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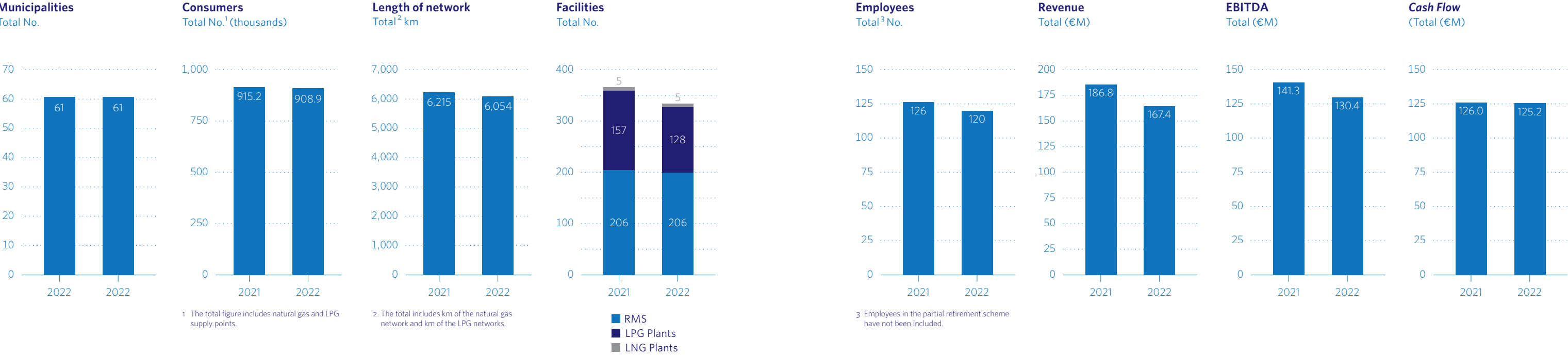
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# Key figures



# Letter from the Chairman

In the year 2022, natural gas has been the focus of everyone's attention. After the increase in natural gas prices in international markets, due to a series of diverse causes, the invasion of Ukraine by Russia generated a climate of extreme volatility and great uncertainty in energy prices, natural gas being the most affected, becoming, in turn, a first-order political priority.

The upward trend in natural gas prices, which began in the fall of 2021, became more acute with the start of the war between Russia and Ukraine in February 2022. As Western sanctions against Russia, one of the key players in the global supply of natural gas, together with the interruption of gas supplies to Europe, caused prices to rebound, a situation that posed the potential threat of serious supply difficulties for the winter, with the consequent risk of blackouts and restrictions of energy throughout Europe, a scenario that ultimately has not materialized.

The European response to these threats took the form of a series of savings, diversification and price control

measures. Urgent measures were taken in our country within the framework of the National Response Plan for the economic and social consequences of the war in Ukraine. These initiatives required changes in the processes, derived from the new normative and regulatory changes, adapting Madrileña Red de Gas in a minimum period for the correct implementation of said measures.

On the other hand, the fear of an unaffordable increase in their bills led households and companies to reduce their consumption on their own initiative. According to the International Energy Agency (IEA), the EU's gas demand fell by 13% in 2022, the "biggest drop in history"

In this sense, a greater flexibility of contracts was established, a new rate of last resort for natural gas temporarily applicable to communities of homeowners, for which the distributor communicates to the marketer the average consumption of this type of the last 5 years of customers on each invoice issued, as well as an improvement in the information available to the natural gas consumer in terms of energy consumption and choice of supplier, which implies that customers entitled to use the rate of last resort will be It includes the average consumption of those consumers who share the postal code and toll level of the local network.

Everything described above has had a full impact on the energy market and in particular on the gas system. In the case of Madrileña Red de Gas, although the growth in new supply points has been less than in previous years, we have exceeded the historical figure of 900,000 supply points, positioning ourselves as the fastest growing Natural Gas distribution company in Spain and approaching the second position in total volume of installations.

Regarding the company's economic results, even in this difficult context, MRG continues to show the ability to maintain stability in the face of adverse economic cycles and unexpected events, obtaining excellent results that confirm great financial resilience, as well as solidity and predictability in the income generation.

With regard to regulation, it should be noted that the Spanish National Markets and Competition Commission (CNMC) has approved two resolutions in 2022 that will encourage gas system agents to manage their imbalances (differences between gas inputs and outputs) in a more active way, initiatives that promote the participation of agents in the market and improve the economic sustainability of the gas system. Another of these new regulatory requirements is the modification of Regulation 2019/942 of the European Parliament and of the Council on the reduction of methane emissions, which is expected to enter into force in 2023.

In the case of Spain, renewable gases can and should play a relevant role in the energy transition. Spain, due to its privileged position, is postulated as one of the main producers of green hydrogen worldwide. In this sense, the "green energy" marketed in Spain increased by 12% during the year 2021.

The production and distribution of hydrogen is one of the great challenges of the energy transition, not only in Spain but also in the European Union and the rest of the world. In this sense, from MRG we want to be a company clearly committed to the fight against climate change and provide solutions to society.

Based on the regulatory development foreseen in the National Integrated Energy and Climate Plan (PNIEC)

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and the Biogas and Hydrogen Roadmaps, as well as the measures already implemented by neighbor countries, it is proposed to develop a series of additional measures that would place Spain in a more favorable position for the development of renewable gases. For this, three main axes of action are proposed: regulatory measures, administrative measures and measures to promote technology and infrastructure.

The current natural gas networks will be the same ones that will facilitate the entry and distribution of green gases in the increasingly near future, already a reality in the case of biomethane. Having access to natural gas in new urban developments is as much as facilitating the supply of green

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gases in buildings. MRG is proposing the installation of pipelines that, although they distribute natural gas, are 100% prepared for the distribution of biomethane and hydrogen.

At Madrileña Red de Gas, we have an infrastructure capable of channelling renewable fuels, since our networks are prepared to supply both green hydrogen and biogas, without having to alter the supply conditions. The results of the CavendisH<sub>2</sub> study, carried out by SEDIGAS and its associates, demonstrate this. According to this study, after an in-depth analysis of the competitiveness of renewable gases and the investment required to adapt current gas infrastructures, it is concluded that an investment of 2,334 million euros would be necessary to adapt transmission and

distribution networks to their operation with hydrogen. , equivalent to only 6% of the remuneration of the last 20 years to natural gas transportation and distribution companies. In addition to a lower investment effort, the greater penetration of renewable gases in the CavendisH<sub>2</sub> scenario would complement the development of renewable energies for electricity generation, which would mean a more reliable, flexible and safe system, and a significant reduction in greenhouse gases, would reduce possible barriers to entry, requiring less investment in terms of subsidies, and would promote the development of Spain's role as a generator and exporter of hydrogen.

The use of green hydrogen, both for the supply of heating and domestic hot water, as well as its use in the mobilization of vehicles within cities, represents a great advance in achieving decarbonization and the energy transition towards more sustainable energy production. . In addition, natural gas is positioned as one of the most reliable and consolidated alternatives in the energy mix, on the path to a renewable future.

At Madrileña Red de Gas we are aware of this, being pioneers in projects as innovative as the Pryconsa project, where MRG is developing the necessary facilities to supply almost a hundred newly built homes with green hydrogen, for use in heating and water sanitary hot. Having natural gas in new urban developments is the entrance to having green gases in buildings.

In addition, we continue to participate in the most important mobility project with green hydrogen in the Community of Madrid, the Inspira Madrid project, together with FRV and the Ruiz Group. The purpose of the project

is to achieve the decarbonization through green hydrogen of urban public mobility fleets, through a network of five publicly accessible hydrogen generators, in a first phase, which combined will supply light and heavy vehicles, at a competitive price compared to conventional fossil alternatives.

In addition to green hydrogen, Madrileña Red de Gas is committed to another renewable fuel, such as biogas. This by-product is generated during the anaerobic digestion process of organic waste. Biogas is mainly composed of methane and carbon dioxide, and as we have seen, it has high potential as a renewable energy source.

At the European level, by 2030 it is expected that 10% of the total consumption of natural gas in the EU will come from biogas. In this sense, there are currently four biogas projects in our networks. Two of them are biomethane plant construction projects, in which MRG is carrying out studies and possible designs in our distribution network to be able to absorb the production of future plants, with the aim of being able to inject gas from the medium distribution network pressure to the high pressure network.

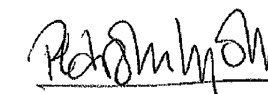
The other two biogas projects correspond to a plant for the recovery of livestock and agro-industrial waste, as well as a closed landfill that currently produces said fuel, where MRG will manage the injection point and the new distribution infrastructure that will be necessary to connect the landfill to the natural gas network.

All these initiatives show the great commitment and willingness of Madrileña Red de Gas to collaborate, together with the Administrations, in the design of energy policies

and in the adaptation of the regulation of the gas sector to this new scenario of the future, based on the “Green Energies”, in which continuous dialogue is a key element for success.

To finish, for yet another year, to express the company's gratitude to the shareholders for their support in this delicate and difficult context, as well as their essential support in achieving our strategic objectives, the basis for the successes we hope to achieve in the future. Likewise, to show my gratitude to the human team that is part of MRG, for their commitment, effort and dedication during the year 2022, as well as their confidence in our vision of the future. We would also like to thank our customers and suppliers for their loyalty and trust in our project.

Thank you very much to all of them who make the success and continuity of our company possible.



Pedro Mielgo

# Company

This complicated year 2022 has brought with it regulatory changes related to gas supply prices, as well as improvements for the sector in the management of its imbalances.

In addition, MRG has made a great effort in Information Security and Personal Data Protection, certifying our system according to the ISO 27001 Standard and carrying out an ambitious and robust Cybersecurity plan, one of our main risks.

On the other hand, regarding the GRESB Infrastructure Sustainability Index, we have once again obtained the highest “Five Star” rating, with a more than excellent result in this international benchmarking; we obtained the second position as a gas infrastructure company at a European level and the first position in Spain.

Board of Directors and Management Committee

Board of Directors

- Consilia Asesores, S. L. | Chairman  
(Pedro Mielgo, individual representative)
- Dennis van Alphen | Director
- Martijn Verwoest | Director
- Chilei Kao | Director
- Suyu Wu | Director
- Jaime Fernández-Cuervo | Director
- Simon Davy | Director
- Romain Thierry Victor Bruneau | Director
- Pierre Benoist d'Anthenay | Director
- María Martín | Secretary (not Director)

Management Committee

- Alejandro Lafarga | CEO
- Rafael Fuentes | Legal Director
- Inés Zarauz | Financial Director
- David Ortiz | Expansion Director
- Félix Blasco | Network Operations Director
- Glen Lancaster | Customer Systems & Operations Director
- María Vázquez | Human Resources Director

Regulatory Framework

The Spanish National Markets and Competition Commission (CNMC), in the development of the supervisory functions of the energy markets, approved Circular 4/2008, for the request for supply prices of the Spanish wholesale gas market, which has facilitated the supervision of the natural gas sector, as well as the preparation of a reference index for consumers and users of the cost of gas supply in Spain, published since then by the energy regulator.

After more than ten years of validity, it is necessary to replace Circular 4/2008 with a new text better adapted to the reality of the gas market, both in terms of the information required and the formats in which it is sent. In this way, during 2022, the CNMC published Circular 1/2022 on natural gas and renewable gas supply prices.

The purpose of this Circular is to gather precise information on supply prices for liquefied natural gas, natural gas and renewable gases, as well as information from the obligated parties that act in the wholesale gas market.

During 2022, the Spanish National Markets and Competition Commission (CNMC) adopts several measures that improve the operation of the gas system.

On the other hand, during 2022, the CNMC has also approved two resolutions that will encourage gas system agents to manage their imbalances (differences between gas inputs and outputs) at the Virtual Balancing Point (PVB) in a more active way (RDC/DE/001/22) and will also allow the gas accumulated in the shrinkage balance account to be used to cover the operating gas purchase needs of Enagás, the system's technical manager (RDC/DE/002/22).

- The first of the approved resolutions modifies the Resolution of July 1, 2020, of the CNMC, which approves the methodology for calculating daily imbalance tariffs. In particular, it establishes a method for calculating imbalance tariffs at the Virtual Balancing Point (PVB) that better reflects the gas price on the imbalance day. These measures will decrease the number of balancing actions on the organized market by the technical system manager and lower the cost of operating the gas system.
- The second resolution allocates the gas in the system's shrinkage balance account to cover the needs of the technical system manager for the purchase of operating gas. This will facilitate a more efficient operation of the facilities, since this gas can hinder the use of the available capacity of the facilities, and the operating costs of the gas system will also reduce.

In addition to the above, at the end of the year, the CNMC approves the Resolution establishing the values of the access tolls to the electricity transport and distribution networks for 2023. (RAP/DE/009/22).

In particular, the part of the transport remuneration considered in the calculation of the tolls for the year 2023, is 6.7% lower than that considered in the calculation of the tolls for the year 2022, as a result of a 3.6% reduction in remuneration and the imputation of the deviations for 2021.

In turn, the remuneration considered in the calculation of distribution tolls is 3.8% lower than that considered in the calculation of tolls for 2022, as a result of a 2.5% increase in distribution remuneration, offset by the allocation of deviations for 2021. Source: <https://www.cnmc.es/>.

Prevention of criminal offenses

The Madrileña Red de Gas Crime Prevention Risk Management System is based on the general principles of legality, due diligence, integrity and responsible leadership, compliance monitoring, review and updating, and systematic risk management adapted to the changes.

In accordance with the provisions of Law 1/2015, which again modifies the Criminal Code and further regulates the criminal liability of legal persons, establishing the duty of commercial companies to implement effective crime prevention measures in their organizations within the scope of their activity, Madrileña Red de Gas has a robust Criminal Offenses Management System, which is composed of a Crime Prevention Policy, a criminal risk map and its own prevention protocol, being the Criminal Compliance Officer responsible for said system.

The performance controls determine what information is required and the way to act in the event of situations involving non-compliance with regulations and/or practices contrary to the values and principles established in the Code of Ethics and in the MRG Anti-Corruption Policy.

In this regard, MRG has a Complaints Channel (managed by an independent provider) through which any member of our organization, regardless of their rank or responsibilities - as well as any customer, supplier or third party - is allowed to Report any irregularity or behavior contrary to the law, or to the rules and procedures established by the company, with the maximum guarantees of confidentiality and non-retaliation.

During the year 2022, the risk related to the crimes included in the company’s risk map has been evaluated again, in order to detect behaviors that may involve a violation of the corresponding regulations and that may entail some responsibility. As a result of this evaluation, the annual compliance review report and the annual action plans are prepared with the needs detected. In addition, we have continued to provide the relevant training on the prevention of criminal offenses, which is currently provided upon incorporation to the company as part of the induction plan.

Corporate risk management

The Risk Management philosophy of Madrileña Red de Gas is the set of shared beliefs and attitudes that characterize how Risk is contemplated in the company, from the development and implementation of the strategy to its daily activities.

It reflects the company’s values, influences its culture and operating style, and affects how the components of risk management are applied, including the identification of risks, the types of risks accepted and how they are managed.

MRG is aware of the importance of managing its risks in order to carry out adequate strategic planning and achieve the objectives set, being the MRG Risk Management Model a comprehensive and systematic approach. Its main objective is to help identify events and evaluate, prioritize, respond to and monitor risks that may impede the achievement of the organization strategic vision and the annual objectives approved in the MRG Business Plan and Budget. It is a key tool for managing uncertainty in the different departments.

MRG Risk Management Model is not limited to a specific aspect or circumstance. It is a dynamic process, which extends its scope to all strategic and operational aspects of the organization permanently over time.

