

2021

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**REPORT ON  
THE 2021  
REMUNERATION  
POLICY AND 2020  
COMPENSATION  
PAID**

Competence, efficiency, innovation, reliability, safety, proximity.  
And warmth.

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

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

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

# 2021



## **REPORT ON THE REMUNERATION POLICY AND COMPENSATION PAID**

Approved by the Board of Directors' meeting of 10 March 2021  
The remuneration Policy and compensation paid is published in the  
"Governance and Conduct" section of the Company's website  
([www.italgas.it](http://www.italgas.it))



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# LETTER FROM THE CHAIRMAN OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

Dear Shareholders,

**I am pleased to present the Report on the 2021 Remuneration Policy and 2020 compensation paid.**

The Appointments and Compensation Committee, established following the Shareholders' Meeting on 4 April 2019 and formed, in addition to the undersigned, by Directors Silvia Stefini and Maurizio Dainelli, has focused its attention since its appointment on developing a path intended to ensure that the Group's Remuneration Policy constitutes a key element for the achievement of the medium to long-term business and sustainability objectives and the creation of value for shareholders.

The activities and decisions of the Appointments and Compensation Committee therefore aimed, on the one hand, to ensure full alignment with the 2020-2026 Strategic Plan and, on the other, to implement the indications that emerged following last year's Shareholders' Meeting, in addition to legislative amendments, as well as possible. In addition to the developments introduced by the new Corporate Governance Code, Italgas is also now a vertically integrated company and subject to the functional unbundling obligations since it carries out natural gas distribution as well as natural gas sales to end users.

2020 was also characterised by the Covid-19 pandemic, to which Italgas responded by implementing various initiatives to support employees and allow the Company's engineers to operate safely across the country. The Committee has closely assessed the potential impacts to the 2020 Remuneration Policy, revealing Management's ability to cope with the new and unprecedented scenario, considering it suitable for ensuring alignment with the Policy approved in the Shareholders' Meeting.

Of the main developments, I think it is appropriate to highlight two elements of significant importance:

– the new 2021-2023 Co-Investment Plan intended to defer part of Management's short-term incentive in Company shares must be submitted for the approval of the 2021 Shareholders' Meeting. This plan, in line with the previous one, intends to ensure close alignment with the value creation for Shareholders and above all the medium to long-term sustainability of the company results.

– A Contingency Plan was settled and approved regarding the succession plan for the Chief Executive Officer, which clearly defines the process to be followed and the main areas of responsibility.

The 2021 Remuneration Policy, albeit defined in line with the previous one, is based on some structured elements of the Company:

– **CONSISTENCY**: through intense internal and external benchmarking to ensure full alignment with the main market and governance practice. The Committee has conducted in-depth market analyses with support from specialist advisors in terms of the compensation envisaged for the Chief Executive Officer, the Board of Directors and related Board Committees, the Board of Statutory Auditors and Top Management. In particular, the focus was on a market formed by Italian companies in the FTSE MIB index which were comparable to Italgas in terms of business type and economic values.

– **LISTENING**: through constant dialogue with all internal and external stakeholders in order to ensure full consistency between the remuneration policy and the key drivers of the strategic plan and the creation of value for shareholders. With support from the HRO department, the Committee conducted an in-depth analysis of the main evidence that emerged during the last Shareholders' Meeting for the purpose of identifying the main areas of improvement requiring attention.

– **SUSTAINABILITY AND INCLUSION**: ensuring the link between remuneration and medium to long-term objectives, the connection with the stock, maintaining a constant focus, already initiated in previous years, on the inclusion of the main ESG objectives of Italgas in the incentive plans of Top Management, on which even more importance has been placed, further strengthening the link with the priorities identified in the materiality matrix.

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

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

**ANDREA MASCETTI**

**CHAIRMAN OF THE  
APPOINTMENTS AND  
COMPENSATION COMMITTEE**



# 2021 REMUNERATION POLICY: EXECUTIVE SUMMARY

**The Remuneration Policy, which is illustrated in detail in the first section of this report, was adopted by the Board of Directors, at the proposal of the Appointments and Compensation Committee, on 10 March 2021.**

The policy is intended to:

