

Redexis, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2021,
together with Independent Auditor's
Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Redexis, S.A.,

Opinion

We have audited the consolidated financial statements of Redexis, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

Measurement of the goodwill and intangible assets with an indefinite useful life arising from business combinations carried out in prior years

Description

As described in Note 8 to the accompanying consolidated financial statements, the Group's non-current assets include goodwill amounting to EUR 219,175 thousand and intangible assets with an indefinite useful life relating to gas distribution and transmission licences amounting to EUR 542,914 thousand arising from business combinations carried out in prior years.

The assessment of the recoverable amount of the goodwill and intangible assets with an indefinite useful life both allocated to the transmission and distribution operating segments requires the use of significant judgements and estimates by management, in estimating both the performance of the activity and the future growth of the business estimation.

We identified this matter as one of the most significant matters in our audit based on both the magnitude of the amounts affected and the high degree of judgement required of management when assessing the recoverable amount of the goodwill and intangible assets with an indefinite useful life.

Procedures applied in the audit

Our audit procedures included, among others, evaluating the feasibility of the valuation methodology and key assumptions used by management.

In this respect, we evaluated the feasibility of the cash flow projections and the discount rates applied by comparing the assumptions made with data obtained from both internal and external sources, and performed a critical evaluation of the key assumptions in the models used.

In particular, we verified the feasibility of the remuneration formulae used for the estimation of the revenue having checked that they were consistent with the current regulations, as well as the use of a terminal value in the valuation of assets by applying a perpetual growth rate, for which we have involved our internal valuation specialists.

In addition, we have conducted a retrospective review on prior years estimations with the aim of identifying bias in management cash flow projections and assessed the historical compliance of the Group's budgets in order to assess the reliability of the estimates made by the Management.

Measurement of the goodwill and intangible assets with an indefinite useful life arising from business combinations carried out in prior years

Description

Procedures applied in the audit

Finally, we have performed a sensitivity analysis regarding the key assumptions and assumptions identified, also evaluating whether the note 3.f), 3.g) and 8 of the attached consolidated annual accounts include all relevant disclosures required in accordance with the applicable financial reporting regulatory framework.

Recognition of revenue from the gas system

Description

As described in notes 1 and 4 and Appendix I to the attached consolidated annual accounts, the principal activity of the Group is the distribution and transport of gas and petroleum products of any kind whose revenues are calculated on the basis of the remuneration formulae contained in the applicable regulations and subject to the system of liquidations of the National Commission on Markets and Competition (CNMC).

In this context, the accuracy and cut-off of the sales, due to the factors described above, were considered to be significant matters in our audit for 2021.

Procedures applied in the audit

Our audit procedures included, among others, understanding the regulated revenue process followed by the Group, reviewing current legislation and evaluating compliance therewith.

These tests were applied together with procedures to verify the applicable remuneration parameters and management information used by the Group to calculate the revenue for the year. In addition, the correct recognition of the settlements received in the year was verified, together with the collections made from and payments made to the associated gas system.

Lastly, we checked that the disclosures included in Notes 3.o) and 28 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2021, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, as required by the regulations governing the audit activity, consists of:

- a) Only verify that the consolidated non-financial information statement has been provided in the manner provided for in the applicable regulations and, if not, report on it.
- b) To evaluate and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on the knowledge of the Group obtained during the audit of those accounts, and to assess and report on whether the content and presentation of this part of the consolidated directors' report comply with the applicable rules. If, based on the work we have done, we conclude that there are material improprieties, we are obliged to report it.

Based on the work done, as described above, we have verified that the information referred to in paragraph a) above is provided in the manner provided for in the applicable regulations and that the rest of the information contained in the consolidated directors' report is consistent with that of the consolidated annual accounts for the financial year 2021 and its content and presentation are in accordance with the applicable rules.

Responsibilities of the Parent's Directors for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

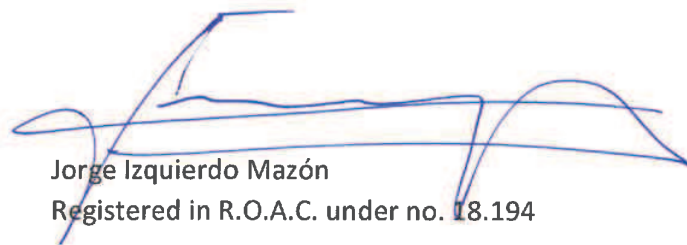
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on the following page, forms part of our auditor's report.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Jorge Izquierdo Mazón

Registered in R.O.A.C. under no. 18.194

31 March 2022

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's directors, we determine those risks that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

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

REDEXIS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and Consolidated Directors' Report

at 31 December 2021

prepared in accordance with International Financial
Reporting Standards as adopted by the European Union

(With Independent Auditors' Report thereon)

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REDEXIS, S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position for 31 December 2021
(Expressed in thousands of Euros)

<u>Assets</u>	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Property, plant and equipment	7	1,316,963	1,323,284
Goodwill	8	219,175	219,175
Other intangible assets	8	561,917	558,703
Right of use assets	9	11,562	11,630
Non-current financial assets	11 and 12	1,502	1,528
Trade and other receivables	12 and 15	5,802	2,726
Total non-current assets		<u>2,116,922</u>	<u>2,117,046</u>
Inventories	14	9,716	5,711
Trade and other receivables	11, 12 and 15	68,484	56,941
Other current financial assets	11 and 12	1,989	278
Other current assets	15	7,252	1,629
Cash and cash equivalents	12 and 16	40,123	591,732
Total current assets		<u>127,563</u>	<u>656,292</u>
Total assets		<u>2,244,485</u>	<u>2,773,338</u>
<u>Equity and Liabilities</u>	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Capital		100,000	100,000
Share premium		105,433	105,433
Other reserves		324,871	392,065
Other comprehensive income		38,108	(6,815)
Equity attributable to equity holders of the Parent		<u>568,412</u>	<u>590,683</u>
Equity: Non-controlling interests		26	25
Total equity	17	<u>568,438</u>	<u>590,709</u>
Debt with related parties	19	991,885	990,064
Loans and borrowings	20	404,753	413,486
Other financial liabilities	18	1,791	1,181
Lease liabilities	9	9,625	9,754
Deferred tax liabilities	13	102,917	97,639
Provisions for employee benefits	24	710	126
Other provisions	25	2,290	943
Government grants and other liabilities	27	21,519	20,909
Total non-current liabilities		<u>1,535,490</u>	<u>1,534,102</u>
Debt with related parties	19	12,709	517,192
Principal		-	493,932
Interest		12,709	23,260
Loans and borrowings	20	11,848	12,431
Principal		9,410	9,935
Interest		2,437	2,496
Trade and other payables	21	106,026	112,535
Current income tax liabilities	13	2,333	1,179
Provisions for employee benefits		348	-
Other current liabilities	21	5,153	3,118
Lease liabilities	9	2,140	2,073
Total current liabilities		<u>140,557</u>	<u>648,527</u>
Total equity and liabilities		<u>2,244,485</u>	<u>2,773,338</u>

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS, S.A. AND SUBSIDIARIES

Consolidated Income Statement for 2021
(Expressed in thousands of Euros)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Revenue	28	239,893	219,380
Other income	29	6,500	5,363
Self-constructed non-current assets		15,526	16,065
Consumption of raw materials and consumables		(26,791)	(20,901)
Employee benefits expense	31	(29,237)	(28,648)
Depreciation and amortisation	7, 8 and 9	(96,035)	(91,773)
Impairment losses on non-current assets		(1,309)	(1,056)
Other operating expenses	30	(29,197)	(25,596)
Results from operating activities		79,351	72,833
Finance income		239	286
Finance costs		(29,206)	(43,604)
Net finance profit/(loss)	32	(28,967)	(43,317)
Profit before income tax		50,384	29,516
Income tax expense	13	(12,276)	(36,331)
Profit for the year		38,108	(6,815)
Profit for the year attributable to equity holders of the Parent		38,108	(6,815)
Profit for the year attributable to non-controlling interests		-	-

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS, S.A. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income for the Year Ended
31/12/2021
(Expressed in thousands of Euros)

<u>Notes</u>	<u>2021</u>	<u>2020</u>
Profit for the year	<u>38,108</u>	<u>(6,815)</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss		-
Other comprehensive income for the year, net of taxes	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>38,108</u>	<u>(6,815)</u>
Total comprehensive income attributable to:		
Equity holders of the Parent	<u>38,108</u>	<u>(6,815)</u>
Non-Controlling Interests	<u>-</u>	<u>-</u>
	<u>38,108</u>	<u>(6,815)</u>

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS, S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for
the Year Ended 31 December 2021
(Expressed in thousands of Euros)

Equity attributable to equity holders of the Parent

	Capital	Share premium	Legal reserve	Other reserves	Profit/(loss) for the year	Total	Non-controlling interest	Total equity
Balance at 31 December 2020	100,000	105,433	20,000	372,065	(6,815)	590,683	25	590,709
Profit/(loss) for 2021	-	-	-	-	38,108	38,108	-	38,108
Dividends	-	-	-	(60,000)	-	(60,000)	-	(60,000)
Other movements	-	-	-	(379)	-	(379)	-	(379)
Distribution of profit/(loss) for 2020	-	-	-	(6,815)	6,815	-	-	-
Balance at 31 December 2021	100,000	105,433	20,000	304,871	38,108	568,412	26	568,438

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS, S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for
the Year Ended 31 December 2020
(Expressed in thousands of Euros)

Equity attributable to equity holders of the Parent

	Capital	Share premium	Legal reserve	Other reserves	Profit/(loss) for the year	Total	Non-controlling interest	Total equity
Balance at 31 December 2019	100,000	105,433	20,000	398,692	37,551	661,676	25	661,701
Profit/(loss) for 2020	-	-	-	-	(6,815)	(6,815)	-	(6,815)
Dividends	-	-	-	(60,000)	-	(60,000)	-	(60,000)
Other movements	-	-	-	(4,178)	-	(4,178)	-	(4,178)
Distribution of profit/(loss) for 2019	-	-	-	37,551	(37,551)	-	-	-
Balance at 31 December 2020	100,000	105,433	20,000	372,065	(6,815)	590,683	25	590,709

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS, S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows for
the Year Ended 31 December 2021
(Expressed in thousands of Euros)

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year before tax		50,384	29,516
<i>Adjustments for:</i>			
Depreciations	7, 8 and 9	96,035	91,773
Impairment losses on non-current assets		1,309	1,056
Change in provisions		551	(1,596)
Government grants taken to income		(1,295)	(1,232)
Finance income	32	(239)	(286)
Finance costs	32	29,206	43,604
		175,951	162,833
Changes in working capital			
		(30,201)	38,683
Inventories		(4,005)	(333)
Trade and other receivables		(12,587)	749
Other current assets		(7,334)	4,784
Trade and other payables		(8,232)	31,781
Other current liabilities		136	199
Other non-current assets and liabilities		1,821	1,504
		145,751	201,516
Cash generated from operations			
Interest and commissions paid		(37,149)	(33,726)
Interest received		239	286
Income tax paid		(6,528)	(4,312)
		102,313	163,765
Cash flows from investing activities			
Payments for purchases of distribution and LPG assets in use		(5,479)	(10,764)
Payments for acquisition of property, plant and equipment and intangible assets		(84,839)	(124,818)
		(90,318)	(135,582)
Cash flows from financing activities			
Payments from the disposal of financial assets		-	(1,049)
Payments of loans and borrowings		(9,939)	(9,412)
Proceeds from loans and borrowings		720	224,770
Proceeds from loans and borrowings with related companies		-	494,820
Payments from loans and borrowings with related parties		(494,097)	(158,281)
Payments of lease liabilities		(2,188)	(2,181)
Dividends paid		(58,100)	(60,000)
		(563,604)	488,666
Net cash from financing activities			
Net increase (decrease) in cash and cash equivalents		(551,609)	516,849
Cash and cash equivalents at 1 January		591,732	74,883
Cash and cash equivalents at 31 December		40,123	591,732

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(1) Nature, activities and composition of the Group

Redexis, S.A. (hereinafter, the Company or the Parent) was incorporated with limited liability under Spanish law in Madrid on 6 April 2000. Its registered office is located at Mahonia n.º 2, 28043 Madrid and its tax residence is at Avda. Ranillas, nº 1, bloque D, planta 2º. C.P. 50018, Zaragoza (Spain). On 20 May 2021, the Parent's Shareholders General Meeting resolved to change the company name from Redexis Gas, S.A. to Redexis, S.A.

The statutory activity of Redexis, S.A. primarily entails the distribution and transmission of all types of gas and oil-based products for domestic, commercial and industrial purposes, the use of any by-products, and related activities.

Redexis, S.A. is the Parent of a group of subsidiaries (hereinafter, the Group). Information on subsidiaries, associate and/or related entities is provided in Appendix I and Appendix II.

At 31 December 2020 Redexis Gas, S.A. was 33.33% owned by Chase Gas Investments Limited, 33.34% owned by ATP Infrastructure II APS and 33.33% owned by Guotong Romeo Holdings Limited.

On 22 November 2021 ATP executed a corporate restructuring, transferring the Redexis shares from ATP Infrastructure II APS directly to Arbejdsmarkedets Tillægspension (ATP).

Therefore, at 31 December 2021, Redexis, S.A. is 33.33% owned by Chase Gas Investments Limited; is 33.34% owned by Arbejdsmarkedets Tillægspension (ATP); and is 33.33% owned by Guotong Romeo Holdings Limited.

(2) Basis of Presentation

The Consolidated Annual Accounts for 2021 have been prepared on the basis of the accounting records of Redexis, S.A. and of the consolidated companies and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Redexis, S.A. and subsidiaries at 31 December 2021 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Board of Directors of the Parent considers that the Consolidated Annual Accounts for 2021, authorised for issue on 24 February 2022, will be approved with no changes by the shareholders at their annual general meeting. The Annual Accounts for the 2020 financial year were approved by the Shareholders General Meeting on 20 May 2021

The standards or interpretations adopted by the European Union that will be obligatory in coming years are not expected to have a significant impact on the Group's financial statements, although they may entail additional disclosures in the Consolidated Annual Accounts.

a) Basis of preparation of the Annual Accounts

These Consolidated Annual Accounts have been prepared on a historical cost basis.

Notes to the Consolidated Annual Accounts

b) Comparative information

The accounting criteria were applied uniformly in 2021 and 2020, and there are no operations or transactions recorded following different accounting principles that might cause discrepancies in the interpretation of the comparative figures for both periods.

The Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the Consolidated Annual Report, in addition to the figures of the year 2021, include comparative figures for the previous year, approved by the shareholders at the General Meeting held on 20 May 2021.

c) Functional and presentation currency

The functional currency used by the Group is the Euro. The figures contained in the attached annual accounts are expressed in thousands of Euros, unless otherwise indicated, and are therefore rounded to the closest figure, with the Euro being the functional currency.

d) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the Consolidated Annual Accounts under IFRS-EU. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the Consolidated Annual Accounts, is as follows:

- Useful lives of property, plant and equipment and intangible assets (see Notes 3.d and 3.f)
- The assessment of the recoverability of intangible assets with an indefinite useful life and goodwill to determine any impairment losses (see Note 3.g)
- The assessment of whether deferred tax assets are likely to be recovered based on the business plan for the coming years and the recovery periods stipulated in Spanish tax legislation for the recovery of those assets, as well as the resolution of possible differences in interpretation with the Tax Administration (see Notes 3.p and 13)

The Company directors' estimates were calculated on the best information available as of 31 December 2021. Unforeseen future events could make it necessary to make changes in the coming years, which might lead to adjustments in the consolidated annual accounts that would be recorded prospectively, as the case may be.

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2021 was marked by the appearance of the first signs of global recovery, after a 2020 in which COVID-19 put a brake on all economies. The lifting of mobility restrictions together with the reactivation of consumption and international trade have led to a partial recovery of growth. This recovery will be progressive until COVID-19 has been definitively overcome and the adjustments in the economies have been made.

In general, the coronavirus crisis has had a very limited impact on the Group due to the fact that approximately 90% of its revenues are regulated, without being subject to price volatility and with limited exposure to gas demand, and that it maintains a flexible cost structure that allows it to rapidly adapt to changing activity levels. The only effect on its activity has basically been the mobility restrictions that have delayed the growth plans in terms of new installations and gas connections within the strategy that it has been developing over these years.

During 2021, the progressive recovery of economic activity in Spain meant that gas volumes, especially in the industrial and commercial sectors, recovered partially and the Group resumed its level of activity and its growth levers. In this sense, we trust that a favourable evolution of the pandemic will bring progressive recovery of pre-pandemic levels of activity and growth.

The Group has at all times maintained the comprehensive plan activated in March 2020 in relation to COVID-19, and which guarantees the continuity of its operations under strict health protocols to care for our employees and stakeholders. Likewise, the Group continued to monitor and evaluate the possible impacts on the financial statements, which are listed below:

1. Impairment of non-financial assets: Due to the effects of the pandemic on all sectors of the economy, new indications of impairment may be revealed in the Group's CGUs. Following an analysis of all these factors, it was concluded that they do not entail a significant impact on the Group's strategic plan, and were in all cases taken into consideration in the cash flows used in the impairment tests performed.
2. Financial instruments: On the basis of the analysis performed, no significant increase to the Group's credit risk is considered to have taken place, and neither has a significant increase been detected in the Group's average payment period or duration of its receivables.
3. Inventories: These correspond to purchases of LPG and their storage in consumer tanks. The purchase and sale prices are regulated, which, together with the inelasticity of the demand for price and the climate dependence for consumption, means that the value margin and future consumption is not affected by the consequences of COVID-19.

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4. Credit risk: The Group has limited exposure to non-payment by its customers and regularly monitors the status of its portfolio, making convenient provisions in accordance with accounting regulations. Within the distributed natural gas business, which is the largest in the Group, the credit risk is covered by the guarantees that the marketers deposit with the system manager, so the risk in this activity is negligible. No significant changes were observed in the LPG business, nor material changes to the financial statements in any case.
5. Leases: The majority of the leases have not been amended by the pandemic, and therefore there has been no impact on the financial statements.
6. Income tax: The hypotheses and assumptions used in the test for recovery of deferred tax assets were consistent with the rest of the impairment tests, considering possible impacts on the economy deriving from the pandemic.
7. Provisions: No onerous leases have been identified, and neither do any provisions for restructuring exist deriving from the pandemic.
8. Income statement: the total impact on the Group income statement for the measures and supplies aimed at safeguarding employee health and safety and at containing the COVID-19 pandemic come to Euros 59 thousand (Euros 227 thousand in 2020). An effort has also been made to reduce fixed expenses during the year.
9. Liquidity: due to the activity itself and the origin of the income, the Group maintains recurring cash generation and a solid liquidity position of over Euros 300 million. The Management controls Group liquidity by regularly monitoring the flows from the receipts and payments of each Company.
10. Group Management has conducted an analysis to confirm the stability of Group companies in terms of the principle of going concern.

At the date of these financial statements, the changing situation due to the pandemic continues, whereby the Directors and Senior Management will continue to monitor and following its evolution to prevent and decrease any possible impact on the financial statements.

e) Standards and interpretations adopted early or other changes in accounting policies

The following standards were published for their use in the European Union.

- ✓ Modification of IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to changing benchmarks (second phase).
- ✓ Modification of IFRS 4 related to the deferral of the application of IFRS 9 until 2023.

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- ✓ Modification of IFRS 16 to extend the term of application of the practical solution of IFRS 16 provided for rental improvements related to COVID-19. Mandatory application for years beginning on or after 1 April 2021, with early application allowed.

None of these standards has had a relevant impact on the Group's Financial Statements.

Furthermore, the following mandatory standards, modifications and interpretations as of 1 January 2022 were approved:

- ✓ Modification of IFRS 3 to align the definitions of assets and liabilities in a business combination with those contained in the conceptual framework. Certain clarifications are also made regarding the recording of contingent assets and liabilities.
- ✓ Modification of IAS 16 Income earned before intended use. The modification prohibits deducting any income obtained from the sale of items produced from the cost of property, plant and equipment while the entity is preparing the asset for its intended use. Income from the sale of such samples, together with production costs, must be recorded in the income statement.
- ✓ Modification of IAS 37 Onerous contracts – cost of fulfilling a contract. The modification explains that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to fulfilling the contract.
- ✓ Improvements to IFRS Cycle 2018-2020. Minor changes to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

f) Going concern principle

Directors have prepared these consolidated annual accounts in accordance with the going concern principle.

(3) Accounting Principles

(a) Subsidiaries

Subsidiaries are entities over which the Parent Company, either directly or indirectly through subsidiaries, exercises control. The Parent Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

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The income, expenses and cash flows of subsidiaries are included in the Consolidated Annual Accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases. The subsidiary entities are excluded from the consolidation as of the date on which the control is lost.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

During the year there were no changes in the Group's consolidation perimeter.

(b) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's steering committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(c) Non-Controlling interests

Non-controlling interests in subsidiaries acquired are recognised at the acquisition date based on the ownership percentage of the fair value of the identifiable net assets.

Non-controlling interests are disclosed in consolidated equity separately from equity attributable to shareholders of the Parent. Non-controlling interests' share in consolidated profit or loss for the year and in consolidated total comprehensive income for the year is disclosed separately in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income.

The total comprehensive income for the year and changes in equity of the subsidiaries attributable to the Group and non-controlling interests, after consolidation adjustments and eliminations, are determined in accordance with the ownership percentage at year end.

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(d) Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets, mainly for the transmission and distribution of natural gas and liquefied petroleum gas, is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories and the network construction required in properties until the supply points come into service. The production cost is capitalised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated income statement.

The cost of an item of property, plant and equipment includes the estimated costs of dismantling or removal and restoration of the site on which it is located. At the time of the initial valuation of the fixed assets, the Company estimates the present value of future obligations arising from the dismantling, removal and others associated with these fixed assets, such as the costs of rehabilitating the place where it is located. This present value is capitalized as a higher cost of the corresponding asset, giving rise to the recording of a provision (see note 3 n), which is subject to financial updating in the periods following its creation.

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Group determines the depreciation charge separately for each asset based on its type.

Property, plant and equipment are depreciated using the following criteria:

	Amortisation method	Estimated years of useful life
Buildings	Straight-line	10-50
Technical installations and machinery:		
Liquefied natural gas plant	Straight-line	20
Regulation and metering stations	Straight-line	20-30
Community Receiving Facilities	Straight-line	20
Distribution networks	Straight-line	20
Meter-reading equipment	Straight-line	10
Gas pipelines	Straight-line	40
LPG facilities	Straight-line	20
Other items of property, plant and equipment	Straight-line	4-20
Other installations, equipment and furniture	Straight-line	4-20
Motor Vehicles	Straight-line	8

Transmission facilities are depreciated over their useful life according to the estimate made for items of property, plant and equipment. For gas pipelines this is 40 years and for regulation and metering stations it is 30 years. These estimates are in line with Royal Decree 326/2008 of 29 February 2008, which sets the remuneration for natural gas transmission activities for facilities that came into service subsequent to 1 January 2008.

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The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

Subsequent to initial recognition of the asset, only costs that will probably generate future economic benefits and which may be measured reliably are capitalised, including the costs required for the assets to operate as envisaged by management and in accordance with the applicable legal and regulatory requirements. Costs of day-to-day servicing are recognised in the income statement as incurred.

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of the replaced items at the time of acquisition or construction.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g).

(e) Right of use assets

(i) Identification of a lease

At the start of a contract, the Group evaluates whether it contains a lease. A contract is or contains a lease, if it grants the right to control the use of the asset identified for a period of time in exchange for a consideration. The period of time during which the Group uses the asset, includes consecutive and non-consecutive periods of time. The Group only re-evaluates the conditions when an amendment of the contract occurs.

The rates of occupation of the subsoil for the gas distribution activity are included, as well as the canons for the occupation of the subsoil for the gas transmission activity.

(ii) Lessee reporting

In contracts with one or more lease and various lease components, the Group assigns the consideration of the contract to each component of the lease in accordance with the individual sale price of the lease component and the aggregate individual price of the various components of the lease.

Any payments made by the Group that do not entail the transfer of goods or services to it by the lessor do not comprise a separate component of the lease, but instead form part of the total consideration of the contract.

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At the start of the lease, the Group recognises one right of use asset and one lease liability. The right of use asset is comprised of the amount of the lease liability, any payment for the lease made on or prior to the starting date, less any incentives received, the initial direct costs incurred and an estimate of the costs for dismantling or restoration to be incurred, as indicated in the accounting policy provisions.

The Group measures the lease liability by the present value of the lease payments pending on the starting date. The Group discounts lease payments at the appropriate incremental interest rate, unless the implicit interest rate of the lessor may be determined reliably.

The pending lease payments are comprised of fixed payments, less any incentive to be collected, the variable payments that depend on an index or rate, initially appraised by the index or rate applicable on the starting date, the amounts expected to be paid for residual value guarantees, the price of exercising the purchase option whose exercise is reasonably certain and any compensation payments for contract termination, providing the term of the lease reflects the termination option.

The Group measures the right of use assets at cost, less depreciation and accrued impairment losses, adjusted by any re-estimate of the lease liability.

If the contract transfers the ownership of the asset to the Group at the end of the lease term or the right of use asset includes a purchase option, the criteria for depreciation indicated in the section on property, plant and equipment are applied from the starting date of the lease through the end of the useful life of the asset. Otherwise, the Group depreciates the right of use asset from the starting date until the earlier date between the useful life of the right or the end of the lease.

The Group applies the non-current asset impairment criteria indicated in section (g) to the right of use assets.

The Group measures the lease liability increasing it by the financial expense accrued, decreasing it by any payments made and re-estimating the carrying amount by amendments of the lease or to reflect any updates of in-substance fixed payments.

If the amendment does not result in a separate lease, on the amendment date, the Group assigns the consideration to the amended contract as indicated above, re-determines the term of the lease and re-estimates the value of the liability deducting any revised payments at the revised interest rate. The Group decreases the carrying amount of the right of use asset to reflect the partial or total termination of the lease, in those amendments that decrease the scope of the lease and records the profit or loss in the income statement. For all other amendments, the Group adjusts the carrying amount of the right of use asset.

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(f) Intangible assets

- Goodwill

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in section (g) (impairment) are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

- Licences

This item reflects the amounts measured by an independent expert on government authorisations, from the merger of the Group, for the distribution and transmission of gas in the various areas in which the Parent and the subsidiaries conduct or will conduct their activities, less any impairment, as appropriate.

In accordance with the legal framework under which they were granted, these authorisations do not have a limited duration.

- Computer software

Computer software is carried at cost, less any accumulated amortisation and impairment losses. Computer software maintenance costs are charged as expenses when incurred.

- Other intangible assets

This item reflects the amounts incurred by government authorisations, subsequently to the merger of the Group, for the distribution and transmission of gas in the various areas in which the Parent and the subsidiaries conduct or will conduct their activities, less any impairment as appropriate for accumulated amortisation and impairment losses. Costs incurred in relation to and prior to obtaining government authorisation are initially recognised under intangible assets and subsequently transferred to the income statement if the Group has reasonable doubts as to whether authorisation will be obtained.

(i) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

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Intangible assets with indefinite useful lives or that are not limited in duration are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired. The Group has estimated that government authorisation or licences for the distribution and transmission of gas have an indefinite useful life as, in accordance with the legal framework under which they were granted, they do not have a limited duration.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Estimated years of useful life
Computer software	Straight-line	4-5
Other intangible assets	Straight-line	5-20

The depreciable amount is the cost or deemed cost of an asset, less its residual value.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(ii) Impairment

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g).

(g) Impairment of non-financial assets

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and intangible assets with indefinite useful lives for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit and loss.

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The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses for cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs of disposal, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in profit or loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of that unit, except goodwill, pro rata with the carrying amounts of the assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

(h) Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

For measurement purposes, the Group classifies financial instruments as financial assets and liabilities carried at amortised cost.

The Group classifies a financial asset at amortised cost if it remains within the scope of a business model whose purpose is to maintain financial assets to obtain cash flows and the contractual conditions of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the amount of principal pending.

(i) Offset principles

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A financial asset and a financial liability can only be offset when the Group has a legally enforceable right to offset the recognised amounts or intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In order for the Group to have a legally enforceable right, it should not be contingent on a future event and should be legally enforceable in the ordinary course of operations, in cases of insolvency or of liquidation declared legally and in the event of non-payment.

(ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, plus or minus the transaction costs incurred, and are subsequently measured at amortised cost using the effective interest rate.

(iii) Reclassifications of financial instruments

The Group reclassifies financial assets when it changes the business model for its management. The Group does not reclassify financial liabilities.

(iv) Impairment

The Group recognises a valuation adjustment in the income statement for anticipated future credit losses of the financial assets measured at amortised cost.

On each closing date, the Group measures the valuation adjustment in an amount equal to the credit losses anticipated in the following twelve months, for the financial assets for which the credit risk has not increased significantly from the date of initial recognition or when it considers that the credit risk of a financial asset has no longer increased significantly.

The Group considers that the credit risk has increased significantly from initial recognition when non-payments exist for a period greater than 180 days.

(v) Financial asset disposals, modifications and cancellations

Financial assets are de-recognised when the rights to receive cash flows relating to these have expired or have been transferred and the Group has substantially transferred the risks and benefits deriving from their ownership.

(vi) Interest and dividends

The Group recognises interest by the effective interest method, which is the rate adjustment that equals the carrying amount of a financial instrument with the estimate cash flows throughout the expected lifetime of the instrument, starting from its contractual conditions and without considering the anticipated credit losses, except for financial assets acquired or originating with losses incurred.

(vii) Financial liability disposals and modifications

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The Group de-recognises a financial liability or part thereof when it has complied with the obligation contained in the liability or if it is legally dispensed from the primary responsibility contained in the liability, whether by virtue of a legal process or by the creditor.

(i) Distributions to shareholders

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the shareholders at their annual general meeting.

(j) Inventories

Inventories are initially measured at the lower of cost of purchase and net realisable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition, other costs directly attributable to the acquisition, as well as finance costs and indirect taxes not recoverable from the Spanish taxation authorities.

Subsequently, the Group values its inventories at weighted average cost.

The cost of inventories is written down in those cases in which its cost exceeds its net realisable value. For these purposes, net realisable value is understood as its replacement price.

The Group uses the same cost model for all inventories of the same nature and with a similar use.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Government grants and Other liabilities

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received.

Capital grants awarded to the Group are primarily to carry out works and are non-refundable. These grants are measured at the fair value of the sum received, and are recognised under government grants and other liabilities in the consolidated statement of financial position and taken to other income over the same period and in proportion to the depreciation of the subsidised assets or when the assets are disposed of or impaired.

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Other liabilities also includes connection charges as monetary consideration for the installation works and operations required to serve new gas supply points or extend existing ones. These connection charges are recognised as income in proportion to the annual depreciation of the assets being financed (20 years), or over the period specified in the contract if this is shorter, or, where applicable, when the assets are disposed of or impaired.

(m) Employee benefits

The Group has contracted pension commitments with certain members of its workforce. These obligations, including both defined benefits and defined contributions, are basically arranged through pension plans or insurance policies.

Defined benefit plans

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

The Group recognises actuarial losses and gains in other comprehensive income in the year in which they occur. These actuarial losses and gains are recognised immediately in retained earnings. They are not recorded in the income statement in a subsequent year.

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability.

The present value of defined benefit obligations and the related current service cost and past service cost are calculated annually by independent actuaries using the Projected Unit Credit Method. The discount interest rate is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

Assets and liabilities arising from defined benefit plans are recognised as current or non-current based on the period of realisation of related assets or settlement of related liabilities.

Defined contribution plans

The Group recognises the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered service to the Group. The contributions payable are recognised as an expense for employee remuneration, and as a liability after deducting any contribution already paid.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

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The policy followed regarding the recording of provisions for risks and expenses consists of recording the estimated amount to cover probable or certain responsibilities arising from litigations in progress and for compensations or pending obligations, warrants and other similar guarantees. Its provision is made when the responsibility or obligation that determines the compensation or payment arises.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in profit or loss.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement item in which the related expense was recognised, and any surplus is accounted for in other income.

Provisions for dismantling, restoration and similar liabilities

These provisions are measured in accordance with the general criteria for provisions and are recognised as an increase in the cost of the associated property, plant and equipment (see Note 3.d).

Changes in provisions resulting from changes in the amount, timing of the outflow of resources or the discount rate increase or reduce the cost of fixed assets up to the carrying amount thereof, whilst any excess is recognised in profit or loss.

(o) Recognition of revenue from contracts with customers

The revenue is evaluated on the basis of the consideration to be received in a contract with a customer and excludes any amounts collected on behalf of third parties. The Group recognises the revenue when it transfers the control of a product or service to the customer.

The following is a summary of the recognition criteria applicable for each one of the activities that generates income in the Group.

Distribution activity

With the distribution activity the regulatory framework identifies the following tasks: to build, operate and maintain networks and facilities for the distribution of natural gas intended for situating the gas at the points of consumption.

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This set of tasks constitutes a commitment to the customers and the tasks cannot be performed independently from each other; therefore they are considered to be a single performance obligation which is fulfilled, indefinitely, in accordance with the administrative authorisation granted by the competent Institution on the basis of which it carries out its business, generating the right to receive remuneration or revenue. In this respect, consumers of gas simultaneously receive and consume the benefits of the service at the same time as the Group provides it.

The Group recognises revenue following the percentage of completion method.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis.

The regulated revenues from distribution activity each year is set ex-ante for each gas year by the CNMC in keeping with the new authorities attributed to it, effective as of 1 January 2020 by Royal Decree-Law 1/2019 (formerly attributed to the Spanish Ministry for Ecological Transition).

Therefore, the Ministerial Orders and resolutions of the National Commission on Markets and Competition (CNMC) published prior to the start of each year, establish the remuneration for the coming year based on expected sales and new customers for that year (for remuneration and rate purposes, the term 'year' hereinafter refers to gas year). As a result, the amount of remuneration is subject to change for up to two years, until the definitive data on demand and new customers is available for the year analysed. With regard to references to 'gas year', it should be noted that in accordance with Additional Provision 1 of CNMC Circular 6/2020, of 22 July, regarding the calculation of local natural gas distribution network tolls and regasification, the gas year and the rate period no longer correspond to the calendar year but instead to the period between 1 October and 30 September of the following year.

As of 2019 the CNMC has developed a series of Circulars that will define the methodology for determining remuneration for the distribution and transmission of natural gas for the following regulatory period (2021-2026). These methodologies establish models that are conceptually very similar to those in force before 2021, but that will entail certain adjustments to remuneration as of the year 2021.

This remuneration is comprised of a fixed component (Euro/customer) and two variable components in keeping with the increase (or decrease) in the volume of gas supplied to the customers connected to the network. For variable components, unit tariffs are set on the basis of the pressure of the gas supplied and customer type, for which certain additional incentives exist, such as the gasification of new municipalities, new industrial customers or new vehicular natural gas service stations.

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The Group establishes the variable remuneration at the close of each year, using the methodology defined in the regulation, with the best information available at that time (supply as well as demand points), adjusting this figure with the verified information after closing the figures for each year. In turn, and once it has the final figures for the year, the Ministry/CNMC determines the final amount of this remuneration in the order it publishes the following year, and also establishes the provisional remuneration for the year following publication and regularisation of the remuneration for the year in which it is published, with the best figures available at that time.

Order TEC/1259/2019, published on 20 December 2019, adjusted the remuneration for 2019 and 2018 based on the most up-to-date figures on sales and consumers. In addition, on 18 December the CNMC published the resolution establishing an initial forecast for remuneration for 2020 through application of the parameters established by Law 18/2014 of 15 October 2014 approving urgent measures for growth, competitiveness and efficiency. This law reformed the remuneration for gas activities with a view to eliminating the deficit in the settlement system.

For its part, Order TED/1286/2020, of 29 December, adjusts the remuneration figures for 2019, closing said remuneration (the last set by the Ministry) since the Final Settlement for the year 2019 had already been published on the date of the Order.

During the year 2021, and due to the aforementioned change in gas year, the remuneration recognised for the 2021 distribution activity was established in CNMC Resolution of 11 February 2021, establishing the remuneration for the 2021 gas year of the companies that perform regulated liquefied natural gas, transmission and distribution facility activities, and in CNMC Resolution of 20 May 2021, establishing the remuneration for the 2022 gas year of the companies that perform regulated liquefied natural gas, transmission and distribution facility activities, insofar as the first Resolution covers the period from 1 January to 30 September 2021, and the second covers the period from 1 October 2021 to 30 September 2022. Both resolutions review the first remuneration determined by the CNMC, that corresponding to the 2020 calendar year. These reviews are not final, as the final Settlement for that year remained open at the time of publication.

This distribution activity remuneration will be adjusted once the final amounts of this remuneration have been set by the Spanish Ministry for Ecological Transition and the Demographic Challenge (or the CNMC as of 2020), based on the actual figures for the average increase in consumers and kWh distributed. The Group does not expect significant differences to arise between the amounts recognised and the final settlements. Nevertheless, any differences will be recognised as a change in accounting estimate in the consolidated income statement when they arise.

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The orders establishing tolls and user charges for access by third parties to gas facilities and the remuneration of the regulated activities include, in addition, the price review of certain regulated concepts, such as connection charges, or the fees for meter rental. To this regard, Order ETU/1283/2017 adjusted the fees for meter rental, following the study published by the National Commission on Financial Markets and Competition (CNMC) on 16 March 2017 "Agreement for the issue of a study on the price applicable to the rental of gas meters of 3.1 and 3.2 toll groups and the median age of rental meters". The prices applied since the enforcement of said Order are valid for 2021 and are those proposed by the CNMC.

Order ETU/1367/2018 of 20 December defined the final interest rates associated with the cumulative deficit at 31 December 2014 and of the imbalances of revenues and costs for the years 2015, 2016 and 2017.

During 2021 the Group received the final settlement for regulated activities in the gas sector for 2020, which had an immaterial impact on the Consolidated Income Statement.

In accordance with Ministerial Orders ITC/3126/2005, IET/2446/2013 and IET/2355/2014 and the gas system technical management standards (NGTS), the Group has recognised measurement differences (known as unaccounted for gas) as regulated distribution revenue in the consolidated income statements for 2020 and 2019 in the amount of Euros 922 thousand and Euros 676 thousand, respectively (see Note 29). In 2021 the measurement differences for 2020 were settled and those for 2019 were settled in 2020.

Transmission activity

The regulatory framework identifies the following tasks within the transmission activity: to build, operate and maintain its own network of gas pipelines, supplying natural gas to the major areas of consumption.

As already indicated for the case of distribution, this set of tasks constitutes a single performance obligation which is fulfilled, indefinitely, in accordance with the administrative authorisation granted by the competent Institution on the basis of which it carries out its business on a straight-line basis.

As with the distribution activity, the gas transmission activity is regulated and the remuneration is set for each gas year by the CNMC in keeping with the new authorities attributed to it, effective as of 1 January 2020 by Royal Decree-Act 1/2019 (formerly attributed to the Spanish Ministry for Ecological Transition).

This remuneration is fixed for gas year and is based on the start-up investment. If in the course of the year new facilities are put into use, the remuneration would be amended in keeping with the increase in facilities, which would be recognised prospectively as of that time.

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Due to the aforementioned change in gas year indicated in the section on the distribution activity, that is likewise applicable to the transmission activity, the remuneration recognised for the 2021 transmission activity was established in CNMC Resolution of 11 February 2021, establishing the remuneration for the 2021 gas year of the companies that perform regulated liquefied natural gas, transmission and distribution facility activities, and in CNMC Resolution of 20 May 2021, establishing the remuneration for the 2022 gas year of the companies that perform regulated liquefied natural gas, transmission and distribution facility activities, insofar as the first Resolution covers the period from 1 January to 30 September 2021, and the second covers the period from 1 October 2021 to 30 September 2022.

On the other hand, Order TED/1286/2020 and the Resolutions cited in the preceding paragraph include the corresponding adjustments to remuneration for uninterrupted supply from previous years.

The Group records revenue based on its estimate of the remuneration pursuant to applicable legislation and in line with the level of investment.

As previously mentioned, during 2019 and 2020 the CNMC developed a series of Circulars that will define the methodology for determining remuneration for the distribution and transmission of natural gas for the following regulatory period (2021-2026). These methodologies establish models that are conceptually very similar to those set at the time by Act 18/2014, but entail certain adjustments to remuneration as of the year 2021.

In accordance with article 5 of Order ITC/3128/2011 of 17 November on matters relating to third-party access to gas facilities and remuneration for regulated activities, the Group has recognised measurement differences as regulated transmission revenue in the Consolidated Income Statement for 2021 and 2020 at the amount of Euros 1,717 thousand and Euros 481 thousand, respectively (see Note 28).

