

Naturgy

Sustainability Report and Non- Financial Information Statement 2023

3. Presence in trade associations

[2-28]

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

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

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

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

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

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

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

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

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

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

Assessment of the degree of alignment with the Paris Agreement

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

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

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

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

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

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

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

The result of the analysis determined the following:



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

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

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

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

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

For the associations assessed in group A, Naturgy:

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

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

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

For the associations assessed in group D, Naturgy:

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

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

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

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