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1 Letter from the Chairman

It gives me great pleasure, for another year, to present our annual sustainability report, which allows us to share our challenges, undertakings and progress in the sustainability field with stakeholders, and the drafting of which has required significant internal consultations.

As a company dedicated to the distribution of natural gas, 2022 was clearly affected by the war in Ukraine. Thus, we had to contend with a huge increase in gas prices, which reached record levels in August, and the clear vulnerability of Europe due to its energy-dependence in a wholly unexpected scenario. This reality, together with Europe's firm commitment to combat climate change, has accelerated the energy transition process.

Madrileña Red De Gas has played a key role in the energy transition process for a number of years. We have taken in part in innovative projects of interest in this field, the medium- to long-term aim of which is to transform our natural gas distribution network to one for renewable gases, such as H2, as a clear alternative in this transition. The energy crisis and the increase in social and governmental

awareness show us that we are on the right path. In 2022 we have consolidated projects that we had started to launch in previous years. We hope that, for us, the energy transition is an opportunity rather than a risk.

Also in 2022, we have reached important milestones in our sustainability strategy. We have once again applied for a GRESB 2022 Infrastructure Sustainability rating, obtaining the highest "five-star" classification for the second year running, with an excellent outcome in the international benchmarking: we were rated in second position in the European gas infrastructure company rankings, and were the leaders in Spain, with a score of 96 out of 100.

We would also like to highlight our efforts to establish sustainable financing instruments. For the first time, we have reaffirmed our commitment to sustainability via our main financial institutions, by entering into a loan agreement linked to sustainability performance, thereby improving our average debt costs and strengthening our competitive position. This bond is linked to the score obtained in the GRESB ratings.

In 2022 we have also undertaken an in-depth review of our sustainability-related materiality. To that end, we have taken into account a double-materiality approach, looking at both the importance of material aspects as regards their impact on the environment and stakeholders and their impact on our business. In that regard, we have taken into account the opinion of our stakeholders, who we have invited to participate as part of an interview- and questionnaire-based process.

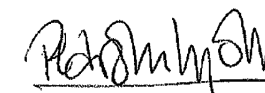
This double-materiality approach has clearly led to the renewal of our list of relevant aspects. The studies

conducted to obtain the materiality and their findings should allow us to update our sustainability strategy in 2023 and define our Sustainability Master Plan 2023-2026.

Other elements that I would like to highlight as part of our efforts in 2022 include the sign-off of our Equality Plan 2022-2026, which aims to continue our improvements in applying the principle of equality between men and women, the certification of our Information Security System as per standard ISO 27001, and the verification our first scope 3 carbon footprint report.

With regard to our commitment to Human Rights, this is clearly reflected in our Code of Ethics, although during 2022 we have started to work on a Human Rights Policy, which we hope to implement in 2023, to set out our commitment to respect and promote said rights in all our operations, as well as a Sustainable Purchasing Policy.

In this report we present all the progress made in 2022, and hope that it proves useful and of interest for all our stakeholders, allowing them to gain greater insight into our commitment to sustainable development.



Pedro Mielgo

2

Who We Are

2. Who we are

Classification of the activities and business facilities of our company according to the CNAE*

CNAE-2009	Description
35.22	Distribution of gaseous fuels by pipeline
35.23	Piped gas business

* National Classification of Economical Activity (CNAE)

2.1 About us

Madrileña Red de Gas S.A.U. (MRG) is a single-member company dedicated to the distribution of natural gas, and to the distribution and sale of piped liquefied petroleum gas in the Community of Madrid.

MRG has the following installations for the operation and maintenance of our gas distribution network:

- Natural gas distribution network.
- Satellite liquefied natural gas regasification plants (hereinafter LNG plants).
- Satellite liquefied petroleum gas plants (hereinafter LPG plants).

As was also the case when we started our operations in 2010, our activity is limited to Spain and specifically, as mentioned above, to the Community of Madrid. We currently operate in 61 towns and cities, and in five districts of Madrid itself.

Our head office is located at Calle Virgilio, 2, in Pozuelo de Alarcón. We also have a warehouse located at Calle Valdemorillo 60, in Alcorcón.

2.2 Main figures

61 Municipalities in the Community of Madrid	5 Districts in the city of Madrid	6,054 Kilometres of distribution network	9,351 GWh Distributed energy
900,911 Natural gas Users	206 Regulation Metering Station (ERM)	5 Liquefied natural gas plants (GNL)	128 Liquefied petroleum gas plants (GLP)
8,073 GLP Customers	8 Customer Satisfaction Rating ¹	167,418 Thousands of € in Revenue ²	130.4 Million € Ebitda ²
120 Employees ³	96.7% Contratos fijos	17.6 Thousands of € in Revenue ²	125.2 Million € Cash flow ²
43 Women	77 Hombres	357,824 kWh Energy Consumption	15,114.1 tCo ₂ e Carbon Footprint Scope 1 and 2
8 Women ⁴ In top management/Management position	12 Men ⁴ In top management/Management position	56,821.4 tCo ₂ e Carbon Footprint Scope 3	
161 Suppliers	45 Critical Suppliers	56,584 Complaints	10,253 Emergency Calls

1. On a rating scale between 0 and 10.

2. In accordance with International Financial Reporting Standards (IFRS).

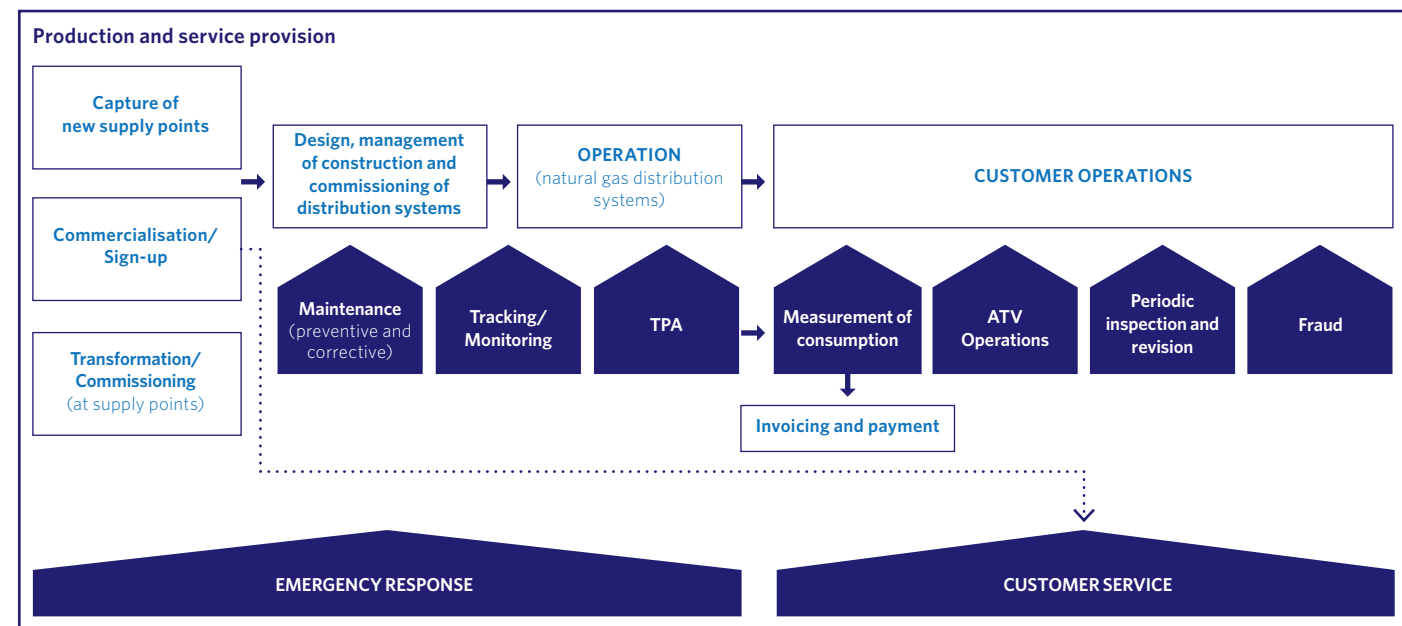
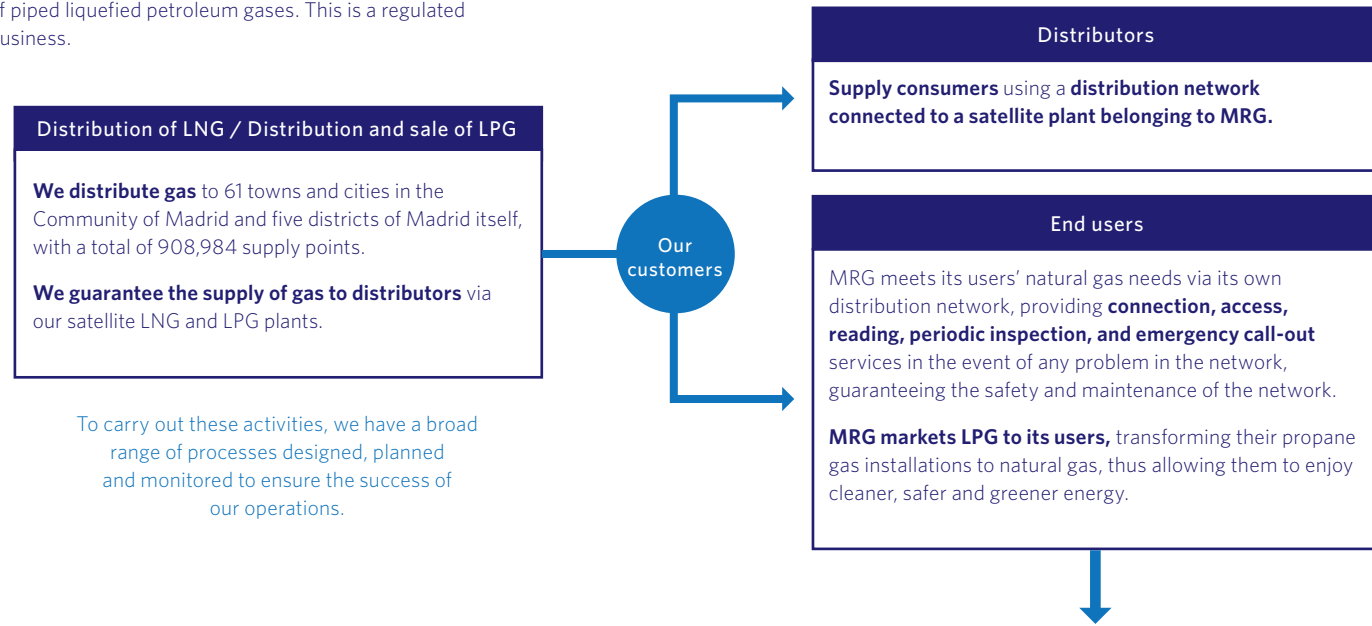
3. Without partial retirees.

4. Including part-time employees.

2. Who we are

2.3 Our value chain

As mentioned above, MRG is concerned with the distribution of natural gas, and the distribution and sale of piped liquefied petroleum gases. This is a regulated business.



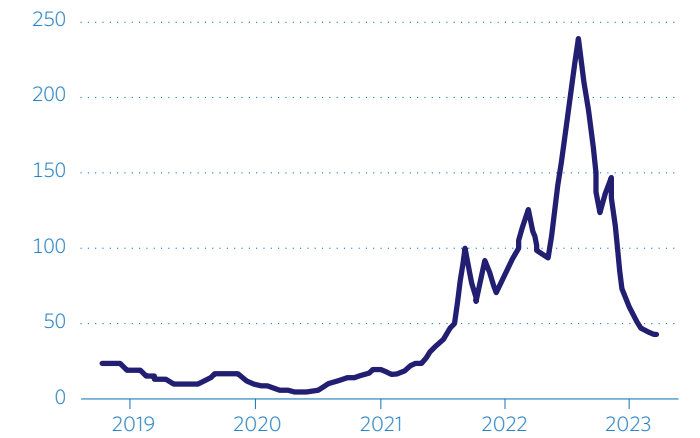
2.4 Madrileña Red de Gas in 2022: a year of uncertainty

During 2022 we have slowly begun to recover from the pandemic and have attempted to return to the “normality” of previous years. However, we have been faced with another unexpected situation. The upwards trend in natural gas prices that started in Autumn 2021 was strongly magnified by the Russian invasion of Ukraine in February 2022. As Western sanctions on Russia began to bite, and gas supplies to Europe via Nord Stream 1 were halted, prices increased markedly, peaking at record levels in August 2022, and a Winter of energy blackouts and restrictions throughout Europe was feared.

Nationally, and especially in Madrid, our customers have also been affected by the global energy context. Uncertain supplies, high prices, the contribution of natural gas to electricity generation, regulatory and legal changes and the geopolitical situation of Spain with its main importers have resulted in worry and uncertainty.

Despite this, MRG has been able to overcome this situation, making significant efforts to meet our customers’ needs and continuing to promote and integrate sustainability at all levels and in all processes in our company, promoting and establishing environmental, social and good governance criteria in both our strategic plan and in our decision-making.

Change in price of natural gas
Natural Gas EU Dutch TTF (€/MWh)



Source: <https://tradingeconomics.com/commodity/eu-natural-gas>

2. Who we are

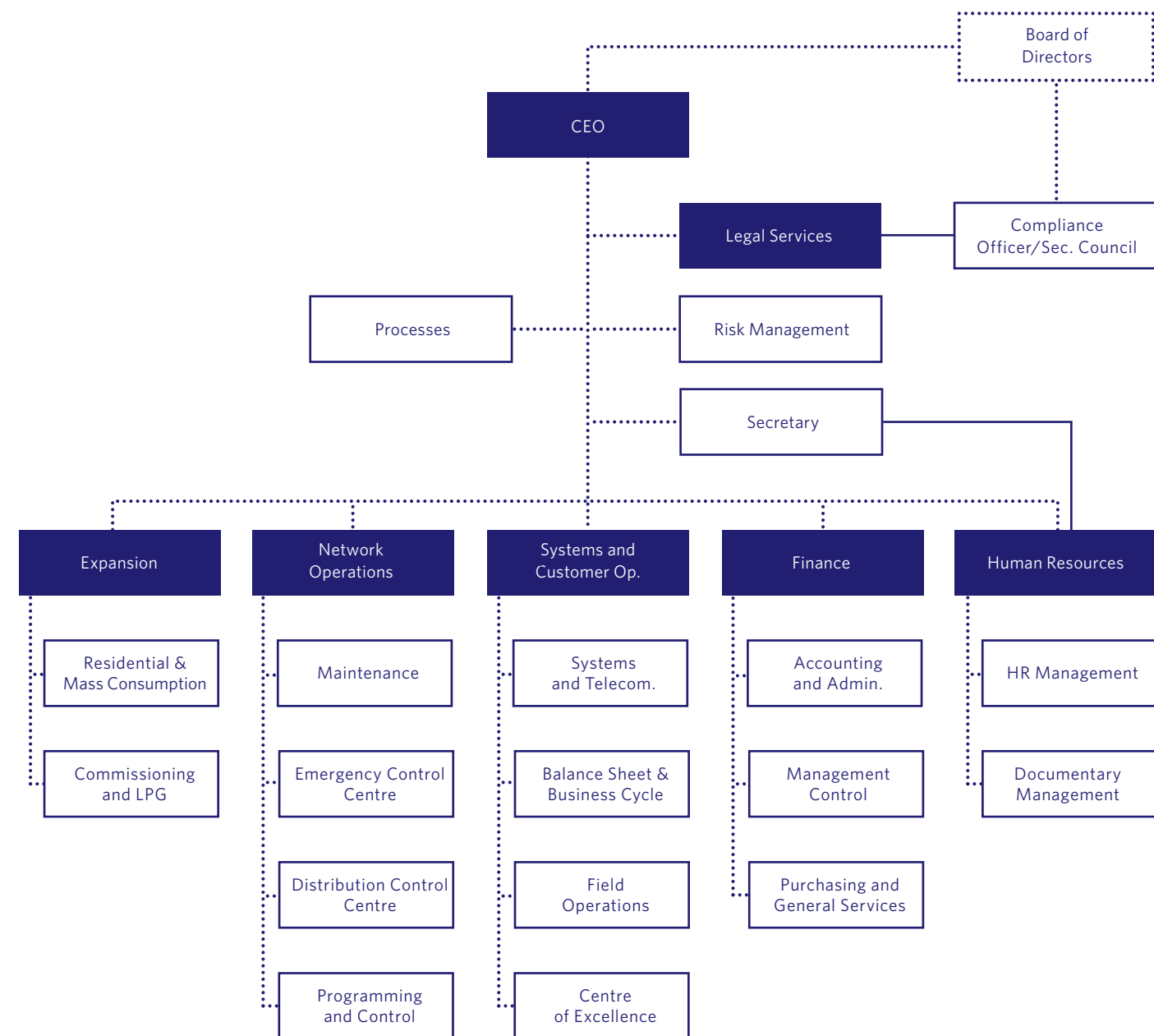
We have managed to meet some significant goals



3

**Good Governance,
Ethics and
Transparency**

Organizational structure as per our organization chart



3.1 Corporate Governance

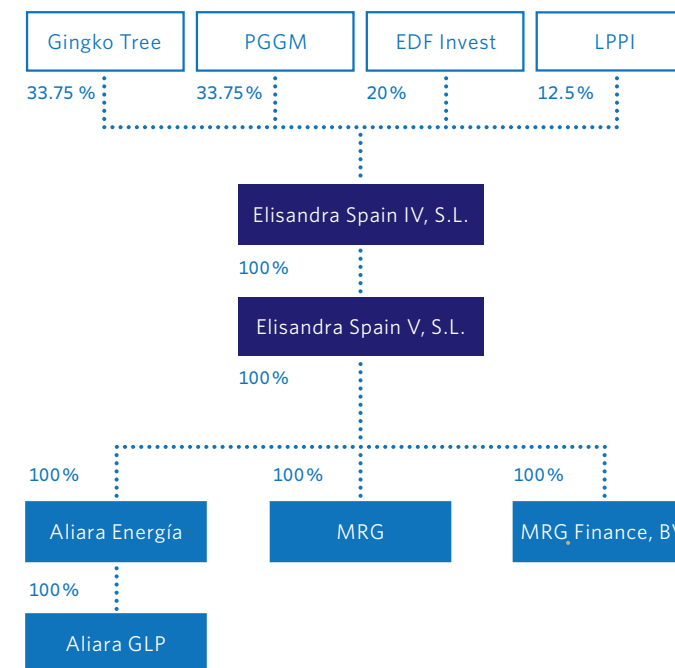
Our structure is revised regularly, and the structure corresponding to the latest review for 2022, performed in Sept. 2022, can be found below. The new structure and name for the departments in the Expansion Division, which align with the company’s strategy, should be noted.

Our sole shareholder is Elisandra Spain V, S.L.U. and its controlling society Elisandra Spain IV, S.L., via which there are four investment groups and business partners with different percentage shareholdings or participations with voting rights: Realgaz, S.A.S (EDF Invest), Stichting Depositary PGGM Infrastructure Funds (PGGM), JCSS Mike S.A.R.L. (Gingko Tree) and LPPI Infrastructure Investments LP (LPPI).

The relational framework with the shareholders is via the shareholders meeting and the Board of Directors, as well as one-on-one meetings, where they can transmit their doubts, interests and needs, and which can also be used as a vehicle to communicate and notify the roll-out of our strategy. They have also been invited to participate in the company’s materiality assessment process, taking on board their opinions and interests. It should be noted that a series of meetings outside of the normal framework were held in 2022, mainly aligned with PGGM’s ESG requirements.

The governance structure comprises the Board of Directors, the Audit and Risks Committee, the Remuneration Committee and the Management Committee. Only the four partners of Elisandra Spain IV, S.L. are represented on these bodies.

Voting shares or holdings








Governance Structure

- Board of Directors
- Audit and Risk Committee
- Remuneration Committee
- Management Committee

3. Good Governance, Ethics and Transparency

Diversity in governance bodies

	Sex		Average age		Average seniority ¹
					
Board of Directors	8	1	3	6	4.0
Audit and Risks Committee	6	1	2	5	3.3
Remuneration Commission	5	1	2	4	3.3
Management Committee	5	2	4	3	8.7

¹ Average mandate period for all members as of 31 December 2022

Board of Directors

Consilia Asesores, S. L. | Chairman

(Pedro Mielgo, individual representative) | Thirteen years

Dennis van Alphen | Director | Two years

Martijn Verwoest | Director | Two years

Chilei Kao | Director | One year

Suyu Wu | Director | Two years

Jaime Fernández-Cuervo | Consejero | Two years

Simon Davy | Director | Six years

Romain Thierry Victor Bruneau | Director | 3 años de antigüedad

Pierre Benoist d'Anthenay | Director | Five years

María Martín, Secretary (not Director)

When designating our governance bodies, the main criterion is the representation of our shareholders on the majority of these control bodies, thus resulting in a control mechanism and independence when making decisions. Similarly, in line with our code of ethics and our commitment to diversity, we do not discriminate by age, sex, nationality, religion, etc. However, given the history of our company and the gas sector in general, our governance bodies remain largely male-dominated, although this is an aspect that we are working to improve.

This structure is complemented by a series of committees and commissions formed by members of senior management, which provide technical support to our governance responsibilities.

The Board of Directors is the type of administration body established in the articles of association deposited with the Trade Register, and acts jointly. Its individual members are all non-executive proprietary directors, whereas the Management Committee includes executive members.

Currently, and in line with the new sustainability requirements of one of the major shareholders, a process has been initiated to improve members' training in this regard, incorporating the ESG strategy into the agenda of committee meetings.

The Board of Directors is a collegiate body, therefore there are no significant positions other than the existence of a chairman of the board. Its agreements are implemented by the company's CEO, who is the only person, together with the Chief Financial Officer and the Finance Department, with general management, administration and decision-

making powers. Its operation is governed by the articles of association and the undertakings, rights and obligations established in the Limited Companies Act.

As part of our undertaking to make greater progress in the implementation of best corporate governance practice, and in recognition of the value and importance of a diverse and balanced composition of the Board of Directors, a new female member has been added to said board in 2022, thereby ensuring the existence of appropriate procedures for selecting board members and also achieving balance in the highest levels of the organisation.

Board members are proposed by the Board of Directors itself and their appointment is accepted by the sole shareholder, as set out in law. There are no independent members and they are appointed for 6 years. The average mandate is currently 3.5 years.

As the highest governance body, the Board of Directors defines the company's high-level strategies and validates management guidelines, while also monitoring the organisation's financial and environmental results and employees. The organisation's processes are, in turn, defined by the company's Management Committee and any relevant changes are notified to the Board of Directors for approval.

The mission, vision and values statements are defined and reviewed by our Management Committee and notified to the Board of Directors for approval. In addition, the policies, strategies, and objectives related to economic, environmental and social aspects and human rights due diligence are defined by the Management Committee, evaluated by the

The mission, vision and values statements are defined and reviewed by our Management Committee and notified to the Board of Directors for approval

Audit and Risks Committee and then notified to the Board of Directors for approval as part of management. Meetings of the Board of Directors are held at least every three months. The preliminary dates and agendas are established in December of each year and approved by the Board to ensure a greater degree of certainty regarding the meetings and minimum contents that will be debated and studied at least one year beforehand.

Starting from this initial agenda, which can be modified depending on specific circumstances and events that may occur, the heads of each division, members of the Management Committee and the different committees

3. Good Governance, Ethics and Transparency

Company governance guidelines

- Articles of association deposited with the Trade register
- Code of ethics
- Regulations of the Board of Directors
- Regulations of the Audit and Risks Committee
- Regulations of the Remuneration Committee
- Risk policy
- Risk-management guidelines
- Anti-corruption policy
- Crime prevention policy
- Corporate accountability policy
- Human rights policy
- Other internal policies and guidelines

Audit and Risks Committee

Martijn Verwoest | PGGM | Chairman | Five years

Simon Davy | LPPI | Four years

Jaime Cuervo | Gingko Tree | Since 2022

Romain Thierry Victor Bruenu | EDF Invest | Since 2022

Alejandro Lafarga | CEO | Five years

Inés Zarauz | CFO | Four years

Alfonso Garcia | Risk manager | Secretary | Five years

operating within the company prepare detailed studies for submission to the Board at each of its meetings, from an environmental, personnel and economic viewpoint. The Board of Directors discusses these topics at its offices and approves the decisions required, if any.

The secretary to the Board is responsible for communications between board members and the Management Committee, channelling all communications and notifications addressed to board members.

Control and evaluation of the financial performance of the highest governance body is undertaken by way of auditing of the annual accounts at the end of the financial year, which, in accordance with Act 11/2018, on non-financial information and diversity, provides non-financial information that can be verified by an independent third party.

The Board of Directors is an unpaid body, as established in the company's articles of association.

To support the Board, two control bodies, namely the Audit and Risks Committee and the Remuneration Committee, both of which have specific tasks and report directly to the Board, have been established.

The Audit and Risks Committee, which comprises members of the Board of Directors, Management Committee and the head of the Risk Management Dept., monitors corporate risks and identifies, studies and evaluates their impact on the economy, environment and personnel.

Upon proposal from members of the Management Committee, any threat with a potential impact on the

economy, environment and personnel may be the subject of a study to determine the probability and magnitude of the impact, and to define the corresponding mitigation plan. MRG has defined and implemented a process for determining the double-materiality of sustainability-related aspects that involves and promotes participation of the interested parties and during which the perception of the performance of the organisation in each material aspect is compiled. This sustainability report includes the results of that initial study from a double-materiality perspective, as supported by the Board of Directors.

As established in our internal operational regulations, the Audit and Risks Committee reports directly to the Board of Directors and operates in accordance with the provisions of the regulations defining its objectives, functions and composition. Said committee comprises representatives from the Board of Directors of each of the four shareholders, various members of the Management Committee and the Risk Management Department.

The contents of the agenda are dealt with at regular committee meetings, which are held prior to each meeting of the Board of Directors, and are agreed on internally at the start of each new financial year.

The Audit and Risks Committee is responsible for supervising and monitoring the processes, submitting financial and non-financial information to the Board of Directors, account auditing, external verification and for the efficacy of the internal risk-control and -management system. The most recurrent tasks include monitoring of the corporate risk map (including operational, technological, regulatory, economic, social, environmental (including those arising due to climate

The Audit and Risks Committee, which comprises members of the Board of Directors, Management Committee and the head of the Risk Management Dept., monitors corporate risks and identifies, studies and evaluates their impact on the economy, environment and personnel

change) cybersecurity and reputational risks), established or proposed mitigation checks and plans, account auditing, auditing of the integrated prevention system, the environment, information quality and security, relevant sustainability-related aspects, the crime-prevention policy and monitoring the compliance system.

The result of these activities allows us to issue recommendations aimed at managing risks and/or for the Board of Directors. We have also continued to monitor the evolution of the risks map post-COVID-19, the case incidence at MRG and contractors versus the number tested per 100,000 persons.

3. Good Governance, Ethics and Transparency

The involvement of shareholders in the salaries of senior executives is via the Remuneration Committee, which comprises the Chairman of the Board and up to four other Board members. The CEO and Head of Human Resources (Secretary) also attend these meetings, except when their own salaries are being discussed.

The CEO is considered to be senior management and their salary is established annually by the Remuneration Committee. Board members are not paid, as established in the company's articles of association and mentioned previously.

The Remuneration Committee determines and recommends salary policies and any changes to the conditions of service of the CEO, Financial Director and any other Board member designated as being suitable for consideration, or any other employee, to the Board of Directors.

It is responsible for all salary elements for all Departmental Heads at MRG, namely:

- Fixed salary: The amount paid on the basis of the level of responsibility and professional trajectory. It is always paid. Any change is proposed and agreed on annually by the Remuneration Committee.
- Variable salary: The amount awarded on the basis of objectives achieved in a time horizon of one year. These objectives are defined annually by the Remuneration Committee and payment is approved the following year based on the results. The objectives are aligned with the shareholders and the company as a whole (some of the objectives are

related to the company's different sustainability-related aspects).

- Recruitment bonuses or payment of recruitment incentives.
- Remuneration for dismissal: This is the financial payment obtained by the worker if their contract is rescinded and is stated in the contract.
- Reimbursements.
- Pensions: A retirement plan designed to provide a system of social protections that complement those of the public pensions system in the interests of its participants.

The Committee is obliged to agree the principles and structure of the salaries proposed for all members of the Board and Management Committee not subject to a collective bargaining agreement (CBA) and to decide how to attract, retain and develop talent together with the CEO, and to establish succession plans and their revision.

The principles upon which salaries are based are:

- the creation of long-term value
- the attraction, retention and motivation of the best professionals
- to compensate to the level of responsibility and results
- to ensure internal equity and external competitiveness
- to ensure equal salaries for men and women

The remuneration policies for all our employees are in accordance with good corporate governance practice, as established in Article 7 of Act 902/2020, and in that regard we have carried out a salary audit as part of the Equality Plan (2022-2026). The action plan can be found in the Equality Plan Measures section, specifically in the "Salaries" block, and is monitored during follow-up of the plan (see Personnel chapter).

The Remuneration Committee holds at least one or two meetings per year, although this frequency can be increased if required. Proposals from the Committee are submitted to the Board of Directors. Two meetings, covering the following aspects, have been held in 2022:

- Definition and approval of the financial and operational KPIs for variable salaries 2021
- Proposal and approval of salary increases 2022
- Proposal and approval of financial and operational KPIs for variable salaries 2022

The Management Committee is a body comprising the company's CEO and the heads of the six Unit Divisions. The Unit Divisions are staffed by professionals with extensive experience and skills in our company's main areas of activity and submit the operational and management proposals they consider to be appropriate or necessary for their respective Units to ensue compliance with the Strategic Plan to the Board. The executive decisions of the Management Committee are adopted by the company's CEO.

Remuneration Committee

Simon George Davy | LPPI | Chairman | Two years

Pedro Mielgo Álvarez | Member | Four years

Martijn Verwoest | PGGM | Member | Four years

Andrew Wilkie | Member | Four years

Pierre Benoist D'Athenay | Member | Four years

María Vázquez | Secretary | Four years

Management Committee

Alejandro Lafarga | CEO | Twelve years

Rafael Fuentes | Legal Director | Twelve years

Inés Zarauz | Financial Director | Four years

David Ortiz | Expansion Director | Six years

Félix Blasco | Network Operations Director | Ten years

Glen Lancaster | Customer Systems & Operations Dir | Twelve years

María Vázquez | Human Resources Director | Five years

We are fully aware that the acceptance and economic success of the company are only sustainable if it contributes to the outcome of the challenges faced by our society in an active, credible and tangible manner

- The identification of risks and opportunities, evaluating impacts on the economy, the environment and personnel. The definition of risk-mitigation policies and plans, and the monitoring thereof.
- Definition of the performance objectives for processes and supervision of the evolution of the company's management indicators control panel. The proposal and implementation of improvement actions.
- Monitoring of the various corporate actions with transversal effects considered to be relevant (regulation and legal compliance, sustainability, human resources, health and safety, environment, personal data protection, crime prevention, etc.).

The objectives and operation of the technical committees and commissions identified in this chapter are explained throughout the report, depending on their working area or scope.

3.2 Ethical behaviour

The values of Madrileña Red de Gas include corporate accountability as part of its strategy and positioning, thus ensuring that it forms part of our values. We are fully aware that the acceptance and economic success of the company are only sustainable if it contributes to the outcome of the challenges faced by our society in an active, credible and tangible manner. Thus, the Board at Madrileña Red de Gas establishes good governance criteria for the company and a Code of Ethics and

policies that all employees must comply with, as means for achieving these outcomes. All such documents are published periodically and are available on the internet. They also form part of the welcome pack for all new employees.

3.2.1 Human Rights Due Diligence

In line with our values, we have developed a human rights policy as a guiding principle that governs our behaviour and strengthens our undertaking to respect and promote human rights in all our operations, our value chain and all communities in which we are active, paying particular attention to vulnerable groups. This policy forms part of our commitment to sustainable development targets (see Sustainability Strategy chapter).

Our policy is based on the recommendations and rights established in:

- The UN Universal Declaration of Human Rights
- The UN Global Compact
- The UN International Covenant on Economic, Social and Cultural Rights
- The UN International Covenant on Civil and Political Rights
- The fundamental conventions of the International Labour Organization (ILO)
- The UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)
- The UN Guiding Principles on Business and Human Rights

- The UN Convention on the Rights of the Child
- The UN Convention on the Rights of Persons with Disabilities
- The European Directive on corporate due diligence and corporate accountability
- Agenda 2030 for Sustainable Development

This policy is approved by the Management Committee, is applicable to all employees, managers and the Board of Directors, and covers all activities undertaken by our company. Compliance with it is guaranteed by way of corporate accountability policy compliance monitoring and our code of ethics.

In addition, in order to extend the principles of corporate accountability throughout the supply chain, we have extended this undertaking to our suppliers via our Sustainable Purchasing Policy and the Suppliers' Code of Conduct, as well as by including clauses in all contract relating to working conditions and human rights (see Sustainable Purchasing chapter).

3.2.2 Code of ethics

The aim of our code of ethics is to establish the guidelines that govern the ethical behaviour of all our employees in their day-to-day duties as regards the relationships and interactions they maintain with all stakeholders, in other words employees, customers, suppliers and external collaborators, shareholders, public and private institutions and society in general.

This code of ethics is based on, and complements, Madrileña Red de Gas' Mission, Vision, Values statement,

3. Good Governance, Ethics and Transparency

and is a mode of action to ensure the appropriate behaviour of our employees when carrying out their professional duties.

The code of ethics is applicable to all staff, irrespective of the position they hold and the place where they carry out their duties.

We also promote and encourage the adoption of behavioural guidelines similar to those defined in this code of ethics amongst our suppliers and partner companies. To that end, a Suppliers' Code of Conduct has been developed.

The Code of Ethics Commission is responsible for ensuring compliance with said code, and its main functions include:

- Promoting the dissemination, awareness and compliance with the code of ethics
- Interpreting the code of ethics and suggesting action in the event of any doubt
- Facilitating the resolution of conflicts related to application of the code of ethics
- Facilitating and managing a communication channel so that all employees, suppliers and partner companies can, in good faith and with no fear of reprisals, consult and notify non-compliance with the code of ethics or any other related information.
- Prepare reports for the governance bodies regarding dissemination and compliance with the code of ethics, as well as the activities of the Commission itself, preparing recommendations or proposals to maintain it up to date, improve its

content and facilitate application of any aspects requiring special attention.

- Ensure compliance with the code of ethics and, if applicable, study indications and complaints related to possible infringements thereof.

3.2.3 Complaints channel

Amongst the identification and action checks in situations in which legislative non-compliance and/or practices that go against the values and principles established in the code of ethics and anti-corruption policy may occur, we have implemented an external and independent complaints channel at MRG. This channel guarantees anonymous communication of the complaints submitted by staff or third parties concerning the company contracting the services to the Code of Ethics Commission or other body designated for that purpose. This means that any irregularity or behaviour that goes against the Code of Ethics, anti-corruption policy or current law can be notified with complete confidentiality and no reprisals.

This channel is available on the internet (<https://www.canaldedenuncias.com/es/madrilena>). It has been available and operational 100% of the time in 2022.

Complaints history

The complaints received via the complaints channel are discussed and studied by the Code of Ethics Commission and distributed to the corresponding area, with the comments agreed, based on their content.

There have been no significant cases of failure to comply with legislation and regulations during the period with which this report is concerned, and no fines have been paid.

In 2022, we erroneously received five complaints related to the normal operation of the company via this channel. None of these were related to the Code of Ethics or the Compliance System.

3.2.4 Prevention of corruption and conflicts of interest

Madrileña Red de Gas has made a firm undertaking to fight against corruption in all its forms and to develop specific practices to prevent it. To that end, we have established an Anti-Corruption Policy. Thus, we reiterate our public undertaking to not interfere in the willingness of persons unrelated to the company to obtain a benefit using unethical practices, and no employee or professional from our company may accept or make direct or indirect payments, gifts or compensations of any type to attempt to influence their commercial, professional or administrative relationship with public or private bodies in an inappropriate manner.

To do so, we have implemented a Compliance System, overseen by the Board of Directors via the Audit and Risks Committee, to help to prevent or mitigate, as far as possible, the risk that any crime, including the crime of corruption, may be committed in our company. No cases of corruption have been detected to date.

If a conflict of interest arises, Board members must inform the Board of Directors and the company itself. This notification is documented and included in the company report. Similarly, as established in the Limited Companies Act, for cases in which a possible future conflict of interest may arise, Article 230 of that legal text establishes the dispensation procedure for special cases which, depending

Complaints received in recent years

2016	2017	2018	2019	2020	2021	2022
3	3	2	0	3	1	0

on the case, will be applied by the Board itself or, in this case, by the sole shareholder.

No cases of non-compliance due to penal risks or corruption-related risks have been detected in 2022.

3.3 Compliance

The systematic identification of compliance obligations, analysis of risks and the implications thereof for MRG's activities, products and services, as regards both compliance with the strategic plan and the minimisation of legal and penal risks underlie the development, implementation and improvement of a solid compliance system and the promotion of a compliance and due diligence culture.

The legal compliance of the Integrated Management System is carried out by way of a standardised process for identifying and evaluating legal requirements supported by an IT system. In addition, compliance checks and measures are established in internal regulations and the risks arising from legal non-compliance are evaluated in all areas of the company.

Moreover, the strong regulatory impulse arising from the energy transition, and the European, national and

3. Good Governance, Ethics and Transparency

regional requirements at an environmental, compliance, economic, human rights level, etc., are managed via our risk-management system. (See Risks chapter).

There were no fines or sanctions arising from legal non-compliance in 2022.

3.3.1 Crime-prevention protocol

In the framework of the Compliance System, and as a result of the risk analysis at Madrileña Red de Gas, we have defined and distributed internally a Crime-Prevention Protocol covering the most sensitive functional areas and activities in which the crimes to be prevented may be committed. Madrileña Red de Gas undertakes to review this protocol on an on-going basis in light of the analysis and monitoring carried out by the Audit and Risks Committee.

Crime-prevention committee

Madrileña Red de Gas has a Crime-Prevention Committee, comprising the chair of the Board of Directors, the CEO and the compliance officer, with the following goals:

- To review current policies and ensure on-going compliance with new risk-prevention legislation.
- To adapt the checks established to ensure that the risks detected are reduced as far as possible.
- To review the employee-training programs to include new aspects in this field or to refresh them.

This committee studies the actions implemented as part of the crime compliance system, and the action plans proposed

by the compliance officer for approval, improvement initiatives to be implemented during the current year and proposals for review of current crime-prevention policies and related training programs are submitted to it. In the event of non-compliance or specific needs, an ad hoc meeting is convened to discuss that aspect and to evaluate it and the proposed solution.

The organisational processes corresponding to the most operational part of the company are, in turn, defined by the company's Management Committee and are notified to the Board of Directors in the event of any relevant change.

The discussions of the Crime-Prevention Committee are passed to the Audit and Risks Committee, and from there to the Board of Directors, which is informed of all impacts. At its meetings, all the topics discussed by the committees, and any other topics that have arisen, are reported and notified to the Board of Directors. All impacts that may affect the company in any field are managed efficiently using this delegation system. At the annual meeting, the actions implemented as part of the crime compliance system are presented, and the action plans proposed by the compliance officer for approval, improvement initiatives to be implemented during the current year and proposals for review of current crime-prevention policies and related training programs are submitted to it. In the event of non-compliance or specific needs, an ad hoc meeting is convened to discuss that aspect and to evaluate it and the proposed solution.

3.3.2 Commitment, raising awareness and training

Madrileña Red de Gas's 120 employees (those on partial retirement are not included) receive information regarding

the anti-corruption policies and procedures, crime-prevention policy, code of ethics and disciplinary system when implemented.

To determine training needs in the field of crime prevention, the composition of the company's governance bodies has been taken into account. The Board of Directors and Chairman have created the position of Crime-Compliance Office, to which they delegate these functions, with this body being responsible for approving the crime-prevention and anti-corruption policies, crime-prevention protocol, annual compliance review report and annual action plans with the needs detected, including the role-out, if required, of general and specific crime-prevention training actions, aimed at the company's executive governance bodies (CEO, heads of area and heads of department), and for all our other employees, as the aim of compliance training is to ensure that all the company's employees and executive governance bodies comply with their role and position in a manner consistent with the company's compliance culture and with its commitment to compliance, as per the criteria set out and approved by the Board of Directors.

- Basic compliance training: basic training in crime prevention provided to all employees irrespective of their professional category and hierarchical level, which is currently given upon joining the company as part of the welcome plan. This course lasts for one hour and is given online, with the efficacy of the training being recorded by passing a questionnaire containing questions on the information acquired. In 2022 this training was given to 10 people (8.3% of the workforce) who were not members of the Management Committee.

Madrileña Red de Gas's 120 employees receive information regarding the anti-corruption policies and procedures, crime-prevention policy, code of ethics and disciplinary system when implemented

- Specific training. In 2022 an external course concerning judicial authorisations was imparted to the Legal Dept.

In addition, penal clauses regarding legal compliance and criminal responsibility are included in all contracts with suppliers and contractors. Legal compliance at all levels, namely work- (occupational health and safety, NI contributions, obligatory training for the activity, etc.) and business-related (compliance with tax responsibilities, accreditation of the activity, etc.) is required in these contracts.

