



**Report on the 2022 Remuneration Policy  
and 2021 Compensation Paid**

## Values, mission and purpose

Every day, for over 180 years, the work of the men and women at Italgas has enabled millions of Italians to use a sustainable, durable, reliable source of energy.

A continual commitment, based on expertise, efficiency, innovation, quality and safety and inspired by the transparency of daily activities, integrity of behaviour and responsibility towards the communities served.

Promoting the fundamental role of natural gas in the energy transition process towards a decarbonised and circular economy.

Contributing, through digitised networks, to the development of renewable gases such as biomethane and hydrogen.

Ensuring and improving service quality, helping to create sustainable and smart cities and generating long-term value for customers, the market, the local area and all its stakeholders, while respecting the environment.

These principles, with which we have supported and fostered the economic and social development of Italy, are the cornerstones of Italgas' purpose, with a view to doing our bit to meet the sustainable development goals of the United Nations' 2030 Agenda.

**Italgas, two centuries of history projected into the future.**

# **ITALGAS**

## ***Report on the Remuneration Policy and Compensation Paid***

**Approved by the Board of Directors' meeting of 9 March 2022**

**The Report on the Remuneration Policy and Compensation Paid is published in the "Governance - Remuneration" section of the Company's website ([www.italgas.it/en](http://www.italgas.it/en))**

## Table of Contents

Letter from the Chairman of the Appointments and Compensation Committee .....	4
2022 Remuneration Policy: executive summary .....	8
Main elements of the Remuneration Policy.....	9
The pay-mix .....	11
Italgas: Total Shareholder Return and main benchmarks .....	12
Italgas’ performance and remuneration of the Chief Executive Officer .....	13
Strategic Plan and Remuneration Policy .....	15
ESG, Human Capital Strategy and Remuneration Policy .....	17
Employee engagement and human resources initiatives .....	23
Shareholder Engagement and analysis of the shareholders’ voting results.....	25
Foreword.....	27
First Section – 2022 Remuneration Policy.....	29
1. Governance of the remuneration process .....	29
2. Purpose and general principles of the Remuneration Policy .....	39
3. 2022 Remuneration Policy .....	45
Second Section – 2021 Compensation Paid and other information .....	65
1. Implementation of 2021 Remuneration Policies.....	65
2. Final report on the performance of the variable incentive plans.....	67
3. Compensation paid to the Directors .....	70
4. Compensation paid to the General Manager of Finance and Services .....	74
5. Compensation paid to Executives with Strategic Responsibilities .....	76
CONSOB tables .....	80
Table 1 – Compensation paid to Directors, Statutory auditors and Executives with Strategic Responsibilities.....	80
Table 2 – Stock options assigned to Directors and Executives with Strategic Responsibilities .....	87
Table 3.A – Incentive plans based on financial instruments other than stock options for Directors and Executives with Strategic Responsibilities.....	88
Table 3.B – Monetary incentive plans for Directors and Executives with Strategic Responsibilities .....	90
Table 4 – Shareholdings held.....	92

## Letter from the Chairman of the Appointments and Compensation Committee

Dear Shareholders,

I am pleased to present the Report on the 2022 Remuneration Policy and 2021 Compensation Paid, a document through which we aim not only to transparently and comprehensively disclose Italgas' remuneration policies and their link with the business and sustainability strategy, but also to increasingly strengthen constructive dialogue with all stakeholders.

The Appointments and Compensation Committee, set up following the Shareholders' Meeting of 4 April 2019, which is made up of, in addition to myself, the Directors Silvia Stefini and Maurizio Dainelli, has reached the end of its three-year term of office. Over the three-year period, the Committee sought to ensure that the Group's Remuneration Policy represents a key element for achieving business and sustainability objectives in the medium/long-term and creating value for shareholders, while guaranteeing maximum transparency and communication to all stakeholders.

The activities and decisions of the Appointments and Remuneration Committee for this Remuneration Policy therefore aim, on the one hand, to ensure full alignment with the 2021-2027 Strategic Plan, with a view to sustainable development, implementing the indications that emerged following last year's Shareholders' Meeting, and, on the other hand, to submit for shareholder approval a document that is consistent with the approach taken over the last three years to ensure continuity for all the key components of the same Policy.

2021 was also marked by the Covid-19 pandemic, to which Italgas responded by maintaining all the initiatives aimed at supporting employees and allowing the Company's engineers to operate in safety across the country, activities already put in place in 2020. The Committee has carefully monitored the potential impacts to the 2021 Remuneration Policy, revealing Management's ability to cope this year too with the pandemic scenario, considering it suitable to ensure full alignment with the Policy approved at the Shareholders' Meeting.

A significant event for Italgas in 2021 was the signing of the Sale and Purchase Agreement for 100% of DEPA Infrastructure S.A. owned by Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum S.A. (HELPE), for an equity value of 733 million euros. This achievement represents the company's first step in overcoming national borders, exporting the high level of knowledge and expertise that Italgas can boast of in the gas sector.

This Report on the Remuneration Policy and Compensation Paid therefore aims, on the one hand, to maintain constant alignment between Italgas' business development and Remuneration Policy and, on the other, to further improve the transparency and level of representation of all relevant information, with a significant focus on the link between remuneration, sustainability and the business strategy.

In particular, I believe it is important to highlight the maintenance and constant search for a corporate performance sheet balanced between economic-financial indicators, which are still the key to measuring results in terms of corporate management, and ESG indicators, which are fundamental in the sustainable development approach undertaken by the Company and the market.

For this reason, the document has been further revised, emphasising in particular the link between performance and remuneration, especially from a sustainable development perspective, with a focus on the main results achieved in terms of sustainability, diversity and inclusion. It also highlights the numerous initiatives carried out to benefit all of Italgas' people, thanks also to listening tools such as the climate survey.

The 2022 Remuneration Policy is defined in line with the previous one, and is based on some highly structured key principles of the Company:

- **COHERENCE:** internal and external benchmarking activities continued throughout 2021 in order to ensure full alignment with key market and governance practices, thereby providing the best possible representation to the new Board of Directors. The Committee has conducted in-depth analyses of the Italian and foreign markets with support from specialist advisors in terms of the compensation envisaged for the Chief Executive Officer, the Board of Directors

and related Board Committees, the Board of Statutory Auditors and Top Management.

- **LISTENING:** through constant and in-depth dialogue with all internal and external stakeholders in order to ensure full consistency between the Remuneration Policy and the key drivers of the strategic plan and the creation of value for shareholders. The Committee welcomed the increase in positive votes at the 2021 Shareholders' Meeting and, with support from the HRO department, conducted an in-depth analysis of the main evidence that emerged for the purpose of identifying the main areas of improvement requiring attention.  
I also consider it extremely important to mention the "La tua voce conta" ("Your voice counts") climate survey which was conducted in 2021 to gather the opinions and advice of all of Italgas' people, in order to implement initiatives with high added value. As many as 87% of employees took part, which not only placed us among the top companies in terms of participation levels, but also allowed us to listen deeply to the voice of the people who make up Italgas.
- **SUSTAINABILITY AND INCLUSION:** ensuring, in addition to remuneration being linked to medium and long-term objectives and the link with the share price, constant and growing attention to all ESG issues, already started in recent years. All this is reflected, for example, in the incentive plans for Top Management, where the ESG component becomes increasingly important through the use of clearly defined quantitative targets, ensuring strong alignment with Italgas' materiality matrix and sustainability strategy. This consistency is also ensured by a structured process of assigning objectives within the various corporate departments, which results in a high level of commitment to achievement of the sustainability objectives set out in Italgas' Strategic Plan, in relation to environmental, social and governance issues, including network security, which the Company has paid great attention to. This Report emphasises and highlights, among other things, the main results achieved in 2021, in terms of both environmental sustainability and inclusion and diversity.

We believe that this approach can be assessed positively and will meet the expectations of all of Italgas' stakeholders, at the same time ensuring a Remuneration Policy aligned with national and international best practices.

I would like to take this opportunity to thank my fellow directors and members of the Appointments and Remuneration Committee, Silvia Stefini and Maurizio Dainelli, for their meticulous and passionate work carried out together over this three-year period.

In the hopes that this Report might provide an effective and in-depth framework of the Italgas Remuneration Policy, I am grateful for the willingness to communicate and for the support during the Shareholders' Meeting for continuous and profitable dialogue to achieve shared and ambitious objectives.

*Andrea Mascetti*

Chairman of the Appointments and Compensation Committee



## 2022 Remuneration Policy: executive summary

The Remuneration Policy, which is illustrated in detail in the First Section of this Report, was adopted by the Board of Directors, at the proposal of the Appointments and Compensation Committee, on 9 March 2022. The policy is intended to:

- i) promote **sustainable success** by pursuing the **objectives of the Strategic Plan** and improving **long-term financial and non-financial results**;
- ii) pursue and promote the **creation of value** for the various company stakeholders: employees, shareholders, local communities, suppliers;
- iii) **attract, retain and motivate** people with high professional qualities;
- iv) encourage the **commitment** of key resources in relation to corporate objectives;
- v) encourage actions and conducts that respect the **values** and **culture** of the Company, in compliance with the principles of meritocracy, inclusion and plurality, equal opportunity, enhancement of people's knowledge and professionalism, fairness, non-discrimination and integrity required by the Code of Ethics.

## Main elements of the Remuneration Policy

The Italgas Remuneration Policy is characterised by its strong link to the Strategic Plan and alignment with market and governance best practices. Therefore, it is founded on a number of principles and clear guidelines of what the Policy itself envisages or excludes in terms of remuneration for Management.

### Principles and guidelines of the Italgas Remuneration Policy

#### What our Policy envisages

- ✓ **Remuneration policy and variable incentive plans closely linked to the Strategic Plan and Sustainability Plan with set, measurable objectives consistent** with the interests of the various stakeholders
- ✓ Objectives that entail an **assessment of corporate performance both in absolute and relative terms**
- ✓ **Consistency** of comprehensive remuneration with respect to the **market references** subject to annual assessment to make sure of being **constantly in line with best practices**
- ✓ **Balanced pay mix**, aimed at aligning remuneration with the performances actually achieved, with a **significant incidence of the medium/long-term variable components** (including with equity instruments) for Top Management
- ✓ Adequate **vesting and deferral periods** of incentives over a time frame of **at least three years**
- ✓ Adoption of **claw-back mechanisms** in the event of error, negligence and gross intentional violation of laws and/or regulations
- ✓ **Structured engagement plans** to obtain shareholders' expectations and feedback
- ✓ Remuneration policy strongly geared towards **meritocracy** and defined in compliance with the principles of **plurality, equal opportunity, enhancement of people's knowledge and professionalism, fairness, non-discrimination and integrity**

#### What our Policy does not envisage

- No level of remuneration in excess of the market references defined in the Remuneration Policy
- No form of incentive that is not tied to the achievement of performance or retention objectives
- No form of variable remuneration for non-executive Directors
- No form of extraordinary/discretionary incentive for the Chief Executive Officer
- No benefit of excessive value, limiting social security, welfare and insurance benefits

The main characteristics of the 2022 Remuneration Policy are shown below. The policy was prepared in consideration of specific compensation benchmarks created with the support of an independent and highly specialised advisor and taking account of national and international best practice.

The Remuneration Policy presented below refers to the remuneration for the three-year period 2019-2021, prepared and valid until the Board of Directors' term of office expires with the Shareholders' Meeting of 26 April 2022. This is without prejudice to the prerogatives of the new Board of Directors, which will take office as of the same Shareholders' Meeting, to determine the remuneration of Directors holding special offices and the remuneration of non-executive Directors for their participation in Board Committees, in accordance with the

principles of the Policy described below and which may be disclosed to the market in accordance with current legislation.

Member	Purpose and characteristics	Amounts										
<p><b>Fixed remuneration</b></p>	<p>This remunerates in accordance with the role, to assure attractiveness and motivation. It is defined in line with the complexity and responsibilities that the role manages, so as to guarantee internal fairness, and is monitored with respect to the external market, to assure the right level of competitiveness.</p>	<p>Expected remuneration until the Shareholders' Meeting of 26 April 2022:</p> <ul style="list-style-type: none"> <li>• <b>Chairman:</b> € 270,000</li> <li>• <b>CEO:</b> € 810,000</li> <li>• <b>Executives with Strategic Responsibilities:</b> defined in relation to the role assigned</li> <li>• <b>Non-executive Directors:</b> € 50,000</li> </ul> <p><i>The Board of Directors appointed by this Shareholders' Meeting shall have the power to determine the remuneration of Directors holding special offices and the remuneration of non-executive Directors for their participation in Board Committees.</i></p> <p><i>This compensation will be defined in line with the market positioning chosen by Italgas and identified for the fixed compensation of the CEO below the median of the reference market.</i></p>										
<p><b>Short-Term Incentive (STI)</b></p>	<p>This defines a clear and predetermined tie between remuneration and annual performance. The value of the STI depends on the level of attainment of economic-financial and sustainability targets set by the Board of Directors:</p> <table border="1" data-bbox="395 1182 901 1346"> <thead> <tr> <th>KPI</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>Profitability (EBITDA)</td> <td>30%</td> </tr> <tr> <td>Investment (spending)</td> <td>25%</td> </tr> <tr> <td>Net Financial Position</td> <td>20%</td> </tr> <tr> <td>Sustainability</td> <td>25%</td> </tr> </tbody> </table> <p>The Plan also includes a performance gate (overall score <math>\geq 85\%</math>), the non-achievement of which shall result in zero payout, irrespective of the level of achievement of the individual targets.</p>	KPI	Weight	Profitability (EBITDA)	30%	Investment (spending)	25%	Net Financial Position	20%	Sustainability	25%	<ul style="list-style-type: none"> <li>• <b>CEO:</b> target incentive equal to 80% of the fixed remuneration (up-front target component: 52% of the fixed remuneration)</li> <li>• <b>Executives with Strategic Responsibilities:</b> target incentive equal to 51% of the fixed remuneration (up-front target component: 33% of the fixed remuneration)</li> </ul>
KPI	Weight											
Profitability (EBITDA)	30%											
Investment (spending)	25%											
Net Financial Position	20%											
Sustainability	25%											
<p><b>Short-Term Incentive (STI)/Co-investment with three-year deferral 2021-2023</b></p>	<p>35% of the short-term incentive accrued is deferred to shares and subject to three-year co-investment, with additional performance conditions (<i>accrued EBITDA</i>) and a share matching mechanism.</p>	<ul style="list-style-type: none"> <li>• <b>CEO:</b> deferred target component equal to 28% of the fixed remuneration</li> <li>• <b>Executives with Strategic Responsibilities:</b> deferred target component equal to 18% of the fixed remuneration</li> </ul> <p><i>The quota indicated only refers to the deferred component, net of its possible revaluation linked to performance and the company matching described in the First Section of this Report.</i></p>										

<p><b>2020-2022 Long-Term Monetary Incentive (LTMI)</b></p>	<p>This favours the alignment of individual targets with stakeholders' targets, while also serving a retention function. The value of the LTMI depends on the level of achievement of the following objectives:</p> <table border="1" data-bbox="403 365 901 495"> <thead> <tr> <th>KPI</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>Consolidated Net Profit</td> <td>55%</td> </tr> <tr> <td>Relative Total Shareholder Return</td> <td>30%</td> </tr> <tr> <td>Sustainability</td> <td>15%</td> </tr> </tbody> </table>	KPI	Weight	Consolidated Net Profit	55%	Relative Total Shareholder Return	30%	Sustainability	15%	<ul style="list-style-type: none"> <li>• <b>CEO:</b> target incentive equal to 65.5% of the fixed remuneration on an annual basis</li> <li>• <b>Executives with Strategic Responsibilities:</b> target incentive equal to 34% of the fixed remuneration on an annual basis</li> </ul>
KPI	Weight									
Consolidated Net Profit	55%									
Relative Total Shareholder Return	30%									
Sustainability	15%									
<p><b>Claw-back</b></p>	<p>The clawback, applicable to all incentive instruments listed, has a duration of 10 years and the purpose of avoiding fraudulent conduct and/or conduct not in line with the company values and excessive risk-taking, which may compromise the company's sustainability in the long term.</p>									
<p><b>Independent Operators / Compliance Managers in an unbundling regime</b></p>	<p>All the incentive systems defined above are appropriately designed for the Independent Operators / Compliance Managers identified by the Italgas Group, in order to ensure and guarantee the neutrality of the management of essential infrastructures, as defined by the reference regulations.<sup>1</sup></p>									

## The pay-mix

The compensation package of the Chief Executive Officer and other Executives with Strategic Responsibilities of the Italgas Group is set-up as follows:

- A significant portion of the remuneration is linked to the achievement of pre-established objectives linked to the sustainability of the business and the creation of value for stakeholders;
- A significant component of the compensation package is deferred in time and tied to long-term targets;
- The remuneration is paid partly in shares to further strengthen the alignment of management and stakeholder interests in the long term.

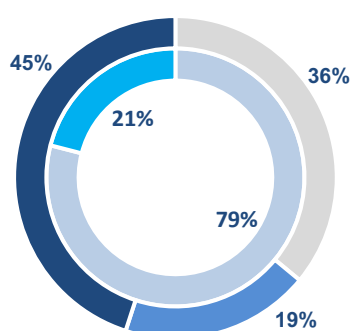
---

<sup>1</sup> Pursuant to Annex A (TIUF) to resolution 296/2015, amended and supplemented with resolution 15/2018, which, in addition to providing for specific provisions relating to the functional unbundling obligations for companies operating in the electricity and gas sectors, governs the independence requirements of the Independent Operator / Compliance Manager of companies operating in the corporate unbundling of sales and production.

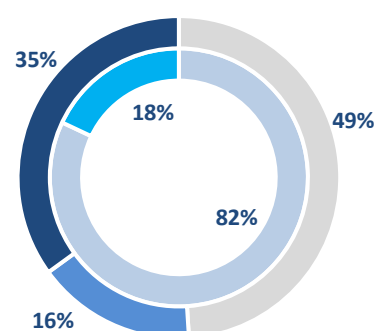
**64% of the Chief Executive Officer's total target remuneration is related to the achievement of annual and multi-year performance targets.**

The following table shows the target pay-mix for 2022 for the Chief Executive Officer and Executives with Strategic Responsibilities, calculated on the basis of the Italgas Remuneration Policy in force until the Shareholders' Meeting of 26 April 2022.

**Pay mix and form of remuneration for the target and performance results**



**Chief Executive Officer**



**Executives with Strategic Responsibilities**

**Pay elements**

- Fixed Compensation
- Short term incentive plan (STI)
- Long term Incentive plan (Co-investment + LTMI)

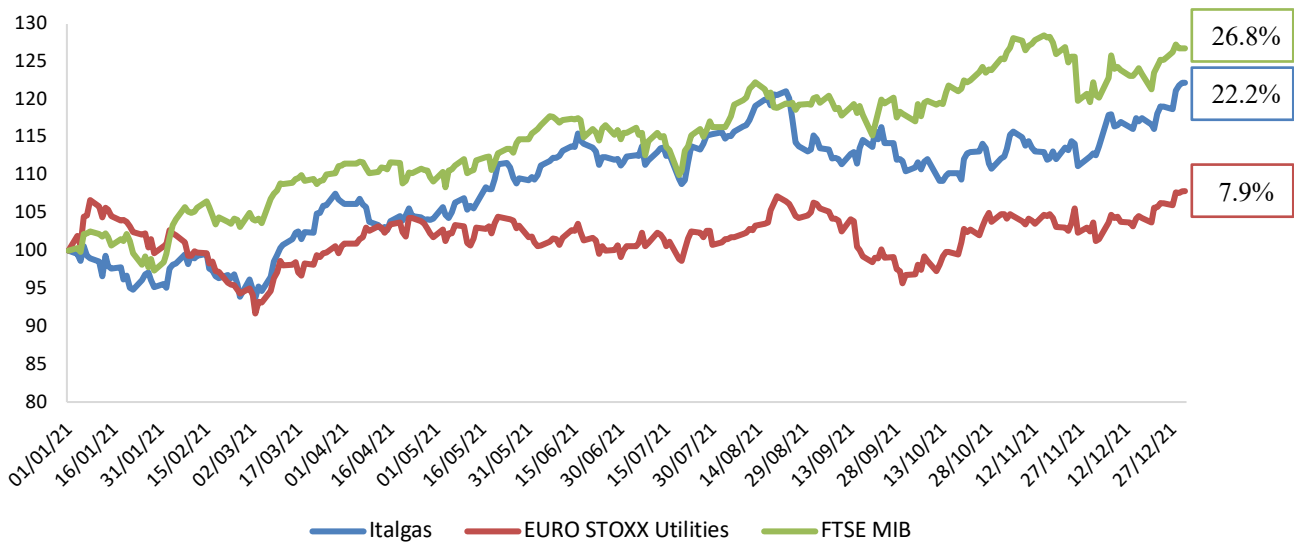
**Payment methods**

- Cash
- Shares

**Italgas: Total Shareholder Return and main benchmarks**

The following graph shows a comparison between performance in terms of Total Shareholder Return of Italgas and of the main indexes of comparison, namely the FTSE MIB index and EURO STOXX Utilities, for the year 2021.