Additionally, the Group is subject, among other things, to the following regulatory framework in the field of transmission and distribution of natural gas:

- Royal Decree 949/2001 of 3 August 2001, which regulates third-party access to gas facilities and establishes an integrated economic system for the natural gas sector, in accordance with the mandate in article 8 of Royal Decree-Law 6/2000 of 23 June 2000.
- Order ECO/2692/2002 of 28 October 2002, which regulates the settlement procedure for remuneration from regulated activities in the natural gas sector and for specifically allocated payments, and establishes the reporting system for gas companies.
- Royal Decree 326/2008 of 29 February 2008, which stipulates the remuneration for natural gas transmission activities for facilities entering into service since 1 January 2008.

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- Royal Decree 1434/2002 of 27 December 2002, which regulates transmission, distribution, trading and supply activities and the authorisation procedures for natural gas facilities.

The 2014 deficit in the gas sector, which included the deficits accumulated in prior years, was set at Euros 1,025 million, which regulated entities will be able to recover in fifteen consecutive annual payments. On 1 December 2017 the Group assigned the credit right it held with respect to this deficit in the amount of Euros 41,656 thousand collected in its entirety.

Deficits were also generated with respect to the years that followed, from 2015 to 2017, that would be recoverable in five annual payments.

In 2015, the deficit figure closed at Euros 27 million (Euros 1.4 million correspond to the Group). In 2016, the deficit figure closed at Euros 90 million (Euros 4.8 million correspond to the Group). With respect to 2017, the deficit figure closed at Euros 25 million (Euros 1.4 million correspond to the Group).

On 10 May 2019 the Group assigned the credit right it held with respect to the deficits of 2015, 2016 and 2017 in the amount of Euros 5,713 thousand, collected in its entirety.

With respect to 2018, 2019 and 2020, the settlement system closed with a surplus 30.8 million of Euros, 353.9 million of Euros and 186.7 million of Euros respectively, in accordance with the final settlements approved by the Spanish National Commission on Financial Markets and Competition. In accordance with the legal procedure established, the surplus was allocated toward covering deficits from 2015 to 2017, offsetting them in their entirety, and to covering the cumulative deficit to 2014, leaving an outstanding capital of Euros 151.4 million.

Registration fees

The registration fees of a new supply consists of the operation to connect the gas receiving facility to the network of the distribution company, and the review and verification that these adapt to the regulatory technical and safety conditions. This operation usually takes place one sole time and the activities are inseparable, whereby this activity is considered as constituting a single performance obligation.

Registration fees are regulated by each Autonomous Region, at a set price.

The Group recognises the revenue for the registration fees at the moment at which the connection is made and verified, since it is at that moment when the customer obtains the benefits of the service rendered and there is no future obligation associated with it.

Rental of Natural Gas metering equipment

Metering equipment (meter) is installed in the facilities of the end-customer, therefore the service of renting the meter constitutes a performance obligation.

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The payment for renting natural gas metering equipment is regulated by the regulatory framework of the sector, at a set price.

The Group recognises the revenue throughout the provision of the service, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis over time.

Rental of Community Receiving Facilities (CRF)

The Group collects a rental payment for the community receiving facility (CRF) from the owners association without any other type of consideration, therefore the Community Receiving Facility comprises a single performance obligation.

The payment for renting the community receiving facility is the price established in the contract signed with the owners association, which sets a fixed monthly price.

The Group recognises the revenue throughout the term of the contract, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, the revenue is recognised on a straight-line basis.

Inspections of individual receiving facilities (IRF)

In this case the service consists of the inspection of the individual receiving facility (IRF), involving a one-time action, considered as a single performance obligation.

The authority to set inspection prices is transferred to the Autonomous Regions and, therefore, the price may vary from one area to another.

The revenue is recognised at the moment of the inspection, since it is at that time when the customer obtains the benefits of the service rendered.

Sale of Liquefied Petroleum Gas (LPG)

The contracts for the sale of LPG identify two separate performance obligations, which are those corresponding to the supply of LPG and the rental of the meter since, as mentioned above, they comply with the definition for consideration as different from each other. For LPG, the Company supplies as well as distributes the product, and therefore there is a contractual relationship with the customer.

In the case of LPG consumption, the transaction price will be established applying the established official tariff, with a fixed portion (standard monthly rate) and a variable element associated with consumption (Euro cents per Kg.).

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The Group recognises the revenue throughout the period of time in which the customer receives and consumes the benefits of the service rendered at the same time the service takes place. Therefore the revenue deriving from this service will be measured by percentage of completion.

For the purpose of measuring this completion, we consider that the output method is the one that best reflects the completion of the rendering of the service, whereby the revenue will be recognised as the service is rendered, by unit of LPG (kg) consumed by the customer, which is subject to estimation since the billing does not match with the end of the calendar year.

Contracting party connection charges

The connection charge of the contracting party consists of the financial consideration for connecting the community receiving facility to the network and the commissioning of the facility. This operation usually takes place at one sole time, whereby it is considered as a single performance obligation.

The connection charges are regulated by the regulatory framework of the sector, at a set price.

The revenue is recognised at the moment of connection of the community receiving facility and the commissioning of gas, since this is the time at which control of the services rendered is transferred to the customer.

Applicant connection charges

The Group is authorised to receive a financial consideration for performing the set of installations and operations necessary to cover a new gas supply point or increase the capacity of one already in existence.

In this case a contract is arranged with the customer to establish the characteristics of the installation to be built and the quantity to be received for each service. Furthermore, it is established that the asset built by virtue of the contract will be the property of the Group and a remuneration for building the connection is established. This consideration is a determined fixed quantity.

The Group recognises these connection charges as income in proportion to the annual depreciation of the assets being financed (20 years), or over the period specified in the contract if this is less or, where applicable, when their disposal or impairment occurs, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides them. The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis over time.

(p) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

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Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused deductions. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Current and deferred tax are recognised as income or expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Recognition of deferred tax assets

The Group recognises deferred tax assets provided that it is probable that sufficient taxable profit will be available against which they can be utilised or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future. Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

It is considered probable that the Group will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

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The Group reviews the carrying amount of deferred tax assets at the year end and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the Consolidated Statement of Financial Position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(v) Consolidated taxation

The Group, which is composed of the companies indicated in Appendix I, files consolidated tax returns.

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

(q) Classification of assets and liabilities as current and non-current

Assets and liabilities are classified as current when they are expected to be realised or settled in the Group's normal operating cycle, within 12 months after the year end. Otherwise they are classified as non-current.

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(r) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred. By its nature, the Group's activity does not have a significant impact on the environment and as such no provisions have been recorded for this contingency.

Property, plant and equipment acquired by the Group for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities (e.g. the replacement of road surfaces or land related to the laying of pipelines), are recognised as assets, applying the measurement, presentation and disclosure criteria described in Note 3 (d).

(4) Sector Regulation

Natural gas transmission and distribution activities

Directive 98/30/EC of the European Parliament and of the Council of June 22, 1998 defined the bases of the internal gas market, setting up a liberalized market in the supply of natural gas.

With this, the regulatory framework for the natural gas sector in Spain is based on Hydrocarbon Law 34/1998, in part enacted by Royal Decrees 949/2001 and 1434/2002. The first of these Royal Decrees regulates third-party access to gas facilities and establishes an integrated economic system for the natural gas sector; the second regulates transmission, distribution, trading and supply activities and the authorisation procedures for natural gas facilities.

Over the years, as the sector was gradually liberalised, the aforementioned Hydrocarbon Law was amended on numerous occasions. The most recent amendment was pursuant to Royal Decree-Law 8/2014 of 4 July 2014, which approved urgent measures for growth, competitiveness and efficiency and was subsequently passed by the Spanish parliament and published as Law 18/2014 of 15 October 2014, approving urgent measures for growth, competitiveness and efficiency. The law introduces certain measures that update the regulatory-economic framework, the most salient of which are as follows:

- A reform of the general scheme of revenues and costs of the gas system was undertaken, which is based on the principle of economic sustainability and long-term economic balance, taking into account fluctuations in demand and the level of development of existing infrastructure, while sustaining the principle of adequate remuneration for investments in regulated assets, and security of supply. It therefore establishes the principle of economic and financial sustainability of the gas system, such that any legislation leading to a rise in costs or reduction in revenues must include a reduction in costs or an increase in revenues.
- Certain mechanisms were introduced to restrict any annual temporary imbalances in the settlement system, through the automatic review of tolls when certain

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thresholds are exceeded. If these thresholds are not exceeded, the imbalances are financed by the parties subject to the settlement system in proportion to their remuneration, generating receivables in the following five years, with a market interest rate set by Ministerial Order.

- With regard to the remuneration of regulated activities, the reform includes the basic principle of considering the necessary costs for an efficient and well-managed company to perform the activity at the lowest cost for the system.
- In line with electricity sector regulations and the need to ensure regulatory stability, regulatory periods of six years were defined, during which the financial rate cannot be reviewed and no automatic update formulas will be applied to the remuneration of any of the activities. However, as the regulatory reform was proposed in a deficit scenario that is expected to be remedied in the coming years, it allows certain remuneration parameters to be adjusted every three years if significant variations arise in the income and expense items.
- An in-depth, standard review (as described in Note 3 (o)) was undertaken of the remuneration from all activities, encompassing all assets, including those already in service.

By means of Spanish Royal Decree-Law 1/2019, a reform of the scope of powers for the gas system was carried out, adapting the powers of the Spanish National Commission on Financial Markets and Competition (hereinafter, "CNMC") to the requirements of EU law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in electricity and natural gas. Among these reforms, worthy of mention is the attribution of powers in favour of the CNMC regarding the establishment of methodologies for determining tolls and remuneration of the regulated activities, including the setting of their values. Therefore, as of the start of 2020, the CNMC will have the power to establish these issues, while anything regarding the establishment of new methodologies for determining the remuneration of regulated activities will not be applicable until 1 January 2021, upon the conclusion of the first 6-year regulatory period that was established in the aforementioned Law 18/2014. To this regard, in the course of 2019 and 2020, the CNMC has been working on a series of Circulars that have defined the methodologies for remuneration of the regulated activities developed by Redexis in the gas sector (Transmission and Distribution) and that will be applicable as of January 2021. The most relevant Circulars, insofar as they enable the determination of remuneration for the distribution and transmission activity, were as follows:

- Circular 9/2019, of 12 December, of the National Commission on Markets and Competition, regarding the establishment of the methodology for determining the remuneration of natural gas transmission facilities and of liquefied natural gas plants.
- Circular 4/2020, of 31 March, of the National Commission on Markets and Competition, regarding the establishment of the methodology for determining the remuneration of natural gas distribution.

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- Circular 8/2020, of 2 December, of the National Commission on Markets and Competition, regarding the establishment of reference unit values for investment, operation and maintenance for the 2021-2026 regulatory period, and the minimum requirements for audits on investments and costs in natural gas transmission facilities and liquefied natural gas plants.

More recently, the Integrated National Plan for Energy and Climate 2021-2030, approved by Agreement of the Council of Ministers on March 16, 2021, despite forecasting a reduction in final energy consumption by 2030 compared to 2015 values (79.2 ktep compared to 84.9), projects forecasts for stable natural gas consumption over that horizon, remaining at 13 ktep. All of this confirms the fundamental role of gas in the energy transition process since, according to this PNIEC target scenario, it would go from a contribution of 15.4% in final energy consumption in 2015 to 17.3%.

Channelled bulk LPG retail marketing activity (LPG pipeline distribution)

The Hydrocarbons Act, in its article 44-2, among the activities related to the supply of liquefied petroleum gases recognises the retail marketing of channelled bulk LPG, understood as the distribution and supply of LPG from one or several tanks by pipeline to more than one supply point, delivered to customers in gaseous phase, and whose consumption is measured by a meter for each of the consumers. Therefore, unlike what is established for the natural gas sector, in this activity the distribution and supply are carried out by the same agent and it is specifically called “retail marketing of channelled bulk LPG” (or, more simplified, “pipeline LPG distribution”).

This is an activity in which both the sale price to end users (consisting of a fixed term €/month and a variable term c€/kg) and the acquisition or purchase price of LPG from wholesale marketers (c€/kg) are regulated, which are updated each month based on the Order of 16 July 1998 of the Ministry of Industry and Energy, which updates the marketing costs of the system for automatic determination of maximum pre-tax sale prices of liquefied petroleum gases and by which certain supplies are liberalised, and based on Order ITC/3292/2008 of 14 November, which modifies the automatic pre-tax sale tariff determination system of pipeline liquefied petroleum gases.

The pipeline LPG distribution activity is subject to a specific Regulation contained in Royal Decree 1085/1992. However, since it is ultimately the supply of fuel gases by pipeline, this activity is subject to the same technical distribution and use regulations as natural gas distribution, which were approved by Royal Decree 919/2006. So much so that this activity is subject to many of the rights and obligations of the natural gas distribution activity, such as the facility construction and maintenance requirements, the receipt of registration fees in payment for the incorporation of new supply points, or the establishment of a completely identical framework of rights and obligations for the periodic inspection of the reception facilities.

(5) Segment reporting

CNMC Circular 1/2015 establishes a new regulatory reporting system for costs, aimed primarily at the regulated activities of transmission, regasification, storage and technical management of the natural gas system.

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While the detailed information furnished makes reference to the transmission activity, global amounts that make reference to the rest of the activities are also indicated: Distribution of Natural Gas, Transmission of Natural Gas, Distribution of LPG and Other Activities.

These activities will be assigned the revenues and costs directly attributable to them. Overheads that cannot be directly attributed to a specific activity will be allocated to final activities based on the allocation criteria in Circular 1/2015. Redexis, S.A. has developed an allocation model based on profit centres, which are divided into final and allocable.

The accounting policies of the segments are as described in Note 3.

The assets, liabilities, income and expenses presented in this note by segment/activity include the synergies and economies of scale generated within the Group as a result of its integrated management.

Had the segment or activity costs been managed independently, they would have been slightly higher than the figures reflected.

However, a complete and in-depth analysis of the revenue and costs of the transmission activity will be performed when the regulatory cost reporting is submitted to the CNMC.

The most significant segment details are as follows:

	31/12/2021				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	303	-	219,175
Non-current assets	1,160,288	551,264	158,896	27,299	1,897,747
Current assets	59,577	35,382	21,461	10,832	127,252
Total assets	1,274,297	751,086	180,659	38,131	2,244,173
Non-current liabilities	892,812	509,135	120,558	12,985	1,535,490
Current liabilities	99,770	19,329	10,431	10,715	140,246
Total liabilities	992,582	528,464	130,990	23,700	1,675,736

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	31/12/2020				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	303	-	219,175
Non-current assets	1,169,750	557,762	158,274	12,086	1,897,871
Current assets	370,535	193,194	92,563	-	656,292
Total assets	1,594,717	915,396	251,139	12,086	2,773,338
Non-current liabilities	907,586	501,604	117,556	7,357	1,534,102
Current liabilities	388,640	197,073	59,171	3,643	648,527
Total liabilities	1,296,226	698,676	176,727	11,000	2,182,629

	31/12/2021				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	136,004	59,801	36,434	7,654	239,893
Other income	4,356	730	821	593	6,500
Self-constructed non-current assets	11,068	1,887	532	2,039	15,526
Supplies	(1,761)	-	(21,345)	(3,685)	(26,791)
Employee benefits expense	(20,332)	(5,737)	(144)	(3,024)	(29,237)
Depreciation and impairment expenses	(72,267)	(13,714)	(10,302)	(1,061)	(97,344)
Other operating expenses	(18,364)	(3,935)	(4,396)	(2,503)	(29,197)
Net finance profit/(loss)	(17,761)	(8,105)	(3,228)	127	(28,967)
Profit/(loss) before tax	20,945	30,927	(1,629)	141	38,108

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	31/12/2020				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	129,540	58,612	25,888	5,339	219,380
Other income	2,677	591	338	1,755	5,363
Self-constructed non-current assets	12,690	2,351	77	947	16,065
Supplies	(1,123)	-	(16,094)	(3,684)	(20,901)
Employee benefits expense	(20,284)	(5,955)	(122)	(2,287)	(28,648)
Depreciation and impairment expenses	(69,487)	(13,802)	(9,133)	(407)	(92,829)
Other operating expenses	(17,472)	(3,406)	(2,915)	(1,803)	(25,596)
Net finance profit/(loss)	(26,166)	(12,440)	(4,717)	6	(43,317)
Profit/(loss) before tax	10,375	25,952	(6,677)	(133)	29,516

(6) Subsidiaries

(a) Composition of the Group

Information on the subsidiaries included in the consolidated Group is presented in Appendix I.

(b) Non-Controlling interests

Non-controlling interests reflect the 0.02% equity investment in Redexis Gas Murcia, S.A.

(c) Related companies

Redexis Gas Finance, B.V. was incorporated on 10 March 2014 in the Netherlands and at 31 December 2020 is an investee of Guotong Romeo Holdings Limited, Chase Gas Investments Limited and Arbejdsmarkedets Tillægspension (ATP) (same shareholders as the Parent). Its principal activity is the issue of debt.

All debt issues made by Redexis Gas Finance, B.V. are guaranteed by the Parent, and the funds obtained from the issues were transferred to the Parent by means of loans with the same maturity dates as the debt issued.

The amount of the loans received by the Parent at 31 December 2021 and 2020 is Euros 1,000,000 and Euros 1,494,097 thousand respectively, and these are the same amounts as the ones guaranteed by the Parent for the Redexis Gas Finance, B.V. issues. The list of these loans is itemised in Note 19.

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The Redexis Foundation was incorporated on 12 July 2019 and its purpose, in general, is the promotion of technological innovation and the development of social, charity, assistance, training or cultural works. Specifically, the Foundation promotes the development and well-being of the social groups that exist in the territories where the Redexis Group operates, with special consideration given to promoting infrastructures that contribute to a sustainable development and cleaner economy.

(7) Property, plant and equipment

Details of property, plant and equipment and movement during the years ended 31 December 2021 and 2020 are as follows:

	Thousands of Euros						
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Under construction and advances	Total
Cost at 31 December 2020	7,514	6,862	2,133,551	3,992	2,014	36,146	2,190,080
Additions	-	-	5,406	-	-	80,559	85,965
Transfers	11	29	68,113	8	136	(68,590)	(294)
Disposals	(498)	-	(2,796)	-	-	(2,835)	(6,129)
Cost at 31 December 2021	7,026	6,891	2,204,274	4,000	2,150	45,281	2,269,621
Accumulated amortisation at 31 December 2020	-	(1,553)	(860,773)	(3,105)	(1,365)	-	(866,796)
Depreciations	-	(500)	(87,358)	(256)	(279)	-	(88,393)
Transfers	-	-	294	-	-	-	294
Disposals	-	-	2,218	19	(0)	-	2,236
Accumulated amortisation at 31 December 2021	-	(2,052)	(945,619)	(3,343)	(1,644)	-	(952,658)
Net carrying amount at 31 December 2021	7,026	4,839	1,258,655	657	505	45,281	1,316,963

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	Thousands of Euros						Total
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Under construction and advances	
Cost at 31 December 2019	7,353	6,318	2,020,053	3,630	1,832	40,424	2,079,610
Additions	-	-	10,745	-	-	102,474	113,220
Transfers	161	557	103,634	370	182	(106,040)	(1,136)
Disposals	-	(13)	(881)	(7)	-	(712)	(1,614)
Cost at 31 December 2020	7,514	6,862	2,133,551	3,992	2,014	36,146	2,190,080
Accumulated amortisation at 31 December 2019	-	(1,228)	(778,592)	(2,832)	(1,120)	-	(783,771)
Depreciations	-	(346)	(83,834)	(418)	(245)	-	(84,843)
Transfers	-	19	972	145	-	-	1,136
Disposals	-	2	680	-	-	-	682
Accumulated amortisation at 31 December 2020	-	(1,553)	(860,773)	(3,105)	(1,365)	-	(866,796)
Net carrying amount at 31 December 2020	7,514	5,310	1,272,779	887	649	36,146	1,323,284

The majority of the additions taking place in 2021 and 2020 are from the organic growth of the Group by means of the extension of distribution networks, in new municipalities as well as in locations already served by the Group.

Additionally, highlighting the following corporate operations for the integration of LPG networks and facilities that are described below:

- At 30 December 2021, Cepsa Comercial Petróleo, S.A.U., GASIB Sociedad Ibérica de Gas Licuado, S.L.U. and Redexis entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 2,295 supply points, for approximately Euros 1,565 thousand. This operation is under approval, therefore the asset will be registered in the balance sheet in 2022, once said approval process has been completed.
- At 16 December 2021 several companies of the Nedgia Group and Redexis entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 14,450 supply points, for approximately Euros 19,998 thousand. This transaction is in the process of its communication to the CNMC for approval, therefore the asset will be registered in the balance sheet in 2022, once said approval process has been completed.
- On 28 December 2020, Repsol Butano, S.A. and the Group entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 4,230 thousand supply points, for approximately Euros 4,838 thousand. The majority of these assets were conveyed during 2021.
- On 27 December 2019, Cepsa Comercial Petróleo, S.A.U. and the Group entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 11.3 thousand supply points, for approximately Euros 11,670 thousand. The practical entirety of these assets was conveyed in 2020.

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At 31 December 2021, property, plant and equipment under construction reflect investments in gas transmission and distribution networks that the Group expects to complete in the coming months.

At 31 December 2021, the Group has recognised gas plant dismantling costs of Euros 53 thousand under Technical installations and machinery (Euros 296 thousand at 31 December 2020). These expenses were determined based on the Group's best estimate of the market costs of the various physical units involved in dismantling these plants.

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The cover provided by these policies is considered sufficient.

The cost of fully depreciated property, plant and equipment in use at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Buildings	96	96
Technical installations and machinery	233,872	205,942
Other installations, equipment and furniture	2,517	1,313
Other property, plant and equipment	1,042	987
	<u>237,527</u>	<u>208,338</u>

(8) Intangible assets

Details of intangible assets and movement during the years ended 31 December 2021 and 2020 are as follows:

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	Thousands of Euros				
	Licences	Goodwill	Computer software	Other intangible assets	Total
Cost at 31 December 2020	542,914	219,175	46,839	6,416	815,343
Additions	-	-	7,733	928	8,661
Disposals	-	-	-	-	-
Cost at 31 December 2021	542,914	219,175	54,572	7,344	824,004
Accumulated amortisation at 31 December 2020	-	-	(36,352)	(1,085)	(37,436)
Depreciations	-	-	(5,179)	(268)	(5,447)
Accumulated amortisation at 31 December 2021	-	-	(41,531)	(1,353)	(42,884)
Accumulated impairment at 31 December 2020	-	-	-	(29)	(29)
Accumulated impairment at 31 December 2021	-	-	-	(29)	(29)
Net carrying amount at 31 December 2021	542,914	219,175	13,041	5,962	781,091

	Thousands of Euros				
	Licences	Goodwill	Computer software	Other intangible assets	Total
Cost at 31 December 2019	542,914	219,175	41,625	6,210	809,924
Additions	-	-	5,213	353	5,567
Disposals	-	-	-	(148)	(148)
Cost at 31 December 2020	542,914	219,175	46,839	6,416	815,343
Accumulated amortisation at 31 December 2019	-	-	(31,776)	(976)	(32,752)
Depreciations	-	-	(4,576)	(108)	(4,684)
Disposals	-	-	-	-	-
Accumulated amortisation at 31 December 2020	-	-	(36,352)	(1,085)	(37,436)
Accumulated impairment at 31 December 2019	-	-	-	(29)	(29)
Accumulated impairment at 31 December 2020	-	-	-	(29)	(29)
Net carrying amount at 31 December 2020	542,914	219,175	10,487	5,302	777,878

The volume of additions for investment in computer applications in 2021 comes from projects for the implementation of computer systems and programs as well as the evolutionary improvements of corporate systems, for similar amounts to those in 2020, with the difference of the projects for the implementation of systems under the CNMC's COPEX program (Meridian Project) for an amount of 2,255 thousand euros.

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The goodwill arising on the business combination carried out in 2010, amounting to Euros 213,053 thousand (subsequently reduced by Euros 1,584 thousand), and that generated on the business combination carried out in 2015 amounting to Euros 7,706 thousand, are essentially based on the future profits from the ordinary activities of the Parent Company and the companies Redexis Gas Infraestructuras, S.L.U. and Redexis Gas Murcia, S.A., which fail to meet the conditions to qualify for recognition as a separate asset.

Details of the allocation of goodwill at 31 December 2021 and 2020, by cash-generating unit (CGU), are as follows:

	Thousands of Euros	
	2021	2020
Gas distribution	54,432	54,432
Gas transmission	164,440	164,440
LPG	303	303
	219,175	219,175

A summary of the CGUs to which intangible assets with indefinite useful lives, namely licences for gas distribution and transmission, have been allocated at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Gas distribution	333,493	333,493
Gas transmission	209,421	209,421
	542,914	542,914

The cost of fully amortised intangible assets in use at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Computer software	32,048	27,177
Other intangible assets	484	395
	32,532	27,573

(9) Right of use assets and lease liabilities

Details and movement in the accounts included in the Right of use assets by classes during the years ended at 31 December 2021 and 2020 are as follows:

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	Thousands of Euros						
	Land	Buildings	Motor Vehicles	Information Processing Equipment	Subsoil use	Computer software	Total
Cost at 31 December 2020	1,655	6,722	2,483	195	7,236	312	18,603
Additions	153	1,137	562	7	274	-	2,133
Transfer	(13)	12	10	1	29	-	39
Disposals	-	-	-	-	-	(312)	(312)
Cost at 31 December 2021	1,795	7,870	3,054	203	7,539	-	20,462
Accumulated amortisation at 31 December 2020	(300)	(3,925)	(1,350)	(122)	(981)	(293)	(6,973)
Depreciations	(151)	(1,082)	(421)	(27)	(501)	(13)	(2,194)
Disposals	-	-	-	-	-	306	306
Transfer	13	(12)	(10)	(1)	(29)	-	(39)
Accumulated amortisation at 31 December 2021	(438)	(5,019)	(1,781)	(150)	(1,512)	-	(8,900)
Net carrying amount at 31 December 2021	1,357	2,851	1,273	53	6,027	-	11,562

	Thousands of Euros						
	Land	Buildings	Motor Vehicles	Information Processing Equipment	Subsoil use	Computer software	Total
Cost at 31 December 2019	1,339	5,669	2,047	247	7,236	312	16,850
Additions	316	1,067	436	28	-	-	1,847
Disposals	-	(14)	-	(80)	-	-	(94)
Cost at 31 December 2020	1,655	6,722	2,483	195	7,236	312	18,603
Accumulated amortisation at 31 December 2019	(134)	(2,873)	(973)	(182)	(513)	(147)	(4,821)
Depreciations	(167)	(1,066)	(378)	(20)	(469)	(147)	(2,246)
Disposals	-	14	-	80	-	-	94
Accumulated amortisation at 31 December 2020	(300)	(3,925)	(1,350)	(122)	(981)	(293)	(6,973)
Net carrying amount at 31 December 2020	1,355	2,796	1,133	73	6,255	18	11,630

The Group performs a large part of its activities in properties and facilities leased from third parties. The leases are negotiated with several renewal and cancellation options for flexibility depending on how the business responds in each area. The contracts expose the Group to a certain variability, albeit limited, due to that the majority of these is indexed to CPI.

Subsoil occupancy rates for the gas distribution activity are likewise included as well as the charges for subsoil occupancy for the gas transmission activity (under Subsoil Use), and those leases of land for facilities belonging to the Group (under Lands).

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In addition, the Group has short-term lease contracts, for which it has recorded an expense in the amount of Euros 417 thousand (Euros 97 thousand in the previous year) (see Note 30).

The details and relevant amounts of lease contracts by asset type at 31 December 2021 and 2020 are as follows:

	Thousands of Euros						
	Land	Buildings	IT Equipment	Motor Vehicles	Subsoil use	Computer software	Total
31/12/2021							
Amounts							
Fixed lease payments	169	1,145	28	445	670	13	2,469
Financial expenses for lease liabilities	29	70	1	30	189	0	319
Long term lease liabilities	1,248	1,843	28	878	5,628	0	9,625
Short term lease liabilities	142	1,097	27	427	447	0	2,140
Conditions							
Lease term	10 years	3 to 4 years	4 years	4 years	1 to 35 years	2 years	

	Thousands of Euros						
	Land	Buildings	IT Equipment	Motor Vehicles	Subsoil use	Computer software	Total
31/12/2020							
Amounts							
Fixed lease payments	132	1,149	38	402	642	151	2,514
Financial expenses for lease liabilities	31	80	2	31	186	3	334
Long term lease liabilities	1,237	1,815	38	780	5,885	0	9,754
Short term lease liabilities	141	1,090	37	379	407	19	2,073
Conditions							
Lease term	10 years	3 to 4 years	4 years	4 years	1 to 35 years	2 years	

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The analysis of the maturity date of the lease liabilities, including future interests to be paid, is as follows:

	Thousands of Euros	
	2021	2020
Up to six months	1,070	1,037
From six months to one year	1,070	1,037
From one to two years	2,154	2,000
From two to three years	1,729	1,556
From four to five years	552	552
Over five years	5,190	5,645
	<u>11,765</u>	<u>11,827</u>

The are no commitments deriving from short-term lease contracts.

(10) Impairment and Allocation of Goodwill and Intangible Assets with Indefinite Useful Lives to CGUs

For impairment testing purposes, goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash-generating units (CGUs) as detailed in Note 8.

The recoverable amount of a CGU is determined based on calculations of its fair value less costs of disposal. These calculations include estimated cash flow projections, less the post-tax average cost of the capital itself from the underlying CGU activity. The economic forecasts start from the best estimate by management of the evolution of the CGU business for a projection period of 15 years and assume a terminal value upon its conclusion with a perpetual growth rate (g) of 1.5%.

For the natural gas distribution and transmission activity, a post-tax average cost of capital calculated in accordance with CNMV Circular 2/2019, of 12 November, was used to establish the methodology for calculation of financial remuneration rate of the transmission and distribution activities of electric power, and the regasification, transmission and distribution of natural gas.

The Group determines budgeted gross margins based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in sector reports. The discount rates used are after-tax values and reflect specific risks related to each CGU.

According to the projections and estimates available to the Company (which include the considerations of the National Integrated Energy and Climate Plan (PNIEC) 2021-2030), the forecasts of the cash flows attributable to the CGU to which it is allocated goodwill and intangible assets with indefinite useful lives allow recovering the value of goodwill and intangible assets with indefinite useful lives recorded as of December 31, 2021. A sensitivity analysis to the assumption of the perpetual growth rate (g) in a projection period of 15 years shows that, for the natural gas distribution activity, there would only be a sign of impairment of goodwill and intangible assets with indefinite useful lives if the

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perpetual growth rate (g) was -7.5% or below; in the case of the natural gas transmission activity, for there to be a sign of impairment, the rate would have -2.7% or below.

(11) Financial Assets by Category and Class

The classification of financial assets by category and class, is as follows:

	Thousands of Euros			
	Non-current		Current	
	2021	2020	2021	2020
Financial assets at amortised cost				
Loans	-	-	1,989	278
Security and other deposits delivered	1,440	1,436	-	-
Other financial assets	62	92	-	-
Trade and other receivables				
Trade receivables	4,512	2,726	51,949	39,141
Other receivables	1,290	-	18,067	19,162
Impairment	-	-	(1,532)	(1,362)
Cash and cash equivalents	-	-	40,123	591,732
Total financial assets	<u>7,304</u>	<u>4,254</u>	<u>110,595</u>	<u>648,951</u>

The amount of net profits and losses, corresponding to the category of financial assets at amortised cost in the years 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Finance income at amortised cost	4	6
Losses for impairment	(309)	(383)
	<u>(305)</u>	<u>(377)</u>

Details of these items are provided in Notes 12 and 15.

(12) Current and Non-Current Financial Assets

Details of current and non-current financial assets at 31 December 2021 and 2020 are as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Security deposits paid	1,440	-	1,436	-
Loans to employees and other	-	1,989	-	278
Other financial assets	62	-	92	-

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Total	1,502	1,989	1,528	278
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Security deposits paid correspond essentially to the balances lodged with the Autonomous Regions, deriving from deposits received from customers when a service is arranged, by virtue of the provisions of applicable legislation in force at any given time. These security deposits are maintained for as long as the Group maintains the supply contract with the customer or if the customer maintains the agreement with its supplier, and its distribution company is a Group company.

Current credits correspond to the balance receivable for the sale of fixed assets already received in January 2022.

(13) Income tax

At the Shareholders General Meeting held on 17 December 2010 the Parent Company shareholders agreed that, with effect as of 1 January 2011, the Company would apply the consolidated taxation regime regulated in Title VII, Chapter VII of the now repealed Royal Legislative Decree 4/2004, of 5 March, replaced by Title VII, Chapter VI of Law 27/2014, of 27 November, approving the Corporate Income Tax Law. Redexis, S.A. is the parent company of a new tax group also made up of the subsidiaries detailed in Annex I attached.

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	2021		
	Thousands of Euros		
	Assets	Liabilities	Net
Property, plant and equipment	1,645	(32,001)	(30,356)
Goodwill	-	(8,736)	(8,736)
Deferred income	-	(2,293)	(2,293)
Intangible assets	-	(65,618)	(65,618)
Provisions	205	-	205
Amortisation and depreciation	2,269	-	2,269
Personnel remuneration	1,386	-	1,386
	5,505	(108,648)	(103,142)
Tax loss carryforwards	226	-	226
Net assets and liabilities	5,731	(108,648)	(102,917)

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	2020		
	Thousands of Euros		
	Assets	Liabilities	Net
Property, plant and equipment	1,705	(33,719)	(32,014)
Goodwill	-	(6,726)	(6,726)
Deferred income	-	(2,631)	(2,631)
Intangible assets	-	(64,293)	(64,293)
Provisions	264	-	264
Amortisation and depreciation	2,933	-	2,933
Personnel remuneration	1,931	-	1,931
	6,834	(107,369)	(100,535)
Tax loss carryforwards	2,896	-	2,896
Net assets and liabilities	9,730	(107,369)	(97,639)

There are no unrecorded deferred tax assets or liabilities

Deferred tax liabilities relating to property, plant and equipment mostly derive from the application of the tax incentive approved in additional provision 11 of Law 4/2008 of 23 December 2008 and in Royal Decree-Law 13/2010 of 3 December 2010, on accelerated depreciation of property, plant and equipment, which the Group applied in 2009, 2010 and 2011, as well as from the fair value measurement of property, plant and equipment in the business combinations in 2010 and 2015.

Accelerated depreciation is only applied to investments brought into service in the 2009, 2010 and 2011 tax periods that correspond to new assets commissioned under works execution contracts or investment projects with an execution period, in both cases, of less than two years between the commission or investment start date and the date on which the asset becomes available or enters service. Investments in distribution assets are depreciated over a period of 20 years for accounting purposes and one year for tax purposes. Investments in transmission assets are depreciated over a period of 40 years for accounting purposes and one year for tax purposes.

All deferred tax liabilities associated with intangible assets and deferred income derive from the aforementioned business combinations.

The merger approved by the shareholders in 2014, detailed in the accounts for the mentioned year, became effective for accounting purposes on 1 January 2014. The Group therefore reversed the deferred tax liability in the amount of Euros 80,748 thousand in the consolidated income statement for 2014. The merger was carried out under the special protection tax regime contained in Chapter VII of Title VII of the Spanish Corporate Income Tax Law and, therefore, the tax value of the property, plant and equipment, intangible assets and goodwill at 1 January 2014 was Euros 23,846 thousand, Euros 245,314 thousand and Euros 6,030 thousand, respectively. The tax effects occur as of when the merger was entered in the Mercantile Registry on 27 February 2015.

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On 23 December 2015, the Parent Company requested a ruling from the Directorate-General of Taxes as to whether the tax loss carryforwards of the absorbed subsidiaries (Redexis Gas Transportista and Redexis Gas Distribución), arising from temporary differences to be reversed in the future, should be calculated as a reduction in the deductible merger difference, as was the case with the accelerated depreciation applied by these companies in 2009, 2010 and 2011. On 26 December 2016, the Parent Company received a positive response to its query, stating that the tax loss carryforwards of the absorbed subsidiaries arising from temporary differences to be reversed in the future should not be calculated as a reduction in the deductible merger difference. As a result, the tax value of intangible assets and goodwill in 2016 increased by Euros 29,525 thousand and Euros 45,098 thousand, respectively. In 2016 the Group therefore reversed the Euros 7,441 thousand deferred tax liability in the consolidated income statement.

The tax value of intangible assets and goodwill in 2017 increased by Euros 43,031 thousand and Euros 75,253 thousand respectively. The Parent Company obtained a tax certificate corresponding to the former Company shareholder, which reveals the capital gain included in the Seller's tax base, the resulting double taxation of the transferring shareholder Endesa Gas, and of the purchasing company Redexis. The aforementioned capital gain could be eliminated by application of paragraph 5 of Transitory Provision 23 of Corporate Income Tax Law 27/2014.

Pursuant to Law 16/2012 of 27 December 2012, which introduced several tax measures to consolidate public finances and boost economic activity, depreciation of property, plant and equipment and amortisation of intangible assets was limited to 70% of the depreciation and amortisation charge for accounting purposes for the 2013 and 2014 tax periods. Consequently, the Group has recognised deferred tax assets of Euros 2,017 thousand at 31 December 2020 (Euros 2,682 thousand at 31 December 2019). As of 2015, any depreciation and amortisation that was not deducted for tax purposes in the tax periods commenced in 2013 and 2014, due to the aforementioned limit, may be deducted on a straight-line basis over a period of 10 years, or over the useful life of the assets. The Parent Company has opted for the 10-year reversal period.

During 2015 the Tax Authorities conducted an inspection for Corporate Income Tax (for the years 2010, 2011 and 2012). The Tax Authorities issued a settlement to increase Corporate Income Tax payable for 2010 by Euros 348 thousand plus late payment interest, to reduce tax loss carryforwards generated in 2011 by Euros 35,295 thousand, and to reduce non-deducted net finance costs arising in 2012 and available for application in future years by Euros 35,391 thousand. The inspection team has considered certain participating loans extended to the Company to be capital contributions from the Group's shareholders, and therefore does not consider the finance costs accrued in connection with these loans in 2010, 2011 and 2012 as tax deductible. The Company deemed the proposed adjustment unlawful and had therefore filed an administrative appeal and has lodged its submissions against the settlement at the Central Economic-Administrative Tribunal (TEAC). On 2 February the TEAC confirmed the decision of the inspection, which is why the Parent Company filed a claim in the National High Court, submitting it on 9 October 2017. On 24 July 2019, the National High Court confirmed the inspection arguments and on 15 October 2019, the Group filed a notice of appeal in cassation before the Supreme Court. On 2 June 2020, the notice of appeal before the Supreme Court was dismissed as non-admissible, whereby an appeal for legal protection was filed before the Constitutional Court on 24 November 2020. On 8

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March 2021, once the appeal had been examined, the appeal for protection was overturned, thus ending the judicial procedure.

Using the same criteria, the taxation authorities settled a reduction of deductible net finance costs generated in 2013 and 2014, carried forward for amounts of Euros 35,295 thousand and Euros 9,379 thousand, as it considered the participating loans extended to the Parent Company to be capital contributions from the Group's shareholders, and therefore does not consider the finance costs accrued in connection with these loans in 2013 and 2014 as tax deductible. The Parent Company deemed the proposed adjustment unlawful and had therefore filed an administrative appeal against the settlement before the Central Economic-Administrative Tribunal on 7 July 2017, which declined jurisdiction and forwarded the claim to the Regional Economic-Administrative Tribunal (TEAR) of Aragon, by resolution dated 20 January 2020, which notified its rejection on 28 December 2020. The company filed a contentious-administrative appeal in the following two months before the Superior Court of Justice of Aragón and withdrew it on 1 December 2021 as a result of the non-admission of the appeal.

In consideration of the above, the Company Directors have decided to derecognise the deferred assets recognised at 31 December 2020 and pay the Euros 348 thousand and default interest corresponding to the infraction notice of 2010.

In accordance with legislation in force, the Group may offset its tax loss carryforwards for the 2020 and 2021 tax periods up to a maximum of 25% of taxable income before the offset. In its provisional calculation of income tax for 2021, the tax group has offset tax losses of Euros 10,683 thousand (Euros 5,755 thousand in the definitive income tax return for 2020).