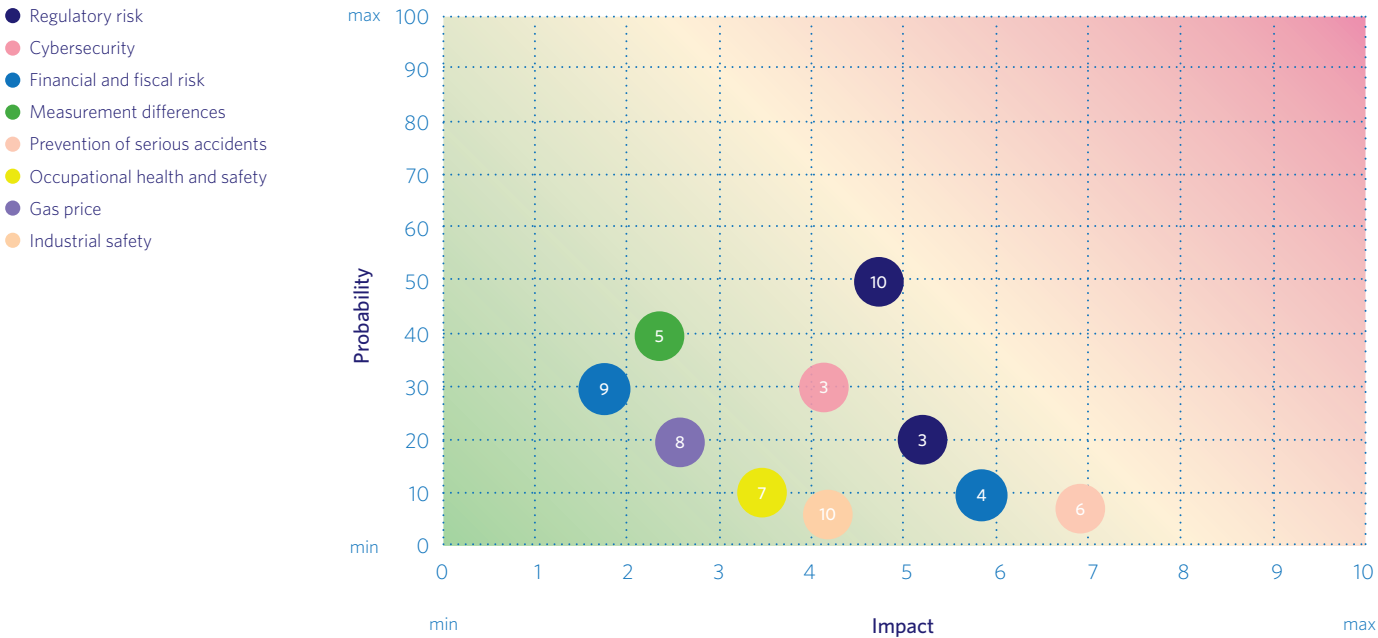
The Audit and Risk Committee reports directly to the Board of Directors and operates in accordance with its internal operating regulations, which define its objectives, functions and composition. This committee is made up of representatives of the Board of Directors of each of the four shareholders, several members of the Management Committee and the Risk Management Department.

The contents of the agenda to be discussed at the committee’s periodic meetings, which are held prior to each Board of Directors’ meeting, are agreed internally at the beginning of each new fiscal year. Among the recurring matters are:

- Monitoring of the corporate risk map.
- The most relevant risks and the controls and mitigation plans established or proposed.
- The audit of accounts and the audits of the Integrated Management System.
- The criminal offense prevention model.
- Sustainability Issues.
- Cybersecurity risk and information Security System audits.

The result of these activities allows the Audit and Risk Committee to issue recommendations for risk management and/or the Board of Directors.

Corporate risk map of MRG, 2022



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The integration of Risk Management Policy in the company has been articulated through the progressive implementation of transversal risk analyses involving the business and corporate units most closely linked to the affected processes. Likewise, risk management occupies a part of the agenda in the periodic meetings of the Management Committee.

Currently, the MRG Risk Map contemplates a wide variety of risks, focusing its attention on the ten most material risks, whose evaluation has been carried out applying a criterion based on:

- The probability of occurrence of a risk on a scale of one to ten.
- The impact of the combined impact on net present value and reputational impact, both on a scale of one to ten. The impact on net present value considers both the direct economic impact for the next twenty years and possible penalties.

The map includes emerging risks through regular updates of its contents, and new high-level controls are established in addition to the existing ones. The action plans implemented help to mitigate the consequences of these risks.

Compared to previous years, risks related to cybersecurity, volatility of natural gas prices and interest rates on debt refinancing have increased in relevance in 2022, and the definition and assessment of these risks has been refined as detailed information has become available on the potential consequences that may arise in the event of their materialization.

At the same time, a strategy has been developed to prevent and mitigate the potential impacts associated with these risks.

Corporate social responsibility

GRESB (Global Real Estate Sustainability Benchmark) is a global 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. Since 2009, this organization proposes to evaluate and compare the extra-financial performance of companies and financial institutions through the publication of an annual benchmark.

This ranking provides standardized data validated by the capital markets, being a world benchmark for measuring the performance of companies in terms of sustainability.

The GRESB assessments are guided by what investors and the industry consider important issues regarding the sustainability of real estate asset investments, and are adapted to international reports, such as the GRI (Global Reporting Initiative) and the PRI (Principles for Responsible Investment)

Madrileña Red de Gas has participated for the seventh consecutive year in this international evaluation, where it has already consolidated its position as a global benchmark in infrastructure sustainability. The total score achieved of 96 points out of the maximum possible 100 allows it to maintain the maximum rating of five stars in a clear recognition of its commitment to ESG (Environmental, Social and Governance),

which the company is working to integrate into its strategy in the sustainable development goals for 2030.

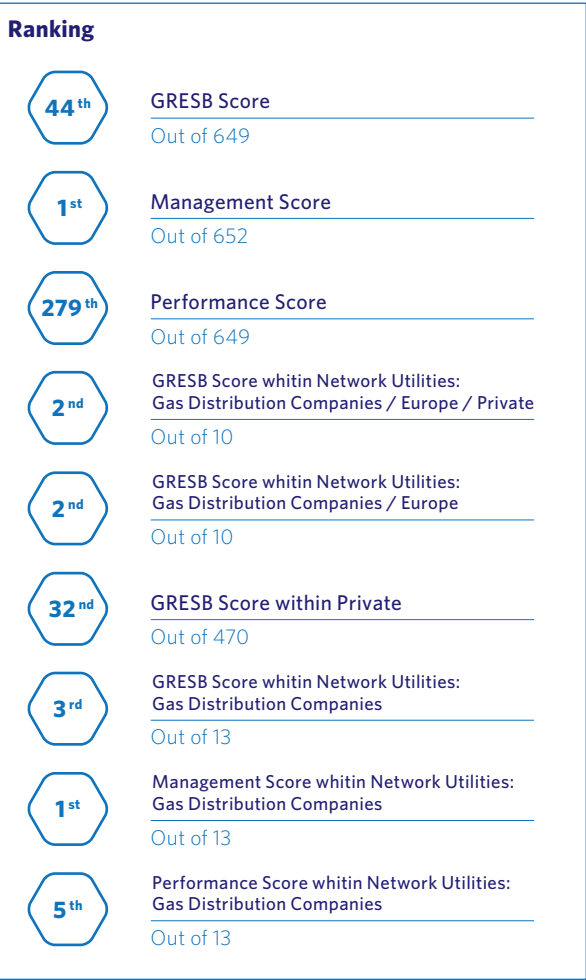
Madrileña Red de Gas is ranked number 1 as the best Spanish gas infrastructure company in the GRESB international infrastructure sustainability assessment.

In addition, MRG is positioned as the second European gas distribution company in this international Benchmark and is above the average of 79 points of the companies evaluated, out of a total of approximately 650 participating companies. This result of 96 points also places us in a leading position in the Management (40 out of 40), Environment (28 out of 28) and Social (45 out of 46) indicators.

After the significant progress achieved in 2021 and in which Gresb awarded MRG two special mentions, as recognitions to the company that has improved/progressed the most in its sector and region, in 2022 we have consolidated our leadership position by achieving a position among the top 5 in 6 of the 9 excellence indicators, as well as among the top 50 companies with the highest scores (position 44), especially highlighting the first place in the “management” section.

The results allow us to have a vision, both of the evolution of the company with respect to previous years, and of its degree of maturity in good practices in the area of ESG and in comparison with other companies belonging to the same sector.

On the other hand, the number of participants in the GRESB infrastructure assessment has again increased with respect to the previous year, reaching 652 entities assessed. These numbers respond to the growing interest of investors in



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In 2022, Madrileña Red de Gas has formalized the first loan with interest rates linked to its sustainability performance results

sustainable business models and the importance of ESG factors in decision-making.

From the in-depth analysis of the good results obtained in GRESB, we have identified improvements that have been implemented in our sustainability management model based on ISO 26001 and SR10, with which we will continue to make progress throughout 2023. In addition, in 2022, MRG has formalized the first loan with interest rates linked to its sustainability performance results.

It should be noted that, in order to publicize our strategies and actions carried out in terms of sustainability, a specific section on commitment to Sustainability has been added to the MRG website. It has been divided into three sections where you can find the main lines of action in this matter: corporate governance, communication and transparency, social and environment.

Sustainability Report

In 2022, the second MRG Sustainability Report was elaborated, corresponding to the year 2021, which has successfully passed the external verification process by a qualified body. In this report, we have described the performance in the economic, social, environmental and governance performance of our company.

To prepare this report, we have relied on the GRI (Global Reporting Initiative) guide, which is the leading international standard for sustainability reporting. The GRI Standards are designed to inform the general public of a variety of economic, environmental and social impacts. Sustainability reports drawn up on the basis of these standards provide information on organizations' positive or negative contributions to sustainable development.

Among the objectives of preparing this report are:

- Improve our strategy for managing reputational risks and improving the company's image.
- Improve the management of risks and opportunities associated with social responsibility.
- Provide stakeholders with information on environmental, social and economic performance.
- Establish a strategy for sustainability challenges: climate change, circular economy, etc. Act for the Sustainable Development Goals (United Nations).

During this period, both the identification of Stakeholders and the Materiality Analysis carried out the previous year

were reviewed in depth, involving a large number of these stakeholders through direct interviews with them.

Cybersecurity

During 2022, the great effort and performance carried out by Madrileña Red de Gas in terms of Cybersecurity is noteworthy, improving the lines of prevention and action and following the best practices in cybersecurity.

In this sense, there are six most important milestones carried out during the year 2022:

1. **Disaster Recovery Simulation**  
The main objective of the Disaster Recovery Plan is to minimize the effects of a disaster on the operation of the organization, so that, in the event of any eventuality, it can quickly renew its functions, defining the processes, procedures and responsibilities during the service recovery flow.
2. **Network penetration testing**  
By performing an external penetration test, it is possible to know the state of an organization's perimeter security, as well as the risks to which it could be exposed. This process attempts to demonstrate how far a malicious user can go without having any knowledge of the organization.
3. **Contingency plan simulation**  
In order to test the action protocol in the event of an attack, ensuring the correct operation and isolation of the affected equipment.

4. **EDR (End Point Detection Response) Implementation**  
EDR, or end point detection and response, is a software designed to automatically protect end users, endpoint devices and IT assets against cyber threats that overcome the barriers of antivirus software and other traditional endpoint security technologies.
5. **Cybersecurity training for employees**  
For MRG, cybersecurity awareness is fundamental. To this end, we have launched a new training plan to help raise awareness of the risks that exist in the digital world and to prevent any attempt of cyber-attack, both in the professional and personal environment.

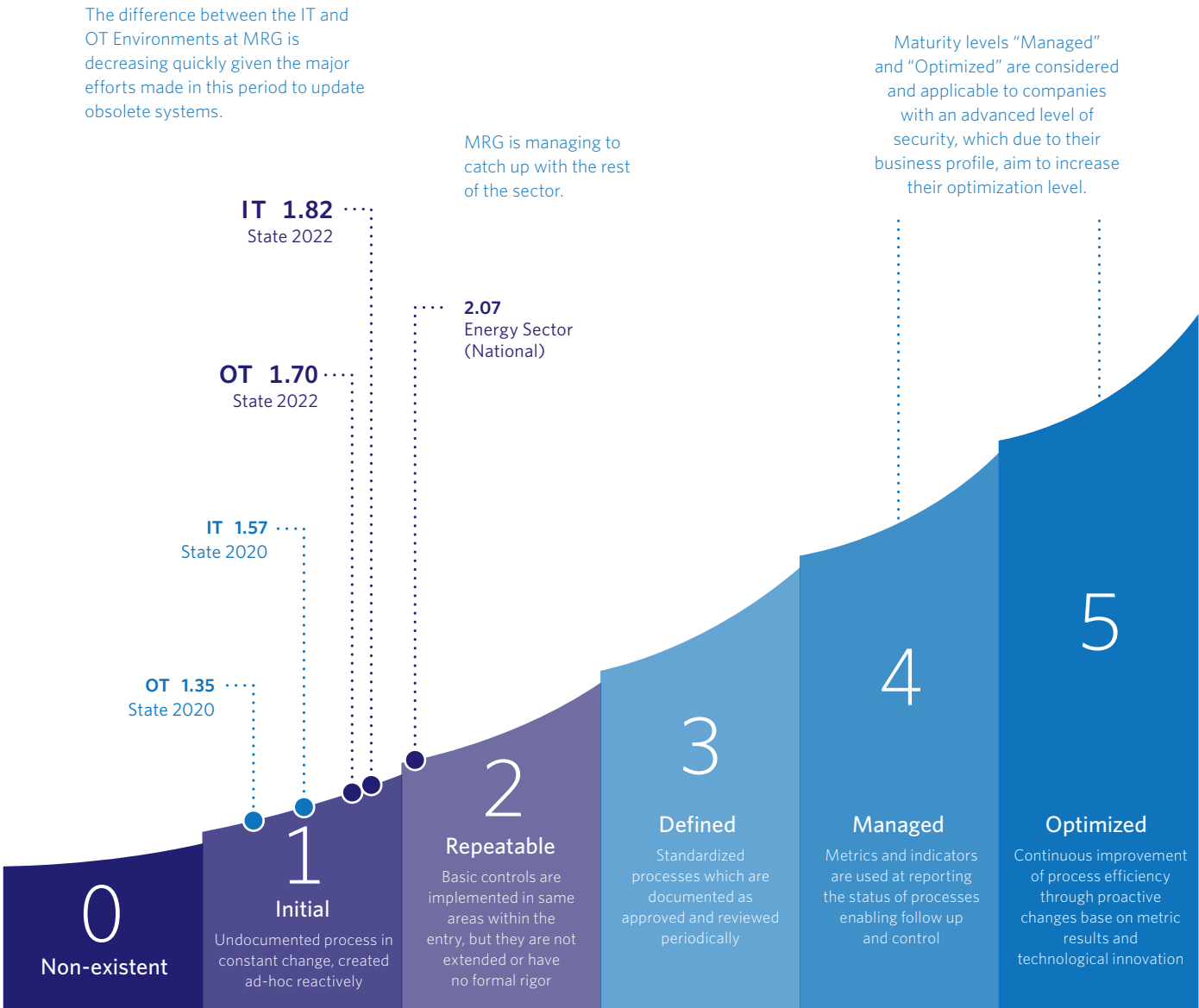
Our goal is for all MRG employees and collaborators to be the first line of defense against cyber threats, in order to guarantee the security and protection of all our information.

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

All of this is reinforced with phishing and vishing campaigns, which strengthen the educational content and raise everyone's awareness at the highest level.

6. **Renewal of cybersecurity audits**
  - Reassessment of the maturity level of the OT environment of the Madrileña Gas network based on the Oil and Natural Gas Subsector Cybersecurity

CURRENT STATUS (AS-IS)  
Current maturity level



Cybersecurity maturity must continue to increase, but the effort being made is perfectly reflected

Capability Maturity Model (ONG-C2M2 v.2) standards.

- Evaluation of Madrileña Red de Gas Cybersecurity maturity level based on Deloitte’s Cyber Industrial Strategy Framework (CISF) v2.0.

Although the sector is still in the process of improving its maturity, having gone from 1.84 in 2020 to 2.31 in 2022, Madrileña Red de Gas has managed to evolve to get in line in quite a few capacities and, in some cases, to improve it.

Information Security and Personal Data Protection

As stated in the Madrileña Red de Gas Information Security Policy, the information must be adequately protected in any of the phases of its life cycle in order to ensure its continuity, minimizing damage and maximizing business opportunities. It is essential to avoid the interruption of business activities

by protecting critical processes against disasters and serious failures of information systems and guaranteeing their rapid recovery.

In this way, In 2022, Madrileña Red de Gas has completed the implementation and certification of its Information Security Management System according to the ISO 27001 Standard, a model that is fully aligned with the current Integrated Management System and whose scope also includes the Personal Data Protection Management Model.

Based on the Information Security and Personal Data Protection policies, we have Management Manuals that are developed in more than eighteen Information Security and Personal Data Protection procedures. These procedures are periodically reviewed in order to keep their contents up to date.

With the implementation of the risk and impact assessment model for the various data protection processes, management has been organized around the priorities and opportunities that have been identified.

The asset inventory has identified 11 groups of assets that are broken down into 111 types of assets, having assessed the criticality of each of them from the perspective of their confidentiality, integrity and availability, in order to subsequently evaluate the risk as the combination of criticality, probability and impact.

In order to determine the materiality of threats to assets, a standardized list of threats has been considered, selecting those that may affect each of these assets. The impact is assessed as the combination of the elements of confidentiality, integrity and availability. And to assess the magnitude of the threat, the probability combined with said

impact is considered, the residual threat being the one that remains after considering all the controls and treatment plans.

In the statement of applicability of the Information Security Management System, in addition to indicating the scope of applicability of the control measures, the extraordinary actions that have been developed to mitigate the risks are included.

On the other hand, the Information Security and Personal Data Protection model contemplates interaction with stakeholders through various channels:

- Publication on the website of the Information Security and Personal Data Protection Policies, as well as the information on the processing of personal data for the interested parties.
- Employee awareness and training activities.
- Interaction with organizations and authorities, such as the Spanis Agency for Data Protection (AEPD) ande National Institute od Cybersecurity (INCIBE).