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

## **Main elements of the remuneration policy**

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





## WHAT OUR POLICY ENVISAGES

- \_ Variable incentive plans with **predetermined, measurable objectives that are consistent** with the Strategic Plan, Sustainability Plan and the interests of the various stakeholders;
- \_ Objectives that entail an **assessment of corporate performance both in absolute and relative terms**;
- \_ **Consistency** of comprehensive remuneration with respect to the **market references** subject to annual assessment to make sure of being **constantly in line with best practices**;
- \_ **Balanced pay mix**, aimed at aligning remuneration with performance effectively achieved, with a **significant incidence of the medium/long-term variable components** (including with equity instruments) for the Top Management;
- \_ Adequate **vesting and deferral periods** of incentives over a time frame of **at least three years**;
- \_ Adoption of **claw-back mechanisms** in the event of error, negligence and gross intentional violation of laws and/or regulations;
- \_ **Structured engagement plans** to obtain shareholders' expectations and feedback.



## WHAT OUR POLICY DOES NOT ENVISAGE

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

The main features of the 2021 Remuneration Policy are shown below. The policy was prepared in consideration of specific compensation benchmarks created with the support of an independent and highly specialised advisor and taking account of national and international best practice.

MEMBER	PURPOSE AND CHARACTERISTICS	PARTIES IMPACTED
<b>Fixed remuneration</b>	<p>This remunerates in accordance with the role, to assure attractiveness and motivation.</p> <p>It is defined in line with the complexity and responsibilities that the role manages, so as to guarantee internal fairness, and is monitored with respect to the external market, to assure the right level of competitiveness</p>	<p>_ <b>Chairman::</b> €270,000</p> <p>_ <b>CEO:</b> €810,000</p> <p>_ <b>GM:</b> €403,615</p> <p>_ <b>Executives with strategic responsibilities:</b> defined in relation to the role assigned</p> <p>_ <b>Board Director:</b> €50,000</p>
<b>Short-Term Incentive (STI)</b>	<p>This defines a clear and predetermined tie between remuneration and annual performance.</p> <p>The value of the STI depends on the level of attainment of economic-financial and sustainability targets set by the Board of Directors:</p> <ul style="list-style-type: none"> <li>_ Net Financial Position 25%</li> <li>_ Investments 25%</li> <li>_ Profitability (EBITDA) 25%</li> <li>_ Sustainability 25%</li> </ul> <p>Claw Back clauses are provided.</p>	<p>_ <b>CEO:</b> incentive at target equal to 80% of the fixed remuneration (up-front target component: 52% of fixed rem.);</p> <p>_ <b>GM of Finance and Services:</b> incentive at target equal to 63% of the fixed remuneration (up-front target component: 41% of fixed rem.).</p> <p>_ <b>Executives with strategic responsibilities:</b> incentive at target equal to 51% of the fixed remuneration (up-front target component: 33% of fixed rem.).</p>
<b>Short-Term Incentive (STI)/Co-investment with three-year deferral</b>	<p>35% of the short-term incentive accrued is deferred to shares and subject to three-year co-investment, with additional performance conditions (accrued EBITDA) and a share matching mechanism.</p> <p>Claw Back clauses are provided.</p> <p><i>The 2021-2023 co-investment plan is to be approved by this Shareholders' Meeting.</i></p>	<p>_ <b>CEO:</b> Deferred component: 28% of fixed rem.</p> <p>_ <b>GM of Finance and Services:</b> Deferred component: 22% of fixed rem.</p> <p>_ <b>Executives with strategic responsibilities:</b> Deferred component: 18% of fixed rem.</p> <p><i>The quota indicated only refers to the deferred component net of any possible revaluation connected to performance and the company matching described in Section I</i></p>
<b>2020-2022 Long-Term Monetary Incentive (LTMI)</b>	<p>This favours the alignment of individual targets with stakeholders' targets, while also serving a retention function.</p> <p>The value of the LTMI depends on the level of achievement of the following objectives:</p> <ul style="list-style-type: none"> <li>_ adjusted Consolidated Net Profit (55%)</li> <li>_ Relative Total Shareholder Return (30%)</li> <li>_ Sustainability (15%)</li> </ul> <p>Claw Back clauses are provided.</p>	<p>_ <b>CEO:</b> incentive at target equal to 65.5% of the fixed remuneration on an annual basis;</p> <p>_ <b>GM of Finance and Services:</b> incentive at target equal to 47% of the fixed remuneration on an annual basis;</p> <p>_ <b>Executives with strategic responsibilities:</b> incentive at target equal to 34% of the fixed remuneration on an annual basis.</p>
<b>Clawback</b>	<p>The clawback, applicable to all incentive instruments listed, has a duration of 10 years and the purpose of avoiding fraudulent conduct and/or conduct not in line with the company values and excessive risk-taking, which may compromise the company's sustainability in the long term.</p>	