Based on the best estimate of future consolidated profits, recovery of the deferred tax assets is considered probable and they have therefore been recognised in the consolidated statement of financial position.

Corporate Income Tax Law 27/2014 of 27 November 2014 amended the income tax rate. The tax rate is 25% for periods commencing on or after 1 January 2016, and for 2015 it was 28%. The Group adjusted all of its deferred tax assets and liabilities based on a tax rate of 25%, except for deferred tax assets arising from non-deductible amortisation and depreciation in view of the application of Law 16/2012 of 27 December 2012. In this respect, Transitory Provision 37 of the CIT Law provides for a deduction in total income tax of 5 % of the amounts included in taxable income for the tax period, for depreciation and amortisation not deducted in tax periods starting in 2013 and 2014. This deduction was 2% for the tax periods commencing as of 2015.

There are no items charged or credited directly against other overall income and net equity in 2021 and 2020.

Details of the income tax expense are as follows:

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	Thousands of Euros	
	2021	2020
Current tax		
Present year	10,621	5,693
Adjustment of prior years	(377)	28,934
Deferred tax		
Origination and reversal of temporary differences	(2,947)	(3,152)
Finance costs	-	-
Accelerated depreciation and amortisation	(1,462)	(1,481)
Depreciation and amortisation	733	666
Salaries payable	597	(254)
Goodwill	(2,486)	(2,486)
Provisions	(329)	404
Income tax expense for the year (companies)	7,296	31,475
Adjustments and eliminations on consolidation	4,980	4,856
Income tax expense for the year (Group)	12,276	36,331

A reconciliation of current tax with current income tax liabilities is as follows:

	Thousands of Euros	
	2021	2020
Current tax	10,621	5,693
Tax loss carryforwards offset and recognised in prior years	(2,671)	(1,459)
Consolidation adjustments	-	-
Income tax payable for the year (Group)	7,950	4,234
Payments on account during the year	(5,617)	(3,055)
Withholdings	-	-
Current income tax liability	2,333	1,179

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The relationship between the income tax expense and pre-tax profit for the year is as follows:

	Thousands of Euros	
	2021	2020
Profit for the year before tax	50,384	29,516
Tax at 25%	12,596	7,379
Adjustment of prior years	(377)	28,934
Other net movements	57	18
Income tax expense for the year (Group)	12,276	36,331

The Group has recognised the tax effect of unused tax loss carryforwards as deferred tax assets, the amounts and reversal periods of which are as follows:

At 31 December 2021	
Company / Year	Thousands of Euros
Redexis Group / 2011	903
Total	903

At 31 December 2020	
Company / Year	Thousands of Euros
Redexis Group / 2011	11,586
Total	11,586

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or before the inspection period of four years has elapsed.

In 2016 the Tax Authorities commenced an audit of the following companies of the group, for the years and taxes set forth below:

<u>Tax</u>	<u>Years open</u>
Corporate Income Tax (All Group companies*)	2015-2018
Value Added Tax (Redexis, S.A.)	2017-2018
Non-Resident Income Tax (Redexis, S.A.)	2016-2019

(*) The period under inspection for the Redexis, S.A. corporate income tax is from 2016 through 2018.

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The Group has open to inspection by the taxation authorities the main taxes applicable for the following years:

<u>Tax</u>	<u>Years open</u>
Corporate Income Tax (*)	2019-2020
Value Added Tax (**)	2018-2021
Personal Income Tax	2018-2021
All other applicable Taxes	2018-2021

(*) The period for filing corporate income tax is within 25 calendar days following six months after the end of the year, whereby the Corporate Income Tax corresponding to 2021 will not be open to inspection until 25 July 2022.

Nevertheless, the right of the taxation authorities to inspect or investigate unused or offset tax loss carryforwards, and unused or applied deductions to promote the undertaking of certain activities, have a 10-year statute of limitations as of the day after the end of the period for filing the tax return or self-assessment corresponding to the tax period in which the right to offset or application was generated. Following that period, the Group should accredit any tax loss carryforwards or deductions by disclosing the settlement or self-assessment and the accounting records, with proof that they were filed at the Mercantile Registry within the above period.

Due to different possible interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of inspection. In any case, the Parent's directors do not consider that any such liabilities that could arise would have a significant effect on the Consolidated Annual Accounts

(14) Inventories

Details of Inventories are as follows:

	<u>Thousands of Euros</u>	
	<u>2021</u>	<u>2020</u>
LPG inventories	8,283	5,189
Solar Panels	682	-
Other materials	30	30
Supplier advances	721	492
	<u>9,716</u>	<u>5,711</u>

At 31 December 2021 and 2020, the Group had no commitments to purchase or sell inventories.

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Notes to the Consolidated Annual Accounts

(15) Trade, other receivables and other current assets

Details of trade and other receivables and other assets are as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Trade receivables	4,512	51,949	2,726	39,141
Receivables, settlements pending	1,290	15,780	-	17,968
Other receivables	-	2,287	-	1,194
Less impairment due to uncollectibility	-	(1,532)	-	(1,362)
Total trade and other receivables	5,802	68,484	2,726	56,941

	Thousands of Euros	
	2021	2020
Public entities		
Taxation authorities, recoverable VAT	6,150	965
Taxation authorities, withholdings	28	46
Other	98	92
Prepayments	976	526
Total other assets	7,252	1,629

Trade receivables primarily comprise balances receivable from suppliers of natural gas for tolls invoiced and propane gas invoiced to end customers. In the case of non-current, they come from sales with deferred payment of energy facilities for third parties.

Current and non-current receivables recorded under debtors, settlements receivable reflect settlements and measurement differences receivable from the gas system.

Movement in impairment due to uncollectibility is as follows:

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Notes to the Consolidated Annual Accounts

	Thousands of Euros	
	2021	2020
Balance at 1 January	(1,362)	(1,097)
Impairment charge	(339)	(488)
Reversals for impairment	30	105
Cancellations	139	118
Balance at 31 December	(1,532)	(1,362)

Past-due unimpaired trade receivables amounting to Euros 32 thousand at 31 December 2021 (Euros 37 thousand at 31 December 2020) reflect balances receivable from Public Entities for which no credit risk is foreseen.

(16) Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2021	2020
Cash in hand and at banks	40,123	591,732
	40,123	591,732

The variation in 2021 is mainly due to the repayment of debt explained in Note 19.

(17) Equity

Details of equity and movement during the year are shown in the consolidated statement of changes in equity.

(a) Capital

At 31 December 2021 and 2020, the share capital of the Parent Company amounted to Euros 100,000 thousand, represented by 10,000,000 shares of Euros 10 par value each, subscribed and fully paid.

At 31 December 2021, Redexis, S.A. is owned (i) 33.33% by Chase Gas Investments Limited, a subsidiary of the USS private equity fund; (ii) 33.34% by Arbejdsmarkedets Tillægspension (ATP) private equity fund; and (iii) 33.33% by Guotong Romeo Holdings Limited, a company owned by the funds Guoxin Guotong Fund LLT and CNIC Corporation Limited.

To this respect, on 22 November 2021 ATP executed a corporate restructuring, transferring the Redexis shares from ATP Infrastructure II APS directly to ATP.

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On the other hand, at 31 December 2020 Redexis, S.A. was owned (i) 33.33% by Chase Gas Investments Limited, a subsidiary of the USS private equity fund; (ii) 33.34% by ATP INFRASTRUCTURE II APS, a subsidiary of the ATP private equity fund; and (iii) 33.33% by Guotong Romeo Holdings Limited, a company owned by the funds Guoxin Guotong Fund LLT and CNIC Corporation Limited.

The Group actively manages its capital to maintain a structure capable of creating value for its shareholders and other stakeholders, as well as optimising the cost of this, always safeguarding the principle of going concern.

The Group has several levers that allow it to adjust its capital structure. These range from the discretionality in the payment of dividends and in making investments for its organic growth, through the amortisation of debt, issue of shares or sale of assets.

In order to monitor and achieve these objectives, the Group maintains a prudent financial policy that specifies a commitment to maintain an investment grade rating, in other words, BBB- or greater by Standard & Poor's rating agency or any other agency with which the Group maintains a rating request. This entails the fulfilment of a series of leverage ratios and cash generation in accordance with that rating.

(b) Share premium

This reserve, amounting to Euros 105,433 thousand at 31 December 2021 and 2020, is freely distributable, provided that its distribution would not reduce the Parent's equity to an amount lower than share capital.

(c) Other reserves

Details of Other reserves are as follows:

	Thousands of Euros	
	2021	2020
Legal reserve	20,000	20,000
Other shareholder contributions	97,538	157,538
Other reserves	207,333	214,527
	324,871	392,065

Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Revised Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

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The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2021 and 2020, the Parent had appropriated to this reserve the minimum amount required by law, i.e. Euros 20 million (20% of share capital), and will therefore not allocate any further amounts to this reserve.

Other reserves

The goodwill reserve was appropriated in compliance with article 273.4 of the Revised Spanish Companies Act, which required companies to constitute a non-distributable reserve equal to the amount of goodwill recognised in the Parent's individual statement of financial position. However, the amendment to article 39.4 of the Spanish Code of Commerce in 2016 provided for the systematic amortisation of goodwill (in annual accounts prepared under Spanish GAAP), thus eliminating the obligation to appropriate this reserve.

At 31 December 2021 and 2020, other reserves include goodwill reserves amounting to Euros 16,356 thousand, which are non-distributable until the carrying amount of goodwill is lower than the amount of this reserve in the Annual Accounts of each Group company.

Details of reserves contributed by each Group company at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Redexis, S.A.	325,707	391,693
Redexis Gas Murcia, S.A.	1,567	324
Redexis Gas Servicios, S.L.U.	(1,607)	(1,470)
Redexis GLP, S.L.U.	(5,558)	(3,354)
Redexis Infraestructuras, S.L.U.	4,761	4,872
	<u>324,871</u>	<u>392,065</u>

(d) Dividends

During 2021, the Parent has proceeded to pay two dividends to shareholders at the rate of Euros 3 per share in each distribution. The total amount distributed in 2021 was Euros 60,000 thousand (Euros 60,000 thousand in 2020), against the freely distributable reserves of the Parent to shareholders of the Company as detailed in section (a), of which Euros 58,100 thousand were paid and the rest retained.

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(e) Profit/(loss) for the year

Details of profit/(loss) for the year contributed by each Group company at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Redexis, S.A.	33,948	(9,593)
Redexis Gas Servicios, S.L.U.	746	(137)
Redexis GLP, S.L.U.	35	(2,204)
Redexis Gas Murcia, S.A.	2,459	1,244
Redexis Infraestructuras, S.L.U	920	3,875
	38,108	(6,815)

(18) Financial Liabilities by Class and Category

(a) Classification of financial liabilities by category

A classification of financial liabilities by category and class is as follows:

	Thousands of Euros	
	2021	
	Carrying amount Non-current	Carrying amount Current
Financial liabilities at amortised cost		
Debt with related parties	991,885	12,709
Loans and borrowings		
Variable rate	148,209	250
Fixed rate	256,544	11,598
Security and other deposits received	855	-
Payables transformable into subsidies	936	-
Lease liabilities	9,625	2,140
Total financial liabilities	1,408,054	26,697

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	Thousands of Euros	
	2020	
	Carrying amount Non-current	Carrying amount Current
Financial liabilities at amortised cost		
Debt with related parties	990,064	517,192
Loans and borrowings		
Variable rate	147,556	260
Fixed rate	265,930	11,648
Security and other deposits received	1,136	-
Other financial liabilities	46	523
Lease liabilities	9,754	2,073
Total financial liabilities	1,414,486	531,695

The fair value of loans and borrowings with related parties at 31 December 2021 is Euros 1,053,062 thousand (Euros 1,572,423 thousand at 31 December 2020). The average interest rate of these debts is 1.56% (1.56% in 2020). For the rest of the liabilities, the fair value is similar to the carrying amount.

Security deposits received essentially correspond to the deposits received from customers when a service is arranged, by virtue of the provisions of applicable legislation in force at any given time. These security deposits are maintained for as long as the Group maintains the supply contract with the customer or if the customer maintains the agreement with its supplier, and its distribution company is a Group company.

(b) Net losses and gains by financial liability category

Net losses and gains by financial liability category for 2021 comprise finance costs at amortised cost totalling Euros 28,616 thousand (Euros 42,774 thousand in 2020).

(c) Changes in Liabilities arising from Financing Activities

The reconciliation of liabilities classified as financing activities is as follows:

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	Thousands of Euros			
	Debt with related parties	Loans and borrowings	Lease liabilities	Total
Net carrying amount at 01 January 2020	1,141,780	207,885	12,199	1,361,865
Cash flows	336,539	215,358	(2,181)	549,715
Other changes	5,677	(345)	1,809	7,141
Balance at 31 December 2020	1,483,996	422,898	11,827	1,918,721
Cash flows	(494,097)	(9,219)	(2,188)	(505,504)
Other changes	1,986	485	2,127	4,598
Balance at 31 December 2021	991,885	414,165	11,765	1,417,815

(19) Debt with related parties

As indicated in Note 6(c), at 31 December 2021 the Parent was extended a series of loans by related party Redexis Gas Finance, B.V. in a nominal amount of Euros 1,000,000 thousand (Euros 1,494,097 at 31 December 2020).

The origin of these loans are the issues of debt made by Redexis Gas Finance, B.V. All issues are guaranteed by Redexis and the funds obtained from the issues were transferred to the Parent Company by means of said loans.

The list of loans at the close of 2020 and 2021 is as follows:

Year 2021

Issue date	Term (years)	Maturity	Coupon	Nominal
27/04/2015	12	27/04/2027	1.99%	250,000
01/12/2017	9 and 5 months	27/04/2027	1.99%	250,000
28/05/2020	5	28/05/2025	1.91%	500,000
				1,000,000

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Year 2020

Issue date	Term (years)	Maturity	Coupon	Nominal
08/04/2014	7	08/04/2021	2.87%	494,097
27/04/2015	12	27/04/2027	1.99%	250,000
01/12/2017	9 and 5 months	27/04/2027	1.99%	250,000
28/05/2020	5	28/05/2025	1.91%	500,000
				1,494,097

The transactions performed in 2021 were as follows:

- The loan in the amount of Euros 494,097 thousand, held by the Parent with Redexis Gas Finance, B.V. was prepaid on 7 January 2021. In turn, on 8 January 2021 Redexis Gas Finance, B.V. proceeded to partially repay all of the bonds in force of the issue to mature on 8 April 2021, in an amount of Euros 494,097 thousand.

The transactions performed in 2020 were as follows:

- In May 2020 the Parent formalised a loan with Redexis Gas Finance, B.V. in an amount of Euros 500,000 thousand for 5 years, to mature in May 2025. The amount of this loan was used to partially prepay Euros 155,903 thousand of the loan in the amount of Euros 650,000 thousand held by the Parent with Redexis Gas Finance, B.V. to mature on 8 April 2021, leaving an outstanding amount of Euros 494,097 thousand.

The remaining funds, together with the bank loan in the amount of Euros 150 million formalised in May 2020 and detailed in Note 20, will be allocated toward prepaying the aforementioned loan.

Accrued interest not yet due at 31 December 2021 and 2020 is reflected under “Loans and Borrowings with Related Parties” under current liabilities in the Consolidated Statement of Financial Position.

(20) Loans and Borrowings

Details on loans and borrowings at 31 December 2021 and at 31 December 2020 are as follows:

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Type	Maturity	Maximum available	Thousands of Euros	
			Carrying amount at 31 December 2021	
			Current	Non-current
Loans and borrowings:				
- ESG linked - Revolving Credit Facility	2024-2026	300,000	63 ⁽¹⁾	(1,267) ⁽²⁾
- EIB loan 2015	2036	141,176	10,238	131,644
- EIB loan 2017	2039	50,000	520	49,900
- EIB loan 2018	2040	75,000	841	75,000
- ESG linked - Term Loan	2023	150,000	187	149,475
		<u>716,176</u>	<u>11,848</u>	<u>404,753</u>

(1) Commitment fee.

(2) Outstanding depreciable expenses

Type	Maturity	Maximum available	Thousands of Euros	
			Carrying amount at 31 December 2020	
			Current	Non-current
Loans and borrowings:				
- ESG linked - Revolving Credit Facility	2026	300,000	63	(1,154)
- EIB loan 2015	2036	150,580	10,287	141,040
- EIB loan 2017	2039	50,000	520	49,890
- EIB loan 2018	2040	75,000	841	75,000
- ESG linked - Term Loan	2023	150,000	197	149,110
		<u>725,580</u>	<u>11,908</u>	<u>413,486</u>

(1) Commitment fee.

(2) 20 years from the drawdown

REDEXIS, S.A. AND SUBSIDIARIES

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The maturity by year of the loans is:

At 31 December 2021:

	2022	2023	2024	2025	2026 and thereafter	Total
EIB	9,412	12,353	16,765	16,765	210,882	266,176
TERM LOAN	-	150,000	-	-	-	150,000
TOTAL	9,412	162,353	16,765	16,765	210,882	416,176

No new financing transactions were performed in 2021.

The transactions performed in 2020 were as follows:

- On 20 February 2020, the Parent made the final drawdown on the loan from the EIB in an amount of Euros 75 million, with a 20-year maturity and an annual repayment of capital and interest, with a capital grace period during the first 3 years.
- In May 2020 the Parent formalised a Term Loan with several Spanish and international institutions in an amount of Euros 150,000 thousand for 3 years, to mature in May 2023. Together with the transaction detailed in Note 19, the funds were allocated toward cancellation of the bond issued by Redexis Gas Finance, B.V. with the guarantee of the Parent, which matured on 8 April 2021 and which was coordinated by cancellation of the loan between Redexis Finance, B.V. and the Parent, which matured on 8 April 2021.

(21) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2021	2020
Suppliers	6,629	3,112
Trade payables	13,651	12,376
Payables, settlements pending	37,539	46,952
Salaries payable	3,559	7,170
Payables for acquisition of non-current assets	44,649	42,925
Total trade and other payables	106,026	112,535

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		Thousands of Euros	
		2021	2020
Public entities, other			
tax	Taxation authorities, personal income	2,249	401
	Social Security payables	410	458
	Taxation authorities, personal VAT tax	73	137
	Public utility rates, taxes and local council payables	2,421	2,122
Total other liabilities		<u>5,153</u>	<u>3,118</u>

Payables, settlements pending at 31 December 2021 primarily include the balances related to provisional settlements pending final settlement by the regulatory body for 2019, 2020 and 2021 (for the years 2018, 2019 and 2020 at 31 December 2020).

Payables for acquisition of non-current assets at 31 December 2021 and 2020 mainly reflect payables for acquisitions of property, plant and equipment, primarily for the extension of distribution and transmission networks. Accounts payable for acquisitions of property, plant and equipment as of December 31, 2021 include 5,101 thousand euros of advanced commercial debts by credit institutions.

(22) Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010.

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2021	2020
	Days	
Average supplier payment period	41	49
Transactions paid ratio	42	51
Transactions payable ratio	35	34
	Amount (thousands of Euros)	
Total payments made	203,731	192,101
Total payments outstanding	26,623	23,271

To calculate the average period of payment to suppliers, the commercial operations corresponding to the delivery of goods or provision of services accrued in each year were taken into account.

Trade creditors for debts with suppliers of goods or services, included in the item "Trade creditors and other accounts payable" of the current liabilities of the balance sheet are

Notes to the Consolidated Annual Accounts

considered suppliers exclusively for the purposes of giving the information provided for in this Resolution.

“Average payment period to suppliers” is understood as the term that elapses from the receipt of the goods or the provision of services by the supplier and the material payment of the operation.

(23) Risk Management Policy

Financial risk factors

The Group’s activities are exposed to various financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group’s global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group’s profits.

Risks are managed by the Group’s finance management in accordance with policies approved by the Board of Directors. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group’s operational units.

Credit risk

The credit risk is that which arises as a result of the breach or non-payment of the counterparty in a financial transaction.

Due to its activity, geographic distribution and to the special characteristics of its customers given the sector in which it operates, the Group does not have significant concentrations of credit risk. Despite this, the Group has implemented a credit risk control procedure, monitored by a committee that furthermore evaluates exposure to certain transactions.

On the other hand, the Group policy for financial asset investments is to maintain the availability of their liquidity for use. These balances are maintained in top-tier financial institutions.

The tables below show the ageing of financial assets at 31 December 2021 and 2020:

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	2021					
	Thousands of Euros					
	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	Total
Trade and other receivables, fixed rate	14,438	38,266	15,780	3,997	1,805	74,286
Other financial assets	1,850	-	139	-	1,502	3,491
Total assets	16,287	38,266	15,919	3,997	3,307	77,777

	2020					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Total
Trade and other receivables, fixed rate	10,254	28,719	17,968	1,787	939	59,667
Other financial assets	-	-	278	-	1,528	1,806
Total assets	10,254	28,719	18,246	1,787	2,467	61,473

Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash and available financing through credit facilities committed to covering the operating and financial needs of the Group.

The goal of the Group's finance management is to maintain flexible financing through the availability of the credit facilities contracted. As of December 31, 2021, the Group has a negative working capital of EUR 12,994 thousand. However, in order to cover the operational needs that may be necessary, the Group maintains the availability of credit facilities amounting to Euros 300,000 thousand available at December 31, 2021 (Euros 300,000 thousand available at 31 December 2020, see Note 21) which, together with the current cash flow generation and cash and cash equivalents (Euros 40,123 thousand in 2021 and Euros 591,732 thousand in 2020) cover the funds operating needs of the Group for the year 2022.

Details of the Group's exposure to liquidity risk at 31 December 2021 and 2020 are shown below. The tables reflect the analysis of financial liabilities by contractual maturity date.

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2021						
Thousands of Euros						
	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Total
Loans and borrowings	-	250	11,598	210,856	193,897	416,601
Variable rate	-	250	-	148,209	-	148,458
Principal	-	-	-	148,209	-	148,209
Interest	-	250	-	-	-	250
Fixed rate	-	-	11,598	62,647	193,897	268,142
Principal	-	-	9,412	62,647	193,897	265,956
Interest	-	-	2,186	-	-	2,186
Trade and other payables	4,517	97,950	3,559	-	-	106,026
Debt with related parties	-	-	12,709	495,178	496,707	1,004,594
Fixed rate	-	-	12,709	495,178	496,707	1,004,594
Principal	-	-	-	495,178	496,707	991,885
Interest	-	-	12,709	-	-	12,709
Total liabilities	4,517	97,950	27,866	706,034	690,604	1,527,221

2020						
Thousands of Euros						
	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Total
Loans and borrowings	-	260	11,648	202,850	210,636	425,394
Variable rate	-	260	-	147,556	-	147,816
Principal	-	-	-	147,556	-	147,556
Interest	-	260	-	-	-	260
Fixed rate	-	-	11,648	55,294	210,636	277,578
Principal	-	-	9,412	55,294	210,636	275,342
Interest	-	-	2,236	-	-	2,236
Trade and other payables	4,824	100,541	7,170	-	-	112,535
Debt with related parties	-	-	517,192	495,178	494,886	1,507,256
Fixed rate	-	-	517,192	495,178	494,886	1,507,256
Principal	-	-	493,932	495,178	494,886	1,483,996
Interest	-	-	23,260	-	-	23,260
Total liabilities	4,824	100,801	536,009	698,028	705,522	2,045,185

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(24) Provisions for Employee Benefits

Details of provisions for employee benefits and their classification as current and non-current are as follows:

	Thousands of Euros		
	2021		2020
	Non-current	Current	Non-current
Benefit obligations	132	348	126
Multi-annual incentive provision	578	-	-
Total	710	348	126

Current benefit obligations record outstanding compensation.

The multi-annual incentive provision was reclassified in 2020 under Current trade payables with the rest of the remunerations payable to employees.

(a) Post-employment and long-term employee benefits

Under the current pension scheme, certain Group employees still hold the rights acquired through the pension scheme of the group to which the Parent previously belonged. This scheme provides defined contribution plans for retirement, for which insurance policies have been arranged for cover the Plan.

On the other hand, the social benefit obligations for deferred remuneration commitments in the form of length-of-service and retirement premiums are covered by internal provisions.

At 31 December 2021 and 2020 obligations with employees provisioned with internal funds correspond to long-service bonuses for serving personnel.

Details of and movement in provisions for long-term employee benefits are as follows (thousands of Euros):

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	Other long-term employee benefits	
	2021	2020
Balance at 1 January	126	3,972
Personnel expenses	5	106
Finance costs	-	50
Applications recognised in profit or loss	-	(3,457)
Transfers	-	(539)
Actuarial gains and losses	1	(6)
Balance at 31 December	132	126

The present value of the commitments was determined by qualified independent actuaries.

The contributions made by the Group to the pension plan amounted to Euros 593 thousand in the year ended 31 December 2021 and are included under personnel expenses in the consolidated income statement (Euros 609 thousand in the year ended 31 December 2020, see Note 31).

At 31 December 2021 and at 31 December 2020, no accrued contributions were pending.

(25) Other provisions

Movement in other provisions in 2021 and 2020 was as follows:

	Thousands of Euros	
	2021	2020
Balance at 1 January	943	576
Charges	2,078	885
Payments	(227)	(433)
Reversals	(504)	(84)
At 31 December	2,290	943

These provisions mainly include measurement differences in the distribution and transmission activity pending settlement, several lawsuits and provisions to dismantle facilities.

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Guarantees

The Group has extended guarantees to various government bodies totalling Euros 52,897 thousand at 31 December 2021 (Euros 54,282 thousand at 31 December 2020) to ensure compliance with its obligations as a company officially authorised to distribute gas in a number of municipalities and to carry out works on public thoroughfares. The Group does not expect any significant liabilities to arise from these guarantees.

(26) Environmental Information

The Group is aware of its responsibility to protect the environment and has undertaken a number of initiatives with this purpose within its area of influence. The Group conducts its activities in full compliance with prevailing environmental legislation.

The Group renders an important energy advisory service to its customers, including active participation in campaigns to replace other energies with natural gas, as well as supporting and facilitating the renewal of facilities, with consequent improvements in energy efficiency and reductions in pollutant emissions.

When so required by law due to the characteristics of the project in question, the Group commissions mandatory reports by independent environmental consultants when carrying out network extension works and recognises the related costs as an increase in the value of the investment.

(27) Government grants and other liabilities

Movement in non-refundable government grants and other liabilities is as follows:

Body/Item	Scope	2021			
		Balance at 1 January	Additions	Amounts Transferred to P&L	Balances at 31 December
Public entities	PE	14,260	15	(780)	13,496
Connection charges	Private	6,648	1,890	(515)	8,023
		20,909	1,905	(1,295)	21,519

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

Body/Item	Scope	2020					Balances at 31 December
		Thousands of Euros	Balance at 1 January	Additions	Disposals	Amounts transferred to the income statement	
Public entities	PE	15,120	-	(111)	(749)	14,260	
Connection charges	Private	6,096	1,035	-	(483)	6,648	
		21,216	1,035	(111)	(1,232)	20,909	

Capital grants awarded by public entities are earmarked for investment in gas pipelines and distribution networks.

(28) Revenue from ordinary activities

Details of revenue are as follows:

	Thousands of Euros	
	2021	2020
Remuneration for distribution activities	112,615	106,843
Remuneration for transmission activities	59,804	59,551
One-off adjustment to previous years' transmission revenue	-	(939)
Remuneration for transmission and distribution activities	172,418	165,455
Regulated LPG sales	32,728	22,559
Other regulated distribution revenue (connection charges, equipment rental, other services)	26,321	25,362
Other non-regulated revenue	8,426	6,004
	239,893	219,380

(i) Breakdown of revenue from ordinary activities:

The following provides a breakdown by type of activity and/or service rendered and the time at which the revenue is recognised:

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

	Thousands of Euros	
	2021	2020
Service rendered and/or asset transferred over time		
Gas distribution	112,615	106,843
Gas transmission	59,804	58,612
Sale of LPG	32,728	22,559
Rental of metering equipment	6,974	6,731
Renting and maintaining CRF	7,865	7,625
Service rendered and/or asset transferred at a specific time		
Registration fees	2,098	1,971
IRF Inspections	6,000	6,098
Contracting party connection charges	2,455	2,422
Supply reinstatement fee	930	514

(ii) Contract balances

At 31 December 2021 and 2020, the Group has no accounts receivable, customer contract assets or liabilities.

(29) Other income

Details of other income are as follows:

	Thousands of Euros	
	2021	2020
Government grants taken to income (Note 27)	780	749
Applicant connection charge	515	483
Income from third-party offsets	933	387
Profits associated with property, plant and equipment	1,449	517
Lease income	251	900
LNG transmission revenue	1,992	1,314
Other income	580	1,013
Total	6,500	5,363

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(30) Other Operating expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2021	2020
Operating lease expenses	417	97
Repairs and maintenance	8,353	7,681
Independent professional services	2,229	1,731
Bank and similar fees	374	385
Advertising and publicity	1,953	1,088
Utilities	291	372
Insurance premiums	716	588
Taxes	2,394	2,246
Outsourced services	6,828	6,882
Other expenses	3,742	3,161
Impairment losses / (profit) and uncollectibility of trade and other receivables (Note 9)	309	383
Other non-recurrent expenses	1,592	982
Total	29,197	25,596

(31) Employee benefits expense

Details of the employee benefits expense for 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Salaries and wages	22,231	23,834
Social Security payable by the Company	4,658	4,905
Contributions to defined benefit plans (Note 24(a))	593	609
Other employee benefits and Provisions	629	(2,646)
Non-recurrent expenses	1,126	1,947
Total	29,237	28,648

In 2020, Other employee benefits and Provisions included the application of provisions to terminate the right of supply to retired personnel.

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

The average headcount of the Group in 2021 and 2020, distributed by category, is as follows:

		Number	
		2021	2020
managers	Steering Committee	12	13
	Executives and	117	111
Staff	Technical and Support	208	224
	Other categories	12	15
Total		349	363

At the 2021 and 2020 year ends the distribution by gender of Group personnel and the members of the Board of Directors is as follows:

	2021			2020		
	Male	Female	Total	Male	Female	Total
Board members	8	1	9	7	1	8
Steering Committee	7	3	10	8	3	11
Executives and managers	93	19	112	92	18	110
Technical and Support Staff	135	67	202	144	70	214
Other categories	5	6	11	6	5	11
Total	248	96	344	257	97	354

(32) Finance Income and Costs

Details of finance income and costs are as follows:

	Thousands of Euros	
	2021	2020
Finance income	239	286
Interest on loans and borrowings	(6,834)	(5,389)
Interest on loans and borrowings with related parties	(21,946)	(35,036)
Impairment and profit/(loss) from disposals of financial instruments	-	(2,560)
Other finance costs	(107)	(235)
Finance costs arising from provision adjustments	(319)	(384)
Net finance profit/(loss)	(28,967)	(43,317)

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(33) Related Party Balances and Transactions

The balances payable to related parties at 31 December 2020 are shown in Note 19.

The Group's transactions with related parties are as follows:

	2021		
	Thousands of Euros		
	Related parties	Key management personnel	Total
Expenses			
Interest	(21,946)	-	(21,946)
Donations	(175)	-	(175)
Benefits expenses	-	(5,186)	(5,186)
	(22,121)	(5,186)	(27,307)

	2020		
	Thousands of Euros		
	Related parties	Key management personnel	Total
Expenses			
Interest	(35,036)	-	(35,036)
Donations	(177)	-	(177)
Benefits expenses	-	(5,600)	(5,600)
	(35,213)	(5,600)	(40,813)

(34) Information on the Members of the Parent's Board of Directors and the Group's Senior Management Personnel

At 31 December 2021 the Parent's Board of Directors comprises nine members: one woman and eight men.

Without prejudice to the above, on 16 December 2021, (i) Mr Fernando Bergasa Cáceres tendered his resignation as Chief Executive Officer; and (ii) Ms Cristina Ávila García as Director of the Board of Directors of the Parent, both effective 1 January 2022.

On the other hand, on 1 December 2021 the Redexis Shareholders General Meeting appointed Mr Fidel López Soria as a Director of the Parent, and on 16 December 2021 he was appointed by the Board of Directors as its Chief Executive Officer, effective 1 January 2022.

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

The members of the Board of Directors receive no remuneration for their role on the board, and no balances in this regard are payable to or receivable from these directors in 2021 or 2020. However, remuneration is paid to board members who perform executive duties in the Company.

In 2021, the executive board members and other directors who report directly to the board members received remuneration amounting to Euros 7,176 thousand for 13 recipients (13 recipients received Euros 4,929 thousand in 2020), which includes the settlement of the bonus accrued in 2020.

In 2017 a bonus plan was implemented on a three-year basis for the period between 2018 and 2020, both inclusive, and a five-year plan which expires in 2022. In relation to the three-year plan and for the year 2021, a provision has been made for continuity with the previous plan, which the management has taken as the best estimate in the current context, pending definition of the detailed plan.

The Group also has pension and life insurance obligations with its executive board members and other directors who report directly to the Board of Directors. For this concept, the Group incurred an expense of Euros 102 thousand in 2021, Euros 110 thousand in 2020, for 13 recipients in both years.

The amount of civil liability insurance premiums for damages caused by acts or omissions of Directors and senior management personnel in the exercise of their posts came to Euros 25 thousand in 2021 and 2020.

No advances or loans were granted in 2021 or 2020 to executive board members or other directors who report directly to the Board of Directors, nor were any guarantees extended on their behalf.

In 2021 and 2020 neither the members of the Board of Directors of the Parent nor other directors who report directly to the Board of Directors carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

The members of the Board of Directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

REDEXIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(35) Audit Fees

Deloitte, S.L., the auditor of the Group's annual accounts, accrued the following fees for professional services during the years ended 31 December 2021 and 2020:

	Thousands of Euros	
	2021	2020
Audit services	199	199
Other audit-related services	37	22
	<u>236</u>	<u>221</u>

The amounts detailed in the above table include the total fees for services rendered in 2021 and 2020, irrespective of the date of invoice.

Other companies affiliated with Deloitte invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2021 and 2020:

	Thousands of Euros	
	2021	2020
Other services	205	241
	<u>205</u>	<u>241</u>

(36) Events after the Reporting Period

No events occurred after year end.

REDEXIS, S.A. AND SUBSIDIARIES
Details of Subsidiaries
at 31 December 2021

APPENDIX I

<u>Company name</u>	<u>Registered office</u>	<u>Activity</u>	<u>Auditor</u>	<u>Company holding investment</u>	<u>% ownership</u>	<u>% of voting rights</u>
Redexis Infraestructuras, S.L.U.	Madrid	Regasification of liquefied natural gas. Natural gas transmission and storage. Related and ancillary activities.	Deloitte, S.L.	Redexis, S.A.	100	100
Redexis Gas Servicios, S.L.U.	Madrid	Holding of securities, mainly in energy companies Management, advisory and corporate services linked to the energy sector. Telecommunications operator. Planning, analysis, projects, execution, assembly and operation of infrastructure Purchase, transfer and financing of capital goods associated with the aforementioned activities and related repairs and maintenance.	Deloitte, S.L.	Redexis, S.A.	100	100
Redexis GLP, S.L.U.	Madrid	Retail sale and supply of liquefied petroleum gas	Deloitte, S.L.	Redexis, S.A.	100	100
Redexis Gas Murcia, S.A.	Murcia	Distribution and secondary transmission of natural gas. Distribution and sale of liquefied petroleum gas through pipelines.	Deloitte, S.L.	Redexis, S.A.	99.98	99.98

REDEXIS, S.A. AND SUBSIDIARIES
Details of Subsidiary Entities
at 31 December 2020

Company name	Registered office	Activity	Auditor	Company holding investment	% ownership	% of voting rights
Redexis Infraestructuras, S.L.U.	Madrid	Regasification of liquefied natural gas. Natural gas transmission and storage. Related and ancillary activities.	Deloitte, S.L.	Redexis, S.A.	100	100
Redexis Gas Servicios, S.L.U.	Madrid	Holding of securities, mainly in energy companies Management, advisory and corporate services linked to the energy sector. Telecommunications operator. Planning, analysis, projects, execution, assembly and operation of infrastructure Purchase, transfer and financing of capital goods associated with the aforementioned activities and related repairs and maintenance.	Deloitte, S.L.	Redexis, S.A.	100	100
Redexis GLP, S.L.U.	Madrid	Retail sale and supply of liquefied petroleum gas	Deloitte, S.L.	Redexis, S.A.	100	100
Redexis Gas Murcia, S.A.	Murcia	Distribution and secondary transmission of natural gas. Distribution and sale of liquefied petroleum gas through pipelines.	Deloitte, S.L.	Redexis, S.A.	99.98	99.98

APPENDIX II

Alternative performance measures (APM)

The Redexis Group financial information contains magnitudes and measures prepared in accordance with applicable accounting regulations, as well as others prepared in accordance with reporting standards established and developed internally, which are known as Alternative Performance Measures (APMs).

These APMs are considered magnitudes adjusted with respect to those presented in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), which is the applicable accounting framework for the consolidated financial statements of the Redexis Group, and should therefore be considered by the reader as supplementary but not replacing these, which should be read, interpreted and reviewed overall and not separately.

These additional financial measures deriving from the consolidated accounting records are not financial or liquidity performance measures of the Group according to the IFRS, and should not be considered as an alternative to consolidated net income; or as an indicator of Group performance; or as an alternative to cash flows from operating activities; or as a measure of Group liquidity. Therefore, they may differ from measures with similar titles reported by other companies and may not be comparable.

The Redexis Group reports these APMs to help users of financial information to understand its financial performance, since these constitute additional financial information and the Group considers that they represent useful alternative and additional indicators of the financial performance of the Group when read or interpreted together with the financial statements.

These APMs are consistent with the main indicators used by the community of investors and analysts in capital markets. To this regard, and in accordance with the contents of the Guidelines issued by the European Securities and Markets Authority (ESMA), in force since 3 July 2016 relative to the transparency of Alternative Performance Measures, the Redexis Group provides the following information deemed significant relative to those APMs included in the 2021 management information.

1. EBITDA

Acronym for “Earnings Before Interest, Tax, Depreciation and Amortisation”. This is an indicator of the results from operating activities of the Group, before deducting net interest, corporate income tax, depreciation and amortisation and prior to possible adjustments for non-recurring items relative to remuneration from gas transmission from previous years, possible non-recurring organisational restructuring and/or personnel expenses, other non-recurrent operating expenses or non-current asset impairment.

2. EBIT

Acronym for “Earnings Before Interest and Taxes”: indicator that measures the results from operating activities of the Group before deducting interest and corporate income tax.

3. EBT

Acronym for “Earnings Before Taxes”: indicator that measures the results from operating

activities of the Group before deducting corporate income tax.

4. EBITDA margin

EBITDA figure of the total operating income and other revenue.

5. EBITDA margin less the dilutive effect of the LPG

EBITDA figure of the total operating income and other revenue, after deducting the cost of the LPG from these, so as to show the net margin of the LPG in the income as remuneration, in the same way as the gas distribution and transmission business.

6. Total income and other operating income

Total income and other operating income plus the work carried out by the company for its fixed assets:

7. Personnel expenses

Expenses for salaries and wages and other employee benefit expenses, without including non-recurrent expenses relative to organisational changes or other non-recurrent expenses.

8. Capital / Investment Expenses

Capital used in additions of non-current tangible assets, such as PPE (property, plant and equipment) including outlays for the acquisition of subsidiaries or business units and including additions of non-current intangible assets.