- Active management of the mailbox of the personal data protection officer, which has received a significant number od requests.

They are also fully integrated into our management model:

- The establishment of contractual clauses on Information Security and Personal Data Protection.
- Identification of the most sensitive suppliers from the point of view of Information Security.
- Actions for the coordination of business activities in the field of Data Protection with data processors through meetings, unification of criteria and agreements on good practices.
- Monitoring the Information Security and Data Protection performance of our chain of suppliers through the information they provide on the Repro-Achilles portal on the maturity of their privacy policies, as well as through the audit reports carried out by the Repro-Achilles Community.

- Register of Information Security and Data Protection incidents, the investigation of which contributes to improvements in information management.

On the other hand, once again this year, in the area of Personal Data Protection Management, the most relevant activities have focused mainly on the management of data subjects’ rights, incident management and the resolution of queries, many of which are related to the interpretation of the legislation in force and the exercise of data subjects’ personal data protection rights.

Madrileña Red de Gas has appointed its Data Protection Delegate, who is the highest authority in the matter, participating in the Management Committee, the Audit and Risk Committee and the Cybersecurity Committee.

An Information Security Management System manager has also been appointed, as well as a Technical Security manager, who is supported by a team of administrators.

Relevant new developments with respect to previous years include the following:

- Increase in the number of queries on personal data protection, compared to previous years.
- Record of eighteen pesonal data protection incidents, none of them at the level of a data pretection security breach, whose investigations revealed the need to incorpore improvements in the management and processing of personal data.
- New personal data protection training course, where the news regarding this legislation published these years ago have been disclosed, aimed at the entire company workforce, and wich at the end of December has been completed by 58% of the same, with its continuity scheduled for 2023.

Likewise, in order to promote the internal culture of data protection, news about revisions and updates have been published in the internal regulations’ repository, maintaining control of the validity of the documentation compiled therein.

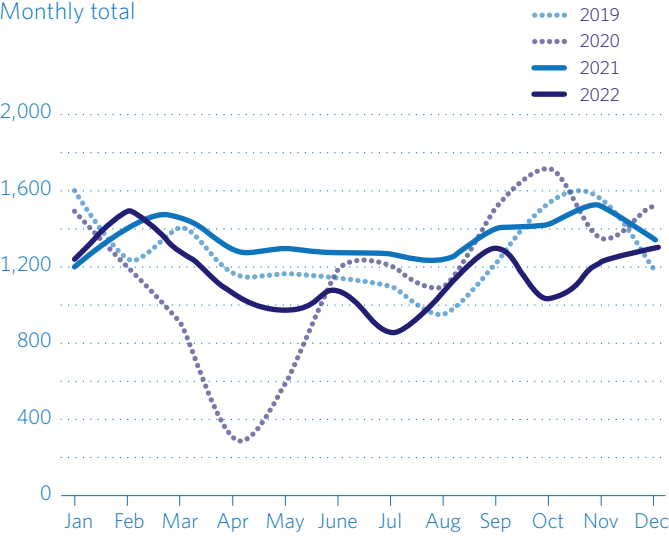
# Business

Despite the energy crisis, in 2022 Madrileña Red de Gas has achieved 13,299 new Natural Gas installations put into service. This growth, together with that generated with other inorganic growth actions, has allowed Madrileña Red de Gas to exceed the number of 900,000 supply points.

This is the result of the success of our commercial policy, innovating with new strategies and channels to reach the end user. In this way, we have increased the commercial effort with different types of campaigns to promote vertical and horizontal saturation.

In addition, we have extended the network to serve a pharmaceutical laboratory, a paper mill and different food and plastics industries, among others. We have put into service 15 community halls, 35 schools, as well as 3 crematoriums.

Registrations in the residence market  
Monthly total



Madrileña Red de Gas exceeds the historical figure of 900,000 supply points, becoming the fastest growing Natural Gas distribution company in Spain and approaching second place in total volume of installations.

### Residential Market

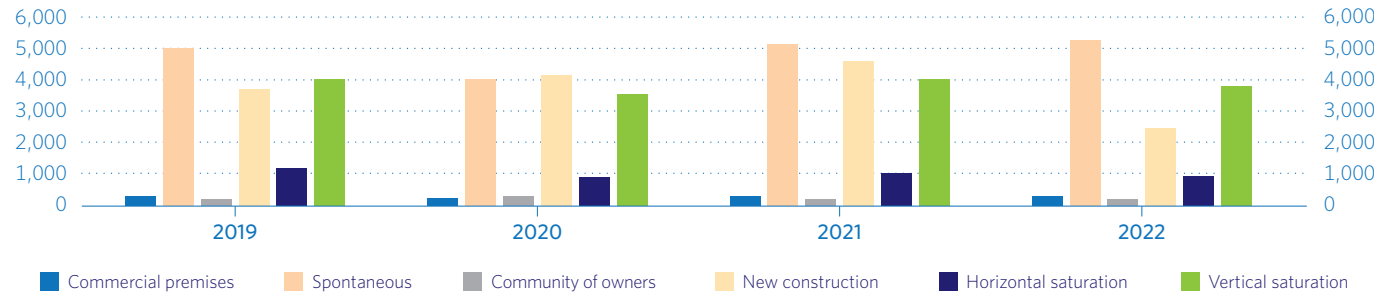
The current global energy crisis, the effects of the war in Europe, as well as the continuous regulatory changes are having a significant impact on the energy market and in particular on the gas system. These factors have had an impact on the growth in new supply points, which has been lower than in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

Madrileña Red de Gas has achieved 13,299 new Gas Natural installations, commissioned as a result of the commercial actions for organic growth of the Expansion Department. This growth, together with that generated with other inorganic growth actions, has allowed: Madrileña Red de Gas exceeds the historical figure of 900,000 supply points, becoming the fastest growing Natural Gas distribution company in Spain and approaching second place in total volume of installations.

If we analyze the evolution of new supply points by market type, we can see the effect on the New Construction market due to regulatory changes associated with the Technical Building Code, in favor of electrification and the emergence of new technologies. In Madrileña Red de Gas, we are working to offer developers new hybridization solutions for heating and new strategies such as renewable gases.

However, no major changes are observed in the rest of the natural gas markets (Horizontal Saturation, Vertical Saturation, Spontaneous and Commercial Premises), maintaining a trend that continues with previous years. It should be considered that the geographical area of Gas distribution is predominantly residential and that the capillarity of the MRG network is such that there are few areas where there is no distribution network. This once again

New recruits  
Annual totals by market type



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

### Commercial campaigns in the residential market

During 2022, we have increased our commercial efforts, achieving a more far-reaching impact within MRG's distribution zone, in order to drive the Horizontal Saturation and Vertical Saturation markets.

- Specific campaigns throughout the territory: Destined to increase the market for Horizontal Saturation and Vertical Saturation and aimed at mobilizing up to 6,00 homes, through the conventional channel of installation companies and aimed at driving new pipelines and saturation of existing ones, with an impact on each home, generating a specific offer of your interest.
- Digital campaign in major social networks: Through Facebook and Instagram and aimed at 37 municipalities, in order to capture supply points from

the Horizontal Sturation market. Controlled and managed directly by market managers..

- Campaign for the individualization of central systems in Communities of Owners: Due to the increase in the price of gas, some Communities considered individualizing the central heating services, especially where there are problems od non-payment. From MRG we facilitate this choise, easier to implement that a possible aerothermal energy, with a special campaign.

An extensive publicity campaign has been prepared to inform the communities od the benefits of the individual systems and the aid offered by MRG to help the change.

Through different commercial campaigns, we have managed to promote the commercialization of the markets in different periods of the year, focusing specifically on each one of them.

Public offer 2022

With the conventional commercial campaigns, to which were added those mentioned above, during 2022, we have managed to get more than 220 Installation Companies to join us on this journey by signing our 2022 Public Offer and the Commercial Plans advertised through our website.

Plan Renove for individual boilers in the Community of Madrid

The Community of Madrid develops different Planes Renove for consumers, among others, the one for the replacement of boilers and individual heaters or the energy rehabilitation of buildings that was launched in 2022.

The replacement of individual boilers and heaters in homes reduces heating losses, reduces the environmental impact of emissions and improves the level of safety in homes. That is why the Community of Madrid encourages the installation of boilers and heaters with this Plan Renove.

Individuals or legal entities have been able to benefit from this plan, whether they own or lease the property in which the installation is to be carried out.

The amounts range from €350 for the replacement of condensing boilers to €150 for low NO<sub>x</sub> water heaters.

The great acceptance of this type of initiative demonstrates the need of users for clean, accessible and economical energy. When technological neutrality is achieved, the user decides which energy alternative best meets his or her needs. Therefore, this commitment on the part of the Community of Madrid is particularly noteworthy. Initiatives such as these allow for significant improvements in energy

efficiency and pollutant emissions, without the need for large investments in equipment or infrastructure.

**Other actions with the collaborator channel:**  
The channel of collaborating companies is of great importance to MRG, due to the increase in prices of various materials, which occurred throughout the year, and to adapt to the reality of the market, during 2022 the contract payment prices of the components of the Community Receiving Installations have been revised upwards, to help our channel of installation companies and encourage the use of these Receiving Installations.

High Consumption

Despite the crisis experienced during 2022, as it was a stable and secure supply for the industry, excellent results were achieved in the complex social and geopolitical environment that characterized 2022.

The objectives set at the beginning of the year have been met thanks to the joint work, increasing consumption by more than 180 GWh and 466 new supply points.

From Madrileña Red de Gas, we have continued to promote that natural gas is necessary in the energy transition in which we find ourselves. Some of these industry examples are::

- ROVI laboratories in San Sebastián de los Reyes. ROVI is a pharmaceutical company dedicated to the research, development, manufacture and marketing of pharmaceutical products. In the factory they have in this municipality, they installed new production

lines and equipment using natural gas for the formulation, filling, automatic visual inspection, labelling and packaging of the Moderna COVID-19 vaccine..

- The Paquita Paper Mill in Villanueva del Pardillo. This paper mill is located in the Las Vegas residential development of this municipality and was founded in 1966. It used fuel oil for the production of packaging and recycled paper, which led to constant complaints from neighbors due to the environmental pollution it generated. Natural gas was part of the solution to this problem, so Madrileña Red de Gas carried out the necessary actions and infrastructures to provide them with a more environmentally sustainable, comfortable and safe supply.

Natural gas continues to be essential throughout the industry; other notable examples this year are POLYPLAST HISPANIA, dedicated to the production and processing of expanded polystyrene, CARPISA, the meat industry, and DOS DINGOS, a brewery.

Another type of customer to be highlighted, which has meant a great consumption for the company, has been the funeral parlors/crematoriums. Last year, three crematoriums were put into service: El Escorial, Colmenar Viejo and Valdemoro. The first two used other energy sources, such as propane gas and diesel, respectively. The companies that operate them decided to install new furnaces using natural gas as fuel, thus improving their efficiency and environmental emissions. The peculiarity of all these crematoria, due to their activity, is that they are located on the outskirts of the municipalities,

The objectives set at the beginning of the year have been met thanks to the joint work, increasing consumption by more than 180 GWh and 466 new supply points

Natural gas has continued to be an efficient and sustainable solution for air conditioning in the residential and tertiary sectors, providing heating and hot water to residential communities and public buildings. During 2022, 15 community halls and 35 schools have been put into service



so MRG made a large investment as they are complex works and far from the distribution network so that they could have the most environmentally friendly energy.

District Heating or district networks consist of a central power generation facility and a network of pipes, usually buried, through which thermal energy is circulated and distributed by circulating steam or hot water.

Another milestone achieved this year was the supply of natural gas to District Heating in Móstoles. Móstoles District Heating is the largest district heating and SHW network in Spain for 6,500 homes. It was inaugurated in 2017 and the plant is composed of two 5,000 kW biomass boilers and a 2,000 kW support boiler, with an expected consumption of 5,934 tons of biomass per year. After five years of operation, they have had to choose to include a natural gas support by installing two boilers of 4,600 kW and one of 1,650 kW, since biomass alone did not achieve the expected thermal equipment performance.

In addition, another of the disadvantages of District Heating was the need for adequate logistics to supply the biomass to the boilers, which they have been able to overcome with the continuous supply provided by natural gas. Biomass is considered renewable because it does not contribute to greenhouse gas emissions, since its CO<sub>2</sub> emissions are neutral, but it does not take into account the CO<sub>2</sub> emissions associated with the pretreatment of the biomass and its transport, in addition to the serious impact it has on local pollution.

Another of the initiatives carried out was the sending of letters to the neighbors of the Communities of Owners of

the districts of Madrid informing them of the specific aids for the change of the boiler room of their community: Plan Renove and Madrid 360º to which those Communities that converted their boilers to natural gas finally accepted. In addition, during 2022, we worked with new databases of potential large consumer customers. We are working with this segmentation by sector and market in the tool developed by REINS engineering, where the distribution network can also be visualized.

New Construction

The year 2022 has revealed the introduction of other solutions for the energy needs of buildings such as aerothermal and geothermal energy.

It has been possible to verify how the predisposition towards other energy production systems, especially aerothermal energy, has changed. The entry into force of the modification of the CTE (Technical Building Code) in 2022 has confirmed these changes. This Technical Code continues to allow the use of natural gas, also obtaining the maximum qualification.

Despite all the difficulties, 4,129 homes have been supplied with natural gas by 2022. Of these, 2,595 homes are equipped with individual boilers and 1,534 with central boilers.

Expansion Area has worked intensively with the developers, holding meetings with each of them to try to find out the energy preferences of their future developments and to inform them of the existing possibilities.

The “efficiency” of aerothermal systems depends on the geographical area where they are installed and in Madrileña Red de Gas, together with the engineering company ESCAN, we have carried out a detailed analysis, which we have shared with real estate developers.

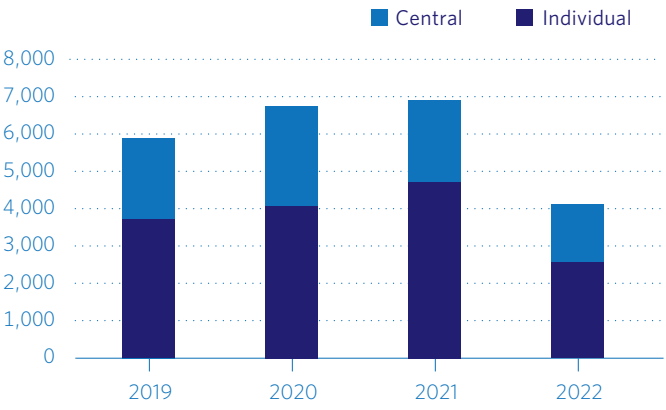
Detailed study on aerothermal energy in Continental Clime

In January 2022 and in collaboration with the company Escan S.L., a document has been prepared with all the necessary information to know our main competition in the New Construction market.

These are some of the conclusions of the report:

- Heating systems based on aerothermal energy only show high efficiencies in temperate climates (coastal areas) and have low performance in locations with very cold winters, typical of the continental climate of the Community of Madrid.
- Despite being considered a renewable technology, aerothermal equipment has indirect CO<sub>2</sub> emissions, due to the consumption of non-renewable electricity in the current Spanish energy mix, and direct CO<sub>2</sub> emissions, due to the use of a refrigerant gas.
- The initial investment cost and the life cycle cost are high for an aerothermal system, even compared to a solution with similar benefits based on a condensing boiler, air conditioning and solar thermal panels.
- in secondary homes, the high initial investment cost and the low use of heating mean that profitability is significantly reduced.

New construction evolution  
Total by boiler type



Despite all the difficulties, 4,129 homes have been supplied with natural gas by 2022. Of these, 2,595 homes are equipped with individual boilers and 1,534 with central boilers



- Aerothermal energy can only be used efficiently with low-temperature radiators, underfloor heating or fan coils, not with conventional high-temperature radiators.
- The aerothermal equipment has outdoor units on roofs, facades or floors, which take up space, harm the aesthetics of the building and make noise.
- Aerothermal requires a high power term, between 2 and 4 kW higher than a system without a heat pump. This can motivate changes in the electricity rate of the bill, in addition to its corresponding energy consumption.
- Aerothermal energy causes consumption peaks during start-up, especially on hot or cold days, which can cause safety cuts in the differentials of homes, or even cause cuts in the electrical network, affecting other neighbors.
- Gas boilers are compatible with biogas and decarbonization. Currently they even admit 20% hydrogen in commercial units and a growth of this percentage is expected in the coming years..

These arguments have helped us to defend our product, thanks to the deepest technical knowledge about aerothermal systems. For this reason, at MRG we promote the hybridization of aerothermal - natural gas, focusing on important aspects such as improved energy efficiency, maintenance of energy rating, lower life cycle cost, reliability, and improved service guarantee.

**Signing of Agreement with EC and AEDAS Homes and TESTA HOME**  
During 2022, and in collaboration with the Energy Company Aedas Homes, the first agreement has been signed to install natural gas boilers to support the aerothermal equipment (180 homes - Majadahonda).