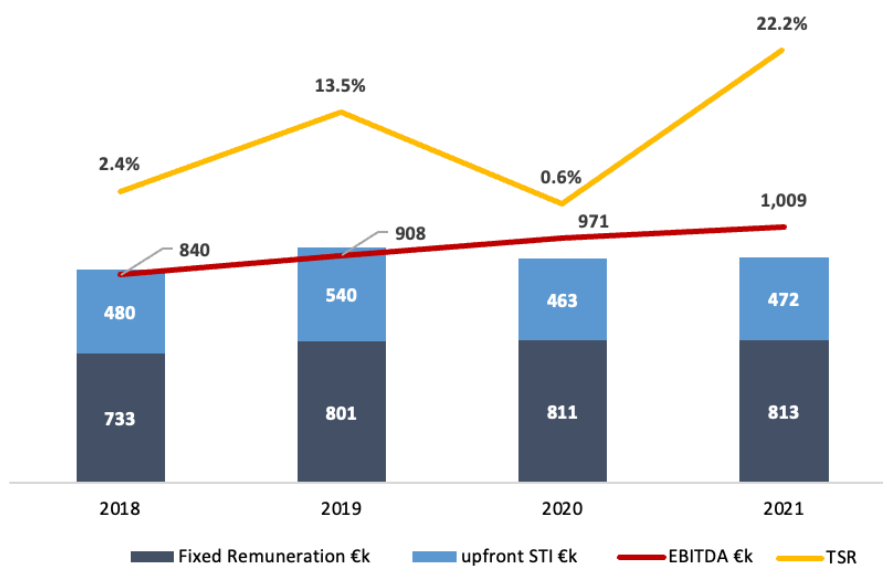
**Total Shareholder Return trend from 1 January 2021 to 31 December 2021**



**Italgas’ performance and remuneration of the Chief Executive Officer**

The graph shows the relationship between the remuneration of the Chief Executive Officer (fixed compensation and upfront short-term incentive, for the respective year) and Italgas’ performance for the years 2018, 2019, 2020 and 2021 expressed in terms of sustainability of the results in the form of EBITDA and creation of value for shareholders in the form of Total Shareholder Return.

**Comparison of corporate performance and annual remuneration of the Chief Executive Officer**



In addition, in order to provide a complete representation, the pay ratio for the last three years between the remuneration of the Chief Executive Officer and the average gross annual remuneration of Italgas Group employees is also reported below, considering both the fixed remuneration component alone and the overall remuneration package (fixed remuneration and any short-term and long-term monetary incentives as reported in column 6 “Total” of Table 1 “Compensation paid to Directors, Statutory Auditors and Executives with Strategic Responsibilities” and also represented in paragraph 1.1. “Historical trend of the company’s performance, the Chief Executive Officer’s remuneration and the remuneration of employees” in the Second Section of this Report).

The pay ratio was essentially constant for the years analysed in terms of fixed remuneration, demonstrating the attention the Company pays to defining its remuneration policies as a whole. The pay ratio trend for total remuneration is aligned with the growth of the performance results affecting the variable component.

**Pay Ratio: Chief Executive Officer’s remuneration and the average remuneration of employees**

Pay elements	2019	2020	2021
Fixed remuneration	1:20	1:20	1:20
Total annual remuneration	1:36	1:39	1:42

With reference to FY 2021, the Chief Executive Officer’s bonus was defined according to the achievement of the targets of the company objectives as shown below:

## Chief Executive Officer – Final accounting of the 2021 Short-Term Incentive Plan objectives

Performance Parameters	Weight	Unit of measurement	Performance			Final value	Weighted score
			Minimum (70)	Target (100)	Maximum (130)		
Economic-financial	Net Financial Position	25%	€ million		4,910	20.9	
	Investments	25%	€ million		777	32.5	
	EBITDA	25%	€ million		1,009	28.0	
Sustainability	Accident frequency index	5%	Number of accidents per million hours worked during the year		1.07	6.3	
	Gas Leakage Rate	10%	Percentage of gas leaks into the atmosphere with respect to the total gas transported in the calendar year		0.09%	13.0	
	Percentage of female candidates	5%	Percentage of female candidates out of the total hires (net of workers)		44.7%	4.9	
	Percentage of women holding the position of "head of business unit"	5%	Percentage of women holding the position of "head of business unit" at 31/12/21		22.2%	6.5	
<b>Total</b>						<b>112.1</b>	

**Performance gate**  ON

## Strategic Plan and Remuneration Policy

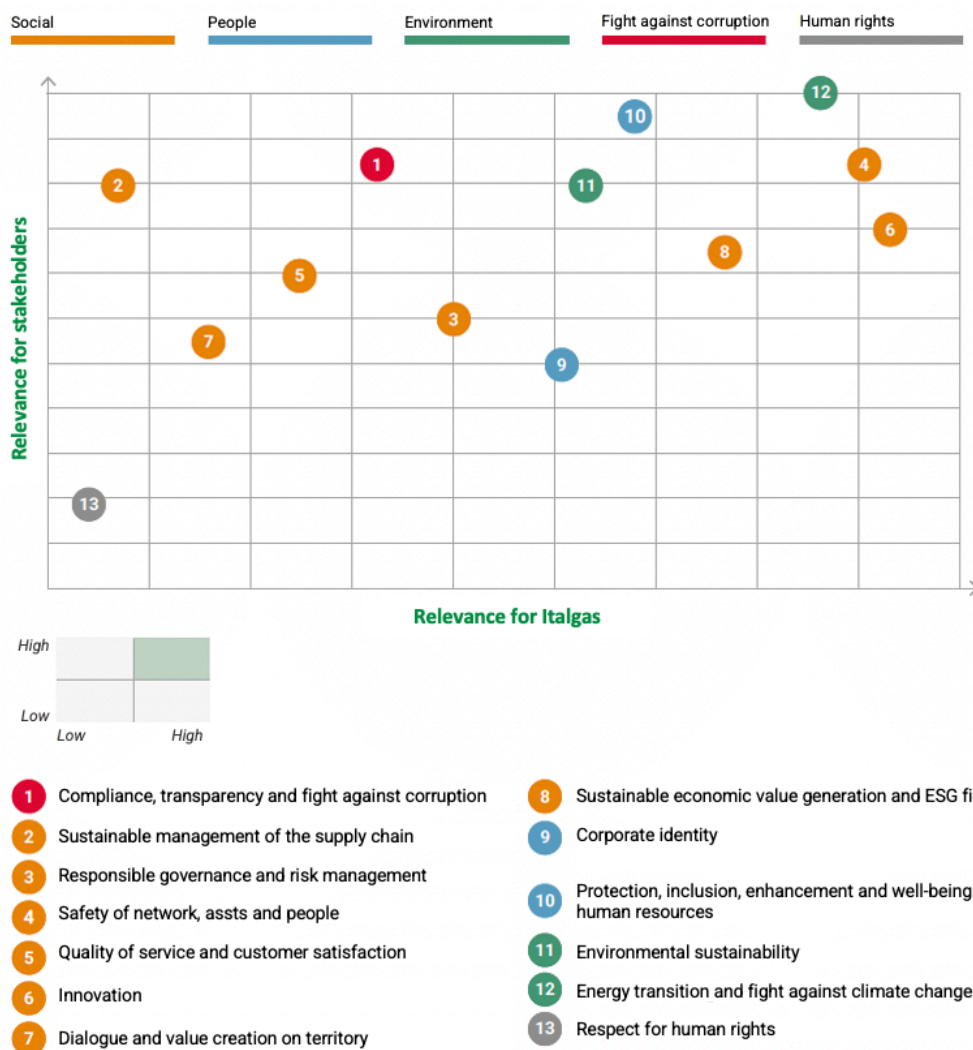
Italgas' 2021-2027 Strategic Plan, launched in 2021, is based around 5 main guidelines: (i) digital transformation and technological innovation, which will allow Italgas to play a key role in the energy transition; (ii) repurposing, upgrading of the infrastructure to receive and distribute renewable gases and its extension also through M&As and ATEM tenders; (iii) new growth opportunities by enhancing the Group's expertise in the energy efficiency, water and IT services sectors; (iv) insourcing of core skills, further boost to people reskilling and upskilling activities; (v) solid and efficient financial structure to support growth opportunities and continue to ensure an adequate return for shareholders.

The Plan also incorporates ESG (Environmental, Social, Governance) criteria and responds to the challenges of sustainability by setting the Company new targets in terms of reducing emissions, energy efficiency, and developing skills and resources.



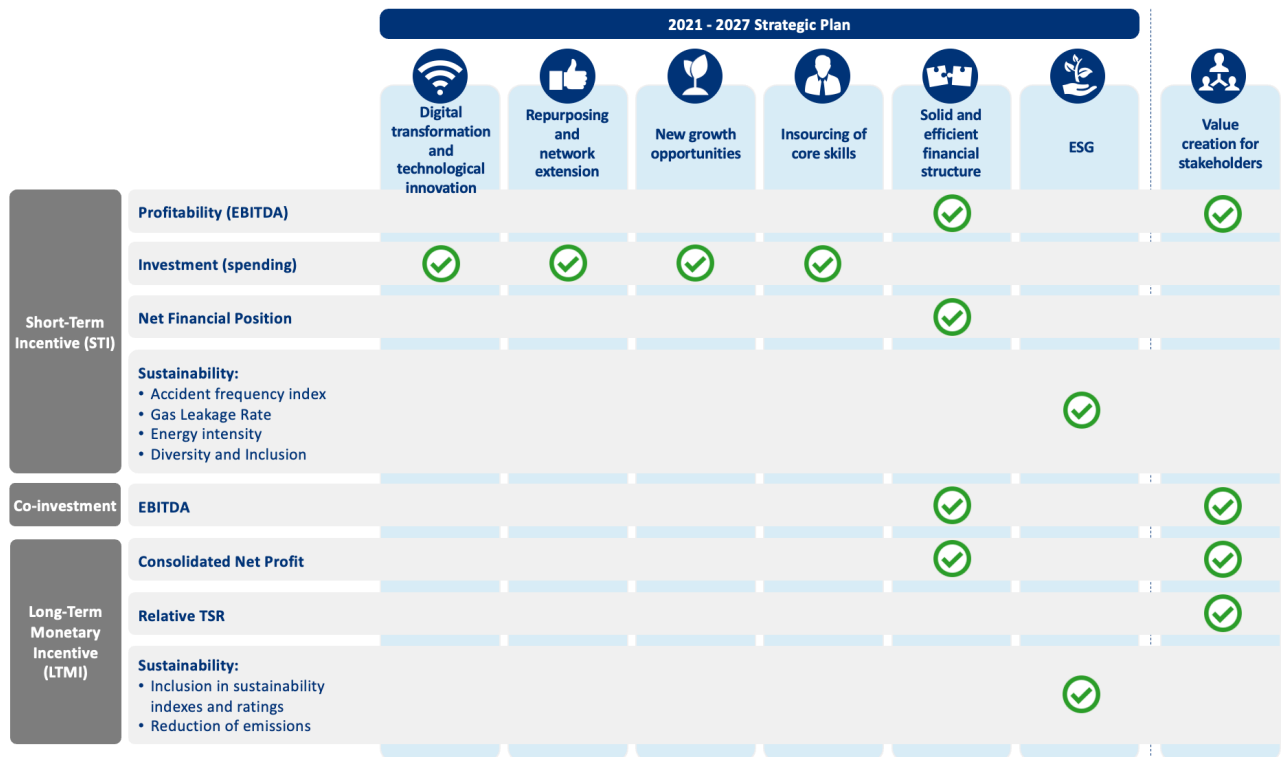
In particular, the definition of the strategic path and priorities guiding the Group’s sustainability strategy starts with an analysis of the material issues, i.e. those considered relevant and priority for the Company, taking into consideration not only the minimum elements indicated by the Legislative Decree 254/2016 (Article 3, paragraph 1), but also its own business and characteristics, as well as the expectations of its stakeholders. Italgas views sustainability as an evolving concept, which is why it has chosen to update the materiality matrix on an annual basis in order to incorporate, for example, stakeholders’ requests, changes to the regulatory context, the Group’s strategy and any drivers capable of significantly affecting the Group’s ability to create value in the short, medium and long term. The 2021 materiality matrix, shown below, covers 13 material issues agreed on by the Sustainability Committee, to which the guidelines of the Italgas 2021-2027 Strategic Plan are linked.

### 2021 Italgas materiality matrix



The Italgas Remuneration Policy has a strong link with the Strategic Plan and represents an element of fundamental relevance to ensure the pursuit of strategic objectives of business sustainability and value creation in the medium to long term.

### Link between the Strategic Plan and the Remuneration Policy



### ESG, Human Capital Strategy and Remuneration Policy

For several years, Italgas has been committed to developing and maintaining an effective governance system aligned with national and international best practices in order to address business challenges and the path towards sustainable development as well as possible.

The Sustainability Committee was established in the aim of making sustainability prevalent across all areas of the Group since 2016, the year it was once again listed on the FTSE MIB. The Committee, supported by the Sustainability Unit, provides consultancy and makes proposals to the Board of Directors in terms of strategy, planning and reporting on sustainability issues and acts to support sustainable development across the entire value chain of the Group.

In particular, its main tasks include examining and assessing:

- the sustainability policies aimed at ensuring the creation of value over time for all stakeholders in the medium-/long-term, with regard to the principles of sustainable development;
- the guidelines, objectives and processes of sustainability and the non-financial reporting submitted annually to the Board of Directors;
- the integration of ESG aspects into the ERM matrix;
- the Company's stakeholder engagement policy.

In addition, the Control, Risk and Related Party Transactions Committee and the Appointments and Compensation Committee assess and promote the inclusion of ESG criteria in the business processes for which they are responsible, in line with the Strategic Plan and the Sustainability Plan.

Italgas' commitment to ESG issues is developed not only at national level but also and above all at international level, through the creation of alliances with partners and experts. In particular:

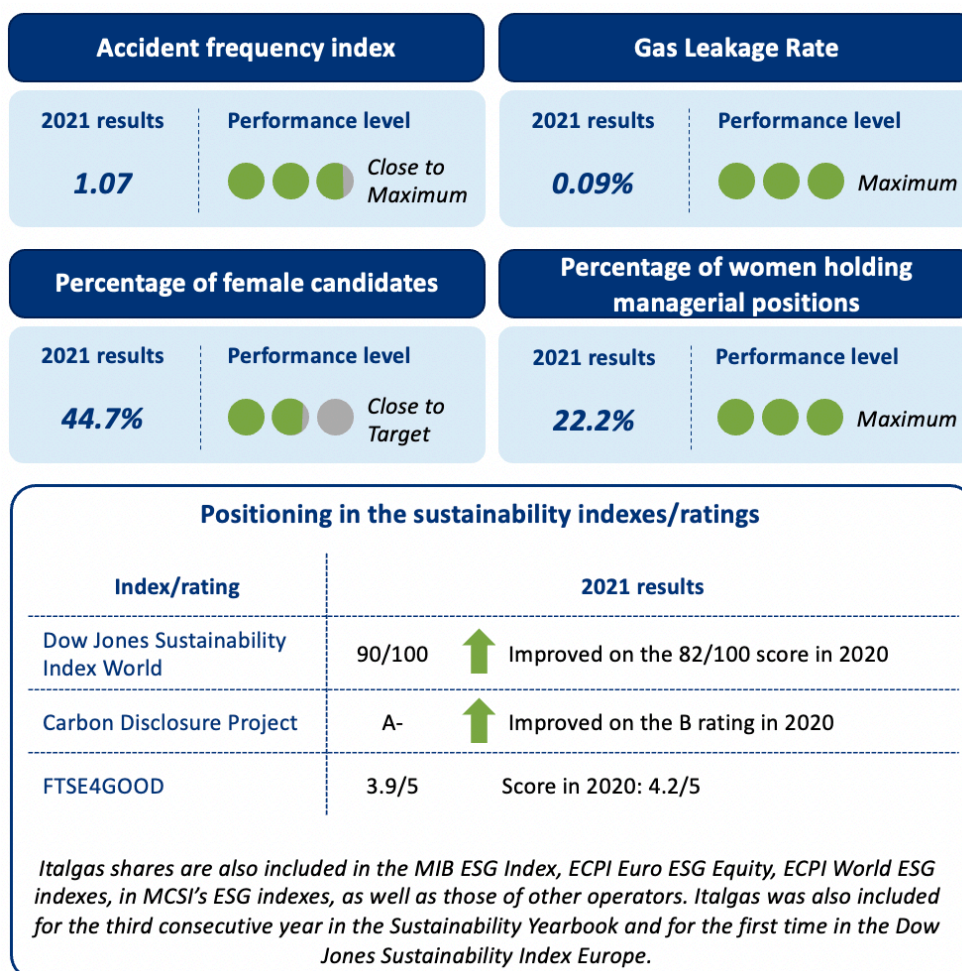
- since 2018 Italgas has been a partner of the United Nations Global Compact, the global initiative that encourages companies around the world to develop their business in an ethical and sustainable manner, promoting the application of ten universal principles aimed at respecting human and workers' rights, protecting the environment and fighting corruption;
- in 2020, Italgas signed the "Statement from Business Leaders for Renewed Global Cooperation", an important initiative which is part of Global Compact activities for a fairer and more inclusive business, with the aim of relaunching the principles of inclusive multilateralism and cooperation on a global level, focusing on the three fundamental ESG aspects (environmental, social and governance);
- Italgas adheres to the United Nations Environment "Oil and Gas Methane Partnership Initiative" aimed at guiding companies towards significantly reducing methane emissions in the oil and gas sector.

The sustainability issues are structured into specific objectives that become an integral part of the company's operational management. These objectives are monitored constantly through the Sustainability Plan developed, in line with the United Nations SDGs and with the Global Reporting Initiative (GRI) standards, in the Business Plan.

## Key results in 2021

Throughout 2021, Italgas' commitment to ESG remained high and constant. For the first time, the company objectives were structured with a quarter of the overall weight on ESG objectives, thus aligning the weight of sustainability KPIs with that of key economic and financial metrics. Italgas' sustainability ratings were reconfirmed or improved and its stock was included in an increasing number of primary SRI indexes, in recognition of the sustainable approach of the company's strategies and activities, as well as the transparent information provided to all its stakeholders.

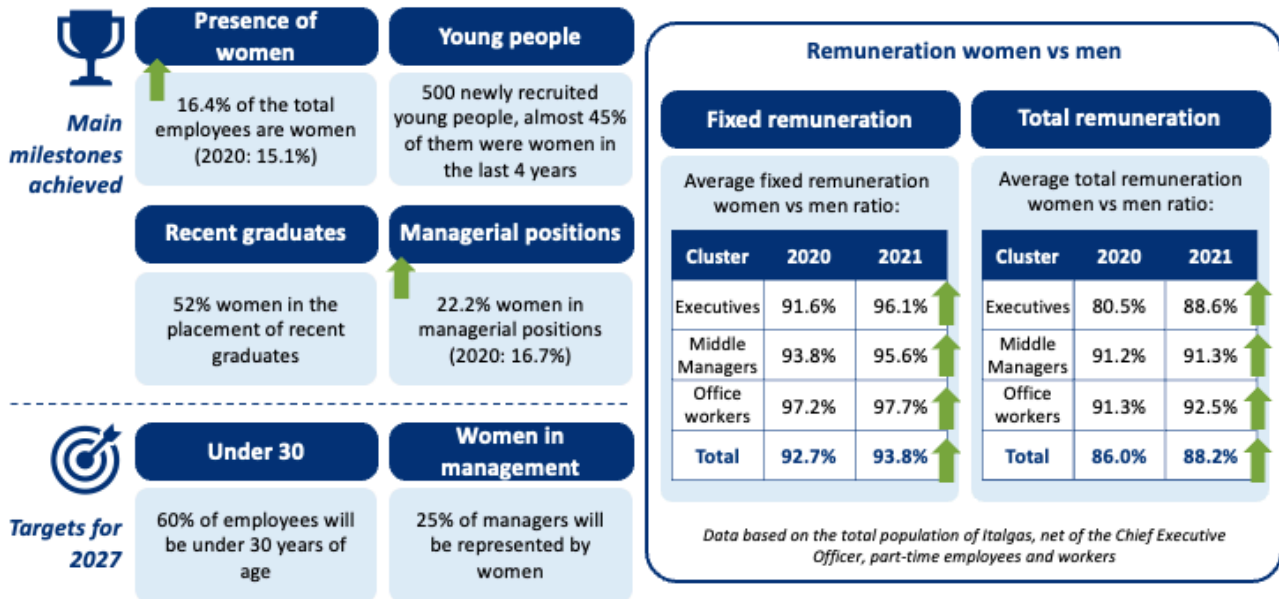
### Summary of 2021 ESG results



## Diversity and inclusion





In the ESG area, Italgas pays particular attention to people and diversity and inclusion issues, striving daily to respect all forms of diversity and to support gender equality first and foremost. The initiatives undertaken in 2021 were mainly aimed at further reducing the staffing and pay gap between women and men in the Group, with the aim of making gender representation an increasingly integral element of the corporate culture.







### Italgas' commitment to Diversity & Inclusion



## The link between Human Capital Strategy and ESG

Italgas' Sustainability Plan is formed of the 5 key pillars shown below, which are then integrated into the Human Capital Strategy and structured at management incentive system level, further indicating their relevance, and in various initiatives pursued by Italgas.

