

Health and Safety Standard: Penalty scheme applicable to contractor companies

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The following text is a translation of the original Procedure "Estándar de Seguridad y Salud: Régimen sancionador aplicable a empresas contratistas" (NT.00045.GN-SP.ESS), Version 3, in order that the contents should be easily understood by all Gas Natural Fenosa employees. In the event of any discrepancy in interpretation which may arise from the translation, the contents of the original Spanish version currently in force shall prevail for all relevant purposes.

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1. Purpose

The purpose of this document is to define the criteria of the penalty scheme that is applicable to contractor companies of Gas Natural Fenosa (hereinafter, the "company") due to deviations from the Health and Safety requisites and conditions that are established or that will be established in the contractual relationships between the company and the contractor companies.

2. Scope

It applies to all companies in which Gas Natural Fenosa holds a majority shareholding and to those companies or entities in which Gas Natural Fenosa has operational and/or management responsibility.

This standard applies regardless of the processes that must be followed in activities certified by external entities.

3. Reference documents

- NG.00002.GN, Manual of the integrated management system.
- NG.00008.GN, General Regulation on Supplier Quality.
- PG.00013.GN, Purchasing.
- PG.00039.GN, Supplier quality management.
- NT.00034.GN-SP.ESS, Management of Contractor Company Jobs.
- NT.00035.GN, Accident and Incident Communication, Investigation and Follow-up Process.
- Overall General Contracting Conditions

4. Definitions

Financial Penalty: The financial amount (as a percentage, absolute value, etc.) that the company imposes upon a contractor company in the event that the former directly or indirectly detects "Minor", "Serious" or "Very Serious" deviations from the contractually established Health and Safety requisites and conditions.

Disciplinary Penalty: Actions (contract suspension, withdrawal of approval, etc.) that the company imposes upon a contractor company in the event that the former directly or indirectly detects "Very Serious" deviations from the contractually established Health and Safety requisites and conditions.

Responsible Unit: The unit of the company that directly manages the activities contracted from collaborator companies based on a contract between the company and the contractor companies.

In accordance with NT.00035.GN, the following are defined:

Accident: Any event that may cause personal injury, divided into:

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Occupational accident: An unexpected and unplanned occurrence, arising out of or in connection with work and which causes personal injury, disease or death to one or more workers (professional diseases are excluded). The classification thereof is listed in NT.00035.GN.

Industrial accident: An undesired event occurring in the various industrial processes and products or services provided to users, customers and third parties, thereby causing injury to people and/or harm to the environment.

Incident: An event that has not caused personal injury or harm to the environment, but under other circumstances it could have caused personal injury or harm to the environment.

5. Responsibilities

Responsible Unit

- Detecting, classifying and recording deviations as Minor, Serious or Very Serious.
- Giving contractor companies written warning.
- Stopping jobs if necessary.
- Expelling unauthorised workers or workers who cause a situation of serious and imminent risk in the work zone.
- Not allowing access by unauthorised or penalised workers to the facilities or work zones of the company.
- Applying the financial and disciplinary penalties that correspond to its scope of competency and that are established in the corresponding contracts.
- Making penalty proposals to its Division.
- Within the scope of the unit's responsibilities, report the penalties in Prosafety.

Business Division

- Agreeing with the Country Purchasing Division on a penalty according to the contractual relationships with a contractor company and on the definition of the scope of Minor, Serious and Very Serious deviations.
- Requesting, if applicable, explanations from a contractor company regarding the deviation or deviations detected during the execution of an activity.
- Assessing the explanations from a contractor company to determine the definitive penalty.
- Informing a contractor company of the imposed penalty.

Purchasing Unit

- Including this standard in the contractual documentation.
- Notifying contractor companies of the penalty scheme.
- Notifying affected units of the company about the application of a penalty imposed upon a contractor company.

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6. Development

6.1. Overview

Contractor companies must comply with legislation in force and with internal regulations of the company related to contracts. Likewise, and in the event that a contractor company is authorised to subcontract activities by an express contractual clause, they will be responsible for ensuring that their contractor companies (subcontractors) comply with both legislation in force and the applicable internal regulations of the company.

Financial or disciplinary penalties will be applied according to the criteria set forth in the present Health and Safety Standard, except in cases where contracts in force between the company and collaborating companies already establish a specific penalty scheme. Their function must be instructional, and not merely punitive, wherefore they must be the object of periodic analysis to identify educational deficiencies, which must be highlighted and corrected by whomever may correspond according to the contract.

Penalties must be in proportion to both the detected breach and the affected order, such that they are educational and in any event observing the criterion of fairness.