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3.3.3 Monitoring and assessment of compliance

During these activities, the compliance program is monitored and assessed on an on-going basis, thus resulting in a reasonable security level. The control monitoring role has been delegated by Compliance to the persons responsible for executing the controls and the owners thereof.

During 2022, a new assessment of the company's compliance status has been carried out, analysing the degree of implementation and effectiveness, to analyse and understand the compliance measures implemented and means for controlling, preventing and detecting criminal risks. These control evaluations have been managed via the specific compliance risk management tool, which allows control evaluations to be sent to the executors and owners of said controls.

The following actions have been implemented in 2022 as a result of that evaluation:

- Update of the Risk Matrix and Compliance controls in the section concerning criminal risks and control reviews. The following in particular should be noted:

- With regard to the crime of degrading treatment and the crime of sexual harassment, a new crime that may affect the Company (Organic Law 10 /2022 on the guarantee of sexual freedom), which regulates the duties of prevention and raising awareness in the workplace, imposing a series of obligations on businesspeople, such as promoting working conditions that prevent crimes and any

other behaviour against sexual freedom and moral integrity in the workplace from being committed;

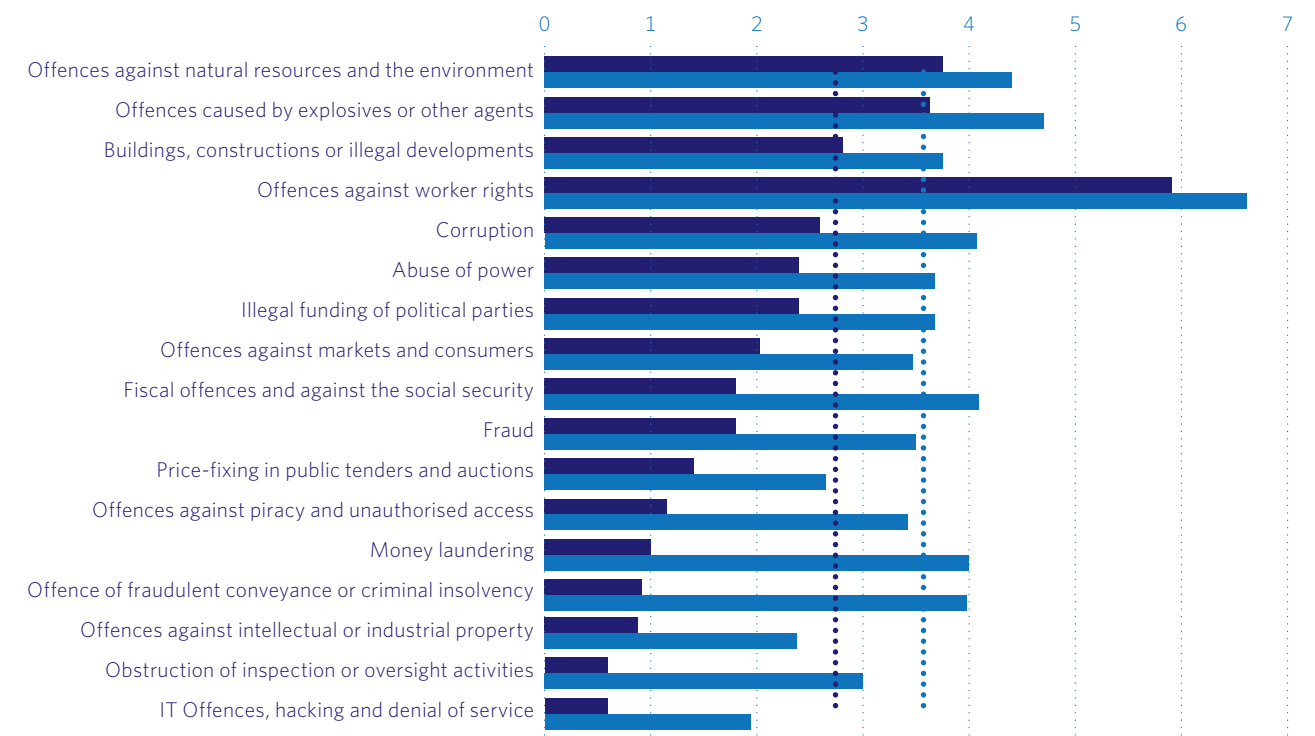
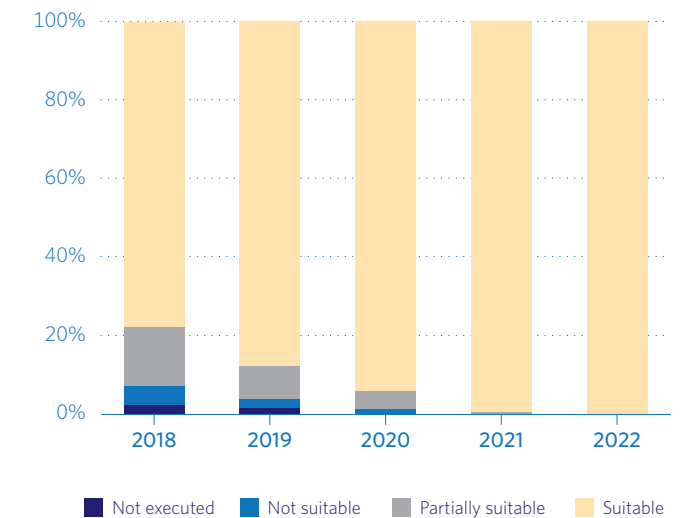
It should be noted that, in order to promote an adequate framework of worker protection against occupational hazards associated with potential situations of harassment and violence in the workplace, we already have a specific procedure since March 2013. Our code of ethics prohibits this type of behaviour and the principles and values established therein must be complied with. We have adequately designed the company's organization, according to the general recommendations for the prevention of psychosocial risks. In addition, we carry out training and information activities regarding psychosocial risk prevention and conflict resolution, especially aimed at team leaders, so that they can recognize and tackle possible conflicts at source. We have not experienced any case of harassment or violence in the workplace in 2022.

- Crimes related to cybersecurity: as a result of the internal audit to obtain ISO 27001 Certification on Information Security (Cybersecurity), specific meetings have been held with the Risk and Cybersecurity department during the first semester of 2022 to share the results and the controls have been improved to mitigate this risk. (See Cybersecurity Risks chapter).
- A new Compliance training program has also been scheduled for all employees in 2023.

Control evaluation coverage



Results of evaluations



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- Updating of the compliance risk tool in order to include the latest updated information in the system.

A comparison of the results mentioned above and those obtained in previous years (2018–2022) shows that there has been a significant improvement in the results of the evaluations. It is important to highlight that the control executors and supervisors have not identified any inadequate or partially adequate controls this year.

- Update of the compliance risk assessment. The Compliance risk assessment related to the crimes included in the Company's risk map has been updated in order to reflect our current verification risk exposure within the Company for behaviours and conducts that may imply a violation of the corresponding regulations and that may entail liability.

The results of the evaluation process defined the potential risk of infringement, which was updated in the system.

Finally, as a result of the 2021 Action Plan, and executed in 2022, we should highlight the improvement of the controls of computer crimes, hacking and denial of service (cybersecurity), working directly with the executors to make the controls more robust.

3.4 Transparency and communication

As part of our commitment to transparency and accountability, we want to build a framework of trust with our stakeholders, promoting and maximizing the established communication channels, ensuring transparency in relationships, and sharing truthful, adequate, relevant, clear, and useful information, without undermining the integrity of the information given our regulated activity.

In 2022, we have strengthened the communication strategy of the Madrileña Red de Gas website with a new space, the sustainability site (<https://madrilena.es/sostenibilidad/>) where we share our commitment to sustainability, the Corporate Responsibility policy, our Code of Ethics, and other policies implemented. In addition, concerns about business conduct are answered through our complaints channel.

Additionally, and in line with our commitment to social responsibility, we respond to the interests, needs and expectations of our stakeholders, via their participation in the analysis of relevant aspects and satisfaction surveys, which are carried out systematically with our main stakeholders. In addition, we share our performance, as well as the practice of socially responsible policies, via the publication of financial and non-financial information, as well as sustainability assessments and external ratings by accredited bodies.

Our web site is the first step in our transparency strategy. In particular, we can highlight the investor site, where all relevant information and events regarding the company's situation are disclosed. And the different digital windows aimed at customers and end users, with the web being an important entry channel (see customer Orientation chapter).

In addition, our communication channels and spaces for dialogue with our stakeholders are spaces where they can raise complaints, advice and concerns regarding our business conduct and the impact of our activities, such as indicating the approach and dialogue with the communities to improve social licence, the call centre and the virtual office, or the complaints channel for any legal breach.

It should be noted that the press room website is a powerful communication and dissemination tool, where in addition to responding to the needs and expectations of the media, we share news related to the company's situation, the energy transition, relevant initiatives that respond to our strategic plan, recommendations for our customers, etc.

As part of our communication strategy, and responding to new digital mechanisms, significant activity is maintained on social networks: LinkedIn, Facebook, WhatsApp groups, etc.

3.5 Integration of ESG criteria into the business strategy

We are fully aware of the effects of climate change and the energy transition on our current business and in the near future, as well as the impact our activity has on the economy, the environment and on people. As such, we not include these elements in our management systems and also integrate them as a transversal element in our strategy. Our commitment to sustainability has been materialized in a clear commitment to the business strategy, promoting sustainable development in the medium and long term, mitigating risks and promoting the creation of value for our stakeholders through the development of a responsible activity.

We have integrated environmental, social and good governance criteria into our strategy, taking into account the geopolitical, economic, technological and regulatory context, the energy transition and climate change. A clear example of this is our NetZero strategy, our drive towards renewable gases and measures taken regarding climate change, our commitment to responsible purchasing and our commitment to due diligence, ESG risk integration and other strategies that are presented throughout this report.

Consequently, the path to integrate sustainability into corporate governance and business decision-making has already begun. The Board of Directors supervises and approves decisions and progress relating to sustainability, currently delegating executive functions to the Audit and Risks Committee. During its meetings, the results of the period presented by the Management Committee are analysed in order to monitor and define the strategies, the progress of activities, relevant issues for the company, the risks and opportunities deriving from the impacts on the economy, the environment and people, and, at the request of the members, detailed information is provided on all those issues that are considered relevant.

Moreover, sustainability-related challenges and commitments are monitored by the Audit and Risks Committee, reporting on the progress made, as well as proposing improvements to the Board of Directors for formal approval, if necessary.

It should be noted that, during 2022, one item on the agenda for two of the four meetings held by the Board of Directors was linked to deployment of the sustainability strategy: monitoring of the carbon footprint, monitoring

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of the implementation of the 27001 system, monitoring of the main ESG actions arising from the implementation of GRI requirements and the UNE_EN ISO 26000 and IQNet SR10 standards, stakeholder management model, materiality analysis, results of the GRESB Sustainability Index, etc.

This strategy has been strengthened in recent years and is bearing fruit, as can be seen from our presence in the internationally recognized GRESB sustainability index. Promoted by the Board of Directors, and articulated through the Audit and Risks Committee, we have obtained recognition for our deployment of the sustainability strategy, our durability over time and our development of a sustainable business model that is capable of creating value shared by all our stakeholders. After the significant progress achieved in 2021, in 2022 we have consolidated our leadership position, positioning ourselves as the second European gas-distribution company in this international benchmark, and the first in Spain.

Another important element of this ESG strategy is the assessment for the following year of the creation of an ESG

Committee, integrating ESG criteria into the decision-making of our governance bodies in a more systematic manner. The relevant aspects to monitor in 2023 include: monitoring of the carbon footprint and its alignment with the Net Zero strategy for 2050, analysis of the risks arising due to climate change and the ecological transition and their impact on the sustainability of the company, the result of the sustainability performance evaluation of the GRESB index and monitoring of the actions derived from the new Sustainability Master Plan. These aspects were previously monitored by the Audit and Risks Committee.

The Board of Directors is the highest body for reviewing and approving sustainability-related information, including material issues. The Audit and Risks Committee establishes internal controls to ensure the integrity and credibility of the information published, involving the leaders of each Department.

3.5.1 Sustainable financing

Despite the geopolitical and economic context at a European level due to the war in Ukraine, and its impact on the energy

markets, especially in the gas sector, we have reaffirmed our commitment to sustainability by creating sustainable financial instruments.

Thus, the European Union is promoting measures to maintain the agenda against climate change, establishing new international standards in financial matters and powerful financing mechanisms (Next Generation Funds and Green Deal), which incentivise investments in environmentally sustainable activities. As stated in the Sustainable Business chapter, as part of the Strategic Project for the Recovery and Economic Transformation of Renewable Energies, Renewable Hydrogen and Storage (PERTE ERHA), we are participating in the Inspira Madrid Project, which is one of the first lines of aid for the promotion of renewable hydrogen.

In addition, the consortium promoting this project is working on presenting the project for aid from the European Union corresponding to the CEF Transport (Connecting Europe Facility) program, which is aimed at financing infrastructures that promote the development of the Trans-European Transport Network.

Furthermore, during 2022 the markets have helped to demonstrate that companies with the best ESG attributes benefit from access to better financing conditions. For this reason, we have reaffirmed our commitment to sustainability, through our main financial entities, formalizing a loan linked to sustainability performance while seeking to improve the average cost of debt and strengthening our competitive position. The bond finally agreed is linked to the score obtained in the GRESB index and the relative position of the company in the gas sector in the GRESB index, with very positive results to date.

At the moment, sustainable finance represents a low percentage of our financial debt, and work is underway to increase said percentage.

Finally, in this market context, our shareholders, who are investment groups that seek to invest in sustainable and socially responsible companies, take ESG criteria into account when making financing and investment decisions, and require a business response in accordance with their interests and expectations from us.

4

**Our Commitment
to Sustainability**

4. Our Commitment to Sustainability

4.1 Main milestones 2022

A series of important milestones have been reached by Madrileña Red de Gas in 2022 to continue advancing in our sustainability strategy.

- An in-depth review of material aspects, using the new standards and increasing stakeholder participation.
- Analysis of our capacity to impact the 2030 Sustainable Development Goals, identifying our priority SDGs.
 - Definition and implementation of new policies, together with the review of existing ones, with the aim of growing and strengthening our commitment to material issues
 - Review of the Mission, Vision and Values Statement, as well as our Social Responsibility Policy, ensuring the correct inclusion of the rights of stakeholders as regards the protection of data and information, guaranteeing their privacy.
 - Review of the Serious Accidents Prevention Policy.
 - Information Security Policy
 - Cybersecurity Policy and good IT tool use practice
 - Digital Deconnection Policy
 - Human Rights Policy, by way of which MRG aims to establish our commitment to respect and promote Human Rights, in all our operations and value chain, with special attention to vulnerable groups (approved at the end of 2021)

- Sustainable Purchasing Policy and a new Code of Conduct for Suppliers (approved at the end of 2021).

Policies that complement already consolidated ones, such as those concerning the Environment, Quality, Safety and Prevention, Risks, Anti-corruption, Crime Prevention and Protection of Personal Data.

- We have also completed implementation and certification of the Management System as per ISO Standard 27001.

Once the policies have been approved by General Management, they are implemented by way of an internal dissemination and training program of the entire workforce, taking special care to include them in welcome training and to share them externally via our website (see the People chapter of this report).

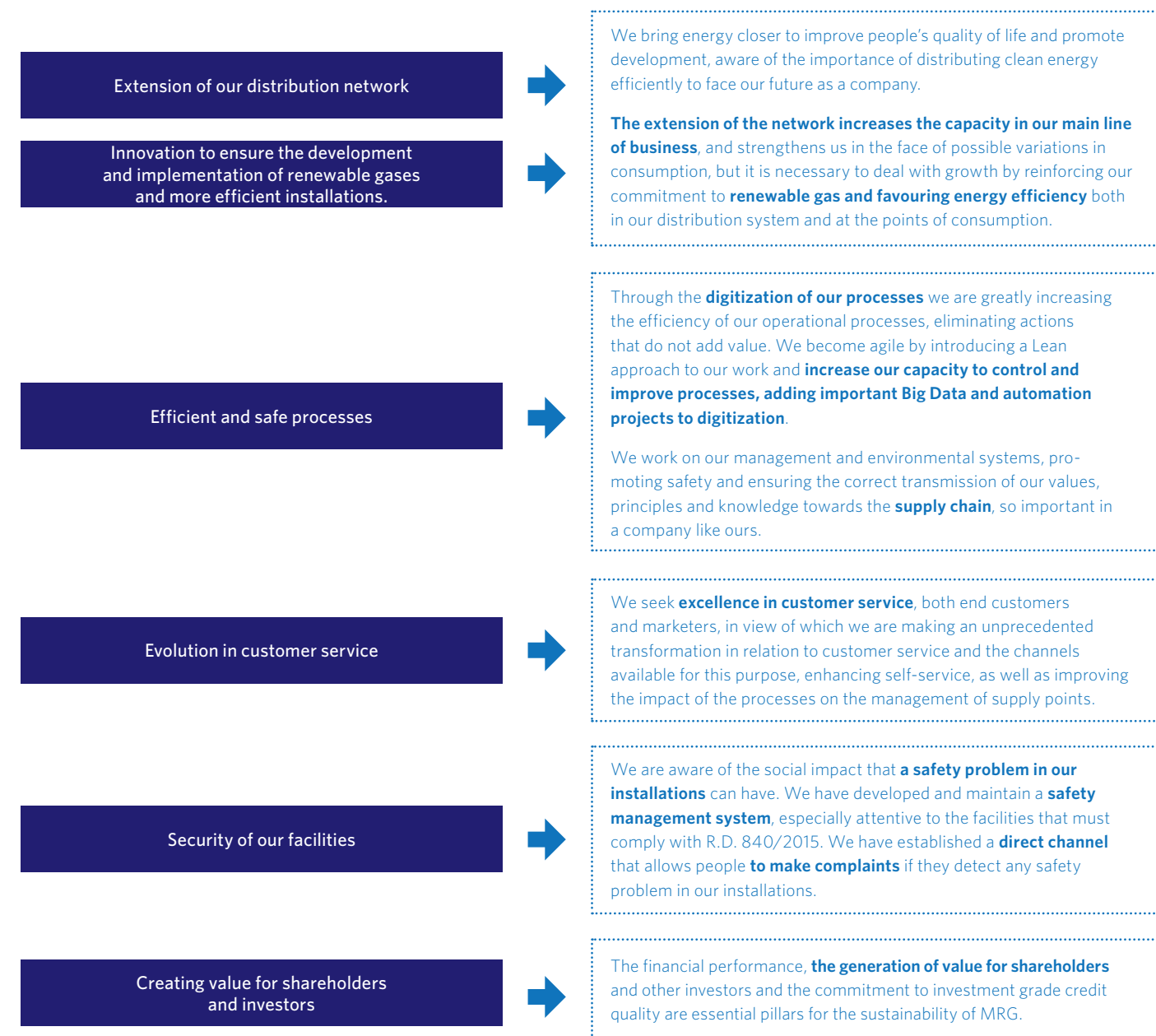
As evidence of our effort, as in 2021 we have once again obtained the highest "Five Star" rating in the GRESB 2022 Infrastructure Sustainability Index, with 96 points out of 100, increasing by three points compared with the 2021 evaluation, and obtaining first place as a Spanish gas infrastructure company, thanks to the good performance of practically all the areas evaluated.

Looking back, we are proud of our progress in the development and implementation of our sustainability strategy in recent years, with a clear growth in the ranking since 2021.

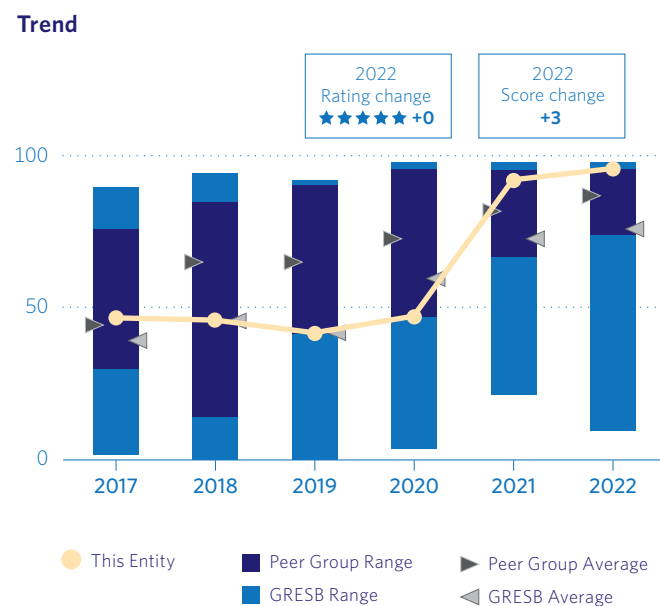
To continue with this focus on commitment and continuous improvement, we have set ourselves the goal of defining

Sustainability strategy

The MRG sustainability strategy consists of six main lines:



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an exhaustive Sustainability Master Plan for 2023, with a 2023–2026 horizon, which, taking into account our new materiality matrix, our priority SDGs, trends and the opinion of our stakeholders, will allow us to have a strategy with maximum positive impact.

4.2 Materiality analysis

2022 has been important for our materiality review. The need to apply the new standard GRI 3: Material Topics 2021 when identifying and prioritizing issues, reinforcing the concept of impact and introducing the dual materiality approach, together with application of the sector standard GRI 11: Oil and Gas Sector 2021, forced us to carry out an in-depth review of material issues at MRG, if we wanted to continue relying on the standard, to structure and communicate our activity in sustainability. Likewise, although not obligatory in the new European directive for reporting on sustainability, we saw how it focused the analysis of issues under the concept of double materiality, thus reinforcing our idea of review.

As an initial measure, we took an in-depth look what GRI 3: Material Topics 2021 gave us and what implications it may have for our analysis methodology. As a result of that study we made some changes:

- We made an effort to increase the input from stakeholders when it comes to identifying and assessing the impacts by increasing the representation of these different groups in the interview process carried out.

- We defined a new evaluation methodology that incorporates the double materiality approach, thus allowing the evaluation of impacts on the economy, people and the environment caused by MRG’s activity, both positive and negative, real and potential (external evaluation), and the impact that these issues may have on the results and business evolution of MRG (internal impact).

In addition to methodological changes, as always we performed a context analysis, examining the internal and external context.

- To analyse the external context, we examined the global, sectoral and sustainability trends that may be a challenge for MRG, consulting numerous prestigious information sources such as the World Economic Forum (WEF), the International Monetary Fund (IMF), the European Commission and Parliament, World Bank, United Nations Organization (UN) or SEDIGAS. Structuring the result in terms of global and sectoral trends and sustainability.
- For the internal analysis, we analysed our current situation: achievement of objectives, audit results, results in the verification processes for previous reports or the GREBS 2022 evaluation, and especially, we once again visited all the Organizational Units, identifying and examining their concerns and challenges in sustainability.

We also took into account the proposal, which is still unconfirmed, of the next GRESB requirements for 2023, in which two important lines stand out:

- The importance of establishing policies, commitments and plans to achieve the NET-ZERO objective.
- The increased weight of strategies and work regarding diversity, equity and inclusion (DEI).

We analysed sector standard GRI 11: Oil and Gas Sector 2021 in detail with the material topics proposed therein for the oil and gas sector. In general, all the issues proposed in this standard have formed part of the material topics identified and prioritized by MRG in previous analyses, although it is true that in some cases they were considered as part of the issues rather than being identified directly.

The analysis of the sector proposal and GRI 3: Material topics 2021 suggests structuring the materiality at MRG into two levels of categories:

- Material topics: for which the impact as such is analysed.
- Subjects: which bring together topics from the same category.

This allowed us to analyse the possible impacts of each topic much better, and therefore evaluate their priority.

As a result of the analysis of the external and internal context, our Risk Management department drew up a list of relevant subjects and topics. The list is structured into seven subjects:

- Good governance, ethics and transparency
- Risk management

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- Business development
- Supply chain
- Environmental impact
- Social impact
- MRG employees

These subjects are broken down into 30 material topics.

This list was subjected to a positive- and negative-impact assessment methodology, applying the double materiality approach and all the recommendations from GRI 3: Material topics 2021, which helped us assess the actual and potential positive and negative impacts on the economy, people and the environment.

In our impact assessment, from MRG outwards, we analysed the positive and negative impacts, considering:

- The importance of the impact (positive or negative) depending on the severity, in the case of negative impacts, or the benefit, in the case of positive ones, multiplied by the probability. To that end, we established a methodology that allowed us to assess the severity or benefit depending on the scale, the scope (on people, the community and the environment), the possibility of remediation and temporality, the damage or benefit, depending on whether the impact is negative or positive.
- In order to prioritize, we added the information obtained from interviews with stakeholders to our impact assessment. Considering both the priority assessment of the groups, as well as the performance, for each of the proposed topics

and their contributions when defining and clearly understanding the material topics. A total of 14 in-depth interviews were performed by an external company in order to ensure the free opinion of the participants. These 14 interviews allowed us to obtain the representation of all stakeholders.

With regard to the approach from outwards to MRG, we analysed the possible impacts on the organisation, considering:

- The degree of opportunity to act on the matter (costs vs. benefits).
- The impact on our ability to carry out the Strategic Plan and on our risk management.
- We added the opinion of all the MRG Organizational Units, as well as Union Leaders, on the priority of the issues for MRG and performance to this evaluation.

It is important to point out that the topics indicated by the thematic proposal of the sector standard have mostly been included in the structured list that we have prepared, although, in some cases, it is clearly reflected (as is the case for GRI 11.20. Anti-corruption) in other topics. The proposal GRI 11: Oil and Gas Sector 2021 has been incorporated as part of a higher category, although its inclusion is clear from the very definition of the topics listed, and this has been taken into account during the evaluation and prioritization process.

The three topics proposed by the sector standard that have been left out of our list are:

- GRI 11.17: Rights of indigenous people. The scope of action of MRG, namely the Autonomous Community of Madrid, and the fact that its suppliers are essentially local, means that we consider this material impact to be non-existent.
- GRI 11.19: Unfair competition. As the business of Madrileña Red de Gas is regulated, unfair competition would be directly related to corruption.
- GRI 11.21: Payments to governments. Given the regulations applicable to MRG in Spain, we would again strictly be speaking about corruption.

Once the evaluation methodology had been applied to the 30 topics, and the result for each topic in the “outwards” and “inwards” evaluation had been determined, we obtained a global assessment of the relevance for each of them, based on the average of both ratings.

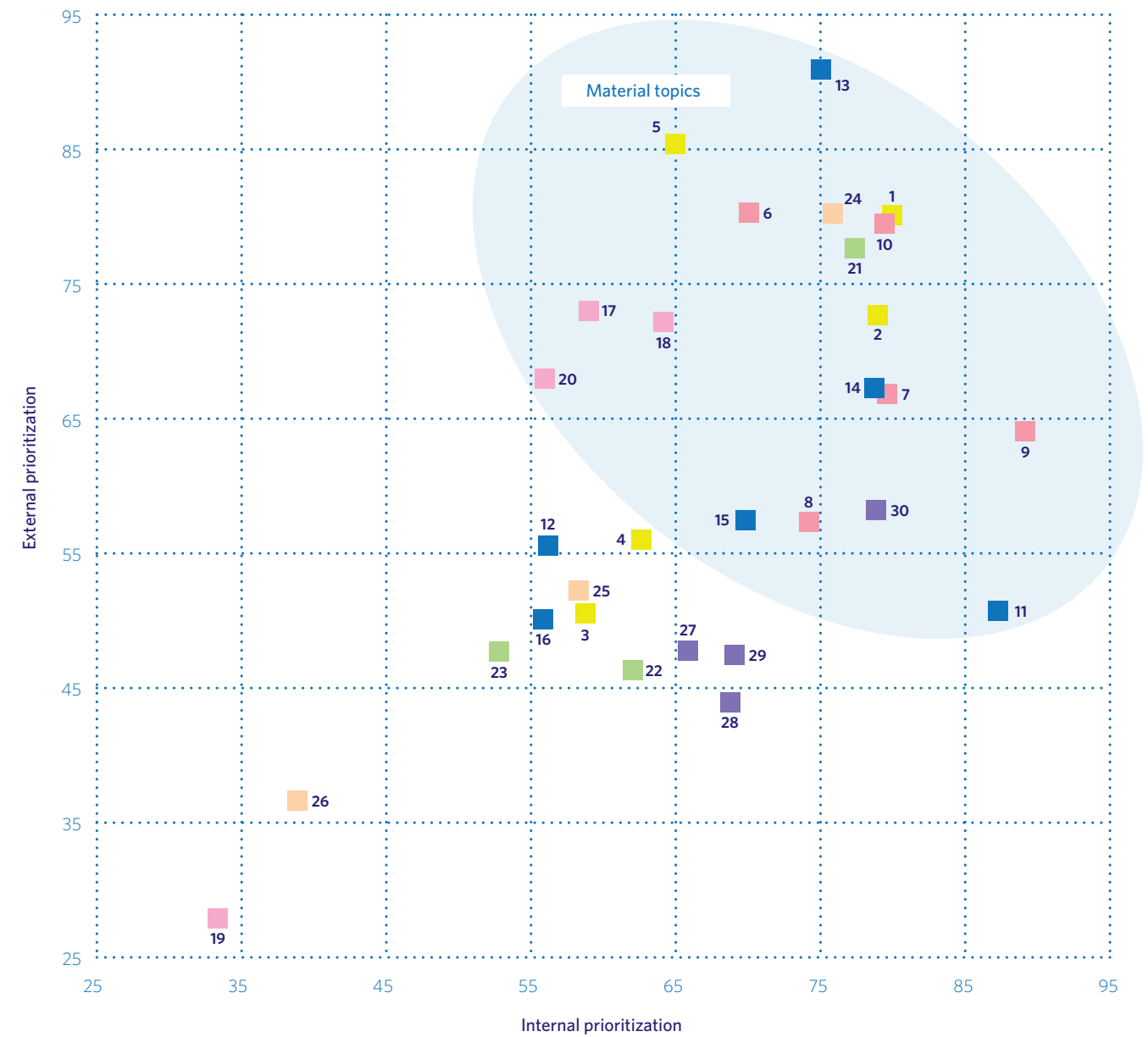
Each topic was assigned a global relevance evaluation on a scale of 0 to 100. The minimum value obtained was 34.45 and the maximum 82.85.

Material Topics	Priority (Global Relevance)
Development and extension of the distribution network	82.85
Ethics and anti-corruption	79.50
Regulatory risks	79.32
Access to energy and economic impact	77.66
Emissions, pollution and fight against climate change	77.33
Economic and financial risks	76.48
Legal compliance	75.66
Incorporation of ESG criteria into the strategy and decision-making	75.09
Adaptation to climate, resilience and transition	75.04
Reliability and continuity of supply	72.84
Integrity of assets and management critical incidents	72.83
Creation of economic and financial value	68.87
Occupational health and safety	68.36
ESG criteria in purchasing decision-making	68.03
Extension of ESG criteria to supply chain	65.89
Cybersecurity	65.74
Orientation to customer	63.47
Promotion of local purchasing	61.69
Structure and function of governance bodies	59.19
Governance of diversity, equity and inclusion (DEI)	58.14
Management of talent, development and capture of new skills	56.63
Conciliation, climate and well-being	56.29
Innovation in green hydrogen and biogas technologies	55.69
Close dialogue with the population, promoting the social licence	55.10
Transparency	54.34
Biodiversity	53.99
Process digitalisation	52.70
Resources/circular economy	50.24
Social action activities (corporate volunteer work, donations, etc.)	37.57
Closure and transformation of installations (impact on suppliers)	30.45

To establish within the list of relevant topics those that are material for MRG, we established 60 points on the global relevance index as the cut-off threshold, obtaining 18 material topics. These are shaded in green in the table.






Materiality matrix 2022

Subjects	List of relevant topics	Material topic	
Good governance, ethics and transparency	Ethics and anti-corruption	1	×
	Legal compliance	2	×
	Transparency and communication	3	
	Structure and function of governance bodies	4	
	Incorporation of ESG criteria into the strategy and decision-making	5	×
Risk Management	Adaptation to climate, resilience and transition	6	×
	Integrity of assets and management critical incidents	7	×
	Cybersecurity	8	×
	Economic, financial and fiscal risks	9	×
	Regulatory risks	10	×
Business Development	Creation of economic and financial value for shareholders	11	×
	Innovation in green hydrogen and biogas technologies	12	
	Development and extension of the distribution network	13	×
	Supply reliability, guarantee and continuity	14	×
	Orientation to customer	15	×
	Process digitalisation	16	
Supply chain	Extension of ESG criteria to supply chain	17	×
	ESG criteria in purchasing decision-making	18	×
	Impact on suppliers due to the closure and transformation of installations	19	
	Promotion of local purchasing	20	×
Environmental impact	Emissions, pollution and fight against climate change	21	×
	Biodiversity	22	
	Resources/circular economy	23	
Social impact	Access to energy and economic impact	24	×
	Close dialogue with the population, promoting the social licence	25	
	Social action activities (corporate volunteer work, donations, etc.)	26	
People	Management of talent, development and capture of new skills	27	
	Conciliation, working conditions and well-being	28	
	Governance of diversity, equity and inclusion (DEI)	29	
	Occupational health and safety	30	×








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Good governance, ethics and transparency

Topics	Description	Impact on SDGs	Materiality	GRI 11
Ethics and anti-corruption	Commitment to the highest moral and ethical standards, by all employees at different levels of the Organization, towards external and internal stakeholders, the availability of mechanisms and channels to identify, manage and control risks, as well as the promotion of an organizational culture based on ethics, integrity and compliance with Human Rights, are key to MRG's reputation, credibility and trust before the Administration and its stakeholders.		Material topic	11.12 11.20 11.22
Legal compliance	The systematic identification of compliance obligations, analysis of risks and the implications thereof for MRG's activities, products and services, as regards both compliance with the strategic plan and the minimisation of legal and penal risks underlie the development, implementation and improvement of a solid compliance system and the promotion of a compliance and due diligence culture.		Material topic	
Transparency and communication	The establishment of the principles, guidelines and channels regarding economic and non-economic and corporate communication with the different stakeholders, irrespective of our legal obligations, guarantees the proper exercise of their rights and interests, favouring an open, transparent dialogue and meeting spaces to achieve common goals and satisfy their needs and expectations.			
Structure and function of governance bodies	The functioning of the governance bodies is marked by their structure, control bodies, procedures and guidelines, which ensure good governance and establish the relationship and control mechanisms with management in the decision-making process and proper implementation of the Strategic Plan. The different committees and commissions have well-defined work systems and always keep the Board informed, thus strengthening its involvement in decision-making.			
Incorporation of ESG criteria into the strategy and decision-making	MRG has made a firm commitment to sustainability and has integrated it into the structure and governance bodies, incorporating ESG criteria into decision-making. Likewise, it has integrated the results of external evaluations by sustainability analysts into its business strategy. Investors and financial entities that support investment projects increasingly take into account non-financial criteria and requirements: environmental, social and corporate governance.		Material topic	
























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Risk Management

Topics	Description	Impact on SDGs	Materiality	GRI 11
Adaptation to climate, resilience and transition	The adverse effects resulting from climate change and the energy transition imply risks for the installations, and for MRG's business, from three perspectives. Firstly, it implies risks for the company in the face of emerging regulations, new requirements and social awareness of the energy transition required, and secondly, the risk for the business derived from the increase in temperature and new consumption habits, which affects gas consumption. Finally, the physical impact that the meteorological effects derived from climate change may have on the facilities. Consequently, as part of its commitment to sustainability, MRG addresses a development and support strategy for the Spanish energy transition through a green energy project and considers the risk in the Company's risk map.		Material topic	11.2
Integrity of assets and management critical incidents	Given the risks related to the prevention and control of incidents and serious accidents that can cause death, injury or damage to health, environmental and economic impacts on communities and infrastructures, MRG has established a robust management system for serious accidents and an integrated CMAP management system, under recognized international standards, which facilitates the establishment of emergency and crisis plans, the minimization of damage and the amount of business.		Material topic	11.8
Cybersecurity	The integration of technology in business processes, the large-scale implementation of remote working, the mass migration of data to the cloud, and security in the supply chain, increase exposure to cyberattacks, generating new vulnerabilities as regards data integrity, confidentiality, availability of information and information and operating systems, which may affect the loss, corruption or unauthorized dissemination of information, as well as alter and even disable the ability to operate the network. MRG has an information security system that manages the cybersecurity-related risks.		Material topic	
Economic, financial and fiscal risks	A volatile economic environment such as the one we are currently facing, with an economic slowdown, growth in inflation and interest rates, with a sharp rise in production costs and an increase in the price of gas, materialises the potential economic-financial risk, thus making it difficult to efficiently manage cash flows and obtain financial resources and hindering the achievement of objectives, investment and implementation of the company's projects. The regulation of the gas sector establishes mandatory financial health ratios for companies, which it is essential to control and report. Similarly, correct compliance with the fiscal rules produced by the application of tax regulations, given the interpretative complexity or modifications in the aforementioned regulations and the possible reputational impacts of the management of fiscal affairs.		Material topic	
Regulatory risks	The strong regulatory impulse derived from the energy transition, the environmental, compliance, economic, Human Rights, etc. requirements, both European and national and regional, makes it difficult for the company to comply with all laws and regulations that are applicable to it, therefore vigilance, anticipation that facilitates a timely implementation and minimizes the risks of non-compliance, is key for the company. Similarly, the sectoral regulation for the energy transition (green energy) advances more slowly than the technical development offered by the sector, thus hindering the ability of companies to contribute to the net-zero targets.		Material topic	



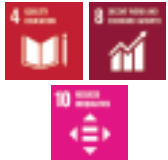

4. Our Commitment to Sustainability

Business development

Topics	Description	Impact on SDGs	Materiality	GRI 11
Creation of economic and financial value for shareholders	Participation of the shareholder and investors in the MRG business requires a correct financial performance that guarantees the economic sustainability of the company, the generation and distribution of economic value and profitability for the shareholder, all through a responsible investment aligned with the sustainable development goals.	 	Material topic	
Innovation in green hydrogen and biogas technologies	<p>The sustainability of MRG's business and commitment to climate change requires investment in the development and future implementation of renewable energy sources.</p> <p>The trends and commitment of governments worldwide, and specifically in Europe, are focussed on green hydrogen and biogas as alternatives to natural gas in distribution networks and local networks. Indeed, there are important government budget items to achieve this, giving priority to investment needs for research and transformation of the sector.</p> <p>Support and participation in innovation and transformation projects in the sector are relevant issues for the sustainability of the business.</p>	      		11.1
Development and extension of the distribution network	<p>Expansion is the path for MRG to develop the business, economic sustainability and generate the necessary growth for the shareholder, investing in the infrastructure required to bring natural gas to areas of the region that lack it, in many cases eliminating the use of much more polluting fuels such as diesel.</p> <p>This can sometimes be a challenge due to possible resistance to change and fear of negative impact on the part of the inhabitants of these areas.</p> <p>The transformation of the real estate sector towards clean energy could cause difficulties for development of the business if MRG does not advance strongly towards the new approach, providing network solutions that use renewable energy.</p>	      	Material topic	
Supply reliability, guarantee and continuity	Access to energy is MRG's main contribution to society and the economy of the region, provided that supply is reliable and continuous. The correct planning and organization of maintenance work, investments to renew infrastructures and the incorporation of technological improvements are key elements to provide the service with the essential quality and guarantee required by users.	  	Material topic	
Orientation to customer	Active listening and ease of dialogue via easy and friendly customer service channels is vital to be able to identify and understand customer needs and expectations in time. A commitment to a prompt and effective response to problems, the regular analysis of complaints, requests and incidents with a focus on continuous improvement of customer processes, are key to achieving service quality and the necessary satisfaction.	 	Material topic	
Process digitalisation	<p>The efficiency and effectiveness required by processes to respond with the required level of competitiveness, and the need to effectively manage large volumes of information, require the tools provided by digitalisation.</p> <p>MRG needs to continue with the digital transformation process, but this must always be accompanied by development of the necessary skills in employees and the drive for cultural change, thus avoiding difficulties and negative perceptions in the workforce.</p>	 		










4. Our Commitment to Sustainability

Supply chain

Topics	Description	Impact on SDGs	Materiality	GRI 11
<p>Extension of ESG criteria to supply chain</p>	<p>The good or bad practices of suppliers, the impact that they may have on the environment, their workers and society in general when carrying out the work and products required by the Company, have a direct impact on compliance and the reputation of MRG.</p> <p>It is therefore necessary to have shared objectives and commitments, extend the demands and good sustainability practices through detailed contractual clauses, based on a correct risk analysis, including the risks of non-compliance with Human Rights and facilitate the development and training of suppliers via support, while also ensuring a dialogue that allows us to understand and establish the necessary improvements.</p>		<p>Material topic</p>	<p>11.12 11.13</p>
<p>ESG criteria in purchasing decision-making</p>	<p>Extension of these criteria will be possible to the extent that the supplier-approval and -selection processes have strict ESG criteria, which, depending on the types of products and services and their corresponding risk analysis, establish the necessary level of demand.</p> <p>In addition to the appropriate ESG criteria required from suppliers, it is necessary to add a responsible purchasing policy that adequately manages risks, without decision-making being negatively conditioned by the price factor.</p>		<p>Material topic</p>	<p>11.12 11.13</p>
<p>Impact on suppliers due to the closure and transformation of installations</p>	<p>The changes caused by the energy transition require new skills and knowledge on the part of suppliers.</p> <p>The plan for the progressive dismantling of LPG plants is now a reality, and in the future the change will be much greater with transformation of the networks for the use of renewable fuels such as green hydrogen.</p> <p>The suppliers involved with maintenance of the LPG plants are already being affected. Training by companies to ensure that they have personnel to provide the services associated with maintenance of the distribution network or the LNG plants will be key to ensuring that they can continue to provide services to MRG.</p> <p>A commitment to suppliers is important to support and work together, favouring the transformative process required by companies providing installation and maintenance services for gas supply infrastructures and facilities.</p> <p>The fact that the sector is trained in line with these changes is a vital issue for the economic sustainability of suppliers and to ensure that companies like MRG can continue to use their services.</p>			<p>11.7</p>
<p>Promotion of local purchasing</p>	<p>Purchasing from local suppliers has always been a fundamental aspect of MRG's commitment to sustainability as this favours the economic development of the region and its surroundings, and also contributes to the reduction of emissions associated with the transport of goods and travel. This proximity also favours the channels of dialogue between companies and their suppliers.</p>		<p>Material topic</p>	<p>11.14</p>




