



DISTRIBUÍMOS ENERGÍAS DE FUTURO

A large, semi-transparent circular graphic overlay with a blue-to-white gradient, centered on the page. It contains the main headline text.

**Hello, Future.
Hello, Floene.**

Annual Report 2022

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01

Overview



01 Message to Stakeholders

2022 was a historic year for Floene. We created a new identity, a new ambition and a new purpose.

This was also a year marked by the energy crisis, with increases in gas prices and reduced consumption. The war in Ukraine brought a different pace to the energy transition and the recognition that investing in endogenous energies with strong decarbonization potential that ensure flexibility, diversification, resilience, and supply security is imperative.

Renewable gases gained new visibility, and their use in the public gas network stand as essential to ensure diversification of renewable energy sources and the availability of more appropriate solutions.

At the national and European level, governmental support and incentives for renewable gases have been increasing, generating more interest from producers and industries to inject renewable gases into the network. During 2022, Floene received dozens of these requests. We are witnessing a paradigm shift in our sector: the classic model of centralized energy production and distribution will increasingly give way to a decentralized model that enhances the use of renewable gases, efficient resource use and production, values the territory and promotes territorial cohesion.

To respond to this new reality, Floene has been undergoing a process of profound transformation, reinforcing its internal competencies and acquiring new skills, ensuring the maintenance of high performance and successful management of its autonomization process.

We would like to highlight some relevant and differentiating projects accomplished during 2022:

- Launch of the Roadmap for the Introduction of Renewable Gases in the Industrial Sector, a project ranked #1 under the Energy Efficiency Promotion Plan (PPEC), in the intangible measures category. For the first time, this edition of the program included gas consumption, and Floene's project was clearly distinguished by ERSE

2022 was a historic year for Floene.
We created a new identity,
a new ambition and a new purpose.



Pedro Álvaro de Brito
Gomes Doutel
CFO

Gabriel Nuno Charrua
de Sousa
CEO

Diogo António
Rodrigues da Silveira
Chairman

José Manuel
Rodrigues Vieira
COO

Yoichi
Onishi
CSO

and DGEG in this context. With this Roadmap, we aim to drive decarbonization of the national economy through renewable gases in the industrial sector, with a particular focus on hydrogen, and bring together the various actors in the energy transition process in joint knowledge-sharing forums;

- Launch of a second winning project in PPEC, through its subsidiary Lisboagás, in partnership with Portgás and Sonorgás. This project falls under tangible measures in the residential sector and aims to replace energetically inefficient equipment with more efficient one;
- The arrival of the gas network in new communities, promoting the prosperity of families and businesses and providing access to cleaner, more economical, and safer energy: municipalities of Oliveira do Hospital, Miranda do Corvo, Vila Velha de Ródão, and Sobral de Monte Agraço;
- The development of the pioneering hydrogen injection project in the gas network in Seixal, which demonstrates the high level of readiness of gas networks in Portugal and its Operators and prepares us for the challenges resulting from the growing number of renewable gas producers;
- The first autonomous stakeholder consultation that addressed sustainability issues from the perspective of double materiality. This process allowed us to define our ESG positioning based on four major axes - Governance, Planet, People, and Prosperity;
- The launch of a new brand - Floene, paving the way to our transformation, reinforcing our positioning as an enabler of the energy transition and how we are perceived by our stakeholders.

The year 2022 was also a challenging year in the financial area since, in the context of high market volatility and the trend of increasing interest rates, Floene started the process for refinancing its debt, which matures in September 2023. To this end, a credit line of 600 million euros was successfully contracted with a wide range of national and international banks.

This annual report is therefore a reflection of the major changes experienced by our Company this year. First and foremost, in terms of image, as this is Floene's first annual report under its new brand and identity. It is also an important milestone in terms of sustainability, as we have developed, for the first time, a report aligned with the guidelines of the GRI (Global Reporting Initiative), considered an international standard for the development of sustainability models.

In this report, you can read about our material sustainability topics, the ESG principles we use, and the progress made compared to previous years, from a hybrid perspective of presenting financial and sustainability information.

A special word to our employees and partners, who started projects in 2022 that will also take a prominent place next year, due to their relevance and contribution to the decarbonization process and literacy in the field of renewable gases.

These projects will have a positive impact on the communities we serve, at a time when more efficient gas consumption by families will bring significant environmental and economic gains and will serve as a lever for combating energy poverty.

FLOENE IN NUMBERS

Resilient
performance
in times of
transformation

32% Women

49% Aged between 30 and 50

23h/employee Training hours



396

Employees

15 008

Scope 1
and 2 emissions
(ton CO₂ eq.)



106

municipalities
with natural gas



Operational Indicators

13 673

Network extension (km)

1 131 266

Connection points

16 733

Energy Distributed (GWh)



Financial indicators

millions of euros

148

Allowed revenues

102

EBITDA

49

Free cash flow

20

Net Income

41

CAPEX

586

Net Debt

FL  ENE

02

Floene's
Universe



02 Floene's Universe

Floene and the Energy Sector ongoing Transformation process

2.1. Our Activity

Floene Energias, S.A. (Floene) is the largest operator of the gas distribution network in Portugal, through the direct management and participation of nine Regional Gas Distribution Operators (DSO), present in 106 municipalities from north to south of the country.

We manage about 70% of the gas distribution network under the public service regime (medium and low pressure) as defined by the contracts of Regional Concession or Local Distribution Licenses of natural gas signed with the Portuguese State (General Directorate of Energy and Geology), and in accordance with the specific legislation of the sector and regulatory framework established by the Energy Services Regulatory Authority (ERSE). Serving more than 1 million domestic and business clients through its infrastructure, Floene plays an important role in the energy landscape, contributing to the effective improvement of the quality of the national energy system through its wide geographical coverage.

Distribution is a regulated activity in the gas value chain in Portugal, carried out by the distribution network operators, with each DSO acting in an exclusive geographical area based on a Concession or License contract. Five of our DSOs operate under Concession regime, signed with the Portuguese State in 2008, with a duration of 40 years, while the remaining ones operate under Licenses with a 20-year term.

With a network of over 13 600 km, mostly made up of polyethylene (94%), and with an average age of less than 16 years, the Floene group has one of the most modern and efficient infrastructures in Europe, allowing it to ensure a safe supply and high-quality service, complying with all criteria defined by ERSE and specific industry legislation.

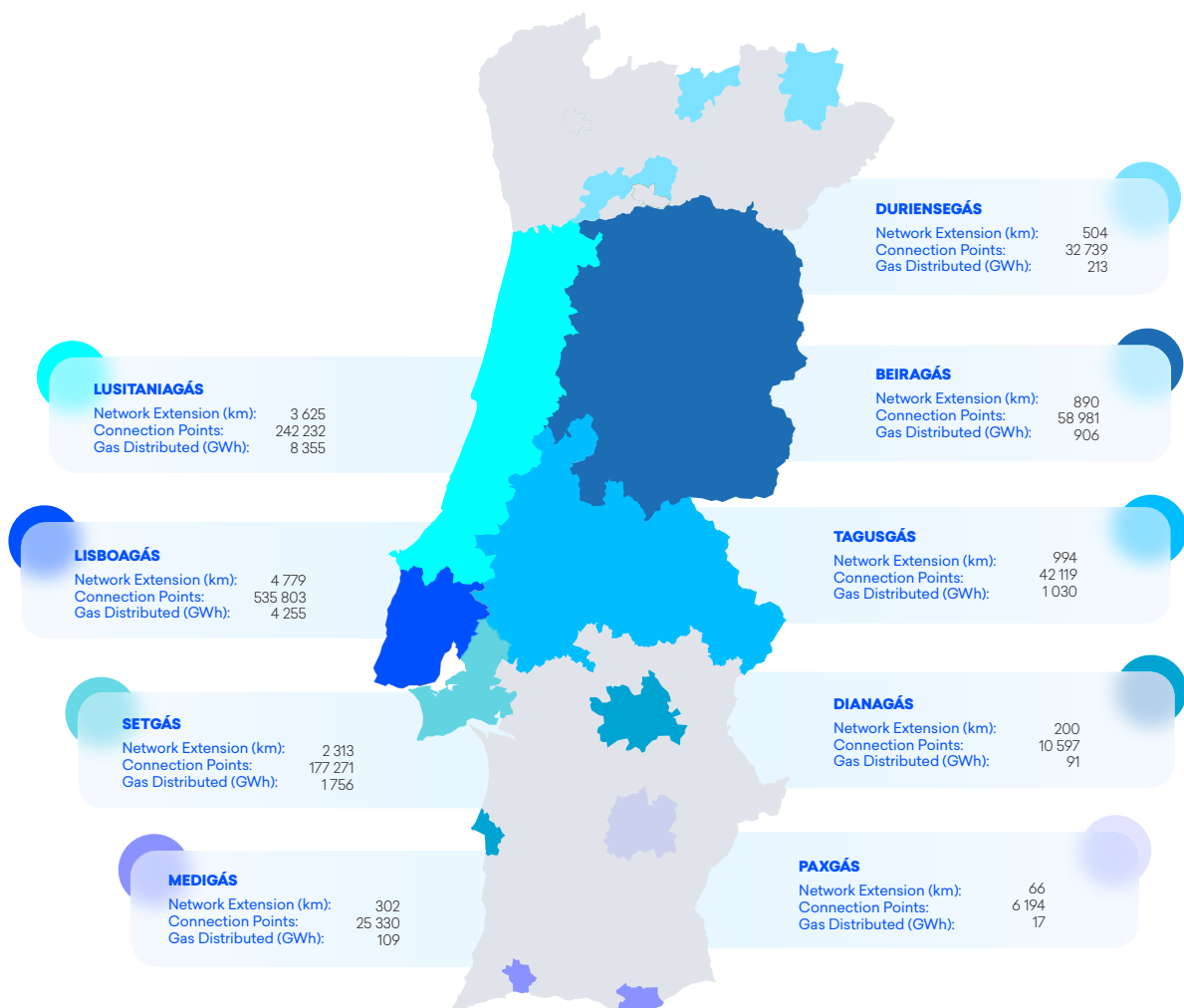
Distribution

Distribution ensures the flow of natural gas, coming from the high-pressure transport network (HP), in medium (MP: between 20 and 4 bar) and low-pressure (LP: below 4 bar) networks, to the consumption facilities (delivery points). These networks are also called interconnected networks, as opposed to other local distribution networks, which are supplied by liquefied natural gas (LNG) tanks, delivered by tanker trucks.



Commercialization

DSO serving less than 100 000 customers (Beiragás, Duriensegás, Dianagás, Tagusgás, Paxgás, Medigás) also engage in gas commercialisation, exercised as a Last Resort Commercialisation Retailer (LRS) with an obligation of accounting unbundling.



2.2. Floene, an energy brand for the future

Shareholder change

As of March 2021, Floene has a new majority shareholder, with the entry of Allianz Capital Partners (ACP), holding a 75% stake. ACP is part of the Allianz group and is a long-term investor, with around € 56 billion in assets under management, of which € 21.8 billion is allocated to infrastructure. With a large portfolio of investments in energy networks in Europe, ACP's participation in Floene represented the first direct investment by ACP in infrastructure in Portugal. The stable regulatory framework of the energy sector in Portugal and the critical role of Floene in the national decarbonization plan were key factors in the completion of this investment by ACP.

Transformation

Following the change in majority shareholder, Floene has been experiencing a profound transformation process, which have included several challenges:

1. Creating a new identity, embracing a new purpose, mission, and values and building a new brand;
2. Promoting a profound internal reorganization to develop skills and manage the phased transition of the company to an autonomous entity;
3. Carrying out a strategic reflection on the present and future, with a focus on growth opportunities – growth of the gas market supplied by the distribution network infrastructure and acceleration of the decarbonization process of this asset;
4. Assuming its role as a relevant player in the energy transition in Portugal, being at the forefront of the distribution of renewable gases (hydrogen and biomethane).

The new brand

The change of shareholders, together with the new challenges of the energy sector, led to the creation of the new brand. Floene brand was born on October 17 of 2022, with the clear objective of reinforcing the company's commitment to the energy transition.

Floene has a legacy of 175 years of history, starting in 1847 with the public lighting of Lisbon and since, has undergone several energy transitions, such as the distribution of City Gas in Lisbon and later, the introduction of Natural Gas and the expansion of its network.

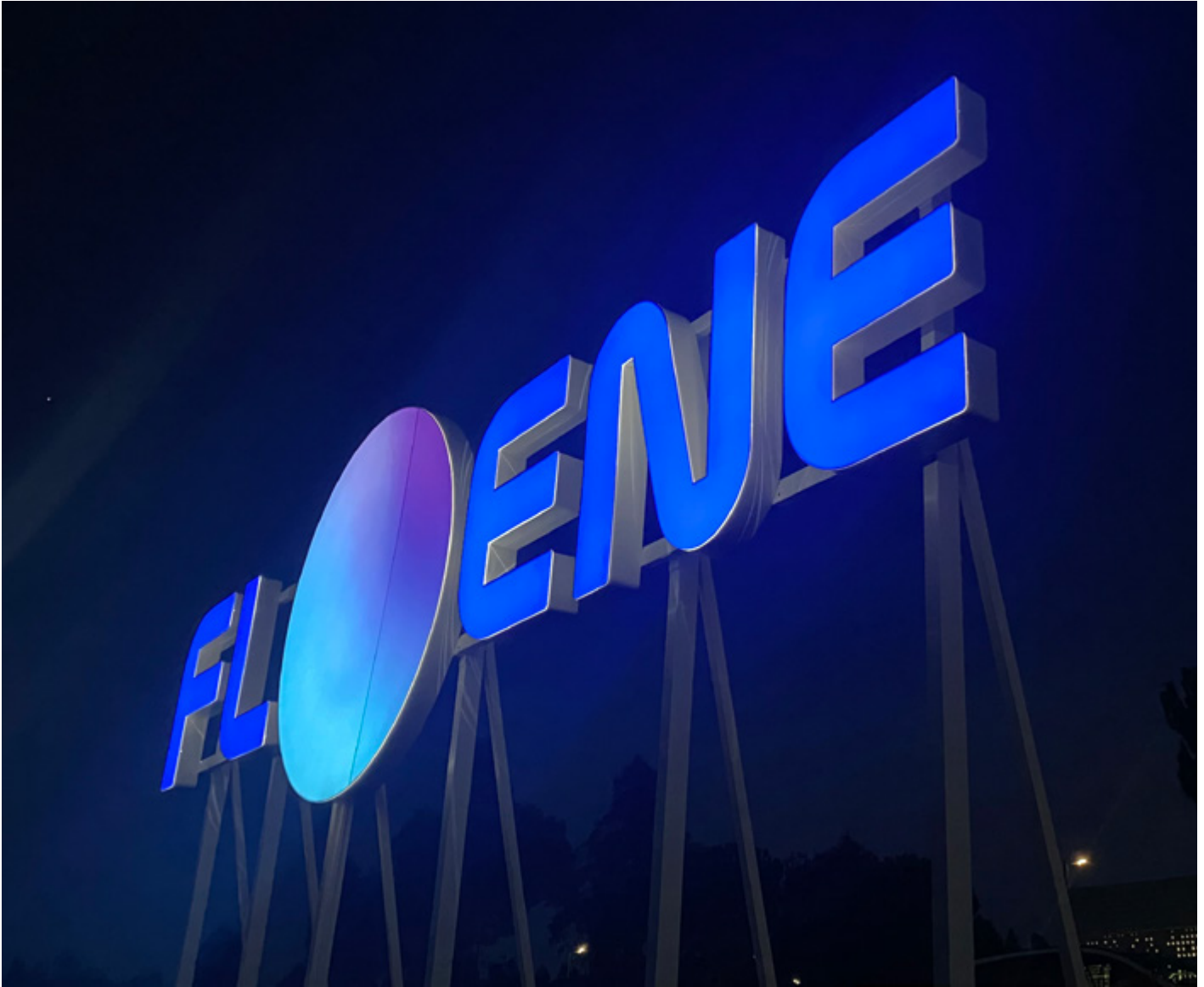
Currently, it has a gas network already prepared to distribute the new renewable gases. This is how Floene assumes the ambition to embrace the challenge of yet another energy transformation in the country.

Floene has become the umbrella brand for the nine DSOs.



The launch of the new brand was achieved through a digital advertising campaign, in national and regional press, and in billboards, in 42 locations in 28 municipalities, complemented by a set of Public Relations initiatives.





2.3. Purpose, mission, values and strategy

As a company providing a public service, our main focus is to ensure the quality of the service that meets the needs of the communities we serve, ensuring the safety and integrity of the infrastructure we operate, promoting high levels of supply efficiency.

In a time where the energy transition brings new challenges to the gas distribution sector, we assume a crucial role in the decarbonization of the economy, as an enabler of this transition process, with a strategy focused on accelerating it and efficiently managing the distribution infrastructure.

The high capillarity of our network allows us to be present from north to south of the country, promoting the most efficient solutions and delivering new energies (renewable gases) to our communities in a more cost-effective and sustainable way, based on a safe, reliable, and highly efficient network.

**Our purpose:
promote
sustainable
communities.**

We believe we can enable our communities to manage energy sustainably. With over 175 years of experience and one of the most modern networks in Europe, we are renewed and positioned in the value chain, making our purpose the promotion of sustainable communities, contributing to the common good with new future energies.



MISSION

WE BRING YOU NEW
ENERGIES WITH **175 YEARS**
OF EXPERIENCE

We lead by example and by our ability to bring ever more efficient and cleaner energy solutions.



VALUES

COLLABORATION
RESPECT
AUDACITY

We are all one.
We take care of our surroundings.
We imagine and make it happen.



PURPOSE

WE PROMOTE
SUSTAINABLE COMMUNITIES

Existing since 1847, we are here to stay and embrace transformation and the sustainable progress of the communities where we operate.

03

Our commitment
to Sustainability



03 Our Commitment

Embracing and promoting the transformation and progress of communities, since 1847

3.1. Global context and Floene's contribution to sustainability

In a global and challenging context regarding the need for change and innovation, the energy sector is in full transition due to a consensus on the need to decarbonize the economy. Over the next few decades, the energy transition will play a fundamental role in the distribution of energy in a constantly growing society, while also seeking to reduce greenhouse gases (GHG) emissions. Therefore, it is crucial for companies to define their path to decarbonization, becoming competitive and assuming sustainability as a criteria for investment decision-making.

One of the fundamental instruments for creating conditions and promoting national decarbonization is the National Energy and Climate Plan 2030 (PNEC 2030).



According to PNEC 2030, natural gas distribution infrastructure will play an important role in enabling the introduction, distribution, and consumption of renewable gases, particularly biomethane and hydrogen, in various sectors of the economy, **allowing for higher levels of renewable energy incorporation into final energy consumption.**

Renewable gases, particularly hydrogen and biomethane, have the potential to play an important role in **promoting decarbonization in sectors of the economy** that currently have few technological options and where electrification in the short to medium term could result in significant costs.



Gas supply to the city of Lisbon, for public lighting.