Notifications of penalties to collaborating companies must be accompanied by records that support those penalties (documented inspections, analysis reports of incidents or accidents, etc.).

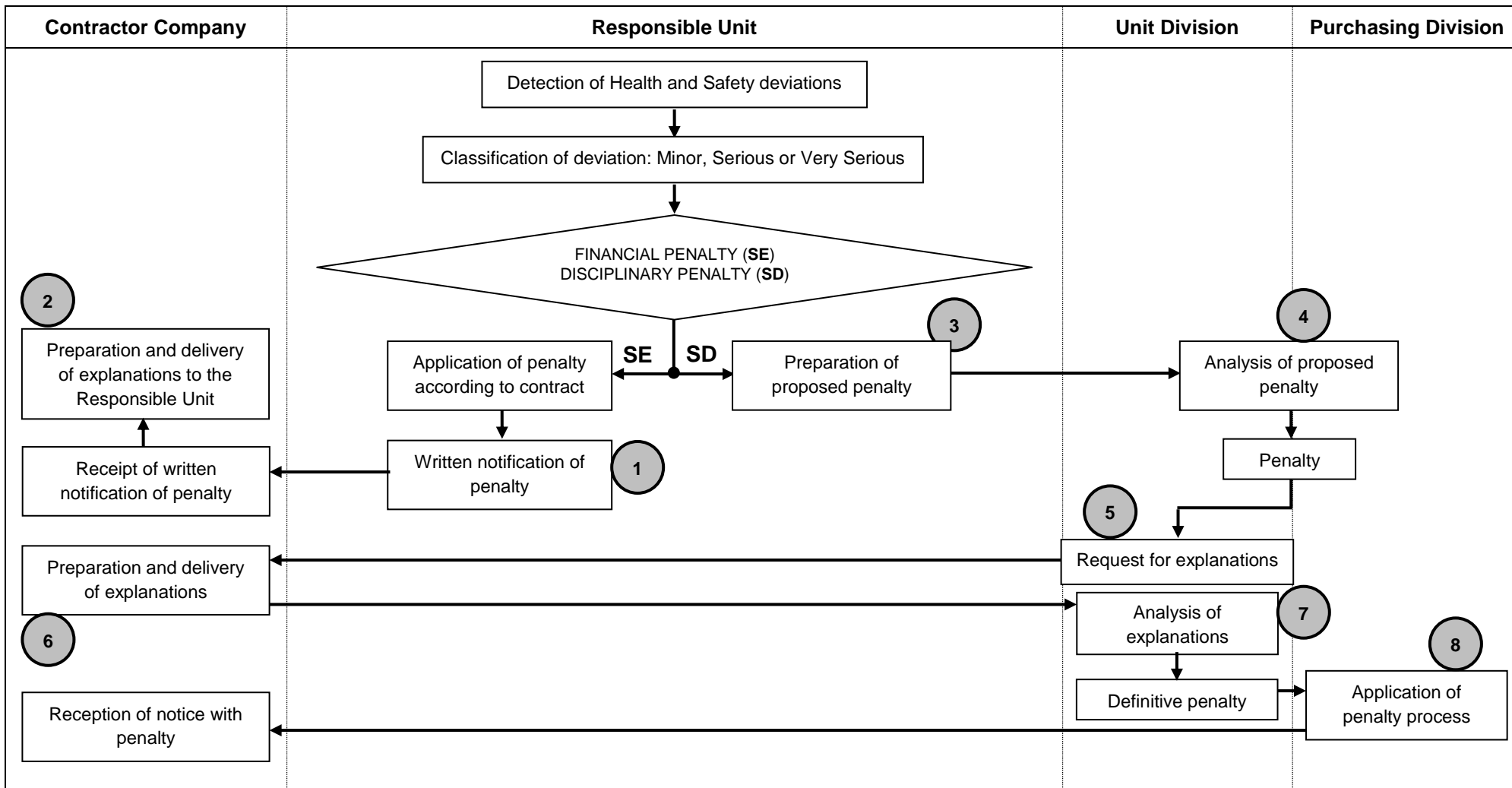
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6.2. Flow diagram of the penalty process



