

# Italgas

## Consolidated Non-Financial Statement 2019

(Italian Legislative Decree No. 254 of 30 December 2016)

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## Letter to the Stakeholders

We find ourselves in a scenario characterised by major economic, social and environmental changes, some of which are of such significance that they place businesses in a position of great responsibility in relation to those who live in the areas in which they operate every day. Simply mitigating the impact of one's own activities is no longer sufficient, and is now even an outdated approach. A greater effort and broader involvement is required. It is necessary to participate actively in a cultural transformation that is being called for today, especially by the new generations which have demonstrated their awareness of an environmental conscience and increasingly hold businesses and institutions to account in order to safeguard their future and build a truly sustainable system.

Sustainability therefore becomes an increasingly important issue, based on the slowly increasing importance that investors have already been giving to ESG issues for some years, and the inclusion of such issues in investment decisions. Moreover, the evolution of the legislative context, especially in Europe, is accompanying this transformation with the introduction of increasingly strict requirements for organisations, demonstrating how strategic management that proactively embraces sustainability in the running of business can lead to competitive advantages for companies. At the end of 2019, the European Commission presented its European Green Deal, with the objective of leading Europe to be the first carbon neutral continent by 2050, by stimulating and supporting companies towards a correct transition and a low carbon emissions economy. In terms of non-financial reporting, in January 2020 the same Commission opened a public consultation process aimed at gathering comments from interested parties, with the objective of updating Directive 2014/95/EU (the "Barnier Directive") by the end of the year.

It is important to point out that issues which were once seen to be the prerogative of experts only now fuel public debate, involving an increasingly young, broad and cross-sectional segment of the population. The fact that the approach has completely changed, in the context of increased sensitivity, is also demonstrated by the World Economic Forum's latest Global Risk Report 2020, in which the first 5 global risks are linked to environmental issues.

The new level of awareness in recent years and the transition towards a decarbonised economy that is underway are starting to generate the first tangible results – at least with regard to our sector. The last report from the International Energy Agency (IEA), published at the start of the year, actually offers an encouraging picture. In the context of a growing global economy (+2.9%), global CO<sub>2</sub> emissions have remained stable, after two years of constant increase. A misalignment between development and emissions, which the report principally attributes to the gradual replacement of coal-fuelled electricity generation with renewable energy, natural gas and nuclear energy.

As actors operating in our sector, we cannot fail to contribute with concrete actions in response to the climate emergency. In particular, natural gas has helped to bring about the most significant fall in emissions nationally in the United States (-2.9%), where the increased availability of shale gas has generated lower prices and gas-fuelled electricity generation that has reached a record proportion of 37%. In Europe, the significant cut in emissions (-5%) is also due to the combined growth in renewable energies and natural gas, with a simultaneous fall of 25% in the use of coal. An increasing level of integration of more sustainable sources is therefore the objective to be pursued. A virtuous path, on which natural gas, and consequently Italgas as the leader in the distribution sector, is destined to play a leading role of strategic importance for the future of the planet.

This is why we are committed, every day and on several fronts, to the objective of contributing to the achievement of global climate targets through what is today the only economic and immediately available solution for significantly reducing emissions of greenhouse gases and particulates; a ready-to-use solution for replacing coal in the generation of energy and heating, functional to offsetting the effects of the interruptible nature of renewable sources. The activities that Italgas currently has underway include the process of transforming more than 70,000 kilometres of networks into digital infrastructures that make it

possible to also use gases other than methane, such as hydrogen and biomethane, for example, promote sustainable mobility with the connection of CNG charging stations to the network, for light and heavy vehicles throughout the national community, and contribute to the development of power-to-gas technology to produce gas (hydrogen and/or synthetic methane) that can be used in the existing networks through renewable energy storage systems.

This, therefore, explains why, today, CSR permeates Italgas' strategy and business decisions, structured according to the five strategic pillars on which it is founded: develop a culture of sustainability, put people at the centre, create value for the community, customers and the gas market, contribute to the efficiency and security of the energy system.

### **Develop the sustainability culture**

Through bringing such an extensive service to the whole national community, we are aware that we are part of an ecosystem that contributes to the Country's economic and social development, and for this reason we undertake every day to bring about growth in a solid and increasingly widespread culture of sustainability, creating value which, starting with us as individuals, will reach the entire territory. We want to be protagonists of the future of sustainable energy by investing for the construction of increasingly smart cities, through innovation and improvement of services.

### **Put people at the centre**

In 2019, the Italgas Group hired 192 individuals from the market, more than 81% of which under the age of 30 and women in over 26% of the cases – with these figures representing an increase on previous years. At year end, total employees came to more than 4,000 individuals. We wish to continue to create stable and quality employment, with specific managerial and technical expertise investing in the creation of our employees: over the last year around 84 thousand hours of training were provided, with an average of 20.5 hours per employee, and we have continued to invest in programmes aimed at increasing the satisfaction of the individuals. Furthermore, we are increasingly involved in the promotion of a flexible work model by means of the use of organisational systems and digital instruments which, as from 2017, have permitted more than 450 individuals to carry out part of their work activities in smart working mode.

### **Create value for the territory**

Italgas' commitment with regard to the community does not only materialise by means of the on-going improvement of the network and services, but also involves the contribution made to growth as well as to social and cultural development of the community in which we operate, with respect to which we encourage and fuel on-going and direct dialogue. Furthermore, we collaborate with bodies, associations and foundations, no-profit organisations and other parties in the area to give rise to projects and ventures in favour of the protection of the environment, the divulgation of culture, technological and scientific innovation, research and training. In 2019, 691 thousand euros were invested in sponsorships and charitable donations and the delivery of 1,500 computers was completed, donated to the schools in the Municipal areas affected by the earthquake in the regions of Abruzzo, Lazio, Marche and Umbria.

### **Create value for customers and the market**

In 2019, 654 million euros were distributed to the stakeholders. Specifically, 39.4% went to employees (258 million euros), more than 31% to the shareholders (207 million euros), 20.9% to the Public Administration Authorities (137 million euros) and around 8% to lenders (52 million euros). Moreover, a significant portion of the investments in the four-year period 2016 - 2019 (over 700 million euros) was dedicated to innovation and digitisation of the network: today there are almost 7 million<sup>[1]</sup> smart meters installed (79% of our basin) and in 2019 alone we installed 2.1 million (including the investee companies), thanks in part to the support from our Digital Factory. It is expected that all traditional meters will have been replaced by the end of 2020.

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<sup>[1]</sup> Considering the investee companies and the Italgas Group's smart meter replacement plan as a whole.

**Contribute to the efficiency and security of the system**

Over the last year we have invested in energy efficiency projects which, partly thanks to the acquisition of Seaside, a leading company with regard to energy efficiency and one of the most innovative Italian Energy Service Companies, made it possible to implement technologically advanced solutions for the increasingly more efficient management of infrastructures, processes and services. With regard to the commitment in terms of decarbonising activities, over the last year the project for the conversion of the entire company vehicle fleet to methane reached completion.

During 2019, the plan to convert the current LPG distribution networks to natural gas continued with a total of approximately 76 km of network to be modernised by 2020, with the construction of approximately 220 km of new extensions. The carbon dioxide produced by the combustion of natural gas is 15% less than LPG, for the same level of energy consumption. Moreover, Italgas has replaced 18.2 km of networks with joints in lead and hemp which, in addition to increasing safety, makes it possible to significantly reduce atmospheric gas emissions.

On a consistent basis with these activities, in conclusion, Italgas continues in its commitment to promoting responsible business practices, confirming its compliance with the Global Compact of the United Nations, the largest voluntary initiative at global level with regard to sustainability aspects. In recognition of its commitment, Italgas stock was confirmed as being included in various important global stock market indexes which assess the social responsibility of companies.

A long process of corporate social responsibility which Italgas, together with its individuals, has undertaken with great determination ready to multiply the efforts and the goals to be achieved. The challenges are many, but we have all the energy required.

## Methodological note

### Reporting standards

The Consolidated Non-Financial Statement of the Italgas group (hereinafter also the “Statement”), drawn up in compliance with Article 4 of Italian Legislative Decree No. 254/2016 (hereinafter also the “Decree”), which integrated European Directive 2014/95/EU into the Italian system, contains information relating to environmental and social aspects, pertaining to the staff, the respect for human rights and the fight against corruption, useful for providing the stakeholders with an accurate, in-depth and transparent overview of the activities of the Italgas Group (hereinafter also “the Group”, “the Company” and “Italgas”), of the results achieved and their trend, as well as of the services provided.

This Non-Financial Statement also constitutes the Communication On Progress (COP) and details the company’s commitment to the 10 universal principles of the Global Compact.

The Statement, which is published annually, is drawn up according to the GRI Standards: Core option published in 2016 by the Global Reporting Initiative, which to-date represent the most common and well-known benchmark at international level with regard to non-financial reporting. For the purpose of facilitating the reader in retrieving the information within the document, pages 90 et seq. contain the GRI Content Index.

The information presented in the Statement reflects the principle of materiality or relevance, as envisaged both by the reference legislation and the GRI Standards. As a result, the aspects subject to non-financial reporting are those which, further to the materiality analysis, described on page 24 of this document, were considered “relevant”, or rather capable of representing the effective impacts of the Group’s activities or influencing the decisions of its stakeholders.

### Reporting scope and method

The qualitative and quantitative data and information contained in this Statement refer to the performance of the Italgas Group in the year ended on 31 December 2019. Where possible, the information is provided with a comparison to the information provided in previous financial years. The scope of reporting encompasses the Group’s parent company (Italgas S.p.A.) and the fully consolidated companies (Italgas Reti S.p.A., Italgas Acqua S.p.A., Seaside S.r.l., Medea S.p.A., Gaxa S.p.A., Toscana Energia S.p.A. and Toscana Energia Green S.p.A.). The data for Toscana Energia S.p.A and Toscana Energia Green S.p.A are included on a pro-rata basis for the last three months of 2019, that is, as of 1 October 2019 – the date on which the acquisition of the majority shareholding in Toscana Energia was completed.

Any limitations or changes to this scope have been appropriately indicated within the Document.

### Reporting process

The drafting of the Statement for 2019 was based on a structured reporting process which envisaged:

- The involvement of all the company divisions/units responsible for the relevant spheres and the related data and information forming the subject matter of the Statement. They were requested to describe in the Statement the materials aspects, the projects and the most significant initiatives, as well as proceed with the collection, analysis and consolidation of the data, with the task of checking and validating the information contained in the Statement, each one for their own area of competence. In detail, the data and information included in the Statement derive from a non-financial reporting system specifically adopted to satisfy the requirements of Italian Legislative Decree No. 254/2016 and the GRI Standards. The data was processed by means of accurate calculations and extractions and, where specifically indicated, by means of estimates;
- The approval of the Statement by the Board of Directors, called on 11 March 2020 for the approval of the 2019 draft financial statements;

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- The issue of a compliance opinion on the Statement by PwC, in the form of limited assurance;
- The publication of the Statement on the corporate website.

In particular, during the course of 2019, Italgas – together with an external consultancy firm – developed a software aimed at improving the process for data and information collection and consolidation, in order to clearly identify the responsibilities of the various business departments and render the internal process for approving the data and texts to be included in the Statement more reliable.



## The Italgas Group<sup>1</sup>

### Business profile and activities

Italgas was founded more than 180 years ago and is Italy's main natural gas distributor and the third largest operator in Europe. Founded in 1837 in Turin, under the name of Compagnia di Illuminazione a Gaz per la Città di Torino, over the years it has changed name several times, first of all becoming Società Italiana per il Gas and in conclusion, at the time of listing in November 2016, Italgas S.p.A.

With a historic presence in the largest Italian cities including Turin, Florence, Rome, Naples and Venice, over the last two years the Company launched an important plan of investments intended to consolidate certain areas, in particular in the regions of Southern Italy, and to promote growth which led the company to make its entrance in Sardinia, a region which to-date does not have natural gas distribution infrastructures.

Italgas is leader in Italy in the sector of natural gas distribution and the third largest operator in Europe. In detail, Italgas and its investee companies, with more than 4,100 individuals, manage a network which extends in total for more than 70,000 kilometres and serves more than 7.5 million customers. The current market share exceeds 34%.

A significant portion (more than 700 million euros) of the investments in the four-year period 2016 - 2019 was dedicated to innovation and digitisation of the network: today there are almost 7 million<sup>[1]</sup> smart meters installed (79% of our basin) and in 2019 alone we installed 2.1 million (including the investee companies). It is expected that all traditional meters will have been replaced by the end of 2020.

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<sup>1</sup> The qualitative and quantitative data and information contained in this section ("The Italgas group") refer to the scope of reporting of the 2019 Annual Financial Report, for the purpose of offering a complete view of the Group. The following chapters and sections include the companies consolidated line-by-line as envisaged by Italian Legislative Decree No. 254/2016, with an indication of the exclusions, as described in the Methodological Note.

<sup>[1]</sup> Considering the investee companies and the Italgas Group's smart meter replacement plan as a whole.

The gas distribution service consists of the transmission of gas, through local gas pipelines, from delivery points at reduction and metering stations interconnected with the transmission networks (city-gates) through to re-delivery points at the end customers' sites (families, businesses, etc.). Moreover, Italgas carries out metering activities, which consist of the determination, detection, provision and archiving of natural gas metering data taken from the distribution networks.

**Everyday activities supporting the distribution business:**



Network monitoring and modernisation



Replacement of traditional gas meters



Gas odourisation



Remote meter reading



Rapid response



Works to meet end customer requirements and the problem of arrears



Scheduled search for leaks



Interruption of the gas supply

Italgas is subject to regulation by the Italian Regulatory Authority for Energy, Networks and the Environment (hereinafter also referred to as the Authority or ARERA), which establishes both the process for providing the service and the distribution and metering tariffs<sup>2</sup>. Italgas is engaged in continuous and constructive dialogue with ARERA to help define a clear, transparent and stable regulatory framework to encourage the sustainable development of the gas system.

The Group, including its investee companies, employs more than 4,100 people, located in local offices distributed throughout Italy. In the performance of its activities, it uses its own operating companies and a supply chain that also extends nationwide.

Italgas is today facing an important phase and a new chapter in its long history. In the 2019-2025 strategic plan, the Company has envisaged an important plan of investments targeted at growth and consolidation, digitisation of the network and the processes, development and improvement of the network.

<sup>2</sup>For further information on the regulatory aspects, please refer to the chapter "Regulation" in the 2019 Annual Financial Report.

## The Italgas Group: regional presence and main operating data

### Distributed gas

As at 31 December 2019, Italgas, including its investee companies, had distributed 8,897 million cubic metres of gas (9,098 million cubic metres of gas in 2018). Considering only Italgas' full scope of consolidation, Italgas distributed 8,001 million cubic metres of gas in 2019 (7,873 million cubic metres of gas in 2018), on behalf of 424 marketing companies (323 in 2018).

### Distribution network

As at 31 December 2019, the gas distribution network covers 71,761 kilometres (69,782 kilometres as at 31 December 2018), if investee companies are also taken into account. If only Italgas' full scope of consolidation is taken into account, the gas distribution network covers 70,502 kilometres (61,361 kilometres as at 31 December 2018), with an increase of 9,092 kilometres since 31 December 2018.

### Concessions

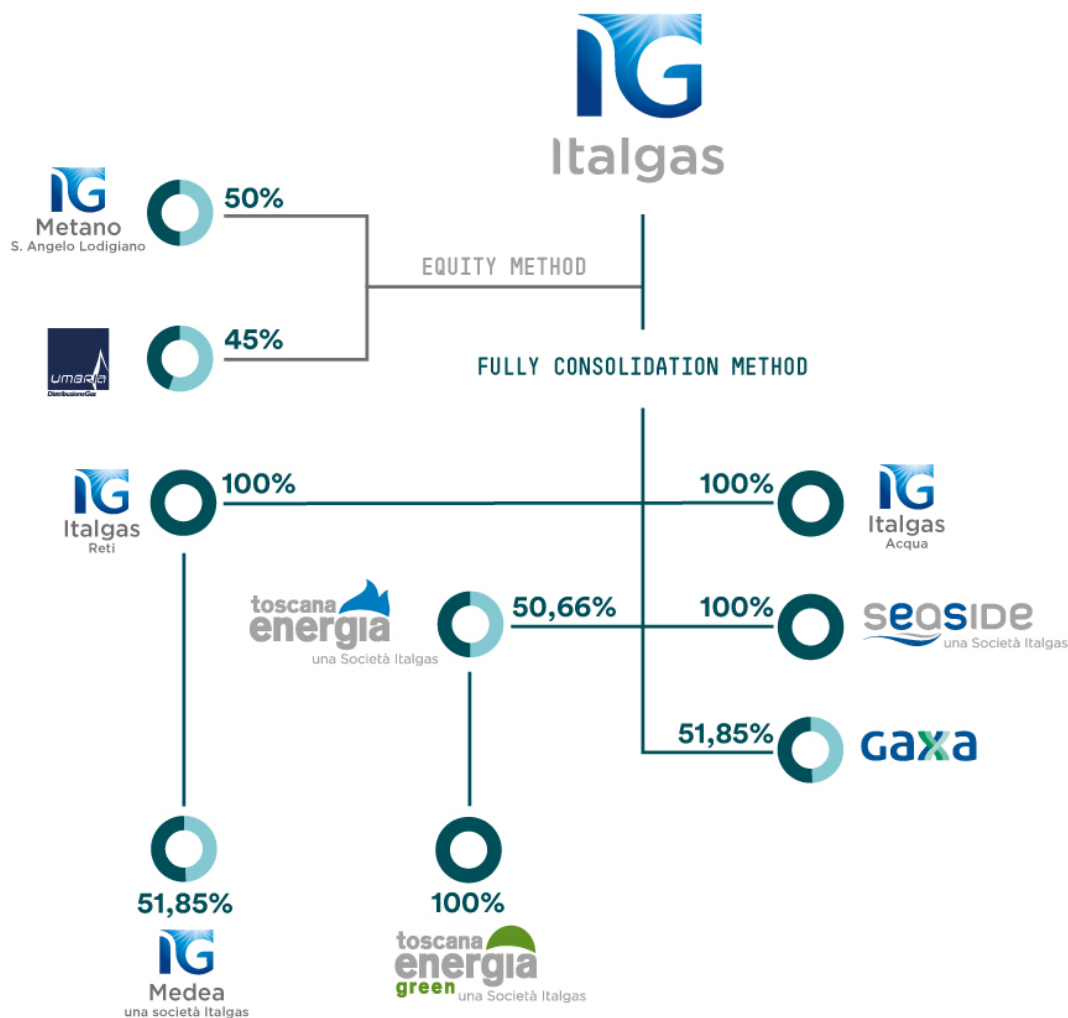
If investee companies are also taken into account, the number of Municipalities with operating concessions comes to 1,744 (1,722 as at 31 December 2018), out of a total of 1,830 municipal concessions (1,808 as at 31 December 2018). As at 31 December 2019 Italgas was the concession holder for the gas distribution service in 1,816 municipalities (1,700 as at 31 December 2018), of which 1,730 were in operation (1,614 as at 31 December 2018).

### Meters

If the investee companies are also taken into account, the active meters numbered 7.694 million as at 31 December 2019 (7.562 million as at 31 December 2018). The active meters in operation at re-delivery points (RPs) amounted to 7.573 million for Italgas and fully consolidated companies (6.708 as at 31 December 2018).

## Corporate structure

The Italgas Group as at 31 December is illustrated in the following organisation chart.



The consolidation area at the end of 2019 has changed with respect to that in place at 31 December 2018 as a result of:

- The incorporation into Italgas Reti, on 12 March 2019, with civil effects starting as of 1 April 2019, of the companies Fontenergia S.r.l., Fontenergia 4 S.r.l., Fontenergia 6 S.r.l., Fontenergia 7 S.r.l., Fontenergia 9 S.r.l., Fontenergia 10 S.r.l., Fontenergia 11 S.r.l., Fontenergia 15 S.r.l., Fontenergia 19 S.r.l., Fontenergia 26 S.r.l., Fontenergia 27 S.r.l., Fontenergia 35 S.r.l. e Fontenergia 37 S.r.l. in Medea S.p.A. e delle società Naturgas S.r.l., Grecanica Gas S.r.l., Progas Metano S.r.l., Baranogas Reti S.r.l., Favaragas Reti S.r.l., Sicilianagas Reti S.r.l. and Ischia Reti Gas S.r.l.;
- The acquisition by CPL Concordia Soc. Coop., on 17 April 2019, of the remaining 40% of the share capital of the company EGN S.r.l.;
- The acquisition by Conscoop Soc. Coop., on 30 April 2019, of 100% of the share capital of the company Mediterranea S.r.l. by Italgas Reti S.p.A., of the business units of Aquamet and Isgas Energit

Multiutilities respectively held by Italgas Reti S.p.A and Medea S.p.A. and of 10% of the share capital of Isgastrentatrè S.p.A. held by Medea S.p.A;

- The establishment on 7 May 2019 of the company Medea Newco S.r.l., the beneficiary company in the partial demerger of the sales business unit from Medea S.p.A., for the sale of natural gas, LPG and propane air (the company subsequently adopted the company name Gaxa, becoming a joint-stock company);
- The incorporation into Italgas Reti S.p.A., on 29 July 2019, with civil effects starting as of 1 August 2019, of the company EGN and its subsidiaries;
- The acquisition by Italgas Reti S.p.A., on 25 September, of the business unit of Sienergas Distribuzione S.r.l., concerning natural gas distribution;
- The acquisition of control over Toscana Energia S.p.A.(50.66%) following the purchase of 0.58% of the share capital by Banca Monte Paschi Siena S.p.A. and 1.98% by five Tuscan Municipalities, completed on 20 May 2019 and 1 October 2019, respectively. Toscana Energia S.p.A. in turn possesses 100% of Toscana Energia Green S.p.A.;
- The incorporation of the company Mediterranea S.r.l. into Italgas Reti S.p.A. on 1 November 2019;
- The acquisition by Seaside S.r.l., on 12 December 2019, of 10% of the share capital of Enerpaper and
- The completion of the transfer, on 18 December 2019, of a minority shareholding of 48.15% in the share capital of Medea S.p.A. and Gaxa S.r.l., respectively, to the Fondo Marguerite II fund, and specifically to the companies Marguerite Gas III S.à r.l. e Marguerite Gas IV S.r.l..

The companies not included in the scope of consolidation also include the 50% stake in Metano Sant'Angelo Lodigiano S.p.A., the 45% stake in Umbria Distribuzione Gas S.p.A. as well as Gesam Reti S.p.A. and Valdarno S.r.l. in which Toscana Energia S.p.A. holds respective stakes of 42.96% and 30.045%. Lastly, Seaside S.r.l. possesses a shareholding equivalent to 10% of the share capital of Enerpaper S.r.l., and Medea S.p.A. possesses 10% of the share capital of Isgastrentatrè S.p.A..

## Organisation of activities and main corporate events

During the last three years, the Group created a holding company and reconfigured the operating entities so as to improve the interaction and streamline the most important processes. Today Italgas S.p.A. includes staff functions, while the mainly operational activities of the gas distribution business have been concentrated within Italgas Reti S.p.A..

In order to assist the Group and make its structure more efficient during these years of transformation, Italgas has reorganised its company population into professional families, so as to improve interaction and encourage the sharing of knowledge and technical skills, while also ensuring the protection and development of technical know-how, best practice sharing and working tools among all Operations departments involved. Every professional family is led by a Competence Leader who supervises the development of skills, establishes targets and priorities and finally calls and manages meetings and interactions among the various members. 13 professional families, involving a total of 300 members, have been identified, and represent six different business areas: asset creation, asset management and maintenance, commercial service management, tender management, staff and transversal activities.

To respond to the challenges that the Group faces every day, one key element is the digitisation of processes. The Group's Digital Factory is a unit that currently hosts multifunctional teams that work using the agile and design thinking methodologies; the workers produce projects and 4.0 technologies that are crucial to maintaining Italgas' leadership role, including in the context of the "fourth industrial revolution". It is here that all of the tools for innovation and the digital transformation of corporate processes and networks are born and developed. Therefore, the objective of digitisation is to aid decision-making processes, collecting and analysing data, and making the management of the network more efficient.

The clear importance of digital transformation has also been made possible thanks to the evolution of IT architecture, based on public cloud technology. This has meant a decisive change in culture, encouraged not only by the introduction of new technologies and new ways of working, but also by the recruitment of personnel with the latest digital competencies.

All of this is being reflected by the many projects launched on the network, the new digital technologies (new Smart Meters with Narrow Band technology - Internet of Things), leak detection (Cavity Ring technology - Down Spectroscopy), the improvement of scheduling, dispatching and customer engagement and for the Integrated Supervision Centre.

In addition to investments aimed at development and digitisation, Italgas' commitment will see the importance of building natural gas distribution networks in Sardinia grow in the coming years. The Group is already the main operator in that region, and planning in Sardinia is also recognised by external market actors: in December 2019 Italgas and the Marguerite II fund entered into the agreement for the fund to become a shareholder of Medea and Gaxa, the Group companies that operate in Sardinia in the distribution and sale, respectively, of LPG, propane air and, after obtaining the necessary authorisation, natural gas.

Marguerite II is an investee company of BEI and some of the main nationally-promoted European institutions (the Italian Cassa Depositi e Prestiti, the French Caisse des Dépôts Group, the Polish BGK, the German KfW and the Spanish ICO); it was launched in 2017 to support the development of projects in the energy, renewable sources, transport and digital infrastructure sectors, contributing to the implementation of the principal community policies on climate change, energy security and trans-European networks.

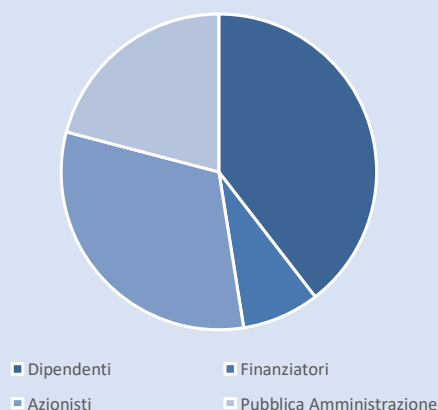
Medea is the company into which Italgas has invested all of its own assets in Sardinia. It now serves 45,000 customers (momentarily fuelled by LPG) and is currently building citizen gas distribution networks in 10 basins out of a total of 19 under concession.

In view of the introduction of natural gas, and in compliance with the obligations provided for by the functional unbundling regulations, Medea has spun off its business unit involved in sales activities and transferred it to a different corporate entity called Gaxa, with the entry of the Marguerite fund.

The project sees Italgas committed to building natural gas distribution networks in Sardinia, a sustainable development project for digital energy infrastructure.

### Breakdown of added value<sup>3</sup>

In 2019, the gross added value produced by the Group was 1,207 million euros. A significant portion of this figure remained within the company mainly for amortisation, depreciation and impairment, while 799 million euros was distributed to stakeholders. Specifically, 39.4% went to employees (258 million euros), more than 31% to the shareholders (207 million euros), 20.9% to the Public Administration Authorities (137 million euros) and 8% to lenders (52 million euros).