This marks a major breakthrough in this area since, as seen above, it has been demonstrated that the aerothermal system works best when supported by a natural gas boiler that increases the efficiency of the system.

**LPG Market**  
Madrileña Red de Gas in the last year has started the final phase of the project to transform more than 15,000 supply points in planning for the years 2022 and 2023.

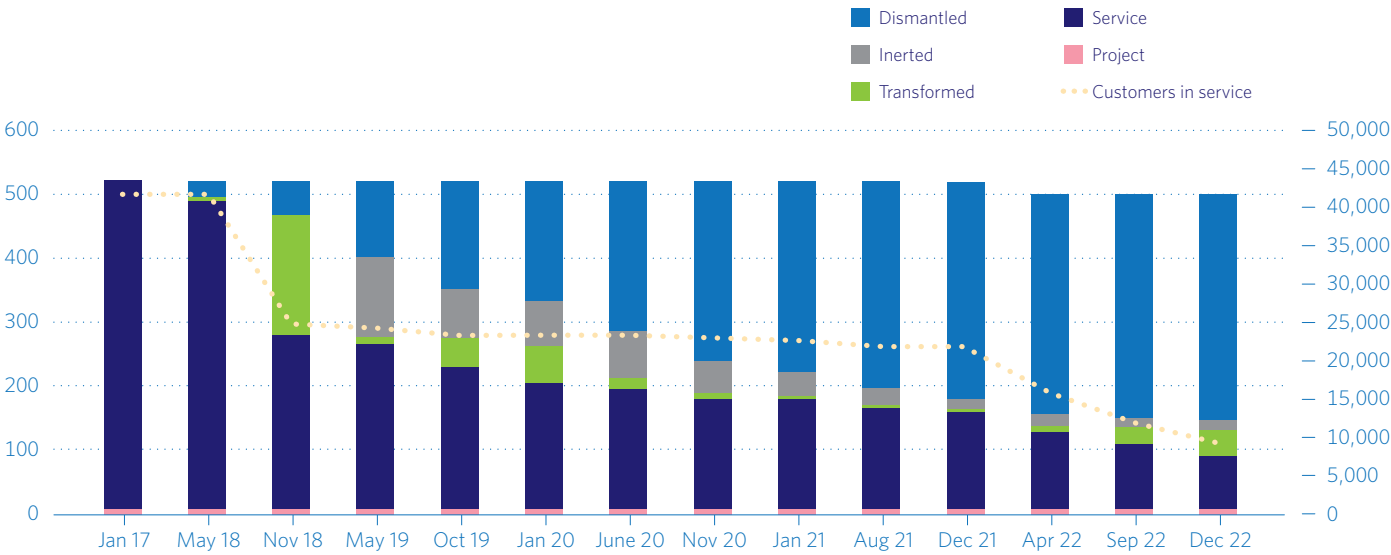
During the past year, this operation has been carried out in more than 7,000 homes. To this end, we have collaborated with eight leading companies in the sector, converting more than 66 storage centers to natural gas.

MRG has acted in 23 municipalities in the Community of Madrid, leaving 12 of them free of propane gas.

In 2022, more than 5 million euros have been earmarked to carry out the work of reusing and expanding networks, adapting and modifying facilities, transforming equipment and decommissioning storage centers.

In addition to this work, progress has continued to be made in the digitalization and automation of the processes of generating orders to be executed in the field and in the

State GLP plants and no. customers service MRG



resolution of claims, making the transformation operation an easy, safe and comfortable process for the end user.

In the coming years, 100% of LPG installations will be completed, reaching the municipalities of Soto del Real, Miraflores de la Sierra and Los Molinos.

**Digitization**  
In 2022, we have focused on expanding the services offered by the installers' area in the virtual office. A strong investment has been made to improve the personalized section on the website for installation companies. A digital advance has been made for the creation of files related to new or new gas connections, in residential housing installations up to 50kw, through our Virtual Office, allowing us to view their status and manage requests 24 hours a day.

For the year 2023, we plan to transform more than 5,000 homes to natural gas, which would complete the transformation of all the facilities where we currently have the feasibility of connecting to the Natural Gas network

## Our objective is that all the procedures that an installation company needs to do with MRG are unified through the web

With the implementation of 100% telematics filing since April 2022, 636 files have been received throughout the year, with an average processing time of 2.52 calendar days.

Our objective is that all the procedures that an installation company needs to do with MRG are unified through the web. Likewise, this digital progress also included requests for gas cuts necessary for the placement of a new outlet in a common installation. Throughout 2022, 152 requests were handled. The average processing time for these files was 3.94 days.

This progress has also speeded up interdepartmental communications, eliminating the need for e-mails for these procedures, and making it possible to immediately associate a file with specific supply points. As a result, the monitoring and control of the process can be carried out in detail, at any time and with access to the information by any person involved in any of its states.

To this end, in 2023 it is planned to include requests for gas shut-offs, in case of modification of the common installation, as well as new connection files associated with dwellings with power over 50kw, as well as any commercial or industrial premises.

In addition to this, all these files will be automatically linked to the incoming registration request from the supplier, and all the documentation in the field will be available at the moment on our operators' terminals.

### Collaborators

Madrileña Red de Gas continues its commitment to build loyalty in our commercial channel and collaborating

companies, investing in the development of tools that facilitate the daily work that results in the acquisition of new customers.

During 2022, the expansion of the Enerty tool has continued, where more than 8,000 IRG3 installation certificates from MRG's distribution area have been processed. In addition, we have incorporated the Certificates of Correction of Anomalies in Periodic Inspections into the certification flow.

On the other hand, different initiatives have been carried out for the marketing of natural gas. Thanks to the collaboration of the company The Marketing Hub, an advertisement was installed on billboards in industrial estates where MRG has a presence. The aim was to arouse interest in the supply of natural gas to those companies that did not yet have it. The billboards chosen were located in the San Fernando de Henares Industrial Estate and the El Álamo Fuenlabrada Industrial Estate.

### Potential market management and third-party networks

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

Based on Google Maps technology and through the overlapping of cadastre and mapping layers of our network, we have managed to develop a geo-positioned visualization of future urban developments where, through the signing of a collaboration agreement with the land developers, future networks prepared for renewable gases will be built, also giving access to future renewable hydrogen networks.

Through the control cards and the detail by color, we can visualize all those future developments for which we have issued feasibility reports for future networks.

### Virtual office for the recruitment of our LPG customers

This project arose as a purpose of updating the new contracting processes, since consumers, especially domestic consumers, already operate digitally with most services on a daily basis.

The main objective of the project was to automate the LPG contracting processes, so that through the Virtual Office the contract is generated in Logalty support, the customer receives an email to sign the contract and once signed, the OV itself sends it to our system to generate the registration.

During 2022, this process has been enhanced to also include ownership changes on LPG contracts. Today, 100% of MRG's LPG registrations and ownership changes are managed through the Virtual Office.

### Distribution Network

As part of MRG's action plans for 2022, the necessary renovations, meshing and corrective actions have been carried out to maintain the safety conditions in the network and guarantee the supply of natural gas and LPG networks, replacing materials such as steel, cast iron and/or copper with polyethylene piping. Renewing, during this year 2022, about 800 meters of copper and steel network in LPG networks.

The correct operation of the regulation systems in their different pressures has been managed, carrying out the corresponding regulatory surveillance on the gas network

and the tightness control of 2548 km of the gas network, operating more than 7000 valves to check their correct operation, carrying out about 1000 painting/cleaning actions of the network elements and about 6990 measurements on the equipment that ensure the cathodic protection of the steel networks.

Likewise, the dismantling of 14 LPG plants has been carried out in coordination with the town councils of the affected municipalities, emptying, burning, inerting and removing 19 tanks. For this purpose, it has been necessary to make more than 15 trips in order to transfer the emptied gas to Repsol’s facilities, thus avoiding emissions into the atmosphere; as well as the transport of the waste obtained in these dismantling operations to the treatment plants set up by the Community of Madrid, respecting Madrileña Red de Gas’s commitment to the environment, all this without interfering with the usual dynamics of customers and neighbors; following the anti-Covid-19 action and disinfection protocols before, during and after each work, thanks to which, there has been no contagion among the workers.

Finally, it is worth mentioning that, in collaboration with different companies, public bodies and customers, we have responded to requests received to set back the gas network due to new urban developments, roads of the community of Madrid, construction of new buildings, etc. Approximately 200 meters of setbacks on the gas network have been carried out.

Likewise, 100% of the Maintenance Plan established by current regulations and MRG’s internal standards has been carried out on the 6054 Km of network, auxiliary facilities, the 5 satellite LNG plants and 128 existing LPG plants, carrying out more than 14,000 scheduled actions.

Emergencies

In 2022, the Emergency Department of Madrileña Red de Gas handled a total of 10,253 emergency calls, out of a total of 54,045 calls to our Call Center. The response time for the most urgent calls was 26 minutes for Priority 1 calls and 39 minutes for Priority 2 calls.

Among the most relevant types of notices, 116 notices of breaks in our pipelines by third parties were attended to in an average of 29 minutes.

In addition, the Emergency team has participated in the Dark Gas campaign to reduce shrinkage, finding 98 anomalies or frauds in meters in villas.

As a notice of special interest, in August a water ingress in the low-pressure distribution network due to a breakdown of Canal de Isabel II, in the area of the Fuencarral district, was attended to, which caused a lack of supply to some 400 customers. This fault was solved in three days, from the moment the first warning was received until the service was restored to all the affected customers.

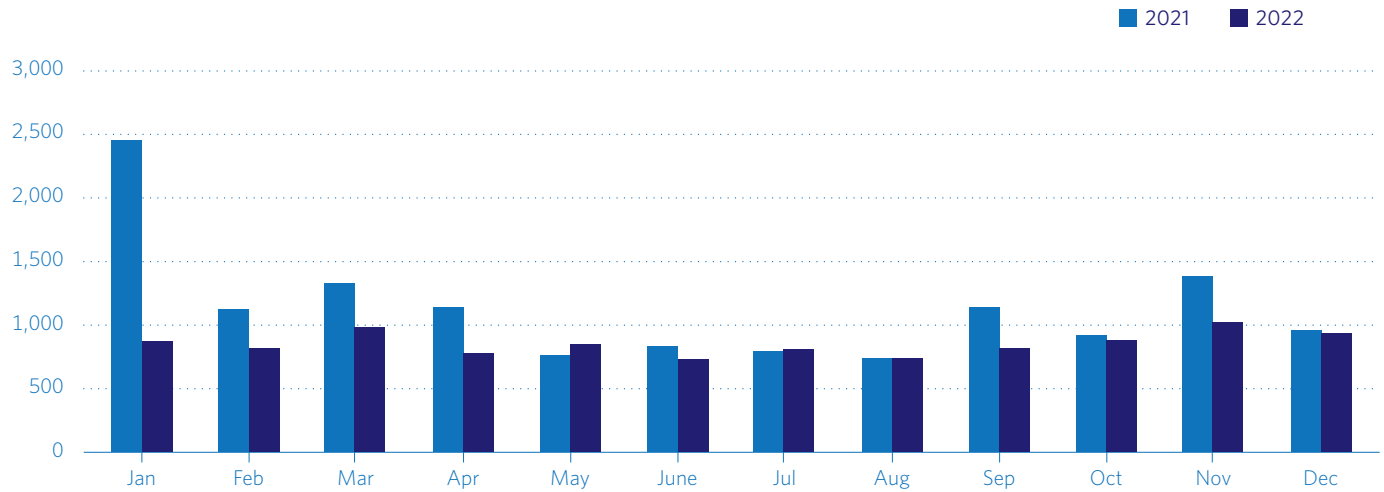
Centro de Control

The main actions carried out during 2022, in relation to the Control and Distribution Center (CCD), are as follows:

- A request for 74 LNG tankers has been made, supplying 20.01. During 2022, there have been no incidents in the supply of LNG plants. The total emission of natural gas during 2022 has been 9,351 GWH.
- The replacement of obsolete equipment (dataloggers) with new remote stations has been completed.

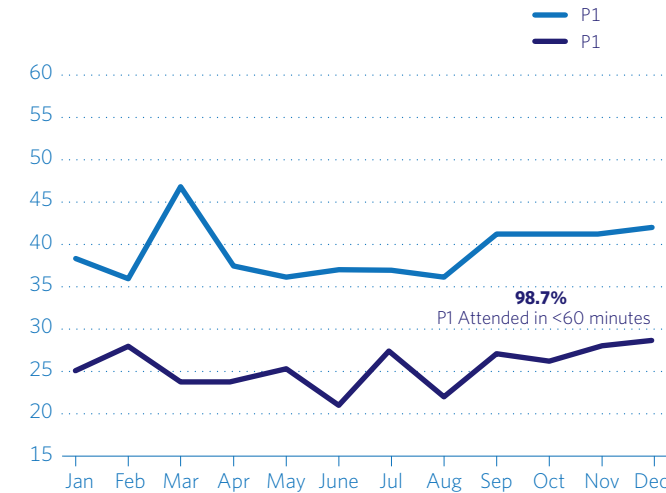
Number of emergency calls

Total number / month



In 2022, the Emergency Department of Madrileña Red de Gas handled a total of 10,253 emergency calls, out of a total of 54,045 calls to our Call Center. The response time for the most urgent calls was 26 minutes for Priority 1 calls and 39 minutes for Priority 2 calls

Call response time calls by priority (minutes)



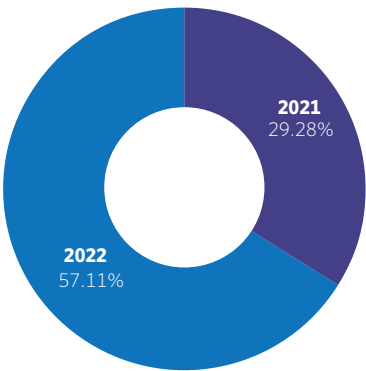
- A total of 176 preventive and 320 corrective remote management systems have been implemented in all remote management facilities, including LPG plants with remote management systems.
- The new Synergi Gas network simulator has been implemented, allowing network behavior studies to be carried out with different types of gases.
- In the Cartography area, 862 works have been captured with a total of 32,275 meters and 1478 connections. The mapping of 19 municipalities has also been adapted and two new municipalities (Moralzarzal and Collado Mediano) have been mapped in order to start gas supply in the near future. The network has been updated in 48 LPG industrial estates that have been converted to natural gas.
- In the area of verification and measurement of industrial meters, 665 meter verifications and 49 converter verifications have been carried out, thus adapting our fleet to the new regulations and complying with the specifications indicated in the PD-01.

# Customers

For both MRG and its customers, 2022 has been a turbulent year, marked by an energy crisis that has required the implementation of extraordinary measures. MRG has been able to adapt to these measures in record time, offering its customers all the necessary information and assistance in their procedures.

In addition, we have worked to create and improve digital communication spaces, such as the WhatsApp channel, which facilitate communication with end users, who are increasingly demanding efficiency and minimisation of the time required for their transactions; as well as the implementation of the communication platform with marketers (IOGAS), which better supports the messaging processes required by the regulations.

Request to arrange visits for home operations (%)



During 2022, there was an increase of around 28% in the number of requests for home visits through the call centre channel for meter verification by customers

Customer service

During 2022, Russia’s invasion of Ukraine, as well as the situations arising from this conflict, had major consequences on all international energy markets. This situation was passed on to all European consumers, both in terms of energy prices and increased security of supply risks.

In this regard, Spain implemented several measures in record time, within the framework of the National Response Plan to the economic and social consequences of the war in Ukraine (Royal Decree-Law 6/2022), with special emphasis on those groups in a situation of energy vulnerability.

These measures include the following:

- Greater flexibility of contracts (RDL 6/2022, RDL11/2022, RDL18/2022 and its last publication RDL 20/2022, art.10).
- A new tariff of last resort for natural gas temporarily applicable to homeowners’ associations (RDL18/2022).
- Improving the information available to natural gas consumers on energy consumption and choice of supplier (RDL18/2022).

These changes have led to a feeling of unease among customers, who are concerned about their consumption and the cost this may entail for them.

In this regard, Madrileña Red de Gas has had to adapt in record time to provide a quality service to customers, guiding them in the effective use of consumption and facilitating both the arrangement of visits requested by customers who want

to know if their gas meter is measuring correctly, and the coordination of work in the field.

During 2022, there was an increase of around 28% in the number of requests for home visits through the call centre channel for meter verification by customers.

Likewise, MRG has had to address customers’ concerns about the consumption billed by their suppliers, requesting that these be supported by actual readings or readings provided by the customer, so that the billing of consumption is as accurate as possible.