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- [1] The Responsible Unit of the contracted jobs will give the contractor written notification of the deviation(s) on which the financial penalty is based.
- [2] The contractor company may, if it so desires, send explanations within a maximum period of fifteen (15) days to the Responsible Unit, which will analyse whether or not the explanations are applicable.
- [3] The Responsible Unit of the contracted work will send written notice to its Division of the deviation(s) that occur during execution of the activities and, if applicable, will send a disciplinary penalty proposal.
- [4] The Business Division will agree with the Purchasing Unit on the disciplinary penalty to be applied to the contractor company, thereby assuring that penalty criteria are applied uniformly.
- [5] The Business Division will inform the contractor company of the penalty and the reasons for applying it. The Business Division will also request that the contractor company submit the explanations that it deems appropriate.
- [6] The contractor company must submit the explanations that it deems appropriate within a maximum of fifteen (15) days.
- [7] The Business Division will assess the explanations submitted by the contractor company, and if they are rejected, it will notify the Country Purchasing Division of the definitive penalty.
- [8] The Purchasing Unit will apply the penalty according to the established penalty process.

6.3. Classification of deviations

If there is legislation that determines the classification of the severity of Health and safety deviations and it is different from what is indicated in this standard, compliance with the provisions set forth in that legislation will also be guaranteed. In default of specific legislation, deviations will be classified as "Minor", "Serious" or "Very Serious", and they can be detected several ways:


- Deviations detected by inspections while work is being performed.
- Deviations detected during the investigation of incidents or accidents.
- Failures to send documentation required by the company.

Regarding safety and occupational risk prevention and health, the following are classified as Minor, Serious and Very Serious deviations:

6.3.1. Classification of "Minor" deviations

The following deviations are classified as "**Minor**":

- A breach of one (1) requirement for the contractor company to send Health and Safety documentation to the Unit regarding legal requirements and/or internal regulations of the company with respect to the contractor company itself or the company(ies) subcontracted by the same.

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- Deviations detected in work, as long as they do not involve a serious risk to the physical integrity or health of the workers. They can include, but are not limited to, the following:
 - Failure to maintain order and cleanliness, or to cordon off or signpost a work area.
 - Eating and/or drinking in areas not designated for this purpose.
 - Inadequate use or non-use of the non-critical protection equipment that is defined for each activity and which must be worn in the work area.
 - Use of areas on the property without authorisation.
 - Use of inadequate work clothing.
 - Leaving or placing objects such that they hinder passage ways.
 - Parking vehicles in unauthorised zones or parking vehicles such that they prevent rapid evacuation of the work area.
 - Minor carelessness when taking care of materials, as well as when signposting and cordoning off material stock-piling areas.
 - Using measurement equipment that is not correctly identified in accordance with regulations or specifications in force.
 - Using unauthorised chemical products or using them without the corresponding safety data sheet.
 - Not reporting incidents in which their personnel or subcontracted personnel are involved.

6.3.2. Classification of "Serious" deviations

The following breaches are classified as "Serious":

- A breach of two (2) requirements for the contractor company to send Health and Safety documentation to the Unit regarding legal requirements and/or internal regulations of the company with respect to the contractor company itself or the company(ies) subcontracted by the same.
- Repetition, under the same order or in the same project, of the same "Minor" breach within a period of one quarter.
- The accumulation, under the same order or in the same project, of three (3) "Minor" deviations in documented safety inspections within a period of one quarter.
- Deviations detected in work, whenever they could result in serious risks to the physical integrity or health of the workers. They can include, but are not limited to, the following:
 - Not having, on jobs or projects, the documentation that is legally required for the same or required by a contract with the company.

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- Repeatedly not reporting incidents in which their personnel or subcontracted personnel are involved.
- The non-use of established personal protective equipment, except what is considered as a "Minor" breach.
- Assigning jobs to personnel who do not have adequate training to carry out the activity.
- Not conducting monitoring and supervision activities.
- Not implementing corrective actions for identified deficiencies.
- Leaving a work station without justified cause when, and as a consequence of the same, harm is caused to the company or injury is caused to any worker or third party.
- Not leaving the job position or not going to meeting points after an emergency situation has been declared.
- Smoking in any unauthorised location.
- Exceeding the speed limit established in work areas.
- Accessing signposted and/or cordoned locations without authorisation.
- Accessing restricted-access facilities without express permission.
- Using inadequate tools or equipment for jobs.
- Inadequately managing hazardous waste.
- Performing jobs (at heights, electrical, etc.) under weather conditions that evidently increase the level of risk, without express authorisation after adopting specific prevention measures, for each case and situation, previously agreed upon with the Responsible Unit.
- Refusing to provide the appropriate accreditation for special jobs or jobs that require authorisation.
- Disobeying any observation made by the Preventive Resource, the Preventive Activities Coordinator or the Prevention Technician.
- Not collaborating on the Coordination of Business Activities and/or on preventing traumatic overlaps due to a lack of information and/or communication.
- Using measurement equipment that has not been reviewed in accordance with regulations or specifications in force when it involves an additional risk for the worker.