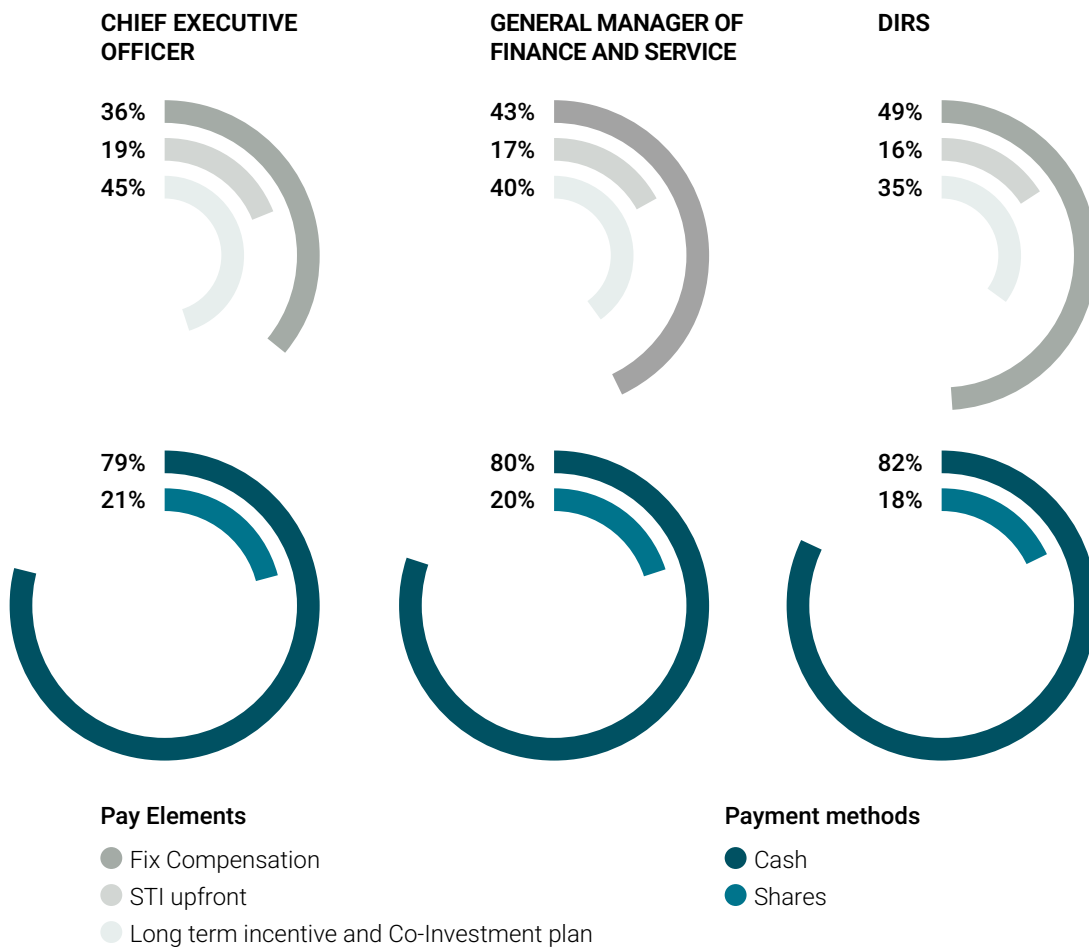
Following the entry of Italgas into the unbundling regime in 2020, the 2021 Remuneration Policy also provides for a specific adjustment for short and long-term incentive systems for managers who are members of the Independent Operator/Head of Compliance for the purpose of assuring the neutrality of management of essential infrastructure, as defined by the reference legislation <sup>1</sup>.

