

## Gas Natural Fenosa Green Bond Framework

### Introduction

**Gas Natural Fenosa** (hereafter “GNF” or “the Issuer”) is committed to support sustainable development and is convinced that innovation and technological development are key for ensuring reliable and sustainable energy supply in the long run. At this respect, the investments and management initiatives of the current strategic plan of GNF focus in the development of renewables and networks, as well as in advancing in the digitalization and innovation in the services and energy solutions that we provide to our customers, contributing to higher energy efficiencies.

GNF’s commitment to long term value creation and sustainable management is set out in our Corporate Responsibility Policy, approved by the Board of Directors, which introduces the following group’s undertakings with its stakeholders:

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

In addition to this, and following the recommendations of the CNMV code of good governance in issues of corporate responsibility, the Board of Directors approved in March 2017 a Sustainability Master Plan. This plan develops the eight undertakings mentioned above through the implementation of 39 lines of action that translate into 178 specific actions to be implemented, including those related to innovation and energy efficiency, climate change, diversity and employee wellbeing, and ethics and anticorruption policies among others.

As a major energy producer and supplier company, GNF is committed to integrate and increasing share of renewable energy in its overall capacity generation of electricity and to reduce its GHG emissions, with targets that are consistent with the low-carbon transition to limit global warming to less than 2°C by 2100 compared to preindustrial era.

- GNF intends to reduce by 26% its GHG emissions (scopes 1 and 2) in 2025 (vs. 2012) and to reach an emission factor of 278 tCO<sub>2</sub>eq/GWh by 2025.
- According to its Strategic vision 2016-2020, GNF strategy is also to increase the renewable power generation facilities by 2.5 GW.

GNF is also committed to play a key role in terms of reduction of GHG emissions through the development of renewable energies, and to reach carbon neutrality by 2050.

## 1.- Objectives of the Green bond Framework

This Green Bond Framework has been created to facilitate transparency, disclosure, and integrity of GNF's Green Bond issuances as recommended in the Green Bond Principles.

In alignment with the Green Bond Principles, published by the International Capital Markets Association ("ICMA"), GNF's Green Bond Framework is presented through four pillars: (i) use of proceeds, (ii) process for evaluation and selection of projects, (iii) management of proceeds before allocation and (iv) reporting. Information about the external review is also provided.

This framework will apply to any Green Bond issued by GNF after its publication.

## 2.- Use of proceeds

The net proceeds of the Green Bond will be used to finance or invest in the development, construction, installation and maintenance of new projects, in whole or in part, and falling under the following categories of eligible projects:

1. Renewable energy generation projects: wind power.
2. Renewable energy generation projects: solar energy.

GNF will finance projects related to wind & solar renewable energy generation, with clear expected environmental benefits on climate change mitigation, promotion of clean technology and clean energy transition, clear contribution to GNF's corporate environmental targets, and in line with two U.N. Sustainable Development Goals

The main objectives that GNF will achieve are to produce low carbon energy, to improve the energy mix of GNF and to reduce the necessity and load factor of the fossil fuel generation

The sustainability benefits are **climate change mitigation** (GHG emissions avoidance or reduction ) and **clean Energy** (Increase of the share of renewable energy in the global energy mix)

In addition to the environmental benefits, the eligible projects should meet other ESG criteria. Additional information on these ESG criteria is provided in the following section and in the appendix.

Lastly, GNF has committed to exclude from the Green Bond any eligible projects meeting the two following conditions: (i) being rated as "very high risk controversy" relating to ESG matters in RepRisk monthly report, and (ii) subjected to a final and condemnatory sentence.

### 3. Process for evaluation and selection of projects

#### Process for project evaluation and selection

Projects aligned with the Use of Proceeds will be considered eligible for Green Bond proceeds allocation. To be eligible, projects must correspond to one or several of the defined categories of eligible projects (wind power and solar power renewable energy generation), in line with GNF's strategic environmental priorities.