CONSOLIDATED DIRECTORS' REPORT

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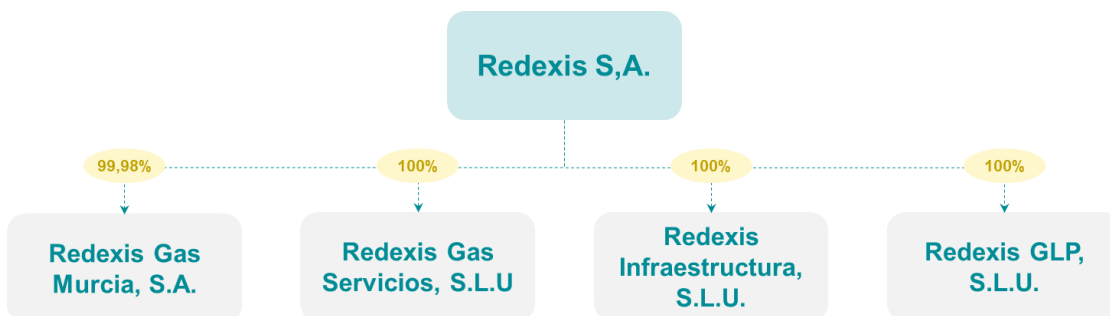
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1. Position of the company

1.1. Organisational and corporate structure

The Redexis Group (hereinafter the “Group” or “Redexis”) is an energy infrastructure group engaged in the development of gas infrastructures and renewable energies such as hydrogen or biomethane. Its networks provide access to natural gas to many residential, industrial and service sector customers. The companies comprising the Group are:

- Redexis, S.A.: Head of the Group engaged in the distribution and transmission of all types of gas and oil-based products for domestic, commercial and industrial purposes, the use of any by-products, and activities related with the above.
- Redexis Infraestructuras, S.L.U. devoted to the regasification of liquefied natural gas, natural gas transmission and storage and related and ancillary activities. It is 100% owned by Redexis.
- Redexis GLP, S.L.U. is devoted to the retail sale and supply of liquefied petroleum gas. It is 100% owned by Redexis.
- Redexis Gas Murcia, S.A. is devoted to the distribution and secondary transmission of natural gas, and the distribution and sale of liquefied petroleum gas through pipelines. It is 99.98% owned by Redexis.
- Redexis Gas Services, S.L.U. is devoted, among others, to the planning, analysis, project, execution, assembly and operation of infrastructures, in addition to the management, advisory and corporate services linked to the energy sector. It is 100% owned by Redexis.



There are also two entities connected to the Group:

- Redexis Gas Finance, B.V., a company devoted to the issue of debt.
- The Redexis Foundation, devoted to the promotion of technological innovation and the development of social, charity, assistance, training or cultural works.

Redexis, S.A. and Redexis Gas Finance B.V. have the same shareholders, which participate in both companies in the same proportion:

- Universities Superannuation Scheme (“USS”): European pension fund, 33.33%. Arbejdsmarkedets Tillægspension (“ATP”): European pension fund, 33.34%.
- Guoxin Guotong Fund LLP (“GT Fund”) and CNIC Corporation Limited (“CNIC”): financial investors that hold a 33.33% joint stake.

1.2. Activity

Redexis is an energy infrastructure group devoted to the activities of natural gas transmission and distribution, distribution and supply of liquefied petroleum gas (LPG) and promotion and development of renewable energies, such as renewable gases and hydrogen.

The Group develops and operates infrastructures to transmit natural gas from the main transmission networks in Spain to the points of consumption in homes, businesses, industries and service stations.

Redexis is fully committed to society and the environment. As a comprehensive energy infrastructure company, it seeks to maximise growth and efficiency, contributing decisively to sustainable development, being responsible with the environment and generating value for its stakeholders.

The Group is conscious of the importance of the energy transition and its role in a sustainable future. To do so, it promotes projects in order to position itself as a leader in the development of renewable infrastructures promoting clean and renewable energies such as hydrogen, biomethane or photovoltaic energy. Therefore, in addition to expanding the infrastructures to make gas accessible, the Group promotes a future in which a sustainable energy source circulates through its networks, taking advantage of the opportunities for a circular and cleaner economy.

1.2.1. Key indicators

With more than 761 thousand supply points and a volume of distributed energy of 36.5TWh, the Group gives access to a sustainable and efficient source of energy, natural gas and LPG, serving 980 municipalities in 40 provinces through more than 11,000 kilometres of its own energy infrastructure. It operates in the Autonomous Regions of Aragón, Andalusia, the Balearic Islands, Castilla-La Mancha, Castilla y León, Catalonia, the Region of Madrid, Valencia, Extremadura, Navarra and Murcia. The Group also operates a network of 25 refuelling stations in service nationwide that provide access to a competitive and low-emission mobility alternative. 91% of Redexis activity is regulated and aimed at providing an optimal, safe, and efficient service, placing the end user at the centre of all decisions. All this while designing, building, maintaining and improving transmission and distribution infrastructures to guarantee the natural gas supply. Additionally, Redexis has prior administrative authorisations in 93 municipalities in 2 additional provinces, which allows it to keep its growth potential high.

In 2021, the Group continued its plan to expand its energy infrastructures, adding 28,000 new supply points and new tertiary and industrial demand to existing networks and the 190 new kilometres of distribution networks deployed in the year.

Operating data	2021	2020	% Var.
Connection points	761,607	733,174	3.9%
Natural gas (NG) P<4bar	644,029	632,667	1.8%
LPG (*)	117,249	100,190	17.0%
Natural gas (NG) P>4 bar	329	317	3.8%
Provinces served	40	38	5.3%
Municipalities served (*)	980	864	13.4%
Length of the network (km)	11,905	11,715	1.6%
Distribution network (km) (*)	10,260	10,073	1.9%
Transmission network (km)	1,645	1,643	0.1%
Power distributed (GWh)	36,546	36,260	0.8%

(*) At the close of 2021 are included the 14,450 and 2,295 supply points acquired in December 2021 from the Nedgia Group and the Cepsa Group, respectively, in 114 municipalities pending integration at year closing. Additionally, 4,691 supply points in 53 municipalities are included from the purchase made during 2021 to Repsol and which are pending integration at year end. In total, there are 278 km of network that are pending integration at the 2021 closing to add to the 10,260 km reported.

From a financial standpoint, the Group closed 2021 with revenue growth of 8.8% to Euros 261.9 million. The consolidated EBITDA of the Group in 2021 amounted to Euros 179.4 million, and an EBITDA margin of 68.5% (74.6% if the net margin of LPG is included in Revenue).

Financial information	2021	2020	% Var.
<i>Figures in millions of Euros, except where indicated</i>			
Income	261.9	241.7	8.4%
Distribution – regulated	112.6	106.8	5.4%
Other distribution revenues – regulated	26.3	25.4	3.5%
Transmission – regulated	59.8	59.6	0.3%
Regulated LPG business	32.7	22.6	44.7%
Other operating income	14.9	11.4	30.7%
Self-constructed non-current assets	15.5	16.1	(3.7%)
EBITDA	179.4	169.5	5.8%
<i>EBITDA margin</i>	<i>68.5%</i>	<i>70.1%</i>	<i>(1.6 p.p.)</i>
<i>EBITDA Margin (with net LPG margin in revenue)</i>	<i>74.6%</i>	<i>75.1%</i>	<i>0.6 p.p.</i>

1.2.2. Activities

(a) *Distribution*

The Group builds, operates and maintains the distribution facilities to supply natural gas to different municipalities in Spain and gives new users access to gas. This activity is regulated.

At the close of 2021, the Group has 644,029 natural gas supply points and a distribution network spanning 8,674 km distributing natural gas to 267 municipalities in Spain, adding two new municipalities in Andalusia.

Taking advantage of its experience, the Group continues to extend and broaden its activity

and services in a wager for growth and connecting with the real needs of society. Therefore, as of 2019 the Group wagers for the development of vehicular natural gas refuelling stations for the use of natural gas as a fuel for both heavy and light vehicles as an economic and sustainable alternative to traditional fuels.

In 2021, the Group built and put 13 new refuelling stations into operation. Thus, Redexis already has a network of 25 refuelling stations of real national scope: 11 LNG stations for long-distance heavy traffic that cover the country's main traffic corridors, 10 CNG stations that provide service for transport fleets such as the public bus service of Transporte de las Islas Baleares (TIB), or the ambulance service in Murcia; and 5 CNG stations open to the general public in the main cities. In the upcoming years, the Group maintains its plan for the deployment of gas refuelling stations throughout Spain.

The Group continues to invest in R&D for more efficient and safer activity. Thus, the Group moved forward this year in new initiatives for robotisation and virtualisation of assets such as LNG plants. Likewise, it uses artificial intelligence that, by means of algorithms and advanced analytics, is able to reveal information that enables the construction of tools aimed at a more efficient expansion of the network, optimising contracts, improving levels of security and the quality of supply.

(b) Transmission

Redexis operates and maintains its own network of gas pipelines, supplying natural gas to the areas in which consumption is most concentrated. This activity is regulated.

At the end of 2021, Redexis had a network of 1,643 km, comprising 51 gas pipelines and transmitting gas at pressures exceeding sixteen bars to industrial hubs and connections with distribution networks.

(c) Liquefied Petroleum Gas (LPG)

Redexis distributes and sells liquefied petroleum gas (LPG), a regulated activity subject to the regime provided by Title IV of Hydrocarbon Law 34/1998.

The LPG business complements the natural gas distribution business, enabling Redexis to capitalise on growth opportunities in areas where it is not feasible to extend its distribution network, and to provide its end customers with an optimised high-quality service that is secure and efficient.

Redexis currently has more than 117 thousand LPG supply points and a network spanning more than 14 thousand km in 908 municipalities at a national level, which include the acquisitions made from Repsol, Cepsa and Nedgia between 2020 and 2021.

In December 2021, the Redexis Group signed agreements with the Nedgia Group and the CEPESA Group for the purchase and transmission of LPG networks and facilities that serve 14,450 and 2,295 supply points, respectively. These operations are in the process of approval.

On the other hand, in December of last year, the Group signed a framework agreement between Repsol Butano, S.A. and the Group for the purchase and conveyance of LPG networks and facilities that would service around 4,230 supply points in 35 municipalities distributed over one new province.

Building on its experience, Redexis converts these LPG supply points into natural gas

points. These conversions take place gradually, taking into account certain technical and regulatory criteria.

1.3. Business model and strategy

Redexis wagers for sustainable growth, aimed at a more sustainable and efficient business model. To do so it focuses its strategy on the following priorities:

- Balanced and sustainable growth, focused on businesses that provide long-term security, stability and visibility.
- Operational excellence, focusing on customer satisfaction.
- Innovation, by means of the use of the most advanced technology to obtain greater efficiency.
- Proactive risk management based on prevention and anticipation.
- Creation of value for society and stakeholders.
- Respect for and conservation of the environment.
- People: key to the development and growth of the past and future Group.
- Financial stability based on a prudent financial policy in which any investment should be financially sustainable, and that is reflected in the commitment of the Group to maintain an investment grade credit level.
- Sustainability in all economic, social and environmental spheres.

2. Business evolution and results

2.1. Key milestones in 2021

The most significant events of the Group during the year are detailed below:

Corporate Governance and Management Committee

- Reorganisation of the executive leadership of Redexis, in which Mr Fernando Bergasa was appointed non-executive president and Mr Fidel López Soria was appointed CEO
- Appointment of Mr Borja Polo Baños as the new Economic-Financial Director, maintaining his responsibilities as Director of Strategy and Corporate Development

Credit rating and sustainability

- Standard & Poor's (S&P) credit rating agency reaffirms Redexis's investment credit quality, maintaining its BBB- rating with a stable outlook.
- GRESB, the worldwide Sustainability benchmark, awarded Redexis with the maximum of five stars for the third consecutive year for its performance in ESG (Environmental, Social and Governance) for a total of 91 points out of 100. Redexis has been qualified as "Sector Leader", a special mention that recognises the best entities by sector and region

- The Vigeo Eiris CSR and Sustainability index awarded Redexis with a "robust" ranking and improved its score by 12% with respect to the previous year.

Business development

- Redexis reaches 761,607 supply points, extending its presence in Spain, serving 980 municipalities in 48 provinces
- Within the distribution business, the pace of growth was maintained in all residential, tertiary and industrial segments, doubling the annual growth in the acquisition of new users in the last of these.
- Deployment continued in the vehicular natural gas business, adding 13 new refuelling stations. There are already 25 refuelling stations developed by Redexis throughout Spain.
- The supply of renewable gas to the metropolitan bus line of the Consorcio de Transportes de Zaragoza began. This gas station is connected to the Redexis gas pipeline network, thus ensuring the renewable origin of biomethane through renewable gas guarantees or certificates of origin, thus achieving neutral mobility in CO2 emissions.
- Redexis and Cepsa have signed an agreement to promote the first photovoltaic energy network at its gas stations in Europe. Redexis will take care of the installation, start-up and maintenance of the solar panels at the Cepsa stations.
- Redexis has grown in the photovoltaic solar self-consumption market business, connecting more than 3MWp of new photovoltaic solar energy capacity.
- Redexis reaches an agreement with the Nedgia Group for the purchase and transmission of LPG networks and facilities that serve some 14,450 supply points. This transaction is in the process of its communication to the CNMC for approval.
- The Group reaches an agreement with Cepsa Comercial Petróleo, S.A.U. and GASIB Sociedad Iberica de Gas Licuado, S.L.U., for the purchase and transmission of LPG networks and facilities that serve some 2,295 supply points. This operation is under approval.

Hydrogen and renewable gases

- Redexis promotes the injection of biomethane into gas networks through a project that paves the way in Spain and will connect its natural gas infrastructure to the Galivi Solar waste treatment plant in Lorca (Murcia Region) for the injection of biomethane into its distribution network.
- Signing of a collaboration agreement with the multinational Air Liquide for the development of a project on the value chain of hydrogen mobility in Spain, with the aim of reducing the carbon footprint of the transport sector. The two companies have agreed to work on analysing the deployment of a network of up to 100 hydrogen refuelling stations in Spain by 2030.
- Participation in the Hydrogenizing BCN project, which will develop the necessary infrastructures to promote the use of green hydrogen in industry and mobility in Barcelona

- Redexis will build the first Spanish hydroduct in Palma de Mallorca as part of the “Green Hysland” project, the first strategic project in southern Europe financed by the European Commission for the creation of a green hydrogen ecosystem in the Balearic Islands
- Participation in the OceanH2 project for the investigation of transmission technologies and supply of renewable hydrogen from the sea. Redexis will be responsible for studying the different technologies that will make up the logistics chain of the hydrogen produced.
- The Centre for Industrial Technological Development (CDTI) gives financial backing to the R&D project led by Redexis called VORTEX, based on the development of a new thermal treatment system for liquefied natural gas (LNG) facilities that will bring significant energy savings.
- Participation in the 'Ready4H2' initiative together with 59 European distributors from 13 countries, to support the development of a hydrogen market and share knowledge and experience.

Foundation and sponsorships

- The Foundation has made a donation to the Cabildo de La Palma council to cover the needs of those affected by the eruption of the volcano on the island.
- The Redexis Foundation has granted aid to improve energy efficiency and quality of life to five non-profit associations.
- Redexis supports women's sports as a new sponsor of Sala Zaragoza
- Redexis new sponsor of UCAM Murcia CB. It will sponsor the Infantil “A” group of the university youth academy, which will be renamed UCAM Murcia Redexis and will wear the company's logo in all regional and national competitions.
- Redexis joins the Spanish Confederation of Business Organisations (CEOE) as an associate.

Environment and safety

- The ISO 14001 certifications have been renewed: 2015, environmental management system; the ISO 50001: 2018, energy management system, the ISO 45001: 2018; the occupational health and safety management system, and the ISO 50001:2018 transmission, storage and distribution of natural gas and liquefied natural gas (LNG) and liquefied petroleum gas (LPG).
- Registration of the carbon footprint for the year 2020 with the Ministry, verified by GHG and according to ISO 14064 certification. The 2020 footprint was 0.6% down on 2019.

2.2. Analysis of results

Key indicators:

Key financial indicators	2021	2020	Var.	%
Figures in millions of Euros				
Regulated revenues	231.5	214.3	17.2	8.0%
Regulated distribution revenue	112.6	106.8	5.8	5.4%
Other regulated distribution revenue	26.3	25.4	1.0	3.9%
Regulated transmission revenue	59.8	59.6	0.3	0.5%
Regulated LPG business	32.7	22.6	10.2	45.1%
Other operating income	14.9	11.4	3.6	31.6%
Self-constructed non-current assets	15.5	16.1	(0.5)	(3.1%)
Total Income	261.9	241.7	20.2	8.4%
Supplies	(26.8)	(20.9)	(5.9)	28.2%
Employee benefits expense	(28.1)	(26.7)	(1.4)	5.2%
Other recurrent operating expenses	(27.6)	(24.6)	(3.0)	12.2%
EBITDA	179.4	169.5	9.9	5.8%
Non-recurring revenue adjustment for Transmission from prior years	0.0	(0.9)	0.9	(100.0%)
Other non-recurrent operating expenses	(1.6)	(1.0)	(0.6)	60.0%
Non-recurrent workforce expenses	(1.1)	(1.9)	0.8	(42.1%)
Impairment losses on non-current assets	(1.3)	(1.1)	(0.3)	27.3%
Depreciation and amortisation	(96.0)	(91.8)	(4.2)	4.6%
Earnings before interest and taxes (EBIT)	79.4	72.8	6.5	8.9%
Net finance profit/(loss)	(29.0)	(43.3)	14.4	(33.3%)
Earnings before tax (EBT)	50.4	29.5	20.9	70.8%
Income tax (expense)/revenue	(12.3)	(36.3)	24.1	(66.4%)
Profit/(loss) for the year	38.1	(6.8)	45.8	661.8%

Note 1: Redexis Gas revenues comprise the remuneration it receives from the gas system for its transmission and distribution activities, as awarded by the national regulatory authorities.

In 2021, the Group recorded revenue growth of over 8% to Euros 261.9 million, with a positive contribution to growth from all business lines and mainly as a result of its regulated activities.

EBITDA grew by 5.8% to 179.4 million, mainly due to the organic growth of the businesses and the increase in the volume of distributed energy compared to 2020.

EBIT increased by 8.9% and the net profit by 661.8%, mainly due to the disappearance, in the financial expenses of 2021, of the refinancing effect started in 2020 and completed in 2021, and the extraordinary accounting expense that occurred in corporate tax in 2020.

The Group's track record continues to show a line of sustained growth and reinforces its growth strategy to continue investing in the deployment of new energy networks in Spain and in new lines of business and value-added services related to natural gas.

3. Liquidity and capital resources

3.1. Debt structure

The Group conducts a prudent management of the liquidity risk ensuring compliance with

the payment commitments acquired, trade as well as financial, covering funding needs by means of the recurring cash generation from its businesses, as well as the contracting of long-term loans and credit facilities.

In these past few years, the Group has proven its ability to access capital markets by means of bank facilities, bond issues and loans with the EIB.

At 31 December 2021, the Group has liquidity in the amount of Euros 340.1 million, according to the following breakdown

Liquidity analysis (in € m)			
Type	Total	Drawn down	Available
Sustainable revolving credit facility	300.0	-	300.0
Cash and cash equivalents	40.1	-	40.1
Total	340.1	-	340.1

The debt structure of the Group is as follows:

Debt structure (in € m)				
Type	Total	Drawn down	Available	Maturity
Loan with the European Investment Bank	141.2	141.2	-	July 2036
Loan with the European Investment Bank	50.0	50.0	-	June 2039
Loan with the European Investment Bank	75.0	75.0	-	February 2040
Debt with related parties (*)	500.0	500.0	-	May 2025
Debt with related parties (*)	500.0	500.0	-	April 2027
Sustainable bank loan	150.0	150.0	-	May 2023
Sustainable Revolving credit facility	300.0	-	300.0	May 2024
Total gross debt	1,716.2	1,416.2	300.0	
Cash and cash equivalents	40.1		40.1	
Net debt		1,376.1		

(*) Loans with Redexis Gas Finance, B.V., devoted to the issue of debt, and that are related to the issue of bonds by Redexis Gas Finance, B.V. with the guarantee of Redexis, S.A.

On 8 January 2021, Redexis, S.A. completed the refinancing started in May 2020, by cancelling the significant remainder of the loan of Euros 650,000 thousand (as of that date, Euros 494,097 thousand) that it had with Redexis Gas Finance, B.V. and which, in turn, cancelled the bond issue associated with said loan for an initial amount of Euros 650,000 thousand (as of that date, Euros 494,097 thousand) which matured in April 2021.

The operations formalised in May 2020 and that are currently in force are:

- Redexis, S.A. formalised a sustainable loan with several Spanish and foreign bank institutions in an amount of Euros 150,000 thousand due in 2023.

- Redexis, S.A. formalised a new loan with Redexis Gas Finance, B.V. in the amount of Euros 500,000 thousand due in 2025. This loan is associated with the issue of bonds by Redexis Gas Finance, B.V. with the guarantee of Redexis, S.A., with the same amount and maturity.

At the end of May Redexis, S.A. proceeded to prepay Euros 155,903 thousand of the loan in the amount of Euros 650,000 thousand, leaving an outstanding amount of Euros 494,097 thousand. With the funds obtained, Redexis Gas Finance, B.V. proceeded to partially repay the issue of debt associated with the loan in the amount of Euros 650 million, with Euros 494,097 pending cancellation.

In February 2020, the European Investment Bank (EIB) provided Redexis, S.A. with the last tranche of the credit facility granted within the scope of EFSI (European Fund for Strategic Investments) allocated toward the development of natural gas distribution networks throughout Spanish territory, corresponding to the funding framework.

The Group has liquidity and sufficient financial resources to ensure its growth, address its future investments and its financial commitments.

3.2. Credit rating

On 12 October 2021 the credit rating agency Standard & Poor's prepared the annual report for Redexis, S.A., which maintained its BBB- rating with a stable outlook and investment grade category.

At year-end, there has been no update

Warning: the ratings may be reviewed, suspended or withdrawn by the rating entity at any time.

4. Events after the reporting period

Events after the year end are described in Note 36 to the Consolidated Annual Accounts.

5. Information on outlook

Natural gas represents about 25% of national energy consumption and is an essential source of energy for the Spanish economy. More than 8 million homes use this source of energy and in the tertiary and industrial sector, gas accounts for around 30% of energy consumption. Gas is a competitive, low-emission energy source and contributes to the sustainability and economic viability of homes, businesses and industries.

The role of natural gas and gas infrastructure is essential in the energy transition and for the development of a circular economy based on energy vectors that depend less on non-renewable sources and which promote the management of agricultural and urban waste, such as biomethane and hydrogen. This is established in the National Integrated Energy and Climate Plan '21-30 (PNIEC) and the Decarbonisation Strategy to 2050 prepared by the Spanish Government within the scope of the Law on Climate Change and Energy Transition and which are aligned with the European Green Deal.

As a benchmark energy infrastructures company, leader in efficiency and firmly committed to its users, employees and shareholders, Redexis wagers for a move toward a more sustainable and efficient business model with the development of a business model whose objective is to address the new challenges facing the energy sector.

Redexis forms part of the energy transition. In coming years, it will continue promoting the

Spanish gas sector, and will continue developing, operating and maintaining gas infrastructures in Spain, and offering alternative and complementary solutions based on an innovation model that seeks to provide a response to the technological changes with advanced artificial intelligence tools.

Furthermore, Redexis has a flexible infrastructure that adapts to the development of renewable energies without the need for additional investments, which makes it relatively easy to diversify the supply sources, increasing and improving the security of supply to Spanish homes and industries.

Its activity is regulated and defined within a regulatory framework that also stipulates the parameters that set the remuneration for regulated activities. This will permit the continued operational development of the Group's project via:

- Growth in distribution activities in new areas and greater saturation in existing areas.
- Growth of the LPG business, complementary to the natural gas distribution.
- Growth opportunities arising in this phase of energy transition, promoting clean and renewable energies such as vehicular natural gas (VNG), hydrogen, biomethane or photovoltaic energy.
- Improvement in operating efficiency thanks to the innovation of new technologies that make it possible to develop infrastructures more efficiently.
- Development of increasingly demanding health and safety and environmental standards.

6. Main risks associated with Redexis activities

Just like any other company or group of operating companies, the Group is exposed to several risks inherent to the sector, to the markets in which it operates and to the activities it performs that, were they to materialise, could prevent the attainment of its objectives and the successful execution of its strategies.

The Group has opted for a control and risk management model that makes it possible to adapt to the economic context and to the business activity of the Group, in order to be able to respond to any risks that it may face.

The Group has an Audit and Risk Committee whose duty is to oversee activity and risk management, reviewing policies and practices regarding this management, as well as ensuring the ability of the Group to identify new risks and monitor the effectiveness of the Group's risk management. This Committee is composed of 3 non-executive directors of the Group, and reports directly to the Board of Directors.

7. Human resources

At the end of December 2021, Redexis had a total of 343 employees while the average headcount for the year was 349.

8. Own shares

Redexis did not hold any own shares at 31 December 2020, nor did it perform any transactions with own shares during 2020.

9. Financial instruments

The risk management policy is explained in Note 23 to the Consolidated Annual Accounts.

10. Average payment period

The average payment period of the group is 41 days as detailed in note 22 to the Consolidated Annual Accounts.

11. Innovation model

Redexis opts for innovation, development, sustainability and contribution to the quality of life of society. It designs solutions to improve its service, in keeping with the objective to promote the gas sector in Spain and play a significant role in energy transition.

In response to the new challenges and opportunities posed by the present situation, it has implemented an innovation model that seeks to respond to the technological changes in the sector, encouraging an innovative culture within the Group focused along the following lines: Main Business, Hydrogen and Renewable Gases, Mobility and Digital.

• Redexis innovation in the Natural Gas sector

Redexis has developed several projects aimed at proposing new solutions to the engineering challenges and processes regarding natural gas. All of them have been institutionally recognised and have direct or indirect participation from the public sector. Among those being developed we highlight:

- ✓ The CERVERA VÓRTEX project for the experimental development of a new sustainable reheating system for liquefied natural gas by means of the Ranque-Hilsch phenomenon, which ended in November 2021 and was recognised in the Cervera CDTI transfer category that finances projects developed by companies collaborating with State Technology Centres on Cervera priority technologies.
- ✓ The MICROGRID BLUE Project, which consists of the development and technology transfer of innovative tools to enhance the integration of distributed renewable energy in the form of electric microgrids so that they can operate in coordination with the different agents in the energy sector. The Vice-Ministry of Industry of the Government of the Canary Islands and the Instituto Tecnológico de Canarias S.A. participate in it.

• Redexis, driver of hydrogen and renewable gas

The development of renewable gases (biomethane, renewable hydrogen and synthetic gas) is necessary to achieve climate neutrality by 2050, which is the aim of the European Climate Law, since renewable gases contribute to reducing GHG emissions in sectors that are difficult to electrify and to mobility, and allow the penetration of renewable energies in the energy mix to be increased.

Gas networks are a strategic asset for the development of renewable gases, since the current networks cater for the change from natural gas with limited investments

Renewable gases

Redexis is promoting initiatives to inject renewable gases into natural gas networks, since:

- ✓ They contribute to reducing diffuse but direct emissions of methane into the atmosphere.

- ✓ They allow energy exploitation, with a zero balance in GHG emissions.
- ✓ They provide a viable solution for certain types of waste that currently pose a problem for environmental management (e.g., slurry, Organic Fraction of Municipal Solid Waste) and indirectly and by means of the digestates produced during anaerobic digestion processes.

Hydrogen

Hydrogen is a cross-cutting vector that will benefit sectors like mobility or industry. It furthermore minimises the surplus caused by spikes in renewable energies, since it is capable of storing the electricity. It is emission-free whereby it is totally respectful of the environment and in line with the objectives of the European Commission that considers the development of Hydrogen essential for achieving a more environmentally respectful economy. The use of hydrogen and of fuel cells in mobility are key for completion of the decarbonisation of transport.

Redexis promotes hydrogen development through its Foundation and is a member of the Board of Trustees of the Foundation for the Development of New Hydrogen Technologies in Aragón, and of the Spanish Hydrogen Association.

Redexis has announced projects to promote national initiatives related to hydrogen and gas networks. Among the most relevant innovative projects developed in 2021, the following are worthy of mention:

- *The H2020 Green Hysland project*, which proposes the deployment of a hydrogen ecosystem on the island of Mallorca including the design and construction of a renewable hydrogen production plant from photovoltaic solar energy for use in mobility, stationary applications (fuel cell and cogeneration with a fuel cell in a hotel) and injection into the natural gas transmission network. In this project, Redexis will be in charge of building the first hydroduct in Spain
- *The H2020 HIGGS project, Hydrogen In Gas GridS: a systematic validation approach at various admixture levels into high pressure grids*, which launched in 2020 after being chosen in the European H2020 FCH JU programme and whose main objective is to cover gaps in knowledge regarding the impact that different levels of hydrogen may have on the gas infrastructure, its components and its management.
- *The MISIONES OCEANH2 project, for the generation, storage and distribution of offshore green hydrogen*, financed by CDTI in the 2019 Misiones Call for Proposals, that launched in 2020. This is an industrial research project for a generation, storage and distribution plant for green hydrogen from offshore renewable power generation. In this project Redexis will study the various technologies involved in the logistic-technological chain for the transmission, storage and land and/or maritime supply that enable the evacuation and supply of hydrogen produced at sea and will undertake the corresponding design and integration of optimal solutions.
- *The AEI ComputameH2 project, Dynamic Computational Modelling of Methane-Hydrogen Blends in natural gas transmission networks*, coordinated by the Aragón Hydrogen Foundation and chosen in the AEI Call for Proposals (Innovative Business Groups) of the Ministry of Industry, Commerce and Tourism in 2020 was closed in 2021 with highly satisfactory results.

Redexis has recently joined the most important project for the development of hydrogen in Spain, 'Power to Green Hydrogen Mallorca', a benchmark for initiatives in terms of the

production and distribution of hydrogen and that will allow its supply on the island for industries, hotels and transport.

- **Promoting sustainable mobility**

Gas for vehicles is a real alternative that is more efficient and sustainable than petroleum-based fuels for light and heavy transport, offering mobility solutions that generate savings and reduce emissions.

- **Digitisation Redexis pioneer in the development and implementation of Artificial Intelligence in networks**

In 2021 Redexis continued to invest in R&D&i, channelling resources that accelerate processes of change with the firm objective of achieving operational excellence. Along these lines, the digitisation and robotisation plans for processes in the different areas of the company continued to be promoted and improvements continued to be made in key aspects such as cybersecurity and IFS mobility.

Likewise, Redexis has redoubled its efforts in the development of artificial intelligence technologies and applications, in the field of mobility (*prevention on condition*), LNG (tank monitoring) and gas pipelines (equipment for remote management and cathodic protection measurement of gas pipelines)

The application of Artificial Intelligence has turned Redexis into a pioneering company in:

- ✓ Customer acquisition, doubling its commercial capacity and increasing commercial efficiency by 30%
- ✓ Network optimisation: saving 20% of the investment in network deployment and optimising the inspection routes
- ✓ Predictive management of network maintenance
- ✓ Early fraud detection and risk prevention

Likewise, Redexis participated in the Gemelo Digital Zaragoza, Datos Inteligentes project as the basis for the Smartcity, coordinated by Inkolan, proposing the creation of a Digital Twin that addresses the transformation of its data model to a model based on intelligent data and comprising a virtual replica of the elements and processes that form part of the service/utilities networks and that, combined with other data, help plan, manage and design the city and its services.

12. Environmental protection

As a company devoted to the development and operation of energy infrastructures in Spain, Redexis renders an important service to its customers: it places clean energy at their disposal with a series of functional, financial and environmental advantages vis-à-vis other types of fuel.

Additionally, Redexis strives to minimise social costs with regard to environmental aspects and the negative effects that this may cause, undertaking projects that go beyond compliance with legal requirements and other environmental requirements that it voluntarily adopts, involving its suppliers and promoting the responsible use of energy.

The Group strategy maintains its commitment to the protection of the environment. It is one of its pillars and a factor of competitiveness. To be aware of the environmental impact of its operations and to develop a company culture that reduces environmental impact as much as possible is paramount for Redexis.

Redexis considers environmental excellence, energy management and efficiency, security and continuous improvement of working conditions and health protection as essential values of its business culture. This is duly reflected in its Integrated Policy approved by Senior Management.

Redexis reviews its Integrated Management System (IMS) annually to adapt it to new regulatory requirements, as well as for continuous improvement. It is currently adapted to the requirements of ISO 45001:2018 occupational health and safety management system, ISO 14001:2015 environmental management system and ISO 50001:2018 energy management system.

This process involved the implementation of the entire management system, involving greater alignment of the organisational strategy with environmental and energy management, manifesting clear leadership and involvement of Management in this area. This resulted in the establishment of the Leadership Committee on energy management, environment and safety and health.

In the course of 2021, our integrated management system was recertified through 56 days of environmental, energy and carbon footprint verification audits, internal as well as external, for improvement of the processes.

Redexis maintains scorecards with environmental and energy indicators for monthly measurement and reporting that will allow it to identify improvements in its management.

At the close of 2021, Redexis has the ISO 14001: 2015, environmental management system, the ISO 50001: 2018, energy management system, and the ISO 45001: 2018, the occupational health and safety management system. It also maintains its certificate as a healthy enterprise.

In addition, in July 2021 the Group recorded its carbon footprint, exceeding the greenhouse gas verification with no reservations and with the declaration of a positive opinion, in compliance with ISO 14064, by an external and independent entity.

The directors of the Group consider that at year end no expenses are likely to be incurred in connection with environmental risks for which provision should be made.

Information regarding the Group's environmental activities is presented in Note 26 to the Consolidated Annual Accounts.

13. Non-Financial Information Statement

The Consolidated Management Report includes the Non-Financial Information Statement as Annex 1 and meets the requirements of Directive 2014/95/EU on non-financial information and diversity, as well as the associated Spanish legislation (Law 11/2018, of December 28th).

ANNEX 1
NON-FINANCIAL INFORMATION STATEMENT

Redexis, S.A. and Subsidiaries

Independent limited assurance report
on the consolidated non-financial
information statement of Redexis, S.A.
and subsidiaries for 2021

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF REDEXIS, S.A. AND SUBSIDIARIES FOR 2021

To the Shareholders of Redexis, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement (NFIS) for the year ended 31 December 2021 of Redexis, S.A. and subsidiaries ("Redexis"), which forms part of the Consolidated Directors' Report of Redexis.

The content of the NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in Appendix I "Index of contents of the Non-Financial Information Statement required by Law 11/2018" in the accompanying NFIS.

Responsibilities of the Directors

The preparation and content of the NFIS are the responsibility of the Board of Directors of Redexis. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") described as indicated for each matter in Appendix I "Index of contents of the Non-Financial Information Statement required by Law 11/2018" of the aforementioned Report.

These responsibilities also include the design, implementation and maintenance of such internal control as is considered necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of Redexis are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which is based on fundamental principles of integrity, objectivity, competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our work in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower.

Our work consisted of making inquiries of management and the various units of Redexis that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Redexis personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and completeness of the contents included in the 2021 NFIS based on the materiality analysis performed by Redexis and described in the 2021 NFIS, taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2021 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters described in the 2021 NFIS.
- Verification, by means of sample-based tests, of the non-financial information relating to the contents included in the 2021 NFIS and the appropriate compilation thereof based on the data furnished by Redexis information sources.
- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed and the evidence obtained no additional matter has come to our attention that causes us to believe that the NFIS of Redexis for the year ended 31 December 2021 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in Appendix I "Index of contents of the Non-Financial Information Statement required by Law 11/2018" of the aforementioned Statement.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.



Jorge Izquierdo Mazón

31 March 2022

Redexis

2021 Non-financial Information Statement

In accordance with Act 11/2018 of December 28, 2018, which amended the Spanish Commercial Code, the consolidated text of the Spanish Capital Companies Act approved by Royal Legislative Decree 1 of July 2 2010, and Act 22 of 20 July 2015, on the Auditing of Accounts with regard to non-financial information and diversity, this Non-Financial Information Statement has been prepared for inclusion as an annex to the Consolidated Management Report for REDEXIS, SA and Subsidiary Companies for the financial year ended 31 December 2021.

For the purposes of disclosing this information, the company has used the Global Reporting Initiative (GRI) framework for the preparation of sustainability reports as a reference, in its GRI Standards version.

In this document, Redexis reports matters relating to its business model, risk management and commitment to the environment, along with social, employment and human rights issues, combatting corruption, responsible taxation, sustainable development and relationships with users and customers, all of which constitute important issues for the company.

Contents:

1. Our business model
2. Risk management
3. Our commitment to the environment
 - 3.1 Pollution
 - 3.2 Circular economy and waste prevention and management
 - 3.3 Sustainable use of resources
 - 3.4 Climate change
 - 3.5 Protection of biodiversity
4. Our commitment to people
 - 4.1 Employment
 - 4.2 Work organisation
 - 4.3 Health and Safety
 - 4.4 Social relations
 - 4.5 Training
 - 4.6 Equality
5. Our commitment to ensuring respect for human rights
6. Our commitment to the fight against corruption and bribery
7. Our commitment to sustainable development
8. Our supply chain
9. Our commitment to users and customers
10. Our commitment to transparency: Tax information

Appendix I: List of contents required in Non-Financial Information Statements under Act 11/2018

1. Our business model

Business environment, organisation and structure and markets in which we operate.

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6 and 102-7.

Redexis S.A. (hereinafter, **Redexis**) is an integrated energy infrastructure company that is active, both directly and through its subsidiaries, in the development and operation of networks for the transmission and distribution of natural gas, the distribution and sale of liquefied petroleum gas and the promotion of renewable applications for natural gas and hydrogen. In May 2021, the General Shareholders Meeting gave its approval for the Company's name to be changed from Redexis Gas, S.A. to Redexis, S.A.

Its registered office is at Calle Mahonia 2, 28043 Madrid, and it has work centres in Alicante, Almería, Avila, El Puerto de Santa María, Figueras, Granada, Huesca, Ibiza, Linares, Madrid, Mérida, Murcia, Palma de Mallorca, Teruel, Valladolid and Zaragoza.

Redexis develops and operates networks to deliver the necessary energy to homes, businesses and industries, always ensuring that maximum safety and quality conditions are maintained. The Company has a robust expansion plan to continue offering energy solutions throughout the territory of Spain, which translates into nearly 1,500 million euros invested since 2010.

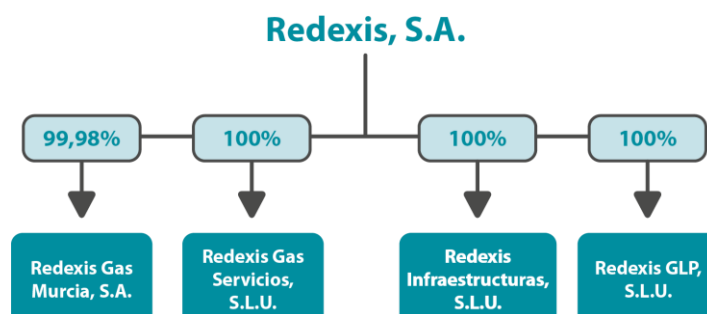
Redexis is currently the second largest natural gas transmission operator in Spain, the third largest distributor and the second in LPG, operating in 13 autonomous communities and 980 municipalities in 40 provinces. It has a total of 761,607* supply points throughout Spain.

(*) Includes 14,450 and 2,295 supply points acquired in December 2021 from Nedgia Group and Cepsa Group, respectively, which at the closing date are pending integration. In addition, 4,691 supply points from the purchase made in December 2020 from Repsol are included, which at the closing date are pending integration.

Redexis's capital stock is fully subscribed and paid-up and held by shareholders as follows:

- **Chase Gas Investments Limited:** 33.33% (subsidiary company of the USS pension fund)
- **Arbejdsmarkedets Tillaegspension:** 33.33% (ATP pension fund)
- **Guotong Romeo Holdings Limited:** 33.33% (company in which the investment funds Guoxin Guotong Fund LLT and CNIC Corporation Limited have holdings)

Redexis is the parent company of the Group, which comprises the following companies:



- **Redexis GLP, S.L.U.**

The purpose and main activity of REDEXIS GLP, S.L.U. (hereinafter, "Redexis GLP") is to engage in activities relating to the marketing and retail supply of liquefied petroleum gases.

Redexis GLP is wholly owned by Redexis.

- **Redexis Gas Servicios, S.L.U.**

The purpose and main activity of REDEXIS GAS SERVICIOS, S.L.U. (hereinafter, "Redexis Servicios") is as follows:

- The holding, purchase, subscription, exchange, sale and management of national or foreign securities and, in general, engagement in any transaction relating to such securities, mainly in relation to energy companies, for the purposes of directing, administering and managing these companies. This excludes any activities that are (i) expressly reserved by law for Collective Investment Institutions, (ii) expressly reserved for Securities and Stock Market Brokers and Companies under the Spanish Securities Market Act; and (iii) regarded as being regulated under the Hydrocarbons Industry Act, along with any activity relating to the sale and production of natural gas.
- The offer of management and advice services and the provision of business, IT, accountancy, employment, administrative, strategic, commercial, industrial, technical, organisational and planning services relating to the infrastructure sector and, in particular, the energy sector, including (i) the inspection and maintenance of facilities, (ii) quality control, (iii) emergency assistance services, and (iv) the management of energy consumption, transmission, facilities and usage, along with research and development in all types of processes relating to energy use and saving.
- The preparation of plans, studies and projects and the execution, assembly and operation of infrastructure.
- The purchase, assignment and financing of capital assets associated with the above activities and the maintenance and repair of those assets.
- Research, development and exploitation of industrial safety systems for both industrial and domestic environments.
- Telecommunications operator.

