

Annual Report 2020

18 February 2021

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# Contents

Foreword from the CEO .....	5
<b>1. GasTerra .....</b>	<b>7</b>
<b>1.1. About GasTerra .....</b>	<b>7</b>
<b>1.2. The gas value chain .....</b>	<b>8</b>
<b>1.3. Our environment .....</b>	<b>12</b>
1.3.1. Groningen supply .....	12
1.3.2. Supply from small fields.....	14
1.3.3. Green Gas.....	15
1.3.4. European gas demand .....	15
1.3.5. Dutch gas demand .....	16
1.3.6. Gas trading hubs .....	16
1.3.7. LNG.....	17
1.3.8. Regulation.....	18
1.3.9. Energy and climate policy .....	18
<b>1.4. In dialogue with our environment .....</b>	<b>20</b>
1.4.2. Value creation model.....	22
<b>1.5. Summary of results .....</b>	<b>25</b>
<b>2. Material issues.....</b>	<b>26</b>
<b>2.1. Contractual obligation .....</b>	<b>26</b>
<b>2.2. Economic performance .....</b>	<b>26</b>
2.2.1. Purchasing .....	26
2.2.2. Supply .....	27
2.2.3. Pricing .....	27
2.2.4. Transport .....	28
<b>2.3. Sustainable deployability .....</b>	<b>28</b>
<b>2.4. GasTerra's role in the gas market.....</b>	<b>29</b>
<b>2.5. Sustainable energy supply.....</b>	<b>31</b>
2.5.1. Green Gas.....	31
2.5.2. Hydrogen.....	32
<b>2.6. Involvement in the region .....</b>	<b>33</b>
<b>3. Governance.....</b>	<b>35</b>
<b>3.1. Report of the Supervisory Board .....</b>	<b>35</b>
3.1.1. Composition .....	35
3.1.2. Meetings.....	36
3.1.3. Objectives and strategy .....	37
3.1.4. Staffing matters.....	38
3.1.5. Audit Committee.....	38
3.1.6. Self-evaluation .....	38
3.1.7. Contacts with employees .....	38

3.1.8. Financial statements.....	39
<b>3.2. Management information .....</b>	<b>40</b>
<b>3.3. Corporate Governance .....</b>	<b>40</b>
<b>3.4. Risk section .....</b>	<b>43</b>
<b>4. Financial statements .....</b>	<b>49</b>
4.1. Explanatory notes to the financial statements.....	53
<b>5. Other information .....</b>	<b>67</b>
5.1. Statutory provisions regarding profit appropriation .....	67
<b>6. Appendices/other information .....</b>	<b>68</b>
<b>6.1. About this report .....</b>	<b>68</b>
6.1.1. Integrated report .....	68
6.1.2. Scope .....	68
6.1.3. Transparency .....	68
6.1.4. Determination of content (materiality).....	68
6.1.5. Management of material issues.....	73
6.1.6. Reporting principles.....	73
<b>6.2. Facts and figures .....</b>	<b>73</b>
6.2.1. Staff trends .....	73
6.2.2. GasTerra's footprint.....	74
6.2.3. Standards and norms .....	75
6.2.4. Memberships .....	76
6.2.5. Board of Management and Supervisory Board profiles .....	76
6.2.6. Glossary .....	81
6.2.7. GRI Index .....	82
6.2.8. Colophon .....	86

## Foreword from the CEO

Last year was extraordinary; the corona crisis had an unprecedented effect on social and economic life and this continues to be the case, unfortunately. Entire business sectors have been badly affected by the unorthodox restrictive measures that authorities at home and abroad have had to take to stop the spread of the dreaded virus. Measures that, despite comprehensive packages of support, have had significant consequences for business owners, employees and the self-employed.

At first, the policy seemed to be reasonably successful. The number of infections went down rapidly from the beginning of the summer and measures were eased. From October, however, the second wave took away any illusions that we would soon be able to lead a more normal life again. Although, as I write, the number of vaccinations is rapidly increasing and we can see the light at the end of the tunnel, at the moment it is still unclear when we will get back to what we now call the 'old normal', at least to some extent.

What does this mean for GasTerra? For a start, our employees, just like office staff in other organisations, have had to work from home since March 2020. The GasTerra building in Groningen was only open for special consultations, specific activities that could not be carried out at home or for the use of colleagues who were temporarily unable to work from home. Only occasional use was made of the building.

Nevertheless the impact remained relatively limited. Fortunately we can carry out our main tasks with digital tools. We can do almost everything from home that we would normally go into the office to do. However, I am not saying that we might as well close our building. Routine tasks are being accomplished easily but working from home is less suitable for designing and managing change processes. We have also noticed that phone and video calls only go a small way towards compensating for the lack of social contact. I am also aware that the conditions for working from home are far from ideal for everyone.

A number of surveys showed last year that most GasTerra employees have nevertheless come through it well. The results that are within our control were excellent again. While it is true that turnover fell by 3.4 billion euros to 5.4 billion euros or by almost 40% compared to 2019, this drop was entirely due to environmental factors faced by our company: the warm gas year, considerably lower supplies from the Groningen field and the gas price, which fell by no less than 25% to an average level of 13 cents per cubic metre.

Fortunately our customers hardly noticed, if at all, that our office was empty for most of the year. All other stakeholders saw us again as the reliable partners we have always been. We have also, as in previous years, shared our knowledge of the gas market and energy transition with others.

Following the 2019 decision to wind down GasTerra's activities, we could, last year, after producing a phasing-out plan, announce the date when the phase-out would be complete: 31 December 2024. We are doing this in stages; in the coming period everything will be much the same as it was before. In principle, we will not enter into any new supply contracts for the period after 1 January 2024. Our social commitments – such as sponsorship and contributing to the energy transition – will also be cut back substantially from that date.

In the past year, not less than 23 GasTerra employees either continued their careers elsewhere or took early retirement. This high number makes the phasing-out of our company seem tangible for the first time. We expect the organisation to shrink further in the coming years. Up till now we have been able to absorb this natural wastage internally in most cases, and that remains our aim. Where necessary we will hire staff to ensure that we continue to carry out all our tasks properly.

We will continue working this year, and until the final day, as we have always done, to carry out our tasks perfectly. Our mission was and is to add as much value as possible to the gas we buy. We also aim to leave a well-functioning gas market in due course.

I would like to finish, as always, by expressing my thanks to my colleagues. The combination of coronavirus and the phasing out of our company has not made life easier for anyone. That makes our excellent performance stand out all the more.

Until we see each other again, at number 1 Stationsweg, Groningen.

*Annie Krist,*  
*CEO GasTerra*

# 1. GasTerra

## 1.1. About GasTerra

GasTerra is a gas trading company that operates internationally and is based at Stationsweg 1 in Groningen. GasTerra has over 50 years' experience and enjoys a good market position. GasTerra is part of the Dutch 'Gasgebouw', a public-private partnership in which NAM, Shell, ExxonMobil, the Dutch State and EBN are also represented.

GasTerra is the purchaser of gas from the Groningen field. In addition to low-calorific Groningen gas, GasTerra also trades in high-calorific gas, which comes mainly from small Dutch gas fields in the North Sea and on land, and from imports from Russia and Norway, among others. As well as these volumes, GasTerra buys a large proportion of its portfolio on the Dutch gas trading point, the TTF. Furthermore, our company is still one of the main purchasers of green gas in the Netherlands. We sell the gas we buy on the domestic market and to energy companies in neighbouring countries. For the time being, GasTerra has a public role with regard to implementing the Dutch government's small fields policy and must comply with a legal obligation to buy gas from the small fields from producers at market conditions if asked to do so. In view of the fact that GasTerra is to be phased out, the legislation required to release GasTerra from this obligation has been set in motion.

As a result of the earthquake problem, since 2014 the Minister for Economic Affairs and Climate Policy has taken various decisions on the deployability of the Groningen field. On 29 March 2018 the cabinet announced that gas extraction in Groningen would be ended as soon as possible. The Gas Act and the Mining Act were amended in 2018 in order to enable this. GasTerra's key activity will cease to exist when gas production from the Groningen field is phased out. In 2020 a phasing-out plan was put together which sets out how GasTerra's business activities will be discontinued. The phase-out will be complete by 31 December 2024.

Our mission continues to be maximising the value of the Dutch natural gas offered to GasTerra. In the period ahead, we will be focusing more on the phasing out and transfer of our activities and contractually established rights and obligations. Transfer too, because the importance of gas for the energy supply and the climate policy will not disappear when GasTerra has been phased out completely. For that reason, we are delighted to share our decades-long knowledge of our product, the market and the energy transition with all those who, in whatever capacity, are committed to a responsible transition to a climate-neutral energy economy.

We have translated this task into the following vision:

GasTerra will leave a well-functioning gas market and phase out and/or transfer its activities in a controlled manner while remaining aware of the interests of its stakeholders.

We define our vision and mission by aiming to achieve five objectives:

### ➤ **Volume**

GasTerra aims to sell the entire volume of the gas offered to GasTerra and will contribute to the phasing-out of production from the Groningen field.

- **Price**  
GasTerra aims to achieve a price in line with the market, with the highest possible margin for the entire portfolio.
- **Costs**  
GasTerra tries to achieve a correct balance between costs on the one hand and value and care on the other hand.
- **Anticipation**  
GasTerra anticipates a changing environment and listens to its stakeholders.
- **Phasing-out**  
GasTerra will leave a well-functioning gas market while remaining aware of the interests of its stakeholders. GasTerra will aim to phase out and/or transfer its remaining obligations.

It is clear that the role of gas in the future energy supply will be different. We consider it important that, in the transition towards a climate-neutral energy supply, natural gas is used in preference where sustainable sources are not yet a workable alternative. GasTerra continues for the time being to work on decarbonising by encouraging the production of green gas, contributing to research into hydrogen, and playing an active part in raising awareness of this issue through its knowledge and financial resources.

GasTerra strives to make sustainability responsible, i.e. reflect socio-economic interests. We operate according to the principles of corporate social responsibility (CSR): People, Planet, Profit, which we have translated into Gas, Green, Groningen. In this, Gas represents our operating results, Green represents the energy transition and Groningen represents our involvement in the region.

## 1.2. The gas value chain

We are part of the entire gas value chain from extraction to use. GasTerra is active as a trader in this and will remain so until the final date.

In the past, international gas trade took place via bilateral long-term contracts between producers and national monopolies or oligopolies which sold gas to retailers and end users. The liberalisation of the European energy markets made free trade in gas possible, and various marketplaces for gas were created, along with universally accessible transport facilities and various trading parties, one of which is GasTerra. In the Netherlands this marketplace is called the Title Transfer Facility (TTF). The TTF allows traders to buy and sell gas. Trade is virtual, which means that only ownership of gas volumes changes, without any consequences for the physical streams in the transport system. In addition, the TTF does not take account of different qualities of gas, unlike the situation in physical reality. Market players simply buy and sell gas. The advantages of this include a lower threshold to entry, leading to an increase in the number of players that can operate on a single integrated market, strong competition, transparent trade and higher liquidity. Gasunie Transport Services (GTS) is formally required to ensure that the various qualities are physically in balance. As a seller of gas from Groningen, GasTerra contributes to this balancing.

A large number of standard products are traded on gas hubs. The delivery times of these products varies. The purpose of purchases and sales is to keep the total obligations of purchasers and sellers (the market) in balance. The products can be bought and sold for various periods: now (within-day) and tomorrow (day-ahead) on the spot market, and for the future on the futures market (month-ahead and year-ahead). The spot market is relevant for market players as it allows them



to keep their trading portfolio in balance, while the products traded on the futures market offer these parties important security of supply.

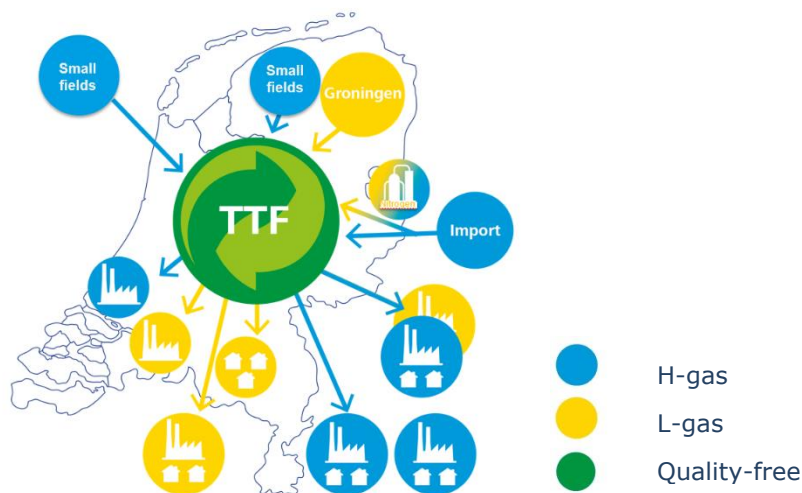
GasTerra has to take account of the Northwest European market for low-calorific gas as well as keeping its own portfolio in balance. This is a difference between our company and other traders which only have to deal with their own portfolio and do not need to take account of gas quality and broader market demand. If it looks like the physical balance for L-gas might be disrupted, GTS can instruct GasTerra to increase or reduce the amount of L-gas it feeds into the transmission system.

For the 2020/2021 gas year, the Minister for Economic Affairs and Climate Policy has determined an operational strategy under which NAM is required to produce 8.1 billion cubic metres from the Groningen field in an average year. This decision was in line with the advice of GTS. This quantity is intended to supplement gas from other sources and is needed to guarantee security of supply. The gas from these other sources will be converted into low-calorific Groningen quality via GTS's nitrogen plants, and so is called pseudo-Groningen gas.

The operational strategy of 8.1 billion cubic metres for the Groningen field is based on an average year with regard to temperatures, and is calculated by GTS using the degree-day formula. The starting point under the degree-day formula is that the entire capacity made available by GTS is used by its baseload nitrogen plants at Ommen and Wieringermeer, and consequently as little gas as possible is required from the Groningen field. The result of the formula is a forecast, based on uncertain factors such as the availability of the nitrogen plants, but also, for example, the energy value of gas from the other sources and consequently the conversion efficiency. The amount of Groningen gas actually required will not be known until the end of the gas year. GasTerra has undertaken to indicate how much nitrogen has been used during the gas year. It is up to the Minister for Economic Affairs and Climate Policy to decide whether the extraction instruction to NAM needs to be adjusted during the course of the year.

The transporter (GTS) uses a separate pipeline network to transport Groningen gas and other low-calorific gas (L-gas), which exists alongside the gas network for the transport of high-calorific gas (H-gas). GTS has to ensure that both networks remain in balance by ensuring that the quantities of gas offered by the traders do not deviate too far from the volumes withdrawn from the network.

In order to keep the system in balance, operators of a national transmission network (Transmission System Operators/TSOs), GTS in the Netherlands, can blend in a limited quantity of gas of different qualities. This is called quality conversion. The physical conversion of L-gas to H-gas is kept as low as possible to limit demand for Groningen gas. This applies not only in the Netherlands but also in neighbouring countries.



#### 1.2.1.1. Gas trading in the Netherlands

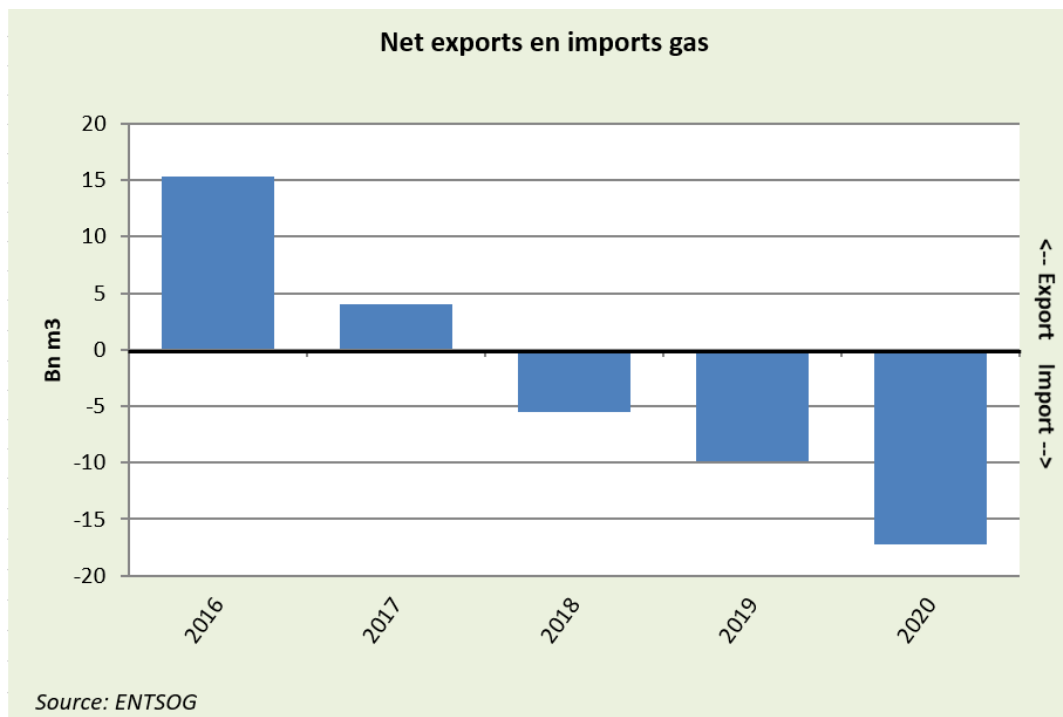
##### Methane emissions

Methane is the main component of natural gas and methane emissions are an important issue. Given the nature of the company's activities, GasTerra's role is limited in this regard, but where possible, we will contribute to a solution to this issue from our sense of corporate social responsibility. Methane emissions have become more important for two reasons. First of all, the greenhouse effect of methane is considerably more potent than that of CO<sub>2</sub>. The potency depends on the time over which the measurements are taken: the shorter the measurement period, the more potent the greenhouse effect.<sup>1</sup> With more stringent climate targets and less time to reach them, attention is increasingly focused on methane emissions. Secondly, as time has passed, people have become more aware of the warming effect of methane.

Almost ten percent of the greenhouse effect caused by the Netherlands originates from methane emissions. Of these methane emissions, three percent originate from the Dutch gas value chain. The remainder comes mainly from agriculture. The methane emission intensity of the Dutch gas chain is considerably lower than the international average.

The Netherlands has traditionally been a net exporter of gas thanks to production from the Groningen field and small fields. In recent years, the supply of domestic gas has been falling faster than the demand for gas. This is mainly due to the reduction in extraction from the Groningen field. As a result, the Netherlands became a net importer of gas in 2018 and net import volumes increased further in 2019 and 2020.

<sup>1</sup> Methane does not remain unchanged in the atmosphere but over time is converted mainly into CO<sub>2</sub>. International reports base their findings on a 100-year timeframe to express the effect of methane emissions. According to the most recent Assessment Report (AR5) of the International Panel on Climate Change (IPCC) the greenhouse effect of methane measured in this way is 28-34 times more potent than CO<sub>2</sub>. For example, over a 20-year period, the greenhouse effect of methane is 86 times more potent than CO<sub>2</sub>.



#### 1.2.1.2. Net gas exports and imports

This trend is expected to continue in the coming years. Increases in import volumes also means an increase in the Netherlands' natural gas footprint due to emissions in the chain including those from methane. Methane emissions from gas produced in the Netherlands are relatively low but they are higher for imported gas because transporting this gas uses more energy and causes emissions. Moreover, in some countries relatively high levels of methane are released during gas production.

It is hard to say where our imports, and the emissions associated with these, will come from in future. Many variables, including global price trends and geopolitics, will influence the source of our gas imports. Emissions outside the Netherlands are difficult to tackle, as they have little or no influence on this. This also applies to Europe, which is likewise import-dependent. The European Commission's methane strategy presented in 2020 focuses on measuring, reporting, verification, leak detection and repair and is therefore based mainly on methane emissions within Europe. It is expected that methane emissions will become a global issue, within the UN, particularly at the COP26 conference in Glasgow.

As part of the Dutch gas sector, GasTerra has contributed to the European methane strategy via European sectoral associations. Meanwhile the gas sector is committed to reducing methane emissions arising as a result of Dutch gas consumption. The sector is also making every effort to develop sustainable gases that can play a part in the energy transition. Where possible, we share our knowledge about this issue. For example, we helped to produce a [KVGN factsheet](#) (Dutch only) and we are participating in research into methane emissions from end users (e.g. leaks from central heating boilers), which is also relevant to green gas.

### 1.3. Our environment

We anticipate to changes in the environment by adjusting our strategy and activities accordingly. GasTerra's portfolio consists primarily of Dutch gas from Groningen, small fields, foreign suppliers and green gas sources. In this section, we also pay particular attention to the demand for gas in Northwest Europe, as this is relevant to our trading activities. Economic activity in general has declined as a result of the corona crisis. This also affects the Northwest European gas market. The demand for natural gas has declined on a global scale which caused the gas price in summer 2020 to fall significantly.

The corona crisis is also affecting our stakeholders. They think that GasTerra is handling the coronavirus guidelines well and that it has not affected contact between them but they miss the social dimension. The corona crisis will in any case have consequences for the future, including deferred investments and cutbacks. In accordance with the cabinet's decision, GasTerra has offered its customers the option to defer their payments of energy tax and the renewable energy levy (Opslag Duurzame Energie).

Brexit has caused uncertainties for GasTerra, in particular because we conduct business with brokers and trading parties based in the United Kingdom. In 2020 we prepared ourselves for various Brexit scenarios, including carrying out a separate risk analysis. This meant that we were prepared for both deal and no-deal scenarios. After the deal was signed, we were able to make agreements with brokers and other parties to continue trading with entities within the EU.

