting risks to be mitigated for each of the processes within the scope.

- The Financial Reporting Control Activities Matrix which sets out the criteria for the control activities necessary to mitigate the risks identified.

Within the ICFR risk identification process, consideration has been given to mitigating the risk of fraud through prevention, detection and investigation of fraud situations, designing "active" control activities, such as barriers to restrict or prevent access to valuable assets by those who may attempt to commit fraud, and "passive" control activities that aim to stop fraud being committed through deterrence measures.

The financial reporting risk identification process is a dynamic system, which is regularly updated.

- **If the process covers all the financial reporting objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), if it is updated and how frequently.**

In order to guarantee the objectives of financial reporting, Naturgy's ICFR control activities directly identify which financial assertions are covered, i.e. the risks that mitigate making it possible to categorise the criticality of the control activities according to the number of financial assertions assigned. This model ensures that, for critical processes, the necessary controls are in place and allow to ensure all financial reporting objectives. The Control Activity Matrix is updated on a quarterly basis.

- **The existence of a process for the identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special purpose entities.**

Naturgy has a specific procedure that details the monthly update process of the perimeter, in accordance with the corporate operations existing in the period, regardless of the corporate structure used, which describes the process of communicating information on corporate operations, the responsible units involved and the systems involved. This procedure identifies the risks inherent in the preparation of the perimeter, establishing the necessary control activities that help mitigate their occurrence and ensure the integrity and completeness of the corporate information.

- **If the process takes other types of risks into account (operating, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.**

The risks associated with achieving the financial reporting objectives have been identified in the SCIIF Risk Matrix, taking into account in said identification not only the coverage of financial assertions, but also other types of risks; mainly operational risks, economic fraud, legal, technological, cybersecurity, reputational, segregation of functions and management of access to information, etc., which are part of Naturgy's Corporate Risk Map.

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- **Which governing body of the company supervises the process.**

Supervision of the effectiveness of the ICFR is the responsibility of the Audit and Control Committee. This function is carried out by the Internal Audit unit and the External Audit unit (see section F.5).

F.3 Control activities

State, duly detailing their main characteristics, whether, at least, the following aspects exist:

F.3.1. Procedures for the review and authorisation of financial reporting, and the description of ICFR, to be published on the securities markets, indicating their supervisors, and the documentation which describes the flow of activities and controls (including those relating to risk of fraud) of the different types of transactions which can have a material impact on the financial statements, including the closing of accounts procedure and the specific review of relevant judgements, estimates, valuations, and protection.

As a first level of review, the heads of the Business Administration and Operational Monitoring units review the financial information prepared to ensure its reliability and certify the reasonableness of the individual annual accounts. They also ensure that the accounting procedures, judgements and estimates and processes used in the preparation of the economic and financial information and financial statements, the main risks and contingencies and their coverage by provisions and the tax position of the companies and the main tax policies are correct, complete, duly detailed and reported and in accordance with the applicable local tax laws and regulations.

Ultimately, the head of Consolidation and Administration certifies the reasonableness of the individual annual accounts of NATURGY ENERGY GROUP, S.A. and the consolidated annual accounts submitted to the Board of Directors for approval.

The processes identified in the ICFR are documented by means of the matrix of control activities, in the SAP GRC Process Control system and in the corresponding technical instructions describing the processes, including, among other variables, the information flow diagram, the map of systems that interact in it, the control activities and the risks covered and those responsible for the processes. In this sense, Naturgy has identified as critical processes all those where judgements, estimates, valuations and relevant projections are used.

Finally, the annual internal certification of controls is carried out by all those responsible involved (control owners) in the processes of preparing the financial information and general controls, reporting the weaknesses detected in the evaluation of the controls and the plans defined to remedy them.

F.3.2. Internal control policies and procedures on information systems (inter alia, on access security, control of changes, operation thereof, operating continuity and separation of functions) which support the relevant processes of the company in drawing up and publishing financial information.

For the critical processes associated with the preparation and publication of Naturgy's financial information, the control activities that operate in the information systems have been identified, both for those used directly in the preparation of financial information and for those that are relevant in the process or control of the transactions reflected therein.

At a general level, within Naturgy's information systems map, a series of policies have been defined and implemented to guarantee the following aspects:

– Security of access to both data and applications and adequate segregation of duties. A series of measures have been defined at different levels to guarantee confidentiality and prevent unauthorised access. In addition, access to the information systems is defined on the basis of roles and profiles that determine the functionalities to which a user must have access.

- Control over changes to applications. A change management methodology has been developed and implemented based on best practices, which establishes the necessary precautions and validations to limit the risk in this process.

- The correct operation of the applications.

- Data availability and application continuity. Most of the systems that operate the financial information processes have HA (High Availability) or a BRS (Disaster Recovery System) and in all cases have both system and data backups (daily, weekly and monthly) that ensure their availability in the event of incidents.

- Compliance with the obligations regarding the security of personal data established in the personal data protection regulations (RGPD, LOPDGDD).

F.3.3. Internal control policies and procedures for supervising the management of activities subcontracted to third parties, and those assessment, calculation or valuation questions entrusted to independent experts, which could have a material impact on the financial statements.

Naturgy has developed a control framework for subcontracted activities, the most relevant being the "Global Outsourcing Policy" and the "Global Supplier Quality Policy".

These establish the general principles that must be applied to all procurement of goods and services, guaranteeing a homogeneous, efficient and sustainable model for the management of the procurement process in Naturgy and determining the responsibilities in the procurement process. Likewise, they ensure that the supply chain complies with the principles established in the Supplier Code of Ethics, the Human Rights Policy, the Health and Safety Policy, the Anti-Corruption Policy, as well as internationally recognised principles of good governance.

The business and corporate units supervise and control the quality of their suppliers to determine whether they offer the required levels of quality in the execution of the work. If not, they send proposals for withdrawal of approval/accreditation to suppliers/products/persons as a result of deficiencies in the performance of services or products.

Naturgy uses experts in works that support valuations, judgements or accounting calculations, only when they are registered in the corresponding Professional Associations, or equivalent accreditation, state their independence and are companies of recognised prestige in the market.

For the coverage of legal and reputational risks involved in business relationships with third parties and, in particular, the coverage of crimes associated with the risk of corruption, Naturgy has defined the "Due Diligence Procedure for Counterparties".

F.4 Information and communication

State, duly detailing their main characteristics, whether, at least, the following aspects exist:

F.4.1. A specific function responsible for defining accounting policies (area or department of accounting policies), keeping them up to date, and resolving doubts or conflicts arising from their interpretation, keeping fluid communications with the persons responsible for operations in the organisation, as well as a manual of accounting policies which is up to date and communicated with the units through which the entity operates.

The Consolidation and Administration Unit is responsible for keeping the accounting policies applicable to the group up to date. In this sense, it is responsible for updating the "Naturgy's Accounting Plan", which includes the accounting criteria, based on the changes in the applicable IFRS-EU regulations, and the Group's Chart of Accounts, as well as the analysis and communication of accounting changes that could have a significant impact on the financial statements and resolve doubts about the accounting treatment of certain transactions.

Once the chart of accounts has been updated, it is disseminated to all the organisation's personnel via Naturgy's regulatory management system.

F.4.2. Mechanisms for the capture and preparation of financial information with uniform formats, applied and used by all units of the company of the group, used to support the main financial statements and the notes, as well as the information set out in detail on the ICFR.

Naturgy's economic-financial management model guarantees the uniformity of administrative and accounting processes through the centralisation of transactional processes and the use of SAP, as a homogeneous support system, in most of the companies that form part of the group. Companies which do not use SAP are obliged to follow the criteria set by the group to ensure the uniformity of such processes.

This model is essentially characterised by the following features:

- It is unique for all countries and businesses;

- Incorporating the legal, fiscal, commercial and regulatory requirements of each country;

- Incorporating internal control requirements;

- Being the basis for obtaining information supplied to Senior Management and official bodies;

- To be based on a single organisational model and economic-financial IT systems for all countries and businesses;

In the process of preparing the consolidated financial information, the SAP BPC system is used, a tool that allows the information to be uploaded automatically and directly, once the individual accounts have been closed.. Finally, workiva is used to manage and elaborate the information of the notes and breakdowns of of the Financial Report of the group and of the parent company. The use of these two systems allows the standardisation, validation and review of the information.

The preparation of the consolidated financial information is carried out centrally in the Consolidation Unit, which ensures the integration, homogeneity, consistency and rationalisation of Naturgy's consolidated financial statements.

Likewise, Naturgy has local charts of accounts to comply with the accounting, tax, mercantile and regulatory requirements established by the different legislations of the countries in which it is present. These local charts of accounts converge in a group chart of accounts, unified and homogeneous for the purposes of consolidation and reporting of financial information.

In 2020, the Single European Electronic Format (FEUE) was adopted for the preparation of the individual and consolidated Annual Financial Report in accordance with Delegated Regulation 2019/815 of the European Commission of 17 December 2018.

F.5 Supervision of the functioning of the system

Report on, duly detailing their main characteristics, at least:

F.5.1. The supervision activities of the ICFR carried out by the Audit and Control Committee and whether the company has an internal audit function which includes the responsibility of supporting the committee in its task of supervising the internal control system, including the ICFR. Information will also be provided on the scope of the assessment of ICFR carried out during the year and on the procedure through which the party responsible for carrying out the assessment notifies its results, if the company has an action plan with details of the possible corrective measures, and if its impact on financial information has been taken into account.

The Audit and Control Committee has the competencies established by law and those entrusted to it by the Board of Directors in general or in particular. These powers include the following with reference to the ICFR:

- Supervise the process of preparation, presentation and integrity of the financial information relating to the company and, where appropriate, the group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- Supervise the effectiveness of the company's internal control, internal audit and risk management systems, including tax risks.
- Report to the general meeting of shareholders on any issues that may arise in relation to those matters that fall within the competence of the committee.
- Establish the appropriate relations with the external auditor to receive information on those issues that may jeopardise its independence, for examination by the committee, and any others related to the process of auditing the accounts.
- To issue annually, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditor.
- To ensure the independence of the unit that undertakes the internal audit function.

In order to fulfil its duties, the Audit and Control Committee relies on the information and documentation provided by the Internal Audit Units, the Consolidation and Administration Unit the Financial Markets and Corporate Development Unit, the Business Administration and Operational Monitoring units and the External Auditor.

The Internal Audit function has been established in Naturgy as an independent and objective assessment activity, for this reason the Internal Audit Unit, in turn, reports to the Audit and Control Committee of NATURGY ENERGY GROUP S.A.

In accordance with the Group's policies, the Internal Control over Financial Reporting System (ICFR) of Naturgy is expected to be fully supervised by Internal Audit on a multiannual horizon

The risk assessment methodology is aligned with the best corporate governance practices and based on the conceptual framework of the COSO Report (Committee of Sponsoring Organizations of the Treadway Commission), taking as a starting point the typology of risks defined in the company's Risk Map.