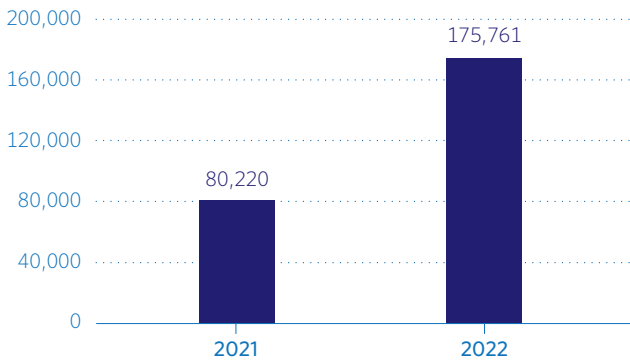
It should be noted that MRG has focused on keeping customers informed at all times about their consumption and the obligations that the customer has as a gas user. Information has also been enhanced through our Virtual Office, where the customer can be autonomous both in requesting information, obtaining a response to it, and in the management of their supply point, and in parallel, the channels of contact with MRG have been optimized (such as WhatsApp), with the aim of facilitating the recording of readings by the customer, both numerically and with the support of a photograph of the meter.

We have also had to reinforce our support on the change of supplier, mainly focused on the change of contracts with deregulated market suppliers to regulated market suppliers. In this regard, in 2022, 175,761 changes of supplier have been managed, compared to the 80,220 that were executed in 2021, representing an increase of 119%.

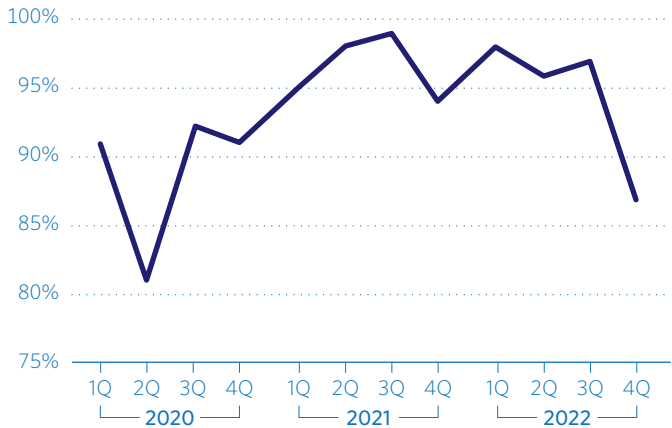
Call Contextualisation in the Call Center

Currently, we have a customer list with more than 850,000 mobile phones, which represents 92% of the customer

Marketer changes (Total number)

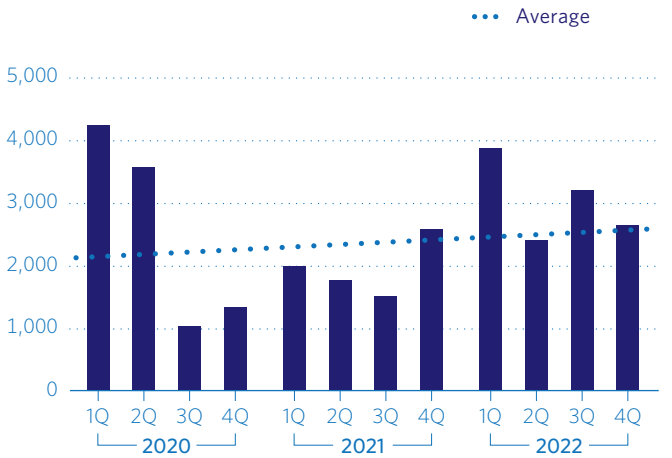


Evolution of the resolution of the requests  
Quarterly variation



Note: Information requests, demands for action and claims resolved in the first 24 hours are included.

Claims to the CNMC processed by the marketers  
(Total per quarter)



database, which allows us to identify the customer who contacts MRG through the call center, from the phone we have on record.

In this sense, a logic has been implemented in our systems, which, after identifying the telephone, identifies the situation in which the supply point is, contextualizing this situation in the CRM that supports the call center through on-screen messages, helping the agent to guide the management of the possible request that the customer wishes to process, and to prevent any urgent issue that needs to be dealt with or extra information that the customer should have, in order to resolve situations pending completion, such as a scheduled Periodic Inspection, supply cut off due to anomalies in the installation, the pending delivery of a Proof of Correction of Anomalies, etc.

Broadly speaking:

In this logic, 45 possible scenarios have been parameterised, prioritising in this first phase, scenarios related to the process of Readings, Periodic Inspection, Commissioning and Household Operations related to supply interruption, identifying some context in 64% of the calls..

Engagement for request management

One of the most recurring questions among our customers is: “What about mine?”

One of our main challenges so far is to reduce the volume of callbacks we have in our call center, as well as the repeated requests for information coming in through any available channel.

This objective lies in promoting First Call Resolution through any channel, as well as keeping the customer sufficiently informed about the status of their supply point, as well as the procedures that are being processed..

In this regard, MRG has implemented an engagement system with more than 70 types of messages in the email, SMS and WhatsApp channels, corresponding to eight processes, mainly on the requests that come to us from the commercialisation companies.

The objective is to keep the customer always informed, providing value, both in terms of our own processes such as readings or periodic inspections, as well as the requests that MRG receives from the commercialization companies.

Among the communications, there are informative messages of great value to the customer, such as a personalized report of their consumption, to the possibility of modifying an appointment, seeing the technician’s photo or seeing his route until he arrives at the customer’s home. With respect to requests from distributors, such as changes of ownership, changes of distributor, commissioning, cessation of supply, reopening after payment of debt, etc., MRG informs customers both on receipt of the request and on the execution or scheduling of the visit, allowing the rescheduling and completion of the visit, allowing customers to find out from their distributor what the distributor is doing on their behalf, avoiding fraud and unwanted requests.

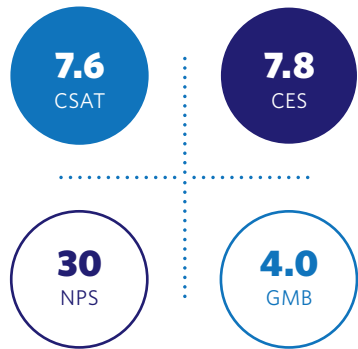
With this improvement proposal, we have generally managed to increase information with the customer and manage their expectations, in order to answer in most cases the question “What about mine?”.

The objective is to keep the customer always informed, providing value, both in terms of our own processes such as readings or periodic inspections, as well as the requests that MRG receives from the commercialization companies



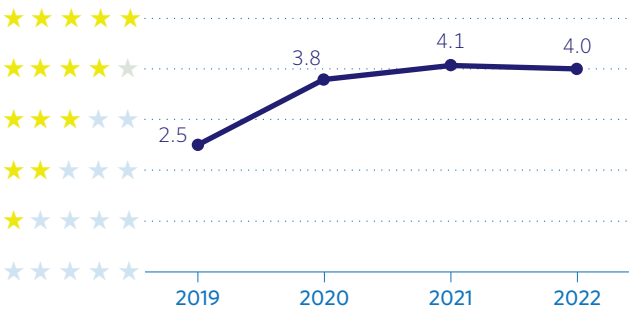
Despite a 21% increase in the number of Call Centre contacts, we have managed to maintain our customer satisfaction rating (CSAT) at 7.6 and Google My Business at 4.0 with over 8,800 reviews

Key Performance Indicators (KPIs) in 2022



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

MRG ranting on Google  
Average score



Loyalty: a tense year in the energy sector

At the national level, and particularly in Madrid, our customers have not been unaware of the global energy context. The uncertainty of supply, high prices, the contribution of natural gas to electricity generation, regulatory and normative changes, or the geopolitical situation of Spain with its main importers, has generated concern and unease.

Faced with this situation, at Madrileña Red de Gas, we have made a great effort to keep our customers at the center of our attention.

Despite a 21% increase in the number of Call Centre contacts, we have managed to maintain our customer satisfaction rating (CSAT) at 7.6 and Google My Business at 4.0 with over 8,800 reviews.

And what have we done during 2022 to achieve this?

- We have given our customers advice on how to save gas without having to make large investments, providing them with a decalogue of 10 ideas, together with a video tutorial, and informing them through communications to customers and the website.
- A total of 65,000 customers, of whom we have not had a real meter reading for more than a year, have provided it to us thanks to our information campaigns to comply with regulations, to be able to bill for real consumption, and to avoid estimates.
- We have processed more than 175,000 changes of supplier (+218%), compared to 80,000 in 2021, mainly to regulated suppliers with Tariffs of Last Resort, maintaining the deadlines and quality of service.

- We have made more than 57,000 field visits.
- We have optimized our WhatsApp customer service channel, offering a premium channel for customer service and customer experience.
- We have carried out more than 57,000 meter revisions, changing the meter 11% of the time, mainly due to faults.

WhatsApp channel

MRG has implemented the WhatsApp channel since 2019, being one of the pioneering companies in the gas sector to have customer service through this channel.

Following the pandemic, and taking into account the strong growth of WhatsApp usage among the population, especially among non-digital people, we see that the time has come to upgrade the platform, optimizing not only navigation and the customer journey, but also the operation of the tool, with more powerful automation and a better valued customer experience.

In this sense, with this new version of WhatsApp implemented in the last quarter of 2022, we have managed to automate 57% of the conversations, the star process being the meter reading registration, providing a photograph of the meter (74% of the conversations received are related to this process).

Through the use of Artificial Intelligence with natural language and an OCR processing of counter photographs, we have reduced from 40% to 16% the percentage of

conversations that require passing to the Agent Group to receive personalized attention.

We have also improved our customer experience rating, with a CSAT of 8.89 (previously 6.1) and an NPS of 60.41 (previously 52.6).

Considered as MRG’s channel of excellence, together with the Virtual Office, due to its level of automation, agility and customer appreciation, various initiatives are being carried out to promote it, such as its promotion via QR on estate signs or the option to divert to WhatsApp in the locutions when calling by telephone.

Readings

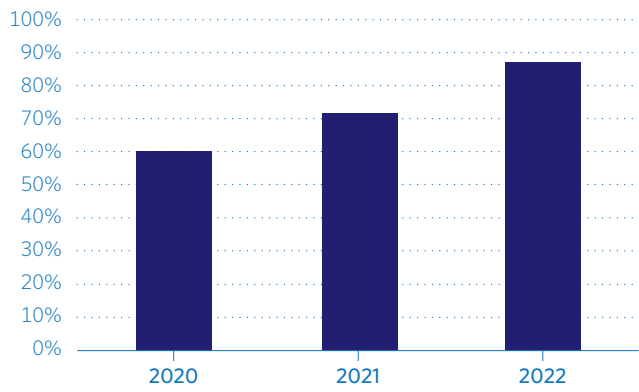
Madrileña Red de Gas has reduced the number of customers without a real reading in one year to 3.25% of its distributed customers.

As seen above, in addition to the attempt to physically read the meter every month/two months, depending on the type of customer, and offering tools such as the Virtual Office to send a photograph of the meter, Madrileña Red de Gas provides end customers with more resources that facilitate the recording of at least one real reading per year, sending WhatsApp reminders of the obligation, coinciding with the reading route, to customers in a situation of non-compliance, for having more than 12 months without a real meter reading, and facilitating the sending of a photo of the meter in this WhatsApp.

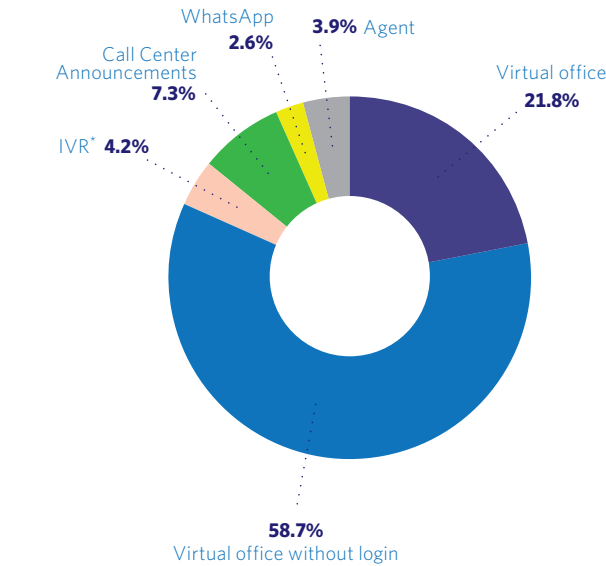
This measure has been possible thanks to the effort to update customer mobile phone number data, and



Self service  
Annual variation



Record of readings by channels (%)



\* Interactive Voice Response Service (IVR)

improvements in the automatic tools for reading the digits of the photo counter. Demonstrating innovation in the sector in terms of the resource used.

The end customer values the measure positively because he understands that it avoids the estimation of readings.

We promote customer autonomy

With the aim of enhancing the autonomy of customers when it comes to facilitating the reading of their meter to MRG, in addition to optimising digital channels such as the Virtual Office or WhatsApp, help and guidance has been reinforced through the call center channel, indicating to customers who contact MRG through this channel how they can facilitate future readings through our digital channels (information on the platforms, specific sections, necessary information, etc.), achieving both a decrease in readings registered through the call center and an increase in readings registered through other channels.

As can be seen in the chart, the Virtual Office is the channel most chosen to facilitate readings by the customer, with the highest percentage in the case of the Virtual Office without login.

In addition, 6,714 customers facilitated reading via WhatsApp in December, surpassing IVR and Call Centre.

Decrease in the ratio of measurement differences

Without forgetting the emission control actions of the transporter and primary distributor, this exercise is carried out, once again, in a project focused on more than 108,000 customers with anomalous consumption and/or more than 12 months without a real reading. The aim is to physically

check the meters of these customers, allowing visits to be scheduled in advance with the end customer.

In an energy and economic environment with abnormally high gas prices, this action has enabled Madrileña Red de Gas to detect 5.53% of cases of meters with an incident (fraud or breakdown), which were causing billing that was lower than actual consumption. In the future, this will reduce the distributor’s shrinkage ratio.

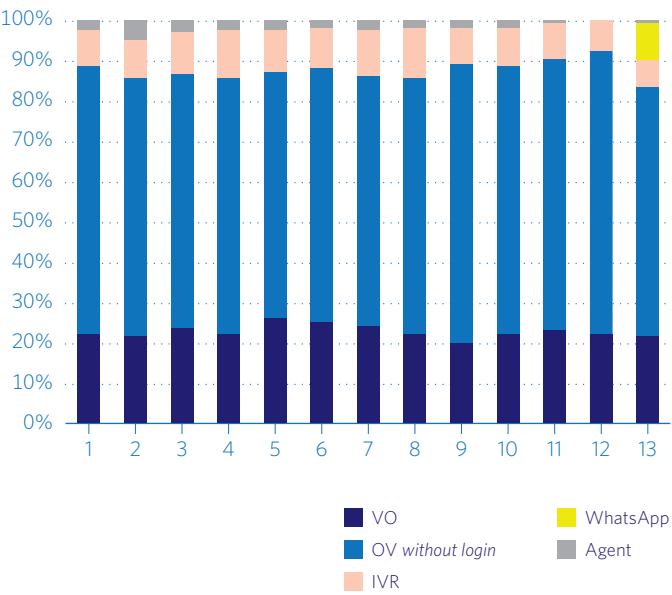
Once again, it is important to emphasize the communication with the end customer in order to ensure the success of the visit to the meter and the convenience for the user.

Domiciliary Operations

The year 2022 was notable for the large volume of field operations resulting from the proactivity of Madrileña Red de Gas and the concern of customers about the increase in their bills, requesting meter revisions. A total of 57,659 field visits were made, with an effectiveness rate of 76%, of which 11% of the customers visited had their meters replaced, mainly due to incidents.

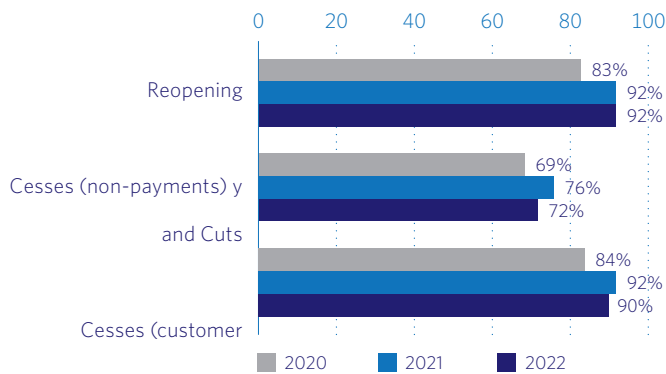
10.57% of the appointment changes in 2021 were home-based operations, however, the large volume of proactive field operations has raised this percentage to 33.47% in 2022, with 18,830 appointment changes.

This year, the Call Center agents have made 71.74% of the appointments on the agenda, with a decrease compared to 2021, when the percentage was 88%.



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Ordinary operations (%)



This year we have closed complaints within the deadline, with 98% being closed within one day

Customers have become more autonomous from their Virtual Office profile, changing almost 22% of the appointments in the schedule on their own, compared to just over 10% in previous years.

With regard to the ordinary operations of cut-offs, terminations and reopenings, there has been a slight decrease in the number of successful cut-offs and terminations at the request of the customer compared to 2021.