4. Our Commitment to Sustainability

Environmental impact

Topics	Description	Impact on SDGs	Materiality	GRI 11
Emissions, pollution and fight against climate change	As part of the fight against climate change and the goal of Net Zero for 2050, MRG is committed to reducing polluting gases that have a negative impact on air quality, ecosystems and health, especially fugitive emissions of CH4 from the distribution network and CO2 and NOx emissions, establishing measures to reduce its carbon footprint (scope 1, 2 and 3) and promoting projects and investments aimed at promoting energy efficiency, and infrastructures and sustainable mobility (own and from the community in which it operates).	  	Material topic	11.1 11.3
Biodiversity	The presence of MRG installations in protected spaces or areas of high ecological value is very limited; however, MRG is committed to the conservation of biodiversity and a positive impact on nature, given the possible risks of the installations located in, or bordering, such protected spaces, maintaining preventive measures and action protocols throughout the life cycle of these installations. In line with objectives of a positive nature, MRG is making progress in the restoration of areas occupied by LPG satellite plants to find different alternatives in the new spaces and compensation projects.	  		11.4 11.7
Resources/circular economy	One of the challenges that MRG has set itself is to advance in the sustainable management of resources, incorporating circularity criteria within the framework of four axes of action: waste minimization and recovery (waste comes mainly from infrastructure construction and maintenance processes and the dismantling of LPG plants), actions for the sustainable use of resources, extension of the life cycle of assets, analysis of the life cycle of materials and equipment for new infrastructures.	  		11.5 11.6





4. Our Commitment to Sustainability

Social impact

Topics	Description	Impact on SDGs	Materiality	GRI 11
<p>Access to energy and economic impact</p>	<p>MRG understands the positive economic impact that its business must have in the region, from the concept of sustainability itself. Access to reliable and continuous energy must represent a leap in people's quality of life and a key energy capacity for industries and public facilities, such as hospitals, in many cases eliminating the use of much more polluting fuels such as diesel, or the dependence on distribution via road traffic, which is sometimes subject to difficulties such as atmospheric phenomena, strikes, etc.</p> <p>All this is currently subject to problems with gas prices worldwide, which can negatively affect the positive impact. In this sense, beyond the market difficulties, MRG understands the necessary commitment to the current situation of energy poverty in many vulnerable groups.</p> <p>In addition to access to energy, MRG adds the commitment it has with the quality of employment of its workers and suppliers, and the clear intention to favour local purchases, as a positive impact on the development of the region.</p>		<p>Material topic</p>	<p>11.14</p>
<p>Close dialogue with the population, promoting the social licence</p>	<p>A proximity to society promotes dialogue and participation of the affected populations, thus allowing the explanation of MRG projects and actions, and especially working to understand the stakeholders in the towns and cities, and their concerns and needs, in order to be able to respond, whenever possible, by minimising negative impacts and favouring positive ones.</p> <p>Proximity and dialogue open to effective listening should minimise the appearance of social conflicts in the territory, which may be contrary to the installations, or to operations linked to fraud or non-payment, although this will not always be possible. MRG is wholly against violence and aware of the negative impact that it can have, and will therefore work to promote understanding, ensuring that Company, both its own personnel and suppliers, or security personnel, is fully committed to strict compliance with the law, avoiding any type of aggression originating from MRG, and it will also work to ensure the integrity of its employees.</p>			<p>11.15 11.16 11.18</p>
<p>Social action activities (corporate volunteer work, donations, etc.)</p>	<p>In line with the commitment to contribute to SDGs and a positive social footprint, it is essential to make progress in the involvement of the organization in social needs by mobilizing its own resources (donations and/or collaborative projects with companies of a social or environmental nature), promoting corporate or individual volunteer initiatives in line with its raison d'être (access to energy, training, promotion of scholarships, donation of equipment) or promoting initiatives aimed at vulnerable groups.</p>			<p>11.14</p>

4. Our Commitment to Sustainability

People

Topics	Description	Impact on SDGs	Materiality	GRI 11
Management of talent, development and capture of new skills	<p>Given MRG's business, it is necessary to identify future capabilities and new profiles to address the new challenges of the energy transition, digitalisation and cybersecurity. The current demand for this type of talent specialising in the energy market, and the shortage of profiles, results in a talent crisis and serious difficulties for companies to attract them. The size of the learning curve linked to the company's operating processes is an additional barrier. Proper knowledge management, careful management of generational changes and policies that retain talent while minimising staff turnover are therefore necessary.</p> <p>In order to have the necessary skills, it is crucial to have a development and training plan and to develop techniques that favour recruitment of the necessary talent, such as alliances with universities, training and technology centres, etc.</p>			
Conciliation, working conditions and well-being	<p>One of the main pillars of MRG are its employees. In order to achieve a good work environment and commitment to the company, a two-way dialogue and trust between employees and managers is necessary. MRG works to create and care for the necessary spaces and channels while promoting stable and indefinite hiring and respect for compliance with employment rights. It has also acquired a commitment to the need to implement measures that favour work, family and personal reconciliation, adopting flexibility and remote working measures, and well-being measures in terms of physical and mental health (psychosocial risks).</p>			11.10 11.13
Governance of diversity, equity and inclusion (DEI)	<p>MRG is committed to equal opportunities, respect for differences and non-discrimination, working mainly on gender equality, as well as any element of diversity in the workplace, as established by the Equality Negotiating Commission, the Equality Plan and compliance with the General Law on Disability (LGD). The Equality Plan must set objectives and new, increasingly ambitious alternatives, considering all diversity vectors: gender, age, culture, vulnerable groups, etc., in line with social needs and trends in the fields of disability, equality and vulnerable groups, overcoming the barriers arising from a predominantly male sector in which technical work in the field requires very specific skills.</p>			11.11
Occupational health and safety	<p>Given the company's fundamental purpose, occupational health and safety is a key element of its pillars, with a firm commitment to comply with current legislation and the goal of zero accidents, providing the resources, processes, organisation and technical criteria to integrate safety in the design, construction, operation and maintenance of the installations and their environment, as well as establishing a Health and Safety System that allows safe and healthy working conditions for its employees and collaborators.</p>		Material topic	11.9

4. Our Commitment to Sustainability

The outcome of our analysis

Priority SDGs:



Relevant SDGs:



SDGs with a less significant impact:



4.3 Identification of significant 2030 Sustainable Development Goals for MRG

In this strategy review process that we started in 2022, we consider it essential to identify the SDGs on which we can have a significant impact, analysing our possible negative impact, in order to minimise it with our strategy, and identifying our capacity for positive impacts to also strengthen said capacity and make a decisive contribution.

To that end, we prepared a simple analysis methodology using the SDG Compass Guide approach. We examined our value chain in detail, analysing the possible impact on each of the targets of the 17 SDGs for each stage of the chain.

In this analysis, for each stage we evaluated its intersection with the different goals and whether we could speak of very relevant, relevant or insignificant impacts, depending on the scope and intensity of the impact.

Once all the stages of the value chain had been analysed, we identified those SDGs for which we had identified at least one goal for which MRG could impact in a very relevant manner as priorities.

4.4 Commitment with stakeholders

Madrileña Red de Gas identifies its stakeholders, prioritizes them, and designs and establishes mechanisms to identify their needs and expectations, their subsequent evaluation and ongoing improvement. To that end, within its Integrated Management System, it has a procedure approved in 2022, namely PGSG-101, in which it establishes the model.

Identification of Stakeholders

Stakeholders	Relevance
Shareholders and investors	Institutional investors. Reference shareholders. Minority shareholders. Bond holders.
Financial groups	Institutional banks. Commercial banks.
Business partners	Individuals or companies that share a specific business project with. Technological, financial and industrial partners
Analysts	Financial analysts. Rating agencies. Non-financial analysts.
Insurance agencies	Companies that specialise in insuring people, assets and all manner of products, including financial products, in exchange for a premium or fee.
Customers and users	Customers: Suppliers and individuals in the case of LPG Users: Individuals and businesses.
Employees	Active employees. Passive employees. Former employees. Workers' representatives. Representatives of participants in pension funds, health & safety delegates.
Suppliers	Strategic suppliers. Works and maintenance contractors. Collaborating businesses. Suppliers.
Public administrations and regulatory bodies	Sector regulators. Market regulators. National and/or supranational public administrations. Regional and local public administration.
Market agents and professional associations	Companies in the energy sector with which there is interaction through a common regulatory framework and involvement in joint projects as suppliers, generators/producers. Special regime generators. Carrier (ENAGAS). Distributors. Operators. Business associations and sector professionals.
Local communities	Affected municipalities and their residents. Local businesses. Vulnerable social groups. Local associations.
NGOs and environmental social foundations	Collectives active in social development, land use and environmental issues, and combating climate change.
Academic and innovation bodies	Universities, research centres, etc.
Opinion generators	Traditional media. Social media.

4. Our Commitment to Sustainability

MRG stakeholder classification

By degree of relevance

Stakeholders	Priority
Customers and users	Critical Priority ●
Shareholders and investors	Critical Priority ●
Public administrations and regulatory bodies	Critical Priority ●
Employees	Critical Priority ●
Suppliers	Critical Priority ●
Market agents and professional associations	High Priority ●
Local communities	High Priority ●
Insurance agencies	High Priority ●
Analysts	High Priority ●
Financial groups	High Priority ●
Business partners	High Priority ●
Opinion generators	High Priority ●
NGOs and environmental social foundations	Medium Priority ●
Academic and innovation bodies	Medium Priority ●

- **Critically relevant (3.5 to 5):** Stakeholders with a high capacity to influence the long-term economic and financial results, MRG's reputation and helping the company achieve the goals of its strategy plan, and a substantial influence over the company's ESG performance; and which MRG has a direct and notable impact on their economic, social and/or environmental activities and interests.
- **Highly relevant (2.5 to 3.5):** Stakeholders with the capacity to have a notable influence at the short-term economic and financial level, and on MRG's image and reputation, and with a moderate influence in the company's ESG performance. MRG has an economic, social and environmental impact on the stakeholder indirectly or partially affects the stakeholder.
- **Medium-relevance degree (1 to 2.5):** Stakeholders that have no substantial influence on economic issues, or on MRG's image and reputation, and with the ability to have only occasional influence on certain objectives or the company's ESG performance. MRG's economic, social and environmental impact on these groups of stakeholders is indirect in its scope, affecting them only occasionally or in a very limited way.

Madrileña Red de Gas identifies stakeholders based on an analysis of the processes and their interrelation with the different organizational units.

Taking advantage of the meetings held with the different internal units during the materiality study in 2022, we again reviewed the stakeholders with which we have a relationship and the channels via which communication, dissemination and identification of expectations are established; we did not incorporate any new channels with regard to the in-depth work carried out in 2021.

In accordance with our stakeholder model, we have a prioritization methodology that establishes three levels of relevance based on the influence that they may have on our Company and the impact that Madrileña Red de Gas may have on the stakeholder.

The importance of the participation of stakeholders in MRG activities is evident, as can be seen from the work carried out during the materiality review, with representation from all groups. Outside of this specific activity, and on a day-to-day basis, a two-way dialogue that allows concerns, proposals and unmet needs to be transmitted and collected is established via the different communication channels available (channels included in detail in our 2021 sustainability report).

Our stakeholders model establishes our commitments to all stakeholders.

As part of our notable efforts in 2022, we would like to highlight the working environment study, which we discuss in greater detail in the People chapter of this report, in which we wanted to collect, via the participation of our employees,

Commitments established in our stakeholders model

<p>Ethics and good governance: Promotion and supervision of behaviours based on ethics, integrity and the best practices of good corporate governance, through the implementation of our code of ethics, comprehensive risk management, management of legal compliance and prevention of criminal offences. In addition, MRG has established a commitment in terms of due diligence of human and labour rights.</p>	<p>Transparency and trust: Ensuring transparency in relationships and in financial and non-financial communication, sharing accurate, secure, relevant, complete, clear and adequate information.</p>
<p>Value creation and profitability: Working on the development of a business model that guarantees economic, social and environmental sustainability, offering increasing profitability to our shareholders and generating value for all our stakeholders.</p>	<p>Dialogue and cooperation: Developing active listening and promoting two-way communication, establishing the appropriate channels for the establishment of a fluid dialogue and favouring the participation of its stakeholders in the business model.</p>
<p>Environmental protection: MRG maintains a firm commitment to preserving the natural environment by way of actions that reduce its environmental footprint, progressively reducing the impact of its activities, its contribution to the objective of reducing emissions and offsetting them, and the fight against climate change, advancing in the application of good circular-economy and energy-efficiency practices.</p>	<p>Social contribution: Social contribution: MRG has a firm commitment to the communities in which it operates, favouring access to energy, promoting economic activity, local employment and sustainable development of the Community.</p>
<p>Service quality: Giving a satisfactory service to customers, users and other stakeholders is the key to our strategy, guaranteeing the quality and continuity of supply, minimising risks, ensuring reliable and safe facilities and guaranteeing access to energy.</p>	<p>Responsible supply chain: MRG has decided to extend its social responsibility to the supply chain, by way of the code of conduct for suppliers and promotion of the principles of a responsible management system, and demanding high levels of quality, environment, safety and commitment to sustainability goals from its suppliers.</p>
<p>Commitment to people: MRG has acquired a commitment to the safety and integrity of all its stakeholders, as well as to the prevention of occupational risks, health, well-being and professional development of its employees, while also promoting equality and family reconciliation.</p>	<p>Efficiency and innovation: Innovation allows MRG to address present and future challenges, to be more efficient and to advance towards a sustainable energy model. MRG has made a clear commitment to the development of renewable gases and to promote alliances to explore new opportunities that promote decarbonisation.</p>

4. Our Commitment to Sustainability

their perception of the working climate and health at MRG and identify the unmet needs that may improve their quality of life and well-being when performing their duties. This study allowed us to draft an action plan. It is a clear and mutually beneficial effort as their satisfaction helps us to have committed people and to retain talent.

Similarly, during this year we have carried out a “Customer Experience” study with our marketers. This study was intended to accurately determine their perception of the services provided by Madrileña Red de Gas, to identify and prioritize what is truly important to them and to detect strong points and areas for improvement that, as a whole, would allow us to define an action plan to meet the needs and expectations of these marketers. In-depth interviews with all marketers with whom we work were performed as part of the study.

Similarly, we included a performance assessment in the in-depth interviews carried out to address materiality. The aim of these interviews was to collect both quantitative and qualitative information, thus allowing us to understand stakeholders’ priorities, their performance assessment and include those lines that help us meet their expectations in our future Sustainability Master Plan.

Dialogue with, and the participation of, local communities in our network expansion process is also increasingly important for us. Indeed, its relevance has led us to identify this as a relevant issue in our materiality matrix. Mainly via the citizen service offices of the different town halls, we establish a space that allows us to publicise our expansion projects, learn about and attend to the concerns and needs of citizens, and to this channel we add the channels for requesting information and for lodging complaints and

claims on our customer and user portal, which is always open. We believe that we will only obtain the necessary social license by way of dialogue and participation.

Similarly, when dismantling LPG plants, one of the transformation objectives that we have set ourselves is that we always communicate with the neighbourhood communities to inform them of the removal of the facilities and restoration of the land so that it can be used according to their needs.

Finally, we should highlight our participation in different associations and their working groups, which allows us to generate new proposals and joint improvement projects through collaboration and dialogue. Associations such as SEDIGAS, in which we participate in the Sustainability Committee, the Spanish Contracting and Supply

Association (AERCE), with which this year we have participated in the conference held in October, or the Association of Installers of Madrid (AGREMIA), which amongst other activities gives us support in training processes. Depending on the interest group, in the different chapters of this report we describe our participation in the different associations or collaboration agreements, such as that signed with PRICONSA to carry out urban projects in which MRG will provide renewable energy.

5

Risk Management

5 Risk Management

At Madrileña Red de Gas we are fully aware of the importance of managing our risks in order to carry out adequate strategic planning and achieve the objectives established, which is why we have a solid Risk Management Model.

The main objective of this model is to help identify events and to evaluate, prioritise, respond to and monitor Risks that may prevent the achievement of the company’s strategic vision and the annual objectives approved in the MRG Business Plan and Budget. This is a key tool for managing uncertainty in the area divisions and departments at MRG.

The entire organisation at MRG is responsible for Risk Management in its corresponding field, and relevant information should be channelled in order for this to be adequately managed.

There are two main types of Reporting relating to Risk Management at MRG:

The Audit and Risks Committee reports directly to the Board of Directors and operates in accordance with the provisions of its internal operating regulations, mainly performing the following:

- An analysis of MRG’s critical risks, ensuring that the company’s Risk exposure is consistent with the strategic positioning required at all times and, where appropriate, promoting specific Action Plans.
- Identifying Best Practices in the field of Risk Management and applicable to MRG, being

responsible for the Continuous Improvement of the Function.

Said committee comprises representatives from the Board of Directors of each of the four shareholders, various members of the Management Committee and the Risk Management Department.

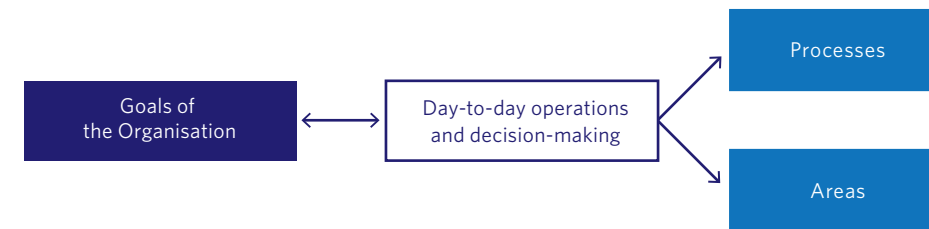
We have developed an in-house methodology at MRG for risk assessment. Taking as inspiration an integrating vision of Risk Management, we have adopted a methodological approach inspired by “Enterprise Risk Management” (also known as COSO II), which allows additional added value to be provided to all stakeholders while allowing us to identify, create, capture and sustain the value of business Risk Management.

The MRG Risk Map currently contemplates the ten most common risks, which are evaluated applying a criterion based on:

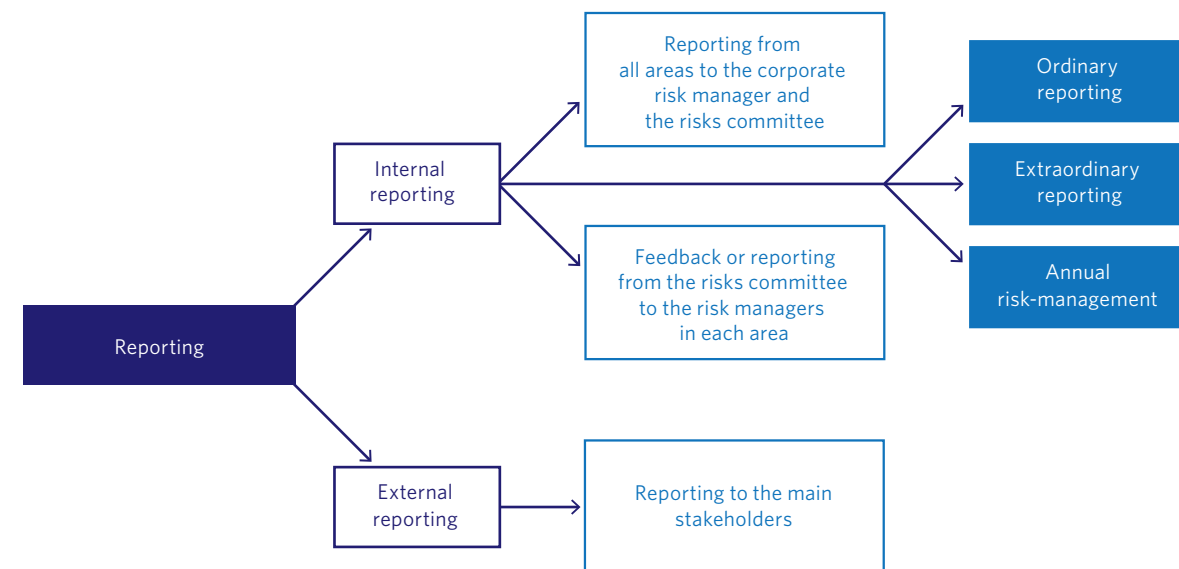
- The probability of occurrence of a risk on a scale of one to ten.
- The impact of the combination of the effect on current net value and on reputational impact, both on a scale of one to ten. The effect on the current net value considers both the direct economic impact for the next twenty years and any possible sanctions.

The result of said evaluation gives our Risk Map, which identifies those critical risks for the organization, which must be the 10 most significant ones, ordered from highest to lowest.

Risk-Management field



There are two main types of Reporting relating to Risk Management at MRG:



Corporate risk map of MRG, 2022



Compared to previous years, in 2022 the risks related to cybersecurity, the volatility of natural gas prices and permanent losses in the gas balance, as well as the interest rates of debt refinancing, have increased in relevance as a new added risk, the definition and evaluation of which has been perfected as detailed information on the potential consequences that may occur should they arise has become available.

As in previous years, the greatest risk for MRG is clearly the regulatory risk.

5.1 Regulatory risk

The distribution of natural gas is a regulated activity, therefore at MRG we are continually exposed to changes in the distribution model and possible market restrictions. As a result, we are faced with the following risks:

The European, national and regional requirements that adaptation to climate change entails make it difficult for the company to comply with all applicable laws and regulations. The strong regulatory push for “green energy” is advancing more slowly than the technical development offered by the sector, thus jeopardising MRG’s ability to contribute to net-zero objectives.

One of these new regulatory requirements is the modification of Regulation 2019/942 of the European Parliament and of the Council, which creates the European Union Agency for the Cooperation of Energy Regulators, on the reduction of methane emissions, which is scheduled to enter into force in 2023.

This modification implies a risk due to the greater requirement of methane emission regulations, as well as a significant economic impact, due to the additional capital expenditure that we would be obliged to carry out to comply with said regulations.

At MRG we are actively following the changes in the draft of said regulation, jointly and with an open dialogue with Sedigas. In addition, pilot studies are being carried out in the field with additional activities to identify methane leaks, with the objective of determining variations in the number of leaks identified and the civil works needed to repair them.

Another risk whose relevance has increased during this financial year is the permanent loss in the gas balance arising from measurement differences, in terms of both volume and price.

To combat the impact of this risk, MRG has implemented the Dark Gas Project to mitigate fraud, and is holding talks with the National Market and Competition Commission (CNMC) to promote an increase in the percentage measurement differences allowed.

In this sense, and related to this risk, in 2022 the CNMC has approved two resolutions that will encourage gas system agents to manage their imbalances (differences between gas inputs and outputs) at the Virtual Balance Point (PVB) in a more active manner and, in addition, they will allow the gas accumulated in the loss balance account to be used to cover the operating gas purchasing needs of Enagás, the technical manager of the system.

We carry out a specific assessment of the above risks, analysing the impact that climate change may have on the company based on the following specific risks:

 <p>Risks of the energy transition due to climate change</p>	<p>Legal and Regulatory: increase in the price of emissions, reporting obligations, new regulations for products, etc.</p>
	<p>Technological: substitution by products with lower emissions, failed R&D investments, cost of technology, etc.</p>
	<p>Market: changes in consumer habits, uncertainty, increase in raw material costs, etc.</p>
 <p>Physical risks of climate change</p>	<p>Reputation: changes in consumer preferences, stigmatisation of the sector, concern of stakeholders.</p>
	<p>Possible risks due to sudden weather phenomena: flash floods, hail or heavy snowstorms.</p>
	<p>Risk due to chronic stress: stress due to drought, fire risk, increased average temperatures, etc.</p>

These two resolutions promote the participation of agents in the market and improve the economic sustainability of the gas system.

Another of the new requirements that will be applicable to MRG is the Draft Law that regulates the corporate information framework on environmental, social and governance issues, a rule that will transpose Directive 2022/2464, regarding the presentation of information on sustainability by companies, known as CSRD into the national legal system.

MRG will be obliged to report on how the group’s activity affects sustainability, which is taken to include environmental, social, human rights and governance factors, including all information related to personnel and the fight against corruption and bribery.

In this sense, in recent years we have made progress in said ESG-related information reporting with the preparation of our Sustainability Reports, such as this one, although we will study in advance all those modifications and new requirements, adapting ourselves to the requirements of said law.

5.2 Climate change and the energy transition: our main challenge

The adverse effects resulting from climate change and the energy transition imply risks for the installations, and for MRG’s business, from three perspectives:

1. Risks for the company due to emerging regulations, new requirements and social awareness of the necessary energy transition.
2. Risk to the business due to increasing temperatures and new consumption habits, which affects gas consumption.
3. Risks or impacts that the meteorological effects derived from climate change may have on our installations.

The result of the evaluation is medium risk in both perspectives, after analysing the probability and value of the impact.

We want to turn the current risk that the energy transition may represent into an opportunity for the company; be prepared for regulatory and market changes, and gain a reputation among the public, collaborating with them to achieve cleaner cities and clearly investing in renewable energy alternatives, such as hydrogen.



At Madrileña Red de Gas we are working along several lines aimed at fighting climate change.

A detailed description of the above projects and strategies, together with other initiatives undertaken by the company to combat climate change and its possible physical risks, are included in the Sustainable Business and Environmental Impact sections of this report.

Actions at MRG to combat climate change

 <p>Development of green-energy projects</p>	<p>Such as the Inspira Madrid project for mobility with green hydrogen in the Community of Madrid, the Pryconsa project, the objective of which is the use of renewable hydrogen to cover heating and DHW needs, or the Cavendish2 project, aimed at studying the competitiveness of renewable gases and their role in the energy transition.</p>
 <p>Measuring our carbon footprint</p>	<p>For scopes 1, 2 and 3, together with a clear commitment to reducing it, carrying out different strategies, such as a proposed Mitigation Plan aligned with the objectives of “Fit for 55” for 2030 and “Net 0” by 2050, among other initiatives.</p>
 <p>Control and reduction of the impact of our activities</p>	<p>By way of effective and appropriate management, aimed at minimising waste and preventing pollution, as well as promoting measures to protect biodiversity and habitats.</p>

Risks evaluated in the annual accounts audit at MRG

 <p>Significant risks</p>	Recoverability of non-current and intangible assets and goodwill.
	Tax inspections and tax contingencies.
	Recoverability of deferred tax assets.
	Non-monetary contributions made to Group companies.
 <p>Other risks</p>	Recognition of regulated and non-regulated income.
	Provisions and contingencies for litigation and claims.
	Impact of regulatory changes.
	Bilateral Advance Pricing Agreement.
	Going Concern.
	Cancellation of controls by the administration.

5.3 Economic, financial and fiscal risks

The volatile economic situation and economic slowdown that we are experiencing, together with the increase in inflation and interest rates, make it difficult for MRG to efficiently manage cash flows and obtain financial resources, thus hindering the achievement of its strategic objectives, investment, the ability to carry out projects and meaning that the company has to face the following risks:

- Due to the increase in uncertainty and the evolution of energy prices, the volatility of gas prices may mean that our customers are not able to deal with the new cost of gas, therefore MRG has established a short- and long-term strategy to mitigate said impact.

The probability of this risk has slowly decreased as the market has adjusted to the new prices.

- Another of the risks to which we are exposed is the interest rate risk in each refinancing period, which is a result of the increase in market interest rates, with the impact being calculated for those bonds to be refinanced in 2023 and 2025. We are analysing interest rate hedging options for the next round of refinancing in order to mitigate this risk.

- In addition, the update of the CPI rates, considering the rates published by the European Central Bank in September 2022, shows a possible economic impact, due to the rise in prices and the increase in inflation. Although most of MRG's contracts are not subject to CPI indexing, some suppliers that are pushing to renegotiate those prices. To mitigate this impact, at MRG we attempt to negotiate to reach agreements that are beneficial for both parties.

To manage the risks mentioned above, as well as to guarantee the correct economic and financial management of the company, at MRG we have different formally established procedures and methodologies. In addition, these risks, along with others relevant to our business, as well as our legal compliance in economic and financial matters, are evaluated as part of our annual audit of accounts.

5.4 Integrity of assets and management of critical incidents

At Madrileña Red de Gas we are fully aware of the importance of the prevention, evaluation and control of incidents and accidents that can seriously damage both health and the environment, as well as the economy of communities and infrastructures. As such, we have two robust and consolidated Management Systems, which cover 100% of the company's activities.

- An Integrated Management System certified as per the following international standards:
 - UNE-EN ISO 9001:2015 Quality Management Systems
 - UNE-EN ISO 14001:2015 Environmental Management Systems
 - UNE-EN ISO 45001:2018 Occupational Health and Safety Management Systems

The Integrated Management System Committee is the maximum authority as regards aspects related to quality, the environment and health and safety.

- UA Serious Accident Management System, which interprets and incorporates the requirements of Royal Decree 840/2015, which approves control measures for the risks inherent to serious accidents involving dangerous substances (more commonly known as SEVESO regulation).

The Serious Accidents Prevention Committee is the maximum authority as regards the prevention of serious accidents.

Incorporated into the aforementioned systems, the mechanisms that we have at MRG to deal with risks that may damage our physical and human assets, as well as the environment that surrounds them, are the following:

Operational control

At MRG we identify those operations and activities that are associated with the hazards for which the implementation of controls to manage the risk is necessary.

This control of our processes is carried out following established procedures, continuously supervising their state of execution through a complete control panel of process indicators (KPIs) in different areas:

1. **Cante comercial**

Report showing the evolution of the commercial registrations by pressure type.

5. Risk Management

2. List of KPIs Committee

Summary of the evolution of the general KPIs at Madrileña Red de Gas.

3. Operational report DO, Complaints and Registrations

Includes and operational report of the domestic operations, complaints and registrations operations at MRG.

4. Analysis of historic complaints

Includes an evolution of the complaints from the origin of MRG to the date of the report (volume, costs, departments, etc.).

5. Maintenance report

Includes the operational and economic analysis of the maintenance operations at MRG.

6. Operational reading report

Follow-up of closure of VO complaints, Platform and TPA per day, by department.

7. Daily monitoring SLA

Seguimiento del cierre de reclamaciones de OV, Plataforma y ATR en un día por departamentos.

8. Surveys

Results of surveys corresponding to the fieldwork analysis questions defined by the contract SLA.

9. Overall ranking of PI inspectors

This report provides the positioning of the different PI inspectors based on their field-work efficiency.

10. Call analysis by PI phase

Analysis of calls received compared with PI phase in which said call is received (periodic inspections).

11. Operational PI report

Includes the operational analysis of the periodic inspections operations at MRG.

12. General and IT expenses

Summary of the general expenses at MRG by category and department.

Preventive control:

At MRG we implement, organise and execute the controls and/or preventive measures needed to correct the risks identified in terms of Health and Safety, and perform periodic monitoring, in order to guarantee a correct application of the preventive management defined in the company and avoid damage to the health of our workers.

The results of said management in 2022 can be seen in detail in the Health and Safety section of this report.

Industrial safety and serious accidents

To contend with the risks that may affect our facilities, at MRG we carry out a series of specific actions, both in our LNG plants, conventional LPG plants, and those LPG plants affected by Royal Decree 840/2015.

These activities include:

- Regulatory inspections and audits
- Drafting and revision of the pertinent Emergency Plans and Self-Protection plans
- Performance of drills
- Verification of explosive atmospheres (ATEX)

- Annual visit from a safety adviser for the transport of dangerous goods by road (ADR)

- Inspections of fire protection systems, as indicated in Article 20 of R.D. 513/2017.

Environmental control

As indicated in the Environmental Impact section of this report, the accident scenarios with environmental damage associated with MRG's installations are mostly forest fires. In the case of THT, diesel oil and antifreeze, they also involve additional scenarios such as soil and/or water contamination and discharges into surface waters.

Given this information, and taking into account that reparation measures are only adopted once the specific damage has occurred, proposing specific reparation measures in each case, the measures available at MRG's installations and activities can be summarized as follows:

- Preventive measures against forest fires
- Measures based on emergency, safety and/or self-protection plans
- Specific measures found in each type of activity/ installation

Emergency management

At MRG we watch over and take care of our physical assets, carrying out the necessary preventive and corrective maintenance, providing the optimal conditions in our influencing, maximizing the correct functioning of equipment and guaranteeing the supply to our customers, as indicated in the Reliability and continuity of supply section.

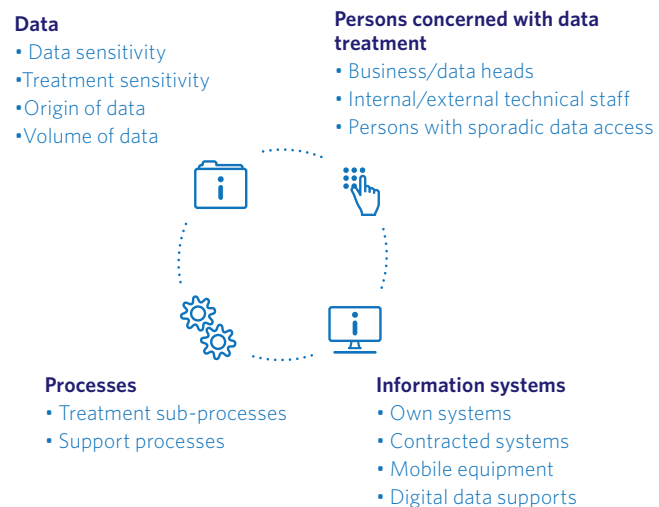
Preventive measures at MRG installations

Fire-Fighting	Comply with the provisions of the Special Emergency Civil Protection Plan for Forest Fires in the Community of Madrid (INFOMA).
With regard to emergency, safety and/or self-protection plans	Depending on the storage capacity of each LPG and LNG plant, the installations are obliged to have an Emergency, Safety or Self-Protection Plan.
Prevention of harm arising from soil contamination	<ul style="list-style-type: none"> • Presence of paving in auxiliary installations. • Provision of anti-spill kits in auxiliary installations.
Found in each type of Activity / installation	<ul style="list-style-type: none"> • Preventive maintenance • Tracking of the distribution network • Plants classified as ATEX • Gas odourisation • Containment bund (LNG plants only) • Back-up generator for power cuts • Ground clearing • Distribution-Control and Remote-Management Centre • Cooling systems (hoses, water sprayers) in LPG plants with large, above-ground tanks • Video surveillance systems and/or surveillance rounds (LNG plants only) • Extinguishers, manometers, safety valves, plunge tube (base of underground LPG tanks), earth connection, gas detectors

Possible emergency situations

 <p>Emergency situation in gas distribution</p>	<p>We have a system of action that allows us to handle a possible emergency situation affecting the networks and/or receiving installations, to guarantee that the actions to be taken will be adequately coordinated to solve the problem that has arisen in the shortest possible time.</p> <p>Said system establishes the actions and responsibilities and all internal and external communication and coordination channels, with the Security and Civil Protection Agencies, Local and Regional Authorities, Customer Service, and the media.</p>
 <p>Emergency situations in buildings and plants</p>	<p>MRG's work centres have instructions for how to act in the event of an emergency, which describe the actions to be carried out in the event that one occurs. In addition, our installations have the corresponding Self-protection Plans or Emergency Plans, depending on the applicable legislation.</p>

Types of activity involved in Risk management



We also have the necessary tools to prevent and reduce the eventual impact derived from potential accidents and emergency situations. To that end, we identify two possible emergency situations.

To manage communication in the event of a serious contingency, there is a “Manual for communication management in crisis situations”, which defines the protocols that must be followed by those responsible for the different business areas and the procedures for correct management of the incident by the Crisis Committee.

5.5 Cybersecurity and management of risks when treating information

One of the main challenges for large organizations is to protect the information they handle on a daily basis. Nowadays, companies must face malicious attacks from individuals trying to find weaknesses to access information systems.

At MRG we are fully aware of the risks involved in the integration of technology into business processes, the large-scale implementation of remote working, the large-scale migration of data to the cloud and security in the supply chain, therefore we have a complete Information Security System that manages cybersecurity-related risks.

5.5.1 Information Security and Personal Data Protection

In 2022 Madrileña Red de Gas completed the implementation and certification of its Information Security Management System, as per ISO 27001, a

model that is fully aligned with the current Integrated Management System and in the scope of which the Personal Data Protection Management model has also been included.

Madrileña Red de Gas has appointed a Data Protection Officer, who is the highest Authority in the matter and has a seat on the Management Committee, the Audit and Risks Committee and the Cybersecurity Committee. In addition, a person responsible for the Information Security management system has been appointed, along with a person in charge of Technical Security, who is supported by a team of administrators.

We have established a Management of Risks in the Treatment of Information methodology that includes both a determination of the company's assets and the assessment and evaluation of threats and an analysis of risks and their management at acceptable levels, establishing a process review to ensure its continuity over time.

We have identified 11 groups of assets, which are broken down into 111 types of assets, and have assessed the criticality of each of them based on their confidentiality, integrity and availability, to subsequently assess risk as a combination of the criticality, probability and impact. Similarly, the Information Security Management model contemplates an interaction with interested parties in several ways:

1. Publication of the information security and personal data protection policies, as well as information regarding the processing of personal data intended for interested parties, and whose dissemination is also reinforced through the various

communications that are delivered to users, on the website.

2. Active management of the personal data protection officer's mailbox, which has received a significant number of requests.
3. Employee training and awareness activities.
4. Interaction with organisms and authorities, such as the National Data Protection Agency (AEPD) and the National Cybersecurity Institute (INCIBE).

As relevant novelties with respect to previous years, it is worth mentioning the following:

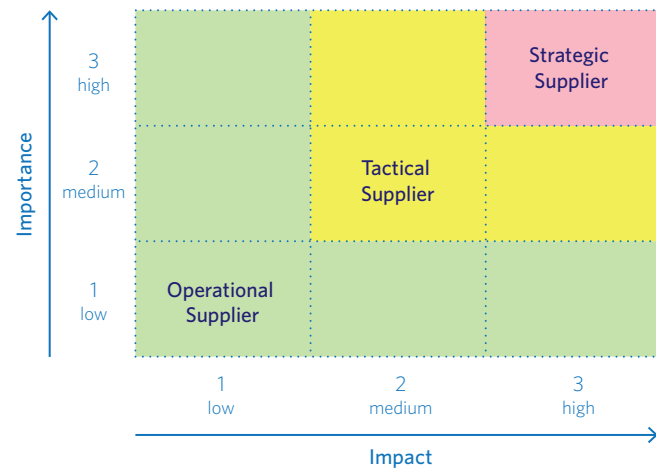
- Identification of the most sensitive suppliers from the point of view of information security, classifying them according to IT risk, determining the criticality of the supplier as regards the activity carried out for MRG, as well as the type of activity and of access to information. As a result, they have been classified into three types:
- A new personal data protection training course in which the new aspects of this legislation published over the past few years is discussed, aimed at the entire company workforce, and which at the end of December had been completed by 58% thereof; it is to be continued into 2023.

5.5.2 Cybersecurity

The World Economic Forum (WEF) continues to define cyber-attacks as one of the most probable and highest-

5. Risk Management

Classification of suppliers from an information security viewpoint and based on IT risk



impact risks for institutions and companies, therefore it is essential to place cybersecurity among its priorities, the main focus being the provision of cyber-intelligence, in real-time, to technical and human resources.

To assess our level of maturity in Cybersecurity, two evaluations were carried out in 2022:

1. Evaluation of the maturity level based on Deloitte's CyberIndustrial Strategy Framework (CISF) v2.0
The objectives of this evaluation include a review of projects established in the Master Plan, evaluation of the Cybersecurity maturity level itself, a Benchmarking of the current position of MRG within the sector, as well as the identification of the objective maturity level, strengths and weaknesses and definition of the Action Plan to achieve said objective.

2. Re-evaluation of the maturity level of the OT (Operational Technologies) environment using the C2M² standard
Following completion of the second evaluation of the maturity level of the OT environment (carried out in 2019), using the C2M² standard, Logitek has been requested to carry out a re-evaluation using the same standard, taking into account the results presented during the second evaluation and the set of activities carried out by MRG to increase its current level of maturity.