## Pay-Mix

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

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

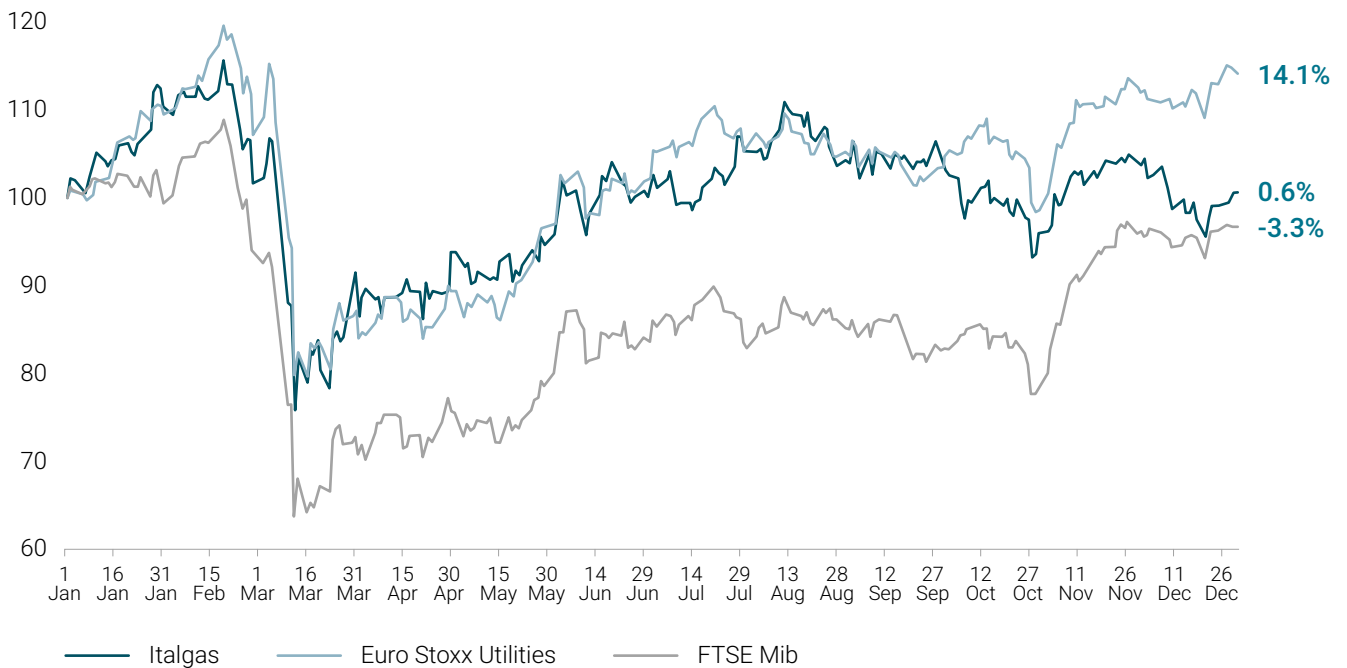
### PAY MIX AND FORM OF REMUNERATION FOR THE TARGET AND PERFORMANCE RESULTS



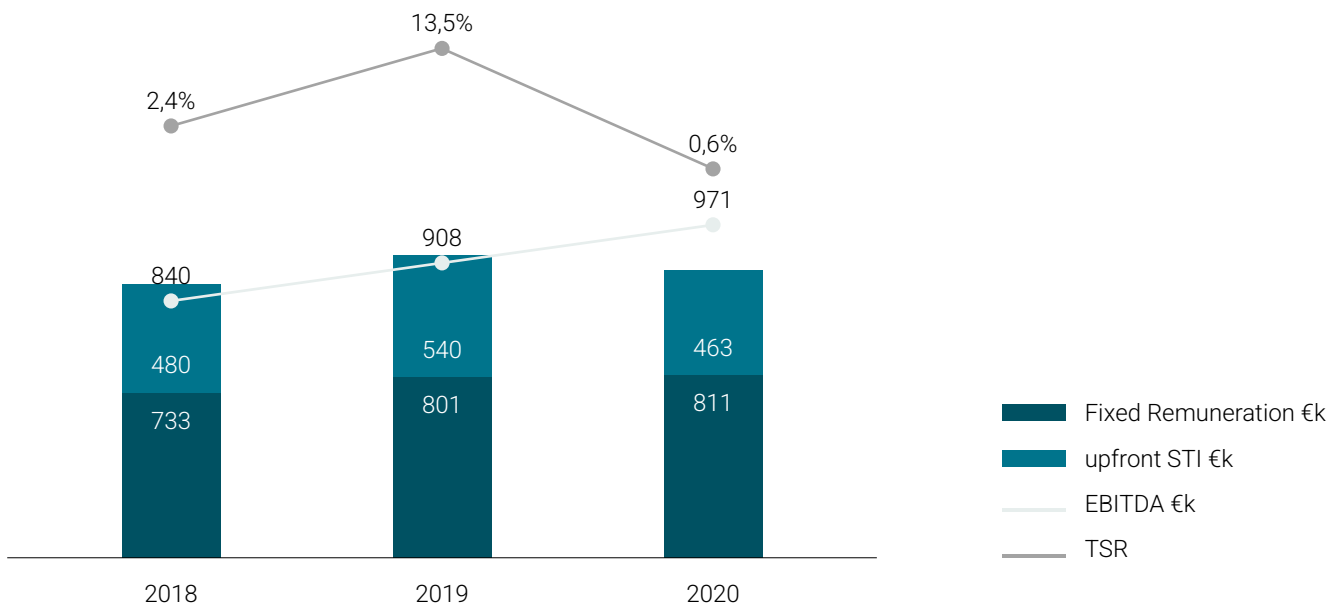
<sup>1</sup>Pursuant to Annex A (TIUF) to resolution 296/2015, amended and supplemented with resolution 15/2018, which, in addition to providing for specific provisions relating to the functional unbundling obligations for companies operating in the electricity and gas sectors, governs the independence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