Likewise, the year closed with a 1% non-compliance rate of scheduled appointments in the field, slightly higher than in 2021 (closed at 0.6%) due to the large volume of non-routine operations in the field.

If we look at the CES and CSAT indices, 2022 remains in line with 2021, repeating an annual average of 6.4 in CES and 6.8 in CSAT, although there has been a lot more work in the field.

On the other hand, it should be noted that, in IRC maintenance, of the 745 repair jobs carried out in 2022, in none of the cases did they exceed 72 hours to provide gas, the average being 24 hours.

Periodic Inspection

The year 2022 has been a year in which the achievements of 2021 in Periodic Inspection have been continued, again meeting our goals and implementing improvements that allow us to improve this trend.

Since the beginning of the campaign, the volume of inspections carried out has been above the Budget, ending the year with a 98% success rate and a leakage of 0.18%.

This translates into 15,050 inspections above the target and a non-compliance rate of less than 1%.

One of the main challenges this year has been to include the Periodic Industrial Inspection in the ordinary process, giving more visibility and traceability to this process, laying the foundations for improving the quality of these inspections.

Another challenge has been to consolidate our schedules to offer the necessary availability to allow customers to change their appointment without affecting the success of the Periodic Inspections. In 2022, we had 13.92% of appointment changes, which means 31,615 changes, almost 5,000 more than last year. MRG thus consolidates the value added for our customers with the agenda.

In addition to increasing the ease of changing appointments, adapting to customer needs, one of the keys to the results continues to be the continuous communication with our customers through the different channels provided. These communications have been in continuous change, adapting to customer demands as observed in complaints, reviews and surveys.

One of the main consequences of this flow of communications with the customer is that the number of proofs of correction of anomalies received before issuing the cut-off notice has increased to 83%.

This year we have closed complaints within the deadline, with 98% being closed within one day.

In the field, we have had a quality control rate of around 99% throughout the year, with no alarming cases detected.

To conclude, the most objective summary of the year can be the score given to us by our customers in the surveys, which remain above 8 throughout the year.

Marketers

The future of communications between distributors and retailers has arrived. At the end of 2021, madrileña Red de Gas launched IOGas, a new messaging exchange platform with retailers, applying the guidelines of the National Markets and Competition Commission (CNMC) in terms of formats and validations, but applying new technologies that enhance the user experience and improve customer service.

For MRG, what is really important is to share information in real time between marketers and distributors, with the main objective of providing exceptional customer service.

With this new system, it is possible to reduce operation times in the field such as reopenings or registrations, or to increase First Call Resolution in Call Centers and increase customer satisfaction.

In addition, a system has been developed in line with the latest technological innovations and focused on user experience:

- **Operational control**  
IOGas is designed to control operations in an agile and intuitive way: to know in real time through dashboards and customized views the requests sent, rejected, in flight, etc., as well as to have total traceability of the processes and to allow the programming of alerts according to the user's needs.

▪ **Real-time validations**

In any request, validations are carried out online, checking in real time both the validation of formats and the information of the supply point in the distributor’s systems, which allows for instant correction of errors and avoids rejections.

▪ **Integration and access facilities**

IOGas has an API for online integration with the marketers’ own systems, so that any system can connect quickly, easily and securely with IOGas. It also offers the option of exchanging files via SFTP.

In addition to the integration options, it has a friendly and intuitive user interface, accessible via web, responsive for access from any device, and requires little training.

After more than a year in operation, it connects more than 100 marketers, is accessed daily by more than 600 users, and has handled nearly 2 million requests in 2022.

**Satisfaction questionnaire for marketers**

During the year 2022, a Customer Experience study was carried out for our stakeholder group “Marketing companies”,

with the aim of finding out and establishing a precise measurement of the perception and assessment of the activities directly related to them.

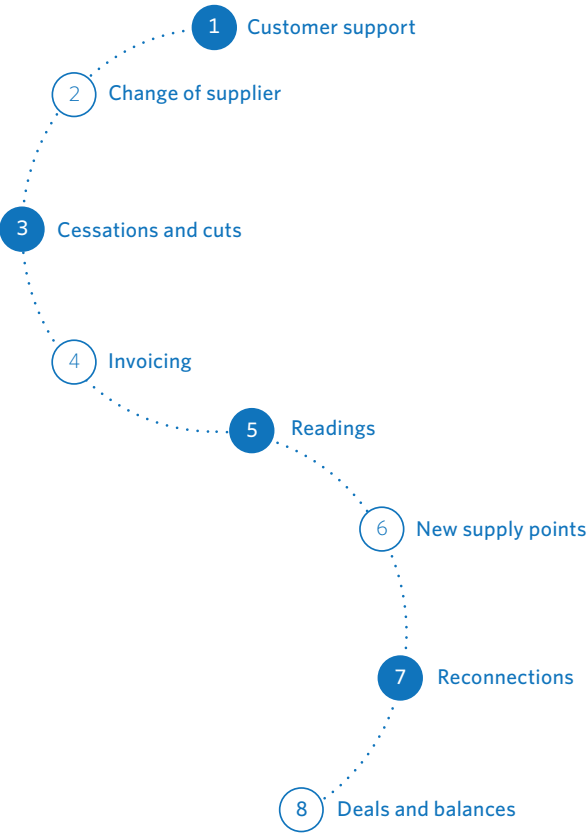
A total of 67 interviews are carried out, belonging to 20 contacts from 9 companies, considering 8 types of services and/or processes provided..

As a general result, it can be seen that the perceived level of service quality of some of the processes has decreased compared to previous surveys.

It should be mentioned that these results, in turn, have been conditioned by the difficulty in obtaining the information of the contact persons to whom the surveys should be directed, because although the starting population was similar to that of previous surveys, the sample of results obtained has been lower (67 interviews with 20 contacts of 9 gas trading companies), and, consequently, and in our opinion less representative.

The report has collected individualized opinions from the contacts who have participated in the surveys that contain valuable information on details and peculiarities of our operations that are susceptible to improvement.

**Types of services provided**



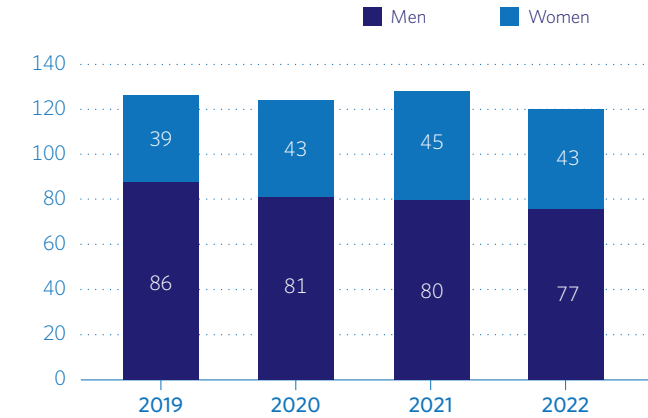
# Human capital

This complicated year 2022, the most important milestone related to our employees has been the signing of the Madrileña Red de Gas Equality Plan 2022-2026, with the aim of continuing to improve the application of the principle of equality between men and women.

In addition, we conducted a new work climate survey to find out what our employees think about the working environment, their overall satisfaction, teamwork, commitment, customer orientation and innovation.

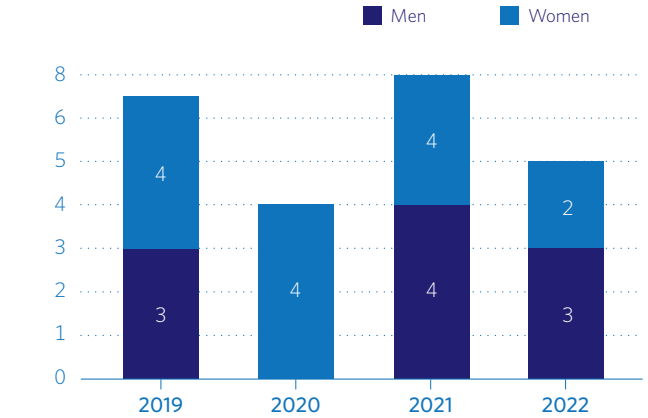
On the other hand, we have continued to reinforce, improve and maintain our Health and Safety Management System, carrying out all the necessary activities to guarantee the safety of our facilities and the health of our workers.

MRG Staff \*  
Totals by gender



\* Data without partial retirees.

New incorporations  
Totals by gender



Staff evolution

During 2022, MRG’s staff has remained stable compared to previous years, with a small reduction of around 4.8%. On the other hand, 5 people have joined our staff, 3 men and 2 women specifically.

In this regard, and as welcome information, during this period an exhaustive revision of the Welcome Manual has been carried out, making it more user-friendly and incorporating new content, as well as links and links to the content. In this way, new recruits can get to know and have a more complete vision of the company.

Teleworking

Since the pandemic and during 2022, Madrileña Red de Gas has continued to support teleworking as an organizational modality in all those departments whose activity allows it.

This modality allows MRG greater access to talent resources, the retention of qualified personnel, the promotion of productivity, the reduction of office expenses and the improvement in the performance of metrics such as the reduction of emissions due to the reduction of travel. For the employee, telework is a lever for motivation, work-life balance and flexibility.

The step prior to the implementation of teleworking was a diagnosis of the situation, the analysis of which involved all areas of management, all of which were rowing in the same direction. It was necessary to identify the positions suitable for remote working, to define a model agreement that reflected the possible problems, and involved the implementation of innovative measures, such as the reduction of physical space in the office.

Knowledge management

For yet another year, MRG has responded to all the training needs that arise as the company evolves and our professionals grow.

Our main objective is to be able to offer and make available to our employees training that, both qualitatively and quantitatively, meets the real needs of the company.

The average hours of training per employee has increased by 17% in 2022 compared to the previous year, reaching 35.25 hours. We can confirm that all employees have received training throughout the year 2022.

MRG’s training plan includes occupational training courses that contribute to enhancing the quality of the service provided, as well as pursuing the following objectives:

- Increase productivity and competitiveness by improving the skills of professionals
- Promote employee development through the acquisition of new competencies
- Cover training needs
- Sensitize employees with company policies
- Facilitate employees adaptation to new technologies
- Facilitate the adaptation to organizational changes of the company.

In 2022, different courses have been made available to employees depending on the type of course:

- Technical training for different profiles.
- Health and Safety for different profiles.
- Skills training.

Our main objective is to be able to offer and make available to our employees training that, both qualitatively and quantitatively, meets the real needs of the company

Among the courses held in 2022 were, among others:

- Cybersecurity.
- Data protection.
- Teleworking: preventive measures.
- Customer experience.
- Hydrogen and fuel cells.
- Power BI.
- Sales Techniques.

On the other hand, in order to strengthen the relationship between departments, MRG has organized the “Road to the Future” round table discussion, in which all the company’s departments participate. Each Director, together with several employees, presented the most important points made during the year in each of the areas. The topics discussed made us reflect on hydrogen, market changes and the value of human capital.

This Discussion Table has been led by a talk by the Director General and presented to the entire staff.

Another of the milestones in training in 2022 was the Mentoring with Department Heads, which will continue in 2023, as well as the Cybersecurity course, presented in a new format, which has been very well received.

Stock of knowledge

During the first half of 2022, the review of the Stock of Knowledge of Madrileña Red de Gas was completed, with the aim of:

- Determine existing knowledge on MRG.
- Detect possible training gaps / needs.
- Identify the experts in each area of knowledge.

Equality Plan

As a sign of our sustained commitment to equality and diversity, at Madrileña Red de Gas we continue to be committed to the implementation of advances and measures aimed at the constant enrichment of our working environment.

In this regard, the year 2022 has been a period of great progress in terms of equality. As a result of the constitution of the Equality Negotiating Committee in 2021, an enriching negotiation process was carried out in 2022, culminating in the signing of the Madrileña Red de Gas Equality Plan.

The Madrileña Red de Gas Equality Plan will be in force for a period of 4 years: from 30 June 2022 to 30 June 2026. The objectives of the plan are to continue to improve the application of the principle of equality between men and women within the MRG staff.

In this regard, the year 2022 has been a period of great progress in terms of equality. As a result of the constitution of the Equality Negotiating Committee in 2021, an enriching negotiation process was carried out in 2022, culminating in the signing of the MRG Equality Plan

Specific qualitative and quantitative objectives agreed upon include, among others, guaranteeing equal treatment and opportunities in selection for access to the company, regulating a professional classification system that guarantees non-discrimination based on gender, fostering women’s access to all groups, categories and positions where they are under-represented, and guaranteeing equality in promotion to the workforce.

Prior to the negotiation of MRG’s Equality Plan, a diagnosis of the situation was carried out, which provided a clear picture of the company’s current situation. In accordance with the conclusions of this diagnosis, the Equality Plan includes the different measures approved to improve the situation of equality between men and women in the MRG workforce, including the periodicity of each one (which entails a plan calendar), indicator and the person responsible for its execution.

Work Climate

In November, the HR department sent out a work climate survey to all staff, designed to gather information on the working environment and commitment at MRG. The results provided valuable information in several areas: overall employee satisfaction, responsible relationships, teamwork, commitment, customer orientation and innovation.

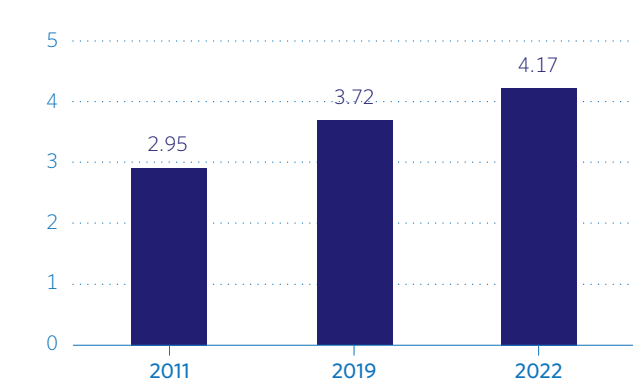
This year 2022, the assessment has been better in each of the points addressed than in the last survey. Part of this improvement is due to MRG’s commitment to training and teleworking, a work-life balance measure that is highly valued by employees and which has been implemented since the pandemic.

- The overall result of the survey was 4.17 out of 5. The average rating has increased by more than 12% from 2019 to 2022.
- The participation rate has increased compared to previous surveys, from 58% to 75%, which means an increase in employee confidence and trust in the actions taken following the surveys.
- A 16% increase over the previous survey in the number of employees who would recommend MRG to a friend.

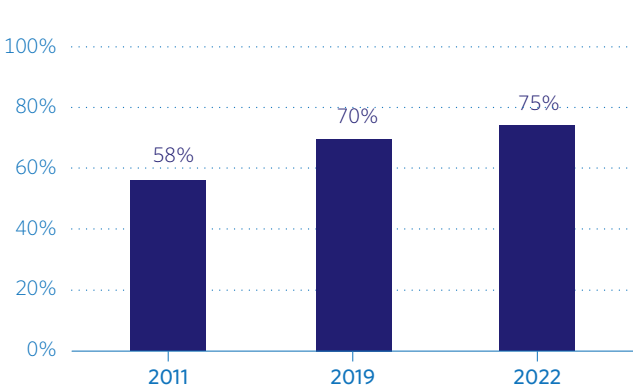
Based on the results obtained, the HR department will draw up a corresponding Action Plan to improve the working environment, based on the following initiatives:

1. Maintain positive work climate results and drive improvement.

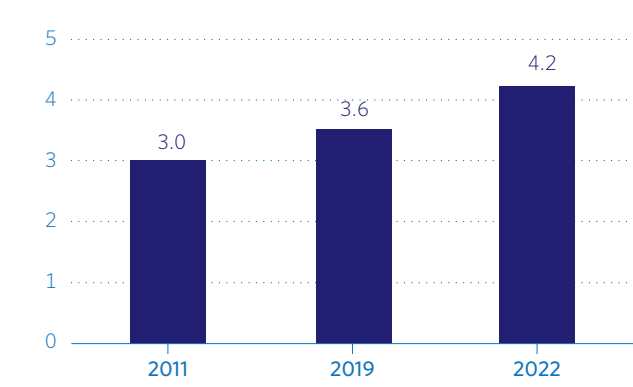
Overall assessment (1 - 5)



Participation (%)



Recommendation to a friend (1 - 5)



- 2. Strengthen relationships between departments through annual meetings, training, projects and events, fostering growth as a business team.
- 3. Increase annual feedback conversations and strengthen communication.
- 4. Promote greater communication on the achievements in the areas.