#### 1.3.1. Groningen supply

Gas extraction from the Groningen field is coming to an end. In response to the earthquake problem, since 2014 the Minister for Economic Affairs and Climate Policy has determined how much gas can be extracted from this field each year. The Minister has been issuing rulings since the introduction of the Act to minimise gas production from the Groningen field (Wet Minimaliseren Groningen) in 2018. These rulings use the degree-day formula to indicate the permitted production volume. Under this Act, Nederlandse Aardolie Maatschappij (NAM) is obliged to produce the annual volume indicated by the degree-day formula.

The degree-day formula is, and remains, a forecast, based on variables. The temperature, the quality of the offered H-gas, market trends and estimated use of nitrogen are the main determining factors. These forecasts are produced by the transmission system operator GTS and provided to the Minister for Economic Affairs and Climate Policy as support for the policy.

The diagram below shows how the production ceilings based on this have been declining sharply year on year since 2015. The estimated reduction is attributable to changes in a number of assumptions, placed under the x-axis of the diagram.

### Decisions and explanations relating to reduction in Groningen gas extraction



#### 1.3.1.1. Decisions and explanations relating to the reduction in Groningen gas extraction

Explanatory notes to the diagram<sup>2</sup>:

*From cold to average year:* This means that the volume required for the following year for security of supply is based on a year with average temperatures instead of a bitterly cold year; that decision therefore included the option of producing more than the ceiling figure if the weather was unexpectedly cold.

*Lower H-gas Wobbe:* the Wobbe index is a measurement of gas quality. A lower H-gas quality means that more gas of Groningen quality can be made with the same amount of nitrogen. This figure has been revised downwards twice since 2015. This was done because measurements showed that the H-gas quality was in fact lower than estimated.

*Lower demand:* this is the expected size of the market in the following year. This turned out to be smaller than anticipated, which explains the reduction.

*Additional nitrogen capacity:* this is the additional quantity of nitrogen which GTS can buy in order to convert H-gas into Groningen-quality gas ('pseudo Groningen gas').

In September 2019, gas extraction from the Groningen field for gas year 2019-2020 was set at 11.8 billion cubic metres based on the degree-day formula. As mentioned, this decision is binding but the calculated forecast can prove to be no longer realistic during the gas year. This happened in March 2020 when it turned out that the level could be reduced further by 1.1 billion cubic metres. This was possible because more nitrogen capacity could be used than GTS had previously expected as well as expansion of the working gas volume in gas storage facility Norg. To achieve this reduction the Minister imposed a temporary measure on NAM with an adjusted degree-day formula. Thanks to a warmer than average year, the production level for gas year 2019-2020 ended up being even lower at a little over 8.6 billion cubic metres.

<sup>2</sup> The data and figures on which this diagram is based are in the public domain. GasTerra is responsible for the explanation below the x-axis of the gas volumes shown in the columns. 'Norg' refers to gas storage in Norg.

For gas year 2020-2021, the cabinet has set gas extraction from the Groningen field at 8.1 billion cubic metres, which is a further saving of 1.2 billion cubic metres compared to the draft gas production decree of 19 June 2020. This saving is the result of being able to fill Norg with pseudo G-gas. In 2020 Norg was filled with 1.2 billion cubic metres more than expected in GTS's recommendation. Therefore this volume does not need to be produced from Groningen in the next gas year.

The Ministry of Economic Affairs and Climate Policy has investigated whether the Groningen field can be finally closed off by mid-2022 and which measures would be required to achieve that goal. With this in mind, the Minister has asked GasTerra to supply its knowledge, models and insights, among other things, in order to arrive at a capacity phasing-out plan. At the end of January 2020, GasTerra shared its conclusions in a report entitled 'Capacity study for closing the Groningen field' (Dutch only - 'Capaciteitsstudie ten behoeve van het sluiten van het Groningenveld'). This report looks at when, according to GasTerra's calculations, no more production will be required from Groningen, taking account of the demand for low-calorific gas in the Netherlands and parts of Germany, Belgium and France and of operational conditions. The report considers both the need for volume (the quantity of low-calorific gas) and the need for capacity (the volume per unit of time, usually one hour) and whether gas could still be extracted from the Groningen field if a sudden peak demand occurs.

In order to create the legal framework for closing the Groningen field, the Minister for Economic Affairs and Climate Policy is also preparing a number of amendments to the law. With the amendments to the law 'Wat Na Nul' (Dutch only), the Minister intends to ensure that the situation after closure is properly regulated, paying special attention to safety and the remaining obligations of NAM. Attention is also being paid to how the Dutch gas system will function 'after Groningen'.

#### Parliamentary Survey on Gas Extraction from Groningen

In March 2019, the Lower House adopted the motion to start a parliamentary survey into gas extraction in Groningen. The aim of this research is "to establish the truth relating to events in the recent and more distant past and to learn from this."<sup>3</sup> The Parliamentary Survey needs to contribute to restoring the confidence of the inhabitants of Groningen.

In September 2020 a Temporary Committee on Natural Gas Extraction Groningen was appointed, which will write the research proposal over the next four to six months. It is expected that the parliamentary survey committee will be installed after the national elections in March.

#### **1.3.2. Supply from small fields**

Production from small Dutch gas fields, and investments in and exploration of new small fields, fell again in 2020. Most small Dutch gas fields are at the final stage of their production cycle. In addition, the investment climate is difficult because of the relatively high costs of production from new fields. Low gas prices in 2020 put a further brake on investments in gas production in the Netherlands in that year.

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<sup>3</sup> <https://zoek.officielebekendmakingen.nl/kst-35561-1.html> (Dutch only)

The proposed amendment to the Mining Act to increase the investment deduction facility for the detection and extraction of gas from the North Sea from 25 to 40 percent was adopted by the Lower House on 17 December 2020 with a sizeable majority and is still to be debated in the Upper House. The Minister for Economic Affairs and Climate Policy intends to maintain the economic perspective for the offshore gas sector by passing this amendment.

The Minister also intends to adapt the Gas Act. Under the provisions of the Gas Act, GasTerra is obliged to offer market terms to small fields producers for purchasing their production if they so request. The proposal to remove GasTerra's small fields obligation from the Gas Act has been taken up in the abovementioned amendment to the Mining Act on the removal and reuse of mining works and the investment deduction facility. This proposal has also been adopted by the Lower House and is still to be debated in the Upper House. This amendment to the law is related to closing the Groningen field and phasing out GasTerra, which will be completed by 31 December 2024.

### **1.3.3. Green Gas**

The government and market parties recognise the importance of gaseous energy carriers for meeting climate targets. They continue to play a key role according to the government. In the built environment gas will remain necessary for supplying heat in inner cities and peak capacity in heat networks. Green gas is seen as the most cost-effective compared to alternative ways for decarbonising the built environment<sup>4</sup>. Industry needs gas for high-temperature heat and as a raw material. Gaseous carriers are necessary in the mobility sector to replace oil-based fuels while gas will continue to play a part in the electricity sector in the production of peak capacity.

The green gas sector is aiming to produce two billion cubic metres of green gas by 2030. In 2019, 144 million cubic metres of green gas was certified in the Netherlands. For 2020 an increase of at least 20 percent is to be expected as a number of installations will be brought into operation this year. The certified volume is currently entirely derived from the fermentation of biomaterials. It is also hoped that green gas can be produced by means of innovative gasification technology in the future.

Since the government expects that between 30 and 50 percent gaseous energy carriers will be needed for the energy supply in 2050, production of green gas and hydrogen needs to be significantly scaled up. Various bottlenecks, including obtaining licences for production sites and contracting sufficient sustainable biomass, mean that the production potential of green gas is not being fully exploited. Other bottlenecks relating to nitrogen emission and deposition are also holding back the growth of the production of sustainable gas. The government is working on supplementary policies to stimulate green gas production. Innovation and cooperation within the green gas sector are also essential.

### **1.3.4. European gas demand**

The demand for gas in Northwest Europe<sup>5</sup> in 2019 was 264 billion cubic metres. Gas demand for 2020 is likely to be lower due to the corona crisis. Gas demand will probably remain stable in the years to come. On the one hand, more efficient use of energy by industry and small consumers will bring consumption down. On the other hand, further electrification and closing coal-fired power plants will increase consumption by gas-fired plants<sup>6</sup>.

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<sup>4</sup> Guide for local analysis. Expertise Centrum Warmte (Heat Expertise Centre) September 2020.

<sup>5</sup> UK, FR, BE, NL, DE, CH, DK, SE, LUBron S&P Global Platts

<sup>6</sup> In 2019 the use of gas in gas-fired power plants rose to 9.5 billion cubic metres (35.17 MJ/cubic metre) the highest point since 2010

The increasing number of solar and wind parks does not seem sufficient to be able to meet the demand (or additional demand) for electricity production.

L-gas consumption in Germany, Belgium and France will diminish between now and 2030. L-gas connections are being converted to H-gas connections in these countries. This means L-gas exports will fall by approximately 10 percent annually between now and 2030<sup>7</sup>. The temporary suspension of the conversion work due to the corona crisis has scarcely affected the schedule of works. In 2019, 319,000 connections were converted in Germany. The target for 2020 was to convert 394,000 connections. Between now and 2030 there will be another four million connections. In Belgium and France, 2.7 million connections will be converted to H-gas by 2030. For Belgium, the main thrust of the conversion work will be carried out in 2021 and 2022 and in France, it will be from 2023 to 2028.

#### **1.3.5. Dutch gas demand**

In the Netherlands over 38 billion cubic metres<sup>8</sup> of gas was consumed in 2019. This was over two billion cubic metres more than in 2018. The increased demand at the time was due to an increase in the use of natural gas in gas-fired power plants for producing electricity. Figures for 2020 that were available when this report was published indicate that this trend has continued this year. Nevertheless it is expected that the demand for natural gas will fall to 36 billion cubic metres<sup>9</sup> by 2025. If we meet the targets set by the Climate Agreement, demand for natural gas will fall further by 2030. This is a consequence of handling energy more efficiently. In addition, the choice of alternative heating systems such as electric heat pumps and heat networks also has a part to play. Nevertheless, due to declining gas production, the Netherlands will become increasingly dependent on natural gas imports in the years to come. According to estimates made by the PBL Netherlands Environmental Assessment Agency, national production in 2025 will be less than a quarter of consumption.

#### **1.3.6. Gas trading hubs**

The TTF is the European hub with the highest traded volume. In 2020 the TTF strengthened its leading position against the English hub NBP. The volume traded rose by 20 percent, while the volume traded on NBP fell by 33 percent. TTF now has a market share of almost 70 percent. The German hubs NCG and Gaspool have a relatively small share of 6.2 percent.

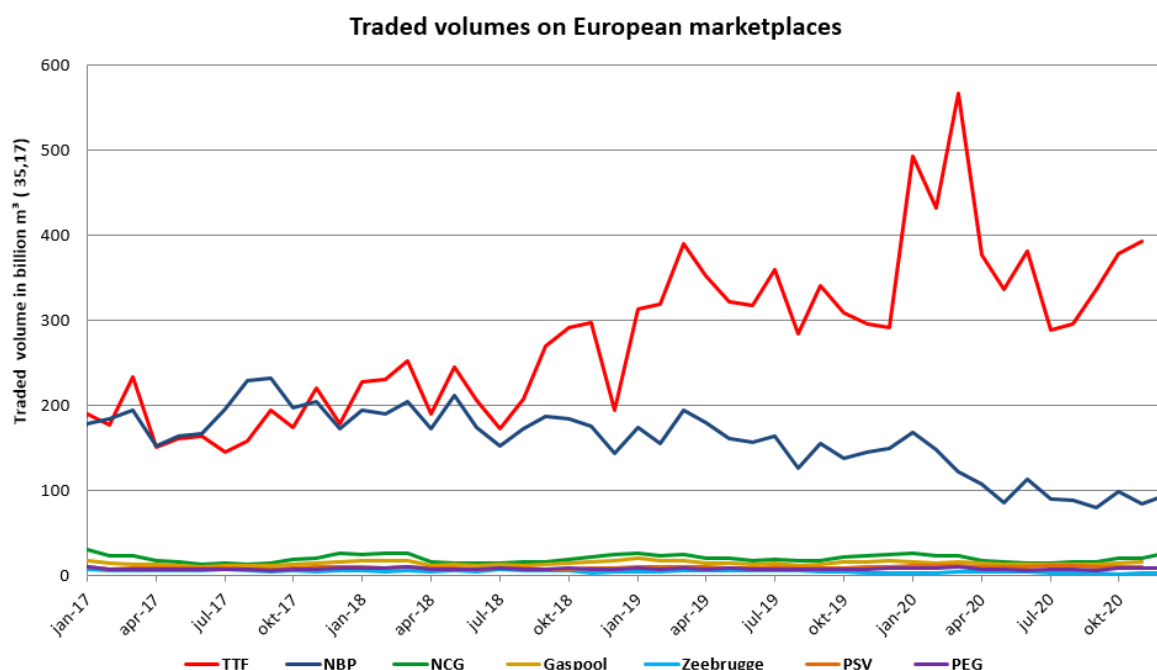
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<sup>7</sup> L-Gas Market Conversion Review. Task Force Monitoring L-Gas Market Conversion. Summer Report 2020.

<sup>8</sup> Source: CBS Natural Gas Balance; supply and consumption – total consumption of natural gas (provisional figures)

<sup>9</sup> Source: PBL Climate and Energy Outlook (KEV) 2020





### 1.3.6.1. Traded volumes on European marketplaces

Various developments have stimulated the strong growth of TTF into a European and worldwide benchmark for gas. Brexit has caused parties to move from NBP to TTF for their hedging, and LNG players that operate at a global level are also more likely to hedge their portfolios via TTF. Furthermore, LNG contracts increasingly have prices that are linked to the TTF, which makes it important for the TTF to be a reliable marketplace. The increase in the supply of LNG since the second half of 2018, also in other parts of Northwest Europe, has led to re-hedging of volumes for winter and summer. In the second half of 2020, trading on the TTF dropped temporarily as a result of the decrease in LNG supply and a fall in demand due to coronavirus restrictions and availability of full storage facilities.

### 1.3.7. LNG

The supply of LNG has increased strongly since 2018 as various new LNG production plants have come on stream, especially in the US, Australia and Russia. The growth of gas demand in East Asia has not met earlier expectations, leading to oversupply since that year.

Weak growth in East Asia led to lower LNG prices in that region and consequently to a smaller spread between prices in East Asia compared to NBP and TTF. This means that more LNG is being brought into Europe, especially from the Atlantic Basin and Yamal.

In March 2020 the coronavirus outbreak developed into a pandemic, resulting in many countries going into lockdown and leading to a worldwide recession. Some of the gas demand disappeared which made prices fall even further. Many LNG orders in the US were cancelled which meant that LNG supplies to Europe dwindled considerably.

In the second half of the year prices on the gas market recovered slightly; demand in Asia also increased again. This led to LNG production being scaled up, especially for deliveries in Asia. In the fourth quarter supplies of LNG to Europe increased again.

Many parties expect the oversupply to last for some years yet, apart from in the winter months. For that reason, Europe remains an interesting sale market for LNG, even at times when the price in Europe is less attractive than in Asia. This means that LNG remains an important factor in the supply/demand situation in Europe.

### 1.3.8. Regulation

GasTerra faces regulation at national and European level that affects its business operations. We monitor developments and actively contribute, where possible, to the discussions on policy proposals. In the case of new regulations, the company does its best to ensure that it can comply with these obligations in good time.

GasTerra is subject to the *Regulation in Energy Markets Integrity and Transparency* (REMIT) and the *Market Abuse Regulation* (MAR). These regulations, which apply to wholesale energy products and financial instruments respectively, prohibit insider trading and market manipulation. In addition, market players have to comply with extensive reporting requirements in the context of REMIT. GasTerra has implemented the necessary procedures for this.

The revised *Markets in Financial Instruments Directive* (MiFID II) came into force for energy companies that trade in financial instruments in 2018. Trade in contracts is one of these financial instruments. This is a secondary activity for GasTerra, and so we make use of the secondary activity exemption provided for under MiFID II.

On 1 April 2020, five virtual interconnection points (VIPs) were created on the German-Dutch and Belgian-Dutch borders. New transport capacity is now being contracted at these VIPs. On 1 October 2021 German gas market areas NCG and Gaspool will merge to form a new market area called Trading Hub Europe. As a result, the VIPs on the German-Dutch border will also be combined to become high-calorific and low-calorific VIPs.

In 2021 there will be more clarity as to GTS's new Method Decision covering 2022-2026. The Method Decision forms the basis for the gas transport tariffs in that period. Important topics in the coming regulatory period are the decline in the use of the national network and investments in, among other things, hydrogen technology for the energy transition in combination with regulation of GTS's turnover. These developments are expected to lead to significant tariff rises in the years to come. GasTerra actively contributes towards the modelling of the Method Decision through representative organisations. We also take part in consultations on the new Energy Act via the sectoral organisation Energie Nederland.

### 1.3.9. Energy and climate policy

2020 was dominated by the implementation of the Climate Agreement concluded in 2019. An important part of the package of agreements concerns the position of gas (molecules) in the energy system. The previously concluded SER Energy Agreement (2013) failed to address that. Meanwhile almost all experts and policymakers are now aware that the energy system of the future cannot do without CO<sub>2</sub>-neutral gas.

This is proved by three letters sent by the Minister for Economic Affairs and Climate Policy to the Lower House on 30 March 2020. The first dealt in a general sense with the role of gas in the current and future energy system. The sector saw this as a confirmation that, considering their unique characteristics, gaseous energy carriers have an indispensable role in the decarbonisation task faced by Dutch society and will continue to be important in all sectors.

[The second letter](#) dealt with green gas and contained, as agreed in the Climate Agreement, a roadmap for green gas. [The third and last letter](#) of this series contained the cabinet's vision of hydrogen and took up the ambition supported by a broad group of stakeholders to focus fully on hydrogen as an energy carrier and storage and transport medium for sustainable electricity.

In December in its letter to Parliament "Appreciation of Green Gas Innovation Agenda and state of play in relation to implementation of Green Gas Roadmap" ("Appreciatie Innovatieagenda Groen Gas en stand van zaken uitvoering Routekaart Groen Gas") the cabinet confirmed again the added value of green gas. The letter examines both an ambitious agenda to encourage innovation and at the results to be expected in implementing the Green Gas Roadmap. Good progress is being made with cooperation and professionalisation within the sector, with making larger quantities of sustainable biomass accessible and available, with improving incentive tools and upgrading green gas injection options.

One of the sectors that is extremely reliant on natural gas for its energy supply is industry. The Infrastructure Climate Agreement Taskforce (TIKI) has been set up to help the production processes concerned become more sustainable. Their task is to point out bottlenecks in industry that impede compliance with the agreements under the Climate Agreement and to propose solutions to these. TIKI has now published a report which finds that the high (or too high) degree of interdependence between industry, government and network operators can lead to delays, when what is really needed is for them to speed up. [The cabinet has indicated](#) that it will adopt a number of the recommendations from the TIKI report in order to solve this problem. To this end, it has set up a Multi-Year Programme for Energy and Climate Infrastructure (MIEK) and created a national Sustainable Industry Infrastructure Programme. The TIKI report also provides justification for the importance of molecules, dealing specifically with the importance of 'blue' hydrogen (hydrogen produced from natural gas + CCS) for the energy transition in industry.

By and large, a lot of attention is being paid to the future infrastructure. Potential problems for the electricity networks, such as congestion or extensive expansion, can be partly prevented by using existing gas infrastructure. The [Integrated Infrastructure Study 2030 - 2050 \(II3050\)](#) outlines in this respect the infrastructure requirements based on four independent energy scenarios.

In 2020 the SDE+ system was adapted to become the new SDE++ scheme. Where the first one mainly aimed to encourage the use of renewable energy, SDE++ also promotes the use of other methods for emissions reduction, including CCS. The focus on emissions reduction in 2020 further fuelled the debate about the role and sustainability of biomass. One of the triggers for this was a publication by [SER, which advised applying a sustainability framework when using biomass](#). This shows just how complex the energy transition is. However, the results are lagging behind the many policy developments, as was shown in the Climate and Energy Outlook (KEV) 2020. KEV concludes that it is possible to achieve the CO<sub>2</sub> reduction for 2020 as ordered by the Urgenda judgement, even with strict coronavirus measures, but considers that it is not very likely. The targets for 2030, for emissions reduction, renewable energy and energy savings will, according to KEV, not be achieved with the current course of action. We have to point out that KEV was drawn up on the basis of the understandings and data available in May 2020; new policy developments could still have a positive effect. Furthermore, GasTerra noticed that the gas demand set out in KEV is higher than in previous projections. The data relating to domestic supply of natural gas has also been adjusted, showing an increasing dependency on natural gas imports for the Netherlands. This conclusion corresponds to GasTerra's findings set out in its [brochure 'Gas in the Dutch Energy System'](#) (Dutch only).

Developments in the EU are also advancing at a rapid pace, as proved to be the case at the end of 2019 due to the launch of the European Green Deal, among other things. The European Commission made an important announcement that it was tightening the emissions reduction target for 2030 to 55 percent. The other dossiers that together shape the climate policy also contained proposals for refining the targets, for example the Carbon Border Adjustment Mechanism (CBAM), adjustments to the Renewable Energy Directive and the possible expansion of the ETS to other sectors. This happened in addition to current dossiers, including Taxonomy, in which sustainability criteria for capital streams are set. Just like the Netherlands, Europe has high hopes for hydrogen. In 2020 the [European hydrogen strategy](#) was unveiled; this will be developed further in 2021, possibly as part of the long-awaited Gas Package.