## Italgas: Total Shareholder Return and main Indexes

The graph shows a comparison between performance in terms of Total Shareholder Return of Italgas and of the main indexes of comparison, namely the FTSE MIB index and Eurostoxx Utilities, for the year 2020.



## Italgas performance and CEO remuneration



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

With reference to FY 2020, the Chief Executive Officer's bonus was defined according to the achievement of the targets of the company objectives as shown below:






PERFORMANCE PARAMETERS	% WEIGHT	UNIT OF MEASUREMENT	MINIMUM (70)	TARGET (100)	MAXIMUM (130)	PERFORMANCE SCORE
Net financial position	30%	Mln €	4,660			28.5
Investment (spending)	30%	Mln €	674			34.6
Profitability (EBITDA)	20%	Mln €	971			22
Sustainability: Accident frequency index	5%	Index	1.41			5.3
Sustainability: Integration and Governance of new initiatives	10%	Implementation and optimisation of governance initiatives	Initiatives completed			13
Sustainability: diversity and inclusion	5%	Gender equality in the selection process (% of female candidacies) <sup>2</sup>	51%			6.5
<b>Total</b>						<b>109.9</b>

<sup>2</sup> The detailed definition of the objectives is described in section II of this document.

## Strategic plan and remuneration policy

The Italgas 2020-2026 Strategic Plan, launched in 2020, is based on 4 main pillars and views sustainability as an integral part of said Strategic Plan.

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

2020-2026 STRATEGIC PLAN AND SUSTAINABILITY OBJECTIVES	SHORT-TERM VARIABLE INCENTIVE	CO-INVESTMENT	LONG-TERM VARIABLE INCENTIVE
 <b>Development of the core business</b>	Investment (spending)		
 <b>New development opportunities</b>	Integration and governance of the new initiatives		
 <b>Digital transformation and innovation</b>	Investment and spending		
 <b>Solid financial structure and efficiency</b>	Net Financial Position EBITDA	EBITDA	Net profit
 <b>Sustainability</b>	Accident frequency index Gas Leakage Rate Diversity and inclusion		Inclusion in sustainability indexes and ratings Reduction of Gas Emissions
<b>VALUE CREATION FOR STAKEHOLDERS</b>		Deferral of the incentive and investment in shares	Total Shareholder Return

## Sustainability, Human Capital Strategy and remuneration policy

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

The Sustainability Committee was established in the aim of making sustainability prevalent across all areas of the Group since 2016, the year it was once again listed on the FTSE MIB.

Supported by the Corporate Social Responsibility (CSR) Department, the Committee carries out consultancy and proposals for the Board of Directors in terms of strategy, planning and reporting on issues of sustainability and acts to support sustainable development across the entire value chain of the Group.

In particular, its main tasks include examining and assessing:

- the sustainability policies aimed at ensuring the creation of value over time for all stakeholders in the medium-/ long-term, with regard to the principles of sustainable development;
- the guidelines, objectives and processes of sustainability and the non-financial reporting submitted annually to the Board of Directors.