Redexis Servicios is wholly owned by Redexis.

- **Redexis Infraestructuras, S.L.U.**

The purpose and main business of REDEXIS INFRAESTRUCTURAS, S.L.U. (hereinafter, "Redexis Infraestructuras") consists principally of activities relating to the transmission of natural gas, along with other related or ancillary activities. It is the owner of the Redexis Group's primary gas transmission pipelines.

Redexis Infraestructuras is wholly owned by Redexis.

- **Redexis Gas Murcia, S.A.**

The purpose and main business activity of REDEXIS GAS MURCIA, S.A. (hereinafter, "Redexis Murcia") consists of the distribution and secondary transmission of natural gas in the Murcia Region.

Redexis owns 99.98% of the capital stock of Redexis Murcia, while the remaining 0.02% is held by minority shareholders.

Objectives and strategies

GRI 102-14 and 102-15.

Redexis is committed to a sustainable and efficient business model, and it develops strategies and objectives that are aligned with the new challenges currently faced by the energy sector, such as the fight against climate change and achievement of the Goals set out in the 2030 Agenda.

Redexis also seeks to be an active agent in energy transition, with sustainable development as a core principle. It has therefore defined a series of strategies and priorities adapted to the current and future context of the industry, taking account of its business lines.

- **Achieving sustainable and balanced growth**, with safety and stability as a top priority.
- **Operational excellence**. Redexis incorporates the most advanced technologies in order to ensure the highest quality in its operations, projects and services.
- **Innovation**, as a core principle of Redexis's activity, aimed at advancing, transforming and improving the efficiency of its operations.
- **Risk management**. Redexis complies with the highest quality and safety standards, and it therefore strives to identify any potential risks that may arise in relation to its activities, assessing the probability and impact of such risks.
- **Commitment to value creation**, while always ensuring care for the environment and society in general.

The Company's commitment to sustainable development is reflected in its **Sustainability Policy**, published in January 2021. This Policy sets out the Group's commitment to social, environmental, ethical and sustainable development, maximising any positive impact through honest and transparent relations with all its stakeholders:

- Users and customers
- Employees
- The financial community
- Collaborators and suppliers
- The public authorities and regulatory bodies
- The community

Redexis, as an energy infrastructure operator, plays a fundamental role in the **sustainable development of the local economies** in which it operates. As a key agent in the Spanish gas and energy sector, it aims to boost economic activity, business productivity, employment, the environment, and the management of energy efficiency, and to improve the quality of life for people, businesses and industries.

The Sustainability Policy includes Redexis's main statements of commitment, which refer to all spheres of its activity. This global commitment is based on the following economic, environmental, social and health and safety responsibilities, efficient energy management, and quality and excellence of service:

- Legal compliance with all current requirements, as well as with the internal regulations, codes and policies that the Group adheres to.
- Responsible management of economic and financial resources.
- Promoting the use of financial instruments that incorporate links to sustainability criteria whenever feasible and financially reasonable.

- Promoting innovation, sustainable business and the circular economy.
- Guaranteeing energy supplies in a safe, efficient and accessible manner, offering the highest possible level of quality, based on the best techniques available.
- Efficiently managing risk and opportunity in all its business activities, with the aim of preventing harm to people, property and the environment.
- Comprehensive and transparent action with all stakeholders, through the publication of regular reports and the promotion of active two-way communication.
- Providing all Redexis employees with professional support and development.
- Promoting work-life balance and equal opportunities for all workers.
- Disseminating Redexis's sustainability culture among all stakeholders.
- Developing actions aimed at sustainable growth in any communities in which it operates.
- Complying with the commitments reflected in its Integrated Health and Safety, Environment and Energy Management Policy, and the development and implementation of those commitments using international reference standards and the Group's own Integrated Management System.

A series of policies was published at the beginning of 2021 with the aim of increasing transparency among all Redexis's stakeholders in addition to the Sustainability Policy, these included:

- **Tax Policy**, establishing the basic principles for the actions taken by the Redexis Group in relation to tax matters
- **Human Rights Policy**, seeking to ensure that the protection of Human Rights is respected throughout the Group's activities and operations
- **Equality and Diversity Policy**, aiming to promote and support an environment that values and reinforces talent, equal opportunities and diversity within the Redexis Group

Redexis's strategy is linked to sustainable development throughout all the areas in which it operates, which has led to its recognition by a number of **evaluation agencies** that monitor environmental, social and governance (ESG) practices, such as GRESB and Vigeo.

- **GRESB**: in 2021 Redexis was once again awarded a five-star ESG rating, the highest awarded, in the GRESB sustainability index, thus maintaining its rating from the previous year and demonstrating its long-standing commitment to sustainability. The Company obtained 9 points more than in the previous financial year, taking it to 91 and positioning it above the companies in its sector.
- **Vigeo Eiris**: this leading international CSR and sustainability ratings company awarded Redexis the rating of "robust" in 2021, for its performance in ESG practices in 2020. The Company has obtained ratings that are above the industry average in a range of indicators, which bears witness to Redexis's commitment to sustainable development. This has allowed Redexis to access sustainable financing of 150 million euros.

Within a framework of environmental and social responsibility, Redexis has promoted its Corporate Social Responsibility and Sustainability division, integrating the Sustainable Development Goals as a fundamental part of its model for corporate governance, strategy and operations. As key players in the areas of energy transition and sustainable development within the energy sector, Redexis strives to promote new solutions and alternatives by carrying out projects for sustainable mobility and the use of renewable energy sources, such as photovoltaic solar energy, green hydrogen, biogas and biomethane.

Principal market factors and trends

GRI 102-15

During the first quarter of 2019, Redexis carried out a **materiality analysis** in order to develop its strategy, defining and identifying its stakeholders and the issues that were most relevant to them. This analysis made it possible to establish priorities for the action to be taken and to define strategies aligned with the expectations of these stakeholders.

The analysis was divided into four phases, consisting of an internal analysis in which best practices and material issues for the industry were identified, an external analysis in which the existing communication channels with stakeholders were defined, an assessment of material issues in which meetings were held with all divisions, and finally, generation of the materiality matrix with a list of relevant issues.

Thanks to this exercise, Redexis has been able to make progress in **its creation of economic, social and environmental value**, thus ensuring that it meets the needs of its stakeholders at all times.

The materiality matrix obtained shows the most relevant points and issues for the Company and its stakeholders, the following 15 being the most relevant:

Reference	The 15 most relevant internal and external issues
1	Regulatory compliance
2	Ethics, integrity and transparency
3	Risk management
4	Responsible taxation
5	Good corporate governance
7	Workplace health and safety
14	Quality of service
15	Complaint resolution system and customer satisfaction
16	Crisis and emergency management
17	Industrial safety
20	Adapting to climate change (external)
21	Innovation applied to the use of sustainable technologies
22	Setting environmental emission targets
23	Adapting to climate change (internal)
25	Circular economy

As regards issues relating to **occupational health and safety, the environment and energy management**, there are several factors that could affect the Company's activities, such as:

- Non-compliance with environmental, energy or health and safety criteria.
- Loss of external financing opportunities due to non-compliance or insufficient environmental, energy or health and safety standards.
- Regulatory context adverse to the Company's business activity.
- Loss of awareness that environmental, energy, or health and safety management is a transversal process throughout the Company and in all areas, without exception.
- Adverse environmental conditions.
- Estimation of insufficient monitoring resources applicable to contractors.

- Inefficient monitoring resulting in a legal violation that affects Redexis's image and reputation.
- Non-compliance with the frequency of meetings of the Health and Safety Committees and the Environmental and Energy Committees.
- Deviations from commitments undertaken by Managers and Middle Managers.
- Inefficient operational monitoring that does not permit the measurement of indicators or the evaluation of trends.

The natural gas sector is a **highly regulated sector**. Thus, modifications to the applicable regulations may have a significant impact on the sector itself and on each of the individual agents that operate in it.

In this regard, particular mention should be made of the regulatory framework for the natural gas industry in Spain, which is based on Spanish Hydrocarbons Act 34/1998, implemented by, among others, Royal Decrees 949/2001 and 1434/2002; the first of these regulates third-party access to gas facilities and establishes an integrated financial system for the natural gas industry; the second regulates transmission, distribution, marketing and supply activities and the procedures for the authorisation of natural gas facilities.

Over the years, as deregulation of the industry has evolved, the aforementioned Hydrocarbons Sector Act has been modified on several occasions. Particularly relevant among these is the modification introduced by Royal Legislative Decree 8 of 4 July 2014, on the approval of urgent measures for growth, competitiveness and efficiency, which was subsequently enacted as Law by Parliament and published as Act 18 of 15 October 2014, on the approval of urgent measures for growth, competitiveness and efficiency. This introduced certain measures to update the regulatory and economic framework, among which the following are particularly important:

- A reform of the general structure for income and costs in the gas system was undertaken, based on the principle of **long-term financial sustainability and balance**, taking account of demand fluctuations and the level to which existing infrastructure had been developed, though without undermining the principle of appropriate remuneration for investments in regulated assets or security of supply. The principle of economic and financial sustainability in the gas system was therefore established in such a way that any regulatory measure that implied a cost increase or reduction in revenues should include a reduction in costs or an increase in revenues.
- Certain mechanisms were established to restrict the emergence of temporary annual imbalances in the settlement system, through an **automatic review of tolls** when certain thresholds were exceeded. If the above mentioned thresholds are not exceeded, imbalances are financed by the parties subject to the settlement system in proportion to their remuneration, with the generation of collection rights over the following five years at a market interest rate to be set by Ministerial Order.
- As regards payment for regulated activities, the reforms included the basic principle of considering the costs that are necessary to perform activities by an efficient and well-managed company under the principle of **performing activities at the lowest cost to the system**.
- Regulatory periods of six years are defined in which the financial rate may not be revised, and no automatic updating formulas for the remuneration of any of the activities may be applied during the same period. However, taking account of the fact that the regulatory reforms were proposed in a deficit scenario that is expected to be reversed in the coming years, the possibility of adjusting certain **remuneration parameters** every three years in the event of significant variations in income and cost items was included.

- A **thorough and homogenous review of remuneration** for all activities was carried out, including all assets, even those already in service.

Under Royal Legislative Decree 1/2019, a reform of the framework for competition within the gas system was undertaken, bringing the powers of the National Commission on Markets and Competition (“CNMC”) into line with the requirements arising from Community law in relation to European Parliament and Council Directives 2009/72/EC and 2009/73/EC of 13 July 2009, concerning common rules for the internal market in electricity and natural gas. Among the reforms introduced, we should mention the attribution of powers to the CNMC in relation to the establishment of methodologies for the setting of tolls and payment for regulated activities, which include placing a value on these activities. Therefore, since the entry into force of the aforementioned Royal Legislative Decree, the CNMC has had the power to implement these measures, though as regards the establishment of new methodologies to calculate remuneration for regulated activities, these would not become applicable until 1 January 2021, once the first six-year regulatory period established in the said Act 18/2014 had ended. In this regard, during 2019 the CNMC promoted the preparation of a series of Circulars defining methodologies for the remuneration of the regulated activities engaged in by Redexis in the gas industry (Transmission and Distribution) and, once approved and published in the Official State Journal (*Boletín Oficial del Estado*, “BOE”), these became applicable from January 2021.

The foregoing regulation has been further developed, insofar as it directly affect Redexis, in the following circulars:

- Circular 2 of 12 November 2019, which established the methodology for calculating the financial remuneration rate for regulated electricity and natural gas activities
- Circular 8 of 12 December 2019, which established the methodology and conditions for access to and the allocation of capacity in the natural gas system
- Circular 9 of 12 December 2019, which established the methodology for determining the remuneration of natural gas transmission facilities and liquefied natural gas plants
- Circular 2 of 9 January 2020, which established the natural gas balancing regulations
- Circular 4 of 31 March 2020, which established the methodology for determining the remuneration for the distribution of natural gas
- Circular 6 of 22 July 2020, which established the methodology for calculating the tolls for local network transmission and natural gas regasification
- Circular 8 of 2 December 2020, by the National Commission on Markets and Competition, which established the unit reference values for investments and operation and maintenance for the 2021-2026 regulatory period and the minimum requirements for audits on investments and costs at natural gas transmission facilities and liquefied natural gas plants.

Due diligence procedures applied to the identification, assessment, prevention and mitigation of significant risks and impacts and the verification of controls

GRI102-29.

The Company has an **internal and external complaints channel** (<https://www.redexis.es/sobre-redexis/principios-de-actuacion/canal-de-denuncias/>) that can be used to submit complaints, reports and claims in relation to the code of ethics. During the last year, no complaints have been received via this channel regarding corporate, social or environmental governance.

In addition, each time an internal standard is approved, the entire company is notified of its approval, and particular emphasis is placed on the obligation to comply with the standard in

question. Employees have access to all internal standards via the Intranet. In the event of any questions or queries regarding these standards, employees can contact the legal department.

Furthermore, since 2020 Redexis has had a **Risk Management and Control Policy** for the purposes of establishing the basic principles and general acting framework for managing the risks faced by Redexis. This guides and directs all the strategic, organisational and operational actions that allow the Redexis Board of Directors to promote compliance with the organisation's objectives, within a framework of rigour and excellence that is aimed at ensuring safety and service in the performance of all its activities.

In addition, Redexis has approved **internal regulations on the legal review of contracts, agreements and mandatory agreements** of a material nature, in order to verify that the agreements entered into by Redexis comply with the applicable regulations and legislation.

Redexis has incorporated all of its principles and strategies into its Integrated Management System, adapting the standards contained in environmental management standard **ISO 14001:2015**, health and safety standard **ISO 45001:2008** and energy efficiency standard **ISO 50001:2018**.

During 2021, as regards certification, the relevant recertification audits, were completed on standards **ISO 14001:2015**, **ISO 45001:2018**, and **ISO 50001:2018**, and recertification was successfully achieved in all three cases.

This ensures the monitoring of performance in the areas of health and safety at work and environmental management, the procedures for which are dealt with in the following general Integrated Management System documents:

- **Procedure DOC-02** "Identification, Control and Evaluation of Legal Requirements and Other Requirements": the system used by Redexis to identify and access the legal requirements and other requirements by which the organisation is bound and which apply to the environmental, energy-related and occupational health and safety areas of its activities, along with any subsequent verifications and updates of these requirements.
- **Procedure DOC-03** "Competence and Awareness": this defines the methodology used to identify the training needs of its employees and describes how to manage training activities and environmental and energy awareness.
- **Procedure DOC-05** "Control and Investigation of Incidents, Non-Conformity and Corrective Action": this establishes and maintains an updated documented procedure to identify, record and process accidents, incidents and non-conformities.
- **Procedure DOC-08** "SGI audits": the procedure for carrying out regular audits, understood to mean the systematic and documented verification process which permits the collection and objective evaluation of evidence in order to meet the aims of the Integrated Management System.
- **Procedure DOC-09** "Emergency Situations at Redexis Group facilities": this establishes the methodology and system for acting in emergency situations.
- **Procedure DOC-10** "Operational Control, Preventive Planning, Measurement and Monitoring": this includes the following monitoring and measurement activities, in order to mitigate environmental impact and the significant energy use and consumption associated with the Company's activities, and maintain the health and safety of all stakeholders.

- **Procedure DOC-13** "Identification and Evaluation of Environmental Aspects": this procedure is followed in order to identify and evaluate the environmental aspects of the Company's activities and the products or services that it controls, along with those that it may influence, and the asocial environmental impacts of such activities, from a life cycle perspective.
- **Procedure DOC-14** "Environmental, Occupational Health and Safety and Energy Responsibility of Suppliers and Contractors": this includes informing suppliers and contractors about the procedures and requirements that apply to environmental, energy-related and occupational health and safety issues.
- **Operation Standard NOss-01** "Coordination of Business Activities": this monitors the effectiveness of the process requested from contractors via DOC-14.
- **Procedure DOC-15** "Hazard Identification. Assessment and Monitoring of Occupational Risks and Serious Accidents": this defines how the requirements relating to Occupational Health and Safety and Serious Accidents are met and, in particular, the identification of hazards and the assessment and monitoring of risks.
- **Procedure DOC-17** "Energy Planning": this describes the established system for ensuring that any energy-related issues arising from the business activities, products and services performed by the Company at its facilities are properly planned, and that this plan is monitored, with an analysis of any energy consumption or use that may significantly affect its energy-related performance.
- **Procedure DOC-20** "GHG Quantification and Reporting Manual": a document used to measure and report Greenhouse Gas emissions, along with any emissions generated and used in all activities, products and services relating to the various businesses and facilities that are included within the scope of Redexis's calculation and reporting of its greenhouse gas emissions.
- **Operational Standard Noss-09** "Operational Monitoring of Health and Safety on Site": the purpose of this procedure is to define the different duties of Redexis's own internal staff with regard to construction, and to define the various tools established by the Company in order to monitor on-site health and safety when the Redexis Group is involved as developer.

In addition, Redexis continuously tracks the objectives, goals and annual preventive action plans of its regional centres, an operational monitoring process that is carried out at its various work centres using a range of operational standards relating to both safety and environmental issues; it monitors contractor companies through its "vigilance" procedures; it holds meetings to coordinate business activities, and the results are recorded in the minutes of the meetings held in the different regions; on-site internal safety and environmental inspection visits are carried out in the different regions by the Company's health and safety and environmental monitoring coordinators; facilities and maintenance activities are monitored in relation to both distribution and transmission; the Company arranges external audits of the integrated management system, in accordance with **ISO 14001:2015, ISO 50001:2018 and ISO 45001:2018**; it verifies Greenhouse Gas Emissions by analysing its Carbon Footprint Report, in order to verify compliance with **ISO 14064-1: 2012**; audits are carried out to verify compliance with legal requirements regarding health and safety, the environment, energy management and industrial safety; frequent meetings of the energy management team are held at corporate level, with six-monthly meetings of the Territorial Environment and Energy Committees and quarterly meetings of the Health and Safety Committees, among other actions.

2. Risk management

GRI 102-29, GRI 103.

Redexis implements a **risk management model** designed to identify and assess risks sufficiently in advance so that they can be anticipated, thus preventing any adverse effects while taking advantage of the potential opportunities they may bring. Redexis manages this through its **Enterprise Risk Management (ERM)** system, which coordinates its activities based on the international COSO and ISO 31000 standards. The Internal Audit and Risk Department manages, evaluates and coordinates these risks, acting as a link between the Divisions, General Management and the Chair, thus facilitating and supervising the implementation of practices and measures for the management of risk to ensure its minimisation or mitigation. This department provides a logical and systematic model which allows decisions to be made and an efficient response to be given to any potential threats or opportunities that may arise.

Through the **Risk Control and Management Policy** approved by the Board of Directors in 2020, Redexis is committed to developing all of its capabilities so that the relevant risks can be properly identified, evaluated, managed and controlled.

The actions taken to control, manage and mitigate risks comply with the following **basic principles**:

- Integrating Redexis's decision-making and goal-setting processes with its risk management procedures.
- Optimising risk management and control from a global organisational perspective.
- Continuously evaluating its risk mitigation mechanisms to ensure their suitability, the adoption of the best market practices and the proper use of these mechanisms.
- Properly segregating duties in order to identify those responsible for risk analysis, control and supervision.
- Aligning all the specific policies that need to be developed in the area of organisational risk with the Company's Risk Management Policy.
- Acting within the law and in accordance with the values set out in the Code of Conduct that applies to the organisation.
- Fully and transparently reporting the main risks encountered by Redexis and its management mechanisms to the relevant regulatory bodies and organisations, maintaining the appropriate channels to encourage communication.
- Protecting the health and safety of the individuals who work in and for Redexis, as well as guaranteeing respect for the environment.

The Risk Management System is supported by the appropriate definition and assignment of duties and responsibilities, in the various **stages and activities involved in the process**, which mainly include:

- Identifying the relevant risk relating to strategy and planning, finances, ethics and compliance, reporting and operations and infrastructure, which includes taking account of any possible impact that this risk may have on key management goals and engagement in business activities.
- Analysing this risk as a key element in its management.
- Establishing a structure of controls and limits, which helps contribute to the efficient management of risk.

- Implementing and monitoring compliance with policies and guidelines, through suitable procedures and systems, including the contingency plans required to mitigate the impact of risks when they emerge.
- Assessing and controlling risk following similar and common procedures and standards.
- Regularly and transparently communicating the results of its monitoring of risk control and management.
- Continually evaluating the suitability of the system and best practices and recommendations relating to risk, for potential inclusion in the model.

In this context, the **risk management system** consists of three phases:

- A first **assessment** phase, in which risks are identified and evaluated and which includes the definition, classification and measurement of their impact and probability, based on the criteria approved by the company.
- A second **management** phase, in which strategies to respond to risks are defined and the agreed control instruments are monitored.
- A third **follow-up** phase, in which regular reports are made regarding any events that have occurred. In this phase, the control instruments are modified according to their results, and action plans are adjusted.

2021 saw the approval of the **risk management manual**, along with the formation of a **risk committee** to provide greater monitoring and, in the event that risk emerges, prioritise a response. This manual also formalises the process for regular reporting between the business and corporate departments and the risk department, thus ensuring supervised management. The ultimate aim is to achieve continuous improvement and to try to avoid or anticipate risks, or to mitigate them, as well as to take advantage of any opportunities that may arise.

As regards the sector to which it belongs, Redexis has to face a number of risks that are inherent in the industry and the market in which it operates. The main **risks associated with the industry and market in which Redexis operates in terms of sustainability**, the risks for which plans are made and guidelines established on an annual basis, are as follows:

- **Risks relating to individuals (management):** Risks arising from managing people's talent, including measures to reinforce the commitment of employees to the company and its values.
- **Cybersecurity risks:** Risks associated with external or internal factors that may affect systems through attacks.
- **Risks of loss of biodiversity and water resources. Environmental or personal risks:** This refers to a series of risks that arise from the daily operations of the organisation and that, given their nature, are managed to guarantee the safety of people and, the safeguarding of assets, water resources and the environment.
- **Reputational Risk:** This includes the risk associated with external and internal factors that can negatively affect the brand image. Redexis is aware of society's growing demand for companies to make a greater active and voluntary contribution to the achievement of social, economic and environmental improvement. In this connection, Redexis is committed to including these considerations in its decision-making in a transparent way, with the aim of establishing best practices that can contribute to the improvement of society.
- **Risk relating to ethics and integrity:** This includes the external or internal factors which could lead to an absence of ethics or integrity. Redexis believes that it is essential to

guarantee compliance with both the code of ethics and the company's own values, and it develops annual actions in order to mitigate these kinds of risks.

- **Risks relating to climate change:** Risks arising from both energy transition and potential global warming which would mean a rise in average temperatures. Based on this study, Redexis carries out studies on innovation and projects directed towards alternative energies.
- **Risk due to environmental catastrophes and external climate phenomena:** Risk arising from potential external factors that could alter corporate continuity. In this case, Redexis has a continuity plan and has established protocols for action in case they are needed.

All of these risks, together with the action plans and the activities engaged in to contain them, are **regularly** submitted to the **Audit and Risks Committee**, whose main duties are as follows:

- Evaluating and reviewing Risk Management policies and practices.
- Supervising the effectiveness of the risk management and control systems.
- Reviewing the company's ability to identify new risks that may arise.
- Ensuring that the Board receives regular information and risk control reports.
- Controlling the effectiveness of the Redexis Risk Management System.
- Checking compliance with both internal and external legal and regulatory requirements.

A more detailed description of risk management can be found in the following public documents, which are available on the Company's website:

- The Annual Corporate Governance Report for the 2020 financial year.
- The consolidated Management Report for the 2020 financial year.
- The Risk Monitoring and Management Policy.

3. Our commitment to the environment

GRI 103.

One of Redexis's main commitments is caring for the environment, mitigating the effects of climate change and making advances towards energy transition. In this regard, the Company is firmly committed to respect for the environment and the achievement of a sustainable economy. It therefore strives on a daily basis to achieve a society in which sustainability prevails, according to the Sustainable Development Goals (SDG) from the 2030 Agenda.

Mitigating the effects of climate change and recognising the importance of ecological transition are issues that are fundamental for Redexis, which has set the goal of achieving a **sustainable society and economy**. In order to achieve this, it has included the **Sustainable Development Goals** (SDG) from the 2030 Agenda as part of its strategy.

This commitment to the environment is formalised in its **Integrated Policy**, which places a high value on environmental excellence and energy management and efficiency. Redexis has therefore decided to engage in all of its business activities in a way that respects the environment and is committed to energy efficiency, given the scarcity of natural and non-renewable resources. To face the challenges of employment, energy-related and environmental safety, Redexis has intensified the necessary support and established the procedures required to guarantee and minimise risk, the protection of workers, the rational use of resources and the

reduction of waste, thus contributing to the sustainable development that society demands and the achievement of the relevant guidelines and objectives.

The general guidelines and objectives pursued by Redexis are set out in its **Integrated Safety, Environmental and Energy Policy**. This Policy is regularly monitored and reviewed to ensure its continuing suitability. The organisation's workers and stakeholders (suppliers, collaborating companies, temporary staff, etc.) are informed about this Integrated Policy via the communication channels provided in the Integrated Management System.

Environmental Excellence is one of the fundamental values of Redexis's Policy, and its management is based on the following cornerstones:

- Monitoring environmental issues across all of Redexis's activities, particularly the construction and maintenance work carried out on its facilities and infrastructure.
- Planning and executing its activities in an ordered, rational and flawless manner, thus reducing impact on the environment.
- Improving the management of any waste generated, applying appropriate measures for the reduction, recovery and recycling of waste and ensuring the proper disposal of non-recoverable waste.
- Providing the information and resources required to establish and review objectives and goals that will guarantee environmental and energy management.
- Reducing the consumption of natural resources, through the use of recycled and/or recyclable products, promoting energy savings.
- Informing and raising awareness among employees about the importance of proper energy management and the impact of their activities on the energy performance of the organisation.
- Complying with the environmental requirements established in the Company's environmental licenses, declarations and authorisations.
- The Company has Emergency Environmental Plans, and it carries out emergency drills at least once a year in each Autonomous Community.

The procedures approved by Redexis to provide **continuous monitoring of environmental evaluation or certification** include:

- **Procedure DOC-10** "Operational Control, Preventive Planning, Measurement and Monitoring": this establishes monitoring and measurement activities to mitigate the environmental impact and the significant use and consumption of energy associated with the Company's activities, and to maintain the health and safety of all stakeholders.
- **Procedure DOC-13** "Identification and Evaluation of Environmental Aspects": this allows the Company to identify and evaluate the environmental aspects of its activities, products and services that it can control and influence, along with their social environmental impacts, from a lifecycle perspective.
- **Procedure DOC-08** "SGI audits": this provides for the completion of regular audits, understood to mean systematic and documented verification processes that will enable the Company to obtain and objectively evaluate evidence in order to meet its SGI targets.

Throughout the 2021 financial year, the Company implemented the following targets **relating to the environment and energy savings**:

- a. Reducing our Carbon Footprint (Kg CO₂ emitted / Km pipeline) by 1.5% as compared with 2020.
- b. Achieving an average saving of 1% in the self-consumption ratio at 5 LNG plants (Muro; Cala Millor; Ateca; Casas Ibañez and Mancha Real) during the 2021 financial year, as compared with 2019.
- c. Achieving an average saving of 0.5% in the self-consumption ratio at 9 LPG plants (San Mateo de Gállego, Pinseque, Épila, Daroca, Cariñena, Castejón de Sos, Sabiñánigo, Sariñena and Valderrobres) during the fourth quarter of 2021, as compared with the same indicator in 2019.
- d. With regard to electricity consumption recorded at the end of 2021, increasing the use of electricity from guaranteed renewable sources at offices by 10% as compared with the consumption recorded in 2020.
- e. Maintaining company vehicles that reduce CO₂ emissions into the atmosphere as compared with 2020.
- f. Reducing the generation of plastic waste at the Company's offices by 5% as compared with 2020.
- g. Reducing the generation of hazardous waste resulting from spillages of fuel, machine diesel, used oils, etc. by 10%.
- h. Reducing electricity consumption at the Palma office with the installation of solar photovoltaic equipment for self-consumption.

In order to achieve its proposed objectives, Redexis pursues a series of strategies through its GEMASST Department, and it has made environmental management, energy management and the concept of sustainable development an integral part of the Company's strategy. One of its main concerns is to show transparency, raise awareness and educate all stakeholders using documented environmental and energy criteria in its planning and decision-making processes.

Redexis identifies and evaluates any environmental aspects that may be significant for its business activities, seeking to minimise the impact of these activities. In this regard, it is committed to making reasonable use of resources and raw materials, taking action to try to minimise waste generation, emissions and dumping, and preventing and monitoring the pollution generated as a result of its activities through the application of continuous improvement programs and the establishment of environmental and energy-related objectives and goals. It seeks to make the Group's facilities and activities more respectful to the environment and thus preserve the natural environment around its facilities by adopting measures to protect species of fauna and flora and their habitats.

Energy saving and the rational and balanced use of various energy sources are key aspects of Redexis's strategy, which is committed to promoting the development of cleaner and more efficient energy technologies among its employees and society in general, thus minimising the carbon footprint generated.

Redexis works to continuously improve the processes, systems and capacities that guarantee greater quality and safety in the performance of its activities, as well as in the products and services it offers, and the Company regularly and objectively reports on its performance in respect of environmental and social issues.

Furthermore, it is mainly engaged in the construction and maintenance of transmission and distribution networks for natural gas, considered the cleanest, most sustainable, efficient and environmentally friendly form of conventional energy.

Natural gas plays a key role in the Spanish energy matrix and, in a context of reducing emissions, meeting consumers' needs while taking care of the environment. **Natural gas is an efficient, low-emission energy source** which is highly competitive for households, businesses, and industry alike. Natural gas improves air quality and in turn assists the market penetration of renewable energies. It also favours competitiveness by offering lower prices to industry and guaranteeing security of supply.

Natural gas is an economical, reliable, comfortable and ecological form of energy. The advantages offered by natural gas particularly include the following:

- It improves local and global air quality, since it does not emit particles and has a very low NO_x and SO_x content.
- It provides coverage for the introduction of renewable energies in the electricity industry.
- It promotes industrial competitiveness.
- It guarantees the security of supply both at a domestic level and at a commercial and industrial level.

Plants that generate electricity using natural gas and cogeneration processes for the production of electrical and thermal energy can be directly connected to natural gas distribution networks to provide consumers with a cleaner and more versatile energy source.

In the current and future renewable energies scenario, existing natural gas infrastructure and technology like the Redexis transmission and distribution networks form part of a fundamental strategy for orderly energy transition that will not compromise security of supply but will nevertheless comply with the targets for the reduction of CO₂ emissions.

The **Environmental Emergency Plan** has been kept up-to-date at all times at all Redexis facilities, while the Internal Emergency Plans and Self-Protection Plans have been reviewed and updated, with continuous analysis and monitoring of previously defined health and safety, environmental and energy management indicators.

Since 2017, Redexis has recorded its annual Scope 1 and Scope 2 Carbon Footprint in the **Ministry for Ecological Transition's National Carbon Footprint Register** (MITECO), and it has been awarded the "Calculation" stamp in respect of its natural gas transmission and distribution activities. In addition, the Company conducts audits to verify the calculation of its Carbon Footprint, with the aim of reducing this footprint over three years. This reduction could be achieved in 2022, when an audit to verify its footprint for 2021 will be completed, since the scope that corresponds to the 5 companies from which the Group is comprised has been comparable since 2019. Likewise, the data relating to the management of tons of construction and demolition waste have been compiled in a unified way through the use of Dashboards.

In order to prevent environmental risk, Redexis uses both internal and external human resources, an **energy management IT tool** and budget items allocated to the prevention of environmental risk.

In June 2021, following a successful audit of its **energy efficiency management system**, the Company was awarded the **ISO 50001: 2018** Certificate for activities involving the transmission, storage and distribution of natural gas, LNG and LPG.

The ISO 50001: 2018 audit report also highlighted some strong points, such as an exhaustive study of the organisation's context and the needs and expectations of its stakeholders, excellent energy reviews by area, the improvement of base lines with the incorporation of new energy variables that have improved the coefficient of determination, targets for the improvement of energy efficiency supported by the Company's Improvement Plans, good indicator monitoring, excellent competence and knowledge at a personnel and organisational level for the efficient operation of processes, operational criteria that are applied to the efficient operation of facilities from an energy perspective, with consideration for the priorities and risks that relate to ensuring the supply of LNG and LPG, and the effective monitoring of energy consumption. The Company seeks at all times to maintain the leadership of its Senior Management through meetings of its **GEMASST Leadership Committee**, in order to reinforce its commitment to leadership on issues relating to Health and Safety, the Environment and Energy Management, as defined in its Integrated Management System.

The excellence of its management of environmental and health and safety issues is demonstrated by Redexis's commitment to make continuous improvements each year in its system for the integrated management of Energy, the Environment and Health and Safety, supported by reports and certificates recording external audits carried out on the basis of the following standards: **ISO 50001 on Energy Management, ISO 14001 on Environmental Management and ISO 45001 on Health and Safety at Work**. The system addresses the monitoring of energy consumption (electricity, gas, fuel) and the introduction of measures to reduce consumption.

As regards certification, recertification audits were completed on standards **ISO 14001:2015, ISO 45001:2018, and ISO 50001:2018** during 2021, and recertification was successfully achieved in all three cases. Implementation of the requirements arising from Royal Decree 840/2015 has been maintained at the SEVESO Plants, and audits of these plants have been completed without any major non-conformities.

Redexis is aware that the protection of nature and the natural environment must be taken into account in any business activity, since future generations will depend on this, thus contributing to sustainable development. In this connection, all of the members of the Company's workforce have been offered **courses on Energy Efficiency in the Office and Office Waste Management**, and 2021 saw the introduction of a new course, **Standard 05 Management of Atmospheric Emissions**, which highlights the importance that the Company places on training and awareness in respect of both energy-related and environmental issues. Regular meetings of the energy management team are held at a corporate level: biannual meetings of the territorial energy and environment committees, quarterly meetings of the health and safety committees and biannual meetings of the inter-territorial safety committees. All of this has led to an increase in communications at an Integrated Management System level, mainly focused on aspects relating to the environment and energy.

3.1 Pollution

GRI 305-1, 305-2, 305-4, 305-5 and 305-7.

In order to reduce current emissions, an **Emission Reduction Plan** has been drawn up, which includes several measures undertaken during 2021:

- The automation of boiler shutdown at LNG satellite plants during warm periods, incorporating a room temperature probe and an atmospheric gas temperature probe.
- Compliance with the Plan implemented in relation to LPG for 9 Heating System Optimisation plants.
- Increasing electricity with guaranteed renewable sources to 100% in all supplies contracted by Redexis.

The implementation of these measures following the Emissions Reduction Plan has meant that the Company has been able to control and reduce its emissions in 2021, reducing its Carbon Footprint and allowing its registration with the Ministry for the Ecological Transition (MITECO). As detailed below, this means that the Company's estimated Carbon Footprint for 2021 (though these data are not yet definitive) will be 36,713 tCO₂, making the differentiation between Scope 1 emissions with 36,713 tCO₂ and Scope 2 emissions with 0 tCO₂.

3.2 Circular economy and waste prevention and management

GRI 306-2.

The concept of circular economy is fundamental for Redexis, which seeks to achieve efficient production models that protect resources and reduce environmental impacts.

Through its Integrated Management System and, specifically, through its "**Waste Management Operational Standard**", Redexis establishes the system by which it ensures that the Company duly controls and manages the waste produced as a result of its business activities, products, services and facilities. In this way it optimises the handling of hazardous and non-hazardous waste, establishing goals for the reduction of environmental indicators and thus contributing to transition towards a circular economy.

In order to implement this and comply with the provisions of its Waste Management Operational Standard, a series of measures were introduced during 2021:

- **Prevention of pollution by waste:** waste must be recycled or recovered when it can be managed using these processes, and disposal must be avoided whenever possible.
- **Waste segregation:** the waste generator is responsible for collecting its waste, separated by type on the basis of its LER code, unmixed and in appropriately differentiated containers, for subsequent deposit at the collection points intended for this purpose. All internal and external staff are responsible for disposing of waste in the corresponding containers.
 - Hazardous waste is disposed of in hygienic and safe conditions in the areas intended for this purpose.
 - In the case of hazardous waste that is not generated by office activities but is owned by Redexis, this is transferred to the nearest "Hazardous Waste Storage", taking the necessary measures to avoid damage to the containers and packaging. At these storage points it will be classified and catalogued as waste, separated according to its type and temporarily kept under secure conditions until it is collected by an authorised manager.

- Each contractor company is responsible for the waste generated during the performance of its activities.
- **Waste storage:** each waste-producing centre (offices and warehouse, as applicable) has specific areas for the storage of waste and suitable containers, according to the regulations, for all the types of waste generated.
- **Waste labelling:** all containers are duly labelled in a clear, legible and identifiable way (at least in the national language). The label is placed on one or more sides of the packaging, so that it can be read horizontally when the packaging is placed in the required position.
- **Waste management:** non-hazardous and hazardous waste is managed through authorised managers and carriers.
- **Waste monitoring and measurement:** waste management is measured and monitored weekly through its correct segregation and final delivery to an authorised waste manager. These authorised managers report the amount of waste managed on a monthly basis.

Management of Non-Hazardous Office Waste (Kg)*	Total 2021 (Kg)	Total 2020 (Kg)	Indicator (/employee) 2021	Indicator (/employee) 2020	Change
Cardboard	344	1,968	0.99	5.44	-81.82%
Confidential Papers	1,554	3,524	4.46	9.74	-54.18%
Plastic	158	1,469	0.45	4.06	-88.82%
Total	2,056	6,961	5.90	69.30	-69.30%

Food waste management is only applicable in office areas where food waste residue can be generated. There are waste containers in all the offices at Redexis work centres and they are managed through an authorised waste processor.

3.3 Sustainable use of resources

GRI 302-1, 302-2, 302-3, 302-4, 302-5.

Water consumption is handled responsibly at all facilities and work centres. Proof of this can be found in the savings achieved each year in water consumption, mainly due to the Company's regular environmental awareness campaigns.

Consumption of Non-Energy Resources (m3)*	Total 2021 (m3)	Total 2020 (m3)	Indicator (/facility**) 2021	Indicator (/facility**) 2020	Change in relation to the indicator
Water Consumption at Facilities	537	467	0.17	0.14	15.20%

*Real data for 2021 are available for the period from January to September; an estimate has been made for the final quarter of 2021 based on data from October, November and December 2020. Definitive data will be received in February 2022.

**Facility: LPG and LNG plants; LPG and LNG tanks above and below ground; LPG and LNG storage tanks; above or subway regulation and/or metering positions and stations.

Energy consumption is continuously tracked at Redexis, giving us the ability to implement energy efficiency measures:

NG, LPG, Diesel, Petrol, Electricity		2020	2021*	2021* vs 2020
Total energy consumed	kWh	17,404,317	19,918,607	%
	m Tx, Dx and LPG networks	10,818,593	11,482,185	%
	Ratio	1.61	1.78	-5.61%
Tx Positions	kWh consumed	11,860,860	13,997,632	44.76%
LPG Plants	kWh consumed	1,702,691	2,381,103	88.49%
LNG Plants	kWh consumed	2,372,676	2,895,882	39.38%
Vehicles	kWh consumed	973,503	526,769	-4.28%
Offices	kWh consumed	494,587	117,221	-68.91%

*Note: Energy consumption is analysed by type of facility, compared year-on-year. Data for 2021 are estimated. To make this estimate, real data was compiled from January to September, and the final quarter of 2021 was calculated by replicating data for months that were expected to display climate conditions similar to months for which data was already available from 2021.

Particular mention should be made of the following measures implemented to achieve energy savings:

	Measures adopted in 2021
Offices	With regard to electricity consumption recorded at the end of 2021, increasing the use of electricity from guaranteed renewable sources at offices by 10% as compared with the consumption recorded in 2020. Reducing electricity consumption at the Palma office with the installation of solar photovoltaic equipment for self-consumption.
Transmission positions	Optimisation of operational parameters in transmission positions and facilities.
LNG plant	The automation of boiler shutdown during warm periods, incorporating a room temperature probe and an atmospheric gas temperature probe.
LPG plant	Compliance with the Plan implemented in relation to LPG for 9 Heating System Optimisation plants.

The implementation of these measures has resulted in the Company hitting the following milestone:

- 5.6%* fall in total energy consumed (KWh / m Tx, Dx and LPG networks).