Throughout our history, that started in 1847 with the public lighting of Lisbon, we have been successfully developing projects with positive impacts on the economy and the environment, industry, and households.

Globally, the vision for the future of gas infrastructure in Portugal presented is aligned with Floene's ambition as a gas distribution company. We are equipped with technical and human resources that allow us to face the new challenges of the energy sector with confidence, having already promoted changes in our organization to be able to collaborate with the various stakeholders and players in this process of change in the energy sector.

Throughout our history, that started in 1847 with the public lighting of Lisbon, we have been successfully developing projects with positive impacts on the economy and the environment, industry, and households. The introduction of natural gas in Portugal is an example of this, with national interest and promoting an increase in national economic competitiveness. Additionally, we also highlight the ambitious challenge that was the gas change project in Lisbon, with the replacement of city gas with natural gas, with all the logistics that an operation of this magnitude required, and which Floene successfully overcame. Therefore, we believe that we will have a relevant role and added value in the national energy transition.

In parallel, the goals of the Paris Agreement for 2030 defined by the United Nations Framework Convention on Climate Change (UNFCCC) and alignment with the 17 Sustainable Development Goals (SDG) are guiding principles for defining a sustainable business strategy.

We recognize our commitment as a key enabler for a fair energy transition, promoting greater equity and territorial cohesion.

In 2022, Floene carried out work to define and align with the SDG, where it believes it has the potential to generate greater impact and contribution, promoting a response to these global challenges. In this work, we had as a reference the WBCSD's Roadmap for SDG for the sector and also the SDG associated with the commitments of the Gas Distributors for Sustainability (GD4S), an association that Floene participates in.

It should also be noted that Floene is an associate member of the Business Council for Sustainable Development (BCSD) Portugal, a business association that brings together forward-thinking companies working to accelerate the transition to a more sustainable world, which is part of the WBCSD's global network of associations. In this context, we also signed the BCSD's Charter of Principles, which encourages signatories to go beyond legal compliance, adopting standards and practices in line with the highest management, ethical, social, environmental, and quality standards, in any context of the global economy.

Recognizing our role in climate action, Floene signed the manifesto created during the United Nations Climate Summit (COP27) in 2022.

3.2. Our strategic position in the energy transition

Floene sees the energy transition as an opportunity to promote the optimization of the National Gas System infrastructure. In accordance with the national and European strategy for decarbonization, the gas sector contributes and should continue to actively contribute to a modern, dynamic, and decarbonized economy. For this to happen, the path must continue to be prepared to enable the decarbonization of the energy sector, at the lowest cost, while maintaining the balance of the National Gas System that supports its sustainability, contributing to the competitiveness of the national industry and the families' well-being.

In this context, Floene continues to develop a set of initiatives aimed to accelerating the introduction of renewable gases into gas distribution networks and consolidating the entire process that allows achieving, in the networks where it operates, the goals of renewable gas injection. We are preparing the infrastructure for the distribution of renewable or low-carbon gases, leveraging an available asset at national level, with great capillarity and potential for expansion to serve the community.

We understand that it is through complementarity between segments of different characteristics (renewable electricity and renewable gases) that it will be possible to guarantee the security and independence of supply, as well as sustainability and access to decarbonization solutions for all. The national infrastructure is robust and highly efficient, so its optimization should involve and impact all sectors of the economy, including families and industries, with renewable gases playing a key role in the national decarbonization process. We recognize our commitment as a key enabler for a fair energy transition, ensuring that the infrastructure is prepared to receive and inject renewable gases safely and efficiently, promoting greater equity and territorial cohesion. Chapter 6 discusses Floene's renewable gas projects that contribute to decarbonization.

3.3. Our Sustainability approach

Context and purpose

Our approach focuses on the materialization of our purpose. All stages are essential for creating value in the four most relevant axes for our stakeholders and in alignment with our purpose.

Axes

GOVERNANCE

PLANET

PEOPLE

PROSPERITY

For each one of the strategic axes, commitments and initiatives are established that drive our purpose, values, and commitment to a responsible business conduct.

Sustainability governance

In 2022, Floene's Board of Directors established an ESG & Stakeholders Committee. This new governance structure aims to present a broader vision of sustainability, associated initiatives and information sharing.

Materiality analysis

In order to identify and evaluate the most relevant sustainability topics and trends for our stakeholders and business, we conducted a materiality exercise in 2022.

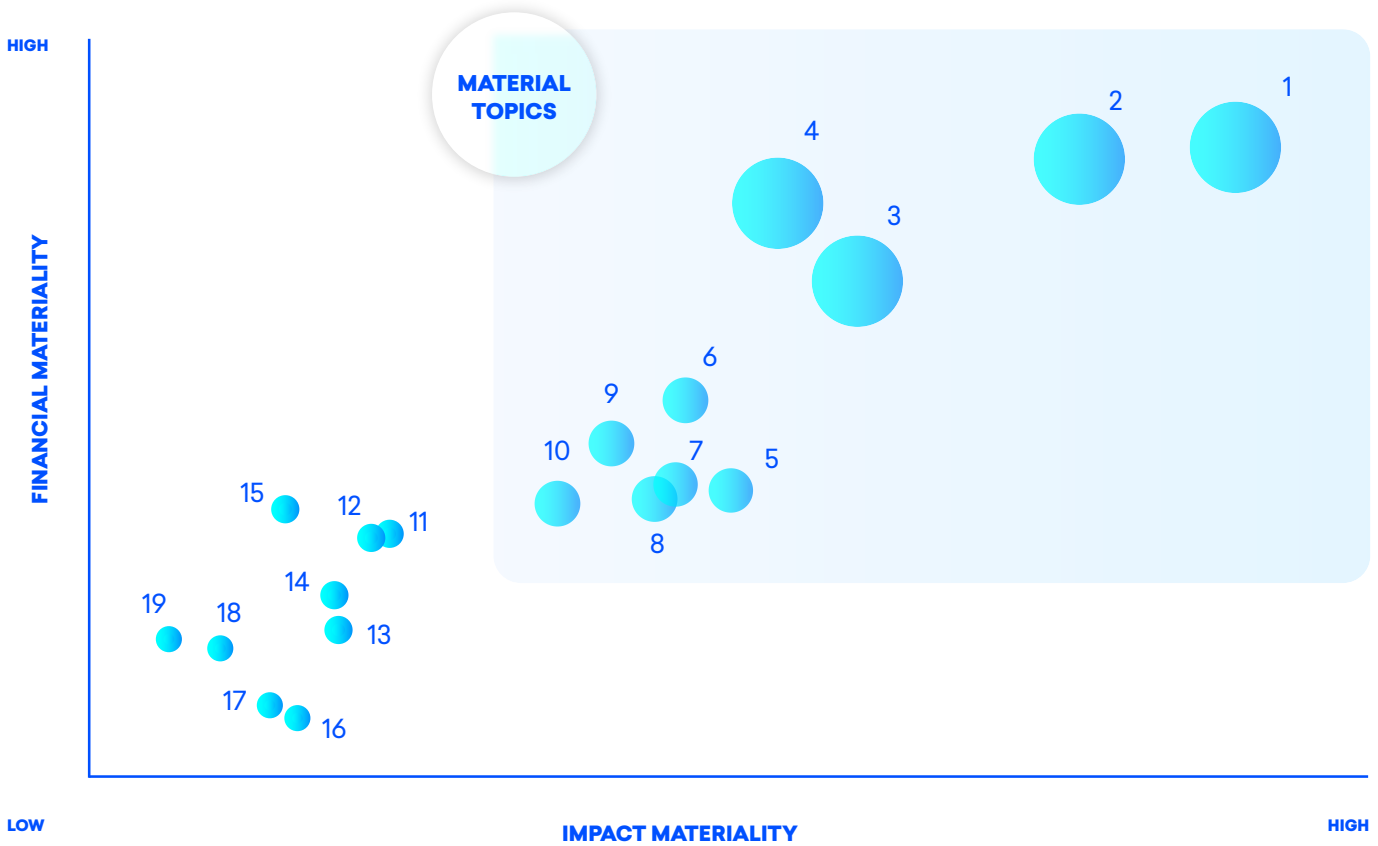
This exercise was based, first, on a benchmarking study, in which our national and international peers were considered. Secondly, it included stakeholder engagement through surveys, focus groups, and interviews to identify the most relevant sustainability topics. These methodologies involved employees from all departments of the company, to obtain a representative and diverse view.

The materiality analysis, based on the concept of double materiality, aimed to: (1) evaluate the significance of our impacts on the economy, environment, and people, including human rights, as a result of our activity or commercial relations (impact materiality); (2) evaluate the financial, operational, and reputational relevance of material topics to the company (financial materiality).

Starting from an analysis of 19 sustainability topics, it was possible to identify a total of ten material topics for Floene and its stakeholders. These are identified in the matrix and are present in the contents of the chapters and subchapters of this report.

The concept of double materiality was used in this first stakeholder consultation promoted by Floene.

Materiality Matrix



Caption

- | | | |
|---|---|--|
| 1 Quality service, safe and efficient supply | 8 Engagement with the local community/ stakeholders | 14 Information quality |
| 2 Energy Efficiency and Climate Change | 9 Ethics and Transparency | 15 Risk management and internal control |
| 3 Customer satisfaction | 10 Sustainable supply chain management | 16 Waste management |
| 4 Economic performance and financial sustainability | 11 Respect for Human Rights | 17 Data protection and privacy |
| 5 Regulatory compliance | 12 Diversity and Inclusion | 18 Biodiversity/Natural Capital management |
| 6 Innovation, adaptation, and resilience | 13 Water management | 19 Combating corruption and fraude |
| 7 Safety, well-being, and development of our people | | |

This process was essential to define the sustainability positioning and the Sustainability Agenda of Floene, ensuring alignment between the strategic objectives of the gas/renewable gases distribution operation and the expectations and needs of stakeholders.

Positioning – Strategic axes valued by Floene and stakeholders

The structure of our positioning demonstrates the correlation between our strategic axes and the values that drive us as a company. Each of the 4 axes groups the material sustainability topics addressed and valued by our stakeholders, accompanied by commitments, objectives, goals, and initiatives that materialize them.



GOVERNANCE

Embed our purpose at the centre of our business: critical enabler for a fair energy transition, promoting greater equality and territorial cohesion

- i. Engagement with local community/stakeholders
- ii. Regulatory compliance
- iii. Ethics and transparency



PEOPLE

Collaboration to ensure dignity and equality in a healthy environment

- i. Safety, well-being, and development of our people



PLANET

Respect and contribution to the protection of the planet

- i. Energy efficiency and climate change
- ii. Sustainable management of the supply chain



PROSPERITY





Audacity to ensure social and technological progress to grow together



- i. Economic performance and financial sustainability
- ii. Innovation, adaptation, and resilience
- iii. Quality service, safe and efficient supply
- iv. Customer satisfaction

Floene as a critical enabler for a just energy transition, promoting partnerships and improving national literacy and education in the field of renewable gases.

Alignment with SDG and Sustainability Agenda

Our activity contributes to the United Nations Sustainable Development Goals. We distinguish SDG 4 and SDG 17, which will allow us to highlight our performance as a critical enabler for a fair energy transition, promoting partnerships and improving national literacy and education in the renewable gases field.

Axes	SDG	Description	Commitments
Governance		Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> Promote a culture of ethics and compliance. Ensure legal compliance of our processes, operations, policies, and internal regulations.
		Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	<ul style="list-style-type: none"> Foster close relationships with the local community. Strengthen the literacy on renewable gases.
Planet		Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> Contribute to improving energy efficiency. Mitigate climate change by reducing operational carbon emissions.
		Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> Ensure transparent and integrity-based relationships with suppliers, incorporating ESG criteria.

Axes	SDG	Description	Commitments
People		Ensure access to quality health care and promote well-being for all	<ul style="list-style-type: none"> Promote the safety, health, and well-being of employees. Foster employee engagement and development.
		Achieve gender equality	<ul style="list-style-type: none"> Promote a culture and organizational climate that attract and retain talent. Promote a culture of equality, diversity, and inclusion, ensuring equal opportunities throughout the organization.
Prosperity		Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> Contribute to a low-carbon economy - Facilitation of the renewable gas market and the decarbonization and decentralization of the economy.
		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> Promote the financial sustainability of the company.
		Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> Foster a culture of innovation within the company. Promote technological capacity building, development of solutions aligned with sustainability challenges, and foster knowledge networks and partnerships.
		Reduce inequality within and among countries	<ul style="list-style-type: none"> Ensure the quality and supply of our service.
		Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> Develop a customer-centric culture, exceeding their needs and expectations.

04

Our
Governance

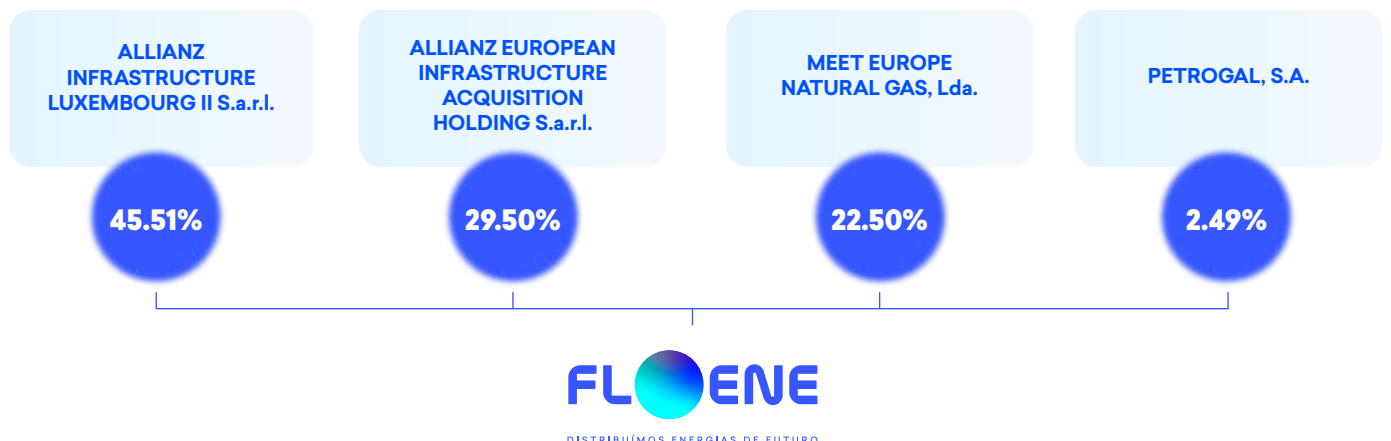


04 Our Governance

Embed our purpose at the center of our business

4.1. Shareholder Structure

Floene’s shareholder structure underwent a significant change with the entry of Allianz Capital Partners. This participation resulted from the execution of the share purchase agreement celebrated on October 26, 2020, between Galp Energia, SGPS, S.A., through its subsidiary Galp New Energies, S.A., on the one hand, and Allianz Infrastructure Luxembourg II S.à r.l. and Allianz European Infrastructure Acquisition Holding S.à r.l., on the other. The remaining share capital of Floene is held by Meet Europe Natural Gas, Lda. (consortium formed by the Japanese companies Marubeni Corporation and Toho Gas Co. Ltd.) and Petrogal, S.A. (Galp group), respectively, with 22.50% and 2.49%.



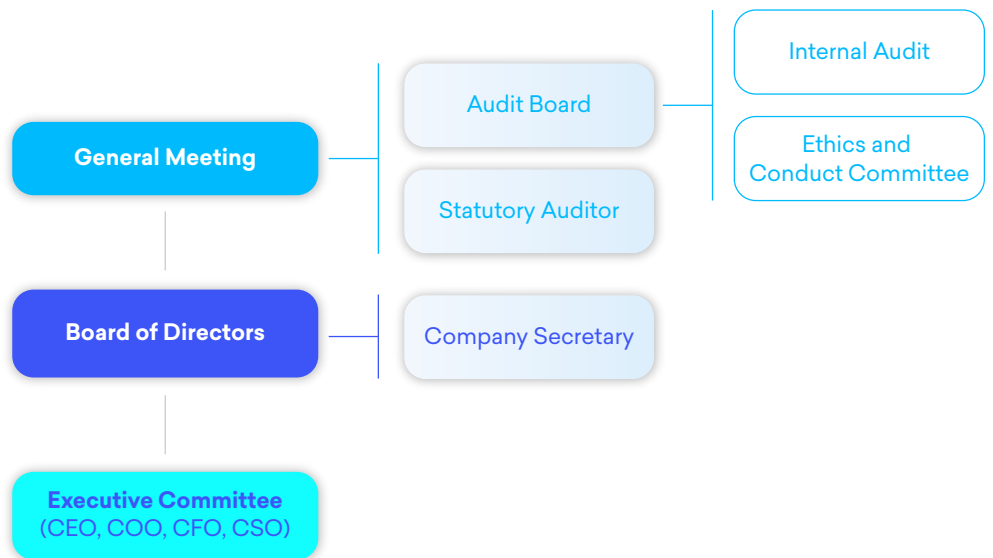
The Governance model was reinforced in 2022 with the creation of several internal Committees.

4.2. Corporate Governance Model

Floene adopts the classic monistic corporate governance model composed of:

- General Meeting, which brings together the company's shareholders;
- Board of Directors and an Executive Committee with delegated powers;
- Supervision, which includes an Audit Board and a Statutory Auditor;
- Company Secretary, responsible for specialized support to the governing bodies.

The company also has an Ethics and Conduct Committee.

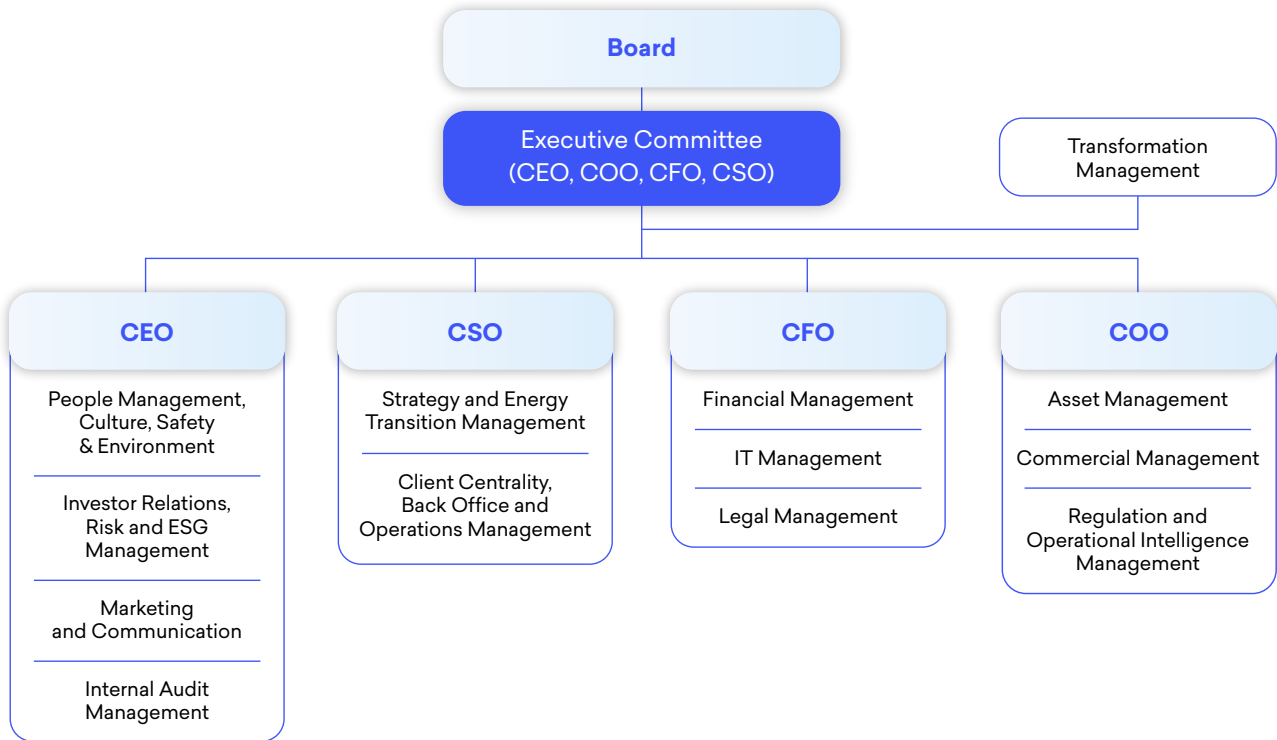


Floene's governance model also includes five committees, with distinct discussion topics but with a common objective of strategic internal communication and knowledge sharing, among management teams.

