

ITALGAS

2019 Compensation Report

Copy for the Board of Directors on 22 February 2019

Competence, efficiency, innovation, reliability, safety, proximity to people.

Every day, for more than 180 years, the work of Italgas' men and women has been inspired by these values. Italgas has always been at the forefront of Italy's economic and social development, encouraging its sustainable growth. Today it is the leading natural gas distributor in Italy and the third in Europe.

With this in mind, the Group is now looking to the future and aiming to strengthen its presence on the market. Investment, quality of service and digitisation are the main focus of the strategy developed to achieve our ambitious objectives and to continue generating value.

Italgas, with more than 180 years of history, and future successes still to be written.

ITALGAS

2019 Compensation Report

Approved by the Board of Directors on 22 February 2019

The Report is published in the “Ethics and Governance” section of the Company’s website

(www.italgas.it)

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GLOSSARY

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Letter from the Chairperson of the Nominations and Compensation Committee

Dear Shareholders,

The 2019 Compensation Report that we are submitting to you today for your examination and evaluation is a summary of the process that began with the listing of Italgas and bears the fruit of the tireless work of the Nominations and Compensation Committee over the three-year period.

It was a particularly significant three-year period for the Committee, which during the first period was committed to ensuring the continuity of inherited management incentive systems, followed by creating and introducing the new short and long-term incentive system for the Chief Executive Officer, Managers with Strategic Responsibilities, and more generally, for Italgas Managers. Finally, in the last year, the Committee has been committed to consolidating the implementation of and connection between the determining factors of the business and the forecasts of the Company's Strategic Plan.

Within this process, the Nominations and Compensation Committee, following the development of regulations and market practices applied at national and international level, has continued to monitor and maintain a dialogue with the market through the promotion, with the support of the competent corporate functions, of periodic structured meetings with the main proxy advisors and institutional investors. The feedback collected contributed to the definition of the new managerial incentive system introduced with

the Co-Investment Plan launched in 2018, which provides for the deferment of part of the bonus accrued annually, the inclusion of equity instruments in the compensation structure and the determination of performance with targets defined for the entire three-years of vesting.

Last year's Compensation Report received the favourable vote of 98.39% of the Shareholders' Meeting, the best result among listed Italian industrial companies. Nonetheless, the ongoing dialogue with the market has once again provided important indications for improving the transparency and legibility of the Report, providing suggestions that we intend to fully implement, including further and more detailed information on the company's results and their correlation with the incentive schemes adopted.

The Nominations and Compensation Committee has also promoted the adoption of a multi-year programme which, starting from the recognition of diversity as a key resource for innovation, productivity and growth, outlines Italgas' commitment in this area in clear and measurable objectives.

With the submission of the 2019 Report, the current Nominations and Compensation Committee ends its term of office: allow me to sincerely thank the Directors, Federica Lolli and Maurizio Dainelli, who lived through this important experience with me, for their significant contribution to open discussions and their constant attentiveness to researching and creating balanced and shared solutions.

A warm welcome and sincere best wishes goes to those who will be called to join the new Committee after the next renewal of corporate bodies.

I trust that the Report submitted for your examination will once again bear witness to the enduring dedication of the Committee over the past few years and on behalf of the other Directors, we thank you in advance for your support for the 2019 Compensation Policy.

Cinzia Farisè

Chairperson of the Nominations and Compensation Committee

Summary framework
2019 Compensation Policy and main results

Abstract

Fixed Compensation

This remunerates in accordance with the role, to assure attractiveness and motivation:

- it is defined consistently with the complexity and the responsibility the role manages, to assure an equitable treatment
- it is monitored with respect to the external market, to assure the right level of competitiveness

Variable Compensation

STI - Short Term Incentive

This defines a clear and predetermined tie between compensation 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:**
 - Net financial position 30%
 - Investments 30%
 - Profitability 20%
 - Sustainability 20%
- The results are measured on a **scale of 70/130 points with a minimum threshold set to 85 points**

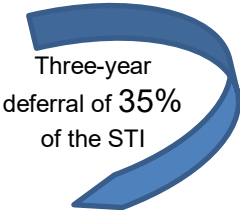
	Minimum threshold	Target	Maximum
Chief Executive Officer	68%	80%	104%
General Director of Finance and Services	53%	63%	82%
Managers with Strategic Responsibilities	43%	51%	66%

Claw Back clauses are provided.

Co-investment

This assures consistency between the annual and multiannual performance, favouring the active involvement of the management in the risk capital

- 35% of the Short Term Incentive is co-invested and transformed into shares;



- At the end of the three-year interval, the number of shares allocated to the Beneficiary depends on the level of achievement **of the three-year cumulated EBITDA target**;
- If the minimum target is not achieved, no share shall be allocated and the deferred portion of STI will be reduced to zero

Claw Back clauses are provided.

LTMI - Long-Term Monetary Incentive

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 attainment of the targets of Consolidated Net Profit (60%) and Total Shareholder Return (40%);
- The results are measured on a scale of 70/130. For results below 70, no pay out is provided.

	Minimum threshold	Target	Maximum
Chief Executive Officer	46%	65.5%	85%
General Director of Finance and Services	33%	47%	61%
Managers with Strategic Responsibilities	23%	34%	44%

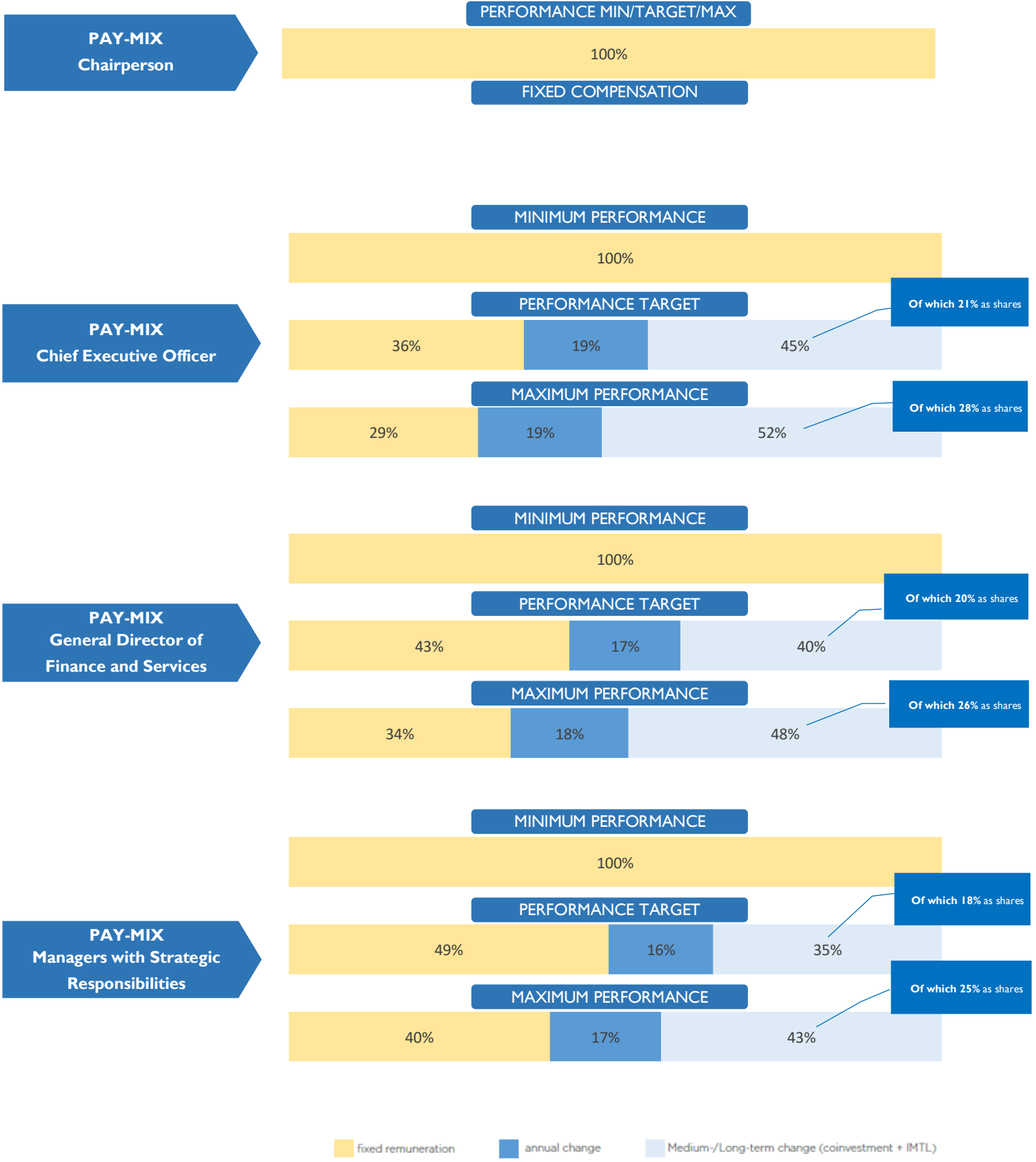
Claw Back clauses are provided.

THE PAY-MIX

The compensation package of the Chief Executive Officer, the General Manager of Finance and Services and other Managers with Strategic Responsibilities of the Italgas Group is set-up as follows:

- A significant share is tied to the attainment of predetermined results (performance-oriented);
- For a significant portion, the pay-out is deferred in time and tied to long-term targets (sustainability).

The compensation is partly paid in shares (participation).



The 2018 targets for the Chief Executive Officer

Performance parameters	% Weight	Unit of measurement	Minimum 70	Central 100	Maximum 130	Performance Score
Net financial position	30%	Mln €			3,814	39
Investment (spending)	30%	Mln €			500	39
Profitability (EBITDA)	20%	Mln €		840		24.1
Sustainability: Accident frequency index	5%	Table of Contents		1.38		5.7
Sustainability: Integration and Governance of new initiatives	15%	no. of completed actions			3	19.5
Total						127.3

The 2019 targets for the Chief Executive Officer

30%

Net financial position

30%

Investment (spending)

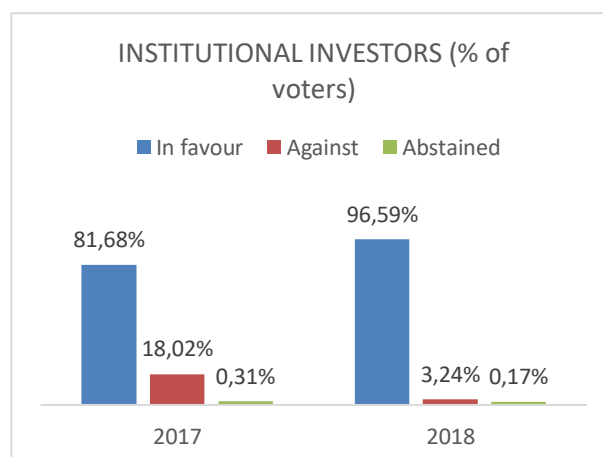
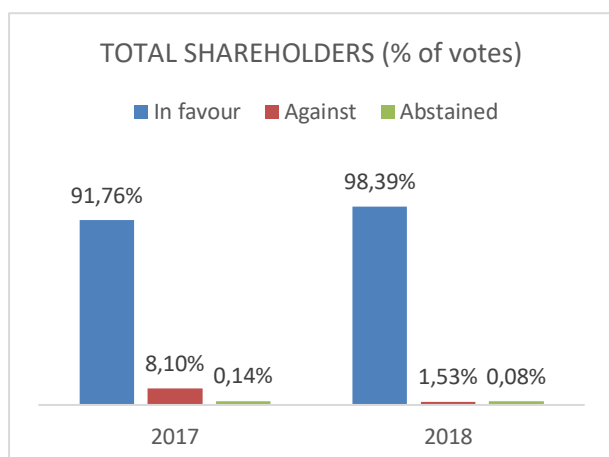
20%

Profitability (EBITDA)

20%

Sustainability - accident frequency index and governance of the new business initiatives

2018 Compensation Report – results of the Shareholders' Meeting vote (2017 vs 2018)



Introduction

This Report, approved by the Board of Directors at the proposal of the Nominations and Compensation Committee, on 22 February 2019, in accordance with current legislative and regulatory requirements¹, defines and describes:

- in the first section, the Policy adopted for 2019 by Italgas S.p.A. for the compensation of Directors, the General Manager of Finance and Services and Managers with Strategic Responsibilities², setting out the general objectives of the Company, the bodies involved and the procedures utilised for adopting and implementing 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;
- in the second section, the compensation paid in 2018 to Directors, Statutory Auditors (individually), and Italgas Managers with Strategic Responsibilities (collectively).

The term of office of the current Board of Directors will expire with the Shareholders' Meeting called for 4 April 2019, to approve the financial statements for the year ended 31 December 2018.

The 2019 Compensation Policy Guidelines will therefore be applied by the new Board of Directors, without prejudice to the prerogatives attributed to it by the Articles of Association with regard to the compensation of Directors.

The compensation policy outlined in this Report 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 14 December 2017.

¹ Article 123-ter of Legislative Decree 58/98 and Article 84-quater of the Consob Issuers' Regulations (Resolution No. 11971/99 and subsequent amendments and additions).

² The definition of “Managers with Strategic Responsibilities” as per Article 65, paragraph 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 Managers with Strategic Responsibilities, other than the Directors and Statutory Auditors and besides the General Manager of Finance and Services, are: Senior Vice President of Legal, Corporate and Compliance Affairs, Senior Vice President of Commercial Development, Senior Vice President of Human Resources & Organisation, Head of External Relations and Communication, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, Chief Executive Officer of Italgas Reti.