### Calculation of the Added Value (in millions of €)

	2017	2018	2019(*)
Core business revenue and Other revenue and income (*)	1,621	1,641	1,893
Net financial expenses	0	0	0
Income from equity investments	23	20	15
<i>less external costs (**):</i>			
Raw materials	(146)	(125)	(143)
Services	(340)	(314)	(464)
Use of third party assets	(76)	(81)	(84)
Capital losses	(7)	(2)	(7)
Other operating expense	(24)	(9)	(6)
Internal work capitalised - Payroll and related costs and financial expense	3	2	3
<b>Adjusted gross added value</b>	<b>1,054</b>	<b>1,132</b>	<b>1,207</b>
Amortisation, depreciation and write-downs	(358)	(401)	(408)
<b>Adjusted net added value</b>	<b>696</b>	<b>731</b>	<b>799</b>

(\*) The balances shown in the table are taken from the income statement net of the so-called special items (non-recurrent costs)

(\*\*) The item includes the effects of IFRIC 12 "Service concession arrangements" amounting to 621 million euros

### Distribution of the Added Value (in millions of €)

<b>Economic value produced (A)</b>	<b>696</b>	<b>731</b>	<b>799</b>
<b>Economic value distributed (B)</b>	<b>571</b>	<b>605</b>	<b>654</b>
<b>of which to Employees (wages, salaries, expenses, severance pay, costs for services to staff)</b>	<b>243</b>	<b>248</b>	<b>258</b>
<b>of which to Lenders (debt interest)</b>	<b>36</b>	<b>47</b>	<b>52</b>
<b>of which Shareholders (*)</b>	<b>168</b>	<b>189</b>	<b>207</b>
<b>of which the Public Administration (direct and indirect taxes and levies)</b>	<b>124</b>	<b>121</b>	<b>137</b>
<b>Economic value retained within the Group (A - B)</b>	<b>125</b>	<b>126</b>	<b>145</b>

(\*) The 2019 figure refers to the dividend proposed by the Board of Directors, subject to the approval of the next shareholders' meeting on 12 May 2020

<sup>3</sup> For the calculation of the breakdown of the added value, the principals for the final preparation of the Study Group for the Social Report (GBS) were used.

## Innovation and digitisation

Italgas continues on its pathway of innovation and digitisation, with regard to both distribution activities and its own way of working, in order to take the opportunities that the challenges of digital transformation offer the Group as a whole. The Digital Factory, a real corporate “innovation factory” that is, to an increasing extent, the protagonist of our internal digital transformation, is the emblem of Italgas’ commitment in this direction.

Sustainability and innovation are based on a homogenous strategy aimed at creating value for the Group and its stakeholders.

Italgas has for some time been implementing its own technological innovation plan, in the belief that digital transformation, extended to all areas of natural gas distribution, is the enabling element for a service characterised by the highest standards of quality and safety.

Since 2018, it has had its own Digital Factory, that is, a real factory dedicated to the transformation and digitisation of business processes through the application of design thinking and the agile model. The Digital Factory is structured into “Digital Rooms” (cross-functional teams) that design and develop immediately usable solutions, the Digital Pilot Projects (Minimum Viable Products - MVPs), according to an iterative and incremental logic. The planned timings of the agile *process* include: 4 weeks of *Discovery* (as-is process mapping and to-be process mapping and the definition of MVPs (Minimum Viable Products which, in the development of a product, represents the minimum state of development at which the product can be tested and put into production); 12 weeks of agile sprints conducted in an iterative manner, following which the MVP is put into production.

During the course of 2019, the main solutions that were released and implemented to support digitisation were as follows:

- **Integrated management of the leak detection process**

Thanks to its collaboration with the US company Picarro, Italgas has installed intelligent software for detecting the presence of gas (Cavity Ring-Down Spectroscopy, CRDS) on its gas detection tools. As regards the traditional methodology, the new technology offers significant benefits in terms of performance speed and the size of the areas subject to checks, since it does not require the vehicle to following the route of the underground pipes, thus avoiding the problem of possible obstacles along the route, and exponentially increases the volume of the monitored above-ground area. The introduction of this new technology makes it possible to improve the efficiency of gas leak detection in order to intervene with safety measures in a timely manner. Moreover, Picarro’s risk model also makes it possible to assess which portions of the network are more subject to leaks, opening the way to the optimisation of inspections and the prioritisation of maintenance works thanks to machine learning algorithms.

- **Digitisation of network assets**

Starting with smart meters, Italgas is proceeding with the installation of sensor technology for measuring operational parameters of the distribution network, aimed at protecting and remotely monitoring normal operation. The management of the field data produced by these sensors is managed using an IoT Platform that was developed over the course of the year. To make it possible to collect and manage field data sent via the IoT platform, the Data Lake was also developed and remote processing applications, such as machine learning algorithms and advanced visualisation tools – which do not simply generate and analyse historic information to generate reports, but have the aim of supporting Italgas technicians and performing predictive assessments – have been developed. In fact, through the real-time monitoring of the main parameters and the relative KPIs of the distribution network, based on multiple diagnostic techniques, it is possible to implement



decision-making processes to reduce breakdowns and instances of poor service, and increase productivity.

Lastly, to increase the percentage of readings reported by smart meters and the life cycle of the batteries embedded in latest-generation meters, a Narrowband IoT solution has been successfully adopted over the last quarter.

- **Integrated Supervision Centre (ISC)**

This is a new area of work, established as a control room equipped with a videowall which adds new innovative functionalities for the supervision, monitoring and geolocation of alarm signals coming from the network and plants. Obtaining information on the network through alerts or specific analyses and the transfer to the territory of the data set necessary for effectively and efficiently intervening in the field are of extreme importance for Italgas, which has always invested to ensure increasingly high levels of service and security.

- **Optimisation of supervision and site checks**

In order to reduce the time it takes to carry out control activities and the related commitment needed in the field, and with a view to obtaining savings for the entire system, the Digital Factory has developed a pilot application to remotely check the quality of network works carried out by third parties (WorkOnSite). Consequently, there has been an increase in the efficiency of the process for supervising checks due to it being easier to obtain updated information on the progress of work on site more frequently. This application is based on the simplification of processes for remotely checking and validating work on the network carried out by third parties, which has been achieved thanks to the continuous feedback approach and also made possible thanks to the real-time transmission of images (photographs) from the site, to which machine- and deep-learning concepts have been applied in order to analyse and assess the progress of work. Equally, the automation of the cartographic updating process, with the geolocated surveying of all sub-services involved in the execution phase, makes it possible to extend the data set for assets installed and to intervene in a timely and targeted manner both for ordinary network maintenance and during emergency intervention.

- **Scheduling of activities**

Through the development of specific algorithms and revisiting processes for scheduling activities, the solution optimises the allocation of works for Italgas' operations teams, also taking advantage of geolocation information, provides for any automatic reallocations in the event of unforeseen events, and provides for communication to customers (push notifications) for the management of appointments.

In the last quarter, the room is working on extending the solution to contractor companies too.

- **Knowledge Transfer**

Through the introduction of certified monitors selected from a worldwide technological scouting process, solutions to support workers in the field have been remotely designed and created by an expert. The objective is to provide workers in the field with a simplified procedure to be followed hands-free for the carrying out of works, and to provide the possibility of simplifying and speeding up the generation of final accounts of the work.

The possibility of recording activities by operations colleagues has been used to create bite-size training materials that can be used on desktops, but also directly through the monitors used to support the activities underway.

In 2019 Italgas Reti continued its gas odourisation activities, odourisation being crucial for distribution safety because it enables the detection of gas, which would otherwise be odourless and colourless, in the case of accidental leakage. At Egatec2019 (the European Gas Technology Conference), a research project was

## Italgas

presented which related to biomethane, and specifically the interaction between the odourised compounds in biomethane and the odourisers THT and TBM. This study made it possible to identify, in greater detail, the behaviour of some interferents (Limonene, Pinene, Butanone and DMS) both in the presence of the THT odourant and in that of TBM, with the possibility of proposing maximum concentration limits.

Within the Italgas Reti Laboratory in Asti - a centre of technological excellence operating according to ISO 17025 standards for the tests and calibrations indicated in the accreditation certificates found on the Accredia site, test and calibration methods are developed and updated for innovative systems and products for each individual production process along with the monitoring of the various specialist activities related to gas distribution. In 2019, activities continued in relation to instrumental tests on gas odourisation, rhino-analytical tests (sensorial, on gas odourisation), the calibration of gas meters and other instrumentation supporting gas distribution activities, as well as mechanical tests on network materials.

In 2019, Italgas Reti LAB carried out a total of 29,502 activities, including 11,961 accredited tests and 15 accredited calibrations. A detailed report on the Laboratory activities is included in the "Review of the Laboratory management system for 2019".

### *Cyber security*

The Security and Cybersecurity departments work together, implementing policies and procedures relating to the security of the business.

As a result of the commitments established in the strategic plan and the growing importance of information and data management, adequate security policies were defined and solutions were implemented to create a model Security and Information Management System, the main points of which concern:

- **Early Warning & Reporting** and **Data Breach** management processes, to handle the growing risk of loss of relevant information for the company;
- Processes for **Infosharing and reporting to top management** for the timely reporting of cybersecurity events and threats to IT which could have a potential impact on the interests and activities of the Italgas Group;
- **Processes and solutions for the protection, monitoring and correlation of events** from different sources (application and infrastructure) to detect potential IT threats in advance.

Through a process of continuous improvement and in order to create a system, the Security and Cybersecurity departments have also prepared organisational and operational procedures to deal with events that could lead to the management of potential cyber emergencies with an impact on the provision of services.

In December 2019, Italgas S.p.A. and the State Police signed a collaboration agreement for the security of IT systems and services of particular importance for the Country. The agreement falls within the scope of the directives issued by the Minister of the Interior for the enhancement of activities for the prevention of cybercrime through the signing of agreements with operators that provide essential services in the Country's strategic sectors.

In fact, the Postal and Communication Police are committed, on a daily basis, to ensuring the integrity and functionality of the IT networks of institutions that are strategic for Italy, through the National Anti-Cybercrime Centre for the Protection of Critical Infrastructures.

The collaborative initiatives provided for by the agreement include the sharing and analysis of information useful for the prevention of potential attacks, the exchange of incident reports aimed at identifying possible threats to Italgas infrastructures, and the adequate exchange of information aimed at dealing with potential crisis situations. The agreement represents a significant milestone in the collaboration between the State Police and Italgas, and is an important tool for the creation of an effective system for fighting cybercrime, based on the sharing of information and operational cooperation.

### **Italgas for the inclusion of visually impaired and blind people**

As one of the pillars of the Digital Transformation undertaken by Italgas, it is based on the application and infrastructure re-platforming project which started at the end of 2018 and will be completed in 2021. In its plan for this important transformation and technological evolution, Italgas has also provided for adaptation to accessibility standards for the inclusion of differently abled colleagues and customers. The first adaptations concerned the SAP platform which supports the main internal administrative and organisational processes. In collaboration with SAP Italy, the project has made native tools available, which permitted the use of a screen reader, or an application that identifies and interprets the text on a computer screen, presenting it through voice synthesis or a braille display. The software can also be equipped with a screen magnification function that can be used by partially sighted people, and both options can be used simultaneously. With precious contributions from a partially sighted colleague and expert in the use of assisted tools, Italgas' IT department has tested and validated the solution, with positive results. But the most significant and innovative outcome, generated by the collaboration between SAP and Italgas' IT department, has been the translation of the screen readers' scripts into Italian, to be used with the SAP GUI interface. This is an achievement from which all Italian companies that adopt this management system will benefit.

## Sustainability for Italgas

In its business model Italgas considers sustainability to be a fundamental principle which contributes towards the definition of the Group’s operational and strategic choices and guarantees, over the long-term, growing coherence with the principles of respect for the environment, development of the staff, positive interaction with the area and the communities in which it operates. Italgas, from its inception, has endowed itself with a Sustainability Committee and the CSR unit dedicated to the supervision of all the aspects of sustainability and to the non-financial reporting of the Group.

### Italgas sustainability framework



The sustainability aspects are an integral part of the operational management of the company and a reference value for the activities of Top management and all the company units. The strategic guidelines, in terms of commitment and lines of action, are contained in the Sustainability Plan developed, on a consistent basis with the SDGs of the United Nations, within the 2019-2025 Business Plan.

The Sustainability Plan is made up of 5 key pillars of the Group's commitment with regard to socio-environmental aspects, 14 objectives and 46 short/medium-term actions. During the course of 2019, the level of progress being made on the Plan amounted to 79%<sup>4</sup>, confirming the commitment the Company shows to the promotion of a culture of sustainability. The main actions and initiatives are reported below, subdivided into areas of activity:

**1. Develop the sustainability culture:** increase in awareness and positioning on the issues of sustainability in relations with the community and investors, development of a sustainability culture within the company and strengthening of company processes. Overall progress with these initiatives is at 78%, including:

- Compilation of 6 ESG rating questionnaires, in relation to the 4 budgeted for by the sustainability plan;
- Completion of the creation of a supplier rating system that includes sustainability issues;
- Provision of a "pilot" sustainability questionnaire to 120 suppliers.

**2. Put people at the centre:** protection of workers' rights and equal opportunities, recognition of the value of know-how with a pathway of personal and professional growth and development, health and safety at the workplace. Overall progress with these initiatives is at 83%, including:

- Adoption of the Diversity Policy;
- Performance of a company environment analysis, with a 77% response rate;
- Involvement of almost 1000 students in work-school alternation projects.

**3. Create value for the community:** strengthening of relations with the relevant community; investments in the community in a manner that is consistent with and integrated into the business to contribute to the socio-economic development of the area. Overall progress with these initiatives is at 75%, including:

- Organisation of 4 safety walks for schools, with over 400 students involved.

**4. Create value for customers and the market:** standardising the relations with the sales companies and optimising relationships with end customers. Overall progress with these initiatives is at 64%, including:

- Organisation of 2 webinars with the involvement of 64 sales companies;
- Implementation of a pilot customer satisfaction project for sales companies;
- Creation of a portal for the management of complaints, which will be operational by mid-2020.

**5. Contribute to the efficiency and security of the energy system:** improving energy efficiency; reducing the carbon footprint; developing gas advocacy and enabling circular economy processes in activities. Overall progress with these initiatives is at 75%, including:

- Complete the methanisation of the service fleet;
- Increase the re-delivery points in areas that still use LPG or other fuels, with approximately 2600 new re-delivery points activated;
- Installation of 3 gas chromatographs and 2 experimental systems for pressure regulation; further innovative solutions have been identified and their possible implementation will be studied in 2020.

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<sup>4</sup> The disclosure reported in relation to the topic Integration of ESG elements into Governance is calculated as an average of the progress communicated twice a year by the responsible functions for each initiative.



During 2018 Italgas formerly complied with the Global Compact, the initiative created 20 years ago due to the desire of the Secretary of the United Nations, Kofi Annan, so as to further a sustainable global economy. Global Impact encourages the companies throughout the

entire world to create a network for sustainable development and in order to do so requires the companies and the organisations which comply with the same to act in observance of the 10 universal principles of the Global Impact, which refer to human rights and employment, the protection of the environment and the fight against corruption.

#### What compliance with the Global Compact means for Italgas

- Pursue the principles of the Global Compact by means of solid action and projects;
- Annually provide public disclosure on the commitment, on the action implemented and on the results obtained during the year further to implementation of the ten principles of the Global Impact;
- Take part in round tables on socio-environmental aspects;
- Ensuring continual monitoring of global best practices.

This Non-Financial Statement constitutes the Communication On Progress (COP) and details the company's commitment to the 10 universal principles of the Global Compact

#### Sustainability and Stakeholder Engagement Policy

During 2018 the Company endowed itself with the Sustainability and Stakeholder Engagement Policy, which describes Italgas' commitment with regard to environmental, social and governance aspects. The document flanks the Code of Ethics and the other policy documents, such as the Italgas Reti Environment, Health and Safety and Quality Policy, the Human Rights Policy, the Diversity Policy and the Anti-corruption Procedure, with a view to furthering a business culture which encourages a sustainable approach to business and creating value and impact over the long-term.

## Italgas stock in sustainability indices

In 2019 the Italgas stock was included in the leading international SRI indices, adding further to the acknowledgement of the company's sustainable strategies and business as well as its information to stakeholders.



FTSE4Good

Italgas stock was included in the FTSE4Good series of indices for the third consecutive year, with a rating of 4. FTSE4Good gave a positive review of the Group's responses to the rigorous criteria of the independent FTSE methodology in relation to Environmental, Social and Governance (ESG) issues.



Dow Jones  
Sustainability Indexes

In 2019 Italgas was for the first time included among the selected stock for the World Enlarged Dow Jones Sustainability Index (DJSI) by RobecoSAM, with a rating of 67. Moreover, having obtained a high level of proportional improvement in its sustainability performance compared to the previous year, it was designated a "SAM Industry Mover". The DJSI is the principal index assessing the financial performance of the global companies which follow sustainability principles.



MSCI  
ESG ISSUER COMMUNICATIONS

Italgas stock had its ESG rating confirmed as AA by MSCI. The MSCI ESG rating contributes to the selection of the issuers included in the MSCI Global Sustainability Indexes, which include those companies with a high sustainability rating in the relevant sector. The Italgas stock was also included in the MSCI Italy Small Cap Index.



The Italgas stock was reaffirmed in the ECPI Euro ESG Equity and ECPI World ESG Equity indices. ECPI focuses on the ESG (Environmental, Social, and Governance) performance indicators which determine the sustainability profile of an issuer. ECPI uses an objective approach, differentiated by industrial sectors in the analysis of the ESG data with the aim of translating mainly qualitative information into quantitative indicators thus assigning a score and a rating to each issuer.



DRIVING SUSTAINABLE ECONOMIES

Since 2017, CDP (Carbon Disclosure Project) recognised Italgas as an international leader in the implementation of strategies and actions to combat climate change. In 2019 it continued to be included in the "Climate change B List".



In 2019, Italgas received the E+ sustainability rating with a stable outlook from the non-financial rating agency, Standard Ethics. The Standard Ethics rating is a rating of the degree to which companies and nations comply with the principles of sustainability and governance promoted by the European Union, the OECD and the United Nations.

## Material aspects: identification of the important topics for Italgas

Italgas periodically carries out an analysis aimed at analysing the reference trends in relation to sustainability and updating important issues for the Group. The materiality analysis is aimed at identifying the spheres in which the activities of the Group may have the greatest impact on the natural ecosystems as well as the wellbeing of the community, the individuals and all the stakeholders of the Group.

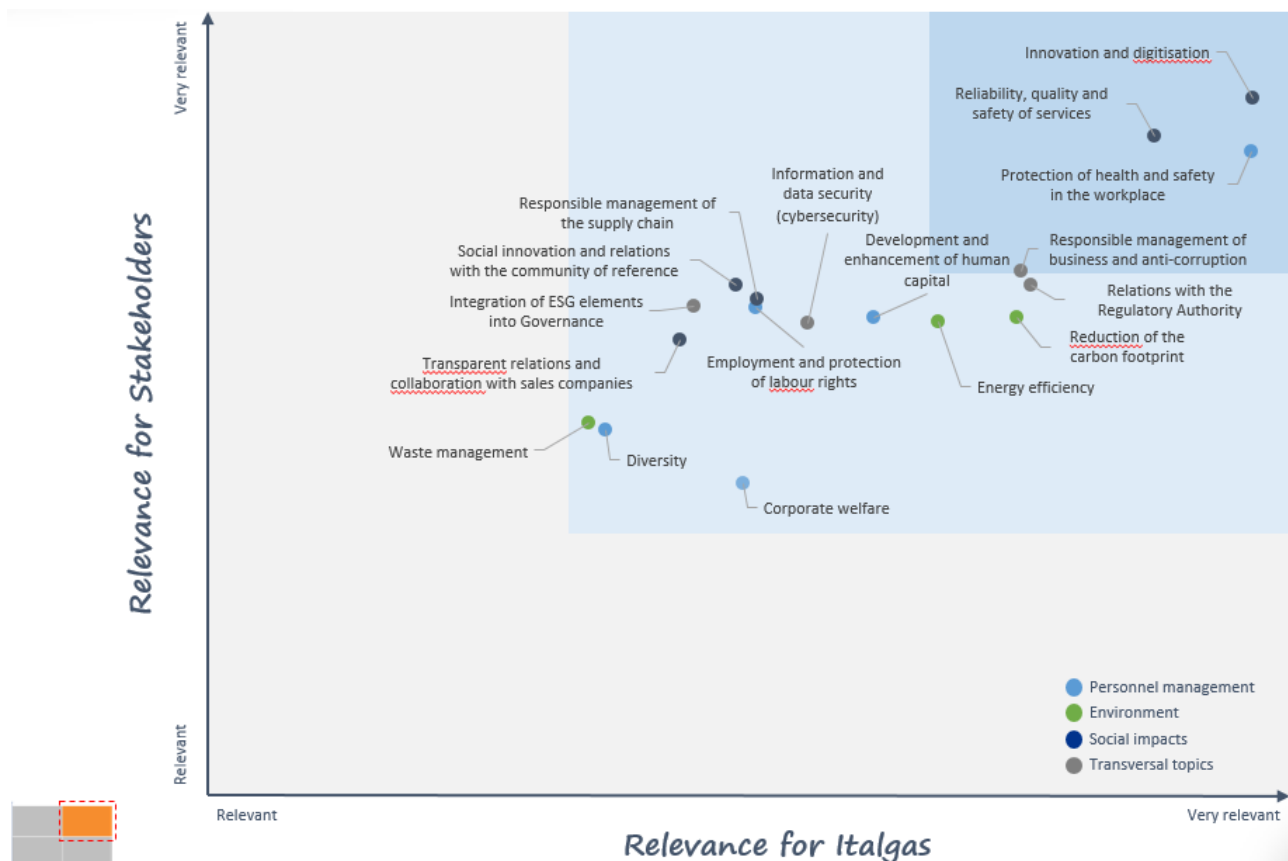
This analysis, carried out on a consistent basis with the business strategy, is an important stage for the definition of the contents of the Consolidated Non-Financial Statement in compliance with the provisions of Italian Legislative Decree No. 254/2016 and the GRI Sustainability Reporting Standards. In terms of sustainability reporting, the aspects which reflect the significant economic, environmental and social impacts of the organisation or which substantially influence the assessments and decisions of stakeholders, are considered material (or rather relevant).

The materiality analysis process carried out in 2019 saw the fine tuning of the material issues shared with the Sustainability Committee during 2018 through the analysis of the main competitors and best practices in the energy&utilities sector, as well as external documents.

In addition, for the first time Italgas has directly involved some of its main stakeholders in the materiality analysis in order to further improve the perception of their expectations in relation to the Group.

This process initially saw the involvement of top management in order to understand both the organisation’s main economic, environmental and social impacts, including in strategic and forecasting terms, and an initial hypothesis of significance from the stakeholders’ point of view. Subsequently, the stakeholders’ assessment was further refined through the involvement of a selected number of representatives, using questionnaires.

The results of the materiality analysis are shown in the following matrix, which was presented to Italgas’ Sustainability Committee in December 2019.





Among most significant issues covered<sup>5</sup>, the analysis confirmed the fundamental importance of innovation and digitisation in the Group's strategy, in order to guarantee a reliable, high-quality and secure service. Together with these, Italgas considers the health and safety of workers to be an imperative and this has always played a fundamental role in the management of its activities.

Although not found to be material, issues relating to water resources and the protection of human rights are still covered in the Statement, to ensure greater transparency, considering that these are expressly mentioned in Italian Legislative Decree 254/2016 and that the Global Compact requires response, as part of the Communication on Progress, with actions and policies implemented in relation to both the environment and human rights. In particular, as stated in the chapter on "Environmental aspects and health and safety at work", the use of water resources is not a significant environmental aspect since water is principally used for sanitary hygiene purposes. With regard to the protection of human rights, considering the type of activities carried out by the Group and the geographical location of Italgas' operations, no significant risks were identified in this area; however, the Group's efforts to ensure respect for human rights throughout the supply chain and in terms of workers' rights and health and safety were reported.

### Italgas and its stakeholders

On the basis of the interactions that take place with the main stakeholders, also identified as addressees of the Code of Ethics, and the characteristics of the sector, Italgas, with direct contributions from its own business departments, has identified the categories of stakeholders which could reasonably affect the company's ability to implement its strategy, and which could be significantly influenced by the company's activities.

The involvement of the stakeholders represents - for the Group - an occasion for feedback and dialogue fundamental for understanding the level of satisfaction with respect to its actions. Accordingly, Italgas adopts diversified and flexible dialogue and involvement practices, in response to the various characteristics and needs of the stakeholders. The stakeholder engagement activities carried out in 2019, as described within the individual section of this Document, revealed useful insights in terms of improvement for the services and the operational and management models.

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<sup>5</sup> The full list of issues identified as significant is set out below for the purposes of completeness: protection of health and safety in the workplace; development and enhancement of human capital; employment and protection of labour rights; corporate welfare; diversity; energy efficiency; reduction of the carbon footprint; waste management; innovation and digitisation; reliability, quality and safety of services; transparent relations and collaboration with sales companies; social innovation and relations with the community of reference; responsible management of the supply chain; responsible management of business and anti-corruption; integration of ESG elements into Governance; information and data security (cybersecurity); relations with the Regulatory Authority.

STAKEHOLDER CATEGORY	STAKEHOLDER ENGAGEMENT
<b>Investors and lenders</b>	Periodic financial reports; Shareholders' Meeting; road show, institutional website, compilation of questionnaires aimed at assessing the sustainability performance.
<b>Suppliers</b>	Dedicated meetings, annual involvement initiatives.
<b>Client and sales companies</b>	Direct and continuous relationship with the sales staff through dedicated dialogue channels (ad es. "GasOnLine"); interactions with the end customers via the portal "MyItalgas"; multiannual promotional initiatives (e.g. "ItalgaSummer"); periodic workshops with sales companies.
<b>Authorities and institution</b>	<i>Ad hoc</i> meetings.
<b>Employees</b>	Training; annual meetings to discuss the growth path; workshops; Company intranet; dedicated meetings; newsletters; analysis of the Company's work environment.
<b>Community and local environment</b>	Cultural meetings and initiatives; meetings with the representatives of the associations, organizations and local communities, social networks.



## Governance and management of activities

Italgas' corporate governance system is a collection of rules and planning, management and control processes necessary for the operation of the Company and was outlined by the Board of Directors on 4 August 2016 with regard to the provisions of the Italian Civil Code and the Consolidated Law on Finance and the Unbundling Regulation, in compliance with the application principles and criteria of the Corporate Governance Code and with reference to national and international best practices.

This system is based on a number of key principles, such as a correct and transparent choice of management of the business activities ensured also by means of the identification of information flows between the corporate bodies and an efficient definition of the internal control and risk management system.

Italgas has adopted the "traditional" administration and control model, which envisages the presence of the Board of Directors and the Board of Statutory Auditors, in office for three financial years, as well as the Shareholders' Meeting and the Independent auditing firm.

Specifically, the Shareholders' meeting represents Italgas' decision-making body which is responsible, among other things, for the task, in ordinary and extraordinary session, of appointing the members of the BoD and the Board of Statutory Auditors and establishing the related fees, approving the financial statements, including the allocation of the profits, and resolving with regard to the purchase of treasury shares, amendments to the Bylaws and issue of convertible bonds.

During the financial year a shareholders' meeting was held on 4 April 2019, during which the new corporate bodies were appointed for the financial years 2019 - 2021.

## Board of Directors

Italgas S.p.A.'s Board of Directors is tasked with the ordinary and extraordinary management of the Company and has the faculty to carry out all the acts deemed appropriate for the implementation and achievement of the corporate purpose, with the exclusion of the acts which, pursuant to applicable legislation and the Bylaws, are reserved for the Shareholders' meeting.

In compliance with the provisions of its Bylaws, the company is administered by a Board of Directors made up of 9 members. All the Italgas director possess the integrity requirements laid down by current legislation, and an executive director, seven non-executive directors and a chairman without management powers is appointed from among the same. The composition of the Board of Directors respects the company policies with regard to diversity in relation to aspects such as age, gender composition as well as training and professional background. Demonstrating the importance of this aspect, in 2018 the Group drafted a "Policy for the diversity of the corporate bodies" approved by the Company's Board of Directors on 24 January 2019, that is a specific document that summarises those policies (as well as the related objectives and means of implementation).

In accordance with criteria 1.C.1., lett. h) of the Corporate Governance Code – in view of the renewal of the corporate bodies that took place during the financial year, the Board also prepared some guidelines on managerial and professional figures whose presence within the administrative body is deemed necessary (also in consideration of the diversity criteria).