## 1.4. In dialogue with our environment

GasTerra regards it as important to be transparent about its activities and to obtain an insight into the views of stakeholders with regard to the organisation's economic, ecological and social impact. A stakeholder dialogue is conducted once a year, in addition to the regular discussions with stakeholders, in order to obtain this information. The intensity of these dialogues alternates, between an extensive stakeholder dialogue in which all the stakeholders represented in the diagram below are approached one year, with the following year a lighter version being carried out, in which we simply look at the extent to which developments have taken place that require an update on certain points.

We conduct the stakeholder dialogue among the following stakeholder groups:



### 1.4.1.1. Stakeholder groups

The findings from the stakeholder dialogue provide important information that is used in producing the materiality matrix. The materiality matrix is incorporated into the Business Plan and is used to reflect policy choices. The annual report gives stakeholders information about the targets for the material issues that have been achieved. It is always possible that in the course of a year developments occur that can only be reflected in a subsequent cycle of the stakeholder dialogue process or a later Business Plan.

This situation occurred in 2019, when the stakeholder dialogue was carried out before it had been decided that GasTerra would eventually be wound up and a phasing-out plan would be produced. Consequently, the stakeholder dialogue assumed a business as usual situation.

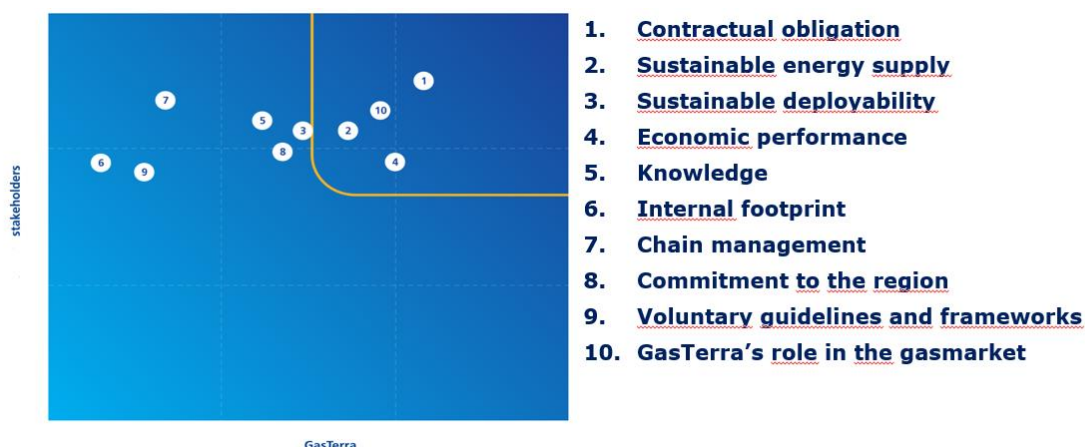
However, when formulating the questions we took account of a possible phasing-out scenario as GasTerra and its shareholders were already exploring various future scenarios in discussions. After completion of the stakeholder dialogue, the regular discussions with stakeholders did not give any cause to believe that the public announcement regarding the phasing-out of GasTerra would have led to the stakeholder dialogue or material issues turning out differently.

Carrying out the stakeholder dialogue in 2020 involved examining the extent to which the announcement of the phasing-out plan had an impact on the way in which the stakeholders concerned viewed GasTerra. As a result, this stakeholder dialogue was more extensive than the scaled-down version anticipated according to the cycle. The dialogue looked at whether stakeholders will find issues more or less important compared to 2019 and we discussed with them how they would be affected by the phasing-out of GasTerra and the main points they wanted to share with us. The impact of Covid-19 was also discussed.

Stakeholders consider contractual obligations to be the most important issue for GasTerra, just as they did in 2019, followed by chain management, GasTerra's role in the gas market and knowledge. Stakeholders indicate that GasTerra can make a contribution in many areas, because the company has the scope, knowledge and expertise necessary for this. Some stakeholders expressed their surprise at GasTerra's decision to wind down. They are concerned about the implications for the gas market if GasTerra no longer exists or they see another primary role for GasTerra, for example in the energy transition. When its activities come to an end, GasTerra will be sure to protect its knowledge about the energy transition and the importance of the chain.

GasTerra's management compared the importance that stakeholders attach to the issues with the importance that GasTerra itself attaches to them. This gives rise to the materiality matrix which forms part of the 2021 Business Plan and is a key element in the strategy to be developed. The material issues for 2021 are; contractual obligation, economic performance, role of GasTerra in the gas market and sustainable energy supply. These issues were also material in 2020. Sustainable deployability has always been a key issue. In 2020 it was material in connection with compiling the phasing-out plan. The foundations have been laid for sustainable deployability in the years to come now that the phasing-out plan has been established and the redundancy scheme finalised (in 2019). This issue continues to command a lot of attention but it is not a material issue for 2021.

In this report we address developments relating to the issues that were material in 2020 and set out the objectives for the material issues for 2021.



#### 1.4.1.2. Materiality matrix

Sub-objectives for 2021 have been determined for the material issues within the strategic targets of volume, price, costs and anticipation. The phasing out of GasTerra is a general theme that plays a part within all the targets and activities.

Material issue	Strategic targets	Target for 2021
Contractual obligation	Volume Price	GasTerra will be fully in compliance with its contractual obligations.
Economic performance	Volume Price Costs Anticipation	We will make the maximum possible use of resources in our portfolio.  We will use the market potential for optimisation.  We will make a margin on our purchases and sales.  Successful renegotiation of export and import contracts.
Sustainable energy supply	Anticipation	We will take part in projects under the Strategic Agenda of GILDE (Gas as part of Long-Term Sustainable Energy Management). We will lead the Green Gas project.  In our energy transition policy we will focus on sustainable gases such as green gas and hydrogen.  Working with partners we will develop a programme to achieve the required annual production of green gas of two billion cubic metres set out in the Climate Agreement for 2030. For that purpose we will participate in large-scale green gas projects.
GasTerra's role in the gas market	Anticipation	GasTerra will enable NAM to implement the operational strategy established by the Minister for Economic Affairs and Climate Policy and will make every effort to sell the annual volume of Groningen gas offered by NAM. The annual volume of gas offered by NAM is based on the degree/day formula laid down by the Minister for Economic Affairs and Climate Policy.

#### 1.4.2. Value creation model

The value creation model shows how we use our resources to achieve the targets. Our mission, vision and strategy are the basic principles of our business operations.

The more rapid phasing-out of gas extraction from the Groningen field means that GasTerra's key activity will eventually cease. In 2020 a phasing-out plan was produced which works gradually towards discontinuation of the company's business activities. This wind-down will be finished by 31 December 2024, but the importance of gas for the energy supply and the climate policy will not disappear when GasTerra has been phased out completely. GasTerra will use the next few years to leave a well-functioning gas market and to share our decades-long knowledge of our product, the market and the energy transition with all those who, in whatever capacity, are committed to a responsible transition to a climate-neutral energy economy. The value that we are currently adding will therefore remain relevant after the final date.

So, for the time being, everything is much the same as before, except that GasTerra will not enter into any more new gas sales contracts for gas supplies after 31 December 2023.

We have always paid considerable attention to projects that advance the transition to a more sustainable energy supply and we actively sponsor social, cultural and sports institutions and activities, particularly in and around Groningen. During the phasing-out period the company will consider whether there is still, at this stage of its existence, scope for fresh agreements with new or existing parties; this will be done year by year and case by case.

In 2021 the phasing-out plan will be reassessed and the value creation model will be updated, if necessary, as the phase-out progresses.

## Inputs

**Gas**

- Total volume 41.6 bln m³
- Groningen
- Small fields
- Virtual trading points
- Import
- Green gas

**Gas market**

- Fluctuating gas price
- Gas contracts
- Licences
- Trading partners
- Underground gas storage

**Organisation**

- 120,8 Fte
- 129 employees
- Diversity
- Working conditions
- Head office Groningen

**Knowledge and systems**

- Knowledge of the gas market
- IT systems

**Finances**

- Shareholders' equity €180 mln
- Investments €0.6 mln

**Society**

- Stakeholders
- Image of gas

## Business Model

Maximizing the value of Dutch natural gas offered to us

**Volume**

GasTerra aims to sell the entire volume of the gas offered to GasTerra and will contribute to the phasing-out of production from the Groningen field.

**Price**

GasTerra aims to achieve a price in line with the market with the highest possible margin for the entire portfolio.

**Costs**

GasTerra ensures a correct balance between costs on the one hand and value and care on the other hand.

**Anticipation**

GasTerra anticipates a changing environment and listens to its stakeholders.

**Phasing-out**

GasTerra will leave a well-functioning gas market while remaining aware of the interests of its stakeholders. GasTerra will aim to phase out and/or transfer its remaining obligations.

Governance
Risk Management
Public Affairs
Public Relations

## Outputs

**Gas**

- Total volume 41.6 bln m³
- Virtual trading points
- Client connections
- Border points

**Gas market**

- 100% compliance with contractual obligations
- 17.8 billion m³ NL gas purchased (Groningen & Small fields)

**Organisation**

- 97 men, 32 women
- 1.69% sickness absence
- Safety/accidents

**Knowledge and systems**

- Training costs: 0.76% of total staff costs
- Training and career opportunities
- 99.97% availability of highly critical systems

**Finances**

- Turnover €5.454 mln
- Net profit €36 mln
- Working capital €240.2 mln
- S&P credit rating AA+ (Negative Outlook)

**Society**

- 64 points on the transparency benchmark
- Sharing and developing knowledge about energy (transition)
- Supporting energy transition projects
- Improving the sustainability of industrial clients
- Local procurement of facilities worth 13 million euros

## Material issues

Contractual obligation  
Economic performance  
Sustainable deployability

Sustainable energy supply

GasTerra's role in the gas market

## Outcomes

**Gas**

- Security of supply of the company's own portfolio
- Good relations with clients and suppliers
- Benefits of natural gas

**Green**

- Sharing and developing knowledge about the role of gas in the energy supply in R&D, education and public debate
- Contributing to the rational transition to a climate-neutral energy supply

**Groningen**

- High-quality job opportunities in the region
- Making a valuable contribution to the local community



## 1.5. Summary of results

	2020	2019
<b>Income and expenditure in millions of euros</b>		
Revenue	5,454	8,832
Gas purchases	5,125	8,433
Transmission costs	239	271
<b>Profits in millions of euros</b>		
Profit before tax	48	48
Net income	36	36
Dividend	36	36
<b>Other financial information</b>		
Investments (in millions of euros)	0.6	2.0
Liquidity ratio	1.2	1.2
<b>Balance sheet data at year-end, in millions of euros</b>		
Total assets	1,247	1,332
Shareholders' equity (before profit appropriation)	216	216
Current liabilities	1,001	1,083
<b>Volumes sold in billions of cubic metres*</b>		
Total sales	41.6	51.5
-The Netherlands	22.2	32.3
-Rest of Europe	19.4	19.2
<b>Company staff at year-end, in full-time equivalents</b>	120.8	131.2
<b>Health and safety</b>		
Sickness absence (in %)	1.69	1.67
Average absenteeism rate	0.55	0.81

The solvency ratio of GasTerra is not included because it is not representative as a result of the agreements among the various entities in the Dutch 'Gasgebouw' (see the financial statements, chapter 4). One of them relates to the transfer price for Groningen gas, as a result of which GasTerra makes a fixed profit of 36 million euros.

Investments are not material, and relate mainly to the capitalised costs of software developed in-house to support the business processes.

## 2. Material issues

The material issues for 2020 were contractual obligation, economic performance, sustainable deployability, sustainable energy supply and the role of GasTerra in the gas market. These issues were determined partly on the basis of the outcomes of the stakeholder dialogue conducted in 2019 and served as input for the policy choices in 2020. We discuss these material issues in more detail in this chapter. We also give an explanation of the results achieved and, if the issue is also material for 2021, a look ahead to the targets for that year.

### 2.1. Contractual obligation

Compliance with contractual obligations is the most important topic for both GasTerra and our stakeholders. We make sure that our company has enough gas in portfolio at every point in the year to be able to meet the supply obligations to our customers. To make this possible, GasTerra must ensure that its sales obligations are in balance with its supply. In the past it was possible to do this by adjusting the Groningen field upwards or downwards; now we balance this by purchases and sales on the market and the use of contracted storage facilities. In order to be able to meet our obligations at all times and to manage the associated price risks, we use advanced planning models. In 2020 we complied with all our contractual obligations, as usual, which means the target was achieved. We do not include specific details about our contracts in our annual report for reasons of commercial sensitivity.

In September 2020 we informed our business partners that GasTerra will be fully phased out by 31 December 2024. A phasing-out plan was put together which works towards the discontinuation of GasTerra's business activities. For the time being, everything is much the same as before, except that GasTerra will not enter into any more new gas sales contracts for gas supplies after 31 December 2023.

The phasing-out plan takes into account that, on the final date, there may still be a number of current and long-term obligations and rights remaining. GasTerra's shareholders will, in consultation with the board of management, decide in good time how these will be wound down.

### 2.2. Economic performance

It is obvious that the company regards economic performance as a material issue. If the economic performance is not good, this affects all stakeholders. In this context the company tries to achieve an efficient business operation with a good balance between costs and care.

#### 2.2.1. Purchasing

In 2020 GasTerra bought 41.6 billion cubic metres of gas (2019: 51.5 billion cubic metres). 6.5 billion cubic metres of this came from the Groningen system (including storage facilities) and 11.3 billion cubic metres came from small fields. 23.8 billion cubic metres was purchased mainly on trading hubs and via imports.

The volumes from the Groningen system are different from the production figures reported by NAM. This difference is due to a number of factors, including own use in production and the difference between injection and production from the underground storage facilities. In addition, GasTerra reports volumes on a calendar year basis, while the extraction order issued to NAM is bound to the gas year.

Over the past decade, the purchase of gas from small fields has declined. The reserves in the existing small fields are shrinking because gas is being produced from the fields. This also reduces the pressure in these fields (depletion) and causes production capacity to fall. Although new small fields are still being found frequently, this does not compensate for the decline in production. A further fall is expected in the years to come.

In 2020 GasTerra imported 8.0 billion cubic metres mainly from Norway and Russia. The long-term nature of the import contracts meant that there also were few changes in this segment compared to previous years.

### **2.2.2. Supply**

In 2020 GasTerra supplied 41.6 billion cubic metres of gas to customers (2019: 51.5 billion cubic metres). Some of the gas supplied was delivered to the traditional supply points such as connections and border points. We also supply much of our gas to our customers on the TTF, from where they can trade it on or transport it to their end users.

This means that the gas can change hands several times before finally reaching the end user. So gas contracted by foreign parties does not necessarily cross the border, and gas that we sell on the TTF may eventually leave the country.

### **2.2.3. Pricing**

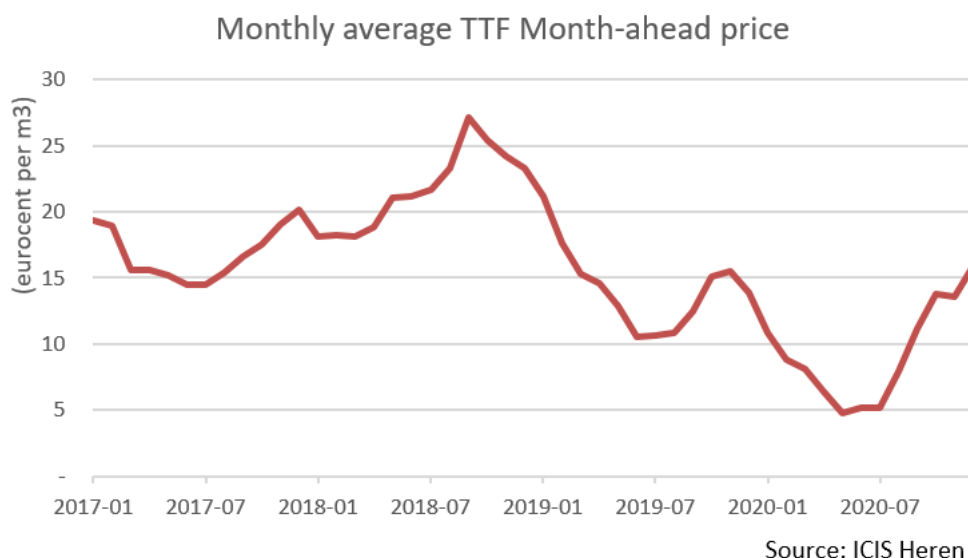
GasTerra's supplies commanded lower prices than they did in 2019. In 2020 an average of 13.0 eurocents per cubic metre was paid as against 17.0 eurocents in 2019. These lower prices are related to prices on trading hubs. The prices on the TTF were on average lower in 2020 than in previous years. The month-ahead price in 2020 was on average 4.9 eurocents/cubic metre lower than in 2019. At the end of May 2020, this price fell to a very low level, on some days around 3.5 €/MWh. This low price level has never been seen before.

In winter 2019-2020, the gas prices on the Northwest European hubs started to decline from December onwards. This fall continued until the end of May 2020. The main cause was the high rise in LNG being supplied to Europe. The global oversupply of LNG, a consequence of the steep rise in the supply from the US, Australia and Russia and a sluggish demand from East Asia due to the mild winter, went mainly to Europe. LNG prices fell as a result of the oversupply. This effect was further exacerbated by the fall in the Brent oil price in the first quarter of 2020, since many East Asian LNG contracts are linked to oil prices.

The mild winter and high LNG supplies mean that the Northwest European storage facilities have produced relatively small amounts in the winter of 2019-2020. This had a negative impact on prices in summer, the injection season, as in that period less gas was needed to fill the storage facilities again.

In March the coronavirus outbreak developed into a pandemic, resulting in many countries going into lockdown and leading to a (still ongoing) worldwide recession. Some of the gas demand disappeared which made prices fall even further.

In the second half of the year prices on the gas market recovered slightly. This was due to reduced supplies of LNG, after many LNG orders from the US were cancelled.



#### 2.2.3.1. Trend in average monthly TTF prices

As the volumes purchased from the Groningen field are gradually falling, and the volumes that GasTerra buys on the spot market are rising, it is increasingly important for price concepts of purchases and sales in the portfolio to be properly aligned. It has now become apparent that GasTerra is well positioned to manage the effects of price fluctuations in the portfolio.

Several existing import and export contracts were renegotiated in 2020. Arbitration takes place where no agreement can be reached. GasTerra was involved in three cases of arbitration in 2020 that had still not been concluded by the end of the year. As the outcomes of renegotiations or related arbitration that are still unresolved are uncertain, the possible outcomes of these proceedings are not reflected in the financial statements.

#### 2.2.4. Transport

In order to meet the obligations under our trading contracts we book transmission capacity with network operators, especially GTS. In 2020, the costs of purchasing transmission capacity stood at 239 million euros (2019: 271 million euros), which is 32 million euros lower than in 2019.

### 2.3. Sustainable deployability

Sustainable deployability has always been a key issue but in recent years has become a material issue due to the uncertainty over GasTerra's future. That is no longer the case in 2021. The issue remains current but clarity has been gained and a proper foundation laid for sustainable deployability in the years to come now that the phasing-out plan has been established and the redundancy scheme finalised (in 2019).

The phasing-out of GasTerra will, of course, have a major impact on its employees. It is true that the phasing-out plan and the redundancy scheme remove uncertainty and provide clarity, but they do not alter the fact that employees will eventually lose their jobs. This presents the company with a particular challenge. In its role as an employer, GasTerra wants to enable its employees to leave at a time of their choosing but at the same time business continuity must not be put at risk and we want to maintain the quality that stakeholders have come to expect from us. Employee competence and motivation are crucially important and treated as an ongoing priority for the organisation.

In the past year, a number of our colleagues have continued their careers outside GasTerra. Others were given different functions within GasTerra. In a number of cases, duties have been divided between several employees so that they could gain experience in various departments and/or business areas. An organisational change also took place, in which departments and competences were merged. Finally, GasTerra has recruited a number of new employees and offered internships or graduate placements to some students.

2020 was an unusual year. On 13 March GasTerra responded to the government's request to allow employees to work from home as much as possible, in order to prevent the spread of coronavirus. Our systems were largely already suitable for working from home and have coped admirably with this transition, requiring minimal adaptations. In accordance with its responsibilities under the Working Conditions Act, GasTerra also made sure that all employees could set up a safe and healthy home working environment.

Working from home has an impact on staff wellbeing. Colleagues interact with each other differently and this new situation affects their work/life balance. Research carried out by GasTerra which highlighted themes such as mood, wellbeing, work/life balance, work pressure and also social cohesion showed that most employees have adapted well to this temporary situation. Nevertheless this remains a priority for GasTerra. We have now also started to carry out the employee satisfaction survey. We have also decided to have more frequent appraisals instead of the previous two-yearly survey; this will help us to react and prioritise more quickly. More frequent appraisal is better suited to the current work situation. The phasing-out of GasTerra, with colleagues leaving and shifts in duties, calls for a different way of appraising that is more fitting for the organisational dynamic.

In 2020, GasTerra asked the health and safety service to carry out a Risk Inventory and Evaluation (RI&E). This outlined working conditions with an emphasis on health, safety and wellbeing. In autumn 2020 an additional RI&E was performed which was to set out the specific risks and circumstances regarding the coronavirus. GasTerra itself also carried out an operational risk analysis of the work situation including working from home.