Beyond Green Bond Principles, and in line with international standards, GNF will integrate other ESG factors<sup>1</sup> in the process for project evaluation and selection:

- Environmental, including environmental strategy of the project, reduction of natural resource consumption and environmental externalities, biodiversity conservation, etc.
- Social, including respect for human and labor rights, health and safety, and community involvement
- Governance, including business ethics, responsible procurement and relations with suppliers, internal control and audit, and responsible governance.

GNF is committed to attest the transparency and efficiency of the selection process and the responsible management of the proceeds and financed projects, through eligibility criteria defined. Accordingly, GNF has created a Green Bond Committee (or "Committee") in charge of the overall Green Bond process: definition, project evaluation and selection, management of the proceeds and of the eligible projects, and reporting. This Committee first selects a list of potential eligible projects from a pool of potential GNF investments; then it evaluates their compliance with the defined eligibility criteria, in order to select a limited number of projects, and to reject projects subjects to the exclusion criteria.

The process for project evaluation and selection is based on relevant internal expertise and internal roles and responsibilities are clearly defined, as the Committee comprises representatives from the key GNF's internal directions involved in the Green Bond process (Financial, Environment and Social Assessment, and CSR departments). Accordingly, it gathers skills and competences covering most issues related to the management of the Green Bond, and when relevant, it will request external expertise from other departments or from external consultants.

The Green Bond Committee will meet at least once a year, or in ad hoc whenever required, to decide, manage and review the eligible projects and the Bond proceeds. The traceability is ensured throughout the process, using documented meeting minutes.

### 4. Management of proceeds before allocation

The Green Bond proceeds will be allocated to finance eligible projects started from 2016 upward. GNF intends to allocate the proceeds within 24 months after the issuance date of each Green Bond.

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<sup>1</sup> See appendix

The net proceeds of the Bond issuance will be managed within GNF's treasury liquidity portfolio, in cash or other short term and liquid instruments that do not include GHG intensive activities nor disputable activities.

GNF commits to maintain a minimum level of cash equivalent to the unallocated funds of the Green Bond at the end of the financial year.

In case of project postponement, cancelation or divestment, the net proceeds will be used to finance other eligible projects which are evaluated and compliant with the process defined in this framework.

The tracking of the allocation and of the use of the proceeds from the Green Bond will be made through GNF's general accounting system. Allocation of the funds and unallocated funds will be reviewed annually by external auditors.

## 5.- Reporting

GNF will report annually and transparently in GNF's annual Corporate Responsibility report, within 6 months after the completion of the external assurance of each financial year.

GNF will report annually and transparently, until the full allocation of the net proceeds and as necessary afterwards in the event of new development, on:

- **Use of proceeds**

Reporting indicators at project level	Reporting indicators at Bond level
- Description of the financed projects (technologies, location, year of implementation, stage, percentage of completion...)	- Number of projects
- Amounts allocated (in EUR)	- Amounts allocated (in EUR)
- Share of each project financed by the Bond proceed (in %, if co-financed)	- Total allocated amount vs total proceeds (in %)
	- Description of the unallocated proceeds management

- **Environmental benefits**

Eligible Projects	Impact indicators	Methodology and assumptions
<b>Renewable energy generation units (wind + solar)</b>	<ul style="list-style-type: none"> <li>- GHG emissions avoided (ex-ante estimates and then annual assessment, in t CO<sub>2</sub>eq)</li> <li>- Energy production capacity (ex ante estimates, then annual assessment, in MW)</li> <li>- Energy production generated (ex ante estimates, then annual assessment, in MWh/year)</li> </ul>	<ul style="list-style-type: none"> <li>- Verification is made in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410), ISO 14064, the GHG protocol methodology and the guidance for inventory realization for IPCC 2006.</li> <li>- Assurance report of PwC included in the Carbon Footprint Report elaborated in compliance with “the greenhouse gas protocol. A corporate accounting and reporting standard”, the UNE-ISO 14064 norms on GHG and IPCC 2006 guidelines for national inventories.</li> <li>- GHG inventories are verified by a third party with a limited level of assurance, in compliance with International Standard on Assurance Engagements (ISAE 3410), Assurance engagements on Greenhouse Gas Statements issued by the IAASB of the International Federation of Accountants (IFAC)</li> </ul>

Regarding the monitoring and reporting of the ESG management of the eligible projects, it will be achieved at corporate level only being monitored through GNF’s corporate internal monitoring systems, and will be reported in GNF’s annual Corporate Responsibility report (which compliance with GRI standards is verified by a third party), and will be disclosed in GNF’s website. Any legal process related to the breach of ESG criteria observed at a project level will be reported, as a complement to the overall Green Bond reporting.