In particular, the Board of Directors is composed as follows:

- There are three Directors of the less represented gender, equal to one third of the total composition, in compliance with gender balance requirements;<sup>5</sup>
- Five directors are qualified as independent on the basis of both the requirements of independence of the CLF (Article 147-ter, subsection 4, and Article 148, subsection 3, of the CLF), and of the Corporate Governance Code (Article 3) while the Chairman is independent pursuant to the CLF;

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<sup>5</sup> Moreover, it should be noted that also with regard to the previous Board of Directors, in office until 4 April 2019, the Company had voluntarily applied the gender balance regulations (see art. 147-ter, subsection 1-ter, CLF) before admission to listing. In fact, Consob Communication DIE no. 0061499 of 18 July 2013, establishes that said gender equality obligation takes effect from the first time the corporate bodies are renewed following listing and, therefore, in the case of Italgas, from the renewal of the corporate bodies by the Shareholders' Meeting of 4 April 2019.

- The Board is characterised by the age structure diversity of its members, considering that the Board directors are aged between 40 and 65;
- The educational and professional profiles of the Board directors currently in office (lawyers, engineers, economists, university professors) guarantee a balanced distribution of experience and expertise within the corporate body suitable to ensure that the functions are performed correctly;
- The current Board of Directors also has members from different geographic origins, as well as some with international experience.

<b>DIVERSITY IN THE COMPOSITION OF MEMBERS OF THE BOARD OF DIRECTORS</b> <i>GRI Standard 405-1</i>	<b>Unit of measurement</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total members of the BoD	No.	9	9	9
- of which women	No.	3	3	3
	%	33.3	33.3	33.3

In accordance with application Criterion 1.C.2. of the Corporate Governance Code “*Directors accept the office when they believe that they can dedicate the necessary time to the diligent performance of their tasks, even taking account of the commitment connected with their own work and professional activities, and of the number of offices of director or statutory auditor held by them in other companies listed in regulated markets (including foreign markets), in financial, banking or insurance companies or in companies of significant size*”. In accordance with the provisions of the Corporate Governance Code, the Board of Directors of Italgas S.p.A., most recently on 17 December 2019, adopted and confirmed its orientations on the maximum accumulation of offices as a director or statutory auditor in other “relevant companies” not belonging to the Italgas Group. For more details see the 2019 Report on Corporate Governance and Ownership Structure <https://www.italgas.it/it/governance/documenti/>

During the 2019 financial year, the Board of Directors met ten times and the rate of Director participation in the meetings was close to 100%.

In accordance with the provisions of Article 13.8 of the Bylaws, on 4 August 2016 the Board established three Committees from among its members, with advisory proposal-making functions in relation to specific matters. Control, Risk and Related Party Transactions Committee, Appointments and Compensation Committee, Sustainability Committee.

<b>The composition and functions of the Board Committees</b>		
<b>Control, Risk and Related Party Transactions Committee</b>	<b>Appointments and Compensation Committee</b>	<b>Sustainability Committee</b>
It comprises three non-executive and independent directors.  It provides proposals and advice to the BoD, to support its decisions regarding the Internal Control and Risk Management System as well as decisions regarding the approval of the periodic financial reports.	It comprises three non-executive directors, two of whom are independent.  It provides proposals and advice to the Board of Directors regarding the appointment of directors, their remuneration and that of executives with strategic responsibilities.	It comprises three non-executive directors, two of whom are independent.  It provides proposals and advice to the Board of Directors regarding all the processes and activities which contribute to the company’s sustainable development along the value chain.

## Sustainability Committee

Pursuant to the regulation, the Sustainability Committee is composed of three non-executive members.

The Committee provides proposals and advice to the Board of Directors on matters of sustainability, understood as the processes, initiatives and activities intended to oversee the commitment of the Company to sustainable development along the value chain. In particular, in the context of a specific function relating to the areas mentioned in Decree 254/2016, the Committee:

- Examines and evaluates:
  - the sustainability policies aimed at ensuring the creation of value over time for shareholders and for all other stakeholders in the medium-/long-term with regard to the principles of sustainable development;
  - the guidelines, objectives and consequent processes, of sustainability and the sustainability reporting submitted annually to the Board of Directors;
- Monitors the positioning of the Company with regard to financial markets involving sustainability, with special reference to the placement of the Company on the ethical sustainability indices;
- Monitors national and international initiatives with regard to sustainability and the participation of the Company in them, aimed at consolidating corporate reputation internationally;
- Examines any sustainability initiatives in agreements submitted to the Board of Directors, also with regard to the subject of climate change;
- Examines the profit and non-profit strategy, as well as the gas advocacy of the Company;
- Expresses, at the request of the Board, an opinion on other matters regarding sustainability.

The Committee reports to the Board of Directors:

- At the first meeting of the Board after each of its own meetings, with regard to subjects dealt with and the observations, recommendations and opinions formulated;
- At least every six months and before the deadline for approval of the annual and half-year financial report, at the meeting indicated by the Chairman of the Board of Directors, on the activities carried out.

During the Financial year, the Sustainability Committee met nine times, one of which in joint session with the Control, Risk and Related Party Transactions Committee.

Pursuant to the regulation, the Control and Risks and Related-Party Transactions Committee meets with the necessary frequency to carry out its activities, at least quarterly. Throughout the year, the Committee met with all company departments to foster the profitable exchange of information: on the one hand, the Committee stressed to management the importance of promoting a culture of sustainability and described the Group's commitment to ESG topics; on the other, the sessions made it possible to “capture” and enhance all the actions continually implemented by the company departments in the running of the business.

From the very start, Italgas also set up the Corporate Social Responsibility (CSR) Unit within the External Relations and Communication department. The CSR unit oversees sustainability processes and ensures the coordination of the contribution of each company department involved in the various issues. In particular, during the year the CSR unit monitored the progress of the action envisaged by the Sustainability Plan and the related up-date.

## Board of Statutory Auditors

Italgas' Board of Statutory Auditors oversees the observance of the law and the Bylaws, the observance of the correct principles of administration, the adequacy of the organisational structure, the internal control system and the administrative and accounting system as well as the methods of implementation of the corporate governance rules envisaged by the Corporate Governance Code. The Board of Statutory Auditors is made up of 3 standing auditors and 2 alternative auditors, in relation to whom it is specified that: (I) a standing Auditor and an alternate Auditor belong to the least represented gender<sup>7</sup>; (II) without prejudice to the professionalism requirements envisaged by the law, the training and professional background of the

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<sup>7</sup>The composition of the Board of Statutory Auditors is therefore already compliant with the legislation concerning balance between the genders which was applied in advance and on a voluntary basis at the time of admission to stock market listing.

members of the Board of Statutory Auditors guarantees the expertise suitable for ensuring the correct performance of the functions they are responsible for.

### The new Corporate Governance Code

The new Corporate Governance Code (the “**Code**”) was published on 31 January 2020, and it will replace the old Corporate Governance Code of Listed Companies. The companies adopting the Code are invited to apply it from the first financial year starting after 31 December 2020, advising the market of the fact in the corporate governance and ownership structure Report to be published in 2022.

The Code, adapting to the evolution of international best practices, places growing attention on sustainability, inviting the Board to guide the company by pursuing “sustainable success”, creating long-term value for shareholders while considering the interests of stakeholders, rather than shareholders, who have a significant role in guaranteeing sustainability over time on the market the company operates in.

Therefore, the Code gives the administrative body the responsibility of integrating sustainability objectives into the definition of the strategies and business plan, the internal control and risk management system and remuneration policies.

Italgas is assessing the new requirements introduced by the Code in order to be able to implement them within a short amount of time. In any case, it should be noted that a managerial incentive system, partly linked to objectives of a non-financial nature, has already been planned.

## Responsible business management within Italgas

The Italgas Group operates on the basis of a Corporate Management System, comprising an Organisational System and a Regulatory System, which defines roles, responsibilities, powers and rules of conduct to be adopted in the running of the business activities.

The Corporate Management System is continuously updated in order to ensure the effectiveness and efficiency of processes, the safeguarding of corporate assets and compliance with the regulations that also allow Italgas to direct the management and coordination of its subsidiaries.

### The Code of Ethics

The Italgas Code of Ethics<sup>8</sup> is the system of values on which the Group's ethical culture is based. These values inspire the conduct of company activities in line with the principles of sustainability and corporate responsibility considered an integral part of its own corporate management model ("Model 231"). The Code and the values contained in the same are adopted by all the Italgas Group companies. Ethics is a guiding factor informing the company's strategic and operational choices and a lever to ensure long-term sustainable growth, while providing the results expected by shareholders and sharing with all its stakeholders the value generated, also from an environmental and social point of view.

The Code of Ethics also defines the guiding principles on which the entire Internal Control and Risk Management system is based and is a general principle of the Organisation and Control Model, which is constantly updated in line with the developments of Italian Legislative Decree No. 231/2001.

#### Protection of human rights

For Italgas, the protection of human rights is principally connected to the broader material issue of "Employment and the protection of workers' rights". Italgas pays particular attention to the recognition and safeguard of the dignity, freedom and equality of human beings, worker protection and trade union freedom, health, safety and the environment. In this regard, the Group operates within the framework of the United Nations Universal Declaration of Human Rights, the fundamental Conventions of the ILO - International Labour Organisation - and the OECD Guidelines for Multinational Enterprises.

To further strengthen compliance with the aforementioned principles, Italgas has issued a specific "**Human Rights Policy**" which describes the reference principles and actions taken to safeguard human rights in the conduct of business and, in general, in any context in which Italgas people and its business partners operate.

### The 231 Organisation, Management and Control Model

On 18 October 2016 the Italgas S.p.A. Board of Directors approved its "Model 231" which outlines the principles of organisation, management and control for the prevention of offences committed in the interests or to the advantage of the company referred to in the legislation on the administrative liability of companies (Italian Legislative Decree no. 231 of 8 June 2001).

The Supervisory Body is responsible for compliance with the Code of Ethics and has independent initiative and control powers in accordance with the relevant legislation. Requests for clarifications and interpretation regarding the principles and contents of the Code of Ethics, suggestions regarding its application and reports of breaches of the Code can be submitted to the Supervisory Body, including anonymously.

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<sup>8</sup>The Code of Ethics is available on the Company website <http://www.italgas.it/it/governance/etica-dimpresa/il-codice-etico/>.

On 14 December 2017, the Board of Directors approved the “Special Part” of Model 231. Said document supplements the “Model 231” through an indication of the risks/offences pertaining to each Sensitive Activity and references to the principles of conduct, the control measures and the specific standards of control.

In light of the introduction of regulatory provisions that have recently amended Legislative Decree no. 231/2001 (Italian Law no. 179/2017 “Whistleblowing”), also intervening on the information flows to the Supervisory Body, on 24 January 2019 the Board of Directors of Italgas approved an update to Italgas’ Code of Ethics and “Model 231”. In particular, the amendments, which were adopted by all Italgas Group companies, concerned:

- Stronger reference to the Code of Ethics;
- The simplification of information channels and flows to the Supervisory Body, in compliance with recent legislation on reporting (Law no. 179/2017, so-called “Whistleblowing”);
- The integration of the reasons on ineligibility and expiry of the term of the members of the Supervisory Body;
- The implementation of flows of information to the Supervisory Body;
- The introduction, in compliance with the anti-bribery management system referred to in UNI Standard ISO 37001:2016, of a further flow from the Supervisory Body to the newly created anti-bribery compliance function on the reporting of corruption events.

After the Supervisory Body’s mandate expired at the same time as the mandate of the Board of Directors, as provided for by the Model 231, on 23 September 2019 the new Board of Directors appointed the Supervisory Body, confirming Mr Carlo Piergallini, as its chairman, and Mr Francesco Profumo and appointing Ms Marcella Caradonna as third member.

Subsequently, on 17 December 2019 the Board of Directors approved the update to the “Special Part” of the Model in consideration of the issuing of Italian Law 3/2019 which introduced the “trafficking of illegal influences” as a predicate offence. The legislative interventions subsequent to the first version of the Special Part (December 2017) were also considered, such as Law 12/2019, which abolished the waste traceability control system (SISTR), as well as the introduction of the new predicate offence of fraud in sports competitions, unlawful gaming or betting and gambling exercised by means of prohibited equipment (Law 39/2019) and the offence of racism and xenophobia (Law 167/2017), both deemed irrelevant for the company. Moreover, Italian Decree-Law 105/2019, converted into law by Italian Law 133/2019, which introduced a new category of liability under Italian Legislative Decree 231/01 on the prevention of risks to national cybersecurity, was examined. It is pending approval of the implementing decrees by the President of the Council of Ministers which should also identify the subjects to which they apply and therefore the public administrations and public and private bodies within the national security perimeter and subject to the obligations and sanctions laid down: at present, while waiting for these decrees, a specific provision in the Special Part of the Model has still not been introduced. The risk assessment was completed following the publication of Italian Decree-Law 124/2019, converted into law, with amendments, by Italian Law 157/2019, which introduced the predicate offence of fraudulent declaration by using invoices or other documents for non-existent transactions. Also in consideration of the changes introduced with the conversion of the Decree-Law, with which the crimes of issuing invoices or other documents for non-existent transactions, fraudulent declarations through other devices, concealing or destroying accounting documents and the fraudulent avoidance of tax payment, were also introduced as predicate offences for administrative liability, the adaptation of the Special part of the Model is currently undergoing approval.

Moreover, at the same meeting of 17 December 2019, the Board of Directors approved the update to the Compliance Standard “*Anonymous and non-anonymous reports received by Italgas and its subsidiaries*”, although the Company’s whistleblowing system already complied with the requirements contained in Article 6 of Italian Legislative Decree no. 231 of 8 June 2001 and the Standard in question was already in line with the best practice for the sector. The changes introduced incorporate the suggestions for improvement proposed by Italgas’ Supervisory Body, providing for the introduction of an alternative channel for



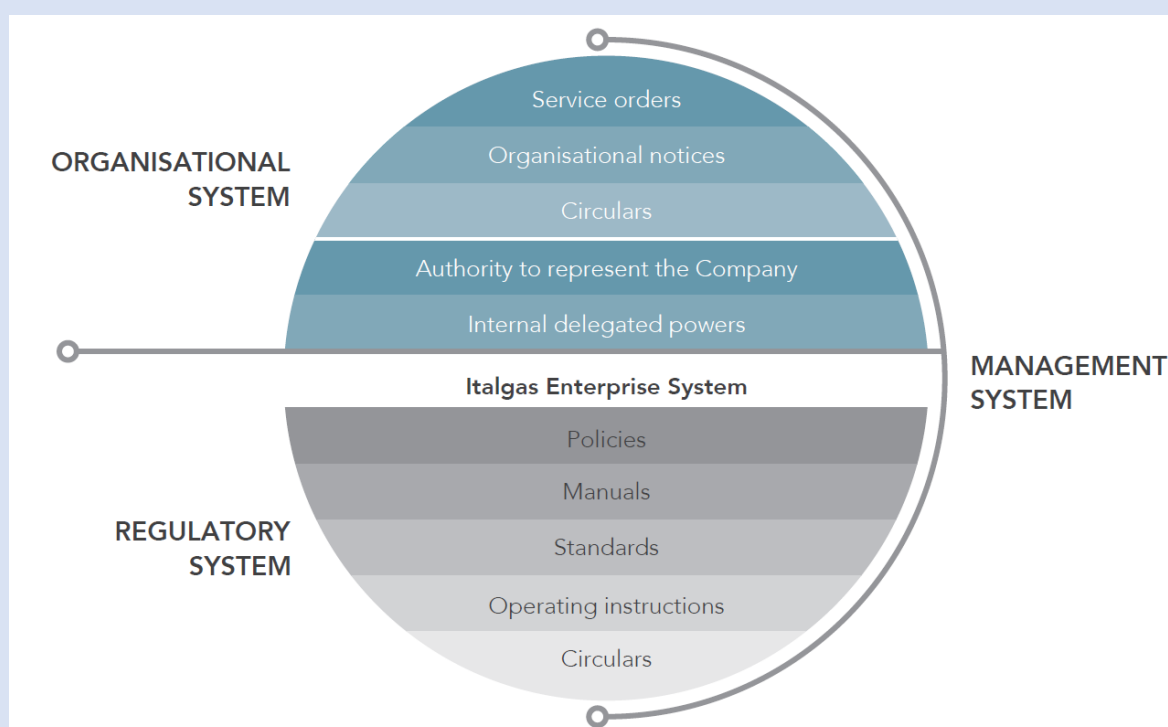
whistleblowing, even anonymous, by means of a special form uploaded on the company's website and introducing a process for managing reports concerning members of the Board or of the control bodies (Board of Statutory Auditors and Supervisory Bodies).

The Compliance Standard provides that so-called qualified whistleblowing is transmitted to the secretary of the Board of Directors and the Internal Audit department, which are bound to inform the Qualified Whistleblowing Committee composed of: the Chairman of the Board of Directors, Chairman of the Board of Statutory Auditors and the Chairman of the Supervisory Body. However, where the report relates to one of these entities, the Standard has established a replacement mechanism with another member. The preliminary investigations are carried out by the Head of Qualified Whistleblowing Investigations, identified within the Compliance Standard as the Chief Executive Officer, the Chairman of the Control, Risks and Related Party Transactions Committee or the other member of the Board of Statutory Auditors, depending on the person reported.

### Enterprise System

The Italgas Enterprise System (IES), a fundamental part of the company regulatory system, provides a complete description of the company's activities and processes and is therefore an important instrument supporting the operations of each Group department.

In particular, the IES mapped out an initial approach to the sustainability model, which aims to provide an approach to corporate social responsibility that combines business objectives with respect for environmental, social and governance issues, and that recognises the central role of stakeholders and their needs to create social value as well as economic value, also with the drive towards innovation. By means of the awareness raising and training, Italgas people are made aware of how the rules and codes apply to their activities and conduct and how to deal with any critical situations.



### Internal control and risk management system

Italgas has adopted an Internal Control and Risk Management System integrated into the organisational, administrative and accounting structure and, more generally, into the corporate governance system. This system ensures compliance with corporate laws and procedures, protects company assets and contributes to the management of activities by providing solid accounting and financial data.

The Enterprise Risk Management (ERM) unit, which was established under the aegis of the General Manager for Finance and Services, has the task of overseeing the integrated management of business risks for all Group companies operating in this way within the sphere of the more extensive Italgas Internal Control and Risk Management System. The ERM activities are focused on the creation of a standardised and transversal risk assessment model, the identification of the priority risks, ensuring the establishment of mitigating actions and development of a reporting system. The ERM methodology adopted by the Italgas Group is in line with the reference models and the existing international best practices (including, for example, the COSO Framework and ISO 31000).

Through the ERM, Italgas has chosen to adopt a structured and standardised risk identification, assessment, management and control model for all Group companies. The process for the identification, assessment, measurement and management of the risks is carried out periodically, at least once a year, on the basis of the importance of the risk and any changes in context. The activities directly involve all business departments through dedicated meetings that make it possible to receive any reports of new emerging risks, and updates to the information on the description, significance and management of the risks already existing in the portfolio. These activities are carried out in a way that covers the entire scope of the Group and all the potential applicable events.

For the purpose of ensuring a correct assessment and prioritisation of the risk events, the assessment is carried out considering the following possible types of impact:

- Economic-financial;
- Operational (services, assets and human capital);
- Legal, governance and compliance;
- Environment, health and safety;
- Reputation and market.

The assessment of each risk is carried out via recourse to specific assessment scales which clarify the thresholds of importance for the Group and permit the assignment of a rating to each risk, thereby facilitating the prioritisation of the same.

The issues of greatest importance for the Group, the areas specified by the legislation and the main risks and the related mitigation action, subject to analysis and monitoring within the Enterprise Risk Management (ERM) process, are presented below.

**TABLE LINKING: IMPORTANT ISSUES, SCOPE OF THE DECREE AND MAIN RISKS <sup>9</sup>MAPPED OUT IN THE ERM PROCESS**

Material issues 2019	Scope of Italian Leg.D. 254/2016	Description of risks	Main mitigation action adopted
<ul style="list-style-type: none"> <li>• <b>Responsible business and anti-corruption management;</b></li> <li>• <b>Integration of ESG governance.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Fight against bribery and corruption</b></li> </ul>	<ul style="list-style-type: none"> <li>• Risk of non-compliance due to failure to comply, wholly or in part, with European, national, regional and local regulations that Italgas must follow, in particular with reference to Corporate Governance and the internal control system, protection of health and safety of workers and the environment and the fight against corruption, with possible penalties, even significant, against the company in accordance with the regulations governing the administrative liability of institutions (Italian Legislative Decree No. 231/01).</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Ethics, Model 231, Policy for the prevention of and the fight against corruption;</li> <li>• ISO 37001 anti-corruption certification for Italgas and Italgas Reti;</li> <li>• Areas of responsibility defined with regard to Compliance;</li> <li>• Monitoring of the legislative evolution and related adaptation of the internal regulatory system;</li> <li>• Training on corporate social responsibility and anti-corruption;</li> <li>• Analysis and monitoring of reputational requirements of the Group's counterparties (suppliers, sub-contractors, etc.).</li> <li>• Quality, social and environmental system (HSEQ) in compliance with the latest versions of the reference standards;</li> <li>• Applications for the prompt and efficient gathering, handling and reporting of the data relating to the health and safety of the workers;</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Energy efficiency;</b></li> <li>• <b>Reduction of the carbon footprint;</b></li> <li>• <b>Waste management;</b></li> <li>• <b>Protection of health and safety in the workplace;</b></li> <li>• <b>Responsible supply chain management.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Environment, Health and Safety</b></li> </ul>	<ul style="list-style-type: none"> <li>• Risks connected to health, safety and environmental protection in relation to current activities and reclamation of contaminated sites, removal and disposal of waste;</li> <li>• Risks associated with the operational, reputational and compliance reliability of the suppliers of materials / subcontractors appointed to execute operating activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Training activities, and awareness raising initiatives on the aspects of Health, Safety and Environment;</li> <li>• On-going checks and audits on the working practices and systems certified both internally and by external professionals;</li> <li>• Analysis and monitoring of reputational requirements of the Group's counterparties (suppliers, sub-contractors, etc.);</li> <li>• Qualification procedures for third party companies, engineering and works management, supervision of the execution risks of sub-contractors;</li> </ul>

<sup>9</sup> Main risks mean those arising from the application of the Italgas Group ERM methodology with significant impact and/or probability with respect to the identified areas/issues.

- **Reliability, quality and safety of the service;**
  - **Innovation and digitisation;**
  - **Social innovation and relationship with the reference communities;**
  - **Relations with the Regulatory Authority;**
  - **Security of the information and data (cyber security);**
  - **Transparent dealings and collaboration with the sales companies.**
- **Social and for the society**
- **Employment and the protection of workers' rights;**
  - **Development and enhancement**
- **Personnel;**
  - **Respect for Human Rights.**
- Operational risks of malfunctioning and unexpected interruption of the distribution service caused by accidental events including incidents, breakdowns or malfunctions of equipment or control systems, reduced performance of installations and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond the control of Italgas;
  - Regulatory risk, in relation to the changes made by European Union and Italian government directives and regulatory provisions, ARERA decisions and possible changes in the regulatory framework governing the criteria for setting the reference tariffs.
  - Risk linked to the reduction of the level of satisfaction of the staff in certain functional areas;
  - Risk associated with the lack of technical and specialist know-how.
- On-going up-date of the vendor list;
  - Technical/on-site HSEQ visits / process and quality audits on suppliers, also with the involvement of outside professionals.
  - Procedures and systems for the handling of emergencies, emergency plans with defined measures for the placement in safety of the plants and for ensuring the continuity of the service;
  - Scheduled search for leaks by means of the use of innovative systems and technologies;
  - Plant and asset safety and network monitoring systems;
  - Qualification procedures for third party construction companies, engineering and works management, supervision of the execution risks of sub-contractors;
  - Action for preventing potential damage to pipes carried out by Third Parties (e.g. other sub-services);
  - Action for the on-going modernisation of the network (investment in maintenance, replacement of cast iron pipes and pipes with mechanical couplings, plans for the recovery of risers and brackets);
  - Development of network digitisation initiatives, for the progressive improvement of the real time monitoring systems and the preventive maintenance;
  - Establishment of the Digital Factory for the development of innovative solutions aimed at the digitisation of the processes and the improvement of the operating and management activities of the network and the quality of the service.
  - Periodic survey on the in-house climate extended to all Group employees;
  - On-going streamlining of the technical training processes;
  - Succession plan for the senior roles;

of human capital;  
 • Diversity;  
 • Corporate welfare.

- Development plan of the resources which envisages a specific training programme per profile;
- Human Rights Policy.

The risks identified are managed using three levels of control, involving different operating units with specific responsibilities. The model provides for an integrated, transversal and dynamic risk assessment that improves the management systems already existing in the individual company processes. With regard to all the risks, the risk ownerships are identified and assigned and management strategies are defined, implemented in specific action and in related implementation timescales.

The results of the main risks and the related management plans are presented to the Control and Risk and Related Party Transactions Committee, in order to allow the assessment of the effectiveness of the Internal Control and Risk Management System, with respect to Italgas specific characteristics and the risk profile undertaken.

The results are also used by the Internal Audit Department<sup>10</sup>, which is responsible for ensuring the functionality and adequacy of the internal control and risk management system through the preparation and execution of the audit plans. During 2019, 30 audits were carried out, of which 5 scheduled audits and 25 Independent Monitoring checks.

Finally, alleged violations of the principles and rules of conduct of corporate activities are also checked by analysing reports received, also anonymously, through the channels provided by the Reporting Procedure, applicable to all Group companies.

In 2019, 7 reports were received, of which 2 looked at the internal control system and 5 the ethical and behavioural aspects. As at 31 December 2019, all the reports received during the year had been duly processed, and of these 6 had been closed.

The reports that concerned the distribution network were well founded and correctly managed, the related plants were made safe and the due reports were sent to the competent local authorities.

REPORTS RECEIVED	Unit of measurement	2017	2018	2019
<b>Total reports received</b>	<b>No.</b>	<b>19</b>	<b>8</b>	<b>7</b>
- of which, related to the Internal Control System	No.	13	6	2
- of which, related to other matters (Code of Ethics, harassment at work, theft, security, etc.)	No.	6	2	5
Closed notifications	No.	17	6	6
Reports under examination	No.	2*	2*	1

\* Reports closed within the following year

<sup>10</sup> The data and information do not include activities carried out by the Internal Audit department of Toscana Energia and Toscana Energia Green, which have a specific independent department.

### Security of the information and data (cyber security)

On 7 May 2018, Italgas S.p.A.'s Board of Directors approved its Data Protection Organisational Model defined in the Compliance Data Protection Standard, identifying the key figures of the personal data handling system, defining the related roles and responsibilities in relation to the processing of the data, and appointing the Data Protection Officer ("DPO"), entrusting the same with information and consulting duties, as well as those for overseeing the observance of the GDPR, co-operating with the Supervisory Authority, all of which furthering the culture of the protection of the data within the company, supporting the assessment of the data protection aspects of each new project which may have an impact on the protection of the data, co-ordinating the training activities on Data Protection, identified as the Head of the Internal Audit Department.

In 2019 Italgas and its subsidiaries continued their process to adapt to the provisions of (EU) Regulation No. 2016/679 "relating to the protection of natural persons with regard to the processing of personal data and rules relating to the free movement of personal data, and which repeals directive No. 95/46/EC" (hereinafter, the "GDPR"), which became applicable in all Member States of the European Union from 25 May 2018.

All the Subsidiaries, at the time of their Board Meetings, defined and formally approved a Data Protection Organisational Model consistent with the standards which inspired the Italgas Data Protection Organisational Model albeit designed in accordance with their specific requirements and their organisational structure and finally identified and appointed Italgas S.p.A.'s DPO.