- Management Committee
- ESG & Stakeholders Committee
- Risk & Internal Control Committee
- Strategy & Market Committee
- Transformation, Innovation & IT Committee

The composition of the governing bodies is detailed in annex I.

Our structure



4.3. Ethics and Transparency

Responsible conduct, code of ethics and conduct

Our identity is centered on promoting sustainability among all of our stakeholders, promoting transformation and development in the communities where we operate, in order to continuously improve our economic, social, and environmental results.

Our long history as a company and our ability to always bring more ecological and efficient energy solutions to communities is based on a culture of respect and collaboration, attentive to the expectations of our stakeholders.

Floene’s responsible business conduct is governed by a Code of Ethics and Conduct (Code of Ethics), which guides the personal and professional conduct of all employees and is also applicable to all of our service providers. Its objective is to materialize our purpose, mission, and values in our operations, as well as to guide daily functioning, so that every behavior or action fits into the corporate culture of our company.

In the same line, the DSOs, in addition to subscribing to Floene’s Code of Ethics, also have their own codes of conduct. These documents establish the principles and general conduct standards to be observed by managers and other DSO employees, ensuring absolute compliance with the rules of independence and transparency, in the exercise of their activities, as well as guaranteeing the absence of discriminatory behaviour.

Floene also has a procedure for Reporting Irregularities with the aim of allowing any stakeholder to communicate to the Ethics Committee, any irregularities or non-compliance situations with the Code of Ethics, through a dedicated channel that ensures a level of security and confidentiality of the information communicated.

The Ethics Committee of Floene, reporting to the Audit Board, is responsible for monitoring the application and interpretation of the Code of Ethics, as well as for receiving, recording, and processing irregularity reports received through the dedicated ethics communication channel (opentalk@floene.pt).

During 2022, the Ethics Committee received one complaint of irregularity and initiated an inquiry and followed its subsequent resolution.

4.4. Internal Control and Risk Management Systems

Internal Control

As a holding company of a group of regulated companies, operating in the sector of distribution and gas last resort supplier in Portugal, Floene aims to ensure compliance with applicable legislation and regulations, as well as the continuity and sustainability of its operation, promoting the resilience of companies through a solid and appropriate Internal Control and Risk Management System.

In 2022, the Internal Control Manual was approved, which establishes the general principles and requirements of the internal control components, as well as the organizational model associated with the integrated and global management of internal control and risk management in the Company. This manual is understood as the set of processes implemented and executed by the social and supervisory bodies, Ethics and Conduct Committee, internal auditor and Floene employees, in order to ensure compliance with the objectives related to operations, disclosure, and compliance.

The Manual follows the COSO - Internal Control Integrated Framework reference model. Accordingly, adopts the five components of the internal control: 1. Control Environment; 2. Risk Assessment; 3. Control Activities; 4. Information and Communication; 5. Monitoring Activities. These components aim to provide reasonable assurance regarding Floene's compliance with its objectives in relation to: (i) the pursuit of its strategic objectives; (ii) the orderly and efficient conduct of activities; (iii) the safeguarding and protection of assets; (iv) the prevention and detection of fraud and errors; (v) compliance with applicable laws and regulations; and (vi) financial and non-financial reporting.

The governance structure of internal control and risk management at Floene is based on the three lines of defense model, accordingly with the best accepted practices.

Certified Management Systems

In 2022, the conditions for maintaining the certification of the Environment, Quality, Safety and Health management system implemented, were ensured.

Floene's DSOs have implemented certified Environment, Quality, Safety and Health at Work management systems by APCER for NP EN ISO 9001, NP EN ISO 14001 and ISO 45001, contributing to the sustainability of the gas distribution activity and demonstrating our commitment to the environment, customer satisfaction and the safety of our employees.

Regulatory compliance

It should be noted that the strictly regulated framework, in which the companies of Floene's group operate, has led to the establishment of a Compliance Program.

According to applicable regulations, an independent entity has been appointed to ensure the exercise of the Compliance Officer in the three DSOs with more than 100 thousand clients. This entity monitors the proper application of the principles set forth in the program and the compliance of the DSO's actions with the established obligations.

Operational, compliance, and financial audits are carried out, as well as reviews to the information systems, in order to test the effectiveness of the existing internal control mechanisms, ensuring adequate conditions for maintaining a continuous improvement process.

Risk management

Floene's operations have a long-term nature, which implies that many of the risks to which it is exposed are permanent. However, the factors that trigger risks, internal or external, are variable and may develop and evolve over time, changing in probability, severity, and detectability.

Floene adopts a dynamic and comprehensive Risk Management methodology, which encompasses a set of risk identification, assessment, treatment and monitoring activities, involving the Executive Committee, the Risk Management area and those responsible for risk mitigation action plans. During 2022, the Risk Management and Internal Control Committee was created, whose mission is to support the Board of Directors and the Executive Committee in monitoring the risks of the Floene group, ensuring the application of the risk management policy and sharing the best practices.

The main risks arising from the nature of our activity and the current context are the following:

- regulatory changes and legal framework,
- the refinancing process of the company's current bond issuance, and
- information systems and cybersecurity.

Mitigation measures for the first risks mentioned are related to systematic monitoring of national and European regulatory and legislative trends, as well as legal, compliance, and regulatory advisory in close coordination with the Company, to ensure compliance with statutory, legal, and regulatory provisions.

The refinancing risk was mitigated, in 2022, by contracting a credit line - Backstop Facility, through a banking syndicate, as well as the commitment from management to maintain an investment grade rating. For risks related to information systems and cybersecurity, mitigation involves a set of continuous improvement actions at the level of information systems and specific control procedures, as well as redundant backup and disaster recovery systems.

It is also important to mention that, in the current context, Floene is aware of the risks and opportunities related to climate change. Our opportunities arise from the transition to a low-carbon economy and the possibility to find new ways to meet the needs of our customers, based on the regulated activity that we exercise as an operator of a public service. We manage these risks in accordance with the global internal risk management standard, ensuring a global view and comparison of the levels of risk/opportunities to which the Company is exposed. Globally, our climate change risks and opportunities are the following:

- National and European regulations associated with the transition to a low-carbon economy (insufficient legislative framework for renewable and low-carbon gases), changes in environmental policies and requirements, technology, market, etc.
- Adverse weather conditions.

In terms of adaptation to climate change, we have been analyzing the effects on the gas distribution infrastructure, namely the vulnerability to extreme weather events. Gas infrastructure, mostly being underground, will be less impacted in the event of weather phenomena.

In order to minimize exposure to various risks resulting from operational activities, Floene Group contracts the insurance policies considered necessary. These instruments cover the risks that may occur during the course of those activities, transferring the risk and minimizing potential reputational, operational, and financial damages, with emphasis on property insurance, liability insurance, social insurance, financial insurance, cybersecurity insurance, among others.

Company's ESG risks are increasingly under scrutiny by stakeholders and there are currently a wide variety of entities specializing on issuing ESG analysis and ratings. Sustainalytics, an independent ESG and corporate governance research, ratings and analytics firm, issued an unsolicited ESG rating on Floene, based on publicly available information. This risk rating provides quantitative information on the ESG risk unmanaged by the company and distinguishes 5 levels of risk: negligible, low, medium, high and severe. Floene's rating improved significantly in 2022, reaching a value of 29.5, reflecting a medium risk range.

4.5. Involvement with the community/stakeholders

Floene prioritizes a relationship of trust, proximity, and transparency with its stakeholders, focusing on the creation of shared economic, environmental, and social value.

Involving stakeholders in our governance model allows us to anticipate their expectations and leverage our performance.

Our mission can only be fully achieved if we promote the involvement of all individuals and groups with whom we are related, so we seek to develop regular consultation processes as a way of obtaining feedback on their needs, expectations, and interests, and to incorporate them into our action strategy.

Regarding our involvement with our stakeholders, we promote regular interaction with each group. It should also be noted that for the materiality analysis, stakeholders were surveyed through specific interviews and questionnaires.

Dialogue with stakeholders

Floene aims to ensure that the channels used, and their frequency, are appropriated, making communication and engagement personalized according to the group of stakeholders. It is important to note that the approach to the main stakeholders and the established means depend largely on the dynamics, legal requirements, and the characteristics of each region where Floene operates, the projects developed, and/or the companies.

OUR STAKEHOLDERS	MOST POPULAR TOPICS	INTERACTION
Investors/Shareholders	Financial performance goals, responsible and sustainable organization	Meetings and general assemblies; Periodic financial reports; Other communications.
Clients	Customer-oriented service; network accessibility; secure and sustainable supply	Customer satisfaction surveys; Complaint channels and their management; efficient management of the LRS activity.
Employees	Well-being and development; safe working environment	Management meetings and knowledge sharing forums; Publications and internal communications; Training sessions; Workers' committee; Consultation of workers regarding safety and health.
Associations	Partnership in decarbonization; sustainable energy supply; market facilitation	Working groups; Participation in management bodies of associations; Other initiatives.
Financial sector	Efficient and integrated management of financial resources; financial value; sustainability positioning; ethics and transparency	Presentation meetings; Periodic financial reports; Other communications.
Suppliers	Secure supply; technical knowledge; decarbonization planning; customer orientation and service	Training sessions; Qualification mechanisms and prerequisites; general supply Partnerships/agreements.
Public opinion	Sustainability positioning; supply security; energy efficiency; decarbonization; ethics and transparency	Articles and news for magazines and newspapers; Social media; Press releases and public clarifications.
Official entities (ERSE, DGEG, etc.) and regional/local communities	Sustainable development of the activity; innovation; energy efficiency; decarbonization strategy; market facilitation	Annual report and accounts; Protocol celebration; Public consultations; Mandatory legal documents under the regulator's scope; Initiatives and proposals; ERSE advisory and tariff council.
Partners and Research/Academy	Technical training; activity resilience; quality, efficient and safe service; decarbonization; market facilitation	Protocols; training; Partnerships for specific studies and projects development.

Collaboration and partnerships

We consider that partnerships are essential to achieve the goals of the energy transition and the global collaboration necessary to achieve decarbonization objectives. During the year of 2022, we maintained and strengthened partnerships and participation in some entities that we consider relevant:


- **Business Council for Sustainable Development Portugal (BCSD Portugal)**
The reference organization in Portugal that brings together more than 130 Portuguese companies actively committed to the transition to sustainability.
- **Gas Distribution for Sustainability (GD4S)**
The association that brings together the main gas distribution operators in eight European countries.
- **Associação Portuguesa de Empresas de Gás (APEG)**
A nonprofit organization with a professional, technical, and scientific character, being the representative body of the sector and the preponderant interlocutor with public and private entities, national and international.
- **Associação Portuguesa para a Promoção do Hidrogénio (AP2H2)**
A nonprofit entity whose activities are aimed at promoting and facilitating the use of hydrogen as an energy vector in Portugal.
- **European Clean Hydrogen Alliance**
Created to support the large-scale deployment of clean hydrogen technologies by 2030.
- **Associação Portuguesa de Energia (APE)**
A nongovernmental, nonprofit, and public utility institution that aims to stimulate reflection and debate on sustainable energy transition at various levels of the value chain of energy products and services, promoting the sector's contribution to the economy and quality of life in Portugal.
- **Internacional Gas Union (IGU)**
Its mission is to defend gas as an integral part of a sustainable global energy system and to promote the political, technical, and economic progress of the gas industry.
- **European Biogas Association (EBA)**
Represents the sustainable biogas and biomethane sector in Europe.
- **Ready4H₂**
Aims to offer a shared vision, supported by the experiences of European distributors, of the essential role of gas distribution networks in supporting the development of hydrogen.

- **Eurogas**

An association that represents the European gas sectors to EU institutions. The association aims to strengthen the role of gas in the energy mix, establishing a continuous dialogue with players in the European industry, global gas producers, and relevant institutions.

- **Marcogaz**

The technical association of the European gas industry. Its mission covers policy advice related to European technical regulation, standardization, and certification regarding gas system and equipment safety and integrity, rational energy use, as well as environment and health.

During the year of 2022, we also reinforced the positioning of Floene in the industrial sector, with the academy and suppliers, in the context of the project  [“Indústrias de Futuro”](#).

Some of these projects and partnerships are detailed in chapter 6.

05

Our
People



05 Our People

Collaboration to ensure dignity and equality in a healthy environment

5.1. Safety and well-being

Safety and safety culture

The occupational health and safety management system (OHS) is a central piece in Floene's policies, with the aim of preventing accidents and occupational diseases involving employees and service providers. The daily operationalization of this management involves:

- Carrying out technical visits for safety, health, and occupational medicine
- Conducting internal, external, and legal compliance audits to verify compliance with requirements
- Thorough investigation and determination of root causes of incidents
- Conducting training and simulations for proper emergency management
- Conducting occupational health and safety studies
- Identification and management of hazards and risks in activities
- Safety and hygiene training
- Control and management of service provider documentation

The number of severe accidents remained low in 2022, despite an increase in the number of worked hours compared to 2021. This fact demonstrates the knowledge and compliance with safety procedures and instructions by employees and service providers, although the desired goal is zero accidents.

Safety Numbers

+25 Training and Simulations

4 Audits

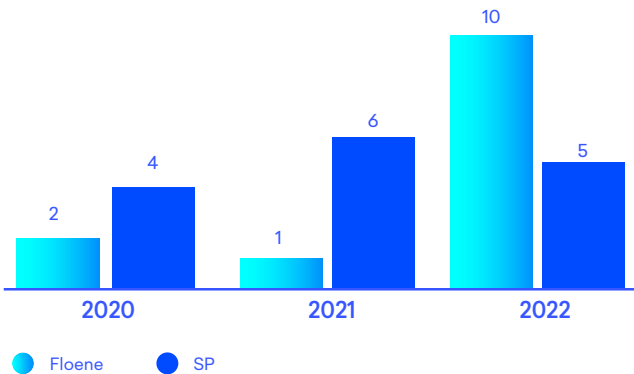
Integrated Environmental, Quality and Safety Management System; Legal Compliance; Seveso

+170 Technical visits for OHS

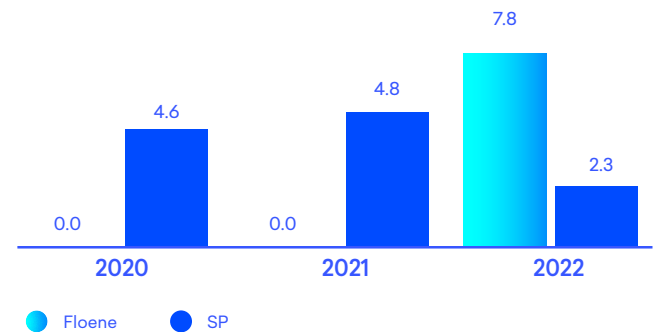
+70 OHS studies
(ergonomics, lighting, etc.)

2940 hours of OHS training

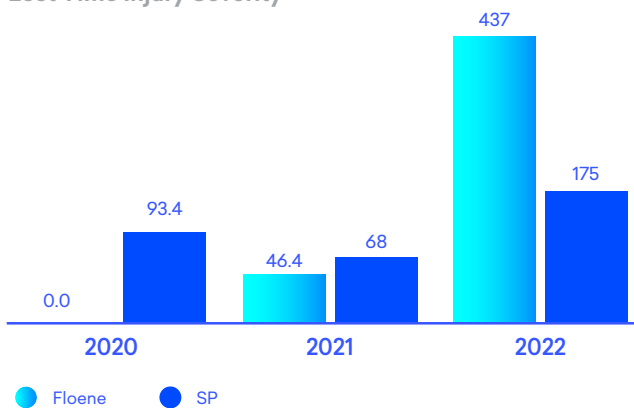
Total Number of Accidents



Lost Time Injury Frequency



Lost Time Injury Severity



The Lost Time Injury Frequency (LTIF), in 2022, was higher compared to the previous year. This is mainly due to a higher number of low-severity accidents such as trips, collision with objects, and falls at the same level.

Note: Normalization factor for the number of hours worked: 1 000 000; To calculate the indices shown in the graphs above, only employee accidents were considered in days lost.

The concept of “Safety Talks” is based on a positive safety culture and involves dialogue between employees based on observation during work execution, focusing on the issue of behaviors and conditions under which tasks are performed.

In 2022, there were nine more accidents involving Floene employees compared to 2021 during effective working time, which resulted in an increase in lost days due to work accidents. As for service providers (SP), one less accident was reported in 2022 compared to 2021.

The lost time injury frequency and severity indexes did not evolve favorably compared to 2021.

Safety and health visits are a regular practice in Floene’s facilities and operations to assess compliance with the company’s safety procedures. All construction and network maintenance contracts are audited several times during execution to ensure frequent monitoring of the work and promote the implementation of improvements and corrections.

Our goal and greater ambition remain the promotion of a safety culture, including internal employees and service provider employees who operate and maintain our distribution network. In order to accomplish this, the safety strategy is based on incident prevention practices, such as safety talks during work or service provision to clients (Safety Talks), reporting of near-accidents, unsafe acts and conditions, and the alignment of individual performance indicators and annual employee evaluation linked to incident reporting.

During 2022, 796 safety talks were held, involving more than 80 observers.

This program, in which directors and managers also participate, has as its main objectives the identification of unsafe acts and unsafe conditions, their immediate correction, and the promotion of transversal safety communication.

Parallel to this, mechanisms for recognition and constructive feedback are implemented to encourage a safe attitude and behavior by employees and contractors. During 2022, employees who reported near-accidents or safety talks in accordance with the outlined objectives were recognized individually and as a team.