The policy described in the first section of the report was prepared in accordance with the compensation recommendations in the Code of Corporate Governance introduced by Borsa Italiana SpA (“Code of Corporate Governance”), in the version, most recently approved in July 2015, that Italgas has adopted.

The text of this Report is made available to the public at the Company's registered office and on its website³ and the website of Borsa Italiana no later than 21 days prior to the date of the Shareholders' Meeting called to approve the financial statements for financial year 2018 and to provide its opinion, though a non-binding decision, on the first section of this Report in accordance with current regulations⁴.

³ The text is published in the “Ethics and Governance” section of the Company's website (www.italgas.it).

⁴ Article 123-ter of Legislative Decree No. 58/98, sixth paragraph.

Section I – 2019 Compensation Policy

1. Governance of the compensation process

1.1. Bodies and parties involved

The Policy concerning compensation of the Italgas Board of Directors members is defined in accordance with statutory and regulatory provisions, according to which:

- the Shareholders' Meeting: (i) determines the compensation of the members of the Board of Directors at the time of their appointment and for their entire term of office, (ii) passes resolutions, on the recommendation of the Board of Directors, on compensation plans based on financial instruments;
- the Board of Directors, on the recommendation of the Nominations and Compensation Committee, and after consulting with the Board of Auditors, determines the compensation of the Directors vested with specific duties and for participation in Board Committees.

In line with the Italgas⁵ corporate governance rules, the Board also:

- determines the compensation policy for the Directors, general managers and Managers with Strategic Responsibilities in the Company and its subsidiaries and compensation systems after examining the proposals of the Nominations and Compensation Committee;
- determines the compensation of the Internal Audit Manager in keeping with the Company's compensation policies, after approval by the Nominations and Compensation Committee;
- implements the compensation plans based on shares or financial instruments that have been approved by the Shareholders' Meeting;
- approves the Compensation Report drafted and presented by the Nominations and Compensation Committee to be submitted to the Shareholders' Meeting;
- assesses, after a mandatory opinion of the Nominations and Compensation Committee, the content of the vote on the Compensation Report cast by the Shareholders' Meeting and the

⁵ For further information on Italgas's governance structure, please refer to the "Report on Corporate Governance and ownership structure" published in the "Ethics and Governance" section of the Company's website.

Committee's proposals concerning the adequacy, overall consistency and application of the Compensation Policy for Directors and Managers with Strategic Responsibilities.

In complying with the recommendations contained in the Code of Corporate Governance, the Board of Directors is assisted in matters of compensation by a Committee of Independent Non-Executive Directors (Nominations and Compensation Committee) having both a consulting and advisory function in this regard.



1.2 Italgas Nominations and Compensation Committee

1.2.1 Composition, appointment and tasks

The Nominations and Compensation Committee was established by the Board of Directors on 23 October 2017. The Nominations and Compensation Committee, in line with the recommendations of the Code of Corporate Governance, consists of three non-executive Directors, the majority of whom are independent, with the Chairperson 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 of 23 October 2017 made this assessment.

The Nominations and Compensation Committee is composed, since its establishment, of the following Directors: Cinzia Farisè (non-Executive and Independent Director), serving as Chairperson, Maurizio Dainelli (Non-Executive Director) and Federica Lolli (Non-Executive and Independent Director)⁶.

⁶ The Compensation Committee was previously operational from 5 September 2016 to 23 October 2017.

The Senior Vice President of Human Resources & Organisation of Italgas serves, for matters connected with compensation, as Secretary of the Committee.

The composition, tasks, and operating methods of the Committee are governed by specific rules⁷, 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 Compensation Report to the Board of Directors for approval and, specifically, the Policy for the Compensation of Directors, the General Manager of Finance and Services and Managers with Strategic Responsibilities, for presentation to the Shareholders' Meeting called to approve the financial statements within the time frame established by law;
- it assesses the vote cast by the Shareholders' Meeting on the Compensation Report 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 makes proposals concerning the compensation of the Chairperson and the Chief Executive Officer, with regard to the various forms of compensation and pay arrangements;
- it makes proposals or expresses opinions relating to the compensation of members of the Committees of Directors established by the Board;
- it examines the information reported by the Chief Executive Officer and proposes:
 - general criteria for the compensation of Managers with Strategic Responsibilities;
 - general guidelines for the compensation of other managers of Italgas;
 - annual and long-term incentive plans, including share-based plans;
- it proposes the definition of performance targets, the final calculations of company results and the definition of claw-back clauses, linked to the implementation of incentive plans and for the determination of the variable compensation for Executive Directors;

⁷ The rules governing the Nominations and Compensation Committee are available in the "Ethics and Governance" section of the Company's website.

- in connection with the Executive Directors, it proposes the definition: i) of indemnities to be paid in case of employment termination; ii) non-compete agreements;
- it monitors the implementation of the decisions made by the Board;
- it reports to the Board on its activities at least every six months, and within the deadline for the approval of the financial statements and half-year report, at the Board meeting indicated by the Chairperson of the Board of Directors.

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, the Nominations and Compensation Committee annually examines the compensation structure for the Internal Audit Manager, while ensuring its compliance with the general criteria approved by the Board for executives and informing the Chairperson of the Control, Risk and Related Parties Transactions Committee thereof, according to its opinion which it is required to give to the Board.

The Committee, in agreement with the Control, Risk and Related Parties Transactions Committee, has provided the Internal Audit Manager with: a MBO (Management By Objective) grid, solely with measurable functional objectives, excluding economic and financial targets; the determination of the annual monetary incentive totally dependent on the results as per that grid; the assignment of minimums/target/maximums performance levels and the assessment of the achieved results, by the Control, Risk and Related Parties Transactions Committee; the standardisation of other forms of deferred and long-term monetary incentives for all managers.

For the effective performance of its analysis and investigatory function, the Nominations 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 2018, the Chairperson of the Board of Auditors was regularly invited to the Committee meetings.

1.2.2 Activity cycle for the Nominations and Compensation Committee

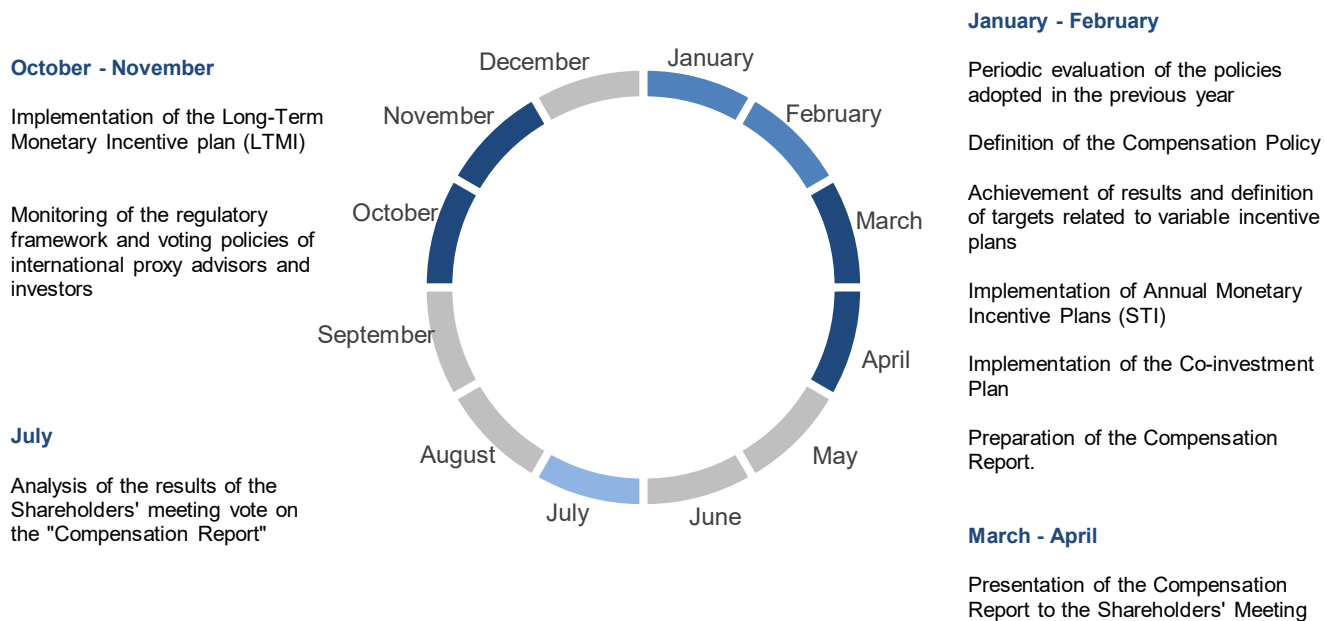
The Committee's activities pertaining to compensation are conducted through the implementation of an annual programme that involves the following steps:

- verification of the adequacy, overall consistency and practical application of the Policy adopted in the previous year, in relation to the results achieved and the compensation benchmarks supplied by highly skilled providers;
- definition of proposals for the compensation Policy and proposals relating to the performance objectives linked to the short and long-term incentive plans;
- proposals regarding the implementation of existing variable incentive plans, short and long-term, subject to verifying the results achieved in relation to the performance targets established in the same plans;
- preparation of the Compensation Report to be submitted each year, following approval of the Board of Directors, to the Shareholders' Meeting.

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 Chairperson, in accordance with its own Rules, complying with the Code of Corporate Governance and with the aim of establishing an appropriate channel for dialogue with shareholders and investors.

The disclosure of compensation for Directors and management is further ensured by updating the pages specifically dedicated to these topics under the "Ethics and Governance" section on the Company's website.

Figure 1 - Activity cycle for the Nominations and Compensation Committee



1.2.3 Activities carried out and scheduled

In 2018, the Nominations and Compensation Committee met 7 times. The attendance of its members was 100%.

In the first part of the year, the Committee focused on: the preparation of the Compensation Report and the information document for the Co-investment Plan; the definition of the 2017 targets and the definition of the 2018 performance targets for the purposes of the incentive plans.

In the second part of the year the following were analysed: the results of the shareholders' meeting vote on the 2018 Compensation Report and the information document for the Co-investment Plan, delving into the issues raised by the shareholders and by the proxy advisors.

For 2019, the Committee scheduled five meetings, three of which have already taken place at the date of approval of the present Report.

1.2.4 Main issues dealt with

January 2018

- 2018 corporate targets for the variable incentive systems
- Annual analysis and assessment of the compensation positions
- Analysis of the Shareholders' Meeting vote in the 2017 Compensation Report

February 2018

- Development of long-term incentive schemes
- Co-Investment Plan

March 2018

- Final accounting of the 2017 corporate targets for the variable incentive systems
- Proposed Annual Monetary Incentive for the Chief Executive Officer
- 2018 Compensation Report
- 2018 - 2020 Co-Investment Plan Information Note

June 2018

- Result of the Shareholders' Meeting vote on the 2018 Compensation Report: initial evidence
- 2018-2020 Co-Investment Plan: 2018 assignment
- 2017-2019 Long-term Monetary Incentive Plan: 2018 assignment

December 2018

- Annual analysis and assessment of the compensation positions
- Analysis of the Shareholders' Meeting vote on the 2018 Compensation Report

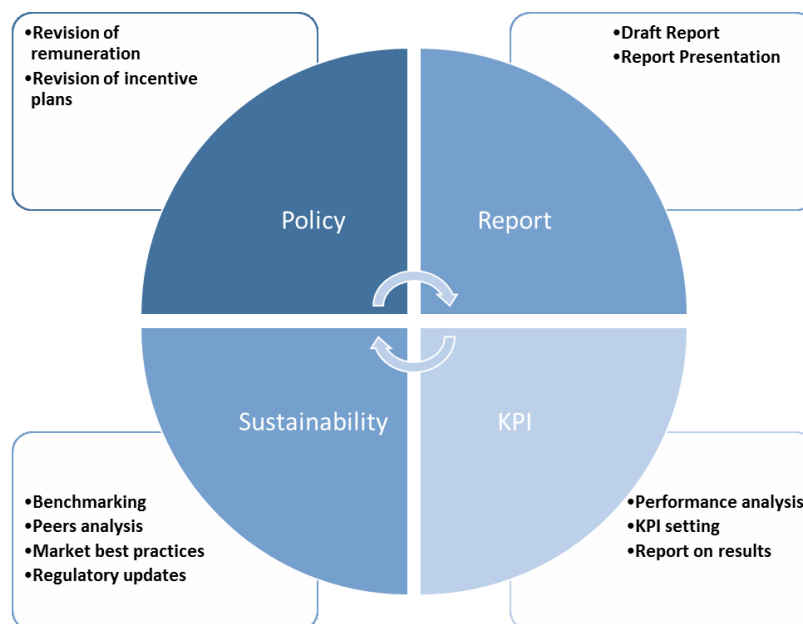
January 2019

- 2019 corporate targets for the variable incentive systems
- 2019 Compensation Report (first reading)

February 2019

- Final accounting of the 2018 corporate targets for the variable incentive systems
- Proposed Short Term Incentive for the Chief Executive Officer
- 2018-2020 Co-Investment Plan - 2019 assignment
- 2019 Compensation Report
- Diversity and Inclusion: proposal for a multiannual programme

Figure 2 – The Nominations and Compensation Committee's activities broken down by issue



1.3 Approval procedure for the 2019 Compensation Policy

The Nominations and Compensation Committee, in exercising its powers, defined the structures and the contents of the Compensation Policy, for the purposes of preparing this Report, in particular at its meetings of 13 December 2018, 23 January and 14 February 2019, consistently with the recommendations of the Code of Corporate Governance.