Pillars of sustainability	Our objectives	United Nations SDS	Human Capital Strategy
<p><b>Development of the sustainability culture</b></p>	<ul style="list-style-type: none"> <li>Strengthen and enhance Italgas' sustainability positioning</li> <li>Promote the sustainability culture along the value chain</li> </ul>		<ul style="list-style-type: none"> <li><b>LTMI Plan:</b> objective tied to inclusion in the main ESG indexes and ratings (DJSI, FTSE4GOOD, CDP Climate Change)</li> <li><b>MBO plan:</b> target linked to the reduction of fugitive emissions and the reduction of energy intensity</li> <li>Creation of a <b>plan of HR initiatives presented to the Sustainability Committee</b> for the promotion of ESG culture at Italgas</li> </ul>
<p><b>Put people first</b></p>	<ul style="list-style-type: none"> <li>Protect and optimise know-how and harmonise operational processes</li> <li>Develop skills and re-skilling</li> <li>Engage employees and ensure their well-being</li> <li>Promote diversity and equal opportunities</li> <li>Strengthen employee dialogue and engagement</li> <li>Protect health and safety in the workplace</li> </ul>	  	<ul style="list-style-type: none"> <li><b>MBO Plan:</b> objectives tied to <b>respect for diversity and inclusion</b>, with specific reference to gender equality, and the reduction of accidents</li> <li>Creation of <b>training courses through partnerships with universities</b> intended to protect Italgas know-how and ensure innovation (MIP, "Italgas School" programme)</li> <li><b>"Digital Ambassador"</b> programmes for digital re-skilling and <b>"D&amp;I Ambassador"</b> programmes to develop a culture of inclusion</li> <li><b>2021 Climate survey:</b> aimed at assessing the level of engagement and listening to the voice of Italgas' people</li> <li><b>Wellgas: the new welfare platform</b> established with the contribution of Italgas' people collected through a dedicated survey</li> <li>Welfare campaigns on <b>Health, Prevention, Wellness, Mindfulness, Sport, Nutrition</b></li> <li>Promotion of the <b>culture of respect for diversity and inclusion</b> through the establishment of a dedicated organisational department and the development of related initiatives: STEM Project, D&amp;I survey, "Women's Leadership" Initiative, partnership with Valore D</li> <li><b>Smart Rotation:</b> the new internal job posting system</li> <li><b>ItalGo:</b> the new corporate Intranet for the best experience and active engagement of Italgas' people, with</li> </ul>

Pillars of sustainability	Our objectives	United Nations SDS	Human Capital Strategy
			<p>particular attention to the best use of the tool for people with recognised frailty</p> <ul style="list-style-type: none"> <li>• Dedicated <b>insurance coverage</b> in relation to the <b>COVID-19</b> pandemic</li> <li>• Creation of modern, person-oriented workspaces</li> </ul>
<p><b>Create value for the community and the territory</b></p>	<ul style="list-style-type: none"> <li>• Strengthen relations with the reference regions</li> <li>• Invest in the community in a way that is consistent and integrated with the business in order to contribute to the socio-economic development of the territory</li> </ul>	 	<ul style="list-style-type: none"> <li>• Definition of dedicated programmes and initiatives for internal and external support such as “<b>Sustainable Mobility</b>”</li> <li>• <b>Heritage Lab</b>: collaboration with the cooperative Il Margine and Agenzia Piemonte Lavoro in order to actively involve people with recognised weaknesses in the labour market</li> </ul>
<p><b>Create value for customers and the market</b></p>	<ul style="list-style-type: none"> <li>• Harmonize processes with sales companies</li> <li>• Shorten the distances from the end customer</li> </ul>	 	<ul style="list-style-type: none"> <li>• <b>MBO Plan</b>: objectives linked to the integration of distribution processes and network investments with a view to innovation</li> </ul>
<p><b>Contribute to the efficiency and security of the system</b></p>	<ul style="list-style-type: none"> <li>• Improve energy efficiency</li> <li>• Reduce the carbon footprint</li> <li>• Enable circular economy processes</li> <li>• Develop gas advocacy</li> </ul>	 	<ul style="list-style-type: none"> <li>• <b>MBO Plan</b>: objective linked to investments in network maintenance and innovation, the reduction of fugitive emissions and the reduction of energy intensity</li> <li>• <b>LTMI Plan</b>: focus on climate change with an objective tied to the reduction of emissions and inclusion in the main sustainability indexes and ratings (DJSI, FTSE4GOOD, CDP Climate Change)</li> <li>• Identification of <b>network security objectives</b> among the relevant departments (e.g. implementation of digitisation for network security, Picarro technology)</li> <li>• <b>Digitisation</b>: efficiency gains and process innovation in order to increase digitisation and reduce paper consumption (digital signature, electronic reporting, selection process)</li> </ul>

## Risk mitigation factors

The Remuneration Policy is also designed to ensure complete alignment of the risk profile between the Group and Management, through instruments and oversights defined to mitigate the assumption of risks by Management and to ensure sustainable value creation over the medium to long-term. The following table sets out the main risk mitigation initiatives put in place:

### Remuneration policy and risk mitigation factors

Risk mitigation factors	STI	Co-investment	LTMl
Use of various performance objectives consistent with the corporate strategy	✓	✓	✓
Use of incentive curves for each objective with predefined performance levels and linear interpolation of results	✓	✓	✓
Deferral of a portion of the short-term incentive subject to performance conditions	✓	✓	
Significant portion of comprehensive remuneration subject to performance conditions over a multi-year time frame		✓	✓
Presence of a maximum cap for incentive systems	✓	✓	✓
Presence of a share portion for the variable remuneration		✓	
Use of claw-back clauses	✓	✓	✓

## Employee engagement and human resources initiatives

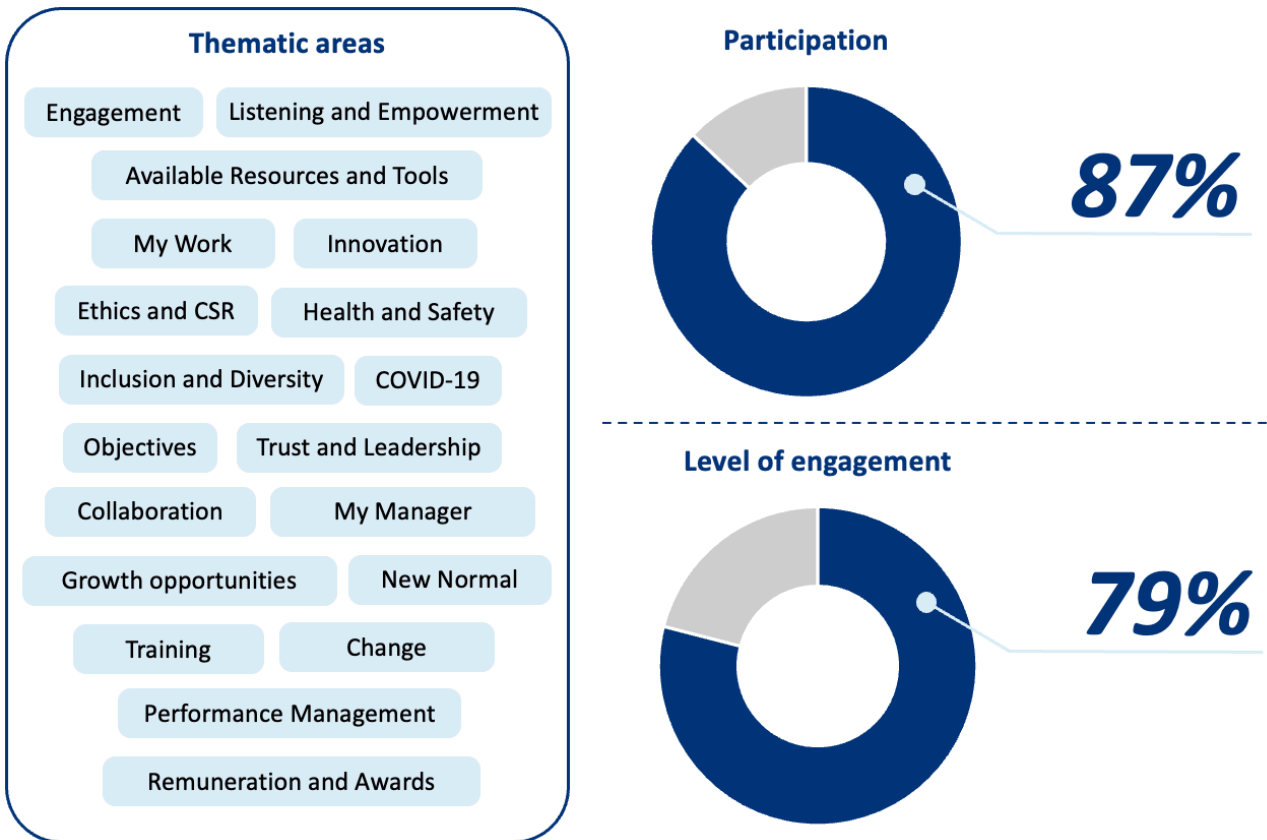
Italgas pays great attention to the opinion of its employees and constantly monitors their working conditions and remuneration in order to promote a consistent Remuneration Policy for the general company population. Each year Italgas carries out a structured process to analyse and review the fixed salaries of its employees in order to recognise the merit and growth of individuals. This process considers both principles of internal fairness and competitiveness with regard to the external market, and the performance and potential of the people themselves.



In 2021, the Human Resources & Organisation department carried out numerous initiatives aimed at gathering ideas and proposals for improvement from employees, with the aim of always ensuring continuous listening and implementing actions that are truly effective for the Group's people.

The most significant commitments in the human resources area include the “Your Voice Counts” climate survey aimed at the entire company population, which recorded an 87% response rate from Company employees (a significant improvement on the previous survey and higher than national benchmarks). The survey was designed to measure engagement levels, identify organisational conditions that encourage or hinder a positive internal atmosphere and the engagement of people, highlight possible areas of intervention and initiate an action plan to benefit all of the Group’s people. Compared to the previous survey, the results showed a significant improvement for 18 of the 19 topics addressed.

**Highlights of the 2021 “Your Voice Counts” climate survey**



In order to better understand the needs of the Group’s people and offer them the full support they need, in 2021 Italgas also conducted a welfare survey aimed at all employees. The

main topics covered by the survey were work-life balance, health, leisure and culture, support for children and family members, and mental and physical well-being. The results obtained guided the Company in defining the new welfare plan (Wellgas) to complete the employees' remuneration package: the new offer includes services dedicated to the Group's people and their families, divided into 4 main areas relating to the family, sustainability and mobility, health and prevention, and savings and leisure.

Moreover, as part of Italgas' initiatives aimed at improving the quality of life of its people by supporting them in finding the right balance between their private and work life, the Company has initiated further *ad hoc* campaigns such as the confirmation of insurance cover for colleagues affected by COVID-19, services to support families (such as free vouchers for school tutoring, baby-sitting services, personalised socio-assistance consultancy and assistance to elderly family members) and initiatives linked to health, prevention, well-being, mindfulness, sport and nutrition for employees (such as "ItalGym" and the "Italgas health challenge").

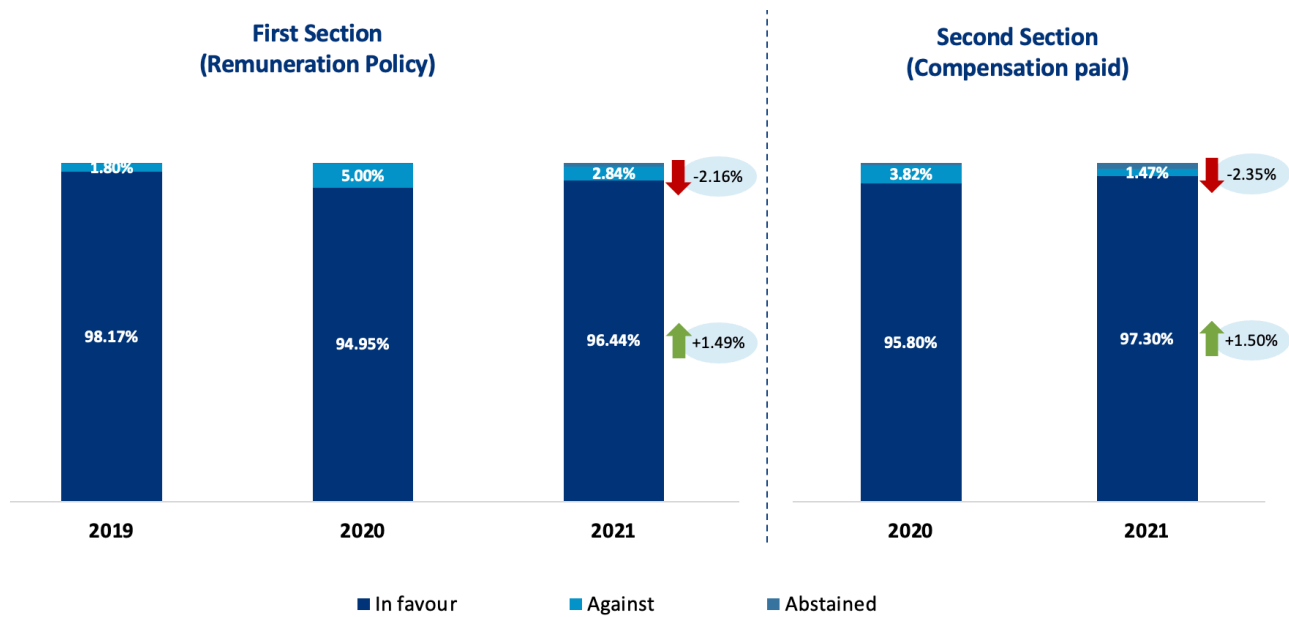
### **Shareholder Engagement and analysis of the shareholders' voting results**

Italgas considers dialogue with its shareholders and institutional investors on issues relating to the Remuneration Policy as a fundamentally important element, encouraging the long-term commitment of shareholders in the process to define and analyse how to implement the Remuneration Policy. Dialogue with investors was strengthened further in preparation for the 2022 Shareholders' Meeting, with the objective of representing the initiatives implemented by the Company on issues of remuneration to the best of its ability, and above all ensuring that all shareholder expectations were received.

In relation to the continuous dialogue and listening around the indications received from shareholders and investors, as usual, Italgas carried out an in-depth analysis of the shareholders' voting results regarding the binding vote on the First Section of the Report on the 2021 Remuneration Policy and on the 2020 Compensation Paid and the advisory vote on the Second Section. The amendments and developments introduced to the Remuneration Policy and presented as part of this Report therefore take account of the underlying reasons for the votes obtained during the 2021 season of shareholders' meetings and the dialogue with institutional investors carried out in the first months of 2022.

The trend of the voting results on the Annual Remuneration Reports published by Italgas from 2019 to 2021 is set out below, highlighting the change in terms of percentage points of votes in 2021 compared to 2020. It should be noted, in particular, that at the last Shareholders' Meeting, held on 20 April 2021, there was an increase in votes in favour of both the First Section and the Second Section of the Report, with a significant reduction in votes against.

**Trend of the voting results on the Report on the Remuneration Policy and Compensation Paid**



## Foreword

Italgas' Remuneration Policy, approved by the Board of Directors at the proposal of the Appointments and Compensation Committee, on 9 March 2022, in accordance with current legislative and regulatory requirements<sup>2</sup>, defines and describes:

- in the first section, the Policy adopted by Italgas S.p.A. for 2022 for the remuneration of Directors, Executives with Strategic Responsibilities<sup>3</sup>, members of the Board of Statutory Auditors and the Head of Internal Audit, specifying the general objectives pursued, the bodies involved and the procedures utilised to adopt and implement the Policy. The general principles and guidelines defined in the Italgas Policy also apply for the purposes of determining the compensation policies for companies directly and indirectly controlled by Italgas. The Remuneration Policy presented below refers to the remuneration for the three-year period 2019-2021, prepared and valid until the Board of Directors' term of office expires with the Shareholders' Meeting of 26 April 2022. This is without prejudice to the prerogatives of the new Board of Directors, which will take office as of the same Shareholders' Meeting, to determine the remuneration of Directors holding special offices and the remuneration of non-executive Directors for their participation in Board Committees, in accordance with the principles of the Policy described below and which may be disclosed to the market in accordance with current legislation;
- in the Second Section, the compensation paid in 2021 to Italgas Directors, Statutory Auditors (individually) and Executives with Strategic Responsibilities (collectively).

The Remuneration Policy outlined in this document has also been adopted by the Company, as provided by Consob Regulation No. 17221/2010 on the subject of related-party transactions, and pursuant to Article 3.7 of the Procedure "Transactions with the interests of Directors and Statutory Auditors and Related-Party Transactions" ("Procedure for Related Parties") most recently revised by the Board of Directors on 30 June 2021.

---

<sup>2</sup> Article 123-ter of Legislative Decree No. 58/98 and article 84-*quater* of the Consob Issuers' Regulations (Resolution No. 11971/99, as subsequently amended and supplemented) and subsequent amendments introduced by Legislative Decree 49/2019 in Part IV, Heading III, Section II of Legislative Decree 58/98.

<sup>3</sup> The definition of "Executives with Strategic Responsibilities" as per Article 65, subsection 1-*quater* of the Issuers' Regulations, covers persons who have the power and responsibility, directly and indirectly, for planning, management and control of Italgas. Italgas Executives with Strategic Responsibilities, other than Directors and Statutory Auditors, are: Head of Legal, Corporate Affairs and Compliance, Head of Human Resources & Organisation, Head of External Relations and Sustainability, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, Italgas Reti CEO, Toscana Energia CEO. In 2021, the following were appointed as Executives with Strategic Responsibilities by the Board of Directors: Chief Executive Officer of Bludigit, Chief Financial Officer, Head of Corporate Strategy, Chief Security Officer. Moreover, in 2021, termination of the employment relationship with the General Manager of Finance and Services also led to the termination of his position as an Executive with Strategic Responsibilities.

The Policy described in the First Section of the document was prepared in line with the recommendations on remuneration of the new Corporate Governance Code promoted by Borsa Italiana S.p.A. (hereinafter “Corporate Governance Code”), in the version approved in January 2020, which Italgas has adopted<sup>4</sup>. The Policy also takes into account the developments introduced regarding remuneration: by Legislative Decree no. 49 of 10 May 2019, implementing Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 (Shareholder Rights Directive II, “SHRD 2”), which amends Directive 2017/36/EC (“SHRD”) as regards the encouragement of long-term shareholder engagement; and the related adaptations to secondary level national legislation on disclosure of remuneration policies and compensation paid (Issuers’ Regulations, amended in December 2020 in implementation of the SHRD II). Lastly, the Remuneration Policy has been prepared in consideration of the remuneration studies carried out with the support of a highly specialised independent advisor and national and international best practices.

The text of the Report on the Remuneration Policy and Compensation Paid is available to the public at the registered office, on the Company’s website<sup>5</sup> and on the website of Borsa Italiana up to the twenty-first day preceding the date of the Shareholders’ Meeting called to approve the Financial Statements for 2021 and to pass a binding resolution on the First Section of the Report, as well as a non-binding resolution on the Second Section, in accordance with current legislation<sup>6</sup>.

The following documents are considered to be attached to this report: 2021-2023 Co-investment Plan approved by the Ordinary Shareholders’ Meeting of 20 April 2021 and the 2020-2022 Long-Term Monetary Incentive Plan approved by the Ordinary Shareholders’ Meeting of 12 May 2020, published in the “Governance – Remuneration” section of the [Italgas.it/en](http://Italgas.it/en) website.

---

<sup>4</sup> The new Code is expected to be applied as of the first financial year starting after 31 December 2020, with disclosure to the market starting in the corporate governance reports published in 2022.

<sup>5</sup> The text is published in the “Governance - Remuneration” section of the Company’s website ([www.italgas.it/en](http://www.italgas.it/en)).

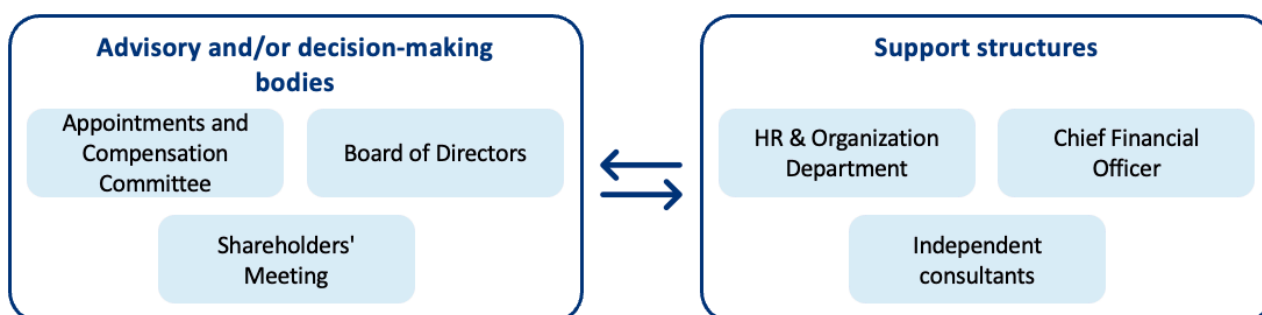
<sup>6</sup> Changes introduced by Legislative Decree 49/2019, Article 3, subsection 1, letters e) and g) which supplement subsection 3 and replace subsection 6 of article 123-*ter* of Legislative Decree no. 58/98.

## First Section – 2022 Remuneration Policy

### 1. Governance of the remuneration process

#### 1.1. Bodies and parties involved

The Policy on the remuneration of the Italgas Board of Directors members is defined in accordance with statutory and regulatory provisions and involves several company Bodies and Departments:



##### 1.1.1. Shareholders' Meeting

The duties of the Shareholders' Meeting by law and the Bylaws, limited to the topics of interest in this Report, are:

- to appoint and dismiss the Board of Directors;
- to appoint the Chairman and members of the Board of Statutory Auditors;
- to establish the remuneration of the members of the Board of Directors and of the Board of Statutory Auditors, at the time of their appointment and for the full duration of their term of office;
- to resolve, on the proposal of the Board of Directors, on compensation plans based on the allocation of financial instruments;
- to express a binding vote on the approval of the First Section of the Company's Report on the Remuneration Policy and Compensation Paid, pursuant to Article 123-*ter* of the CLF;
- to cast an advisory vote on the approval of the Second Section of the Company's Report on the Remuneration Policy and Compensation Paid, pursuant to Article 123-*ter* of the CLF.