Floene promotes the participation and consultation of employees on various topics such as safety, hygiene, and health at work, opening communication channels for reporting situations as mentioned, but also through a biannual formal consultation to listen to specific OHS topics. In this context, meetings with workers’ representatives are also held.

Health and well-being

Regarding occupational health services, we maintain our commitment to ensuring access and conducting routine and complementary exams, taking into account the specificity of each task.

At the largest medical center in Lisbon, medical consultations of various specialties are provided. Employees have personalized and accessible services in terms of insurance for personal accidents, life, health, etc. through a strong partnership with the insurer and face-to-face assistance and direct contact with the consultant.

During the last quarter of 2022, a Psychosocial Risk Assessment survey was made available to all employees. This survey aimed to assess several aspects, including work demands, social and leadership relations, workplace values, health and well-being, among others.

We recognize that mental health and well-being in the workplace are increasingly relevant in society, and Floene prioritizes them. Therefore, we are committed to creating a healthy work environment that promotes the balance of our personal and professional dimensions through the creation of specific prevention and intervention plans.

During 2022, several ergonomic studies and evaluations of workstations associated with all activities carried out by Floene employees were developed, as well as the definition of improvement action plans.

Employee Journey

In a year of internal transformation, with company reorganization and the welcoming of new employees to reinforce our strategy, we considered it essential to have a new perspective of our people, their real needs and motivations. For this purpose, the Employee Experience project was developed, combining the expectations of employees, the environment, and the events that shape their journey within an organization.

Throughout the past year, initiatives were developed to address the development of an onboarding process for new employees, with the possibility of immersion sessions for a deeper understanding of the activity and integration within the company. The Floene performance and career development process was also reviewed and presented, as well as several people development programs, particularly in leadership competencies.

We also promoted internal mobility through mobility processes, ensuring direct allocation and the match between Company's needs and the profiles of our employees.

5.2. Internal Transformation

The materialization of our purpose is only possible with the participation of our people and the necessary competencies for the new energies and new challenges. We are therefore reinforcing our internal organization with new people and/or new competencies to respond to the external challenges.

Conditions for a sustainable result

Recruitment
16 women | 21 men

Total number of employees
127 women | 269 men

Talent Attraction

In June 2022, we launched our first edition of the Trainee Program - Change your world! This campaign was directed towards graduates from various academic backgrounds and universities throughout the country.

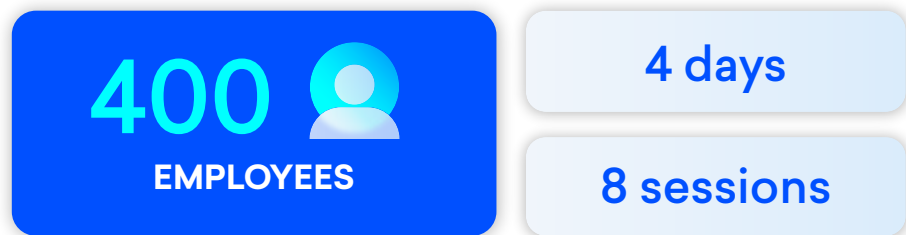


The onboarding included the involvement of the trainees in the official launch event of the new brand, a unique moment for the entire company and a very impactful way to start a professional career. Dynamics were developed to provide the new employees an overview of the organization, business model, and main challenges of Floene.

Career and performance evaluation processes were reviewed and developed, focusing on people's feedback and development.

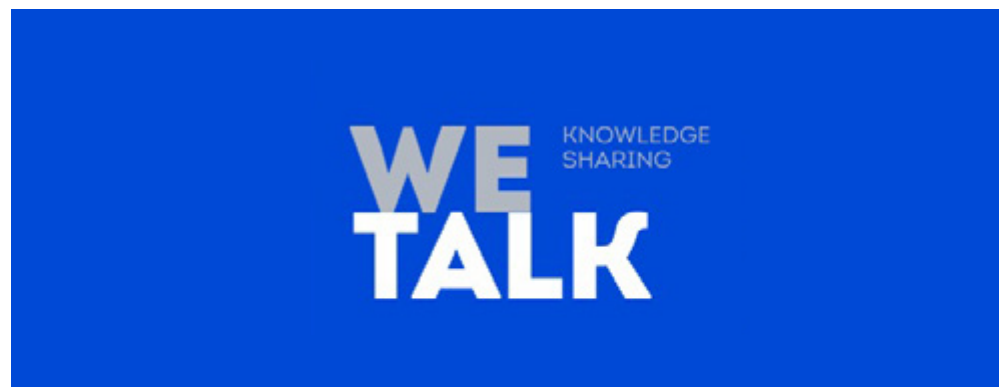
Transforming with the future sessions

As part of the internal transformation process, all employees were involved in specific sessions on the definition of the pillars of Corporate Culture - Purpose, Mission, and Values. The main objective was to translate the defined principles into actions and behaviors. It was mainly a process of reflection and co-creation with multidisciplinary, multifunctional, and multi-geographical teams.



We Talk – Knowledge Sharing

This initiative aims to materialize a platform for sharing knowledge and discussing relevant topics related to the strategy of our company. We believe that these will be privileged moments to share, develop and reinforce the knowledge and vision of our employees on emerging topics related to the energy and gas sector. The initiative was launched in 2022, and clarification and knowledge-sharing sessions were developed on the legislative package for hydrogen and decarbonized gas, as well as on the European Union's proposal for reducing methane emissions in the energy sector.



5.3. Training

In 2022, we increased the total number of training hours provided to employees and achieved a growth of 183% (9 152 total hours). In addition to the available training catalog, this growth was made possible through the design and implementation of a set of tailor-made training programs.

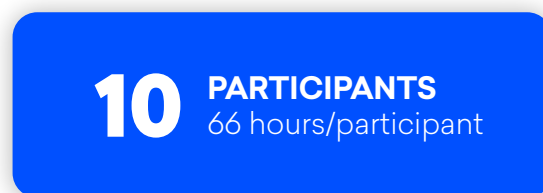
We Grow – Leadership Training

We promoted an apprenticeship training aimed at contributing to promote managers empowerment and accountability. These sessions were especially focused on feedback and development, which we consider to be the central pillars of the new performance management model of our company.



Líder ARC - Floene launches Leadership Challenge to Directors

During 2022, we launched the first executive training - *Líder ARC* aimed at directors. The main objectives of this training were to strengthen different management skills, to follow the major trends and best practices in leadership, and, above all, to reinforce the interaction and collaboration among this group.



Performance Management Program - Meet Me

The new performance management model has been redefined and made available to all employees. Clarification sessions were held to help identify how to build paths of professional development within our organization and what role each of us can play.

Technical Procedures Training Program (partner ISQ Academy)

In partnership with ISQ Academy, we developed a training program aimed at improving Exploration and Construction of Networks processes. These training sessions were aimed to commercial management teams, asset management, and service providers.

We want to continue to invest in the training and development of our people, and since safety is an essential issue in our activity, it is important that employees (internal and service providers) always have up-to-date and complete knowledge about the technical procedures they must apply on a daily basis.

40 PARTICIPANTS
25 hours/participant

Next Level Development Program

This program was designed to contribute to a better self-knowledge on the part of the participants, so that they can conceive and implement initiatives to develop technical and behavioral skills, contributing to a better team alignment. All participants developed Individual Development Plans, together with their managers, in order to promote the development of specific skills.

20 PARTICIPANTS
1 day of training



FLOENE

06

Our
Planet



06 Our Planet

Floene's respect and contribution to the protection of the planet

6.1. Decarbonization overview in the gas sector

Energy efficiency and the use of renewable energies are central to our sustainability strategy. As enablers of the energy transition, we monitor environmental performance indicators and develop initiatives that are aligned and have an impact on this transition.

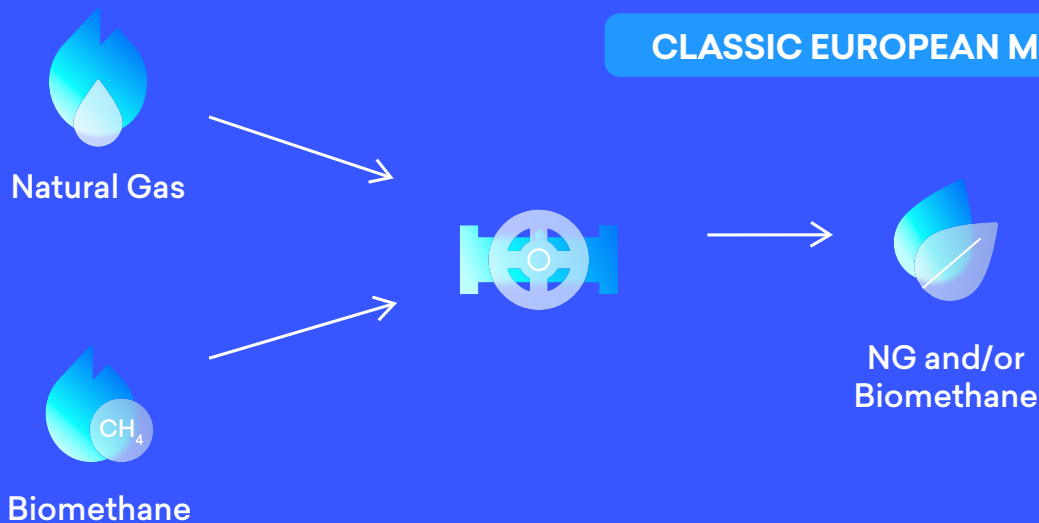
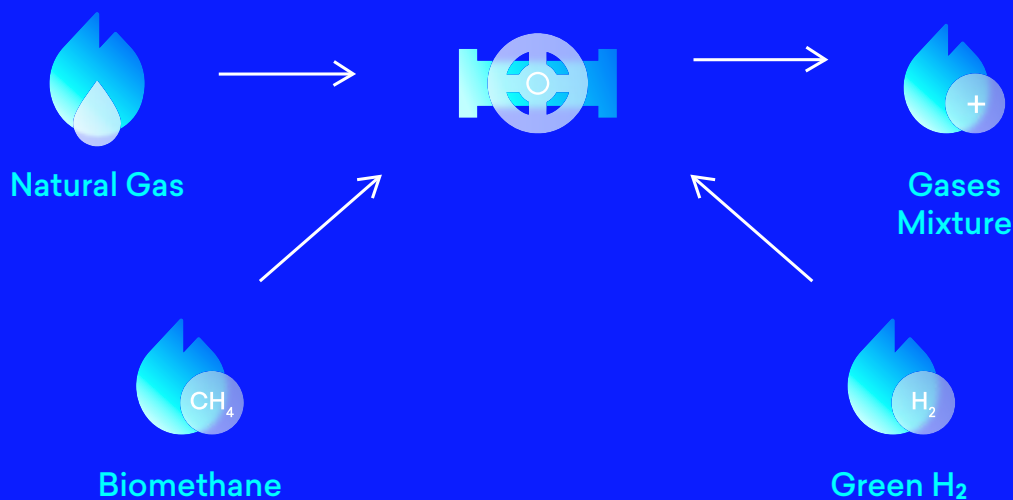
Success in a fair energy transition to a low-carbon economy will require structural changes in society and the understanding in the energy sector of the need for integrating solutions of electricity and gas. These changes present challenges to our activity but also create opportunities for us to grow and contribute to a fair transition.

Our actions and development plan reflect the main emerging energy trends and allow us to help consumers use energy more efficiently and promote the use of renewable gases.

An increasingly urgent reality

In a context of energy crisis, the investment in endogenous energies with strong decarbonization potential that ensure flexibility, resilience, and security in energy supply has never been so important. The classic model of centralized production and distribution of energy will increasingly give way to a decentralized model, that will promote the use of renewable or low-carbon gases, contributing to an effective decarbonization.

Renewable Gases

A MODEL THAT MAKES YOU
THINK DIFFERENT**FUTURE MODEL**

- It can be incorporated into the current gas distribution network
- Identical composition to natural gas, can be used in current equipment without the need for any adaptation
- Renewable origin, produced from abundantly available waste

- It can be incorporated into the current gas distribution network
- It can be consumed in a mixture with natural gas up to 20% vol in current equipment
 - Produced using renewable electricity

As in the electricity sector, we can decarbonize the gas system using renewable gases such as biomethane and green hydrogen. This will enable the diversification of consumption and create a fair transition for consumers.

6.2. Energy efficiency and climate change

Climate change and the growing concern about the need to meet reduction and mitigation targets places decarbonization at the center of Portuguese and European policies with a significant impact on the energy sector. The adequacy of the gas infrastructure is therefore a critical factor in achieving national energy policy targets, and renewable gases will play a key role in the decarbonization process.

Floene assumes its position in the national energy sector, ensuring that the distribution network is prepared to safely and efficiently inject renewable gases, promoting greater equity and territorial cohesion. The introduction of renewable gases into the distribution network will have impacts at industry and regional levels, generating positive externalities for the industry and the local economy. The current distribution infrastructure will allow for the distribution and consumption of renewable gases in various sectors of the economy and will enable an increasing incorporation of renewable energy sources in final consumption.

Biomethane

Fosters a circular economy by promoting more sustainable management of urban, industrial, and agricultural waste.

Green Hydrogen

Offers a decarbonization pathway for intensive heat industries and greater integration of the energy system.

We are developing several initiatives to accelerate the introduction of renewable gases into the network, including:

- Ensuring the technical conditions for the reception of renewable gases, including green hydrogen:
- Creating the conditions for the development of renewable gas projects:
 - Turnkey support for producers - Supporting producers in evaluating potential, business cases, and connecting to the network;
 - Pilot projects - Developing pilot projects to leverage a learning effect and demonstrate the role of the distribution infrastructure.

As the largest gas distributor in Portugal, Floene's investments will make the energy transition viable and have a significant contribution to reducing GHG emissions in the energy sector.

Our projects in decarbonization

We are developing several pilot projects with renewable gases, namely the injection of green hydrogen into the gas grid. These projects involve various partnerships and multiple stakeholders (including local producers, municipalities, industrial associations, academy, etc.).

- **“Energia Natural do Hidrogénio” (initially known as Green Pipeline Project)**

This is the first project in Portugal of green hydrogen (H₂) injection into the natural gas grid. This two-year pilot project allow us to acquire direct knowledge about the distribution of hydrogen/natural gas mixtures, putting the company in a better position to deal with other H₂ projects in the networks. Led by Floene, and with funding from the Environmental Fund, the project has technical partners such as Bosch, Gestene, Catim, PRF, ISQ, and also the *Instituto Superior Técnico* and AP2H2.

The project, which covers around 80 customers, mostly residential, started hydrogen injection (2 to 5%vol.) in 2022, with the ambition to reach a maximum of 20%vol. Also, in this year, the installation of mixing, monitoring, and control equipment was completed. This project is particularly important for demonstrating the use of H₂ in domestic consumption, thus highlighting a principle of complementarity between gas and electricity systems in the decarbonization process, as opposed to a total electrification option that raises technical, social, and economic issues [🌐 \(greenpipeline.pt\)](https://greenpipeline.pt).



- **Retrofit Project: Long Term Decarbonization Plan**

Aware that H₂ presents issues regarding its operation and consumption, and that there is a need to adapt all components that integrate distribution assets, we intend to develop a set of activities focused on adapting our assets to the distribution of 100% hydrogen (total decarbonization of the distribution activity).

- **H₂GVillage**

The H₂GVillage project is part of the H₂ Green Valley consortium, composed by 6 co-promoters. This initiative, under the Portuguese Recovery and Resilience Plan, aims to develop a set of complementary projects covering the entire value chain of green hydrogen. It focuses on the development of hydrogen transmission, compression, and distribution infrastructures, to create the first green hydrogen

hub in Portugal, which will be located in the Sines region. This infrastructure will enhance and link a cluster of producers and consumers of green H₂, allowing the sharing of infrastructure costs and the development of innovative services to maximize the penetration of renewable hydrogen. The project includes the development of a hydrogen pipeline that connects major hydrogen producers and consumers (H₂BACKBONE) and a natural gas and hydrogen injection and mixing system for injection into the transport network (H₂GBlend).

Under the H₂GVILLAGE project, the gas distribution network of Sines will be connected to the hydrogen pipeline and adapted to distribute 100% hydrogen in the future. A pilot conversion program of around 30 end-users to 100% hydrogen will be implemented, aiming to demonstrate the feasibility of this conversion. The pilot program is supported by BOSCH, for the supply of the necessary equipment.

- **Gas Tracking Mechanism + Gas Quality Tracking System (GQTS)**


With the energy transition, renewable gas producers may inject them directly into the distribution network. Their characteristics must be controlled, as well as the gas composition within the mixture with other gases from other sources, in the network. This circulation gas tracking system will consist of a software that will be related to other systems and allow for a preliminary study of specific areas of the network, where the injection of renewable gases is occurring. The software will also develop a network model and calculate the uncertainties that affect the determination of mixture properties, in order to be compliant with quality and safety criteria.

Our projects in the field of energy efficiency and literacy in renewable gases

We are committed to promoting knowledge and information in the area of new renewable gases and in the best technology. To that end, we have several initiatives and projects undergoing that materialize our purpose of promoting sustainable communities:

- **Roadmap for the Introduction of Renewable Gases in Industry**

We are promoting a pioneering project in Portugal for 24 months:

 [“Indústria de Futuro”](#) - the Roadmap for the Introduction of Renewable Gases in the National Industrial Sector. This roadmap aims to boost the decarbonization of the national economy through renewable gases in the sector, with a special focus on hydrogen. The project is funded under Portugal’s Plan for the Promotion of Energy Consumption Efficiency (PPEC) and approved by ERSE. The roadmap will demonstrate the relevance of gases in decarbonizing hard to abate industries, namely glass and ceramic production, also promoting increased energy efficiency through the use of more efficient equipment and consumption adaptation. The project will identify the needs of the sector, providing technical-scientific content and training actions to simplify the transition to more sustainable and efficient solutions. In partnership with major industry associations, academy, energy sector associations, and innovation and research centers, we will share technological knowledge about the incorporation of renewable gases in the industrial sector,

developing a wide range of activities, including conferences, workshops, advanced training courses, energy surveys, and energetic diagnosis.

At the end of 2022, we launched the project, with an opening conference that was attended by government representatives, official entities, and regulators, as well as various partners in the technological and academic fields. This event also featured a special roundtable with four industrial associations discussing the opportunities and challenges of decarbonization in the industrial sector. In the upcoming months, the roadmap will have more initiatives, focusing on a series of six workshops - reaching different industries and communities. The main goal will be to build synergies at the local and regional levels and continue to promote the impact of renewable gases on the decarbonization and development of the Portuguese economy.



- **Network Decarbonization – Partnership with Paper and Ceramics Industry**

As a national market leader in gas distribution, we have developed a collaborative initiative with the ceramics and paper industry to study, analyze, and promote a study of decarbonization of high-energy-consuming industries. Floene intends to support industrial consumers, inferring and identifying which are the biggest technical/technological challenges of these specific customers and their respective industrial sectors. This plan includes providing support and energy auditing, both technological and technical, resulting from a detailed analysis of the execution of the action plan and roadmap for the implementation of possible decarbonization routes, with a focus on renewable gases.