## Prevention of bribery and corruption

### Relevance to Italgas' activities

The phenomenon of corruption is a serious threat to the development of economic and corporate relations. Italgas therefore recognises it as a very important issue, linked to the broader material issue of responsible business management, and seeks to counteract it at national and international level, both in relations with public officials and with private individuals.

The fight against corruption is aimed at both protecting the company's reputation and avoiding sanctions and repercussions for its business. In fact, one of the key factors of the Italgas Group's reputation is its ability to conduct its business with fairness, propriety, transparency, honesty and integrity, in compliance with laws, regulations and international standards.

### Policies and commitments to monitor the issue

Italgas fights and prevents all forms of corruption at home and abroad. The relevance of the corruption risk for the company's activities is specifically analysed and managed in Model 231.

Anti-corruption measures are contained in a specific Procedure that provides a systemic framework for Italgas regulatory instruments in this area, inspired by the principles of conduct set out in the Code of Ethics. The Procedure combines the regulatory instruments Italgas has adopted to prevent any form of corruption in relations with third parties, Public Officials and private individuals, both nationally and internationally, to protect the integrity of the business and the reputation of the Group.

Specifically, the Anti-corruption procedure:

- Prohibits any form of corruption, either of public officials or private parties;
- Pays particular attention to the selection of suppliers and the qualification process, the award of contracts, the management of contracts, standard protection clauses, including those of commitment to comply with Anti-Corruption Laws and verification of the ethical requirements of suppliers;
- Establishes that all relations of the Italgas Group with, or referring to or involving, a Public Official must be conducted in compliance with the provisions of the Procedure.

The Procedure applies to Italgas S.p.A. and its subsidiaries as part of the management and coordination activities performed by the Group's corporate body. Italgas also requires suppliers, intermediaries and any other person who may be responsible for the matter on the part of Italgas, to comply with anti-corruption measures.

#### Antitrust Code

On 18 October 2016 the Board of Directors approved its Antitrust Code of Conduct (the “**Antitrust Code**”) which defines the guidelines of the behaviour which all employees of Italgas and Subsidiaries should conform to in order to guarantee the compliance of Italgas and its Subsidiaries with the principles dictated by the applicable regulations on antitrust issues.

The Antitrust Code applies to the entire Italgas Group as part of Italgas' management and coordination activities, and is one of the initiatives aimed both at protecting competition as part of the business culture and at implementing suitable procedures and systems for minimising the risk of violations of antitrust laws, under the broader umbrella of the compliance initiatives of the Italgas Group.



The adoption of the Antitrust Code is part of the broader antitrust compliance programme promoted by the Italgas Group, which develops, inter alia, the establishment of an antitrust department within the Legal Department, which anyone in the Group can apply to for communications concerning the interpretation and application of the Antitrust Code and whenever a situation with potential antitrust risk arises. In the light of recent acquisitions that have expanded the Group's corporate scope and its activities, work is under way to update the antitrust and consumer protection legislation compliance programme.

### Activities and results

At the end of the year, and for the second consecutive year, Italgas S.p.A. achieved UNI ISO 37001 certification, and also obtained the extension thereof to the “anti-bribery” governance of all Group companies, as well as the subsidiary Italgas Reti S.p.A.. The anti-bribery management system was certified following in-depth checks that confirmed the system to be adequate, compliant with the requirements of the aforementioned legislation, and effectively applied.

No reports regarding anti-corruption were received by Italgas or Italgas Reti in 2019.

In 2019, a total of 367 hours of training were provided on compliance issues, with 302 employees attending.

## People and organisation

### Relevance to Italgas' activities

The main material issues for Italgas related to personnel management concern:

- Employment and the protection of workers' rights;
- Development and enhancement of human capital;
- Diversity;
- Corporate welfare.

Orientation towards efficiency, guaranteed quality of service, environmental protection and occupational safety represent the common foundations on which the Group has defined a shared culture of values. To achieve these objectives, Italgas invests in the development of skills and abilities of its personnel, encouraging participation, feedback and the creation of a positive working environment.

In fact, people are considered to be the company's most valuable asset. The processes of selection, hiring and training, and that of human resource development are closely related to the Company's strategic guidelines. The aim is to ensure the availability of the necessary skills and the development of the skills required by the business.

### Policies and commitments to monitor the issue

Italgas' work is based on the growth and development of its people, the protection of health and safety and the creation of a working environment favourable to professional and human growth. Italgas offers all employees and associate workers career opportunities based on merit, professional and managerial skills and active participation in company development and improvement processes.

In line with the Code of Ethics, Italgas considers diversity a corporate asset: it respects the dignity of every individual and guarantees equal opportunities in all phases and for all aspects of the employment relationship, preventing any form of discrimination deriving from differences in sex, age, health, nationality, political or religious opinions. See the section on Diversity and Welfare for a description of the Diversity and Inclusion Policy issued in December 2019.

### Activities and results

In line with the strategic objectives of the 2019-2025 Multi-year Plan, Italgas has continued along a path of growth and improvement of the operating efficiency. The policies for the management of the Human Resources and the organisational policies and the main achievements in 2019 all point in this direction. This area includes:

- The continuation of a major **turnover plan**, also given the need for generational turnover, which will be developed over the coming years through the introduction of new skills from the market, the growth of its resources, and the consolidation and development of its know-how. Education, training and internal turnover paths for the acquisition of inter-functional skills confirm themselves to be of fundamental importance;
- **Personal growth**, both through the internal development system and through active participation in the processes of company change, supported by internal communication and networking initiatives;
- The Italgas **Digital Factory**, a genuine factory of innovation, seeks to achieve the digitisation of the business processes and further the transformation of the processes within the Group. This is a work environment in which multifunctional teams develop, in parallel, IT solutions in agile and time-boxed mode;
- Encouraging the introduction of innovative technologies and supporting the digital transformation that has started, the company intends to invest in people with a programme aimed at training in new skills (Digital Skills) and above all the development of sensitivity to and a propensity for digital innovation (Digital Mindset). To this end, in December the company's entire population completed a **"Survey on**

**digital aptitude**”: through the voluntary completion of an online questionnaire of approximately 60 questions, everyone had the opportunity to consider their own aptitude and knowledge in relation to the digital field, and received feedback in the form of their own digital profile, a personalised report describing their level of aptitude and skills. Participation in the survey was extremely high, with an overall redemption rate of 76% which – compared to the reference benchmarks – can be deemed as high, with an uncommonly high participation rate of 63.8% among the manual worker population.

Based on a qualitative analysis of the overall results and the external benchmark, the action and intervention plan to be implemented in the field, not only for a general improvement in the skills required to sustain Italgas’ digital transformation but also to increase the value of those who already possess specific and interesting digital skills or special aptitude in this field, will be defined and activated in 2020.

#### SURVEY ON DIGITAL APTITUDE – The figures

Completion of the online questionnaire: 2 – 19 December 2019

People invited: 4,079

Survey participants: 3,109

Rate of participation: 76% (overall)

The widespread participation involved all companies, organisational levels and roles:

- Seaside 91.7%
- Italgas 84.5%
- Toscana Energia 82.2%
- Medea 75.0%
- Italgas Reti 73.9%
- Italgas Acqua 69.2%
  
- Senior Executives 94.8%
- Middle Managers 89.6%
- Office Workers 81.9%
- Manual Workers 63.8%

- The up-dating and enhancement of the **company intranet** for a greater circulation and internal sharing of information on strategies, programmes, initiatives that are also relevant to sustainability and results;
- The qualitative/quantitative results of the **Climate Analysis** carried out at the end of 2018 were processed in the first few months of 2019. Said results, together with the guidelines for the improvement plan, were shared at various levels of the Company, through a structured and widespread internal communication process aimed at individual departments and local units (25 meetings, more than 1,800 hours, and 1,163 people involved);
- The **improvement of the working environment**, procedures and working practices and continuous commitment to protect workers' health, safety and well-being and to create conditions favourable to professional and human growth. This commitment also translates into a complex system of services and welfare that is constantly expanding so as to meet new needs and expectations; the system has become a pillar of the remuneration structure;
- The new managerial incentive system introduced with the co-investment plan, launched in 2018, which provides for the deferral of part of the bonus accrued annually, the inclusion of equity instruments into the compensation structure, and the determination of the performance with objectives defined for the entire three-year vesting period, was consolidated in 2019;

- The **Flexible Benefit Plan** with which Italgas has offered the employees benefiting from the bonus the possibility of converting, at the voluntary choice of the employee, a portion of the Participation Bonus to access Welfare goods and services, for themselves or their family members, without any tax or contribution charge, was also confirmed. Italgas has disbursed an additional Welfare Bonus equal to 18% of the converted portion, to all those which have chosen to convert their bonus into Welfare Credit;
- On 7 November 2019, the draft agreement for the renewal of the gas/water sector national collective employment contract for 1 January 2019 to 31 December 2021 was entered into by the employer parties (Anigas, Utilitalia, Igas, Assogas and Anfida) and the relevant trade unions (Filctem CGIL, Femca CISL and Uiltec UIL).

Following the workers' meetings, on 3 December 2019 the Trade Unions sent the associations in question a notice relating to the positive release of the reserve with regard to the hypothetical renewal mentioned above, thus immediately bringing the renewed contract into effect.

Discussions with all social partners at all levels continued throughout the year, particularly in relation to the issues of innovation and network digitisation.

Italgas supports the internal sharing of the strategic lines and the objectives as well as the organisational change by means of a dedicated communication to company staff. The preferential channel was the direct one: in fact, numerous meetings were held with the contribution and participation of the top management of the Group companies as well.

### Employment and the protection of workers' rights<sup>11</sup>

As at 31 December 2019, the Italgas Group had 4,096 employees (up with respect to the 3,614 in 2018). Specifically, 685 people joined the company in 2019, 195 of whom came for "ordinary" operations (192 hired, 3 returned to service from leave) and 490 from extraordinary operations which led to the expansion of the scope (456 for the Toscana Energia Group and 34 for the Conscoop Group).

On the other hand, 256 people left the Group due to termination of the employment relationship and for other reasons: mainly resignation (159, of which 133 "Quota 100" - early retirement), dismissal (10) and 6 returns from leave. Overall, 14.1% of company employees are women, up from 12.4% in the previous year. 95% of the company workforce is on a permanent contract, while apprenticeship contracts account for the remaining 5%, of which only 2 are fixed-term. The 46 apprenticeship contracts which concluded during 2019 were all transformed into permanent contracts.

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<sup>11</sup> The information on turnover contained in the paragraph on "Employment and the protection of workers' rights" includes employees joining and leaving Toscana Energia and Toscana Energia Green in the period from 1 January 2019 – 31 December 2019.

EMPLOYEES (headcount) GRI Standard 102-8	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>FIXED-TERM CONTRACT</b>	No.	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>2</b>
Northern Italy		1	1	2	4	-	4	2	-	2
Central Italy		-	-	-	-	-	-	-	-	-
Southern Italy and Islands		-	-	-	-	-	-	-	-	-
<b>PERMANENT CONTRACT*</b>		<b>3,074</b>	<b>405</b>	<b>3,479</b>	<b>3,040</b>	<b>427</b>	<b>3,467</b>	<b>3,353</b>	<b>535</b>	<b>3,888</b>
Northern Italy		1232	246	1,478	1,219	262	1,481	1,213	273	1,486
Central Italy		884	60	944	853	55	908	1,134	141	1,275
Southern Italy and Islands		958	99	1,057	968	110	1,078	1,006	121	1,127
<b>APPRENTICESHIP/INTERNSHIP (DIRECT EMPLOYEES)</b>		<b>93</b>	<b>10</b>	<b>103</b>	<b>123</b>	<b>20</b>	<b>143</b>	<b>162</b>	<b>44</b>	<b>206</b>
Northern Italy		56	9	65	59	17	76	44	25	69
Central Italy		28	1	29	33	3	36	69	10	79
Southern Italy and Islands		9	-	9	31	-	31	49	9	58
<b>TOTAL</b>		<b>3,168</b>	<b>416</b>	<b>3,584</b>	<b>3,167</b>	<b>447</b>	<b>3,614</b>	<b>3,517</b>	<b>579</b>	<b>4,096</b>

\* Fixed-term contracts also include part-time contracts

EMPLOYEES (headcount) GRI Standard 102-8	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>PART TIME</b>	No.	<b>8</b>	<b>31</b>	<b>39</b>	<b>8</b>	<b>33</b>	<b>41</b>	<b>11</b>	<b>43</b>	<b>54</b>
Fixed-term		-	-	-	-	-	-	-	-	-
Permanent		8	31	39	8	33	41	11	43	54
Apprenticeship/internship		-	-	-	-	-	-	-	-	-
<b>FULL TIME</b>		<b>3,160</b>	<b>385</b>	<b>3,545</b>	<b>3,159</b>	<b>414</b>	<b>3,573</b>	<b>3,506</b>	<b>536</b>	<b>4,042</b>
Fixed-term		1	1	2	4	-	4	2	-	2
Permanent		3,066	374	3,440	3,032	394	3,426	3,342	492	3,834
Apprenticeship/internship		93	10	103	123	20	143	162	44	206

TURNOVER RATE* GRI Standard 401-1	U of M	2017	2018	2019
Men	%	8.7	9.1	10.6
Women		7.6	14.8	12.3
Northern Italy		17.7	11.6	11.3
Central Italy		14.5	8.9	12.2
Southern Italy and Islands		5.7	8.02	8.7
<b>Turnover rate</b>		<b>8.7</b>	<b>9.8</b>	<b>10.9</b>

\* Calculated as: (incoming + outgoing)/average workforce \*100

2019 saw continued searching and hiring from the job market of qualified personnel and junior resources with the objective of strengthening certain company areas, and continuing with the generational changeover programme. The hiring of graduates with different levels of experience involved both corporate

management, and the technical and operational units of Italgas Reti (engineering, investment realisation, area technical services and plants).

At Italgas Reti, a significant measure to strengthen technical-operational activities has been taken in the context of the Territorial Hubs with the inclusion of a significant group of young-graduate technicians (62), representing 84% of Italgas' total recruitments of technicians. 59% of new recruits of Italgas Reti were in the regions of Central and Southern Italy.

For the purpose of furthering and developing the female presence in-house also in the technical and operational areas which traditionally see a male predominance, specific recruitment sessions were dedicated to the search for female talent, in the various territories (North and South Italy). The "*IngegnerE, femminile plurale*" initiative, which was also developed in 2019, concerns the search for women with a Master's degree in engineering (in particular the faculties of Energy, Civil, Environment and Territorial, Managerial) and has already led to the employment of 35 young female engineers introduced into the engineering, territorial technical services, investments, plants and commercial development areas.

The consolidation and development of the partnerships with a number of major Italian universities, allowed the company to acquire best practices, develop training courses of interest to it (regulatory system, economics, project management), and to take advantage of opportunities and recruiting services to introduce candidates to the Group or to offer, through specific agreements, company internships to carry out project work on topics of interest.

During 2019, Italgas further extended its presence at the main Career Days, taking part in the initiatives promoted by Milan Polytechnic, Turin Polytechnic, Università Cattolica del Sacro Cuore in Milan, LUISS Guido Carli in Rome, Ca' Foscari in Venice, Università degli Studi Federico II in Naples, and Università degli Studi in Cagliari. In all the cases these were important opportunities for dialogue between young people and the Company and more generally so as to learn about the world of work, giving them some insight into the business and employment opportunities in their areas of activity.

In 2019, Italgas also participated in the Diversity Day initiative organised on national level and specifically for differently abled people and those belonging to protected categories, achieving the Diversity & Inclusion Award - the prize for companies that have stood out for their inclusion and CSR practices.

During all the initiatives described above, students and graduates spoke with Company line managers and HR managers about study paths and work interests, obtaining suggestions and advice for career development. The large number of graduates applying for a position at Italgas is important for the Company.

NEW HIRES (headcount)* GRI Standard 401-1	U of M	2017			2018			2019			
		Men	Women	Total	Men	Women	Total	Men	Women	Total	
<b>NORTHERN ITALY</b>	No.	<b>43</b>	<b>23</b>	<b>66</b>	<b>44</b>	<b>21</b>	<b>65</b>	<b>58</b>	<b>30</b>	<b>88</b>	
under 30 years		28	9	37	21	10	31	39	22	61	
between 30 and 50 years		15	14	29	23	11	34	17	8	25	
over 50 years		-	-	-	-	-	-	2	-	2	
<b>CENTRAL ITALY</b>			<b>8</b>	<b>1</b>	<b>9</b>	<b>24</b>	<b>3</b>	<b>27</b>	<b>47</b>	<b>11</b>	<b>58</b>
under 30 years			5	1	6	21	2	23	45	6	51
between 30 and 50 years			2	-	2	3	-	3	2	5	7
over 50 years			1	-	1	-	1	1	-	-	-
<b>SOUTHERN ITALY</b>			<b>6</b>	<b>-</b>	<b>6</b>	<b>27</b>	<b>-</b>	<b>27</b>	<b>32</b>	<b>14</b>	<b>46</b>
under 30 years			6	-	6	25	-	25	31	13	44
between 30 and 50 years			-	-	-	2	-	2	1	1	2
over 50 years			-	-	-	-	-	-	-	-	-
<b>TOTAL</b>		<b>57</b>	<b>24</b>	<b>81</b>	<b>95</b>	<b>24</b>	<b>119</b>	<b>137</b>	<b>55</b>	<b>192</b>	
under 30 years		39	10	49	67	12	79	115	41	156	
between 30 and 50 years		17	14	31	28	11	39	20	14	34	
over 50 years		1	-	1	-	1	1	2	-	2	

\* Only the entrants from the market are considered

TURNOVER RATE - NEW HIRES * GRI Standard 401-1	U of M	2017			2018			2019			
		Men	Women	Total	Men	Women	Total	Men	Women	Total	
<b>NORTHERN ITALY</b>	%	<b>3%</b>	<b>9%</b>	<b>4%</b>	<b>3%</b>	<b>8%</b>	<b>4%</b>	<b>5%</b>	<b>10%</b>	<b>6%</b>	
under 30 years		31%	50%	34%	22%	55%	27%	33%	63%	40%	
between 30 and 50 years		4%	15%	6%	7%	10%	8%	5%	8%	6%	
over 50 years		0%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>CENTRAL ITALY</b>			<b>1%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	<b>3%</b>	<b>4%</b>	<b>7%</b>	<b>4%</b>
under 30 years			8%	100%	9%	27%	67%	28%	34%	60%	36%
between 30 and 50 years			2%	0%	1%	3%	0%	2%	1%	11%	3%
over 50 years			0%	0%	0%	0%	2%	0%	0%	0%	0%
<b>SOUTHERN ITALY</b>			<b>1%</b>	<b>0%</b>	<b>1%</b>	<b>3%</b>	<b>0%</b>	<b>2%</b>	<b>3%</b>	<b>11%</b>	<b>4%</b>
under 30 years			27%	n.a.	27%	56%	0%	54%	45%	93%	53%
between 30 and 50 years			0%	0%	0%	1%	0%	1%	1%	3%	1%
over 50 years			0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>TOTAL</b>		<b>1.8%</b>	<b>5.8%</b>	<b>2.3%</b>	<b>3.0%</b>	<b>5.6%</b>	<b>3.3%</b>	<b>4%</b>	<b>9%</b>	<b>5%</b>	
under 30 years		21.9%	52.6%	24.9%	30.5%	54.2%	32.8%	36%	69%	41%	
between 30 and 50 years		2.6%	10.4%	3.9%	4.5%	7.5%	5.1%	3%	8%	4%	
over 50 years		0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0%	0%	0%	

\* Calculated as: new recruits/employees as at 31.12 every year

EMPLOYEES - LEAVERS (headcount)* GRI Standard 401-1	U of M	2017			2018			2019			
		Men	Wome n	Total	Men	Wome n	Total	Men	Wome n	Total	
<b>NORTHERN ITALY</b>	No.	<b>72</b>	<b>9</b>	<b>81</b>	<b>70</b>	<b>15</b>	<b>85</b>	<b>76</b>	<b>10</b>	<b>86</b>	
under 30 years		3	-	3	5	1	6	5	-	5	
between 30 and 50 years		4	-	4	6	3	9	8	4	12	
over 50 years		65	9	74	59	11	70	63	6	69	
<b>CENTRAL ITALY</b>			<b>35</b>	<b>6</b>	<b>41</b>	<b>52</b>	<b>2</b>	<b>54</b>	<b>105</b>	<b>3</b>	<b>108</b>
under 30 years		1	-	1	-	-	-	4	1	5	
between 30 and 50 years		1	-	1	-	-	-	2	-	2	
over 50 years		33	6	39	52	2	54	99	2	101	
<b>SOUTHERN ITALY</b>			<b>21</b>	<b>2</b>	<b>23</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>56</b>	<b>-</b>	<b>56</b>
under 30 years		1	-	1	-	-	-	3	-	3	
between 30 and 50 years		1	-	1	1	-	1	3	-	3	
over 50 years		19	2	21	19	-	19	50	-	50	
<b>TOTAL</b>			<b>128</b>	<b>17</b>	<b>145</b>	<b>142</b>	<b>17</b>	<b>159</b>	<b>237</b>	<b>13</b>	<b>250</b>
under 30 years	5	-	5	5	1	6	12	1	13		
between 30 and 50 years	6	-	6	7	3	10	124	4	17		
over 50 years	117	17	134	130	13	143	212	8	220		

\*Consensual termination and other leavers

TURNOVER RATE - LEAVERS * GRI Standard 401-1	U of M	2017			2018			2019			
		Men	Wome n	Total	Men	Wome n	Total	Men	Wome n	Total	
<b>NORTHERN ITALY</b>	%	<b>6%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>3%</b>	<b>6%</b>	
under 30 years		3%	0%	3%	5%	5%	5%	4%	0%	3%	
between 30 and 50 years		1%	0%	1%	2%	3%	2%	3%	4%	3%	
over 50 years		8%	6%	8%	7%	7%	7%	8%	4%	7%	
<b>CENTRAL ITALY</b>			<b>4%</b>	<b>10%</b>	<b>4%</b>	<b>6%</b>	<b>3%</b>	<b>6%</b>	<b>9%</b>	<b>2%</b>	<b>8%</b>
under 30 years		2%	0%	2%	0%	0%	0%	3%	10%	4%	
between 30 and 50 years		1%	0%	1%	0%	0%	0%	1%	0%	1%	
over 50 years		5%	14%	5%	7%	5%	7%	12%	2%	11%	
<b>SOUTHERN ITALY</b>			<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>0%</b>	<b>2%</b>	<b>5%</b>	<b>0%</b>	<b>5%</b>
under 30 years		5%	n.a.	5%	0%	0%	0%	4%	0%	4%	
between 30 and 50 years		1%	0%	0%	1%	0%	1%	2%	0%	2%	
over 50 years		2%	3%	2%	2%	0%	2%	6%	0%	6%	
<b>TOTAL</b>			<b>4.0%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.5%</b>	<b>3.8%</b>	<b>4.4%</b>	<b>7%</b>	<b>2%</b>	<b>6%</b>
under 30 years	2.8%	0.0%	0.1%	2.3%	4.2%	2.5%	4%	2%	3%		
between 30 and 50 years	0.9%	0.0%	0.2%	1.1%	2.0%	1.3%	2%	2%	2%		
over 50 years	5.0%	6.5%	3.7%	5.6%	4.7%	5.5%	9%	2%	8%		

\* Calculated as: leavers/employees as at 31.12 every year



## Development and enhancement of human capital<sup>12</sup>

### Training programmes

Training in Italgas is aimed at ensuring the enhancement of the skills required by business strategies. Each professional family and new resources receive dedicated training.

Specialist know-how, typical of technicians and manual workers, is transferred and promoted through the development of specific skills in network and system maintenance activities. The specific training courses for the various professional figures during 2019 were implemented by means of providing 39 courses in 96 editions for a total of more than 1,338 participants and around 15,500 hours of training. The team of about thirty trainers, selected from among company experts and specialists, ensured the teaching and sharing of critical knowledge for this purpose. In 2019 trainers were supported by a team of about thirty territorial mentors who, in the context of the Hubs, have supported the line manager in the organisation of training and shadowing courses, which represent points of reference for promoting the sharing and keeping of technical skills in the relevant areas of operation. In 2019 Trainers and Mentors were involved in two occasions for sharing and refreshment on areas of training and technical know-how, within the framework of the generational turnover process that our Company is facing.

Training to support the Company's Digital Transformation was of particularly importance in 2019 too, with the following being organised to that end:

- Training measures on the new technological scenarios and the main applications of interest for gas distribution were dedicated to management, the middle managers included in development courses and young graduates (around 5,040 hours and 1749 participations);
- Training for personnel involved in more innovative digitisation projects relating to the new Italgas Digital Factory, with particular reference to the roles, agile methodology and the deployment of technical and digital solutions developed in the Digital Factory working groups (176 participants and 668 hours);
- International intercompany courses focussing on aspects of Technological Innovation and Digital Transformation dedicated to a group of managers and experts from the group (11 participations, over 400 hours);
- Internal communication and training initiatives on objectives, methodology, ICT equipment and services made available by the company, as well as health and safety aspects linked to smart working (53 participations and 185 hours provided) to support the extension and consolidation of smart working as the new way of working.

In 2019 saw the launch of MyLearning, the cloud-based multimedia training platform. Each employee can view their own training courses and access training activities available online. The first training modules were launched covering topics including Compliance (GDPR) and technological issues (Smart Meters and Alarm Tests), they were provided with help from experts from the Company and followed the results of the work produced by the Digital Factory to encourage Knowledge Transfer and professional development.

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<sup>12</sup> The data and information contained in the paragraph on "Development and enhancement of human capital" do not include Toscana Energia or Toscana Energia Green, since the relative system harmonisation is still underway.

## NEW DIGITAL SOLUTIONS TO SUPPORT KNOWLEDGE TRANSFER

Italgas has started a significant generational turnover process. In order to support the recruitment of dozens of young people in the core distribution businesses, and to ensure that they benefit from the transfer of experience and know-how from expert and specialist colleagues, it has given the Digital Factory the task of identifying a highly technological solution.

A specific multidisciplinary working group (the so-called Knowledge Transfer Room) has, in the space of approximately four months, achieved significant results based on the adoption of an advanced device – the Shareview viewers – with which the technicians working in the field are equipped.

Specifically, the digital solution for Knowledge Transfer is structured as follows:

- **guided activity:** allows operators to see a certain activity to be carried out in several steps using the Shareview viewer that is directly integrated into operators' helmets, thus allowing them to have their hands free and work safely;
- **remote support:** this allows operators to connect with a technical expert at any territorial hub, making it possible to see the field of view also through elements of augmented reality, and providing the opportunity to ask for and provide support remotely also using iPads;
- **educational and operational videos:** the device allows users to record work in the field directly using the Shareview viewer, in order to produce *educational videos* that can be used by the MyLearning platform and also be made available in bite-sized training sessions for iPads and Shareview, and *operating videos* to support field operations, including those carried out by external companies.

At present, the Room has organised 7 guided activities, produced 3 educational videos and more than 300 operational videos.

Since July 2019, 25 viewers have been delivered and tested, with the involvement of 11 Hubs. The first two training sessions on using the device and making videos were also provided in 2019.

These solutions, which will be developed and extended further, will make it possible to ensure the sharing of specialist skills through remote access to the best working practices and codify a large part of the vast amount of knowledge and experience accrued.

Courses and project initiatives in the classroom were held in the Turin Training Campus which, thanks to the nature of its structures, i.e. classrooms and external spaces for in-the-field exercises, represents the ideal context, not only for the learning processes, but also for integration and networking between colleagues from different area offices.

In 2019, a total of 84,038 hours of training were provided and each employee averaged approximately 20.5 hours of training on more than 2 different training courses throughout the year.