In addition, all actions that may violate the contractual relations between the company and the contractor company.

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6.3.3. Classification of "Very Serious" deviations

The following breaches are classified as "Very Serious":

- A breach of three (3) requirement for the contractor company to send Health and Safety documentation to the Unit regarding legal requirements and/or internal regulations of the company with respect to the contractor company itself or the company(ies) subcontracted by the same.
- The accumulation, under the same order or in the same project, of three (3) "Serious" deviations in documented safety inspections within a period of one quarter.
- Deviations detected in work, whenever they may have very serious implications for the physical integrity or health of the workers. They can include, but are not limited to, the following:
 - Not obeying an order to stop jobs in view of a situation of serious or imminent risk.
 - Negligence and/or recklessness in the performance of duties when it involves the risk of an accident for the worker or other workers or third parties, or involves the danger of a breakdown at facilities of the company or of third parties.
 - Performing any job within the facilities or work areas of the company without having the corresponding work permit.
 - Not reporting:
 - Accidents sustained by own or subcontracted personnel, or
 - Very serious incidents.
 - Breaches of legal regulations in force, of internal standards of the company or of the cardinal safety rules of each activity, which could represent a very serious and imminent risk to the safety and health of the workers.
 - Inadequate use or non-use of the critical personal protective equipment that is defined for each activity and which must be worn in the work area.
 - The alteration or falsification of Social Security documentation provided to the company, or the falsification of safety records.
 - Not warning about a situation of serious and imminent risk.
 - Failure to provide aid in an emergency situation.
 - Drunkenness and/or drug use on the job.
 - A breach of the action plans for correcting Health and Safety deviations.

In addition, all actions that may violate the contractual relations between the company and the contractor company.

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6.4. Financial or disciplinary penalties

The deviations for which contractor companies or the subcontractor companies thereof may be liable will be penalised according to the type of violation committed and the facts and circumstances present in each case, by means of one or several of the penalties listed below or those set forth in the contract:

1. The imposition of training actions.
2. Written warning.
3. Work stoppage.
4. Temporary or permanent refusal of access by workers to the facilities or works of the company.
5. Financial penalty. The following financial criteria will be adopted as a reference:
 - "Minor" faults: Up to 1% of the work or service certification, with a minimum of €50 per "Minor" fault identified in the activity.
 - "Serious" faults: Up to 3% of the work or service certification, with a minimum of €150 per "Serious" fault identified in the activity.
 - "Very Serious" faults: Up to 6% of the work or service certification, with a minimum of €300 per "Very Serious" fault identified in the activity.
6. Temporary suspension or definitive cancellation of the contract.
7. Loss of accreditation or approval by the company as a contractor company or employee.

Penalties shall be applied in accordance with the criteria set forth in the present Health and Safety Standard, except in cases where contracts in force between the company and collaborating companies already establish a specific penalty scheme without prejudice to the fact that, in the event of "Serious" or "Very Serious" deviations, the company will reserve the right to take any legal action it may deem appropriate.

Financial penalties will be compensated by the payments that Gas Natural Fenosa may have to make to the Contractor Company for the jobs performed by the latter and commissioned by the former, or they will be paid into a specific account to be determined by Gas Natural Fenosa.

6.5. List of penalties

The necessary information for recording a penalty is the following:

- **Recorded by / Date**, the person who registers the penalty in the application, and the recording date.
- **Party responsible for approval.**
- **Deviation date**, the date when the deviation is detected.
- **General Management Division / Division / Unit – Facility - Zone.**

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- **Country.**
- **Classification of the deviation**, if the deviation is Minor, Serious or Very Serious.
- **Reason**, a clear and concise description of why the collaborator company is being penalised.
- **Penalty date**, the date when the penalty is notified.
- **Source**, the system whereby the deviation has been detected (documented inspection, incident or accident report, etc.).
- **Source reference number.**
- **Penalty**, the penalty that is applied, whether "financial" (indicate the amount) and/or "disciplinary" (indicate the type of penalty being applied, i.e., withdrawal of accreditation temporary suspension, etc.).
- **Remarks.**
- **Collaborator Company**, the contractor company to which the penalty is applied.
- **Worker**, the person or persons of the contractor company to whom the penalty is applied.
- **Allegations submitted by the Partner Company.**

As many documents that may be necessary for the process can be also be added.

7. Records and data. Applicable forms

Data will be recorded in the Prosafety application.

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