The development of this initiative highlights Floene's commitment to supporting and facilitating national economic development based on a decarbonized and more sustainable society and industry.

- **Tangible Measures for the Gas Sector, for the Replacement and Elimination of Non-Energy-Efficient Equipment with More Efficient Equipment - Residential Segment**

We want to actively contribute to reducing energy poverty by addressing its root cause in the gas sector: low literacy and perception of the positive evolution of the sector by the consumer, as well as the limited knowledge and use of more efficient equipment. In this sense, as promoters of this measure and together with partners in this project, we intend to enhance the conditions for the replacement of less efficient equipment with a more efficient one. To this end, an awareness plan is also included to transmit the importance of responsible energy use. The aim is to demonstrate the benefits for all parties, both for consumers, obtaining direct savings in their consumption, and for society in general, through the reduction of greenhouse gases. With this program, we aim to evaluate a more efficient consumption and promote a better quality of life for families at national level (domestic customers).

During the year 2022, through one of its DSO (Lisboagás), Floene ensured its participation as a promoter of this project and support for the implementation of PPEC - replacement of equipment with more efficient boilers. This project will last for 24 months.

Strengthening relationships of proximity with our stakeholders for a common purpose - decarbonization of the gas sector

Over the past years, we have actively participated in a set of international and national projects aimed at promoting the progressive decarbonization of gas distribution infrastructures. These partnerships are focused mainly on promoting hydrogen and biomethane as the new future energies, new technologies for adapting the distribution network for the injection of renewable gases, and best practices and techniques for reducing fugitive methane emissions.

- **Active participation in national, European and international associations**

To become the networks of the future, we need to have a strong presence in different sector associations and cooperate with many of our peers from other countries. Therefore we have been proactive in participating in various European and international associations. Through our participation in these associations, we cooperate with our peers, compare experiences with the aim of developing good practices, creating links and identifying future opportunities. In some of these associations, we have worked together, monitoring and analyzing the impact of European Union policy and legislative initiatives on the business and energy sector. During the year 2022, several meetings were held with members of the European Parliament and the European Commission, which ranged from

promoting the role of gas infrastructures and distribution operators to achieving climate goals, giving feedback and contributions on specific legislative proposals. In order to keep up with developments in national and European energy policy, we participate as members or leaders of Working Groups and Committees within the aforementioned associations.

- [GD4S Sustainability Charter - “GD4S Sustainability Charter Decarbonising the gas grid as a key enabler for a climate neutral society”](#)

As a member of GD4S, we have signed and endorsed the first GD4S Sustainability Charter. Co-drafted by the seven members, this document defines a collective approach to sustainability, sharing commitments among the three pillars of sustainability: Environment, Social and Governance (ESG), all aligned with the SDG. The Sustainability Charter is a collective milestone that complements individual company initiatives and demonstrates the commitment to make a difference for the planet, people, and our companies.

- [Ready4H₂, Ready for Hydrogen](#)

We have reinforced our commitment to the transition to a greener economy, joining other Gas Distribution Network Operators from 22 countries across Europe in a new project called “Ready4H₂”. In this project, officially launched in 2021, we have committed to working together with over 96 European DSOs to create a common understanding of the potential of gas distribution networks in the growth of hydrogen usage and emissions reduction. The DSOs participating in this project aim to share the knowledge gained through this cooperation between partners for the benefit of European Union policymakers and various member states, thus contributing directly to the development of an economy that will have hydrogen as a natural solution for the future of energy.

- [Biomethane Industrial Partnership \(BIP\)](#)

The European Commission and the industry leaders launched, at the end of September 2022, the BIP, as announced in the REPowerEU Plan. The BIP is an industrial partnership in which policymakers, industry, and other stakeholders come together to promote the achievement of the goal of 35 billion cubic meters of sustainable biomethane production and its usage annually, until 2030, and establish the prerequisites for further strengthening its potential by 2050.

- [European Clean Hydrogen Alliance \(ECH₂A\)](#)

The European Clean Hydrogen Alliance was announced under the New European Industrial Strategy and it was launched in 2020 in the context of the Hydrogen Strategy for a Climate-Neutral Europe. The ECH₂A aims for an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen producers, industrial sector, mobility, among others, as well as transmission and distribution of hydrogen. The Alliance will maximize the impact by involving all stakeholders in the hydrogen value chain and mobilizing resources to develop an investment agenda to stimulate the deployment of renewable and low-carbon hydrogen production and use.

- **International Cooperation in Biogas Development - France and Spain**

During 2022, we have reinforced our commitment to the transition to a greener economy, with a leading facilitator role at the national level in supporting and promoting the development and decentralization of renewable gas production, with a focus on biogas development. In this regard, we proactively participated jointly with other DSOs from various European countries and GD4S members in international actions to share information, best practices, and technical and technological synergies on the development and integration of biogas production and injection units.

6.3. Our carbon footprint

In addition to the national sector's global decarbonization initiatives, we are committed to reducing our carbon footprint. In 2021, we began disclosing carbon emissions resulting from our direct activity (scope 1) and electricity purchases (scope 2) for the 2020 base year.

Our emission sources:

Scope 1 - direct GHG emissions

Direct GHG emissions occur from sources owned or controlled by the company, such as methane emissions from the gas distribution network, natural gas consumption, company fleet, etc.

Scope 2 - indirect GHG emissions from electricity

These GHG emissions come from the generation of electricity acquired and consumed by the company.

Scope 3 - other indirect GHG emissions

All indirect emissions (not included in scope 2) that occur in the company's value chain, including upstream and downstream emissions. These emissions are a consequence of the company's activities but occur in sources that do not belong to or are not controlled by the company.

25%

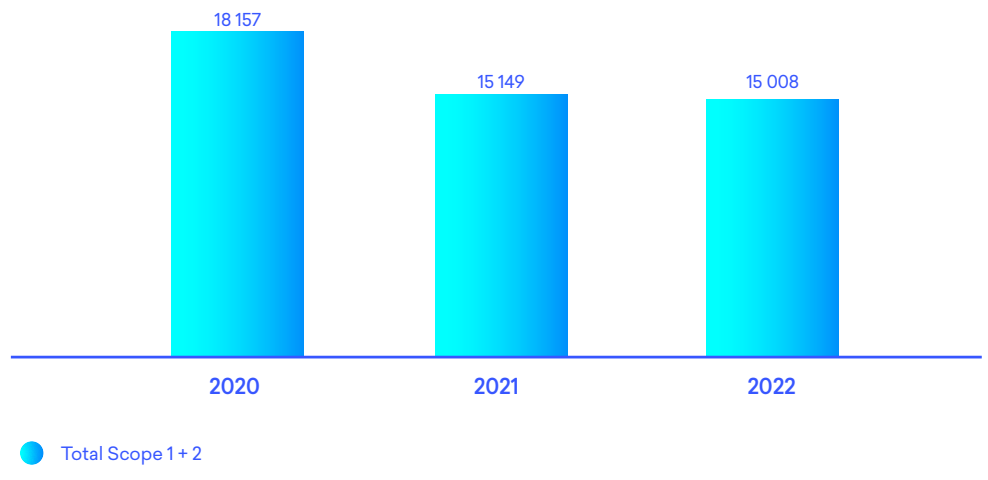
Reduction targets for emissions (scope 1 e 2) by 2025.

In 2021, we established reduction targets for emissions (scope 1 and 2) through a short-term decarbonization plan (2022-2025), with the goal of reducing emissions by 25% by 2025 (compared to the 2020 base year).

To understand and reduce our carbon footprint, we will continue to monitor performance and calculate direct and indirect emissions, and in 2023, we will estimate indirect emissions from the value chain for the first time - scope 3, based on predefined categories. We believe that the carbon footprint is a tool that will allow us to identify more rigorously opportunities to reduce GHG emissions.

We calculate emissions using the Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard, globally recognized, issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

GHG Emissions (Scope 1 and 2 - tCO₂eq.)



With a modern distribution network made of polyethylene (94%), fugitive methane emissions are reduced.

On a global level, we observed a decrease of emissions compared to 2021 (-1%), with an increase in scope 1 emissions by 0.04% and a reduction in scope 2 emissions compared to the year 2021 by 100%. Regarding fugitive methane emissions in the network, a decrease (-1%) was recorded. As for scope 2 emissions, a reduction was observed compared to the previous year, as the acquisition of electricity became 100% renewable. In relation to the 2020 baseline, there was a decrease of 17% in total emissions.

Regarding methane emissions, we are committed to reducing leaks by 25% by 2025, compared to the base year of 2020. Fugitive methane emissions are difficult to measure at the occurrence site, so the methodology used for calculation is based on an estimate of methane leaks in the distribution network through an approved tool used by Sedigas. Currently, we continue to work to strengthen and detail our leak detection process, raise awareness of third parties damages to our infrastructure, and compare our performance with other European DSOs through participation in working groups.

Greenhouse gas emissions (tCO₂eq.)

	2020	2021	2022
SCOPE 1			
Fleet	934	1 028	1 137
Network fugitive emissions	16 952	13 877	13 746
Equipment's fugitive emissions	0	0	27
Natural Gas – Boilers	71	71	67
Natural Gas – Office Buildings	38	25	31
Total Scope 1	17 996	15 002	15 008
SCOPE 2			
Electricity (Market Based)	162	147	0
Total Scope 2	162	147	0
Total GHG Emissions			
Total Scope 1 + 2	18 157	15 149	15 008

Regarding the fleet, we have initiated an electrification policy as a way to reduce emissions, and currently, 5% of vehicles are hybrid (plug-in hybrid electric vehicles). The increase in emissions recorded in 2022 compared to 2021 is related to an increase in the number of employees with a vehicle and a potential increase in kilometers traveled compared to the years 2020 and 2021, which were impacted by travelling restrictions due to the pandemic.

6.4. Sustainable management of the supply chain

We are aware of the impact our activity has on society, seeking to create sustainable value throughout the supply chain. Being present throughout the national territory, we have an impact on the local economy, particularly in terms of contracting services and purchasing goods, with 95% of the suppliers having national origin.

Management of suppliers

Floene Group has a centralized Purchasing department that aggregates and manages the needs for goods, services, and works for all DSOs, ensuring uniformity of criteria and transparency in purchasing processes. The partnership established with service providers through contracts of support to the central activities of the distribution network operators and covering the entire geography of concessions and licenses is noteworthy. Through these contracts, which involve more than 700 people directly and indirectly, all emergency operational activities, maintenance, and construction of infrastructures are ensured. These activities include those associated with commercial expansion with the aim of creating conditions for an increase in the number of consumption points, as well as technical services performed at Customer facilities.

The relationships with our suppliers are based on commercial and technical conditions, as well as on criteria set out in our code of ethics and conduct, quality policy, safety, health, environment and major accident prevention policy, among others. We have a risk management methodology that involves different stages, namely the process of selection, qualification, and evaluation of the performance of suppliers of goods or services.

Purchasing activities are supported by a specific and collaborative information system that allows stakeholders to share, in an integrated way, all information relating to the acquisition and supply management chain processes. This solution covers the entire purchasing process cycle, from the acquisition phase to the management of supplies and contracts, connecting all stakeholders and creating benefits in the transparency, efficiency, and quality of activities developed. We have a supplier qualification and evaluation system, where, based on predefined criteria and contractual conditions, their performance can be evaluated.

General Data Protection Regulation (GDPR) and cybersecurity risks are managed through the One Trust platform, interconnected and automated with the Purchasing platform, for processes containing such risks, as well as action plans to mitigate them.



STAR Program – Performance evaluation

For contractors, there is an incentive program (Star Program - Safety Engagement) that involves works contracts and has as main objectives the communication and training of all teams in their technical and administrative activities, recognition of good practices, sharing of experiences, and distinction of the best performances based on the continuous evaluation of operations in technical, procedural, behavioral, and safety dimensions.

This program consists of an important mechanism for promoting good practices and developing competencies for the organization, whose impact is assessed by Floene through customer satisfaction evaluation tools.

FLOENE

07

Our
Prosperity



07 Our Prosperity

Audacity to ensure social and technological progress to grow together

7.1. Operational Performance

Regulatory Framework

During the year 2022, the first amendment to the Tariff Regulation of the Gas Sector was approved, according to Regulation no. 583/2022, published in *Diário da República*, 2nd series - no. 123/2022, of June 28. The norm regarding the calculation of the discount adjustment resulting from the application of the social tariff was reviewed in order to make its application clearer.

Decree-Law no. 57-B/2022 was also published in *Diário da República*, 1st series - no. 172/2022, of September 6, establishing an exceptional and temporary regime that allows natural gas final customers with annual consumption equal to or less than 10 000 m³ to join the regulated tariff regime for the sale of natural gas. Additionally Decree-Law no. 84-D/2022, was published in *Diário da República*, 1st series - no. 236/2022, of December 9, which approves the creation of a transitional regime for the stabilization of gas prices by collective persons with consumption exceeding 10 000 m³.

Lastly, Gas Tariffs and Prices for the 2022-2023 gas year was approved, according to Directive no. 15/2022, published in *Diário da República*, 2nd series - no. 123/2022, of June 28.

Allowed revenues are calculated according to the applicable regulatory parameters published by ERSE at the beginning of each regulatory period and the year 2022 corresponds to the third year of the 5th regulatory period of the gas sector, which runs from January 1, 2020 to December 31, 2023.

Allowed revenues for the gas distribution activity result from the sum of the following components:

- Capital cost, defined as the product of the regulated asset base (RAB) and the rate of return (RoR) published by ERSE, plus the amortization and depreciation of those assets. The RoR is defined by applying a methodology consisting of a set of fixed parameters and

a variable component indexed to the daily average price of Portuguese Treasury Bonds (PBY) with a maturity of 10 years, with maximum and minimum values. The average value of the PBY is obtained by taking the average of the daily quotation, minus one-twelfth of the lowest and highest quotation values in the calendar year (January to December);

- Recovery of allowed net operating costs (OPEX) indexed to efficiency factors defined by the regulator, the update of the GDP deflator, and market trends (number of active customers and energy demand); and,
- Adjustments to allowed revenues that correspond to the difference between the actual revenues recovered and the estimated revenues allowed by ERSE, concerning year n-2 of the first year of the gas year.

Regarding the gas last resort supplier activity, the value of allowed revenues results from the sum of the following items:

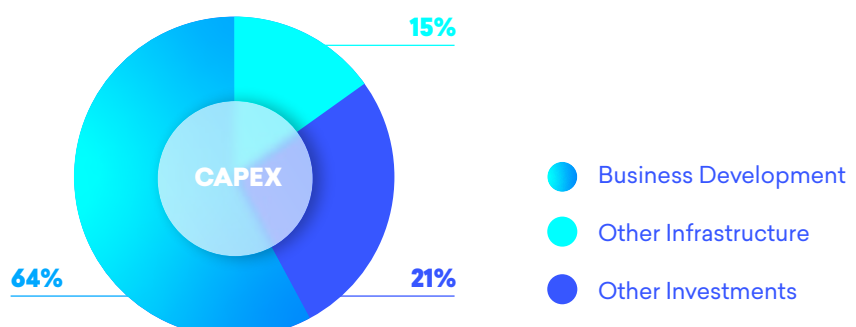
- recovery of allowed net operating costs indexed to efficiency factors, GDP deflator, and number of active customers;
- additional revenue established in the commercial license;
- differential between average payment and receipt terms; and,
- adjustments to allowed revenues that correspond to the difference between the actual revenues recovered and the estimated revenues allowed by ERSE, concerning year n-2 of the first year of the gas year.

According to the current regulatory assumptions, the gas year period is included between October and September of the following year, during which regulated tariffs are applied. Therefore, in 2022, the gas tariffs and prices for the gas year 2021-2022 (period from January 1 to September 30) and the gas tariffs and prices for the gas year 2022-2023 (period from October 1 to December 31) published by ERSE, were applied.

The rate of return on regulated assets (RoR) published in the ERSE document “Gas tariffs and prices for the gas year 2022-2023,” for the period of 2022 was 5.05%, and the regulated companies of Floene considered an adjusted RoR of 5.49% in their 2022 exercise, which was calculated according to the methodology mentioned above for the calculation of allowed revenues, reflecting the variation of 2022 Portuguese Bond Yields.

Investment (CAPEX)

During this period, excluding IFRS 16, total investment amounted to € 41.1 million, an increase of 23.9% YoY, with business development representing 64% of the total. This reflects Floene’s continued efforts and commitment to providing alternative energy to the population, communities, and economic activities of the country, and to operate in an increasingly decarbonized manner.



The investment in the distribution activity includes safety and continuity of supply, with market development up to the end consumer. In 2022, investments made in business development amounted to € 26.3 million, of which 73% were related to the construction of distribution networks and branches. The gas distribution system had a total of 13 673 km of distribution network (+175 km of secondary network and +5 902 branches). In terms of infrastructure for new connection points, 17 255 more were connected, representing an investment of € 7.2 million, ensuring the sustainability of the gas distribution system.

	2022	2021	Var. YoY	% Var. YoY
Connection points (#)	1 131 266	1 126 159	5 107	0.5%
Gas volume distributed (GWh)	16 733	18 073	(1 340)	(7.4%)
Total network extension (km)	13 673	13 498	175	1.3%
Primary Network (km)	790	790	0	0.0%
Secondary Network (km)	12 883	12 708	175	1.4%
Service lines (#)	366 977	361 075	5 902	1.6%

Investment in other infrastructures amounted to € 6.3 million, based on the economic rationality and operational efficiency of assets, as well as the technical component of the solution for supplying new locations. Following information from the operation and maintenance of the distribution infrastructures and associated equipment, opportunities or needs for intervention are identified to ensure timely supply security, equipment reliability and the proper functioning state of these assets of the gas distribution system. Noteworthy are the renewal of 8 km of distribution network, as well as reinforcement and restructuring of the existing network.

In addition, the development and implementation of an asset management system has enabled efficient running of the distribution system, providing a preventive maintenance process that allows proper conservation, safe and reliable operation of equipment until its replacement.

Investment in other activities amounted to € 8.6 million, mostly directed towards operational improvement, modernization of existing assets, and adaptation of business information systems, as well as the requirements arising from regulatory changes. Floene continued with its investment plan for the development of its infrastructure and the sector, necessary to leverage the energy transition process to ensure the preparation for the injection of renewable gases into distribution infrastructure, as planned in the Portuguese Government's energy policy objectives, particularly in the PNEC 2030.

THOUSANDS OF €	2022	2021	Var. YoY	% Var. YoY
Business development	26 319	22 299	4 020	18.0%
Other infrastructure	6 289	4 668	1 622	34.7%
Other investments	8 582	6 265	2 317	37.0%
CAPEX	41 190	33 232	7 958	23.9%

In 2022, a proposal for a five-year plan for the development and investment in gas distribution networks for the period 2023-2027 (PDIRD-G 2022) was submitted, with ERSE promoting the exercise of public consultation on the respective proposals and the operators submitting revised proposals, following the recommendations received.