Besides the matters already described, the main training programmes developed in 2019 were the following:

- **Induction of new recruits:** the training course dedicated to young graduates introduced into the Group was continued and extended, with specific measures on history, culture and skills, identity values and elements of Italgas; strategies and business lines, the Group's history and culture, distribution techniques and operations, business economics and finance basics, teamwork. When achieving the training measures, in-house teaching was favoured, with company managers involved to share their personal and working experience with their newly-hired colleagues;
- **Young Graduates Programme:** the in-depth module on the economic-strategic logics of the regulated markets in Italgas also continued in 2019, enhanced with experiences and business cases and in-depth reviews of the economic aspects on the main Key Performance Indicators of interest

for the Italgas business. The programme also envisaged a specific module on the reference framework, analysis of the lines of Italgas' Digital Transformation Programme and an overview of the first experiments launched in the Network;

- **Middle Management Development Programme:** in order to consolidate the training programme for middle management undergoing development (approximately 40), the second module, on the main energy and sustainable macro-economic scenarios, was planned and provided in 2019, in collaboration with SDA Bocconi. The in-depth review of the concepts of Corporate Sustainability and the brief explanation of circular economy was of particular importance to Italgas;
- **Female leadership:** In 2019, Italgas renewed its support for Valore D, an association of businesses which has the purpose of encouraging and turning to account the development of female talent and of an inclusive business culture in the associated companies. Within the sphere of the valorisation initiatives of the diversity of gender, generations and different cultures, approximately 25 colleagues took part in intercompany training programmes and workshops aimed at developing inclusive leadership abilities;
- **Safety at the wheel programme:** with a view to Italgas' constant attention to the prevention of road accidents and those occurring to and from work, once again in 2019 the "Safe Driving" programme continued, developed in collaboration with ASC Quattroruote. Over 270 Italgas colleagues (executives, middle managers, office workers and manual workers) took part in the training initiative, for a total of 2,168 hours, dedicated to acquiring greater control of the vehicle in emergency situations, by means of the practical experimentation of the situations which may most frequently occur when driving. Editions of Guida Sicura [Drive Safe] for off-road vehicles were also organised in 2019, involving more than 90 of the Group's middle managers and executives, for a total of 744 hours;
- **Training for the Italgas Contact Centre:** a specific training course in telephone communication involved 42 Italgas Contact Centre operators from the various offices, with the objective of providing tools that are useful in the handling of telephone calls from customers and standardising operator behaviour;
- **"Operator qualification to carry out specialised Electrical Works PES/PAV/PEI":** more than 170 Operations colleagues were involved in a training course (for a total of over 4,100 hours) aimed at certifying workers' ability to carry out works on high-voltage parts in the capacity of Expert Persons (PES), Warned Persons (PAV) and Persons able to carry out high-voltage electrical work (PEI) according to the instructions provided in the relevant technical and safety regulations.

Employee training for safety at work also continued in 2019, with the relative periodic refreshers, as per the State/Regions Agreement. A significant training initiative – organised with support from the territorial office ASPPs – involved more than 800 "**Supervisors**" for whom more than 5,900 hours of training were provided.

Lastly, a specific training programme for technical personnel working at **Medea** was also planned and provided, following the commissioning of new natural gas networks. The programme focussed on the issues of "Prompt Intervention" and "Gas Emergencies and Incidents" to bridge the gap in knowledge on the activities to be carried out on the natural gas distribution networks.

The companies Seaside and Medea were involved in a total of more than 1500 hours of training, for a total of 170 participations.

As regards the last two years, there has been a significant increase in training activities (+24%) in all areas, and particularly for managerial training. A significant upwards trend was reported for executives (from an average of 21 hours in 2018 to 31 in 2019) and for manual workers (from an average of 18 hours in 2018 to 22 hours on average in 2019).

TRAINING GRI Standard 404-1	U of M	2017	2018	2019
Total training hours delivered	hours	<b>66,000</b>	<b>67,537</b>	<b>84,038</b>
- to women		5,945	5,364	7,856
- to men		60,055	62,173	76,182
Breakdown of training hours provided by subject matter and type				
Training on HSEQ topics *	hours	20,700	30,441	37,679
- participants	No.	3,049	4,382	5,220
Training on the Code of Ethics - Model 231 - anti-corruption - antitrust - regulatory system - UNI ISO	hours	899	209	367
- participants	No.	331	78	302
Management Training	hours	14,038	11,595	18,752
- participants	No.	3,200	1,470	5,224
Technical /specialised training	hours	30,363	25,292	27,241
- participants	No.	2,595	2,580	3,392

\* All health and safety training courses were organised and provided in accordance with the provisions of the State-Regions Agreement of 21 December 2011

AVERAGE HOURS OF TRAINING PROVIDED PER PROFESSIONAL CATEGORY* GRI Standard 404-1	U of M	2018			2019		
		Men	Women	Total	Men	Women	Total
Total employees	hours/ No.	<b>20</b>	<b>12</b>	<b>19</b>	<b>22</b>	<b>14</b>	<b>21</b>
Executives		18	34	<b>21</b>	29	31	<b>30</b>
Middle Managers		28	24	<b>27</b>	29	16	<b>27</b>
Office workers		20	10	<b>18</b>	20	13	<b>18</b>
Manual workers		18	14	<b>18</b>	22	16	<b>22</b>

\* Data may include multiple participations per individual participant

### Development programmes

The managerial development programme, which started in 2018 to support the evolution of the managerial culture, digital transformation and the significant generational turnover that was already underway, was enhanced over the course of 2019. The plan's logic and pillars are as follows: the sharing of a new model of managerial skills and its implementation, the management of performance through the continuous feedback culture, the development of staff potential through an assessment and empowerment programme and the consequent development and career plans. To implement them, specific programmes aimed at the various types of resources (approximately 400 young graduates, middle managers and executives) were planned.

For graduates who had recently joined the Training and Development Programme ("Italgas School), it combines classroom-based training activities over several modules (and detailed previously in the Training Programmes section above) and activities for developing potential and managerial skills using the self-empowerment methodology. The programme also involves a development centre (in the two junior and expert formats) downstream of which a meeting is organised for each participant to look at their development profile with HR and their line manager. Approximately 50 people were involved in 2019.

The first edition of Italgas School just ended (with 72 participants), the second started with the development centres in autumn 2019, and the third will start in spring 2020.

The three-year rotation programme for a group of young engineers hired in 2017 (16 in total, with 6 women) is continuing. This project will end in 2020, with the employees involved having done two rotations to date.

The two-year programme for potential middle managers, called Italgas Leadership Way, continued in 2019. The programme is structured into two business modules per year, provided with SDA Bocconi and two

potential assessment and development modules using the empowerment methodology (37 participants in the first edition). The second edition of the Italgas Leadership Way will start next spring.

For all the executives, middle managers and young graduates, internal mapping was revised in 2019 with regard to potential and performance according to the 9Box method, which has involved all the area directors and unit heads. The mapping of the various clusters has made it possible to identify the individuals to be included in role development activities and the individuals to valorise by means of accelerated development programmes.

The following continued in 2019: the mapping of the managerial potential of newly appointed managers, also for the purposes of the updating of Succession Planning and individual Coaching courses for executives and middle managers who have acquired more responsibilities over the year.

For the managerial area (executives and middle managers in charge of departments, approximately 230 people), a convention was held, at which the new model of managerial skills and the role of 360° feedback as strategic lever for development and leadership were shared. A wide-ranging campaign of managerial development was dedicated to continuous feedback and manager-collaborator development dialogue at 19 small workshops lasting a day each.

A campaign to assess and develop managerial skills using the 360° survey methodology started at the end of 2019, involving second- and third-line executives and middle managers. Initiatives for feeding back the results to those involved will be developed, and the initiative for strategic and developing middle managers will be extended in 2020.

## Compensation systems

Italgas places great emphasis on employee commitment and performance using differentiated remuneration policies based on performance and professional and managerial skills, taking into account:

- The responsibilities assigned;
- The results achieved;
- The quality of people's professional contribution and development potential.

The compensation systems are periodically updated based on a comparison with the reference pay markets and criteria inspired by meritocracy and internal equity. Specifically, these systems seek to ensure recognition of results achieved, the quality of professional contributions made and people's potential for development.

Performance assessment involved 60 executives (9 of whom were women) and 24 non-executives (3 of whom were women), coming to a total of 84 people, divided among the various Italgas Group companies as follows:

- Italgas (54%): 45 people, 36 of whom were executives (7 of whom were women) and 9 of which were non-executives (3 of whom were women);
- Italgas Reti (38%): 32 people, 20 of whom were executives (2 of whom were women) and 12 of whom were non-executives;
- Toscana Energia (5%): 4 executives;
- Seaside (4%): 3 non-executives.

## Diversity and Welfare

The development of human capital also involves the enhancement of diversity and respect for each individual. This requires zero tolerance for any type of discrimination, regardless of whether it is based on ethnic, sexual, political, religious, health or age grounds, while at the same time ensuring equal opportunities in all phases and for all aspects of the employment. In line with this approach, the Group - despite the type of operating activities carried out - is committed to consolidating female presence within the company. In demonstration of that commitment, out of the total number of graduates hired in 2019, the percentage of female graduates was 52.5% (an increase compared with the figure of 44% for 2018).

Overall, females represent 14.1%, an increase on previous years (11.6% in 2017 and 12.4% in 2018), with similar figures for the executive (14.8%) and managerial (15%) areas (Executives and Middle Managers).

## Diversity and Inclusion

In line with the instructions given by the Board of Directors and the Appointments and Compensation Committee, and the relevant best practices, Italgas is committed to developing programmes and measures dedicated to diversity, based on the adoption of a specific formalised policy.

In fact, in December 2019, the Board of Directors approved and issued the **Diversity and Inclusion Policy** which implements some of the fundamental principles of the Italgas Code of Ethics, is binding on all Italgas staff and suppliers and also applies to relations with all stakeholders.

Italgas is committed to avoiding any kind of discrimination in relation to employment, promoting a culture in which people recognise the value brought by diversity and continuing the development of programmes and initiatives dedicated to diversity and inclusion in all their various forms: age, gender, nationality, religion, sexual orientation, social and educational background, family and social responsibilities, recognising that different people can create value for the organisation.

Italgas is committed to the recruitment, training and promotion of the best people for the job, promoting professional development, assessing individual and collective potential, and adopting remuneration systems based on performance and merit.

EMPLOYEES (headcount) GRI Standard 405-1	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>EXECUTIVES</b>	No.	<b>49</b>	<b>11</b>	<b>60</b>	<b>46</b>	<b>11</b>	<b>57</b>	<b>52</b>	<b>9</b>	<b>61</b>
under 30 years		-	-	-	-	-	-	0	0	0
between 30 and 50 years		11	10	21	11	10	21	14	7	21
over 50 years		38	1	39	35	1	36	38	2	40
<b>MIDDLE MANAGERS</b>		<b>219</b>	<b>32</b>	<b>251</b>	<b>234</b>	<b>39</b>	<b>273</b>	<b>252</b>	<b>44</b>	<b>296</b>
under 30 years		-	-	-	-	-	-	0	0	0
between 30 and 50 years		50	10	60	63	15	78	67	15	82
over 50 years		169	22	191	171	24	195	185	29	214
<b>OFFICE WORKERS</b>		<b>1,569</b>	<b>369</b>	<b>1,938</b>	<b>1,571</b>	<b>394</b>	<b>1,965</b>	<b>1,747</b>	<b>523</b>	<b>2,270</b>
under 30 years		115	19	134	121	24	145	165	58	223
between 30 and 50 years		284	114	398	278	121	399	346	161	507
over 50 years		1,170	236	1,406	1,172	249	1,421	1,236	304	1,540
<b>MANUAL WORKERS</b>		<b>1,331</b>	<b>4</b>	<b>1,335</b>	<b>1,316</b>	<b>3</b>	<b>1,319</b>	<b>1,466</b>	<b>3</b>	<b>1,469</b>
under 30 years		63	-	63	99	-	99	154	1	155
between 30 and 50 years		312	1	313	265	1	266	282	1	283
over 50 years	956	3	959	952	2	954	1,030	1	1,031	
<b>TOTAL</b>		<b>3,168</b>	<b>416</b>	<b>3,584</b>	<b>3,167</b>	<b>447</b>	<b>3,614</b>	<b>3,517</b>	<b>579</b>	<b>4,096</b>

EMPLOYEES (headcount) GRI Standard 405-1	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees belonging to protected categories	No.	147	25	172	138	25	163	146	30	176

EMPLOYEES BY LEVEL OF EDUCATION	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
High School diploma-holders	No.	1,541	243	<b>1,784</b>	1,601	232	<b>1,833</b>	1,807	277	<b>2,084</b>
Graduates		325	84	<b>409</b>	324	140	<b>464</b>	388	218	<b>606</b>
Other (no high school diploma)		1,311	80	<b>1,391</b>	1,242	75	<b>1,317</b>	1,322	84	<b>1,406</b>
<b>TOTAL</b>		<b>3,177</b>	<b>407</b>	<b>3,584</b>	<b>3,167</b>	<b>447</b>	<b>3,614</b>	<b>3,517</b>	<b>579</b>	<b>4,096</b>

EMPLOYEES BY AVERAGE LENGTH OF SERVICE	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Average age of employees (age)	No.	53	51	<b>53</b>	52	50	<b>52</b>	51	49	<b>51</b>
Average length of service (years)		27	25	<b>27</b>	27	24	<b>26</b>	25	22	<b>25</b>

WOMEN / MEN PAY GAP BASIC SALARY* GRI Standard 405-2	U of M	2017	2018	2019
Executives	%	81.1	85.2	84.7
Middle Managers		93.1	92.8	94.5
Office workers		97.5	97.4	98.2
Manual workers		76.7	74.7	78.6
WOMEN / MEN PAY GAP AVERAGE REMUNERATION <sup>13*</sup> GRI Standard 405-2	U of M	2017	2018	2019
Executives	%	75.0	80.0	74.7
Middle Managers		89.7	90.3	89.8
Office workers		92.7	93.1	93.4
Manual workers		77.7	68.0	71.8

\* The data do not include Toscana Energia or Toscana Energia Green

To protect and promote the well-being of the employees, Italgas provides services and initiatives aimed at ensuring work-life balance. Specifically, the Welfare programme takes into consideration family and childcare requirements, ensuring a good psycho-physical health, the handling of daily chores in terms of time and money and the organisation of leisure activities and artistic-cultural initiatives.

In line with the plan, several initiatives for communicating the services offered in an increasingly effective manner were also carried out in 2019. In 2019, in addition to the activities held via the company intranet, there were 11 other direct communication initiatives: particular importance was given to the days dedicated to information on the Welfare Plan, with stands being set up at the Italgas' main work premises. Since the start of the programme, employees representing around 95% of the company population have registered on the dedicated website and accepted the general terms. In 2019, the number of operational users who have used at least one service increased by 20% compared with 2018.

Moreover, the level-two trade union agreement which, among other things, confirmed the "Flexible Benefits" plan for the three years from 2019 to 2021, was signed in 2019, continuing what was started in 2018. The agreement provides for the possibility of converting the Production Prize into Welfare services (pensions, family care, study aid, mobility, free time), and for every employee who voluntarily joins the Plan, Italgas is offering a bonus equivalent to 18% of the prize converted into Welfare Credit. In total,

<sup>13</sup> Average remuneration: basic salary raised by increases, such as those for length of service, bonuses in cash or securities, benefits, paid overtime, payments for unused holiday entitlement or any other form of indemnity (e.g. transport expenses, board/lodging costs and child care service expenses).

approximately 10% of the company population chose to convert the Prize into Welfare, 85% of which chose the maximum possible portion to be converted.

The Welfare portal was used to allow the employees benefiting from the Zero Infortuni Bonus (an internal competition organised in collaboration with the HSEQ unit), to avail of their bonus in vouchers to be used for the purchase of selected national brands belonging to a wide range of commodity categories.

Parental leave GRI Standard 401-3 *	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Total open positions	No.	261	48	<b>309</b>	246	53	<b>299</b>	230	55	<b>285</b>
Positions opened in the year		31	2	<b>33</b>	13	3	<b>16</b>	24	5	<b>29</b>
Positions closed in the year		<b>230</b>	<b>46</b>	<b>276</b>	<b>233</b>	<b>50</b>	<b>283</b>	<b>206</b>	<b>50</b>	<b>256</b>
due to return to work		190	41	<b>231</b>	227	49	<b>276</b>	196	50	<b>246</b>
due to termination of employment		40	5	<b>45</b>	6	1	<b>7</b>	10	0	<b>10</b>

\* The data concerning parental leave relate to Italian Law 53/2000. The data do not include Toscana Energia or Toscana Energia Green

## Industrial relations

In 2019 the relationship between Italgas and the Trade Unions saw the involvement and participation of the structures at national, area and company level. During the course of the year, important agreements were signed in relation to digitisation issues, including the installation of geo-location technology on the tablets used by operational personnel and the regulation of activities carried out using the so-called "Picarro" technology.

An agreement on the installation of "black boxes" in company vehicles was also entered into, as well as a framework agreement on the installation of video-surveillance systems at company premises.

Significant agreements have recently been reached in relation to the issues detailed below:

- Employment;
- Group Participation Prize on a three-yearly basis which, in line with what happened in previous years, provides the opportunity to enjoy the services provided for in the Italgas Group's Welfare Plan;
- Extraordinary corporate transactions.

During the course of 2019, 121 meetings with Trade Union Organisations were held, 24 of which were at the nation level and 97 of which were at the local level; 10 further territorial meetings were also held at Toscana Energia, and 1 was held at Toscana Energia Green. The data shows the constant and increasing involvement of representatives from every level. At the end of 2019, the percentage of employees who are members of a trade union organisation was 49%.

Lastly, in 2019 Italgas actively participated in activities relating to the renewal of the national collective labour agreement for 1 January 2019 to 31 December 2021, which entered into effect last December.



## SMART WORKING

The Company has continued its activities for involving staff in Smart Working methods, with the following objectives:

- Improve the working methods of the staff already based in the area;
- Increase the involvement of the individuals with respect to the achievement of the objectives;
- Stimulate digital innovation and the use of information technology;
- Foster a more open and collaborative management culture geared towards delegation and creating a sense of responsibility;
- Boost job satisfaction;
- Help reconcile work and family life;
- Increase sustainability by reducing travel between home and office and between different company locations.

To date, 493 employees have signed up voluntarily.

COLLECTIVE BARGAINING AGREEMENTS GRI Standard 102-41	U of M	2017	2018	2019
Number of employees covered by the National Collective Labour Agreement (CCNL)	No.	3,529	3,614	4,096
Total employees		3,584	3,614	4,096
Percentage of employees covered by collective bargaining agreements	%	98%	100%	100%

The legal dispute with employees and former employees of the Italgas Group, which has been relatively stable over time, incurred a slight reduction in 2019 (despite the acquisition of 1 dispute deriving from the merger by incorporation of the company EGN Distribuzione into Italgas Reti). The lawsuits brought against Group companies (Italgas Reti and Medea) are principally based on the following case law: differences between positions and relative remuneration, economic requests of varying nature, transfers, appeals against disciplinary measures imposed, including suspension or dismissal.

EMPLOYMENT DISPUTES <sup>14</sup>	u.o.m.	2017	2018	2019
Disputes opened in the year*	No.	13	18	13
Disputes closed in the year	No.	21	15	15
Total disputes pending at 31 Dec. (employees and former employees)	No.	18	21	20

\* Do not include disputes arising as a result of mergers

The new Parco Russoli, an area of approximately 10,000 m<sup>2</sup> which Italgas has returned to the city following an intense requalification process, was inaugurated in September 2019 (for more details on this initiative, see the box on page 88 titled **Parco Russoli: the recovery of a green lung for the city**).

Moreover, Italgas' welfare initiatives – which seek, with a view to sustainability, to help reconcile working activity with daily life – include Italgym, Italgas' first gym which has been open for one year, is located at the Via Carlo Bo premises and is for use by Group employees only.

The new gym, opened with the objective of improving the wellbeing and quality of life of Italgas personnel, comprises a fitness area with latest-generation equipment for training and an area for changing rooms, showers and lockers. During the course of 2019, the project was also extended to Italgas' premises in Turin and Rome.

<sup>14</sup> No cases of employee or former employee disputes have been registered within Italgas S.p.A. or in the other Companies.

## Environmental and health issues and work safety

### Relevance to Italgas' activities

For Italgas main material issues related to the environmental impact of its activities and to the prevention and reduction of accidents concern:

- Energy efficiency;
- Reduction of the carbon footprint;
- Waste management;
- Protection of health and safety in the workplace.

Italgas' most significant environmental impacts are the natural gas emissions from the distribution networks, the emissions deriving from gas combustion in the network systems and those from the fuels used for motor vehicles.

Other impacts derive from the waste generated by the construction and maintenance of networks and by the recovery of abandoned industrial areas. The main causes of accidents involving employees are road incidents, both en route to or from work and during transfer for work purposes.

Italgas has a responsible and transparent approach that aims to ensure compatibility between its infrastructures and the local environment and efficient management of energy and natural resources, to contain the environmental footprint of its activities and protect the health and safety of its employees and the staff of its contractors involved in operations.

In addition, through constant research and technological innovation Italgas can develop and adopt solutions that ensure the least intrusive and most sustainable interaction with the environment. Within this framework, Italgas promotes actions and projects aiming to reduce the environmental footprint of its business processes, and improve plant safety conditions, as well as the environmental recovery of the sites affected by previous industrial gas production activities.

The Energy Efficiency Certificates mechanism was established by the Ministry of Productive Activities, together with the Ministry for the Environment and Protection of the Territory, through the Italian Ministerial Decree of 20 July 2004, subsequently amended and supplemented by the Italian Ministerial Decree of 21 December 2007, the Italian Ministerial Decree of 28 December 2012, the Italian Ministerial Decree of 11 January 2017 and, lastly, by the Italian Ministerial Decree of 10 May 2018, published in the Official Gazette of the Italian Republic on 10 July 2018. As an obliged party, Italgas Reti fulfils its annual obligation both by purchasing the Energy Efficiency Certificates in the market sessions managed by GME and through bilateral contracts with operators in the sector. For Italgas Reti the quantitative obligation for 2019 is 948,473 EECs. In the 2019 calendar year, Italgas Reti purchased a total of 943,559 EECs for an overall cost of 161.2 million euros, including the fees due to the GME for the management of the exchange platform. On 31 May 2019, it cancelled 540,719 EECs, collecting 62.5 million euros, while in the intermediate cancellation session of 30 November 2019, it cancelled 386,317 EECs, obtaining € 175.00 per EEC from Cassa per i Servizi Energetici e Ambientali (CSEA), and collecting 67.6 million euros.

During 2018, Italgas carried out an environmental analysis that showed that the use of water resources is not a significant environmental aspect.

### Policies and commitments

In the performance of all its activities Italgas ensures great focus on the environment, natural resources and public and employee safety, considering them all key factors in the sustainable development of the company and the local environment. The model of governance of health, safety, environment, quality and energy

implemented by Italgas has been in continuous evolution in recent years to adapt to changes in the regulatory environment and the market in which it operates.

In particular, Italgas Reti's commitment on these issues can be seen in the adoption, in 2018, of the "Health, Safety, Environment, Quality and Energy Policy (HSEQE)", developed on the basis of company policies and in line with the Code of Ethics aimed at enhancing and protecting human and natural resources, essential values for the Company. This Policy underlines the Company's commitment to consider its Integrated Management System as one of the main stimuli for staff involvement and process improvement, basing its operational choices on the principles of fairness, professionalism and compliance, to ensure service delivery according to the best quality standards to meet customer expectations.

Some of the commitments on which the Policy is based are stated below:

- Guarantee, through adequate procedural, management and organisational tools, the right of customers to access and use the services;
- Optimise business processes in order to achieve the highest level of effectiveness and efficiency, while respecting the health and safety of workers and with maximum environmental awareness;
- Design, build, manage and decommission plants, buildings and activities, in compliance with the protection of the health and safety of workers, the environment, and energy saving, and aligning with the best available and economically sustainable technologies;
- Conduct and manage activities with a view to preventing accidents, injuries and occupational diseases;
- Ensure the information, training and awareness of staff so that they can participate actively and responsibly in the implementation of the principles and the achievement of the objectives;
- Implement the sustainable use of natural resources, pollution prevention and the protection of ecosystems and biodiversity;
- Implement operational and management measures to reduce greenhouse gas emissions, with a view to mitigating climate change;
- Manage waste in order to reduce its production and promote its recovery at its final destination.

In line with the Group's Management Models, a regulatory system was adopted which aims to guarantee the safety and health of people (employees, end customers, contractors, etc.), prevent accidents, ensure the protection of the environment and public safety and the rational use of energy.

The effective implementation of the policy in relation to issues of health, safety and the environment is guaranteed and monitored by the staff function responsible for the direction, management and control of such activities.

With the checks carried out in 2019 by the Certification Body DNV GL, Italgas Reti's Integrated Management System Certifications were confirmed in accordance with the international standards listed below; moreover, in November, the Occupational Health and Safety Management System transitioned from standard BS OHSAS 18001 to standard UNI ISO 45001.

The following table summarises the certifications for the various management systems, as well as the accreditations of the Company's laboratories:

<b>MANAGEMENT CERTIFICATIONS AND LABORATORY ACCREDITATIONS</b>		
<b>Company</b>	<b>System or Scheme</b>	<b>Standard</b>
ITALGAS SpA	Anti-bribery Management System	UNI EN ISO 37001:2016
ITALGAS RETI SpA	Anti-bribery Management System	UNI EN ISO 37001:2016
ITALGAS RETI SpA	Quality Management System	UNI EN ISO 9001:2015
ITALGAS RETI SpA	Environmental Management System	UNI EN ISO 14001:2015
ITALGAS RETI SpA	Occupational Health and Safety Management System	UNI ISO 45001:2018
ITALGAS RETI SpA	Energy Management System	UNI CEI EN ISO 50001:2011
ITALGAS RETI SpA	C Type inspection body	UNI CEI EN ISO/IEC 17020:2012
ITALGAS RETI SpA	Testing laboratory	UNI CEI EN ISO/IEC 17025:2005
ITALGAS RETI SpA	Calibration laboratory	UNI CEI EN ISO/IEC 17025:2005
MEDEA SpA	Quality Management System	UNI EN ISO 9001:2015
SEASIDE Srl	Expert in Energy Management	UNI CEI 11339:2009
SEASIDE Srl	Energy Service Companies	UNI CEI 11352:2014
SEASIDE Srl	Quality Management System	UNI EN ISO 9001:2015
TOSCANA ENERGIA S.p.A.	Quality Management System	UNI EN ISO 9001:2015
TOSCANA ENERGIA S.p.A.	Environmental Management System	UNI EN ISO 14001:2015
TOSCANA ENERGIA S.p.A.	Occupational Health and Safety Management System	UNI ISO 45001:2018
TOSCANA ENERGIA S.p.A.	Energy Management System	UNI CEI EN ISO 50001:2018
TOSCANA ENERGIA S.p.A.	C Type inspection body	UNI CEI EN ISO/IEC 17020:2012

During 2019, the Italgas Group did not receive any significant sanctions for breaching environmental laws and regulations.

As regards the aspects inherent to training, it should be pointed out that more than 37,000 hours of training on HSEQ issues were provided in 2019 (more than 36,000 of which related to health and safety).

Concerning environmental management, the total amount of expenses and investments in 2019 was around 21 million euros. In particular, they are divided as follows<sup>15</sup>:

Environmental expenses	unit	2019
Air and climate protection	k€	2,122
Soil and subsoil protection		6,954
Waste and water management		4,487
Other environmental protection activities		44
<b>Total</b>	<b>k€</b>	<b>13,607</b>

Environmental investments	unit	2019
Air and climate protection	k€	3,894
Soil and subsoil protection		137
Waste and water management		3,603
Other environmental protection activities		45
<b>Total</b>	<b>k€</b>	<b>7,680</b>

For 2019, the majority of environmental expenses related to reclamation activities carried out at sites undergoing environmental recovery and, to a lesser extent, the management of waste deriving from productive activities.