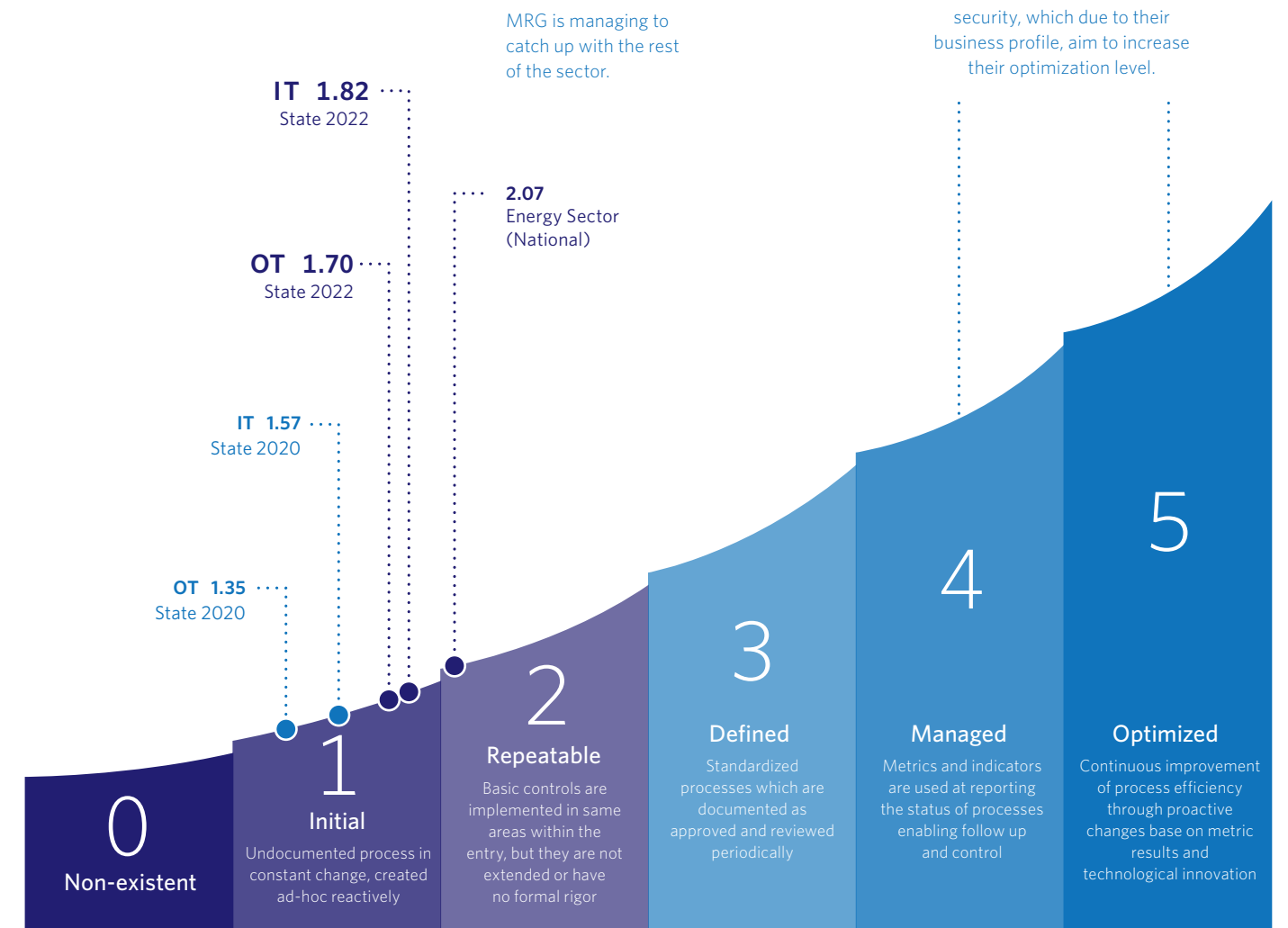
The efforts made over the past three years have borne fruit. The evaluation obtained in this financial year is much better than that obtained previously. The effort made over this period to create and document various documents, policies and procedures to define the governance of cybersecurity is noticeable.

Technological context at MRG

	Widespread use of cloud services, with its IT infrastructure rolled-out in AWS, Azure, Google and Salesforce.
	Control centre with 24/7 monitoring of the entire gas network via a SCADA monitoring system belonging to Madrileña Red de Gas as part of a hosting service (Equinix).
	Sub-stations with varying industrial technological controlsystems (Automa, DataLogger, PLCs, RTUs) with remote connection to the SCADA.
	High dependence on technology supply companies to administer and maintain the IT (Linkeit, Apser) and OT Infrastructure (ABEBA, Elecnor).

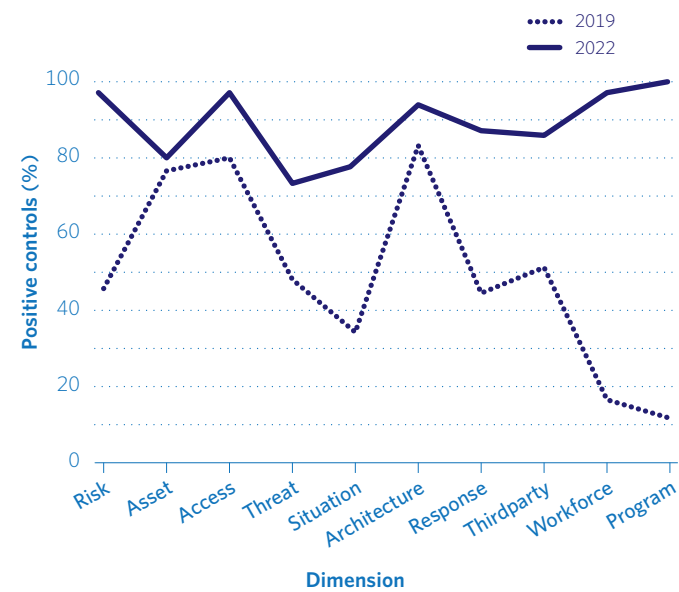
CURRENT STATUS (AS-IS) Current maturity level

The difference between the IT and OT Environments at MRG is decreasing quickly given the major efforts made in this period to update obsolete systems.



5. Risk Management

Evolution of level of maturity



Once the previously mentioned audits had been carried out, the following Cybersecurity Action Plan for 2022 to achieve the established objectives was defined, showing at the same time its degree of compliance.

This plan has allowed us to improve the prevention and action lines by following best practice in cybersecurity, with actions including:

- Network penetration tests: “Pentesting” is a technique based on simulating the role of malicious users using the same techniques in order to discover possible vulnerabilities that can be exploited to access unauthorized information. Of the 78 services analysed, eight vulnerabilities, none of which were critical, were found.
- Simulation of incidents and disaster recovery: simulation of a ransomware attack on a company computer or server, with the aim of minimizing the effects of a disaster or event and being able to quickly regain control.
- Study of exposure and sale of credentials: investigation related to the overexposure of information associated with assets of Madrileña Red de Gas on the internet with the aim of identifying possible vulnerabilities or unduly exposed services.
- Phishing simulation: to check the level of maturity of users and whether they have internalized the desired behaviour in the event of this type of attack. This campaign includes the sending of malicious emails impersonating Google in order to harvest user credentials.

- Training and awareness: awareness of cybersecurity is essential for MRG. To that end, we have launched a new training plan to help raise awareness of the risks that exist in the digital world and prevent any attempted cyberattack, both in the professional and personal environment.

Our goal is for all MRG employees and collaborators to be the first line of defence against cyber threats, in order to guarantee the security and protection of all our information.

This is a dynamic plan adapted to the profile of each user, with multimedia content, and which, through videos and interactive games, ensures that all users are in continuous training and alert by spending just a few minutes a week.

All the above is reinforced with informative campaigns related to cybersecurity that establish the training content and raise awareness to the highest level.

Among Others:










Discover the imposters:

The space ship needs your help to return to Earth. Demonstrate your cybersecurity knowledge.

You learn to identify phishing:

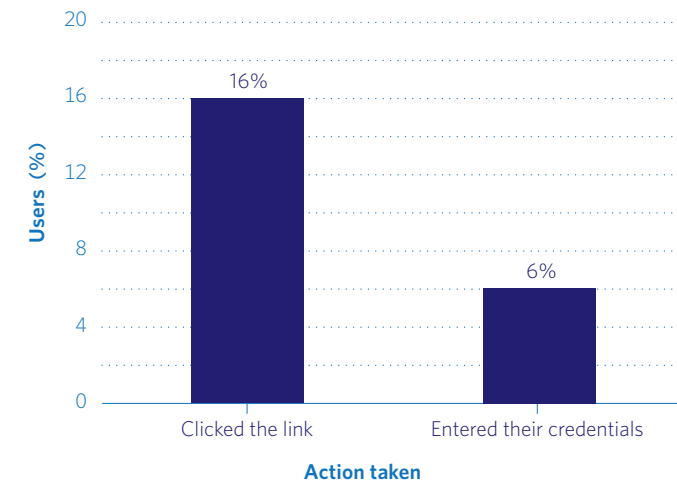
We teach you some tips to analyse the emails you receive every day.

Cybersecurity Action Plan for 2022

Action	Description	Execution (%)
 Risk management	Improvement of the risk management processes with IT and OT coverage.	100%
 Training	Development of a cybersecurity training plan Based on roles and performance of training 1.64 activities.	90%
 Protection	Approval of a data-classification Scheme and definition of protection mechanisms.	100%
 Protection	Implementation and operation of an EDR solution (Replaces DLP).	100%
 Vigilance	Simulation of security incidents.	100%
 Review of Security	Regular update of regulatory security policies.	90%
 Protection	Simulation of disaster recovery.	100%
 Vigilance	Network penetration tests.	100%
 Audit	Renew cybersecurity audits.	100%

5. Risk Management




Results of the phishing simulation campaign



Conclusions

- 16% of users (22) clicked the link
- 6% of users (8) shared their credentials (36% of those who clicked)
- 112 of the 134 users did not click the link or enter credentials.
- Similarly, many employees were able to spot warning signs on the landing pages, as not everyone who clicked entered their credentials.

Information Security Management System

Control	Indicadores / Fórmula	2021	2022
 Training	No. of employees who received training/awareness in information security/data protection / Total no. of employees (%).	8%	84%
 Information Security	No. of security incidents detected due to phishing.	7	0
	No. of security incidents detected due to spoofing.	1	0
	No. of security incidents detected caused by viruses/spyware/malware/email attacks other than the above.	1	0
	No. of security incidents with loss of information.	0	0
 Personal data protection	N. of consultations about personal data management.	32	18
	No. of data protection incidents.	9	72
	No. of request to exercise personal data protection rights.	407	125

The time machine:

Travel through time testing your understanding of cybersecurity.

Do you know how to create a safe password?:

Learn to detect the most common errors when choosing your password.

5.5.3 Information Security in figures

In addition to the information provided above, some of the main indicators used as a reference for the Information Security Management System are described below, comparing them only with the previous year in which their measurement began.

6

Sustainable Business

6. Sustainable Business

Net turnover

	2020	2021	2022
Distribution remuneration	142,936	145,756	133,110
Other non-regulated revenues ¹	3,447	3,614	3,351
Other non-regulated revenues due to compensation	191	163	216
Other regulated revenues ²	15,041	19,432	17,491
Revenues from LPG	12,305	15,447	10,939
Non-regulated revenues from LPG	15	41	15
Total (thousand of euros)	173,935	184,453	165,122

¹ Non-regulated revenues are also services related to the natural gas distribution activity and whose prices are not regulated.

² Other regulated revenues are services related to the natural gas distribution activity and whose prices are regulated.

6.1 Our business challenges

At Madrileña Red de Gas, as a natural gas distribution company essentially limited to the Autonomous Community of Madrid, during the materiality analysis process we have evaluated a set of challenges and key aspects for the business which, due to their impact on stakeholders and the future of the company, are an absolute priority, from both an internal and external perspective.

Thus, our sole shareholder requires economic results in the medium and long term, in other words economic sustainability, although the commitment of the partners to sustainable development marks the company's policies and strategies. We extend the network as we aware that our raison d'être is to distribute energy, without seeking short-term economic results, although always seeking the greatest efficiency and effectiveness of our processes.

Extending the network and working to get new supply points, within the rules of the regulated market, is the strategic line that has allowed us to grow, get to where we are as a company, and think about continuing to develop the business, although this line is currently facing new challenges. The commitments of all governments and societies in the fight against climate change show us the need to be participants in the energy-transition process. At Madrileña Red de Gas we are collaborating with and promoting innovative projects that allow us to talk about the future distribution of renewable gases, such as green hydrogen or biogas, via our own networks. Participating in this transition process and transforming ourselves in it will be key to our existence in the future.

The access to energy that the distribution network has brought to the different districts and municipalities of the

Autonomous Community of Madrid has value for society to the extent that its supply is reliable and continuous, as well, of course, as being safe. This is possible thanks to excellent maintenance of our installations and the organization of our 24-hour emergency services. We are currently working in the Network Operation and Maintenance area to prepare ourselves to continue to offer the same guarantee of supply when renewable gases circulate through our networks in the future.

As a service, we believe that irrespective of the fact that our teams work to guarantee supply, it is essential that communications with our customers and end users are agile, with efficient and decisive processes. Customer orientation has always been relevant for us, and we have taken advantage of all the options that new technologies offer in this regard.

6.2 Generating economic value

2022 has been characterized by the conflict between Ukraine and Russia and by high volatility and uncertainty in the markets. In this context, MRG continues to show its ability to maintain stability in the face of adverse economic cycles and unexpected events, obtaining excellent results that confirm its marked financial resilience, as well as solidity and predictability in the generation of revenues.

EBITDA in 2022 was 130.4 million euros, 8% less than in 2021, mainly due to lower revenues recorded due to lower gas demand as a result of lower temperatures and regulatory cutbacks. This year has been the second in which the gas

EBITDA

	2020	2021	2022
Operating profit/loss	106,375	106,285	96,874
Depreciation	29,944	31,514	30,420
Other results	2,103	698	1,123
Excess provisions	0	0	0
Loss, deterioration and variation of provisions	659	-326	356
Indemnities	280	636	884
Banking fees	387	412	324
Impairment of goods, raw materials and others	0	0	0
Impairment and results from disposal of fixed assets	-27	2,099	428
Total (thousands of euros)	139,721	141,318	130,409

¹ EBITDA is defined as the operating profit/loss + amortizations + other results + excess provisions + losses, impairment and variation of provisions for commercial operations + net indemnities + expenses for banking and similar services + impairment of goods, raw materials and other supplies + impairment and result from disposal of fixed assets.

6. Sustainable Business

Retained economic value

	2020	2021	2022
Net turnover	173,935	184,453	165,122
Financial revenues	8,454	16,073	91,221
Direct economic value generated	182,389	200,526	256,343
Procurement costs	-8,386	-15,675	-8,415
External services costs	-15,815	-17,991	-17,997
Costs for other results	-2,103	-698	-1,123
Operating costs	-26,304	-34,364	-27,535
Employee salaries and benefits	-9,951	-10,263	-10,321
Payments to capital providers	-27,923	-27,682	-34,694
Tax expenses and corporate tax payments	-11,056	-9,469	-8,066
Payments to government	-11,056	-9,469	-8,066
Community investments	0	0	0
Economic value distributed	-75,234	-81,778	-80,616
Total (thousand euros)	107,155	118,748	175,727

Note: GRI 201-1 Direct economic value generated and distributed 2016

year has closed on 30 September, in accordance with the methodology of the current regulatory period (2021-2026).

Looking at our GRI 201.1 indicator Economic value generated and distributed in 2016, our figures for 2022 show a distributed economic value of 80,616 (thousand euros), 1.4% less than in 2021, and a retained economic value of 175,727 (thousand euros), with a clear increase resulting from the high financial revenues of 2022.

Since 01 July 2015, the Company has been taxed under the Tax Consolidation Regime as a Company dependent on Tax Group No. 474/15, whose parent entity is Elisandra Spain IV, S.L.

6.3 Network expansion: in the present but looking to the future

The company's growth strategy continues to be focussed on profitable and sustainable expansion in our and adjacent territories. We are fully aware of the need to look towards renewable gases, both as a response in our fight against climate change and in view of the growing social awareness, not only in the face of emissions, but also in view of the need for a stable energy market. In this context, we believe that expansion of the natural gas distribution network looks at both the present and the future, and we can talk about a gas and a network that facilitate access to energy and the energy transition; we are talking about an energy source taxonomically considered to be "green", in this transition period, and we are talking about a distribution network capable of distributing H2 or biogas in the future.

Currently, the problem that exists in the distribution of renewable gases is not the network itself but the ability to generate these gases. As such, we support projects that in the future may represent that source of renewable gas that we can distribute, while continuing to expand our network of pipeline facilities which, although they distribute natural gas, are 100% prepared for the distribution of biomethane and hydrogen.

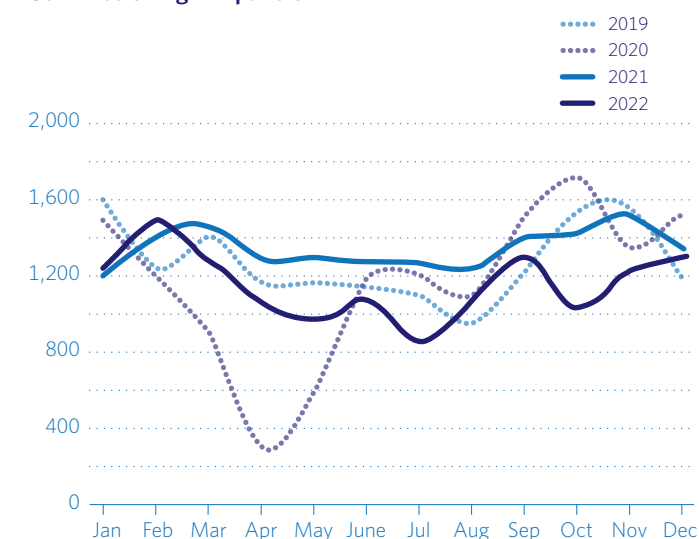
The current situation of a global energy crisis, the effects of the war in Europe, as well as the continuous regulatory changes, are having a significant impact on the energy market, and on the gas system in particular. These factors have had an impact on the growth in new supply points, which has been lower than in previous years.

In 2022, Madrileña Red de Gas has achieved a total of 13,299 new natural gas installations commissioned as a result of the commercial actions for organic growth of the Expansion Department.

At the close of 2022, Madrileña Red de Gas distributes gas to 908,984 supply points, of which 900,911 are natural gas and 8073 LPG. This growth, together with that generated by other inorganic growth actions, has allowed Madrileña Red de Gas to exceed the historical figure of 900,000 supply points, positioning itself as the fastest growing natural gas distribution company in Spain and approaching the second position in terms of total volume of installations.

Analysing the more global data of our expansion effort, and comparing from 2020, we can see how in 2022 we have indeed made a great effort, although the final figures for energy supplied have suffered a slight decrease due to the

Commissioning - Expansion

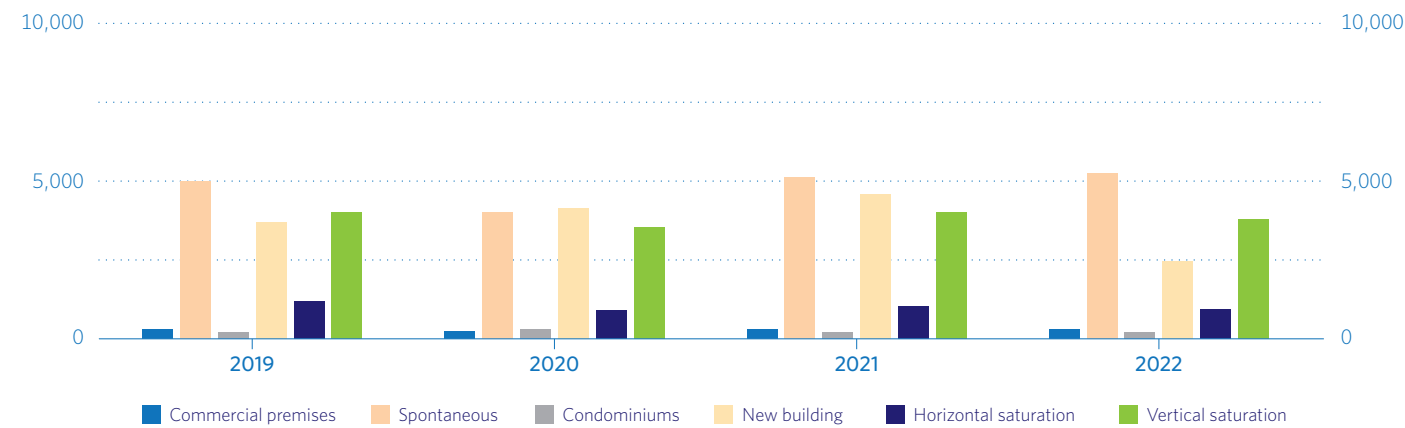


Investment expansion

	2020	2021	2022
Customers LNG	890,027	893,311	900,911
GWh	10,044	10,605	9,351
Investment expansion (million €)	14.3	14.3	14.3

Note: GRI 203-1 Infrastructure investments and services supported

Market segmentation



complex situation we have experienced with the energy crisis.

If we analyse the evolution of new supply points segmented by market type, the effect on the new housing market due to regulatory changes associated with the Technical Building Code, which favours electrification and the appearance of new technologies, is observed. At Madrileña Red de Gas we are working to offer developers new hybrid heating solutions and new strategies such as renewable gases

However, no major changes were observed in the rest of the natural gas markets (Horizontal Saturation (HS), Vertical Saturation (VS), Spontaneous (SP) and Commercial premises (CO)), which maintained a trend in line with previous years. It should be taken into account that the geographical area of gas distribution is predominantly residential and that the capillarity of Madrileña Red de Gas'

network is such that there are few areas in which there is no distribution network.

This once again highlights the success of our commercial policy, innovating with new strategies and channels to reach the end user.

In 2022 we have increased our commercial efforts with different types of campaigns to promote vertical and horizontal saturation:

- Specific campaigns throughout the territory: aimed at increasing the HS and VS market, mobilizing up to 6,000 homes through the conventional channel of installation companies and at promoting new pipelines and saturation of the existing ones with an impact on each home, thus generating a specific offer of interest.

- Digital campaign on main social networks: through Facebook and Instagram and aimed at 37 municipalities, in order to capture supply points in the HS market. Controlled and managed directly by the market managers. Examples of the images and messages used can be found below.
- Campaign for individualisation of central systems in owners' associations (PG): due to the increase in the price of gas, some associations have considered individualising central heating services, especially where non-payment problems occur. At MRG we facilitate this choice, which is much easier to implement, by way of a special campaign.

As regards new builds (NBs), in 2022 a total of 4129 homes have been provided with a natural gas supply. Of these, 2595 homes are equipped with individual boilers and 1534 with central boilers. This year the introduction of other solutions for the energy needs of buildings, such as air source heat pumps and ground source heat pumps, has been clearly highlighted. The entry into force of the modification to the CTE (Technical Building Code) during 2022 has confirmed these changes (this Technical Code continues to allow the use of natural gas, which also obtains the highest rating).

Our Expansion Department has worked intensively with developers, holding meetings with each of them in order to try to find out the energy preferences of their future developments and inform them of the existing options.

The "efficiency" of air source heat pumps depends on the geographical region in which they are installed. At Madrileña Red de Gas, together with the engineering

company ESCAN, we have carried out a detailed analysis, which we have shared in our meetings with real estate developers. Among the main conclusions shared, we can see how air source heat pumps cause consumption peaks during start-up, especially on hot or cold days, which can trip the circuit breakers in homes, or even cause power cuts that affect other neighbours.

Moreover, gas boilers are compatible with renewable gases. They even work with 20% hydrogen in commercial units and an increase in this percentage is expected in the next few years.

During 2022, and in collaboration with Empresa Energética and Aedas Homes, the first agreement was signed to install natural gas boilers to support air source heat pumps (180 homes - Majadahonda).

At MRG we promote the combination air source heat pump/natural gas, focusing on important aspects such as improved energy efficiency, identical energy rating, lower life cycle cost, reliability, improvement of service guarantee and preparation for the future, thinking about renewable gases, implied by the natural gas network.

If we consider large consumers, natural gas continues to be essential throughout industry. This year, and despite the uncertainty caused by the crisis in Ukraine, as this is a stable and secure supply for industry, we have obtained excellent results, increasing consumption by 180 GWh and 466 new supply points.

In line with our efforts to facilitate access to energy, we would like to highlight the incorporation of three crematoria: El Escorial, Colmenar Viejo and Valdemoro. The former two

We provide the required guarantee and reliability to the energy mix

Another milestone achieved this year has been the supply of natural gas to the District Heating of Móstoles. District Heating, or district networks, comprises a central power generation facility and a network of pipes, normally buried, through which thermal energy circulates and is distributed through the circulation of steam or hot water.

The District Heating of Móstoles is the largest urban heating and domestic hot water (DHM) network in Spain, comprising 6500 homes. It was inaugurated in 2017 and the plant comprises two 5000 kW biomass boilers and a 2000 kW back-up boiler plus two 5000 kW biomass boilers with an expected consumption of 5934 tons of biomass per year.

After five years of operation, natural gas back-up has been included by installing two 4600 kW boilers and one 1650 kW boiler, since biomass alone did not achieve the expected and necessary performance of the thermal equipment.

previously used other energy sources, namely propane gas and diesel, respectively. The companies that operate them decided to install new furnaces with natural gas as fuel, thus improving their efficiency and environmental emissions. The peculiarity that all these crematoria have, due to their activity, is that they are located on the outskirts of the municipalities, therefore MRG made a large investment, as these are complex works and far from the distribution network, to ensure that they have access to energy that is more respectful with the environment.

6.4 Striving for innovation, favouring the future of renewable gases

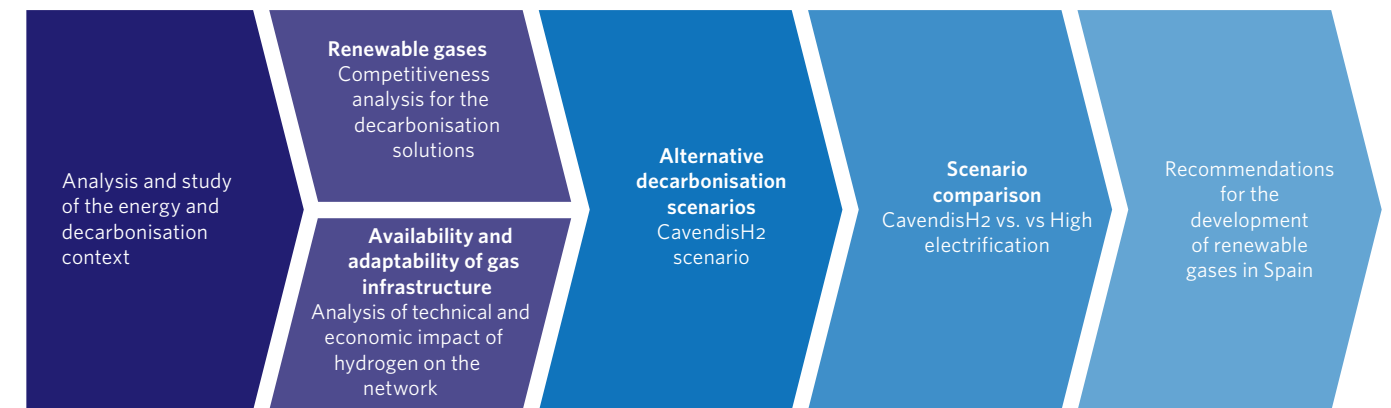
As we are aware of the importance of promoting and being part of the energy-transition process, we are working together with other companies on innovative studies and projects to favour the incorporation of renewable gases in the future energy mix.

CavendisH2

We are partners with SEDIGAS in the CavendisH2 study, which analyses the competitiveness of renewable gases and their role in the energy transition.

This study includes the feasibility of using the existing gas infrastructure to supply different types of renewable gases, including the blending of up to 20% and 100% hydrogen by volume, as well as the costs of adapting it, if necessary. After an in-depth analysis of the competitiveness of renewable gases and the investment required to adapt

Scope of CavendisH2 project



current gas infrastructures, a comparison was made with the High Electrification scenario in order to elucidate the best way to achieve decarbonisation of the economy.

Taking into account the competitiveness of the different decarbonisation solutions and the analysis of adaptation of the gas network to supply hydrogen, an energy scenario for the coexistence of technologies known as “Base Scenario: CavendisH2”, in which both renewable gases and electrification are considered, has been defined.

In cost terms, the CavendisH2 scenario proposes an alternative that would mean a marginal annual investment 30% lower than the High Electrification scenario, mainly due to a lower cost of reinforcing the electrical network and a lower cost of adapting the equipment of residential users.

In addition to a lower investment effort, the greater penetration of renewable gases in the CavendisH2 scenario

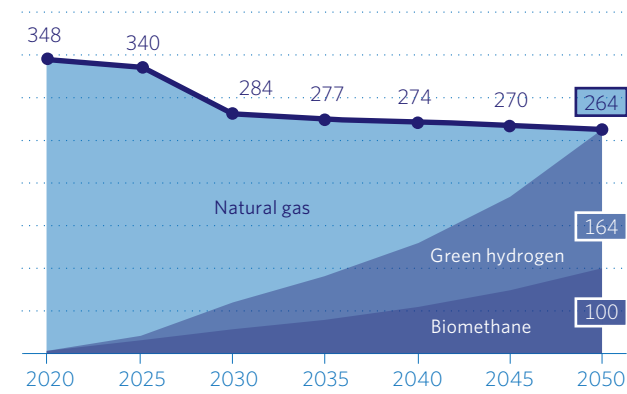
The proposed scenario assumes a significant reduction in final energy demand of 19%, going from 835 TWh in 2020 to 680 TWh in 2050. This reduction in demand is mainly determined by energy efficiency measures and the introduction of new technologies in the Residential and Tertiary sectors, as well as modal changes in consumption and the introduction of new solutions in the Transportation sector.

This energy demand translates into a significant increase in electricity (annual growth of 1.1%), maintaining a similar demand for gas (growing in the Transportation sector by 0.3% annually) and drastically reducing crude oil consumption.

In addition to the final gas demand (tertiary residential, industrial and transport), which in 2050 would be 180 TWh, the defined scenario also considers gas consumption associated with generation, co-generation and others. As such, taking this into account, the total demand for gas would reach 264 TWh in 2050.

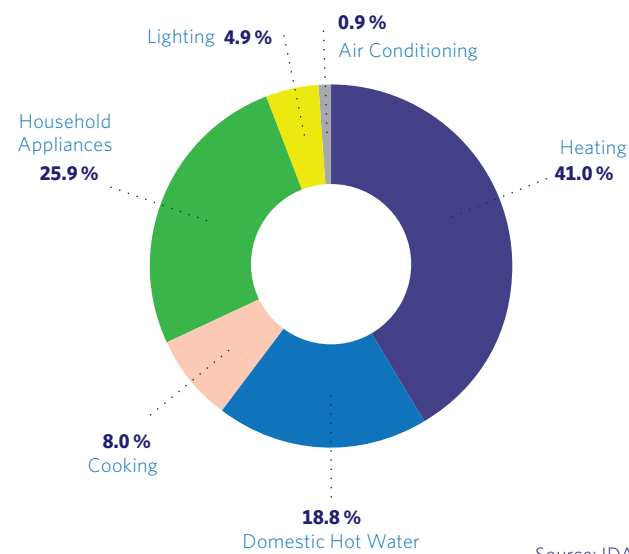
In line with the decarbonisation objectives, this total gas demand would be fully covered by renewable gases: hydrogen (134 TWh) and biomethane (130 TWh).

CavendisH2 baseline scenario
Renewables mix (TWh)



As a result of the competitiveness analysis carried out, it can be concluded that solutions associated with renewable gases would be competitive, coexisting with other technologies, in all consumption segments from 2030, finally becoming the reference option from 2040

Structure of energy consumption for residential sector by use
Measured for period 2010-2020



Source: IDAE

would complement the development of renewable energies for electricity generation, which would mean a more reliable, flexible and secure system, would reduce potential barriers to entry, requiring less investment in terms of subsidies, and would promote the development of Spain's role as a generator and exporter of hydrogen.

H2 as an alternative for domestic consumption

Between 2010 and 2020, heating and domestic hot water (DHM) accounted for 60.3% of energy consumption in the residential sector. The energy sources to meet this demand are mainly natural gas and electricity.

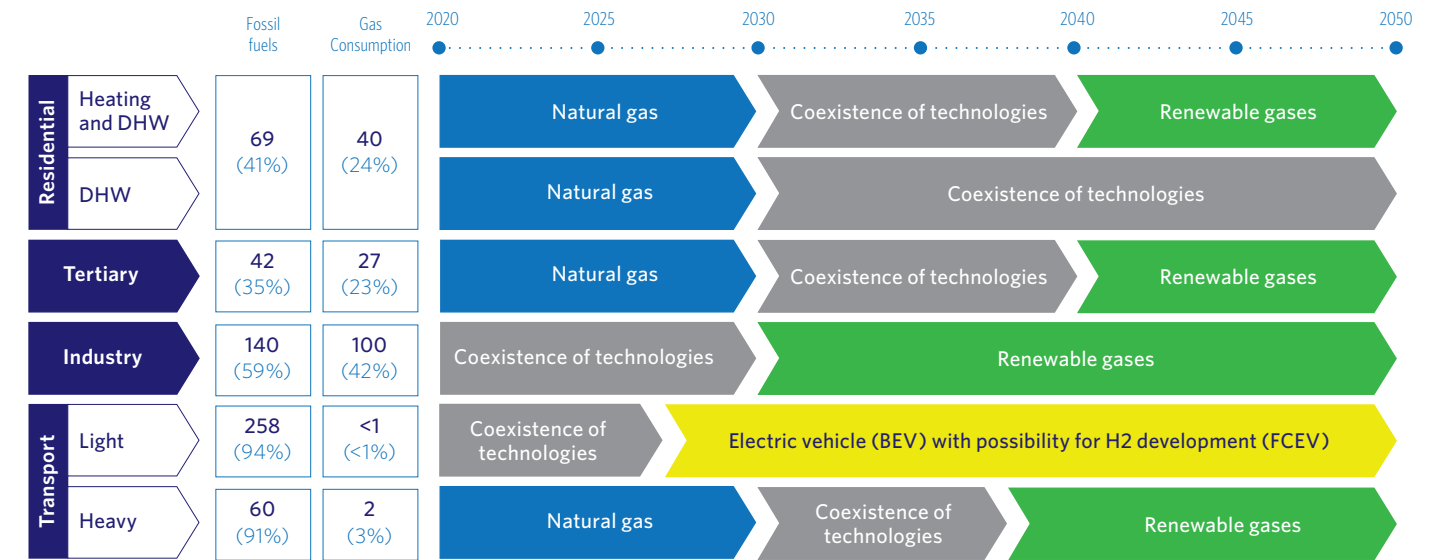
MRG is committed to the use of renewable gases as an energy vector for heating our homes.

Among the choice of decarbonised gases, hydrogen does not generate greenhouse gas emissions at the point of use, and it only generates water vapour when burnt. It is positioned as one of the clear alternatives to contribute to decarbonisation of the domestic and tertiary sector as a result of its ability to provide a flexible, adapted and continuous energy supply, although it is necessary to promote projects that advance in its real-world application in contrast to the current environment, which is mainly demonstrative.

This need to find alternatives to natural gas is something that is not only taking place in Spain as similar projects are being implemented in other European countries.

Although hydrogen poses many challenges, both technical and regulatory, Madrileña Red de Gas is clear in its commitment to this gas.

Competitiveness analysis for the different technologies, by sector
% of total sector demand



The potential technical and economic impact that the introduction of hydrogen into the gas system would have has also been studied. The current network can be operated with up to 20% hydrogen, with some modifications. In the long term, and in a 100% hydrogen scenario, it would be necessary to undertake actions to ensure the compatibility of materials and to strengthen the capacity of certain elements, including:

- **Pipelines:** More than 97% of the gas transportation and distribution pipeline network is prepared for a 100% hydrogen scenario, thus meaning that the remaining 3% must be inspected and replaced, and the capacity level of some distribution areas reinforced.
- **Pumping stations:** It is necessary to replace the turbine and the compressor, among other measures, as well as

increase their power to transport hydrogen, and they may need to be relocated depending on hydrogen flows.

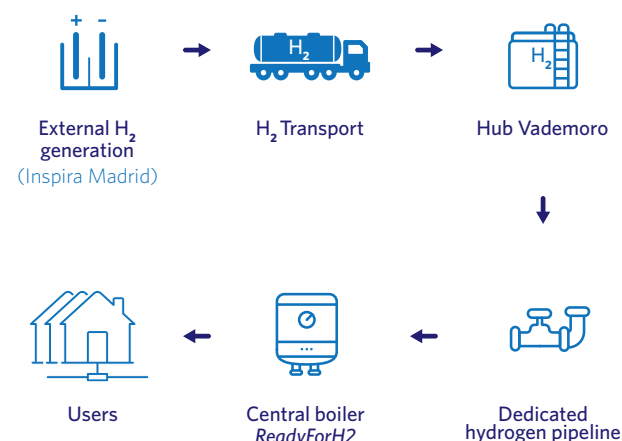
- **Regulation and Metering Stations:** There do not seem to be any problems with compatibility of materials or operation, although it will be necessary to reinforce or expand the capacity of those RMSs that reach high saturation levels when transporting hydrogen.
- **Meters:** It will be necessary to progressively replace them with electronic meters prepared for hydrogen, in order to avoid potential metrological errors in membrane meters and possible capacity problems in other types of meters.

Agreement with Pryconsa: use of H2 for heating and Domestic Hot Water (DHW)

Together with Pryconsa, one of the main housing developers in Spain, an agreement was signed in 2022 to provide hydrogen to a newly built building and use it to meet heating and domestic hot water needs.

This project for the use of renewable H2 will meet the heating and DHW needs of a development of 98 homes, located in Valdemoro, the construction of which will begin in 2023.

Scheme for renewable H2 project in Valdemoro



Hydrogen production.

The hydrogen used—approximately 25 tonnes per year—will be produced externally to the project. This hydrogen will be generated using renewable energy, thereby qualifying as green hydrogen and thus contributing to the decarbonisation of homes.

Hydrogen transport.

Once produced, this hydrogen will be transported to the charging and injection station located near the homes using mobile containers called MEGCs (Multiple Element Gas Containers). This infrastructure is where the main hydrogen storage, comprising tanks containing hydrogen in gas form and under pressure, will be located.

Storage

Similar to one of the LNG plants that we already operate, this storage will consist of a supply connection from the MEGC to the storage tanks, the vertical tanks themselves,

and the hydrogen injection connection from the storage tanks to the hydrogen pipeline.

These tanks are sized to contain a sufficient reserve of hydrogen for several days of maximum consumption by the homes, thereby guaranteeing their supply. As the homes demand hydrogen, it will be odourised prior to leaving and will be injected into a hydrogen pipeline built for the project, which will connect the storage to the housing development

Use.

After covering the distance separating the homes and the storage, this hydrogen pipeline will connect to the domestic connection. Once there, the hydrogen will be directed to the central boiler room of the housing development.

Heat for heating and DHW will be generated using a central boiler, comprising a roof-top unit prepared for both natural gas and hydrogen. A combustion process, in which hydrogen recombines with oxygen from the air, generating heat and water vapour, then takes place inside the equipment.

This centralisation will allow the hydrogen to be used safely and efficiently. Given its low density, any gas leak will go to the top of the building and escape without causing significant concentrations.

The use of hydrogen will allow all the heat production demanded by homes to be provided by a clean, innovative source of energy that does not depend on other countries.

Inspira Madrid Project

As we already mentioned in our 2021 report, Madrileña Red de Gas, together with FRV, the Ruiz Group, and the collaboration of the Madrid Taxi Professional Federation, is participating in currently the most important mobility project with green hydrogen in the Community of Madrid. The initial objective of the project is to participate in the hydrogen value chain, seeking to decarbonise Madrid’s urban public mobility fleets; it is a unique project in this Community.

During development of the project, new alternatives have been explored and the green hydrogen that will be produced as part of the project will be dedicated to both mobility and industrial use.

The project will be undertaken using a modular, flexible and adaptable approach that allows its scalability in successive phases of expansion.

- Phase 1. Installation of a 5 MW proton exchange membrane (PEM) electrolyser for the production of green hydrogen and deployment of five publicly accessible hydrogen stations.

In this phase, the main consumer will be the Community of Madrid’s taxi fleet, with the transformation of an estimated 650 vehicles. The Ruiz Group expects to transform five buses into fuel-cell powered vehicles.

- Phase 2. Scale-up of the hydrogen-generation infrastructure. The design allows the capacity of the electrolyser to be scaled-up to 10 MW. As regards supply, extension of the network to 8-10 hydrogen

6. Sustainable Business

stations, and an increase in supply capacity (from 300 to 600 kg dispensed), is expected. The transformation of 1000 taxis and 20 buses is expected.