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 2018.

For the purposes of this Report, the practices observed at the national and international levels for the preparation of the compensation report were also evaluated. Lastly, the Committee used the compensation benchmarks set up by independent advisory companies, for the preliminary analyses directed at the preparation of the 2019 Compensation Policy.

Italgas' 2019 Compensation Policy for Directors, the General Manager of Finance and Services and Managers with Strategic Responsibilities was consequently approved by the Board of Directors, at the

recommendation of the Nominations and Compensation Committee, at its meeting on 22 February 2019, concurrently with the approval of this Report.

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.

2. Purpose and general principles of the Compensation Policy

2.1 Purpose

Italgas' Compensation Policy is defined in accordance with the governance model adopted by the Company and with the recommendations of the Code of Corporate Governance, in order to attract and retain staff with high professional and managerial skills and to align management interests with the primary objective of creating shareholder value in the medium to long-term.

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

- promoting activities and behaviours in line with the Company's culture, while respecting the principles of diversity, equal opportunity, and the development of knowledge, professionalism, equality and non-discrimination as provided for in Italgas' Ethics Code and in 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 systems linked to the achievement of economic/ financial, business development, operational and individual objectives, defined in terms of the sustainability of the results in the long term, in line with the Strategic Plan of the Company and with the assigned responsibilities.

2.2 General Principles

In implementing the aforementioned aims, the compensation of the Directors, the General Manager of Finance and Services and Managers with Strategic Responsibilities is defined in accordance with the following principles and criteria:

- a compensation structure that will attract, retain and motivate people with high professional qualities;
- **non-executive Directors'** salaries commensurate with the effort required from them in relation to participating on Board Committees, with different compensation for the Chairperson 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 functions;
- a compensation structure, for the **Chairperson**, consisting of a fixed fee consistent with the position held;
- a compensation structure, for the **Chief Executive Officer, the General Manager of Finance and Services and Managers 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 compensation to actual performance;
- consistency of overall compensation 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 compensation of executive roles having greater influence over company results featuring a significant percentage of **incentive components, in particular long-term**, through 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 compensation**, so as to ensure compensation 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;
- any **share-based compensation** plans aligned to the shareholders' expectation in a medium-long time scale, through three-year vesting periods, the connection to predefined, measurable performance targets, the provision that a portion of the shares or of the assigned rights must be restricted for a predefined time scale.
- **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 **supplementary 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 compensation;
- any use of **non-compete agreements** pursuant to Article 2125 of the Italian Civil Code intended to protect corporate interests in the event of terminating employment with the company, with the provision of appropriate penalties in the event of their non-compliance.

3. 2019 Compensation Policy Guidelines

The 2019 Compensation Policy continues along the lines of the 2018 policy, which provided for the comprehensive revision of the variable compensation system for the Chief Executive Officer, for the General Manager of Finance and Services, for Managers with Strategic Responsibilities, and for all Managers, based on the objectives for the simplification of the overall architecture of the incentive system (which will comprise of two incentive plans instead of three) and for the further alignment of the performance targets to the shareholders’ expectations. In particular, the new incentive system introduced the Short Term Monetary Incentive Plan with the deferral of a portion of the accrued bonus.

The 2019 Compensation Policy guidelines were defined in line with the declared aims and general principles, and were evaluated by the Nominations and Compensation Committee as being consistent with the applicable market benchmarks.

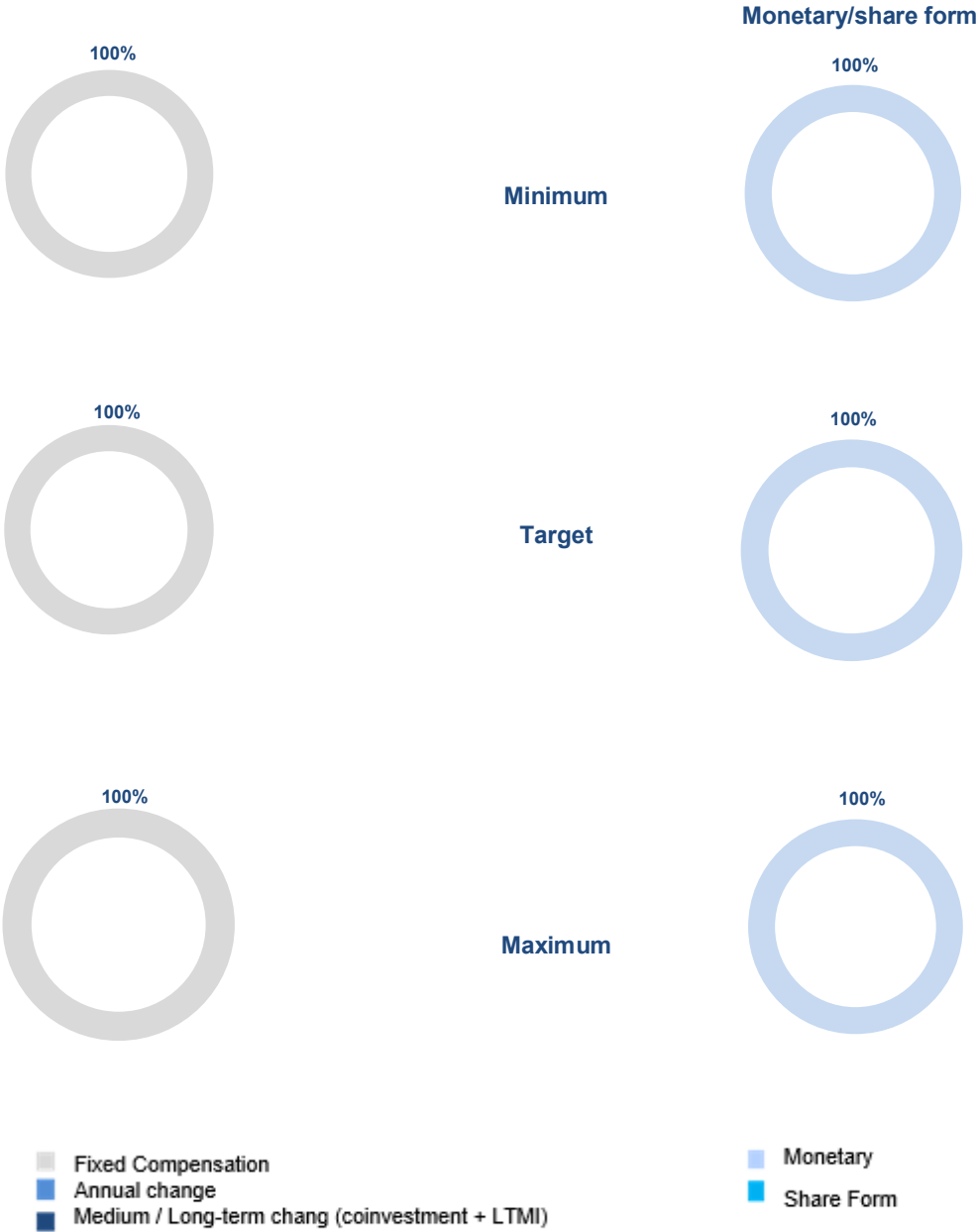
3.1 Chairperson

3.1.1 Compensation for the position and powers and other indemnities

According to the provisions of the Board of Directors at its meeting on 26 September 2016, the compensation of the Chairperson of the Board of Directors provides for a gross annual fixed salary for the position of €238,000, including the fixed annual compensation for Directors established by the Shareholders' Meeting, in addition to reimbursement of the costs incurred in connection with the position. In view of the nature of this position, there are no: i) short or long-term variable incentive components; ii) agreements on severance indemnities.

The Nominations and Compensation Committee, in its meeting of 13 December 2018, analysed the positioning of the Chairperson’s compensation, which is between the first quartile and the median of the benchmark market.

Figure 3
Chairperson
Pay mix and form of compensation for the minimum, target and maximum performance results



3.2 Non-executive Directors

3.2.1 Compensation determined by the Shareholders' meeting

On 4 August 2016, the Shareholders' Meeting approved the Directors' compensation at a gross annual fixed compensation for the office of €40,000, in addition to reimbursement for costs incurred in connection with the position.

In light of the recommendations under Article 6.C.4 of the Code of Corporate Governance, the compensation 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 in terms of compensation for the Independent Directors.

The Compensation Committee, having analysed the compensation positioning of non-executive Directors at its meeting on 13 December 2018, using a specific benchmark with the companies in the FTSE MIB, pointed out that the compensation paid contributes to determining a positioning significantly lower than the benchmark market median (-33%).

3.2.2 Compensation for participating in Board Committees

The non-executive Directors, as decided by the Board of Directors on 26 September 2016 and 23 October 2017, are provided an additional annual compensation for participating in Board Committees:

- the Control, Risk and Related Parties Transactions Committee, in connection with the important role exercised in safeguarding against business risks, was provided compensation respectively of €45,000 for the Chairperson and €20,000 for the other members;
- the Compensation Committee was provided compensation respectively of €40,000 for the Chairperson and €20,000 for the other members;
- the Sustainability Committee was provided compensation respectively of €20,000 for the Chairperson and €15,000 for the other members.

The Nominations and Compensation Committee, at its meeting of 13 December 2018, analysed the position of non-executive Directors with regard to compensation for participating in Board committees,

which is in line with the median levels of the reference market and, for the Chairperson, they are differentiated, being positioned at higher levels.

3.2.3 Severance indemnities and severance pay

For non-executive Directors, no specific severance indemnities or agreements calling for severance pay in the event of early termination of employment are provided.

3.3 Chief Executive Officer⁸

3.3.1 Fixed compensation

The Chief Executive Officer's compensation was determined, at the proposal of the Nominations and Compensation Committee and with the approval of the Board of Auditors, by the Board of Directors on 26 January 2017, at a gross annual amount of €725,000, including the compensation provided by the Shareholders' Meeting. The gross up for the car, amounting to €6,800 gross per year, is to be maintained. As an Italgas executive, the Chief Executive Officer is the recipient of indemnities for work-related travel, domestically and abroad, in line with the provisions of the CCNL [National Collective Labour Agreement] and supplementary corporate agreements.

The Nominations and Compensation Committee, at its meeting of 13 December 2018, analysing the compensation position with respect to the benchmark panel⁹, confirmed its correctness with reference to the summary position adopted at the meeting of 26 January 2017:

- with respect to the benchmark panel, the fixed compensation of the Chief Executive Officer should be set close to the median;
- however, in a context of prudence and moderation of compensation, it was considered appropriate, for the time being, to set the fixed compensation close to the first quartile (Q1).

⁸ The Chief Executive Officer, Mr. Paolo Gallo is also a Manager of Italgas, as well as Chairperson of the subsidiary Italgas Reti S.p.A. The short and long term fixed and variable compensation referred to him and described herein are understood to be comprehensive of all roles and positions.

⁹ For determining the compensation of the Chief Executive Officer, it considered the panel defined by Mercer and formed by FTSE-MIB companies, supplemented with other companies operating in sectors that are contiguous to that of gas distribution.

3.3.2 Variable incentive plans

3.3.2.1 Short-term incentives

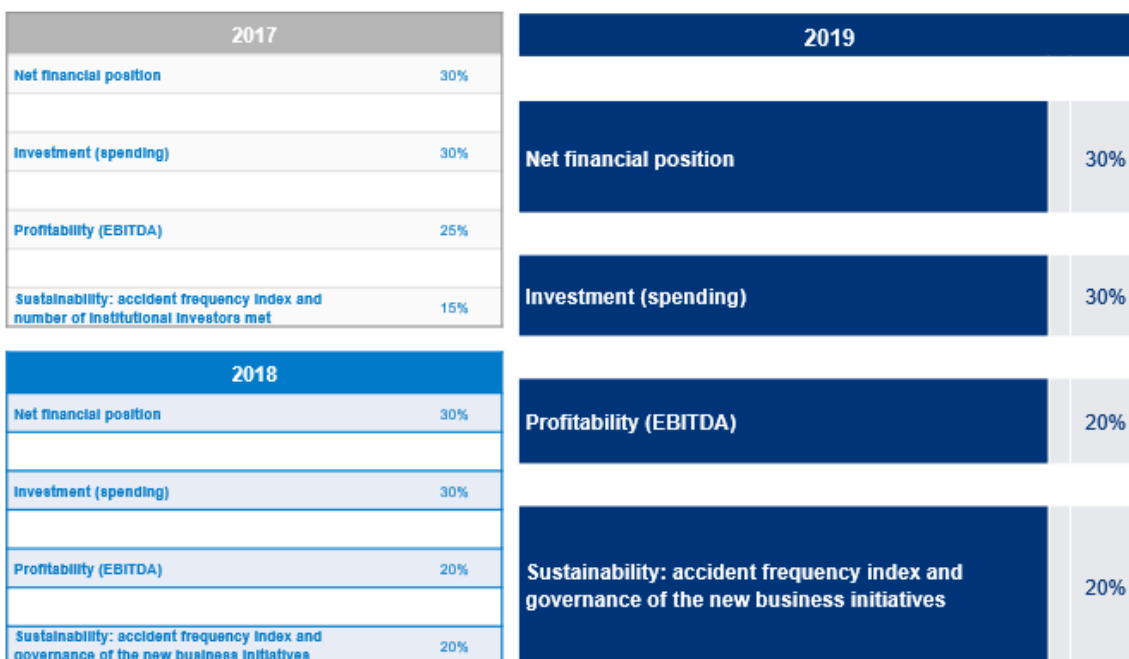
To assure greater alignment to shareholder interests and to long-term value creation, from 2018 onwards, a new short-term incentive plan was introduced, to which is connected a system of deferral and co-investment in Company shares.