As regards environmental investments, they principally include a portion deriving from work linked to the digitisation of the network and the replacement of cast iron pipes. Environmental investments also include the management of waste pertaining to network extension activities and new connections.

Concerning health and safety management, the total amount of expenses and capital expenditures in 2019 was approximately 24 million euros. In particular, they are divided as follows<sup>16</sup>:

Health and safety expenses	unit	2019
Personal protective equipment	k€	1,194
Training		320
Insurance		2,067
Plant and equipment		3,816
Safety management		3,743
<b>Total</b>	<b>k€</b>	<b>11,139</b>

Health and safety investments	unit	2019
Plant and equipment	k€	5,998
Safety management		6,727
<b>Total</b>	<b>k€</b>	<b>12,724</b>

In the context of health and safety, the majority of expenses related to the cost of personnel assigned to this area, the relevant portion of the leak detection service and the purchase of personal protective equipment.

As regards investments in 2019, the relevant portion of investments for the leak detection service, security staff and the related equipment for work at height, and – in part – the replacement of traditional meters and cast iron pipes, were also of particular note here.

<sup>15</sup> The data on environmental and health and safety investments and expenses do not include those of Italgas Acqua or Seaside, as these are not considered to be relevant due to the different nature of their business.

<sup>16</sup> It should also be pointed out that the information on insurance takes account of the insurance premiums paid to INAIL.

## Activities and results of operations

### Energy efficiency and emissions

In Italgas, energy is mainly for industrial use. Natural gas is the most commonly used energy source, followed by electricity and petrol for motor vehicles. In 2019, energy consumption was 572.13 TJ. The data shows a slight increase compared to 2018, principally attributable to the extension of the company scope. In general, Medea's consumption increased because in 2019 the Company purchased the networks of another 26 municipalities including Cagliari, Nuoro and Oristano.

In particular, concerning road transport, there was an increase in the use of natural gas and a decrease in the use of diesel fuel – an effect of Italgas having replaced its fleet with hybrid vehicles fuelled by natural gas over the year.

The reduction in direct electricity consumption is partly due to the full migration of our infrastructure and application map to the Cloud.

Energy production by photovoltaic plants increased, due to a further 22 photovoltaic plants at the Italgas Reti IPRM being connected in 2019, and the entry into the 2019 scope of Toscana Energia, which possesses a photovoltaic plant used by the Florence premises, and Toscana Energia Green, which possesses photovoltaic plants for feeding networks with GSE conventions.

ENERGY CONSUMPTION		U of M	2017	2018	2019
GRI Standard 302-1, GRI Standard 302-3					
<b>CONSUMPTION OF ENERGY FROM NON-RENEWABLE RESOURCES</b>					
<b>Fuel consumption for civil and industrial use</b>	<b>TJ</b>		<b>374.49</b>	<b>361.08</b>	<b>367.70</b>
<i>Of which natural gas for civil use</i>	TJ		58.16	47.59	45.29
<i>Of which natural gas and LPG for industrial use</i>	TJ		316.33	313.49	322.41
<b>Transport fuel consumption</b>	<b>TJ</b>		<b>104.19</b>	<b>97.24</b>	<b>104.39</b>
<i>Of which diesel fuel</i>			79.60	63.98	17.90
<i>Of which petrol</i>	TJ		17.71	19.37	25.45
<i>Of which natural gas</i>			6.89	13.89	61.03
<b>CONSUMPTION OF ENERGY FROM RENEWABLE RESOURCES</b>					
<b>Fuel consumption from renewable sources</b>	<b>TJ</b>		-	-	-
<b>TOTAL FUEL CONSUMPTION</b>	<b>TJ</b>		<b>478.68</b>	<b>458.32</b>	<b>472.09</b>
<b>INDIRECT ENERGY CONSUMPTION</b>					
<b>Electricity<sup>17</sup></b>	<b>Kwh</b>		<b>31,314,814.3</b>	<b>28,685,654.4</b>	<b>27,790,611.9</b>
<i>Of which from non-renewable sources</i>			31,314,814.3	28,685,654.4	27,790,611.9
<i>Of which from renewable sources</i>	Kwh		-	-	-
<b>TOTAL INDIRECT ENERGY CONSUMPTION</b>	<b>TJ</b>		<b>112.73</b>	<b>103.27</b>	<b>100.05</b>
<b>SELF-GENERATED ELECTRICITY<sup>18</sup></b>					
<b>TOTAL OF ELECTRICITY PRODUCED FROM RENEWABLE SOURCES</b>	<b>TJ</b>		<b>0.13</b>	<b>0.14</b>	<b>4.97</b>
<b>ELECTRICITY SOLD (produced and sold to third parties)</b>					
<b>TOTAL ENERGY SOLD</b>	<b>TJ</b>		<b>0.07</b>	<b>0.07</b>	<b>4.80</b>
<b>TOTAL ENERGY CONSUMPTION</b>	<b>TJ</b>		<b>591.42</b>	<b>561.59</b>	<b>572.13</b>
<b>ENERGY INTENSITY</b>					
Total energy consumption	TJ		591.42	561.59	572.13
Transported gas	10 <sup>6</sup> Sm <sup>3</sup>		7,767	7,820	8,001 <sup>19</sup>
<b>Energy intensity*</b>	<b>TJ/10<sup>6</sup>S m<sup>3</sup></b>		<b>0.076</b>	<b>0.072</b>	<b>0.072</b>

\* Total energy consumption out of total distributed gas

The main greenhouse gas (GHG) effects produced are carbon dioxide (CO<sub>2</sub>), deriving from combustion processes and directly related to the consumption of fuels and methane (CH<sub>4</sub>) contained in natural gas released into the atmosphere, mainly from joints in pipes and following maintenance work, during the normal operation of systems. Total GHG emissions (direct Scope 1, indirect Scope 2 and Scope 3) amounted to approximately 842,000 tonnes of CO<sub>2</sub>eq, an increase over 2018. The main cause concerns Scope 1 emissions, since there was an increase in the size of the network and the resulting fugitive emissions. Moreover, there was an increase in Scope 3 emissions due to the increase in procurement.

Direct emissions included emissions from civil and industrial fuel and emissions from motor vehicles, as well as network losses specific to the business in which the Group operates. Fugitive emissions increased due to the larger network size resulting from the increased perimeter, and Toscana Energia in particular. However,

<sup>17</sup> As regards electricity consumption for the industrial use of the PODs of the former EGN (now included within Italgas Reti), an estimation was considered on the basis of the provisional annual values for consumption calculated by the electricity supplier that supplied the former EGN (in particular, 5/12 of the estimated annual total were counted, considering the incorporation that took place in August 2019).

<sup>18</sup> Self-generated and self-consumed energy is equal to the difference between energy self-generated and energy sold; this contribution (0.16 TJ) is not included in indirect energy consumption or in the related emissions calculation.

<sup>19</sup> The data for transported gas relates to the natural gas of Group companies and the converted value of Medea's LPG and propane air.

the quality of the network as a whole is improving due to replacement of most cast iron networks with hemp-lead joints by steel and polyethylene, materials which lead to lower fugitive emissions. The emission factor of the network weighted by network kilometres rose from 478.7 (2018) to 473.98 (2019), highlighting the improvement under way<sup>20</sup>. Total direct emissions (Scope 1) are 548.66 10<sup>3</sup>CO<sub>2</sub>eq.

ATMOSPHERIC EMISSIONS	GRI Standard	U of M	2017	2018	2019
Natural gas emissions <sup>21</sup>	305-1	10 <sup>6</sup> Sm <sup>3</sup>	28	28.2	30.1
<b>Total GHG emissions</b>			<b>657.3</b>	<b>717.43</b>	<b>841.57</b>
- of which scope I	305-1	10 <sup>3</sup> tonnes CO <sub>2</sub> eq	513.9	515.07	548.66
- of which scope II	305-2		10.4	9.08	8.79
- of which scope III *	305-3		133.03	193.29	284.11
Carbon intensity **	305-4	tonnes CO <sub>2</sub> eq /10 <sup>6</sup> Sm <sup>3</sup>	66.2	67	70
Gas Leakage Rate ***	-	%	0.36	0.36	0.38
NO <sub>x</sub> emissions	305-7	tonnes	32.2	30.01	27.42

\* Includes emissions linked to procurement and business travel. The companies Italgas Acqua, Toscana Energia, Toscana Energia Green and Gaxa are not included

\*\* Calculated as Scope 1 and Scope 2 / transported gas emissions

\*\*\* Calculated as natural gas / transported gas emissions. Medea's LPG and propane air are not included

During the course of 2019, Italgas was supported by Seaside, in the capacity as the Group's ESCo, in the conception and preparation of an Energy Masterplan document which organically included the areas of possible intervention in the various environments: property, networks and company fleet, integrating initiatives that were already underway with new possibilities for development, with the objective of defining a feasible and tangible pathway in terms of energy efficiency results and the minimisation of environmental impact. The document also includes an analysis of the ISO 50001 certification with regard to the issuance of the new 2018 standard and any extension thereof, and how that standard applies with regard to the obligatory requirements defined by Italian Legislative Decree 102/2014, also establishing the clustering plan for the preparation of the latter.

In December 2019, the Group's Energy Diagnosis was submitted to ENEA for the purposes of Italian Legislative Decree 102/2014; in particular, 1 Italgas Reti virtual site, 4 Withdrawal, Reduction and Measurement (IPRM) sites and 4 property sites were analysed. The main measures proposed in order to increase energy efficiency relate to the efficiency of the pre-heating system in the IPRMs and the suggestion of an Energy Management System capable of producing more automated energy analyses.

Precisely in order to increase the energy efficiency of the IPRMs, an additional 38 pre-heating consumption optimisation systems were installed in 2019. These systems allow for significant reductions in pre-heating consumption compared with standard configurations, thus making it possible to control in real time the right quantity of energy transferred, over time, to natural gas. In demonstration of these efficiency increasing measures, there has been a reduction in the total consumption of gas for pre-heating of approximately 3% compared with 2018, considering the scope of Italgas Reti only.

Also considering the works done in previous years, at the end of 2019 there were a total of 70 IPRMs equipped with pre-heating that use optimisation systems for the pre-heating consumption, in addition to 3 further plants at which experimentation continues with a heating plant management system that, in the technology used to control the right quantity of energy to gas in the pre-heating process, also integrates a gas absorption heat pump.

<sup>20</sup> The emissions factor weighted to km of network relates only to the company Italgas Reti, for the purposes of a standard comparison with the 2018 figures.

<sup>21</sup> The data for natural gas emissions relates to the size of the companies Italgas Reti and Toscana Energia.



Moreover, in order to monitor the electricity consumption of all technological uses, an initial experimentation phase was completed in 2019, on 100 PODs, of data-loggers which, using the repetition of light impulses (led) present on electricity meters, record the consumption data and send it to a platform for subsequent processing. A second phase of experimentation was also started in 2019, which provided for the installation of direct-drive meters inserted into the electrical panels of some IPRMs, with an impulse link to the RTUs, making it possible to read consumption directly on the IOT platform, potentially separated by energy carrier. The second phase of experimentation responds to the need expressed in the Guidelines for the Preparation of Energy Diagnoses, proposed by Anigas/Assogas and Utilitalia and approved by Enea in December 2019.

The experimentation was setup in 2 GRFDs ("Gruppi di Riduzione Finali Digitalizzati" - Final Digitalised Reduction Groups) of innovative systems that allow for both the remote management of service pressures and energy recovery using microturbines. Specifically, the pressure management system makes it possible to regulate the pressure outgoing from the GRFDs remotely, so as to optimise the level of the delivery pressures to End Customers, thus preventing variability in the pressure range, and reducing emissions from leaks. The extension of this experimentation to other GRFDs is planned for 2020. In turn, the microturbines use energy that would otherwise be dissipated by the gas pressure reduction process, transforming it into electrical energy available for use in situ (energy harvesting systems): the electrical energy thus produced is used to feed RTUs and other measurement/control devices in situ, in the context of the digitisation of the network, including service pressure management systems, for example.

The new project to replace all traditional lights with LED lights, in both the outside and inside areas of all IPRMs and IRIs, was approved in 2019. It was also planned to install external switches triggered by low light at a single light point on all IPRMs and IRIs. The replacements are scheduled to be completed by the end of 2020.

In a context of sensitivity towards the environmental issues of atmospheric pollution, the installation of stations to monitor air quality at some pressure reduction plants was commenced in 2019. The collection of data from these stations can also be assessed in the context of correlation analyses between all parameters that influence the maintenance of assets and will therefore be potentially useful for the purposes of defining more efficient preventive maintenance programmes.

Lastly, 22 photovoltaic plants were also connected at the IPRMs in 2019, for an overall installed capacity of 98 kW. Considering the plants that entered operation in previous years, a total of 32 photovoltaic plants are active, for an overall installed capacity of 137 kW.

During 2019, the plan to convert the current LPG distribution networks to natural gas continued with a total of approximately 76 km of network to be converted by 2020, through the construction of approximately 220 km of new extensions. During 2019, work began on 30 extensions to networks for converting the same number of districts, thirteen of these were completed and converted to methane in 2019. The carbon dioxide produced by the combustion of natural gas is 15% less than LPG, for the same level of energy consumption. Moreover, Italgas has replaced 18.2 km of networks with joints in lead and help.

## Waste production and disposal

In 2019, waste products deriving from productive activities amounted to 674 tonnes, about 647 tonnes of which was waste disposed of during the course of the year, 99% of which was non-hazardous. This type of waste is mainly made up of mechanical meters, which have been subject to a huge replacement campaign.

Waste disposed of during the reporting year, subdivided by type and method of disposal GRI Standard 306-2	U of M	2018		2019	
		hazardous	non hazardous	hazardous	non-hazardous
<b>Total waste sent for recover/disposal outside the company (from production activities)</b>		<b>10.37</b>	<b>798.27</b>	<b>6.36</b>	<b>640.80</b>
Recovery / Recycling		4.08	795.56	2.04	637.49
<i>of which ferrous material</i>	t.	-	421.79	-	581.55
<i>other</i>		4.08	373.77	2.04	55.94
Incineration		-	-	-	-
Waste sent directly to landfill		-	-	0.28	-
Other plant		6.29	2.70	3.91	3.31

Italgas also carries out environmental reclamation and requalification activities that include, along with the reclamation of the environmental matrices related to the site, also the possible demolition of parts of the same and the related disposal of all waste produced. In particular, Italgas Reti<sup>22</sup> is under obligation to clean up certain sites on which industrial activities were carried out in the past, such as the distillation of gas from coal, cracking or reforming of light oil derivatives for city gas production.

Main data on remediation activities GRI Standard 306-2	2018		2019	
	No.	m <sup>2</sup>	No.	m <sup>2</sup>
<b>Sites affected by reclamation activities or to be reclaimed</b>	<b>31</b>	<b>1,477,000</b>	<b>32</b>	<b>1,269,951</b>
Certified clean-up operations	-	-	3	15,909
Approved characterisation programmes	26	1,233,524	28	1,226,319
Approved risk analysis (152/2006) or approved preliminary clean-up projects (pursuant to 471/99)	23	1,155,524	23	1,132,588
Approved operational reclamation projects (152/2006) or approved final reclamation projects (pursuant to 471/99)	19	625,213	20	1,120,178
Operational safety measures	1	257	1	10,805
Soil emergency safety measures	-	-	-	-
Groundwater safety measures	8	-	9	-

In 2019, the reclamation, environmental recovery and monitoring activities, carried out in compliance with the process with the Public Administration provided for by Italian Legislative Decree 152/06, involved 32 sites.

For the Bassano del Grappa (VI) site, the process of obtaining certification for the clean-up entered its completion phase in 2019. Moreover, the reclamations started in 2018 continue and will presumably end during 2020/2021. These concern the Venice Santa Marta, Venice Isola di Murano, Legnago (VR) and Turin

<sup>22</sup> For one site, the procedure is the responsibility of Toscana Energia.

sites (the reclamation of the Corso Regina Margherita strip, in particular). The executive projects and tender processes for the reclamation of the Venice Altobello and Cairo Montenotte sites have been completed.

### Groundwater

Italgas Reti's production process does not involve the use of water for industrial use, except for the quantities used to top up the gas preheating systems, located inside the pressure-reduction cabins of the gas drawn from the high-pressure gas pipeline system, without the presence of industrial waste.

As part of the reclamation activities, 3,850 cubic metres of water are taken from the contaminated water table; this water is treated to bring the concentrations of pollutants back to a level in conformity with the limits for disposal into the public sewerage system, in compliance with the appropriate authorisations.

### Water

The Environmental Analysis carried out by Italgas Reti in 2018, according to UNI EN ISO 14001, has shown that the use of water resources is not a significant environmental aspect. However, the HSEQ Policy provides for the protection of resources and their rational use. For this reason, the Group is committed to reducing its limited water consumption. As far as the disposal of water for civil uses is concerned, all wastewater is, by its nature, sent into the sewerage system untreated.

WATER WITHDRAWALS (m3)	2019
Water withdrawn from the aqueduct	134,067
Water withdrawn from the subsoil	4,183
<b>Total water withdrawn</b>	<b>138,250</b>

WATER DISCHARGES (m3)	2019
Discharges to soil, surface water body, sea	333
Discharge to sewers	137,917
<b>Total water discharged</b>	<b>138,250</b>

The situation is different for Italgas Acqua, a Group company that manages the distribution of water in five municipalities in Campania. For this company, managing water consumption means taking water, making it drinkable and distributing it to the public, ensuring quality standards and continuity and regularity of service. Italgas Acqua invoices 6.6 million cubic metres of water per year and is responsible for the management and maintenance of all the underground or overhead pipes present exclusively on public land and of the meters installed at the customers' premises, through which it establishes the location and the flow rate.

### Accident prevention

The protection of health and safety is a factor of primary importance for Italgas, as stated in the "Health, Safety, Environment, Quality and Energy Policy (HSEQE)". The principles of the Policy include some fundamental aspects related to the concept of health and safety of workers including the optimisation of business processes, the design, construction, management and decommissioning of plants and the management of activities with a view to preventing accidents, injuries and occupational diseases. Italgas, aware of the importance of managing these aspects, applies management systems certified according to the ISO 45001 standard.

Training programmes on dangers deriving from the performance of the operational activities, in addition to specific awareness-raising actions that involve all operating personnel, are one of the main tools for improving health and safety performance of employees.

In 2019, more than 36 thousand hours of training on health and safety issues were provided, with an increase of almost one third compared to 2018.

Other significant good practices should also be noted:

- The organisation of “Safety Walks” continued, four sessions of which took place in 2019, during which management shared with operating staff the carrying out of some significant practical activities and addressed and commented on safety issues;
- Initiatives aimed at raising awareness on safety issues addressed to internal employees and contractors; both initiatives involved the local management who attended all the numerous meetings organised locally throughout the year.

Health and safety management in 2019 focused in particular on communication aspects. In this regard, it is worth mentioning the structured internal communication campaign, aimed at all employees, or the “safety first” campaign, which aims to raise awareness of safety issues among employees, with images and messages disseminated through various communication tools such as posters, corporate intranets and mobile devices supplied to staff.

A growing culture of safety at work is also encouraged through well-established incentive practices that take place annually, such as the “Italgas Safety Trophy” and the “Zero Injuries Award”, which goes to groups that have not had any accidents during the year.

The calculation of the indices<sup>23</sup> which, according to the GRI’s indications, also include accidents en route to or from work, are provided below. The total number of accidents remained the same as the previous year; in 2019, the total number accidents recorded by the Italgas Group, for its own employees, came to 17 (17 accidents in 2018), 6 of which are attributable to accidents that occurred in working hours (8 accidents in 2018) and 11 en route to or from work (9 accidents in 2018), with a frequency index of 2.79 for the 17 accidents (2.89 in 2018) and a severity index of 0.24 (0.13 in 2018); excluding accidents en route to or from work, the indices are: frequency 0.98 and severity 0.10 (for 2018, the indices were FI = 1.36 and SI = 0.03, respectively).

For contractor companies, the number of accidents at work increased (8 in 2019 compared with 4 in 2018).

With regard to employees, the total accidents correspond to 1444 days of absence, which falls to 583 if accidents en route to and from work are excluded, while events involving contractors generated 479 days of absence. For 2018, there were a total of 747 days of absence for employees, of which 162 days were due to events at work, while for contractors there was a total of 307 days of absence.

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<sup>23</sup> The data on accidents include events that led to absence from work for more than one day.

EMPLOYEE ACCIDENTS* GRI Standard 403-2	U of M	2017			2018			2019		
		Men	Wom en	Total	Men	Wom en	Total	Men	Wome n	Total
<b>Accidents at work</b>	No.	<b>12</b>	<b>1</b>	<b>13</b>	<b>8</b>	-	<b>8</b>	<b>5</b>	<b>1</b>	<b>6</b>
Northern Italy		6	1	7	2	-	2	4	1	5
Central Italy		2	-	2	4	-	4	0	0	0
Southern Italy and Islands		4	-	4	2	-	2	1	0	1
<b>Injuries en route to and from work</b>		<b>10</b>	<b>1</b>	<b>11</b>	<b>7</b>	<b>2</b>	<b>9</b>	<b>9</b>	<b>2</b>	<b>11</b>
Northern Italy		5	1	6	3	2	5	2	2	4
Central Italy		3	-	3	1	-	1	2	0	2
Southern Italy and Islands		2	-	2	3	-	3	5	0	5
<b>TOTAL INJURIES</b>		<b>22</b>	<b>2</b>	<b>24</b>	<b>15</b>	<b>2</b>	<b>17</b>	<b>14</b>	<b>3</b>	<b>17</b>
Northern Italy		11	2	13	5	2	7	6	3	9
Central Italy		5	-	5	5	-	5	2	0	2
Southern Italy and Islands		6	-	6	5	-	5	6	0	6
<b>SEVERITY INDEX **</b>			0.23	0.09	<b>0.21</b>	0.14	0.06	<b>0.13</b>	0.25	0.12
<b>FREQUENCY INDEX ***</b>		8.53	2.84	<b>4.10</b>	2.87	2.99	<b>2.89</b>	2.61	4.10	<b>2.79</b>
<b>SEVERITY INDEX ** (not en route to or from work)</b>		<b>0.15</b>	<b>0.09</b>	<b>0.14</b>	<b>0.03</b>	<b>0.00</b>	<b>0.03</b>	<b>0.10</b>	<b>0.06</b>	<b>0.10</b>
<b>FREQUENCY INDEX *** (not en route to or from work)</b>		<b>2.28</b>	<b>1.66</b>	<b>2.22</b>	<b>1.53</b>	<b>0.00</b>	<b>1.36</b>	<b>0.93</b>	<b>1.37</b>	<b>0.98</b>
Occupational disease rate (ODR)****		-	-	-	0.04	-	<b>0.03</b>	0.34	-	<b>0.30</b>
<b>NEAR MISS</b>	No.	<b>7</b>	-	<b>7</b>	<b>30</b>	-	<b>30</b>	<b>42</b>	<b>2</b>	<b>44</b>
Northern Italy		5	-	5	8	-	8	11	2	13
Central Italy		1	-	1	12	-	12	19	0	19
Southern Italy and Islands		1	-	1	10	-	10	12	0	12

Absenteeism GRI Standard 403-2	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Absenteeism rate****</b>	%	<b>6.9</b>	<b>7.0</b>	<b>6.9</b>	<b>6.5</b>	<b>7.0</b>	<b>6.6</b>	<b>6.0</b>	<b>6.7</b>	<b>6.1</b>
Northern Italy	%	5.4	5.0	<b>5.3</b>	5.0	5.4	<b>5.1</b>	4.8	5.0	<b>4.8</b>
Central Italy	%	9.2	11.2	<b>9.3</b>	8.7	10.6	<b>8.8</b>	8.3	10.1	<b>8.4</b>
Southern Italy and Islands	%	6.9	9.0	<b>7.1</b>	6.5	8.9	<b>6.7</b>	5.7	9.0	<b>6.0</b>

\* The data on accidents include events that led to absence from work for more than one day

\*\* Days of absence due to accident / thousands of hours worked

\*\*\* Accidents recorded / millions of hours worked

\*\*\*\* Number of occupational diseases recognised / hours worked\*200.000

\*\*\*\*\* Total number of days lost in the period / total number of working days in the period. The data from the "Absenteeism" table do not include Toscana Energia or Toscana Energia Green

CONTRACTORS' INJURIES GRI Standard 403-2	U of M	2017			2018			2019		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Accidents at work</b>	No.	<b>7</b>	-	<b>7</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>8</b>
Northern Italy		2	-	<b>2</b>	1	1	<b>2</b>	4	0	<b>4</b>
Central Italy		5	-	<b>5</b>	2	-	<b>2</b>	2	0	<b>2</b>
Southern Italy and Islands		-	-	-	-	-	-	2	0	<b>2</b>
<b>SEVERITY INDEX **</b> (not en route to or from work)		0.24	0.00	<b>0.21</b>	0.11	0.10	<b>0.11</b>	0.11	0	<b>0.11</b>
<b>FREQUENCY INDEX***</b> (not en route to or from work)		3.80	0.00	<b>3.34</b>	1.23	3.01	<b>1.44</b>	1.85	0	<b>1.85</b>

\*\* Days of absence due to accident / thousands of hours worked

\*\*\* Accidents recorded / millions of hours worked

## Transparent relationships with sales companies, authorities and trade associations

### Relevance to Italgas' activities

For Italgas service quality goes far beyond simple business objectives: continuity, safety, accessibility, rapid response and overall system efficiency truly reflect Italgas commitment towards the areas served and the end customers. In this respect, the Group pays particular attention to strengthening relations with the sales companies, to harmonise the processes and update the tools and procedures that enable access to the services. Operational and commercial activities are carried out with increasingly advanced IT systems that allow fast information flows in contract management. These systems are regularly updated according to the regulations issued by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA), which regulates the services provided by the Italgas Group companies.

The main material issues linked to the maintenance of transparent relationships with stakeholders in the carrying out of the Group's activities are attributable to:

- Reliability, quality and safety of the service;
- Relations with the Regulatory Authority;
- Transparent dealings and collaboration with the sales companies.

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) determines the methods of access to infrastructures and the performance of the service and the related fees for the payment of activities performed.

Italgas is engaged in continuous and constructive dialogue with ARERA to help define a clear, transparent and stable regulatory framework to encourage the sustainable development of the gas system. To that end, Italgas has participated in the main opportunities for consultation with ARERA, directly and through Associativa, and, at the same time, proactively involved ARERA in the sending of reports and the organisation of meetings.

### Policies and commitments to monitor the issue

The operational management of quality aspects is regulated through the ISO 9001 certified management systems and is implemented in each individual company. To support the safety and quality of the service, Italgas has set up two freephone numbers that members of the public and users can contact depending on what they need:

#### 1. **Freephone number for Gas Emergencies – 800 900 999.**

The service is active 24 hours a day, 7 days a week. There is one Freephone Number for the whole of Italy for all the Municipalities where the distribution companies of the Italgas Group operate and is shown separately on the gas bill of the sales company, on the websites of Italgas and the Group companies and in the telephone directories of the municipalities served. The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) regulates the service. When calling the Rapid Response Service, an operator of the Integrated Supervision Centres replies and the call is never diverted to another number. The calls will be answered and employees reply within a few seconds. Upon receipt of an alert, the operators provide the initial instruction on how to behave in the event of a gas leak, outage or irregularities in the flow, dispersions, and malfunctions in the district heating service in the municipality of Cologno Monzese. At the same time, the Rapid Response Unit is activated for any necessary verification and technical operations, to safeguard

citizens, to ensure the safety of plants and the resumption of normal service conditions in the shortest possible time. Technical assistance is free.

#### The new Integrated Supervision Centre in Turin

Since July 2019, Italgas has new premises available for the Integrated Supervision Centre in Turin, where the completely renovated spaces will be coupled with the latest technologies to offer an increasingly timely, safe and efficient service.