### 1.1.2. Board of Directors meeting

The Board of Directors, as proposed by the Appointments and Compensation Committee, and after consulting the Board of Statutory Auditors, determines the remuneration of the Directors vested with specific duties and the compensation of the non-executive Directors for their participation in Board Committees.

The Board of Directors of Italgas currently in office was appointed by the Shareholders' Meeting of 4 April 2019 and will remain in office until its term of office expires with the Shareholders' Meeting of 26 April 2022. It is made up of the following 9 members, 6 of whom qualify as independent<sup>7</sup>:

<b>Chairman</b>	Alberto Dell'Acqua	Independent non-executive director
<b>Chief Executive Officer</b>	Paolo Gallo	Executive director
<b>Member</b>	Qinjing Shen	Non-executive director
<b>Member</b>	Paola Annamaria Petrone	Independent non-executive director
<b>Member</b>	Maurizio Dainelli	Non-executive director
<b>Member</b>	Giandomenico Magliano	Independent non-executive director
<b>Member</b>	Veronica Vecchi	Independent non-executive director
<b>Member</b>	Andrea Mascetti	Independent non-executive director
<b>Member</b>	Silvia Stefini	Independent non-executive director

<sup>7</sup> With respect to the composition of the Board of Directors at the time of appointment, it should be noted that on 11 January 2022 the non-executive Director Mr Yunpeng He resigned from his position as Director of Italgas S.p.A., effective as of the date of appointment as a new Director of Mr Qinjing Shen on 27 January 2022. The number of members of the Board of Directors is therefore unchanged at the date of this Report with respect to when it was appointed. Moreover, with regard to the independence status, it should be noted that at the time of their appointment five directors were independent pursuant to Legislative Decree no. 58/1998 (CLF) and the Corporate Governance Code of Borsa Italiana. Following adherence to the new version of the New Corporate Governance Code, the check of the independence requirements carried out in March 2021 revealed that the Chairman is also independent according to both the CLF and the New Corporate Governance Code.

The Shareholders' Meeting of 26 April 2022 will define the composition of the new Board of Directors in office for the three-year period 2022-2024.

In line with the Italgas<sup>8</sup> corporate governance rules, the Board:

- after examining the proposals of the Appointments and Compensation Committee, determines the Remuneration Policy for the Directors, General Managers and Executives with Strategic Responsibilities of the Company and its subsidiaries and the compensation systems;
- determines the remuneration of the Head of Internal Audit in keeping with the Company's compensation Policies, after approval by the Appointments and Compensation Committee;
- implements the compensation plans based on shares or financial instruments that have been approved by the Shareholders' Meeting;
- approves the Remuneration Policy drafted and presented by the Appointments and Compensation Committee to be submitted to the Shareholders' Meeting;
- assesses, after a mandatory opinion of the Appointments and Compensation Committee, the content of the vote on the Report on the Remuneration Policy and compensation paid cast by the Shareholders' Meeting and the Committee's proposals concerning the adequacy, overall consistency and application of the Compensation Policy for Directors and Executives with Strategic Responsibilities.

In complying with the recommendations contained in the New Corporate Governance Code, the Board of Directors is assisted in remuneration matters by an Appointments and Compensation Committee made up of Non-Executive Directors, the majority of whom are independent, having both a consulting and advisory function in this regard.

The Appointments and Compensation Committee can request support from other company bodies and departments in activities pertaining to remuneration issues, including:

- The Board of Statutory Auditors: can attend Appointments and Compensation Committee meetings and expresses the opinions required by the legislation in force, verifying consistency with the Remuneration Policy adopted by the Company.

---

<sup>8</sup> For further information on Italgas' governance structure see the "Report on Corporate Governance and Ownership Structure" published in the "Governance" section of the Company's website.



- Management team of the Human Resources & Organisation department: provides technical and specialist support on compensation issues in addition to the preparation of detailed analyses such as monitoring of the internal and market compensation dynamics; studies and benchmarking of market practice and trends; analyses of the compensation levels in terms of internal fairness and competitiveness with respect to the markets chosen as reference.
- Management team of the Legal and Corporate Affairs department: provides technical and specialist support regarding the governance of the Group's corporate bodies; supports the Human Resources & Organisation department in the preparation of public information relating to the Group's remuneration and incentive systems, in collaboration with other competent company departments; identifies the most Relevant Personnel to ensure consistency with the corporate governance structure at consolidated level.
- Management team of the Chief Financial Officer department: provides support in identifying and evaluating the quantitative parameters on which the variable incentive systems are based and in determining *ex-post* their level of achievement.

### **1.1.3. Italgas Appointments and Compensation Committee**

#### **1.1.3.1. Composition, appointment and tasks**

The Appointments and Compensation Committee was established by the Board of Directors on 23 October 2017<sup>9</sup> and, in line with the recommendations of the Corporate Governance Code, consists of three non-executive Directors, the majority of whom are independent, with the Chairman elected from among the Independent Directors. At least one member of the Committee has adequate knowledge and experience in financial or compensation policies, as assessed by the Board at the time of appointment. The Board of Directors on 13 May 2019 made this assessment for the Appointments and Compensation Committee currently in office.

The Appointments and Remuneration Committee in office on the date of this Report was appointed by the Board of Directors on 13 May 2019 and will remain in office until its term

---

<sup>9</sup> The Compensation Committee was previously operational from 5 September 2016 to 23 October 2017.

of office expires with the Shareholders' Meeting on 26 April 2022. It is composed of the following non-executive directors:

<b>Chairman</b>	Andrea Mascetti	Independent non-executive director
<b>Member</b>	Silvia Stefini	Independent non-executive director
<b>Member</b>	Maurizio Dainelli	Non-executive director

The new Board of Directors appointed by the Shareholders' Meeting of 26 April 2022 will define the composition of the new Appointments and Compensation Committee in office for the three-year period 2022-2024.

The Head of Human Resources & Organisation of Italgas serves, for matters connected with remuneration, as Secretary of the Committee.

The composition, tasks, and operating methods of the Committee are governed by specific regulations<sup>10</sup>, approved by the Board of Directors on 23 October 2017.

The Committee has the following consulting and advisory functions with regard to the Board of Directors:

- it submits the Remuneration Policy and, in particular, the Remuneration Policy for Directors and Executives with Strategic Responsibilities, to the Board for its approval and presentation to the Shareholders' Meeting called to approve the financial statements, under the terms provided for by law;
- it assesses the vote cast by the Shareholders' Meeting on the Remuneration Policy in the previous financial year and gives an opinion to the Board of Directors;
- it periodically assesses the appropriateness, overall consistency and practical application of the Policy adopted, by formulating proposals to the Board in this regard;
- it prepares proposals regarding the remuneration of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;

---

<sup>10</sup> The rules governing the Appointments and Compensation Committee are available in the "Governance - Committees" section of the Company's website.

- it makes proposals or expresses opinions relating to the remuneration of members of the Committees of Directors established by the Board;
- it examines information reported by the Chief Executive Officer and proposes:
  - the general criteria for the remuneration of Executives with Strategic Responsibilities;
  - general guidelines for the remuneration of other managers of Italgas;
  - annual and long-term incentive plans, including share-based plans;
- it proposes the definition of performance targets, the aggregation of company results, the definition of clawback clauses related to the implementation of incentive plans and the determination of the variable compensation of directors with powers;
- it proposes the definition, in relation to directors with powers, of: i) the indemnification to be paid in the event of termination of their employment; ii) non-compete agreements;
- it monitors the application of decisions made by the Board;
- it reports to the Board on the activities it has carried out, at least every six months and before the deadline for approval of the Financial Statements and the half-yearly report, at the Board meeting indicated by the Chairman of the Board of Directors;
- it submits possible exceptions to the approved Remuneration Policy, for the approval of the Board of Directors, to be implemented as a non-recurring exception;
- it carries out investigations in relation to the preparation of the succession plan of the Chief Executive Officer and the related procedures to be followed in the event of early termination of the appointment.

No Director takes part in the meetings of the Committee at which proposals to the Board are submitted in relation to their own remuneration.

In exercising these functions, the Committee presents any opinions that may be required by the current company procedure concerning related-party transactions, within the time-frame set out by that procedure.

In accordance with the decisions made by the Board of Directors, furthermore, the Appointments and Compensation Committee annually examines the compensation structure for the Head of Internal Audit, while ensuring its compliance with the general criteria approved by the Board for executives and informing the Chairman of the Control and Risk Committee thereof, according to its opinion which it is required to give to the Board.

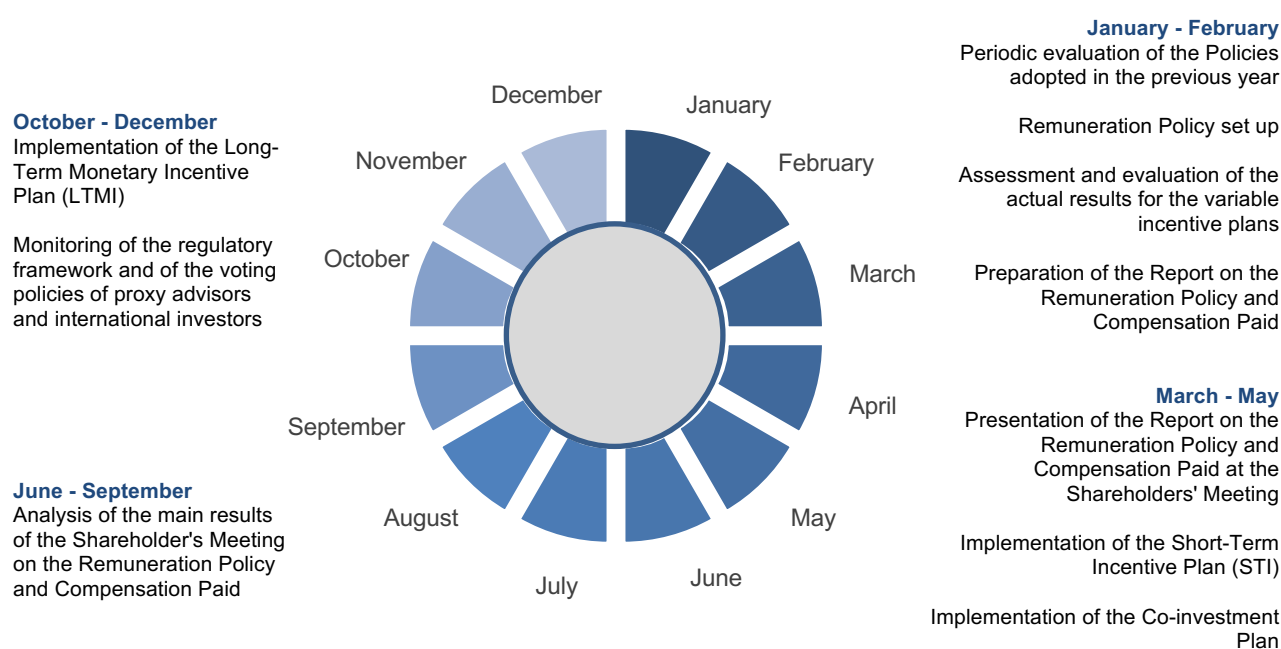
For the effective performance of its analysis and investigatory function, the Appointments and Compensation Committee utilises the relevant Company departments and through these structures, may make use of the support of external consultants who are not in a position that would compromise their independence of judgement.

In 2021, the Chairman of the Board of Statutory Auditors was regularly invited to the Committee meetings.

### 1.1.3.2. Activity cycle for the Appointments and Compensation Committee

The Committee's activities pertaining to remuneration are conducted through the implementation of an annual programme that usually involves the following steps:

#### Activity cycle for the Appointments and Compensation Committee and thematic areas



The Committee reports on the procedures for carrying out its functions to the Shareholders' Meeting called to approve the year's Financial Statements, via the Committee Chairman, in accordance with its own Regulations, complying with the Corporate Governance Code and with the aim of establishing an appropriate channel for dialogue with shareholders and investors.

The disclosure on the remuneration for Directors and Management is further ensured by updating the pages specifically dedicated to these topics under the “Governance - Remuneration” section on the Company's website.

### 1.1.3.3. Activities undertaken in 2021

In 2021 the Appointments and Compensation Committee met 11 times. The main remuneration issues addressed are shown below:

Meeting	Main activities carried out with regard to remuneration
January	<ul style="list-style-type: none"> <li>• Analysis of the remuneration positions of the Chief Executive Officer, Chairman, members of the Board of Directors, Board Committees and Head of Internal Audit</li> </ul>
February	<ul style="list-style-type: none"> <li>• Analysis and approval of changes to the incentive plans for Independent Operators / Compliance Managers</li> <li>• Analysis and approval of the 2021-2023 Co-investment Plan and the “Bonus Bank” Plan for Independent Operators / Compliance Managers</li> <li>• Approval of the remuneration of the Head of Internal Audit</li> <li>• Analysis of the Report on the 2021 Remuneration Policy and 2020 Compensation Paid</li> </ul>
March	<ul style="list-style-type: none"> <li>• Final accounting of the 2020 corporate targets for the variable incentive systems</li> <li>• Determination of the 2021 corporate targets for the variable incentive systems</li> <li>• Approval of the Report on the 2021 Remuneration Policy and 2020 Compensation Paid</li> </ul>
May	<ul style="list-style-type: none"> <li>• Analysis of the terms and conditions of the conciliation agreement and consensual termination of employment and of the non-competition agreement between the Company and an Executive with Strategic Responsibilities</li> </ul>
September	<ul style="list-style-type: none"> <li>• Analysis of the remuneration positioning of Executives with Strategic Responsibilities</li> </ul>

	<ul style="list-style-type: none"> <li>• Analysis of the results of the shareholders' vote on the 2021 Remuneration Policy and 2020 Compensation Paid</li> </ul>
December	<ul style="list-style-type: none"> <li>• Panel proposal for the analysis of the remuneration positioning of the Chief Executive Officer, Chairman, Non-executive Directors, Board Committees and Board of Statutory Auditors</li> <li>• Analysis of the changes to the Report on the 2022 Remuneration Policy and 2021 Compensation Paid</li> </ul>

## 1.2. Approval procedure for the 2022 Remuneration Policy

The definition and approval of Italgas' Remuneration Policy involves a number of Corporate Bodies and Departments, in accordance with the provisions of the Bylaws and current regulations:

**1** The Appointments and Compensation Committee, in exercising its powers, defined the structures and the contents of the Remuneration Policy, for the purposes of preparing this document, in particular at its meetings of 3 December 2021, 7 February 2022, 14 February 2022, and 28 February 2022, consistently with the recommendations of the New Corporate Governance Code. In making its decisions, the Committee took account of the outcomes of the periodic assessment carried out on the adequacy, overall consistency and practical application of the Policy guidelines decided for 2021.

**2** Italgas' 2022 Remuneration Policy for Directors and Executives with Strategic Responsibilities was consequently approved by the Board of Directors, at the recommendation of the Appointments and Compensation Committee, at its meeting on 9 March 2022, concurrently with the approval of this document.

**3** The Board of Directors then submitted the Report on the Remuneration Policy and Compensation Paid to the vote of the Shareholders' Meeting of 26 April 2022, which cast a binding vote on the First Section and an advisory vote on the Second Section.

**4** The compensation Policies, defined in line with the instructions of the Board of Directors, are implemented by the delegated Bodies, supported by the relevant company Departments.

With reference to remuneration, the Committee also made use of the support of a specialist consultancy firm to monitor the market trend and to check the compensation competitiveness of Italgas against Italian, European and sector market practices.

Furthermore, for the purposes of this Report, the Committee evaluated the practices observed at national level for the preparation of remuneration reports.

## 2. Purpose and general principles of the Remuneration Policy

### 2.1. Purpose

The Italgas Remuneration Policy is consistent with the pursuit of the Company's sustainable success and takes into account the need to attract, retain and motivate people with the skills and professionalism required by the role held in the Company.

Italgas' Remuneration Policy contributes to the accomplishment of the mission and the corporate strategies, by:

- promoting actions and conducts that respect the values and culture of the Company, in compliance with the principles of plurality, equal opportunity, enhancement of people's knowledge and professionalism, fairness, non-discrimination and integrity required by the Italgas Code of Ethics, by the relevant Diversity and Inclusion Policy and by the Italgas Enterprise System;
- recognising the responsibilities assigned, the achievements and quality of the professional contribution made, while taking account of the reference context and the compensation markets;
- defining incentive systems connected to the achievement of economic/financial, business development and sustainability objectives, both operational and individual, defined with a view to ensuring the Company's sustainable success and improvement of long-term results, in line with the aims of the Company's Strategic Plan and the responsibilities assigned.

### 2.2. General Principles

In accordance with the aforesaid purposes, the Remuneration Policy is defined in line with the following principles and criteria:

- a compensation structure that will **attract, retain and motivate** people with high professional qualities;
- a compensation structure, for the **Chairman**, consisting of a fixed fee consistent with the position held;
- non-executive Directors' salaries commensurate with the effort required from them in relation to participating on Board Committees, with different compensation for the Chairman than the members of each Committee, with respect to the position allocated



thereto, for coordinating the work and liaising with the corporate bodies and corporate Departments;

- a compensation structure, for the **Chief Executive Officer and Executives with Strategic Responsibilities**, with a suitable balance between a fixed component in line with the powers and/or responsibilities assigned and a variable component defined within maximum limits and aimed at linking remuneration to actual performance;
- consistency of overall remuneration with respect to applicable **market benchmarks** for comparable responsibilities or for positions at a similar level in terms of responsibility and complexity, as part of the corporate panel comparable to Italgas, using specific compensation benchmarks applied with the support of institutional providers of compensation information;
- **variable remuneration** of executive roles having greater influence over company results featuring a **significant percentage of incentive components, in particular long term**, including based on **equity instruments**;
- adequate **periods of deferral and/or accrual of the incentives** over a time scale of at least three years, in line with the long-term nature of the business and with the connected risk profiles;
- **predetermined, measurable and definite targets, also on a stock basis**, linked with the variable remuneration, so as to ensure remuneration for performance over the short or medium term by:
  - i. setting targets for short-term incentive plans based on a balanced scorecard that enhances the performance of the business and of the individual, in relation to the specific targets in their area of responsibility and, as regards those that are responsible for internal control functions, consistent with the tasks assigned to them;
  - ii. setting targets for a long-term incentive plan based in ways that allow an assessment of company performance in absolute terms, with reference to the ability to generate increasing and sustainable levels of profitability, both in relative terms compared to a peer group of listed companies in the European utilities sector, and with reference to the ability to generate value;
  - iii. systematic inclusion among the objectives of the short and long-term incentive plan of indicators representing the priority objectives of the Company's

Sustainability Plan (reduction of accident rates, reduction of emissions, diversity, inclusion in international sustainability indexes and ratings, etc.).

- **evaluation of assigned performance targets**, excluding the effects of external impacts stemming from the development of the benchmark scenario, in order to make the most of the actual contribution to the achievement of the performance objectives assigned to it;
- adoption of **claw-back mechanisms** aimed at recovering the variable part of the compensation that is not payable since it was received on the basis of targets achieved as a result of intentional misconduct or gross negligence or on data that have proven to be manifestly incorrect;
- **benefits** in line with market benchmark compensation practices and consistent with current regulations, so as to supplement and enhance the total compensation package, taking into account the position and/or responsibilities assigned, while focusing on the social security and insurance components;
- any **indemnities** in severance pay for termination of employment and/or executive positions known to be of a “temporary” nature, or with increased risks of competitive recruitment defined within a given amount or a given number of years of remuneration;
- any retention bonuses or use of **non-compete agreements** pursuant to art. 2125 of the Italian Civil Code for roles involving specific knowledge of the business intended to protect corporate and all shareholder interests in the event of terminating employment with the company, with the provision of appropriate penalties in the event of their non-compliance.

### 2.3. Exceptions to the Remuneration Policy

On an exceptional and non-recurring basis, pursuant to paragraph 3-*bis* of Article 123-*ter* of the CLF updated in 2019 and Article 84-*quater* of the Issuers’ Regulations updated in 2020, Italgas’ Board of Directors, always in compliance with the rules governing Related Party Transactions and having heard the opinion of the Board of Statutory Auditors, may permit possible exceptions to the Remuneration Policy described in the First Section of this Report with regard to the provisions for the Chief Executive Officer and the other Executives with Strategic Responsibilities, in order to ensure pursuit of the long-term interests and

sustainability of the Group as a whole, or to ensure its ability to compete on the market. In particular, the exceptional circumstances considered may include extraordinary transactions not previously planned (e.g. restructuring, reorganisation or reconversion), exogenous shocks that are unforeseeable or of an extraordinary amount and/or regulatory/legislative in nature, changes in the organisational, managerial and administrative structure of the company that impact the economic and financial results and the creation of value in the long term, the rotation in the appointed bodies due to unforeseen events, actions intended to attract/retain the best talent.

In these cases, the Appointments and Compensation Committee, in accordance with the procedure envisaged for related-party transactions, and with possible support from the Human Resources & Organization department, will assess any impact on the Remuneration Policy for the purpose of submitting a proposal for amendment and derogation from said Policy for the approval of the Board of Directors. Approval of such an exemption by the Board necessitates abstention from board discussions and related resolutions by any interested parties.

The elements of the 2022 Remuneration Policy for which, under exceptional circumstances, a waiver may be permitted include: fixed remuneration, the short-term variable component (STI), the medium- to long-term variable component (Co-investment Plan and long-term monetary incentive - LTMI), and severance pay.

#### **2.4. Market benchmarks**

Italgas constantly monitors the main market practices so that the relevant Company Bodies are able to submit remuneration policies to the shareholders that are increasingly more appropriate for the professionalism, expertise and commitment required.