Volume of distributed gas

The volume of natural gas distributed in the distribution network was 16 733 GWh, a decrease of 7.4% YoY, mainly impacted by the decline in the industrial segment (-8.7%), affected by the maintenance of high gas prices and domestic sector (-4.6%), but partially offset by the positive performance of the tertiary segment (+6.2%). The industrial segment represents about 80% of the volume conveyed in the network, however, about 83% of the revenue comes from the domestic and tertiary segments. In 2022, the number of connection points with active contract increased by a net of 5 107, totaling 1 131 266.

7.2. Innovation, adaptation and resilience

7.2.1. Information systems

Floene is developing new ways of working, seeking autonomy in a stand-alone operation, and promoting long-term activities oriented towards the future. One of the highlights of this work focuses on information systems, necessary to manage our risks and opportunities as well as to allow the adaptation of our long-term activity while respecting the incorporation of the social, environmental, and political transition.

The journey of digital and technological transformation of our Company will be based on three fundamental principles:

- **Sustainability**

Develop and implement digital solutions with a positive impact on the environment and climate. This goal will be achieved through a careful selection of technological partners that provide a lower carbon footprint. Business processes based on information systems will be evaluated to reduce energy consumption, namely by encouraging remote activities, and reducing the number of trips, and dematerializing activities, thus reducing the use of consumables;

- **Protection and Security**

Allow information systems to be secure, ensuring the privacy of personal data and protecting the assets that support the operational processes of the Company. The transformation journey provides for a complete re-evaluation of the information systems responsible for the cybersecurity of our organization, in order to protect the interests of people, companies, and public institutions associated with Floene against cybercrime, including data breaches and cyber attacks. This includes protecting digital identity against theft or manipulation;

- **People**

It is intended that the information systems resulting from digital and technological transformation serve and benefit all parties involved in our Company's processes. This includes increasing the transparency of the services provided by these entities to people, companies, and public institutions, and making these services closer to end users.

7.2.2. Energy transition and efficiency

We are evaluating the necessary investment in preparing distribution infrastructures for the gradual incorporation of renewable gases, ensuring alignment with national energy policy and emerging operational and regulatory challenges.

This is the type of investment whose planning depends on the evolution of the measures foreseen in the PNEC 2030, namely regarding the regulation of the injection of renewable gases into the national gas grid.

The projects approved or initiated in 2022 that are mentioned below represent benefits, either for the consumer, obtaining direct savings, or for society in general, by reducing greenhouse gas emissions and primary energy consumption, as well as ensuring system efficiency.

7.3. Quality service, safe and efficient supply

We are committed to providing quality service and safe gas supply that meets the needs of consumers and preserves the integrity of the assets. We have, therefore, maintained our accident prevention actions and ensuring that we carry out our activity safely, protecting employees, service providers, our communities, as well as our assets.

7.3.1. Compliance and development projects

The investment projects in compliance that we carry out over the years, have a very relevant impact on the pillar of safety and guarantee of efficient supply. The main positive impacts identified are:

- Ensuring compliance with regulatory and legal obligations, as well as compliance with public service obligations arising from Concession or License contracts.
- Allowing to reinforce supply security, including capacity reinforcements and contributing to the fulfillment of the required service quality levels.
- Improving the safety conditions of the distribution system and optimizing its operation.
- Ensuring the improvement of the operational efficiency of the gas distribution activity.

- Ensuring the longevity, modernization, and proper functioning of assets related to Concessions and Licenses, namely allowing their use to convey renewable gases, such as biogas and hydrogen.



Investment projects aimed at Floene's residential and industrial segments - benefits:

- Reduction of GHG emissions and energy bill costs for the customer.
- Efficiency gains in the installed equipment and consequent reduction in gas and primary energy consumption.

Throughout 2022, the Market Support Office was created, which aims to act as a facilitator and proximity mechanism with the infrastructure users, while seeking to implement measures that contribute to the sustainability of the sector, namely regarding connection and customer retention programs. Some of the projects and initiatives are presented below.

Connection of Industrial Customers by conversion of consumption to natural gas

In 2022, 71 large customers were connected to the distribution networks of Floene group's DSOs through conversion to natural gas.

Projects initiated in 2022 aimed at the residential segment

PPEC - Lisboaágás, a tangible measure approved by ERSE: Boiler replacement and efficiency improvement

This project aims to replace existing less efficient equipments with newer technology in boilers, namely replacing atmospheric boilers with condensing boilers. This initiative will cover 1 049 equipments.

New Municipalities supplied with natural gas

One of the responsibilities of the DSO is to develop the infrastructure with principles of economic rationality and aligned with the object of concession contracts. Infrastructure development contributes to the increase in the national coverage rate of the gas network, allowing access to cleaner, more economical, and safer energy for families, while promoting territorial cohesion and reducing asymmetries between the coast and the interior regions. These benefits are also reflected in the economic and competitiveness of businesses, where companies have access to a modern gas distribution infrastructure.

In 2022, we started residential connections in the following new municipalities:

- Oliveira do Hospital
- Miranda do Corvo
- Vila Velha de Ródão
- Sobral de Monte Agraço

7.3.2. Changing to the regulated market

From the perspective of gas last resort supplier, in September 2022, the Portuguese government issued a legislation that allows customers with annual consumption below 10 000 m³ to return to the regulated market. This important measure has a direct and immediate impact on families, as it offers a substantially lower energy price alternative than the prices practiced in the liberalized market. As Floene holds 6 LRS, this measure impacted the number of customers of these entities, which increased by about 58% since the beginning of 2022.

7.3.3. Maintenance and operation of the distribution network

The distribution network of Floene requires permanent management, and its maintenance is essentially preventive. As a distribution network operator, our priority is to increase the overall quality of the system, maintaining a high level of safety and reliability in the network's operation. We are responsible for ensuring the operation and maintenance of the infrastructure in terms of safety, reliability, service quality, and uninterrupted operation.

To achieve this, we have a preventive maintenance plan that includes periodic inspection routines for most facilities, surveillance of networks to prevent damage caused by third parties, detection and repair of leaks, and other activities.

Some examples:

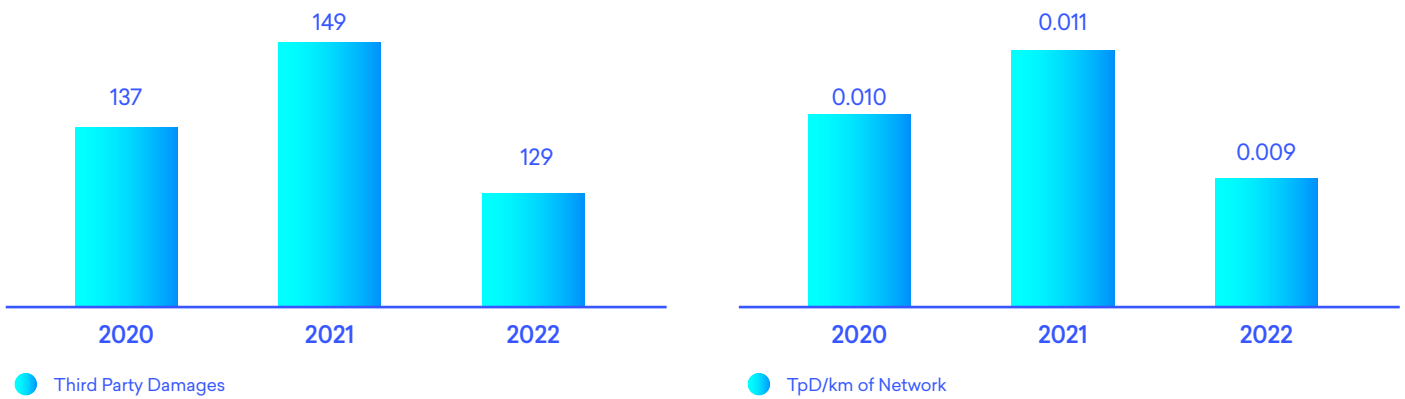
- Visual inspection and functional control of Reduction and Measuring Stations (RMS) and Autonomous Gas Unit (AGU)
- Checking the maneuverability of valves
- Systematic search for leaks along the network
- Adjustment of RMS line settings and inversion
- Search for coating failures of steel pipes

7.3.4. Third party damages

The works carried out by external entities in the vicinity of Floene's distribution network are one of the main risks to the infrastructure's integrity. The works of these external entities include construction and improvement of communication, water or other service networks, requalification of roads, streets, among others. During the year 2022, 129 damages by third parties were recorded, with network and branch ruptures being the most common.

To address this issue we maintain an active multidisciplinary working group to monitor the evolution of these types of damages, their characterization and causes, as well as the most appropriate measures and initiatives to reduce their occurrence. Among the initiatives carried out, the following stand out:

- A reinforcement in the monitoring of construction works;
- Availability and greater accessibility in the consultation of work registry for external entities;
- Create awareness among municipal entities to the importance of warning and reporting the start of works, particularly in areas where gas infrastructure exists.

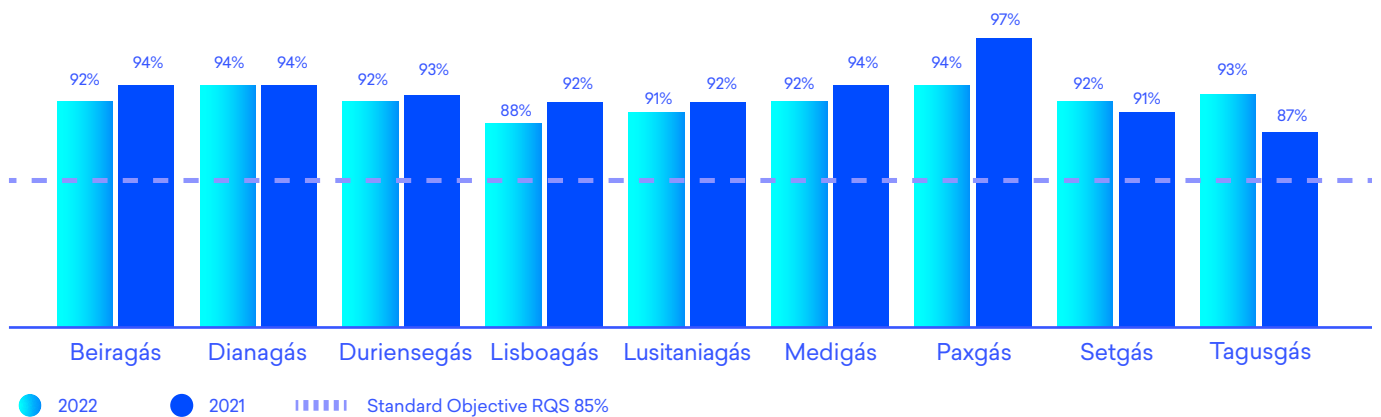


7.3.5. Our emergency response system

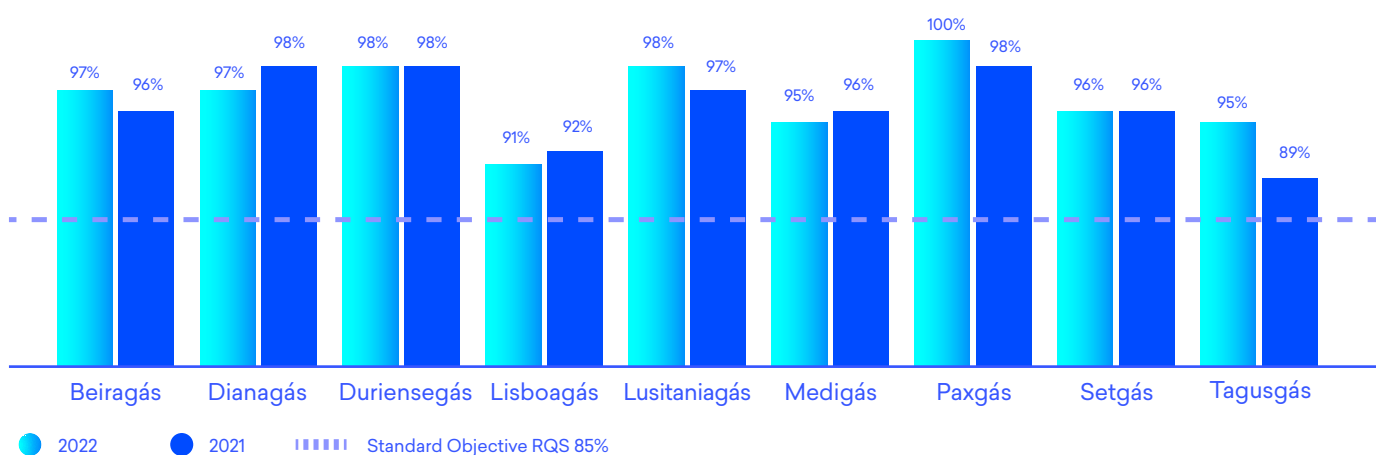
Floene's Distribution Network Operators make available to customers an emergency system, free of charge and permanent (24 hours a day, 365 days a year) that, after being activated by a phone contact and a triage being made, dispatches a prevention team to the location within a maximum period of 60 minutes.

On site, the occurrence is analyzed, and the necessary measures are taken to ensure people and assets' safety. Such measures may include, for example, the interruption of gas supply. In 2022, the Floene group met the standard objective of the Quality of Service Regulation (RQS) regarding emergency responses.

Number of emergency and breakdown telephone calls with waiting time of less than or equal to 60 seconds



Number of emergency situations with arrival time at the location of less than or equal to 60 minutes



7.3.6. Network renewal

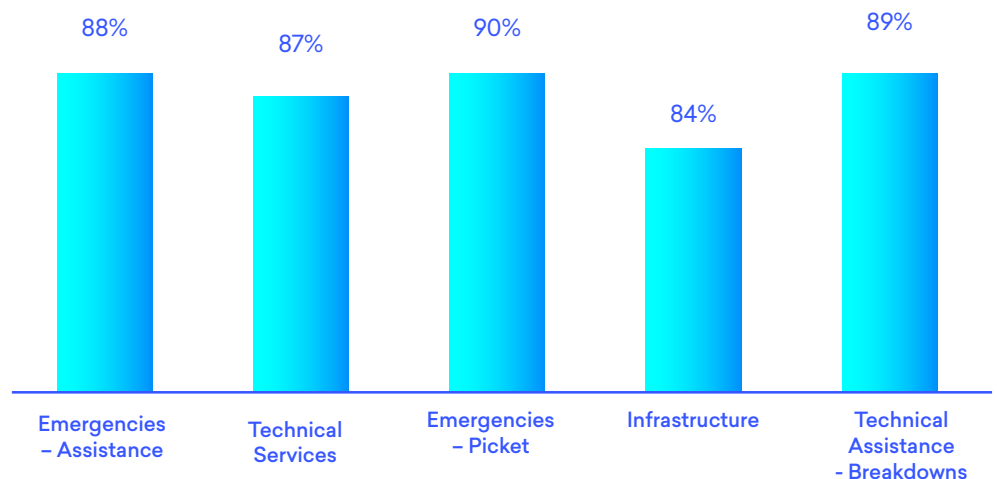
Floene has a modern gas distribution network, with an average of 16 years and mainly composed of polyethylene (94%).

We continue our program of renewing the existing steel network. According to this plan, about 22 km of network have already been renewed since 2020, and the plan is expected to be fully executed by 2026.

7.4. Customer Satisfaction

As a distribution network operator, the quality of service provided to customers monitors issues such as service continuity and characteristics of natural gas supply (technical quality of service) and the services supplied to customers (commercial quality of service). The indicators that we regularly monitor, as provided for in the RQS, demonstrate high levels of service quality over the years.

Level of consumer satisfaction per service provided



In 2022, in addition to the goal of continuously improving the service we provide to gas consumers in different DSOs, additional attention was given to finding the causes leading to the exit of consumers from the national gas system, which has increased in recent years. We sought to act on two distinct areas:

- (i) Design and implement a diagnosis and follow-up services for high-risk clients in the short term.
- (ii) In the context of continuous improvement of operations serving the gas consumer of concessions managed by Floene, we consistently sought to act on the diagnosis and intervention areas.
 - a. Diagnosis: We doubled the dedicated hours for quality control activities and consumer questionnaires, as well as increased satisfaction measurement points. We carried out a survey of the well-being and needs of the teams serving the customer, which culminated in the launch of the Wellbeing Project in the FrontOffice.

- b. Intervention: We increased the number of dedicated hours for training teams that serve the consumer. We carried out the first year of Continuous Improvement Committees, collaborative and multidisciplinary working sessions where all areas with processes convergent with customer interaction are represented. We identified new customer questionnaire methodologies that will streamline and simplify the listening process and additionally increase the number of listening moments.

We partnered with the Portuguese Contact Centers Association (APCC). Through this association, Floene will have access to the best technical information, research, and pilots considered as Best Practices in companies operating in the service of the consumer. We will also have the opportunity to obtain a diagnostic report on the strengths, weaknesses, and opportunities for improvement of Floene's operation, promoted annually by APCC. This adds another strategic external partnership, aimed at continuous improvement of Floene's operations in the FrontOffice customer service.

Also in 2022, we obtained the distinction of Reference Brand in the energy distribution sector (electricity and gas) by Consumers Trust (*Portal da Queixa*), with whom we established a cooperation protocol, which culminated in the annual distinction of Recommended Brand.

7.5. Performance and financial sustainability

7.5.1. Consolidated results

The turnover in 2022 amounted to € 159.4 million, an increase of 0.4% compared to the previous year (YoY). This evolution is net of the positive effect of allowed revenues (including adjustment s-2), amounting to € 4.7 million and the negative effect of the reduction in network access tariffs, related to the use of the transport network (URT) and the global use of the system (UGS) (pass-through mechanism), of around € 4.4 million.

The allowed revenues, included in the turnover category above mentioned, recorded a growth 3.2% YoY, reaching € 147.8 million (including adjustment s-2). This evolution was positively impacted by the increase in the base remuneration rate (RoR) from 4.72% in 2021 to 5.49% in 2022, reflecting the increase in the interest rates of Portuguese Treasury Bonds with a 10-year maturity, as referred to in chapter 7.1. The allowed revenues were accounted for considering the actual value, verified as of December 31, 2022, of the variables that contribute to their calculation, according to the methodology published by ERSE for the current regulatory period.

Net operating costs, excluding the pass-through effect, were € 46.3 million, a 2.7% increase compared to the previous year, explained by the rise in external supplies and services.

Floene's consolidated EBITDA was € 102.3 million, an increase of 3.8% YoY. This favorable evolution, excluding the effects of pass-through activities, is mainly explained by the positive contribution of RoR, as mentioned above, of around € 8.0 million.

EBIT increased by 10.9% YoY to € 53.1 million, benefiting from € 1.9 million decrease in amortizations and depreciations, due to the extension of the useful life of assets assigned to Group companies whose licenses for local distribution network exploitation have been extended until December 31, 2027.