The software used to support operators for the management of emergency calls at the Centre recognises users from the number included in their details, making it possible to significantly reduce call processing times and intervene quickly in the field.

Moreover, the analyses developed and the dashboards shown on the new videowall make it possible to continuously monitor the status of networks and plants in detail; for example, it is not possible to monitor the following in real time:

- Any alarms or anomalies reported in plants by thousands of IoT sensors present throughout the national territory, so as to ensure timely intervention in the field, restoring the correct functioning of the network before the end user even notices any reduction in the service;
- Any hydrogeological alerts from the Civil Protection Authority or seismic events measured by the INGV, to ensure the maximum level of reactivity in the event of a potential risk situation, guaranteeing citizen safety.

#### 2. **Freephone number Contact Centre - 800 915 150.**

Operational Monday to Friday from 8 am to 8 pm; the freephone number is the same in all the municipalities in which Italgas Reti operates and is visibly displayed on Italgas website and in telephone directories of the municipalities served. The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) regulates the service. The Contact Centre service managed entirely by internal staff based in Italy, responds through IVR and operators. By contacting the freephone number, users can change the appointment for the meter replacement, obtain information on gas distribution and general information. The Contact Centre service also serves sales companies working with Italgas.

In order to continue to improve the quality of the service and to be ever-closer to the end user, Italgas also offers users its own social channels and the CCWeb service, on the website, for requesting changes to appointments to replace traditional meters with smart meters.



### The Salesforce software and the inclusion of differently abled colleagues

The Salesforce software (CRM) supports staff working in Italgas' Contact Centre who carry out front-end activities (Customer Services) at several offices within the national territory. Using the Salesforce app, a multi-channel tool for managing contact with customers, the Contact Centre department manages:

- Appointment management requests (Changes/Rescheduling/Cancellation) for activities involving smart meter replacement, anomalies with meters, and the relative requests for information on the activity, the notification of complaints and/or faults (end users)
- Requests for general information on various types of Technical/Commercial activities by Sales Companies and the competent Internal Services

The main contact channel is telephone, followed by email and social media.

It should be noted that Italgas has activated all functionalities to make it possible for the software to be used by differently abled persons, thus allowing for colleagues to be included in the team of operators.

## Reliability, quality and safety of the service

Every year Italgas inspects tens of thousands of kilometres of network to ensure the efficiency of the managed gas distribution networks.

To this end, with regard to the verification of "electrical protection" conditions of steel pipes, the cathodic protection remote monitoring system was also used in 2019 to automatically record the electrical parameters of 11,660 significant points on the network (+11.05% compared to 2018). Moreover, approximately 22,900 cathodic protection measures were carried out with an operator on non-remote controlled points (-5.76% compared with 2018).<sup>24</sup>

QUALITY STANDARDS ESTABLISHED BY ARERA GRI Standard 416-1 <sup>23</sup>	U of M	ARERA Target	2017	2018	2019
High- and medium-pressure network subject to inspection	%	>33.3	48.7	70.2	58.70
Low-pressure network subject to inspection		>25.0	49.1	74.4	60.40
Compliance with the maximum time for reaching the call-out site for emergency assistance		>90	96.2	97.7	98.90

It should be noted that the network inspections follow a three-year programme of work (for high- and medium-pressure networks) and a four-year programme (for low-pressure networks), in order to meet the targets established by ARERA for such inspections.

Italgas Reti decided to step up search cycles in particularly complex metropolitan areas to further increase the safety of the distribution system. Specifically, three cycles were performed in Rome and Turin, two with the traditional method and one using the innovative CRDS (Cavity Ring-Down Spectroscopy) method. The results also show that, in addition to identifying leaks on aerial parts, which are normally impossible to access using the traditional method, the CRDS technology also performs much better at detecting leaks on underground parts of distribution plants.

<sup>24</sup> The data include Italgas Reti S.p.A., which represents 87% of the managed gas distribution network.

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To make the presence of methane, an otherwise odourless and colourless gas, detectable in the event of leaks, Italgas Reti uses odourisation plants equipped with innovative automatic injection systems that enable the quantity of odorant to be measured out according to the volumes of gas distributed.

In general, the technical and commercial activities at end customers' premises - carried out according to specific quality standards established by ARERA - concern the estimate and execution of works, the activation and deactivation of the gas supply, in accordance with the appointments made and with rapid response times, and finally odourisation checks<sup>23</sup>.

In support of the network safety, in 2019 the plan for the replacement of grey cast iron pipes with hemp- and lead-sealed joints and with mechanical joints continued; in addition to increasing safety levels, they contribute to reducing gas emissions into the atmosphere. At 31/12/2019, only 3 km of grey cast iron with hemp and lead joints are left in the city of Rome, which will be removed during 2020.

Improving performance in terms of technical and commercial quality depends on the technological component that is provided to both customers and operating personnel.

In this respect, Italgas is committed to the progressive replacement of gas meters with new generation digital equipment (smart meters) with new functionalities. This activity is carried out in compliance with the provisions issued by ARERA, which set the objectives for the commissioning of new meters differentiated by size. By the end of 2019, almost 7 million smart meters had been installed (about 80% of Italgas Reti, Toscana Energia and Medea meters). In the year 2019 alone, over 2 million were installed. The target is to complete the replacement of all active traditional meters by early 2020 (compared to the ARERA target of 85% by end 2020). The fleet of smart meters and the digitised network, with a multitude of sensors distributed, will allow us to measure and monitor gas consumption more accurately, prevent failures and dispersions and manage maintenance on a predictive basis, significantly improving service efficiency and quality: the traditional distribution network will thus acquire a new digital identity. From late 2019, following a pilot phase, the new smart meters use Narrow Band - Internet of Things (NB-IoT) transmission technology. This new technology improves communication, with greater signal penetration and reduced battery consumption.

QUALITY STANDARDS ESTABLISHED BY ARERA GRI Standard 416-1 <sup>23</sup>	2017	2018	2019
Compliance with the maximum time set for services subject to specific commercial quality standards	97.7%	97.7%	98.3%
Punctuality in appointments arranged with end customers	98.3%	99.0%	99.1%

In order to continually improve service quality indexes, Italgas launched a structured collaboration programme a couple of years ago with the world of consumer associations, based on an equal relationship of mutual benefit and trust. This programme consisted, first of all, in a Memorandum of Understanding, which, after lengthy preparatory work started in 2017, was finalised in early 2018 at the Ministry of Economic Development. It was signed by Italgas and 19 of the 20 Consumer Associations recognised by the CNCU (Italian National Council of Consumers and Users). The general objectives of the Memorandum of Understanding are ongoing improvement of the service provided by Italgas and raising awareness among consumers of the qualities of natural gas and how it is used. During the early protocol implementation period, particular importance was given to the programme for replacing traditional gas meters with smart meters, i.e. state-of-the-art meters designed for remote reading and therefore able to record usage continuously without having to access the meter. Replacement results in greater operational efficiency, with a direct impact on the consumer. It also increases the capacity to provide sales companies with reliable and timely consumption data. This makes it possible to limit and eventually eliminate incorrect billing or billing based on estimates, thereby increasing the level of customer confidence. At the same time, forms of cooperation have been developed to handle reports of poor service from consumer associations as quickly as possible

and, ultimately, to limit the number of complaints, by listening and responding to requests represented by the associations.

In accordance with the Protocol, Italgas and the associations have cooperated in specific regional campaigns, such as the conversion to methane of isolated networks that previously used LPG or unforeseen events of particular importance, to limit the potential adverse effects of them on the consumer.

In 2019, Italgas and the associations organised a joint seminar which took place at the Italgas Digital Factory in Milan, to examine together the new measures prepared by the company to improve consumer relations. These new measures involved opening a portal enabling autonomous management of reports and maintenance requests, featuring a section specifically dedicated to consumer associations. They also included restructuring the telephone call centre, now an integral part of the supervision centre for distribution networks managed by Italgas.

### Transparent dealings and collaboration with the sales companies

Consumers of natural gas can already freely choose their supplier on the free market. Also, with the end of the “protected market”, scheduled to become effective in January 2022, consumers using this service will also have to switch to the free market and choose their own supplier.

To this end, distribution companies are obliged to allow access to their networks to anyone who requests it. In particular, with Resolution No. 138/04, the Authority issued measures to promote competition in the sale of natural gas and at the same time ensure, respecting consumer rights, the correct transmission of information between distributors and sellers. For this reason, Italgas, in line with the Authority’s requirements and with its Sustainability Plan, has started a process of strengthening its relationship with sales companies through some important initiatives.

With the objective of improving dialogue between the parties and fostering increasingly constructive debate and exchange, Italgas organised a proper training and information programme dedicated entirely to the sales companies. After an initial presentation session attended in person in Milan at our Digital Factory, a series of ‘virtual’ sessions got under way in September 2019, using modern Webinar technology, in complete harmony with the Group’s digital vocation. The sessions, the first of their kind in the gas distribution sector in Italy, cover commercial and operational topics, with the aim of offering ongoing refresher training to all companies. The first two online sessions were followed by over 150 participants from more than 70 different Sales Companies, serving over 95% of re-delivery points in the Italgas portfolio.

In September 2019, Italgas organised a convention in the wonderful setting of Naples, with a view to creating a true partnership to achieve common goals centred around satisfying the end customer. It invited all sales companies to take part. This important meeting was an opportunity to explain the strategies, policies and instruments characterising relations with the sellers and to share the Italgas business development plan. It was also a chance to discuss, exchange and share suggestions on opportunities for common growth to be seized in the full spirit of the partnership.

As part of the initiatives aimed at strengthening the network of channels for dialogue with sales companies, the Group added new features to the “GasOnLine” web portal, the main channel of communication with sellers for managing service requests, exchanging information, and consulting readings (Readings Portal) and transmission bills (Billing Portal), enhancing it with advanced search tools. Since September 2019, Italgas has provided the new “Communicate with us” menu that continually updates sales companies on the initiatives dedicated to them and gives them access to guidelines relating to the main processes, so that they can operate in full autonomy, awareness and transparency.

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Italgas Reti developed the new “Sales Support” feature in 2019 for the systems for collecting reports and complaints made by stakeholders. This also comes under the new “Communicate with Us” menu on the GasOnline web portal. As such, in addition to complaints and requests from sellers regulated by Authority resolutions, Italgas is also able to digitally manage reports and requests for information arriving every day from the approximately 300 sales companies accredited to operate on the distribution networks managed by the company. Thanks to “Sales Support”, sales companies can in fact request support from Italgas with just a few clicks, thereby significantly simplifying and accelerating the formal submission process. “Sales Support” also has a section dedicated to reports, to offer information tools and tools to trace the support requests sent by each seller and their outcomes.

At the same time, the project to define and systematically and continuously measure KPIs was boosted, in order to determine areas for improvement and implement organisational and technological solutions aimed at bettering the service offered to stakeholders.

The company is also continuing its work to introduce new features to the portal to simplify, speed up and digitise the main processes characterising relations with the sales companies. For example, the upcoming features will enable sellers to apply via GasOnline for accreditation and access to the new plants of the distribution networks.

The “GaSmart” and “GaSmart Ti Premia” promotions are also another important initiative, as part of the multi-year business plan with which the Group has set itself the target of continuing to increase the number of active Re-Delivery Points. Within the scope of the same plan, Italgas also launched a series of initiatives to raise awareness of, promote and spread the benefits of using methane gas, in municipalities that have recently undergone methanisation in Campania and Calabria. The venture involved more than one hundred municipalities and various schools in the area.

### MyItalgas

The “Customer Portal” project was launched in 2019 with the creation of a channel for access to the services offered by Italgas, dedicated to end customers. The launch of the Portal, called “MyItalgas”, and of its new features began in April 2019. “MyItalgas” gives end users the chance to consult their user records (re-delivery points, meter serial number, etc.), check the progress of their readings, monitor requested services and appointments, request a quotation for the performance of construction works, change or remove the gas supply system and send requests for information or complaints.

## Collaboration with trade associations

The Group’s commitment to activities carried out with Italian and international sector associations continued in 2019.

In general, the decision to join an association is subject to an evaluation procedure examining the reasons behind the request, reported by the requesting company department, the expected objectives and the commitment required in terms of active participation in work. To avoid duplication, the evaluation, which is performed on a yearly basis, takes into account any pre-existing corporate involvement in similar associations.

In more detail, Italgas actively contributes to the work of the following major associations:

- Anigas (Italian National Association of the Gas Industry). This trade association, a member of Confindustria, represents firms operating along the entire natural gas supply chain, with the

exception of transportation and storage, with a particular focus on the following sectors: distribution, sale of natural gas on the end market and wholesale market, trading and methane for motor vehicle use. Amongst other things, the association aims to support the role of natural gas and LNG as an energy source with lower environmental impact compared to other fossil sources, particularly as a fuel for mobility, as well as the gradual development of renewable gas;

- Assonime. This is an association of Italian joint stock companies, particularly those listed on the stock exchange. It studies and handles problems that directly or indirectly concern the interests and development of the Italian economy, focussing specifically on themes of corporate governance, corporate finance and legal tax matters;
- Gd4S, a non-profit association under Belgian law that unites six of the major operators in the natural gas distribution sector in Europe, in France, Ireland, Italy, Portugal, Romania and Spain. The association's mission is to represent the views of the gas distribution sector at European institutions, specifically concerning the role that such infrastructures can play in the energy transition process towards a low carbon economy. In particular, the association supports gas and LNG as fuel for the transport sector, biomethane development, the study and implementation of P2G technologies for the production of "green" hydrogen, thereby transforming excess electricity into an energy carrier able to transfer renewable energy in time and space, taking advantage of the existing infrastructure now dedicated and used for natural gas.

In January 2020, the GD4S Annual General Assembly nominated Mr Paolo Gallo (CEO of Italgas) as President of the Association for 2020.

Italgas contributes to the work of the various associations through the monitoring of the associative bodies responsible for analysing and handling topics of interest to it. It also attends institutional meetings at national and European level, representing the association.

The main topics covered in 2019 in the working groups of the Associations indicated above concerned:

- Energy transition and the role of the infrastructures in the decarbonisation process;
- Regulatory aspects relating to energy transition, including through participation in formal consultations by supranational bodies;
- Potential rise in the use of natural gas and LNG in transport;
- Development of biomethane production plant interconnections and matters relating to the quality of biomethane to be released into the network.

Another key topic, covered mainly on a national level, was the support for the execution of "gas tenders" for the awarding of natural gas distribution concessions. Significant benefits are expected from this in terms of the efficiency and quality of the service for end customers.

The following collaborations were also finalised during 2019:

- **Signing of the MoU (memorandum of understanding) with GRDF**, a leading distributor in France, to improve collaboration in the development and exchange of know-how, in particular regarding digitisation, safety, research and innovation, biomethane and sustainable mobility;
- **Signing of the memorandum of understanding with State Grid Corporation of China (SGCC)**, with the intention of developing initiatives for cooperation and the in-depth examination of best practices, including with regard to sustainable development, social responsibility, environmental protection, energy efficiency and welfare.

## Italgas and responsible supply chain management

The Italgas Group firmly believes that the economic and social development of the entire country is created through a **responsible business management** model and pursued in full respect for the law and equality, through constant, shared and proactive commitment.

The Italgas network has widespread coverage, enabling close contact with local communities, therefore carrying with it the **responsibility of acting sustainably**.

In line with this vision, the Italgas Group aims to establish **fair and transparent relations** with its supply chain, strengthening them over time. To that end, Italgas has adopted a specific system for verifying the suitability of companies, to promote and encourage the creation of **shared value**, but also, at the same time, for monitoring purposes, as provided for by the law, the Group's Code of Ethics and the Ethics and Integrity Agreement, in compliance with the organisational model pursuant to Italian Legislative Decree no. 231/2001.

**Supply Chain sustainability** is monitored from the very first stages thanks to the *Vendor Management* system (supplier qualification management system) that enables accurate selection of companies wishing to participate in the procurement procedures, by assessing aspects relating to health and safety, the environment, human rights, as well as technical, financial/economic and legal aspects.

For Italgas, **responsible supply chain management** is of strategic importance to ensure that its services are of high quality and helps protect and increase its reputation. In 2019, the Group collaborated with 1,369 qualified suppliers (each supplier can be qualified for different product types). Of these, an important role was played by small and medium-sized companies (around 70%).

In terms of economic value, Italgas commissioned purchases in 2019 to the value of 1,070 million euros, up 27% since 2018, in line with the investment projects and new acquisitions.

The suppliers of Works (network creation and maintenance) represent 61% of purchases and are located throughout Italy, mostly in areas in the centre and north. Suppliers of Goods and Services (meters of various calibres and services of different kinds), on the other hand, account for 39% of purchases and are of Italian and international origin.

Procurements by product type <sup>25</sup>	U of M	2017	2018	2019
Goods	%	12	16	23
Works		43	48	61
Services		45	36	16

Depending on their financial relevance and technological complexity, the products and services purchased are divided up into product categories, on a criticality scale ranging from a minimum level "D" to a maximum level "A". Suppliers belonging to the most critical product categories are strategic suppliers for the Group's core business. The minimum requirements of quality, the environment, health and safety must be met for each level of criticality, in addition to technical, economic and financial requirements.<sup>26</sup>

All Italgas suppliers must accept and support the principles of the Code of Ethics and of the Ethics and Integrity Agreement, starting with respect for and protection of human rights, occupational health and safety, the environment and sustainability, as well as compliance with the law.

### Supplier qualification, verification of requirements and performance monitoring

To make sure the procurement chain is steady and efficient, Italgas has a Supply Chain qualification and monitoring system based on verifying the operational assessment of performance and assessing the

<sup>25</sup> The figure for the Procurements and Contracts of 2018 refers to the companies in the SAP system. The 2019 data do not include Medea (Fontenergia 7 and Fontenergia 9), Seaside or Italgas Acqua.

<sup>26</sup> All suppliers with criticality A, those of "Goods" with criticality B and C and "Works" with criticality B are ISO 9001 certified. Moreover, all suppliers of "Works" with criticality A and B are certified according to ISO 14001 and OHSAS 18001.

reputation of the supplier profile, through due diligence work to check whether, over time, suppliers have actually met and maintained the requirements.

To ensure the sound sustainability of the Supply Chain and maintain the expected standards of quality and efficiency, Italgas uses a series of instruments, such as: supplier qualification and appraisal processes, inspections and audits and performance monitoring during the execution of contracts.

### Supplier Qualification

To be entered on the Vendor List<sup>27</sup>, suppliers must provide information about their organisation, including various ESG aspects, by filling in a structured questionnaire, depending on the product groups they wish to be qualified for.

The most important activities that are considered as being above threshold pursuant to Italian Legislative Decree 50/2016 (Contracts Code) are managed through the publication of “Qualification Systems” by the European Community, stating the minimum HSEQ requirements, the technical and organisational nature and financial soundness needed by suppliers in order to be entered on the Italgas Vendor List.

For other activities considered important in terms of turnover and technological complexity, Italgas publishes the “Italgas Qualification Systems” on its portal, stating the minimum qualification criteria required for entry on the vendor list.

The vendor list is updated continually. Throughout the entire Qualification period (36 months), suppliers must prove that they meet and continue to meet the qualification requirements.

The main certifications required from suppliers are: ISO 9001 on quality management systems, ISO 14001 or EMAS on environmental management systems, OHSAS 18001/ISO 45001 on health and safety management systems. Recently, Italgas obtained ISO 37001 on anti-bribery management systems and ISO 50001 on energy management systems. In the spirit of continuous improvement, Italgas intends to gradually involve suppliers in the achievement of the new certifications and to extend the requirement to all sectors related to contract work by 2020.

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<sup>27</sup> The vendor lists acquired for the companies that joined the Group in 2019 were verified using the same criteria as for Italgas.

SELECTION AND QUALIFICATION OF SUPPLIERS - 2018 GRI Standard 308-1; 414-1	U of M	TOTAL	of which on health and safety requirements*	of which on environmental requirements*	of which on labour protection requirements*
<b>Product Group: Goods</b>					
<b>Total qualified suppliers</b>	<b>No.</b>	<b>445</b>	<b>445</b>	<b>148</b>	<b>445</b>
<i>of which belong to class A and B</i>	No.	78	78	78	78
Total qualified suppliers in 2018	No.	106	106	21	106
	%	100%	100%	22%	100%
<i>of which belong to class A and B</i>	No.	8	8	8	8
<b>Product Group: Works</b>					
<b>Total qualified suppliers</b>	<b>No.</b>	<b>224</b>	<b>224</b>	<b>114</b>	<b>224</b>
<i>of which belong to class A and B</i>	No.	86	86	86	86
Total qualified suppliers in 2018	No.	47	47	18	47
	%	100%	100%	100%	100%
<i>of which belong to class A and B</i>	No.	11	11	11	11
<b>Product Group: Services</b>					
<b>Total qualified suppliers</b>	<b>No.</b>	<b>1,029</b>	<b>1,029</b>	<b>422</b>	<b>1,029</b>
<i>of which belong to class A and B</i>	No.	212	212	212	212
Total qualified suppliers in 2018	No.	261	261	85	261
	%	100%	100%	33%	100%
<i>of which belong to class A and B</i>	No.	45	45	45	45

SELECTION AND QUALIFICATION OF SUPPLIERS - 2019 GRI Standard 308-1; 414-1	U of M	TOTAL	of which on health and safety requirements*	of which on environmental requirements*	of which on labour protection requirements*
<b>Product Group: Goods</b>					
<b>Total qualified suppliers</b>	<b>No.</b>	<b>389</b>	<b>389</b>	<b>122</b>	<b>389</b>
<i>of which belong to class A and B</i>	No.	66	66	66	66
Total qualified suppliers in 2019	No.	117	117	28	117
	%	100	100	24	100
<i>of which belong to class A and B</i>	No.	14	14	14	14
<b>Product Group: Works</b>					
<b>Total qualified suppliers</b>	<b>No.</b>	<b>257</b>	<b>257</b>	<b>141</b>	<b>257</b>
<i>of which belong to class A and B</i>	No.	104	104	104	104
Total qualified suppliers in 2019	No.	73	73	36	73
	%	100	100	49	100
<i>of which belong to class A and B</i>	No.	24	24	24	24
<b>Product Group: Services</b>					
<b>Total qualified suppliers</b>	<b>No.</b>	<b>1,053</b>	<b>1,053</b>	<b>433</b>	<b>1,053</b>
<i>of which belong to class A and B</i>	No.	242	242	242	242
Total qualified suppliers in 2019	No.	312	312	117	312
	%	100	100	38	100
<i>of which belong to class A and B</i>	No.	61	61	61	61

\* The social criteria considered are those of Sustainability reported in the ITG Code of Ethics, while the environmental criteria refer to the ISO 14001 standards



Italgas has an operational Vendor Rating (IR) tool to monitor the quality of activities assigned to suppliers. The system assesses suppliers based on a standard questionnaire that reflects the ways the supplier works, focussing on aspects of quality (compliance with technical requirements), conduct (relationship with the contracting authority for the entire contract period) and punctuality (observing arranged delivery times), and consequently assigns an overall score to each supplier.

The score, on a scale of 0 to 100, specifies five assessment parameters (0-49: poor; 50-59: inadequate; 60-69: adequate; 70-79: good; 80-100: excellent). The Vendor Rating is established following the issuance of a minimum of three pieces of feedback. A Vendor Rating of less than 60 results in measures taken towards the supplier, which, depending on severity, may be:

- Warning (accurate supplier monitoring);
- Temporary suspension of qualification (banned from taking part in tenders for the entire suspension period);
- Cancellation of qualification (deleted from the vendor list).

The assessment outcomes and the measures and actions taken towards suppliers are formalised and shared quarterly with the corporate departments involved.

During the year, 924 items of feedback were collected about the performance of 124 suppliers, 2 of which had a score of less than 49 and were therefore suspended.

Moreover, Italgas continually monitors activities on site, through **Audits at the sites** where the contractors are operating. The Audits contribute towards the accurate evaluation of the supply chain. In 2019, 36 Audits were performed, coordinated by the Internal Audit department and carried out by external certification bodies.

In addition to these, the HSEQ Technical Audit facility continually conducts audits on aspects of quality, safety, the environment and energy, as well as on the proper performance of works. The following were conducted in 2019: 237 audits on suppliers, 205 of which regarding areas of safety on the sites.

The company evaluation standard breaks down the critical issues detected during the verification phase into three levels: Minor, Serious and Critical. When a critical issue is detected, the supplier will always be required to submit a corrective action plan. The "Minor" criticality level envisages a warning lasting up to three months. The "Serious" criticality level envisages the suspension of the qualification for up to three months. The "Critical" level ranges from suspension of the qualification for up to three months to cancellation of the qualification. In 2019, 6 warning orders and 6 temporary suspensions of qualification were issued.

It is in the interest of the Group to promote new sustainable development activities along the entire supply chain.

In this regard, in 2019, the Purchasing department, in collaboration with the companies of the Seaside Group, launched a Pilot project involving 120 suppliers, with the aim of analysing their positioning in the following dimensions: Energy, the Environment and Social. A "Sustainability Questionnaire" was administered to suppliers selected by product type (accounting for 32% of the vendor list but corresponding to 83% of the earned value, due to their highly complex products and service, the riskiness of the supply and the high impact on the Group's profitability).

The aim of the questionnaire was to analyse, for each supplier, aspects such as: Strategy and Values; Stakeholder Management; Environmental Impact, Sustainable Purchases; Actions relating to Sustainability and Energy efficiency. Each of the six sections was given a different weighting for the calculation of the final positioning and the scores reported were identified with reference to best practices in the field of sustainability.

The questionnaire highlighted the area relating to the possession of the ISO 50001 as an area for improvement. Currently, only 4% of suppliers taking part in the pilot project have this certification, while 3% have initiated the acquisition process. The theme relating to Health, Safety and Environmental training at supplier sites also warrants in-depth analysis.

Following the analysis, the results were presented during a Convention for suppliers, and each of them was sent and shared the summary sheet with the final score, based on the positioning indexes in the six sections set out above, response times and certifications held.

In 2020, Italgas aims to extend the analysis to all the Group's suppliers, by adding the questionnaire to the qualification requirements. It also intends to launch a training process on specific topics where deficiencies have emerged and to start a monitoring process, including during tender management, by establishing scoring models with minimum sustainability requirements.

### Reputational checks

Italgas has a Vendor List of qualified suppliers operating for the Italgas Group. Aspects relating to the reputation of these suppliers are verified in this list.

This verification is performed after the qualification process and, specifically, before finalisation of the purchasing process. It involves analysis of the reputation by a multifunctional Assessment Team. The Assessment Team meets periodically and is made up of heads of the company departments. With their expertise and access to information, they are able to provide the in-depth analyses needed in order to verify any unlawful conduct, i.e. conduct that is no longer in line with the requested requirements, engaged in by Suppliers and Subcontracting Companies of the Italgas Group.

On completion of the investigation, the Assessment Team can take various measures: approval, alert and rejection.

The Assessment Team examined 1001 cases in 2019, of which:

- 658 for the purposes of the purchasing process (18 alerts, 2 rejections);
- 343 for the purposes of the subcontracting authorisation process (9 alerts, 11 rejections).

### Purchasing portals

Italgas offers its suppliers (qualified and not qualified) a web platform that it uses to manage its procurement policy. The information made available is fully transparent, traceable and complete.

To safeguard these principles, registered suppliers can find out about tender notices on the portal, take part in tenders online and complete the qualification process for entry on the vendor list.

Both public tenders and invitation-only tenders are managed through the portal.

The supplier portal is an evolving instrument that never stops growing. Its aim is to increasingly become a meeting point between Italgas and suppliers to disseminate and spread the Group's fundamental principles to all individuals coming into contact with it.

### Equal opportunities and access to tenders

The Group adopts a structured procurement process in line with the principles of free competition, equal treatment and transparency, based on traceable information.