With reference to the Internal Control over Financial Reporting System (ICFR), the Internal Audit unit is responsible for:

- Supervise the general model of the Internal Control System for Financial Information and the effectiveness of the associated controls, through the execution of the Annual Audit Plan over a multi-year horizon.

- Supervise the certification process carried out by those responsible for the ICFR controls.

- Depending on the scope defined, inform the Audit and Control Committee of the results and weaknesses detected in the ICFR, presenting the main aspects detected in the internal audits of the ICFR and their monitoring, related to the general model and the controls over the ICFR processes.

F.5.2. If the company has a discussion procedure through which the accounts auditor (as established in the TAS), the internal audit function and other experts can inform the company senior management and the Audit and Control Committee or administrators of significant weaknesses in internal control identified during the annual accounts review processes or others which might have been entrusted to them. The company shall also state whether it has an action plan to try to correct or mitigate the weaknesses observed.

As set out in Article 6 of the Board Regulation:

The Audit and Compliance Committee, convened by its chairman, meets when necessary to issue the reports for which it is responsible or when deemed appropriate by its chairman or at the request of two of its members, and at least four times a year. The Committee may invite to its meetings any manager or employee it deems appropriate. The Internal Audit unit reports to the Audit and Control Committee, on a recurring basis, the actions taken to ensure that Naturgy complies with all those policies, standards and process controls established by the group's first level of management.

The external auditor may at any time address both the management team, the Management Committee and the Audit and Control Committee (normally through the Chairman or Secretary of the Committee). The external auditor informs the Audit and Control Committee of any significant internal control weaknesses detected during the course of the audit. In addition, the external auditors report on the main conclusions reached in the internal control review, on the risk assessment and on the action plans.

Finally, the external auditor, in addition to meeting periodically with the Audit and Control Committee, also has the possibility of meeting with the Board of Directors in plenary session prior to the preparation of the annual accounts.

F.6 Other relevant information.

As described in section F.3.1. in the annual internal ICFR certification process, the responsible business and corporate units (control owners) ensure that the controls identified to mitigate the risks of preparing financial informationare implemente and that they are valid and sufficient. In addition, they report any weaknesses detected, the plans defined to remedy them and any changes in their processes in order to assess whether these imply the development of new controls or the modification of existing ones.

During the 2024 financial year, as a result of the annual internal certification, changes have been identified in a limited number of processes, highlighting that these changes have not entailed a significant modification of the control activities previously identified, and therefore the risks associated with the preparation and reporting of financial information in the critical processes affected are considered to be covered. The main magnitudes of this process relating to control activities were as follows:

	Spain	International	Total
Business and corporate units	211	151	362
Processes identified	48	164	212
Controls certified	865	809	1674

In addition, 16 weakness remediation plans have been identified 2 are for general group control activities. During 2024, 80% of the remediation plans identified in 2023 have been resolved, 13 new plans emerging in 2024. In any case, the sub-processes affected by these remediation plans do not significantly affect the quality of the financial information..

F.7 Report of the external auditor

State:

F.7.1. If the ICFR information submitted to the markets has been reviewed by the External Auditor, in which case the company will have to include the corresponding report as an annex. Otherwise, it will have to explain why.

Naturgy has considered it appropriate to request the External Auditor to issue a report on the information relating to the Internal Control over Financial Reporting System (ICFR).

G DECREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of compliance of the Company in respect of the recommendations regarding the Good Governance Code of Listed Companies.

If any recommendations are not followed or are followed partially, it will be necessary to include a detailed explanation of the reasons why so that the shareholders, investors and the market in general, have sufficient information to be able to assess the company's actions. General explanations are not acceptable.

1. **The Articles of Association of listed companies should not limit the maximum number of votes that can be issued by the same shareholder or contain other restrictions that prevent the company from being taken over through the purchase of its shares on the market.**

Compliant ☒ Explain ☐

2. **When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:**

   a. **The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.**

   b. **The mechanisms established to resolve any conflicts of interest that may arise.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

3. **During the annual general meeting the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

   a. **Changes taking place since the previous annual general meeting.**

   b. **The specific reasons for the Company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

Compliant ☒ Partially compliant ☐ Explain ☐

4. **The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.**

   Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Compliant ☒ Partially compliant ☐ Explain ☐

5. **The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription to rights for an amount exceeding 20% of capital at the time of such delegation.**

When the Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant ☒ Partially compliant ☐ Explain ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the ordinary general meeting, even if their distribution is not obligatory:

a. **Report on auditor independence.**
b. **Reports on the operation of the Audit and Control Committee and the Appointments and Remuneration Committee.**
c. **Audit Committee report on related party transactions.**
d. **Report on corporate social responsibility policy.**

Compliant ☒ Partially compliant ☐ Explain ☐

7. The company should broadcast its general meetings on the corporate website.
The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

Compliant ☒ Partially compliant ☐ Explain ☐

8. The Audit and Control Committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the Audit and Control Committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

Compliant ☒ Partially compliant ☐ Explain ☐

9. The Company should disclose its conditions and procedures for admitting share ownerships, the right to attend the General Meeting of Shareholders and the exercise or delegation of voting rights, and display the permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant ☒ Partially compliant ☐ Explain ☐

10. When an accredited shareholder exercises the right to supplement the Agenda or submit new proposals prior to the General Meeting of Shareholders, the company should:

a. **Immediately circulate the supplementary items and new proposals.**
b. **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that the new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.**
c. **Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of the votes.**
d. **After the General Meeting of Shareholders, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

11. In the event that the company plans to pay for attendance at the General Meeting of Shareholders, it should establish a general, long-term policy in this respect.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all Shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the board community and the natural environment.

Compliant ☒ Partially compliant ☐ Explain ☐

13. The Board of Directors should be an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five (5) and fifteen (15) members.

Compliant ☒ Partially compliant ☐ Explain ☐

14. The board of directors should approve a policy aimed at promoting an appropriate composition of the board that:

a. **Is concrete and verifiable.**
b. **Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.**
c. **Favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.**

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The Appointments Committee should run an annual check on compliance with this Policy and set out its findings in annual corporate governance report.

Compliant ☒ Partially compliant ☐ Explain ☐

15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Compliant ☐ Partially compliant ☒ Explain ☐

.
The number of executive directors is 1 and is therefore the minimum required.

Finally, as regards the number of female directors, the policy for the selection of directors ensures that the selection procedures do not suffer from implicit biases that could imply any discrimination, within the framework of full respect for the right to proportional representation of shareholders recognised by law. The policy for the selection of Directors is aimed at ensuring an adequate diversity in the composition of the Board of Directors, which has resulted in the members of the Board having different and complementary professional profiles and backgrounds, in the conviction that such diversity results in a better functioning of the Board. although the percentage of female directors recommended by the CNMV has not yet been reached.

16. The percentage of proprietary directors out of all non-executive directors should not be greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.
This criterion can be relaxed:

a. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
b. In companies with a plurality of shareholders represented on the Board but not otherwise related.

Compliant ☒ Explain ☐

17. Independent directors should be at least half of all Board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least one third (1/3) of the Board places.

Compliant ☐ Explain ☒

The company comfortably complies with recommendation 16 that the percentage of proprietary directors (75%) should not exceed the percentage of shares held by represented shareholders (85%).

It even complies with the requirement that independent directors (25%) should account for a higher percentage on the board than shareholders who are not represented on the board (15%).

However, in the Company there are 4 shareholders who have appointed directors in violation of the principle of proportional representation recognized in the legislation, so, due to legal imposition, it is impossible to comply with this recommendation 17

18. The companies should publish the following information about their directors on their website and keep the said information up-to-date.

a. Background and professional experience.

b. Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c. Statement of the director class to which they belong; in the case of proprietary directors indicating the shareholder they represent or have links with.

d. Dates of their first appointment as Board member and subsequent re-elections.

e. Shares held in the company, and any options on the same.

Compliant ☒ Partially compliant ☐ Explain ☐

19. The annual corporate governance report, with prior verification by the Appointments Committee is to provide an explanation for the reasons proprietary directors were appointed at the behest of shareholders whose stake in the company is less than 3% of share capital, and reasons given for the rejections of formal requests for board representation from shareholders who have successfully requested the appointment of proprietary directors.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

20. Proprietary directors are to submit their resignation when the shareholder whom they represent fully disposes of their stake. They should also present their resignation, in the corresponding number, when the said shareholder lowers his/hers shares in the company to a level that requires a reduction in the number of his/her proprietary directors.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a report from the Appointments Committee. In particular, it shall be understood that there is just cause when the director takes on new offices or assumes new obligations that prevent them from devoting the time necessary to perform the duties of the office of director, breaches the duties inherent to their position or is affected by one of the circumstances that cause them to lose their independent status in accordance with the provisions of applicable law.

The removal of independent directors may also be proposed as a consequence of offers for the takeover, merger or similar corporate actions affecting the company that may involve a change in the company's capital structure, whenever such changes in the Board of Directors arise under application of the proportionality criterion pointed out in Recommendation 16.

Compliant ☒ Explain ☐

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Compliant ☒ Partially compliant ☐ Explain ☐

23. All directors are to clearly express their opposition when they consider that any proposal subject to the decision of the Board of Directors may be detrimental to corporate interests. The independent directors and other directors who are not affected by the potential conflict of interest are to voice their opposition in a special manner whenever such decisions may be of detriment to shareholders not represented on the Board of Directors.

When the Board makes material or reiterated decisions about which director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

25. The Appointments Committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors regulations should lay down the maximum number of company Boards on which Directors can serve.

Compliant ☒ Partially compliant ☐ Explain ☐

26. The Board should meet with the necessary frequency to properly perform its functions, eight (8) times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each Director may propose the addition of initially unscheduled items.

Compliant ☒ Partially compliant ☐ Explain ☐

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, Directors should delegate their powers of presentation with the appropriate instructions.

Compliant ☐ Partially complian ☒ Explain ☐

28. When directors or the secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, they should, at the request of the person expressing them, be recorded in the minutes..

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

29. The Company should provide suitable channels for Directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company’s expense.

Compliant ☒ Partially compliant ☐ Explain ☐

30. Regardless of the knowledge Directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant ☒ Explain ☐ Not applicable ☐

31. The Agendas of the Board Meetings should clearly indicate on which items Directors must arrive at a decision, so that they can study the matter beforehand or gather together the material they need for its resolution.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the Agenda. In such exceptional circumstances, their inclusion will require express prior consent, duly recorded in the Minutes, from the majority of the Directors in attendance.

Compliant ☒ Partially compliant ☐ Explain ☐

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its Group.

Compliant ☒ Partially compliant ☐ Explain ☐

33. The Chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by Law and the Company's Articles of Association, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular assessments of the Board and, where appropriate, the Company's Chief Executive Officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each Directors, when circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

34. When a coordinating independent Director has been appointed, the Articles of Association or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the Chairman or Deputy Chairmen, give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those that have to do with the company's corporate governance; and coordinate the Chairman's succession plan.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

The Lead Director is attributed all the recommended functions (chairing the Board of Directors in the absence of the Chairman, echoing the concerns of the non-executive directors, coordinating the Chairman's succession plan, etc.) except that of investor relations.