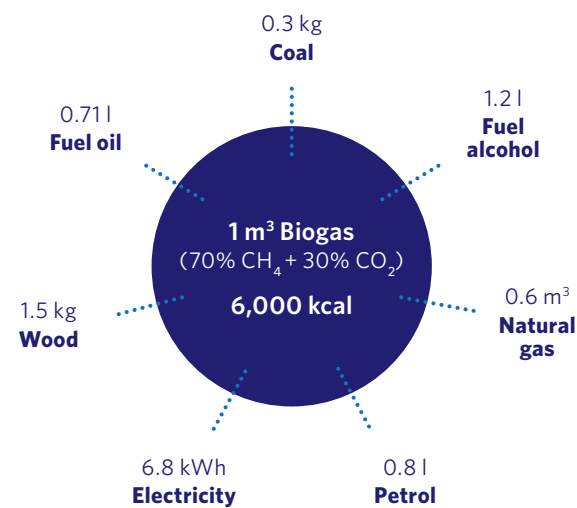
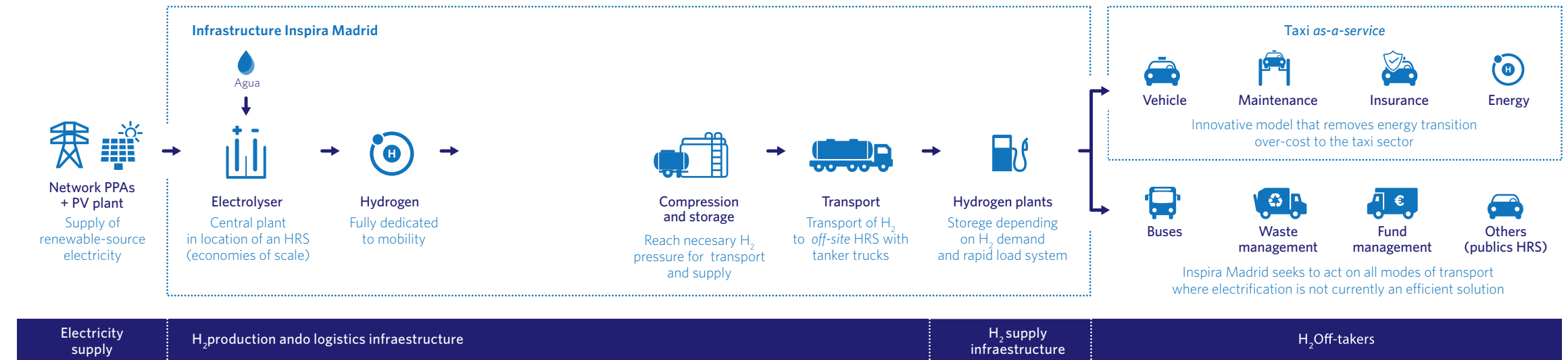
During 2022, Inspira Madrid has applied for two of the main aid programs covered by EU Next Generation funds. The MOVES II Program on Incentives for Efficient and Sustainable Mobility and the H2 PIONEROS program which, together with the renewable hydrogen industrial value-chain programs, have been the first lines of aid for the promotion of renewable hydrogen approved by the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) as part of the Strategic Project for the Recovery and Economic Transformation of Renewable Energies, Renewable Hydrogen and Storage (PERTE ERHA).

In addition, the consortium is working on presenting the project for aid from the European Union corresponding to the CEF Transport (Connecting Europe Facility) program, which is aimed at financing infrastructures that promote the development of the Trans-European Transport Network.

BIOMETHANE

Finally, although it is a line of work that we have included in the Environmental Impact chapter of this report, specifically to contribute our efforts within the framework of the circular economy, in this section we would like to highlight the presence of Madrileña Red de Gas in four biomethane projects in the Community of Madrid.

Inspira Madrid



6.5 Supply reliability and guarantee

MRG must ensure the security and guarantee of supply at all points of the distribution network and satellite plants. This is a regulated activity with legal obligations regarding quality of service, which MRG complies with by setting objectives that go beyond these obligations.

Operation of the systems involves planning, gas balance monitoring, gas quality control, operation of the network and the facilities from the control centre using SCADA technology, management of the incidents and emergencies that may arise and the necessary maintenance activities.

As discussed in the risk chapter, for emergency management we have clear procedures for action and coordination, as well as the training obtained during drills.

For emergencies we have the Emergency Control Centre (CCAU), which has the human and material resources required to receive all emergency notifications and communicate them quickly, clearly and reliably to the emergency response teams, 24 hours a day, seven days a week. Notification of an emergency to the command line of the technical services affected will always be carried out as indicated in the Emergency Plan.

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The CCAU has a telephone system for emergency care, whose calls are saved for two months.

The emergency response teams have the technical and operational knowledge to ensure their correct performance in terms of both the actions to be carried out in transport and distribution networks, as well as in reception facilities, and occupational risk prevention specifications related to such actions.

The priority of a notification will be given based on the level of risk that, a priori, can be deduced from the information collected upon receipt of said notification. There are five levels: 1, 2, 3, 4 and 5 ranging from immediate action to scheduled action, depending on the level of risk or urgency established.

- Priority 1 notifications are those directly related to safety, that is, those in which an accident is reported or it can be deduced that there may be an immediate risk situation, or the call is made by one of the local public services, in all of which our supply is presumably involved. The action will be immediate and at least half of notifications must be attended in a period of less than 30 minutes under normal conditions, and none of them must exceed 60 minutes, except in special justified cases.
- Priority 2 notifications are those reporting a situation which based on the information collected, does not present an immediate risk, problems related to our supply in a certain limited geographical area, or which affect the supply of industrial or commercial customers considered to be important due to their nature. Action will be immediate and they must

be attended in a period of less than 1 hour under normal conditions, and none of them must exceed 2 hours, except in special justified cases. These notifications will be attended in a similar manner to those with Priority 1, although the latter will be prioritised should they coincide..

The CCAU may provide support to the intervention team by managing mapping of the network and providing any logistical support that may be necessary.

In Priority 1 and 2 notifications, the emergency care team will never leave the scene of the incident until the facility has been secured or the situation that generated the notification has been resolved and, furthermore, until information concerning the actions carried has been submitted or authorisation is received from the CCAU.

The results are subsequently analysed and an emergency report is produced. This analysis allows response and operation times to be determined and helps to detect opportunities for improvement. In addition to these reports, interim reports, which analyse the weekly and monthly emergency care activity, calculating the ratios that make it possible to evaluate the quality of the service, are also produced.

The reliability of the installations, and therefore of the service, is achieved thanks to the maintenance activities carried out in the distribution network and satellite plants. We have a maintenance management system based on our Technical Standard NT-200.

NT-200 Part 04 establishes the technical criteria and procedures for the maintenance of distribution

networks, connections and auxiliary installations. Said document establishes the criteria for carrying out the preventive maintenance plan and corrective maintenance management. There is also a catalogue of incidents, causes and resolutions, which facilitate the generation of corrective orders.

Similarly, NT-200 part 5 and part 6 establish the criteria for the maintenance of satellite LPG and LNG plants and all auxiliary equipment.

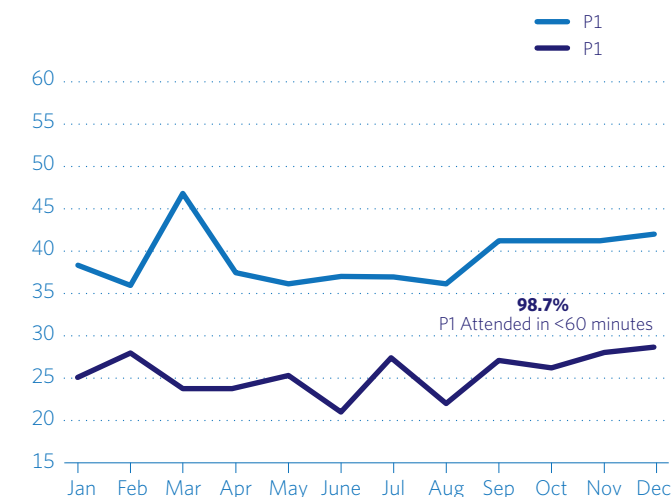
The Technical Standard establishes the preventive actions to be carried out for each network pipe and the different assets and equipment that are part of it, and their frequency, depending on their category, with said category being determined by various factors, such as vulnerability, nominal flow, composition of the installation, number of customers affected, existence or not of remote information, industrial supply or not and its characteristics, the number of corrective actions that have taken place in a year, etc.

Thus, monitoring of the route, monitoring of works for preventive maintenance of networks and connections, and inspection visits, exhaustive visits and integral maintenance for Regulation and Measuring Stations, Metering Stations, valves, etc. are established, describing the control points or checklists and the result-based actions for each intervention.

The procedures also include the cleaning, herbicide and rodenticide action plans.

Finally, it is important to highlight that we are fully aware of the changes associated with the energy transition. Our human team must be able to serve the future distribution network,

Call response time calls by priority (minutes)



Emergency responses

	2020	2021	2022
Cumulative notifications P1	837	1,099	1,040
Cumulative notifications P2	3,679	5,393	3,987
Mean response time P1 (min)	27	25	26
Mean response time P2 (min)	41	43	39

P1: All notifications directly related to safety are classified with this level.
P2: Those notifications informing of a situation which, given the information provided, does not present an immediate risk, are classified with this level.

In 2022, Madrileña Red de Gas' Emergency Department responded to a total of 10,253 emergency notifications.

The response time for the most urgent notifications was 26 minutes for those with Priority 1 (out of a total of 1040 notifications) and 39 minutes for those with Priority 2 (out of 3987).

The most relevant type of notifications were 116 notifications of breaks in our pipeline caused by third parties, which were attended in an average of 29 minutes.

Maintenance Plan

During 2022 we have carried out 100% of the Maintenance Plan established by current regulations, and internal Madrileña Red de Gas regulations, on the 6054 km of network, the auxiliary installations, the 5 satellite LNG plants and 128 existing LPG plants, carrying out more than 14,000 scheduled actions in that regard.

We have managed the correct functioning of the regulation systems at the different pressures, carrying out the corresponding regulatory surveillance on the gas network, the air-tightness control of 2548 km of the gas network, operating more than 7000 valves to verify their correct operation, carrying out nearly 1000 painting/cleaning actions for network elements and 6990 measurements on the equipment that ensures Cathodic Protection of the steel pipes.

As part of MRG's action plans for 2022, the renovations, meshes and corrective actions required to maintain safe conditions in the network and to guarantee supply in the natural gas and LPG networks have been carried out, substituting materials such as steel, cast iron and/or copper for polyethylene pipe. During 2022 we have also renovated close to 800 metres of copper and steel in LPG networks.

In collaboration with different companies, public bodies and customers, the requests received to setback the gas network due to effects on new urban developments, roads in the Madrid community, construction of new buildings, etc. have been addressed, carrying out approximately 200 meters of setbacks in the gas network.

with renewable gases (H2 and BIOGAS). To that end, we have implemented a training project, with a training plan for Operation and Maintenance personnel and a first project to convert a natural gas network to a hydrogen gas network. Our current lines of work are as follows:

- General training in H2 awareness, offered by different external training agents
- Internal dissemination of the progressive knowledge that is being acquired in this area:
 - Results of the capacity analysis for MRG networks in the case of 100% hydrogen gas use.
 - Specific publications from the hydrogen think-tank Sedigas.
 - Sharing of the results obtained in the different analyses and experiences in the UK regarding the use of hydrogen gas in gas-distribution networks.
 - Market search for hydrogen gas detection equipment applicable to the gas-distribution activity.
 - Participation in the feasibility studies for the different projects and requests related to H2.
- Implementation of the project to convert natural gas networks to hydrogen gas in the municipality of Villanueva del Pardillo in Madrid, carried out by a team of ten Network Operations technicians, which describes the necessary adjustments in the distribution network, their sequences, and the

costs to achieve conversion to H2. This first phase corresponds to analysis of the network, and the needs in terms of customer installations and consumer devices will be addressed in a second phase.

6.6 Orientation to customer

In accordance with the regulated business model in which we work, our downstream value chain comprises two categories of customers, the marketing companies that maintain the contractual relationship with the end users, and for which they need our distribution network and associated services (registrations, terminations, metering, billing, etc. and require that our attention at the supply points be as expected by users), and the end users from whom we provide connection services, access, periodic inspection and emergency care in the event of any problem, via their contract with the marketers. We are also a marketer for LPG users.

Our key goal is service and we have always worked to achieve high levels of satisfaction. At Madrileña Red de Gas we have taken advantage of the possibilities that digitalisation offers to adapt to the needs of customers for many years. Indeed, we have worked to create digital communication spaces: virtual offices, channels via WhatsApp, amongst others, that facilitate the relationship and communication with increasingly demanding end users efficiently and while minimising the time required for their questions to be addressed; or in the development of communication platforms with marketers that support the messaging processes required by current regulations. The

pandemic in 2020 accelerated this digital-transformation process.

As we have already commented throughout the report, 2022 was marked by the rise in gas prices to record levels in August 2022 and the enormous uncertainties in the energy market, all of which has affected customers' needs: many end users have changed contracts with vendors to benefit from the last resort rate in the regulated market, there has been a notable growth in the need for users to be billed based on actual readings and not estimates, and the need to review meters to ensure the quality of their measurement has also increased markedly. All this has led us to improve our processes and channels to maintain the demanding levels of service that we expect.

In 2022, we have again carried out a Customer Experience study to analyse in depth the expectations and perception of vendors, their currently unmet needs, satisfaction rates (CSI), the level of recommendation (NPS) as well as the Customer Effort Score (CES) to measure the perception of how easy or difficult it has been to interact with MRG, identifying the needs for improvement to implement the necessary actions. We were supported by an external company when performing this study. To that end, between the months of June and July, 67 interviews were carried out with 20 contacts from nine marketers, asking about eight types of MRG services or processes.

To continue to make progress in our communication with marketers, we have established the implementation of IOGAS, which was launched at the end of 2021. This is a messaging exchange platform that adheres to CNMC

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Main Study Conclusions

- The ease of contacting MRG in emergencies and the response capacity and efficiency of the procedures are the aspects with the highest average importance, and where we should focus efforts to improve satisfaction.
- The processes: New supply points and Change of supplier experienced the greatest decrease in satisfaction compared to previous studies. The opposite is true for Terminations and cut-offs, which improved markedly.
- The highest satisfaction scores are achieved in Billing and Customer service.
- The Overall Satisfaction score decreased by one percentage point—from 77.4% to 76.4%—compared with previous studies.
- The average Customer Effort Score (CES) was 7.4.
- And the NPS recommendation level increased to 8.63 from 7.55 in previous studies.

guidelines, in terms of formats and validations, but applying new technologies that enhance the customer experience: operation control, real-time validation and ease of integration and access.

In addition to the specific study mentioned above, actions in the service of Madrileña Red de Gas' end users are accompanied by a survey that allows us to measure their satisfaction: everything we do is evaluated. Indeed, we have received more than 21,600 responses in 2022 as part of the Periodic Inspection alone. We can clearly see that, despite being a difficult year, we have managed to maintain the customer satisfaction index (CSAT) at 7.6 (out of 10) and Google My Business at 4.0 (out of 5) considering the last two quarters. <https://madrilena.es/compromiso/>.

Moreover, a study of the evolution of the results of the customer surveys carried out after the service show a clear improvement.

So, what have we done in 2022 to achieve this?

- We have provided our customers with tips for saving gas without needing make large investments, making a decalogue of 10 ideas available to them, along with a video tutorial, informing them via customer communications and the web. (https://youtu.be/zBTB_l73gxs).
- A total of 65,000 customers for whom we had no real meter reading for more than 1 year have provided one to us thanks to our information campaigns to comply with regulations and to be able to bill for real consumption, thus avoiding estimates.

- We have processed more than 175,000 vendor changes (+218%), compared to 80,000 in 2021, mainly to vendors regulated with Last Resort Rates, while maintaining deadlines and quality of service.
- We have also performed more than 57,000 field visits.
- We have optimized our WhatsApp customer service channel, offering a premium channel in customer service and experience.
- We have carried out more than 57,000 meter revisions, changing them 11% of the time, mainly due to faults.

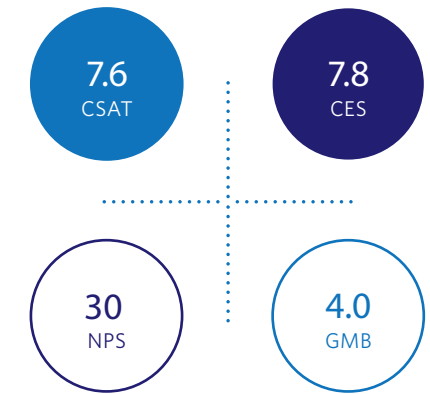
Looking at our efforts on customer communication platforms:

WhatsApp has slowly gained ground as the channel of excellence. In the last quarter of 2022 we have implemented a new version and have managed to automate 57% of conversations. However, meter reading is the star process as this can now be done by providing a photograph of the meter, using artificial intelligence with natural language and an OCR to process these photographs.

Contextualisation of Call Centre calls

Our customer database allows us to identify customers by the calls they make to the Call Centre. A process has been implemented in which, after identifying the customer, the current situation of their supply point is determined, contextualizing said situation in the CRM that supports the Call Centre via the screen, thus helping the agent to guide management of the possible request that the

Key Performance Indicators (KPIs) in 2022



Note: Customer Satisfaction Score (CSAT), Customer Effort Score (CES), Net Promote Score (NPS) y Google My bussiness (GMB)

Satisfaction Surveys

	2020	2021	2022
Periodic inspection	7.06	8.73	9.01
Domestic operations	6.54	7.63	7.18
Registrations	8.01	8.02	8.24

customer wishes to process and preventing any urgent matter that must be dealt with or extra information that the customer must have. A total of 45 possible scenarios have been parameterised in this process, prioritising, in this first phase, scenarios related to the process of Readings, Periodic Inspection, Commissioning and Domestic operations related to supply interruption, which are the levels of identification of some context found in 64% of calls.

Implementation of engagement to manage requests

To enhance customer resolution in their first contact (First Call Resolution) via any channel, an engagement system with more than 70 types of messages has been implemented in the email, SMS and WhatsApp channels. These messages correspond to eight processes, mainly concerning requests that come to us from the marketers. The objective is to maintain the customer always informed, providing value, both from their own processes, such as readings or periodic inspection, as well as from the requests that MRG receives from marketers. These communications include informative messages of great value to the customer, such as a personalized report of their consumption, and even the possibility of modifying an appointment, seeing the technician’s photo or seeing their route until they arrive at the customer’s home.

We promote customer autonomy when they want to provide a meter reading

With the aim of enhancing customer autonomy as regards providing a meter reading to MRG, in addition to optimizing digital channels such as the Virtual Office or WhatsApp, we have reinforced help and guidance via the call channel centre, explaining to customers who contact MRG via this channel how they can provide readings in the future, via

our digital channels (information about platforms, specific sections, information required, etc.), thus achieving both a reduction in readings registered via the call centre and increasing those registered via other channels.

As regards our actions at supply points:

Periodic inspection was our most appreciated process by customers in 2022, thus building on the achievements of 2021. We have worked on the following challenges to achieve this:

- We have worked to consolidate our schedules by offering the necessary availability to allow customers to change appointments, without affecting our success in complying with the periodic inspections that we had to carry out in 2022.
- We have taken into account the information provided by our customers via the different channels, especially including complaints and claims or comments from the surveys carried out at the end of each action. An important example in this regard is that the number of Anomaly Correction Justifications received before issuing the cut-off notice has increased, reaching 83%.
- This year we have closed all complaints within the established timeframe, managing to close 98% within one day.

In 2022 we have also carried out a large number of proactive works in domestic operations, especially:

- 2022 stands out given the large volume of operations in the field derived from the proactivity of

Madrileña Red de Gas and the concern of customers due to the increase in their bills requesting a meter review. A total of 57,659 field visits have been made, with an effectiveness of 76%, which resulted in the meter being changed for 11% of the customers visited, mainly due to a fault.

- Customers have become more self-sufficient from their profile in the Virtual Office, and have changed almost 22% of appointments in schedule on their own, whereas this figure barely exceeded 10% in previous years.
- We should also highlight that in IRC Maintenance of the 745 repair jobs carried out in 2022, in none of the cases has it taken more than 72 hours to restore the supply, with the average being 24 hours.

Finally, it is important to highlight the efforts made to comply with the urgent measures in the sector, within the framework of the National Response Plan to the economic and social consequences of the war in Ukraine.

These initiatives require changes in the processes and IT development as a result of the regulatory changes generated. Madrileña Red de Gas has adapted its systems in a short time period to correctly implement the measures:

- Greater flexibility in contracts RDL 6/2022, RDL11/2022, RDL18/2022 and the latest publication RDL 20/2022.
- A new rate of last resort for natural gas temporarily applicable to communities of homeowners (RDL18/2022).

- Improvement in the information available to natural gas consumers as regards energy consumption and choice of supplier).

6.6.1 Complaints and claims management

A fundamental way to improve our services is how we handle claims, complaints and reports of irregularities. At Madrileña Red de Gas we have defined a process that we have included in our general procedure PGSG-130, which we reviewed in 2021 to adapt it to the options provided by new technologies.

Our Centre of Excellence is the unit responsible for the process, although if they are unable to be solved directly, they are referred to the Expansion or Network Operation unit, as appropriate, for resolution. When possible effects on the environment rather than service demands are involved, the Centre of Excellence refers them to the units responsible for their resolution depending on the type, in accordance with our procedure PGSG-070 Communication.

The channels for receiving complaints are diverse and include our telephone service, the generic mailbox of the marketers, our generic mailbox atecli, the virtual office via the website, our App (WhatsApp and text messages) and letters (both official and customer), all of which are registered in SAP. Historically, the channel most used by customers is usually the telephone via the Call Centre, where the customer is attended via different IVR options, for which most requests can receive an immediate solution thanks to the automation of responses using decision trees.

In our virtual office, we have markedly improved the attention to requests by introducing bots (artificial

Complaints and claims resolution

Information period	Complaints received	Received / 100,000 users	Complaints resolved	Resolved / 100,000 users	% Resolved same or next day	% Resolved in 8 weeks	% Visit compliance
Q1 2020	12,790	1,407	12,685	1,396	91%	100%	99.9%
Q2 2020	9,160	1,007	9,201	992	81%	100%	100%
Q3 2020	6,189	779	6,017	661	92%	100%	100%
Q4 2020	6,906	757	6,806	746	91%	100%	100%
Q1 2021	9,154	1,002	9,033	989	95%	100%	100%
Q2 2021	6,575	720	6,482	710	98%	100%	99.8%
Q3 2021	5,100	558	5,100	558	99%	100%	99.9%
Q4 2021	6,277	686	6,273	685	94%	100%	100%
Q1 2022	9,434	1,032	9,432	1,032	98%	100%	99.5%
Q2 2022	8,716	959	8,715	959	96%	100%	99.1%
Q3 2022	9,349	1,029	9,309	1,024	97%	100%	99%
Q4 2022	11,586	1,275	11,296	1,243	87%	97%	99%

intelligence software). These bots allow browsing through the claims section of the MRG virtual office, via solutions, depending on the specific request. This means that the vast majority of complaints made via this channel can be closed in one day. Chatbots have been created to make the experience more pleasant for customers and their interaction with customer service faster and easier.

Another of the initiatives implemented are “Customer Trips” for the handling of those claims that may present a greater difficulty, the use of which is intended to achieve greater customer satisfaction by establishing a “fluid conversation” with them and a personalised follow-up throughout the process until its resolution. customers are kept up to date with the interventions carried out and the status of their claims, as well as the information related to them, in real time, via the virtual office.

The Centre of Excellence performs checks on the complaints daily. On a weekly basis, it prepares a report and reporting with all the information that the units may need to properly manage the claims that they must resolve. The monitoring KPIs are obtained monthly and quarterly. And the it identifies a need, it prepares and submits ad hoc reports for relevant cases.

Once complaints have been resolved, Madrileña Red de Gas conducts a satisfaction questionnaire to evaluate the resolution mechanisms and measures. The degree of satisfaction with the service provided is determined annually as a means of continuous improvement.

In our space <https://madrilena.es/compromiso/> we present our complaint indicators and our commitment actions to resolve the reasons for frequent complaints.

6.7 Efficiency and efficacy in our processes and services as a result of digitalisation

At Madrileña Red de Gas we have been working for many years to move forwards with the digitalisation of our processes.

As part of the DARwin Project launched in 2019, we have been working towards evolving our culture and our systems and processes to a complete digital transformation that places our customers and stakeholders at the centre of our strategy. We have been progressing year after year, mainly in the digitalization of the portability processes for our field work, as well as in the tools that facilitate communication with our customers, and in the management of processes that support the service, improving response times and providing more effective solutions. The virtual office and the LOGAS platform are just two examples in this regard, and these are discussed in greater depth in the customer orientation section of this chapter.

The different organizational units have sought solutions to digitize the processes, working fundamentally on improving efficiency, with the required support from the Customer Systems and Operations department and after approval at the security level.

Virtual office for installers

Since 2022, the Expansion Department has focused on expanding virtual office services for the installer area, investing heavily in improving the personalized section on the web for installation companies. A digital space has been created for the creation of files related to new or never-connected gas connections, in residential housing installations of up to 50 kW, via our Virtual Office, thus

6. Sustainable Business

allowing their status to be checked and requests to be managed 24 hours a day.

Since the implementation of 100% electronic submission in April 2022, a total of 636 files have been received throughout the year, with an average processing time of 2.52 calendar days.

Similarly, this digital progress also included the requests for gas cuts required to install a new outlet in a shared installation. A total of 152 requests were managed in 2022. The average processing time for these files was 3.94 days.

This progress has also allowed interdepartmental communications to be streamlined, eliminating emails for these procedures almost completely and allowing a file to be immediately associated with specific supply points. Consequently, monitoring and control of the process can be carried out in detail, at any time, and any person involved can access the information in any of its states. Looking to the future, we hope to achieve that all procedures an installation company needs to do with MRG are unified through the web.

Additionally, expansion of the Enerty tool has continued during 2022, with more than 8000 IRG3 installation certificates for MRG's distribution area being processed. We have also incorporated the Anomaly Correction Justifications during Periodic Inspections to the certification flow.

With these two projects, Madrileña Red de Gas continues to build loyalty with our commercial channel and collaborating companies, investing in the development of tools that facilitate their tasks and the day-to-day that has an impact on attracting new customers.

Management of potential market and third-party networks

In collaboration with the engineering company REINS and in continuation of the potential management project started in 2021 for the visualization of the entire territory managed by MRG, segmented by market and supply. The third-party networks management viewer has been developed in 2022.

Based on Google Maps technology and through the superimposition of land-registry and cartography layers of our network, we have managed to develop a geo-positioned

view of future urban developments where, after signing a collaboration agreement with the developers, future networks prepared for renewable gases will be built, thereby also giving access to future renewable hydrogen networks.

Using control tabs and colour details, we can visualize all those future developments for which we have issued the corresponding feasibility reports for future networks. The information legend gives us a coloured view of the situation of the different urban developments in our territory.

Improvements to our purchasing process and gateway

In line with the digitalisation process, the Purchasing unit uses the SAP tool and the AVANTI portal to communicate with and to manage processes with suppliers. This portal allows us to incorporate different functionalities in a progressive manner. In 2021 we added an invoicing module, the implementation of which has been consolidated in 2022. We have managed to do away with paper invoicing, thus resulting in paper savings and improving the process. Our suppliers send certifications via an approval workflow and enter SAP directly, thereby reducing time and inefficiencies. In 2022, we have also

incorporated a work project certification process that allows both Expansion and Maintenance to manage work certifications via the platform, thereby facilitating full traceability of the works from start to finish and achieving very good communication between MRG and contractor companies in a 100% digital manner.

During 2022, we have worked to digitalise the control of commercial contracts, establishing alerts relating to validity, contract review if necessary, guarantees, etc. For this module we have also defined the flow that facilitates the creation of future contracts in a secure manner, thereby channelling the control phases.

In 2023 we intend to continue with digitalisation of the tender process, the supplier payment process and the management of stock orders (to warehouse). It is important for us to always keep in mind the necessary training of our employees in order to successfully address the digitalisation process and the unavoidable learning curve during its implementation.

7

Supply Chain

7. Supply Chain

Main invoicing activities (million euros)



7.1 Our purchasing model and our suppliers

Madrileña Red de Gas' business activity consists of the expansion of infrastructures, extension of distribution networks and assets, as well as the operation and maintenance of the Distribution Systems and ensuring gas supply to the users of the various municipalities of the Community of Madrid in which it operates.

The contracting of our suppliers is an essential element in these processes, with a total turnover during 2022 of 38 million euros.

During 2022 we have worked with a total of 161 suppliers, both of products and services, 16 of which are considered critical.

In addition, 81% of purchases have been made with 15 suppliers (13 service and 2 product), 12 of which are considered to be critical suppliers.

Madrileña Red de Gas has a well-established system for the evaluation, approval and monitoring of service providers considered to be relevant in order to guarantee that they comply with the required specifications, with the aim of ensuring the quality of the goods and services purchased.

In this regard, a relevant service is considered to be one which is sensitive from a quality perspective as compliance with specific technical/legal conditions is required to carry out the work, for which the contractor and/or subcontractor must be approved, and must be able to prove compliance with the technical/legal requirements defined for this activity, the vast majority of which are based on current legislation.

Madrileña Red de Gas also considers suppliers that meet one of the following conditions to be critical:

- They are involved in the following activities: network construction and maintenance, periodic inspection, domestic operations, readings, emergencies, commissioning of receiving facilities, manufacturer of polyethylene (PE) pipes, manufacturer of polyethylene (PE) accessories.
- Their contracts exceed a value of 400,000€.

These providers, except manufacturers, must meet the standards established in the Company's internal regulations for relevant services.

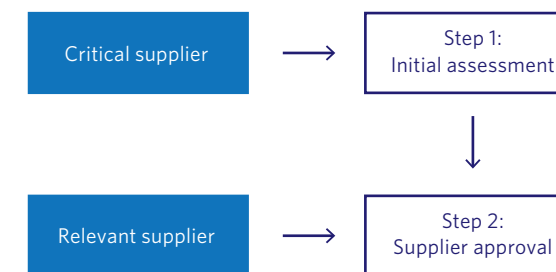
Relevant service providers who are also critical providers, and who intend to carry out any activity for Madrileña Red de Gas, must pass two stages:

1. Initial Evaluation Process, either as a contractor or subcontractor, in which compliance with the supplier's basic requirements is determined and verified through the external supplier prequalification system.
2. Approval Process, in which compliance with the established requirements corresponding to the service for which they want to be approved is verified.

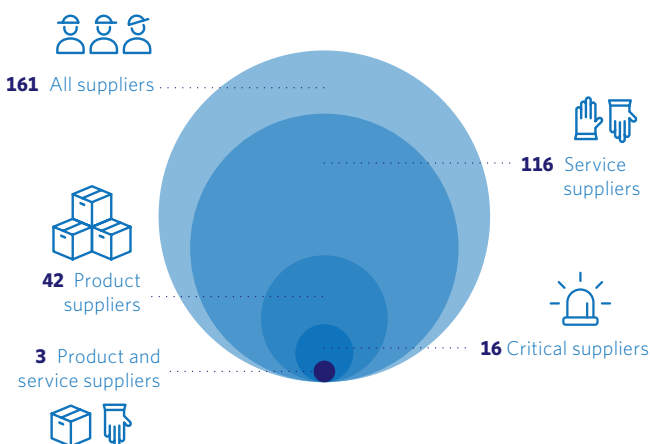
For relevant non-critical service providers, the approval process starts directly at this stage 2.

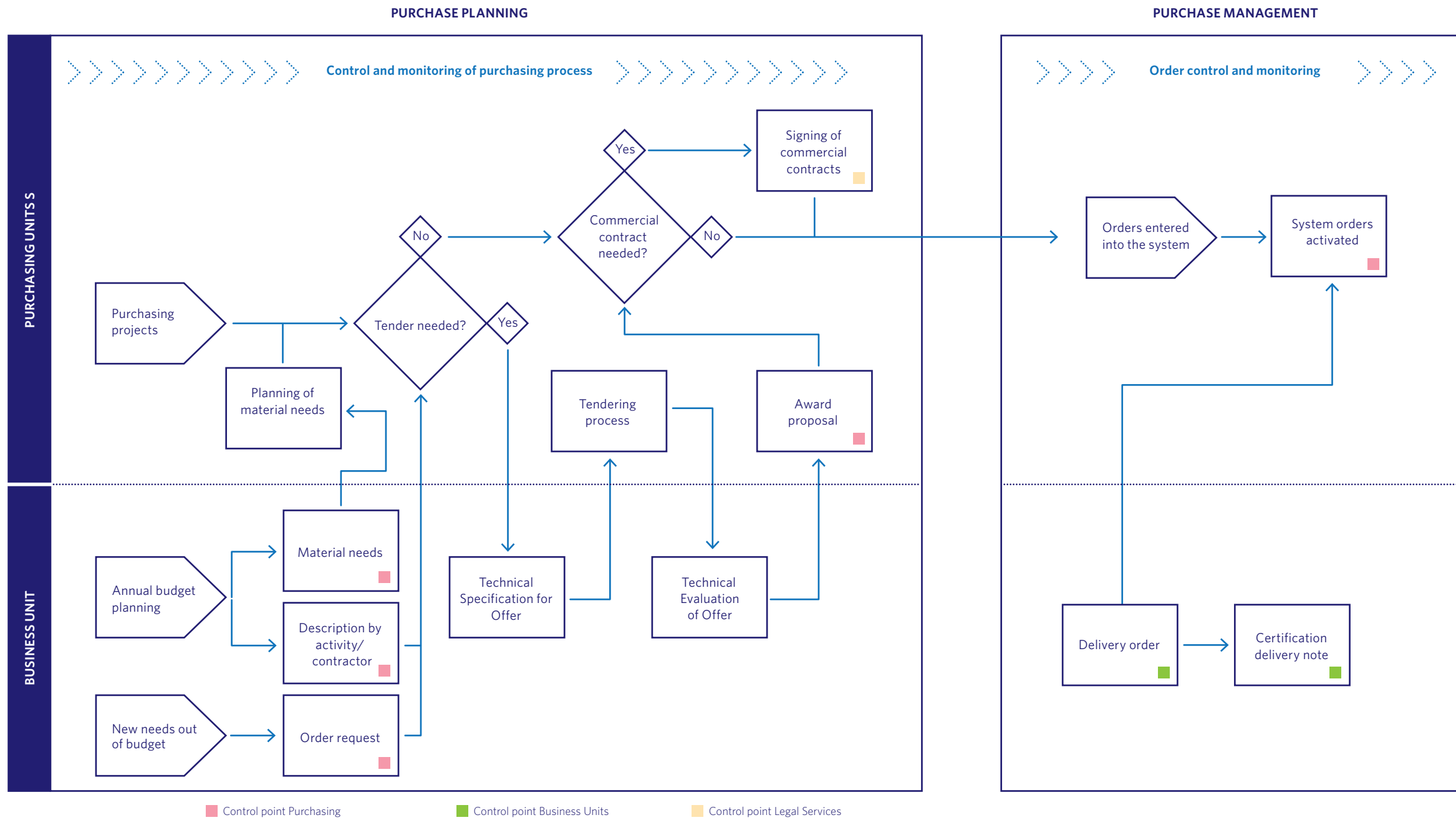
In addition, Madrileña Red de Gas requires its suppliers to ensure that their employees be adequately trained and

Approval Process at MRG



Total suppliers MRG in 2022





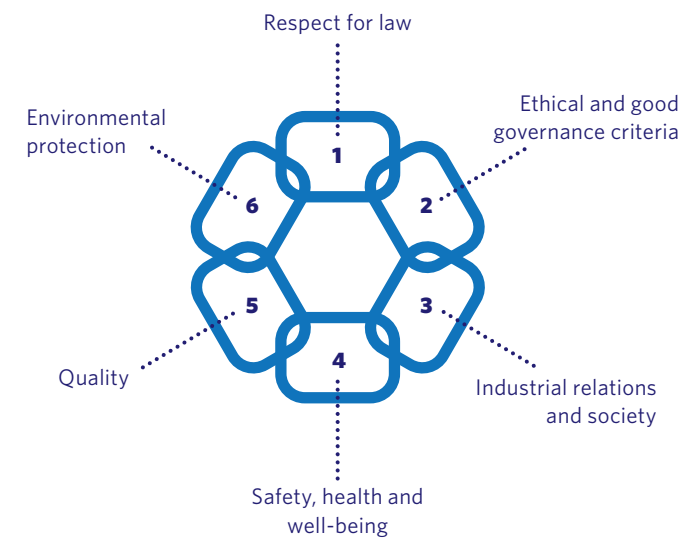
qualified. This training is determined according to the requirements established in current legislation and sectoral regulations, as well as in the company's specifications and procedures.

To monitor service performance and to review and validate the approvals of the relevant service providers, the following information is used:

- Maintenance of the conditions of the initial evaluation.
- Compliance and maintenance of contractual documentary requirements.
- General performance monitoring: dialogue with the different Units at the Company to gather the necessary information regarding the service provided, results of audits, for example, of suppliers carried out using the external supplier prequalification system, reports of operational control results, quality control reports or non-conformities and incidents.

As regards the methodology established for purchasing, Madrileña Red de Gas has a common process for the entire organization, in which two parts are distinguished: purchase planning and purchase management.

No new outsourcing process has been carried out in 2022 and there have not been any major changes to our supply chain.



We place out complete confidence in our suppliers, with whom we maintain solid and long-lasting relationships

7.2 Ethics, confidence and transparency with our supply chain

Madrileña Red de Gas is committed to trusting, stable, solid and mutually beneficial relationships with our stakeholders, including suppliers.

As set out in our Human Rights Policy, with the aim of extending the principles of corporate responsibility throughout the supply chain, this commitment is extended to suppliers through our Sustainable Purchasing Policy and the Suppliers' Code of conduct, as well as in the contractual specifications regarding working conditions and human rights.

In addition, we extend to our suppliers and collaborators the principles and working practices applicable to our own employees, and express our rejection of any form of forced or compulsory labour, freedom of association, and child labour.

All suppliers, and their employees, have the possibility and the duty to contact MRG confidentially, and without fear of leaks or reprisals, to notify any breach of the policies, legal requirements and this code of conduct that they detect while carrying out their activities. All communications will be treated in a strictly confidential manner and in accordance with the requirements established in the applicable legal regulations in each case.

In addition to the above, and as it is essential to ensure the security of the process in all our commercial relationships,

as mentioned above, we have developed a Supplier Management Security Policy, which sets out the principles and requirements applicable to our suppliers, in addition to the controls and good practices identified in the study carried out in relation to Information Security during the Purchasing process.

Moreover, as members of the Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE), we have attended the latest congress held on October 26th at the Círculo de Bellas Artes in Madrid, with the motto "Purchasing, we are a reference". In addition to addressing the risks derived from the current geopolitical situation or the essential need for ESG policies within organizations, the panel of experts focused on talent management in Purchasing and the three parallel sessions dedicated to Purchasing's contribution to sales, margin and shareholder satisfaction, digitalisation in Purchasing or collaborative management with suppliers, were also very well received by the attendees.

During 2022 we also participated in the Repro-Achilles Committee where, among others, issues such as the environmental crisis, the problems caused by excess production and the consequences of climate change were discussed. These points are of special interest in the context of both citizen responsibility and their application to the private sector, and in how to transform ecological awareness into Internal Sustainable Development Goals. The participants of the Round Table Discussion delved into these concepts.

7.3 Sustainable purchasing: shared goals and commitments

Madrileña Red de Gas considers it essential to share both its sustainability objectives and its commitments with all its suppliers, thus making it necessary to extend sustainability requirements and best practices at all levels.

As mentioned previously, this commitment is manifested in our Suppliers' Code of Conduct, which sets out our Sustainable Purchasing Policy and establishes our Responsible Business Principles, based on the deployment of basic values: Integrity, Commitment, Transparency and compliance with Human Rights, and grouped according to the following criteria:

In addition, new contractual clauses, which will be applicable to all new commercial relationships established in the future, have been drawn up. These clauses already include ESG (Environmental, Social and Good Governance) criteria, such as:

- Documentation related to their significant direct, indirect and potential environmental aspects; especially with regard to documentation related to waste management and carbon footprint emissions.
- Circular economy-related actions.
- Promotion of sustainability policies.
- Actual contributions to the sustainable development goals of the UN Agenda 2030.

7. Supply Chain

ESG Sustainability Score

ESG Score	Evaluation	Category/Level
A+	95 – 100	Excelent "Platinum"
A	75 – 95	High "Gold"
B	50 – 74	Medium-High "Silver"
C	25 – 49	Medium-Low
D	0 – 24	Low

MRG critical suppliers ESG Evaluation

ESG Score	No. of critical suppliers*
A	3
B	4
C	4

* Of the 16 critical suppliers at Madrileña Red de Gas, 69% (11) have undergone this evaluation.

Madrileña Red de Gas is already establishing ESG criteria in relations with our suppliers, both in contractual clauses and in the approval processes

In addition, a list of good sustainability practices, which can be evaluated, is established.

In addition, and for the first time, in 2022 11 of our critical suppliers have been assessed in terms of sustainability via the external supplier prequalification portal, quantifying and establishing their relative position, in terms of sustainability, in the three ESG areas (Environmental, Social and Good Governance). The other five critical suppliers have not yet been added to that portal.

The external supplier prequalification portal is a community in which all partners benefit from its database of suppliers, which are registered at the request of the partners, and others on the supplier's own initiative, in order to have visibility and comply with the requirements established in future tenders.

This sustainability assessment is the sum total of all the positive responses to the questions in a questionnaire for each of the blocks, with the contribution of the corresponding documentary evidence, and with a different weighting for each block.

Madrileña Red de Gas intends for these levels of sustainability scores to be considered as an additional decision element, both within the supplier approval scheme and in product and service contracting rounds.