Using shares as an incentive instrument allows for strengthening of the connection between incentive and long-term performance of the Company, thereby meeting some requirements expressed by shareholders.

The Short-Term Incentive Plan and the related Co-investment Plan provide 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 2019 objectives set by the Board of Directors of 23 January 2019. 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 are represented in the following chart, compared with the similar set-ups for 2018 and 2017.

Figure 4 - Objectives of the 2019 Short-Term Incentive Plan (comparison with 2018 and 2017)



The net financial position is represented by the gross financial debt less cash and cash equivalents as well as financial receivables not related to operating assets, without taking into account the non-cash adjustments, compared to the estimated budget value.

The objective of the investments is defined in terms of investments made compared to those provided in the budget.

The profitability target is measured by the EBITDA compared to the value set in the budget.

The sustainability theme comprises two objectives: the accident frequency index of employees and contractors, measured in terms of the number of accidents that have occurred for every million hours worked during the year, and; the development of the business, with reference to the objects of the main ongoing acquisitions and to their integration within Italgas, first and foremost with regard to the governance processes.

The value of each objective at the level of target performance is aligned to the provisions of the budget.

Each objective is measured according to the performance scale of 70÷130 points (target = 100), relative to the weight assigned to it. Below 70 points, the performance of each objective is considered equal to zero.

A threshold level is set (performance = 85) below which the short-term incentive is equal to 0 and, therefore, no bonus is paid out.

The Plan provides a predefined pay-out according to the performance level achieved, minimum (performance = 85), target (performance = 100) and maximum (performance = 130) respectively equal to 68%, 80% and 104% of the fixed compensation, in relation to the results achieved compared to the objectives defined.

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

- 1) Portion paid out annually (1st Year) amounting to 65% of the total amount

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

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

Annual pay-out as a function of performance

Performance annuale	<85	85 soglia	100 target	130 max
Incentivo annuale (in % della Remunerazione Fissa)	0%	44%	52%	68%

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

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

3.3.2.2 Co-Investment Plan

The Co-Investment Plan, valid for the 2018-2020 three-year period, is one of the components of the long-term incentive scheme, together with the 2017-2019 Long-Term Monetary Incentive Plan approved by the Shareholders' Meeting on 28 April 2017 and described in the following paragraph.

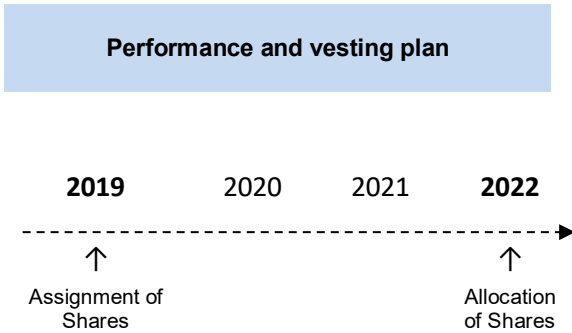
The deferred portion of the STI (I_{Deferred}) is transformed into Italgas shares according to the following formula:

$$\text{Shares}_{\text{Ass}} = \frac{I_{\text{Deferred}}}{\text{Price}_{\text{Ass}}}$$

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 cumulative EBITDA of the reference three-year period:

- 1) for EBITDA results that are lower by 5% compared to the target value set for the three-year period (threshold level), the number of shares allocated will be equal to 0 and therefore the deferred portion of the annual incentive will also not be paid out;
- 2) if the attained performance is equal to the threshold level, 70% of the shares will be allocated in addition to a free matching amount by the company equal to 0.6 shares for each assigned share;
- 3) for EBITDA results equal to the target, the number of shares allocated will be equal to 130% in addition to a free matching amount by the company equal to 0.8 shares for each assigned share;
- 4) for EBITDA results that are higher by 5% compared to the target, the number of shares allocated will be equal to 170% in addition to a matching amount equal to 1 share for each assigned share.

The following table summarises the number of shares accrued (deferment and matching) as a function of the level of performance achieved:

Accrued shares	< Minimum	Minimum	Target	Maximum
Deferment	0	70%	130%	170%
Matching	0	0.6:1	0.8:1	1:1

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

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

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

An additional number of shares is also allocated - defined as Dividend Equivalent - on the shares actually accrued in a quantity equivalent to the ordinary and extraordinary dividends distributed by Italgas during each three-year period and to which the beneficiary would have been entitled during that 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 month prior to the date of allocation of the shares.

3.3.3 Long-term Monetary Incentive (LTMI)

The long-term variable component is characterised by deferral of the incentive with a view to ensuring sustainability in the creation of value for shareholders in the medium to long-term period and it consists, together with the Co-investment Plan, of the 2017-2019 Long-Term Monetary Incentive (LTMI) plan, approved by the Shareholders' Meetings on 28 April 2017.

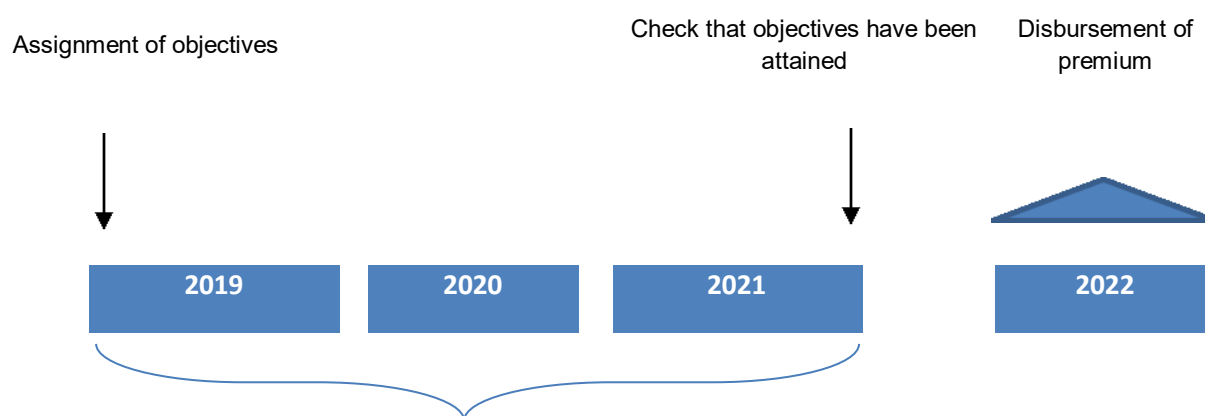
The LTMI plan is provided for managers who have a greater impact on the corporate results and it provides for the annual allocation of an amount equal to 65% of the fixed compensation, and payment of the incentive after three years (vesting period), as a percentage ranging from 0 to 130% based on the weighted change in the parameters of Consolidated Net Profit (60%) and Total Shareholder Return (40%).

Performance, in terms of consolidated net profit, is calculated with reference to the budget amounts¹⁰. Performance in terms of total shareholder return is calculated depending on the positioning of Italgas in the panel comprising a peer group made up of the following companies listed on Euro-zone markets (also relevant for the purposes of the P4P method) belonging to the EURO STOXX TMI utilities index: Snam, Terna, A2A (Italy); Red Eléctrica and Enagas (Spain); Elia System Operator (Belgium).

¹⁰ The performance is assessed according to a linear scale that includes: 130% if the result obtained is equal to or greater than the budget +5%; 100% if it is equal to the budget; 70% if it is equal to the budget -5%; 0% if it is less than the budget -5%.

Placement in first place involves a score of 130, 120 in second place, 110 in third place, 100 in fourth. The score is 0 for placements below average (5th, 6th, 7th place).

Long-term monetary incentive plan – Timeline



3.3.4 Indemnities for termination of employment

For the Chief Executive Officer in office, in accordance with the reference market practices, an indemnification is provided for the termination of the directorship and executive position.

If the term of office is not renewed when it expires, or if it is terminated in advance, two years of the fixed annual compensation are payable plus the average from the Short-Term Incentive paid over the last three years.

The indemnity is not payable if the termination of employment is for just cause or due to dismissal with notice for subjective grounds involving the notion of justifiability in accordance with the collective bargaining agreement or in the event of a resignation.

The effects of any employment termination of the Chief Executive Officer's relationship on the assigned rights under existing long-term incentive and Co-investment plans based on financial instruments are described in the relevant Information Documents and allocation rules.

3.3.5 Non-compete agreements

Non-compete agreements are provided to protect the corporate interest. On the basis of the standards used by companies of equivalent standing and in compliance with the provisions of Article 2125 of the Italian Civil Code, in relation to the obligation assumed by the current Chief Executive Officer not to perform, for a period of one year after terminating employment, any kind of activity that could be in competition with that performed by Italgas, the payment of one year's compensation of fixed compensation only is anticipated. For the protection of the company, penalties are provided for non-compliance, without prejudice to the right to claim further damages.

3.3.6 Benefits

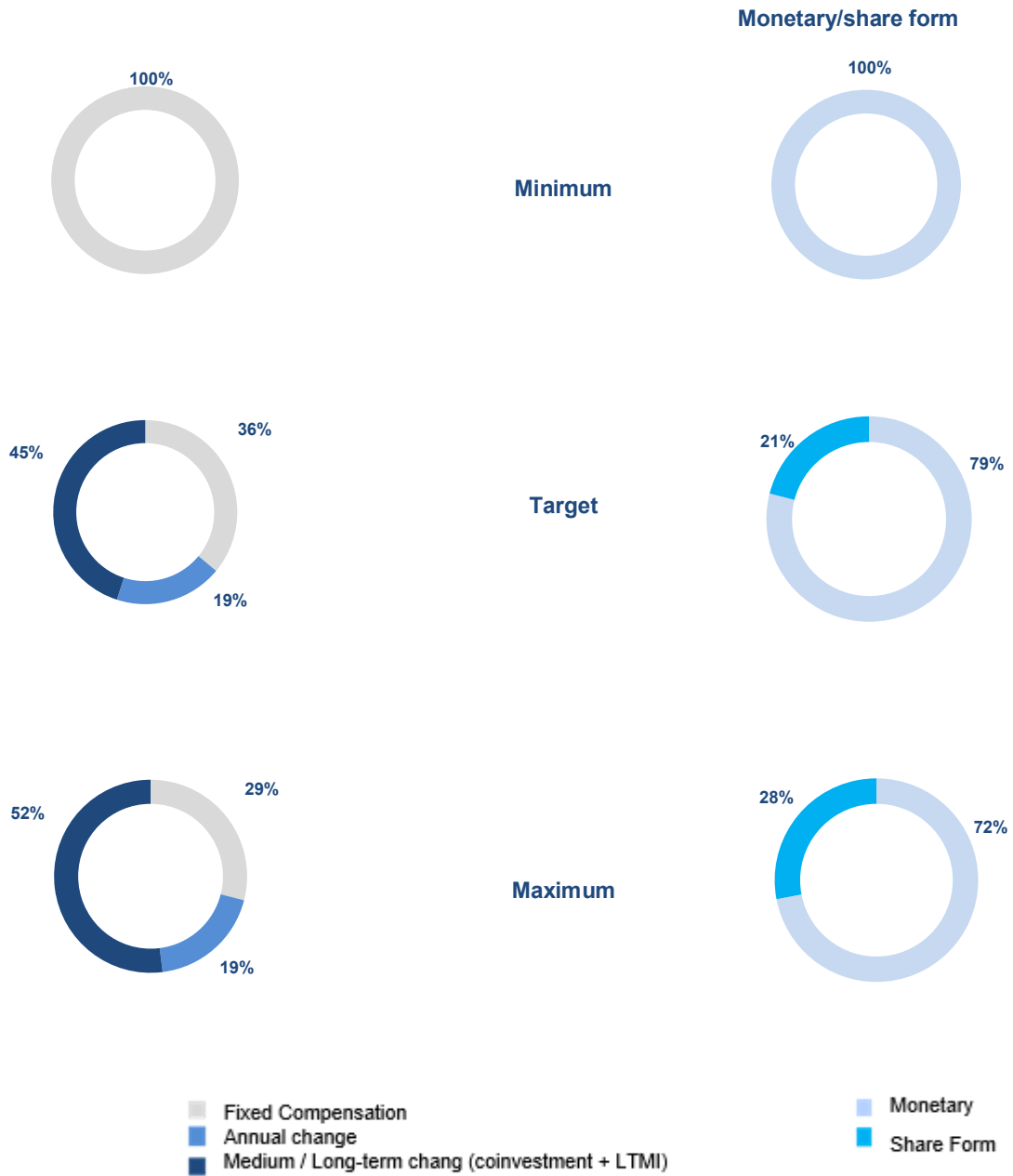
In compliance with the provisions of the national collective bargaining and supplementary agreements for Italgas company executives, the Chief Executive Officer will be enrolled in the Supplementary Pension Fund (AZIMUT PREVIDENZA)¹¹, and in integrated health care Funds (FISDE and CassaPrevint)¹², as well as in forms of insurance coverage against the risk of death and disability, and shall also be assigned a car for both business and private use.