In keeping with previous years, the 2022 remuneration policies were evaluated considering the market benchmarks, with support from independent and highly specialised advisors, using specific compensation benchmarks. The chosen market positioning for the Remuneration Policy is defined as below the market median considered for the fixed component, with greater emphasis placed on the variable components with a view to the overall competitiveness of the compensation package. It is believed that this is the best approach to guarantee a direct connection between remuneration and performance, ensuring at the same time a correct alignment with the company's risk profile.

Following the signing of the contract for the acquisition of DEPA Infrastructure S.A. in Greece, the Appointments and Compensation Committee, with the support of the Human Resources & Organisation Department, extended the benchmark analyses to include, for the first time, a set of European companies comparable in terms of size and type of business. In order to analyse the remuneration position of the Chief Executive Officer, with the support of EY as independent consultant, the Company identified a panel of companies also including, in addition to the Italian companies already analysed in the past, a set of European companies operating in businesses comparable to that of Italgas and therefore representative of the sector's international market. The companies were identified mainly considering specific size and business criteria in order to ensure their significance. Specifically, Italgas' positioning in terms of size with respect to the panel identified is between the first quartile and the median for capitalisation, revenues, EBITDA and number of employees, and between the median and third quartile for net profit, therefore consistent with the remuneration positioning chosen for the fixed component.

The remuneration benchmarking analyses show that the Chief Executive Officer's fixed remuneration is positioned between the first quartile and the market median, in line with the Company's Remuneration Policy.

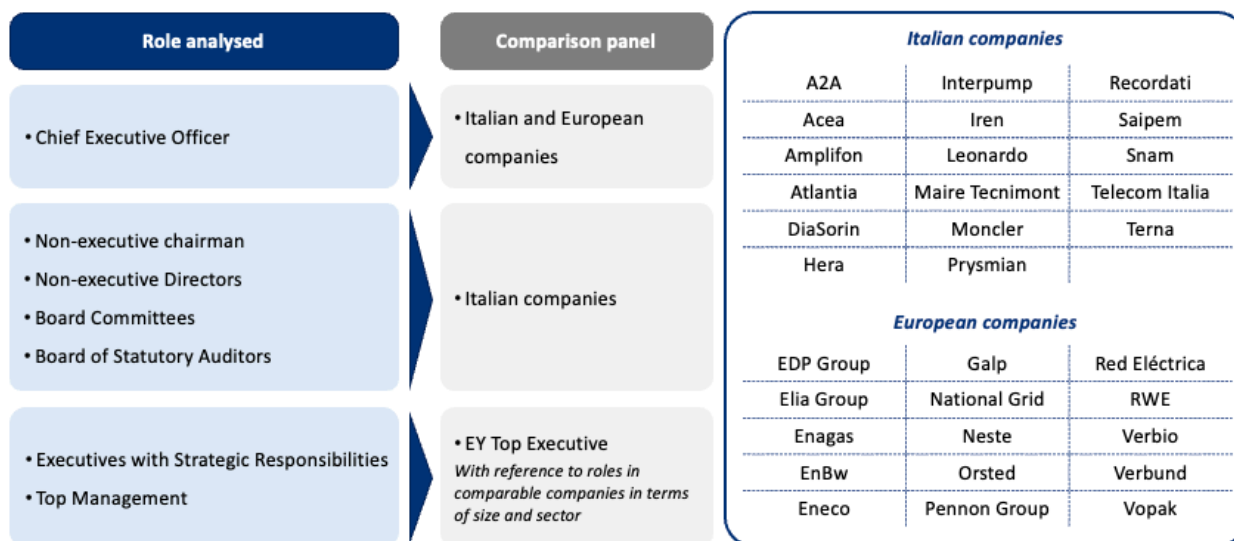
The analysis of the remuneration positioning of the Chairman, Executives with Strategic Responsibilities and Top Management, on the other hand, was carried out only in relation to the Italian companies in the panel identified and showed an average positioning of fixed remuneration also in line with the positioning chosen by the Company.

The compensation references used for the various types of role are shown in the table below<sup>11</sup>:

---

<sup>11</sup> The compensation surveys were conducted on an aggregate panel or on specific sub-clusters identified for consistency with the Italgas governance.

## Panels used for compensation benchmarks



### **3. 2022 Remuneration Policy**

The Remuneration Policy presented below refers to the remuneration for the three-year period 2019-2021, prepared and valid until the Board of Directors' term of office expires with the Shareholders' Meeting of 26 April 2022. These fees are in line with the Company's current Policy, the recommendations of the New Corporate Governance Code and the remuneration studies carried out with the support of a highly specialised independent advisor and taking into account national and international best practices.

This is without prejudice to the prerogatives of the new Board of Directors, which will take office as of the next Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2021, to determine the remuneration of Directors holding special offices and the remuneration of non-executive Directors for their participation in Board Committees, in accordance with the principles of the Policy described below and which may be disclosed to the market in accordance with current legislation.

The guidelines for the 2022 Remuneration Policy are consistent with what Italgas has pursued in recent years, aiming to simplify the overall architecture of the incentive system and align the performance targets with shareholders' expectations. Particular attention is again paid to ESG issues and the related objectives used in the management incentive schemes, in order to further strengthen the link with the Sustainability Plan developed by the Company.

The 2022 Remuneration Policy guidelines were evaluated by the Appointments and Compensation Committee as being consistent with the applicable market benchmarks.

#### **3.1. Chairman**

##### **3.1.1. Compensation for the office and powers and other indemnities**

Based on the resolutions of the Board of Directors passed at the proposal of the Appointments and Compensation Committee at the meeting on 23 September 2019, valid until the term of office expires with the Shareholders' Meeting of 26 April 2022, the remuneration of the Chairman of the Board of Directors provides for a gross annual fixed salary for the position of 270,000 euros, including the fixed annual remuneration for Directors established by the Shareholders' Meeting, in addition to reimbursement of the costs incurred in connection with the position. The Board of Directors appointed by the Shareholders' Meeting of 26 April 2022 will have the power to determine the remuneration envisaged for

any special offices granted to the Chairman, also on the basis of market benchmarks prepared and carried out by an independent and specialised advisor and in consideration of the market positioning chosen and defined in this Remuneration Policy.

In view of the nature of this position, there are no: i) short or long-term variable incentive components; ii) agreements on end-of-mandate settlement and compensation.

## 3.2. Non-executive Directors

### 3.2.1. Shareholders’ meeting remuneration

On 4 April 2019, the Shareholders’ Meeting approved the Directors’ remuneration at a gross annual fixed remuneration for the office of 50,000 euros, in addition to reimbursement for costs incurred in connection with the position. These fees are valid until the appointment of the new Board of Directors by the Shareholders’ Meeting on 26 April 2022. The latter will approve the remuneration envisaged for Non-Executive Directors for the three-year period 2022-2024, valid until the date of the Shareholders’ Meeting called to approve the Financial Statements for the year ending 31 December 2024.

In light of the recommendations of the Corporate Governance Code, the remuneration of non-executive Directors is not linked to the economic results achieved by the company, nor are they the beneficiaries of share-based incentive plans.

No distinction is provided for in terms of the remuneration for independent Directors.

### 3.2.2. Compensation for participating in Board Committees

The Board of Directors resolved on the remuneration of Non-Executive Directors for participation in Board Committees on 13 May 2019, and amended the remuneration of the Chairman of the Sustainability Committee on 5 October 2020. These fees are valid until the appointment of the new Board of Directors by the Shareholders’ Meeting on 26 April 2022 and amount to:

Committee	Chairman compensation	Member compensation
Control and Risk Committee	€ 45,000	€20,000
Appointments and Compensation	€ 40,000	€20,000
Sustainability Committee	€ 30,000	€20,000

The Board of Directors appointed by the Shareholders' Meeting of 26 April 2022 will have the power to determine the remuneration envisaged for the Board Committees identified within it, also based on market benchmarks prepared and carried out by an independent and specialised advisor.

### **3.2.3. End-of-mandate settlement and compensation**

For non-executive Directors, no specific end-of-mandate settlements or agreements calling for payment of compensation in the event of early termination of employment are provided.

## **3.3. Chief Executive Officer<sup>12</sup>**

### **3.3.1. Fixed remuneration**

The Chief Executive Officer's fixed remuneration was determined, at the proposal of the Appointments and Compensation Committee and with the approval of the Board of Statutory Auditors, by the Board of Directors on 23 September 2019, at a gross annual amount of 810,000 euros, including the remuneration provided by the Shareholders' Meeting. The gross-up for the car is expected to be maintained. These fees are valid until the appointment of the new Board of Directors by the Shareholders' Meeting on 26 April 2022. The new Board of Directors will have the power to determine the remuneration envisaged for the Chief Executive Officer, also on the basis of market benchmarks prepared and carried out by an independent and specialised advisor and in consideration of the market positioning chosen and defined in this Remuneration Policy as below the market median.

As an Italgas executive, the Chief Executive Officer is the recipient of allowance for work-related travel, domestically and abroad, in line with the provisions of the CCNL [National Collective Labour Agreement] and supplementary corporate agreements.

### **3.3.2. Variable incentive plans**

#### **3.3.2.1. Short-Term Incentive**

In order to ensure the strong alignment with the interests of shareholders and the creation of long-term value, a short-term incentive plan has been in existence since 2018 which is

---

<sup>12</sup> The Chief Executive Officer, Mr Paolo Gallo, is also a Senior Executive of Italgas. The fixed and short- and long-term variable compensation referred to him and described herein are understood to be comprehensive of all roles and positions.



connected with a system of deferment and co-investment in Company shares (2021-2023 Co-investment Plan approved by the Shareholders' Meeting on 20 April 2021). Using shares as an incentive instrument allows for strengthening of the connection between incentive and long-term value creation, in alignment with all shareholders expectations.

The Short-Term Incentive Plan, together with the related Co-investment Plan, provides for a portion of the incentive to be paid out annually, while a portion is deferred for three years and transformed into an equivalent number of shares as illustrated below.

The Short-Term Incentive Plan is connected with the attainment of the 2022 corporate objectives set by the Board of Directors of 9 March 2022. These objectives maintain a structure that is focused on essential targets, consistent with the guidelines defined in the Strategic Plan and balanced with respect to the perspectives of interest of different stakeholders. The structure and the weight of the different objectives, in recent years, have seen a growth in the weight of sustainability, and in 2022, are structured as follows:

**Chief Executive Officer – Objectives of the 2022 Short-Term Incentive Plan**

<p><b>30%</b> Profitability (EBITDA)</p>	<p><b>25%</b> Sustainability:</p> <ul style="list-style-type: none"> <li>• Accident frequency index</li> <li>• Gas Leakage Rate</li> <li>• Energy intensity</li> <li>• Diversity and inclusion</li> </ul>
<p><b>25%</b> Investment (spending)</p>	
<p><b>20%</b> Net Financial Position</p>	

With reference to the objectives identified above, the metrics and main performance indicators<sup>13</sup> are described below:

---

<sup>13</sup> With reference to the economic/financial performance indicators, considering the sensitivity of the data and its strategic relevance, reference is made to performance levels determined in comparison with budget values without explicitly providing individual numbers.

Objective	Description	Weight	Scenarios	Performance	Score
<b>Profitability (EBITDA)</b>	Indicator representing the profitability of the operating performance, calculated by subtracting operating costs from revenue. <sup>14</sup>	30%	Minimum Target Maximum	Budget - 5% Budget Budget + 5%	70% 100% 130%
<b>Investment (spending)</b>	Technical investments made in the year, excluding investments resulting from the adoption of IFRS 16 and centralised investments.	25%	Minimum Target Maximum	Budget +/- 10% Budget +/- 7.5% Budget +/- 5%	70% 100% 130%
<b>Net Financial Position</b>	Determined as the sum of short- and long-term financial debt (gross financial debt) and cash and cash equivalents. The net financial position of the company objectives does not include financial debts for operating leases pursuant to IFRS 16 <sup>15</sup> .	20%	Minimum Target Maximum	Budget + 2% Budget Budget - 2%	70% 100% 130%
<b>Sustainability</b>	<b>Frequency rate of accidents</b> suffered by <b>employees and contractors</b> : measured in terms of the number of accidents that occurred for every million hours worked during the year.	5%	Minimum Target Maximum	2 1.5 1	70% 100% 130%
	<b>Gas Leakage Rate</b> : measured as the percentage of gas leaks into the atmosphere out of the total gas transported by the Italgas network during the calendar year. It measures the rate of gas leakage into the atmosphere on an annual basis in relation to the total volume of gas distributed by the group's networks (cubic meters of gas leaked per cubic meter of gas transported).	7.5%	Minimum Target Maximum	0.20% 0.15% 0.10%	70% 100% 130%

<sup>14</sup> In the final balance, the effects of changes with respect to the 2022 Budget will be sterilised, with the approval of the Appointments and Compensation Committee and the Board of Directors, deriving from: extraordinary M&A transactions, Authority/regulatory measures, net provisions made, charges for redundancy incentives, capital gains/losses, write-downs, changes in the EEC acquisition strategy.

<sup>15</sup> In the final balance, the effects of changes to the debt between the Second Forecast and the 2021 Final Figures, net of specific changes in monetary working capital and changes to the 2022 dividend policy, will be sterilised with the approval of the Appointments and Compensation Committee and the Board of Directors.

Objective	Description	Weight	Scenarios	Performance	Score
	<b>Energy intensity:</b> reduction of the energy intensity calculated by comparing the total Group energy consumption with the gas distributed. This parameter offers an indication of the quantity of energy used to supply 10 <sup>6</sup> Sm <sup>3</sup> of gas.	7.5%	Minimum Target Maximum	0.0670 0.0655 0.0640	70% 100% 130%
	<b>Diversity and Inclusion:</b> percentage of women in managerial positions at 31/12/2022.	5%	Minimum Target Maximum	21% 22% 23%	70% 100% 130%
<b>PERFORMANCE GATE</b>		Overall score >= 85%			

Each objective is then measured according to a performance scale (minimum, target and maximum) with an associated score ranging from 70% (for minimum performance) to 130% (for maximum performance). Below the minimum performance for each objective, a score of zero is given. For intermediate values between the minimum and target and between the target and the maximum, the score is defined by linear interpolation. The weighted average of the performance of each objective by the relative weights determines the overall performance.

**If the overall score is less than 85%, no incentive will be paid, irrespective of the level of achievement of the individual objectives (the “performance gate”).**

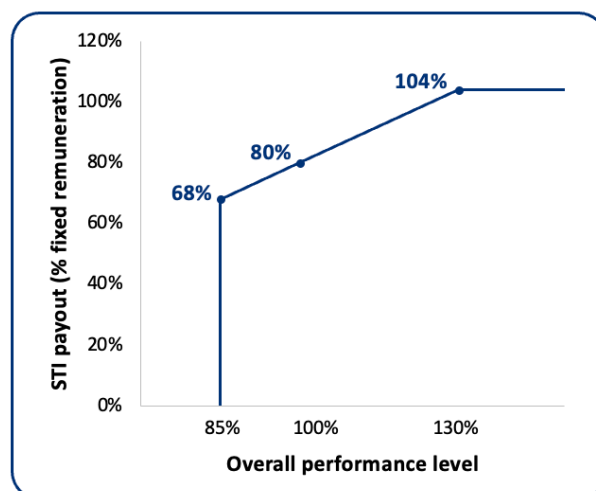
The accrued Short-Term Incentive (STI) is calculated using the following formula:

$$\text{STI} = \text{STI target} \times \text{Overall score}$$

The incentive levels for the Chief Executive Officer (as a percentage of the fixed remuneration) according to the overall performance level achieved are shown below:

### Chief Executive Officer - Short-term incentive performance-payout curve

	Overall performance level	STI payout (% fixed remuneration)
<b>Minimum</b>	< 85%	0
	= 85%	68%
<b>Target</b>	= 100%	80%
<b>Maximum</b>	>= 130%	104%



For intermediate values between the minimum and target and between the target and the maximum the incentive value is defined by linear interpolation.

The accrued Short-term Incentive (STI) is then divided in two portions:

- 1) a portion paid out annually ( $I_{Year}$ ) amounting to 65% of the total amount:

$$I_{Year} = STI \times 65\%$$

Consequently, the pay-out relating to the short-term incentive that can be paid out in the year according to the attained performance levels is as follows:

	Overall performance level	Up-front STI payout (% fixed remuneration)
<b>Minimum</b>	< 85%	0
	= 85%	44%
<b>Target</b>	= 100%	52%
<b>Maximum</b>	>= 130%	68%

For intermediate values, the value of the monetary incentive to be paid out is determined by means of linear interpolation.

- 2) A deferred pay-out in the Co-investment Plan equal to the remaining 35% of the total amount:

$$I_{Deferred} = STI \times 35\%$$

### 3.3.2.2. Co-investment Plan

The 2021-2023 Co-investment Plan, approved by the Shareholders' Meeting of 20 April 2021, is one of the components of the long-term incentive plan, together with the 2020-2022 Long-Term Monetary Incentive Plan approved by the Shareholders' Meeting of 12 May 2020 and described in the following paragraph.

The deferred portion of the STI ( $I_{Deferred}$ ) is transformed into Italgas shares according to the following formula:

$$Shares\ Ass = \frac{I\ Deferred}{Price\ Ass}$$

in which the assignment price [**Price Ass**] is calculated as the average of the official daily prices recorded in the thirty calendar days prior to the date of the Board of Directors meeting that approves the reported results pertaining to the short-term incentive.

The shares shall be allocated after the three-year vesting period according to the following timeline:

#### Co-investment Plan - Timeline



The actual allocation of the shares is subject to a performance condition represented by the EBITDA accumulated in the reference three-year period, based on the values in the budget and strategic plan.

Based on the performance level achieved, a Matching by the company is also envisaged, which consists of a predefined number of shares in addition to those initially assigned. This component ranges from a ratio of 0.6 shares for every share assigned in the event of minimum performance level to a ratio of 1 share for every share assigned in the event of maximum performance level.

The following table summarises the number of shares that can be accrued (Multiplier and Matching) based on the level of performance achieved:

	EBITDA accumulated in the reference three-year period	Multiplier (% shares compared to those assigned)	Matching (ratio with respect to shares assigned)
<b>Minimum</b>	EBITDA < Target -5%	0	0
	EBITDA = Target -5%	70%	0.6:1
<b>Target</b>	Target	130%	0.8:1
<b>Maximum</b>	EBITDA >= Target +5%	170%	1:1

For intermediate values, the number of shares to be allocated is determined by means of linear interpolation.

**For EBITDA results of less than 5% of the target value fixed for the three years (minimum level), the number of shares allocated will be 0 and, therefore, the deferred portion of the annual incentive will not be disbursed either.**

The total number of shares allocated will therefore be determined by the following formula:

$$\text{Shares Allocated} = [\text{Shares}_{\text{Ass}} \times \text{Multiplier}] + \text{Matching}$$

There is also provision for an additional number of shares to be allocated – known as the Dividend Equivalent – on the actually accrued shares in an amount equivalent to the ordinary and extraordinary dividends distributed by Italgas during each three-year performance period and which would be due to the beneficiary during this period. The number of additional shares to be allocated is determined as the ratio between the sum of the dividends distributed in each three-year period and the average price of the share recorded in the 30 days before the Board of Directors’ meeting that approves the final accounting of the performance conditions to which the plan is connected.

### 3.3.2.3. Long-Term Monetary Incentive (LTMI)

The long-term variable component aims to ensure the sustainability of value creation for the shareholders in the medium to long-term and is made up of the 2021-2023 Co-investment Plan along with the 2020-2022 Long-Term Monetary Incentive Plan (LTMI) approved by the Shareholders' Meeting on 12 May 2020.

The LTMI plan applies to managerial roles with the greatest impact on company results and provides for the annual allocation to the Chief Executive Officer of an amount equal to 65.5% of the fixed remuneration and the disbursement of the incentive after three years (vesting period) as a percentage of between 0 and 130% based on the weighted variation of the following parameters:

#### Objectives of the 2020-2022 Long-Term Monetary Incentive Plan (2022 assignment)

<b>55%</b> Consolidated net profit	<b>30%</b> Relative Total Shareholder Return
<b>15%</b> Sustainability: <ul style="list-style-type: none"> <li>• Inclusion in sustainability indices and ratings</li> <li>• Reduction of emissions</li> </ul>	

With reference to the objectives identified above, the metrics and main performance indicators<sup>16</sup> are described below:

Objective	Description	Weight	Scenarios	Performance	Score
<b>Accumulated adjusted net profit</b>	Operating performance indicator, calculated by subtracting from earnings the operating costs (EBITDA), depreciation and amortisation, net financial expenses, adding income from	55%	Minimum Target Maximum	Budget/Plan - 5% Budget/Plan Budget/Plan + 5%	70% 100% 130%

<sup>16</sup> With reference to the economic/financial performance indicators, considering the sensitivity of the data and its strategic relevance, reference is made to performance levels determined in comparison with budget values and strategic plan without explicitly providing individual numbers.

	equity investments and subtracting income tax, excluding the income components classified as special items (agreed and approved annually by the BoD, upon the proposal of the Appointments and Compensation Committee).				
<b>Relative TSR</b>	Measured in relation to the positioning of Italgas in a select peer group formed of the following European companies listed on markets in the euro zone (also relevant for the purposes of the P4P methodology) belonging to the EURO STOXX TMI Utilities index: Snam, Terna, A2A (Italy), Red Eléctrica, Enagas (Spain), Elia System Operator (Belgium).	30%		1st place 2nd place 3rd place 4th place 5th place 6th place 7th place	130% 120% 110% 100% 0% 0% 0%
<b>Sustainability</b>	Defined based on two parameters: - Inclusion, over the three-year period 2021-2023, in the DJSI, FTSE4GOOD and CDP Climate Change sustainability indexes and ratings.	15%	Minimum Target Maximum	5 inclusions 6 inclusions 8 inclusions	70% 100% 130%
	- Reduction of emissions, measured as the decrease in quantity of gas emitted into the atmosphere by dispersions. <sup>17</sup>		Minimum Maximum	92% 93%	70% 130%

<sup>17</sup> For 2022, the reference metric to ensure the figure is measurable on a multi-year basis and the double role of the indicator in terms of emissions and network security, which is therefore defined as the percentage of plants (out of the total number) that do not fall within the disincentive area using the ARERA method, is confirmed.