Financial results were negative at € 11.1 million, representing a 9.8% YoY increase, due to the negotiation of a credit line in bond format (Backstop Facility) of € 600 million, that led to a slight increase in the average cost of debt from 1.35% to 1.70%.

The Extraordinary Contribution on the Energy Sector (CESE) continues to significantly impact results at € 11.5 million corresponding to the 2022 CESE and default interest.

The net income attributable to Floene reached € 18.9 million, which represents a growth of € 4.1 million, or 27.9% compared to the previous year.



THOUSANDS OF €	2022	2021	Δ	% Δ
Turnover	159 357	158 724	633	0.4%
Net operating costs	(57 091)	(60 221)	3 130	(5.2%)
EBITDA	102 266	98 503	3 763	3.8%
Amortisation, depreciation and impairment¹	(48 570)	(50 438)	1 867	(3.7%)
Provisions	(597)	(185)	(412)	223.3%
EBIT	53 099	47 881	5 218	10.9%
Financial results ¹	(11 124)	(10 135)	(989)	9.8%
Profit before tax	41 975	37 746	4 229	11.2%
Taxes	(10 676)	(10 261)	(415)	4.0%
Energy sector extraordinary contribution	(11 479)	(11 930)	451	(3.8%)
Consolidated net income	19 819	15 555	4 265	27.4%
Non-controlling interests	(877)	(743)	(134)	18.0%
Net income to Floene	18 942	14 811	4 131	27.9%

¹Includes IFRS 16

7.5.2. Cash Flow

The Cash Flow from operating activities increased by 30.0% YoY to € 82.6 million, supported by the decrease in payments, of about € 19 million, mainly due to the reduction in compensations defined by ERSE, and services execution compared to the previous year.

The Cash Flow from investment activities showed a negative evolution of € 3.2 million, resulting from an increase in investment.

The Free Cash Flow reached € 48.7 million, an increase of € 15.9 million YoY, driven by the improvement in operational Cash Flow already explained above.

The net cash variation was positive by € 20.0 million, accommodating the increase in financial expenses of € 2.4 million due to the contracting of a new credit line - Backstop Facility, and the payment of dividends to shareholders in the amount of € 15 million in 2022. Floene had a cash and cash equivalents balance of € 87.5 million at the end of the period.

THOUSANDS OF €	2022	2021	Δ	% Δ
Cash and equivalents at the beginning of the period	67 484	76 879	(9 395)	(12.2%)
Cash flow from operating activities	82 644	63 562	19 082	30.0%
Cash flow from investment activities	(33 910)	(30 682)	(3 228)	10.5%
Free Cash Flow	48 734	32 880	15 854	48.2%
Payment of loans	(1 042)	(1 042)	0	—
Net financial expenses ¹	(12 653)	(10 233)	(2 420)	23.6%
Payment of dividends	(15 000)	(31 000)	16 000	(51.6%)
Net Cash variation	20 040	(9 395)	29 435	(313.3%)
Cash and equivalents at the end of the period	87 523	67 484	20 040	29.7%

¹Includes lease payments and lease interest (IFRS 16)

7.5.3. Financial Situation

As of December 31, 2022, Floene's net fixed assets were € 1128.2 million, a decrease of € 6.6 million YoY, with an investment level below the amortizations and depreciations of the period.

The working capital decreased by € 14.0 million YoY, impacted by the increase in current liabilities, mainly related to fixed asset suppliers, and income tax payable, as well as the reduction of short-term tariff deviation.

Other non-current assets/liabilities decreased by € 6.1 million YoY, reflecting the € 15.2 million reduction in net liabilities with post-employment benefits and other benefits, as well as the increase in provision for the 2022 CESE tax in € 11.5 million.

The tariff deviation receivable at the end of 2022 reached € 33.6 million, up € 4.0 million YoY, mainly explained by the reduction in billing compared to the revenues allowed during 2022 in € 11.5 million and the recovery of deviations from previous years in € 8.1 million.

Floene's capital employed decreased by € 6.8 million YoY to € 852.0 million.

At the end of the year, the net debt was € 585.9 million, a decrease of € 21.7 million YoY, mainly due to a rise in cash and cash equivalents of € 20.0 million.

On September 8, 2022, Floene Energias, S.A. contracted a credit line in the bond format, through a banking syndicate, with an underwriting commitment in the total amount of € 600 million. This financing provides the Company with sufficient funds to repay the Notes due in September 2023. The amount was fully available on December 31, 2022, and can be used until September 25, 2023. Once used, the initial maturity will be September 30, with the possibility of extension up to 1 year at the option of the Company.

THOUSANDS OF €	2022	2021	Δ
Net fixed assets	1 128 174	1 134 733	(6 559)
Active use rights (IFRS 16)	11 078	11 499	(421)
Working capital ¹	22 313	36 339	(14 026)
Subsidies to investment	(197 489)	(205 535)	8 046
Other non-current assets (liabilities)	(112 123)	(118 246)	6 123
Capital employed	851 954	858 791	(6 837)
Net Debt	585 856	607 528	(21 672)
Leases (IFRS 16)	11 720	12 027	(307)
Equity	254 378	239 236	15 142
Equity, net debt and leases	851 954	858 791	(6 837)
Net Debt to equity	2.3x	2.5x	—

¹ Working capital = Current Assets - Current Liabilities (excluding Cash and equivalents, Short-term debt, Short-term leases and Short-term subsidies)



7.5.4. Financial Ratios

The Euro Medium Term Note Programme (EMTN), issued by Floene, includes two financial ratios (“Financial Covenants”) in the form of “lock-up of dividends distribution” and the other in the form of “event of default”:

The net debt to EBITDA ratio (5.8x) and the debt service coverage ratio (4.8x) comply with the financial ratios defined in the EMTN Program.

	2022	2021	Lock-up	Default
			Limits	
Net Debt ¹ / EBITDA ²	5.8x	6.2x	> 6.5x	> 7.0x
Debt Service Coverage Ratio ³	4.8x	3.6x	< 2.0x	< 1.5x

¹ Bank Loan + Bond + Accrued Interest - Cash and equivalents

² EBITDA + Provisions

³ (Cash Flow from Operating Activity, excluding CESE - CAPEX Payments) / Interest Service

On December 13, 2022, after its usual annual review, S&P Global Ratings reiterated Floene’s long-term rating of “BBB-” (“investment grade”), with a stable outlook.

08

Future
Prospects



08 Future Prospects

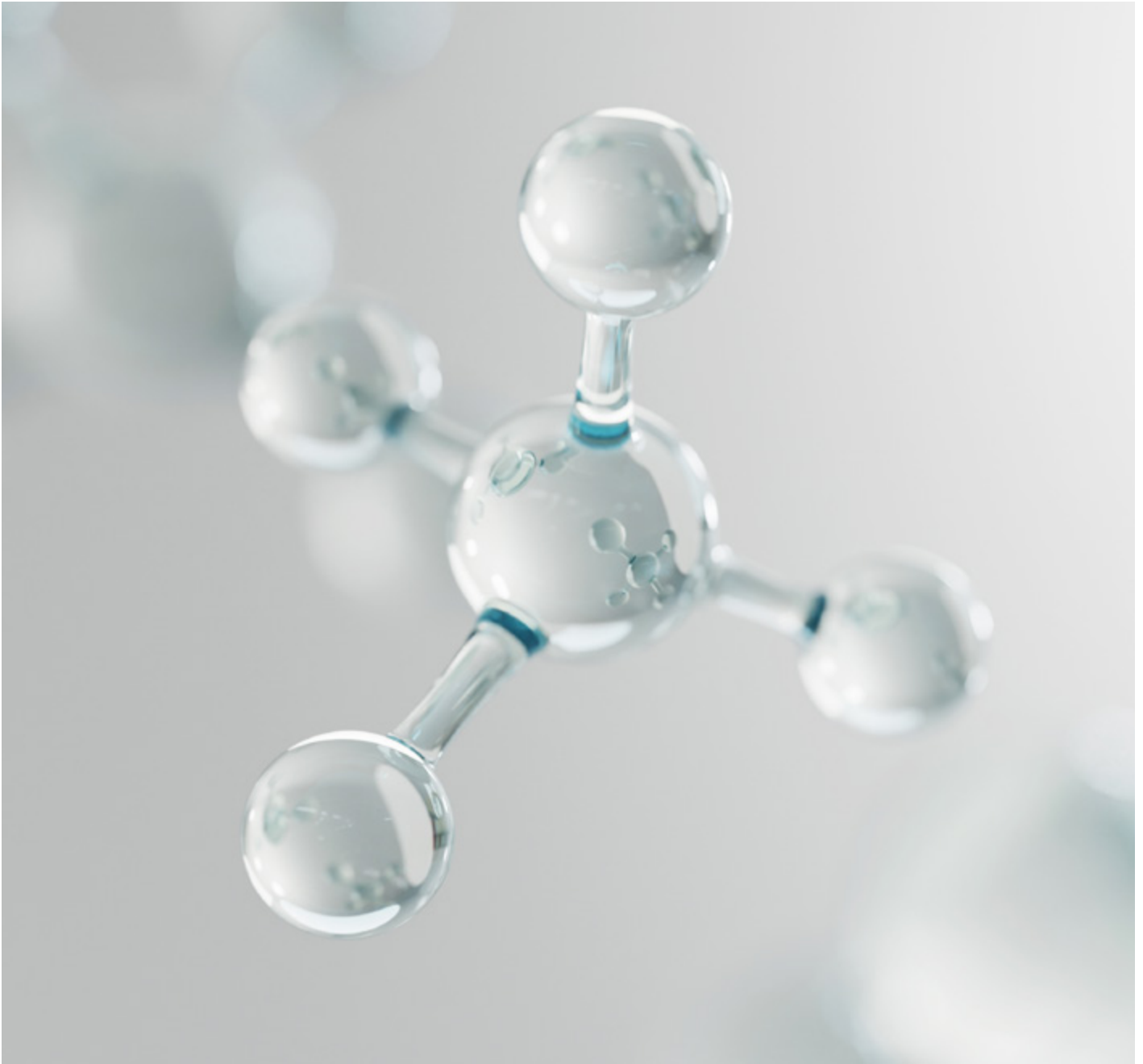
The creation and launch of a new brand during the year 2022 allows the company and its stakeholders to align with the defined strategic objectives, positively impacting on the communities where it operates.

Floene will continue, in 2023, to consolidate its internal transformation and ensure the path to an autonomous operation, while developing its activity based on compliance with applicable legislation and regulation, maintaining principles of safety, efficiency, and reliability.

We will continue to promote and facilitate decarbonization of infrastructures and the energy transition, always ensuring the sustainability of the national gas system and the profitability of the assets we manage.

2023 will be a year of acceleration of the transformation of the energy sector and the gas sector in particular, with increasing demand and development expected for the production and use of renewable gases.

2023 will be a year of acceleration of the transformation of the energy sector and the gas sector in particular, with increasing demand and development expected for the production and use of renewable gases. We are confident that the regulatory framework, in this area, will continue to be developed and contribute to achieving a balanced and fair transition, recognizing the important role of gas networks in this process.



We believe that the learning from the first injection of hydrogen into Floene network will allow us to follow the green hydrogen and biomethane projects, approved under the PRR, in the coming years. In total, Portugal will have 25 selected projects in the Environmental Fund's notice for hydrogen and renewable gases, corresponding to investments of, approximately, 234 million euros.

We are confident that our positioning and actions will lead us to view future transformations as a set of opportunities for creating common value. 2023 will be a year of materializing some important initiatives and projects, relevant for the decarbonization of the sector, which will allow us to have a positive impact on social and environmental aspects.

09

Proposed
Application of Results



09 Proposed application of results

Floene closed the year 2022 with a positive net profit of € 3 717 590.57 (three million, seven hundred and seventeen thousand, five hundred and ninety euros and fifty seven cents), calculated on an individual basis, in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors proposes, under the terms of the law, that the net profit for the year 2022 of € 3 717 590.57 be applied as follows:

- Allocation to the legal reserve in the amount of € 185 879.53
- Transfer to retained earnings of € 3 531 711.04

It is also proposed to distribute to the employees and executive-directors of Floene Group, as profit sharing for 2022, a maximum amount of up to € 3 475 610.00, an amount already recognized and expressed in the consolidated financial statements of Floene and in the individual financial statements of each of its participated companies. The respective net results for 2022 were already calculated considering that amount.

The distribution to employees will be determined by the Executive Committee, under the terms of the applicable internal rules, and the amount to the executive directors will be determined by the General Meeting, under the applicable legal terms.



BOARD OF DIRECTORS

Diogo António Rodrigues da Silveira
President

Roxana Tataru
Member

Karl Klaus Liebel
Member

Ippei Kojima
Member

Nuno Luís Mendes Holbech Bastos
Member

Gabriel Nuno Charrua de Sousa
CEO

Yoichi Onishi
CSO

Pedro Álvaro de Brito Gomes Doutel
CFO

José Manuel Rodrigues Vieira
COO

Lisbon, April 27th, 2023

10

Relevant facts occurring
after the closing
of the financial year



10 Relevant facts occurring after the closing of the financial year

Refinancing

At the end of 2022, Floene had around 90% of its financial debt contracted through a Euro Medium-Term Note (“EMTN”) bond loan, in the amount of € 600 million, which will mature in September 2023. The interest rate on the loan is a fixed rate of 1.375%, for the period.

In early March 2023, the Company began the process of refinancing the EMTN, having carried out a partial buyback operation in the amount of € 180 million. This transaction was financed through a bank syndicate and had a variable interest rate indexed to Euribor and a contractual spread. After this operation, Floene still has € 420 million in its EMTN loan at a fixed rate.

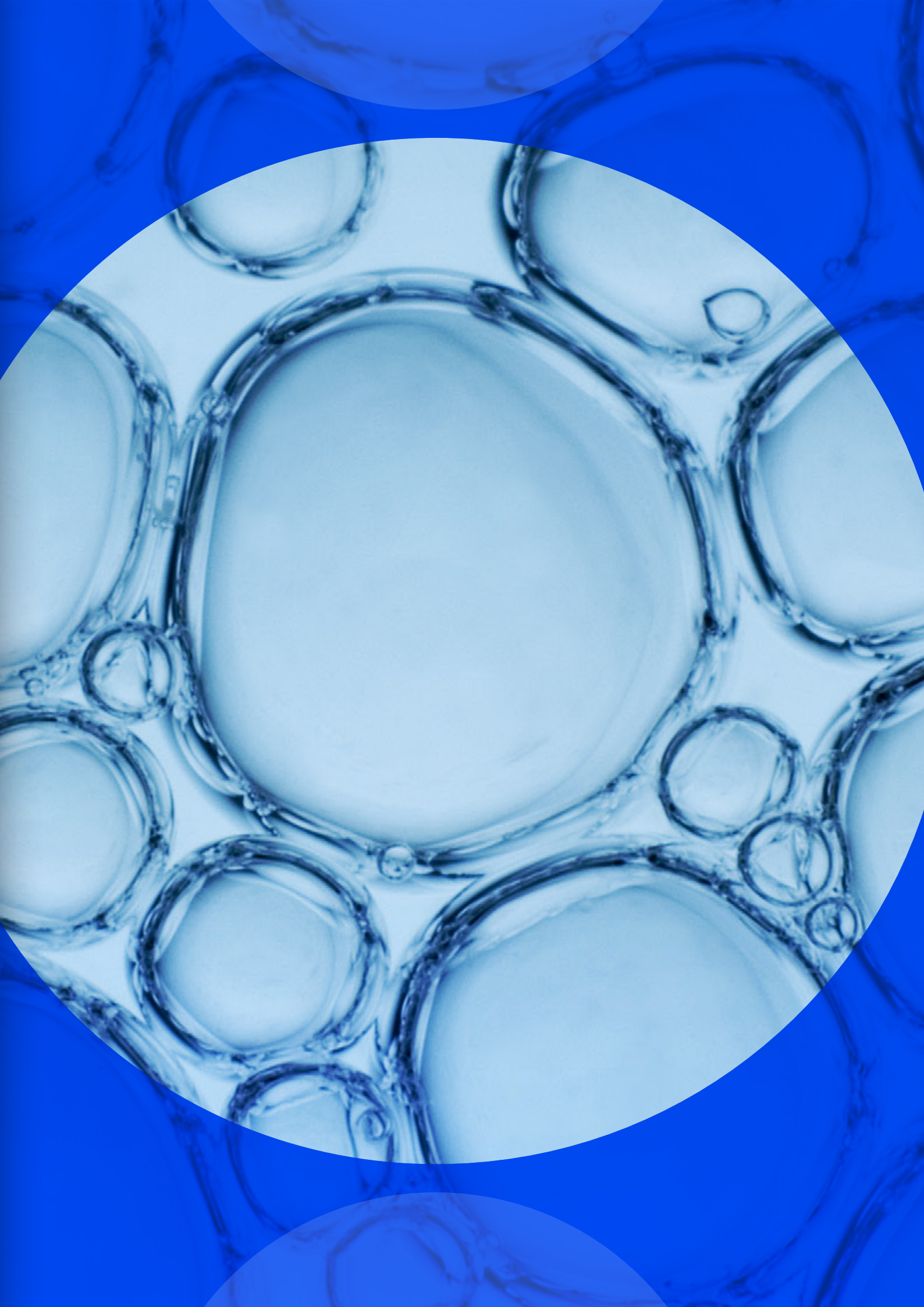
CESE

- On March 16, 2023, Ruling No. 101/2023 was issued by the Constitutional Court regarding the Extraordinary Contribution on the Energy Sector (CESE) for the year 2018, in favor of the Floene Group Company, Lisboagás, S.A., declaring this tax unconstitutional. The financial impact of this ruling amounts to approximately € 5 million and is fully provisioned (Note 33 of the annex to the consolidated financial statements).
- On March 28, 2023, the Constitutional Court issued a summary decision No. 201/2023, regarding the CESE of 2018, in favor of the Floene Group Company, PAXGÁS - Natural Gas Distributor of Beja, S.A., in the amount of € 54 thousand euros, an amount that is fully provisioned.

Taking into consideration the ongoing analysis by the Company's Administration and the deadlines for appealing the decision made, no adjustment has been made to the financial statements as of December 31, 2022, in the amounts recognized in the Provisions category at this date.

11

Our
Report



11 Our Report

Annual Report 2022

Floene Energias S.A. has published its Consolidated and Individual Management and Accounts Report for 2022, as required by current regulations and standards.

Aware of the increasing importance of an integrated and balanced analysis of its sustainability performance, Floene also includes in its Consolidated Management and Accounts Report information on its ESG performance and its alignment with the United Nations Sustainable Development Goals.

Floene has a bond listed on the London Stock Exchange (LSE), and as such, this report complies with LSE and Financial Conduct Authority (FCA) requirements, including the disclosure of the report within four months after the end of the fiscal year, making it available to the public for at least 10 years, including audited financial statements, management reporting, and statements of responsibility.