Occupational Health & Safety

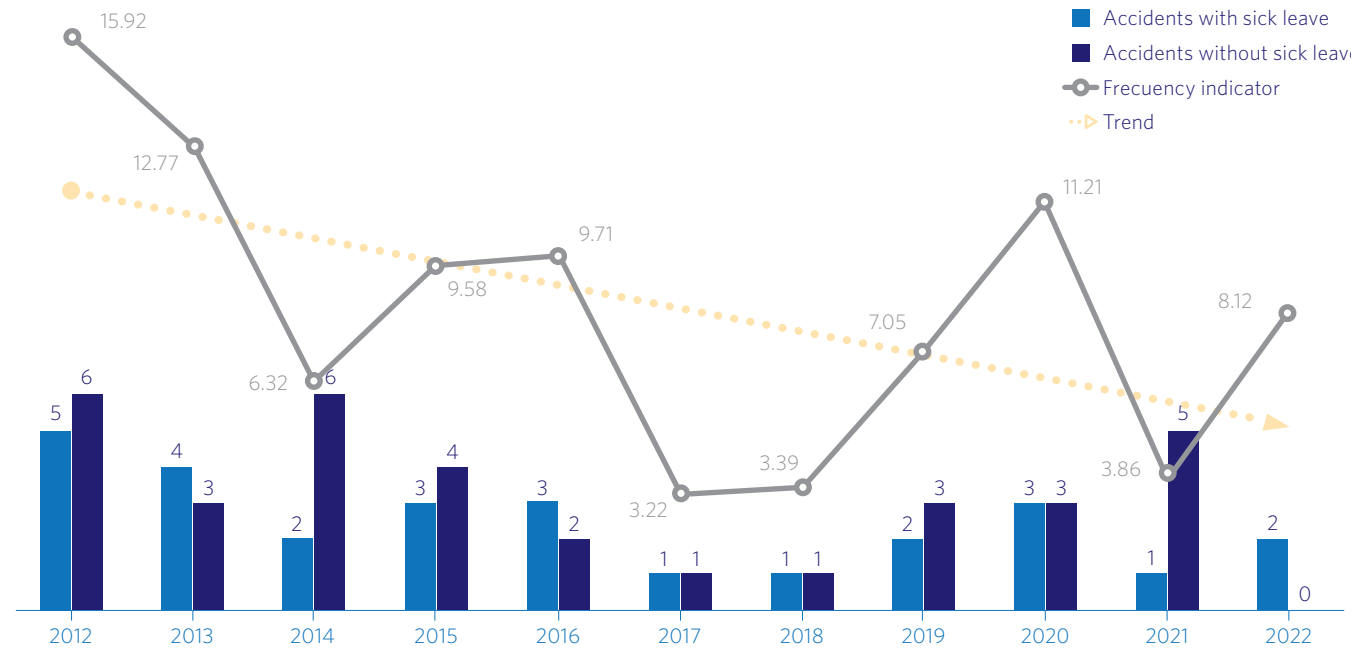
In 2022 it has been necessary, but with less intensity, to continue the prevention policies implemented for Covid-19, a disease caused by the SARs-Cov-2 coronavirus, which for practical purposes has materialized in the preferential application of remote working for office staff whose positions are compatible with this organizational modality, in addition to a whole battery of measures aimed at staff who work from offices and who carry out actions in the field.

Likewise, with the regularization of teleworking, surveys have been carried out to collect data for the evaluation of occupational risks by the External Prevention Service. As a result of this process, the need to provide additional means to promote the development of work from private homes in adequate health and safety conditions has become apparent.

In the area of self-protection, emergencies and prevention of serious accidents (SEVESO III), the following significant actions have been carried out:

- The second three-year management cycle of LPG plants with storage capacities exceeding 50 tons affected by R.D. 840/2015 Seveso III has been completed, with the completion of the internal audit of the management system and the regulatory inspections of article 21. In these assets, the inspections of the fire protection systems indicated in article 20 of R.D. 513/2017 have been carried out.
- Further progress has also been made with new batches of explosive atmosphere verifications at LPG storage sites.
- Likewise, a new cycle of periodic visits by ADR advisors to the affected facilities was carried out, as well as operational control visits for prevention, environment and quality to different significant processes.
- 22 simulations have been carried out at the LPG plants, as well as one simulation at one of the LNG storage plants.
- The management of Industrial Safety and WRP has focused on the preparation of the external audit for the Integrated Management System Certification Monitoring according to ISO 45001:2015.
- In 2022 there was a decrease in the accident rate for own staff compared to previous years, but the severity was higher, with a frequency rate of 8.12 points as a result of two lost-time accidents.

Evolution of workplace accidents in MRG, 2012-2022



Note: The Frequency Indicator is defined as the number of accidents with leave during the working day for every million hours worked

# Gas and society

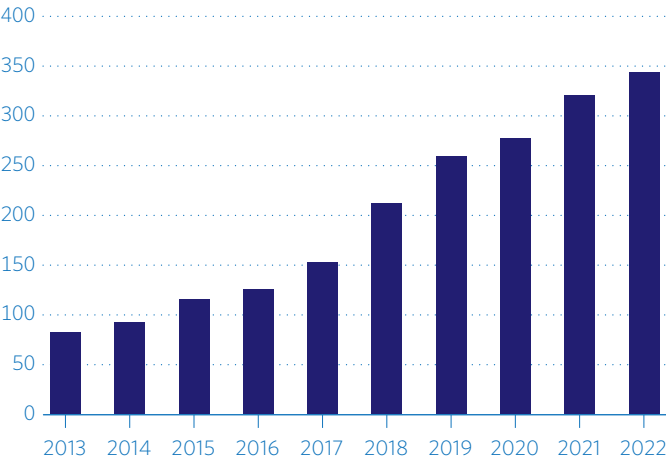
During 2022, as a result of Madrileña Red de Gas’ commitment to the energy transition process, we have participated in interesting innovative projects, whose medium to long-term objective is to transform our natural gas distribution network into a network of renewable gases such as H2 and to be a clear alternative in this transition.

These projects include the Inspira Madrid project, for mobility with green hydrogen in the Community of Madrid, the Pryconsa project, for the use of renewable hydrogen to cover heating and SHW needs, and the Cavendish2 project, aimed at studying the competitiveness of renewable gases and their role in the energy transition.

In relation to NGV, for yet another year, the consumption of natural gas as a fuel for mobility has continued to increase. Finally, it should be noted that, under our commitment to fight climate change, we have once again calculated and verified our carbon footprint, according to scopes 1, 2 and 3.



NGV consumption evolution  
(GWh/year)



Therefore, there are already 19 NGV stations connected to the Madrileña Red de Gas networks, and in the coming months this number will exceed twenty

Natural Gas Vehicles (NGV)

During 2022, despite the price variations caused by the unfortunate events that occurred during the year, the consumption of natural gas as a fuel for mobility has continued to grow. This has been helped by the stabilization of prices that has returned to the gas market since the last months of the year, returning to the previous situation of significant economic savings compared to other fuels.

Two new public access NGV refuelling stations have been opened in 2022, one in Alcorcón and the other in Móstoles.

Both municipalities in the southern periphery of Madrid have around or more than 200,000 inhabitants with a great need for mobility of people and goods.

These openings facilitate access to an efficient and economical fuel for potential users who need environmentally sustainable transport for access to the capital or the upcoming Low Emission Zones to be implemented in both municipalities.

It will also be feasible for fleets and individuals to be supplied at these or other biomethane stations, given the imminent implementation of Guarantees of Origin (GoO) in the gas sector.

A vehicle using biogas would be to all intents and purposes zero emissions and therefore perfectly comparable to vehicles with combustion engines using environmentally friendly fuels. The engines do not pollute, the fuels pollute, and in this field NGV, in its conventional version, is the fuel with the lowest CO<sub>2</sub> emissions (global pollution) and practically zero local pollutants (mainly NO<sub>x</sub> and particules). In its bio version, as mentioned

above, it would have a zero CO<sub>2</sub> balance. More than 12 GWh of biomethane have already been consumed in road transport during 2022.

Therefore, there are already 19 NGV stations connected to the Madrileña Red de Gas networks, and in the coming months this number will exceed twenty.

The NGV fleet in Spain amounts to 34,879 vehicles, it should be noted that nearly 50 % of the registrations take place in the Community of Madrid. There has been an increase in the registration of industrial vehicles and buses. The existing gas stations can be consulted on the GASNAM website (<https://gasnam.es/terrestre/mapa-de-estaciones-de-gas-natural/>).

Environment

In the environmental area, the system of environmental performance indicators has continued to be maintained, and progress has been made in perfecting the event-based methodology for estimating fugitive methane emissions from the distribution network, separating Scope 1 and Scope 3 emissions, the result of which is taken into account in the corresponding carbon footprint report.

During the year 2022, MRG’s carbon footprint scope 3 has been calculated for the first time and a report has been prepared under the ISO 14064 standard and verified by an independent third party.

Finally, this carbon footprint report has been notified to the Spanish Climate Change Office and has been awarded the “CALCULO” label for 2021.

In addition to its calculation and verification, we have established a clear commitment to its reduction, carrying out different strategies, such as a proposed Mitigation Plan aligned with the “Fit for 55” targets for 2030 and “Net o” for 2050, among others.

On the other hand, the notification of the contaminated soil reports of the decommissioned LPG plants has continued at a good pace, and many of the owners of these soils have been notified of the conclusions of the administrative resolutions related to this process.

It should be noted here that MRG continues to work and improve its performance with the aim of maintaining the certifications of its Integrated Management System for Prevention, Environment and Quality (SIG) according to the ISO 45001, ISO 14001 and ISO 9001 standards respectively.

In addition, as mentioned above, a new section on “Sustainability” has been developed on the MRG website, where the organization’s commitment in this area is shown and performance results are reported: <https://madrilena.es/sostenibilidad/>.

Finally, it is worth mentioning that a clean point has been created at the new work center in Alcorcón, both for the management of Solid and Urban Waste, through the service designated by the City Council, as well as for Hazardous Waste, by requesting the NIMA code (Environmental Identification Number) from the Community of Madrid, which unequivocally identifies each waste-producing activity.

The environmental performance of Madrileña Red de Gas, as well as the results of its emissions, consumption, waste

and other environmental aspects derived from its activity, are included in the Sustainability Report for the year 2022, prepared and verified in accordance with GRI standards, as mentioned above.

### Inspira Madrid Project

Madrileña Red de Gas, together with FRV, and Grupo Ruiz, and the collaboration of the Professional Taxi Federation of Madrid, will participate from 2021 in the most important green hydrogen mobility project in the Community of Madrid at present. The objective is to participate in the hydrogen value chain, seeking to decarbonize the urban public mobility fleets of Madrid, being a unique project in this Community.

The project proposes the initiative in Madrid, given that land transport in this Community is one of the biggest climate and environmental problems, accounting for 55% of the region's CO<sub>2</sub> emissions and being one of the main agents causing the growing problem with pollutant emissions.

In the current context of energy transition and decarbonization of the economy, the Inspira Madrid project proposes to tackle this situation head-on through the decarbonization of urban public mobility fleets using green hydrogen.

This initiative will place the Madrid region at the international forefront of mobility and clean transport, as well as a benchmark in the national Hydrogen Roadmap (contributing to the objectives of 4 GW of electrolysis capacity and 100-150 public hydrogen plants by 2030), contributing to the

entire value chain from the infrastructure for its generation and supply to the promotion of its consumption by the transport sector.

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

Among these collaborations is the strategic support of the Professional Taxi Federation of the Community of Madrid (FPTM) in the progressive decarbonization of the sector. In this context, work is being carried out with Toyota Spain to develop an innovative business model for the implementation of a new hydrogen fuel cell vehicle in the taxi sector.

Hydrogen fuel cell vehicles provide value and above all solutions to the question that more and more taxi drivers are asking themselves: which car to buy to access Madrid?

Given the increasing limitations of combustion vehicles in accessing the city center, the use of hydrogen is presented as a solution to the inherent limitations of the battery electric vehicle, allowing a longer range and shorter refuelling time.

In addition, we have the commitment of Grupo Ruiz, specialized in urban mobility by bus, the support of Grupo SEUR, a leading company in national logistics that is undergoing an ambitious process of decarbonization of its fleet, the municipal waste collection company of Getafe LYMA and the cash-in-transit management group LOOMIS, with all the main methods of mobility in the region being represented in this project, both for people and goods.

Inspira Madrid desplegará la infraestructura para la producción y suministro de hidrógeno renovable a través de una red de 5 plantas de hidrógeno renovable (HRS), en una primera fase, que combinadas suministrarán vehículos ligeros y pesados a un precio competitivo comparado con alternativas fósiles convencionales.

This project will be undertaken with a modular, flexible and adaptable approach that allows for scalability in successive phases of expansion.

### Public support for the project

During 2022, Inspira Madrid has applied for two of the main Next Generation EU funding programs.

The MOVES II Program for Incentives for Efficient and Sustainable Mobility and the H<sub>2</sub> PIONEERS program, together with the renewable hydrogen industrial value chain programs, were the first lines of aid for the promotion of renewable hydrogen approved by the Ministry for Ecological Transition and the Demographic Challenge (MITECO) as part of the Strategic Project for the Recovery and Economic Transformation of Renewable Energies, Renewable Hydrogen and Storage (PERTE ERHA).

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

### Inspira Madrid Phases



#### Phase 1

In this phase, the majority off-taker will be the Madrid Community taxi fleet, estimating a transformation of 650 vehicles. By Grupo Ruiz, a transformation of 5 buses to fuel cell vehicles is expected.



#### Phase 2

Scaling of the hydrogen generation infrastructure. The design allows for the possibility of scaling the capacity of the electrolyser up to 10 MW. Regarding supply, the network is expected to be expanded to 8-10 hydroliners, in addition to increasing its supply capacity (from 300kg to 600kg dispensed). It is expected to achieve the transformation of 1,000 vehicles in the fleet of the taxi sector and 20 buses.

In the current context of energy transition and decarbonization of the economy, the Inspira Madrid project proposes to tackle this situation head-on through the decarbonization of urban public mobility fleets using green hydrogen

Pryconsa Project

MadriLeña Red de Gas, in its efforts to enhance the value of the existing gas distribution network, a heritage belonging to all of us, began in 2022 to search for projects that would incorporate our network into the European effort to decarbonize and use hydrogen.

That is why, this year, the introduction of hydrogen in our homes was launched. In addition to its use in mobility, MRG is committed to the use of this energy vector for heating our homes.

Renewable hydrogen is positioned as one of the alternatives to contribute to the decarbonization of the domestic and tertiary sector, thanks to its capacity to provide a flexible, adapted and continuous energy supply. Currently, the application of hydrogen for thermal uses is only presented in the form of demonstration projects.

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

This concern to find alternatives to natural gas is something that is not only happening in Spain. Pioneering projects similar to the one to be carried out in Spain are also being carried out in other European countries.

Among the choice of decarbonized gases, hydrogen is attractive for many reasons, mainly because it generates no greenhouse gas emissions at the point of use, and its combustion generates only water vapor.

Hydrogen poses many challenges, both technical and regulatory, but MRG is clear in its commitment to this gas. Together with Pryconsa, one of Spain's leading housing developers, an agreement was signed to provide hydrogen to a new building and use it to cover heating and DHW needs.

Project description and outline

Specifically, the project will cover the heating and SHW needs of a 98-home development in Valdemoro, whose construction will begin in 2023.

- 1. Hydrogen production  
The hydrogen used, estimated at 25 tons per year, will be produced externally to the project. This hydrogen will be generated by renewable energies, thus qualifying as green hydrogen and contributing to the decarbonization of housing.
- 2. Hydrogen transport  
Once produced, the hydrogen will be transported by means of mobile containers to the refueling and injection station located in the vicinity of the homes. This infrastructure is where the main hydrogen storage will be located, consisting of tanks containing hydrogen in gaseous form and under pressure.
- 3. Storage  
These tanks are sized to contain a reserve of hydrogen sufficient for several days of maximum consumption by the homes, thus guaranteeing their supply. As the homes demand the hydrogen, it will be odorized before it is released and injected into a hydroduct built for the project, which will communicate the storage with the housing development.

- 4. Usage  
The hydro-product, after travelling the distance between the housing units and the storage, will end up in the building's connection. Here, the hydrogen will be fed to the centralized boiler room of the housing development.

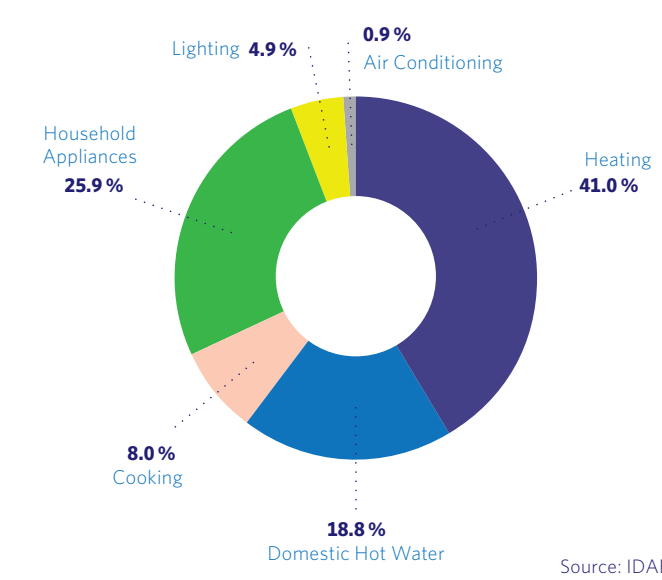
Heat generation for heating and SHW will be provided by a central boiler, consisting of a roof-top unit prepared for both natural gas and hydrogen.