*Note: The 2021 figure is an estimate, taking real data from January to September, and the final quarter of 2021 was calculated by replicating data for months that were expected to display climate conditions similar to months for which data was already available from 2021. Definitive information will be available in April 2022.

3.4 Climate change

GRI 305-1, 305-2, 305-3, 305-5.

Climate change constitutes one of the greatest challenges we face as a society, and mitigating its effects forms a key part of Redexis's strategy.

Ever since the approval of the Paris Agreement by the United Nations in 2015, sustainability has represented a fundamental key to the mitigation of its effects. This agreement brought together 197 nations for the first time under a common cause: to join forces to fight against climate change and to support developing countries so that they can adapt to changes. This sought to

achieve a worldwide agreement to offer a coordinated and organised response to climate change, with the aim of keeping global temperature rises below 2 degrees from pre-industrial levels.

2021 was marked by the Glasgow Climate Pact, an agreement reached on 13 November at the COP26 conference, which reaffirmed global commitment to speeding up action to protect the climate over the coming decade.

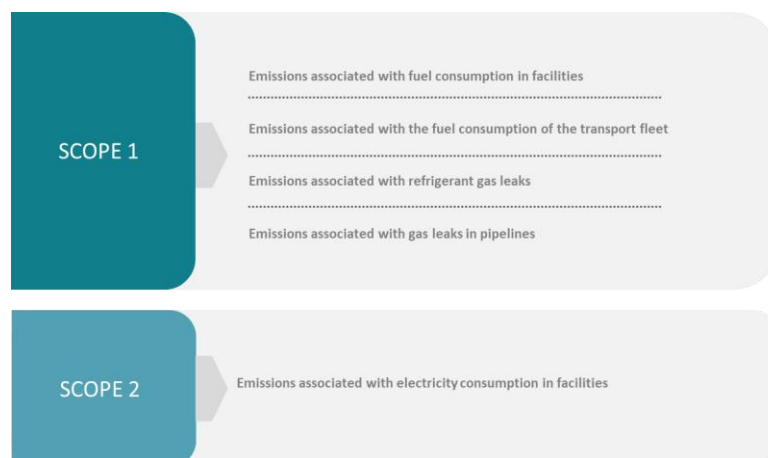
The European Union, a key player in this field, signed the Green Deal with the aim of becoming the first climate-neutral continent by 2050, ensuring the reduction of emissions and technological and innovative development.

The physical limits of Redexis's greenhouse gas quantification study are included in the following types of facilities:

- Redexis Offices
- Transmission facilities, also referred to as transmission positions
- LNG plants
- Vehicle fleets
- Networks (associated with diffuse emissions)

Redexis considers climate change to be a global environmental challenge that requires everyone to contribute in order to mitigate its effects. CO2 emissions, for example, is one of the factors that most influences global warming. The Company therefore works constantly to reduce its emissions by making significant investments in the updating of its infrastructure and optimisation of its business activities, thus improving their energy efficiency.

Redexis develops **tools to measure and control greenhouse gas emissions**, with a view to reducing them. One of its most outstanding initiatives relates to the calculation of its Scope 1 and Scope 2 carbon footprint, an exercise designed to provide information and transparency that resulted in its being awarded the "Calculation" stamp from the Spanish Ministry for Ecological Transition for the natural gas transmission and distribution business carried out from its headquarters in Madrid.



Aware of the impact that its activities have on the environment, and with the aim of establishing effective and efficient policies for the reduction of emissions, Redexis calculates the greenhouse

gas emissions that emanate from its transmission, distribution and storage of natural gas in Spain. It then prepares its report for the purposes of calculating the carbon footprint caused by its activity and transparently communicating the Company's emissions to its stakeholders. The main goals sought through the implementation of this initiative are:

- Ascertaining and evaluating the Company's Greenhouse Gas Emissions in order to identify opportunities for the reduction of its carbon footprint.
- Improving the Company's position in relation to society in general, maintaining a responsible commitment to continuous improvement.
- Registering the Company's carbon footprint in the Spanish Ministry for Ecological Transition's National Carbon Footprint Register.

An **Emission Reduction Plan** has been drawn up with the aim of reducing current emissions, and this includes several measures undertaken during 2021:

- The automation of boiler shutdown at LNG satellite plants during warm periods, incorporating a room temperature probe and an atmospheric gas temperature probe.
- Compliance with the Plan implemented in relation to LPG for 9 Heating System Optimisation plants.
- Increasing electricity with guaranteed renewable sources to 100% in all supplies contracted by Redexis.

The implementation of these measures has led to a reduction in a number of indicators:

- A 4.3%* decrease in the Company's Carbon Footprint (t CO₂ / m Tx, Dx and LPG networks).

Note*: The 2020 data have been audited in accordance with UNE-EN ISO Standard 14064-1: 2012 Greenhouse Gases, and the Carbon Footprint figure has been registered with the Ministry for Ecological Transition. The data for 2021 are estimated, as we will not have the actual data until April 2022.

The carbon footprint reduction measures are the actions that have been planned in order to reduce energy consumption in the action plan for the ISO 50001 energy management system implemented at Redexis.

- **Carbon Footprint Indicators ***

Carbon footprint (tCO ₂)	2020			Estimate for 2021		
	Scope 1	Scope 2	Total	Scope 1	Scope 2	Total
Offices	1.52	39.37	40.89	1.51		1.51
LNG plants	399.38	32.57	431.95	435.04		435.04
LPG Plants	342.12	6.92	349.04	422.33		422.33
Transmission positions	2,169.73	110.5	2,280.23	2,378.16		2,378.16
Vehicle fleets	147.7	---	147.7	257.34		257.34
diffuse emissions	34,472.70	---	34,472.70	33,231.57		33,231.57
	37,533.15	189.36	37,722.51	36,725.95	0.00	36,725.95

Ratio (t/ km Tx, Dx and LPG networks)	2020	Estimate for 2021	Change 2021 vs 2020
Total A1 + A2	3.34	3.20	-4.30%
Scope 1	3.33	3.20	-4.30%
Scope 2	0.02	0.00	0.00%

Note*: The 2020 data have been audited in accordance with UNE-EN ISO Standard 14064-1: 2012 Greenhouse Gases, and the Carbon Footprint figure has been registered with the Ministry for Ecological Transition. The data for 2021 are estimated, as we will not have the actual data until April 2022.

The calculation methodology is explained in the 2020 Carbon Footprint calculation report and verified in an audit carried out in accordance with UNE-EN ISO Standard 14064-1: 2012 Greenhouse gases. The estimates for 2021 are calculated using methodology that takes real data from January to September 2021 and then replicates data for months that were expected to display climate conditions similar to months for which data was already available from 2021. Definitive information will be available in April 2022.

The criteria used were taken from DOC. 20 of our integrated management system, "GHG Quantification and Reporting Manual", and the calculation tool used was developed by an external consultancy company based on its experience in the Carbon Footprint Calculation field.

The methodology for obtaining activity data for each emission source is as follows:

- Electrical consumption: Data on electricity consumption will be obtained from the bills issued by the commercial electricity companies. These bills are compiled by an external service which uploads them to an online platform, from where the person responsible for making the calculation will load the consumption figures into the carbon footprint calculation tool.
- Natural Gas consumption: Activity data on natural gas consumption will be obtained from readings taken from NG meters owned by REDEXIS.
- LPG consumption: Activity data on LPG consumption will be obtained from readings taken from LPG meters owned by REDEXIS.
- Fleet fuel consumption: Activity data associated with the use of vehicles will be compiled from the information provided by the Solred cards.
- Diffuse methane emissions: The activity data used to calculate the emissions produced by operational activities and fugitive gas from the pipelines will be compiled using two different methodologies:
 In the case of diffuse emissions from both distribution networks with an MOP greater than 16 bar and transmission networks, calculation and data collection is based on the guidelines for the linear method established by Sedigas in its report entitled "Methodology for the Calculation of Methane Emissions in Gas Distribution Systems", published in September 2019, while in the case of diffuse emissions from distribution networks with a MOP of 16 or less, the event method from the same methodology is used, under which the level of emissions produced is estimated based on the events occurring with the inclusion of field data, in order to determine methane emissions according to different types of event.
- Fluoride leaks from air conditioning and cooling equipment: The activity data for refrigerant gas leaks will be obtained from the maintenance reports for the air conditioning and cooling equipment, which record the amounts of gas required to recharge this equipment.

The estimated uncertainties in emissions are based on combining the uncertainties in emission factors with the uncertainties in the corresponding activity data. The emission factors used to prepare the organisation's GHG Inventory are extracted from official sources and are specific for each source category. The selection of these emission factors is intended to reduce uncertainty as far as possible. As part of this methodology, the values collected in the GWPs from the fourth IPCC report are used as a reference, based on the notification made to the Inventory Unit at the General Sub-department for Air Quality and the Industrial Environment.

The activity data used to prepare the organisation's GHG inventory are extracted from supplier invoices or contracts for each of the sources.

The level of uncertainty in the consumption and activity values recorded by Redexis is considered to be low. The uncertainty levels in the emission factors provided by the CNMC and the Ministry for Ecological Transition are also low, but uncertainty in the factors used to calculate diffuse emissions is considered high, given that they are based on average empirical values developed using a reduced sample. The total level of uncertainty in the Carbon Footprint calculation is therefore considered to be intermediate.

3.5 Protection of biodiversity

GRI 304-1, 304-2, 304-3, 304-4.

Redexis is firmly committed to **the conservation of natural capital and biodiversity**. The management of its activities takes careful account of the way in which the impact of these activities is handled, and the Company maintains a preventive approach to the generation of such impacts, correcting any that may occur.

Based on the principle of caution, Redexis carries out **environmental studies** while designing its infrastructure and facilities, with the aim of minimising any potential negative impacts during their useful life. If these facilities are close to areas that are subject to protection or are of high value from a biodiversity perspective, Redexis carries out specific studies with the aim of adapting the project in question and thus avoiding, reducing or offsetting any impact on these areas. It also implements a **monitoring program**, both for the works phase and for the operational phase, with the aim of applying the necessary preventive and corrective measures in relation to waste management, control of on-site machinery and vehicles, communication with environmental agencies and compliance with defined environmental specifications, among other issues.

The construction of a gas pipeline involves the following phases:

- Control of the environmental obligations set out in the Environmental Impact Statement
- Environmental Monitoring Program
- Waste management
- Archaeological monitoring
- Landscape restoration and improvement

Following construction, a series of guidelines are put in place to reforest the affected area. As a result of the **environmental monitoring carried out by Redexis** in the areas identified, with a view to avoiding possible environmental damage, impacts are monitored and the effectiveness of the preventive and corrective measures established in the Environmental Impact Assessment procedure is tracked, along with certain conditioning factors such as the appropriate treatment

of hazardous and non-hazardous waste, the comprehensive control of machinery, etc. This monitoring process will continue for the amount of time defined in the Environmental Impact Assessment, once the agencies responsible for certifying completion have done so, based on the results of environmental restoration and repopulation.

As an example of the Company's archaeological monitoring, in 2021, while excavation work was being carried out for a gas pipeline in the historic district of Mérida, a number of Roman mosaics were found, dating from the end of the 3rd century or the beginning of the 4th century AD. These mosaics were examined by the City Council's Works Monitoring Team, to which Redexis expressed its firm commitment to preserving the city's archaeological heritage.

The site was catalogued, documented and covered over once again in order to protect the ancient remains. As regards the excavation work, once the Council had completed its own work and the site had been protected, the course of the pipeline was adapted as required. In this case, the original course was moved by a few metres so that excavation could continue.

4. Our commitment to people

4.1 Employment

GRI 103, 102-8, 405-1, 405-2

For Redexis, success is born from the efforts of its workforce, and it is therefore fundamentally important to attract and retain people who share the same values and are committed to the Company's sustainable development.

Redexis has a **Code of Ethics and Conduct** which reflects its commitment to all the principles of corporate ethics and transparency, thereby establishing a series of behavioural procedures and guidelines that are ultimately aimed at ensuring the responsible and ethical behaviour of all the individuals who form part of the Company. This Code also summarises and defines the values and good practices that must govern corporate conduct and the actions of all the professionals who are both directly and indirectly connected Redexis, during the performance of the Company's activities.

The Company has also entered into a **Collective Agreement** with the UGT and CCOO union organisations and the workers' representatives, and this governs all employment relations between the Company and the workers who belong to the Redexis workforce.

In addition, as a sign of Redexis's commitment to equal opportunities and combatting inequality, the Company has an **Equality Plan**, the main purpose of which is to ensure a real and objective equality of opportunity between men and women at all levels of the Company, promoting a development model that is committed to equality and encouraging a business culture that is based on equal treatment.

Redexis is committed to **equal opportunities and the promotion of diversity**, which has led to the development of objective and impartial selection and hiring processes that focus exclusively on criteria based on merit and personal ability, and the promotion of **stable and permanent contracts** whenever possible. Redexis also provides all of its employees with an internal **Job Posting** tool that they can use to consult and apply for any available vacancies, thus ensuring internal mobility and the professional development of all of the people who make up the Company.

In addition, the Company encourages the engagement of members of under-represented groups, and it supports a scholarship program to help young people access the labour market.

Creating employment and attracting talent are fundamental objectives for Redexis, which seeks to achieve excellence in its activities by creating long-term value. At the close of 2021, Redexis had 337 direct employees across the whole of Spain.

- **Workforce at year-end 2021, broken down by age, gender and professional category**

2021

Professional Category/Age	Men	Women	Total
Management Committee	8	4	12
2. 30-40 years	1	0	1
3. 41-50 years	3	3	6
4. >=51 years	4	1	5
Directors and Managers	93	19	112
1. <30 years	1	0	1
2. 30-40 years	11	7	18
3. 41-50 years	59	11	70
4. >=51 years	22	1	23
Technical and Support Staff	135	67	202
1. <30 years	2	3	5
2. 30-40 years	39	20	59
3. 41-50 years	52	31	83
4. >=51 years	42	13	55
Other categories	5	6	11
1. <30 years	0	1	1
2. 30-40 years	1	1	2
3. 41-50 years	3	3	6
4. >=51 years	1	1	2
Overall total	241	96	337

(*) Other categories include sales representatives and telephone service professionals

- **Total number and distribution by type of contract:**

2021			
Type of Contract	Men	Women	Total
Permanent	238	91	329
Temporary	3	5	8
Total	241	96	337

- Total average and distribution by type of contract, gender, category and age:

2020	Permanent			Temporary			
	M	W	T	M	W	T	T
Management Committee	9	4	13	0	0	0	13
2. 30-40 years	2	1	3	0	0	0	3
3. 41-50 years	4	2	6	0	0	0	6
4. >=51 years	3	1	4	0	0	0	4
Directors and Managers	93	18	111	0	0	0	111
2. 30-40 years	16	6	23	0	0	0	23
3. 41-50 years	62	11	72	0	0	0	72
4. >=51 years	15	1	16	0	0	0	16
Technical and Support Staff	152	70	222	1	1	2	224
1. <30 years	7	5	12	0	0	0	12
2. 30-40 years	43	20	63	1	1	2	64
3. 41-50 years	59	32	91	0	0	0	91
4. >=51 years	43	13	56	0	0	0	56
Other categories	6	6	12	2	1	3	15
1. <30 years	1	1	2	0	0	0	2
2. 30-40 years	1	2	3	1	1	2	5
3. 41-50 years	2	2	4	1	0	1	5
4. >=51 years	2	1	3	0	0	0	3
TOTAL	260	98	358	3	2	5	363

2021	Permanent			Temporary			
	M	W	T	M	W	T	T
Management Committee	8	4	12				12
2. 30-40 years	1	0	1	0	0	0	1
3. 41-50 years	3	3	6	0	0	0	6
4. > 51 years	4	1	5	0	0	0	5
Directors and Managers	98	19	117	0	0	0	117
1. <30 years	1	0	1	0	0	0	1
2. 30-40 years	14	7	21	0	0	0	21
3. 41-50 years	61	11	72	0	0	0	72
4. > 51 years	23	1	24	0	0	0	24
Technical and Support Staff	138	68	206	0.5	1	2	208
1. <30 years	3	3	6	0	0	0	6
2. 30-40 years	39	20	59	0	1	1	60
3. 41-50 years	53	32	85	0.2	0	0.2	85
4. > 51 years	43	13	56	0.3	0	0.3	57
Other categories	4	4	8	3	1	4	12
1. <30 years	0.2	0	0.2	0	0.2	0	0
2. 30-40 years	1	1	2	1	0	1	3
3. 41-50 years	2	2	4	2	0.5	2	6
4. > 51 years	1	1	2	1	1	1	3
TOTAL	248	95	343	3	3	6	349

(*) Other categories include sales representatives and telephone service professionals

- Number of employment contracts terminated on the Company's initiative at year-end 2021, broken down by age, gender and professional category:

2021

Professional Category/Age	M	W	T
1. Directors and Managers	6	0	6
2. 30-40 years	2	0	2
3. 41-50 years	2	0	2
4. > 51 years	2	0	2
2. Technical and Support Staff	7	1	8
2. 30-40 years	1	0	1
3. 41-50 years	3	1	4
4. > 51 years	3	0	3
3. Other categories	1	2	3
1. <30 years	1	0	1
3. 41-50 years	0	2	2
Overall total	14	3	17

(*) Other categories include sales representatives and telephone service professionals

- Average salaries broken down by age, gender and professional category (**, ***):

2020					2021 (***)			
Professional Category/Age*	M	W	T		Professional Category/Age*	M	W	T
Directors and Managers	70,479	66,742	69,867		1. Directors and Managers	70,813	67,450	70,243
2. 30-40 years	71,005	75,110	72,125		1. <30 years	51,147	0	51,147
3. 41-50 years	70,669	60,787	69,159		2. 30-40 years	71,740	71,233	71,543
4. >=51 years	69,144	82,033	69,950		3. 41-50 years	69,494	63,840	68,605
Technical and Support Staff	42,590	35,157	40,159		4. >=51 years	74,784	80,667	75,039
1. <30 years	35,004	28,268	32,197		2. Technical and Support Staff	43,995	35,688	41,240
2. 30-40 years	35,615	34,354	35,195		1. <30 years	37,772	26,783	31,178
3. 41-50 years	41,802	36,888	40,039		2. 30-40 years	36,995	33,594	35,842
4. >=51 years	53,496	34,627	49,080		3. 41-50 years	41,130	37,972	39,950
Other categories	15,843	15,524	15,698		4. >=51 years	54,339	35,522	49,891
1. <30 years	15,037	17,475	16,256		3. Other categories	16,252	16,092	16,165
2. 30-40 years	17,475	15,037	16,256		1. <30 years	0	15,292	15,292
3. 41-50 years	16,237	15,037	15,637		2. 30-40 years	17,692	17,692	17,692
4. >=51 years	15,037	15,037	15,037		3. 41-50 years	16,092	16,092	16,092
Overall total	52,470	40,215	49,078		4. >=51 years	15,292	15,292	15,292
					Overall total	54,104	40,970	50,386

(*) Other categories include sales representatives and telephone service professionals

(**) Data for the managers who sit on the steering committee is not included.

(***) Variable forecast at 100%, does not reflect actual salary received

- **Pay gap and minimum salary under the collective agreement (*)**

The pay gap between men and women is the difference between the wages received by workers of both genders, calculated on the basis of the average difference between the gross earnings of all workers. The pay gap between men and women is shown as a percentage of the income of the male population, and it represents the average of the difference between the gross earnings of workers of both genders. In the EU, the gender pay gap is officially called the unadjusted gender pay gap, as it does not take account of each worker's individual characteristics workers and the factors that influence this difference, such as differences in education, work experience, hours worked, the type of job performed, etc.

Redexis Pay Gap 2021
16.7%

Concepto y cálculo de diferencia salarial

Las diferencias salariales se calculan de la siguiente manera:

$$\text{Diferencia Salarial} = \frac{\text{Retribución hombres} - \text{Retribución mujeres}}{\text{Retribución hombres}}$$

El resultado se expresa como porcentaje, y tiene la siguiente interpretación

- >0%. Significa que las mujeres cobran **menos** que los hombres. Se expresaría como "las mujeres cobran un x% menos que los hombres", donde la retribución de los hombres es tomada como referencia. Veamos un ejemplo: *Retribución hombres = 100 ; Retribución mujeres = 85*
 $\text{Diferencia salarial} = \frac{100-85}{100} = 15\%$, "las mujeres cobran un 15% menos que los hombres"
- = 0%. Significa que las mujeres cobran **igual** que los hombres.
- < 0%. Significa que las mujeres cobran **más** que los hombres.

(*) The minimum wage established in Redexis's collective agreements is 14% above the minimum interprofessional wage in Spain in 2020.

- **Directors' and managers' pay (*)**

Men	561,264
Women	556,820
Total**	559,896

Men	215,893
Women	212,652
Total MTIP	214,896

Men	345,371
Women	344,168
Total pay without MTIP	345,001

(*) Information about the paid directors on the Board of Directors, as well as the managers who sit on the management committee.

(**) Includes MTIP, consisting of a 3-year incentive plan based on annual and cumulative targets for the period 2018-2020, to be received in 2021.

4.2 Work organisation

GRI 103, 403-2.

Redexis's commitment to its employees is reflected in its payment policy, through which everyone who works for the Company enjoys a variable payment system that is linked to the achievement of company, departmental and individual targets. It also includes other benefits and advantages:

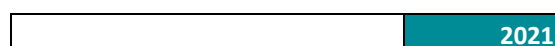
- **Flexible remuneration.** Redexis offers all the members of its workforce the opportunity to access a series of products, according to their individual needs, in such a way that each person is able to optimise their remuneration and increase their disposable income. During the 2021 financial year, more than 80% of the workforce benefitted from this programme, which offers the chance to take advantage of four products: Health insurance, Restaurant, Transport and Crèche. In addition, following its introduction in 2021, employees can now request Training as part of this flexible payment plan, and several people have already taken advantage of this opportunity to study for a Master's degree or advanced study diploma.
- **Life and accident insurance.** From the moment that they join the Company, everyone on the workforce enjoys life and accident insurance.
- **Pension plan.** A year after joining the Company, any member of the workforce may, if they wish, sign up to a pension plan, regarded as a socially responsible investment.
- **Health insurance.** The company subsidises a percentage of the employee's premium by way of a social welfare benefit.
- **Crèche.** The Company provides employees with assistance of 60 euros per month per child for a period of 12 months.
- **Redexis Discount Club.** Employees can access a series of discounts on different items and products such as movie tickets, shows, travel, hotels, sports, fashion and other items.

Redexis is committed to the flexibility and work-life balance of its employees, and it has signed the **2nd Company Collective Agreement** with the UGT and CCOO union organisations. This agreement improves working conditions in a number of different ways:

- **Gradual reduction in annual working hours.**
- **Flexible working day,** with workers arriving at between 8 and 9.30 am and leaving from 5.30 pm onwards.
- **Uninterrupted working Friday,** with workers offered a flexible start time and able to leave from 3 pm onwards.
- **Short summer working days,** over a period of two and a half months.
- **24 and 31 December** are non-working days.
- **Working days that precede public holidays** (5 January, 23 and 30 December and Easter) are worked as uninterrupted 7-hour days.
- **Increased holiday periods,** which will be extended to 25 days in 2020 and 2021.

As a result of the publication of Royal Decree-Law 8 of 8 March 2019, **Redexis guarantees the daily recording of the working hours** of all its employees, thus combatting job insecurity and taking social protection measures.

- **Absenteeism hours:**



Absenteeism hours	11,430
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With the principal aim of improving employee experience with Redexis’s applications and tools and thus improving the management of the Company, making it more efficient and ensuring data reliability and security while complying with all the regulatory requirements relating to employment issues, Redexis has launched a **new employee portal**. This new space has made it possible to consolidate and organise all the tools associated with the management of and interaction with Human Resources issues.

Some of the improvements that have been implemented include:

- Integration of the working hours recording application, simplifying its use and functionality.
- A new “Who’s Who” section, making it much easier to identify the people with whom one is working.
- All functionalities have been improved as compared with the previous portal (access to the working calendar, holidays and absences, the viewing of employment documents and the management of changes, etc.)
- Using this new portal, employees will be able to see all the notifications associated with management of the portal, and a channel has also been provided for listening to your suggestions.
- The processes for signing documents have been automated.
- Newly engaged employees are able to sign their contracts electronically and consult the signed documents on the portal itself without having to print anything out.
- Other documents can also be signed electronically, such as form 145, certificates, etc.

4.3 Health and safety

GRI 103, 403-2, 403-3, 403-4, 403-9, 403-10.

Redexis goes beyond mere compliance with the legislation in force and promotes **continuous improvements in working conditions and the management of safety, health and welfare**. Redexis involves its employees, suppliers, collaborators, users and other stakeholders connected with its business activities, with the aim of acting with maximum safety.

As regards issues relating to **occupational health and safety**, the Company set a series of targets for the 2021 financial year:

- Compliance with the following joint Accident Rates for employees and contractors:
 - Combined Frequency Rate (FR) <1.79
FR = No. Accidents / No. hours worked *1000000
 - Combined Severity Rate <0.03
FR = No. days lost *1000 / No. hours worked
 - Average no. of Accidents with sick leave and without sick leave in the last 3 years lower than 8.
- Carrying out 7 ergonomic studies in “office workstations” at fixed work places.
- Organising 1 day to raise awareness on ORP for Executives, Middle Managers and Technicians working in the building works construction Division.
- Carrying out a minimum of 20% of the drills performed at SEVESO plants with the involvement of external resources.

- Increasing the number of workers trained in road safety by 20%.
- Increasing the number of workers trained in first aid by 25%.
- Maintaining awareness activities on healthy working practices.
- Administering a course on Time Management and Psychosocial Planning.

In order to achieve its proposed objectives, Redexis has implemented a series of strategies that have been implemented by the GEMASST department, in which special emphasis is placed on stimulating leadership and promoting sensitivity and awareness in respect of occupational health and safety issues. **Throughout 2021, Redexis promoted well-being and a healthy lifestyle, monitoring and taking account of the medical health of all of the Company's employees at all times.**

At all its work centres and facilities, the Company continuously monitors compliance with the legal provisions that are in force and any other requirements to which the organisation subscribes in terms of health and safety, energy and the environment.

Employees are at all times guaranteed the occupational health and safety training that is considered sufficient and appropriate for the correct performance of their working duties, with the identification and monitoring of risk, the elimination of any hazards detected and the adoption of suitable measures. Redexis ensures at all time that its employees receive general information on this issue through their representatives, along with direct information on the specific risks that may affect their own workstations or duties, with information on the applied preventive measures that may be required in order to mitigate the risks in question. The Company consults with its workers at all times and seeks their participation on issues that may affect their health and safety, through their company representatives.

Given the situation caused by the pandemic, which has completely transformed the way that employees perform their duties and encouraged remote working, **Redexis has supported digital disconnection** and established a series of guidelines, such as the need to respect break times and holiday periods, avoiding the holding of meetings and the sending of emails outside working hours, the reasonable use of digital tools, etc.

The Company acts at all times, vis-à-vis both society and its employees, in accordance with the prevention criteria that result from the legal and regulatory framework, in combination with the Redexis Integrated Management System, verifying compliance with all the applicable legal requirements. This latter System is regularly reviewed, and measures are taken to continuously improve its effectiveness. These criteria form an integral part of prevention management at all levels of the Organisation, without exception.

In 2020, the Company added its **Integrated Management System Course** to the Redexis Campus for new employees in order to ensure they receive information on how the areas of occupational health and safety, energy management and the environment are managed. There were also meetings of the **Working Group on Psychosocial Activities and Well-Being**, a body created in November 2019 as a stimulus to encourage employee participation in well-being and psychosocial activities. The Working Group comprises various members of the Company's Management, the Prevention Service and Prevention Officers (employee representatives). Implementation of the **Psychosocial and Well-Being Action Plan** continued during 2021.

In April 2021 the Company launched streamed courses on **"Covid-19 and Cardiovascular Disease"**. Presented by Dr Tormo, an expert in cardiovascular disorders from the Spanish Heart

Foundation, these courses gave us all an opportunity to gain a greater understanding of the different cardiovascular risk factors and provided practical guidelines for cardiovascular prevention, with a view to preventing serious effects arising from the response to Covid-19.

The aims of this course focused on the creation of a culture of self-care among employees, with the aim of reducing cardiovascular risk through the provision of health-related information on the different kinds of cardiovascular risk factors that we may have encountered during lockdown and its gradual lifting. It was also intended to make participants aware of the importance of lifestyle changes as an efficient way of preventing cardiovascular disorders.

A training day entitled **“Workplace Risk Prevention Awareness for Directors and Managers. Practical Workshop (Role Playing). Mock Trial”** was held in June 2021 for the Engineering, Tenders and Execution Division. This activity was designed to increase awareness among staff who have management, direction and supervisory duties relating to engineering, tendering processes and the completion of building works, with regard to the potential legal, and particularly criminal liabilities that they might incur. The activity centred around an enjoyable educational programme that consisted of reproducing all the different phases involved in court proceedings, with a particular focus on procedure and the basic strategies to be adopted when defending the interests of the technicians, managers and directors involved in proceedings for the enforcement of liability as the result of accidents in the workplace or infringements of workplace risk prevention regulations.

2021 also saw the continuation of the **Redexis Healthy** initiative, which was introduced in April 2020 with the launch of the **“Redexis Healthy Well-Being”** programme. The Employee Support Programme was also maintained, with the aim of offering emotional and personal care for employees through the offer of the following services:

- **Psychological assistance to employees:** free and confidential psychological assistance to all of the organisation’s employees.
- **Coaching sessions** for any employees requesting them: this resource allows individuals to develop skills in a personalised way that is adapted to their own personal or professional challenges, closely supported by a personal coach. The sessions focus on skills such as public speaking, enhancing social skills and improving time management. Sessions are conducted by video call or by phone.
- **Wellness Programs:** All employees can enjoy individual training free of charge, and programmes are designed to serve as a tool to help them face any challenge or personal goal. The sessions proposed in 2020 have been: reconciliation of work and family life, time management, problem solving, coping with stress, emotional management of uncertainty and healthy relationships in the workplace.
- **Wellness Portal:** This is an exclusive portal for all Redexis employees which contains resources and information on learning how to care for their well-being. This portal is updated every week with articles, videos, tips, books, specialist recommendations, and verified news prepared by professionals.

Redexis is working steadily to achieve objectives aimed at reducing the risks or dangers that may emerge in work environments, offering recommendations and alternatives aimed at the safety of its employees. The GEMASST Department monitors the number of days without accidents, performing this duty through different Health and Safety Committees, with the **aim of reducing the number of accidents to zero**. There is also a technological tool for the recording, monitoring and analysis of any healthcare provided through the **“Mi salud”** app, which is provided by the third-party prevention service, Quirón Prevention.

At each of the Company's work centres there are records showing the names of the members and people appointed to the **Emergency Teams** and the first aid training they have received, and annual drills are carried out at the SEVESO Plants. These include environmental and occupational health and safety scenarios designed to ensure the safety of workers at all times. New members of the Emergency Teams have been brought up to date with the courses on "**Managing Emergencies**", and a new course was offered in 2021 on the **implications of SEVESO regulations and emergency plans** for all the personnel involved in dealing with Emergencies, Technical Staff and Heads of Operation and Maintenance at the Company's facilities and all control centre operatives.

As a company concerned with occupational health and safety, Redexis is equally concerned with the well-being of its employees outside the work environment, which is why it maintained the implementation of its **updated Mobility Plan** in December 2020 and launched its **road safety campaign** during the holidays, distributing a set of **Safe Driving Rules** in June 2021. Further meetings of the **Mobility and Road Safety Committee** were also held. Several seminars were held during October and November 2021 as part of the "**Driving Improvement**" course.

The **GEMASST Leadership Committee** continued to hold meetings, with a view to reinforcing the leadership of Senior Management and their commitment in areas related to occupational health and safety and the environment.

There have also been 2,157 occupational health and safety inspection visits to construction sites and 634 visits to facilities, an increase in safety inspection visits of 5% (visit/m pipeline constructed) for construction sites and 4.1% (visit/facility) for facilities as compared with 2020. 46 drills were carried out at Redexis facilities during 2021.

In 2021 Redexis continued to make progress in its commitment to safety at work by certifying its **Occupational Health and Safety Management System** under the ISO 45001:2018 standard. In this regard, the certification issued to Redexis by the **British Standards Institution**, a leading standards body in auditing and certification, further consolidates the Company's commitment and leadership in the field of Occupational Health and Safety, Energy and the Environment, through an Integrated Management System that covers all its activities.

ISO 45001 is currently the most prestigious international standard for occupational health and safety. Its greatest advantage is that the health and safety management system must be in line with the High-Level Structure which now includes all new versions of ISO standards. This means greater alignment between the organisation's strategy and the management of its workers' health and safety, reflecting greater leadership from the Management in this area. In addition, ISO 45001 represents an important step forward in terms of the obligations relating to employee consultation and participation, in such a way that employees must now be empowered and involved in certain areas such as the definition of policies, targets, needs and expectations. Along these same lines, Redexis is also working to continue offering its employees a health and wellness plan, promoting healthy lifestyle habits that are consistent with its **Healthy Workplace** certificate.

Redexis against COVID-19

Due to the pandemic caused by SARS-CoV-2 (Covid-19) which led to the approval of a State of Emergency throughout Spain on 14 March 2020, a **Covid-19 Monitoring Committee** was created to establish a communications mechanism for employees at all levels during this crisis. This Committee has defined a protocol for contingencies and preventive measures in the face of the

crisis, making adjustments to adapt to this extraordinary situation, taking account of the needs of the teams and coordinating resources to return to normal working levels while ensuring the physical and mental health of employees.

Given the situation caused by the pandemic, which has completely transformed the way that employees perform their duties and encouraged remote working, **Redexis has supported digital disconnection** and established a series of guidelines, such as the need to respect break times and holiday periods, avoiding the holding of meetings and the sending of emails outside working hours, the reasonable use of digital tools, etc.

In addition, the Company has published regular weekly bulletins on its **protocol for contingencies and preventive measures against Covid-19** for all employees, as well as updating its **preventive protocol for the use of offices** when deemed necessary. The pandemic has made it necessary for Redexis to adapt to a new way of working, namely remote working, and this has tested both the Company's human and material resources.

Employees have been kept informed about developments relating to the pandemic and the protocols that the Company has implemented, through the General HR Department's Message Board and the **Covid-19 Space** on the Company's Intranet.

In addition, to mark the World Day for Safety and Health at Work, Redexis organised the virtual activity **'Covid-19 and Cardiovascular Disease'** between 26 and 30 April, which consisted of a series of virtual initiatives directed towards the Company's employees.

- **Occupational Health and Safety Indicators**

Health and Safety in the workplace forms a key aspect of Redexis's operational strategy, and the Company has implemented the foregoing initiatives to achieve its proposed objectives. As a result of these actions, its workplace Health and Safety indicators for 2021 were as shown below:

		2021
Employees	Hours Worked (THW)	204,386 (women) 525,566 (men)
	Accidents	0
	Without Sick Leave	0
	With Sick Leave	0
	Severe	0
	Fatal	0
	Days Lost	0
	Days Lost due to Sick Leave	0.0
	Frequency rate *	0.00
	Severity rate (without Sick Leave) **	0
	Severity rate **	0.00
Contractors	Hours Worked (THW)	931,612 (men and women)
	Accidents	2 (men) 0 (women)
	Without Sick Leave	0
	With Sick Leave	2 (men) 0 (women)
	Severe	0
	Fatal	0
	Days Lost	0
	Days Lost due to Sick Leave	10 (men) 0 (women)
	Frequency rate *	2.15
	Severity rate (without Sick Leave) **	0
	Severity rate **	0.01
Employees and Contractors	Hours Worked (THW)	204,386 (women) 1,457,178 (men)
	Accidents	2 (men) 0 (women)
	Without Sick Leave	0
	With Sick Leave	2 (men) 0 (women)
	Severe	0
	Fatal	0
	Days Lost	0
	Days Lost due to Sick Leave	10 (men)/ 0 (women)
	Frequency rate*	1.20
	Severity rate (without Sick Leave) **	0.00
	Severity rate **	0.01

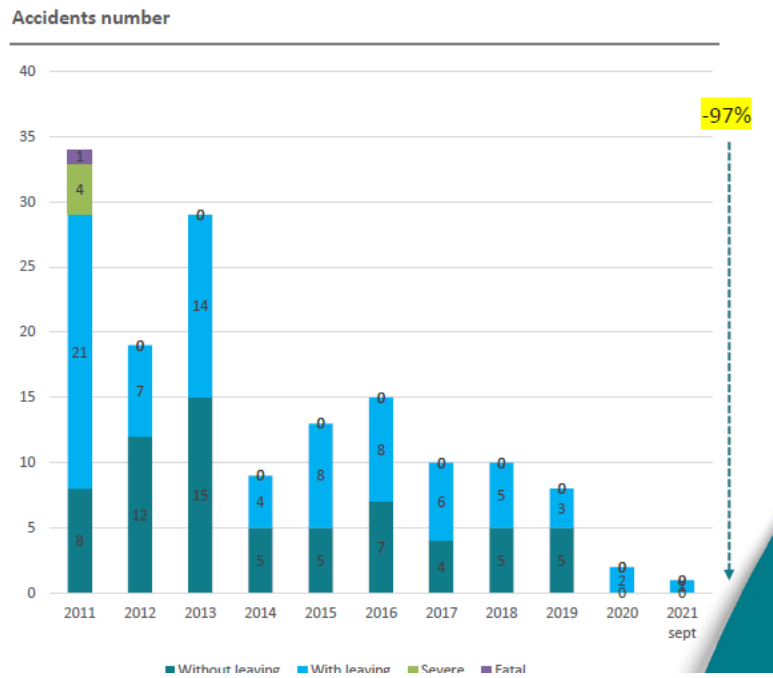
(*) Frequency rate = (Accidents with Sick Leave * 1,000,000) / Hours worked
 Accidents with sick leave (AWL) = own personnel AWL (Work accident reports notified by the company in the Delt@ official electronic declaration) + contracted personnel AWL (Work accident reports notified by the contractor in the Delt@ official electronic declaration and communicated to Redexis)

- Hours Worked (HW) = HW own personnel (Working hours registered by HR of own personnel)
 + HW contracted personnel (Hours worked by contracted personnel communicated to us via the DEA Format "Statistical Accident Data" under the integrated management system)

(**) Severity Rate = (No. of days lost * 1,000) / Hours worked
 No. days lost (DL) = No. days of Sick Leave due to work accident

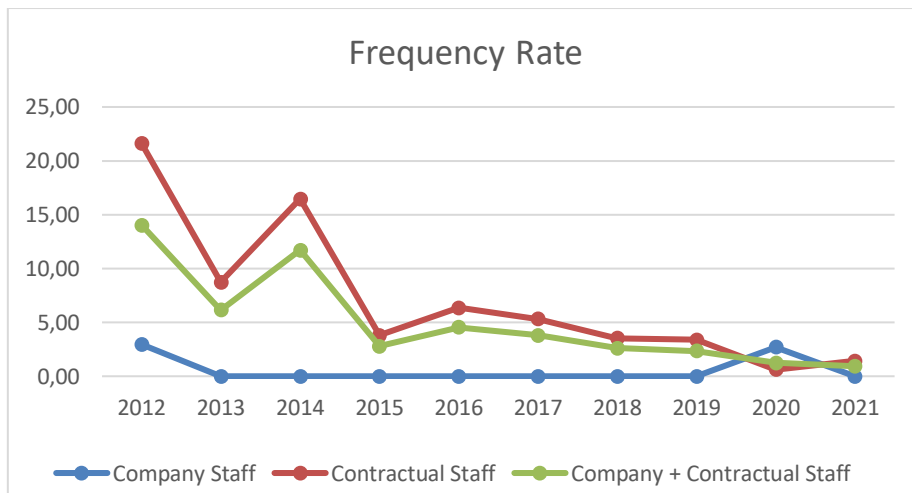
- Hours Worked (HW) = HW own personnel (Working hours registered by HR of own personnel)
 + HW contracted personnel (Hours worked by contracted personnel communicated to us via the DEA Format "Statistical Accident Data" under the integrated management system)

Breakdown of fatal, severe, and minor accidents (own workers and contractors)



Accident frequency rate (own workers and contractors)

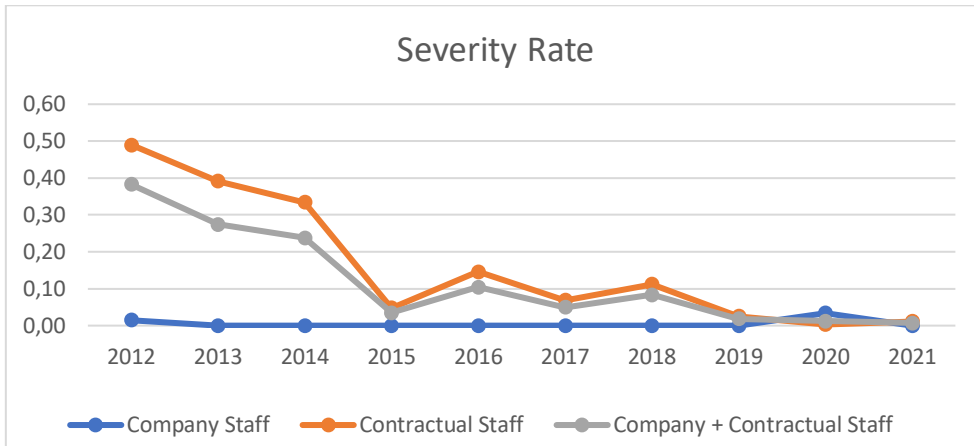
AFR 2021=1.20 (accidents with leave x10⁶ / hours worked).
 AFR average for the last 4 years=1.79



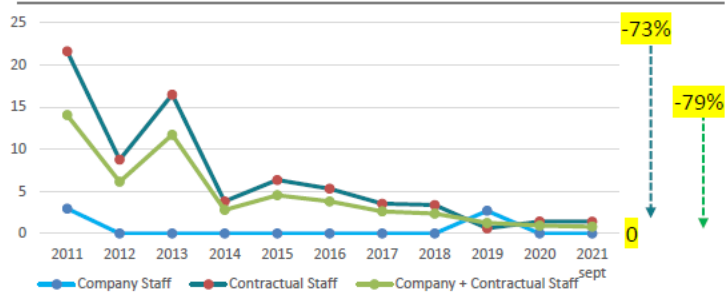
Accident severity rate (own workers and contractors)

ASR 2021=0.01 (No. of days lost x1000 / hours worked)

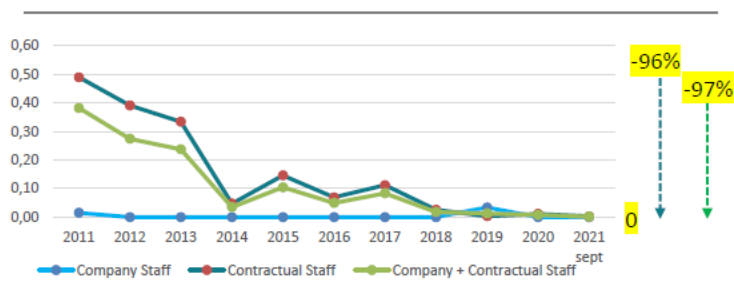
ASR average for the last 4 years=0.03



Accident Frequency Index ⁽¹⁾



Accident Severity Index ⁽²⁾



(1) Calculated as the number of accidents multiplied by 10⁶ and divided by total worked hours
 (2) Calculated as the number of lost days multiplied by 10³ and divided by total worked hours.