## **2.4. GasTerra's role in the gas market**

As purchaser of low-calorific gas from the Groningen field, and of high-calorific gas from the small fields, as an importer of foreign gas and one of the main buyers of green gas in the Netherlands, GasTerra has a key function in the Dutch gas chain. As well as these volumes, an increasing proportion of our portfolio is being bought on the Dutch gas trading point, the TTF. We sell the purchased gas on the domestic market and to energy companies in neighbouring countries. GasTerra has a dual task. Firstly, we have to keep our portfolio in balance. This means that the contracted volume of purchases and sales must be aligned. GTS has to physically balance its gas network. Should the network become too unbalanced GTS can give shippers, including GasTerra, instructions which they must follow. In such cases, GasTerra will have to sell or withdraw a certain amount of extra gas.

GasTerra's key activity, the purchasing and selling of Groningen gas, will cease to exist when gas production from the Groningen field is phased out. Following the decision on the matter, in 2020 a phasing-out plan was put together which works towards the discontinuation of GasTerra's business activities. The phase-out will be complete by 31 December 2024.

For the time being, GasTerra's role will not change a great deal except that the company will not enter into any more new gas sales contracts for gas supplies after 31 December 2023. The phasing-out plan takes into account that, on the final date, there may still be a number of current and long-term obligations and rights remaining. GasTerra's shareholders will, in consultation with the board of management, decide in good time how to deal with these.

Our mission continues to be maximising the value of the Dutch natural gas offered to GasTerra. In the period ahead, we will be focusing more on the phasing out and transfer of our activities and contractually established rights and obligations. Transfer too, for the importance of gas for the energy supply and the climate policy will not disappear when GasTerra has been phased out completely. We want to leave a well-functioning gas market and phase out and/or transfer our activities in a controlled manner while remaining aware of the interests of our stakeholders.

The position of GasTerra in the gas market and the announced phase-out were also important topics in the stakeholder dialogue. Stakeholders highlighted GasTerra's significant contribution to the development of the TTF and to energy management as a whole. Stakeholders believe that, given the announced termination of GasTerra's activities, it is important for the transfer of knowledge to receive enough attention. This has always been an important issue for GasTerra and we are delighted to share our decades-long knowledge of our product, the market and the energy transition with all those who, in whatever capacity, are committed to a responsible transition to a climate-neutral energy economy.

We do this by participating in joint ventures and projects in the field of energy transition as well as via sectoral organisations and through our own publications, such as our brochure 'Natural Gas in the Netherlands' ('Aardgas in Nederland' - Dutch only) published in 2019, which paints a factual and comprehensive picture of natural gas in the past, present and future. In 2020 a revised edition of this brochure was published under the title 'Gas in the Dutch Energy System' ('Gas in het Nederlandse Energiesysteem' - Dutch only). In this we shed light on the role of fossil and sustainable gas in the Dutch energy system, now and in the future. With these publications, GasTerra aims to interpret the relationship between these figures and recent and expected developments in energy and climate issues.

The energy system will change drastically in the decades to come, particularly under the influence of the ambitious climate policy. It is therefore necessary to ensure that the expected changes in the supply of renewable sources, the energy demand of users and the energy infrastructure are properly aligned. The whole energy system needs integration, coordination and harmonisation ('orchestration'). That is necessary to guide the required changes in such a way that all the public and private organisations concerned can make well-informed choices. For this reason, GasTerra has joined up with 10 other energy players to produce a Guide on Energy System Integration in the Netherlands (SEIN - Dutch only). The Guide contains proposals for organising the system integration considered necessary, involving relevant players and a step-by-step plan.

GasTerra is a major player in the Dutch green gas market. The need for this will only increase in the context of the necessary energy transition. Many people are also putting their faith in hydrogen to make the energy transition successful. The focus here is mainly on the physical and financial aspects: the technologies, the opportunities for innovation, the production methods, the effects of its use in existing gas installations and the investment costs. In summary, the discussion about hydrogen focuses on 'what', not, or hardly ever, on 'how'.

The energy market is a free market; traders can decide for themselves which energy products will be traded with which counterparty, when and at what price. Free trade provides the framework for the purchase and sale of a product and the price. This has not yet been regulated for new energy product hydrogen. As regards market forces, there are clear parallels to be drawn between natural gas and hydrogen. The natural gas market developed in stages; from a closed, integrated system with bilateral customised contracts via liberalisation in the 1990s, in which the market was opened up to third parties and a gas trading hub and gas exchange were formed, right up to the current situation, characterised by maximum liquidity with a large trading volume, a wide variety of products and, as a result, intensive trade. GasTerra played a big part in how this all came about. However, there is still a lot to be done to create a free hydrogen market. Natural gas trading was already extensive when the decision was taken to liberalise; this is not currently the case for hydrogen. Production volumes are insufficient for successful trading and there is still no system to bring demand and supply together efficiently. With the knowledge and experience we have gained from developing a free market for natural gas we can help to build up a fully-fledged, liquid equivalent for hydrogen: a market in which demand and supply determine the price and which therefore helps to bring about this part of the energy transition cost-effectively.

## **2.5. Sustainable energy supply**

Since it was established in 2005, GasTerra has spent a lot of time on projects that accelerate the transition towards a more sustainable energy supply. As GasTerra is being phased out, this work too will slowly come to an end. However, during the phase-out we will stay committed to the energy transition as one of our goals is to leave the market in a good position. This will involve focusing on the development of renewable gases (green gas and hydrogen), as this fits in well with our expertise and our role as a gas trader. Stakeholders have also said that they believe GasTerra's knowledge in relation to the gas market to be valuable both for the expansion of the green gas market and the creation of a hydrogen market. This knowledge will also remain relevant when we have finished our trading activities in this area. In addition to direct participation in energy transition projects, GasTerra will also continue to work on projects in 2021 within KVGn.

### **2.5.1. Green Gas**

Although green gas still only makes up a small proportion of the energy supply, demand for this product as a cheap and simple alternative is rapidly increasing, thanks to increasing awareness of costs and the impact of all the decarbonisation options. There are bottlenecks on the production side preventing this demand from being met. GasTerra helps to improve the conditions for production growth in various ways. We are supporting a number of longer-term innovation projects dealing with biomass fermentation and gasification, in the awareness that developing genuinely innovative and promising technologies takes time. This has led to the construction of demonstration facilities, implementation of measurement and research programmes and application of scientific knowledge and market research. The intended project outcomes are cost reduction, increase in earnings and marketing of new technologies.

We are involved in identifying bottlenecks in the development of green gas production and we share what we know with municipalities, provinces and other interested parties. We have also helped to set up the Regional Energy Strategy (RES) in Groningen and we are one of the sponsors of Panorama Green Gas, a publication (Dutch only) about the state of play in the green gas sector. GasTerra has taken on the role of secretary of the Groninger Groen Gas Genootschap (4G) [Groningen Green Gas Community]. These examples all show that we want to make an active contribution to the development of the green gas potential in the municipality and immediate vicinity.

In 2021 too, we expect to have a large proportion of current green gas production under contract. This portfolio is, thanks to new installations being brought into operation, expected to keep growing until it reaches around 125 million cubic metres by 2023. GasTerra has expanded its green gas portfolio further by purchasing green gas certificates for part of the already contracted production of green gas. Interest from customers who want to make their processes more sustainable led to us concluding our first green gas sales contracts in 2020; we expect more to follow in 2021.



#### 2.5.1.1.

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#### 2.5.2. Hydrogen

In 2020, we noticed that the development of hydrogen was attracting more interest and for that reason, we also used our experience on the gas market to promote the development of a hydrogen market and to obtain knowledge last year. GasTerra employees are taking part in various hydrogen projects, including Hydrogreenn and H2Gateway.

The Hydrogreenn project is a unique joint venture involving 23 organisations that cover the entire chain, consisting of authorities, knowledge institutions and companies. The first phase of the project was completed in autumn 2020 with the publication of the results of more than a year of study and cooperation, which show how, in the new district of Nijstad-Oost, in Hoogeveen, around 80 homes can be created that will run entirely on hydrogen. Using hydrogen in a new residential area does not seem obvious at first glance, but must be viewed as preparation for a further rollout in the nearest existing district. The project has provided a (technical/economic) blueprint for 100 percent hydrogen heating. By choosing a hydrogen-adapted boiler, the project has shown that the blueprint is transferrable to existing residential districts in the rest of the Netherlands.



The H2Gateway project aims, with the production of blue hydrogen, to give a substantial boost to the national ambition of achieving a CO<sub>2</sub>-free economy. Part of the project involves an exploratory analysis of the potential for blue hydrogen in the Netherlands and the unique location Den Helder has been considered as a possible production location. The findings were published in October as part of a vision document.

EnTranCe carried out more work on the development of the hydrogen infrastructure, with support from GasTerra. For example, a storage system was installed that not only enables prolonged testing with hydrogen demand technologies such as new boiler concepts, which also has to ensure, by testing with hydrogen production technologies, that the hydrogen produced can be stored, and then used beneficially at local level. A number of endurance tests partly supported by GasTerra are on the agenda for 2021, which can be performed thanks to this local hydrogen backbone.

In addition to participating in hydrogen projects, doctoral research into the development of a hydrogen market has begun, supported by GasTerra, under the supervision of Professor Machiel Mulder, Professor of Energy Market Regulation and Director of the Centre for Energy Economics Research (CEER) at the University of Groningen. This research is being carried out in cooperation with institutes in Denmark, Germany, Italy and Austria. GasTerra's support for this research stems from our cooperation with the New Energy Coalition (NEC). It is being guided by a broad advisory group with representatives from industry and government.

In 2020 GasTerra asked Professor Machiel Mulder, to carry out an exploratory study into how the Dutch housing market, the agricultural products market and the gas market evolved over time. The aim was to gain an understanding of these earlier transitions and find any parallels between these markets and the newly developing hydrogen market. The research report was published at the end of January. The research team's main conclusion was that we can learn a lot from our experience in the sectors mentioned above and apply this to how we use hydrogen, and how we see its potential, in the future energy supply. The lessons we can learn relate mainly to financial support and protecting public interests.

## **2.6. Involvement in the region**

GasTerra has always devoted considerable attention to the region. We promote ourselves as a Groningen company. Even as our company is being wound down, we will stay closely connected to social and cultural institutions, associations, foundations and clubs in Groningen. GasTerra attempts to support socially meaningful projects in the region by providing funds, staff involvement and knowledge.

The Volunteers' Fund and 'The GasTerra Energy Saving Fund' ('GasTerra Meer met Minder Fonds') are facilities set up for this purpose, which will also be used in the coming years. The aim of The GasTerra Energy Saving Fund is to encourage energy saving among social institutions. This is done by granting an interest-free loan that is "earned back" by energy bill savings. The money brought back can be reused for new investments in energy saving. With its Volunteers' Fund, GasTerra provides a financial contribution to associations, institutions, foundations or other organisations in which GasTerra's employees actively volunteer.

We contribute to educational projects that aim to develop knowledge about energy (including the travelling classroom 'Jouw Energie van Morgen' ('Your Energy of Tomorrow') and the Junior Energy coach) and we will make every effort, including over the next few years, to help the North Netherlands develop into a leading energy (and energy transition) knowledge centre.

Examples of projects we support include the New Energy Coalition (NEC)), EnTranCe and 'Duurzaam Ameland' ('Sustainable Ameland'). We want to promote the further development of the Business School of the NEC (EDI) and we contribute to the basic and applied research of this institution. We are responding to the increasing professionalisation of the NEC organisation by gradually reducing our fixed contribution while creating scope for more project-related funding. GasTerra is also making its employees available in the Groningen region as knowledge partners for current energy issues, such as for shaping the Regional Energy Strategy (RES).

When purchasing non-gas-related products and services, we prefer to work with local suppliers to stimulate the Groningen economy. When making a choice from the available suppliers, location is a fixed criterion in addition to sustainability, price and quality. In 2020 the total commitments entered into for this type of purchase came to 21.5 million euros. Of this, more than 13 million euros was spent with local suppliers (2019: total 20.5 million euros, of which 6.4 million was spent locally).

With regard to sponsorship, we focus mainly on the town and region of Groningen. GasTerra sponsors various activities in the fields of culture, education, society and grassroots sport. Sponsorship has mainly a social function, but also raises the profile of the company and its business activities among (in particular) the inhabitants of Groningen.

In 2020 we spent 330,000 euros on sponsorship and donations (in 2019: 340,000 euros). It was also a difficult year for those involved in sponsorship events. Many events and activities had to be designed differently or could not even go ahead, while costs had often already been incurred. To help these parties, GasTerra paid most of the pledged sponsorship amounts anyway. Part of that has been set aside for activities postponed until 2021.

Since 2019, GasTerra employees have been helping out regularly at the Groningen Food Bank. Unfortunately this was not always possible in 2020 due to coronavirus measures. The Food Bank also had less deliveries as a result of the corona crisis. To help with this, on 11 November GasTerra provided an extra financial contribution of 11,111.11 euros. This money enabled the Groningen Food Bank to buy breakfast and lunch products for children of families in difficult financial circumstances.

GasTerra has been providing support to Stichting Het Kopland (The Kopland Foundation) since last summer. This is a foundation in Groningen which is committed to helping homeless people, young socially disadvantaged people and children or women who have been victims of abuse. The Foundation sees that problems are increasing during the coronavirus period. Many children are not safe at home and are missing the safe environment usually provided by their schools. Child abuse is one of the biggest problems of violence in the Netherlands. The project 'Scarred' ('Getekend') is an initiative supported by Het Kopland and GasTerra that intends to raise awareness in society for this abuse. Both victims and perpetrators of child abuse are portrayed in five short documentaries. A book entitled 'Scarred – signs of child abuse' ('Getekend - sporen van kindermishandeling' is also to be published.

The GasTerra Ladies Run took place via an app this year. The starting shot could be heard through headphones or earphones and the participants could experience the route virtually from start to finish. Runners took part all over the Netherlands but had the feeling they were in Groningen around the 'pink' Fish Market. More than 1700 runners raised a fantastic amount of 13,200 euros for Pink Ribbon.

## 3. Governance

We believe that it is self-evident that we should report in a transparent manner on how our company is run and supervised.

### 3.1. Report of the Supervisory Board

#### 3.1.1. Composition

The Supervisory Board oversees the policy of the Board of Management and the general business performance at GasTerra. The Supervisory Board comprises eight members, one of whom is appointed by the Minister for Economic Affairs and Climate Policy. The Board appoints a chairperson from among its midst; this appointment has to be approved by the Minister for Economic Affairs and Climate Policy.

The Supervisory Board appoints from among its midst a College of Delegate Supervisory Directors, comprising five members, one of whom is the supervisory director appointed by the Minister for Economic Affairs and Climate Policy. The Board may delegate its powers to the College, in so far as this delegation does not infringe the duties and powers of the Supervisory Board.

The company's Articles of Association lay down that two members of the Supervisory Board are to step down each year at the General Meeting of Shareholders according to a rotation schedule determined by drawing lots. The members who step down may be re-elected or reappointed immediately. New members of the Supervisory Board take the place of their predecessors on the rotation schedule.

Name	Term of office	Capacity	Date of appointment
<b>B.C. Fortuyn MSc</b>	Re-electable in 2021	Delegate Supervisory Director	12 February 2018
<b>R.M. de Jong MA</b>	Re-electable in 2022	Delegate Supervisory Director	1 August 2016
<b>R.G. de Jongh MA</b>	Re-electable in 2021	Member of Supervisory Board	1 April 2016
<b>A.F. Gaastra LLM</b>	Eligible for reappointment in 2022	Delegate Supervisory Director	15 September 2016
<b>J.W. van Hoogstraten MSc</b>	Re-electable in 2023	Delegate Supervisory Director	1 March 2016

Name	Term of office	Capacity	Date of appointment
<b>T.W. Langejan LLM MA</b>	Re-electable in 2024	Member of Supervisory Board	15 February 2016
<b>J.M.W.E. van Loon MSc</b>	Re-electable in 2024	Delegate Supervisory Director	1 January 2016
<b>L. Zirar MA</b>	Re-electable in 2023	Member of Supervisory Board	1 April 2019

### 3.1.2. Meetings

The Board (including the College of Delegate Supervisory Directors) met seven times in the presence of the Board of Management. The Audit Committee (AC) was also represented at one of the meetings. At the invitation of the Board, the external auditor was present at the meeting in which the Annual Report and Accounts relating to 2019 were discussed and approved.

	Supervisory Board	College of Delegate Supervisory Directors	Audit Committee
<b>B.C. Fortuyn MSc</b>	2/2	5/5	n.a.
<b>J.M.W.E. van Loon MSc</b>	2/2	4/5	n.a.
<b>J.W. van Hoogstraten MSc</b>	1/2	5/5	n.a.
<b>A.F. Gaastra LLM</b>	2/2	5/5	n.a.
<b>R.M. de Jong MA</b>	2/2	5/5	n.a.
<b>R.G. de Jongh MA</b>	2/2	n.a.	n.a.
<b>L. Zirar MA</b>	2/2	n.a.	n.a.
<b>T.W. Langejan LLM MA</b>	2/2	n.a.	5/5

	<b>Supervisory Board</b>	<b>College of Delegate Supervisory Directors</b>	<b>Audit Committee</b>
<b>A.J. van der Linden MA</b>	n.a.	n.a.	5/5
<b>P.W. Gerssen MA</b>	n.a.	n.a.	5/5
<b>P.J. de Vries RA MA</b>	n.a.	n.a.	4/5

*The first number shows the number of meetings attended; the second number is the number of meetings that took place during the period in which the individual was in post.*

Ms. Van Loon was unable to attend one of the College meetings and was represented at that meeting by Mr. De Jongh. Mr. Van Hoogstraten was unable to attend one of the Board meetings and was represented at that meeting by Mr. Fortuyn.

### **3.1.3. Objectives and strategy**

2020 has been an unusual year in many ways for GasTerra and our employees. Needless to say, GasTerra was also faced with the measures necessary for combating the COVID-19 virus. The Supervisory Board believes that the GasTerra organisation has reacted to this situation in an appropriate and dynamic manner. The wellbeing of all those involved and continuity of business operations have been the main priorities. The Board would like to express its appreciation for the way in which the GasTerra organisation has and is continuing to implement this.

GasTerra has also taken the next step in phasing-out its business activities. The decisions taken since the beginning of 2014 by the minister for Economic Affairs and Climate Policy on the deployability of the Groningen field, as a consequence of the developments in the Groningen earthquakes dossier, have had a major influence on GasTerra's business operations. In 2018 the cabinet decided that extraction of Groningen gas should be significantly reduced in the years to come, and that it should eventually end completely. As a consequence, GasTerra's shareholders have discussed the future of GasTerra, which was set up in order to sell Groningen gas. In October 2019, the shareholders asked GasTerra management to produce a phasing-out plan for the company. The management complied with this request in 2019 and 2020 in consultation with the Board. At the end of 2019 a redundancy scheme was established for GasTerra's employees. In 2020 a phasing-out plan was set up to implement the gradual winding down of GasTerra's activities. Top priorities here are to achieve a satisfactory process with the Works Council and ensure compliance with existing contractual obligations. The date on which GasTerra's activities will be fully phased out is 31 December 2024.

The Supervisory Board has had various opportunities to contribute to the decision-making process, and will continue to be closely involved with this issue in view of its importance to the GasTerra organisation, its employees and other stakeholders.

The Supervisory Board discussed with management the company's strategy and how this was to be translated into the objectives for the coming years. The company's mission is to maximise the value of the Dutch natural gas offered to GasTerra. GasTerra will be leaving a well-functioning gas market in the near future. GasTerra will phase out its activities in a controlled manner while remaining aware of the interests of its stakeholders. Where necessary, the strategy will be reassessed in the interim.

The Supervisory Board discussed with management the extent to which the objectives for 2020 had been achieved and set the objectives for 2021.

In 2020 the Supervisory Board discussed the risks associated with the business activities. As part of this process, the management's assessment of the set-up and operation of the internal risk management and control systems was discussed, by discussing the document of representation among other things. Attention was also paid to the management letter from the external auditor, and the social aspects relevant to GasTerra were taken into consideration too. The Board concludes that GasTerra has a robust control system that functions effectively, and that it is subject to continuous improvement.

#### **3.1.4. Staffing matters**

The Supervisory Board approves remuneration policy by issuing a Collective Labour Agreement mandate. Where necessary, the Board gets involved in updates relating to ancillary roles held by members of the Board of Management, and once a year discusses the complete overview of these ancillary roles and approves them. The overview of ancillary activities of members of the Supervisory Board is also reviewed once a year.

#### **3.1.5. Audit Committee**

The Supervisory Board has established an Audit Committee. This committee oversees the workings of the internal risk management and control systems, all financial affairs, relations with the external auditor and the application of information and communication technology. At one of the meetings of the Supervisory Board, the Audit Committee reported on the activities it had undertaken.

The Audit Committee met on five occasions during the reporting year, including once to evaluate its own performance.

At the end of 2020, the composition of the Committee was as follows:

A.J. van der Linden MA (Chairperson)  
T.W. Langejan LL.M. MA  
P.W. Gerssen MA  
P.J. de Vries RA MA

#### **3.1.6. Self-evaluation**

The Supervisory Board evaluates its own performance every two years and will carry out a new self-evaluation in 2021.

#### **3.1.7. Contacts with employees**

At set times members of the Supervisory Board have been informed by employees on the company's activities in informal conversations. In principle, with a few exceptions, the Board always meets in the company's building. The coronavirus measures have made it necessary to deviate from this a few times in 2020.

Board members attended two consultative meetings between the management and the Works Council in 2020. The topics discussed included developments in GasTerra's environment and the future of GasTerra.