Each objective is then measured according to a performance scale (minimum, target and maximum) with an associated score ranging from 70% (for minimum performance) to 130% (for maximum performance). Below the minimum performance for each objective, a score of zero is given. For intermediate values between the minimum and target and between the target and the maximum, the score is defined by linear interpolation. The weighted average of the performance of each objective by the relative weights determines the overall performance.

The accrued Long-Term Monetary Incentive (LTMI) is calculated according to the following formula:

$$\text{LTMI} = \text{LTMI target} \times \text{Overall score}$$

The LTMI Plan involves a three-year vesting period for each assignment cycle, as shown below.

Long-Term Monetary Incentive Plan - Timeline



### 3.3.3. Severance agreement and pay

The Chief Executive Officer in office until the Shareholders' Meeting of 26 April 2022 is entitled to compensation for termination of his administration and management employment contract, in line with the practice of the reference markets.

Upon termination of the contract, in the event of non-renewal of the mandate on expiry or early termination of the mandate, there is provision for two annual payments to be made amounting to the annual fixed remuneration plus the average of the variable incentive paid over the previous three years.

The compensation is not payable if the employment contract is terminated for just cause or dismissal with a notice period for subjective reasons but with justification pursuant to the collective agreement or in the event of resignation.

The effects of any termination of the Chief Executive Officer's contract on the rights assigned under the Co-investment Plan and the Long-Term Monetary Incentive Plan (LTMI) in place are described in the relevant Information Documents and Assignment Regulations. In particular, for all plans that provide for a three-year vesting period, in the event of termination of the employment contract (agreed by mutual consensus or under good leaver conditions) during the vesting period, the beneficiary shall retain the right to a smaller incentive based on the period elapsed between the allocation of the incentive and the occurrence of this event. In the event of termination of the contract for cases other than those stated above, all rights are forfeited.

The Board of Directors appointed by the Shareholders' Meeting of 26 April 2022 will have the power to determine any different remuneration and severance pay, also based on market benchmarks prepared and carried out by an independent and specialised advisor.

#### **3.3.4. Non-compete agreements**

A non-compete agreement exists to protect the company's interests. Based on the standards used by companies of equivalent standing and in accordance with article 2125 of the Italian Civil Code, in relation to requirement for the Chief Executive Officer not to engage, for a period of one year after termination of the employment contract, in any kind of activity that might compete with that of Italgas, this provides for a payment equivalent to the fixed annual salary to be made. To protect the Company, penalties are applicable for infringements, subject to compensation for further loss.

#### **3.3.5. Benefits**

In accordance with national collective labour agreements and supplementary company agreements for Italgas executives, the Chief Executive Officer is also entitled to enrolment in the Supplementary Pension Fund (AZIMUT PREVIDENZA)<sup>18</sup>, enrolment in the

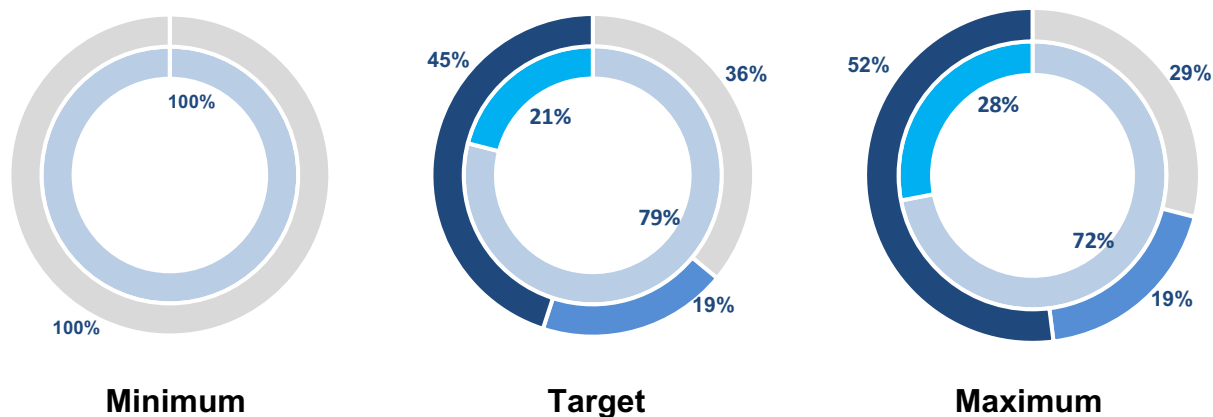
---

<sup>18</sup> [www.azimutprevidenza.it](http://www.azimutprevidenza.it)

Supplementary Health Care Funds (FISDE and CassaPrevint)<sup>19</sup> and insurance cover against the risk of death and disability, as well as a car for personal and business use.

### Chief Executive Officer

#### Pay mix and form of remuneration for the minimum, target and maximum performance results



#### Pay elements

- Fixed Compensation
- Short term incentive plan (STI)
- Long term Incentive plan (Co-investment + LTMI)

#### Payment methods

- Cash
- Shares

The pay-mix of the Chief Executive Officer has a prevalent variable component (short and long term) compared to the fixed component (target scenario: 64% vs 36%), thus significantly emphasising the link between remuneration and company performance. In relation to the benchmark analyses carried out in 2021 with the support of an independent specialist advisor (EY), the impact of the variable component on the total remuneration of the Chief Executive Officer is slightly above the average of the market analysed.

### 3.4. Control Bodies

#### 3.4.1. Board of Statutory Auditors

Based on the resolutions of the ordinary Shareholders' Meeting of 4 April 2019, the remuneration of the Chairman of the Board of Statutory Auditors includes a gross annual

<sup>19</sup> Funds that issue refunds for health care costs to executives, whether in service or retired, and their family members, [www.fisde-eni.it](http://www.fisde-eni.it); [www.cassaprevint.it](http://www.cassaprevint.it)

fixed compensation for the position of 70,000 euros, in addition to reimbursement for costs incurred in connection with the position.

On the same date, the Shareholders' Meeting approved the emolument payable to other members of the Board of Statutory Auditors in the amount of 45,000 euros.

These fees are valid until the appointment of the new Board of Statutory Auditors by the Shareholders' Meeting of 26 April 2022. The latter, in fact, will approve the remuneration envisaged for members of the Board of Statutory Auditors for the three-year period 2022-2024, valid until the date of the Shareholders' Meeting that will approve the Financial Statements for the year ending 31 December 2024.

In view of the nature of this position, there are no: i) short- or long-term variable incentive components; ii) agreements on end-of-mandate settlement and compensation.

### **3.4.2. Head of Internal Audit**

The remuneration of the Head of Internal Audit of Italgas consists of a fixed component and a variable component, in line with that provided for the company's Top Management.

The Appointments and Compensation Committee has defined the guidelines for the variable incentive systems and, in agreement with the Control and Risk Committee, has provided the following indications for the Head of Internal Audit:

- an MBO (Management by Objective) scorecard, with exclusively functional measurable objectives, excluding economic and financial targets and on which determination of the annual monetary incentive depends;
- provision of an evaluation scale with minimum, target and maximum performance levels for each objective assigned;
- direct assessment of specific objectives by the Control and Risk Committee;
- standardisation of other forms of deferred and long-term monetary incentives for all managers.

## **3.5. Other Executives with Strategic Responsibilities**

### **3.5.1. Fixed remuneration**

For Executives with Strategic Responsibilities, the fixed remuneration is determined based on the role and responsibilities assigned, considering the compensation levels found on the

market for roles with a similar level of responsibility and managerial complexity in companies on the FTSE MIB index and comparable companies in terms of business type, and can be adjusted periodically as part of the annual salary review process carried out in respect of all managers. Similarly to what is envisaged for the Chief Executive Officer, the average market positioning chosen for Executives with Strategic Responsibilities is defined below the median of the market considered for the fixed component, providing for a recovery of competitiveness with the variable components. The guidelines for 2022, considering the reference context and current market trends, provide for selective criteria while maintaining high levels of competitiveness and motivation. In particular, the actions proposed involve adjustments addressed selectively at the holders of positions whose scope of responsibilities has increased or whose position is significantly below the median market references.

In their capacity as Italgas executives, Executives with Strategic Responsibilities also receive reimbursements for national and international travel, in accordance with the provisions of the relevant national collective agreement and supplementary Company agreements.

### **3.5.2. Variable Incentive Plans**

The Short-Term Incentive Plan, for executives who are not members of the Independent Operator / Compliance Manager, in line with what is envisaged for the Chief Executive Officer, provides for compensation determined on the basis of the Italgas and individual performance results with a target (performance = 100%) and maximum (performance = 130%) incentive level of 51% and 67% of the fixed remuneration respectively. A threshold level (overall performance = 85%) is set, below which the Short-Term Incentive (STI) is not paid.

For other Executives with Strategic Responsibilities the variable annual incentive is determined partly (40%) by the company results compared to the targets assigned to the Chief Executive Officer by the Board of Directors on 9 March 2022 and partly (60%) by a series of individual targets (focused on economic/financial, operational and industrial performance, internal efficiency and sustainability matters) assigned in relation to the responsibility held, in accordance with the provisions of the Company's Strategic Plan.

The following table shows the type of objectives assigned to Executives with Strategic Responsibilities:

**Executives with Strategic Responsibilities – Objectives of the 2022 Short-Term Incentive Plan**

Objective	Description	Weight
<b>Company objectives</b>	Short-term incentive scheme for the Chief Executive Officer, with a view to alignment with the Group's performance results.	40%
<b>Role/direction objectives</b>	Priority and strategic objectives of an economic and financial nature closely linked to the scope of responsibility.	60%
<b>Project objectives</b>	Group strategic projects led by the relevant management, focused on the operational and industrial performance, internal efficiency and sustainability issues.	

The Short-Term Incentive (STI) accrued is then divided into two portions: the annually paid portion amounts to 65% of the total amount, the deferred portion in the Co-investment Plan amounts to 35% of the total amount.

In accordance with the provisions made for the CEO, Executives with Strategic Responsibilities participate in the Long-term Incentive Plans as follows:

- 2021-2023 Co-investment Plan, in relation to the Company's performance measured in terms of EBITDA, under the same performance conditions and with the same characteristics as described in the paragraph dedicated to the Chief Executive Officer's remuneration;
- 2020-2022 Long-Term Monetary Incentive Plan (LTMI) provided for managerial roles with the greatest impact on the company's results. This Plan has the same performance conditions and characteristics as the Plan envisaged for the CEO. For Executives with Strategic Responsibilities the target incentive is 34% of fixed remuneration. The incentive payable at the end of the three-year vesting period is determined as a percentage of between 0% and 130% of the value assigned, based on the results achieved.

### **3.5.3. Payments made in the event of termination of office or termination of the employment contract**

Executives with Strategic Responsibilities are entitled to receive the severance pay provided for in the relevant national collective labour agreement and any supplementary payments individually agreed on termination according to the criteria established by Italgas in cases of facilitated redundancy, in any case not exceeding two years of total remuneration.

**On the date on which this Report was drawn up there were no supplementary individual agreements in the event of termination of the employment contract.**

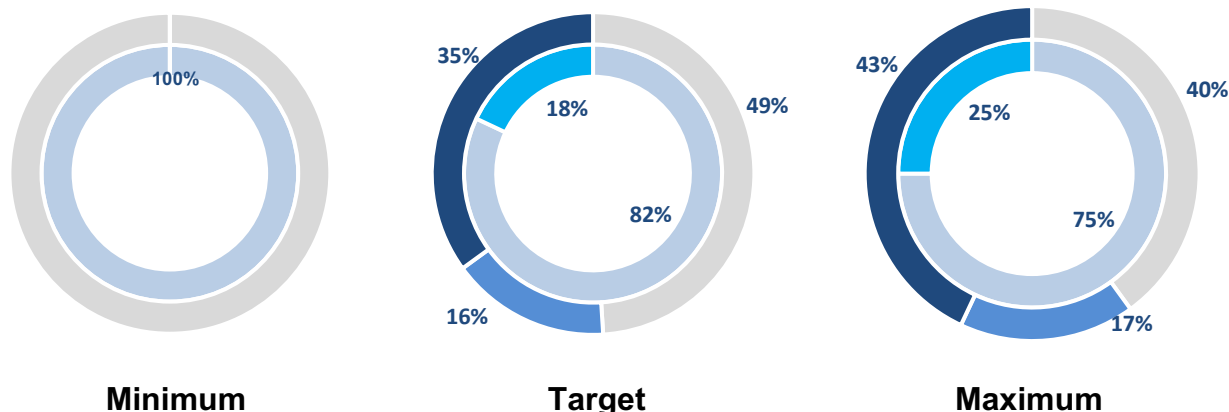
The effects of any termination of the employment contract of Executives with Strategic Responsibilities on the rights assigned under the long-term incentive plans are described in the relevant Information Notices and Assignment Regulations. In particular, for all Plans that provide for a three-year vesting period, in the event of termination of the employment contract (agreed by mutual consensus or under good leaver conditions) during the vesting period, the beneficiary shall retain the right to a smaller incentive based on the period elapsed between the allocation of the incentive and the occurrence of this event. In the event of termination of the contract for cases other than those stated above, all rights are forfeited.

### **3.5.4. Benefits**

In accordance with national collective labour agreements and supplementary company agreements for Italgas executive, Executives with Strategic Responsibilities are also entitled to enrolment in the Supplementary Pension Fund (FOPDIRE or PREVINDAI or AZIMUT), enrolment in the Supplementary Health Care Fund (FISDE) and insurance cover against the risk of death and disability, as well as a car for personal and business use.

## Executives with Strategic Responsibilities

### Pay mix and form of remuneration for the minimum, target and maximum performance results



#### Pay elements

- Fixed Compensation
- Short term incentive plan (STI)
- Long term Incentive plan (Co-investment + LTMI)

#### Payment methods

- Cash
- Shares

### 3.6. Independent Operators / Compliance Managers

For the Managers, which include two Executives with Strategic Responsibilities, who are members of the Independent Operator / Compliance Manager, there is a specific Policy in relation to the short and long-term variable incentive plans, in order to ensure the neutrality of management of essential infrastructure in accordance with the reference legislation<sup>20</sup>.

The remuneration Policy envisaged for members of the Independent Operator / Compliance Manager, albeit with the necessary specifications, is aligned with the Company's overall approach for compensation issues and is formed of a short-term variable incentive component, a medium-term component and a long-term one, in line with the structure envisaged for the Group's Managers. In particular, the following is provided for:

- A short-term incentive (STI);
- A deferment plan for the short-term incentive – “Bonus Bank” in monetary form;
- A long-term monetary incentive (LTMI) plan.

<sup>20</sup> Pursuant to Annex A (TIUF) to resolution 296/2015, amended and supplemented with resolution 15/2018, which, in addition to providing for specific provisions relating to the functional unbundling obligations for companies operating in the electricity and gas sectors, governs the independence requirements of the members of the Independent Operator / Compliance Manager of companies operating in the corporate unbundling of sales and production. In particular, subsection 10.3 sets out the ban on implementing compensation policies or incentive systems directly or indirectly connected to the performance of the sales or production activity of electricity or natural gas.



With reference to the short-term component, an incentive system is envisaged based on an outline with individual objectives and/or objectives attributable to the specific business area, with a percentage weight for Executives with Strategic Responsibilities equal to 51% of the fixed remuneration for performance at target, as envisaged for the other Executives with Strategic Responsibilities who are not part of the Independent Operator / Compliance Manager.

65% of the Short-Term Incentive (STI) is paid upfront on the basis of achievement of the annual results, whereas 35% is “invested” into a company “Bonus Bank” plan and is subject to a performance condition, tied to the EBITDA of the unbundling scope, according to the same incentive scale envisaged for other Executives with Strategic Responsibilities who are not part of the Independent Operator / Compliance Manager. This deferred component is paid in monetary form in compliance with the functional unbundling legislation.

The Long-Term Monetary Incentive (LTMI) plan has the same characteristics as those defined for other Managers of the Group, but with objectives structured according to the unbundling perimeter in line with the reference legislation. In particular, the following objectives are envisaged for the 2020-2022 LTMI Plan (2022 assignment):

**Independent Operator / Compliance Manager – Objectives of the 2020-2022 Long-Term Monetary Incentive Plan (2022 assignment)**

<p><b>50%</b> Net profit of companies in the unbundling scope</p>	<p><b>30%</b> Digitisation projects with strategic value</p>
<p><b>20%</b> Sustainability:</p> <ul style="list-style-type: none"> <li>• Reduction of emissions</li> </ul>	

**3.7. Claw-back mechanisms**

All the variable incentive systems include a claw-back clause whereby, within the legal statute-barred term (ten years), the Company is able to retake possession of amounts paid in the event that it is ascertained that the achievement of the objectives is attributable to malicious or grossly negligent behaviour or, in any case, implemented in violation of the reference standards.

## Second Section – 2021 Compensation Paid and other information

### 1. Implementation of 2021 Remuneration Policies

Below is a description of the application of the Remuneration Policy in 2021 for the Chairman of the Board of Directors, Non-Executive Directors, Chief Executive Officer, Board of Statutory Auditors and Executives with Strategic Responsibilities.

The 2021 Compensation Policy, as verified by the Appointments and Compensation Committee during the periodic assessment required by the Corporate Governance Code, was implemented in accordance with the general principles referred to in the resolutions passed by the Board of Directors and was consistent with the 2021 Remuneration Policy, both in the market references found and in terms of overall positioning and pay mix.

Furthermore, in 2021, in compliance with the application of regulations related to functional unbundling, Italgas applied the principles of the Remuneration Policy defined for Independent Operators / Compliance Managers.

In accordance with Legislative Decree 49/2019, article 4, subsection b, shown below are the 2021 performance results based on the targets set by Italgas' Board of Directors, which will determine or contribute to determining the incentives pertaining to 2021 which will be disbursed in 2022.

The incentives disbursed in 2021 were paid on basis of the final statement of results for 2020, as accrued within the Italgas Group and approved by the Board of Directors following the verification and proposal made by the Appointments and Compensation Committee, which were stated in the 2021 Report on the Remuneration Policy and Compensation Paid.

#### 1.1. Historical trend of the company's performance, the Chief Executive Officer's remuneration and the remuneration of employees

The analysis conducted on the historical trend relating to the annual variation in the total remuneration of the Chief Executive Officer and the average remuneration of employees, both characterised by a positive percentage change, shows substantial alignment with the business results shown herein by the EBITDA. Comparisons for the last three years are set out below:

### Change in company performance

PARAMETER	2019	2020	2021	Δ 2021-2020
<b>EBITDA (€ mln)</b>	908	971	1,009	+3.9%

### Change in fixed remuneration

PARAMETER	2019	2020	2021	Δ 2021-2020
<b>Chief Executive Officer (€)</b> <small>(Column 1 "Fixed compensation" of Table 1 "Compensation paid to Directors, Statutory Auditors and Executives with Strategic Responsibilities")</small>	800,768	811,360 <small>(of which 1,360 are travel allowances)</small>	813,177 <small>(of which 3,177 are travel allowances)</small>	Unchanged net of travel allowances
<b>Employees (average - €)</b>	39,872	39,881	39,974	+0.2%
<b>Employees (median - €)</b>	37,059	36,994	36,945	-0.1%
<i>Pay Ratio vs Average</i>	1:20	1:20	1:20	
<i>Pay Ratio vs Median</i>	1:22	1:22	1:22	

### Change in total annual remuneration

PARAMETER	2019	2020	2021	Δ 2021-2020
<b>Chief Executive Officer (€)</b> <small>(Column 6 "Total" of Table 1 - "Compensation paid to Directors, Statutory Auditors and Executives with Strategic Responsibilities")</small>	1,752,309	1,791,344	1,940,556	+8.3%
<b>Employees (average - €)</b>	48,197	45,747	46,727	+2.1%
<b>Employees (median - €)</b>	43,455	41,844	42,743	+2.1%
<i>Pay Ratio vs Average</i>	1:36	1:39	1:42	
<i>Pay Ratio vs Median</i>	1:40	1:43	1:45	

The data shown above refer to the variation in financial years 2019, 2020 and 2021 of the fixed and total remuneration according to the principle pertaining to the Chief Executive Officer (as shown in column 1 "Fixed compensation" and column 6 "Total" in Table 1 "Compensation paid to Directors, Statutory Auditors and Executives with Strategic Responsibilities" of this Report), the average gross annual compensation of employees and the company performance.

In order to ensure full comparability between the different elements of the compensation package in the years considered, for 2019 the component linked to disbursement of the last

monetary cycle of the Deferred Monetary Incentive Plan was excluded (540,210 euros). This plan has not been in place since 2020, as it has been replaced by the 2018-2020 Co-investment Plan which, following the finalisation of the results, provided for the allocation to the Chief Executive Officer of 191,432 shares for the three-year period 2018-2020 and 147.430<sup>21</sup> shares for the three-year period 2019-2021.

By observing the relationship between just the fixed component received by the Chief Executive Officer and the average remuneration of all employees, there is a pay ratio of 1:20, which has been substantially constant over the years analysed, demonstrating the attention paid by the company in defining remuneration policies as a whole. The ratio of the Chief Executive Officer's total remuneration to the average total remuneration of all employees shows a pay ratio of 1:42, which demonstrates the substantial alignment between company performance and the Chief Executive Officer's variable remuneration.