No. of OSH Inspection Visits (work)					
Nº of visits (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/ml constructed) 2020	Indicator (/ml constructed) 2021	Variation
Total	2.157	3.236	0,01	0,01	5%
No. of OSH Inspection Visits (Maintenance and Operation)					
Nº of visits (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/installation no.) 2020	Indicator (/installation no.) 2021	Variation
Total	634	609	0,19	0,20	4,11%

A series of business meetings are held to coordinate works, maintenance, and operations at the different facilities. Studies are carried out in the offices to detail the safety, health, and work conditions of each of the centres.

No. of meetings CAE Works					
Number of meetings (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/ml constructed) 2020	Indicator (/ml constructed) 2021	Variation
Total	233	254	0,00	0,00	45%
No. of meetings CAE Maintenance and Operation					
Number of meetings (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/installation no.) 2020	Indicator (/installation no.) 2021	Variation
Total	82	96	0,03	0,03	-15%
No. of safety plans carried out or updated (works)					
Nº SP (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/ml constructed) 2020	Indicator (/ml constructed) 2021	Variation
Total	415	385	0,00	0,00	70%
No. of Risk Assessments performed in office					
Nº RA office(ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/no. offices) 2020	Indicator (/no. offices) 2021	Variation
Total	4	7	0,41	0,24	-43%
No. of Hygiene Evaluations (office)					
Nº HE (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/no. offices) 2020	Indicator (/no. offices) 2021	Variation
Total	5	5	0,29	0,29	0%

To guarantee the health and safety of its professional staff at all times, Redexis has detailed emergency and self-protection plans for its offices and facilities, which entail the regular performance of drills to ensure that these plans are properly operative at all times and to identify whether they need to be updated, as well as to ensure that everyone knows how to act at any given time.

No. of indoor emergency plans carried out					
Nº IEP (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicator (/installation no.)2020	Indicator (/installation no.)2021	Variation
Total	7	13	0,0040	0,0022	-46%
No. of self-protection plans carried out					

Nº SPP (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicador (/installation no.)2020	Indicador (/installation no.)2021	Variation
Total	54	28	0,0086	0,0166	93%
No. of Explosion Protection Documents produced					
Nº EPD (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicador (/installation no.)2020	Indicador (/installation no.)2021	Variation
Total	39	9	0,0028	0,0120	333%
No. of drills carried out in facilities					
Nº Drills (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicador (/installation no.)2020	Indicador (/installation no.)2021	Variation
Total	46	29	0,0089	0,0142	58,62%
No. of Emergency Plans carried out in the office					
Nº EP (ud)	Total 2021 (Uds)	Total 2020 (uds)	Indicador (/no. offices) 2020	Indicador (/no. offices) 2021	Variation
Total	5	11	0,6471	0,2941	-55%

Key: M and O: Maintenance and Operations; CBA: Coordination of business activities; RA: Risk assessment; IEPs Internal Emergency Plans; SPPs: Self-Protection Plans; EP: Emergency Plans.

Health and safety training is vital for Redexis, which is why the GEMASST Department carries out training exercises that seek to inform the workforce of these issues and raise awareness about the possible risks they may face when performing their duties and how to detect them.

Nº Acciones Formativas Realizadas					
Nº AF (Ud)	Total 2021 (Ud)	Total 2020 (Ud)	Indicador (/empleado) 2020	Indicador (/empleado) 2021	Variación
Total	265	201	0,56	0,76	27%
Nº Horas Formación impartidas					
Nº Horas Formación impartidas (H)	Total 2021 (H)	Total 2020 (H)	Indicador (/empleado) 2020	Indicador (/empleado) 2021	Variación
Total	2402	2423	6,69	6,90	3%
Nº Trabajadores Formados					
Nº Trabajadores Formados(Ud)	Total 2021 (Ud)	Total 2020 (Ud)	Indicador (/empleado) 2020	Indicador (/empleado) 2021	Variación
Total	816	1303	3,6003	2,3431	-35%

Key: M and O: Maintenance and Operations; CBA: Coordination of business activities; RA: Risk assessment; IEPs Internal Emergency Plans; SPPs: Self-Protection Plans; EP: Emergency Plans.

4.4. Social relations

GRI 103, 403-1, 403-4, 402-1, 102-41.

In 2018, Redexis approved its **2nd Company Collective Agreement, the main purpose of which** was to establish a single regulatory framework that would promote job stability and provide a substantial improvement in working conditions. The Agreement covers 85% of the people who work at Redexis. This Collective Agreement remained in force until 31 December 2021, and it offered improvements such as:

- A reduction in the total number of hours worked in a year, increasing the number of rest days.
- Increased flexibility in relation to the time at which the working day starts.
- Recognition of a salary review procedure under the Agreement, linked to the Company's results.
- Improvements in welfare benefits: Access to a professional pension plan, significant subsidies in health insurance, life insurance and accident insurance policies for workers.
- Access to the programme for variable annual payments (bonuses) for all the Company's workers, using a model based on the achievement of targets.

The **2nd Collective Agreement governs labour relations at the Company**, providing for the establishment of an Inter-Centre Committee, which comprises a maximum of 5 members appointed from among the members of the Company's various Work Centre Committees and/or Personnel Representatives.

The Committee performs the following duties:

- a) It acts as a valid agent in dealings with the Company in individual or collective matters in which the Inter-Centre Committee has been expressly delegated to act by the Work Centre Committee, Personnel Representative and/or workers requesting its intervention, meaning that decisions adopted by the Inter-Centre Committee in these matters will be binding on all those who have agreed to its delegation.
- b) The Company informs the Inter-Centre Committee about the Company's global hiring plans on an annual basis.
- c) The Company also reports annually to the Inter-Centre Committee on its global training plans.
- d) The Inter-Centre Committee will legally represent the workers in all aspects relating to the collective issues provided for in articles 40, 41, 44.9, 47, and 51 of the Spanish Workers' Statute, provided that the Company measures relating to the matter in question affect more than one of the Company's workplaces. It will also represent them in any matter relating to Article 82.3 of the same Statute.

In addition, the following should be highlighted as part of the social dialogue:

- A. Both the CCOO and UGT unions have established their respective union delegations at Redexis.
- B. As of 31 December 2021 there were currently 21 Workers' Legal Representatives with the power to call union elections across all of the Company's work centres.
- C. Union elections were held at the Company's work centres in Alicante and Almeria during 2021.
- D. The Group's 2nd Equality Plan has come into force, establishing a Monitoring Committee which is responsible for monitoring and evaluating the Plan. It holds one ordinary annual meeting with the possibility of holding two extraordinary meetings.
- E. The working timetable for all work centres is agreed with the legal representatives each year.

The consultation and participation of workers in matters of Safety and Hygiene in the Workplace, established through collective negotiation, is implemented through the 6 Territorial Health and Safety Committees (THSC):

- THSC Central Region
- THSC Levante
- THSC East Andalusia
- THSC West Andalusia
- THSC Northern Region
- THSC Balearics

The Safety Committees are joint and collegiate participative bodies, charged with offering the opportunity for regular consultation of the company's actions in the prevention of occupational risk. Their members comprise prevention officers and representatives from Redexis (Regional Managers, Delegates, etc.) in equal numbers. Each Committee has a chair and a secretary. A representative of the Prevention Service may attend the Committee's meetings in an advisory but non-voting capacity. Given its status as a joint and collegiate participative body, all its actions must be carried out jointly, following prior written agreement by a simple majority of its members, and with representation from both parties. These committees hold quarterly meetings, though they may be convened on an extraordinary basis.

As a participative body designed to allow regular consultations regarding the actions of the companies that make up REDEXIS in matters of risk prevention, each Committee will have the following powers and duties in relation to the activities carried out in the regions:

- a) Participation in the preparation, implementation and evaluation of risk prevention plans and programs.
- b) Discussion, before implementation, of the company's choice of organisational methods and, where appropriate, the management work carried out by specialist organisations with which the company has agreed to carry out preventive activities; projects relating to planning, work organisation and the introduction of new technologies, the organisation and development of activities for the protection, prevention, planning and organisation of training in preventive matters.
- c) Promotion of initiatives on methods and procedures for the effective prevention of risks, proposing the improvement of conditions or the correction of existing deficiencies.
- d) Being directly informed of the situation regarding the prevention of risk at work centres, making the visits it deems appropriate to achieve this.
- e) Ascertaining how many documents and reports relating to working conditions are necessary for the performance of their duties, along with the documents and reports resulting from the activities of the prevention service, where applicable.
- f) Being informed about and analysing the damage caused to the health or physical integrity of workers, in order to assess the causes and propose appropriate preventive measures.
- g) Being informed about and issuing the annual report and scheduling of prevention services.

In addition to these 6 regional Safety Committees, the **Inter-Regional Safety and Health Committee (ISHC)** was created in 2019. This Committee is made up of 5 company members: the Director of Operations, the Director of Network Execution, the Regional Director for the Balearic Area, the Regional Director for the North and the Director of Talent (HR), along with 5 workers' representatives from the different regions and union delegations. The post of Secretary falls to the head of GEMASST, with the right to speak but without the right to vote, and the Head of the SPP acts as adviser, also with the right to speak but without the right to vote.

The ISHC is attributed with all the duties and powers described below, when these exceed the territorial scope of each of the Regional Security Committees:

- a) Promotion of observance of the legal provisions in force to prevent occupational risk throughout the Redexis Group.
 - a. Participation in the preparation, implementation and evaluation of risk prevention plans and programs.
 - b. Discussion, before implementation, of the company's choice of organisational methods and, where appropriate, the management work carried out by specialist organisations with which the company has agreed to carry out preventive activities; projects relating to planning, work organisation and the introduction of new technologies, the organisation and development of activities for the protection, prevention, planning and organisation of training in preventive matters.
 - c. Promotion of initiatives on methods and procedures for the effective prevention of risk, proposing the improvement of conditions and the correction of existing deficiencies.
 - d. Being directly informed of the situation regarding the prevention of risk at work centres, making the visits it deems appropriate to achieve this.
 - e. Ascertaining how many documents and reports relating to working conditions are necessary for the performance of their duties, along with the documents and reports resulting from the activities of the prevention service, where applicable.
 - f. Being informed about and analysing the damage caused to the health or physical integrity of workers, in order to assess the causes and propose appropriate preventive measures.
 - g. Being informed about and issuing the annual report and scheduling of prevention services.
 - h. Issuing the reports and opinions requested by the THSCs in relation to any issues that exceed the latter's territorial scope.
 - i. Informing the THSCs of the conclusions adopted by the ISHC when knowledge of these conclusions is of general interest.
 - j. Being informed about the issues passed on to it by the THSCs.
 - k. Being informed about and issuing an annual report on the evolution of the health and safety training program.
 - l. Being informed about the results of the external health and safety audits that the Company carries out either voluntarily or mandatorily.
 - m. Being informed about the preventive plans and safety procedures developed for the different business lines.

Similarly, Sustainability, Environmental and Regional Energy Committees have been established (meeting on a half-yearly basis).

For Redexis, transparency and constant dialogue with all members of the Company is essential, these being key aspects for the essential management of communication. Redexis has an internal portal (comunicacion@redexis.es) to facilitate shared communications between all divisions and departments. This portal is also used to report all the achievements and milestones reached. The Company also has an internal complaints channel (canaldenuncias@redexis.es) that employees can use to submit complaints or claims. After complaints have been studied, the Company may adopt measures accordingly.

Another essential tool for communications is the **Intranet**, which all employees can access and which allows them to check all the latest news about the Company, regulations and documentation, as well as giving them access to the campus and other Human Resources channels, etc. The Intranet is vital for establishing links between the Company and its employees and is a reliable source of information on corporate matters.

The **Compromiso Redexis** channel was created within the area of Corporate Social Responsibility (CSR) and is used to inform employees actively about all the initiatives carried out by the department, with a view to increasing a sense of belonging and well-being with the company. November 2021 saw the launch of the **2nd children's drawing contest entitled "Redexis lights up your Christmas"**, which continues to focus on the emotional development and well-being of children. This contest, which can be entered by all employees' children under the age of 13, is divided into different age categories, and winners can choose between a number of prizes and the opportunity for their drawing to become the Redexis Christmas card for 2021.

4.5 Training

GRI 103, 205-2, 404-1, 404-2, 404-3.

In order to offer an efficient response to the daily challenges faced by the sector and the transformation that the market is currently undergoing, Redexis provides training programmes for all of the Company's employees who need to continuously update their knowledge and skills and thus ensure their professional development.

Redexis has created a series of training activities organised in the form of "Schools", all of which can be accessed via the Redexis Campus. Each School focuses on specific content which is directed either at the Company as a whole or at individual groups. During 2021, activities were centred on the following Schools:

- **Corporate School:** focused on training in matters of general interest or issues requiring mandatory compliance by the entire workforce, such as the Welcome Programme for new employees, "Somos Redexis", the internal regulations and code of conduct included as part of the Company's Corporate Governance, our Equality Plan, etc.
- **Skills School:** open to anyone who wishes to improve their social and personal skills in order to facilitate day-to-day communications and management, such as managing expectations, social intelligence, meeting one's own targets, etc.
- **Languages and Communication School:** focused on improving both the way we communicate in our own language and our use of other languages. Workshops include English, public speaking, writing the perfect email, etc.
- **Leadership School:** aimed at people who manage teams at Redexis, the aim being to improve management and development skills through online workshops and virtual classrooms sessions on Feedback, Coaching, Positive Influence, etc.
- **Office Systems and Cybersecurity:** Training for everyone in tools that lead to improved day-to-day working without endangering security. The workshops that have attracted the greatest participation have been Information Security, Excel, Office 365 and Teams.
- **Safety, Health and the Environment School:** Working with the GEMASST department, the Company has introduced this school which brings together content focusing on health and safety for all, the environment and prevention. The most important workshops have been Waste Management, Time Management, etc.
- **Technical School:** we have provided the entire workforce with a catalogue of more than 500 courses in infrastructure, finance, project management, renewable energies, the

energy sector, etc. This School has a list of courses offered by Structuralia, a well-known training company that specialises in matters relating to the sector in which the Company operates. The courses that have seen the most enrolments have been those that are connected with renewable energies, such as Biogas and Biomethane, Hydrogen, solar energy, etc. Another course that was well-attended was the Finance Masterclass for non-financial staff, which has now completed two full cycles with great success in terms of both the number of people enrolling and participant satisfaction.

In addition to these programmes we have created specific formats to tackle issues of strategic interest, such as Hydrogen and Biogas, based around webinars with internationally renowned experts. We have grouped these webinars together under the title **Network Learning**, and they allow for direct interaction between employees and the people leading the webinar, since they are presented live.

Another innovative format was the **LideRa Programme**, a Leadership Development and People Management programme that was attended by 48 of the Company’s managers, included the Management Committee. This used blended methodology (online workshops and teaching via live virtual classrooms) to continue building leadership skills aimed at facilitating the more efficient management and direction of teams using techniques such as Coaching, Feedback, Situational Leadership, etc.

Finally, the Company offered different kinds of training by combining face-to-face classes with streaming via virtual classrooms, with a view to enhancing the training of teams in matters relating to their working duties and new projects.

- **VNG (Vehicular Natural Gas) Service Stations:** theoretical training on the maintenance and operation of VNG facilities in the form of virtual classes, with practical sessions held at gas refilling stations throughout Spain for 45 people.
- **Photovoltaics:** training in the markets, the sector, infrastructure, etc., including visits to a photovoltaic plant.
- **Emergency Home Assistance:** training for duty staff.

HOURS OF TRAINING BY PROFESSIONAL CATEGORY	
	2021
Management team	2,100.50
Managers, experts, and technicians	3,966.00
Operational support and sales personnel	604.90
Total	6,671.40

TRAINING ACTIVITIES	Participants		Hours	
	2020	2021	2020	2021
Corporate School	1147	121	1115	133
Skills School	2	51	28	230.4
Languages and Communication School	224	7	2,483	77
Office Systems and Data Security School	7	129	66	387
Technical School	53	446	1,629	4644
Leadership and Team Management	4	48	100	1200
Total	1,437	802	5,421	6,671

Nº Acciones Formativas Realizadas					
Nº AF (Ud)	Total 2021 (Ud)	Total 2020 (Ud)	Indicador (/empleado) 2020	Indicador (/empleado) 2021	Variación
Total	119	58	0,16	0,3417	113%
Nº Horas Formación impartidas					
Nº Horas Formación impartidas (H)	Total 2021 (H)	Total 2020 (H)	Indicador (/empleado) 2020	Indicador (/empleado) 2021	Variación
Total	417	691	1,9079	1,1974	-37%
Nº Trabajadores Formados					
Nº Trabajadores Formados(Ud)	Total 2021 (Nº empl)	Total 2020 (Nº empl)	Indicador (/empleado) 2020	Indicador (/empleado) 2021	Variación
Total	201	459	1,2682	0,5772	-54%

4.6 Equality

GRI 103, 405

Redexis is firmly committed to equal opportunities for all its employees, suppliers, and contractors, together with the promotion of diversity and the rejection of any form of aggression, harassment or different treatment due to gender, race, age, etc.

That is why, on 19 March 2013, it introduced its **Code of Ethics and Conduct** based on these principles, which includes a commitment to business ethics and transparency, thus guaranteeing the ethical behaviour of all the people who form part of the Redexis community. This Code sets

out the values and good practices that should guide the organisation and that affect all professionals in the performance of their duties. It establishes a series of applicable corporate regulations for all employees which are available on the Intranet and which ensure the principles of equality and diversity:

- **Regulation GOB 02:** Reporting allegedly irregular incidents.
- **SIS 01:** Use of email and IT systems in situations of harassment.
- **Regulation GOB 13:** Prevention and action protocol in situations of harassment. The purpose of this regulation is to prevent harassment in the workplace and, in the event that such a situation arises, to define the criteria for action.

Redexis also has a **Diversity and Equality Policy**, through which the Company makes a commitment to promote equality and diversity and support a corporate culture in which talent is valued. It recognises that the professionals who make up the organisation may have different origins and experiences that could contribute valuable knowledge and seeks to prevent any form of discrimination. This Policy applies to all areas of the Company and is mandatory for all professional personnel, taking on particular importance during the personnel selection and hiring processes. Redexis is thus committed to treating all people with respect and dignity, guaranteeing inclusive, understanding, and supportive working environments where everyone can carry out the tasks with which they are entrusted. Likewise, the Company undertakes not to exercise or tolerate any act of discrimination, including harassment based on gender, sexual orientation, marital status, employment status, race, disability, nationality, religion, belief, age or any other circumstance. In this way it is determined that the selection of personnel for their engagement, promotion, training, or any other benefit will be decided on the basis of their individual skills and abilities and based on their merits.

The following are just some of the measures adopted by Redexis during 2021 to ensure **universal integration and access for people with disabilities**:

- The direct engagement of people with registered disabilities.
- The signing of an agreement with the company Ilunion Retail y Comercialización S.A.U., which is certified as a Special Employment Centre and which is active in the business of supplying office and stationery supplies and consumables, printing and graphic artwork, and corporate, institutional, advertising, and promotional gifts.
- The signing of an agreement with the company INTEGRA, which is certified as a Special Employment Centre and which provides reception services at the Company's offices in Palma de Mallorca and Murcia.

As a result of these two agreements, Redexis has been awarded a certificate of exceptionality, and the Company complies with the alternative measures set out in Royal Legislative Decree 1 of 29 November 2013, which approved the Consolidated Text of the General Act on the rights of people with disabilities and their social inclusion.

The Company also has an **Equality Plan** which determines that the **presence of women is encouraged** during the selection and hiring of personnel, especially in areas where they are less represented, and it encourages the professional development of women and their promotion to positions of greater responsibility within the Company. One of its principles is **to ensure equal opportunities** and eliminate any gender bias from the Company's remuneration policies, promoting a culture based on equal treatment both internally and externally.

The Company is responsible for introducing a **gender perspective** in its treatment of occupational health, promoting equal opportunities in the prevention of occupational risk and establishing protection measures, assistance, support and information for victims of gender violence.

With the aim of achieving equality, Redexis takes care to ensure the work and family conciliation of all its employees by establishing a series of measures:

- Broad flexibility in the times that workers begin their working day.
- The possibility of working flexible hours based on their weekly calculation.
- Making December 24 and 31 non-working days.
- The establishment of a summer timetable from the last week in June to the first week in September, along with the working day prior to the start of Holy Week and the days prior to December 24 and 31.
- An allowance of 16 hours per year added to annual holidays for personal matters and family needs, for all employees who require them.
- The reduction of travel and work trips through the development of technology that allows such trips to be replaced using communications and videoconferencing systems.
- An improvement in employees' rights to change their timetables if they care for dependents or are victims of gender violence or terrorism.
- The grant of assistance with the payment of day-care for the sons and daughters of Redexis employees.

To ensure compliance with these plans and policies and to combat any irregular behaviour, discrimination, or harassment, Redexis has made **internal and external reporting channels** available to all the parties involved. Any employee or person related to the Company can use these channels to express their concerns, even anonymously.

5. Our commitment to ensuring respect for human rights

GRI 103, 102-16, 102-17, 412-1, 412-2, 412-3.

The **Redexis Code of Ethics**, which sets out the Company's commitment to the principles of business ethics and transparency in all the areas in which it operates, establishes a set of principles and guidelines for conduct aimed at ensuring ethical and responsible behaviour among all of the professionals who work for the Redexis Group as they perform their duties. This code of ethics has been approved by the Board of Directors. The code aims to define the values and good practices that should govern the Company's behaviour as a whole, as well as the behaviour of all the people who are directly and indirectly linked to Redexis, during the performance of their duties and in their professional relationships.

One of the key elements of Redexis's corporate culture is the transparency and integrity with which it engages in its business. As a result, a number of different internal regulations have been approved to develop the Code of Ethics and convey the importance of these values to its employees:

- **Regulation GOB 02:** Reporting allegedly irregular incidents.
- **Regulation GOB 06:** Institutional hospitality.
- **Regulation GOB 07:** Relations with members of public administrations.
- **Regulation GOB 09:** Collaborative agreements with public sector organisations.
- **Regulation GOB 12:** Meetings with public organisations and authorities.

- **Regulation GOB 13:** Prevention and action protocol in situations of harassment.
- **Regulation GOB 08:** Prevention of money laundering, terrorist financing, bribery and corruption.
- **Regulation EXP 01:** Verification of compliance with tax and Social Security obligations.

Redexis has a **Human Rights Policy**, through which it undertakes to respect Human Rights in every phase of its activity, making them a fundamental part of its own responsibilities. Through this Policy, the Company seeks to ensure the protection of Human Rights, both among its employees and among other Stakeholders. It is based on the UN Declaration of Human Rights and is committed to the different regulations that apply to human rights, all of which form an integral part of this Policy:

- The United Nations Universal Declaration of Human Rights.
- The United Nations Global Compact.
- The United Nations International Covenant on Economic, Social and Cultural Rights.
- The United Nations International Covenant on Civil and Political Rights.
- The Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises.
- The fundamental conventions of the International Labour Organisation.
- The United Nations Convention on the Rights of the Child.
- The United Nations Convention on the Rights of Persons with Disabilities.
- The United Nations Convention on the Elimination of All Forms of Discrimination against Women.
- The principles of freedom of expression and privacy of the Global Network Initiative.
- The 2030 Agenda for Sustainable Development.

Redexis's commitment to Human Rights is reflected in all its business operations, with the aim of generating a positive impact and sustainable growth in all the regions and territories in which the Company operates. All interested parties are informed of the Company's efforts each year in its Annual Report and its Sustainability Report.

The Redexis Group also follows a procedure for the authorisation, monitoring and appraisal of its suppliers, the purpose of which is to ensure that any third party that supplies the Company with goods or services is qualified in accordance with Redexis's own standards in respect of transparency and business ethics, health and safety, quality and the environment.

In 2018, as part of its commitment to transparency and due care, Redexis created an **Appointments and Remuneration Committee** and an **Audit and Risk Committee** within the Board of Directors, despite the fact that there is no legal requirement in this regard. Redexis also complies with all the legislation and regulations currently in force in Spain in respect of human rights.

Redexis has been a member of the **United Nations Global Compact** since 2014, thus committing itself to supporting this international project through its activities, and the Company actively participates in the events, webinars and initiatives promoted by this association.

Redexis has its own **internal and external complaints channel** through which complaints, reports or claims relating to allegedly irregular incidents can be submitted. To this end, where necessary, the appropriate disciplinary measures may be adopted as a result of the complaint submitted, in addition to the issue being referred to public bodies that have the necessary

authority to investigate the facts, if the event is of special significance. No complaint was received during the course of 2021 through either the internal or the external channel.

In addition, each time an internal regulation is approved, a message is sent via the Company's internal communications system as a preventive measure, informing everyone of their obligation to comply with the new regulation in question. All internal regulations are available to employees on the Intranet. In addition, if employees have any questions or queries about these regulations they can contact the legal department.

Employees also have access to a number of courses relating to the applicable regulations via the Redexis Campus.

6. Our commitment to the fight against corruption and bribery

GRI 103, 102-16, 102-17, 205-1, 205-2, 205-3.

From a Corporate Governance perspective, the company aims to continue make advances and to take all the necessary actions relating to good governance. To this end, the internal regulations and procedures necessary for these actions to be implemented within the Group have been approved.

In this regard, Redexis has a **Code of Ethics** which provides a physical example of one of the aims of its strategy, namely the consolidation of a culture of Corporate Social Responsibility (CSR) in Redexis's corporate practices. This ethical code sets out the Company's commitment to the principles of business ethics and transparency in all the areas in which it operates, establishing a set of principles and guidelines aimed at ensuring ethical and responsible behaviour by all Redexis Group employees in the performance of their duties. This Code determines the values and good practices that must govern business conduct and the behaviour of all the people directly or indirectly linked to Redexis. The Redexis Code of Ethics also promotes **the company's commitment to the principles of business ethics and transparency** in all the areas in which it operates, establishing a set of principles and guidelines aimed at ensuring ethical and responsible behaviour by all Redexis employees in the performance of their duties.

To this end, one of the fundamental keystones of Redexis's corporate culture is transparency and integrity in the operation of its business activities. For this reason, a number of internal regulations have been approved to convey the importance of these values to the Company's employees, notable among which are the following:

- **Regulation GOB 08**, on the prevention of money laundering, terrorist financing, bribery and corruption.
- **Regulation GOB 02**, procedure for the notification of allegedly irregular incidents.
- **Regulation GOB 06**, on institutional hospitality.
- **Regulation GOB 07**, on relations with members of Public Administrations.
- **Regulation GOB 10**, on the Prevention of Situations of Market Abuse.

Among the above regulations, it is worth highlighting the "Regulation for the prevention of Money Laundering, terrorist financing, bribery and corruption", the general aim of which is to develop a framework for the action to be taken by the Redexis companies within the general sphere of crime prevention and, in particular, to prevent any potential risk of bribery and corruption in deals carried out through third parties. No cases of corruption were reported during 2021.

In addition, Redexis has approved a **risk management and monitoring policy**, in order to establish the basic principles and general framework for action to manage the risks faced by Redexis, guiding and directing the set of strategic, organisational and operational actions that allow the Board of Directors to strengthen compliance with the organisation's objectives, within a framework of rigor and excellence oriented towards safety and service in the development of its activities.

The “Redexis Campus” offers employees a range of courses relating to the Company’s internal regulations, and content has been developed to allow them to continue to advance in their professional development. Particularly notable among the courses that employees have had access to are the course on the Code of Conduct and the course on the procedure for reporting allegedly irregular incidents.

Communication and transparency form an important part of the company's strategy to achieve its objectives in the area of corporate governance. All employees are informed about the approval of the different internal regulations as well as being able to consult them at any time on the Redexis Intranet.

7. Our commitment to sustainable development








GRI 103, 203-1, 204-1.


The **Paris Agreement** was signed in 2015 under the auspices of the United Nations, establishing measures to reduce greenhouse gas emissions and building the necessary way forward to combat climate change globally in accordance with a common model. 197 nations were united for the first time in a common cause to combat climate change, reduce emissions, adapt to the effects of climate change, cooperate and focus their efforts on developing countries, thus establishing a new global scenario in the fight against climate change. With the signing of the Paris Agreement, the aim is to obtain a global response to the threat of climate change, establishing clear, achievable and defined objectives, such as keeping the increase in global temperatures throughout this century below 2°C with respect to pre-industrial levels, and trying to limit this increase to no more than 1.5°C. As part of this same scenario, the **2030 Agenda** for Sustainable Development was signed by the members of the United Nations with the aim of tackling the social, economic and environmental challenges that the world is currently facing and placing people, the planet, prosperity and peace centre-stage, under the motto "leaving no one behind". The 2030 Agenda includes 17 **Sustainable Development Goals** (SDGs) that are universal and apply equally to developed and developing countries.

As a comprehensive energy infrastructure company, Redexis plays a central role in the communities in which it operates, and their sustainable development is a fundamental objective of its strategy. Since 2014, it has been a member of the **United Nations Global Compact Spanish Network**, and it is therefore committed to achieving the Compact’s sustainable objectives. It thus contributes to the consolidation of this global project through its activities and contributes to the SDGs that constitute the 2030 Agenda.

To mark the 6th anniversary of the 2030 Agenda with its 17 Sustainable Development Goals (SDGs), Redexis took part in the #apoyamoslosODS campaign to achieve wider awareness of the United Nations Goals, in collaboration with the Global Compact Spanish Network. The aim of this campaign is to help increase knowledge and awareness of the SDGs in strategic areas as part of the Company’s commitment to take action to support these goals.

Throughout 2021, Redexis has contributed to **SDGs 1, 3 and 4** in respect of social inclusion, **SDG 9** in respect of economic growth and **SDGs 7, 11 and 13** in the area of environmental protection, along with **SDG 17** in respect of the creation of alliances.

DIMENSION	SDG	2021 ACTIONS
Social Inclusion		<ul style="list-style-type: none"> Donation of 10,000 euros by the Redexis Foundation to La Palma City Council to provide emergency social aid following the eruption of the Cumbre Vieja volcano.
		<ul style="list-style-type: none"> Invitation to not-for-profit organisations to apply for the Redexis Foundation's <i>1st Línea de Ayuda</i>, for the development of projects to improve energy efficiency and quality of life for people with disabilities, particularly during childhood and adolescence. Introduction of the psychosocial and wellness action plan for Redexis employees.
		<ul style="list-style-type: none"> Financial assistance from the Redexis Foundation for the 2nd Edition of the Aragon Hydrogen Foundation Awards for Doctoral Theses and Master's and Bachelor's Degree Course Dissertations. Donation of 2,000 euros to the Cante de las Minas Foundation for the staging of an event in Murcia.
Economic Growth		<ul style="list-style-type: none"> Development of innovative Artificial Intelligence tools with new algorithms to improve business efficiency and optimise network deployment. Expansion and growth of natural gas in the industrial sector as an efficient and sustainable alternative to fossil fuels, thus allowing for both energy and financial savings.
Environmental Protection		<ul style="list-style-type: none"> Redexis maintains an agreement with CEPSA for the expansion of VNG, investing 60 million euros to create the largest network of vehicular natural gas filling stations in Spain. Alliance with CEPSA to deploy the first network of service stations generating renewable energy in Europe. The Agreement provides for the installation of photovoltaic panels at CEPSA's entire network of service stations in Spain and Portugal by 2023.
		<ul style="list-style-type: none"> Commitment to transparency, communication, and stakeholder groups through the publication of annual reports, sustainability reports and NFIS.
		

		<ul style="list-style-type: none"> • Registration of the calculation of the Company's Scope 1 and Scope 2 Carbon Footprint, with a commitment to reduce emissions. • Participation in initiatives such as Green Hysland, HIGGS, Ocean H2, Hydrogenizing BCN and the pioneering injection of biomethane in Spain in collaboration with Galivi Solar.
Alliances		<ul style="list-style-type: none"> • Agreements and alliances with the leading players on the national and international energy map: GASNAM, Spanish Hydrogen Foundation, Appa Renovables and the Aragón and Extremadura Energy Cluster, among others. • Collaboration with sporting and cultural organisations: Teatro Real, Cuevas FC Almería, UCAM Murcia CB, Asociación Deportiva Mérida SAD

As evidence of its performance in terms of ESG (Environmental Social Governance), a number of international sustainability indices have recognised Redexis for its actions and initiatives in this area. The Company has received a five star rating from **GRESB** for the third consecutive year, the highest possible accolade, awarding it 91 points out of 100, with scores higher than the average achieved by the companies studied and other companies in the sector, thus demonstrating Redexis's consistency and commitment in terms of sustainability. The Company increased the score it achieved in the previous year by 9 points, thus placing it in the Top 20% of the Benchmark. GRESB is an international Sustainability index that evaluates and rates the work done by more than 500 funds and assets from different sectors to promote sustainable development under a global standard in environmental, social, and corporate governance matters. This ranking provides data that is standardised and validated by the capital markets, making it a worldwide reference for measuring the performance of companies in terms of sustainability.

In 2021, Redexis was also once again rated as "robust" in the sustainability and CSR index prepared by **Vigeo Eiris**, a leading international CSR assessment company, with scores that were higher than the sector average in a range of sustainability indicators. These bodies certify **Redexis's commitment to the development of a socially and environmentally responsible business.**

The European Union includes the fight to combat climate change among its main strategies, with goals that are closely aligned with those of the Paris Agreement, and it has established ambitious policies with the aim of making Europe the first carbon neutral continent by 2050. It has developed the European **Green Deal** a package of ambitious measures that seek to reduce emissions, focus on innovation projects, and conserve the environment and biodiversity. The Green Deal is the European Union's road map to the development of a sustainable economy on the continent: with no emissions, a sustainable use of resources and without leaving anyone behind.

The changing times in which the sector is currently immersed, together with the EU's decarbonisation goal under the 2030 Agenda, are leading to the proliferation of renewable energies and the promotion of more sustainable alternatives. In this regard, Redexis is working resolutely on the **development of new, cleaner and cheaper forms of energy**, with the aim of reducing emissions and achieving a more sustainable planet, contributing to the reduction of emissions, creating jobs, and reducing emissions of both gases and particles.

Energy transition is one of the greatest challenges we currently face, both as a society and a company, and natural gas plays an essential role in this process, due to its low emissions. For certain industries that need high levels of power and heat, gas is essential in order for them to continue to operate. Because it is an affordable form of energy, it also makes these industries more competitive by having a direct impact on their production costs. In this regard, we would particularly mention the following new businesses:

Natural Gas

Natural gas is an efficient alternative that makes it possible to reduce emissions in sectors as important as heavy mobility and industry, in addition to achieving financial savings in customer bills. In its commitment to achieving a carbon neutral economy, and as an infrastructure operator, Redexis introduced the following initiatives over the course of 2021:

- **Implementation of the Vortex System at the LNG plant in Singüenza:** This is a pioneering project at one of the Company's LNG plants in Singüenza (Guadalajara), which has developed a new thermal treatment for reheating natural gas, thus reducing its environmental impact.
- **Extension of networks and new customers, businesses and industries connecting to natural gas:** These included Pedrera de Denia Hospital in Alicante, the town of Huércal in Almería, la Tovasa plant in Casa Ibáñez, Albacete, the town of Guadix in Granada, the Oleoenergía plant in Jaén, the Baublock production plant in El Puerto de Santa María, Cádiz, the town of Serón in Almería, the Promenade in Ibiza, the Recreational Marina in Ibiza, the Illa Plana residential development and the Son Servera municipal facilities in Mallorca.
- **Training days and seminars on Natural Gas:** During 2021, the Company took part in training courses on natural gas led by officers from the fire services of Teruel, Calamocha, Montalbán and Alcañíz, from Teruel Provincial Council. It also participated in a Seminar given by the Aragon Fire Officer Academy entitled "Management of Emergencies with Natural Gas". Redexis was also involved in drills at the LNG plants in Ronda and Yecla (Murcia), and it worked with the Provincial Government of Castilla-La Mancha to organise training for fire officers on hazardous merchandise and liquid gases at the Company's plant in Yepes (Toledo).

Vehicular natural gas (VNG)

Vehicular natural gas, i.e. the gas used as a fuel for vehicles, is a clean, economical and sustainable alternative for mobility that is enjoying serious growth thanks to the boost given by companies like Redexis, which considers its development essential and invests great efforts in its achievement.

VNG is a revolutionary energy both for society and for companies that are increasingly concerned about the environment. Redexis is promoting its development through the creation of gas filling stations distributed throughout Spain and the signing of agreements with large companies in the sector such as CEPSA, Seat and Fiat. At the present time, Redexis has 25 gas filling stations open in the regions of Murcia, Madrid, the Balearic Islands, Aragón, Castilla-León, Extremadura y Castilla La Mancha. By 2022, the Company plans to continue the deployment of gas filling stations nationwide.

Specifically, during 2021 the Company opened a gas filling station in Calvià which supplies the Moventis fleet in the Balearic Islands, along with the infrastructure necessary to supply natural gas to a fleet of 100 buses belonging to the Palma Municipal Transport Company. In addition, as

part of the strategic agreement that Redexis maintains with CEPSA, filling stations have been opened in Trujillo (Cáceres), Castillejo de Iniesta (Cuenca), Getafe (Madrid) and Martín de Yeltes (Salamanca). This year also saw the opening to the public of Redexis's gas filling station that supplies the fleet of public buses in Calvià, meaning that CNG can now also be sold to people driving private cars, trucks, coaches and vans.

Photovoltaic solar energy

As a promoter of renewable and sustainable forms of energy, Redexis is developing solutions based on photovoltaic solar energy, an efficient and environmentally friendly product for both private families and industries that provides control over energy production and offers cheaper consumption costs.