None of the critical suppliers evaluated has a low sustainability performance, and no suppliers with negative environmental and social impacts on our supply chain have been identified.

The score assigned to each of our critical suppliers, as a result of their Sustainability performance, can be consulted in the module enabled for users in the external supplier prequalification system, together with more analysis and comparison tools.

Finally, it should be noted that, in order to continue to make the purchasing process more sustainable, we have made several improvements to our Purchasing Portal, as set out in the Digitalisation section of this report..

7.4 Promotion of local purchasing

Madrileña Red de Gas is committed to a more sustainable management of our commercial relations, seeking efficiency, the reduction of emissions, ease of communication and the economic development of the region in which we carry out all our operations, promoting local supply via suppliers located within the Autonomous Community of Madrid.

Moreover, taking into account that Madrileña Red de Gas considers operations that exceed 20,000 euros per year to be significant, in 2022 87% of these purchases were made from suppliers in the Autonomous Community of Madrid, thus promoting and strengthening local activity.

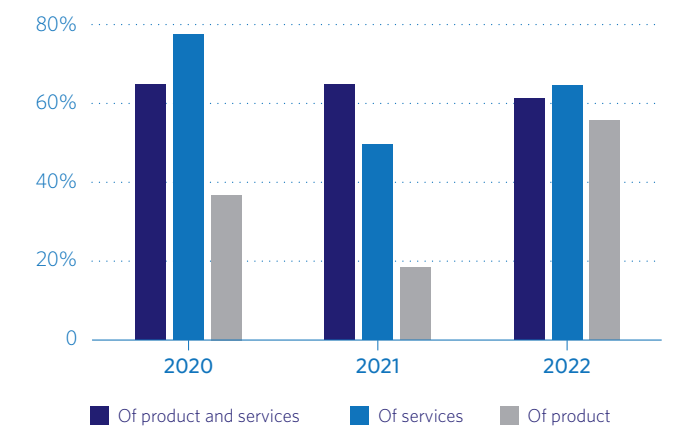
7.5 Adaptation to changes in our value chain

In 2015, Madrileña Red de Gas acquired a large number of LPG supply points, initiating the ambitious process of conversion to natural gas over the next few years.

Contracting of suppliers located in the Autonomous Community of Madrid (CAM)

Suppliers	2020		2021		2022	
	Total	CAM	Total	CAM	Total	CAM
Products and services	85	66%	176	67%	161	62%
De Services	67	76%	126	51%	116	66%
Products	20	35%	58	18%	42	52%

Percentage of local suppliers

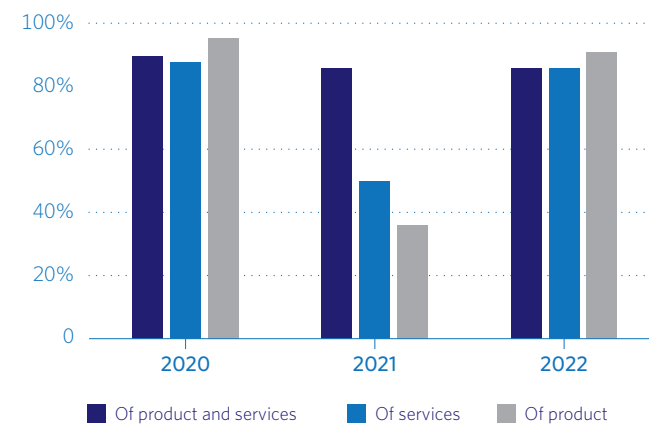


7. Supply Chain

Significant purchases were made from suppliers in the Autonomous Community of Madrid

Purchases	2020		2021		2022	
	M€	CAM	M€	CAM	M€	CAM
Products and services	31	88%	34	87%	38	87%
Services	22	87%	21	51%	24	86%
Products	9	93%	13	36%	13	90%

Percentage of local purchases



From the beginning of this process, all our suppliers were informed of this strategy and were made aware of the importance of our commitment to them to support and work together, favouring the transformative process and encouraging them, on our part, to train for the new services.

Although the suppliers linked to the maintenance service of these LPG plants have been the most affected, this has not had a negative impact, since many of them have been recycled, acquiring new skills and knowledge, participating in transformation contests, although no longer as maintenance providers and, in some cases, being awarded the contract due to their extensive knowledge of the plants.

In addition to this challenge, in the future the change will be much greater with the transformation of networks for the use of renewable fuels, such as green hydrogen. The fact that the

sector is trained in line with these changes is a vital issue for the economic sustainability of suppliers and to ensure that companies like MRG can continue to use their services.

This does not have a significant impact on our suppliers, since there is no exclusivity with us and they already have diversification strategies for moving into new renewable energies and adapting to changes.

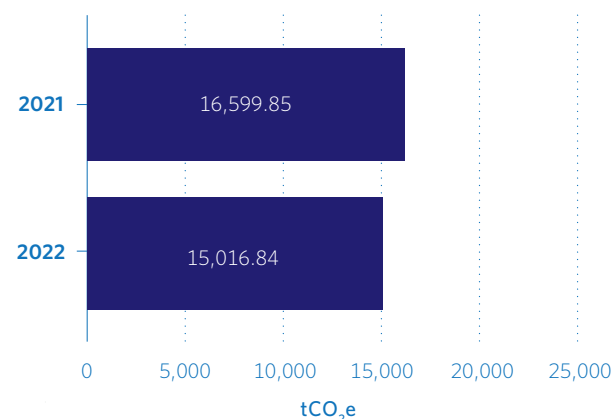
The energy transition and the substantial growth in renewable energy facilities may also mean greater demand and alternatives for our suppliers and, consequently, could have a negative impact for MRG in a market with high demand. Madrileña Red de Gas is fully aware of the importance of caring for our suppliers, attending to their needs and creating long-term ties, thereby ensuring their loyalty.

8

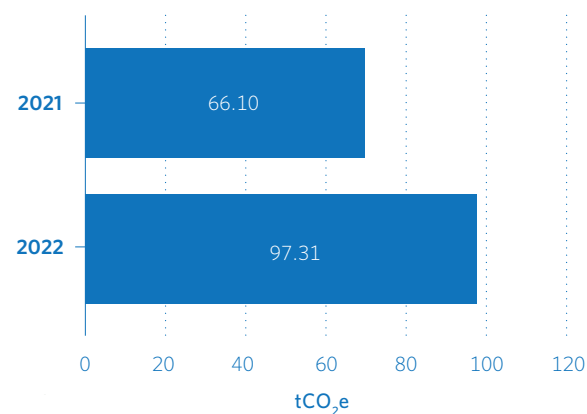
Environmental Impact

8. Environmental Impact

Carbon footprint, evolution of absolute Scope 1 emissions (in tCO₂e)



Carbon footprint, evolution of absolute Scope 2 emissions (in tCO₂e)



8.1 Our environmental performance

During 2022, in terms of the environment, we have maintained our system of environmental performance indicators, and have perfected the event-based methodology for estimating fugitive methane emissions from the distribution network, separating emissions scope 1 and scope 3, the result of which is taken into account for the corresponding carbon footprint report.

In addition, notification of reports of contaminated soils from the dismantled LPG plants has continued at a good pace, and many of the soil properties and the conclusions of the administrative resolutions related to this process have already been notified.

Moreover, we have continued with all environmental activities related to the maintenance and improvement of our Environmental Management System, which is certified according to standard ISO 14001:2015, and have also carried out the corresponding audits.

8.1.1 Environmental objectives

With respect to the two objectives established for 2022, the follow-up status is as follows:

1^o Reduce the environmental footprint by 3%

Only 57% of this objective has been met, achieving the reduction targets in:

- The consumption and discharge of drinking water in plants, offices and the warehouse.
- Hazardous waste generation.
- Electricity consumption of the warehouse.

Main environment-related communication actions have been carried out with our stakeholders in 2022



- SAll Contaminated Soil Closure Reports have been communicated to the Competent Body of the Community of Madrid and to various City Councils of the Community of Madrid, as a result of the dismantling of LPG plants carried out in 2022.

In addition, we have defined a pluriannual work plan for the drafting of these reports, applying a prioritisation criterion for those installations which, given their characteristics, represent a greater risk of potential ground contamination.



- During 2019, 34 notifications were made to the Community of Madrid of Potentially Polluting Activities of the Atmosphere (APCA), both from LNG plants and LPG plants. In 2022 we have received 32 resolutions to said notifications, with two of them (Griñón and Estoril II LPG plants) indicating the need to carry out periodic internal and external measurements by an external accredited agency.

In the coming months, in addition to these two new measurements, notifications will be made for those plants that have already been dismantled and the change of ownership of some of them due to their transfer to Aliara GLP.



- Participation in the INE survey in September on the environment in industry. This questionnaire was completed on the internet.



- Response to SEDIGAS on the request for information on estimated methane emissions from the natural gas distribution network, as well as notification to the Community of Madrid of the estimated fugitive methane emissions from the distribution network for 2021.



- Reporting of information to the Directorate General for Industry of Madrid on the situation of the LPG plants affected by R.D. 840/2015.



- We have sent notifications to home-owners associations informing them of removal of the LPG installations present on their land and their restoration in accordance with the resolution of the Directorate General for Industry, Energy and Mines. Only 30 of the 218 resolutions received remain to be sent.

8. Environmental Impact

2º A 3% reduction in scope 1 and scope 2 greenhouse gas emissions in 2022 with respect to 2021

Analysis of the absolute emissions data for both years shows that we have managed to reduce scope 1 emissions by 9.5%, whereas scope 2 emissions have increased by 47.2%, so only 50% of this target has been met.

8.1.2 Dialogue with stakeholders

Various environment-related communication actions have been carried out with our stakeholders in 2022 (see the graph on the previous page).

8.1.3 Identification, evaluation and follow-up of environmental aspects

MRG has established a methodology for the identification and evaluation of environmental aspects associated with processes, activities, services, work centres and the vehicle fleet aimed at determining those that have, or may have, significant impacts on the environment and establish operational control over them, in its internal regulations. This year we have reviewed said methodology, including the environmental aspects associated with the Alcorcón warehouse.

In addition, we have a control panel of environmental indicators, the results of which serve as feedback for the identification and evaluation of environmental aspects, as well as to establish priorities as regards management of the environmental risks of our activities.

The information in the following sections can be provided as a result of monitoring the environmental aspects related to our activities.

8.2 Consumption of resources

As we will see below, during 2022, some results regarding the consumption of resources are worse than expected, compared to the same period of the previous year.

Buildings (offices + Alcorcón warehouse)

The trend in the consumption of resources in our Pozuelo de Alarcón Offices is clearly downwards as a result of the measures adopted as part of the company's strategy, including the promotion of remote working and the opening of a new work centre for the operators (warehouse), who are the personnel who most need these resources.

However, as can be seen in the figures, there is a significant increase in electricity compared to the previous year, mainly due to the fact that, as of 2022, consumption by the Alcorcón warehouse is included. In addition, the power supply in 2022 to the offices is only electrical as the changing rooms (the only source of natural gas consumption in the building) have been removed.

As regards paper consumption, as of 2020, the following data collection is taken into account: the sheets printed in the photocopiers in our offices and the paper used for envelopes (envelope+paper) for the management of several of our activities.

The increase in paper consumption is mainly due to the increase in the volume of periodic inspections this year compared to the previous one (increase from approximately 180,000 to 210,000 inspections) and the Dark Gas fraud-detection project. Letters have been sent on a weekly basis advising of boiler checks. Approximately 1500 have been sent per week since May.

Plants and Regulation and Metering Stations (RMSs)

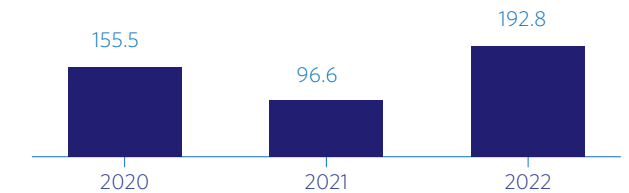
There has been a marked decrease in water consumption at our plants in 2022.

In addition, with regard to the products and materials consumed in said installations:

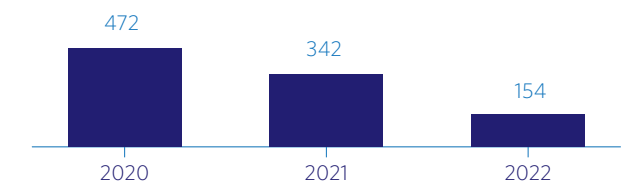
- In general, the main materials consumed in a satellite LNG plant are: THT, for the odourisation of natural gas, diesel in the tank for the generator set, and herbicides (occasionally).
- The main materials consumed in a satellite LPG plant are: oil for the decanter, in those installations equipped with a boiler, and herbicides (occasionally). These substances are used during maintenance and are transported by the work team; they are not stored at the installations.
- The only materials consumed in an RMS are lubricating oils/greases, for equipment maintenance, as well as herbicides used in periodic campaigns.

Consumption of resources relating to MRG buildings

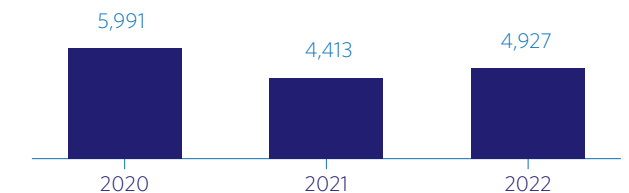
Electricity (thousands kWh)



Water (m³)



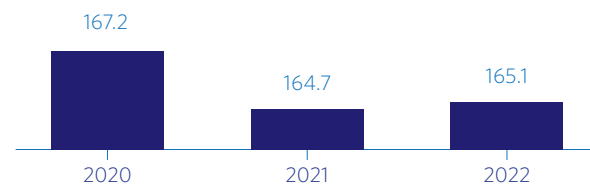
Paper (kg)



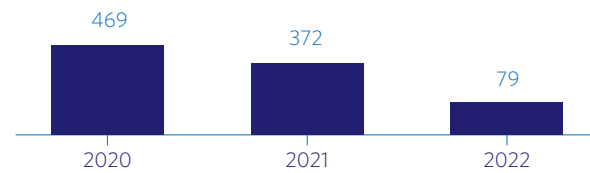
8. Environmental Impact

Consumption of resources relating to LNG/LPG plants and RMSs

Electricity (thousands kWh)

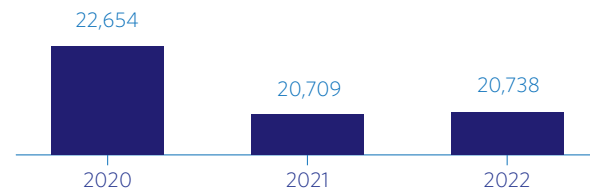


Water (m³)

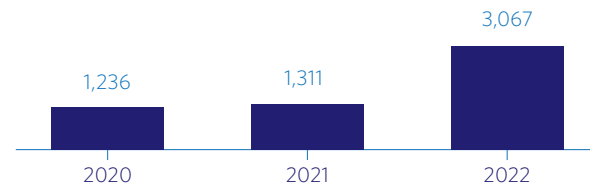


Consumption of resources relating to the MRG vehicle fleets

Natural gas vehicle, NGV (kg)



Petrol (l)



Vehicle fleet

As can be seen, the consumption of natural gas by vehicles remains essentially the same as for the previous year, with a significant increase in petrol consumption. It should be noted that this does not include consumption of the vehicles for sales personnel nor those of the private vehicles of employees used by the company occasionally.

It should also be noted that, during the months of December 2021 to March 2022, a diesel SUV was hired for use as a reserve in special occasions or emergencies caused by adverse conditions. The consumption thereof is not considered as it is practically insignificant (48,56 litres).

8.3 Atmospheric Emissions: measurement and reduction commitment

Generally speaking, and with regard to the consumption seen above, we can see the evolution of direct and indirect atmospheric emissions associated with our buildings and our fleet of vehicles.

8.3.1 Methane Emissions

The atmospheric emissions of the natural gas distribution network (scope 1 and 3) are estimated annually as per a specific procedure. The new methodology for estimating fugitive methane emissions from the gas distribution network, established during 2021, is events-based, which allows improvement methods that significantly contribute to reducing methane emissions to be designed and applied.

During this year, and as discussed above, we have made progress in perfecting said methodology, separating the scope 1 and scope 3 emissions.

These scopes include:

Scope 1: Leak tracking, Permeation calculation, Third-party damage, Leak warnings/others, Maintenance, Commissioning/Decommissioning, LNG plants, Meters and Chromatographs.

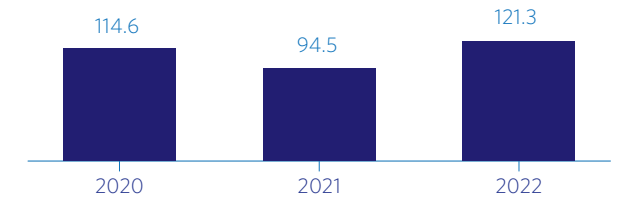
Scope 3: Leaks at receiving installations.

With regard to the number of leaks, in recent years it falls within the range 96–97% corresponding to receiving installations (Scope 3) 3–4% for networks and connections (Scope 1).

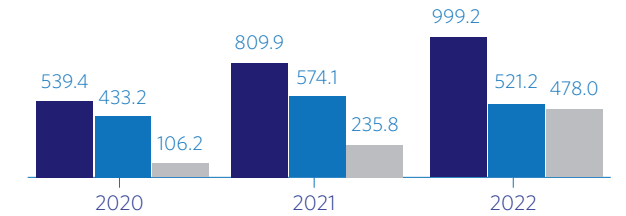
In light of the above information, we can see that the contribution of these leaks to methane emissions presents an asymmetric trait with respect to the results that we can see in the figure for the results of the two scopes. Leaks in networks and connections are being attributed a very significant contribution, especially those identified during tracking (in terms of methane emissions), compared to the rest.

The reason for this is that the methodology considers that the time that a tracking leak remains active is 8760 hours (one year) while the time that an emergency leak remains active is 4 hours, and the fact that the time that a leak in a receiving facility remains active is also 8760 hours (one year). For this reason, we believe that it is essential to continue to discuss those parameters of this methodology that need to be refined in Sedigas so that the results better reflect reality.

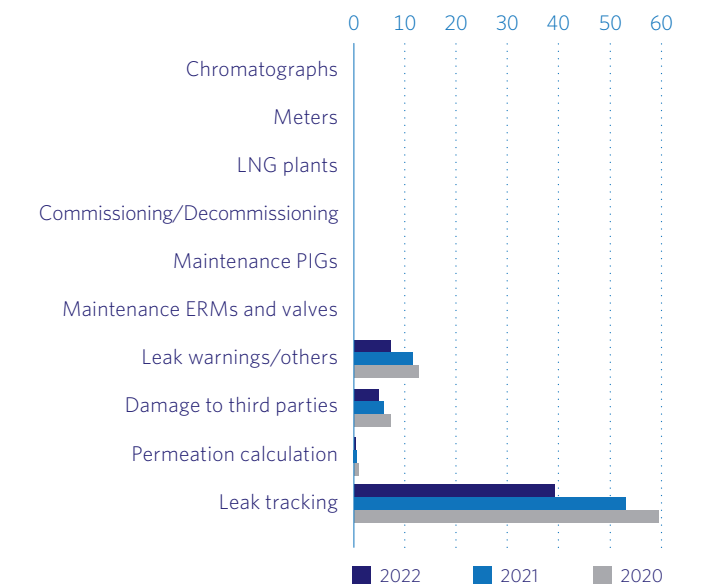
CO₂ emission from MRG buildings and fleet (thousand kg)



CH₄ atmospheric emissions (m³)



Contribution of leaks to Scope 1 CH₄ emissions (%)

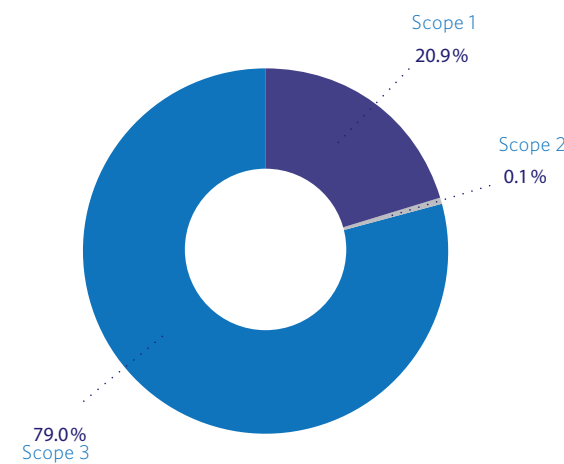


8. Environmental Impact

GHG emissions inventory for MRG in 2022

Scope	Absolute value (tCO ₂ e)
Scope 1	15,016.84
Scope 2	97.31
Scope 3	56,821.36
Carbon footprint	71,935.51

Carbon footprint. Emissions per scope (%)



8.3.2 Our carbon footprint: measurement and verification

MRG has a tool for calculating the carbon footprint for the activities associated with the company, including direct emissions of Greenhouse Gases (GHG) (Scope 1), indirect GHG emissions from the generation of the electricity purchased and consumed (Scope 2), as well as indirect emissions produced in the value chain (Scope 3).

Although the quantification of direct GHG emissions as a result of our activity has been carried out for some time, two years ago the decision was made to address the verification of the GHG emissions inventory that constitutes our carbon footprint, in accordance with standard UNE-EN ISO 14064-1:2019 in order to provide it with official validity.

The scope and limits applied to the calculation of the carbon footprint are as follows:

- Head offices at C/ Virgilio, nº 2 B - Edif. 1. 28223 Pozuelo de Alarcón, Madrid (Spain) and the warehouse located at calle Valdemorillo, 60, 28925 Alcorcón, Madrid (Spain).
- Natural gas and LPG distribution network in the Community of Madrid.
- LNG and LPG plants belonging to the distribution network.
- Fleet vehicles.

In the 2022 period there have been no changes in the limits of the report with respect to the preceding period.

In order to compare emissions and evaluate the performance achieved, the sum of the results of the carbon footprint for two consecutive years (2021-2022) has been established as the baseline year.

This selection is due to the fact that network and connection monitoring activities are completed biennially for the entire network, therefore the emissions associated with this activity will not be complete until the entire network has been inspected.

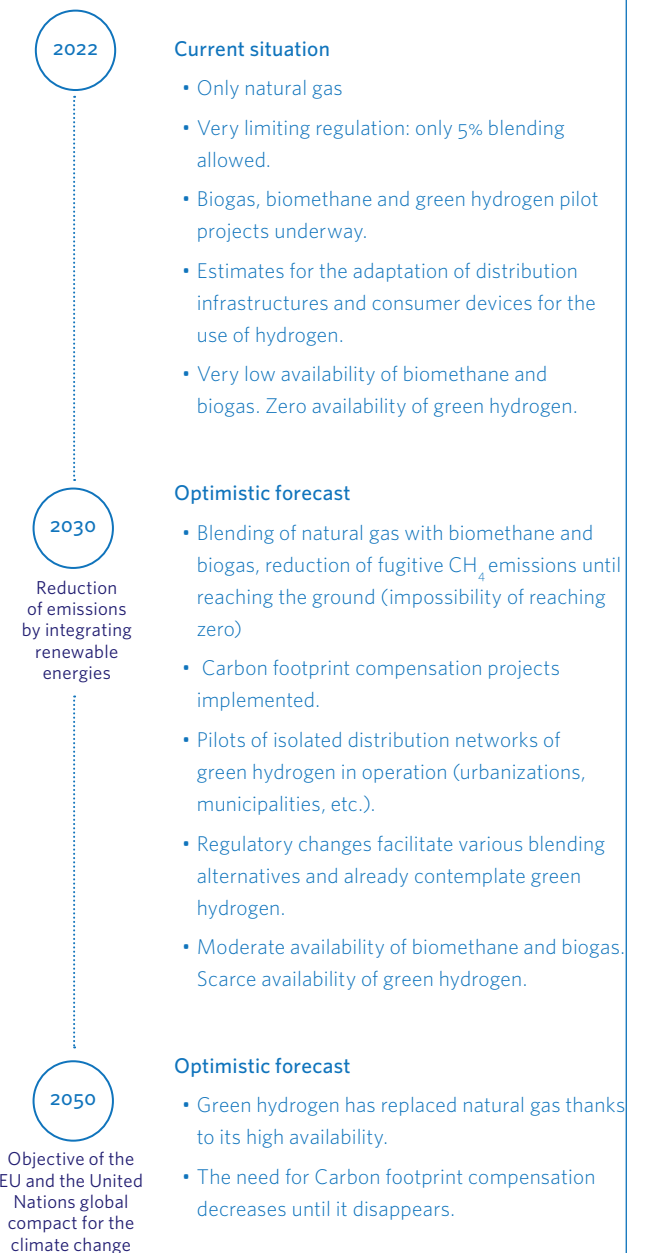
Consequently, the analysis of the evolution of the complete carbon footprint with respect to the baseline year will be carried out every two years, starting in the period 2023-2024, so that comparable results are obtained with the 2021-2022 baseline year.

Finally, it should be noted that, at the end of 2022, and with the data obtained in the calculation, we carried out the second registration of the carbon footprint in the Spanish Office for Climate Change (OECC), obtaining the CALCULATION seal for 2021, which already includes Scope 3 and informing of the Reduction Plan. Our intention is to continue along these lines in coming years.

8.3.3 Commitment to emissions reduction and energy efficiency

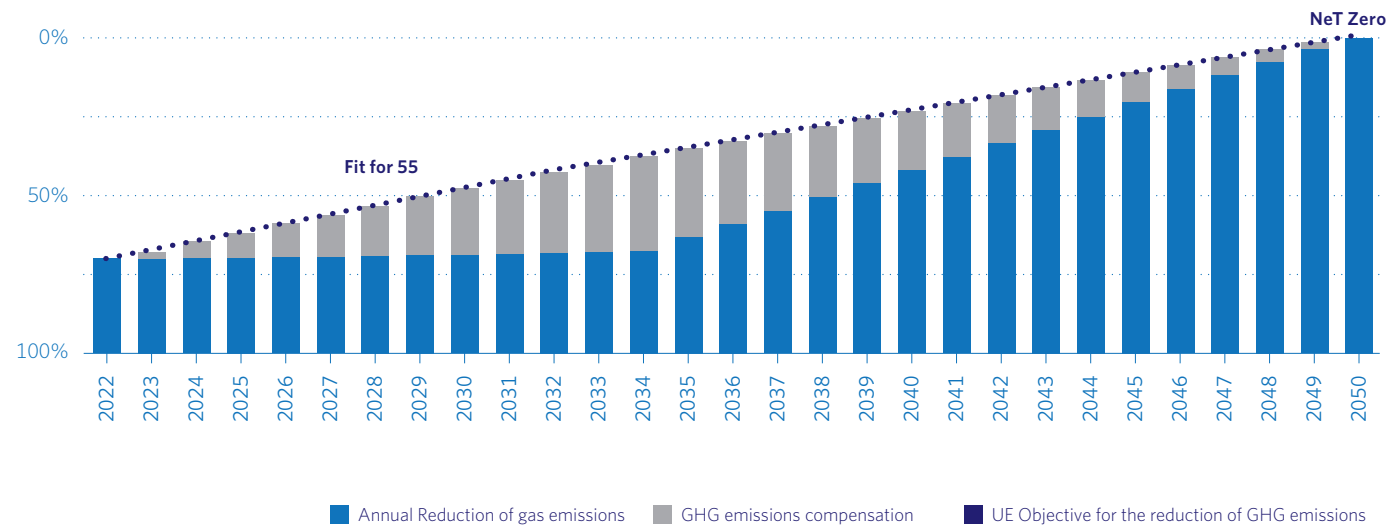
Madrileña Red de Gas is fully aware of the importance that climate change represents for companies and humanity in general. As such, we have set ourselves the challenge of meeting energy demand in an increasingly cleaner, safer and more reliable way, for which we must develop proactive actions, identifying initiatives that allow us to control

Carbon footprint mitigation plan. The way to achieve the NETZERO



8. Environmental Impact

Greenhouse gases (GHG)



Opportunity forecast

Annual carbon footprint compensations aligned with the projection of the EU objectives of "fit for 55" and up to "Net Zero"; and WITH REPLACEMENT of natural gas by green hydrogen from 2035

the risks to which we are exposed in order to meet the requirements and expectations of our stakeholders.

In this way, as part of the fight against climate change, at MRG we are committed to reducing polluting gases that have a negative impact on air quality, ecosystems and health, especially fugitive CH₄ emissions from the distribution network and CO₂ and NO_x emissions, establishing measures to reduce our carbon footprint (scope 1, 2 and 3) and promoting projects and investments aimed at promoting energy efficiency, and infrastructures and sustainable mobility (our own and those of the community in which we operate).

Lines of action to minimise greenhouse gases (GHGs)



Reduction gas leaks

Perform network tracking, as per current legislation (R.D. 919/2006), annually rather than every two years, in those districts of Madrid with older low-pressure networks.



Lighting at MRG's headquarters

- Exploitation of natural light.
- Progressive replacement of fluorescent light bulbs with their LED equivalents.
- Installation of motion sensors.



Vehicles

Renewal of the vehicle fleet with newer models that comply with the most recent emissions regulations, thereby polluting less and consuming less fuel.

In this regard, in 2022 we have purchased five cars and seven vans, all of which are natural gas/petrol hybrids.



Definitive implementation of remote working

Reduction of resource use resulting from a lower number of journeys. In addition, the office space leased has been reduced by 30%, therefore energy needs have also decreased, as can be seen in the previous section.



Carbon footprint offsetting

The possibility of claiming the costs of offsetting the carbon footprint linked to methane leaks caused by third-party damage, has been assessed, although we have concluded that Spanish legislation still does not contemplate the necessary legal grounds.



Equipment

- Equipment switched off when not in use.
- Awareness campaigns for all employees.



Digitalisation

Towards a "paper-free office" model. We are continuing to work in phases to reach all areas and processes in the company, as described in the Sustainable Business section.

8. Environmental Impact

In light of this commitment, a proposal for a carbon footprint reduction/compensation plan, aligned with the objectives of “Fit for 55” for 2030 and “Net zero” for the year 2050, is being prepared.

In addition to the above, at the end of 2022, and in light of our commitment to reduce methane emissions, we were decided to establish an evaluation route and considered it appropriate to voluntarily adhere to the OGMP 2.0 program (Oil & Gas Methane Partnership), an initiative promoted by the United Nations Environment Program (UNEP), and which is part of the European Commission’s Strategy to reduce methane emissions, in 2023.

Moreover, with regard to measures carried out in terms of energy efficiency, it should be noted that the ventilation installation has been improved, as has the air purifiers installation in our offices in Pozuelo de Alarcón. These measures were carried out in response to the audit carried out during 2019 in relation to indoor air quality, the result of which was unfavourable in terms of CO₂ concentration in work spaces.

The actions undertaken to improve ventilation levels in the offices include the following:

- Installation of new ventilation equipment with energy recovery from the extracted air, which complements the existing equipment, to achieve adequate ventilation levels. CO₂ levels in the environment are controlled using concentration probes.

- Installation of duct networks to supply outside air and extraction to the offices from the new recovery equipment, to the diffusers and grilles.
- Power supply to recoverers and support resistors, from electrical panels existing on that floor, including magneto-thermal protection of said lines.
- Increase in the section of exterior grilles for the intake and discharge of outside air in roof towers and relocation of existing ducts in small shafts.
- Dismantling and subsequent assembly of the false ceiling plates and profiles where required to install the new equipment and duct networks.

In search of better environmental practices

In addition to the above, in 2022, and with the aim of strengthening our environmental performance, we made the decision to start investigating possible actions that could be adopted, as well as environmental experiences and issues that may be of interest to MRG. For this reason, a search for good practices and benchmarking was initiated, based on the public information available from leading companies worldwide, the United Nations, government institutions and environmentalists, as well as different public and private organizations specialising in efficient environmental management. which will allow the different strategies at Madrileña Red de Gas to be aligned with its institutional commitment, as well as its management and strategic objectives.

For this investigation we made some assumptions that could serve to prioritise and choose possible alternatives, including:

Actions reported and recognised in Spain.

- Location and/or area of influence
- Lines of interest for MRG, especially alternatives falling within the scope of:
 - Water and diversity
 - Energy and decarbonisation
 - Circular economy
 - Mobility
- Financing and costs
- National and international recognition
- Environmental accountability
- Relationship with Sustainable Development Goals
- Legal requirements, which allow the use of “green” alternatives for service provision.

Lines of action for sustainable resource management incorporating circular economy criteria:

1. Waste minimisation and valorisation.

Whenever possible, actions aimed at reducing the amount of waste generated at source and the internal or external valorisation of waste (reuse or recycling) will be carried out.

Thus, for example, recyclable waste, such as meters, is separated into aluminium and scrap metal. The different recoverable metallic materials are segregated and separated from each other.

2. Extension of asset life-cycle.

Those materials that can be reused (vaporisers, extinguishers, regulators, etc.) are transported to MRG’s warehouse.

3. Actions for sustainable resource use.

- The water consumed in the LPG plants is used for maintenance and dismantling tasks and is stored and reused in the same process as long as the characteristics of the water allow this, thus minimizing consumption while reducing the production of contaminated water.
- Digitalisation of all field operations and the Company’s management processes, use of Google Drive for shared and work documents, promotion of the use of electronic resources, etc.

4. Life-cycle analysis of materials and equipment for new infrastructures.

Whenever possible, techniques and alternatives that avoid waste generation are applied, taking into account the entire life cycle of our products and services, thus guaranteeing the minimum impact.

Waste management (MRG Recycling centre), located at the Alcorcón site

Industrial plastics: Drum for plastic materials generated by our technical staff during field work.

Contaminated plastic containers: Drum for plastic materials contaminated with chemicals.

Aerosols: Small drum for empty aerosols, for example leak detectors.

Filters: Drum/cage for filters.

Contaminated metallic containers: Empty paint tins, for example, can be deposited in this drum.

Batteries: Batteries from equipment, for example, contaminated rags can be deposited in this small drum.

Contaminated rags: For example, contaminated rags can be deposited in this small drum.

Computer, electrical and electronic equipment: Computers and household and mobile phones can be deposited.

Scrap metal: All scrap metal, for example regulating parts, can be deposited.

Others:

- Meters: meters will be deposited in the corresponding drums.
- Toner: will be deposited by external staff responsible for changing toners.
- Fluorescent bulbs: will be deposited by external staff responsible for maintenance

8.4 **Circular Economy**

One of the challenges that MRG has set itself is to make progress in the sustainable management of resources by incorporating circular economy criteria into the framework of four lines of action:

8.4.1 **Waste**

Madrileña Red de Gas has specific procedures for the management of its waste in which the criteria for waste generated at work centres, logistics centres and industrial installations (Regulation and Metering Stations (RMSs), Liquefied Natural Gas (LNG) plants and Liquefied Petroleum Gas (LPG) plants) are established.

The main waste that can be generated in a Regulation and Metering Station (RMS), in an LNG plant or in an LPG plant arises due to maintenance operations:

- Lubricating oils/greases
- Rags/absorbents
- Occasionally, batteries, fluorescent bulbs, etc.
- Batteries
- Used filters

Such waste is generated occasionally and is removed by the maintenance team when generated.

In addition, during dismantling, and under supervision of the Project Management, the waste management plans of the contractor companies are thoroughly reviewed and all the documentation related to waste management is compiled.

In this sense, during 2022, 14 LPG plants have been dismantled in coordination with the Town Halls of different municipalities of the Community of Madrid, carrying out the emptying, burning-off, inerting and removing a total of 19 tanks. To that end, it has been necessary to carry out more than 15 journeys in order to transfer the emptied gas to other Madrileña Red de Gas plants, thereby avoiding emissions into the atmosphere, and to the transport the waste obtained during said dismantling to the treatment plants authorized by the Community of Madrid, respecting the commitment of Madrileña Red de Gas to the environment, and all without interfering in the usual dynamics of customers and neighbours.

In addition, at the new work centre located in Alcorcón, we have created a recycling centre where both solid and urban waste is processed, via the service designated by the City Council, along with hazardous waste. We have also requested the NIMA code (Environmental Identification Number) that unequivocally identifies each waste-producing or -management activity from the Community of Madrid, thus allowing us to register the centre as a small waste producer and be able to collect it.

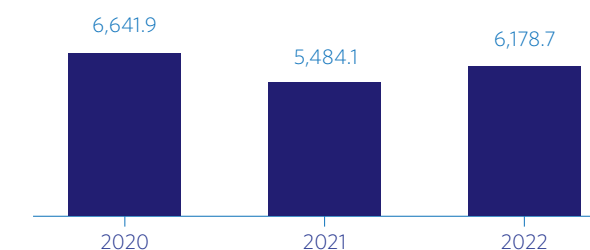
As can be seen from the table, there has been an increase in the generation of plastic containers and contaminated rags. However, demolition waste has decreased considerably because, as mentioned previously, this year 14 LPG plants have been dismantled, 23 fewer than last year.

In the case of filters and IT devices, the result is the same as the previous year, in other words none of this type of waste has been generated.

Generation of hazardous and non-hazardous waste at MRG

	2020	2021	2022
Hazardous waste (t)			
Contaminated plastic containers	0.180	0.162	0.379
Contaminated metal containers	0.023	0.221	0
Contaminated rags	0.017	0.014	0.021
Aerosols	0.047	0.044	0.038
Filters	0.474	0	0
WEEE	0.063	0	0
Alkaline batteries	0.017	0.009	0.010
Total hazardous waste	0.821	0.450	0.448
Non-hazardous waste (t)			
Demolition waste	888	217	85
Construction and demolition waste	5,730	5,233	6,089
Meters	23.875	33.615	4.240
Total non-hazardous waste	6,641.875	5,483.615	6,178.240
Total waste	6,642.696	5,484.065	6,178.688

Overall waste generated (t)



8. Environmental Impact

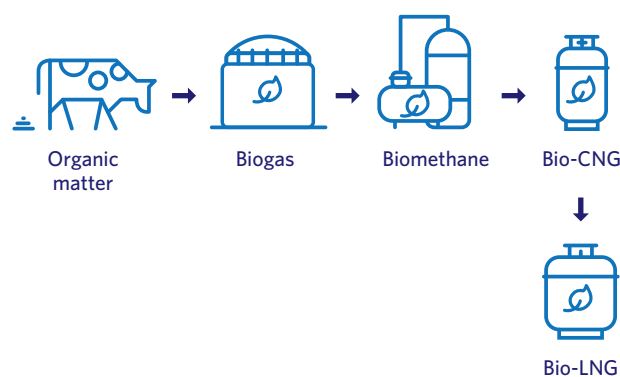
Hazardous waste

	2020	2021	2022
Hazardous waste (t)	0.821	0.450	0.438
Waste for valuation (t)	0.821	0.450	0.438
Waste for elimination (t)	0	0	0
Waste for valuation (%)	100	100	100
Waste for elimination (%)	0	0	0

Non-hazardous waste

	2020	2021	2022
Non-hazardous waste (t)	6,641.9	5,483.6	6,178.2
Waste for recycling (t)	911.9	250.6	6.552
Waste for elimination (t)	5,730.0	5,233.0	6,089.0
Waste for recycling (%)	13.7	4.6	0.1
Waste for elimination (%)	86.3	95.4	98.6

Biomethane production process



The quantity of hazardous waste remains similar to that for the previous year (only 2 kilograms more have been generated), although the amount of non-hazardous waste has increased due to the construction and demolition waste (CDW) generated.

8.4.2 Biomethane

Biogas is a “gas, formed mainly by methane (CH₄) and carbon dioxide (CO₂), obtained from the anaerobic digestion of biomass”, which is a biological process that occurs in the absence of oxygen in which, as a result of the action of various groups of bacteria, organic matter decomposes to give two main products: biogas and digestate.

Biogas is purified in a later stage known as upgrading, in which impurities are removed and methane is concentrated, thus resulting in a molecule identical to fossil natural gas, except for its renewable origin.

The draft Biogas Roadmap establishes a biogas production target of 1.41 TWh per year in 2030. Europe-wide, it is expected that 10% of the total consumption of natural gas in the EU will come from biogas in that year.

There are currently four biomethane projects in the MRG network:

1. Guadalix de la Sierra

The project aims to develop a plant for the recovery of livestock and agro-industrial waste in Guadalix de la Sierra. In this case, Madrileña Red de Gas is leading the development of a project that aims to provide a complete solution to the more than 20,000 tonnes of bovine slurry generated in the municipality per year.

The project is being studied from an environmental, energy and agronomic point of view, and the town council is continuing to work on the development of an energy community that accommodates the project.

Two uses are proposed for the biogas:

- Direct use in a cogeneration plant to produce electricity. This alternative opens the door to the creation of an energy community in the municipality, with the aim of supplying residents with renewable electricity.
- The biogas produced will be purified by way of an upgrading process and then compressed to produce biomethane. This can be used as natural gas for vehicles or be injected into the natural gas network.

2. Cubas de la Sagra

A project for generating biomethane from food waste, with a treatment objective of 70,000 tonnes per year. The plant will be designed for a production of 500 m³/h of biomethane. MRG has designed a Reverse Flow in our distribution network, which will allow gas to be injected from the medium-pressure network into the high-pressure network, to be able to absorb the production of the future plant.

MRG has designed a Reverse Flow in our distribution network, which will allow gas to be injected from the medium-pressure network into the high-pressure network, to be able to absorb the production of the future plant.

3. Landfill site with biogas productions

In one of the municipalities where we distribute natural gas, there is a closed landfill site that currently produces biogas.