Naturgy's Board pays special attention to investor relations issues, as reflected, among others, in art. 4 of its Regulations. In this line, the Company, within the framework of the new Strategic Plan, has made the alignment of interests between executives and shareholders a substantial axis of its actions. The Board has therefore decided to assign this function to the executive chairman, and within the Financial Markets Division, which reports directly to him, a specific Investor Relations unit has been created.

35. The Board Secretary should strive to ensure that the Board's actions and decisions take into account the good governance recommendations contained in the Good Governance Code of relevance to the Company.

Compliant ☒ Explain ☐

36. The Board in a plenary session should assess once a year, adopting, where necessary, an Action Plan to correct deficiencies identified in:

The quality and efficiency of the Board's operation.

The performance and composition of its Committees.

The diversity of the composition and competence of the Board of Directors

e) The performance of the Chairman of the Board of Directors and the Company's Chief Executive.

f) The performance and contribution of each Director, with particular attention to the Chairmen of Board Committees.

The assessment of Board Committees should start from the reports they submit to the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.

Every three (3) years, the Board of Directors should engage an External Advisor to assist in the assessment process, whose independence should be verified by the Appointments Committee.

Any business relationships that the Consultant or any other company of its group maintains with the company or any company of its group must detailed in the annual corporate governance report.

The process followed and areas assessed should be detailed in the annual corporate governance report.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

37. When there is an executive committee, there should be at least two nonexecutive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

38. The Board is kept informed at all times of the business addressed and resolutions made by the Executive Committee and that all Members of the Board receive a copy of the Minutes of the Executive Committee meetings.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

39. All members of the Audit and Control Committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

Compliant ☒ Partially compliant ☐ Explain ☐

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the Audit and Control Committee, to assure the correct functioning of the reporting and internal control systems. This unit should report functionally to the non-executive Chairman of the Audit and Control Committee.

Compliant ☐ Partially compliant ☒ Explain ☐

The company considers it more appropriate that the functional dependence should be on the Audit and Control Committee as a whole and not on its Chairman, as the functions that make up this dependence apply to the Committee as a whole and not only to the Chairman.

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It reports to the General Secretary for administrative and management purposes only.

41. The head of the unit handling the internal audit function should present an annual work programme to the Audit and Control Committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

42. The Audit and Control Committee have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice

2. With regard to the External Auditor:

a) In the event of resignation of the External Auditor, the Committee should investigate the issues giving rise to the resignation.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the External Auditor has a yearly meeting with the Board in plenary session to inform them of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant ☒ Partially compliant ☐ Explain ☐

43. The Audit and Control Committee may call any of the Company's employees or managers, and also have them appear without the presence of any other executive.

Compliant ☒ Partially compliant ☐ Explain ☐

44. The Audit and Control Committee should be informed on any structural or corporate operations that the Company is planning, so the Committee can analyse the same and report to the Board beforehand on its economic conditions and accounting impact, and, when applicable the exchange rate ratio proposed.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

45. The risk control and management policies should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.

c) The level of risk that the company considers acceptable.

d) The measures in place to mitigate the impact of identified risk events should they occur.

e) The internal control and reporting systems to be sued to control and manage the above risks, including the contingent liabilities and off-balance sheet risks.

Compliant ☒ Partially compliant ☐ Explain ☐

46. That, under the direct supervision of the Audit and Control Committee or, as the case may be, of a specialised Committee of the Board of Directors, there is an internal function of control and risk management exercised by a unit or internal department of the company that has been assigned expressly the following functions:

a) Ensure the proper functioning of the risk management and control systems and, in particular, that all important risks affecting the Company are identified, managed and quantified adequately.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board of Directors.

Compliant ☒ Partially compliant ☐ Explain ☐

47. Members of the Appointments and Remuneration Committee - or of the Appointments Committee and Remuneration Committee, if separately constituted - should have the right mix of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be Independent Directors.

Compliant ☐ Partially compliant ☒ Explain ☐

48. Large cap companies should operate separately constituted Appointments Committees and Remuneration Committees.

Compliant ☐ Not aplicable ☐ Explain☒

The Company considers that, at least in its case, it is neither necessary nor efficient to separate the powers of the Appointments and Remuneration Committee into two committees, one for Appointments and the other for Remuneration. The existence of a single committee in no way prejudices or limits the exercise of the powers granted by law to the Appointments and Remuneration Committee, which also allows the Company to optimise costs insofar as it avoids the accrual of additional remuneration to the directors called upon to form part of the two split committees. The Company considers that such a split could be counterproductive, as the presence of a significant number of independent directors on the Board Committees is relevant for the Company. Given the restrictions imposed by current legislation on the number of independent directors in application of the principle of proportional representation, the number of independent directors on the Board of Directors is currently 3. In order to have a significant number of independent directors on the two split committees, in addition to the Audit and Control Committee (where they must be a majority by law) and the Sustainability Committee, it would be necessary to impose on these directors an overload of work derived from a new committee.

49. The Appointments Committee should consult with the Chairman of the Board of Directors and Chief Executive Officer, especially on matters relating to Executive Directors.

When there are vacancies on the Board, any Director may approach the Appointments Committee to propose candidates they consider suitable.

Compliant ☒ Partially compliant ☐ Explain ☐

50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by Law:

- **a. Propose to the Board of Directors the standard conditions for Senior Executive contracts.**
- **b. Monitor compliance with the remuneration policy set by the Company.**
- **c. Periodically review the remuneration policy for Directors and Senior Executives, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other Directors and Senior Executives to the Company.**
- **d. Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- **e. Verify the information on remuneration of Directors and Senior Executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration.**

Compliant ☒ Partially compliant ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman of the Board of Directors and Chief Executive Officer, especially on matters relating to Executive Directors.

Compliant ☒ Partially compliant ☐ Explain ☐

52. The terms of reference of supervision and control should be set out in the Board of Director's regulations and aligned with those governing legally mandatory Board Committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- **a. Committees should be formed exclusively by non-executive Directors, with a majority of Independent Directors.**
- **b. Committees should be chaired by an Independent Director.**
- **c. The Board should appoint the members of such committees with regard to the knowledge, skills and experience of its Directors and each Committee's terms of reference; discuss their proposals and reports; and provide report backs on their activities and work at the first board plenary following each committee meeting.**
- **d. The may engage external advice, when they feel it necessary for the discharge of their functions.**
- **e. Meeting proceedings should be recorded/notified in the Minutes and a copy made available to all Board Members.**

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the Audit and Control Committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of selforganisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Compliant ☐ Partially compliant ☒ Explain ☐

The shareholding structure of the Company, the significant reduction in the free float, and the appointment by significant shareholders of directors under the principle of proportional representation, has led to a reduction in the number of independent directors from 5 to 3 and has made it necessary to reconfigure the composition of the specialized committees.

All the committees are chaired by an independent director, although, unless legally obliged to do so, there is no majority presence of independent directors so as not to overburden them by having them sit on more than two committees at the same time.

54. The minimum functions referred to in the previous recommendation are as follows:

- **a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.**
- **b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.**
- **c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.**
- **d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.**
- **e) Monitor and evaluate the company's interaction with its stakeholder groups.**

Compliant ☒ Partially compliant ☐ Explain ☐

55. Environmental and social sustainability policies should identify and include at least.

- **a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.**

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.

d) Channels for stakeholder communication, participation and dialogue.

e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

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Compliant ☒ Partially compliant ☐ Explain ☐

56. Directors' remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant ☒ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant ☒ Partially compliant ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate their contribution to long-term value creation. This will ensure that the performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

In setting the variable remuneration, the Board has considered it appropriate to combine variable remunerations with different time horizons and metrics: on the one hand, annual variable remuneration whose metrics, linked to operational objectives, respond to a classic incentive model, which fits with the limits and precaution set out in this recommendation. On the other hand, remuneration with a long-term horizon has been introduced (it expires in July 2023), which has now been aligned with the return the shareholder would receive, and therefore does not tally exactly with the more traditional models of remuneration. The Board considers that, in the long term, the best and simplest metric of the performance of the Executive Chairman is the one referring to dividends distributed and changes to the share price.

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation.

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable

The long-term incentive applicable to the Executive Chairman and other relevant executives of the Company brings into line the interest of the executives with those of the shareholders through a mechanism that contemplates a deferral in the payment of the incentive more than five (5) years after its approval. Accordingly, it is unnecessary to introduce an additional period of limitation to the transfer of shares when the plan expires and the shares are handed over.

63. Contractual arrangements should include provision that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable

The severance payment respects the above-mentioned recommendation of two annual payments on the total annual remuneration (total fixed remuneration, annual variable remuneration and multi-year variable remuneration in the terms detailed in the annual remuneration report).

On the other hand, the executive chairman would additionally be entitled to non-competition compensation, which is of a different legal nature from the contract termination payment, as it is a consideration for the post-contractual non-competition pact that he assumes. The amount of this compensation is one year of the total fixed remuneration.

H. OTHER INFORMATION OF INTEREST

1. **If there is any other relevant aspect in corporate governance in the company or in the group companies which has not been included in the rest of the sections of this report, but which it was necessary to include to show more complete and reasoned information on the governance structure and practices in the company or its group, briefly indicate them here.**

2. **In this section, you may include any information or clarification with regard to the previous sections of this report to the extent that they are relevant and non-repetitive.**

   More specifically, indicate whether your company is subject to any corporate governance legislation other than Spanish law, and if so, include any information that is mandatory and different from that requested herein.

3. **The Company will also be able to indicate if it has voluntarily subscribed to other codes of ethical principles or good practices, at international or sector level, or in any other field. In that case, indicate the code in question and the date it was subscribed to. In particular, mention whether there has been adherence to the Code of Good Tax Practices of 20 July 2010.**

   The Board of Directors, at its meeting held on 17 September 2010, agreed on NATURGY's adherence to the Code of Good Tax Practices. In accordance with the provisions of the aforementioned Code, it is expressly stated that Naturgy has effectively complied with the contents thereof and, in particular, that at the meeting held on 18 February 2025, the Board was informed, through the Audit and Control Committee, of the tax situation and policies followed by the Group during the 2024 financial year.

   Likewise, the Board of Directors, at its meeting of 29 January 2019 and with the favourable report of the Audit Committee, approved the Tax Strategy and Tax Risk Control and Management Policy, which regulates the basic principles that should guide NATURGY's tax function, as well as the main lines of action to mitigate and guide the correct control of tax risks.

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on 18 February 2025.

Please indicate whether any Directors have voted against or abstained from the approval of this report.

Yes ☐ **No** ☒

Name and Company Name of the Members of the Board that have voted against approving this report.	Reasons (against, abstention, non-attendance)	Explain the reasons

Naturgy Energy Group, S.A.