¹¹ www.azimutprevidenza.it

¹² Funds that provide reimbursement of health care costs for retired executives and their family members, www.fisde-eni.it; www.cassaprevint.it

Figure 5
Chief Executive Officer

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



3.4 General Manager of Finance and Services

3.4.1 Fixed compensation

The fixed compensation, determined by the position and responsibilities assigned considering the average compensation levels in the market, is equal to a gross annual amount of €401,800.

The Nominations and Compensation Committee assessed the consistency with the corporate compensation policy and salary benchmark made by Mercer, with reference to the Italian market.

As an Italgas executive, the General Manager of Finance and Services is the recipient of indemnities for work-related travel, domestically and abroad, in line with the provisions of the CCNL [National Collective Labour Agreement] and supplementary corporate agreements.

3.4.2 Variable Incentive Plans

The Short-Term Incentive Plan provides for a compensation determined with reference to the Italgas and individual performance results with a level of incentive targets (performance = 100) and maximum (performance = 130) equalling 63% and 82% respectively of the fixed compensation.

A threshold level is set (performance = 85) below which the short-term incentive is not paid.

For the General Manager of Finance and Services, the annual variable incentive is determined, in one part (50%) from the company results compared with the targets assigned to the Chief Executive Officer by the Board of Directors on 23 January 2019 and, the other part (50%), by a series of individual targets assigned in relation to the scope of responsibilities in the position held, in accordance with the provisions of the Company's Performance Plan.

The accrued Short-term incentive (STI) is then divided in two portions: the portion paid out annually is equal to 65% of the total amount, the deferred portion in the Co-investment Plan is equal to 35% of the total amount.

The General Manager of Finance and Services, in accordance with the provisions for the Chief Executive Officer, participates in long-term incentive plans with the following characteristics:

- Co-investment Plan, in relation to the Company's performance measured in terms of EBITDA, which maintains the same performance conditions and characteristics described in the section dedicated to the compensation of the Chief Executive Officer;
- The 2018 Long-Term Monetary Incentive Plan (LTMI) is provided for managerial positions with greater impact on business outcomes. This plan has the same performance conditions and characteristics as the plan provided for the Chief Executive Officer. For the General Manager of Finance and Services, the basic incentive to be allocated is equal to 47% of the fixed compensation. The incentive to be disbursed at the end of the three-year reference period (vesting) is determined in a percentage between 0% and 130% of the value allocated, in relation to the results achieved.

3.4.3 Indemnities provided in the event of termination of office or employment

The General Manager of Finance and Services is provided with indemnities for termination of employment as established by the national collective agreement and any supplementary indemnities agreed individually with the termination according to the criteria established by Italgas for incentivised exit.

The effects of any termination of the relationship on the benefits assigned under long-term incentive plans based on financial instruments are described in the relevant allocation rules. Specifically, all Plans entailing a three-year vesting period, contemplating clauses aimed at promoting the retention of personnel, provide, in the event of consensual termination of employment during the vesting period, that the beneficiary remains entitled to incentives at a reduced level for the period between the granting of the base incentive and the occurrence of the termination.

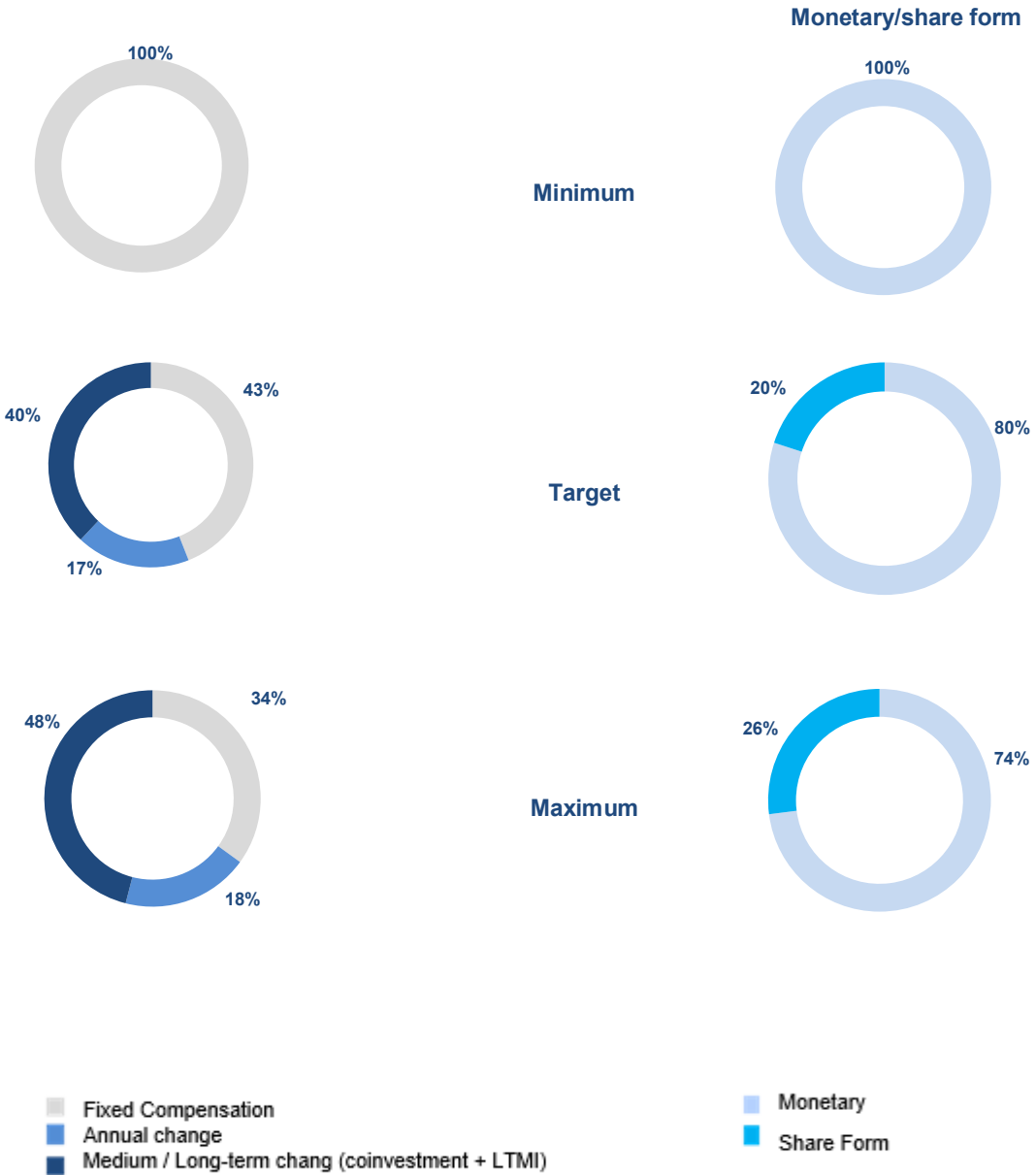
No compensation is due in cases of unilateral termination by the Company, for voluntary resignation, for just cause or for achieving objectively inadequate results.

3.4.4 Benefits

In compliance with the provisions of the national collective bargaining and supplementary agreements for Italgas company executives, the General Manager of Finance and Services will also be enrolled in

the Supplementary Pension Fund (FOPDIRE), in the integrated health care Fund (FISDE), and in forms of insurance coverage against the risk of death and disability, and shall also be assigned a passenger car for business and personal use.

Figure 6
General Director of Finance and Services
Pay mix and form of compensation for the minimum, target and maximum performance results



3.5 Other Managers with Strategic Responsibilities

3.5.1 Fixed compensation

For Managers with Strategic Responsibilities, other than the General Manager of Finance and Services, the fixed compensation is determined based on the position and responsibilities assigned considering the average compensation levels in the market of major Italian companies for positions at a similar level of managerial responsibility and complexity and by providing for recovery of competitiveness with the variable components. This compensation may be adjusted periodically in the context of the annual salary review as part of the process that applies to all managerial staff. The 2019 Guidelines, in view of the global context and the current market trends, provide selective criteria while maintaining high levels of competitiveness and motivation. In particular, the proposed actions regard adjustment operations aimed at those holding positions that have increased in scope of responsibility or with positioning below the median market benchmarks.

Moreover, as Italgas executives, Managers with Strategic Responsibilities are the recipients of indemnities for work-related travel, domestically and abroad, in line with the provisions of the CCNL [National Collective Labour Agreement] and supplementary corporate agreements.

3.5.2 Variable Incentive Plans

The Short-Term Incentive Plan (STI) provides for a compensation determined with reference to the Italgas and individual performance results with a level of incentive targets (performance = 100) and maximum (performance = 130) equalling 51% and 67% respectively of the fixed compensation. A threshold level is set (performance = 85) below which the short-term incentive is not paid.

For Managers with Strategic Responsibilities, the annual variable incentive is determined, in one part (50%), from the company results compared with the targets assigned to the Chief Executive Officer by the Board of Directors on 23 January 2019 and, for the other part (50%), by a series of individual targets (focused on economic/financial, operational and industrial performance, internal efficiency and

sustainability issues) assigned in relation to the scope of responsibilities in the position held, in accordance with the provisions of the Company's Performance Plan.

The accrued Short-term incentive (STI) is then divided in two portions: the portion paid out annually is equal to 65% of the total amount, the deferred portion in the Co-investment Plan is equal to 35% of the total amount.

The Managers with Strategic Responsibilities, in accordance with the provisions for the Chief Executive Officer, participate in long-term incentive plans with the following characteristics:

- Co-investment Plan, in relation to the Company's performance measured in terms of EBITDA, which maintains the same performance conditions and characteristics described in the section dedicated to the compensation of the Chief Executive Officer;
- The 2018 Long-Term Monetary Incentive Plan (LTMI) is provided for managerial positions with greater impact on business outcomes. This plan has the same performance conditions and characteristics as the plan provided for the Chief Executive Officer. For Managers with Strategic Responsibilities the incentive basis to be allocated is equal to 34% of the fixed compensation. The incentive to be disbursed at the end of the three-year reference period (vesting) is determined in a percentage between 0% and 130% of the value allocated, in relation to the results achieved.

3.5.3 Indemnities provided in the event of termination of office or employment

Managers with Strategic Responsibilities are provided with indemnities for termination of employment as established by the national collective agreement and any supplementary indemnities agreed individually with the termination according to the criteria established by Italgas for incentivised exit.

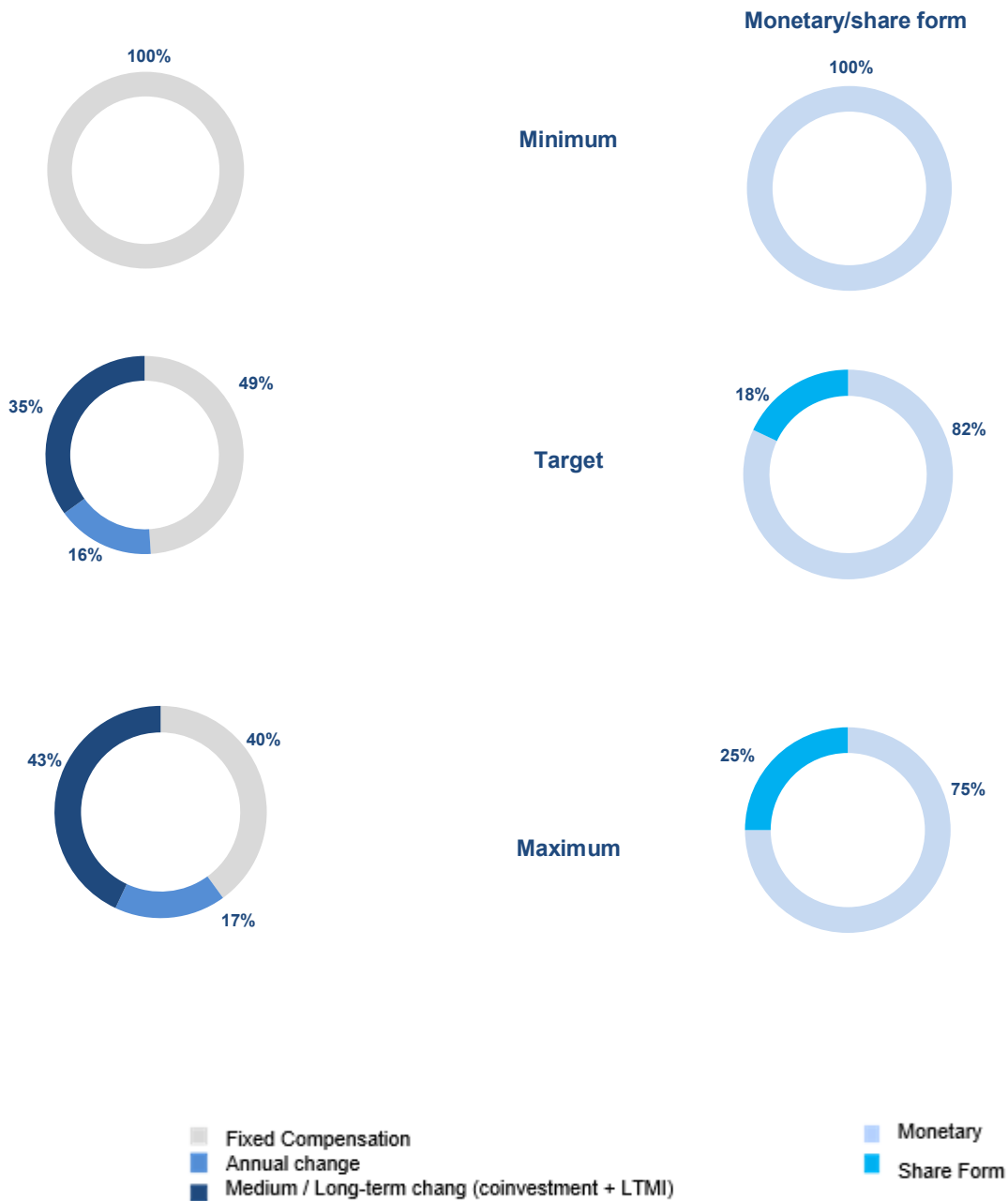
The effects of any employment termination of Managers with Strategic Responsibilities on the benefits assigned under existing long-term incentive plans based on financial instruments are described in the relevant allocation rules. Specifically, all Plans entailing a three-year vesting period, contemplating clauses aimed at promoting the retention of personnel, provide, in the event of consensual termination of employment during the vesting period, that the beneficiary remains entitled to incentives at a reduced level for the period between the granting of the base incentive and the occurrence of the termination.