It is in this phase, when the landfill site has already been closed (closed and sealed), when biogas recovery takes place. This is a by-product that is generated during the anaerobic decomposition process of organic waste in the landfill.

To recover the biogas from the landfill, a gas collection system consisting of pipelines and wells, designed to capture the gas produced, is installed. After being captured, the biogas is transported to a treatment plant where pollutants are removed and it is converted into biomethane, which can be used to produce electricity, be injected into the grid, or used as fuel for vehicles.

In the case of this landfill, MRG received a request from the company that manages it to be able to inject that biomethane into the natural gas network. After studying the consumption of that zone, it was confirmed that the network will be able to absorb the amount of biomethane that is produced. As such, MRG will manage the injection point and the new distribution infrastructure that will be necessary to connect the landfill to the natural gas network.

4. Biogas production plant in the north of Madrid

As in the case of the Cubas de la Sagra plant, there is another biomethane plant construction project in one of the municipalities in our network. The developer requested a study of the capacity of our network to absorb the expected production.

8. Environmental Impact

GLP plants in protected spaces or areas of high ecological value

Name of the plant	Location	Floor area m ²	Protected spaces	SCIs / SCAs	ZEPAs			
Cantos Altos	Collado Villalba	95	Manzanares River Upper Basin Regional Park	Manzanares River Basin				
Jumalropab SL	Torrelodones	42						
Urb. Roblesol	Torrelodones	28						
Urb. El Rincón de Torrelodones	Torrelodones	36						
Urb. Virgen de la Sierra	Torrelodones	38						
Montes del Pardo	Las Rozas de Madrid	170						
Coop. de viviendas la Marazuela	Las Rozas de Madrid	92						
Urb. La Hacienda de la Marazuela	Las Rozas de Madrid	40						
Valle Grande	Sevilla la Nueva	15				Middle course of the Guadarrama River and surroundings R.P.	Guadarrama River Basin	Holm oaks of the Aberche and Cofio rivers
Urb. Sevillalta	Sevilla la Nueva	136					Aberche and Cofio River Basin	
Edificio Génova	Sevilla la Nueva	167						
Urb. La Candela	Talamanca de Jarama	76			Cereal fields of the Jarama and Henares rivers			
Urb. El Miravall	Valdeolmos - Alalparto	714		Jarama and Henares River Basin				
Las Cañas (IVIMA)	Camarma de Esteruelas	52						

Special Conservation Areas (SCAs) are Sites of Community Importance (SCIs), designated by the Autonomous Communities, in which the necessary conservation measures are applied for the maintenance or restoration, in a favourable state of conservation, of natural habitats and/or populations of species for which the sites have been designated.

Special Protection Areas for Birds (ZEPAs) are those territories designated for the conservation of wild bird species included in the European Directive on the conservation of wild birds ("Birds" Directive).

Number of species protected or catalogued in the surroundings of LPG plants

	Amphibians					Reptiles					Birds					Mammals					Invertebrates					Fish				
	CR	EN	VU	NT	LC	CR	EN	VU	NT	LC	CR	EN	VU	NT	LC	CR	EN	VU	NT	LC	CR	EN	VU	NT	LC	CR	EN	VU	NT	LC
Cantos Altos	0	0	1	2	6	0	0	0	3	14	0	0	2	4	105	0	1	1	2	20	0	0	1	0	0	0	0	3	0	2
Jumalropab SL	0	0	1	2	7	0	0	1	4	11	0	0	2	5	114	0	1	1	2	21	0	0	0	1	1	0	0	4	0	4
Urb. Roblesol	0	0	1	2	7	0	0	1	4	11	0	0	2	5	114	0	1	1	2	21	0	0	0	1	1	0	0	4	0	4
Urb. El Rincón de Torrelodones	0	0	1	2	7	0	0	1	4	11	0	0	2	5	114	0	1	1	2	21	0	0	0	1	1	0	0	4	0	4
Urb. Virgen de la Sierra	0	0	1	2	7	0	0	1	4	11	0	0	2	5	114	0	1	1	2	21	0	0	0	1	1	0	0	4	0	4
Montes del Pardo	0	0	1	1	4	0	0	0	2	8	0	0	1	5	105	0	1	0	1	15	0	0	0	0	0	0	0	4	0	9
Coop. de viviendas la Marazuela	0	0	1	1	4	0	0	0	2	8	0	0	1	5	105	0	1	0	1	15	0	0	0	0	0	0	0	4	0	9
Urb. La Hacienda de la Marazuela	0	0	1	1	4	0	0	0	2	8	0	0	1	5	105	0	1	0	1	15	0	0	0	0	0	0	0	4	0	9
Valle Grande	0	0	0	0	4	0	0	0	2	8	0	0	1	5	85	0	1	1	1	20	0	0	0	0	0	0	0	3	0	5

Category according IUCN Red List: CR= Critically endangered | EN= Endangered | VU= Vulnerables | NT= Near Threatened | LC= Least Concern

Regulation and Metering Stations (RMSs) in protected spaces

Installation	Protected space
Avellano	Middle course of the Guadarrama River and surroundings Regional Park
Los Almendros	Manzanares River Upper Basin Regional Park
Cantoblanco	Manzanares River Upper Basin Regional Park
Tanatorio Alcobendas	Manzanares River Upper Basin Regional Park
EVP Cedro	Manzanares River Upper Basin Regional Park
Tres Cantos I	Manzanares River Upper Basin Regional Park
Galapagar IV	Middle course of the Guadarrama River and surroundings Regional Park
Tres Cantos II	Manzanares River Upper Basin Regional Park
Hoyo de Manzanares II	Manzanares River Upper Basin Regional Park
Colmenar Viejo V	Manzanares River Upper Basin Regional Park

8.5 Biodiversity

In fulfilment of our commitment to guarantee the supply of gas in all those regions of the Community of Madrid where it is necessary, a small number of our installations are located in protected areas or areas of high ecological value.

At the end of 2022, Madrileña Red de Gas had 128 LPG plants (after the transfer of 20 of them to Aliara) and 5 LNG plants. Of these, only 14 LPG plants are located in protected areas or areas of high ecological value (no LNG plants). As regards our 206 Regulation and Metering Stations (RMSs), 10 are located in protected areas. None of the 14 plants dismantled in 2022 were located in a protected area or special protection area.

As can be seen, there is no species in critical danger (CR). However, there is an endangered mammal (EN) species, namely the common or European rabbit.

8. Environmental Impact

8.5.1 Our environmental responsibility

With regard to environmental damage associated with the installations, the activities carried out by MRG are included in Annex III of the Environmental Responsibility Law (Law 26/2007) and, therefore, we are subject to the following obligations:

1. Notification of the existence of environmental damage or the imminent threat of such damage to the competent authority.

2. Adoption of:

- Preventive measures
- Avoidance measures
- Reparation measures

At our installations, the following substances have been identified as sources of danger for the different natural resources present in the environment, and therefore for biodiversity:

- LNG (present in LNG plants and the distribution network)
- Commercial propane (LPG; present in LPG plants and in the distribution network for those plants supplying the municipal network)
- THT (present in LNG plants)
- Antifreeze (present in LNG and LPG plants)
- Diesel (present in LNG plants)

Given their physicochemical characteristics, these substances are associated with a series of inherent hazards that may have environmental consequences.

In the event of a leak, LNG turns into a gas in contact with the atmosphere. In the event of a leak, LPG also turns into a gas in contact with the atmosphere, although it is denser than air and therefore accumulates close to the ground. In both cases, no liquid spill that could cause contamination occurs.

As in the case of LNG, LPG is a hazardous substance as it is explosive and inflammable, therefore one of the greatest hazards is the possibility of causing an explosion or fire.

THT is an inflammable liquid that may also cause contamination of the soil or water and is also harmful for aquatic organisms.

With regard to possible spills, the five LNG plants have a dyke for containing the spilled product, thus meaning that any leak of LNG in liquid state or THT is always contained in the dyke.



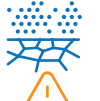
Given this information, and taking into account that reparation measures are only adopted once the specific damage has occurred, proposing specific reparation measures in each case, the measures available at MRG's facilities and activities to deal with these risks are included in the Risk Management section of this report.

Prevention of forest fires

As noted above, the greatest environmental damage that our activity can cause to the natural environment and, therefore, to biodiversity, are forest fires.

Generally speaking, with regard to forest fires, all installations must comply with the provisions of Decree 59/2017, which approves the Special Emergency Civil

Hazardous substances that may have environmental consequences

Substance involved	Initiator event	Accident scenario with environmental damage
LNG or LPG	Leak during discharge of a tanker	 Forest fire affecting wildlife and habitats
	Leak in a storage tank	
	BLEVE in above-ground tank	
THT	Leak/rupture of connecting pipes, flanges, valves, etc.	 Spill to surface waters
	THT leak from tank	
Antifreeze	Antifreeze leak when handling recipient	 Contamination of soil and/or water
Diesel	Diesel leak when handling recipient	

8. Environmental Impact

Protection Plan for Forest Fires in the Community of Madrid (INFOMA).

According to that Decree, special attention must be paid to the municipalities considered as areas at high risk for forest fires. In the Autonomous Community of Madrid, the following must have a Self-Protection Plan: National Parks, Rural Parks and Natural Parks, as well as other protected natural areas that are within the High Fire-Risk Zones (ZAR).

In addition, said Decree establishes a series of preventive measures applicable to installations adjacent to forest land, such as generally prohibited uses and activities.

In the case of installations adjacent to forest land, less than four hundred meters from forest land, or located in forest land, "It is the responsibility of the municipalities to determine, through a delimitation plan, the housing estates, buildings and facilities affected (...)" for the obligations specified in Annex 6 of INFOMA, such as:

- Drafting a self-protection plan against forest fires
- Ensuring the existence of a perimeter protection strip thirty meters wide, free from dry vegetation and with the tree mass cleared.
- Keeping unbuilt plots free from dry vegetation and with the tree mass cleared.

- Having a network of approved fire hydrants that meets the characteristics established by the Technical Building Code.
- Maintaining private roads, both internal and access roads, free from dry vegetation, as well as verges.

Finally, it should be mentioned that, during this period, there have been no accidents with environmental effects that were associated with fines or civil liability during 2022.

9

Social Impact

9.1 Facilitating access to energy

The main impact of Madrileña Red de Gas on society has always been to facilitate access to reliable and continuous energy through our investment in the infrastructure that allows the distribution of natural gas. In 2022 we have invested 14 million euros in the extension of our distribution network and 3.6 million in its renewal. Expansion of the network allows many homes, businesses, and large consumers such as hospitals or schools, and especially industry, to access natural gas.

With regard to the most direct economic impact of our investment and the presence of the natural gas network, mainly in the Community of Madrid, it is important to once again highlight the distributed economic value discussed in section 6.2. of the report (GRI 201.1 Economic value generated and distributed 2016), whereby in 2022 we have generated 80,616 (thousands of euros) of distributed economic value, of which 34,694 (thousands of euros) have been paid to suppliers. When reading this latter piece of information, we should highlight two determining elements, the levels of demand of Madrileña Red de Gas towards decent employment, as required in the supplier evaluation, selection and monitoring processes, and the very high percentage that local purchases represent for MRG (87% of significant purchases), as detailed in section 7.3 of this report, thus generating a clear and positive economic and social impact in the autonomous community in which our business operates.

As we have already discussed throughout the report, the current energy crisis, specifically the price of gas, has proved a complex challenge in this expansion effort. However, as this is a stable and secure supply for

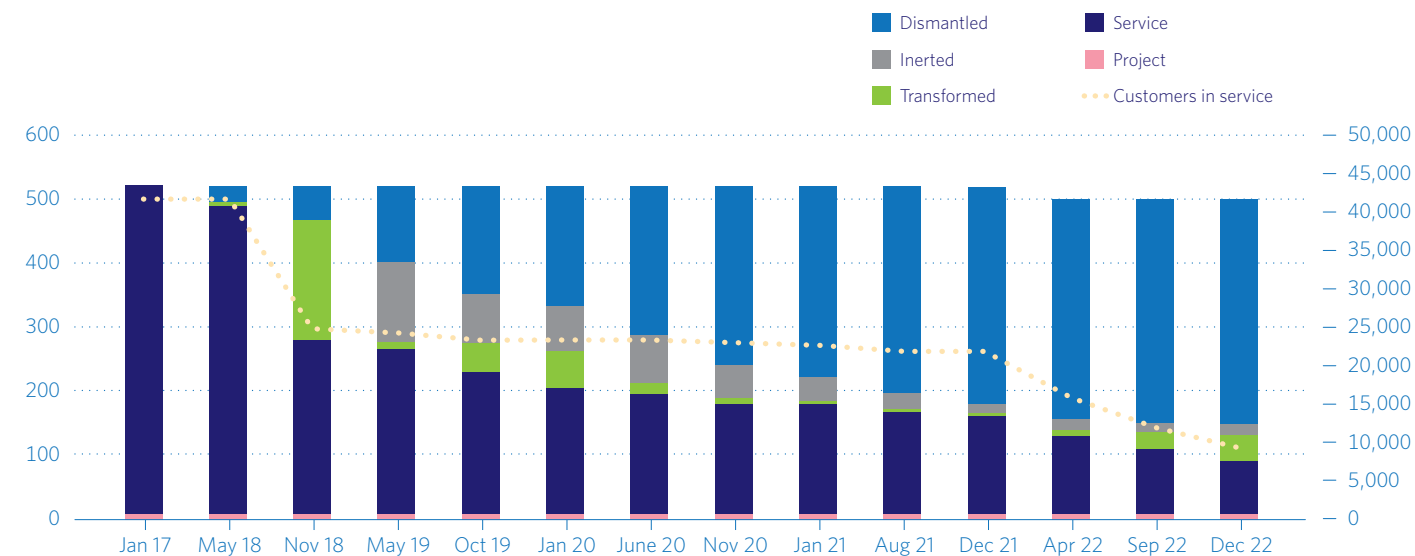
industry, the increase in major consumers in 2022 was 180 GWh and 466 new supply points.

- We have extended the network to serve a pharmaceutical laboratory that has installed new production lines and equipment using natural gas for the formulation, filling, automatic visual inspection, labelling and packaging of a vaccine against COVID19,
- to a paper factory that was receiving complaints from neighbours about its use of diesel,
- and different food and plastics industries, amongst others.

Natural gas has continued to be an efficient and sustainable solution for air conditioning in residential and tertiary areas, providing heating and hot water to homeowners associations and public buildings. During 2022, 15 rooms for homeowners associations and 35 schools have been put into service.

Another type of major consumer to highlight, which have had a positive impact for the company, have been funeral homes and crematoria. Indeed, three crematoria were put into service this past year: El Escorial, Colmenar Viejo and Valdemoro. The former two previously used other energy sources, namely propane gas and diesel, respectively. The companies that operate them decided to install new furnaces with natural gas as fuel, thus improving their efficiency and environmental emissions. The peculiarity that all these crematoria have, due to their activity, is that they are located on the outskirts of the municipalities, therefore Madrileña Red de Gas has made a large investment, as these

State GLP plants and no. customers service MRG



are complex works and far from the distribution network, to ensure that they have access to energy that is more respectful with the environment.

We are fully aware of the requirements arising from European commitments to reducing polluting gas emissions in the current fight against climate change. For this reason, our current effort in investing in network infrastructures already contemplates the future distribution of H2. Purchasing specifications already contemplate this need for the immediate future, even when considering devices such as domestic meters. In this sense, we have discussed the different projects in which we are involved, providing sustainable energy solutions, in more detail in the Sustainable Business chapter of this report.

In line with this effort to use cleaner energy, last year we began the final phase of the transformation project for more than 15,000 supply points planned for 2022 and 2023.

In the past year we have performed this operation in more than 7000 homes. To that end, we have collaborated with eight leading companies in the sector, transforming more than 66 storage centres to natural gas. MRG has acted in 23 municipalities of the Community of Madrid, leaving 12 of them free from propane gas.

In 2022, we have allocated more than 5 million euros to carry out network reuse and expansion work, adapt and modify installations, transform devices and dismantle storage centres.

9.2 Always close and willing to listen

We are a company that has always understood the need for citizens, entities and public bodies to trust us. Our service requires that end users understand that natural gas, and in the future renewable gases, are their energy option. As such, it is necessary that our arrival in municipalities be accompanied by communication, complete information and spaces for dialogue that make it possible to determine, understand and take into account citizens' concerns.

In general, town halls are an important channel for learning about and addressing the needs and problems of municipalities. In themselves, in their role as citizen representatives and, in turn, for their ability to organise meetings through them to present projects, communicate and listen.

The routes, hours of operation of the machinery, type of machinery, etc. during extension of a network must take citizens into account in order to generate the least possible negative impact (noise, dust, traffic problems, etc.).

In the past year, the social license to be able to extend the gas infrastructure network in municipalities has represented

somewhat of a barrier to the successful completion of our expansion and transformation plans. Thus, the growing social awareness of climate change, the price of natural gas after the energy crisis at a European level, doubts about what the energy transition will be like and the consequences of opting for natural gas, is holding customers back somewhat. For this reason, Madrileña Red de Gas is making an effort to improve social legitimacy: what do I do, how do I do it, where do I get to, what impacts do I generate and the clear benefits as an alternative and solution for our customers to many other energy sources with greater environmental impact. This reality results in a need to increase the resources assigned for this purpose, improve the abilities of people with this social reality, improve the clarity and transparency of our messages, as well as increase our social dialogue.

In addition to always having the web or telephone channels via the Call Centre always open for requests for information or the processing of possible complaints, we are looking for clearer meeting spaces. We hold open communication sessions with the communities, the town halls, and we rely on the Municipal Consumer Information Offices (OMIC) at the town halls as a point to distribute information and collect queries.

9.3 Focussing our social action

On our materiality analysis, direct social action has not been a particularly prominent topic from the perspective of either MRG or our stakeholders. In the interviews carried out with external participants, the importance of the positive contribution via our reason for being, and the services provided by MRG, were highlighted rather than the value of possible corporate volunteer actions or specific donations.

In line with the outcome of the evaluation, and viewing this from our commitment to equal opportunities and social integration, our focus on social contribution does not look towards possible donations to specific projects or causes, although that door will always be open in the case of unique circumstances, such as the COVID19 pandemic. As a result of MRG's culture, we see our ability to add value to vulnerable groups by way of ongoing relationships that favour the opportunity for job placement, which is why we are committed to contracting the external services that we need with different entities in the social field.

We have been working with the Fundación Prodis since 2019. This foundation works to support and promote the inclusion of persons with a mental disability.

It mainly prints invoices, notifies periodic inspections and debt recovery for us. Every week we send our files with the documentation to be sent and three people download the information, print and put the letters into envelopes then send them to the post office for distribution. This allows these people to do paid work, thus facilitating their social inclusion. We are very grateful to the foundation for giving us this opportunity.

To the same end, we hired Ilulion, a company belonging to the ONCE Group, whose purpose is to facilitate the integration of people from vulnerable groups into the workplace, to provide the office cleaning services that we need.

We also continue to collaborate financially with the Fundación Española de la Energía, a non-profit foundation belonging to the public sector that contributes to the development of regional energy policy within the European framework.

10

Employees

10. Employees

At the end of 2022, the most relevant data on our human assets ¹

	Female	Male	Total	%
Employees	43	77	120	64-36
No. of permanent workers	42	74	116	96.7
Number of temporary workers	1	3	4	3.3
Number of full-time workers	42	77	119	99.2
Number of part-time workers	1	0	1	0.8
Workers with reduced working hours	3	0	3	2.5
New hires	2 ²	3 ³	5	4.2
Staff turnover	2 ⁴	2 ⁵	4	3.3
Parental leave	2	5	7	5.8
Senior executives domiciled in the Community of Madrid	0	1 ⁶	1	0.8

¹ Without taking into account partial retirees (one male employee).

² Both younger than 30 years.

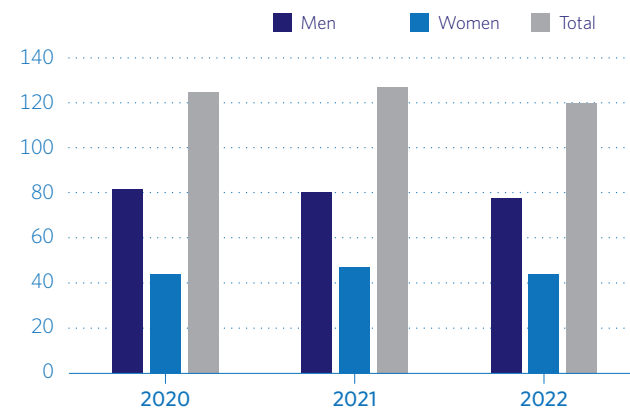
³ 1 Younger than 30 years / 2 Between 40 and 50 years.

⁴ 1 Younger than 30 years / 1 Younger than 50 years.

⁵ 1 Younger than 20 years / 1 Younger than 40 years

⁶ There is only one senior executive, namely the CEO, their residence is established in the Community of Madrid.

Workforce of MRG ^{*}



^{*} Employees under partial retirement regime are not included.

10 Employees

Madrileña Red de Gas firmly believes that our employees are our greatest asset and the heart of our company, which is why we are fully committed to guaranteeing their professional development, optimal working conditions, relationships based on mutual trust, equal opportunities, as well as respect for differences and non-discrimination.

Each of our employees is dedicated to providing quality service to our customers, while promoting sustainable practices, working together to ensure that our services are reliable, safe and sustainable, and with integrity and responsible behaviour in the performance of their duties, in accordance with our Code of Ethics.

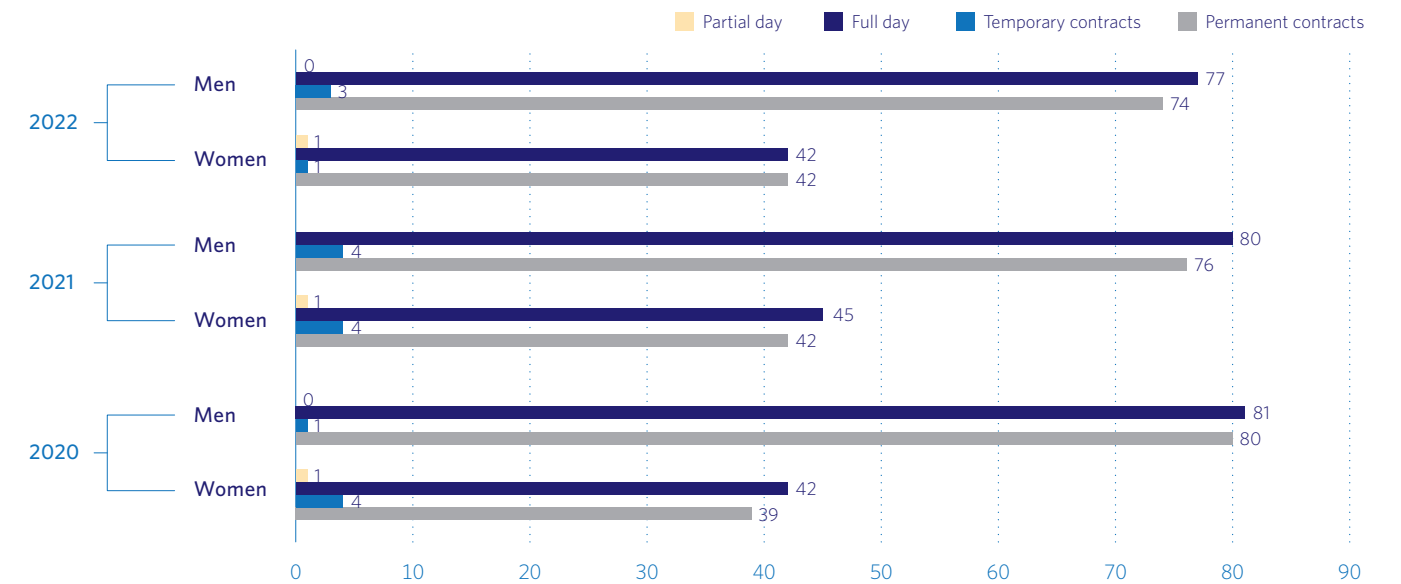
10.1 Our human assets

MRG's workforce has decreased by 4.8%, although the proportion of men and women has remained stable with respect to previous years.

We also promote the hiring of our professionals through stable contracts. Indeed, 96.7% of the Madrileña Red de Gas workforce has an indefinite contract (74 men and 42 women). In addition, 99.2% of the workforce has a full-time contract; only 0.8% have a part-time contract (one woman).

With regard to the control of people who are not MRG employees, as has been seen for our Supply Chain, our activities depend to a large extent on our suppliers. As will be seen in the Health and Safety section, at MRG we have an external document management tool for coordinating business activities in occupational risk prevention, which therefore includes control of the people who work for us and enter our installations.

Types of contract and working day ^{*}



^{*} Excluding partial retirees

In this tool, the installations, as well as the activity associated with each of these workers, recording all the pertinent documentation required by law for each of them, are controlled in order to carry out adequate coordination. In this sense, at the end of 2022, a total of 731 workers were included in said tool.

10.2 Conciliation, working conditions and well-being

10.2.1 Labour Relations

As part of the commitment we maintain with our employees, respect for their labour rights is fundamental. As in the previous year, 30% of our workforce (excluding

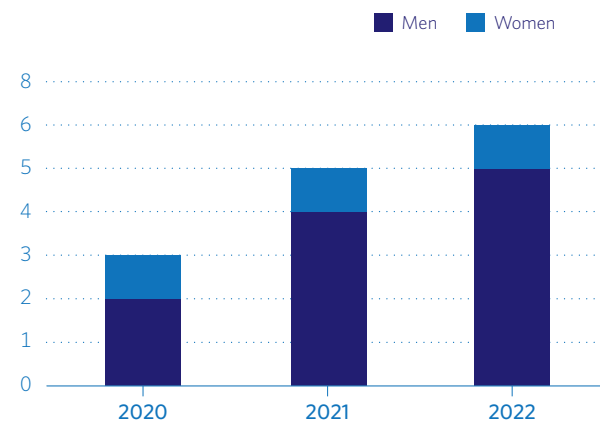
partial retirees) is subject to collective bargaining. The remaining 70% is governed by the Workers' Statute and are also subject to specific conditions agreed upon with the worker upon joining the company.

There is also complete freedom of association at MRG. There is a Works Council that represents all workers (except the CEO).

Any operational change is usually notified at least two weeks in advance, and in all cases in compliance with any legal requirements.

If they are a result of collective bargaining, these changes are specified in the collective bargaining agreement, including the notification periods established.

Permits



Return-to-work rate: 100% en 2019, 2020 and 2021.
Retention rate: 100% en 2019, 2020 and 2021.

10.2.2 **Conciliation of personal, work and family life**

MRG is fully aware of the advantages of transversal and horizontal communication within the organization, therefore working conditions are negotiated and adapted to the needs of employees.

The objective of reconciling work and family is to allow people to dedicate time and energy to their work and their personal lives without having to sacrifice one or the other area of their lives. To that end, MRG offers its workers the possibility of adapting their schedules, remote work, reduced working hours, as well as paternity and maternity leave, within the established legal framework.

The objective of reconciling work and family is to allow people to dedicate time and energy to their work and their personal lives without having to sacrifice one or the other area of their lives.

Remote working is currently a reconciliation measure that is highly valued by employees and has been implemented since the pandemic. MRG's commitment to remote working allows us, among other things, greater access to talent resources, to retain qualified personnel, to promote productivity and to reduce office expenses. For the employee, remote working encourages motivation and flexibility.

The step prior to the implementation of remote working at MRG was a diagnosis of the situation, the analysis of which involved all Management areas, which reached similar conclusions regarding remote working as a firm commitment at MRG. It was necessary to identify the positions suitable for remote working, define a model agreement that reflected the possible problems, and implement innovative measures,

such as reducing physical office space or creating the new field services unit.

In 2022, seven MRG employees went on parental leave, five of whom were men. All employees who have taken some type of leave have returned to their job with the same conditions once that period has ended, with return to work and retention rates of 100% in recent years.

10.2.3 **Work environment**

With the aim of promoting continuous improvement that benefits our employees, a new work environment survey was launched in 2022 to measure our employees' satisfaction with the set of factors, both physical and human, in which their work is carried out and achieving improved results compared to previous surveys (2019 and 2011).

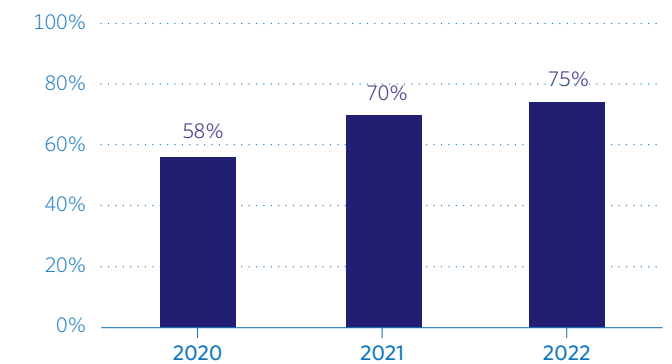
Part of this improvement arises due to MRG's commitment to training and remote working.

Participation in the work environment survey increased compared to previous surveys (from 58% to 75%), which means an increase in the confidence and reliability of employees regarding the measures adopted after the surveys.

In 2022, the evaluation was higher for each point surveyed compared with the previous survey. The overall score was 4.17 out of 5 (83%).

Compared to previous surveys conducted, we have improved the results percentage compared to 2019. Indeed, the evaluation has increased more than 12% from 2019 to 2022.

Participation in work environment survey



10. Employees

The survey covers four main areas:

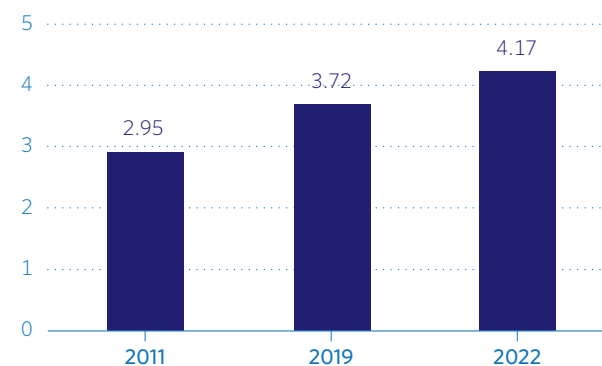
1. Questions on different topics, such as professional development, managers, customers, innovation, organization and remote working.
2. Aspects I value about the culture: questions about Safety, integrity, results-orientation, teamwork, customer services, amongst others.
3. Overall assessment of units: questions concerning the management of each business unit.
4. Employee recommendations: "Would you recommend MRG to a friend?".

Results of the MRG work environment survey 2022

(maximum score 5)



Overall Survey Results



In line with these objectives, Madrileña Red de Gas carries out activities aimed at improving the work environment. Every year, during the summer months, the MRG team meets at the Annual Meeting, which is held in a different location each year. In 2022, we travelled to Aranjuez. The objective of these conferences is to improve collaboration, communication and trust among team members, which helps to improve the performance and productivity of the team as a whole, as well as encourage teamwork, conflict resolution and effective leadership.

Another activity that is carried out is the sending of e-mails to the entire workforce with information on the milestones achieved, a tool that strengthens team spirit at MRG and helps motivate employees.

10.2.4 Well-being measures

At Madrileña Red de Gas we continue to offer initiatives to promote the well-being of our employees, adapted to their needs and resources.

The main benefits offered and payments in kind are:

- Life insurance
- Medical insurance
- Savings and retirement plan
- Restaurant vouchers or food reimbursement for workers with a split shift.
- Help for employees' university studies

In addition to these benefits, some people assigned to the commercial side of the company have a company vehicle included in their salary as a payment in kind.

10.3 Talent management

Talent management is a key aspect at MRG. During 2022, our strategy to achieve greater efficiency and productivity on the part of our professionals has focused on two aspects: organisational humanisation, which is based on prioritising the well-being of people, and collective leadership, focused on obtaining results by motivating and ensuring commitment from the team in the face of the challenges set.

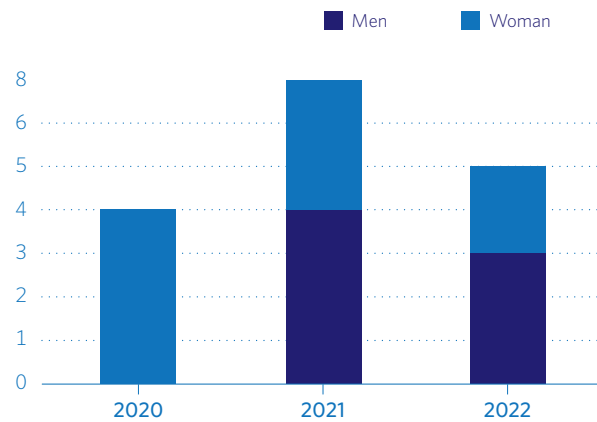
Objectives for 2023

- ①  Maintain the positive work environment results and promote improvement.
- ②  Strengthen interdepartmental relationships by way of annual meetings, training, projects and events, fostering growth as a business team.
- ③  Increase annual feedback conversations and strengthen their communication.
- ④  Promote better communication of the achievements in the areas.

MRG Welcome manual topics

1. Presentation of the company
2. Organisational chart and work calendar
3. Equality and diversity
4. Training
5. Management system and policies
6. Sustainability
7. Cybersecurity

Development in new hires according to gender



10.3.1 New incorporations and staff turnover

Madrileña Red de Gas is aware of the importance of integrating our workers to achieve a work climate conducive to the professional and personal development of each team member. To begin this integration process, new employees are received with the “Welcome Manual”, which has been updated during this year.

Five new employees have been hired in 2022: three men, one aged less than 30 and the other two in the age range 40 to 50 years, and two women, both aged less than 30 years.

It is important at MRG to adequately manage the generational renewal of the workforce and the rejuvenation of its employees, which is why this is carried out progressively, considering the importance of establishing a balance between the experience contributed by veterans and the levels of competitiveness and innovation of younger people.

The average age of the workforce is 45.25 years, without considering partial retirees, and 45.40 considering them. The turnover rate for 2022 is 3.3%. This corresponds to the voluntary turnover of two men, one under 20 years of age and the other under 40; and two women, one under 30 years of age and the other under 50

10.3.2 Training

During 2022, one of the most outstanding milestones in terms of training, with the aim of strengthening the relationship between departments, and as mentioned previously, was the organization of the CAMINO AL FUTURO debate forum, in which all the company’s departments participated.

Each departmental head, along with several employees, presented the most important points made during the year in each of their areas. The topics discussed made us reflect on the future of natural gas, initiatives concerning hydrogen, market changes and the value of human assets. This debate forum was launched with a talk/speech by the CEO. The next debate forum, entitled EVOLUCIONA, which will also be presented by the heads of department, is scheduled for 2023.

Another of the most outstanding events training in financial year 2022 has been Mentoring with Heads of Department, which will continue in 2023, and the Cybersecurity course, which was presented in an innovative format and was very well accepted.

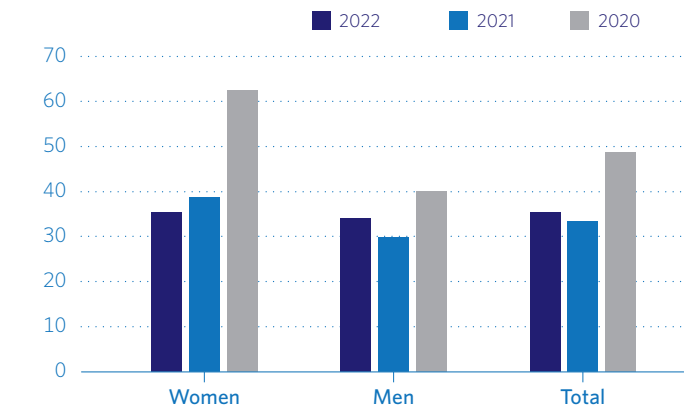
On the other hand, any attempt to measure the wealth of an organization must also take into account its intellectual capital. Madrileña Red de Gas is aware of this and that is why we have worked on our “Knowledge Stock”, which was completed in 2022.

Said Stock comprises a database of the set of knowledge identified in our organization, relating it to each activity and corresponding job position. To prepare it, each department has carried out an internal analysis to identify the knowledge of each job position.

A specific tool for the Stock called “Moogole”, developed in Power BI, will be published soon. This tool will allow all the information associated with each knowledge to be found using multiple filters.

In addition to the above, as is the case every year, our 2022 Training Plan was published to respond to all the training

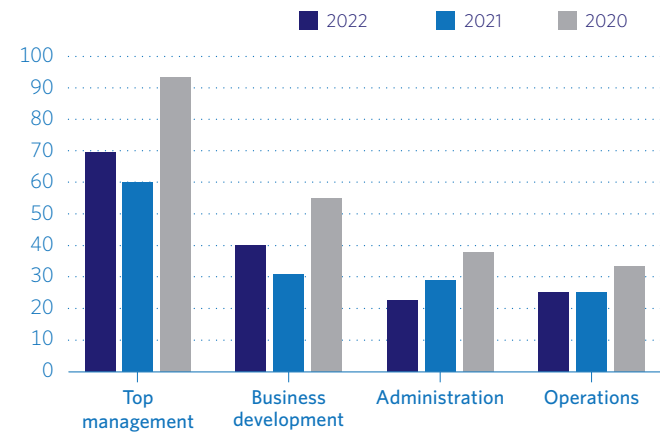
Average time of training according to gender (h)



* Excluding partial retirees.

10. Employees

Average time of training according to job category (h)



* Excluding partial retirees

Training programs

Training areas	Hours	Sessions	Participants
Corporate	235.3	3	235
Skills	366.0	2	99
Languages	908.0	2	18
Business	1,707.7	15	248
Systems	32.0	1	2
Prevention, environment and quality	980.7	12	144
Totales	4,229.7	35	746

needs that arise due to evolution of the company and the growth of our professionals.

Training actions

A total of 4,229.7 hours of training have been imparted in 2022, which represents an average of 35.25 hours per employee. Of these 4,229.7 hours, 1,550 were received by women and 2,680 by men.

As mentioned above, in 2022 training in skills has been allocated to work, such as promoting leadership in the future market, of which "A Change to the Future" stands out.

With regard to language training, at MRG we are clear about the importance of our professionals having a good level of English, precisely because today English proficiency is an essential asset in the labour market. As such, the people who participate in this training are provided with different modalities, from telephone to face-to-face, and all kinds of courses, such as intensive masters or blended courses.

In addition to language training, advanced knowledge of office automation and its security in an increasingly technological world has become essential. As such, in 2022 courses on Cybersecurity have been given to the entire workforce. The company has also offered training on Power BI and Personal Data Protection. As regards Occupational Health and Safety, the course on road safety in the workplace should be highlighted.

10.3.3 Performance appraisal

All MRG employees receive a personalized appraisal of their performance via personal interviews with their managers at least once a year.

Likewise, in the case of new incorporations, during the first year, the HR department conducts a personalized follow-up, both with the newly incorporated person and with the direct manager, in which the following aspects are analysed:

- Newly hired person: it is determined whether they have all the resources they require to carry out their work, their relationship with colleagues and with their manager and their adaptation to the company and the unit.
- Manager: adaptation of the person incorporated to the position, their relationship with their colleagues, aspects related to punctuality, learning capacity and level of responsibility.

After the trial period for the newly hired person, which varies from 2 to 6 months depending on the profile, the direct manager completes a test to assess whether the candidate has passed said period.

10.4 Diversity, Equity and Inclusion

MRG is committed to equal opportunities, respect for differences and non-discrimination, working mainly on gender equality, as well as any element of diversity in the workplace, as established by the Equality Negotiating Commission, the Equality Plan and compliance with the General Law on Disability (LGD).

As such, and as a sign of our sustained commitment to equality and diversity, Madrileña Red de Gas continues to ensure the implementation of advances and measures aimed at the constant enrichment of our work environment. In this sense, 2022 has been a period of significant progress in terms of equality.

As a result of the constitution of the Equality Negotiating Commission in 2021, an enriching negotiation process has been carried out in 2022 that has culminated in the signing of the Madrileña Red de Gas Equality Plan. Said Plan will be valid for 4 years: from 30 June 2022 to 30 June 2026.

The measures to be adopted, the periodicity, the indicator, the person responsible for execution and the internal resources required are defined for each objective. The Plan's Joint Monitoring Committee will be responsible for ensuring that its objectives are met.

As can be seen from the figures for our workforce mentioned above, our workforce is slightly male-dominated, in line with the sector in which it operates, with the incorporation of a greater proportion of women in the workforce being a reality that has occurred at MRG since its constitution. Although the number of women at the end of 2022 remains similar to that for the two previous

10. Employees

Objectives agreed in the equality plan of Madrileña Red de Gas:

Achieve a **balanced representation** in the different areas of activity and positions, increasing the presence of women where they are under-represented.

Having a person responsible for **equal treatment and opportunities** in the company and a **monitoring committee**.

Increase awareness of the workforce and carry out collaborative actions in **campaigns against sex-based violence** Inform and raise awareness of **non-sexist language**.

Guarantee a **safe work environment** free from any type of sexual or gender-based harassment Implement a gender perspective in Occupational Health and Safety.

Guarantee **equal treatment and opportunities in the selection** for access to the company, eliminating horizontal and vertical segregation.

Guarantee **equal opportunities in the education and training** of the workforce Achieve good needs detection and analysis.