Auditor's Report on the “Internal Control over Financial Reporting (ICOFR) Information” of Naturgy Energy Group, S.A. for 2024

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

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

Auditor's Report on the "Internal Control over Financial Reporting (ICOFR) Information" of Naturgy Energy Group, S.A. for 2024

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

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

As requested by the Board of Directors of Naturgy Energy Group, S.A. (the "Entity") and in accordance with our proposal letter dated 28 October 2024, we have applied certain procedures to the "ICOFR disclosures" attached in the Directors' Report of Naturgy Energy Group, S.A. for 2024, which summarises the Entity's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the ICOFR information attached hereto.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Entity in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Entity's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the effectiveness of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information concerning the system of Internal Control over Financial Reporting in Listed Companies, published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, nor on its design or operating effectiveness, with respect to the Entity's annual financial reporting for 2024 described in the ICOFR information attached hereto. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

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

As this special work did not constitute an audit of accounts and is not subject to current legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Entity regarding ICOFR – disclosures included in the directors' report – and an evaluation of whether this information meets all the minimum reporting requirements, taking into account the minimum content described in section F, regarding the description of ICOFR, of the ACGR template provided in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013 and subsequent amendments, the most recent of these being CNMV Circular 3/2021 of 28 September 2021 (hereinafter the CNMV Circulars).

2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Entity.

3. Review of the explanatory documentation supporting the information detailed in point 1 above, primarily including documents made directly available to those responsible for preparing the description of the ICOFR system. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the Audit and Control Committee.

4. Comparison of the information detailed in point 1 above with the understanding of the Entity's ICOFR obtained as a result of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes taken at meetings of the board of directors, audit and control committee and other committees of the Entity for the purpose of assessing the consistency of the matters discussed at those meetings in relation to ICOFR with the information detailed in point 1 above.

6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and authorising the information detailed in point 1 above.

As a result of the procedures applied to the ICOFR information, no inconsistencies or incidents have been detected that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and in the CNMV Circulars for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Eduardo González Fernández

19 February 2025

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

IDENTIFICATION OF ISSUER

FINANCIAL YEAR REFERENCE DATE	31/12/2023
CIF	A-08015497

Registered Name:
NATURGY ENERGY GROUP, S.A.

Registered Office:
Avenida de América nº 38 – 28028 MADRID

A. COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1.1 - Explain the Remuneration Policy for Directors in force applicable to the current financial year. Insofar as it is relevant, certain information referring to the Remuneration Policy approved by the General Meeting for Shareholders may be included, as long as the same is clear, specific and concise.

The decisions specific to the current financial year should be described, including the remuneration of the Directors for their capacity as such as well as for exercising executive functions, that the Board may have carried out in accordance with that set forth in the contracts signed with the Executive Directors and with the Remuneration Policy approved by the General Meeting of Shareholders

In any case, information should be given on the following aspects, at the very least:

- **a. Description of the procedures and bodies of the Company involved in the determination and approval of the Remuneration Policy and its terms and conditions.**
- **b. Indicate and, as the case may be, explain if comparable companies have been examined to establish the Company's Remuneration Policy.**
- **c. Information on whether any External Consultant has participated and, as the case may be, the identity of the same.**
- **d. Procedures under the existing directors' remuneration policy for applying temporary exceptions to the policy, the conditions under which such exceptions may be used and the components that may be subject to exception under the polic**y.

Article 9 of Naturgy's Articles of Association establishes that the remuneration policy for directors shall be approved by the General Shareholders' Meeting in the manner and within the periods established by the regulations in force.

The current Remuneration Policy was approved at the Ordinary General Meeting held on 15 March 2022, applicable from the date of its approval and for the following three financial years.

Prior to its approval, the Appointments, Remuneration and Corporate Governance Committee analysed the new legislation introduced by Law 5/2021, of 12 April, amending the revised text of the Capital Companies Act and other circumstances arising since the previous review of the Policy in March 2021, drawing up a new Remuneration Policy proposal supported by a specific report which was submitted for consideration by the Board of Directors, who proposed its approval to the General Meeting of Shareholders.

The Policy sets out a remuneration scheme for directors for both executive and non-executive functions in which (a) it takes account of the 2021-2025 Strategic Plan, which translates especially into the adaptation of the multi-year variable remuneration scheme for the Executive Director initially authorised by the 2019 General Shareholders' Meeting and (b) it incorporates all those references necessary to comply with the wording of art. 529 novodecies of the Capital Companies Act, regarding i) their contribution to the business strategy and to the long-term interests and sustainability of the company, ii) the express reference to the relative proportion of the different components of the remuneration, iii) the explanation of how the remuneration and employment conditions of the company's employees have been taken into account when setting the remuneration policy and iv) the explanation of the decision-making process followed for its determination.

The Directors' Remuneration Policy is reviewed periodically by the Board of Directors following a report from the Nomination, Remuneration and Corporate Governance Committee, in order to keep it in line with best practices in the relevant market and with the objectives set out in the Articles of Association.

In accordance with the current Policy, remuneration for non-executive functions consists of a fixed allowance and may also include remuneration in shares or by reference to shares. The distribution of such remuneration, within the limit established from time to time in the Remuneration Policy, shall be made by the Board of Directors, and the remuneration may be different depending on the responsibility required in each of the positions. It may also be different depending on the responsibility and functions that each Director assumes on the Board or on the Committees.

The Executive Chairman's remuneration for the performance of specifically executive or delegated functions consists of the following items:

i) Fixed annual remuneration. This includes any remuneration received for membership of any governing body of a Naturgy group company, except the parent company.

ii) Annual variable remuneration: this is based on 100% of the total annual fixed monetary remuneration and shall be adjusted according to the degree of achievement of objectives. Its receipt in cash may be replaced each year by mutual agreement, in whole or in part, by a contribution to a social welfare system.

iii) Multi-year variable remuneration linked to the achievement of objectives established in the Strategic Plan, based on 125% of the Total Annual Fixed Remuneration multiplied by the years of duration and multiplied by and also multiplied by the degree of achievement of objectives reached.

iv) Other social benefits such as medical insurance, company car, housing assistance, life and disability insurance, limited gas and electricity rebates and group savings insurance.

v) In addition to the above, the Board of Directors may establish other variable remuneration in the case of singular operations, both with objectives linked to their achievement and in terms of remuneration for achievements.

Section iii) was amended by decision of the Board of Directors on 22 April 2024 following a report by the Appointments, Remuneration and Corporate Governance Committee on 21 April 2024, although its effectiveness is conditional on its approval by the next Shareholders' Meeting scheduled for March 2025. If approved, it will take effect from the moment the agreement was adopted by the Board of Directors. Otherwise, the previous regime will continue to apply as described in this same section in annual reports of previous years

The remuneration for executive and non-executive functions for the financial year 2025 was approved by the Board at its meeting of 18 February 2025 following the report of the Nomination, Remuneration and Corporate Governance Committee, which met on 11 and 17 February 2025 and was assisted by PeopleMatters to compare the remuneration of other entities and to evaluate the fixed remuneration of the Executive Chairman and set it for 2025. The targets for the annual variable remuneration of the Executive Chairman were also set at this meeting.

The Apointment, Remuneration and Corporate Governance Committee has used the consultant PeopleMatters to benchmark the remuneration of other entities and to determine the remuneration of the management team and thus of the Executive Chairman.

Article 10 of the current Remuneration Policy contemplates the possibility that the Board of Directors may approve and apply temporary exceptions to the policy, following a reasoned proposal by the Nomination, Remuneration and Corporate Governance Committee, which may be total or partial, although:

i) The maximum annual amount to be received by all the Directors in a financial year, as set out in Section 4 of the aforementioned Policy, may not be waived.

ii) Exceptions shall only be in force from the time they are agreed by the Board of Directors until the next Shareholders' Meeting is held, at which the continuation of the exception must be submitted for approval.

During the current financial year, the Board of Directors has not approved the application of any temporary exception.

A.1.2 - Relative importance of the variable remuneration items in in relation to fixed remuneration items (remuneration mix) and what criteria and objectives are followed to determine the different components of the Directors remuneration package and for guaranteeing an appropriate balance between the fixed and variable components of the remuneration. In particular, explain the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the long-term objectives, values and interests of the Company, which will include, where appropriate, reference to measures designed to ensure that the Remuneration Policy considers the long-term results of the Company, measures adopted for those categories of personnel whose professional activities have a material effect on the Company's risk profile and measures adopted to avoid conflicts of interest.

Likewise, indicate whether the Company has established a period for the accrual or consolidation of certain variable remuneration concepts, in cash, shares or other financial instruments, a period of deferral in the payment of amounts or delivery of financial instruments already accrued and consolidated, or whether any clause has been agreed upon to reduce deferred remuneration that has not yet been consolidated or that obliges the director to return the remuneration received, when such remuneration has been based on data whose inaccuracy has subsequently been clearly demonstrated.

The remuneration of the executive Chairman, the only director receiving variable remuneration, is balanced into 3 main components designed with a similar weighting:

- A fixed component that accrues in any event, so that it does not involve any exposure to risk.

- A variable component with a time horizon of one year, linked to pre-set, specific and quantifiable objectives, aligned with the social interest and with Naturgy's strategy, such as economic-financial variables, efficiency and profitable growth, quality and safety issues, sustainability, environment or good governance which, as it is recurrent, prevents it from encouraging the assumption of excessive risks. This is reinforced by the fact that it is assessed after the annual accounts have been audited and prepared and by the existence of a claw back clause during the 18 months following receipt of the annual variable remuneration.

-A variable component with a very long-term time horizon linked to the Company's Strategic Plan. By coinciding with the duration of the Strategic Plans, their very duration moderates risk-taking and offers longer-term value creation than usual. This remuneration component is linked to a claw back clause during the 18 months following the receipt of the multi-year variable remuneration...

There is a reasonable balance between the variable components not only in terms of time horizon, but also in terms of amount and even objectives, as the annual variable remuneration tends towards operational objectives that consider the immediate interest of the Company, while the multi-year variable remuneration mainly serves the long-term interest of the shareholders, as it is linked to its profitability or to the achievement of the objectives of the Strategic Plan.

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The annual variable remuneration is only determined and paid once the Board of Directors has the audited accounts of the company and therefore any qualifications in the report of the external auditor of the Company that reduce these results will be taken into account. The Board of Directors is free to disregard such qualifications if it disagrees with them.

Furthermore, both the annual variable remuneration and the multi-annual variable remuneration are subject to a claw-back system during the 18 months following receipt of the remuneration.

Regarding the measures envisaged to avoid conflicts of interest:

i) Article 11 of the Regulations of the Board of Directors and its Committees establishes that all members of the Board of Directors of Naturgy, including the Executive Chairman, are subject to the duty of loyalty and, in particular, must::

a) Refrain from participating in the deliberation and voting of resolutions or decisions in which he or a related person has a direct or indirect conflict of interest. The above obligation to abstain shall not apply to resolutions or decisions that affect him as a director, such as his appointment or removal from office on the administrative body or others of similar significance.

b) Adopt the necessary measures to avoid incurring in situations in which their interests, whether their own or those of others, may conflict with the corporate interest and with their duties to the Company.

ii) Naturgy's Directors' Remuneration Policy, approved on 15 March 2022 by the General Shareholders' Meeting, includes as a preventive measure of possible conflicts of interest, that the Executive Chairman does not participate in the debates of the Appointments, Remuneration and Corporate Governance Committee when dealing with aspects that may affect him regarding remuneration.

iii) Section 4.1 of Naturgy's Code of Ethics establishes specific guidelines for action by employees, executives and directors of the Group with regard to "Loyalty to the company and conflicts of interest".

iv) The Conflict of Interest Policy, applicable to all Naturgy employees, which establishes the guidelines for action in the event of a conflict of interest situation, based on the principles of loyalty, abstention and transparency.