### 3.1.8. Financial statements

The recommendations from the Supervisory Board to the General Meeting of Shareholders, to be held in Groningen on 18 February 2021, are as follows:

We have examined the financial statements for 2020, prepared by the Chief Executive Officer in accordance with Article 23 of the Articles of Association. We concur with these financial statements and recommend that:

- the net profit for 2020 – set at €36 million – be entirely appropriated for payment to the shareholders;
- the 2020 financial statements be adopted without alteration.

The Supervisory Board understands the difficult phase in which the organisation finds itself and wishes to express its appreciation for the way in which the Board of Management and employees devoted themselves to the objectives of the enterprise during the financial year, and for the results that were achieved. The Board wishes every success to everyone working at GasTerra in 2021.

The Supervisory Board,

B.C. Fortuyn MSc, chairman

A.F. Gaastra LL.M.

J.W. van Hoogstraten MSc

R.M. de Jong MA

R.G. de Jongh MA

T.W. Langejan LL.M. MA

J.M.W.E. van Loon MSc

L. Zirar MA

## 3.2. Management information

The Board of Management of GasTerra consists of one Managing Director (CEO). This is Ms. A. J. Krist MA. In addition to Ms. Krist, the Board of Management also consists of a financial director (CFO), Mr. F.F. van Koten MA and a commercial director (CCO), Mr. R.E. van Rede MSc.



### 3.2.1.1. Structural diagram

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## 3.3. Corporate Governance

GasTerra B.V. is a private limited company with registered offices in Groningen, the Netherlands. The company was founded on 1 July 2005 when N.V. Nederlandse Gasunie was legally split into a transmission system operator and a trading company. In the process, the infrastructure (the gas pipelines) and all transmission-related activities remained with Gasunie while the newly formed GasTerra continued with all gas trading activities.

GasTerra B.V.'s authorised share capital is €180 million, split into 40,000 shares of €4,500 each. All shares have been subscribed, fully paid up and registered, and can only be transferred by unanimous approval of the General Meeting of Shareholders. The shares are held by the State (10%), EBN B.V. (40%), Shell Nederland B.V. (25%) and Esso Nederland B.V. (25%). No depositary receipts are issued.





Supervision of the Board of Management of GasTerra is exercised by the Supervisory Board. The Supervisory Board consists of eight members. One member is appointed directly by the Minister for Economic Affairs and Climate Policy, the remaining members are appointed by the Annual General Meeting of Shareholders on the recommendation of the individual shareholders. The number of Supervisory Board memberships that one person may hold is limited to ensure the proper performance of the duties. The Supervisory Board has appointed its own secretary, who is supported, where necessary, by the Company Secretary.

The Corporate Governance Code contains provisions regarding even gender distribution of the seats on the Board of Management and the Supervisory Board. This is taken into account when appointing and proposing new members to the Supervisory Board. The company strives to achieve this even distribution at all levels of the company.

The tasks and manner of working of the Supervisory Board are in accordance with the Code set out in its own regulations. It is standard procedure that the annual report contains a report of the Supervisory Board. A (brief) profile of the members of the Supervisory Board is included in the Annual Report. The provisions relating to the supervision of the Board of Management by the Supervisory Board are effected at the regular meetings of the Supervisory Board. Furthermore, at least once every two year, without the Board of Management being present, the Supervisory Board discusses its own performance (and desired competencies) as well as that of its own individual members. The performance of individual members of the Board of Management is discussed by the Supervisory Board every year.

The Articles of Association stipulate that decisions which are important to GasTerra must be approved by the Supervisory Board or the College of Delegate Supervisory Directors. The College of Delegate Supervisory Directors is a corporate body. The College is formed by members of the Supervisory Board and consists of five supervisory directors including the supervisory director who has been appointed by the Minister for Economic Affairs and Climate Policy.

The Supervisory Board has established an Audit Committee. The Audit Committee is a non-corporate body composed of four members appointed by the Supervisory Board. The Supervisory Board, or the College of Delegate Supervisory Directors, may refer matters for the consideration of the Audit Committee. Whether requested to do so or not, the Audit Committee advises the Supervisory Board or the College of Delegate Supervisory Directors on matters within its remit and prepares the decisions of the Supervisory Board in relation to those matters. The Audit Committee meets at least three times a year.

The tasks and method of working of the Audit Committee are set out in regulations that essentially follow best practice provisions mentioned in the Code. Thus, the duties of the Audit Committee include supervision regarding the financing of the company, operating expenses and capital expenditures in relation to the agreed budgets, the provision of financial information, the operation of the internal risk management and control systems, compliance with recommendations and observations of internal and external auditors, the role and functioning of the internal audit department, the operation of information and communication technology and maintaining the relationship with the external auditor. Matters covered in particular by this latter topic are the independence of the auditor, remuneration and the potential provision of work that is not audit-related.

The (system of) remuneration of the Supervisory Board is approved by the Annual General Meeting of Shareholders. The total amount of remuneration of the Board is stated in the financial statements.

With regard to the powers of the shareholders, the Articles of Association stipulate that resolutions of shareholders may only be adopted by a majority of three-quarters of the votes cast. For certain resolutions, in particular the transfer of shares, suspension or dismissal of the Managing Director, amendment of the Articles of Association and dissolution of the company, unanimity is required.

As regards disclosure of information to shareholders and the potential impact on the share price, it should be noted that the 'GasTerra share' is not traded on the financial markets.

With regard to financial reporting, several times a year (at regular meetings), the Supervisory Board, the College of Delegate Supervisory Directors and the Audit Committee supervise compliance with the internal procedures relating to the preparation of the quarterly reports and the preparation and publication of the annual report.

The Annual General Meeting of Shareholders appoints the external auditor. It is standard procedure for the Audit Commission to question the external auditor with regard to his declaration on the accuracy of the financial statements. Furthermore, the Board of Management and the Supervisory Board report to the Annual General Meeting of Shareholders on the independence of the external auditor and a recommendation is issued for the appointment of an external auditor. For this purpose, the Board of Management and the Supervisory Board assess the performance of the external auditor periodically, at least once every four years. EY (Ernst & Young) has been GasTerra's auditor since the 2015 financial year. In 2020, the contract was extended to cover audits up to and including financial year 2024.

The external auditor has an understanding of the Internal Audits working plan, which is discussed in the Audit Committee. Findings concerning the internal audit function are included where necessary in the external auditor's management letter, which is discussed at a meeting of the Supervisory Board. The external auditor reports anything it wishes to bring to the attention of the Board of Management and the Supervisory Board in relation to its audit of the financial statements and the related audit checks. This gives effect to the provisions pertaining to the principle in the Code on the relationship and communication of the external auditor with the company's organs.

CSR is an integral part of the strategy at GasTerra and is therefore embedded into our day-to-day operations. GasTerra has integrated the materiality matrix and associated objectives and activities into the Business Plan, which is approved by the Supervisory Board, the governing body with the highest degree of responsibility. Monitoring of progress is included in the regular reporting cycle. The quarterly reports are discussed by the College of Delegate Supervisory Directors and the Audit Committee.

### **3.4. Risk section**

A robust risk policy is vital to GasTerra in order to allow it to achieve its targets. Risk management at strategic, tactical and operational level is part of the Management Control System. GasTerra's Management Control System is based on the COSO ERM framework that is used throughout the world.

The Board of Management and the management team jointly determine the strategic and tactical risks and are responsible for how these are managed. Reports on this issue are also submitted to the Supervisory Board and the Audit Committee. In addition, each process owner is responsible for managing the operational risks associated with his business processes.

Risk management is an integral part of the business activities. All employees are from time to time involved in parts of the Management Control System. They are expected to comply with the policy rules, procedures, work instructions and guidelines in force. GasTerra has set up a risk and control register, containing a central summary of all risks and management measures for each business process on the basis of operational risk analyses.

GasTerra's risk tolerance is low. Risks are mitigated by specific measures. For all risks, an assessment is carried out to determine whether the residual risk is acceptable. GasTerra's focus lies on the effectiveness and efficiency of existing measures so that balanced measures appropriate to the level of the risk are taken.

Strategic and tactical risks are determined twice a year. The frequency of risks at operational level is determined on the basis of the risk profile of the business process concerned. In any event, each process is subjected to a risk analysis once every three years.

The management measures that cover high risks, known as key controls, are tested periodically via self-assessments carried out by the process owner. The results are reported internally and compliance with recommendations made on the basis of the results is monitored. In addition to the self-assessments, an internal auditor periodically tests the design and operation of the management measures, also on the basis of the risk profile of the business process concerned. The operation of the internal audit function is periodically subjected to peer review by auditors of shareholders, who report back their findings to the Board of Management and the Audit Committee. Finally, GasTerra has a procedure for reporting incidents in order to promote improvements and to allow people to learn from each other.

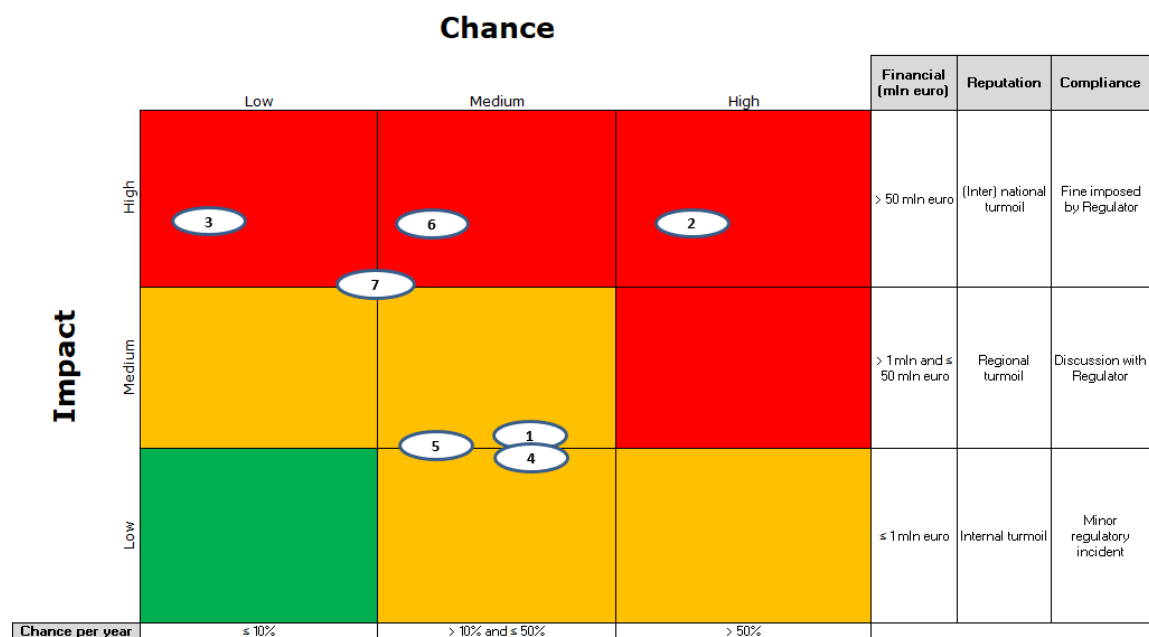
During the course of normal business operations, the company can use financial instruments that expose the company to market risk, including exchange rate risk, interest rate risk, credit risk and liquidity risk. The way these are used is described in the 'financial instruments' section of the financial statements.

#### Business risks

GasTerra's business risk analysis (BRA) analyses the main strategic and tactical risks that could interfere with the achievement of existing targets in terms of anticipation, volume, price, costs and the new target 'phase-out'. These targets are the way in which GasTerra fulfils its mission to maximise the value of Dutch natural gas offered to our company.

For each risk GasTerra determines the likelihood of the risk occurring and the impact on GasTerra if it does occur. The BRA is carried out twice a year, in the autumn when the business plan is being drawn up and in the spring as a half-yearly update. Putting together the phasing-out plan for GasTerra's business activities included identifying the associated risks and incorporating these in the BRA. In the autumn consideration was also given to the risks arising from the corona crisis and Brexit.

The risks for 2021 are shown in the matrix below:



### 3.4.1.1. Risk matrix

The main risks that could interfere with achieving targets in 2020 are explained below. The BRA has not identified any risks to achieving the 'costs' target.

#### Volume target

*GasTerra aims to sell the entire volume of the gas offered to GasTerra and will contribute to the phasing-out of production from the Groningen field. An increasing level of purchases will be necessary to balance the portfolio.*

#### Supply from small fields (no. 1)

GasTerra buys gas from small Dutch fields in addition to Groningen gas. For the time being, GasTerra is fulfilling a public duty with regard to the implementation of the Dutch government's small fields policy and is legally obliged to buy this gas at market rates if asked to do so. In the context of the phasing-out of GasTerra, the Minister for Economic Affairs and Climate Policy has set in motion preparations for and approval of the legislation required to release GasTerra from this obligation.

The supply from small fields has been declining for years. Most small Dutch gas fields are at the final stage of their production cycle. The investment climate is also difficult because of the relatively high costs of production from new fields and the decline in social support for gas extraction. Increasing competition means that GasTerra faces the risk of a further fall in supply from small fields in its portfolio, leading to lower volume from which a profit can be made. The impact will be limited because volumes from the small fields already make up an increasingly smaller proportion of the portfolio.

In 2020 GasTerra offered small field producers normal market conditions for existing and new contracts in accordance with the Gas Act and its own company policy. GasTerra also informs parties concerned as to the expected effects of current market conditions on supply from small fields. The cabinet has stated that in the phasing-out period of L-gas demand, preference will be given to production from small gas fields over gas imports.

The proposed amendment to the Mining Act to increase the investment deduction facility for the detection and extraction of gas from the North Sea from 25 to 40% was adopted by the Lower House on 17 December 2020 with a sizeable majority and is still to be debated in the Upper House. The Minister for Economic Affairs and Climate Policy intends to maintain the economic perspective for the offshore gas sector by passing this amendment.

The Minister also intends to adapt the Gas Act. Under the provisions of the Gas Act, GasTerra is obliged to offer market terms to small fields producers for purchasing their production if they so request. The proposal to remove GasTerra's small fields obligation from the Gas Act has been taken up in the abovementioned amendment to the Mining Act on the removal and reuse of mining works and the investment deduction facility. This proposal has also been adopted by the Lower House and is still to be debated in the Upper House. This amendment to the law is related to closing the Groningen field and phasing out GasTerra, which will be completed by 31 December 2024.

### **Price target**

*GasTerra aims to achieve a price in line with the market, with the highest possible margin for the entire portfolio.*

GasTerra has identified two risks under the 'price' target. The first one is the volatility of the gas prices (no. 2). Increased uncertainty on the energy market means that price volatility on the TTF has risen in recent years. This could lead to a risk that the costs of balancing GasTerra's portfolio will rise while this will not be the case with the funds backing this up.

The second risk is a less liquid TTF (no. 3). The TTF has developed into a mature trading hub that is still growing. However, future developments may have a negative impact on its liquidity. For example, it is still unclear whether the TTF's position will be affected when Groningen production falls to zero and the German trading hubs become more important. Given current TTF developments, the probability of this is low but the impact remains high risk because GasTerra depends on the TTF for both balancing and price-setting.

Both risks concern market developments on which GasTerra has no direct influence. These risks are managed by means of portfolio and price risk management as well as options for renegotiation under the long-term contracts.

### **Anticipation target**

*GasTerra anticipates a changing environment and listens to its stakeholders.*

#### **Unclear business strategy and mission (nr. 4)**

GasTerra's future prospects have been uncertain and unclear for a number of years because of the decision to phase out Groningen gas extraction as quickly as possible. There was no clear business strategy or mission and as a result there is the risk that innovation, efficiency and effectiveness will come to a halt.

In 2019 the shareholders discussed the various future scenarios for GasTerra and this led to a joint decision that the company should be gradually phased out. In 2020 a phasing-out plan was put together for the business activities which will cease completely on 31 December 2024. By gaining clarity on GasTerra's future, the mission, vision and strategy for the coming years could be established; this has brought clear goals and direction to the organisation. The impact on innovation, efficiency and effectiveness is still there but it has decreased.

**Phase-out target:**

*GasTerra will leave a well-functioning gas market while remaining aware of the interests of its stakeholders.*

Less motivated staff (no. 5), inability to retain trained staff (no. 6) and insufficient capacity to adapt during the phasing-out period (no. 7)

The phasing-out plan defines the way in which GasTerra wants to wind down its business activities in the years to come. GasTerra has specifically identified the risks related to the phasing out of the company. In the phasing-out period we want to maintain the high level of quality that stakeholders have come to expect from us. Employee skills and motivation are critical to this. Many of our employees have stated that they want to continue working for GasTerra for a while. This says something about their dedication and commitment but, on the other hand, increased clarity about the future of GasTerra also means that employees will leave if a new opportunity arises, which often happens unexpectedly. This leads to the risk of knowledge being lost, of a mismatch between current and desired employee skills or insufficient capacity to react to new developments, such as in the area of legislation and regulations. There is a risk that this could impair the quality of the work supplied.

Over the past few years it was fairly likely that the risks mentioned above might occur. However, the phasing-out plan and redundancy scheme have brought clarity and removed uncertainty for GasTerra's employees meaning that the likelihood is reduced. A staff schedule will be drawn up, based on the phasing-out plan, which must ensure that the necessary skills are available in the company so that business continuity is not at risk. Monitoring this is a continuous process. On the other hand, the company wants to help its employees move to new jobs and it is important for GasTerra to support employees who are leaving. Employees can take advantage of a redundancy scheme which includes a compensation and assistance package. New employees will be appointed where necessary and at the end of 2020 the organisational structure was adapted to make the organisation fit for purpose again.

The decision to stop gas extraction in Groningen and to wind GasTerra down can also lead to employees taking less pride in their work and becoming demotivated. The working-from-home situation as a result of coronavirus can also affect motivation. In 2020 employees took part in various appraisals to assess motivation, among other things, so that if necessary action can be taken. We can also state that the quality of business operations last year was on a par with previous years.

**Additional risk analysis in relation to Covid-19**

In autumn 2019 GasTerra identified the risks relating to Covid-19 that could have an impact on the organisation; four risks emerged from this.

The first risk arises from postponing or delaying maintenance work on storage facilities. GasTerra might have less capacity available than contractually stipulated due to this and will therefore have to contract flexibility by other means. This situation has not occurred so far. Maintenance work on the Grijpskerk storage facility ran smoothly in the last period. It took longer than originally planned, but this has been well coordinated between NAM and GasTerra. It is expected that this will also apply to other storage facilities, if it comes to it. The corona crisis also meant a possible delay in the construction of the nitrogen plant in Zuidbroek, which could affect the phasing out of the Groningen field. The Ministry of Economic Affairs and Climate Policy has in the meantime, based on reports by GTS, stated that no delay is anticipated in completion of the installation.

GasTerra has also defined delay as being a risk to improving the sustainability of the energy supply. The ongoing corona crisis may lead to us having to choose between using financial resources available either for economic recovery or for the energy transition. This risk does not have a huge impact on GasTerra but it does on society as a whole.

One risk that may have a considerable impact on GasTerra is a deterioration in its customers' credit ratings. Their liquidity and solvency might be put under pressure by the corona crisis, possibly preventing them from meeting their payment obligations. GasTerra has temporarily widened existing management measures in the credit policy to include more frequent monitoring so that the company can respond promptly to potential problems. GasTerra has also, in accordance with the cabinet's decision, offered its customers the option to defer their payments of energy tax and the renewable energy levy (Opslag Duurzame Energie). As yet, GasTerra has not noticed any deterioration in customers' payment behaviour.

Finally, the national spread of the Covid-19 virus might also lead to infections among GasTerra's own employees. If many employees become ill at the same time and are therefore off work, this will have a big impact. However the probability is not very high. Most of our employees have been working from home since March 2020. If they become infected but the symptoms are mild they can probably carry on working.

#### **Additional risk analysis in relation to Brexit**

Brexit has caused uncertainties for GasTerra, in particular because we conduct business with brokers and trading parties based in the United Kingdom. In 2020 we prepared ourselves for various Brexit scenarios, including carrying out a separate risk analysis. This meant that we were prepared for both deal and no-deal scenarios. After the deal was signed, we were able to make agreements with brokers and other parties to continue trading with entities within the EU.