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

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

## DEVELOPMENT OF THE SUSTAINABILITY CULTURE

### OUR OBJECTIVES

- \_ Strengthen the position of Italgas in terms of sustainability with respect to the community and investors
- \_ Promote the culture of sustainability within the company and strengthen the related company processes

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



### HUMAN CAPITAL STRATEGY

- \_ **LTM Plan:** objective tied to inclusion in the main ESG indexes and ratings (DJSI, FTSE4GOOD, CDP Climate Change)
- \_ Creation of a **plan of HR initiatives presented to the Sustainability Committee** for the promotion of ESG culture at Italgas.

## CREATE VALUE FOR THE COMMUNITY AND THE TERRITORY

### OUR OBJECTIVES

- \_ Strengthening relations with the reference territory;
- \_ Invest in the community in a way that is consistent and integrated with the business in order to contribute to the socio-economic development of the territory.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



### HUMAN CAPITAL STRATEGY

- \_ Definition of dedicated programmes and initiatives for internal and external support such as **"Sustainable Mobility"** and **"Holiday Solidarity"**

## CREATE VALUE FOR CUSTOMERS AND THE MARKET

### OUR OBJECTIVES

- \_ Harmonise processes and connection with the sales companies
- \_ "Shorten" the distances from the end customer

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



### HUMAN CAPITAL STRATEGY

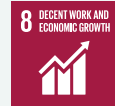
- \_ **MBO Plan:** objectives tied to integration of the distribution processes and network investments with a view to innovation

## PUT PEOPLE FIRST

### OUR OBJECTIVES

- \_ Protect and strengthen know-how
- \_ Develop skills and re-skilling
- \_ Ensure the involvement and well-being of the entire company population
- \_ Promote a culture that respects diversity and inclusion
- \_ Protect health and safety in the workplace

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



### HUMAN CAPITAL STRATEGY

- \_ **MBO Plan:** objective tied to **respect for diversity and inclusion**, with specific reference to gender equality, and the reduction of accidents/injuries.
- \_ Creation of **training courses through partnerships with universities** intended to protect Italgas know-how and ensure innovation ("Italgas School" programme)
- \_ **"Digital Ambassador"** programme for digital re-skilling
- \_ Development and continuous improvement of the **welfare** platform in order to ensure the highest levels of **engagement** and **well-being**
- \_ Promotion of the **culture of respect for diversity and inclusion** through the establishment of a dedicated organisational department and the development of related initiatives (STEM Project)
- \_ Dedicated **insurance coverage** in relation to the **COVID 19** pandemic

## CONTRIBUTE TO THE EFFICIENCY AND SECURITY OF THE SYSTEM

### OUR OBJECTIVES

- \_ Improve energy efficiency
- \_ Reduce the carbon footprint
- \_ Enable the circular economy process

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



### HUMAN CAPITAL STRATEGY

- \_ **MBO Plan:** objective tied to making investments in network maintenance and innovation
- \_ **LTM Plan:** focus on climate change with an objective tied to the reduction of emissions and inclusion in the main sustainability indexes and ratings (DJSI, FTSE4GOOD, CDP Climate Change)