During the second half of 2022, Floene (still under the name GGND), conducted a stakeholder consultation in accordance with the requirements of the AA1000 Stakeholders Engagement Standard, in order to analyze materiality. The applied materiality analysis responded to the concept of double materiality, where the identification of financially material issues, which evaluate issues with financial, operational, and reputational relevance, was complemented by the evaluation of the impacts of our activities and business relationships on the economy, environment, and people, including human rights.

To enhance readability and ease of reference, the document is interactive, and readers can use the numbering at the top to navigate between chapters and annexes. Throughout the report, there are hyperlinks to internal chapters and external websites that provide additional information on the topics covered.

Period, scope, and limits of sustainability reporting

This report was prepared in accordance with the Global Reporting Initiative (GRI) Standards version 2021 and includes Floene's commitments, strategies, initiatives, projects, and programs during the period from January 1 to December 31, 2022. This report is published annually.

This report includes all activities of the Floene Energias S.A. Group, including its 9 Regional Distribution Operators.

Date of report publication and information presentation

Floene's Management and Consolidated Accounts Report will be published on April 28, 2023. This reporting document is in digital format and can be accessed on the Floene website.

Acknowledgments

The Board of Directors of Floene would like to express its appreciation, to all those who, individually or jointly, contributed to the results achieved and the preparation of this report. Floene will do everything to continue improving the quality of its service and its social and environmental performance.

Opinion and contacts

We value and are interested in hearing the opinions of all our stakeholders. Therefore, if you need any clarification or additional information on the topics covered in this report, please contact:

Investor Relations, Risk, and Social, Environmental and Governance
Responsibility Management

ir@floene.pt

Phone: (+351) 219 023 417

Address: Rua Tomás da Fonseca Torre C, 6ºPiso 1600-209 Lisboa, Portugal

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Annexes



Annex I - Declarations**A. Governing Bodies**

As of this date, the composition of Floene's corporate bodies for the current 2022-2024 term of office is as follows:

Board of the General Assembly

Nuno Cunha Rodrigues, President

Rafael de Almeida Garrett Lucas Pires, Secretary

Company Secretary

Pedro Maria Soares Cruz Teles Feio, Effective

Ana Trouillet Pessoa, Alternate

Board of Directors

Diogo António Rodrigues da Silveira, President

Roxana Tataru (1), Member

Karl Klaus Liebel, Member

Ippei Kojima, Member

Nuno Luís Mendes Holbech Bastos, Member

Gabriel Nuno Charrua de Sousa, Member (CEO)

Yoichi Onishi, Member (CSO)

Pedro Álvaro de Brito Gomes Doutel, Member (CFO)

José Manuel Rodrigues Vieira, Member (COO)

Executive Committee

Gabriel Nuno Charrua de Sousa, CEO

Yoichi Onishi, CSO

Pedro Álvaro de Brito Gomes Doutel, CFO

José Manuel Rodrigues Vieira, COO

Audit Board (2)

Pedro Miguel Ribeiro de Almeida Fontes Falcão, President

Manuel Lázaro Oliveira de Brito, Member

José Carlos Carvalho Brites, Member

Amável Alberto Freixo Calhau, Alternate Member

Statutory Auditor

PricewaterhouseCoopers & Associados – SROC, Lda., represented by:

Rita da Silva Gonçalves dos Santos, ROC n.º 1681, Effective

José Manuel Henriques Bernardo, ROC n.º 903, Alternate

(1) Unanimous social decision in writing of September 1st, 2022.

(2) Unanimous social decision in writing of May 16th, 2022.



B. Qualified holdings in the company's share capital on 31 December 2022

Shareholders	No. of Shares	Nominal Value	%
Allianz Infrastructure Luxembourg I S.ar.l.	40 743 759	1.00 EUR	45.51%
Allianz European Infrastructure Acquisition Holding S.à.r.l.	26 412 050	1.00 EUR	29.50%
Meet Europe Natural Gas, Lda.	20 144 057	1.00 EUR	22.50%
Petrogal, S.A	2 229 275	1.00 EUR	2.49%
Total	89 529 141	1.00 EUR	100.00%

C. Own shares

(Articles 66 d) and 325-A paragraph 1 of the Portuguese Companies Code).

During the 2022 financial year, Floene did not acquire or dispose of any of its own shares. On 31 December 2022, Floene did not hold any own shares.

D. Shareholder position of the members of the management and supervisory bodies as at 31 December 2022

(Article 447 paragraph 5 of the Portuguese Companies Code).

None of the members of the management and supervisory bodies held Floene shares or bonds on 31 December 2022.

E. Annual amount of remuneration earned, on aggregate and individually, by members of the Company's management and supervisory bodies and the board of the General Meeting in 2021

(Article 3 of Law No. 28/2009 of 19 June, applicable pursuant to Article 3 of the Legal Framework of Audit Supervision approved by Law No. 148/2015 of 9 September).

The gross annual amount of remuneration earned on aggregate and individually in 2022 by the members of the Company's management and supervisory bodies and the board of the general meeting currently in office is shown in the table below.

Directors

Unit: EUR

Name	Position	Fixed Remuneration ¹	Other Remunerations ²	Variable Remuneration ³	Total
Diogo da Silveira	Chairman of the Board of Directors non-executive	209 750	0	0	209 750
Gabriel Sousa	Executive director (CEO)	171 129	2547	86 502	260 177
Pedro Doutel	Executive director (CFO)	160 000	2749	12 500	175 249
Yoichi Onishi	Executive director (CSO)	105 000	68 795	64 888	238 683
José Vieira	Executive director (COO)	134 750	2 794	80 075	217 619
Total		780 629	76 885	243 965	1 101 478

¹ Includes amounts related to Salary, Holiday Allowance and Christmas Allowance.

² Includes amounts related to Food Allowance and amounts associated with expatriation.

³ Includes amounts related to Variable Remuneration and Triennium Variable 2019-2021.

Audit Board

Unit: EUR

Name	Position	Fixed Remuneration
Daniel Bessa ^(a)	President	14 000
Armindo Marcelino ^(a)	Member	6 000
Pedro Almeida ^(a)	Member	6 000
Pedro Falcão ^(b)	President	18 790
Carlos Brites ^(b)	Member	15 659
Manuel Brito ^(b)	Member	9 395
Total		69 844

^(a) Remuneration from January to April 2022. Copied position(s).

^(b) Remuneration from May 16th to December 2022.

Board of the General Assembly

Unit: EUR

Name	Position	Attendance fees
Ana Perestrelo ^(a)	Presidente	1 500
Rafael Lucas Pires	Secretário	500
Total		2 000

^(a) Copied position - currently Nuno Cuna Rodrigues without paid attendance tokens in 2022.

Statutory Auditor/External Auditor

The value of auditing services in 2022 amounted to € 96 800, and for other services not related to auditing, it was € 22 750.

In 2022, the following services were provided by the Statutory Auditor/External Auditor and entities belonging to their network to the Company and companies under its control, separate from the audit services:

- Limited Review of Floene;
- Verification of physical quantities, subsurface occupancy rates, and regulated accounts of Group Companies for regulatory purposes.

In 2022, non-audit services represented 19% of the average fees paid to the External Auditor in 2019, 2020, and 2021 for financial audit services provided to Floene and entities under the control of Floene during the same period.

F. Provision of services to group companies and creditor positions in subsidiaries

Article 5, paragraph 4 of Decree-Law no. 495/88 of December 30th, as amended by DecreeLaw no. 318/94 of December 24th).

See Note 28 in the notes to the individual financial statements and Note 30 in the notes to the consolidated financial statements.



Annex II - Declaration of compliance by members of the Board of Directors

In accordance with the reporting principles applicable to annual financial information, each of the members of the Board of Directors listed below declares that, to the best of their knowledge, the management report, annual accounts, legal certification of accounts, and other accountability documents relating to the year 2022 have been prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position, and results of Floene and the companies included in the consolidation perimeter, and that the management report faithfully reflects the business development, performance, and position of Floene and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties faced by Floene and the companies included in the consolidation perimeter in their activity.

Lisbon, April 27th, 2023

The Board of Directors

Diogo António Rodrigues da Silveira
President

Roxana Tataru
Member

Karl Klaus Liebel
Member

Ippei Kojima
Member

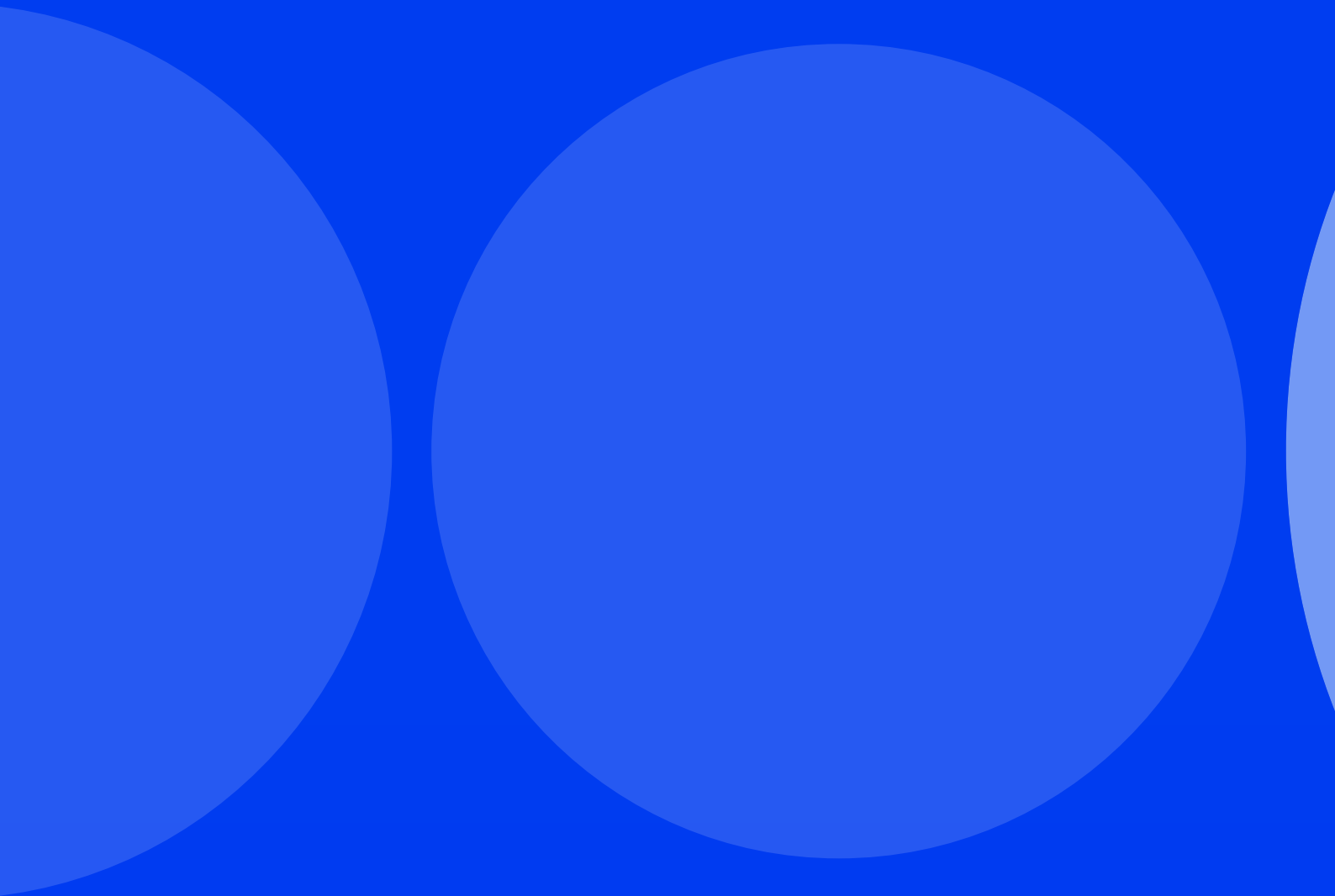
Nuno Luís Mendes Holbech Bastos
Member

Gabriel Nuno Charrua de Sousa
Member

Yoichi Onishi
Member

Pedro Álvaro de Brito Gomes Doutel
Member

José Manuel Rodrigues Vieira
Member



Glossary

GLOSSARY

FINANCIAL GLOSSARY

ACRONYMS

AL

Allowed Revenues

BBB-

Medium Credit Quality

CAPEX

Capital Expenditure (investment in acquiring and/or improving tangible and intangible assets)

CESE

Extraordinary Contribution to the Energy Sector

CIT

Current Income Tax

DSCR

Debt Service Coverage Ratio

EBIT

Earnings Before Interest and Taxes (operating profit)

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization (operating profit, excluding amortization/ depreciation costs)

EBT

Earnings Before Taxes

FCA

Financial Conduct Authority

FY

Fiscal Year

IAS

International Accounting Standard

IASB

International Accounting Standard Board

IASC

International Accounting Standards Committee

IFRIC

International Financial Reporting Interpretation Committee

IFRS

International Financial Accounting Standards

OPEX

Operational Expenditure (operation and maintenance costs)

PSL

Past Service Liabilities

PY

Previous Year

RAB

Regulated Asset Base

RMS

Regulation and Metering Station

RoR

Rate of Return

SHL

Shareholder Loans

SIC

Standing Interpretation Committee

SPPI

Solely Payments of Principal & Interest

SRTC (RETGS)

Special Regime for Taxation of Corporate Groups

TOP (ISP)

Tax on Oil and Energy Products

TOS

Underground Taxes

TSA
Transaction and Sales Agreement

Var. YoY
Variation Year over Year

VAT
Value Added Tax

WACC
Weighted Average Cost of Capital

YTD
Year To Date

YoY
Year over Year

TECHNICAL GLOSSARY

ACRONYMS

AA1000
Stakeholders Engagement Standards

ACP
Allianz Capital Partners

AGU/UAG
Autonomous Gas Units

APA
Portuguese Environmental Agency

APCC
Portuguese Association of Contact Centres (Associação Portuguesa de Contact Centers)

APCER
Portuguese Association for Certification (Associação Portuguesa de Certificação)

APE
Portuguese Energy Association (Associação Portuguesa de Energia)

APEG
Portuguese Association of Gas Companies (Associação Portuguesa de Empresas de Gás)

AP2H2
Portuguese Association for the Promotion of Hydrogen (Associação Portuguesa para a Promoção do Hidrogénio)

AR4
Fourth Assessment Report

BCSD
Business Council for Sustainable Development

BoD
Board of Directors

BIP
Biomethane Industrial Partnership

CEO
Chief Executive Officer

CES
Customer Effort Score

CFO
Chief Financial Officer

CMVM
Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários)

CoB
Chairman of the Board

COO
Chief Operating Officer

COP27
27th United Nations Climate Change Conference of the Parties

COSO
Internal Control Integrated Framework

CSAT
Customer Satisfaction Score

CSO Chief Strategy Officer	FEDER Regional Development European Fund (Fundo Europeu de Desenvolvimento Regional)
CSR Corporate Social Responsibility	GDA Gas Distribution Activity
DGEG General Directorate of Energy and Geology	GDP Gross Domestic Product
DSO Distribution System Operator	GDPR General Data Protection Regulation
EBA European Biogas Association	GD4S Gas Distributors for Sustainability
ECH2A European Clean Hydrogen Alliance (Aliança Europeia para o Hidrogénio Limpo)	GGND Galp Gás Natural Distribuição
EMTN Euro Medium Term Notes	GHG Greenhouse Gases
EQHS Environment, Quality, Health, and Safety	GQTS Gas Quality Tracking System
ERSE Energy Services Regulatory Authority (Entidade Reguladora dos Serviços Energéticos)	GUS/UGS Global Usage of the System
ESG Environmental, Social and Governance	GWP Global Warming Potential
EU European Union	H2 Hydrogen
FCG Gas Trading Function (Função de Comercialização de Gás)	HP High Pressure
FCVAR Network Access Sales and Purchase Function (Função de Compra e Venda do Acesso às Redes)	HSE Health, Safety and Environment
FCVG Gas Sales and Purchasing Function (Função de Compra e Venda de Gás)	IGU Internacional Gas Union
FTE Full Time Equivalent	ILO International Labour Organisation

INE National Institute for Statistics (Instituto Nacional de Estatística)	NA Network Accesses
IP Infraestruturas de Portugal, S.A.	NIR National Inventory Report
ISO 45001 International standard which identifies the requirements for an Occupational Health and Safety Management System.	NG Natural Gas
ISQ ISQ - Interface and Technology Centre	NP EN ISO 9001 International Standard that identifies the requirements for a Quality Management System
IT Information technology	NP EN ISO 14001 International Standard that identifies the requirements for an Environmental Management System
KPI Key Performance Indicators	NPS Net Promotor Score
Líder ARC Líder ARC - Audácia, Respeito e Colaboração (Leader ARC - Audacity, Respect and Collaboration)	OHHS Occupational Health, Hygiene and Safety
LNG Liquefied natural gas	OHS Occupational Health and Safety
LP Low Pressure	OHSAS 18001 Occupational Health and Safety Assessment Series
LPG Liquefied Petroleum Gas	OHSMS Occupational Health and Safety Management System
LRS Last Resort Commercialisation Retailer	OJEU Official Journal of the European Union
LSE London Stock Exchange	OLMC Logistics Operation for Switching Suppliers (Operação Logística de Mudança de Comercializador)
Ltd/Lda Limited	ORD Regional Gas Distribution Network Operators (Operadores Regionais das Redes de Distribuição de Gás)
LTIF Lost Time Injury Frequency Rate	ORT Transport Network Operator (Operador de Rede de Transportes)
MP Medium pressure	

PDIRD-G 2022
Five-Year Indicative Development and Investment Plan for Gas Distribution Networks for the period 2023-2027

PNEC 2030
National Energy and Climate Plan 2030 (Plano Nacional de Energia e Clima 2030)

PBY
Portuguese Bond Yields

PPEC
Promotion Plan for Efficiency in Consumption

PRF
PRF – Gás, Tecnologia e Construção, SA

PRR
Program of Recovery and Resilience

Ready4H2
Ready for Hydrogen Initiative

RMS
Reduction and Measuring Stations

RQS
Service Quality Regulation for the Electricity and Natural Gas Sectors

SDG
Sustainable Development Goals

SGPS
Holding Company (Sociedade Gestora de Participações Sociais)

SLA
Service-Level Agreement

SP
Service Providers

UDN/URD
Usage of Distribution Network

UNFCCC
United Nations Framework Convention on Climate Change

TpD
Third Party Damages

TRI
Total Recordable Incidents

UTN/URT
Usage of Transport Network

WBCSD
World Business Council for Sustainable Development

WRI
World Resources Institute

UNITS

GJ
Gigajoule

GWh
Gigawatt.hour

km
Kilometres

m³
Cubic metre

Mm/ano
Mega metre per year

tCO₂eq
Equivalent tonne of CO₂

vol.
Volume

€ k
Thousands of Euros



FLOENE

floene.pt

Floene Energias, S.A.

Rua Tomás da Fonseca - Torre C - 1600-209 Lisboa
N.P.C./M.C.R.C. 509 148 247 | Capital social 89 529 141 Euros