## 4. Financial statements

The composition of the 2020 financial statements is as follows:

- Balance sheet as of 31 December (before profit appropriation)
- Income statement
- Cashflow statement
- Explanatory notes to the financial statements

The Financial Statements are a translation of the original Dutch version. The Dutch Annual Report is adopted and approved by the General Meeting of shareholders at 18 February 2021. This translation is for information purposes only and no rights can be derived from its content. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

## Balance sheet as at 31 December (before profit appropriation)

*in millions of euros*

<b>Assets</b>	Note	<b>2020</b>	2019
Fixed assets			
- intangible fixed assets	(1)	<b>3.4</b>	4.2
- tangible fixed assets	(2)	<b>1.8</b>	2.5
Current assets			
- stocks	(3)	<b>30.0</b>	44.5
- receivables	(4)	<b>842.7</b>	1,119.5
- cash and cash equivalents	(5)	<b>368.9</b>	160.9
Total		<hr/> <b>1,246.8</b> =====	<hr/> 1,331.6 =====
<b>Liabilities and Equity</b>			
Shareholder's equity			
- paid in share capital	(6)	<b>180.0</b>	180.0
- result for the year	(6)	<b>36.0</b>	36.0
Provisions	(7)	<b>29.4</b>	32.6
Current liabilities	(8)	<b>1,001.4</b>	1,083.0
Total		<hr/> <b>1,246.8</b> =====	<hr/> 1,331.6 =====

## Income Statement

*in millions of euros*

	Note	2020	2019
Net turnover	(9)	<b>5,454.1</b>	8,832.0
Cost of sales	(10)	<b>-5,364.3</b>	-8,704.5
Gross margin		<b>89.8</b>	127.5
General management expenses	(11)	<b>-41.1</b>	-77.7
Operating profit		<b>48.7</b>	49.8
Financial income	(12)	<b>-1.0</b>	-1.2
Financial Expenses	(12)	<b>0.3</b>	-0.6
Net financial income and expenses		<b>-0.7</b>	-1.8
Profit before income taxes		<b>48.0</b>	48.0
Income tax expenses	(13)	<b>-12.0</b>	-12.0
Net income		<b>36.0</b>	36.0
		====	====

## Cash flow statement

in millions of euros

	2020	2019
<i>Cash flow from operating activities</i>		
Operating profit	<b>48.7</b>	49.8
Adjustments for:		
- depreciation and impairment	<b>2.1</b>	4.5
- change in stocks	<b>14.5</b>	67.5
- change in receivables	<b>276.8</b>	546.7
- change in provisions	<b>-3.2</b>	32.6
- change in current liabilities	<b>-81.6</b>	-661.0
Cash flow from operations	<b>257.3</b>	40.1
Financial income (received)	<b>-1.0</b>	-1.2
Financial expenses (paid)	<b>0.3</b>	-0.6
Income taxes paid	<b>-12.0</b>	-12.0
	<b>-12.7</b>	-13.8
<i>Cash flow from operating activities</i>	<b>244.6</b>	26.3
<i>Cash flow from investing activities</i>		
Investments in fixed assets	<b>-0.6</b>	-2.0
<i>Cash flow from investing activities</i>	<b>-0.6</b>	-2.0
<i>Cash flow from financing activities</i>		
Dividends paid	<b>-36.0</b>	-36.0
<i>Cash flow from financing activities</i>	<b>-36.0</b>	-36.0
<i>Change in cash and cash equivalents</i>	<b>208.0</b>	-11.7
	====	====
Cash and cash equivalents at year end	<b>368.9</b>	160.9
Cash and cash equivalents at preceding year end	<b>160.9</b>	172.6
<i>Change in cash and cash equivalents</i>	<b>208.0</b>	-11.7
	====	====

## 4.1. Explanatory notes to the financial statements

### General information

GasTerra B.V., Groningen.

Chamber of commerce number 02089290

### 1. ACCOUNTING PRINCIPLES

#### General

GasTerra B.V is a gas trading company that operates internationally and is based at Stationsweg 1, Groningen. The company (and its legal predecessor) have over 50 years' experience and enjoys a good market position. GasTerra serves part of the Dutch and European gas market.

The financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code (BW). Unless otherwise specified, the financial statements are prepared based on historical cost.

An asset is included in the balance sheet when it is probable that future economic benefits will flow to the company and its value can be reliably determined. A liability is included in the balance sheet when it is probable that settlement thereof will entail an outflow of resources that embody economic benefits and the magnitude of the amount thereof can be reliably determined.

Income is included in the income statement when an increase in the economic potential related to an increase in an asset or a decrease in a liability has taken place, the magnitude of which can be reliably determined. Expenses are accounted for when a decrease in the economic potential related to a decrease in an asset or an increase in a liability has taken place, the magnitude of which can be reliably determined.

If a transaction results in all or almost all of the future economic benefits and all or almost all of the risks related to an asset or liability being transferred to a third party, the asset or liability is no longer included in the balance sheet. Furthermore, assets and liabilities are not included in the balance sheet from the time at which the requirements of probability of future economic benefits and/or reliability of the determination of the value are no longer met.

Income is allocated to the period to which it relates. Income is recognized when all significant risks relating to the delivery pass to the counterparty. Costs are determined in the light of the valuation principles referred to above and allocated to the reporting year to which they relate. (Foreseeable) liabilities and possible losses arising before the end of the financial year are taken into account to the extent that they are known before the preparation of the financial statements and the conditions for including provisions are met.

(Positive and negative) interest results relating to the liquid assets invested are recognized under financial income, as well as the interest income for correction invoices gas purchase and gas sales. (Positive and negative) interest results relating to the liquid assets borrowed are recognized under financial expenses, as well as the interest income for correction invoices gas purchase and gas sales.

## **Continuity**

At the General Meeting of Shareholders dated 4 October 2019, the shareholders decided to request management to prepare a reduction plan for the organization. In 2020 a phasing-out plan was put together which sets out how GasTerra's business activities will be discontinued. The phase-out will be complete by 31 December 2024. Based on an analysis of the long-term contracts and taking into account the agreements within the "Gasgebouw", these financial statements have been prepared on a going concern basis.

## **Covid-19**

Developments relating to the Corona virus pandemic (Covid-19) have a great impact on people, our society and the economy. Since the beginning of the Corona pandemic outbreak GasTerra has continued to focus on the core activities. So far the outbreak of the Corona pandemic has had a minor impact on GasTerra's processes and activities.

## **Estimates and uncertainties**

In preparing these financial statements, assessments, estimates and assumptions have been made that affect the amounts accounted for. In particular, this concerns the net sales and cost of sales (including transport costs). The assessments, estimates and assumptions made are based on market data, knowledge and experience, and other factors that are considered reasonable under the given circumstances. The actual results may differ from these estimates. The estimates and underlying assumptions are continually assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in any future periods on which the revision has an impact. Potential special features regarding estimates and assessments, if significant, are included in the notes to the balance sheet and the income statement. As a consequence of the agreement between the shareholders of GasTerra, as explained under the off-balance sheet assets and liabilities, the deviations from these estimates do not affect the result.

## **Transactions in foreign currencies**

Transactions in foreign currencies are converted at the exchange rate applying on the transaction date.

Cash and cash equivalents, trade receivables and current liabilities in foreign currency are converted at the exchange rate applying on the date of the balance sheet.

Foreign exchange gains and losses on both gas exports and gas imports are presented in the income statement as cost of sales. Other exchange rate results are accounted for under financial income and expenses.

## **Fixed assets**

### *Intangible fixed assets*

Intangible fixed assets are valued at the historical purchase price or production cost, less straight-line depreciation over the economic life of the assets.

Intangible fixed assets that have not been completed as at the balance sheet date are accounted for under the category intangible fixed assets under construction. After being put into use, the relevant asset will be classified under the category intangible fixed assets.

The depreciation period used for intangible fixed assets is 5 years. Intangible fixed assets under construction are not depreciated.

### *Tangible fixed assets*

Tangible fixed assets are valued at the historical purchase price or production cost, less straight-line depreciation over the economic life of the assets.

Tangible fixed assets that have not been completed as at the balance sheet date are accounted for under the category tangible fixed assets under construction. After being put into use, the relevant asset will be classified under the category tangible fixed assets.

The depreciation periods used for tangible fixed assets are 5 or 10 years. Tangible fixed assets under construction are not depreciated.

## **Impairment**

Once a year on the date of the balance sheet an assessment is performed to ascertain whether there are any indications that the book value of a tangible or intangible fixed asset is higher than the recoverable value (the higher of the value in use or the realizable value). If that is the case, an analysis is carried out to identify any impairment that may be necessary.

If the recoverable value of an asset is below the book value, the book value is written down to the recoverable value. Impairment is fully or partly reversed in the event of a change in the estimate that is relevant to determining the recoverable value. Impairments are recorded under general management expenses.

## **Current assets**

### *Stocks*

Stocks of natural gas are valued at cost price according to the FIFO (first-in first-out) principle or lower realizable value, being the TTF Price assessment 31 December 2020 Heren for Q1 2021.

### *Receivables*

At first receivables are valued at their actual value and thereafter at the amortized cost taking collectability risks into account. Trade receivables also include sales that have not yet been invoiced.

## **Pensions**

Together with N.V. Nederlandse Gasunie (Dutch natural gas infrastructure and transmission company), GasTerra is affiliated with the Stichting Pensioenfonds Gasunie (Gasunie Pension Fund Foundation). GasTerra's employees have a pension scheme administered here.

The pension scheme is classified as a defined benefit pension under the Pensions Act. Premiums are not determined on the basis of cover.

The coverage ratio of Stichting Pensioenfonds Gasunie was 112% at year-end 2020. GasTerra has no additional payment obligations.

The most important agreement in the pension scheme is that the employer's premium is 24.6% of maximum pensionable annual salary. The chance of GasTerra being obliged to pay a higher contribution is practically nil.

The maximum accrual of pension rights in a conditionally indexed career average system is 1.875% per annum over the average pensionable earnings and the maximum pensionable salary.

Starting point is that pension charges to be processed in the reporting period are equal to the pension contributions owed to the pension fund during the same period. To the extent that the contributions payable on the balance sheet date have not yet been met, a liability is included for this. If the contributions already paid at the balance sheet date exceed the contributions owed, an

accrued asset item is recognized to the extent that there will be repayment by the fund or a set-off against contributions owed in the future.

## **Provisions**

Provisions are created for legally enforceable or actual obligations that exist on the balance sheet date, whereby it is probable that an outflow of resources is necessary and the extent of which can be reliably estimated.

Provisions are valued using the best estimates of the amounts required to settle the obligations on the balance sheet date.

A provision is formed for an announced restructuring, when it contains a detailed plan. The costs of this provision is estimated on the basis of the number of possible redundant employees and the associated redundancy costs per employee based on the number of years of service and salary scale.

In the financial statements 2019 provisions are stated at the nominal value. As of financial year 2020 provisions are stated at the present value due to a revision of RJ252 provided the time value of money is material. The change in accounting policy has no impact on GasTerra's result and equity.

## **Current liabilities**

Current liabilities are valued at the amortized cost, whereby the income and expenditure arising from amortization are recognized in the income statement using the effective interest method. The initial measurement is effected at fair value whereby the transaction costs that are directly attributable to the acquisition are included in the measurement. This relates to liabilities with a term of no more than one year.

Amounts payable also include purchases that have not yet been invoiced. Amounts received from customers due to a decreased purchase of gas under 'take-or-pay' agreements are recorded under current liabilities as an obligation to deliver. Invoices paid by customers in advance are also included under current liabilities. The obligation to deliver arising from the receipt of gas in the storage service is also recorded under current liabilities.

## **Financial instruments**

Financial instruments comprise receivables, cash and cash equivalents and current liabilities.

Financial instruments also include derivative financial instruments (derivatives) embedded in contracts. The company separates embedded derivatives from the host contract and accounts for these separately if:

- the host contract's economic characteristics and risks and the embedded derivative are not closely related; and
- a separate instrument with the same terms and conditions as the derivative embedded in the contract would meet the definition of a derivative; and
- the combined instrument is not measured at fair value in the income statement, including value changes.

Financial instruments (derivatives) embedded in contracts that are not separated from the host contract, because the above-mentioned conditions are not met, are recognized in accordance with the host contract.

Derivative financial instruments that are separated from the host contract are valued at cost price or lower market value, whichever is the lower.



GasTerra concludes gas purchase contracts and gas sale contracts as part of its business operations. These contracts are concluded for the actual physical delivery and receipt of gas in accordance with the company's expected purchases, sales levels or usage requirements. For this reason, they fall outside the scope of RJ 290 (Dutch Accounting Standards).

### **Equity classification**

Equity is classified in accordance with the legal form.

### **Pricing of gas sales and gas purchases**

Pricing of natural gas for both the sales and purchasing sides is influenced to a significant degree by developments in the prices of natural gas as well as the prices of other energy carriers. GasTerra's shareholders have concluded an agreement relating to the after-tax profits to be made by GasTerra. This agreement stipulates that the price of the natural gas from Groningen sold by the Nederlandse Aardolie Maatschappij B.V. (NAM) to GasTerra during the year has been set such that GasTerra will retain the after-tax profits determined for that year by the shareholders.

### **Net turnover**

Net turnover is divided into gas sales and other net turnover.

Gas sales represent the income from the supply of gas and the income from the corresponding services provided, after deducting the tax assessed on the turnover. A distinction is made between services related to making transport capacity and flexibility available and actual usage. These services are considered to have been provided if the service was made available to the client during the period agreed.

Other net turnover is represented primarily by the income from the delivery of services to third parties. This income results primarily from flexibility services.

The income is recorded during the reporting period in which the gas was delivered and the services were provided.

### **Cost of sales**

In the main, the cost of sales represents the cost of the purchase of gas and the associated services, the transport costs and the costs related to underground gas storage.

### **Operating expenses**

The expenses are determined on a historical basis, taking into account the principles for valuation set out above, and are accounted for in the period to which they relate. Losses are recorded in the reporting period in which provisions for them may be made. GasTerra has no specific sales costs.

### **Net financial income and expenses**

This item includes the income and expenses related to deposits and financing.

### **Corporate tax**

The tax on result is calculated based on the result before tax in the income statement, in due observance of the valid tax-related provisions and rates.

### **Cash flow statement**

This report provides a statement of the cash flows generated. The statement of cash flow is drawn up on the basis of the indirect method based on the operating results in the income statement.

## 2. Notes to the balance sheet

### Intangible fixed assets (1)

*in millions of euros*

	Intangible fixed assets	Intangible fixed assets under construction	Total 2020
<b>Balance as at 1 january:</b>			
Cost	56.8	1.9	58.7
Cumulative depreciations and impairments	-54.5	0.0	-54.5
Net book value	2.3	1.9	4.2
Change in the net book value			
Capital expenditure	0.4	0.1	0.5
Commissioning	1.9	-1.9	0.0
Depreciation	-1.3	0.0	-1.3
Disposal	0.0	0.0	0.0
Net book value as at 31 december	3.3	0.1	3.4
	===	===	===
<b>Balance as at 31 december</b>			
Cost	59.1	0.1	59.2
Cumulative depreciations and impairments	-55.8	0.0	-55.8
Net book value	3.3	0.1	3.4
	===	===	===

The intangible fixed assets primarily consist of capitalised costs for software developed in-house to support operational processes.

### Tangible fixed assets (2)

*in millions of euros*

	Tangible fixed assets	Tangible fixed assets under construction	Total 2020
<b>Balance as at 1 january:</b>			
Cost	8.8	0.7	9.5
Cumulative depreciations and impairments	-7.0	0.0	-7.0
Net book value	1.8	0.7	2.5
Change in the net book value			
Capital expenditure	0.0	0.1	0.1
Commissioning	0.7	-0.7	0.0
Depreciation	-0.8	0.0	-0.8
Disposal	0.0	0.0	0.0
Net book value as at 31 december	1.7	0.1	1.8
	===	===	===
<b>Balance as at 31 december</b>			
Cost	9.2	0.1	9.3
Cumulative depreciations and impairments	-7.5	0.0	-7.5
Net book value	1.7	0.1	1.8
	===	===	===

The tangible fixed assets primarily consist of machinery, equipment and computer supplies.

The tangible fixed assets are classified as other fixed business assets.

<b>Stocks (3)</b>	<b>31 dec. 2020</b>	31 dec. 2019
<i>in millions of euros</i>		
Stock of natural gas	<b>30.0</b>	44.5
Total	<b>30.0</b>	44.5
	=====	=====

There are no write-offs from the inventory as of 31 December 2020 (as of 31 December 2019 € 28.8 million was written off from the inventory).

<b>Receivables (4)</b>	<b>31 dec. 2020</b>	31 dec. 2019
<i>in millions of euros</i>		
Trade receivables	<b>842.1</b>	1,118.8
Taxes	<b>0.0</b>	0.0
Receivables from shareholder	<b>0.0</b>	0.0
Other receivables	<b>0.6</b>	0.7
Total	<b>842.7</b>	1,119.5
	=====	=====

None of the receivables have a term longer than one year.

A provision for bad debts to the amount of € 1.0 million (2019: € 1.1 million) is reserved as at the balance sheet date.

<b>Cash and cash equivalents (5)</b>	<b>31 dec. 2020</b>	31 dec. 2019
<i>in millions of euros</i>		
Deposits	<b>368.8</b>	160.7
Other cash and cash equivalents	<b>0.1</b>	0.2
Total	<b>368.9</b>	160.9
	=====	=====

Deposits presented under 'cash and cash equivalents' are payable on demand.

## **Shareholder's equity (6)**

### *Issued capital*

The authorised and issued capital in 2019 and 2020 amounts to € 180 million and is divided into 40,000 shares, each with a nominal value of € 4,500. The issued capital, that is fully paid up, is divided as follows:

EBN B.V.	40%
Esso Nederland B.V.	25%
Shell Nederland B.V.	25%
State of the Netherlands	10%

*Unappropriated profit**in millions of euros*

Balance at 1 January 2020	36.0
Appropriation of the results for the financial year 2019 in accordance with the resolution of the General Meeting of Shareholders	-/-36.0
Unappropriated profit for the financial year 2020	36.0
Balance at 31 December 2020	36.0

**Proposal for profit appropriation**

It is proposed by the board that the full year result 2020 of € 36.0 million will be paid to shareholders as dividend.

<b>Provisions (7)</b>	31 dec. 2019	Addition	Release	Withdrawal	<b>31 dec. 2020</b>
<i>in millions of euros</i>					
Other provisions	32.6	0.0	0.0	-3.2	<b>29.4</b>
Total	32.6	0.0	0.0	-3.2	<b>29.4</b>
	=====	=====	=====	=====	=====

The other provisions relate to a reorganization provision that was formed in response to the social plan agreed with the union on 23 December 2019. This social plan was drawn up in response to the request from shareholders in 2019 for a joint reduction plan to be drawn up.

The time value of money is not material, therefore provisions are stated at the nominal value

An amount of € 4.1 million (2019: € 2.2 million) of the provisions is expected to be utilized within one year.

<b>Current liabilities (8)</b>	<b>31 dec. 2020</b>	31 dec. 2019
<i>in millions of euros</i>		
Amounts payable - for gas purchases	<b>782.7</b>	933.1
Amounts payable - to shareholders	<b>60.4</b>	63.8
Other amounts payable	<b>7.9</b>	8.4
Taxation and social security contributions	<b>5.7</b>	4.6
Amounts received in advance	<b>144.7</b>	73.1
Accrued and deferred income	<b>0.0</b>	0.0
Total	<b>1,001.4</b>	1,083.0
	=====	=====

**Financial instruments***General*

The company uses financial instruments during its normal business operations that expose the company to market risks, including currency risk and interest rate risk and also to credit risk and liquidity risk.

No forward currency contracts or gas price swaps were entered into in 2020 (or 2019).

#### *Credit risk*

The credit risk is limited to receivables and cash and cash equivalents and consists of the loss that would be generated if customers or counterparties were to remain in default and fail to fulfil their contractual obligations. The company has drawn up guidelines with which customers or counterparties must comply. These guidelines limit the risk associated with possible credit concentrations and market risks. There was no particular credit risk as a result of credit concentrations at the end of 2020. If customers or counterparties fail to comply with these guidelines, they will be asked to furnish additional security such as bank guarantees. This prevents the company from running any major credit risks in respect of any individual customer or counterparty. Long-term relations have been built with the majority of customers and counterparties. They nearly fulfilled their payment obligations in 2020.

#### *Interest rate risk*

The interest rate risk is limited to potential changes in the market value of funds withdrawn and issued. It is company policy not to use derivative financial instruments to manage fluctuations in interest rates (on an interim basis or otherwise). Given the short-term nature of deposits, the interest rate risk for the year 2020 did not exceed € 0.1 million (2019: € 0.1 million).

#### *Liquidity risk*

The company monitors its liquidity position through liquidity forecasts. The management ensures that the company always has sufficient liquidity available via its credit facilities to meet its commitments.

#### *Foreign exchange rate risk*

GasTerra has a very low level of foreign exchange rate risk, and consequently this is not covered. All foreign exchange transactions take place on the spot market.

#### *Market value*

The market value of the majority of the financial instruments recorded in the balance sheet, including receivables, cash and cash equivalents and current liabilities, is approximate to the book value of those items as a result of the short maturities.

### **Off-balance sheet assets and liabilities**

#### *Procurement, supply and transport commitments*

GasTerra has long-term procurement, supply and transport commitments pursuant to gas purchase, gas sales, gas storage and transport contracts. The gas purchase and sales prices depend to a large degree on the future prices of natural gas, as well as the future market prices of other energy carriers.

In addition to this, GasTerra has entered into long-term commitments for office rental and ICT services. The financial consequences of this are of minor significance for assessing the financial position at the end of the financial year.

An amount of € 84.7 million in bank guarantees (2019: € 86.0 million) has been issued to the benefit of GasTerra by third parties. GasTerra has issued € 0.0 million in bank guarantees (2019: € 0.0 million) to the benefit of third parties.

The supply commitments are covered by long-term purchase contracts, including the contract for low-calorific Groningen gas. The temporary difference between delivery obligations and the import and domestic procurement obligations, are bought or sold by GasTerra mainly short-term, on liquid trading points.

The shareholders of GasTerra have concluded an agreement relating to the profit after taxes to be made by GasTerra. This agreement stipulates that the price of the natural gas from Groningen sold by the Nederlandse Aardolie Maatschappij B.V. (NAM) to GasTerra during the year has been set such that GasTerra will retain the profit of €36 million determined for that year by the shareholders. As a result of the implementation of the above agreement, no notes are given on the valuation of the individual gas purchase and sales contracts.

The commitments and rights arising from long-term gas purchase, sales and transport contracts are not shown on the balance sheet.