A-1-3 Amount and nature of the fixed components that are due to be paid in the financial year to Directors in their capacity as such.

The remuneration of the Directors for the exercise of non-executive functions consists of a fixed annual allowance.

The amount of the remuneration for the year 2025 of the Directors for their status as such (non-executive functions) approved by the Board of Directors at its meeting of 18 February 2025, following a report from the Nomination, Remuneration and Corporate Governance Committee is:

a. For membership of the Board

- Chairman of the Board of Directors: €1,100,000/year
- Director: 180,000 €/year.

b. For membership of Committees

- Committee Chairman: 85,000 €/year.
- Member of the Committee: 44,000 €/year.

c. Lead Director

-30,000 €/year.

A.1.4 Amount and nature of the fixed components that are to be paid in the financial year for exercising Senior Management functions by the Executive Directors..

At the Board meeting of 18 February 2025, the fixed component of the Executive Chairman's remuneration was set at € 2.359.658 (total fixed annual remuneration), including the remuneration he receives for his membership of the governing body of NATURGY ENERGY GROUP S.A. This amount is therefore the sum of €1,100,000 that he receives as Chairman of the Board of Directors for the performance of non-executive duties, and
1.259.658 € that he receives as fixed annual remuneration for the exercise of executive or delegated functions.

A-1-5 Amount and nature of any remuneration component paid in cash in the financial year including, but not limited to insurance premiums paid in favour of the Director.

Explain cash remunerations

The Executive Chairman is the beneficiary of an insurance policy for situations of temporary disability (100% of the total gross annual fixed monetary remuneration that he has been receiving, with the established limit of 18 months). He is also the beneficiary of an insurance policy to cover the contingencies of death and absolute permanent disability, or severe disability, in which NATURGY ENERGY GROUP S.A. acts as the policyholder, which takes the age of the Executive Chairman and the insured capital as the basis for calculating the amount of the annual premium, with the insurance company establishing and communicating the aforementioned premium. The insured capital in the event of the occurrence of the foreseen contingencies (death, absolute permanent disability or great disability) is equivalent to 3.5 annuities of total gross annual fixed monetary remuneration.

The Company has subscribed and pays the global premium corresponding to a civil liability insurance policy for Directors and Executives of NATURGY ENERGY GROUP S.A. and the companies belonging to its Group which, therefore, also covers all the Directors of NATURGY ENERGY GROUP S.A., both executive and non-executive, in which the directors will be considered insured, for the liabilities that may be demanded of them as a consequence of the performance of the activities inherent to their functions. In particular, the contract with the executive Chairman foresees the obligation for the Company to take out a civil liability insurance policy.

As the civil liability insurance is taken out on a global basis, it is not possible to calculate the part of it attributable to the directors as remuneration in kind.

The executive chairman's remuneration package also includes the following items, similar to those of the other members of senior management: health care, life, permanent disability and savings insurance, company car and limited electricity and gas consumption allowance.

A-1-6 Amount and nature of the variable components, differentiating between those established at short and long term. Financial and non-financial parameters, including in the latter, social, environmental and climatic change parameters, selected to determine the variable remuneration in the current financial year, explication on the extent to which these parameters correlate with the performance of the Board Members as well as the entity itself and with its risk profile, and the methodology, time required and planned techniques for being able to determine, at the end of the financial year, the effective rate of attainment of the parameters used in the design of the variable remuneration, explaining the criteria and factors it applies in terms of the time required and methods for verifying that the performance or other conditions attached to the accrual and consolidation of each component of variable remuneration have been effectively fulfilled.

Indicate the range in monetary terms of the different variable components depending on the rate of attainment of the objectives and parameters established, and if any maximum monetary amount exists in absolute terms.

Explain the variable components of the remuneration systems

Directors do not receive this type of remuneration for the performance of non-executive functions.

As for the executive chairman, the variable components of the remuneration system, based on his performance of executive or delegated functions, are as follows:

i. Annual variable remuneration

Based on 100% of the total annual fixed monetary remuneration multiplied by the degree of achievement of objectives effectively reached during the year.

The maximum degree of attainment may be up to 150% and the minimum degree of attainment for its accrual shall be 75%.

The 75% level of attainment is reached for a target attainment of 85%, the 100% level of attainment is reached for a target attainment of 85%, and the 150% level of attainment is reached for a target attainment of 120%, with intermediate levels of attainment being interpolated between these points.

The Executive Chairman may decide to substitute the payment of all or part of the annual variable remuneration for a company contribution to a social welfare system to be agreed upon on an annual basis.

The objectives and weightings are as follows:

- Financial objectives weighted at 65%.

- Ebitda 2025 communicated as guidance to the market at the beginning of 2025

- Qualitative objectives weighted at 15% (5% each section).

- Assessment of qualitative factors by the Board (contribution to business growth, transformation, teamwork).

- ESG weighted at 20%. (5% each section)

- Health and safety

- Gender diversity

- Environment

- eNPS of the group's employees

ii. Multi-year variable remuneration:

a. Initial ILP 2018-2025

The multi-year variable remuneration of the Executive Chairman from 2018 until its review, by resolution of the Board of 21 April 2024, at the proposal of the Nomination, Remuneration and Corporate Governance Committee, has been configured through a long-term incentive (LTI) in which, in addition to the Executive Chairman, 23 other active executives have participated.

This long-term incentive was approved by the Board in June 2018 and ratified by the General Shareholders' Meeting held on 5 March 2019 and subsequently revised at the General Shareholders' Meeting of 15 March 2022 to align it with the new 2021-2025 Strategic Plan approved in July 2021, agreeing to change the ordinary maturity of the ILP from 31 July 2023 to 31 December 2025 and, based on this, the delivery of an advance on account which, pro-rated over the 5 years of the duration of the plan (2018-2022), amounted to €619.619,586 per year. The main features of the ILP have been reported in previous years' annual remuneration reports.

b. April 2024 amendment

Based on the Board resolution of 21 April 2024, the Executive Chairman's multi-year variable remuneration for the years 2018 to 2025 will no longer linked to the ILP and its new configuration responds to the following scheme:

It is based on 125% of the Total Fixed Annual Remuneration, which will be multiplied by a number of 7 years if the scheme ends in 2024 or 8 years if it ends in 2025, and multiplied by the degree of achievement of objectives reached.

The maximum degree of achievement may reach up to 150% and the minimum degree of achievement for vesting shall be 80%, as is also the case for the annual variable remuneration, with the Board of Directors determining the percentage achieved.

The results to be assessed for quantitative metrics, linked to the Company's Strategic Plan, will be those accumulated up to 31 December of the year prior to the year of settlement.

The achievement metrics to be evaluated and their weighting will be as follows:

- Quantitative, in accordance with the metrics approved by the Commission: 80%
  - Investments, 20%
  - Net debt, 20%
  - Dividend, 20%
  - Gender diversity, 10%
  - Emission reduction, 10%
- Qualitative, freely assessed by the Board, following a proposal by the Appointments and Remuneration Committee: 20%

The settlement date will be the same as that of the settlement of the ILP vehicle applicable to the executives, and the amount to be settled will be reduced by the amount that the Executive Chairman received as compensation for the extension of the ILP in March 2022.

In no case will amounts higher than those that would have been received if they had continued in the ILP scheme until its settlement will be received in accordance with the new scheme.

The clawback clause and the incentive loss regime will be maintained in certain cases similar to the existing one in the ILP 2018-2025 Plan which is being replaced and a clause is added by virtue of which the maximum amount to be received under this scheme may not be higher than what would have been received if they continued to adhere to the ILP Plan 2018-2025

In any case, the Board of Directors may adopt the decisions it deems necessary to maintain the multi-year variable remuneration scheme in line with the strategic plan in force at any given time, carrying out the necessary preparatory work before submitting the modifications required for approval by the Shareholders' Meeting.

c. New scheme February 2025

The Board of Directors, at its meeting on February 18, 2025, has agreed to approve a new Strategic Plan for the period 2025-2027 and, consequently, to expire the multi-year incentive 2018-2025 early. It has also agreed that the settlement of the amounts corresponding to the Executive President will be carried out by the Board once the Shareholders' Meeting at its next meeting approves under which remuneration scheme the long-term incentive should be settled - whether the initial one in June 2018 or the subsequent one in April 2024 described above.

Likewise, the Board of Directors, at its meeting on February 18, 2025, has agreed to approve a new multi-year variable remuneration system linked to the 2025-2027 Strategic Plan that responds to the following scheme:

It takes as a base 125% of the Total Annual Fixed Remuneration of the year of completion, multiplied by the years or fraction thereof that elapse between January 1, 2025 and the completion date and also multiplied by the degree of achievement reached.

The maximum degree of achievement may reach up to 150% and the minimum degree of achievement for its accrual will be 70%.

The degree of achievement of 70% is reached for a TSR of 7%, the degree of achievement of 100% is reached for a TSR of 10% and the degree of achievement of 150% is reached for a TSR of 13%. Intermediate degrees of achievement will be interpolated between these points.

The TSR shall be calculated as the gross return obtained by taking the entry at the ILP 2018-2025 liquidation value, dividends paid in the period and an exit price at the VWAP of the 90 calendar days immediately preceding the end date..

It includes a clawback clause during the 18 months following receipt of the incentive in the event of a material change in the annual accounts that significantly affects the share price. It also includes a system of loss of the incentive in certain cases similar to the previous multi-year incentives: in the event of leaving the Company before the end of the Incentive, the Executive Chairman will lose the rights in cases of voluntary termination of his functions or serious breach and will maintain them in cases of retirement, disability, death or termination not attributable to him, although in the event of maintaining them, he will only be entitled to the incentive that finally results in the proportional part of his time of permanence with respect to the duration of the Plan. In the event of withdrawal by mutual agreement, the terms of the agreement shall apply.

The termination date will ordinarily be 31 December 2027, and may expire early.

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

The Board of Directors may adopt such decisions as it deems necessary to keep the multi-year variable remuneration scheme in line with the strategic plan in force at any given time, carrying out such preparatory work as may be necessary before submitting any amendments requiring such approval to the shareholders' meeting for approval.

The effectiveness of this multi-year variable remuneration system linked to the new Strategic Plan 2025-2027 is subject to the next Shareholders' Meeting approving the corresponding modification of the Remuneration Policy.

A.1.7 Main features of long-term saving schemes. Amongst other information, explain the contingencies covered by the scheme, whether contribution or defined benefit, the contribution per year to be made to defined contribution scheme, the benefit to which the beneficiaries have the right in the case of defined benefit schemes, the terms and conditions of the vested economic rights in favour of the Directors and their compatibility with any type of compensation for resolution or early termination of the contractual relationship between the Company and the Director.