## Risk mitigation factors

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

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

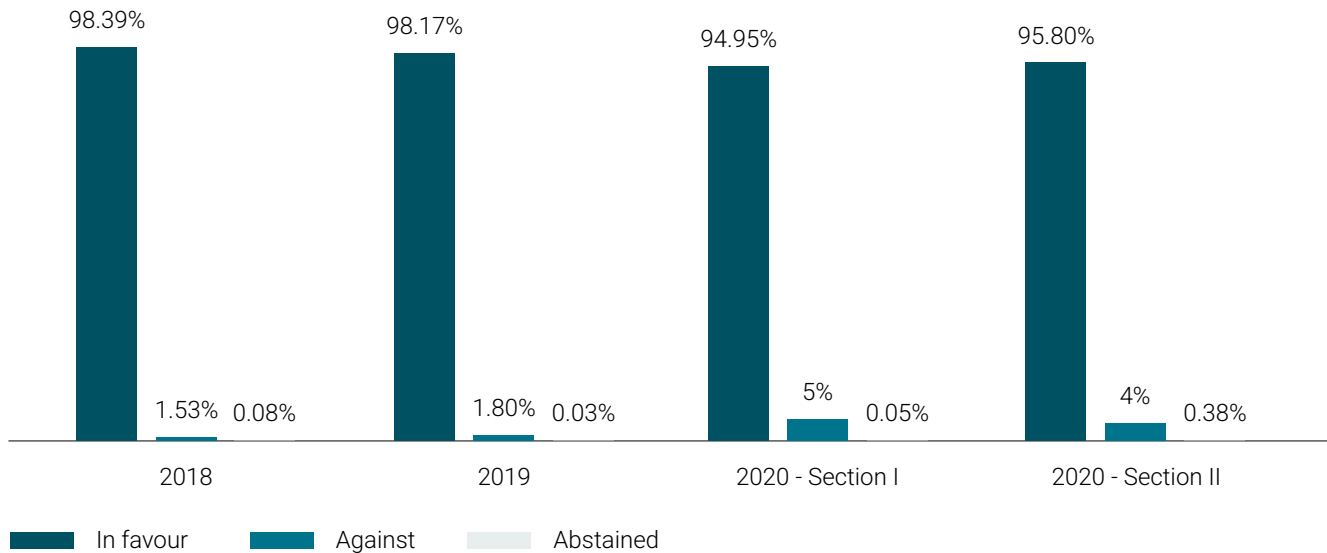


## Shareholder engagement and analysis of shareholders' voting results (2018 - 2019 - 2020)

Italgas values dialogue with its shareholders and institutional investors around issues related to the Remuneration Policy, encouraging the long-term commitment of shareholders in the process to define and analyse how to implement the Remuneration Policy. Dialogue with investors was strengthened further in preparation for the 2021 Shareholders' Meeting, with the objective of representing the initiatives implemented by the Company on issues of remuneration to the best of its ability, and above all ensuring that all shareholder expectations were received.

In relation to the continuous dialogue and listening around the indications received from shareholders and investors, as usual, Italgas carried out an in-depth analysis of the shareholders' voting results regarding the binding vote on the first section of the Report on the 2020 Remuneration Policy and on the 2019 compensation paid and the advisory vote on the second section. The amendments and developments introduced to the remuneration policy and presented as part of this report therefore take account of the underlying reasons for the votes obtained during the 2020 season of shareholders' meetings and the dialogue with institutional investors carried out in the first months of 2021.

### TOTAL SHAREHOLDERS (% OF VOTERS 2018 - 2019 - 2020)



# INTRODUCTION

The Remuneration Policy, approved by the Board of Directors at the proposal of the Appointments and Compensation Committee, on 10 March 2021, in accordance with current legislative and regulatory requirements<sup>3</sup>, defines and describes:

- in the first section, the Policy adopted for 2021 by Italgas S.p.A. for the remuneration of Directors, the General Manager of Finance and Services and Executives with Strategic Responsibilities<sup>4</sup>, setting out the general objectives of the Company, the bodies involved and the procedures utilised for adopting and implementing the Policy. The general principles and guidelines defined in the Italgas Policy also apply for the purposes of determining the compensation policies for companies directly and indirectly controlled by Italgas;
- in the second section, the compensation paid in 2020 to Directors, Statutory Auditors (individually), and Italgas Executives with Strategic Responsibilities (collectively).

The Remuneration Policy outlined in this document has also been adopted by the Company, as provided by Consob Regulation No.17221/2010 on the subject of related-party transactions, and pursuant to Article 3.7 of the Procedure “Transactions with the interests of Directors and Statutory Auditors and Related-Party Transactions” (“Procedure for Related Parties”) most recently revised by the Board of Directors on 14 December 2017.

The Policy described in the first section of the document was prepared in line with the recommendations on remuneration of the new Corporate Governance Code promoted by Borsa Italiana S.p.A. (hereinafter “Corporate Governance Code”), in the version approved in January 2020, which Italgas has adopted<sup>5</sup>. The Policy also takes into account the developments introduced regarding remuneration: by Legislative Decree no. 49 of 10 May 2019, implementing Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 (Shareholder Rights Directive II, “SHRD 2”), which amends Directive 2017/36/EC (“SHRD”) as regards the encouragement of long-term shareholder engagement; and the related adaptations to secondary level national legislation on disclosure of remuneration policies and compensation paid (Issuers’ Regulations, amended in December 2020 in implementation of the SHRD II).

The text of the Remuneration Policy and Compensation Paid is available to the public at the registered office, on the Company’s website<sup>6</sup> and on the website of Borsa Italiana up to the twenty-first day preceding the date of the Shareholders’ Meeting called to approve the financial statements for 2020 and to pass a binding resolution on the First Section of the Report, as well as a non-binding resolution on the Second Section, in accordance with current legislation<sup>7</sup>.