No compensation is due in cases of unilateral termination by the Company, for voluntary resignation, for just cause or for achieving objectively inadequate results.

3.5.4 Benefits

For Managers with Strategic Responsibilities, in compliance with the provisions of the national collective bargaining and supplementary agreements for Italgas company executives, enrolment is provided into the Supplementary Pension Fund (FOPDIRE or PREVINDAI or AZIMUT), the integrated health care Fund (FISDE) and insurance coverage against the risk of death and disability, a passenger car is also provided for business and personal use.

Figure 7
Managers with Strategic Responsibilities
Pay mix and form of compensation for the minimum, target and maximum variables



3.6 Claw-back mechanisms

All the variable incentive systems have been provided with a claw-back clause whereby the company, within the legal term of limitation (ten years) may repossess sums disbursed in cases where it is established that the targets were achieved due to intentional misconduct or gross negligence or, howsoever, or produced in violation of the benchmark regulations.

3.7 Market benchmarks

The preparation of the guidelines and evaluation of the policies implemented are performed with the support of independent and highly specialised advisors, using specific salary benchmarks (Mercer, Spencer Stuart, Willis Towers Watson).

The compensation benchmarks used for the different types of positions are shown in the table:

Figure 8 - Panels used for Compensation Benchmarks

	Mercer	Spencer Stuart	Willis Towers Watson
Chief Executive Officer	Panel of listed companies comparable with Italgas in terms of capitalisation and turnover or similar in line of business (17 companies)	Panel of listed companies comparable with Italgas in terms of complexity of business	Panel of Italian and European companies comparable with Italgas in size
Chairperson	Panel of listed companies comparable with Italgas in terms of capitalisation/turnover (9 companies)	-	-
Board Committees and Board of Auditors	Panel of listed companies comparable with Italgas in terms of capitalisation/turnover (14 companies)	-	-
General Director of Finance and Services	Executive Remuneration Guide	-	-
Other Managers with Strategic Responsibilities	Executive Remuneration Guide	-	-

Section II - Compensation and other information

1. Implementation of 2018 Compensation Policies

Below is a description of the compensation paid in 2018 for the Chairperson of the Board of Directors, the non-executive Directors, the Chief Executive Officer, the Board of Auditors and Managers with Strategic Responsibilities.

The implementation of the 2018 Compensation Policy, as verified by the Nominations and Compensation Committee on the occasion of the periodic assessment prescribed by the Code of Corporate Governance, remained in line with the general principles referenced in the resolutions passed by the Board of Directors and it was found to be consistent with the 2018 Compensation Policy, as regards market benchmarks, both in terms of overall positioning and pay-mix.

The incentives disbursed in 2018 were paid out as a result of the final accounting for the 2017 results accrued within the Italgas Group and resolved by the Board of Directors of Italgas upon verification and proposal of the Italgas Nominations and Compensation Committee. The 2017 results have been brought forward in the 2018 Compensation Report.

For the sake of full disclosure, the accrued 2018 performance results are also provided below, with respect to the targets assigned by the Italgas Board of Directors, and which will determine or contribute to determine the incentives that will be paid out in 2019.

2. Final report on the performance of the Variable Incentive Plans

Short-term incentive plan (STI)

The 2018 annual incentives were paid out following the final report on the results regarding targets defined by the Italgas Board of Directors for 2017 and determining a performance score of 127 points in the measurement scale that provides target and maximum performance levels of 100 and 130 points respectively.

The 2019 annual incentives shall be paid out following the final report on the results regarding the targets defined for 2018 consistently with the Strategic Plan and the annual budget, assessed at constant

scenario. In particular, the final reported results for the targets assigned by the Board of Directors at the proposal of the Nominations and Compensation Committee in the meeting of 25 January 2018 determined a performance score of 127.3 in the measurement scale that provides target and maximum performance levels equal to 100 and 130 points respectively.

This will result in the payment to the Chief Executive Officer in 2019, as a short-term incentive, of €738,340, of which one third (€258,419) will be deferred in the Co-Investment Plan.

The following table shows, for each target, the assigned weight and the achieved performance level.

Figure 9 - Short-term Incentive pay-out – final report on 2018 targets

Performance parameters	% Weight	Unit of measurement	Minimum 70	Central 100	Maximum 130	Performance Score
Net financial position	30%	Mln €			3,814	39
Investment (spending)	30%	Mln €			500	39
Profitability (EBITDA)	20%	Mln €		840		24.1
Sustainability: Accident frequency index	5%	Table of Contents		1.38		5.7
Sustainability: Integration and Governance of new initiatives	15%	no. of completed actions			3	19.5
Total						127.3

Deferred Monetary Incentive Plan (DMI)

The Italgas Board of Directors, upon verification and proposal of the Compensation Committee, resolved the achievement of a 2017 Italgas EBITDA that determined an annual multiplier of 170 on the scale of 70 = minimum, 130 = target and 170 = maximum.

Consequently, in relation to the 2015 and 2016 results already reported, the three-year average multiplier was found to be equal to 163 points, applied to the incentives allocated in 2015 for the purposes of the pay-out that took place in August 2018.

Figure 10 - 2015 DMI Pay-out - 2015-2017 EBITDA

EBITDA target	2015 Multiplier	2016 Multiplier	2017 Multiplier	Final multiplier for 2018 disbursement
	159	161	170	163
	(average in the three-year period)			

The Italgas Board of Directors, at the meeting of 22 February 2019, upon verification and proposal of the Nominations and Compensation Committee, resolved a 2018 Italgas EBITDA result that determined an annual multiplier equal to 157 on the scale of 70 = minimum, 130 = budget and 170 = maximum.

Consequently, in relation to the 2016 and 2017 results already reported, the three-year average multiplier was found to be equal to 163 points, applied to the incentives allocated in 2016, which will be paid out in August 2019.

Long-term monetary incentive plan (LTMI)

The Italgas Board of Directors, at the meeting of 07 March 2018, upon verification and proposal of the Nominations and Compensation Committee, resolved:

- a 2017 Italgas Consolidated Net Profit above the maximum (budget +5%) which determined an annual multiplier equal to 130 on the scale of 0 - 130 (weight 60%);
- a 2017 Total Shareholders Return result with respect to the peer group (A2A, Elia, Enagas, Red Eléctrica, Terna, Snam) which positions Italgas in 1st place determining a multiplier of 130 points on the scale of 0 - 130 (weight 40%).

Therefore, the annual multiplier for 2017 is equal to 130 points on the scale of 0 - 130.

Consequently, in relation to the 2015 and 2016 results already reported, the three-year average multiplier was found to be equal to 125.5, applied to the incentives allocated in 2015 for the purposes of the pay-out that took place in October 2018.

Figure 11 - LTMI 2015 Pay-out - Adjusted Net Profit and Total Shareholders Return

2015 Multiplier	2016 Multiplier	2017 Multiplier	Final multiplier for 2018 disbursement
124.3	122.3	130	125.5
			(average in the three-year period)

The Italgas Board of Directors, at the meeting of 22 February 2019, upon verification and proposal of the Nominations and Compensation Committee, resolved:

- a 2018 Italgas Consolidated Net Profit which determined an annual multiplier equal to 130 on the scale of 0 - 130 (weight 60%);

- a 2018 Total Shareholders Return result with respect to the peer group (A2A, Elia, Enagas, Red Eléctrica, Terna, Snam) which positions Italgas in 6th place determining a multiplier of 0 points on the scale of 0 - 130 (weight 40%).

Therefore, the annual multiplier for 2018 is equal to 78 points on the scale of 0 - 130.

Consequently, in relation to the 2016 and 2017 already reported, the three-year average multiplier is equal to 110.1 and will be applied to the incentives allocated in 2016, to be paid out in October 2019.

3. Compensation paid to the Directors

Chairperson of the Board of Directors

Fixed compensation

The Chairperson was paid the fixed compensation resolved by the Board of Directors on 26 September 2016 equal to a gross amount of €238,000 inclusive of the annual fixed compensation for the Directors set by the Shareholders' Meeting of 4 August 2016.

Non-executive Directors

The Directors were paid the fixed compensation resolved by the Shareholders' Meeting of 4 August 2016, equal to a gross amount of €40,000. In addition, as resolved by the Board of Directors on 26 September 2016 and 23 October 2017, the additional compensation due for participation in board Committees, whose detail is shown in Table 1 under "Compensation for participating in Board Committee", was paid out.

Chief Executive Officer

Fixed compensation

The Chief Executive Officer was paid the fixed compensation resolved by the Board of Directors of 25 January 2017, which also absorbs the compensation resolved by the Shareholders' Meeting for all Directors and the travel indemnities due (€7,700) for a total gross annual amount of €732,700.

Furthermore, gross ups for the car, amounting to €6,800 gross, were paid and shown in Table 1 under "Other compensation".

Annual Monetary Incentive

The Chief Executive Officer was paid a gross annual variable incentive of €460,500 connected with the performance achieved in 2017 (127 points). The gross value of the incentive paid out in 2018 is shown in Table 3.b under "Bonus for the year - payable/paid".

Co-Investment Plan

The Board of Directors, at the meeting of 8 June 2018, at the proposal of the Nominations and Compensation Committee and consistently with the 2018 Compensation Policy, resolved to assign to the Chief Executive Officer the rights to receive 69,770 shares of the Company at the end of the vesting period and upon achievement of specific performance targets.

The fair value of the assignment is shown in Table 3.a under the item "Fair value at the assignment date".

Long-term Monetary Incentive

The Board of Directors, at the meeting of 8 June 2018, at the proposal of the Nominations and Compensation Committee and consistently with the 2018 Compensation Policy, resolved to allocate to the Chief Executive Officer the 2017-2019 Long-term Monetary Incentive, for a gross amount of €471,500 (RAL x 65%). The gross value of the incentive allocated is shown in Table 3.b under "Bonus for the year - deferred".

Benefits

In compliance with the provisions of the national collective bargaining and supplementary agreements for Italgas company executives, the Chief Executive Officer will be enrolled in the Supplementary Pension Fund (AZIMUT), and in integrated health care Funds (FISDE and CassaPrevint), as well as in forms of insurance coverage against the risk death and disability, and shall also be assigned a car for both business and private use.

4. Compensation paid to the General Manager of Finance and Services and to the other Managers with Strategic Responsibilities

Italgas Managers with Strategic Responsibilities besides the General Manager of Finance and Services, are: Senior Vice President of Commercial Development, Senior Vice President of Legal, Corporate and Compliance Affairs, Senior Vice President of Human Resources & Organisation, Head of External Relations and Communication, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, Chief Executive Officer of Italgas Reti.

It should be noted that, by resolution of the Board of Directors of 4 May 2018, the list of Managers with Strategic Responsibilities was completed with the addition of: Head of External Relations and Communication, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, Chief Executive Officer of Italgas Reti. As a result, the number of Managers with Strategic Responsibilities has risen from four to eight since 2018.

Fixed compensation

For Managers with Strategic Responsibilities, within the scope of the annual salary review process prescribed for all managers, in 2018 selective changes were made to fixed compensation, in relation to the promotion to higher level positions or in relation to needs to revise the compensation levels with respect to the market benchmarks. The aggregate gross value of the fixed compensation paid out in 2018 to Managers with Strategic Responsibilities is shown in Table 1 under "Fixed Compensation".

Annual Monetary Incentive

In March 2018, annual variable incentives were paid out to Managers with Strategic Responsibilities, determined in accordance with the defined Compensation Policy, with reference to the reported performance in 2017. In particular, the incentive is connected to the company results and to a series of business, sustainability and individual targets in relation to the scope of responsibility of the position held, in accordance with the 2017 Performance Plan. The aggregate gross value of the incentives paid out in 2018 to Managers with Strategic Responsibilities is shown in Table 3.b under “Bonus for the year - payable/paid”.

Co-Investment Plan

The Board of Directors, at the meeting of 08 June 2018, at the proposal of the Nominations and Compensation Committee and consistently with the 2018 Compensation Policy, resolved to assign to Managers with Strategic Responsibilities the rights to receive 104,340 shares of the Company at the end of the vesting period and upon achievement of specific performance targets.

The fair value of the assignment is shown in Table 3.a under the item "Fair value at the assignment date".

Deferred Monetary Incentive

In 2018, the Deferred Monetary Incentive allocated in 2015 was vested.

The aggregate gross value of the incentives paid out to Managers with Strategic Responsibilities is shown in Table 3.b under “Bonus for previous years – payable/paid”.