During the final quarter of the year, Redexis and CEPSA jointly announced the opening of the **first global photovoltaic energy network** at filling stations, which involves the installation of photovoltaic panels across CEPSA's entire network of filling stations in Spain and Portugal by 2023, a pioneering project at an international level. Throughout 2021, Redexis has implemented these photovoltaic installations in 112 service stations. The panels will supply the filling stations with electricity during the day and feed any surplus into the distribution network. To complete this project, more than 40,000 high-technology photovoltaic panels will be used, with the capacity to produce more than 32,800 MWh per year, equivalent to the annual energy consumption of 11,000 households. The generation of this renewable energy will prevent the annual emission of 11,500 tonnes of CO₂, equivalent to planting 6,000 trees. This will help contribute to Sustainable Development Goals 7 (affordable and clean energy) and 13 (climate action).

During 2021, the Company experienced accelerated growth in the solar photovoltaic self-consumption market. Redexis has connected up 3.3MWp of new capacity in photovoltaic solar energy.

The Company has also strengthened the sustainability of the **Panorama Group**, with the installation of 564 photovoltaic panels on the roof of the Panorama factory, in addition to increasing its own sustainability with the installation of self-consumption photovoltaic panels at the **Redexis Offices** in Palma de Mallorca (Balearic Islands).

Biomethane

Biomethane is a clean gas that is produced from renewable sources and is completely equivalent to natural gas. It is obtained from biogas using an "upgrading" purification process which improves the percentage of methane in the mixture. Among the benefits offered by Biomethane is the fact that it strengthens the circular economy by taking advantage of waste and transforming it into energy, combined with the support provided by the implementation of rural development projects in crop and livestock farming environments. Redexis is promoting innovative initiatives for the production of biomethane and its injection into its own natural gas networks, in collaboration with governmental authorities, technologists and organic waste management companies.

During 2021, the company began a pioneering renewables project for the injection of biomethane into the natural gas networks following the signing of an agreement with **Galivi Solar**. This project will consist of injecting biomethane from the production plant to the natural gas infrastructure in the city of Lorca, in the Province of Murcia.

For its part, the Redexis Foundation is heavily engaged in work to explain biomethane to administrative authorities and legislative bodies, and it has presented its second publication on energy-related issues: "**Biomethane, the key to a sustainable energy model**". This details the current situation as regards this energy vector, in line with the Road Map published by the Government, and it outlines the huge capacity offered by both Spain, and by Redexis as a company, to become leading actors in the production, transportation and storage of biomethane.

Hydrogen

Renewable gases are going to play a key role in energy transition. The Company is firmly committed to the **development of hydrogen**, an energy vector capable of uniting the electricity and gas sectors and allowing great penetration by renewable energies in the Spanish energy matrix, since it is capable of storing the surplus resulting from wind and photovoltaic production.

Redexis plays an active role in a number of hydrogen projects such as **Power to Green Hydrogen Mallorca**, which is handling the deployment of a fully integrated and functioning renewable hydrogen ecosystem on the island of Mallorca; **Higgs**, which is studying the injection of different amounts of hydrogen into the natural gas infrastructure; the **integration of a fuel cell** in the MRS for one of its gas pipelines in Zaragoza, which is the first integration of this type to be carried out in Spain; **OceanH2**, for the analysis and design of technologies for the transportation and supply of green hydrogen produced offshore; and an agreement with **ABEI Energy** to collaborate on the development of infrastructure for the production, transportation, distribution and end supply of renewable hydrogen; **ComputaMeh**, "Dynamic computer modelling of methane-hydrogen mixtures in natural gas transportation networks", to study the way in which mixtures of natural gas and hydrogen behave in existing infrastructure; **Hydrogenizing BCN**, the aim of which is to implement a truly green hydrogen economy in Barcelona; **Ready4H2**, to support the development of the hydrogen market in the European Union; and **DesireH2**, an alliance with Air Liquide to study the deployment of up to 100 hydrogen filling stations in Spain by 2030. In addition, during 2021 the Company signed the protocol for the deployment of the so-called **Green Hydrogen Strategy** in the Murcia Region, which will provide a road map for speeding up implementation in the Region.

Renewable energy

After signing an agreement with Iberdrola, **Redexis has also started to use renewable energy in its more than 360 facilities**, including offices, natural gas transmission positions, LNG and LPG plants and metering and regulation stations, which will use electricity from 100% renewable sources, with an estimated consumption of 1.84GWh. This agreement will remain in force for two years and includes a Guarantee of 100% Renewable Origin for all electricity supplied, thus guaranteeing that the company consumes only green energy. This will help to prevent an estimated 100 tonnes of CO2 emissions over the coming year, equivalent to the CO2 absorbed by a forest of more than 200 trees. These figures have been audited in accordance with the UNE-EN ISO Standard 14064-1: 2012 on Greenhouse Gases, and the Carbon Footprint has been registered with the Ministry for Ecological Transition.

Our social commitment

Redexis is strongly **committed to local development and job creation** in the regions in which it operates, developing digital solutions.

The savings, convenience and reduction in emissions that the use of natural gas entails when compared with other conventional energies represents an important contribution by Redexis towards the service and industrial sectors, as well as towards public administrations. Thanks to

its gas supply, the Company helps numerous companies and institutions to be more competitive, allowing savings on their bills of between 20% and 50%. This can also be seen in the service sector, since many hotels, educational centres, residences, hospitals, hospitality establishments, sports centres and authorities, among others, enjoy much lower bills thanks to their use of natural gas, while also contributing to the reduction of emissions and enjoying greater competitiveness. As regards the industrial sector, Redexis helps a large number of industries to improve their production processes through access to gas, an important element in support of economic growth, competitiveness, and job creation.

Redexis is strongly committed to the **economic development of the regions in which it operates** and seeks to create employment by hiring local service providers and their supporting enterprises. The business activities engaged in by Redexis involve the creation of more than 3,000 direct and indirect jobs, with the resulting social contribution that this represents for all the territories in which it operates.

Through the Company's different regional departments, constant dialogue is maintained with the autonomous, local or island administrations, as well as with the relevant actors in these territories.

The Company works to boost the economy of the territories in which it operates, making great efforts to guarantee security of supply, employment and the improvement of the quality of life of the inhabitants of those areas, devoting a portion of its profits to social investments. To do this, it generates employment in these areas and makes its purchases and investments locally, while at the same time maintaining a firm commitment to safeguarding the environment.

In 2021, Redexis participated in the **Global Compact Spanish Network's Initiatives with Principles campaign**, offering visibility to the sustainability actions it engages in. It also took part in the **SDG Partners Week**, publishing materials on social networks to raise awareness of this global initiative. The Company also encouraged all its employees to participate in "**UN Day**", to celebrate the 75th anniversary of the United Nations and the 20th anniversary of the Global Compact, with particular emphasis on the SDGs and their publication.

Redexis remains in continuous contact and collaboration with the institutions, companies and other agents that work in the sector, maintaining a fluid and constant dialogue. The Company seeks transparent **collaboration and cooperation agreements**, participating in the disclosure of information and in projects and initiatives that favour the welfare and progress of the different communities. It actively collaborates with different associations such as:

- **The Spanish Gas Association's Committee for Safety and Sustainable Development**
- **Gasnam**: an association that promotes the use of natural gas and renewable gas, particularly in relation to mobility. In this connection it has set up a **Hydrogen Working Group, which Redexis coordinates**, working to promote hydrogen as a fuel.
- **Spanish Hydrogen Association**: this seeks to promote hydrogen technologies and their uses, promoting their use in industrial and commercial applications.
- **Spanish Hydrogen Foundation**: this seeks to develop projects in the field of hydrogen and fuel cell technologies.
- **AEBIG**: to publicise and promote the development of biogas.
- **Aragon and Extremadura Energy Cluster**
- **Madrid Energy Foundation**
- **National Confederation of Installers and Fluids Associations**: to promote natural gas infrastructure and facilitate the management of the activities performed by installers.

Redexis has agreements with important companies in the sector to develop more sustainable forms of energy such as its alliance with **CEPSA** to develop gas filling stations throughout the country, the agreements with **Seat** and **Fiat** to promote the sale of vehicles powered by natural gas and the agreement with **FECE** to help attract new natural gas customers.

In addition to these agreements, during 2021 Redexis took part in the **GetHyGA** initiative for the deployment of hydrogen projects in Aragón, and it became a new partner and collaborator with the **Association of Installation and Energy Sector Businesses**.

As a key player in the gas sector and as a promoter of other forms of energy, the Company participated in **events and forums** throughout 2021, such as the such as **Ágora del Economista**, as an official sponsor; the breakfast organised by **Periódico de Aragón**; the **Sala de Calderas Private Plan** in the Community of Madrid; the **“Green hydrogen: the key to decarbonising the economy”** event, organised by **Expansión**; the presentation of the results of the **Think Tank** organised by Sedigas; the **RENMAD Hydrogen** event; the **2021 Sedigas Annual Meeting**; GASNAM’s **Green Gas Mobility** congress; the **2nd Funseam Cycle on the Circular Economy**; the **31st CONAIF Congress**; the **1st Andalusian Installers Congress and Fair**, COFIAN 2021; the dialogue on **Photovoltaic Solar Energy**, organised by Servimedia and sponsored by Redexis; the **‘SDG Digital-Energy Meetings’** organised by Ideal; the Balearic Islands Government’s **Round Table on Combatting Energy Poverty**; the technical seminar entitled **‘The Challenges of Self-Consumption’** at Genera 2021; the APPA Renewables **5th National Congress on Renewable Energies**; the **‘Electricity and Consumers Market’** organised by Murcia’s General Department for Consumption and Tradecraft; and the **2nd National Self-Consumption Congress** organised by APPA Renewables. Finally, Redexis participated in the **Special Seismic Risk Emergency Plan** in Castilla-La Mancha (SISMICAM), in the town of Hellí, Albacete.

Thanks to its sponsorships and official collaborations, the Company maintains its commitment to participate in the social, sporting and financial development of the towns in which it operates. During 2021, Redexis announced sponsorship agreements with **Sala Zaragoza**, the women’s football team **Asociación Deportiva Mérida**, **UCAM Murcia CB**, **Cuevas Club de Fútbol de Almería** and the **3rd Company Run**, organised by *La Verdad*.

Redexis Foundation

The Redexis Foundation (*Fundación Redexis*) was founded in 2019 and entered in the Register of Foundations on 20 January 2020. The Foundation’s aim is to serve as an agent for energy transition and to promote the social projects engaged in by Redexis. **The purpose of the Foundation is to promote technological innovation and the development of social, charitable, welfare, educational and cultural works.**

One of its main objectives is to ensure the development and well-being of the people who live in the territories in which Redexis operates, always bearing in mind the Company’s contribution to sustainable development and a clean economy. By promoting technological innovation in its social support and assistance activities, which extend across the spheres of education, culture and sports, the Redexis Foundation, affirms its commitment to the United Nations Sustainable Development Goals.

During the 2021 financial year, **the Redexis Foundation was recognised as a ‘Collaborator’ by Zaragoza Food Bank**. This recognition was awarded in gratitude for the assistance provided to the Autonomous Community of Aragón in order to mitigate the effects of the coronavirus. The

Redexis Foundation donated 25,000 euros for the purchase of sanitary items and protective equipment.

In line with its commitment to transparency, the Redexis Foundation published its 2020 Annual Activity Report, in which it gave an account of the social, cultural, informative, environmental and collaborative action taken by the Foundation over the course of the year.

During 2021, the Redexis Foundation made a **public offer of assistance for social and aid projects**, in order to support projects that contributed to a better quality of life for vulnerable groups, offering up to twenty-five thousand euros (€25,000) for the development of projects for the improvement of energy efficiency in the regions of Aragón, the Balearic Islands, Murcia, Madrid, Castilla La Mancha, Castilla y León, Extremadura and Andalusia.

The 1st Redexis Foundation Aid Line supported charitable projects by five associations: Ahinco Conil (Cadiz), Ajudisle (Seville), Asprodeme (Cádiz), the Mérida-Badajoz Diocesan Charity (Mérida) and Dislexia Hellín (Hellín), which implemented initiatives in Andalusia, Extremadura and Castilla-La Mancha, regions in which Redexis supplies its services. The aid supplied by the Redexis Foundation will be allocated to the following charitable projects:

- **Ahinco Conil** (Cadiz, Andalusia), an organisation that supports people with disabilities. Aid will be used to fit out leisure facilities and promote occupational training and jobs among users of the centre.
- **Ajudisle** (Seville, Andalusia), aimed at people with physical and/or psychological disorders. This aid will be used to replace lighting systems at the facility in order to improve energy efficiency and achieve savings in energy bills.
- **Asprodeme** (Cadiz, Andalusia), an association that supports people with intellectual disabilities. Aid will be used to create theoretical and practical training and job orientation activities.
- **Mérida Diocesan Charity** (Badajoz, Extremadura), an organisation dedicated to providing support for people in a situation of social exclusion. Aid will be used to change the gas equipment at its premises in order to improve energy efficiency in the building.
- **Dislexia Hellín** (Albacete, Castilla-La Mancha), an association that supports people with dyslexia. Aid will be used to create workshops to improve the autonomy and life balance of people with dyslexia.

The crisis caused by the **volcanic eruption on the island of La Palma** in 2021 led the Spanish Government to declare the island a disaster zone. The Redexis Foundation announced that it was donating ten thousand euros to La Palma City Council in order to help with the most urgent needs of everyone who had been affected by the eruption of the Cumbre Vieja volcano.

One of the main fields in which the Redexis Foundation operates is the **development, stimulation, and promotion of culture**. In this connection, the Foundation has signed a **collaboration agreement with the Teatro Real Foundation**. Through this collaboration, over the course of 2021 the Redexis Foundation provided support for the founding principles of the Teatro Real Foundation, including the programming and management of musical, literary and choreographic activities. The Teatro Real is considered the leading dramatic and musical arts institution in Spain, a national figurehead for the performing arts and one of Spain's most important cultural institutions. The Foundation has also worked with **Flamenco Real**, one of the Teatro Real's dependent organisations that is devoted to showcasing Flamenco and other kinds of dance and underlining its importance history as part of Spanish culture.

In its commitment to culture, the Redexis Foundation also provided **support** throughout 2021 for the **Cante de las Minas Foundation** with a donation of €2,000. Its collaboration with this institution is an indication of its commitment to culture and provided support for the return of live audiences to the “International Cante de las Minas Festival”, which celebrated its 60th anniversary by bringing together some of the most revered artists from the world of Flamenco.

Another mission of the Redexis Foundation is to act as an important agent for energy transition, and the work that it has devoted to this issue, which is central to its own activities, have resulted in the preparation of its second report on the subject of energy, this time focusing on biomethane: **“Biomethane, the key to a sustainable energy model”**. This provides an account of the current situation relating to biomethane in Spain, the associated projects that are being developed and those that are planned for the future, the regulations that are currently in place in Spain and the position that is being taken by the different countries around the world with regard to this energy vector. The report’s publication will coincide with the approval by the Spanish government of the Biomethane Road Map.

With its presentation of this report, the Foundation is working particularly hard to provide information on biomethane for institutions, administrations and legislative bodies, underlining Spain’s great capacity to become a leading actor in terms of the production, transmission and storage of biomethane. The Company already has the necessary infrastructure to transport this energy vector, which would need little or no extra investment, and it is willing to develop a large renewable gas-based economy to achieve the emission reduction targets set out in the 2030 Agenda.

Similarly, the Redexis Foundation has provided financial assistance for the 2nd Edition of the Aragon Hydrogen Foundation Awards for Doctoral Theses and Master’s and Bachelor’s Degree Course Dissertations, with the aim of encouraging research into the subject of hydrogen as an energy vector. Specifically, the Redexis Foundation sponsored the **“2021 Redexis Foundation”- Aragon Hydrogen Foundation Award” for the best Doctoral Thesis**.

In 2021, the Redexis Foundation also worked with the **Association for the recovery of Oliete’s abandoned olive trees**, whose mission is to conserve olive groves as part of the country’s natural heritage and promote teaching on environmental and rural issues. As part of this work, the Foundation distributed company products that assisted in the recovery of the 100,000 olive trees that had been abandoned in Oliete (Teruel), at the same time as helping to generate a valuable sustainable economic resource in a depopulated part of the country.

8. Our supply chain

GRI 103, 102-9, 308-1, 414-1, 414-2.

Redexis works with a large volume of procurements and a large number of suppliers, which means that its selection processes must guarantee equal opportunities and free competition while always seeking the highest quality in its contracted services.

Since 2020, Redexis has followed a **Supplier approval, monitoring and evaluation policy**, the purpose of which is to establish the procedure for approving, monitoring and evaluating Redexis’s suppliers, contractors and collaborators, define the criteria to be followed and assign the responsibilities that are to apply during this process. The aim is to ensure that any third party that supplies goods or services is qualified in accordance with Redexis’s own standards of

transparency and business ethics, health and safety, quality and the environment. This Policy includes a **Code of Conduct for Suppliers** which deals with issues relating to:

- Labour rights
- Combatting bribery and corruption
- Confidentiality
- Health and Safety
- The Environment
- Compliance with the RG Code of Ethics.

The Company applies a **Procurement Policy** that encourages competition and the search for added value, paying particular attention to ensuring that suppliers and contractors comply with health and safety, environmental and social criteria. For Redexis, working with suppliers that have the same **commitment** as the Company **in social and environmental matters** is essential to ensure the achievement of its sustainable development goals. That is why Redexis carries out an appraisal and monitoring process through which it studies and monitors the suppliers with whom it works. In order to ensure the responsible management of its supply chain, **Redexis incorporates occupational health and safety, social and environmental targets when entering into agreements with suppliers**. The Company's general contracting conditions include a section on environmental protection and, when an invitation to tender is issued, internal regulation DOC-14: "Environmental, Occupational Health and Safety and Energy Responsibility of Suppliers and Contractors" is always included. The approval procedure also includes a **Supplier Code of Ethics**, which includes a section that is solely dedicated to issues associated with employment law, combatting corruption and bribery, health and safety, the environment, etc. For a supplier to work with Redexis, it is essential that they comply with the DOC-14 internal regulation.

The Company has a Registry database (RePro, external supplier classification system) for Spain, in accordance with Act 9 of 9 November 2017, on contracting procedures in the water, energy, transmission, and postal services. Redexis relies on this Registry both for the approval of suppliers and for monitoring their documentation and certifications. This reduces risk, costs and compliance problems in procurement. To verify compliance with the contracting terms and conditions, and with a view to detecting actions that can be corrected, audits are carried out on suppliers with a higher procurement volume, and any non-conformities detected result in changes that the supplier must resolve within the established period. 16% of Redexis's suppliers with a turnover of more than one hundred thousand euros have been audited by Achilles RePro, and all of these suppliers passed the audit.

Redexis tries to improve its procurement management model in order to guarantee the maximum possible objectivity when hiring and ensure the highest quality services. Selection processes are fundamentally important, and they seek to guarantee equal opportunities and free competition. The Company minimises corporate, technical, environmental, and health and safety risk throughout its supply chain. The selection process encompasses everything from identification of the Company's needs through to receipt of the service, establishing positive discrimination parameters such as the acquisition of energy that is guaranteed to come from renewable sources and the hiring of suppliers that can show special employment centre certification.

During the coronavirus pandemic, Redexis has created support facilities for suppliers and contractors, with the aim of ensuring that they are able to continue to engage in their business activities with financial security and flexibility. To this end, travel expenses have been covered, material has been purchased and payments have been advanced, in order to provide liquidity.

9. Our commitment to users and customers

GRI 103, GRI 416-1, GRI 418-1

Redexis is committed to transparency in communicating with and informing the market, and it strives to ensure open and constructive communication with all the parties involved, studying and creating mechanisms for dialogue and mutual understanding.

Stakeholders	Communication channels
Users and customers	<ul style="list-style-type: none"> • Corporate website (www.redexisgas.es) • Call Centre • Control Centre • Falcon LPG invoice portal • Meter reading website • “Yo leo gas” app and IVR readings
Employees	<ul style="list-style-type: none"> • Employee Portal (Intranet) • Training platform (Redexis Campus) • Internal complaints channel • Redexis Commitment Mailbox • Prevention of Occupational and Environmental Risk Mailbox • Internal platform for the Management of Energy, the Environment and Workplace Health and Safety (GEMASST), containing all the information and documentation relating to the internal management system. • Healthy Mailbox • Wellness Platform • COVID-19 information Mailbox • Mailbox for equality issues
Financial Community	<ul style="list-style-type: none"> • Corporate website Investors • Investor mailbox: investor.relations@redexis.es Personal contact with contact with shareholders, investors, analysts, rating agencies and financial institutions • Reports and notes on the Company’s activities
Collaborators and Suppliers	<ul style="list-style-type: none"> • Supplier Portal • Annual conventions • RePro (Achilles)
Public Administrations and Regulatory Bodies	<ul style="list-style-type: none"> • Personal contact with bodies belong to the different regulatory areas (CNMC, the Ministry, regional and local organisations, etc.) • Reports and notes on the Company’s activities • Notifications, requirements, and responses exchanged with different regulatory bodies • Consultations/procedures with different national, regional, and local regulatory bodies • Technical Manager of the Gas System
Community	<ul style="list-style-type: none"> • Corporate website (www.redexis.es) • Corporate communication mailbox • Press releases • Information meetings (interviews) • Institutional meetings • Corporate and institutional events • Membership of corporate, sector, educational and cultural organisations

- | | |
|--|--|
| | <ul style="list-style-type: none"> • Participation in conferences, forums, and seminars • Sponsorships in the municipalities in which the Company operates |
|--|--|

With a view to increasing bilateral communications with users and customers, during the last quarter of 2021 Redexis carried out a **survey to ascertain satisfaction among users and customers** who have recently contracted natural gas services and those who have engaged some other kind of service.

This survey successfully gauged the opinions of customers and users, showed customers that their opinion was important to the company, and gathered information that would allow the Company to identify and implement plans for improvement.

The survey was carried out between 29 November and 2 December 2021, and it was directed at:

- Redexis customers who had recently contracted natural gas services.
- Redexis customers who had contracted the Piped LPG service.
- Redexis customers who had contracted the Redexis Household service.
- Redexis customers who were subject to a regular inspection during 2021.

The **customer and user helpline model** is basically structured via 3 channels:

- Customer helpline
- Emergency helpline, available 24/7
- Website

With a view to guaranteeing the safety of all the people involved in the supply chain, Redexis has several communication centres. All personnel, both internal and those from collaborating companies, must have the necessary appropriate training and knowledge to guarantee their safety at the Company's facilities.

Guaranteeing the safety of consumers and society in general is essential for Redexis, which possesses **modern infrastructure** that allows it to offer excellent safety ratios. The transmission gas pipelines are constructed from steel pipes, all of which are equipped with a highly resistant polyethylene outer coating that protects them against corrosion and extends their working life. Redexis subjects its infrastructure to a series of preventive, predictive and continuous improvement measures, as indicated in its asset integrity management plans. In addition, the Company has a remote cathodic protection management system to monitor and control this protection.

The **Redexis control centre**, located in Zaragoza, has up-to-date information on the training of all the people who access the facilities, which allows it to maintain permanent surveillance over their access. The Company makes an Emergency Call Centre available to all users connected to its distribution networks, with a 24/7 service that is in permanent contact with the Control Centre, which receives information and makes a preliminary classification of consumer emergencies at its reception facilities. This Call Centre also receives messages from other emergency services (police, firefighters, 112, etc.) and immediately passes them on to the Control Centre, which manages the resolution of any incident and the safety of the facility in question.

Among other measures, Redexis has an **internal standard for dealing with distribution notices**. The Warning Service is a permanent service created to respond to telephone calls relating to incidents in the gas supply or gas equipment (whether owned by the distributor company or the user) and to manage, coordinate and resolve these incidents to the extent that this is within the power of a gas distribution company. Each month, the internal and external notices received by our call centre are compiled, and classified on the basis of whether or not our contractor has detected a leak during their visit.

The Control Centre's SCADA system uses a variety of sensors, control units and communication equipment installed in the field to collect the measurements and status of the different parameters that define how the Company's main installed equipment is operating in real time, thus safeguarding the health and safety of consumers. Contact information for both the Telephone Call Centre and the Control Centre is available to all personnel, both Redexis's own staff and those working outside the Company, who may detect some kind of anomaly in the equipment.

The response that is to be given to any incident is set out in internal action procedures and protocols. Regular drills are carried out involving all the Company resources assigned to these kinds of actions in order to ensure the best possible response in the event of a real emergency.

As regards **complaints from users and customers**, these are managed from 3 areas:

- Natural gas distribution
- Marketing and distribution of LPG
- Added value services

Redexis **processes the claims** that are received through its external complaints channel. Any claims received through this channel relate to the provision of gas services provided by Redexis. In general terms, the communications that arrive via this channel are associated with users who wish to change the time scheduled for the regular inspection of their gas installation, supply cuts, billing issues, readings, etc. Given that this is not the channel charged with actually resolving these issues, once received they are forwarded to the Business Cycle department, which analyses the complaint, report or claim and in turn forwards it:

- To the Customer Helpline, when the communication in question refers to issues relating to queries or claims about billing and readings.
- To the Utilisation Department, when communications refer to the inspection of equipment.
- To the Systems Department, when communications relate to incidents with the website.

Once the complaint, report or claim has been resolved, these units report this to the Business Cycle department, and the legal services department, the division that receives these communications via the complaints channel.

The details of all of pending claims are sent to these divisions each week for management, classified by area and management level. Similarly, a quarterly report is sent to the CNMC, using a format designed by the CNMC itself, confirming the volume of claims, their type and the time required for their resolution. For example, in Third Party Network Access, which accounts for approximately 88% of all customers, the complaints system is created in a standardised way for all sellers and distributors. In other words, the categories and sub-categories have been created

by the CNMC, and Redexis adheres to them. The main entry channel (more than 95%) is the SCTD industry tool, the Transmission-Distribution Communication System, and all messages and the response circuit are designed at industry level. These quarterly reports are used by the regulator to monitor the evolution of claims in the natural gas sector, and it generates its own reports and tables which are broken down by distributor, seller, majority rate, etc.

It is a continuous objective of the Business Cycle department to monitor and maintain the level of claims, in order to keep them at a very low percentage. During 2021, a total of 67,990 complaints or claims were received, of which 98.73% were resolved during the year.

Redexis has a Telephone Call Centre offering a 24/7 service, which receives calls and makes a preliminary classification of consumer emergencies at its reception facilities. The Call Centre also receives reports from other emergency services, such as the police, firefighters, etc., and it immediately informs the Control Centre.

In its commitment to offer focused services that are adapted to consumer needs, in 2021 the Company launched the digital brand **anidia** alongside its website and social channels. During the course of the year, this project engaged in commercial campaigns such as “**Estado de Ahorro**” and “**Internet a todo Gas**” in the Almeria and Murcia regions, as part of the plan to extend the benefits of natural gas to all end customers.

10. Our commitment to transparency: Tax information

GRI 201-1, 201-4

The taxes paid by organisations represent one of their contributions to economic and social development and the maintenance of public responsibility in the country in which they operate. Against this background, compliance with current tax legislation always forms part of the principles that inspire the Company’s corporate responsibility.

The tax burden is one of the main costs that the Group must face, as well as being an area in which the diversity of possible interpretations of the applicable regulations is likely to generate uncertainties.

Therefore, considering both its public and corporate interests, Redexis has developed a **Fiscal Policy** approved by its Board of Directors, that consists of complying with the following principles in the fulfilment of its tax obligations and in its relations with the tax authorities:

- Compliance with current tax legislation: pay the taxes required under the legislation in force, adopting a reasonable interpretation of this legislation at all times while trying to avoid inefficiencies and undue tax costs for Redexis as a result of this interpretation.
- Renouncing the following actions: performing operations or structures that only pursue a tax advantage, structuring operations that are artificial in nature or that do not relate to the Company’s own activity, or making use of non-transparent structures in order to reduce its tax or burden, or making investments in or through territories classified as tax havens.
- Transparency from the bodies involved in Redexis’s tax management vis-à-vis third parties (shareholders, clients, suppliers, employees, regulatory bodies, etc.) regarding the tax principles described in this report.
- Full collaboration with the Tax Authorities in their verification activities relating both to Redexis and third parties, maintaining relationships based on good faith, cooperation,

professionalism and reciprocity, notwithstanding any legitimate controversies that may arise when defending the interests of the Company and its Group.

To ensure compliance with the Company's Fiscal Policy, the Board of Directors and its Audit and Risk Committee are assisted by the Chief Financial Officer, who implements this Policy through the appropriate operational tax procedures and processes.

The Chief Financial Officer is assisted by the Fiscal Officer, who advises and instructs the different departments regularly on fiscal matters, including tax returns and reports, ensuring full compliance with the Fiscal Policy and the applicable operational tax procedures and processes.

In this regard, at the end of the 2021 fiscal year, the Company has initiated the drafting of a Procedure for management and control of the Group's tax risks, which develops its Tax Policy and complements the Group's risk management and control system.

Together with its Annual Report and Annual Accounts, Redexis regularly prepares and publishes its **management report**, which presents a detailed list of the operations the Company has performed during the financial year and sets out the Company's future plans, in addition to describing the work it has carried out in the area of research and development. This report can be accessed by all interested parties via the Company's website, along with the rest of Redexis's corporate documents.

In addition, both the Company and the Group to which it belongs will adopt the necessary mechanisms to guarantee the monitoring of and compliance with tax regulations and the principles set out above, ensuring that they have sufficient and suitably qualified external or internal material and human resources. In this connection, the Company always relies on external advice from recognised firms in the field, whenever it deems this appropriate.

Redexis's total tax contribution amounted to €12.3M in 2021. The following table shows a breakdown of the Company's operating earnings and revenues for the fiscal year, in addition to its total income, accounting results before and after taxes and the amount of subsidies received, limited to Spain, since this is the only country in which Redexis operates:

	2021	2020
Operating result	79.351,05	72.833,40
Spain	79.351,05	72.833,40
Result for the year	38.108,18	-6.814,51
Spain	38.108,18	-6.814,51
Total income	261.919,51	240.807,89
Spain	261.919,51	240.807,89
Book income before taxes	50.384,13	29.516,11
Spain	50.384,13	29.516,11
Accrued corporation tax	-12.275,95	-36.330,62
Spain	-12.275,95	-36.330,62
Corporation tax paid	-6.527,98	-4.311,89
Spain	-6.527,98	-4.311,89
Subsidies received		
Pre-financing of HIGGS project		199.865,00
Vortex project		85.532,46
35% AutoERM project: CDTI *doc*		45.823,73
		331.221,19

Movements Grants 2,021

Text	Collections	Returns
65% AutoERM Proyect: CDTI	85.101,21	
Cancellation of debt CDTI IDI-20190418		-104.739,95
Proyect AutoERM: CDTI		
PROY VORTEX CDTi (AJ5)		
PROY OCEANH2 (AJ9)	12.227,88	
PROY GREEN HYSLAND (AJ8)	720.000,00	
Total	817.329,09	-104.739,95

Appendix I: List of contents required in Non-Financial Information Statements under Spanish Act 11/2018

List of contents from Act 11/2018	Contents of Redexis's Non-Financial Information Statement	Reference reporting framework	Page
Description of the business model			
Corporate environment	1. Our Business Model Corporate environment, organisation and structure and markets in which the Company operates.	GRI 102-1 to GRI 102-4	Pages 2-3
Organisation and structure		GRI 102-5 GRI 102-7	
Markets in which the Company operates		GRI 102-6	
Targets and strategies	1. Our Business Model Targets and strategies	GRI 102-14 GRI 102-15	Pages 4-5
Main factors and trends that may affect its future valuation	1. Our Business Model Main market factors and trends	GRI 102-15	Pages 5-8
Main risks associated with the issues relating to the Group's activities			
The business relationships, products or services that may have negative effects in these areas, and how the group manages these risks, with an explanation of the procedures used to detect and evaluate them in accordance with the national, European or international reference frameworks used for each subject	2. Risk management	GRI 102-29 GRI 103	Pages 8-12
Information on the impacts that have been detected, with a breakdown of these impacts, particularly as regards the main risks in the short, medium, and long term			
Key indicators for non-financial results that are relevant in terms of the Company's specific business activities, where they meet the criteria for comparability, importance, relevance and reliability. The key indicators for non-financial results must be applied to each of the sections contained in the non-financial information statement	Use as a reference for the different GRI standards for each relevant issue, in order to be able to compare results.		
Information on environmental issues			
Policies			
The policies that the Group applies, which include the diligence procedures applied for the identification, evaluation, prevention and mitigation of risks and significant impacts, verification and control, along with the measures that have been adopted.		GRI 103	Page 12
General			

Detailed information on the current and foreseeable effects of the company's activities on the environment and, where applicable, health and safety, environmental evaluation or certification, the resources devoted to environmental risk prevention, application of the principle of caution, the amount of provision and guarantees relating to environmental risk	3. Our commitment to the environment	GRI 103-1	Pages 12-16
Pollution			
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment, taking account of any form of air pollution that is specific to a particular activity. Including noise and light pollution	3. Our commitment to the environment 3.1 Pollution	GRI 305-1 GRI 305-2 GRI 305-4 GRI 305-5 GRI 305-7	Pages 16-17
Circular economy and waste prevention and management			
Measures for prevention, recycling and re-use, other forms of waste recovery and disposal. Actions to combat food waste	3. Our commitment to the environment 3.2 Circular economy, and waste prevention and management	GRI 306-2	Pages 17-18
Sustainable use of resources			
Water consumption and water supply in accordance with local limits	3. Our commitment to the environment 3.3 Sustainable use of resources	GRI 302-1 GRI 302-2 GRI 302-3 GRI 302-4 GRI 302-5	Pages 18-19
Consumption of raw materials and the measures taken to use them more efficiently			
Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energies			
Climate change			
Important factors in the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	3. Our commitment to the environment 3.4 Climate change	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-5	Pages 19-23
Measures taken to adapt to the consequences of climate change			
The reduction targets established voluntarily in the medium and long term to reduce greenhouse gas emissions, and the means implemented for this purpose			
Protection of biodiversity			
Measures taken to preserve or restore biodiversity	3. Our commitment to the environment 3.5 Protection of biodiversity	GRI 304-1 GRI 304-2 GRI 304-3 GRI 304-4	Page 23
Impacts caused by activities or operations in protected areas			
Information on social and personnel-related matters			
Policies			
The policies that the Group applies, which include the diligence procedures applied for the		GRI 103	Page 24

identification, evaluation, prevention and mitigation of risks and significant impacts, verification and control, along with the measures that have been adopted.			
Employment			
Total number and distribution of employees by gender, age, country, and professional classification	4. Our commitment to employees 4.1 Employment	GRI 103 GRI 102-8 GRI 405-1 GRI 405-2	Pages 24-27
Total number and distribution of types de employment contracts, average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification, number of dismissals by gender, age and professional classification.			
Average salaries and their evolution, broken down by gender, age and professional classification or equal value			
Salary gap, payment for jobs involving performing the same or average tasks for the company, average payments for directors and managers, including variable payments, allowances, compensation, payment into long-term savings pension systems and any other amount received, broken down by gender, implementation of disconnection from work policies, employees with disabilities			
Work organisation			
Organisation of working time	4. Our commitment to employees 4.2 Work organisation	GRI 103 GRI 403-2	Pages 27-28
Absenteeism rate (hours)			
Measures designed to facilitate the enjoyment of work/family reconciliation and encourage the responsible use of these measures by both parents			
Health and Safety			
Health and Safety conditions in the workplace	4. Our commitment to employees 4.3 Health and Safety	GRI 103 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-9 GRI 403-10	Pages 28-35
Occupational accidents, in particular their frequency and severity, as well as occupational illnesses, broken down by gender			
Social relations			
Organisation social dialogue, including procedures for informing, consulting and negotiating with staff	4. Our commitment to employees 4.4 Employment relations	GRI 103 GRI 402-1 GRI 102-41 GRI 403-1 GRI 403-4	Pages 35-39
Percentage of employees covered by collective bargaining agreement, by country			
The overall balance of the collective agreements signed, particularly in the field of health and safety in the workplace			
Training			
Policies implemented in the area of training	4. Our commitment to employees 4.5 Training	GRI 103 GRI 205-2 GRI 404-1 GRI 404-2 GRI 404-3	Pages 39-40
Total number of hours' training by professional category			

Universal access for people with disabilities			
Equality			
Measures adopted to promote equality of treatment and opportunity between men and women	4. Our commitment to employees 4.6 Equality	GRI 103 GRI 405	Pages 40-42
Equality Plans (Chapter III of Spanish Act 3 of 22 March 2007, on the Effective Equality of Women and Men)			
Measures adopted to promote employment, protocols against sexual harassment and harassment on grounds of sex, integration, and universal accessibility for people with disabilities			
Policy against all types of discrimination and, where applicable, policy on the management of diversity			
Information on respect for human rights			
Policies			
The policies that the Group applies, which include the diligence procedures applied for the identification, evaluation, prevention and mitigation of risks and significant impacts, verification and control, along with the measures that have been adopted.		GRI 103	Page 42
General			
Application of due diligence procedures in matters of human rights	5. Our commitment to ensuring respect for human rights	GRI 103 GRI 102-16 GRI 102-17 GRI 412-1 GRI 412-2 GRI 412-3	Pages 42-44
Prevention of the risk of violating human rights and, where applicable, measures for the mitigation, management and repair of any potential abuses committed			
Complaints about cases involving human rights violations			
Promotion of and compliance with the provisions set out in the principle agreements of the International Labour Organisation with regard to respect for the freedom of association and the right to collective negotiation			
The elimination of discrimination in employment and the workplace			
The elimination of forced or compulsory labour			
The effective abolition of child labour			
Information relating to the fight against corruption and bribery			
Policies			
The policies that the Group applies, which include the diligence procedures applied for the identification, evaluation, prevention and mitigation of risks and significant impacts, verification and		GRI 103	Page 44

control, along with the measures that have been adopted.			
General			
Measures adopted to prevent corruption and bribery Measures to combat money laundering Contributions to foundations and not-for-profit entities	6. Our commitment to the fight against corruption and bribery	GRI 103 GRI 102-16 GRI 102-17 GRI 205-1 GRI 205-2 GRI 205-3	Pages 44-45
Information about the company			
Policies			
The policies that the Group applies, which include the diligence procedures applied for the identification, evaluation, prevention and mitigation of risks and significant impacts, verification and control, along with the measures that have been adopted.		GRI 103	Page 45
General			
The company's commitment to sustainable development			
The impact of the company's activity on local jobs and development	7. Our commitment to sustainable development	GRI 103 GRI 203-1 GRI 204-1 GRI 413-1 GRI 413-2	Pages 45-52
The impact of the company's activity on local towns and cities and the territory in general			
The relationships maintained with agents from the local communities and the types of dialogue engaged in with these agents			
Association and sponsorship activities			
Subcontracting and suppliers			
Inclusion of social, gender equality and environmental issues in purchasing policy	8. Our supply chain	GRI 103 GRI 102-9 GRI 308-1 GRI 414-1 GRI 414-2	Pages 52-53
Consideration of the Company's social and environmental responsibility with regard to suppliers and subcontractors			
Supervision and audit systems and their results			
Consumers			
Measures to ensure consumer health and safety	9. Our commitment to users and customers	GRI 103 GRI 416-1 GRI 418-1	Pages 53-56
Systems to deal with any complaints and claims received and their resolution			
Tax information			
The profits obtained country by country	10. Our commitment to transparency	GRI 201-1 GRI 201-4	Pages 56-58

Taxes paid on profits and public subsidies received			
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REDEXIS, S.A.
AND SUBSIDIARIES

Authorisation of the Consolidated Annual Accounts and
Consolidated Directors' Report for 2021

Signed:

Mr Fernando Bergasa Cáceres - Chairman

Mr Niels Konstantin Jensen - Director

Mr Li Bo - Director

Mr Liu Yuan - Director

Mr Soren Alverde Holm - Director

Mr Stephen Alan John Deeley - Director

Mr Fidel López Soria - Director

Mr Gavin Bruce Merchant - Director

CERTIFICATION issued in accordance with article 253 of the Revised Spanish Companies Act attesting that the Consolidated Annual Accounts and Consolidated Directors' Report of Redexis, S.A. and Subsidiaries comprise a single document and have been endorsed by the non-executive secretary on all pages and signed on the last page by the Chairman and Directors of the Company.

Madrid, 24 February 2022

SECRETARY TO THE BOARD OF DIRECTORS

Mr Ignacio Pereña Pinedo