Guarantee **equality in promotion** of the workforce Regulate a professional classification system that guarantees no sex-based discrimination.

Guarantee the exercise of rights to a family life, informing employees of them and making them accessible to the entire workforce, regardless of gender Promote the use of parental measures among the men in the workforce.

years, looking back, their weight is twice that for the period 2010-2020.

One of the reasons why there are fewer women in some areas of Madrileña Red de Gas is because very few choose these professions due to the technical and field work that this type of position implies and, especially, due to the rotating shifts of morning and afternoon or morning, afternoon and night. For this reason, more women are present in this sector in administrative and managerial positions, instead of operational or technical positions.

It should also be mentioned that, in 2022, as in previous years, there have been no cases of discrimination in Madrileña Red de Gas.

10.4.1 Diversity and workplace inclusion

As seen in the Good Governance section, the composition of the governance bodies, in terms of gender and age group, is as shown in the graph on these pages.

The only senior management role at the company is the CEO of MRG.

With regard to our employees, below we indicate the percentages by sex and age group within each labour category (Administration, Business Development, Management and Operations) in year 2022.

Around 5% of our workforce (six workers, no partial retirees) have a nationality other than Spanish. Specifically, we have employees with Italian, Peruvian, Colombian, English and Polish nationality.

At the end of 2022, MRG’s workforce contained two disabled employees, thus complying with the General Disability Act (LGD).

10.4.2 Wages

With regard to the wage policies established by the Company, a special focus is placed on skills- and objectives-based remuneration combined with years of experience and job category.

In order to analyse pay equality between men and women, the remuneration ratio of women compared to men is calculated. This is established taking into account both the fixed salary and the company cost, without considering the complementary remuneration, and the average for 2022 is compared for women and men by employment category.

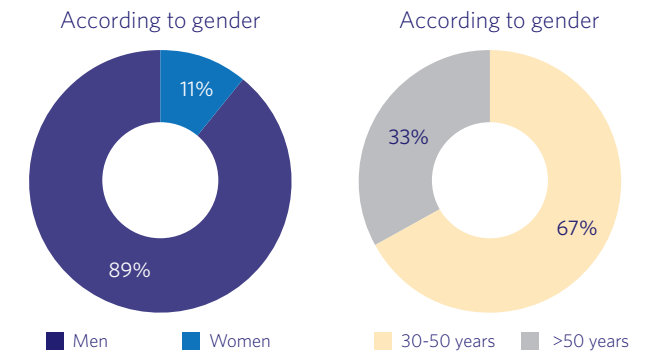
For those employees working reduced hours or are in partial retirement, their full-time equivalent has been calculated. The Management Committee has not been included in this calculation.

In 2022, the total annual wage of the highest paid person is 1.49-times the median for all other employees.

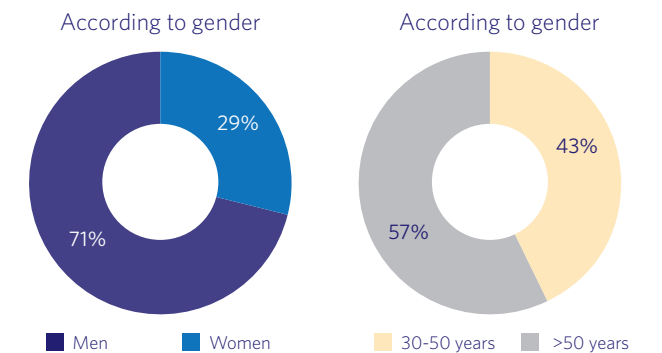
The percentage increase ratio for the total annual wage of the highest paid person compared to the median for all other employees was 1.1.

Neither the CEO nor the heads of department have been considered when determining the highest paid person. For this calculation, the company cost of each employee

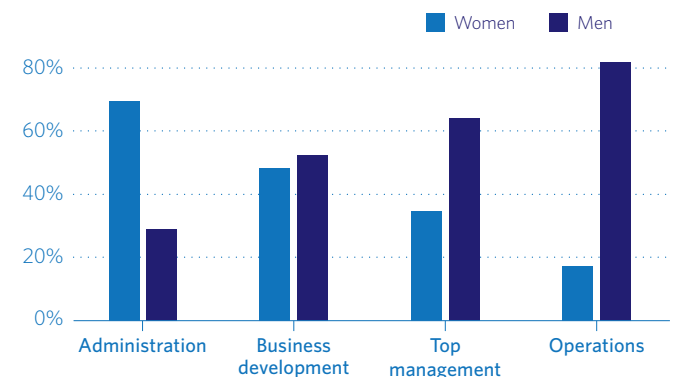
Composition of Management Committee



Composition of Board of Directors



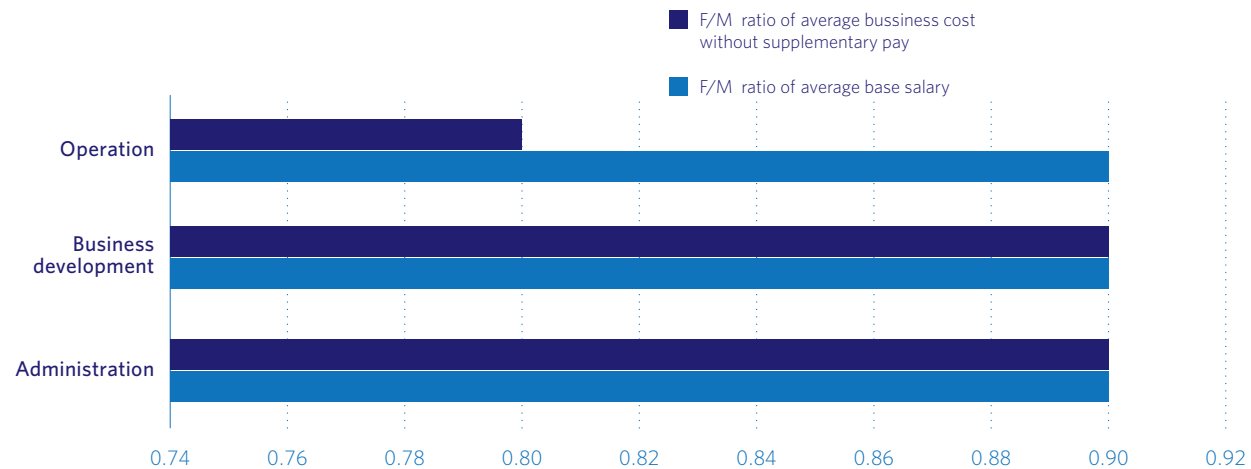
Employment category according to gender, 2022*



* Note: excluding partial retirees.

10. Employees

Average F/M ratio 2022



has been considered, excluding overtime and mileage, and calculating the full-time equivalent for employees with reduced working hours.

No employee receives their salary based on the rules on minimum wages

10.5 Occupational Health and Safety

Madrileña Red de Gas has implemented an Occupational Health and Safety Management System, certified as per the UNE-EN ISO 45001:2018 Occupational Health and Safety Management Systems standard, with a scope that includes all workers, work centres, collaborators and activities of our organization.

In addition, in accordance with Royal Decree 39/1997, which approves the Regulations for Prevention Services,

Madrileña Red de Gas has, as an organizational modality for the prevention of occupational hazards, an agreement with an External Prevention Service, when carrying out activities in Annex I of said Royal Decree considered especially dangerous and as it has a workforce of less than 250 workers.

In 2022 we have had to continue the prevention policies implemented due to the Covid-19 pandemic, a disease caused by the SARS-Cov-2 coronavirus, despite the general improvement in the socio-sanitary situation, and because of the legislation that remains in force in the workplace, which for practical purposes has resulted in the establishment of various hygienic measures in the different workplaces.

10.5.1 Actions undertaken in the MRG building

The purchase of safety, hygienic and protective material against COVID-19 has decreased in 2022. The only

purchase necessary has been face masks. In addition, we have continued to improve ergonomic conditions for our workforce, purchasing new ergonomic chairs.

Similarly, after completing renovation work in the Pozuelo offices, it was decided to study the capacity conditions in the two enabled areas on the basis of air conditioning criteria. It should be noted that each area should be occupied by a maximum of 15 people to guarantee an outdoor air flow of 12.5 L/s/person. It also includes advice to take into account when all staff return to the installations.

Cleaning of the facilities has continued to be reinforced in cases where there has been some contagion, as well as in the areas where work is carried out on a daily basis.

Finally, it should be noted that a technical review or inspection of the shelves in the parking warehouse was carried out in February. The aim of this inspection was to verify the state of the shelves to minimize risks and ensure safer warehouse operation by detecting possible damage to the structure.

10.5.2 Actions undertaken at the Alcorcón site

After opening a new work centre at Calle de Valdemorillo no. 60 in Alcorcón in the last quarter of 2021, all the necessary procedures to adapt it have continued. These include the steps required to notify opening of the workplace to the Labour Authority, as well as expansion of the coverage of the External Prevention Service. We are currently proceeding with the paperwork to obtain the municipal licence.

10.5.3 Health and Safety objectives

With regard to the three objectives established for 2022, the follow-up status is as follows:

Reduction of accidents. Degree of achievement: 75%. There has been a greater number of accidents with sick leave in the organization (one more than the previous year), although the number of accidents without sick leave has decreased.

Maintenance of the prevention of serious accidents management model. 84% of the established goals have been achieved, reaching all the goals established in relation to the Emergency Plans and regulatory reviews.

Maintenance of the validity of the existing prevention model in accordance with the requirements of current legislation. 75% achieved, in the absence of achieving the goal established with regard to updating content, both in the Risk Prevention Plan and in job evaluations.

10.5.4 Consultation and participation

Madrileña Red de Gas provides timely access to clear, comprehensible and pertinent information on Occupational Health and Safety, through internal collaborative environments for documented information and, where appropriate, via written notifications or periodic reports prepared for that purpose.

In addition, to guarantee the adequate participation of the workforce in the health and safety activities carried out in the company, the presence and participation of Prevention Delegates is encouraged. In this sense, four consultations have been carried out by the Prevention

10. Employees

Delegates in relation to the official registration thereof, related to Health and Safety training, as well as improvements in changing rooms and in the air conditioning system.

Moreover, three meetings of the Health and Safety Committee have been held during 2022, during which the following topics, amongst others, were discussed:

- COVID-19 monitoring, campaigns, tests, material purchases
- Activities of the external prevention service
Review of the workplace risk assessment and work positions
- Certification audit
- Training.
- PPEs, changing rooms

10.5.5 Dialogue with stakeholders

Accidents are reported to the Labour Authority, as established in current legislation. Likewise, statistical information on workplace accidents is also provided to the sectoral association SEDIGAS.

As a result of the changes made to the SEDIGAS general secretariat in 2022, the Safety Committee has been eliminated and has been integrated into the new Sustainability Committee. During this period, a meeting has been held to finish defining the committee's focus and list the relevant topics that can be dealt with by it

10.5.6 Hazard identification and risk assessment

Prevention activities are based on a proactive and constant identification of hazards, as well as an adequate and periodic evaluation of the risks existing in each activity. Occupational risks, taken to be those to which workers are exposed, will be identified and evaluated by the Risk Management Unit, through the External Prevention Service, as per the provisions of current legislation.

During 2022, various interviews were carried out with the different groups in order to review the evaluation of the job roles, as well as with new incorporations. The occupational health and safety survey sent focused on remote working, as indicated in article 5 of RDL 8/2020, since almost the entire Madrileña Red de Gas workforce is working remotely, with the exception of Network Operations.

Based on the results obtained, it was proposed to provide informative notes, or advice, to avoid many of the deficiencies that workers find in their homes, such as how to avoid reflections, screen placement, order and cleanliness, etc.

10.5.7 Workplace accidents

Our employees

Although the accident rate has decreased, the frequency and seriousness indices have worsened compared to the previous year, as a result of two accidents with sick leave, the severity and duration of which have been greater.

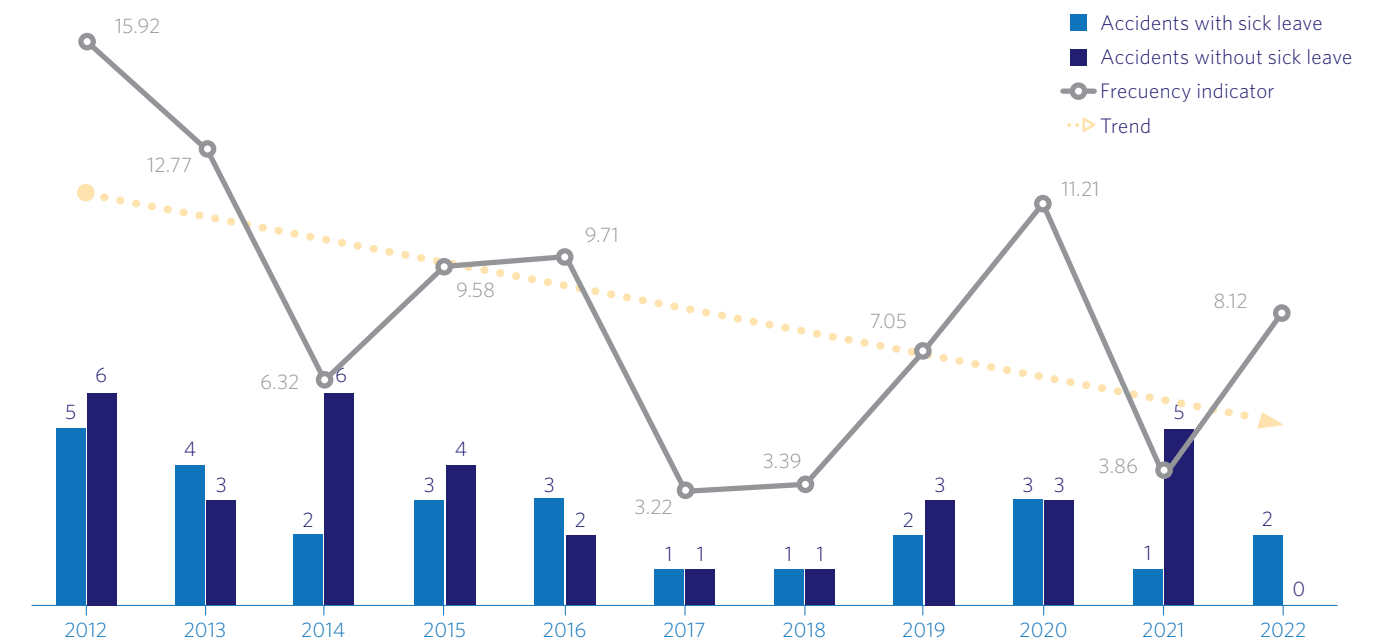
Accidents in the workplace among MRG staff

	2020	2021	2022
Accident with leave not "in itinere"	3	1	2
Accident without leave not "in itinere"	3	5	0
Accident with leave "in itinere"	0	0	0
Accident without leave "in itinere"	0	0	0
Frequency index ¹	11.21	3.86	8.12
Severity index ²	0.11	0.20	0.95

¹ Number of accidents causing injuries and sick leave per million hours worked.

² Number of days lost due to accidents per thousand hours worked.

Evolution of workplace accidents in MRG, 2012-2022



Note: The Frequency Indicator is defined as the number of accidents with leave during the working day for every million hours worked

10. Employees

Accidents in the workplace among MRG's contractors

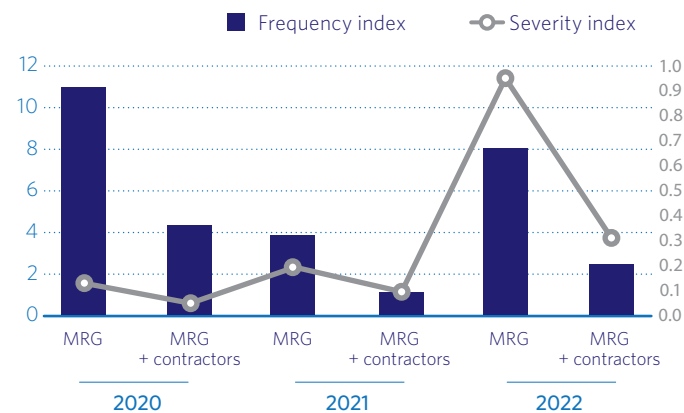
	2020	2021	2022
Accident with leave not "in itinere"	0	0	0
Accident without leave not "in itinere"	0	3	3
Accident with leave "in itinere"	0	1	0
Accident without leave "in itinere"	0	0	0
Frequency index ¹	0	0	0
Severity index ²	0	0	0

¹ Number of accidents causing injuries and sick leave per million hours worked.

² Number of days lost due to accidents per thousand hours worked.

Index of accumulated frequency and seriousness for MRG plus contractors

		Frequency index	Severity index
2020	MRG	11.21	0.11
	MRG + Contractors	4.26	0.04
2021	MRG	3.86	0.20
	MRG + Contractors	1.31	0.07
2022	MRG	8.12	0.95
	MRG + Contractors	2.64	0.31



MRG has never experienced a fatal accident. There have also been no cases of occupational diseases associated with performance of duties at the company.

Contractors

None of our contractors' employees have suffered a fatal accident. In addition, during 2022 the frequency and severity rates have remained at zero, since no accidents with sick leave have taken place.

Industrial and third-party accidents

With regard to industrial and third-party accidents, two events were recorded in 2022. One of these occurred in September, in Carabanchel, where an explosion and fire occurred in a premises, resulting in two people being hospitalized. The other occurred in December, in Alcalá de Henares, where two people were hospitalised due to carbon monoxide poisoning.

Accumulated frequency and severity index for Madrileña Red de Gas and contractors.

Incidents

All incidents that have taken place in 2022 correspond to contractors and include, amongst others, minor injuries, trips and falls, incidents related to road safety, as well as attacks by third parties and animals.

10.5.8 Coordination of business activities

Madrileña Red de Gas carries out regular operational control visits to a wide variety of our significant processes.

By the end of 2022, the tool used to coordinate business activities was monitoring the the documentary control of

106 contractor and subcontractor companies, as well as 731 employee thereof, with close to 6663 documents being under supervision. These values have remained similar throughout the year since there have been no significant changes leading to a greater or lesser need for coordination of activities.

The degree of compliance for contractors was 80.55%, four points higher than the previous year.

These documentary controls are completed via direct supervision in the field that began in previous years, and by way of which the effective application of a large number of preventive measures, and the fact that the documentation provided is correct, is verified.

A total of 197 operational control visits have been carried out during this period, of which 48 were emergency works visited by the Health and Safety Coordinators, the rest of the visits being carried out by the Operational Control Technician for the different field activities carried out by our Network Operations contractors (distribution control centre and maintenance areas) as well as Customer Operations (domestic operations, periodic inspections, readings, etc.). Some of the incidents registered are related to expired fire extinguishers or lack of fire extinguishers in vehicles.

A list of "special" meters has also been compiled. Said list contains the location of meters that are difficult to access. Inquiries have been carried out to try to determine the origin of these situations, and in most cases there is insufficient documentation available to allow us to complete this process.

No meeting with the Health and Safety Coordinators has been held during this period due to the high workload.

No. of incidents

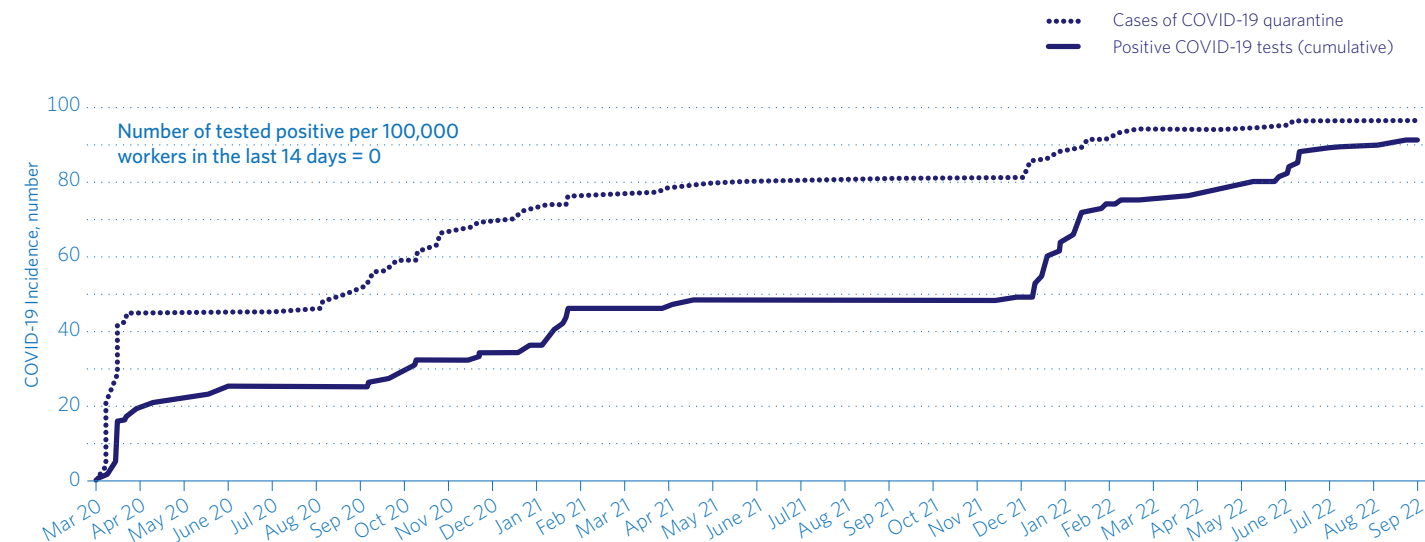
	2020	2021	2022
MRG staff and contractors	6	7	46

Said coordination is carried out for the following activities and work centres

Construction area
Emergency responses (maintenance of network installations)
Building contracts
THT Control
Fraud (control body)
General
LPG
Periodic inspection
Industrial PI
Readings
Maintenance of network installations
IRC Maintenance
Domestic operations
LNG Satellite plants
Commissioning
Work supervision/own activity
Ok remote measuring
Verification and measuring
Atex verifications

10. Employees

COVID-19. Incidence cases in MRG + Contractors. Evolution 2020-22



10.5.9 Health monitoring and promotion

A systematic evaluation of the health status of our workers is carried out annually based on the risks inherent to their position and identified in their risk assessment. This process is carried out by health personnel with technical competence, training and skills accredited by our Prevention Service. In total, 93 medical examinations (periodic and initial) have been carried out, with the results being totally confidential and restricted to the workers themselves, the medical services responsible for their health and to the health authority.

All workers were considered to be suitable for performing their normal work.

In addition, a new influenza vaccination campaign was undertaken in November, with 11 employees being interested.

Finally, Madrileña Red de Gas has had a physiotherapy service, the cost of which is 50% subsidised by the company, for a number of years. This at-home service has continued to be offered in 2022 to those patients requesting it (five in this case).

As in previous years, the Early Colon and Rectal Cancer Detection Program, aimed at the entire population between 50 and 69 years of age, has continued.

With regard to COVID-19, the campaign to identify vulnerable employees has also continued. Although no serological test has been carried out this year, a control has been carried out for all workers who notified us of contagion or close contact with a family member, offering them the appropriate recommendations and managing the

cleaning of changing rooms, or the prioritization of solo work, with operations staff.

10.5.10 Health and Safety training

In the first half of 2022, due to an organizational change, the responsibility for Occupational Health and Safety training was transferred from the Human Resources unit to the Risk Management Unit. In this sense, the need to carry out an in-depth review of the recording and status of the training activities carried out to date was detected, thereby helping to plan pending and/or necessary training activities, as well as to plan future activities in the coming years.

The training activities held in 2022

Course	Entity	Mode	Attendees
Own employees			
Safety in Gas-Related Work	Ilunion	In person	9
Combustion Analysis	Agremia	In person	3
Offices	Previlabor	On-line	12
Basic occupational health and safety	Previlabor	On-line	7
First aid measures	Previlabor	On-line	2
Third-party violence	Quirón	In person	10
Self-Protection Plans LNG Plants (LNG Plant Drills)	Unisafe	In person	4
Self-Protection, Emergency and Drills Plan at LPG Plants (LPG Plant Drills)	Unisafe	In person	20
Emergency Plans at LNG Plants	Unisafe	On-line	23
Traffic Safety Management at your Company	Previlabor	On-line	45
COVID-19 - Information and Prevention	Previlabor	On-line	4
Remote working Risks and preventive measures Law 10/2021	Previlabor	On-line	9
Contractors			
Self-Protection, Emergency and Drills Plan at LPG Plants (LPG Plant Drills)	Unisafe	In person	20
Presentation Emergencies at LNG Storage Plants	Unisafe	On-line	-

During 2022, MRG has carried out various prevention-related information campaigns aimed at employees, via email



Reminder to use masks and maintain safety distance in warehouse

All operators



Preventive measures in the warehouse. Avoid huddles of conversation

All operators



When is a foot rest required?

Remote working staff



When is a screen support required?

Remote working staff



Prevention while driving

Emergency coordinators + operators



Psycho-social risks: Basic guidelines at work

Remote working staff



Recommendations in the event of "calima"

Operators + coordinators + remote working staff



Good prevention practices for sun and heat

Operators + coordinators + regional managers



Consejos para la prevención del contagio de gripe

All staff



Campaña de vacunación antigripal

All staff

10.5.11 Information Campaigns

Occupational health and safety-related information is intended to raise the awareness of workers with regard to all the circumstances surrounding their work environment, specifying the possible risks, their seriousness and the protection and prevention measures adopted.

During 2022, Madrileña Red de Gas has carried out various prevention-related information campaigns aimed at employees, via email.

11

About This Report

11. About This Report

11.1 Reporting principles

This is the third annual report published by Madrileña Red de Gas. It corresponds to the financial year 2022 and was published in June 2023.

This report has been drafted in compliance with GRI Standards, specifically the Universal Standards GRI 1: Foundation, GRI 2: General Disclosures 2021 and GRI 3: Material Topics 2021, the topic standards applicable to our material topics and the Sector Standard GRI-11: Oil and Gas Sector 2021.

The principles for drafting this report, as set out in GRI 1: Foundation 2021, are described below.

- **Accuracy**

The information contained in this report has been checked and is sufficiently detailed to allow an evaluation of the impacts caused by the activity carried out by MRG.

All the information provided covers the reporting period, as well as its evolution over the last three years (2020, 2021 and 2022).

- **Balance**

The information presented fairly represents the positive and negative impacts of the organization, without bias. Trends that allow us to determine the evolution of the different topics over time are also presented.

The priority of each topic is revealed by the degree of detail for each aspect.

- **Clarity**

The information is presented in an accessible and

understandable manner, structured in the form of tables and diagrams and including graphic information to simplify reading and understanding

- **Comparability**

The information provided allows an analysis of the changes that have occurred in the company over time, as well as an analysis of the impacts with respect to other organizations.

- **Exhaustivity**

The information provided is sufficient to be able to assess the impacts of MRG during the reporting period.

- **Sustainability context**

The report has been prepared based on the materiality review carried out in 2022, considering the internal and external sustainability context, together with the opinion of our stakeholders.

The structure and contents present the impacts of Madrileña Red de Gas on the axes of sustainability—society, the environment and the economy—together with the policies, strategy and actions that we are carrying out, always within the framework of our commitment to sustainable development.

- **Punctuality**

It includes the activities of Madrileña Red de Gas in the period between 01 January 1 and 31 December 2022, and it is expected to be published annually.

- **Verifiability**

The information contained herein is recorded, compiled and analysed in such a way that its veracity and quality can be ensured. Ensuring

application of the principles for the elaboration of reports presented above.

The point of contact for questions related to this report and the information presented herein is:

sostenibilidad@madrileña.es

11.2 Update of information in 2021 report

1. The list of LPG plants in protected natural spaces has been modified. There are three plants in Las Rozas that were not included in said list in the 2021 report, despite being in said spaces.
2. The data for average training hours for women in the 2021 report has been modified due to a calculation error. The correct value is 38.5 hours (corresponding to 1771 hours, given to women during 2021, among the 46 women on the workforce in that year).
3. The data referring to the average hours of training by job category, corresponding to 2021, have been modified. Due to an error in the interpretation of GRI 404-1 Average hours of training per year per employee, the average workforce throughout the year was taken as the basis for the calculations rather than the workforce indicated in GRI 2.7 Employees.

11.3 Table of Contents GRI

Declaration of use	Madrileña Red de Gas has drafted this report for the period between 01 January 2022 and 31 December 2022 in compliance with GRI Standards. Madrileña Red de Gas' Board of Directors, as highest governance body, has reviewed and approved this report by way of its chair and representative.
GRI 1 used	GRI 1: Foundation 2021
Sector Standards applicable	GRI 11: Oil and Gas Sector 2021

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
General contents				
GRI 2: General Disclosures 2021	2.1 Organisational details	2.1. About us		
	2.2 Entities included in the organization's sustainability reporting	11.1. Reporting principles		
	2.3 Reporting period, frequency and contact point	11.1. Reporting principles		
	2.4. Restatements of information	11.2. Restatement of information in 2021 report		
	2.5. External assurance	11.4. External assurance		
	2.6 Activities, value chain and other business relationships	2.3. Our value chain 7. Supply Chain		
	2.7 Employees	10.1. Our human assets		
	2.8 Workers who are not employees	10.1. Our human assets 10.5.8. Coordination of business activities		
	2.9 Governance structure and composition	3.1. Corporate Governance 10.4.1. Diversity and workplace inclusion	Incomplete information The number of other positions and significant commitments of each member and the nature of the commitments, under-represented social groups, as well as the relevant competencies for the impacts of the organization, are not available. Attempts will be made to compile this information for the next report.	
	2.10 Nomination and selection of the highest governance body	3.1. Corporate Governance	Incomplete information The criteria used to nominate and select the members of the highest governance body are not available. Attempts will be made to compile this information for the next report.	
	2.11 Chair of the highest governance body	3.1. Corporate Governance		
	2.12 Role of the highest governance body in overseeing the management of impacts	3.1. Corporate Governance 3.5. Incorporation of ESG criteria into the business strategy		
	2.13 Delegation of responsibility for managing impacts	3.1. Corporate Governance 3.5. Incorporation of ESG criteria into the business strategy		

■ A grey box indicates that something is not applicable. This Only relates to the columns "Omission" and "GRI Sector Standard Ref. No.".

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
	2.14 Role of the highest governance body in sustainability reporting	1. Letter from the chairman 3.5. Incorporation of ESG criteria into the business strategy		
	2.15 Conflicts of interest	3.2.4. Prevention of corruption and conflicts of interest		
	2.16 Communication of critical concerns	3.2.3. Complaints channel 3.4. Transparency and communication 6.6.1. Complaints and claims management		
	2.17 Collective knowledge of the highest governance body	3.5 .Incorporation of ESG criteria into the business strategy		
	2.18 Evaluation of the performance of the highest governance body		Information not available. There is currently no procedure for evaluating the performance of the highest governance body as regards oversight of the management of the organization's impacts on the economy, the environment and people. Attempts will be made to compile this information for the next report.	
	2.19 Remuneration policies	3.1. Corporate Governance		
	2.20 Process to determine remuneration	3.1. Corporate Governance		
	2.21 Annual total compensation ratio	10.4.2. Remuneration	Information incomplete. When calculating the ratios, the highest paid person (CEO) has been excluded, as established in this GRI, although departmental heads have also been omitted (because this information is not available). Attempts will be made to compile this information for the next report.	
	2.22 Statement on sustainable development strategy	1. Letter from the chairman 3.5. Incorporation of ESG criteria into the business strategy 4.1. Main milestones 2022 4.2. Materiality analysis		
	2.23 Policy commitments	3.2.1. Human Rights Due Diligence 3.2.2. Code of ethics 3.5. Incorporation of ESG criteria into the business strategy 4.1. Main milestones 2022 4.4. Commitment with stakeholders https://madrilena.es/compromiso/		

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
	2.24 Embedding policy commitments	3.2. Ethical behaviour 3.3. Compliance		
	2.25 Processes to remediate negative impacts	3.2.3. Complaints channel 6.6.1. Complaints and claims management		
	2.26 Mechanisms for seeking advice and raising concerns	3.2.3. Complaints channel 3.4. Transparency and communication 6.6. Orientation to customer		
	2.27 Compliance with laws and regulations	3.3. Compliance		
	2.28 Membership associations	4.4. Commitment to stakeholders 5.3. Regulatory risk 6.3. Network expansion: in the present but looking to the future 6.4. Striving for innovation, favouring the future of renewable gases 7.1. Ethics, confidence and transparency with our supply chain 8.3.1. Methane Emissions 8.3.3. Commitment to emissions reduction and energy efficiency 10.5.5. Dialogue with stakeholders		
	2.29 Approach to stakeholder engagement	4.2. Materiality analysis 4.4. Commitment with stakeholders 6.6. Orientation to customer 9.2. Always close and willing to listen 10.2.3. Work environment 10.5.4. Consultation and participation		
	2.30 Collective bargaining agreements	10.2.1. Labour Relations		
Material topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	4.2. Materiality analysis		
	3-2 List of material topics	4.2. Materiality analysis		

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
Ethics and anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	3.2. Ethical behaviour		11.12 Forced labour and modern slavery 11.20 Anti-corruption 11.22 Public policy
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	3.2.4. Prevention of corruption and conflicts of interest		
	205-2 Communication and training about anti-corruption policies and procedures	3.2.4. Prevention of corruption and conflicts of interest 3.3.2. Commitment, raising awareness and training		
	205-3 Confirmed incidents of corruption and actions taken	3.2.4. Prevention of corruption and conflicts of interest		
Legal compliance				
GRI 3: Material Topics 2021	3-3 Management of material topics	3.3. Compliance		
GRI 2: General Disclosures 2021	2.27 Compliance with laws and regulations	3.3. Compliance		
Incorporation of ESG criteria into the strategy and decision-making				
GRI 3: Material Topics 2021	3-3 Management of material topics	3.5. Incorporation of ESG criteria into the business strategy		
Own	Letter from the chairman	1. Letter from the chairman		
Adaptation to climate, resilience and transition				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.2. Climate change and the energy transition: our main challenge		11.2 Adaptation to climate, resilience and transition
GRI 201: Economic performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	5.2. Climate change and the energy transition: our main challenge	Information incomplete. No information regarding the cost of the measures taken to manage risk or opportunity are available. Attempts will be made to compile this information for the next report.	
Own	Innovation and green-energy projects	6.4. Striving for innovation, favouring the future of renewable gases		
Integrity of assets and management of critical incidents				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4. Integrity of assets and management of critical incidents		11.8 Integrity of assets and management of critical incidents
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety	5.4. Integrity of assets and management of critical incidents		

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
Cybersecurity				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.5. Cybersecurity and management of risks when treating information		
Own	Certification Information Security Management System as per standard ISO 27001	5.5.1. Information Security and Personal Data Protection		
	Evaluation of the maturity level based on Deloitte's CyberIndustrial Strategy Framework (CISF) v2.0	5.5.2. Cybersecurity		
	Re-evaluation of the maturity level of the OT (Operational Technologies) environment using the C2M2 standard	5.5.2. Cybersecurity		
	Cybersecurity Action Plan 2022	5.5.2. Cybersecurity		
Economic and financial risks				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.3. Economic, financial and fiscal risks		
Own	Audit of annual accounts.	5.3. Economic, financial and fiscal risks		
Regulatory risks				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.1. Regulatory risk		
GRI 2: General Disclosures 2021	2.28 Membership associations	5.1. Regulatory risk		
Creation of economic and financial value				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.2. Generating economic value		
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	6.2. Generating economic value		
GRI 203: Indirect economic impacts 2016	203-2 Significant indirect economic impacts	6.2. Generating economic value		

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
Development and extension of the distribution network				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.3. Network expansion: in the present but looking to the future		
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	9.1. Facilitating access to energy		
Own	Evolution of natural gas supply points	6.3. Network expansion: in the present but looking to the future		
Supply reliability and continuity				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.5. Reliability and continuity of supply		
Own	Emergency response system and indicators	6.5. Reliability and continuity of supply		
	Maintenance plan	6.5. Reliability and continuity of supply		
Orientation to customer				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.6. Orientation to customer		
Own	Platforms for communicating with customers	6.6. Orientation to customer		
	Evolution of the satisfaction score in customer surveys	6.6. Orientation to customer		
Extension of ESG criteria to supply chain				
GRI 3: Material Topics 2021	3-3 Management of material topics	7.2. Ethics, confidence and transparency with our supply chain		11.12 Forced labour and modern slavery 11.13 Freedom of association and collective bargaining
GRI 407: Freedom of association and collective Bargaining 2016	407-1 Operations and suppliers where the right to freedom of association and collective bargaining may be at risk	7.2. Ethics, confidence and transparency with our supply chain		
408: Child labour 2016	408-1 Operations and suppliers with significant risk of cases of child labour	7.2. Ethics, confidence and transparency with our supply chain		
409: Forced or mandatory labour 2016	409-1 Operations and suppliers with significant risk of cases of forced or mandatory labour	7.2. Ethics, confidence and transparency with our supply chain		

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
ESG criteria in purchasing decision-making				
GRI 3: Material Topics 2021	3-3 Management of material topics	7.3. Sustainable purchasing: shared goals and commitments		11.12 Forced labour and modern slavery 11.13 Freedom of association and collective bargaining
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	7.3. Sustainable purchasing: shared goals and commitments		
	308-2 Negative environmental impacts in the supply chain and actions taken	7.3. Sustainable purchasing: shared goals and commitments		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	7.3. Sustainable purchasing: shared goals and commitments		
	414-2 Negative social impacts in the supply chain and actions taken	7.3. Sustainable purchasing: shared goals and commitments		
Promotion of local purchasing				
GRI 3: Material Topics 2021	3.3. Management of material topics	7.4. Promotion of local purchasing		11.14. Economic impacts
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	7.4. Promotion of local purchasing		
Emissions, pollution and fight against climate change				
GRI 3: Material Topics 2021	3.3. Management of material topics	8.3. Atmospheric Emissions: measurement and reduction commitment		11.1 GHG Emissions 11.3 Emissions to air
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	8.3.2. Our carbon footprint: measurement and verification		
	305-2 Energy indirect (Scope 2) GHG emissions	8.3.2. Nuestra Huella de Carbono: medición y verificación		
	305-3 Other indirect (Scope 3) GHG emissions	8.3.2. Nuestra Huella de Carbono: medición y verificación		
Own	Carbon footprint mitigation plan	8.3.3. Commitment to reduce emissions and energy efficiency		
Access to energy and economic impact				
GRI 3: Material Topics 2021	3.3. Management of material topics	9.1. Facilitating access to energy		11.14. Economic impacts
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	6.2. Generating economic value		
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	9.1. Facilitating access to energy		

11. About This Report

GRI standard/ Other source	Contents	Location	Omission	GRI sector standard Ref. No.
Occupational health and safety				
GRI 3: Material Topics 2021	3.3 Management of material topics	10.5. Occupational Health and Safety		11.9 Occupational Health and Safety
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	10.5. Occupational Health and Safety		
	403-2 Hazard identification, risk assessment, and incident investigation	10.5.6. Hazard identification and risk assessment		
	403-3 Occupational health services	10.5.9. Health monitoring and promotion		
	403-4 Worker participation, consultation, and communication on occupational health and safety	10.5.4. Consultation and participation		
	403-5 Worker training on occupational health and safety	10.5.10. Health and safety training		
	403-6 Promotion of worker health	10.5.9. Health monitoring and promotion		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	10.5.8. Coordination of business activities		
	403-8 Workers covered by an occupational health and safety management system	10.5. Occupational Health and Safety		
	403-9 Work-related injuries	10.5.7. Work accidents		
403-10 Work-related ill health	10.5.7. Work accidents			

Topics in applicable GRI Sector Standards not considered to be material		
Title GRI Sector Standard	Topic	Explanation
GRI 11: Oil and Gas Sector 2021	11.17 Rights of indigenous people	The scope of action of MRG, namely the Autonomous Community of Madrid, and the fact that its suppliers are essentially local, means that we consider this material impact to be non-existent.
	11.19 Unfair competition	As the business of Madrileña Red de Gas is regulated, unfair competition would be directly related to corruption.
	11.21 Payments to governments	Given the regulations applicable to MRG in Spain, we would again strictly be speaking about corruption.
Topics in applicable GRI Sector Standards not considered to be material		
Title GRI Sector Standard	Topic	Location
GRI 11: Oil and Gas Sector 2021	11.4 Biodiversity	8.5. Biodiversity
	11.5 Waste	8.4.1. Waste
	11.6 Water and effluents	8.2. Resource use
	11.7 Closure and rehabilitation	7.5. Adaptation to changes in our value chain
	11.10 Employment practices	10.1. Our human assets 10.2. Conciliation, working conditions and well-being 10.3 Talent management
	11.11 Non-discrimination and equality of opportunities	10.4. Diversity, Equity and Inclusion
	11.15 Local communities	9.1. Facilitating access to energy 9.2. Always close and willing to listen
	11.16 Rights to land and resources	9.2. Always close and willing to listen
	11.18 Conflicts and security	9.2. Always close and willing to listen

11.4 External assurance

To ensure compliance with the principles and guidelines specified by GRI, and that the information presented herein is accurate, this report has been submitted to external and independent verification by the auditing and certification entity Bureau Veritas S.A, with the secretary of the Audit and Risks Committee actively participating in said process on behalf of the highest governance body. Said entity confirms the conformity of this sustainability report with the principles and guidelines specified in the GRI Standards and the reliability of the information contained therein.



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