Long-term Monetary Incentive

For Managers with Strategic Responsibilities, the 2018 Long-term Monetary Incentive, determined in accordance with the 2018 Compensation Policy, was allocated.

In 2018, the Long-Term Monetary Incentive allocated in 2015 was vested.

The aggregate gross value of the incentives allocated and of those paid out to Managers with Strategic Responsibilities is shown in Table 3.b respectively under “Bonus for the year - deferred” and “Bonus for previous years - payable/paid”.

Benefits

In compliance with the national collective bargaining and supplementary agreements for Italgas company executives, the prescribed benefits were paid to Managers with Strategic Responsibilities, and in particular enrolment into the Supplementary Pension Fund (FOPDIRE or PREVINDAI or AZIMUT), enrolment in the supplementary health care Fund (FISDE), in forms of insurance coverage against the risk of death and disability, as well as assignment of a car for business and personal use.

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

The following table shows the compensation to Directors, Statutory Auditors and, at the aggregate level, Managers with Strategic Responsibilities¹³.

An indication of the compensation transferred by Italgas to other companies is shown; there is no indication provided of additional compensation received by subsidiaries and/or associates as it is entirely transferred to the Company.

In particular:

- the “**Fixed compensation**” column shows, according to an accrual principle, the fixed compensation and salaries of employees payable in the year 2018, before social security and taxes. Excluded are reimbursed flat-rate expenses and attendance compensation as there are no provisions for it. The note provides the compensation details as well as a separate indication of any allowances and amounts owed related to the employment relationship;

¹³ There are no prerequisites required by applicable legislation for disclosure on an individual basis.

- the “**Compensation for participating in Committees**” column provides, according to the position shown, the compensation owing to Directors for participating in Committees established by the Board. The note supplies a separate indication of the compensation for each Committee in which the Director participates;
- the “**Non-equity Variable Compensation**” column lists under “**Bonuses and other incentives**”, the year’s incentives with the vesting of the related rights upon verification and approval of the performance results by the relevant corporate bodies, as specified in greater detail in Table 3.b “Monetary incentive plans for Directors and Managers with Strategic Responsibilities”;
- the “**Non-monetary benefits**” column shows, according to accrual and taxability criteria, the amount of fringe benefits awarded;
- the “**Other compensation**” column shows, according to accrual and taxability criteria, the gross-up for the car (€6,800);
- the “**Non-equity variable compensation/Profit sharing**” column does not show any figures, as they were non-existent for the year 2018;
- - the “**Total**” column shows the sum of the amounts of the previous entries;
- the “**Fair Value of equity compensation**” column shows, according to the positions concerned, the value of the assigned rights in 2018;
- the “**Indemnity for severance or termination of employment**” column shows the sum of leaving incentives and any non-compete agreements for Managers with Strategic Responsibilities who interrupted their employment during 2018.

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

(amounts in € thousands)

Name and Surname	Notes	Office	Period office was held	Expiration of office	Fixed compensation	Compensation for participating in Committees	Non-equity Variable Compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for severance or termination of employment		
							Bonuses and other incentives	Profit sharing							
Board of Directors															
Lorenzo Bini Simaghi	(1)	Chairperson	01.01 - 31.12	04.19	238.000	(a)					238.000				
Paolo Gallo	(2)	Chief Executive Officer	01.01 - 31.12	04.19	732.700	(a)	460.500	(b)	20.902	(c)	1.220.902	75.121	(e)		
Nicola Bedin	(3)	Director	01.01 - 31.12	04.19	40.000	(a)					80.000				
Federica Loli	(4)	Director	01.01 - 31.12	04.19	40.000	(a)					80.000				
Maurizio Dainelli	(5)	Director	01.01 - 31.12	04.19	40.000	(a)					60.000				
Cinzia Farise'	(6)	Director	01.01 - 31.12	04.19	40.000	(a)					80.000				
Yunpeng He	(7)	Director	01.01 - 31.12	04.19	40.000	(a)					55.000				
Paolo Mosa	(8)	Director	01.01 - 31.12	04.19	40.000	(a)					55.000				
Paola Annamaria Petrone	(9)	Director	01.01 - 31.12	04.19	40.000	(a)					85.000				
Board of Auditors															
Gian Piero Baiducci	(10)	Chairperson	01.01 - 31.12	04.19	60.000	(a)					60.000				
Glandomenco Genta	(11)	Standing Auditor	01.01 - 31.12	04.19	40.000	(a)					40.000				
Laura Zanetti	(12)	Standing Auditor	01.01 - 31.12	04.19	40.000	(a)					40.000				
Managers with Strategic Responsibilities (13)					1.736.692	(a)	1.451.160	(b)	87.296	(c)	3.275.148	112.342	(d)	395.291	(e)
Grand total					3.127.392		1.911.660		108.198		5.369.050	187.463		395.291	

Lorenzo Bini Smaghi - Chairperson of the Board of Directors

- (a) The amount of €238,000 includes the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000) and the fixed compensation per annum for the functions approved by the Board on 26 September 2016 (€198,000).

(1) Paolo Gallo - Chief Executive Officer

- (a) The amount of €732,700 comprises the actual RAL set by the Board of Directors at the meeting of 26 January 2017, which absorbs the compensation of €40,000 set by the Shareholders' Meeting of 4 August 2016 for the office of Director, in addition to the amount of the allowances payable for business trips in Italy and abroad, in line with the provisions of the National Collective Bargaining Agreement for Executives and supplementary agreements reached at the company (for a total amount of €7,700).
- (b) The amount relates to the disbursement of €460,500 of the 2018 annual monetary incentive.
- (c) The amount corresponds to the value of the fringe benefits assigned, according to accrual and taxability criteria.
- (d) The amount relates to the gross value of the gross-up for the Chief Executive Officer's car.
- (e) The amount corresponds to the value of the assigned rights in 2018, on an accruals basis.

(2) Nicola Bedin - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).
- (b) The amount corresponds to (i) the fixed compensation per annum (€20,000) for participating, as Chairperson, in the Sustainability Committee and (ii) the fixed annual compensation (€20,000) for participating, as a Member, on the Control, Risk and Related Parties Transactions Committee.

(3) Federica Lolli - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).
- (b) The amount corresponds to (i) the fixed compensation per annum (€20,000) for participating, as a Member, in the Nominations and Compensation Committee and (ii) the fixed annual compensation (€20,000) for participating, as a Member, on the Control, Risk and Related Parties Transactions Committee.

(4) Maurizio Dainelli - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000). The amount of the compensation is paid to the company of membership (Cassa Depositi e Prestiti S.p.A.).
- (b) The amount corresponds to the fixed compensation per annum (€20,000) for participating, as a Member, on the Nominations and Compensation Committee. The amount of the compensation is paid to the company of membership (Cassa Depositi e Prestiti S.p.A.).

(5) Cinzia Farise' - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).
- (b) The amount corresponds to the fixed compensation per annum (€40,000) for participating, as Chairperson, on the Nominations and Compensation Committee.

(6) Yunpeng He - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).
- (b) The amount corresponds to the fixed compensation per annum (€15,000) for participating, as a Member, on the Sustainability Committee.

(7) Paolo Mosa - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).
- (b) The amount corresponds to the fixed compensation per annum (€15,000) for participating, as a Member, on the Sustainability Committee.

(8) Paola Annamaria Petrone - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).
- (b) The amount corresponds to the fixed compensation per annum (€45,000) for participating, as Chairperson, on the Control, Risk and Related Parties Transactions Committee.

(9) Gian Piero Balducci - Chairperson of the Board of Auditors

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€60,000).

(10) Giandomenico Genta - Standing Auditor

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).

(11) Laura Zanetti - Standing Auditor

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€40,000).

(12) Managers with Strategic Responsibilities

- (a) The amount of €1,736,692 corresponds to RAL, to which must be added the allowances payable for business trips in Italy and abroad, in line with the provisions of the National Collective Bargaining Agreement for Executives and supplementary agreements reached at the company, amounting to €45,645.
- (b) The amount includes the payment of €695,000 relating to the 2018 award of the annual monetary incentive, €384,680, relating to deferred monetary incentive awarded in 2015 and the payment of €371,480 relating to the long-term monetary incentive awarded in 2015.
- (c) The amount corresponds to the value of the fringe benefits assigned, according to accrual and taxability criteria.
- (d) The amount corresponds to the value of the assigned rights in 2018, on an accruals basis.
- (e) The amount includes the disbursement relating to the Non-Compete Agreement, Leaving Incentive and the Novation Agreement.

Table 2 - Stock options assigned to Directors and Managers with Strategic Responsibilities

As there is no data to be reported, Table 2 is not present.

Table 3.a - Incentive plans based on financial instruments other than stock options for Directors and Managers with Strategic Responsibilities

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

In particular:

- the "Number and type of financial instruments" column shows the number of assigned rights for the plan indicated;
- the "Fair Value at the assignment date (euro)" column shows the fair value of the assigned rights;
- in the "Vesting period" column: the three-year duration of the vesting period of the assignment is shown;
- the "Market price at assignment (euro)" column shows the assignment price, 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 approved the assignment. The assignment price for 2018 was € 4.7280;

- the columns in the "Financial instruments assigned in previous years not vested during the year", "Financial instruments vested during the year and not assigned" and "Financial instruments vested during the year and attributable" sections do not show any figures, as they were non-existent;
- the "Financial instruments pertaining to the year" column shows the fair value pertaining to the year for the Co-investment Plan, estimated in accordance with international accounting standards that allocate the related cost over the vesting period; the total corresponds to that shown in Table 1 in the "Fair value of equity compensation" column.

Table 3.a: Incentive plans based on financial instruments other than stock options for Directors and Managers with Strategic Responsibilities												
Name, Surname, Position	Plan	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 (euro)	Vesting period	Assignment date	Market price at assignment (euro)	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair Value (euro)
Paolo Gallo Chief Executive Officer	2018 Co-Investment Plan Italgas BOD of 08/06/2018	n.a.	n.a.	69,770	329,873	three-year	15/06/2018	4.728	n.a.	n.a.	n.a.	75,121
Managers with Strategic Responsibilities	2018 Co-Investment Plan Italgas BOD of 08/06/2018	n.a.	n.a.	104,340	493,320	three-year	15/06/2018	4.728	n.a.	n.a.	n.a.	112,342

Table 3.b - Monetary incentive plans for Directors and Managers with Strategic Responsibilities

The following table shows the short and long-term variable monetary incentives provided for the Chief Executive Officer and, in the aggregate, Managers with Strategic Responsibilities.

In particular:

- the "Bonus for the year - payable/paid" column: shows the Short-Term Incentive paid in the year on the basis of finalised report on performance carried out by the relevant corporate bodies in relation to the targets set for the 2017 year;

- the “Bonus for the year - deferred” column: shows the amount of the base incentive awarded in the year in implementation of 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 “Bonus for previous years - no longer payable” column: contains no data because the conditions were not satisfied for non-payment or partial payment of the bonus as per the provisions contained in the Plan Regulations;
- the “Bonus for previous years - payable/paid” column: shows the long-term variable incentives paid during the year, which have accrued based on the final accounting of the performance conditions for the vesting period;
- the “Bonus for previous years - still deferred” column: shows the incentives awarded related to the existing deferred and long-term plans that have not yet matured;
- the “Other Bonuses” column: does not show values for other bonuses as none were paid.
- The total number of the “Bonus for the year – payable/paid” and “Bonus for previous years - payable/paid” columns matches the amount indicated in the “Bonuses and other incentives” column in Table 1.

Table 3.b: Monetary incentive plans for Directors, the General Manager Operations and other Managers with Strategic Responsibilities

(amounts in € thousands)

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	
Paolo Gallo	CEO	2018 Annual Monetary Incentive Plan Italgas BOD of 08/06/2018	460,500						
		2018 Long-term Monetary Incentive Plan Italgas BOD of 08/06/2018		471,500	three-year				
		2017 Deferred Monetary Incentive Plan Italgas BOD of 27/07/2017						330,000	
		2017 Long-term Monetary Incentive Plan Italgas BOD of 27/07/2017							362,500
		2016 Deferred Monetary Incentive Plan Snam BOD							230,000
		2016 Long-term Monetary Incentive Plan Snam BOD							252,500
Total			460,500	471,500	0.00	0.00	0.00	1,175,000	0
Managers with Strategic Responsibilities		2018 Annual Monetary Incentive Plan Italgas BOD of 08/06/2018	695,000						
		2018 Long-term Monetary Incentive Plan Italgas BOD of 08/06/2018		631,000	three-year				
		2017 Deferred Monetary Incentive Plan Italgas BOD of 27/07/2017						440,000	
		2017 Long-term Monetary Incentive Plan Italgas BOD of 27/07/2017							449,500
		2016 Deferred Monetary Incentive Plan Snam BOD of 26/07/2016.							236,500
		2016 Long-term Monetary Incentive Plan Snam BOD of 27/09/2016.							296,000
		2015 Deferred Monetary Incentive Plan Snam BOD of 28/07/2015.						384,680	
		2015 Long-term Monetary Incentive Plan Snam BOD of 27/10/2015.						371,480	
Total			695,000	631,000		0	756,160	532,500	0
TOTAL			1,155,500	1,102,500		0	756,160	1,707,500	0

5. Shareholdings held

The following table lists, in accordance with Article 84-*quater*, fourth paragraph, of the Consob Issuer Regulations, the shareholdings of Italgas S.p.A. held by the Directors, Statutory Auditors and Managers with Strategic Responsibilities, and their spouses not legally separated, and dependent children, directly or through subsidiaries, trustee companies or a third party. This information is taken from the shareholders' registry, from communications received and other information obtained from these same parties. This includes all persons who, even for a portion of the year, held these positions. The number of shares (all "ordinary") is shown individually for Directors and Statutory Auditors, and collectively for Managers with Strategic Responsibilities. The persons indicated own the shares as property.