In 2019, Italgas updated and consolidated its procedure for issuing purchase orders, setting out the procurement activities for all Companies in the Group, based on the Contracts Code for contracts of a public nature and on the Italian Civil Code for contracts of a private nature.

All suitable companies are guaranteed access to the tender procedures in accordance with the principle of equal opportunities. Access is regulated by the Contracts Code, Italian Legislative Decree no. 50/2016 for so-called above-threshold tenders and by the "Below-threshold Regulation" published on the Supplier Portal.

To ensure transparency and access for all, Italgas prefers to manage procurement activities electronically using the Purchasing Portal. In 2019, the purchasing department conducted 85% of tenders online (out of 91% of total tenders), for both public and invitation-only procedures.

As part of the tender procedures, in addition to applying the requirements imposed by the Contracts Code (Italian Legislative Decree 50/2016), Italgas has started analysing minimum sustainability requirements and adding them to the evaluation of bids ("K sustainability" indicators) for a certain number of product groups. These requirements concern environmental and circular economy aspects and reflect the Italgas philosophy of considering its supply chain as an integral part of the sustainability process.

For example, with regard to tenders for network construction and maintenance, more points were assigned to bids that envisage the use of means of transport fuelled by gas or electricity, or at least of Euro 5 vehicles (for works vehicles), in order to promote environmental sustainability and cut CO2 emissions.

In 2020, Italgas has added a score to tenders requiring the use of company fleets (e.g. odorant distribution service tender), rewarding any suppliers that prove they replace their vehicle fleet in a sustainable manner. It also aims to extend a scoring model that takes minimum sustainability requirements into account to other product categories during the evaluation of bids.

#### Subcontracts and sites under contract

Tier II suppliers are an integral part of the Italgas Group's process. For this reason, in addition to verification of the reputational requirements, these suppliers will be included on the Italgas Group Vendor List from 2020. Attention to workplace safety, not only in its own activities but also along the entire supply chain, is increasingly a topic of fundamental importance for the Group.

Considering the significant use of external labour by the Italgas Group (specifically Italgas Reti and Medea), works contracts are subject to stricter rules, not only in terms of qualification, but also of management, with specific reference to occupational safety, the requirements for which are excluded from economic competition for lower prices for the awarding of tenders.

Italgas has started conducting strict site management checks for work entrusted to external companies, with a view to making contractors aware of their responsibilities and raising their awareness in general.

The checks involve, in particular:

- Compliance with the provisions of the tender specifications, in terms of performing commissioned work within the time frames, with the planned materials and with performance of the required tests;
- Compliance with the provisions relating to occupational health and safety (Italian Legislative Decree 81/08) and the environment (Legislative Decree 152/06).

The chapter "Accident prevention" sets out the main indicators relating to contractor health and safety.

## Presence in the local area

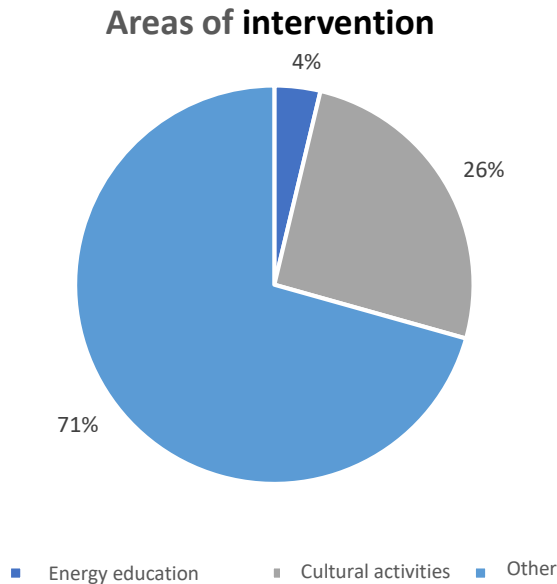
In line with the sustainable development model and its strategic growth plans, Italgas invests in the areas in which it operates, promoting social, cultural and environmental initiatives. In carrying out these actions, Italgas interfaces with its stakeholders using criteria of transparency, fairness and impartiality, confirming its commitment to the values of dialogue, cooperation and concern for the environment.

Italgas aims to become a company that promotes an ever-closer connection between networks, local environment and the community. An ecosystem, in which the Company recognises the centrality of stakeholders and their needs to create social as well as economic value.

This is why, in line with its role as gas distribution service dealer, and in keeping with the principles of sustainable development and its own growth plans, Italgas engages in direct and continual dialogue with the communities in which it operates. To this end, the company has long had a specifically dedicated unit that ensures due attention to and transparency in the information flow.

To strengthen its corporate citizenship in the communities and regions in which it operates Italgas cooperates with bodies, associations and foundations, non-profit organisations and other parties in projects and initiatives in specific areas. This commitment is reflected in initiatives mainly related to the protection of the environment, promotion of culture, social development and the protection of the local area with organisations active in Italy and abroad.

In 2019, donations to the value of 26,000 euros were made, as well as sponsorships for 671,000 euros.



The contributions were mainly in the artistic and cultural field, sport, education and awareness initiatives on issues of the energy sector and responsible use of resources.

In particular, the Company is a founding member of the Teatro Regio theatre in Turin, a member of the Consulta Torino association for the promotion of artistic and cultural heritage and a supporter of the Cini

Foundation in Venice. In the sports world, Italgas is sponsoring the Italian National Men's and Women's Tennis Championships teams in the Davis Cup and Fed Cup competitions for 2018 and 2019.

To further strengthen its close rapport with the local area and its activities of discussing with and listening to stakeholders, the Group has decided to adopt a specific **“Corporate Citizenship Policy”**. The aim of the Policy is to define, more clearly and in a more structured way, the field and type of initiatives aimed at meeting the needs of the community that the Group aims to support. As part of the framework defined by the general principles set out in the Group’s Code of Ethics, of transparency, honesty, fairness and good faith, the Policy will assign clear responsibilities for managing donations, sponsorships and local projects in partnership with bodies, associations and foundations, non-profit organisations and other entities in the territory set up to support the local communities (“Corporate Citizenship” activities).

With this Policy, the Group is formalising its already existing commitment in the following areas of activity:

- **Raising awareness on energy sector issues and the responsible use of resources:** efficient and responsible use of energy resources is essential for sustainable development. As a player in the sector, Italgas must have an active role in improving energy efficiency and promoting responsible behaviour along the entire value chain and by the end customers;
- **Training and education initiatives:** it is important to have people to rely on who have the expertise required to provide a high-quality service. Therefore, Italgas must endeavour to improve the education and training system, in order to ensure access to universal training of a high standard, with particular reference to digital skills;
- **Artistic and cultural area:** through its commitment to preserving and promoting artistic and cultural heritage, Italgas aims to establish a connection with the territory and to disseminate artistic culture, developing the potential of Italian cultural heritage;
- **Inclusion and healthy lifestyles through sport:** the promotion of positive values relating to sport and the spread of healthy lifestyles goes hand in hand with the increasing emphasis placed by Italgas on health and safety and celebrating differences.

With the launch of Corporate Citizenship initiatives in these areas, Italgas aims to strengthen its contribution towards meeting specific Sustainable Development Goals (SDGs), constituting the 2030 Agenda of the United Nations.

Italgas will continue its efforts to report on and monitor the objectives, targets and performance of Corporate Citizenship activities, and to evaluate, each year, whether it needs to update its strategy as a result of significant changes in the Group, in the needs of the community, in the main considerations emerging from discussions with its stakeholders and in the results of Corporate Citizenship activities.

The Policy will be formally approved and published within the first half of 2020.

### Italgas and its commitment to the historical archive and the museum

For decades, Italgas has worked to preserve its historical documentation and that of the various subsidiaries and associates that it has had over time since first opening its doors. The historical archive is declared as being of considerable historical interest. Although it is currently being reordered and supplemented, researchers are still able to use its documents. Italgas is also procuring new software and technologies with the aim of launching, as soon as possible, an accessible portal so that people can browse the archive, library, newspaper library and museum.



With over 1,000 linear metres of documents, 6,000 volumes, brochures and magazines, 35,000 prints, photographs and posters and 350 pieces of period equipment and instruments, the Italgas Historical Archive and Museum is the repository of almost two centuries of industrial history.

A heritage that Italgas preserves and enhances, making it known and accessible to an ever-wider public.

Italgas is a member of Museimpresa, the Italian association of company museums and archives, which promotes the preservation and enhancement of archival heritage, of images, machinery and objects, which a company can use to go back over and recount its history.

2019 was an important year for the launch of the project that in 2020 will lead to the creation of a large laboratory digitising the cultural heritage of Italgas, built into a new museum exhibition where the company's collections and history will be preserved and used in a better way to offer new educational, multimedia, interactive and laboratory programmes. This is an important example of the digitisation of a company's archive, in order to return a common asset to the community, a heritage that recounts the economic, social and cultural evolution of Italy. In this way, Italgas continues to be a point of reference,



not only for the local area, but for all projects enhancing the value of book and document collections, carried out using more or less complex processes, thereby promoting a culture of sharing to serve the community.

### Continuing aid for reconstruction: donation of PCs to schools affected by the 2016 earthquake

The close rapport with the local area continues to be a pillar on which the company bases its work. Between 2018 and 2019, with the signing of an agreement with the Special Commissioner of the government for the earthquake in Central Italy, Italgas donated 1,500 computers to the schools in this area hit by the earthquake.

4 regions were involved in total and more than 110 schools across 70 municipalities benefited. Each donation was attended not only by Italgas, but by the heads of the regional school offices, the Special Commissioner for reconstruction after the 2016 earthquake, or their representative, mayors and local councillors, head teachers and teachers and certain student delegations of the institutes involved.



### Energy culture: meetings with young people to train informed consumers

In partnership with Confindustria, already in 2018, Italgas launched the touring project, “Energia mi piace” [“I like Energy”], to reveal to young people, in particular secondary school pupils, what hides behind simple actions such as pressing a switch or lighting the hob at home, and to raise their awareness about using resources mindfully. Through sessions held across the area, the young people are interactively engaged and able to discover just how complex and articulate the natural gas energy supply system is, how many companies and people work there every day and how vast and intricate the infrastructure network is. The training activity also gives them information to help them understand what we can expect in terms of the future of energy and what role gas infrastructures can play in energy decarbonisation, in order to make the young generations more aware of the strategic options available to Italy in terms of energy supply. In this way, pupils are introduced to discussions that are otherwise restricted to technicians and specialists in the sector.

Launched for the first time in Turin, the programme continued during the 2018-19 academic year in Sardinia, where 4 sessions were carried out. It is continuing into the 2019-20 academic year in Southern Italy, where 3 sessions have already been held with middle school children, in December 2019.

Lastly, confirming Italgas’ commitment towards populations affected by the 2016 earthquake in central Italy, the “Energia Mi Piace” [“I like Energy”] project was also extended to certain municipalities in the so-called “seismic crater”: the first session took place in 2019 and the project will continue throughout 2020 in other municipalities in the crater, covering topics relating to safety in the event of an earthquake, amongst other things.

**Russoli Park: returning a clean green space to the city**

In September 2019, the new Russoli Park was inaugurated during the opening of the second edition of Milano Green Week. The park is a green area of around 10,000 m<sup>2</sup> that Italgas has returned to the city, but above all to the neighbourhood that is home to its offices. The redevelopment work in the area involved planting around 3,100 shrubs and herbaceous species and 25 trees, improving the urban landscape and the quality of residential areas. At the same time, a 5-a-side football pitch, a fitness area and a new children’s play area (with playground equipment for disabled children) were also built, as well as a relaxation area and a dedicated, enclosed area for dogs. The street furniture, paving and pathways were also given a complete revamp. The new areas of the park were inaugurated with a first symbolic match of five-a-side under the watchful eye of Carolina Morace, former manager of the Italian national women’s football team, now a respected TV commentator, ambassador of the event and the outstanding coach of the two mixed teams competing against each other for the occasion.



**#Italgas4sustainability: doing your bit to make a difference**

Italgas has set itself the goal of cutting down on plastic use in its offices. In 2019, with the distribution of eco-friendly bottles - made of metal and other recycled materials - to more than 4,000 employees, Italgas launched its project to reduce plastic and further raise awareness of environmental and social issues among its people. By purchasing the bottles, the company also helped the WATER WILL SAVE WATER project, making it possible to clear more than 4,000 kilograms of waste from the Mediterranean Sea and Italian coasts. The initiative is part of the wider sustainability programme that Italgas is carrying out, including with the help of all its employees, involving removing the plastic water containers and installing still and sparkling spring water dispensers in all offices, replacing traditional coffee pods with compostable ones and replacing plastic cups and stirrers with recyclable paper cups and wooden stirrers.

**Il tuo contributo fa la differenza.**  
**Da oggi riempi sempre la tua bottiglia**

**QUI**

**Lo sapevi che...?**

- 400** litri di bottiglie di plastica di solo acqua vengono eliminati ogni anno.
- 10** litri di acqua sono necessari per produrre una bottiglia di plastica.
- 35** litri di acqua sono necessari per produrre una bottiglia di plastica.

Il nostro impegno è rivolto alle grandi sfide ma anche alle piccole azioni di ogni giorno. Ridurre al minimo l'utilizzo della plastica in tutte le sedi è uno dei nostri obiettivi.

Siamo tutti coinvolti nel contribuire a rendere le nostre abitudini quotidiane e la nostra vita in azienda sempre più sostenibili.

**#italgas4sustainability**

Segui gli aggiornamenti su **Italgas**  
 Segui su **Italgas**  
 Scopri di più su [italgas.it/it/it-estero/engagement/](https://www.italgas.it/it/it-estero/engagement/)



### More efficient printers and secure printing

Italgas has always taken care to protect the environment and works in a responsible manner, deploying activities that contribute effectively and tangibly to sustainable action. In 2019, as part of the [#Italgas4sustainability](#) initiatives, the company implemented the printer fleet streamlining project, with the aim of making the service more environmentally friendly, reducing paper wastage, electricity usage and pollutant emissions as well as the excessive use of toners.

With the “printers project”, the small office printers were removed to make way for more efficient multifunctional printers, located in dedicated areas to reduce consumption, maintenance operations and toner disposal management. With the default black/white and duplex settings and enabling of secure printing, documents are printed in greater security, which also helps cut down significantly on the number of printed copies left behind by accident.

The project aims to cut at least 20% of the approximately 13 million pages printed each year.

### White energy week

In March 2019, in partnership with ENEA, ESCo Seaside launched the "White Energy Week" a School-Work Alternance programme for students at secondary schools in Emilia-Romagna, Sardinia and Molise. It aims to disseminate the culture of energy efficiency and environmental sustainability among the very young, raising their awareness of issues relating to respect for and protection of the environment. The training programme, which lasts 40 hours, aims to facilitate the development of cross-cutting skills, building on the knowledge acquired at school, by providing basic concepts on the use of instruments and methods actually employed to analyse energy efficiency. It also aims to introduce young people to the innovative professions, the so-called "White/Green Jobs", as Energy Managers and Energy Management Experts (EME). SEASIDE, ENEA and physics and science teachers led the training phase for the young people, using spaces made available by the Institutes. The young people collected useful data for drafting Energy Audits of their homes (in groups of 4-5 students). During this phase, the students learned to recognise and describe any wastage of energy and to propose solutions by drawing up a real Energy Audit report.

## GRI content index and other indicators

GRI CONTENT INDEX				
GRI ID	Description of the indicator	Page or disclosure number	Omissions	Global Compact
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>ORGANISATIONAL PROFILE</b>				
102-1	Name of the organisation	p. 9		
102-2	Activities, brands, products and services	pp. 9-11; 71-72		
102-3	Location of headquarters	Milan, via Carlo Bo 11.		
102-4	Location of operations	p. 9		
102-5	Ownership and legal form	P.27; Corporate governance and ownership structure report		
102-6	Markets served	pp. 9; 11; 71; 75-76		
102-7	Scale of the organisation	p. 9; 45; Annual financial report		
102-8	Information on employees and other workers	pp. 44-45		Principle 6
102-9	Supply chain	p. 79		
102-10	Significant changes to the organisation and its supply chain	pp. 12-14		
102-11	Precautionary principle	pp. 34-35; 58-60		
102-12	External initiatives	pp. 22; 31		
102-13	Membership of associations	pp. 10; 73-74; 76-78		
<b>STRATEGY</b>				
102-14	Statement from senior decision-maker	pp. 4-6		
<b>ETHICS AND INTEGRITY</b>				
102-16	Values, principles, standards and norms of behaviour	pp. 20-21; 31; 40		Principle 10
102-17	Mechanisms for advice and concerns about ethics	pp. 31-33; 38		Principle 10
<b>GOVERNANCE</b>				
102-18	Governance structure	pp. 27-29		Principle 10
102-22	Composition of the highest governance body and its committees	pp. 27-29; Corporate governance and ownership structure report		
102-24	Nominating and selecting the highest governance body	pp. 27-29; Corporate governance and ownership structure report		
<b>STAKEHOLDER ENGAGEMENT</b>				
102-40	List of stakeholder groups	pp. 25-26		
102-41	Collective Bargaining Agreements	pp. 56-57		Principle 3
102-42	Identifying and selecting stakeholders	pp. 20; 25-26		
102-43	Approach to stakeholder engagement	pp. 24-26; 56; 74-75; 82		

102-44 Key topics and concerns raised pp. 24-26; 56; 74-75; 82

**REPORTING PRACTICES**

102-45	Entities included in the consolidated financial statements	p. 7; 12; Annual financial report
102-46	Defining report content and topic Boundaries	pp. 24-25
102-47	List of material topics	pp. 24-25
102-48	Restatements of information	p. 7
102-49	Changes in reporting	pp. 24-25
102-50	Reporting period	p. 7
102-51	Date of most recent report	p. 7; The Consolidated Non-Financial Statement was published in March 2019
102-52	Reporting Cycle	p. 7
102-53	Contact points for questions regarding the report	sustainability@italgas.it
102-54	Claims of reporting in accordance with the GRI Standards	p. 7
102-55	GRI content index	pp. 91-95
102-56	External assurance	pp. 8; 96

**CLASS: ECONOMIC PERFORMANCE**

**ASPECT: ECONOMIC PERFORMANCE**

103-1	Explanation of the material topic and its boundary	pp. 12-14; 24-25	
103-2	The management approach and its components	p. 12-14; Annual financial report	
103-3	Evaluation of the management approach	p. 12-14; Annual financial report	
201-1	Direct economic value generated and distributed	p. 15	Principle 7

**ASPECT: INDIRECT ECONOMIC IMPACTS**

103-1	Explanation of the material topic and its boundary	pp. 24-25; 85-90
103-2	The management approach and its components	pp. 85-90
103-3	Evaluation of the management approach	pp. 85-90
203-1	Infrastructure investments and services supported	p. 85

**ASPECT: ANTI-CORRUPTION**

103-1	Explanation of the material topic and its boundary	pp. 24-25; 31-33; 40-41	
103-2	The management approach and its components	pp. 31-33; 40-41	
103-3	Evaluation of the management approach	pp. 31-33; 40-41	
205-3	Confirmed incidents of corruption and actions taken	p. 41	Principle 10

**CLASS: ENVIRONMENTAL PERFORMANCE**

**ASPECT: ENERGY**

103-1	Explanation of the material topic and its boundary	pp. 24-25; 58-59; 62; 64
103-2	The management approach and its components	pp. 58-60; 62; 64

## Italgas

103-3	Evaluation of the management approach	pp. 58-60; 62; 64	
		p. 63	
302-1	Energy consumed within the organization	The LHV of the fuels obtained from the table of national standard parameters published on the Ministry of the Environment's website (most recent year available: 2019) were used to calculate energy consumption in TJ.	Principle 7, 8, 9
302-3	Energy intensity	p.63	Principle 8, 9
<b>ASPECT: EMISSIONS</b>			
103-1	Explanation of the material topic and its boundary	pp. 24-25; 58-59; 63-65	
103-2	The management approach and its components	pp. 58-59; 63-65	
103-3	Evaluation of the management approach	pp. 58-59; 63-65	
		p. 64	
305-1	Direct (Scope 1) GHG emissions	The CO <sub>2</sub> eq emissions were consolidated using the operational control approach. The GHG gases included in the calculation are CO <sub>2</sub> and CH <sub>4</sub> and emissions were calculated with a methane GWP of 28, as suggested in the scientific study of the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC"	Principle 7, 8, 9
		p. 64	
305-2	Energy indirect (Scope 2) GHG emissions	Emission factors for the generation and consumption of electricity in Italy" available on ISPRA's SINAnet website at the following link <a href="http://www.sinanet.isprambiente.it/it/sia-ispra/serie-storiche-emissioni/fattori-di-emissione-per-la-produzione-ed-il-consumo-di-energia-elettrica-in-italia/view">http://www.sinanet.isprambiente.it/it/sia-ispra/serie-storiche-emissioni/fattori-di-emissione-per-la-produzione-ed-il-consumo-di-energia-elettrica-in-italia/view</a>	Principle 7, 8, 9
		p. 64	
305-3	Other indirect (Scope 3) GHG emissions	As regards the calculation of scope 3 emissions related to supplied gas, Italgas employed an internal methodology that uses a factor to convert the value of the procurements into CO <sub>2</sub> emissions for each product category.	The data do not include the companies Italgas Acqua, Toscana Energia, Toscana Energia Green or Gaxa
		p. 64	Principle 7, 8
305-4	GHG emissions intensity	p. 64	Principle 8, 9
		p. 64	
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	SO <sub>x</sub> emissions are not considered significant The sources used to calculate NO <sub>x</sub> emissions are: EMEP/EEA emission inventory guidebook 2009 to calculate NO <sub>x</sub> emissions from the consumption of natural gas for civil and industrial use; emission limits drawn from the EU Directives, depending on the Euro categories, for vehicle emissions	Principle 7, 8

<b>ASPECT: WATER DISCHARGES AND WASTE</b>				
103-1	Explanation of the material topic and its boundary	pp. 24-25; 66-67		
103-2	The management approach and its components	pp. 66-67		
103-3	Evaluation of the management approach	pp. 66-67		
306-2	Waste by type and disposal method	p. 66		Principle 8
<b>ASPECT: ENVIRONMENTAL COMPLIANCE</b>				
103-1	Explanation of the material topic and its boundary	pp. 24-25; 59-61		
103-2	The management approach and its components	pp. 59-61		
103-3	Evaluation of the management approach	pp. 59-61		
307-1	Non-compliance with environmental laws and regulations	p. 60		Principle 8
<b>ASPECT: ENVIRONMENTAL ASSESSMENT OF SUPPLIERS</b>				
103-1	Explanation of the material topic and its boundary	pp. 24-25; 79-84		
103-2	The management approach and its components	pp. 79-84		
103-3	Evaluation of the management approach	pp. 79-84		
308-1	New suppliers that were screened using environmental criteria	p. 81		Principle 8
<b>CLASS: SOCIAL PERFORMANCE</b>				
<b>ASPECT: EMPLOYMENT</b>				
103-1	Explanation of the material topic and its boundary	pp. 24-25; 42-44; 53-56		
103-2	The management approach and its components	pp. 42-44; 53-56		Principle 2
103-3	Evaluation of the management approach	pp. 42-44; 53-56		
401-1	New employee hires and employee turnover	pp. 47-48		Principle 6
401-3	Parental leave	p. 56	The data do not include Toscana Energia or Toscana Energia Green	Principle 6
<b>ASPECT: OCCUPATIONAL HEALTH AND SAFETY</b>				
103-1	Explanation of the material topic and its boundary	pp. 24-25; 67-68		
103-2	The management approach and its components	pp. 67-68		
103-3	Evaluation of the management approach	pp. 67-68		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	pp. 69-70	The absenteeism rate does not include data from Toscana Energia or Toscana Energia Green	Principle 2
<b>ASPECT: TRAINING AND EDUCATION</b>				
103-1	Explanation of the material topic and its boundary	pp. 24-25; 42-44; 49-53		
103-2	The management approach and its components	pp. 42; 49-53		
103-3	Evaluation of the management approach	pp. 42; 49-53		

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404-1	Average hours of training per year per employee	p. 52	The data do not include Toscana Energia or Toscana Energia Green	Principle 6
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### ASPECT: DIVERSITY AND EQUAL OPPORTUNITIES

103-1	Explanation of the material topic and its boundary	pp. 24-25; 27-28; 53-56		
103-2	The management approach and its components	pp. 27-28; 53-56		
103-3	Evaluation of the management approach	pp. 27-28; 53-56		
405-1	Diversity of governance bodies and employees	pp. 28; 54-55		Principle 2, 6
405-2	Ratio of basic salary and remuneration of women to men	p. 55	The data do not include Toscana Energia or Toscana Energia Green	Principle 2, 6

### ASPECT: ENVIRONMENTAL ASSESSMENT OF SUPPLIERS

103-1	Explanation of the material topic and its boundary	pp. 24-25; 79-84		
103-2	The management approach and its components	pp. 79-84		
103-3	Evaluation of the management approach	pp. 79-84		
414-1	New suppliers that were screened using social criteria	p. 81		Principle 1, 2

### ASPECT: HEALTH AND SAFETY OF CUSTOMERS

103-1	Explanation of the material topic and its boundary	pp. 24-25; 73-75		
103-2	The management approach and its components	pp. 73-75		
103-3	Evaluation of the management approach	pp. 73-75		
416-1	Assessment of the health and safety impacts of product and service categories	pp. 73-74	The data applies to Italgas Reti	

### OTHER ISSUES

#### MATERIAL ISSUE: INTEGRATION OF ESG ELEMENTS INTO GOVERNANCE

103-1	Explanation of the material topic and its boundary	pp. 24-25; 21-22; 26; 29-30		
103-2	The management approach and its components	pp. 21-22; 26; 29-30		
103-3	Evaluation of the management approach	pp. 21-22; 26; 29-30		

#### MATERIAL ISSUE: SECURITY OF INFORMATION AND DATA

103-1	Explanation of the material topic and its boundary	pp. 24-25; 38-39		
103-2	The management approach and its components	pp. 38-39		
103-3	Evaluation of the management approach	pp. 38-39		

#### MATERIAL ISSUE: TRANSPARENT RELATIONS AND PARTNERSHIP WITH SALE COMPANIES

103-1	Explanation of the material topic and its boundary	pp. 24-25; 75-76		
103-2	The management approach and its components	pp. 75-76		
103-3	Evaluation of the management approach	pp. 75-76		

#### MATERIAL ISSUE: INNOVATION AND DIGITISATION

103-1	Explanation of the material topic and its boundary	pp. 24-25; 16-19		
103-2	The management approach and its components	pp. 16-19		
103-3	Evaluation of the management approach	pp. 16-19		

Italgas

## Report by the independent auditing firm



**ITALGAS GROUP**

**INDEPENDENT AUDITOR'S REPORT ON THE  
CONSOLIDATED  
NON FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016  
AND ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF  
JANUARY 2018**

**YEAR ENDED 31 DECEMBER 2019**





## ***Independent auditor's report on the consolidated non-financial statement***

***pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018***

To the Board of Directors of Italgas SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Italgas SpA. and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 11 March 2020 (hereafter the "NFS").

### ***Responsibility of the Directors and of the Board of Statutory Auditors for the NFS***

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree, with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards"), identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

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#### ***PricewaterhouseCoopers SpA***

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree, with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with that reported in Italgas Group's Consolidated Financial Statements;
4. understanding of the following matters:
  - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Italgas S.p.A. and with the personnel of Italgas Reti S.p.A. and Toscana Energia S.p.A. and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a holding level,
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the companies Italgas S.p.A., Italgas Reti S.p.A., Toscana Energia S.p.A. and for the local unit Polo Torino of Italgas Reti S.p.A., which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level, we gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### ***Conclusions***

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Italgas Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Torino, 16 April 2020

PricewaterhouseCoopers SpA

*Signed by*

Mattia Molari  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.*