State if the payment or consolidation of any of the long-term saving schemes are linked to the attainment of determined objectives or parameters related to the short or long-term performance of the Director..

Explain the long-term saving systems

The Executive Chairman, in view of the executive or delegated functions he performs, is granted the same benefits that are currently available to the members of the company's management committee, in the following terms:

Savings Insurance: the Executive Chairman is recognised as being entitled to receive a series of contributions which are instrumented in an insurance contract and which will be governed by the rules established for this purpose. NATURGY ENERGY GROUP S.A. contributes annually to the aforementioned instrument an amount equal to 20% of his total fixed monetary remuneration. The contingencies covered are survival at a specific date, death and total permanent disability, absolute disability or severe disability. The savings insurance is not incompatible with possible compensation in the event of termination of employment. There is no right to receive any amount for any of the contingencies in the event of:

a. Voluntary resignation without respecting the period of notice provided for in the contract or without reaching prior agreement with the Board of Directors of the Company.
b. Serious and culpable breach of his professional obligations and which causes significant damage to the interests of the Company.
c. At any time during the year following the termination of his services as Executive Chairman - for reasons other than the occurrence of the contingencies - he carries out activities directly concurrent with those of the Company.

Welfare system linked to the annual variable remuneration: The Executive Chairman may decide to replace the payment of all or part of the annual variable remuneration on an annual basis with a company contribution to an agreed welfare system. This has been decided for the annual variable remuneration for the financial years 2018 to 2024 (both inclusive).. The contingencies covered are the same as those established for the previous instrument, with the company being able to instrument the coverage of the above contingencies by taking out one or more insurance contracts with a minimum interest rate guarantee and profit-sharing. There is no right to receive any amount for any of the contingencies in the same cases as the previous instrument, with the exception of voluntary resignation without notice or without reaching agreement with the Board of Directors.

A.1.8 Any type of payment or compensation by resolution or early termination or derived from the termination of the contractual relationship, under the terms of the same between the Company and the Director, whether wilful by the Company or the Director, as well as any type of terms agreed, such as exclusivity, post-contractual non-compete and loyalty covenants, that give the Director rights to any type of payment.

Directors who do not perform executive functions do not receive this type of indemnity.

In the case of directors who perform executive functions, art. 6 of the Remuneration Policy provides that:

"an indemnity may be established for certain cases of termination of the contractual relationship, which shall be equal to twice the sum of the following three amounts: (i) total annual fixed remuneration, (ii) annual variable remuneration and, (iii) in consideration of the concept of multi-year variable remuneration, a lump sum equivalent to 125% of the annual fixed remuneration. This compensation shall not be payable in the event of a very serious and culpable breach of the professional obligations of the executive directors that causes serious damage to the interests of the company.

In addition, and as a post-contractual non-competition agreement for one year, an indemnity equivalent to a maximum of one year's total annual fixed remuneration may be established".

A.1.9 Indicate the conditions that must be respected in contracts for individuals carrying out Senior Management duties as Executive Directors. Amongst others, specify the duration, limits on compensation amounts, tenure clauses, notice periods, and payment in lieu of the aforementioned notice period, and any other clauses on hiring bonuses, as well as on severance payments or golden parachutes for the early termination of the contractual relationship between the Company and the Executive Director. Include, among others, the non-compete, exclusivity, tenure or loyalty and post-contractual non-compete covenants or agreements (not including those described in the previous section).

Explain the terms and conditions of the Executive Director Contract

The Executive Chairman's contract was approved at the Board of Directors' meeting on 6 February 2018, following a favourable report from the Appointments and Remuneration Committee. It was subsequently adapted on 31 October 2018 in order to include the new ILP long-term incentive scheme as well as other minor adaptations, and also on 30 December 2021 to include the modifications derived from the modification of the ILP. Following the review by the Board of Directors on 21 April 2024 of the remuneration scheme linked to the multi-year variable remuneration, as described in section A.1.6, a modification of the contract was necessary and carried out on 22 April 2024 and June 25, 2024.

The contract contains a six-month notice period for the executive Chairman, except in the event of force majeure, an exclusivity agreement during the performance of his duties and a confidentiality agreement, both during the term of the contract and after its termination.

The Chairman's contract also establishes a severance payment in the event of termination or non-renewal of the office of Director in the amount of two annual payments of: (i) total annual fixed monetary remuneration, (ii) annual variable remuneration and (iii) in respect of the concept of multi-year variable remuneration, a lump sum equivalent to 1.25 of the total annual fixed monetary remuneration. .

Compensation shall not be payable in the event of a serious and culpable breach of professional obligations that causes significant damage to Naturgy's interests. In addition, and as a post-contractual non-competition agreement for one year, an indemnity equivalent to one year's total fixed remuneration is established.

The executive Chairman's contract provides for the termination of the contract and the payment of an indemnity in the event that he loses his executive functions and continues as non-executive Chairman. In such a case, the compensation provided for is identical to that in the preceding paragraph, but reduced by half, i.e. by a single annual payment.

In the event of loss of the status of Chairman, while remaining as Chief Executive Officer, a reduction of the remuneration provided for in the contract is foreseen.

A.1.10 The estimated amount and nature of any supplementary remuneration paid to the Directors during the current financial year for services provided other than those inherent to their position.

Explain supplementary payments

Not aplicable

A.1.11 Other remuneration concepts such as for example those derived, as the case may be, from those granted by the Company to the Director in the form of advances, loans and guarantees or other remuneration(s).

Explain the advances, loans, guarantees and other remuneration(s)

None of the members of the Board of Directors has been granted any loans, advances or guarantees.

A.1.12 The estimated amount and nature of any other additional remuneration planned not included in the preceding paragraphs, whether settled by the Company or another entity of the Group that is paid out to the Directors in the current financial year.

Not aplicable

A.2 Explain any relevant change to the Remuneration Policy applicable in the current financial year as a result of:

- **A new policy or modification to a Policy approved by the General Meeting of Shareholders.**
- **Relevant changes to the specific determinations established by the Board for the current financial year of the Remuneration Policy in force with respect to those applied in the previous financial year.**
- **Proposals that the Board of Directors have agreed to submit to the General Meeting of Shareholders and that apply to this Annual Report and that are to be implemented during the current financial year.**

Not aplicable

A.3 Identify the direct link to the document in which the Company's remuneration policy in force is referenced and that must be available at the corporate website.

https://www.naturgy.com/accionistas_e_inversores/gobierno_corporativo/organos_y_normas_de_gobierno/remuneraciones

A.4 Explain, taking into account the data given in section B.4, the result of the General Meeting of Shareholders advisory vote on the Annual Report on the previous year´s remuneration.

The current remuneration policy was approved at the 2022 General Shareholders' Meeting held on March 15 with more than 90% of votes in favor

Likewise, the Annual Report on Directors' Remuneration for the 2022 and 2023 financial years was approved at the 2023 and 2024 General Shareholders' Meeting by a large majority, as was the case in previous years. As a result, it has not been considered necessary to implement additional measures with regard to the Company's remuneration policy

B. GENERAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED FOR THE FINANCIAL YEAR ENDED

B.1.1 Explain the process followed to apply the Remuneration Policy and used to determine the individual remuneration earned shown in section C of this report. This information is to include the role played by the Remuneration Committee, the decisions taken by the Board of Directors and, where appropriate, the identify and role of the External Consultants whose services were used in the process of implementing the Remuneration Policy in the financial year ended

The Board of Directors approved the individual remuneration of the Directors for the exercise of non-executive functions for the financial year 2024 at its meeting of 26 February 2024, maintaining the fixed remuneration component of €1,100,000 for the Chairmanship of the Board unchanged funchanged since 2020, and setting the part corresponding to executive functions at €1,188.709 . The 2024 annual variable remuneration targets were set, at the proposal of the Nomination, Remuneration and Corporate Governance Committee, at the Board of Directors' meeting held on 26 February 2024,.

The Appointments, Remuneration and Corporate Governance Committee used the consultant PeopleMatters to compare the remuneration of other entities and to determine the remuneration of the Executive Chairman.

The settlement of this short-term variable remuneration for 2024 took place, following a report by the Nomination, Remuneration and Corporate Governance Committee, at the Board of Directors' meeting of 18 February 2025,at the time of preparing the annual accounts for 2024 which, moreover, are unqualified by the external auditor

B.1.2 Explain any deviations from the established procedure for the application of the remuneration policy that have occurred during the year.

B.1.3 Indicate whether any temporary exceptions to the remuneration policy have been applied and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the company considers that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Also quantify the impact that the application of these exceptions has had on the remuneration of each director during the year.

B.2 **Explain the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the long-term objectives, values and interests of the Company, which will include, where appropriate, reference to measures designed to ensure that the Remuneration Policy considers the long-term results of the Company and guaranteeing an appropriate balance between the fixed and variable components of the remuneration, what measures have been adopted for those categories of personnel whose professional activities have a material effect on the Company's risk profile and measures adopted to avoid conflicts of interest, as the case may be.**

With regard to remuneration for the exercise of non-executive functions, the establishment of a fixed remuneration for all Directors is considered to be an effective instrument to reduce exposure to excessive risks and the incorporation of long-term vision.

As regards the remuneration of the Executive Chairman, it is noted that it is balanced into 3 main components of similar weighting:

- A fixed component that accrues in any case, so that it does not entail any risk exposure.
- A variable component with a one-year time horizon, linked to specific and measurable business objectives which, being recurrent, avoids encouraging excessive risk-taking. This is reinforced by the fact that it is evaluated after the annual accounts have been audited and drawn up.

- - A very long-term variable component aligned with the execution period of the Company's Strategic Plan Both the initial scheme and the one modified in April 2024 as explained in section A.1.6 have a duration that, by exceeding the usual for this type of remuneration, moderates the assumption of risk.

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There is a reasonable balance between the variable components in terms not only of time horizon, but also of amount and even of objectives, as the annual variable remuneration tends towards operational objectives that address the performance of the company's various businesses, while the multi-year variable remuneration mainly addresses the long-term interest of the Company in the long term, as it is linked to the fulfillment of the objectives of the Strategic Plan.

The annual variable remuneration of the Executive Chairman was determined after the Board of Directors had the audited accounts of the Company and taking into account the external audit report.

In addition, the multi-year variable remuneration has a claw back system for the 18 months following its receipt.

With regard to the measures adopted to avoid conflicts of interest, we refer to section A.1.2. of this report.

B.3 Explain how the remuneration accrued and consolidated in the financial year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the long-term and sustainable performance of the company.

Likewise report on the relationship between the remuneration obtained by the Directors and the Company's results or other performance-related measurements, explaining, where appropriate, how variations in the performance of the Company are able to impact variation in the remuneration of Directors, including those accrued whose payment has been deferred, and how the same contribute to the short and long-term results of the Company.

The total remuneration accrued during 2024 does not exceed the maximum amount established in the Remuneration Policy approved by the General Shareholders' Meeting of 15 March 2022.