Shareholdings in Italgas S.p.A. held by Directors, Statutory Auditors and Managers with Strategic Responsibilities						
situation as at 31.12.2018						
TABLE 4a: shareholdings held by Directors and Statutory Auditors						
Name and Surname	Office	Investee	Number of shares owned as at 31 December 2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number shares owned as at 31 December 2018
Paolo GALLO ¹	Chief Executive Officer	Italgas	14.000	0	0	14.000
Paolo MOSA ²	Director	Italgas	27.835	0	0	27.835
Laura ZANETTI	Standing Auditor	Italgas	6.000	0	0	6.000
¹ of which 12,000 personally and 2,000 by spouse						
² of which 27,435 personally and 400 by spouse						
TABLE 4b: shareholdings held by Managers with Strategic Responsibilities						
		Investee	Number of shares owned as at 31 December 2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number shares owned as at 31 December 2018
Italgas Managers with Strategic Responsibilities		Italgas	28.288	16.499	0	44.787

GLOSSARY

- **Executive Directors:** directors invested with specific duties by the Board of Directors.
- **Non-executive Directors:** directors not invested with specific duties by the Board of Directors and not delegated with individual management powers.
- **Independent Directors:** Italgas Directors meeting the requirements of independence provided under the Code of Corporate Governance, to which Italgas subscribes.
- **Assigned shares:** number of shares placed at the start of the vesting period in the Co-investment Plan.
- **Allocated shares:** number of shares to which the Beneficiary of the Co-investment Plan is entitled at the end of the vesting period.
- **Balanced Scorecard:** the instrument used as the basis for the short-term variable incentive system to support the achievement of corporate objectives by translating business strategy into a set of measurable performance metrics for each eligible party.
- **Benefit:** elements included in the non-monetary component of compensation aimed at increasing the well-being of employees and their families in economic and social terms. This category covers all provisions aimed at meeting the needs of social security and insurance contributions (supplementary pensions, health care, insurance coverage) but also the so-called perquisites, which consist of goods and services that Italgas S.p.A. offers its employees.
- **Claw Back:** contractual mechanisms that provide for the possible return, including partial return, of compensation already paid by the companies to their own managers as a variable part of the compensation.
- **Code of Corporate Governance:** as defined by Borsa Italiana, is the “Code of Corporate Governance for Listed Companies” approved by the Corporate Governance Committee. The document, in line with the experience of leading international markets, indicates the best practices in corporate governance as recommended by the Committee on listed companies, to be applied according to the comply or explain principle that requires an explanation of the reasons for any non-compliance with one or more recommendations contained in the application principles or criteria.
- **Co-investment:** plan entitling participants to receive a bonus, at the end of the vesting period, in relation to the results achieved and to the deferred portion of annual incentive.
- **Control, Risk and Related Parties Transactions Committee:** is composed of three independent non-executive Directors (including the Chairperson) and has consulting and advisory functions with respect to the Board of Directors, assisting it with appropriate preliminary investigatory activities relating to its decisions regarding the internal control system and risk management, as well as those relating to the approval of the financial relationships.
- **Nominations and Compensation Committee:** consists of two independent non-executive Directors (including the Chairperson) and a non-executive Director and has consulting and advisory functions with respect to the Board of Directors. Specifically, the Committee submits the annual Compensation Report to the Board for approval and puts forward proposals relating to the compensation of Executive Directors and members of Board Committees. The Nominations and Compensation Committee, in accordance with the procedure “Transactions involving interests of Directors and Statutory Auditors and Related-Party

Transactions”, is responsible for issuing its opinion concerning Transactions involving the compensation of Directors and Managers with Strategic Responsibilities.

The main tasks pertaining to nominations include: proposing candidates for the Office of Director if one or more Directors during the year is removed, ensuring compliance with the minimum number of Independent Directors and the quotas for the least represented category; submitting to the Board of Directors the candidates for the corporate boards of the Subsidiaries included within the scope of consolidation. Among other things, it develops and proposes the procedures for annual self-assessment of the Board and its Committees.

- **Nominations Committee:** (see Nominations and Compensation Committee).
- **Compensation Committee:** (see Nominations and Compensation Committee).
- **Sustainability Committee:** consists of three non-executive Directors, a majority of whom is independent, including the Chairperson. The Sustainability Committee performs consulting and advisory functions with respect to the Board of Directors on sustainability matters, i.e. the processes, initiatives and activities aimed at bolstering the Company’s commitment for sustainable development along the value chain.
- **Managers with Strategic Responsibilities:** the definition of “Managers with Strategic Responsibilities” as per Article 65, paragraph 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 Managers with Strategic Responsibilities, other than the Directors and Statutory Auditors and besides the General Manager of Finance and Services, are: Senior Vice President of Legal, Corporate and Compliance Affairs, Senior Vice President of Commercial Development, Senior Vice President of Human Resources & Organisation, Head of External Relations and Communication, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, Chief Executive Officer of Italgas Reti.
- **Dividend Equivalent:** additional shares allocated to the Beneficiary of the Co-investment Plan as a result of the non-obtainment of the dividends in the vesting period.
- **EBITDA (Earnings before interest, tax, depreciation and amortization):** also known as “gross operating margin” or “GOM” is a profitability indicator that shows the company's income deriving from only its operating activities, gross, therefore, of interest (financial management), taxes (tax management), depreciation of assets and amortisation.
- **Fair Value of equity compensation:** also referred to as fair value. International Financial Reporting Standard 2 (IFRS 2) defines fair value as "The amount for which an asset could be exchanged, or a liability settled, or an equity instrument granted between knowledgeable and willing parties in an arm's length transaction."
- **Free Cash Flow:** means the (monetary) cash flow produced by operating and non-operating activities.
- **Short-term variable incentives:** plan that entitles involved parties to receive an annual cash bonus based on the results achieved in the previous year, with respect to the targets set.
- **Medium – Long-term variable incentives:** plan entitling participants to receive, at the end of the vesting period (see vesting), a bonus to be paid out in relation to the results achieved.
- **Directors' termination indemnity:** monetary amount to be paid to the Director when he/she leaves office.
- **Employee severance indemnity:** the monetary amount payable to the employee upon termination of his/her employment contract as an executive.

- **Accident frequency index:** is based on standard UNI 7249 and is included among the safety measurement indicators in the workplace. This aforesaid rule establishes that this index is calculated as the number of accidents that occur per every million hours worked over a given period and/or within a given scope at the corporate level.
- **Sustainability indices:** Dow Jones Sustainability World Index and FTSE4GOOD are stock exchange indices composed of internationally listed companies selected from among those that achieved the best performance in terms of sustainability and Corporate Social Responsibility.
- **Italgas Enterprise System (IES):** is the internal document of the Italgas Group, whose objective is to describe and illustrate with reference to Italgas S.p.A. and to its Subsidiaries: (i) the Italgas Group; (ii) the organisational and governance model; (iii) the corporate management system; (iv) the Group's operating model.
- **Threshold level:** represents the minimum level to be achieved, below which the plan does not provide payment of any incentive.
- **Target level:** is the standard level for achieving the objective that entitles you to 100% of the incentive.
- **Matching:** allocation of additional shares to the Beneficiary according to the performance results.
- **Related-Party Transactions:** "Transactions with interests of the Directors and Statutory Auditors and related-party transactions", adopted in accordance with Article 2391-*bis* of the Italian Civil Code and the "*Regulations on Transactions with Related-Parties*" (adopted by Consob under Resolution No. 17221 of 12 March 2010 and subsequently amended by Resolution No. 17389 of 23 June 2010) that establishes the principles and rules which Italgas and companies directly or indirectly controlled by the same must follow in order to ensure transparency as well as substantive and procedural correctness in transactions with Related-Party and with Entities of Interest of Directors and statutory auditors of Italgas, undertaken by Italgas and its subsidiaries, also taking into account the purpose of avoiding the risk of depleting company assets.
- **Non-compete agreements:** based on Article 2125 of the Italian Civil Code, these are "agreements that place limits on an employee's activities for a period following the termination of the contract".
- **Pay Mix:** the percentage of fixed compensation, variable short-term incentive and long-term incentive paid at the target level.
- **Peer Group:** group of companies used for comparison with the Italgas results according to the performance parameters defined, consisting of the following companies listed in the European utilities sector: Enagas, Red Eléctrica, Terna, Snam, A2A, Elia System Operator.
- **Performance Plan:** the instrument that defines the targets underlying the variable short-term incentive system.
- **Compensation policy:** is the set of compensation programmes in terms of fixed and variable compensation implemented at the company level in order to support the achievement of strategic objectives.
- **Assignment price [Price_{Ass}]:** in the Co-investment plan, it is 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.

- **Proxy Advisors:** companies, utilised by institutional investors, that issue specific recommendations on the basis of the documents from the Shareholders' Meeting and their own voting policies, which can have an important influence on voting on the Compensation Report.
- **Issuers' Regulations:** this is CONSOB Regulation 11971 of 14 May 1999, which sets out the rules for entities issuing financial instruments.
- **Fixed Compensation:** includes the entire fixed annual compensation before taxes and social security contributions paid by the employee, therefore not including annual bonuses, other bonuses, allowances, indemnities, fringe benefits, reimbursement of expenses, and any other form of variable or occasional compensation.
- **Variable compensation:** consists of the variable short-term incentives and medium-to-long-term incentives.
- **Salary review:** is the review process for the annual fixed compensation for the eligible managerial personnel.
- **Stock option:** financial instrument through which the company entitles beneficiaries to subscribe or purchase shares of the company or of another company in the same group, at a predetermined price (strike price).
- **The Consolidated Finance Act (TUF):** the "Consolidated Act on Financial Intermediation" is Italian Legislative Decree No. 58 of 24 February 1998 (as amended). The TUF introduced the so-called "principle-based" financial legislation, which at the primary legislative level establishes only general guidelines, leaving the definition of detailed rules to the Supervisory Authorities (e.g., Consob).
- **Total Shareholder Return (TSR):** indicates the overall return of a share taking into consideration both the change in price and the distribution of dividends.
- **Consolidated net profit:** this is the net profit obtained by excluding special items relating to events or transactions: i) which are non-recurring events or transactions which do not occur frequently in the ordinary course of business; ii) which are not representative of the normal course of business.
- **Vesting (vesting period):** time elapsing between the assignment and exercise of the entitlement to receive a bonus.

ANALYTICAL INDEX OF TOPICS

(CONSOB resolution No. 18049, SECTION I)

CONSOB resolution	Information required	Reference
A	Bodies or persons involved in the preparation and approval of the compensation policy, specifying the respective roles, as well as the bodies or persons responsible for the correct implementation of that policy	1.1 1.3
B	Any intervention by a Compensation Committee or any other Committee competent in this regard, describing its composition (distinguishing between non-executive and Independent Directors), the powers and working procedures;	1.2
C	The names of any independent experts involved in the preparation of the compensation policy;	3.7
D	The aims pursued with the compensation policy, the principles that underlie it, and any changes in the compensation policy compared to the previous financial year;	2
E	Description of the policies for the fixed and variable components of compensation, with particular regard to an indication of the relative weight in the overall pay mix and distinguishing between the variable short-term and medium-to-long-term components;	3
F	The policy applied with regard to non-monetary benefits;	3.3.6 3.4.4 3.5.4
G	With reference to the variable components, a description of the performance targets used as a basis for awarding them, distinguishing between the variable short-term and medium-to-long-term components, and information on the link between changes in results and changes in compensation;	3.3.2 3.3.3 3.4.2 3.5.2
H	The criteria used for evaluating the performance targets used for awarding shares, options and other financial instruments, or other variable components of compensation;	3.3.2 3.3.3 3.4.2 3.5.2
I	Information used to show that the compensation policy is consistent with the pursuit of the company's long-term interests and with the risk management policy, if one has been formally adopted;	2.1 2.2 3.3.2.2 3.3.3 3.4.2 3.5.2
J	The vesting periods of any deferred payment systems indicating the deferral periods and the criteria used for determining those periods, and, if provided, the <i>ex post</i> correction mechanisms;	2.2 3.3.2.2 3.3.3 3.4.2 3.5.2 3.6
K	Information about any provision for the retention of financial instruments in the portfolio after their acquisition, indicating the retention periods and the criteria used for determining such periods;	

L	The policy in relation to the benefits provided in the event of termination of office or employment relationship, specifying the circumstances that give entitlement to their payment and any link between such indemnities and the company's performance	3.2.3 3.3.4 3.3.5 3.4.3 3.5.3
M	Information on the presence of any insurance, social security or retirement benefits cover, other than those statutorily required	3.3.6
N (i)	Any compensation policy applied with reference to Independent Directors	3.2.1
N (ii)	Any compensation policy applied in relation to committee membership	3.2.2
N (iii)	Any compensation policy applied with reference to the performance of particular offices (Chairperson, Vice-Chairperson, etc.)	3.1 3.3
O	Information regarding the use of compensation policies of other companies as benchmarks, and, where such use is made, the criteria used for selecting these companies.	3.7