The data relating to board members is not shown as it is not tied to the company results and consistent with what is described in the Remuneration Policy.

## **2. Final report on the performance of the variable incentive plans**

### **2.1. Short-Term Incentive Plan**

The annual 2021 incentives are paid on the basis of the final statement of results for the targets set for 2021 in accordance with the Strategic Plan and the annual budget, determined on a constant scenario basis. In particular, the results for the targets set for 2021 were finalised by the Board of Directors as suggested by the Appointments and Compensation Committee at the meeting on 9 March 2022 and determined a company objectives performance score of 112.1 points on the measurement scale which provides for a minimum, target and maximum performance level of 70, 100 and 130 points respectively. This score determines the overall value of the short-term incentive for the Chief Executive Officer and is a significant component of the short-term incentive objectives for Executives with Strategic Responsibilities, with a weight of 40%.

The following table shows, for each target, the weighting assigned and the level of performance reached.

---

<sup>21</sup> As per instructions from CONSOB, column 7 "Fair Value of equity compensation" of Tab.1 Compensation paid to Directors, Statutory Auditors and Executives with Strategic Responsibilities of this Report, sets out the sum of the fair value pertaining to the year of all the equity plans currently in place, therefore this value is not considered for the purposes of defining the comparison table.

## Finalisation of the objectives of the 2021 Short-Term Incentive Plan – 2021 Disbursement


	Performance Parameters	Weight	Unit of measurement	Performance			Final value	Weighted score
				Minimum (70)	Target (100)	Maximum (130)		
Economic-financial	Net Financial Position	25%	€ million				4,910	20.9
	Investments	25%	€ million				777	32.5
	EBITDA	25%	€ million				1,009	28.0
Sustainability	Accident frequency index	5%	Number of accidents per million hours worked during the year				1.07	6.3
	Gas Leakage Rate	10%	Percentage of gas leaks into the atmosphere with respect to the total gas transported in the calendar year				0.09%	13.0
	Percentage of female candidates	5%	Percentage of female candidates out of the total hires (net of workers)				44.7%	4.9
	Percentage of women holding the position of "head of business unit"	5%	Percentage of women holding the position of "head of business unit" at 31/12/21				22.2%	6.5
<b>Total</b>							<b>112.1</b>	

**Performance gate**  ON

## 2.2. 2018-2020 Co-investment Plan – 2019-2021 three-year allocation

At its meeting held on 9 March 2022, following the verification and proposal of the Appointments and Compensation Committee, the Italgas Board of Directors resolved:

- an Italgas accrued EBITDA result for the 2019-2021 three-year period of 2,888 million euros which determined a multiplier of 1.65 on the measurement scale which provides for a minimum target and maximum performance level of 70, 100 and 130 points respectively, to be applied to the number of rights assigned in 2019 for the purpose of determining the number of Italgas shares to be allocated to the beneficiaries of the Plan. Furthermore, in consideration of the performance level achieved, Italgas has offered a free share matching, equal to 0.97 shares for each right assigned, as governed by the Plan, for a total multiplier of 2.62;


Performance Parameters	Unit of measurement	Performance			Final value	Multiplier
		Minimum (0.7)	Target (1.3)	Maximum (1.7)		
Accrued EBITDA	€ million				2,888	1.65
					<b>Matching</b>	0.97
					<b>Multiplier</b>	<b>2.62</b>

- an additional number of shares (“Dividend Equivalent”) determined as the ratio between the sum of the dividends distributed in the performance period and the average of the official daily prices of the share registered in the 30 calendar days prior to allocation of said shares (9 March 2022).

### 2.3. 2017-2019 Long-term Monetary Incentive Plan (LTMI) – 2019-2021 three-year allocation

At its meeting held on 9 March 2022, following the verification and proposal of the Appointments and Compensation Committee, the Italgas Board of Directors resolved:

- an Italgas 2021 Consolidated Net Profit result of 368 million euros, which resulted in a score of 130 on the measurement scale that envisages a minimum, target and maximum performance level of 70, 100 and 130 points respectively (weight 60%);

Performance Parameters	Unit of measurement	Performance			Final value	Score
		Minimum (70)	Target (100)	Maximum (130)		
Consolidated Net Profit	€ million				368	130

- a 2021 Total Shareholder Return result compared to the peer group (A2A, Elia, Enagás, Red Eléctrica, Terna, Snam) that places Italgas in 3rd place, resulting in a score of 110 on the measurement scale that envisages a minimum, target and maximum performance level of 70, 100 and 130 points respectively (weight 40%).

Position	Company	TSR (diff. %)
1	A2A	+38.0%
2	Enagas	+28.8%
3	Italgas	+22.2%
4	Snam	+21.4%
5	Elia	+20.9%
6	Red Eléctrica	+20.7%
7	Terna	+18.8%

Therefore, the overall annual performance for 2021 was 122 points. Consequently, in relation to the 2019 and 2020 results already reported, the three-year average multiplier was 1.193, applied to the incentives awarded in 2019 for the purpose of the disbursement which will take place in October 2022.

#### Final accounting of the objectives of the 2017-2019 Long-Term Monetary Incentive Plan – 2021 Disbursement

2019 Multiplier	2020 Multiplier	2021 Multiplier	Final multiplier (three-year period average)
1.18	1.18	1.22	1.193

In addition, in relation to the cash basis, the value relating to the 2017-2019 Long-Term Monetary Incentive accrued at the end of 2020 was paid in 2021.

### 3. Compensation paid to the Directors

#### 3.1. Chairman of the Board of Directors

##### 3.1.1. Fixed compensation

The Chairman was paid the fixed compensation resolved by the Board of Directors on 23 September 2019, amounting to 270,000 euros gross, including the fixed annual compensation for Directors established by the Shareholders' Meeting on 4 April 2019. This value is shown in Table 1 under "Fixed compensation".

## **3.2. Non-executive Directors**

### **3.2.1. Fixed compensation**

The Directors received, if necessary *pro rata temporis*, the fixed compensation resolved by the Shareholders' Meeting of 23 April 2019, amounting to a gross annual amount of 50,000 euros. These amounts are shown in Table 1 under "Fixed compensation".

The Directors were paid, in accordance with the resolutions passed by the Board of Directors on 13 May 2019 and if necessary *pro rata temporis*, the additional compensation due for participation in the Board Committees, details of which are given in Table 1 under "Compensation for participation in Committees".

## **3.3. Chief Executive Officer**

### **3.3.1. Fixed compensation**

The Chief Executive Officer received the fixed compensation resolved by the Board of Directors on 23 September 2019, which also includes the compensation resolved by the Shareholders' Meeting for all Directors and the travel allowances payable (3,177 euros) in the total annual gross amount of 813,177 euros. This value is shown in Table 1 under "Fixed compensation".

Also disbursed and shown in Table 1 under "Other compensation" is the gross-up for the car, amounting to 8,509 euros gross.

### **3.3.2. Short-Term Incentive (STI)**

The finalisation of the objectives of the Short-Term Incentive Plan for 2021 determined, as shown in paragraph "2.1. Short-Term Incentive Plan" in the Second Section of this Report, an overall performance of 112.1 points. This resulted in the Chief Executive Officer accruing a total of 726,408 euros as a short-term incentive. 65% of this amount will be paid upfront, while the remaining 35% will be deferred in the 2021-2023 Co-investment Plan.

The Chief Executive Officer will therefore be paid a Short-Term Incentive (STI) of 472,165 euros gross in 2022 as an upfront component. This value is shown in Table 3.B under "Bonus for the year – Payable/paid".

In addition, in 2021, the bonus relating to the Short-Term Incentive of 462,899 euros (upfront portion) was paid, in accordance with the cash principle, the accrual of which relates to FY



2020 and about which information has already been provided in the Report on the 2021 Remuneration Policy and 2020 Compensation Paid.

### **3.3.3. 2018-2020 Co-investment Plan – 2019-2021 three-year allocation**

With reference to the rights assigned in 2019 and accrued at the end of the performance period as at 31 December 2021, at the Board of Directors meeting on 9 March 2022, 147,430 shares were allocated to the Chief Executive Officer linked to the performance achieved in the three-year period 2019-2021, the free matching offered by Italgas and the approved Dividend Equivalent.

### **3.3.4. 2021-2023 Co-investment Plan – 2021 assignment**

At the meeting held on 4 May 2021, at the proposal of the Appointments and Compensation Committee and in accordance with the 2021 Remuneration Policy and with the 2021-2023 Co-investment Plan approved by the 2020 Shareholders' Meeting, the Board of Directors confirmed the assignment of 49,453 rights to the Chief Executive Officer to receive Company shares at the end of the three-year vesting period and upon achievement of the specific performance objective, to be approved by this Shareholders' Meeting. The fair value of the assignment is shown in Table 3.A under "Fair value on the assignment date".

### **3.3.5. 2017-2019 Long-term Monetary Incentive Plan (LTMI) – 2019-2021 three-year allocation**

In 2021, the Long-Term Monetary Incentive (LTMI) awarded in 2019 matured for a total gross value of 632,290 euros based on the multiplier of 1.193 approved by the Board of Directors on 9 March 2022. This incentive will be paid during 2022 and its value is shown in Table 3.B under "Bonuses from previous years – Payable/paid".

In addition, in 2021, the bonus relating to the 2017-2019 Long-Term Monetary Incentive, assigned in 2018, was paid in accordance with the cash principle, amounting to 493,660.50 euros, the accrual of which relates to FY 2020 and about which information has already been provided in the Report on the 2021 Remuneration Policy and 2020 Compensation Paid.

### 3.3.6. 2020-2022 Long-term Monetary Incentive Plan (LTMI) – 2021 assignment

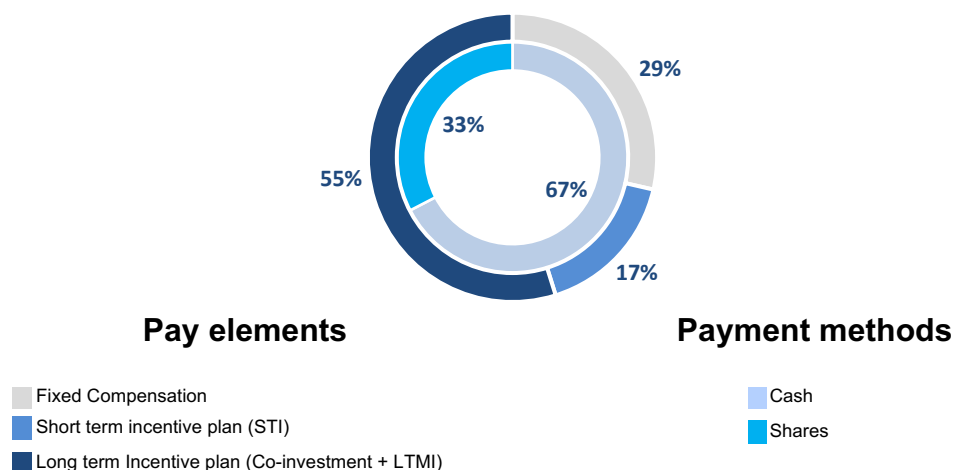
At the meeting held on 26 October 2021 at the proposal of the Appointments and Compensation Committee and in accordance with the 2021 Remuneration Policy, the Board of Directors resolved to assign a gross amount of 530,550 euros (fixed compensation x 65.5%) to the Chief Executive Officer as the 2021 payment under 2020-2022 Long-Term Monetary Incentive Plan, subject to achievement of the predefined performance conditions in the three-year vesting period. The gross value of the incentive paid is shown in Table 3.B under “Bonus for the year – Deferred”.

### 3.3.7. Benefits

In accordance with national collective labour agreements and supplementary company agreements for Italgas executives, provision was also made for the Chief Executive Officer to be enrolled in the Supplementary Pension Fund (AZIMUT), the Supplementary Health Care Funds (FISDE and CassaPrevint) and provided with insurance cover against the risk of death and disability, as well as a car for personal and business use.

#### Chief Executive Officer

#### Proportion of fixed and variable compensation pertaining to 2021<sup>22</sup>



<sup>22</sup> Determined considering the fixed remuneration paid in 2021, the up-front short-term incentive for 2021, the fair value of the equity compensation for 2021 and the long-term monetary incentive for 2021.

## **4. Compensation paid to the General Manager of Finance and Services**

### **4.1. Fixed compensation**

The General Manager of Finance and Services was paid fixed compensation, *pro rata temporis* until the date of termination of employment, for a total gross amount of 168,427.96 euros, which also includes the travel allowances payable (255 euros). In addition, 16,144.60 euros was paid in terms of unused holiday pay in connection with the termination of employment. The total value, 184,572.56 euros, is shown in Table 1 under “Fixed compensation”.

### **4.2. Short-Term Incentive (STI)**

The General Manager of Finance and Services, with the employment contract termination agreement, waived all rights relating to the 2021 Short-Term Incentive.

In 2021, the bonus relating to the upfront Short-Term Incentive of 189,958.40 euros was paid, in accordance with the cash principle, the accrual of which relates to FY 2020 and about which information has already been provided in the Report on the 2021 Remuneration Policy and 2020 Compensation Paid.

### **4.3. Co-investment Plan**

The General Manager of Finance and Services, with the employment contract termination agreement, waived all rights relating to existing assignments regarding the 2018-2020 and 2021-2023 Co-investment Plans.

### **4.4. Long-Term Monetary Incentive (LTMI)**

The General Manager of Finance and Services, with the employment contract termination agreement, waived all rights relating to existing assignments regarding the 2017-2019 and 2020-2022 Long-Term Monetary Incentive Plans.

### **4.5. Benefits**

Up to the employment contract termination date, the General Manager of Finance and Services, in accordance with national collective labour agreements and supplementary company agreement for Italgas executives, was also granted the benefits provided for, and

more specifically enrolment in the Supplementary Pension Fund (FOPDIRE or PREVINDAI or AZIMUT), enrolment in the Supplementary Health Care Fund (FISDE) and insurance cover also against the risk of death and disability, as well as a car for personal and business use.

#### **4.6. Termination of the employment contract**

On 1 June 2021, the employment contract between the General Manager of Finance and Services and Italgas Group was terminated by mutual consent, as announced by the Company to the market on 31 May 2021 in a specific press release. On the same date, the General Manager of Finance and Services also resigned from all the positions he held in Group companies.

As a result of this termination of employment, a specific agreement approved by the Board of Directors, following the favourable opinion of the Appointments and Remuneration Committee and in compliance with Italgas regulations on transactions with related parties, was drawn up to protect the interests of the Company, given the General Manager's in-depth knowledge of sensitive and strategically relevant information.

The agreement provides for a non-competition commitment by Mr Paccioretti for a period of three years from the termination of his employment against a consideration of 170,000 euros per annum (a total of less than 1.5 times the fixed compensation for the General Manager), in line with the law, as well as the obligation of Mr Paccioretti, in the event of breach of this agreement, to return the amounts paid in this capacity and to pay a penalty.

With the agreement, Mr Paccioretti waives all claims, rights and actions relating to the employment relationship, including rights related to the Company's existing incentive plans (2018-2020 and 2021-2023 Co-investment Plans, 2017-2019 and 2020-2022 Long-Term Monetary Incentive Plans).

The agreement is in line with the general principles of the Company's Remuneration Policy, as approved by the Shareholders' Meeting of 20 April 2021, which, in order to protect the interests of the Company and all shareholders, provides for the possibility of establishing non-competition agreements pursuant to Article 2125 of the Italian Civil Code for roles characterised by specific knowledge of the business in the event of termination of the relationship with the Company, with the provision of penalties in the event of non-compliance.

In addition, a gross sum of 5,000 euros was agreed as a general novation and all-inclusive settlement.

## **5. Compensation paid to Executives with Strategic Responsibilities**

In 2021 Italgas had 11 Executives with Strategic Responsibilities, in addition to the Chief Executive Officer and the General Manager (who ceased to hold office in 2021 and is discussed in the previous paragraph), of which 3 were appointed in 2021: Head of Legal, Corporate Affairs and Compliance, Head of Human Resources & Organisation, Head of External Relations and Sustainability, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, Chief Executive Officer of Italgas Reti, Chief Executive Officer of Toscana Energia, Chief Executive Officer of Bludigit, Chief Financial Officer (appointed in 2021), Chief Security Officer (appointed in 2021), Head of Corporate Strategy (appointed in 2021).

### **5.1. Fixed compensation**

For Executives with Strategic Responsibilities, as part of the annual salary review process envisaged for all executives, in 2021 selective adjustments were made to the fixed remuneration as a result of promotions to higher level positions or adjustments to compensation levels needed to reflect the market benchmarks identified. The aggregate gross value of fixed remunerations disbursed in 2021 to Executives with Strategic Responsibilities is 2,396,594.02 euros and is shown in Table 1 under “Fixed compensation”.

### **5.2. Short-Term Incentive (STI)**

In April 2022, variable annual incentives will be paid to Executives with Strategic Responsibilities, in accordance with the defined Remuneration Policy, with reference to the final record of performance in 2021. In particular, the incentive is connected to the company results and to a series of business, sustainability and individual objectives assigned in relation to the responsibility of the role held. The average score achieved in 2021 by Executives with Strategic Responsibilities, made up for 40% of the Group company balance scorecard and for 60% of specific objectives of function and role, was equal to 117.9 and determined an overall short-term incentive equal, on average, to 55% of the fixed

remuneration. 65% of this amount will be disbursed up-front, while the remaining 35% will be deferred in the 2021-2023 Co-investment Plan.

The aggregate gross value, as an upfront component, of the Short-Term Incentives (STI) to be paid in 2022 to Executives with Strategic Responsibilities amounts to 919,295.24 euros and is shown in Table 3.B under “Bonus for the year – Payable/paid”.

In addition, in 2021, the bonus relating to the Short-Term Incentive (up-front portion) was paid, on a cash basis, for a total of 548,166.29 euros, whose accrual relates to the 2020 financial year and of which information has already been provided in the Report on the 2021 Remuneration Policy and the 2020 Compensation Paid.

### **5.3. 2018-2020 Co-investment Plan – 2019-2021 three-year allocation**

Furthermore, with reference to the rights assigned in 2019 and accrued in 2021, at the Board of Directors meeting on 9 March 2022, a total of 95,548 shares were allocated to Executives with Strategic Responsibilities in relation to the performance achieved in the 2019-2021 three-year period, the free matching offered by Italgas and the approved Dividend Equivalent.

In compliance with the provisions of the functional unbundling legislation, the Board of Directors resolved, on the basis of the proxies received for management of said plan, to pay the monetary value of the shares accrued for two Executives with Strategic Responsibilities appointed as Independent Operator, for a total value of 154,202.69 euros.

### **5.4. 2021-2023 Co-investment Plan – 2021 assignment**

At the meeting held on 4 May 2021, on a proposal made by the Appointments and Compensation Committee and in accordance with the 2020 Remuneration Policy, the Board of Directors resolved to assign a total of 61,641 rights to Executives with Strategic Responsibilities to receive Company shares at the end of the vesting period and on achievement of the specific performance objective. The fair value of the assignment is shown in Table 3.B under “Fair value on the assignment date”.

### **5.5. 2021-2023 “Bonus Bank” Plan – 2021 assignment**

At the meeting held on 4 May 2021, on a proposal made by the Appointments and Compensation Committee and in accordance with the 2021 Remuneration Policy, the Board

of Directors resolved to assign a total of 97,600.77 rights to Executives with Strategic Responsibilities to receive Company shares at the end of the vesting period and on achievement of the specific performance objective. The aggregate gross value of the deferred incentives for Executives with Strategic Responsibilities is shown in Table 3.B under “Bonus for the year - Deferred”.

#### **5.6. 2017-2019 Long-Term Monetary Incentive Plan (LTMI) – 2019-2021 three-year allocation**

In 2021, the Long-Term Monetary Incentive (LTMI) awarded in 2019 matured for a total gross value of 548,419 euros based on the multiplier approved by the Board of Directors on 9 March 2022. This total incentive will be paid in 2022 and its value is shown in Table 3.B under "Bonuses from previous years – Payable/paid".

In addition, in 2021, the bonuses relating to the 2017-2019 Long-Term Monetary Incentive, assigned in 2018, were paid in accordance with the cash principle, amounting to a total of 341,845.50 euros, the accrual of which relates to FY 2020 and about which information has already been provided in the Report on the 2021 Remuneration Policy and 2020 Compensation Paid.

#### **5.7. 2020-2022 Long-Term Monetary Incentive Plan (LTMI) – 2021 assignment**

In 2021, the Long-Term Monetary Incentive was assigned to Executives with Strategic Responsibilities for a total value of 777,760 euros, the accrual of which is subject to predefined performance conditions and to a three-year vesting period, determined in line with the 2021 Remuneration Policy. The aggregate gross value of the incentives assigned to Executives with Strategic Responsibilities is shown in Table 3.B under “Bonus for the year – Deferred”.

#### **5.8. Benefits**

For the term of office covered, in accordance with national collective labour agreements and supplementary company agreements for Italgas executives, Executives with Strategic Responsibilities were also granted the benefits provided for, and more specifically enrolment in the Supplementary Pension Fund (FOPDIRE or PREVINDAI or AZIMUT), enrolment in

the Supplementary Health Care Fund (FISDE) and insurance cover against the risk of death and disability, as well as a car for personal and business use.



## CONSOB tables

### Table 1 – Compensation paid to Directors, Statutory auditors and Executives with Strategic Responsibilities

The following table lists the compensation paid to Directors, Statutory Auditors and, at aggregate level, Executives with Strategic Responsibilities<sup>23</sup>.