Long-term gas purchase and sales agreements usually contain renegotiation clauses enabling the parties to review the contract conditions during the term of the agreement, subject to certain conditions. GasTerra regularly renegotiates the long-term gas sales and purchase contracts with the counterparties in question (see Annual Report section 2.2). It is not possible to arrive at a reliable estimate of the outcomes of these renegotiations or associated arbitration proceedings.

### 3. Notes to the income statement

#### Net turnover (9)

	2020	2019
<i>in millions of euros</i>		
Gas sales	<b>5,407.2</b>	8,783.3
Other net turnover	<b>46.9</b>	48.7
Total	<b>5,454.1</b>	8,832.0
	=====	=====

The following is a regional overview of gas sales:

	2020	2019
The Netherlands	<b>2,666.9</b>	5,552.1
Rest of Europe	<b>2,740.3</b>	3,231.2
Total	<b>5,407.2</b>	8,783.3
	=====	=====

The volumes were 19 percent lower in 2020 than in 2019, decreasing from 51.5 billion m<sup>3</sup> to 41.6 billion m<sup>3</sup>. The average selling price is 13.0 cent/m<sup>3</sup> (17.0 cent/m<sup>3</sup> in 2019) <sup>10</sup>.

#### Cost of sales (10)

	2020	2019
<i>in millions of euros</i>		
Gas purchases	<b>5,125.1</b>	8,433.5
Transport cost	<b>239.2</b>	271.0
Total	<b>5,364.3</b>	8,704.5
	=====	=====

The average purchase price is 12.3 cent/m<sup>3</sup> (16.4 cent/m<sup>3</sup> in 2019). The gas purchase costs also include the costs of underground gas storage.

The movements in foreign exchange rates recognized in the income statement under the cost of sales amount to € 0.0 million exchange profit (2019: € 0.0 million exchange loss).

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<sup>10</sup> by m<sup>3</sup> is meant gas with a calorific value of 35.16912 MJ

<b>General management expenses (11)</b>	<b>2020</b>	2019
<i>in millions of euros</i>		
Wages and salaries	<b>13.7</b>	14.2
Restructuring provision	<b>0.0</b>	32.6
Social security expenses	<b>1.3</b>	1.5
Pension expenses	<b>3.1</b>	3.1
Costs of work subcontracted and other external expenses	<b>12.6</b>	13.1
Depreciation and impairments	<b>2.1</b>	4.5
Other	<b>8.3</b>	8.7
Total	<b>41.1</b>	77.7
	=====	=====

The decrease in general management expenses is caused by the addition to the restructuring provision made in 2019.

<b>Net financial income and expenses (12)</b>	<b>2020</b>	2019
<i>in millions of euros</i>		
Interest income	<b>-1.0</b>	-1.2
Financial income	<b>-1.0</b>	-1.2
Interest charges	<b>0.3</b>	-0.6
Financing costs	-	-
Financial expenses	<b>0.3</b>	-0.6
Net position	<b>-0.7</b>	-1.8
	=====	=====

### **Tax on profit from ordinary activities (13)**

The effective tax rate for 2020 was 25.0% (2019: 25.0%).

### **Related parties transactions**

Transactions with related parties take place when GasTerra conducts transactions with its directors, its senior executives, its direct shareholders or the direct shareholders of related parties.

Transactions between GasTerra and the related parties are processed based on normal market terms and conditions.

For the natural gas from the Groningen Field purchased during the year by GasTerra, the pricing structure resulting in the profit determined by the shareholders applies.



## Subsequent events

There are no subsequent events with significant financial consequences for GasTerra.

## Number of employees

At year-end 2020, the number of employees in full-time equivalent positions was 120.8 (2019: 131.2). The average number of employees in full-time equivalent positions during the financial year was 127.9 (2019: 131.5).

## Auditor's fees

During the financial year, the following fees were charged to the company by EY, as referred to in Section 2:382a of the Dutch Civil Code (BW). The basis is the total fee amount for examining the financial statements for the financial year to which the financial statement relate (RJ 390.301a).

<b>Auditor's fees</b>	<b>Ernst &amp; Young Accountants LLP</b>		Ernst & Young Accountants LLP	
	<b>2020</b>		2019	
<i>in euros</i>				
Audit of the financial statements	€	<b>185,000</b>	€	242,000
Other audit engagements	€	<b>40,000</b>	€	48,000
	€	<b>225,000</b>	€	290,000
		=====		=====

## Remuneration of Directors and current and former Supervisory Directors

The remuneration policy of GasTerra is aimed at motivating and retaining Directors of the company who are capable of heading a large enterprise and remunerating them based on their performance. The remuneration policy with regard to the company's Supervisory Directors is one of restraint.

### Directors of the company

The remuneration for the CEO of the company, A.J. Krist, is as follows:

<b>Remuneration of directors</b>	<b>2020</b>		2019	
<i>in euros</i>				
Periodic remuneration (excluding social security expenses)	€	<b>332,265</b>	€	332,842
Employer's social security expenses	€	<b>9,947</b>	€	10,609
Periodic remuneration (including employer's social security expenses)	€	<b>342,212</b>	€	343,451
Variable remuneration*	€	<b>44,759</b>	€	47,557
Employer's pension premium contribution	€	<b>29,971</b>	€	29,395
Salary	€	<b>416,942</b>	€	420,403
		=====		=====

\*Aforementioned variable remuneration is based on achieving the agreed objectives during the year under review (A.J. Krist).

GasTerra holds an insurance policy that offers Directors and Supervisory Directors coverage in the event of their liability.

### Supervisory directors of the company

Total remuneration for the current and former members of the Board of Supervisory Directors for the financial year 2020 amounts to € 58,084 (2019: € 58,084).

**Board of Management**

Ms. A.J. Krist MA, Chief Executive Officer

**Supervisory Board**

B.C. Fortuyn MSc

A.F. Gaastra LL.M.

J.W. van Hoogstraten MSc

R.M. de Jong MA

R.G. de Jongh MA

T.W. Langejan LL.M. MA

J.M.W.E. van Loon MSc

L. Zirar MA

Groningen, 18 February 2021

## **5. Other information**

### **5.1. Statutory provisions regarding profit appropriation**

Pursuant to Article 24 of the articles of association of GasTerra, the profit is at the disposal of the General Meeting of Shareholders, having regard to the provision that from the profit available for distribution such amounts are set aside as specified by the Supervisory Board.

## 6. Appendices/other information

### 6.1. About this report

The objective of this Annual Report is to inform stakeholders (interested parties) about GasTerra's vision and activities.

#### 6.1.1. Integrated report

The financial, operational and social information is incorporated into an integrated report.

- Financial accountability is in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code.
- Non-financial accountability is in accordance with the guidelines of the Global Reporting Initiative (GRI) (Standards, Core Level).

In addition to the financial statements and the combined audit declaration, the 2020 GasTerra Annual Report contains other information, i.e.:

- The GasTerra Management Report, in the foreword and in chapters 1, 2 3 and 6;
- The Report of the Supervisory Board, in chapter 3;
- The other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### 6.1.2. Scope

The scope of the report is GasTerra B.V., which has its registered office in Groningen. This annual report covers the 2020 calendar year. The report for the 2019 calendar year was published on 13 February 2020.

#### 6.1.3. Transparency

We consider it to be important to be transparent about our activities. Therefore, as an unlisted company we try as far as possible to apply the best practices from the Corporate Governance Code and participate in the Transparency Benchmark scheme of the Ministry of Economic Affairs and Climate Policy. The Transparency Benchmark takes place every two years. GasTerra's 2018 annual report scored 64 points out of a maximum possible of 100 points. Our aim is to at least match this score with the 2020 annual report.

#### 6.1.4. Determination of content (materiality)

The material issues largely determine the content and limits of our reporting. The material issues are determined in part by the outcomes of the stakeholder dialogue. GasTerra has decided to conduct a stakeholder dialogue once a year, alternating between an in-depth version one year and a scaled-down version the following year. For the in-depth stakeholder dialogue, all participants are asked for their views on all issues relevant to GasTerra. The form of the dialogue can vary according to year, issue and stakeholder. In the scaled-down version, we focus on existing or new issues and/or stakeholders and test the results of the previous stakeholder dialogue.

We have operated this cycle for some time. It is always possible that in the course of a year developments occur that can only be reflected in a subsequent cycle of the stakeholder dialogue process or a later Business Plan. This situation occurred in 2019. In the period from June to October 2019 we carried out the extended version of the stakeholder dialogue through a survey and in-depth interviews. This was done before the decision was taken that GasTerra would eventually be wound up and that a phasing-out plan should be produced. Consequently, the stakeholder dialogue was based on the business as usual principle.

However, when formulating the questions we did take account of a possible phasing-out scenario as GasTerra and its shareholders were already exploring various future scenarios in discussions. After completion of the stakeholder dialogue, the regular discussions with stakeholders did not, at that time, give any cause to believe that the public announcement regarding the phasing-out of GasTerra would have led to the stakeholder dialogue or other material issues turning out differently.

Carrying out the stakeholder dialogue in 2020 involved examining the extent to which the announcement of the phasing-out plan had an impact on the way in which the stakeholders concerned viewed GasTerra. As a result, this stakeholder dialogue was more extensive than the scaled-down version anticipated according to the cycle. As in 2019, a survey was sent out so that the differences between 2019 and 2020 could be properly quantified. An open question was also added asking stakeholders about the consequences of phasing-out GasTerra. In order to be able to interpret the results correctly, interviews were held with various stakeholders in addition to the survey. The impact of COVID-19 was also discussed during these interviews.

We have divided our stakeholders into nine groups: clients, employees, shareholders, producers and transporters, national government and market regulators, knowledge and educational institutions, sectoral organisations, social organisations and regional groups. This division has not changed with respect to 2019. Representatives from each group were approached when performing the stakeholder dialogue in 2020.

With the exception of the open question, the survey issues were also unchanged with respect to 2019. Various examples have been added, however, so that the themes could be clearly interpreted.

<b>Issues raised in the stakeholder dialogue</b>
Contractual obligation <i>The extent to which GasTerra complies with its current contractual obligations.</i>
Economic performance <i>The extent to which GasTerra contributes to the financial result of its shareholders and the society.</i> <i>For example: maximising the value of the gas offered to GasTerra, efficient implementation with a balance between costs and care.</i>
Chain management <i>The extent to which GasTerra is aware of its role in the chain.</i> <i>For example: awareness of the earthquakes and environmental damage caused by gas extraction, social aspects relating to imported natural gas and methane emissions.</i>
Sustainable deployability <i>The extent to which GasTerra creates a good working environment, with a suitable culture and structure and encourages employees to develop.</i> <i>For example: ensuring a safe and healthy working environment, development of employees inside and outside GasTerra, diversity in the workforce.</i>
Sustainable energy supply <i>The extent to which GasTerra contributes to the sustainable energy supply.</i> <i>For example: stimulating the production of green gas, stimulating the hydrogen market, contributing to development and the introduction of new energy technologies.</i>
Compliance with voluntary guidelines and frameworks <i>The extent to which GasTerra chooses to comply with voluntary guidelines and frameworks.</i> <i>For example: Contributing to the SDGs, accountability according to GRI.</i>
Internal footprint <i>The extent to which GasTerra minimises its own environmental footprint</i> <i>For example: GasTerra's energy-efficient office building, limited use of cars for commuting, paperless working as far as possible.</i>

<p>Knowledge</p> <p><i>The extent to which GasTerra acquires, develops and shares knowledge</i></p> <p><i>For example: sharing energy-related knowledge, participating in sectoral organisations, initiating and stimulating research in order to acquire knowledge.</i></p>
<p>Commitment to the region</p> <p><i>The extent to which GasTerra is committed to the North Netherlands region</i></p> <p><i>For example: sponsorship in the region, entering into joint ventures in the region, making regional non-gas-related purchases as far as possible.</i></p>
<p>GasTerra's role in the gas market</p> <p><i>The extent to which GasTerra plays a role in the gas market.</i></p> <p><i>For example: potential for entering into contractual obligations with GasTerra in the future, contributing to the phasing-out of gas extraction in Groningen, maintaining a quality-free TTF, stimulating gas extraction from the small Dutch fields.</i></p>

The survey shows that stakeholders find all the topics presented to them to be of above-average importance, with the most important one being GasTerra's contractual obligations. This is followed by the issues of chain management, GasTerra's role in the gas market and knowledge. The remaining six issues rank close together in importance. In comparison with 2019, the issues sustainable energy supply, knowledge, chain management, commitment to the region and GasTerra's role in the gas market have become more important according to the stakeholders. They find economic performance to be less important in 2020.

The interviews provide further clarification of the scores. The explanatory notes to the answers explain why the topics are seen as being of above-average importance. Stakeholders believe that GasTerra can make a contribution in many areas, because the company has the scope, knowledge and expertise necessary for this.

In their answers to the open question about the phasing-out of GasTerra, some stakeholders say that they are surprised about GasTerra's decision to wind down and appear to be worried about the consequences for the gas market if GasTerra no longer exists. The importance of safeguarding knowledge in the energy transition and the chain is also mentioned. A number of stakeholders say that it is, at the moment, difficult to determine what the end of GasTerra will mean. Finally, some stakeholders see an important role for GasTerra in the energy transition (for example, setting up a market for hydrogen) and therefore believe that GasTerra should not stop operating as a company but should acquire another primary function. Despite the fact that GasTerra is coming to an end, stakeholders believe that GasTerra should continue to play an important role until the final date. Some stakeholders say that they would like to be involved in the phasing-out process and the impact of this on their relationship with GasTerra.

In the interviews attention was also paid to the effects of the corona crisis. Stakeholders say that the crisis is having major consequences but that these do not have any negative impact on their relationship with GasTerra.

The outcomes of the survey have been used to prepare the materiality matrix. The stakeholders form the y-axis of the graph. In the previous scaled-down version of the stakeholder dialogue this axis was not modified because the group approached was not big enough to represent all stakeholders. This year, however, the group approached and the level of response is big enough to modify the axis and to redefine the materiality matrix. Taking into account the results of the stakeholder dialogue, GasTerra's management established the position of the issues on the X-axis and determined the material issues that are included in the Business Plan and the annual report.

Four material issues can be identified from the materiality analysis for 2021: contractual obligation, economic performance, GasTerra's role in the gas market and sustainable energy supply. These issues were also material in 2020. The issue of sustainable deployability was also material in 2020, but this is no longer the case in 2021 now that the phasing-out plan and the redundancy scheme have been put together.

The material issues form the basis for the management report, which is structured in such a way that for each material issue we report on developments in 2020 and set out the objectives for 2021.

The table below sets out in broad outline how relations with stakeholders are maintained.

Stakeholder group	Example	Interaction via
Clients	Energy firms and power plants, industries, export clients	Consultation with account managers, client event, regular customer satisfaction surveys, stakeholder dialogue
Staff	Works Council, trade union	Regular consultation, Intranet, internal presentations, meetings between the Works Council and Management, stakeholder dialogue
Shareholders	Shell Nederland B.V., Esso Nederland B.V., EBN B.V., Dutch State	Shareholders' assemblies, expert consultation, Advisory Committee, Audit Committee, College of Delegate Supervisory Directors, Supervisory Board, stakeholder dialogue
Producers and transport	Gas suppliers, GTS	Consultation with account managers, client event, stakeholder dialogue
National government and market regulators	Authority for Consumers and Markets (ACM)	Via Energie Nederland, periodic consultation, stakeholder dialogue
Knowledge and education institutions	Hanze University of Applied Sciences, University of Groningen, New Energy Coalition, Clingendael, CE Delft	Internships, guest lectures, project contributions, stakeholder dialogue
Sectoral organisations	Energie Nederland, KVGn, Eurogas, VEMW, Nogepa, EASEE Gas	Periodic consultations, participation in working groups, board membership, Energy Podium dinners, stakeholder dialogue
Social organisations	Groninger Bodem Beweging, Groninger Gasberaad, Urgenda	Energy Podium dinners, stakeholder dialogue
Regional groups	Sponsors, regional non-gas suppliers, communities, local government	Client event, periodic consultation, stakeholder dialogue

The table below shows the targets we set for material issues in 2020. The targets mentioned were met. Details of these are given in chapter 2 of this report.

<b>Material issue</b>	<b>Strategic targets</b>	<b>Target for 2020</b>
Contractual obligation	Volume Price	GasTerra will be fully in compliance with its contractual obligations.
Economic performance	Volume Price Costs Anticipation	<p>We will make the maximum possible use of resources in our portfolio.</p> <p>We will use the market potential for optimisation.</p> <p>We will make a margin on our purchases and sales.</p> <p>We will negotiate or renegotiate the contents of our export and import contracts successfully.</p>
Sustainable deployability	Costs Anticipation	<p>There will be 0 accidents leading to time off work, and the sick leave percentage will be below 2.5% in the 2020 calendar year.</p> <p>We will draw up a phasing-out plan which will take account of the sustainable deployability of our employees.</p> <p>We will support employees in achieving a suitable future position.</p> <p>We will use employees' competencies in external projects.</p>
Sustainable energy supply	Anticipation	<p>We will take part in projects under the Strategic Agenda of GILDE (Gas as part of Long-Term Sustainable Energy Management). We will lead the Green Gas project.</p> <p>In our energy transition budget we will focus on sustainable gases such as green gas and hydrogen.</p> <p>Working with partners we will develop a programme to achieve the required annual production of green gas of two billion cubic metres set out in the Climate Agreement for 2030. For that purpose we will participate in large-scale green gas projects.</p>
GasTerra's role in the gas market	Anticipation	<p>GasTerra will enable NAM to implement the operational strategy established by the Minister for Economic Affairs and Climate Policy and will make every effort to sell the annual volume of Groningen gas offered by NAM. The annual volume of gas offered by NAM is based on the degree/day formula laid down by the Minister for Economic Affairs and Climate Policy.</p> <p>GasTerra's mission and vision will be reassessed in the light of the phasing-out plan to be prepared.</p>



### 6.1.5. Management of material issues

CSR is an integral part of the strategy at GasTerra and is therefore embedded into our day-to-day operations. As described in the chapter 'In dialogue with our environment', GasTerra has integrated the materiality matrix and associated objectives and activities into the Business Plan which is approved by the Supervisory Board. Progress of targets and activities is included in the regular reporting cycle and discussed with the Board of Management, the College of Supervisory Directors and the Audit Committee.

### 6.1.6. Reporting principles

Information	Definition/calculation method
Sickness absence (in %)	The number of calendar days (including weekends) lost due to sickness in the observation period, divided by the number of staff (in full-time equivalents), multiplied by the number of calendar days in the observation period.
Average absenteeism rate	The average number of times that an employee reports sick per year.
Gas consumption	The gas consumption of the GasTerra offices at Stationsweg in Groningen according to the final bill from the energy supplier.
Electricity	The electricity consumption of the GasTerra offices at Stationsweg in Groningen according to the final bill from the energy supplier.
Water consumption	The water consumption of the GasTerra offices at Stationsweg in Groningen according to the final bill from the water supplier.
Paper consumption	The paper consumption according to the readings from the supplier of the photocopiers.
CO <sub>2</sub> offsetting	Reduction in the footprint in tonnes of CO <sub>2</sub> as a result of investment in programmes that contribute to reducing CO <sub>2</sub> emissions.

## 6.2. Facts and figures

### 6.2.1. Staff trends

As of 31 December 2020 129 (120.8 Fte) people were permanent employees of GasTerra; at the end of 2019 there were 141 (131.2 Fte).

GasTerra has its own collective labour agreement and most of the company's staff are actively involved in the sectoral trade union, the VPG<sup>2</sup>. Together with N.V. Nederlandse Gasunie, GasTerra is affiliated with the Stichting Pensioenfonds Gasunie (Gasunie Pension Fund Foundation). GasTerra's employees have a pension scheme administered here. An explanation of this scheme is contained in the financial statements.

	2020	2019
Fte ( <i>year-end</i> )	120.8	131.2
Number ( <i>year-end</i> )	129 (97 men, 32 women)	141 (101 men, 40 women)
Fixed-term contract of employment ( <i>year-end</i> )	4	-
Permanent contract of employment ( <i>year-end</i> )	125	141
Staff covered by a collective labour agreement ( <i>year-end</i> )	111	121
Staff employed under payrolling ( <i>year-end</i> )	1	6
Participation Act ( <i>year-end</i> )	1	1
Secondments ( <i>year-end</i> )	2	0
Interns ( <i>year-end</i> )	2	3
Degree of organisation	>75%	>80%
Outflow	23	15
Inflow	11	4
Absence due to illness	1.69%	1.67%
Average absenteeism rate	0.55	0.81
Accidents leading to time off work	0	1

### 6.2.2. GasTerra's footprint

GasTerra's footprint is small thanks to the nature of its activities. Where possible we try to minimise it further in order to reduce the environmental impact of our operations.

Our office building is located in the centre of Groningen. The building, which dates back to the 1980s, was completely renovated and modernised in 2012. The installation of facilities such as solar panels, triple glazing, heat/cold storage and LED screens led to the building being awarded an A+ energy label, which is a high score. Continuous monitoring of the energy streams and energy consumption of the building gives us a good idea of our energy balance, allowing improved efficiency.

The number of parking spaces at the office is limited, and so many employees travel to and from work by public transport or bike. We encourage staff to use public transport for work-related travel. A company car that runs on green gas is available for general use, and there are three charging points for electric cars.

GasTerra offsets the CO<sub>2</sub> emissions of the office building, flights and car leasing by buying carbon credits from the Climate Neutral Group (CNG). This enables the organisation to invest in climate projects in countries where this has a positive effect on the local economy, employment, incomes, the environment and the climate. In 2019, GasTerra offset 390 tonnes of CO<sub>2</sub> equivalents and contributed to investment in biogas installations for families in Tanzania.