As regards the amount of the Executive Chairman's annual variable remuneration, this is linked to the Company's results in 2024, as it is linked to the Company's main indicators as detailed in section B.7 and has been determined once the audited annual accounts were made available to the Board.

The Executive Chairman's multi-year incentive, approved by the March 2019 AGM, reviewed at the March 2022 AGM, and again amended by resolution of the Board of Directors dated April 21, 2024, which will be submitted for ratification at the next General Shareholders' Meeting to be held, aligns his remuneration with long-term value creation by the way it is structured as explained in the previous paragraphs. The effectiveness of the latest amendment is subject to approval by the next Shareholders' Meeting scheduled for March 2025

B.4 IReport on the result of the General Meeting of Shareholders advisory vote on the Annual Report on the previous financial year's remuneration, indicating where appropriate the number of votes against, if any:

	Number	% of total
Votes Cast	869.633.473,00	89,7

	Number	% Votes Cast
Votes Against	19.947.255	2,29
Votes in Favour	663.110.883	76,25
Abstentions	186.575.335	21,45

Observations

B.5 Explain how the fixed components accrued and consolidated during the year by the directors in their capacity as such have been determined, their relative proportion for each director and how they have varied from the previous year

In 2024, there was no change in the remuneration of directors in their capacity as such compared to the remuneration set for 2023.

The remuneration of the members of the Board of Directors for the exercise of non-executive functions was:

a. For membership of the Board

- Chairman of the Board of Directors: 1,100,000 €/year.
- Director: 175,000 €/year.

b. For membership of Committees

- Committee Chairman: 66,000 €/year.
- Member of the Committee: 44,000 €/year.

c Lead Director:
-30,000 €/year.

B.6 Explain how the salaries earned were determined during the financial period ended for each Executive Director for exercising their management functions, and how they have varied with respect to the previous year

The remuneration for the performance of the executive or delegated functions of the executive Chairman consists of the following items:

- Fixed annual remuneration, including the remuneration received for membership of any administrative body of any company of the Naturgy group, except its parent company: 1,102,800 €.

- Annual variable remuneration based on an amount equivalent to the total annual fixed monetary remuneration, to which a percentage has been applied according to the achievement metric, and which has been €2.518.953 The aforementioned amount will be settled as a voluntary contribution to the social welfare plan of which the Executive Chairman is a beneficiary, in accordance with the terms of the contract.

- With regard to multi-year variable remuneration, in accordance with the resolution of the Board of Directors adopted at its meeting of 22 April 2024, the Executive Chairman ceases to participate in the economic benefits of any potential liquidation of the ILP vehicle, establishing instead a multi-year variable remuneration scheme, linked to the achievement of the objectives set in the current Strategic Plan. The effectiveness of this amendment is conditional on its approval by the next General Shareholders' Meeting (see section A.1.6).

Other social and welfare benefits, equivalent to those generally recognised for members of the Company's senior management (medical insurance, company car, housing assistance, life and disability insurance, limited gas and electricity subsidies, savings insurance), as well as the obligation to take out civil liability insurance at the Company's expense.

B.7 Explain the nature and main characteristics of the variable components of the remuneration systems paid in the financial year ended.

In particular:

a) IIdentify each of the remuneration plans that have determined the different variable remuneration accrued by each of the directors during the financial year, including information on their scope, date of approval, date of implementation, conditions, if any, of consolidation, accrual periods and validity, criteria used to evaluate performance and how this has impacted on the setting of the variable amount accrued, as well as the measurement criteria that have been used and the time needed to be able to properly measure all the conditions and criteria stipulated. The criteria and factors that have been applied in terms of the time required and methods to check that the performance conditions or any other conditions to which the accrual and consolidation of each component of variable remuneration was linked have to be explained in detail

b) For plans involving share options and other financial instruments, the general features of the plan should include information on the conditions for each plan regarding acquiring unconditional ownership (consolidation) as well as exercising said options or financial instruments, including price and exercising period. .

c) Each of the Directors, and their category (CEO, external proprietary directors, external independent directors or other external directors), who are beneficiaries of remuneration systems or plans included in the variable remuneration.

d) Where applicable, information shall be provided on the established periods of accrual, consolidation or deferral of payment of consolidated amounts that have been applied and/or the periods of retention/disposal of shares or other financial instruments, if any..

Explain the short-term variable components of the remuneration system

For the calculation of the annual variable remuneration of the executive chairman for the financial year 2024 - and which will be settled as a contribution to the social welfare plan of which the executive chairman is a beneficiary, in accordance with the provisions of the contract - the indicators and weightings established by the Board of Directors have been taken into account, following a report from the Appointments and Remuneration Committee. Specifically, in 2024, the following parameters have been considered to determine the degree of compliance with the objectives:

- **Financial targets are weighted 65%.**

  - Ordinary Ebitda .

- **Qualitative objectives weighted 15%.**

  - Assessment of qualitative factors by the Board (contribution to business growth, transformation. teamwork)

- **ESG objectives weighted at 20% ESG**

- Health and safety
- Gender diversity
- Environment
- eNPS of the group's employees

The calculation is based on 100% of the total annual fixed monetary remuneration and multiplied by the degree of achievement of objectives effectively reached in the year (for a degree of achievement of 100%, 100% of the annual fixed monetary remuneration is received). It has a maximum degree of achievement of 150%. This remuneration will not be received if the degree of achievement does not reach 80%.

The determination of the annual variable remuneration of the executive Chairman is made by the Board of Directors following a proposal from the Appointments, Remuneration and Corporate Governance Committee.

The methodology for determining the degree of achievement of the financial-quantitative objectives consists of a comparison between the budget approved by the Board of Directors for the year and the final result for the year once the annual accounts have been drawn up by the Board of Directors itself, applying certain adjustments depending on the objective in question. These adjustments are generally applied to all Naturgy group personnel included in the management by objectives system.

As regards the qualitative elements of variable remuneration, the degree of achievement is determined at the discretion of the Appointments and Remuneration Committee itself, taking into account the work performed by the Chairman during the year.

Lastly, the ESG objectives are determined by comparing the indicators budgeted at the beginning of the year with the actual data obtained at the end of the year.

Therefore, the amount of the annual Variable Remuneration corresponding to the financial year 2024 and which will be settled as a contribution to the social welfare plan of which the Executive Chairman is a beneficiay, in accordance with the contractually established amount is €2.518.953 as a total achievement rate of 110.06% was reached.

Explain the long-term variable components of the remuneration system

As reported in section A.1.6 of this report, in April 2024 there was a variation in the Executive President's long-term variable remuneration system, ceasing to participate in the economic benefits of any potential liquidation of the ILP vehicle, a situation that was communicated to the market through the OIR dated 22 April, with registration number 28134, in which it was realized that:

"In the framework of the Inside Information Communications issued on April 16 and 17, 2024 by Criteria Caixa, S.A. and TAQA, respectively, regarding discussions that could result in an offer on the company's shares:

The Executive Chairman, in order to be able to continue to act with absolute independence and neutrality in the face of any potential offer, and thus continue to defend the interest of the company and all shareholders, avoiding any possible conflict of interest linked to the outcome of any potential offer, has proposed to the Appointments and Remuneration Committee to return its remuneration scheme to the initial model provided for in its February 2018 contract and in the Remuneration Policy. remuneration approved by the General Shareholders' Meeting of June 2018."

During the 2024 financial year, therefore, the multi-year variable remuneration was modified according to the following scheme:

- Take as a base 125% of the Total Annual Fixed Remuneration. It will be multiplied by a number of 7 years if the scheme ends in 2024 or 8 if it does so in 2025 and also multiplied by the degree of achievement of objectives reached.
- The company recognizes the right of the Executive President to continue enjoying a multi-year variable remuneration from January 1 following the end date of the one now established.

- The maximum degree of achievement may reach up to 150% and the minimum degree of achievement for its accrual will be 80%, as also operates in the case of the annual variable remuneration, corresponding to the Board of Directors to determine the percentage achieved.
- The results to be assessed for the quantitative metrics, linked to the Company's Strategic Plan, will be those accumulated until December 31 of the year prior to the liquidation. The achievement metrics to be assessed and their weighting will be as follows:
    - Quantitative, in accordance with the criteria established by the Board of Directors: 80%
    - Qualitative, at the discretion of the Board, following a proposal by the Appointments and Remuneration Committee: 20%
- The settlement date will be the same as the settlement of the ILP vehicle, and the amount to be settled will be reduced by the amount received as compensation for the extension of the ILP in March 2022.
- The clawback clause and the loss of incentive regime are maintained in certain cases and a clause is added under which the maximum amount to be received under this scheme may not be higher than the amount that would have been received if the employee had continued to adhere to the 2018-2025 ILP Plan.

The effectiveness of this amendment is subject to its approval by the next Shareholders' Meeting scheduled for March 2025 and, if approved, will take retroactive effect from the Board's resolution of 22 April 2024.

B.8 Indicate whether certain variable components have been reduced or returned when payment of non-consolidated amounts has been deferred in the former case or, second, have been consolidated and paid according to data which has subsequently proved to be clearly inaccurate. Describe the reduced or refunded amounts for applying the reduction and refund clauses (claw-back), when they were exercised and the financial years to which they correspond.

Not aplicable

B.9 Explain the main features of the long-term savings systems whose amount or equivalent annual cost figure in the tables in Section C, including retirement and any other survivor benefits, partially or wholly funded by the Company, whether provided internally or externally, indicating the type of plan, whether defined benefit or contribution, the contingencies covered, the conditions of the vested economic rights of the Directors and their compatibility with any type of compensation for early termination of the contractual relationship between the Company and the Director.

Directors do not receive this type of remuneration for non-executive functions.

The Executive Chairman is entitled to the benefits available to the company's executives. These benefits are explained in section A.1.5 (long-term savings schemes).

B.10 Explain, as the case may be, the compensation or any other type of payment as a result of early termination, whether voluntary by the Company or the Director, or due to the contract coming to an end, under the terms set forth in the same, accrued and/or received by the Directors during the financial year ended.

Not aplicable

B.11 Explain if there have been any significant modifications to the Contracts of those who exercise Senior Management functions such as Executive Directors, and as the case may be, explain the same. Likewise, explain the main terms and conditions of the new contracts signed with Executive Directors during the financial year, except if already explained in Section A.1.

Not aplicable

B.12 Explain any supplementary remuneration paid to Directors as compensation for services provided other than those inherent to their position

Not aplicable

B.13 Indicate any payment in the form of advances, loans and guarantees, indicating the interest rate, key features and any amounts repaid, as well as the obligations assumed on their behalf as security.

Not aplicable

B.14 Detail the remuneration in cash paid to Directors during the financial year, briefly explaining the nature of the different salary components.

Contributions to pension instruments for the Executive Chairman amounted to € 458 thousand in the financial year 2024. To the aforementioned amount must be added the amount corresponding to the variable remuneration 2024, € 2.518.953 , which will be settled as a voluntary contribution to the Social Welfare Plan of which the Chairman is a beneficiary. The premiums paid for life and disability insurance amounted to 83 thousand euros during the year. The amount of the limited allowance for electricity and gas consumption, company vehicle, and health care insurance amounted to 35 thousand euros during the year.