An indication of the compensation paid by Italgas to other companies is provided; there is no indication of additional compensation received by subsidiary and/or associated companies as they are fully paid back to the Company.

More specifically:

- the “**Fixed compensation**” column shows, on an accrual basis, the fixed emoluments and wages and salaries due in 2021, gross of social security and tax charges. Flat fee reimbursements and attendance fees are excluded as they are not payable. The note provides details of the compensation as well as a separate indication of any allowances and amounts payable based on the employment contract;
- the “**Compensation for participation in Committees**” column shows, on an accrual basis, the compensation due to Directors for their participation in the Committees set up by the Board. The note provides a separate indication of the compensation for each committee in which the director participates;
- the “**Variable non-equity compensation**” column shows, under “**Bonuses and other incentives**”, the incentives payable for the year from accrual of the related rights following verification and approval of the related performance results by the competent corporate bodies as specified in greater detail in Table 3.B “Monetary incentive plans for Directors and Executives with Strategic Responsibilities”;

---

<sup>23</sup> The prerequisites set by current legislation for disclosure on an individual basis do not exist.

- the “**Variable non-equity compensation**” column shows, under the “**Profit sharing**”, no data as this did not exist in 2021;
- the “**Non-monetary benefits**” column shows, on an accrual and taxability basis, the value of the fringe benefits assigned;
- the “**Other compensation**” column shows, on an accrual and taxability basis for the Chief Executive Officer, the gross-up value of the car;
- the “**Total**” column shows the sum of the previous items;
- the “**Fair Value of equity compensation**” column shows the fair value on the date on which compensation pertaining to the financial year was assigned with respect to the incentive plans based on financial instruments, estimated according to international accounting standards;
- the “**Compensation for end of office or termination of employment contract**” shows the amount of any redundancy incentives or non-competition agreements for Executives with strategic responsibilities who ended their employment during 2021.

**TABLE 1: Compensation paid to Directors, Statutory auditors and Executives with Strategic Responsibilities**

(Amounts in €)

Name and Surname	Notes	Office	Period office was held	Expiry of office	1	2	3		4	5	6	7	8
					Fixed compensation	Compensation for participation in Committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of office or termination of employment contract
							Bonus and other incentives	Profit sharing					
<b>Board of Directors</b>													
Alberto Dell'Acqua	(1)	Chairman	01.01.2021 - 31.12.2021	26.04.2022	270,000 <sup>(a)</sup>						270,000		
Paolo Gallo	(2)	Chief Executive Officer	01.01.2021 - 31.12.2021	26.04.2022	813,177 <sup>(a)</sup>		1,104,455 <sup>(b)</sup>		14,415 <sup>(c)</sup>	8,509 <sup>(d)</sup>	1,940,556	927,825 <sup>(e)</sup>	
Andrea Mascetti	(3)	Director	01.01.2021 - 31.12.2021	26.04.2022	50,000 <sup>(a)</sup>	40,000 <sup>(b)</sup>					90,000		
Giandomenico Magliano	(4)	Director	01.01.2021 - 31.12.2021	26.04.2022	50,000 <sup>(a)</sup>	50,000 <sup>(b)</sup>					100,000		
Veronica Vecchi	(5)	Director	01.01.2021 - 31.12.2021	26.04.2022	50,000 <sup>(a)</sup>	20,000 <sup>(b)</sup>					70,000		
Silvia Stefini	(6)	Director	01.01.2021 - 31.12.2021	26.04.2022	50,000 <sup>(a)</sup>	40,000 <sup>(b)</sup>					90,000		
Maurizio Dainelli	(7)	Director	01.01.2021 - 31.12.2021	26.04.2022	50,000 <sup>(a)</sup>	20,000 <sup>(b)</sup>					70,000		
Yunpeng He	(8)	Director	01.01.2021 - 31.12.2021	26.04.2022	50,000 <sup>(a)</sup>	20,000 <sup>(b)</sup>					70,000		
Paola Annamaria Petrone	(9)	Director	01.01.2021 - 31.12.2021	26.04.2022	50,000 <sup>(a)</sup>	45,000 <sup>(b)</sup>					95,000		
<b>Board of Statutory Auditors</b>													
Pierluigi Pace	(10)	Chairman	01.01.2021 - 31.12.2021	26.04.2022	70,000 <sup>(a)</sup>						70,000		
Marilena Cedema	(11)	Standing Auditor	01.01.2021 - 31.12.2021	26.04.2022	45,000 <sup>(a)</sup>						45,000		
Maurizio Di Marcotullio	(12)	Standing Auditor	01.01.2021 - 31.12.2021	26.04.2022	45,000 <sup>(a)</sup>						45,000		
<b>General Manager of Finance and Services</b>													
Antonio Paccioretti	(13)	General Manager of Finance and Services	01.01.2021 - 31.05.2021	31.05.2021	184,573 <sup>(a)</sup>		0 <sup>(b)</sup>		7,684 <sup>(c)</sup>		192,257	0 <sup>(d)</sup>	5,000 <sup>(e)</sup>
<b>Executives with Strategic Responsibilities</b>													
11 Executives with Strategic Responsibilities (14)					2,396,594 <sup>(a)</sup>		1,621,917 <sup>(b)</sup>		139,794 <sup>(c)</sup>		4,158,305	749,123 <sup>(d)</sup>	
<b>Grand Total</b>					<b>4,174,343</b>	<b>235,000</b>	<b>2,726,372</b>		<b>161,893</b>	<b>8,509</b>	<b>7,306,118</b>	<b>1,676,948</b>	<b>5,000</b>

### 1) **Alberto Dell'Acqua - Chairman of the Board of Directors**

- a) The amount includes the fixed annual compensation for the duties assigned by the Board of Directors' meeting of 23 September 2019 and includes the compensation of 50,000 euros established by the Shareholders' Meeting of 4 April 2019 for the office of Director.

### 2) **Paolo Gallo - Chief Executive Officer**

- a) The amount of 813,177 euros includes:
  - the G.A.C. of 810,000 euros approved by the Board of Directors at the meeting held on 23 September 2019, which includes the compensation of 50,000 euros established by the Shareholders' Meeting of 4 April 2019 for the office of Director;
  - the allowances due for national and international travel undertaken, in accordance with the national collective labour agreement for the relevant Executives and supplementary company agreements (in the total amount of 3,177 euros).
- b) The amount relates to 472,165 euros of the 2021 annual monetary incentive to be paid during 2022 and to 632,290 euros relating to the Long-Term Monetary Incentive assigned in 2019 and to be paid with the salary of October 2022.  
In addition, in 2021 the following incentives pertaining to 2020 were paid: 462,899 euros relating to the 2020 annual monetary incentive; 493,660.50 euros relating to the Long-Term Monetary Incentive assigned in 2018 and paid in October 2021.
- c) The amount corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- d) The amount relates to the gross-up value of the Chief Executive Officer's car.
- e) The amount corresponds to the fair value on the date on which compensation pertaining to the financial year was allocated with respect to the incentive plans based on financial instruments, estimated according to international accounting standards.

### 3) **Andrea Mascetti - Director**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 for the office of Director (50,000 euros).
- b) The amount includes the fixed annual compensation for participation, as Chairman, in the Appointments and Compensation Committee (40,000 euros).

**4) Giandomenico Magliano - Director**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 for the office of Director (50,000 euros).
- b) The amount includes the fixed annual compensation for participation, as Chairman, in the Sustainability Committee (30,000 euros) and for participation, as a Member, in the Control, Risk and Related Party Transactions Committee (20,000 euros).

**5) Veronica Vecchi - Director**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 for the office of Director (50,000 euros).
- b) The amount includes the fixed annual compensation for participation, as Member, in the Sustainability Committee (20,000 euros).

**6) Silvia Stefini - Director**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 for the office of Director (50,000 euros).
- b) The amount includes the fixed annual compensation for participation, as Member, in the Appointments and Compensation Committee (20,000 euros) and participation, as Member, in the Control, Risk and Related Party Transactions Committee (20,000 euros).

**7) Maurizio Dainelli - Director**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 for the office of Director (50,000 euros). The compensation is paid to the company to which he belongs (Cassa Depositi e Prestiti S.p.A.).
- b) The amount includes the fixed annual compensation for participation, as Member, in the Appointments and Compensation Committee (20,000 euros). The compensation is paid to the company to which he belongs (Cassa Depositi e Prestiti S.p.A.).

**8) Yunpeng He - Director**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 for the office of Director (50,000 euros).
- b) The amount includes the fixed annual compensation for participation, as Member, in the Sustainability Committee (20,000 euros).

**9) Paola Annamaria Petrone - Director**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 for the office of Director (50,000 euros).
- b) The amount includes the fixed annual compensation for participation, as Chairman, in the Control, Risk and Related Party Transactions Committee (45,000 euros).

**10) Pier Luigi Pace - Chairman of the Board of Statutory Auditors**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting of 4 April 2019 for participation, as Chairman, in the Board of Statutory Auditors (70,000 euros).

**11) Marilena Cederna - Board of Statutory Auditors**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting of 4 April 2019 for participation, as a Standing Auditor, in the Board of Statutory Auditors (45,000 euros).

**12) Maurizio Di Marcotullio - Board of Statutory Auditors**

- a) The amount includes the annual fixed compensation established by the Shareholders' Meeting of 4 April 2019 for participation, as a Standing Auditor, in the Board of Statutory Auditors (45,000 euros).

**13) Antonio Paccioretti - General Manager of Finance and Services**

- a) The amount of 184,572.56 euros includes:
  - the RAL of 168,472.96 euros, *pro rata temporis* until the date of termination of employment;
  - the allowances due for national and international travel undertaken, in accordance with the national collective labour agreement for the relevant Executives and supplementary company agreements (in the total amount of 255 euros).
- b) The General Manager of Finance and Services, with the employment contract termination agreement, waived all rights relating to the 2021 Short-Term Incentive and existing assignments regarding the 2017-2019 and 2020-2022 Long-Term Monetary Incentive Plans.

It is also specified that in 2021, in accordance with the cash principle, the bonus relating to the upfront Short-Term Incentive of 189,958.40 euros, pertaining to FY 2020, was paid.

- c) The amount corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- d) The General Manager of Finance and Services, with the employment contract termination agreement, waived all rights relating to existing assignments regarding the 2018-2020 and 2021-2023 Co-investment Plans.
- e) The amount includes the payment for the redundancy incentive and the novation settlement.

#### **14) Executives with Strategic Responsibilities**

- a) The amount of 2,396,594.02 euros corresponds to the Gross Annual Compensation (G.A.C.) and the allowances for national and international travel undertaken, in accordance with the national collective labour agreement for the relevant Executives and supplementary company agreements, totalling 226,300 euros.
- b) The amount of 1,621,917 euros includes:
  - the gross aggregate value of the 2021 annual monetary incentive to be paid during 2022, amounting to 919,295.24 euros;
  - the gross aggregate value of the Long-Term Monetary Incentive awarded in 2019 and to be paid with the salary of October 2022, amounting to 548,419 euros;
  - the monetary value of the rights relating to the 2018-2020 Co-investment Plan paid to two Executives with Strategic Responsibilities appointed as Independent Operators / Compliance Managers, equal to 154,202.69 euros.

In addition, in 2021 the following incentives pertaining to 2020 were paid: 548,166.29 euros relating to the 2020 annual monetary incentive; 341,845.50 euros relating to the Long-Term Monetary Incentive assigned in 2018 and paid in October 2021.

- c) The amount corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- d) The amount corresponds to the fair value on the date on which compensation pertaining to the financial year was allocated with respect to the incentive plans based on financial instruments, estimated according to international accounting standards.

## **Table 2 – Stock options assigned to Directors and Executives with Strategic Responsibilities**

As there are no data to report, table 2 is not included.



### **Table 3.A – Incentive plans based on financial instruments other than stock options for Directors and Executives with Strategic Responsibilities**

The following table shows the deferred portions of the Short-Term Incentive converted into rights to receive Company shares, at the end of the vesting period and upon achieving the specific performance objective, according to the Co-investment Plan valid for the three-year period 2018-2020 assigned to the Chief Executive Officer and, at aggregate level, to Executives with Strategic Responsibilities.

In particular:

- The **“Number and type of financial instruments”** column shows the number of rights assigned for the stated plan;
- the **“Fair Value on assignment date (euros)”** column shows the fair value of the rights assigned;
- the **“Vesting period”** column shows the three-year duration of the assignment vesting period;
- the **“Market price on assignment (euros)”** column shows the assignment price calculated as the average of the official daily prices recorded in the thirty calendar days preceding the Board of Directors meeting that approved the assignment. The assignment price for 2021 was 5.0403 euros;
- the **“Financial instruments vested during the financial year and not allocated”** column contains no data as there are none to report;
- the **“Financial instruments vested during the financial year and attributable”** column contains the number of shares assigned to CEO, General Manager and Execs based on the performance level related to the 2018-2020 vesting period and reported by the BoD on 9 March 2022;
- the **“Financial instruments pertaining to the year”** column shows the fair value pertaining to the year relating to the Co-investment Plan, estimated according to the international accounting standards which distribute the related cost over the vesting period; the total corresponds to the amount shown in Table 1 of the **“Fair value of equity compensation”** column.

**Table 3.A:** Incentive plans based on financial instruments other than stock options for Directors and Executives with Strategic Responsibilities

First name, Last name Position	Plan Date of resolution	Financial instruments assigned in previous years not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and attributable		Financial instruments pertaining to the year
		Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair Value at assignment date (euros)	Vesting period	Assignment date	Market price on assignment (euros)	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair Value (euros)
Paolo Gallo Chief Executive Officer	2019 Co-Investment Plan Italgas BoD of 22/02/2019									147,430	5.5885	432,145
	2020 Co-Investment Plan Italgas BoD of 10/04/2020	63,669	3 years									319,111
	2021 Co-Investment Plan Italgas BoD of 04/05/2021			49,453	249,258	3 years	04/05/2021	5.0403				176,569
Antonio Paccioretti General Manager of Finance and Services	2019 Co-Investment Plan Italgas BoD of 22/02/2019	The General Manager of Finance and Services, with the employment contract termination agreement, waived all rights relating to existing allocations regarding the 2018-2020 and 2021-2023 Co-Investment Plans.										
	2020 Co-Investment Plan Italgas BoD of 10/04/2020											
	2021 Co-Investment Plan Italgas BoD of 04/05/2021											
Executives with Strategic Responsibilities	2019 Co-Investment Plan Italgas BoD of 22/02/2019									95,548	5.5885	280,064
	2020 Co-Investment Plan Italgas BoD of 10/04/2020	49,675	3 years									248,972
	2021 Co-Investment Plan Italgas BoD of 04/05/2021			61,641	310,689	3 years	04/05/2021	5.0403				220,086
<b>Total</b>		<b>113,344</b>		<b>111,094</b>	<b>559,947</b>					<b>242,978</b>		<b>1,676,948</b>

## Table 3.B – Monetary incentive plans for Directors and Executives with Strategic Responsibilities

The following table shows the short and long-term variable monetary incentives provided for the CEO and, at aggregate level, for Executives with Strategic Responsibilities.

In particular:

- the **“Bonuses for the year - Payable/paid”** column shows the Short Term Incentive paid during the year based on the final statement of performance produced out by the relevant corporate bodies in relation to the objectives set for the year 2021;
- The **“Bonuses for the year - Deferred”** column shows the amount of the incentive allocated for the year 2021 under the Long-Term Monetary Incentive Plan (LTMI);
- the **“Deferral period”** column shows the duration of the vesting period of the long-term incentive allocated in the year;
- the **“Bonuses from previous years - No longer payable”** column contains no data as the conditions for non-payability or partial payment of the bonus did not arise as predicted in the Plan Regulations;
- the **“Bonuses from previous years - Payable/paid”** column contains the long-term variable incentives paid during the year, accrued on the basis of the final accounting of the performance conditions of the vesting period, including the monetary value of the Co-investment Plan and the monetary value of the Bonus Bank Plan for Executives with Strategic Responsibilities appointed as Independent Operators / Compliance Managers;
- the **“Bonuses from previous years - Still deferred”** column shows the incentives allocated from existing deferred and long-term plans that have not yet been accrued;
- the **“Other Bonuses”** column does not show the values of other bonuses as none were disbursed.
- The Total of **“Bonuses for the year - Payable/paid”** and **“Bonuses from previous years - Payable/paid”** is the same as the figure shown in the “Bonuses and other incentives” column in Table 1.

**TABLE 3.B:** Monetary incentive plans for Directors, the General Manager of Finance and Services and other Executives with Strategic Responsibilities

(Amounts in €)

Name and Surname	Office	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
<b>Board of Directors</b>									
Paolo Gallo	Chief Executive Officer	2021 Annual Monetary Incentive Plan Italgas BoD of 09/03/2022	472,165						
		2021 Long-term Monetary Incentive Plan Italgas BoD of 26/10/2021		530,550	3 years				
		2020 Long-term Monetary Incentive Plan Italgas BoD of 29/10/2020						530,550	
		2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019					632,290		
<b>Total</b>			<b>472,165</b>	<b>530,550</b>		<b>0</b>	<b>632,290</b>	<b>530,550</b>	<b>0</b>
<b>General Manager of Finance and Services</b>									
Antonio Paccioretti	General Manager of Finance and Services	2021 Annual Monetary Incentive Plan Italgas BoD of 09/03/2022	The General Manager of Finance and Services, with the employment contract termination agreement, waived all rights relating to the 2021 Short Term Incentive and existing allocations regarding the 2017-2019 and 2020-2022 Long-Term Monetary Incentive Plans.						
		2021 Long-term Monetary Incentive Plan Italgas BoD of 26/10/2021							
		2020 Long-term Monetary Incentive Plan Italgas BoD of 29/10/2020							
		2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019							
<b>Executives with Strategic Responsibilities</b>									
11 Executives with Strategic Responsibilities	2021 Annual Monetary Incentive Plan Italgas BoD of 09/03/2022	919,295							
	2021 Long-term Monetary Incentive Plan Italgas BoD of 26/10/2021		777,760	3 years					
	2020 Long-term Monetary Incentive Plan Italgas BoD of 29/10/2020						600,000		
	2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019					548,419			
	2019 Co-investment Plan - Italgas BoD of 22/02/2019 Monetary disbursement Independent Operators as per functional unbundling regulations					154,203			
	2021-2023 Bonus Bank Plan - Italgas BoD of 10/03/2021 Monetary disbursement Independent Operators as per functional unbundling regulations		97,601						
<b>Total</b>			<b>919,295</b>	<b>875,361</b>		<b>0</b>	<b>702,622</b>	<b>600,000</b>	<b>0</b>
<b>Grand Total</b>			<b>1,391,460</b>	<b>1,405,911</b>		<b>0</b>	<b>1,334,912</b>	<b>1,130,550</b>	<b>0</b>

## Table 4 – Shareholdings held

In accordance with Article 84-quater, fourth subsection, of the Consob Issuers' Regulations, the following Table shows the investments in Italgas S.p.A. held by the Directors, Statutory Auditors and Executives with Strategic Responsibilities, as well as by their spouses not legally separated and minor children, directly or through subsidiaries, trust companies or third parties, as shown in the shareholders' register, communications received and other information acquired from these individuals. It includes all individuals who held the post for some or all of the financial year. The number of shares (all "ordinary") is shown separately for each Director and Statutory Auditor and in aggregated form for Executives with Strategic Responsibilities. The stated individuals have full ownership of the shares.

**TABLE 4.A:** Shareholdings held by Directors and Statutory Auditors

(Situation at 31 December 2021)

Name and Surname	Office	Investee Company	Number of shares owned as at 31 December 2020	Number of shares purchased in 2021	Number of shares sold in 2021	Number of shares owned as at 31 December 2021
Paolo Gallo	Chief Executive Officer	Italgas	14,000	191,432(*)	0	205,432
Alberto Dell'Acqua	Chairman of the Board of Directors	Italgas	0	0	0	0
Maurizio Dainelli	Director	Italgas	0	0	0	0
Paola Annamaria Petrone	Director	Italgas	0	0	0	0
Yunpeng He	Director	Italgas	0	0	0	0
Andrea Mascetti	Director	Italgas	0	0	0	0
Giandomenico Magliano	Director	Italgas	0	0	0	0
Veronica Vecchi	Director	Italgas	0	0	0	0
Silvia Stefini	Director	Italgas	0	0	0	0
Pierluigi Pace	Chairman of the Board of Statutory Auditors	Italgas	0	0	0	0
Marilena Cedema	Standing Auditor	Italgas	0	0	0	0
Maurizio Di Marcotullio	Standing Auditor	Italgas	0	0	0	0

**TABLE 4.B:** Shareholdings held by Executives with Strategic Responsibilities

(Situation at 31 December 2021)

	Investee Company	Number of shares owned as at 31 December 2020	Number of shares purchased in 2021	Number of shares sold in 2021	Number of shares owned as at 31 December 2021
11 Executives with strategic responsibilities	Italgas	45,787	164,022 (*)	82,912 (**)	72,462

\*) Free allocation of Italgas S.p.A. ordinary shares following the accrual of rights assigned pursuant to the "2018-2020 Co-investment Plan" approved by the shareholders' Meeting of 19 April 2018.

\*\*) Of these, 61,867 shares were sold as ordinary shares, allocated free of charge pursuant to the "2018-2020 Co-investment Plan" approved by the Shareholders' Meeting of 19 April 2018, to cover the tax charges ("sell to cover") associated with this allocation in accordance with the Plan; while 21,045 shares were sold as ordinary Italgas shares.

Note that on 31 May 2021, Mr Antonio Paccioretti, General Manager of Finance and Services, terminated his employment contract with the Group. The company is therefore not aware of any purchase or sale of shares made after the termination of his office.