This centralization will allow the hydrogen to be used efficiently and safely. By taking advantage of its low density, any leakage of the gas will be directed to the top of the building and escape without causing noticeable concentrations.

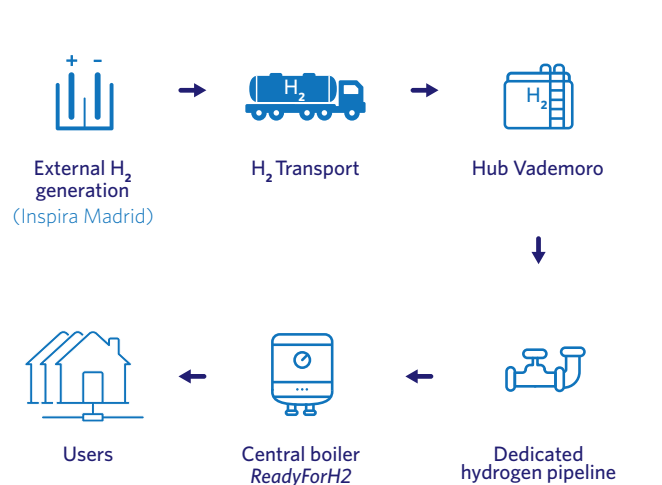
The use of hydrogen will make it possible for all heat production in housing to be provided by a clean, innovative energy source without dependence on other countries.

Hydrogen is attractive for many reasons, mainly because it generates no greenhouse gas emissions at the point of use, and its combustion generates only water vapor

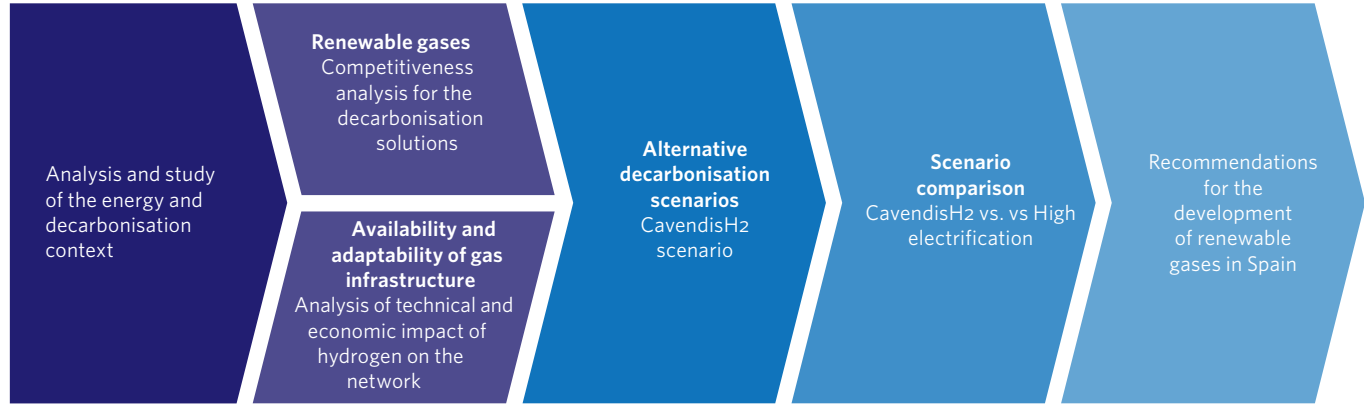
Structure of energy consumption for residential sector by use  
Measured for period 2010-2020



Scheme for renewable H<sub>2</sub> project in Valdemoro



Scope of CavendisH2 project



CavendisH2 Project

In relation to the energy policies of the European Union and Spain, regarding the decarbonization of the economy in 2050, SEDIGAS and its partners agree to carry out the CavendisH2 study to study the competitiveness of renewable gases and their role in the energy transition.

The study includes the feasibility of using existing gas infrastructure to supply different types of renewable gases, including blending of up to 20% and 100% hydrogen by volume, as well as the costs of adapting it if necessary.

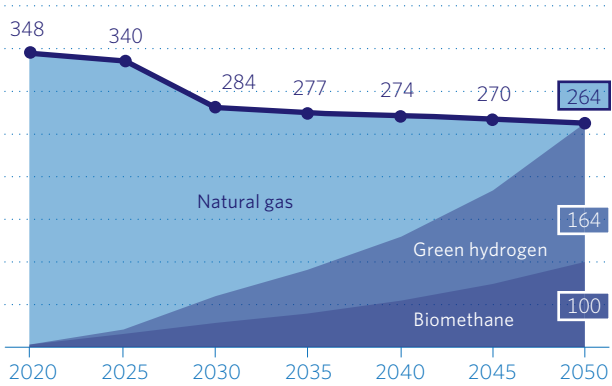
After an in-depth analysis of the competitiveness of renewable gases and the investment needed to adapt current gas infrastructures, a comparison is made with the High Electrification scenario in order to elucidate the best way to achieve the decarbonization of the economy.

The proposed scenario assumes a relevant reduction in final energy demand of 19% in 2050. This demand reduction is mainly determined by energy efficiency measures and the introduction of new technologies in the Residential and Tertiary sectors, as well as modal shifts in consumption and the introduction of new solutions in the Transport sector.

In addition to final gas demand (residential, tertiary, industrial and transport), the scenario also considers gas consumption associated with generation, cogeneration and others. Therefore, taking this into account, total gas demand would reach 264 TWh in 2050.

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

CavendisH2 baseline scenario  
Renewables mix (TWh)



As a result of the competitiveness analysis carried out, it is concluded that solutions associated with renewable gases would be competitive, coexisting with other technologies, in all consumption segments from 2030 onwards, consolidating themselves as the reference option from 2040 onwards.

On the other hand, the potential technical and economic impact of introducing hydrogen into the gas system has been studied.

The current grid would be prepared to operate on up to 20% hydrogen with some modifications.

In the long term, and in a 100% hydrogen scenario, it would be necessary to undertake actions to ensure the compatibility of materials and to reinforce the capacity of certain elements, among others:

The study includes the feasibility of using existing gas infrastructure to supply different types of renewable gases, including blending of up to 20% and 100% hydrogen by volume, as well as the costs of adapting it if necessary

- **Pipelines:** More than 97% of the gas transmission and distribution pipeline network is ready for a 100% hydrogen scenario, with the remaining 3% needing to be inspected and replaced if necessary, and some distribution areas needing to be reinforced in terms of capacity.
- **Compressor stations:** The replacement of the turbine and compressor, among other measures, is necessary, as well as increasing their power to transport hydrogen and a potential relocation according to hydrogen flows.
- **Regulation and Metering Stations:** There do not seem to be problems of compatibility of materials or operation, although it will be necessary to reinforce or expand the capacity of those MREs that reach high saturation levels when transporting hydrogen.

- **Meters:** It will be necessary to progressively replace them with electronic meters prepared for hydrogen, in order to avoid potential metrological errors in membrane meters and possible capacity problems in other types of meters.

Based on this demand and taking into account its coverage with renewable gases, an investment of 2,334 million euros would be required to adapt the transmission and distribution networks to operation with hydrogen, equivalent to only 6% of the remuneration paid to natural gas transmission and distribution companies over the last 20 years. However, this could be reduced to 2,099 million euros due to potential overlaps with the network operators' recurrent investment plan.

In terms of costs, the CavendisH2 scenario proposes an alternative that would entail an annual marginal investment 30% lower than the High Electrification scenario, mainly due to a lower cost of grid reinforcement and a lower cost of retrofitting equipment for residential users.

**Biomethane**

Biogas is a gas, consisting mainly of methane (CH<sub>4</sub>) and carbon dioxide (CO<sub>2</sub>). It is extracted through anaerobic digestion or biomethanization technology, which is a complex and degradative biological process occurring in the absence of oxygen in which, thanks to the action of several groups of bacteria, organic matter is broken down, resulting in two main products: biogas and digestate.

The biogas is purified in a further stage known as upgrading, where impurities are removed and the methane

is concentrated, resulting in a molecule identical to fossil natural gas, except for its renewable origin.

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

There are currently four biomethane projects in the MRG network:

**1. Guadalix de la Sierra**

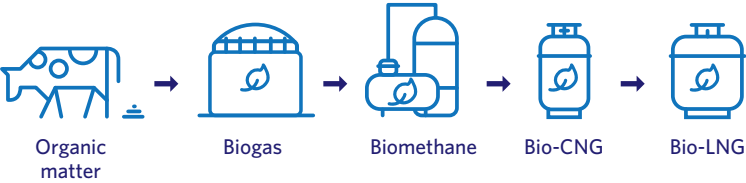
The project aims to develop a livestock and agro-industrial waste recovery plant in Guadalix de la Sierra. In this case, Madrileña Red de Gas is leading the development of a project that aims to provide a complete solution for more than 20,000 tons of cattle slurry generated annually in the municipality.

The project is being studied from an environmental, energy and agricultural point of view, where the municipality council continues to work on the development of an energy community to accommodate the project.

Two uses of biogas are envisaged:

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

**Biomethane production process**



**2. Cubas de la Sagra**

Direct use in a cogeneration plant to produce electricity. This alternative opens the door to the creation of an energy community in the municipality, supplying the neighbors with renewable electricity.

Through an upgrading process, the biogas produced will be purified and compressed to produce biomethane. This can be used as natural gas for vehicles or injected into the natural gas grid.

**3. Landfill with biogas production**

In one of the municipalities where MRG distributes natural gas, a decommissioned landfill site now produces biogas. It is at this stage, when the landfill is already closed (closed and sealed), that biogas recovery takes place during the process of anaerobic decomposition of the organic waste in the landfill.

To recover the biogas from the landfill, a gas collection system consisting of pipes and wells is installed. After

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collection, the biogas is transported to a treatment plant where pollutants are removed and it is converted into biomethane, which can be used to produce electricity, injected into the grid or used as vehicle fuel, as discussed above.

MRG received a request from the company that manages this landfill to be able to inject this biomethane into the natural gas network. After studying the consumption in the area, it was confirmed that the network would be able to absorb the amount of biomethane produced. MRG will therefore manage the injection point and the new distribution infrastructure that will be necessary to connect the landfill to the natural gas grid.

**4. Biogas production plant in the north of Madrid**

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

# Results

Madrileña Red de Gas has shown great adaptation and financial resilience with respect to the convulsive scenario experienced during 2022, in which price volatility and uncertainty have marked the first half of the year. We closed the year with 908,984 supply points, of which 900,911 are natural gas and 8,073 - LPG.

In 2022, we have invested 14 million euros in extending our distribution network, facilitating access to natural gas for many homes, businesses and large consumers such as hospitals and schools, and especially for industry.

This is the second year of the regulatory period (2021-2026), in which gas years are set that differ from the calendar year.

Profit and losses (€M)	2021	2022
Remuneration	145.8	133.1
Other revenues	41.0	34.3
EBITDA <sup>1</sup>	141.3	130.4
EBIT	106.7	97.2
Net profit	70.3	90.1

<sup>1</sup> Excluding non-recurring expenses.

Results Summary

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

Total revenues in 2022 were 167.4 million euros, 10% lower than the previous year, mainly due to lower gas demand due to higher temperatures and regulatory curtailment.

MRG’s main activity, the distribution of natural gas, is a regulated activity, the regulatory periods of which cover 6 years. The year 2022 was the second year of the regulatory period 2021-2026, where the gas year closed on 30 September.

The growth strategy remains focused on profitable and sustainable expansion in our territory and adjacent territories.

The company continues to increase its customer base, achieving in 2022 the same growth rate as in the years prior to the pandemic. At the end of 2022, Madrileña Red de Gas distributes gas to 908,984 supply points, of which 900,911 are natural gas and 8,073 LPG.

Other pillars underpinning the growth strategy are the commitment to the decarbonization process and the replacement of more polluting and less efficient energies, the promotion of the use of natural gas vehicles, robotization, digitalization and automation of processes, the focus on customer satisfaction and renewable gases, including green hydrogen.

Operational results

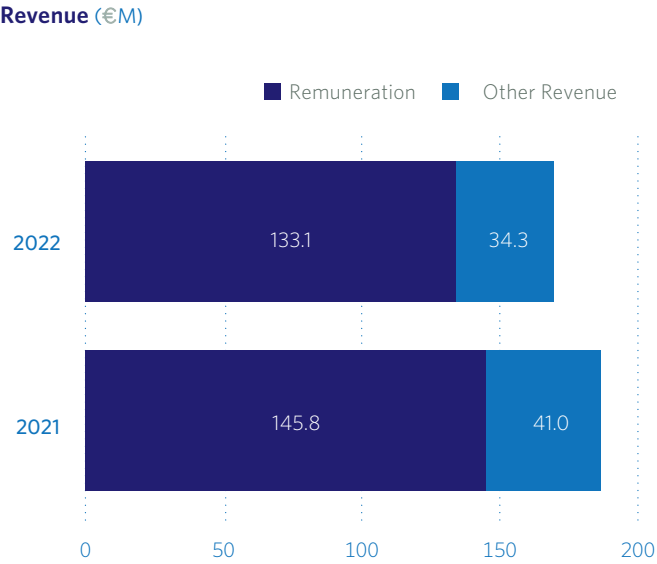
EBITDA in 2022 was €130.4 million, 8% lower than in 2021, mainly due, as discussed above, to lower revenues recorded due to lower gas demand due to higher temperatures and also due to the regulatory curtailment.

Revenue

Total revenue in 2022 was EUR 167.4 million (EUR 186.8 million in 2021), of which EUR 156.4 million came from the natural gas business, while the remaining EUR 11 million originated from the LPG business.

Within the natural gas business, 85% was contributed by the regulated remuneration for the distribution activity, comprising the figure set by the Resolution of 20 May 2021 and 19 May 2022 of the National Markets and Competition Commission, as well as management’s best estimate of remuneration.

The remaining 15% relates to other services related to the natural gas distribution activity, such as meter rental, periodic inspections and other services to consumers.





Financial position and balance sheet

Financial strength is an essential pillar of MRG’s strategy. The company has strong solvency and liquidity levels consistent with investment grade. The financial structure is efficient and long-term.

In 2022, the gross debt amounts to EUR 226.8 million and has an average maturity of 5 years.

The company also has a contingent credit line of 75 million euros, renewed in February 2022, until February 2025, in line with the company’s real needs for the coming years.

Flexibility in the dividend policy is another key feature that gives the company a better financial position.

The group’s debt is issued by MRG Finance, B.V. on the Luxembourg regulated market under an EMTN program.

This debt is rated investment grade (BBB-) by Standard and Poor’s and BBB (low) by the rating agency DBRS

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Balance sheet (€M)	2021	2022
Gas distribution licences & other intangibles	751.0	751.0
Fixed assets	318.1	294.9
Total network fixed assets	1,069.1	1,045.9
Goodwill	57.4	57.4
Deferred tax assets	14.7	12.4
Other non-current assets	339.2	7.8
Current assets	34.5	35.5
Cash and banks	33.5	16.2
Total assets	1,548.4	1,175.2
Equity	432.8	752.8
Long term debt	944.6	1.8
Deferred income tax liabilities	79.9	92.0
Other non-current liabilities	36.1	200.2
Current liabilities	54.9	68.4
Total liabilities & shareholders equity	1,548.4	1,175.2



Free cash flow (€M)	2021	2022
EBITDA	141.3	130.4
Income tax paid	(5.6)	(5.2)
Working capital	3.4	(11.4)
Capex	(13.1)	(17.6)
Free cash flow	126.0	96.2

Operations Cash Flow

The operating cash flow has been 96.2 million, 24% lower than the previous year. The variations in the balance sheet balances of the gas system for 2022 compared to 2021, together with the greater investment made, mainly explain this variation.

The year 2021 was characterized by a system surplus position as of December 31, which, compared to the system deficit position for the same period in 2022, explains the variation of 20.3 million euros in cash flow.

The greater investment in 2022 compared to 2021 is the result of the acceleration of the conversion plan for LPG supply points to natural gas.

Capex - Investments (€M)	2021	2022
Expansion	8.1	14.0
Others	3.4	3.6
Non-recurring	1.6	0.0
Total	13.1	17.6

Investments

During the year 2022, investments have been made for a total of €17.6 million, representing 34% more than the previous year, as a result of a greater investment made in the transformation of LPG supply points to Natural Gas. Based on their nature, the following groups can be classified:

Expansion

MRG has invested a total of €14 million, of which 10 million euros have been allocated to the expansion of the natural gas distribution network and €4 million have been allocated to the transformation plan from LPG to natural gas.

Other projects

Investments remain at a level similar to the previous year, directed towards network maintenance, fraud prevention, digitization and development of information systems with the aim of obtaining cost efficiency and improving the quality of Customer Support.

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