In March 2020, GasTerra responded to the cabinet's request to allow employees to work from home as much as possible, which has led to minimal staffing levels in the office recently. This affected GasTerra's footprint in terms of water and paper consumption but had less of an effect on our energy consumption. This is because the office is heated or cooled by means of a technique whereby the energy used for heating or cooling the building is stored in the ground in water-bearing rock layers. These are used to heat the office in winter and to keep it cool in summer. This heat/cold storage (HCS) system requires the temperature in the building to be kept at a certain minimum level because otherwise the source becomes unbalanced. This leads to insufficient hot or cold water available to be pumped up. In that case, the gas boilers would have to be fired up which would increase the energy consumption.

During the working-from-home period, the office environment has been adapted in order to comply with the coronavirus guidelines. Walking routes have been laid out and desks placed at distances greater than 1.5 metres from each other where possible. Additional measures have also been taken in order to optimise ventilation in meeting rooms.

	<b>2020</b>	<b>2019</b>
Gas consumption	33,149 cubic metres	27,673 cubic metres
Electricity consumption	310,804 kWh	373,567 kWh
Water consumption	495 cubic metres	1,126 cubic metres
Paper consumption	84,747 sheets	240,656 sheets

### **6.2.3. Standards and norms**

GasTerra attaches a great deal of importance to safeguarding the quality and integrity of the staff's actions. This is why GasTerra has a code of conduct with norms and values. New GasTerra employees formally undertake to comply with the code of conduct at the beginning of their employment. Attention is also regularly drawn to the code of conduct within the organisation. Being customer-oriented, result-oriented and improvement-oriented are GasTerra's three core values. GasTerra employees are expected to use these concepts as a basis for their actions.

The General Data Protection Regulation has been in force since mid-2018. This regulation replaced the existing Personal Data Protection Act and is designed to protect the personal data of individuals. GasTerra has implemented procedures and set up specific instructions for staff to ensure compliance with this.

An internal auditor inspects departments at set times to ascertain whether they are complying with all procedures and rules. The results of the audits are discussed with the Board of Management, the auditor and the Audit Committee. Rules and procedures of conduct are adapted or expanded if necessary or desirable. There were no reports in 2020 of employees failing to comply with the code of conduct and/or additional procedures.

GasTerra has two confidential advisers, one of whom is responsible for dealing with cases of sexual harassment. The company also has a complaints procedure and whistleblowing policy. If employees have objections or complaints or if they detect abuses and solutions cannot be found with colleagues and managers, they can make use of these procedures. There were no reports of abuses or discrimination in 2020, no-one filed a complaint with the complaints committee and no-one made use of the whistleblowing policy.

Information security is vitally important for the operations of a trading company such as GasTerra. Continuous attention to information security is essential because of the increasing threats and the professionalisation of cybercriminality. The best practices of the ISO27001 standards are the starting point for information security. Legal and social hacks are carried out to test the adequacy of information security. Staff awareness in this area is vital.

In March 2020, GasTerra responded to the cabinet's request to allow employees to work from home as much as possible in connection with the COVID-19 virus. Information security is also very important while working from home, for example when using online meeting tools and therefore this has been regularly brought to the attention of our staff.

GasTerra has outsourced various IT activities, which are reported on via an ISAE3402-declaration.

#### **6.2.4. Memberships**

We are actively involved in various cooperation organisations, in pursuit of goals such as exchanging knowledge, helping to develop innovative gas applications, publicising the benefits of the use of gas in the transition toward a sustainable energy supply and improving regulations. GasTerra is a member of the following organisations and associations:

International Gas Union (IGU)  
Eurogas  
European Federation of Energy Traders (EFET)  
EASEE GAS  
CIEP  
KVGn  
Vereniging Energie Nederland  
Groen Gas Nederland

GasTerra also takes part in activities and initiatives of regional, local or function-related associations.

#### **6.2.5. Board of Management and Supervisory Board profiles**

##### ***Ms. A.J. Krist MA – Managing Director (CEO)***

Annie Krist (1960) studied geography at the University of Groningen and also worked for a short time at the University after her graduation. She started her career at N.V. Nederlandse Gasunie in 1987. She held various commercial roles within Gasunie and was, during the 1990s, closely involved with the changes that related to liberalisation of the gas market.

In 2005, she joined the management team of Gasunie Transport Services, the operator of the national gas grid. She was Director of Strategy and Participations at Gasunie from 2008 to 2011. Annie Krist was appointed as Managing Director of Gasunie Transport Services in 2011. From 1 May 2016 to 1 April 2017 she was also a member of the Executive Board of N.V. Nederlandse Gasunie. Annie Krist became the Managing Director (CEO) of GasTerra on 1 April 2017.

##### ***Ancillary roles (unpaid)***

Board Member of Energie Nederland  
Vice-President, Member of Governing Board and Executive Committee of Eurogas  
Associate Member of International Gas Union  
Chair of Foundation Council of New Energy Coalition  
Member of Advisory Board Foundation of Project Delta Group (PDG)

Member of Advisory Board of Clingendael International Energy Programme  
Member of Advisory Committee 'Bedrijfsleven Groningen Bereikbaar' (Accessible Groningen Business)  
Board Member of Spatial Sciences Promotion Foundation

*Ancillary roles (paid)*

Chair of Supervisory Board 'Stichting Kinderopvang Stad Groningen' (Groningen Child Support Foundation)  
Vice-chair, Member of Stedin Supervisory Board and Audit Committee

**Mr. R.E. van Rede MSc – Commercial Director (CCO)**

Robert van Rede (1964) studied Petroleum Engineering at Delft Technical University. He worked from 1990 to 1994 at Petroleum Development Oman. In 1994 he joined Nederlandse Aardolie Maatschappij (NAM) where he held a number of positions. Subsequently, from 2003 to 2008, he worked for what was then Gasunie Trade & Supply as Area Manager Norway/Russia and UK, later returning to NAM, first as Asset Commercial Manager Onshore, adding the role of Sales Manager in 2010. Robert van Rede joined the management team of GasTerra as commercial director (CCO) on 1 October 2013.

*Ancillary roles (unpaid)*

Member of Emmalaan Commission Haren  
Chairman of Empower Yourself Foundation  
Secretary of Rotary Belcampo

**Mr. F.F. van Koten MA – Financial Director (CFO)**

Flip van Koten (1970) studied Econometrics at the University of Groningen. Since 1994 he has held various commercial and financial positions with ExxonMobil in the Netherlands, England, America and Qatar. From 2007 to 2011 he was a member of GasTerra's Supervisory Board and Shareholders' Advisory Committee. He was appointed Chief Operational Officer on 1 April 2016. He has been the Financial Director (CFO) of GasTerra since 1 October 2017.

*Ancillary roles (unpaid)*

Board member of KVGN (Treasurer)  
Board member of Gasunie Pension Fund Foundation (Chairman of the Investment Committee)

**Mr. B.C. Fortuyn MSc – Chairman of Supervisory Board and College of Delegate Supervisory Directors**

Bernard Fortuyn (1954) studied Mechanical Engineering at Delft Technical University (graduated in 1981). On 12 February 2018 Mr. Fortuyn was appointed chairman of the Supervisory Board and the College of Delegate Supervisory Directors.

After leaving university Mr. Fortuyn held various positions with SHV Holdings N.V, Air Liquide S.A. and was CEO of N.V. Hoekloos. In 2005 he joined the board of Siemens Nederland N.V. From 2010 until his retirement in mid-2017 he was in charge of all Siemens' energy activities in the Netherlands as a member of the Executive Board of Siemens Nederland.

*Ancillary roles*

Member of Maatschap Groningen's board of directors  
Chairman of the Supervisory Board NEMO Science Museum  
Supervisory Director of Tauw Group B.V. (to September 2020)  
Chairman of the Supervisory Board Greenvision B. V. (Hygear)

Supervisory Director of NRG/Pallas  
Chairman of Supervisory Board NV Juva (from July 2020)  
Chairman of 'Stichting Schooldakrevolutie (SDR)'

***Mr. A.F. Gaastra LLM – Member of Supervisory Board and College of Delegate Supervisory Directors***

Sandor Gaastra (1962) studied Law at Utrecht University, specialising in Constitutional and Administrative Law (graduated in 1986). He is a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra.

Sandor Gaastra is the Director-General of Climate and Energy at the Ministry of Economic Affairs and Climate Policy, with responsibility for national and international climate and energy policy. Sandor studied Dutch law at Utrecht University, and later obtained the qualification of Master Public Administration at the Netherlands School of Public Administration. He began his career as a scientist, later taking on various policy and management positions in the Ministry of the Interior and Kingdom Relations and the Ministry of Justice and Security. Before moving to the Ministry of Economic Affairs and Climate Policy, he was responsible for the formation of the Dutch National Police Force as Director-General for the Police.

***Mr. J.W. van Hoogstraten MSc – Member of Supervisory Board and College of Delegate Supervisory Directors***

Jan Willem van Hoogstraten (1964) studied petroleum extraction at Delft Technical University (graduated in 1989). He is a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra.

After studying Mining and Petroleum Extraction at Delft Technical University, he started working for Shell, where he held various Well Engineering positions in Scotland, Nigeria, Indonesia and England. He then moved to Wintershall where he held various operational and commercial management positions.

At TAQA Energy he was initially employed as Project Director and later as Managing Director, responsible for various initiatives including the creation of one of Europe's largest commercial gas storage facilities at Bergermeer. He was appointed CEO of EBN by the Minister for Economic Affairs and Climate Policy at the start of 2016.

***Ancillary roles***

Member of Maatschap Groningen's board of directors  
Chairman of Supervisory Board of NEXSTEP association  
Chairman of Royal Dutch Gas Association (KVGN)  
Quartermaster of policy participation Bonaire fuel supply  
Member of Advisory Board Clingendael International Energy Programme (CIEP)  
Member of Strategic Advisory Board TNO Energy Transition  
Member of Strategic Advisory Board Geological Service of the Netherlands  
Member of Foundation Council New Energy Coalition (NEC)

***Mr. R.M. de Jong MA – Member of Supervisory Board and College of Delegate Supervisory Directors***

Rolf de Jong (1962) studied business economics at the University of Amsterdam (graduated in 1990). He is a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra.

He started working for ExxonMobil in 1991 and has held various positions in the Netherlands and abroad. He was closely involved in the break-up of Gasunie in 2004-2005. After that he worked in Houston, Texas (USA) from 2006 to 2013, holding various positions including Manager New Business Development Natural Gas and Manager Planning & Analysis Upstream Ventures. In 2013 he was appointed Managing Director of ExxonMobil Tanzania in Dar es Salaam. In 2016 he was appointed Director Upstream for Esso Nederland B.V. and President of ExxonMobil Holding Company Holland LLC.

*Ancillary roles*

Chairman of Maatschap Groningen's board of directors

Member of Supervisory Board of Nederlandse Aardolie Maatschappij B.V. (NAM)

Director of ExxonMobil Producing Netherlands B. V.

**Mr. R.G. de Jongh MA – Member of Supervisory Board**

Ruud de Jongh (1961) studied geology at Utrecht University (graduated in 1987) and later studied for an MBA at Henley Business School (1997). He is a member of the Supervisory Board of GasTerra.

He started working for Shell in 1988 as a geologist and since then has held various positions in the Netherlands and abroad. From 1997 to 2001 he worked for the Shell Production and Development Company in Nigeria. From 2001 to 2008 he was employed as Global LNG Manager at Shell Gas and Power International and later took up the post of General Manager Marketing Persian LNG. Between 2010 and 2016 he moved back to Nigeria to represent Shell's interests in gas exports and LNG. In 2016 he was appointed Vice President Gas and Hydrogen Partnerships of Shell Netherlands.

*Ancillary roles*

Chairman of the Supervisory Board of NAM

Director of Shell Geothermal B.V.

Chairman of Supervisory Board of NoordzeeWind

Supervisory Board member Energy Delta Institute

**Mr. T.W. Langejan LL.M. MA – Member of Supervisory Board**

Theo Langejan (1957) studied law at the University of Leiden (graduated in 1981) and business studies at Delft Technical University (graduated in 1982). He is a member of the Supervisory Board of GasTerra.

In 1983 he took up employment at the Ministry of Finance. Since then his roles have included various positions at the Ministry of Finance, the Ministry of Welfare, Public Health and Culture, the Ministry of the Interior and the Ministry of Social Affairs and Employment. From 2010 to 2014 Mr Langejan was chairman of the Board of Management of the Dutch Healthcare Authority. Since 2015 Mr. Langejan has been executive adviser to Twynstra Gudde, and since 2017 he has also been a special administration advisor to the Federation of the Dutch Pension Funds. On behalf of the Federation of Dutch Pension Funds, he was involved in the development of the pension agreement in 2019 and its implementation in 2020.

*Ancillary roles*

Chairman of the Advisory Board for Pension Administration and Management

***Ms. J.M.W.E. van Loon MSc – Member of Supervisory Board and College of Delegate Supervisory Directors***

Marjan van Loon (1965) studied Chemical Engineering at Eindhoven Technical University (graduated 1989). She is a member of the Supervisory Board and the College of Delegate Supervisory Directors of GasTerra.

In 1989 she took up a post of chemical technician at Shell. Since then she has held a number of positions in the Netherlands and abroad. In the period 1997-2007 she worked in Australia as Technical Manager at the Karratha Gas Plant and in Malaysia as Regional Manager for LNG and Gas Processing. In 2007, she was appointed Global Manager for LNG and Gas Processing and from 2009 she was Vice President for Integrated Gas and LNG. On 1 January 2016 she was appointed CEO of Shell Netherlands.

*Ancillary roles*

Member of Maatschap Groningen's board of directors

Member of the Executive Committee of the Confederation of Netherlands Industry and Employers (VNO-NCW)

Member of the Board of Directors of the Association of the Dutch Petroleum Industry (VNPI)

Chairman of the Dutch Board of Directors of the World Petroleum Congress

Chairman of the Christiaan Huygens Prize Foundation

Member of the Board of Apeldoorn British-Dutch Dialogue Conference

Member of Advisory Board of Clingendael Energy Programme (CIEP)

Member of The Hague Economic Board

Chairman of TNO Industry Audit Committee

Member of Advisory Board for Dutch Army

Member of Advisory Group for Dutch Armed Forces

Member of Advisory Committee VTH (Permit Issuer/Regulator/Enforcer) scheme

***Mr. L. Zirar MA – Member of Supervisory Board***

Lahcen Zirar (1975) studied economics at Erasmus University in Rotterdam (graduated in 2000). He is a member of the Supervisory Board of GasTerra.

From 2001 onwards he held various upstream and downstream economic and commercial positions with ExxonMobil in a number of countries, including the Netherlands, Belgium, Qatar and the United States. He is currently Commercial Manager Upstream Netherlands/UK SNS with ExxonMobil.

*Ancillary roles*

Mr Zirar does not have any ancillary roles.



## 6.2.6. Glossary

Authority for Consumers and Markets (ACM)	Dutch regulator that enforces market rules and ensures that the market operates well and fairly.
Balancing	Maintaining the gas streams in the gas transmission network in a state of equilibrium.
Biogas	Biogas is a mixture of gas produced as a result of biological enzymatic processes. The main components of biogas are methane and carbon dioxide.
CO <sub>2</sub>	CO <sub>2</sub> is a scientific abbreviation for carbon dioxide. CO <sub>2</sub> is a greenhouse gas that holds heat in the atmosphere, causing the temperature of the earth to rise (the greenhouse effect). CO <sub>2</sub> is released during the combustion of biomass such as wood and plant waste and fossil fuels: oil, gas and coal. Much less CO <sub>2</sub> is released by the combustion of natural gas than by the combustion of oil and coal: 30% less CO <sub>2</sub> is released compared to oil, and 50% less CO <sub>2</sub> compared to coal.
G-gas	Groningen gas, natural gas obtained from the largest Dutch gas field in the province of Groningen. G-gas is a low-calorific gas (L-gas).
Gas year	A gas year runs from 1 October to 1 October.
Governance	The method of administration and supervision.
GRI	Global Reporting Initiative, worldwide guidelines for reporting on sustainability.
Green Gas	Biogas with the same quality and combustion properties as natural gas.
Trading points	Virtual trading exchanges for gas.
Renewable gases	Gaseous energy carriers of non-fossil origin.
H-gas	High-calorific natural gas, or gas with a high calorific value. This gas contains relatively higher levels of hydrocarbons and so contains more energy than low-calorific gas.
Small fields policy	Government policy aimed at promoting the production of natural gas from the smaller gas fields in the Netherlands. Small fields are fields other than the Groningen field.
L-gas	Low-calorific natural gas, or gas with a low calorific value. Groningen gas, natural gas obtained from the largest Dutch gas field in the province of Groningen, is low-calorific gas.
LNG	Liquefied Natural Gas.
MiFID	Markets in Financial Instruments Directive, European investment directive to protect investors and the integrity of the financial markets, to promote fair, transparent, efficient and integrated financial markets and to further harmonise the European trading and investment market.
TSO	Transmission System Operator, operator of a national or international transmission network.
TTF	Title Transfer Facility, virtual trading point for gas in the Netherlands.

### 6.2.7. GRI Index

GRI Content Index – GRI 101: Foundation 2016 – Core Level		
GRI Standard	Description	Chapter
GRI 102 General Disclosures 2016	102-01 Name of the organisation	Chapter 1
	102-02 Activities, brands, products and services	Chapter 1
	102-03 Location of headquarters	Chapter 1
	102-04 Countries in which the organisation is active	Chapter 1
	102-05 Ownership structure and management form	Chapter 3
	102-06 Markets served (geographical breakdown, sectors served and types of clients/beneficiaries)	Chapters 1 and 2
	102-07 Scale of the organisation	Chapter 6
	102-08 Information on employees	Chapter 6
	102-09 Description of the organisation's supply chain	Chapter 1
	102-10 Significant changes in the size of the organisation and its supply chain	Chapter 6
	102-11 Explanation of the application of the precautionary principle	Chapter 3
	102-12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes	Chapter 1
	102-13 Memberships of associations (such as sectoral associations) and national and international interest groups	Chapter 6

	102-14 A statement from the senior decision-maker in the organisation	Foreword
	102-16 A description of the standards and norms applied in the organisation and of the code of conduct	Chapter 6
	102-18 Governance structure	Chapter 3
	102-40 List of stakeholder groups	Chapters 1 and 6
	102-41 Number of employees covered by a collective bargaining agreement	Chapter 6
	102-42 Basis for inventorising and selecting interested parties that must be involved	Chapter 6
	102-43 Approach to involving interested parties	Chapter 6
	102-44 The key topics and issues arising from consultation with interested parties	Chapters 1 and 6
	102-45 Summary of all companies included in the consolidated financial statements or similar documents	Chapter 4
	102-46 Process used to determine the content and specific boundaries of the report and explanation of the principles used by the organisation to determine the content of the report	Chapter 6
	102-47 Summary of material issues	Chapter 1
	102-48 Consequences of any reformulation of information provided in a previous report and the reasons for this reformulation	Chapter 6
	102-49 Significant changes compared to previous reporting periods with regard to scope and boundaries	Chapter 6
	102-50 Reporting period to which the information provided relates	Chapter 6
	102-51 Date of the most recent previous report	Chapter 6

	102-52 Reporting cycle	Chapter 6
	102-53 Contact for questions about the report	Chapter 6
	102-54 Option selected for reporting in accordance with GRI Standards	Chapter 6
	102-55 GRI content index	Chapter 6
	102-56 Policy and current practice with regard to obtaining external verification about the report	Chapters 3, 5 and 6
<b>Material issues (summary of material issues in the report as reported under disclosure 102-47)</b>		
<b>Contractual obligation</b>		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.1
	103-2 Explanation of how the organisation deals with the material issue and its impact	Sections 1.4 and 2.1
	103-3 Evaluation of the management approach	Sections 1.4 and 2.1
GRI 200 Economic	201-1 Direct economic value generated and distributed	Sections 1.4 and 2.1
<b>Economic performance</b>		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.2
	103-2 Explanation of how the organisation deals with the material issue and its impact	Sections 1.4 and 2.2
	103-3 Evaluation of the management approach	Sections 1.4 and 2.2
GRI 200 Economic	201-1 Direct economic value generated and distributed	Sections 1.4 and 2.2

<b>Sustainable deployability</b>		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.3
	103-2 Explanation of how the organisation deals with the material issue and its impact	Sections 1.4 and 2.3
	103-3 Evaluation of the management approach	Sections 1.4 and 2.3
GRI 400 Social	401 Employment	Sections 1.4 and 2.3
<b>GasTerra's role in the gas market</b>		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.4
	103-2 Explanation of how the organisation deals with the material issue and its impact	Sections 1.4 and 2.4
	103-3 Evaluation of the management approach	Sections 1.4 and 2.4
GRI 200 Economic	203-2 Indirect economic impact	Sections 1.4 and 2.4
<b>Sustainable energy supply</b>		
GRI 103 Management approach	103-1 Explanation of and boundaries to the material issue	Sections 1.4 and 2.5
	103-2 Explanation of how the organisation deals with the material issue and its impact	Sections 1.4 and 2.5
	103-3 Evaluation of the management approach	Sections 1.4 and 2.5
GRI 200 Economic	203-2 Indirect economic impact	Sections 1.4 and 2.5

### 6.2.8. Colophon

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The Dutch version of the annual report is available online via our website:  
<https://jaarverslag2020.gasterra.nl/>

The English translation of the annual report is available at:  
<https://jaarverslag2020.gasterra.nl/english-version>  
English translation: USP Translations

The Dutch version prevails.

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