When convenient and appropriate, GNF would substitute any of the selected indicators and would integrate any other indicators to disclose the performance of the eligible projects.

**6. External Review**

GNF has also decided to mobilize two types of external review for his Bond:

- 1) Second Party Opinion: GNF has appointed Vigeo Eiris, as sustainability consultant, on the responsible credentials of the Bond, based on pre-issuance commitments, covering (but not limited to) the key features of the Bond in line with the Green Bond Principles. The results of this assessment are documented in Vigeo’s Second Party Opinion, which is available on GNF’s website ([www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)).

- 2) Verification: external audit by qualified parties (third party ESG and/or financial audit), to verify the management of the proceeds (funds) and quantitative environmental benefits (metrics), until the full allocation of the net proceeds and as necessary afterwards in the event of new developments.

**Appendix:** ESG Criteria (as determined by GNF and reviewed and assessed by GNF) (I)

Criteria	GNF's commitment in construction and O&M	Supporting element
Integrated environmental strategy	- Application of environmental management model based on ISO 14001	- Management Integrated System (SIG) - ISO 14001 Certification
	- Comply with the requirements set by project's specifications and environmental approvals requested by the Administration, as well as with GNF's internal EMS, using systematically the "mitigation hierarchy" (avoid, mitigate, restore, compensate)	- Management Integrated System (SIG) - Legal compliance reports
Eco conception / reduction of natural resources consumption	- Efficient resources consumption management - All providers are assessed on their social and environmental performance, and GNF make them sign its Code of ethics for Suppliers	- Avoided energy consumption in O&M phase according to Base Line certified by MDL methodology of UNFCC - ESG assessment of GNF's providers
Atmospheric emissions	- GHG emissions mitigation	- Application of environmental manual of good practices
Accidental pollution prevention and control	- Guarantee the Application of internal procedures and of the Legal requirements in prevention and control of accidental pollution - For all works, Environmental Emergency Protocol (EEP) are defined covering discharges into water resources or damage to riparian vegetation and fauna	- Management Integrated System (SIG) -Emergency Plan / environmental manual of good practices / Operational procedures -Audit reports
Protection and improvement of biodiversity	- Identification of the project possible adverse effects on the environment and definition of prevention measures	- Management Integrated System (SIG) - Environmental impact report - Environmental surveillance Plan

**Appendix: ESG Criteria (as determined by GNF and reviewed and assessed by GNF) (II)**

Criteria	GNF's commitment in construction and O&M	Supporting element
Management of end-of-life products and equipment	<ul style="list-style-type: none"> <li>- Decommissioning and/or Dismantling plans are planned since the construction phase. They include restoration measures.</li> <li>- Used equipment (i.e. used batteries, used solar panels...) will be collected and treated by authorized providers</li> </ul>	<ul style="list-style-type: none"> <li>- Deconstruction plans</li> <li>- Collection and treatment contracts</li> </ul>
Guarantee and improvement of Human Rights and prevention of its violation	<ul style="list-style-type: none"> <li>- GNF applies its corporate Human Rights Policy with 10 commitments to be implemented and respected, aligned with UN Guiding Principles on Business and Human Rights</li> <li>- GNF assess Human Rights Impacts from the beginning of each project (construction) and during the operation of each project (O&amp;M)</li> </ul>	<ul style="list-style-type: none"> <li>- CSR Policy</li> <li>- Human Rights Policy</li> <li>- Code of Ethics</li> </ul>
Guarantee and Improvement of health & safety & work conditions	<ul style="list-style-type: none"> <li>-GNF implements since 2013 a Safety Commitment Plan which establishes a Zero Accident target for the whole company</li> <li>- The executive committee has personal objectives related to safety ratios in constructions and operation</li> <li>- Health and safety measures also applies to contractors employees</li> </ul>	<ul style="list-style-type: none"> <li>- CSR Policy with a commitment focused on safety and Health</li> </ul>
Consultation and inclusion of local stakeholders	<ul style="list-style-type: none"> <li>- GNF applies its Human Rights Policy and CSR Policy which rules the dialogue with stakeholders and a Code of Ethics with a grievance mechanism</li> <li>- As for the Environmental Management Plan for O&amp;M, each site implements regular noise and vibration measures. GNF discloses an annual report to the local authority (at Province level). In case non compliance related to noise and vibrations are detected, they will be managed within GNF's Integrated Management System based on the ISO 14001 norm, corrective and preventive actions will be defined and implemented in order to remedy to the situation</li> <li>- In case stakeholders ask for information related to noise and/or vibration generated by the wind farm facilities, the information is disclosed with full transparency</li> </ul>	<ul style="list-style-type: none"> <li>- CSR Policy</li> <li>- Human Rights Policy</li> </ul>