B.15 Explain the remuneration earned by the Director in virtue of the payments made by the listed company to a third party in which the Director provides services, when said payments are made to remunerate the Director's services in the Company.

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Not aplicable

B.16 Explain and detail the amounts accrued during the year in relation to any other type of remuneration, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true and fair view of the total remuneration accrued by the director, explaining the amount granted or pending payment, the nature of the consideration received and the reasons why it would have been considered, as the case may be, that it does not constitute remuneration to the director in his capacity as such or in consideration for the performance of his executive duties, and whether or not it has been considered appropriate to include it among the amounts accrued in the "other items" section of section C.

Not aplicable

C. BREAKDOWN OF INDIVIDUAL REMUNERATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual Period Q
RAMÓN ADELL RAMÓN	Propietary	From 01/01/2024 to 31/12/2024
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	Propietary	From 01/01/2024 to 31/12/2024
JAIME SILES FERNANDEZ PALACIOS	Propietary	From 01/01/2024 to 31/12/2024
FRANCISCO BELIL CREIXELL	Independiente	From 01/01/2024 to 31/12/2024
HELENA HERRERO STARKIE	Independiente	From 01/01/2024 to 31/12/2024
LUCY CHADWICK	Propietary	From 01/01/2024 to 31/12/2024
RAJARAM RAO	Propietary	From 01/01/2024 to 31/12/2024
ISABEL ESTAPÉ TOUS	Propietary	From 01/01/2024 to 31/12/2024
José Antonio Torre de Silva	Propietary	From 01/01/2024 to 31/12/2024
CLAUDI SANTIAGO PONSA	Independent	From 01/01/2024 to 31/12/2024
PEDRO SAINZ DE BARANDA RIVA	Independent	From 01/01/2024 to 31/12/2024
FRANCISCO REYNES MASSANET	Executive Chairman	From 01/01/2024 to 31/12/2024
Rioja S.à.r.l.	Propietary	From 01/01/2024 to 31/12/2024

C.1 Complete the following tables on the individual remuneration of each of the Directors (including remuneration for carrying out Executive duties) paid during the financial year

a) Remuneration earned in the Company covered in this report:

i) Payment in cash (in thousands of €)

Name	Fixed Remuneration	Allowance	Remuneration for membership of Board Committees	Salary	Short-term variable remuneration	Long-term Variable Remuneration	Compensation	Other Items	Total for year t		Total for year t	
D. Francisco Reynés Massanet	1.100		0	1.189				118	2407	(*)	2257	(*)
Dña. Helena Herrero Starkie	205		110						315		219	
D. Ramón Adell Ramón	175		44						219		219	
D. Enrique Alcántara-García Irazoqui	175		44						219		219	
Dña. Isabel Estapé Tous	175		44						219		219	
Dña. Lucy Chadwick	175		44						219		219	
D. Rajaram Rao	175		44						219		219	
D. Claudi Santiago Ponsa	175		110						285		166	
D. Pedro Sainz de Baranda Riva	175		110						285		219	
D. Jaime Siles Fernández-Palacios	175		44						219		285	
Rioja S.à.r.l, D. Javier de Jaime Guijarro	175		44						219		285	
D. José Antonio Torre De Silva López de Letona	175		44						219		315	
TOTAL	3055		682						5044		4947	

(*) Does not include the amount corresponding to the accrued annual variable remuneration paid in year as a contribution to pension systems, as contractually established.

ii) Table on share-based and gross return on shares or consolidated financial instrument remuneration systems

		Financial instruments at the beginning of financial year Q		Financial instruments allocated during financial year Q		Financial instruments consolidated during financial year Q				Financial instruments due but not exercised	Financial instruments at the end of financial year Q	
Name	Plan Name	Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent/ consolidated shares	Price of consolidated shares	Gross return on shares or consolidated financial instruments (in thousands €)	Nº instruments	Nº instruments	Nº equivalent shares
Director 1	Plan											
	Plan											

Observations

iii) Long-term Saving Systems

	Remuneration for vested rights to Savings System (*))
Francisco Reynés Massanet	2.977

(*) Includes the amount corresponding to the accrued annual variable remuneration that will be settled in year t as a contribution to pension systems, as contractually established.

	Funds paid in by the Company in financial year (thousands of €)							
	Savings system with vested economic rights		Savings system with no vested economic rights		Amount of the accumulated funds (thousands €) (*)			
					Financial year Q		Financial year Q-1	
Name	Financial year Q	Financial year Q-1	Financial year Q	Financial year Q-1	Savings system with vested economic rights	Savings system with no vested economic rights	Savings system with vested economic rights	Savings system with no vested economic rights
Francisco Reynés Massanet		0	2.977	3.058		19.627		16.556

(*)(*)Includes the amount corresponding to the variable remuneration for the corresponding year that was settled as a contribution to the Social Welfare Plan of which the Chairman is a beneficiary..

Observations

iv) Detail of other items

Name	Item	Remuneration Amount
Francisco Reynés Massanet	Life insurance	83

Observations

b) Remuneration paid to directors of listed companies for their membership of the governing bodies of their subsidiaries:

i) Payment in cash (in thousands of €)

Name	Fixed Remuneration	Allowance	Remuneration for Membership on Committees of the Board	Salary	Short-term Variable Remuneration	Long-term Variable Remuneration	Compensation	Other Items	Financial Year Total Q	Financial Year Total Q-1
Director	0	0	0	0	0	0	0	0	0	0
Director										

Observations

ii) Table on share-based and gross return on shares or consolidated financial instrument remuneration systems

		Financial instruments at the beginning of financial year Q		Financial instruments allocated during financial year Q		Financial instruments consolidated during financial year Q				Financial instruments due but not exercised	Financial instruments at the end of financial year Q	
Name	Plan Name	Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent/ consolidated shares	Price of consolidated shares	Gross return on shares or consolidated financial instruments (in thousands €)	Nº instruments	Nº instruments	Nº equivalent shares
Director 1	Plan											
	Plan											

Observations

iii) Long-term Saving Systems

Long-term Saving Systems

	Remuneration for vested rights to Savings System

Name	Funds paid in by the Company in financial year (thousands of €)				Amount of the accumulated funds (thousands of €)			
	Savings system with vested economic rights		Savings system with no vested economic rights		Ejercicio tFinancial year Q		Financial year Q-1	
	Financial year Q	Financial year Q-1	Financial year Q	Financial year Q-1	Savings system with vested economic rights	Savings system with no vested economic rights	Savings system with vested economic rights	Savings system with no vested economic rights
Diirector								

Observations

iv) Detail of other items

Name	Item	Remuneration Amount
Director		

Observations

c) Summary of remunerations (in thousands of €):

The amounts corresponding to all the remuneration items included in this report that have been earned by the Director must be included in the summary, in thousands of euros.

	Remuneration earned in the Company					Remuneration earned in companies of the Group				
Name	**Total Remuneration in Cash**	**Gross return on shares or consolidated financial instruments**	**Remuneration by savings systemns**	**Remuneration for other items**	**Total for the year company**	**Total Remuneration in Cash**	**Gross proceeds from equity or financial instruments consolidated**	**Remuneration by savings systems**	**Remuneration for other items**	**Total for the financial year Group**
D. Francisco Reynés Massanet	2.407		2.977		5384					
Dña. Helena Herrero Starkie	315				315					
D. Ramón Adell Ramón	219				219					
D. Enrique Alcántara-García Irazoqui	219				219					
Dña. Isabel Estapé Tous	219				219					
Dña. Lucy Chadwick	219				219					
D. Rajaram Rao	219				219					
D. Claudi Santiago Ponsa	285				285					
D. Pedro Sainz de Baranda Riva	285				285					
D. Jaime Siles Fernández-Palacios	219				219					
Rioja S.à.r.l, D. Javier de Jaime Guijarro	219				219					
D. José Antonio Torre De Silva López de Letona	219				219					
TOTAL	5.044		2.977		8021					

Observations

C.2 Indicate the changes over the last five years in the amount and percentage change in the remuneration earned by each of the listed company's directors during the year, the consolidated results of the company and the average remuneration on a full-time equivalent basis of the employees of the company and its subsidiaries who are not directors of the listed company

	Total amounts accrued and % annual change								
	Exercise t	**% change t/t-1**	**Exercise t-1**	**% change t-1/t-2**	**Exercise t-2**	**% change t-2/t-3**	**Exercise t-3**	**% change t-3/t-4**	**Exercise t-4**
Executive Directors									
Francisco Reynés Massanet	5.384	-1,6 %	5.469	-6,6 %	5.856	4,9 %	5.582 (*)	8,0 %	5.169 (*)
External Directors									
Ramón Adell Ramón	219	— %	219	-4,4 %	229	-27,3 %	315	-11,3 %	355
Enrique Alcantara-García Irazoqui	219	— %	219	— %	219	57,6 %	139	178,0 %	50
Isabel Estapé Tous	219	— %	219	-2,2 %	224	-14,8 %	263	42,2 %	185
Lucy Chadwick	219	— %	219	-2,2 %	224	-14,8 %	263	42,2 %	185
Rajaram Rao	219	— %	219	— %	219	— %	219	-6,8 %	235
Rioja S.à.r.l.	219	— %	219	— %	219	— %	219	-6,8 %	235
Jaime Siles Fernández Palacios	219	— %	219	12,9 %	194	— %		— %	
José Antonio Torre De Silva López de Letona	166		166						
Claudi Santiago Ponsa	285	— %	285	0,7 %	283	7,6 %	263	11,9 %	235
Pedro Sainz de Baranda Riva	285	— %	285	0,7 %	283	7,6 %	263	-10,9 %	295
Helena Herrero Starkie	315	— %	315	1,0 %	312	9,5 %	285	21,3 %	235
Resultados consolidados de la sociedad	1.901	-4,3 %	1.986	15,3 %	1.649	35,8 %	1.214	-449,9 %	-347
Remuneración media de los empleados	68.034	3,4 %	65.784	6,9 %	61.548	5,6 %	58.281	4,4 %	55.824

Observations:

Note

On average employee remuneration, the data are at group level expressed in euros. Does not include company Social Security cost.

Data for 2024 are estimated, pending final closure and final settlement of Variable Remuneration'24 for the workforce included in this scheme.

D. OTHER INFORMATION OF INTEREST

If there is any other relevant information on Director remuneration that has not been included in the rest of the sections of this report, but which should be included in order to gather more complete and reasoned information on the structure and compensation practices of the Company with regard to its Directors, please briefly describe such information below

It should be noted that since numbers with two decimal places are not allowed on the form of the Annual Report Circular on Directors' Remunerations, there are some minor variations in the figures indicated when compared with the actual figures. .

This Annual Remuneration Report was approved by the Board of Directors of the Company at the meeting on 18 February 2025.

Please indicate whether any Directors have voted against or abstained from the approval of this report.

Sí ☐ **No** ☒

Name and Company Name of the Members of the Board that have voted against approving this report.	Reasons (against, abstention, non-attendance)	Explain the reasons