**Appendix: ESG Criteria (as determined by GNF and reviewed and assessed by GNF) (III)**

Criteria	GNF's commitment in construction and O&M	Supporting element
Integration of environmental and social factors in the supply chain	<ul style="list-style-type: none"> <li>- Assess our suppliers on 16 ESG criteria through our purchasing platforms according to a level of risk classification on Atmosphere, biodiversity, water, landscape, waste and resource consumption, Community welfare, Human Rights, workers' rights, data protection, product quality and safety, health and occupational hazard prevention, fraud, corruption, rivalry, terrorism, professional ethic, compliance</li> <li>In addition GNF get the suppliers to acknowledge that they have read, understood and accept GNF's Code of Ethics for Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>- CSR Policy (chapter on Responsible Supply &amp; Internal Purchasing norms)</li> <li>- Human Rights Policy</li> <li>- Gas Natural Fenosa Code of Ethics For Suppliers</li> <li>- Assessment of the providers</li> </ul>
Sustainable relation with the suppliers	<ul style="list-style-type: none"> <li>- GNF applies Corporate level policies to all suppliers, including for the selected projects of this green bond</li> </ul>	<ul style="list-style-type: none"> <li>- CSR policy and reporting</li> </ul>
Prevention of corruption fraud, money laundering and funding of terrorism	<ul style="list-style-type: none"> <li>- GNF has implemented Corporate level Due Diligence Procedure as a part of GNF's Criminal Prevention Model to cover the main legal and reputational risks in business relationships with third parties and specifically to cover crimes associated with the risk of corruption</li> <li>- GNF has implemented also a code of ethics channel (whistle blowing system for internal and external incident reporting)</li> <li>- Training of all employees on GNF's Code of Ethics</li> </ul>	<ul style="list-style-type: none"> <li>- Code of Ethics</li> <li>- Anti-Corruption Policy</li> <li>- Internal Purchasing norms</li> <li>- Third-Party Due Diligence Procedure</li> </ul>
Internal control and audit	<ul style="list-style-type: none"> <li>- Continuous review and improvement of GNF internal control system, as well as safeguarding compliance with external and internal norms and the control models to safeguard the efficacy and efficiency of operations, and to mitigate the main risks in each fields in which the group operates, particularly operational, corruption, fraud and legal risks</li> <li>- Individual approval of the project according to de General Growth Opportunities Norm and the General Investments norm</li> <li>- Billing and payments control procedures in the Eco-Fin area.</li> </ul>	<ul style="list-style-type: none"> <li>- Internal Audit Plan</li> <li>- General Growth Opportunities Norm</li> <li>- General Investments Norm</li> </ul>
Responsible Corporate Governance	<ul style="list-style-type: none"> <li>- GNF has a specific commission depending on the Board of Directors, the Appointments and Remuneration Commission, in charge of supervising the Sustainability Plan (where ESG issues and performance are measured and supervised, including controversies). This commission is chaired by an independent Director.</li> </ul>	<ul style="list-style-type: none"> <li>- Annual corporate Governance report</li> <li>- Annual accounts and management report</li> <li>- CSR risks Map</li> </ul>