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

<sup>3</sup> Article 123-ter of Legislative Decree No. 58/98 and article 84-quater of the Consob Issuers’ Regulations (Resolution no.11971/99, as subsequently amended and supplemented) and subsequent amendments introduced by Legislative Decree 49/2019 in Part IV, Heading III, Section II of Legislative Decree 58/98

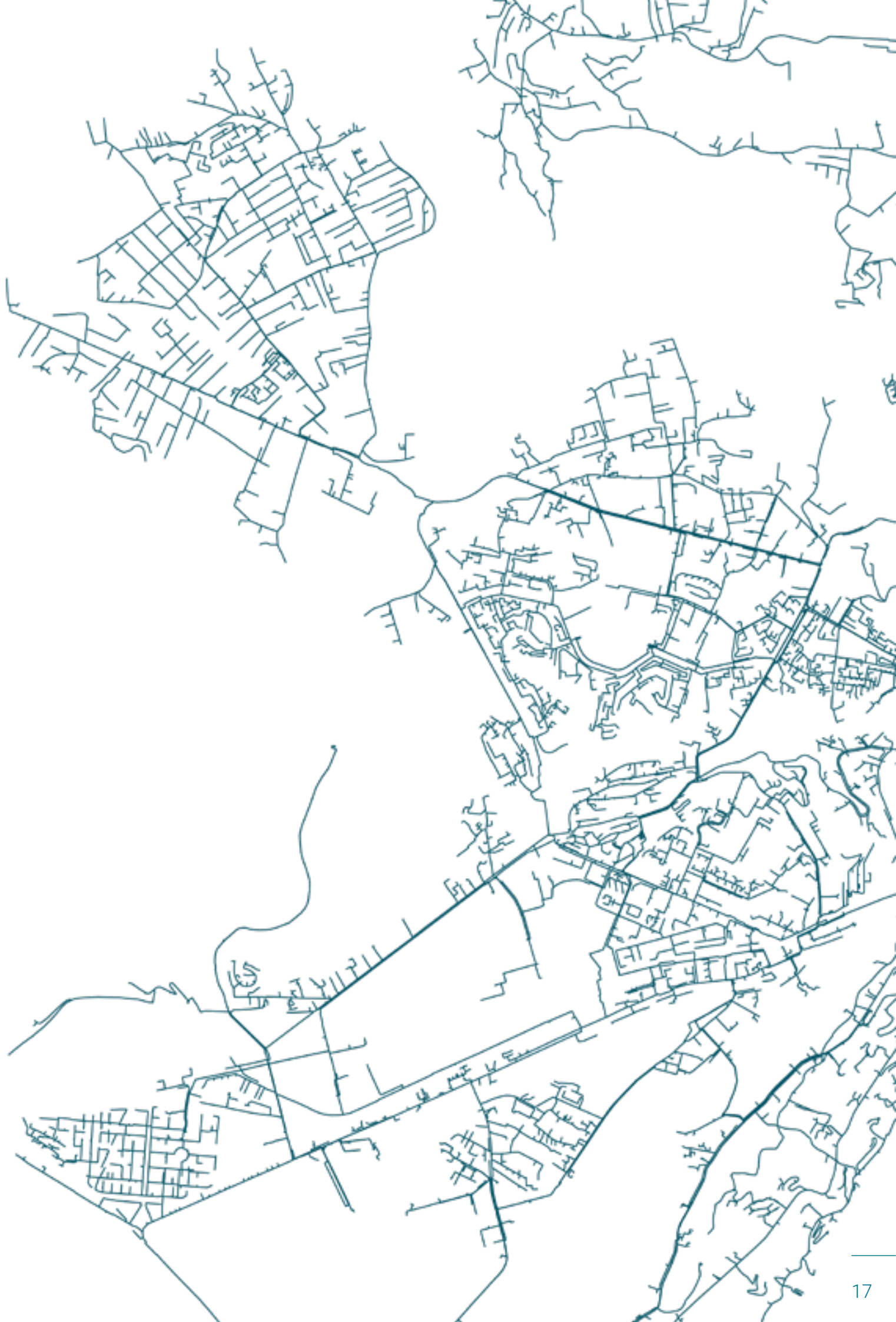
<sup>4</sup> The definition of “Executives with Strategic Responsibilities” as per Article 65, subsection 1-quater of the Issuers’ Regulations, covers persons who have the power and responsibility, directly and indirectly, for planning, management and control of Italgas. Italgas Executives with

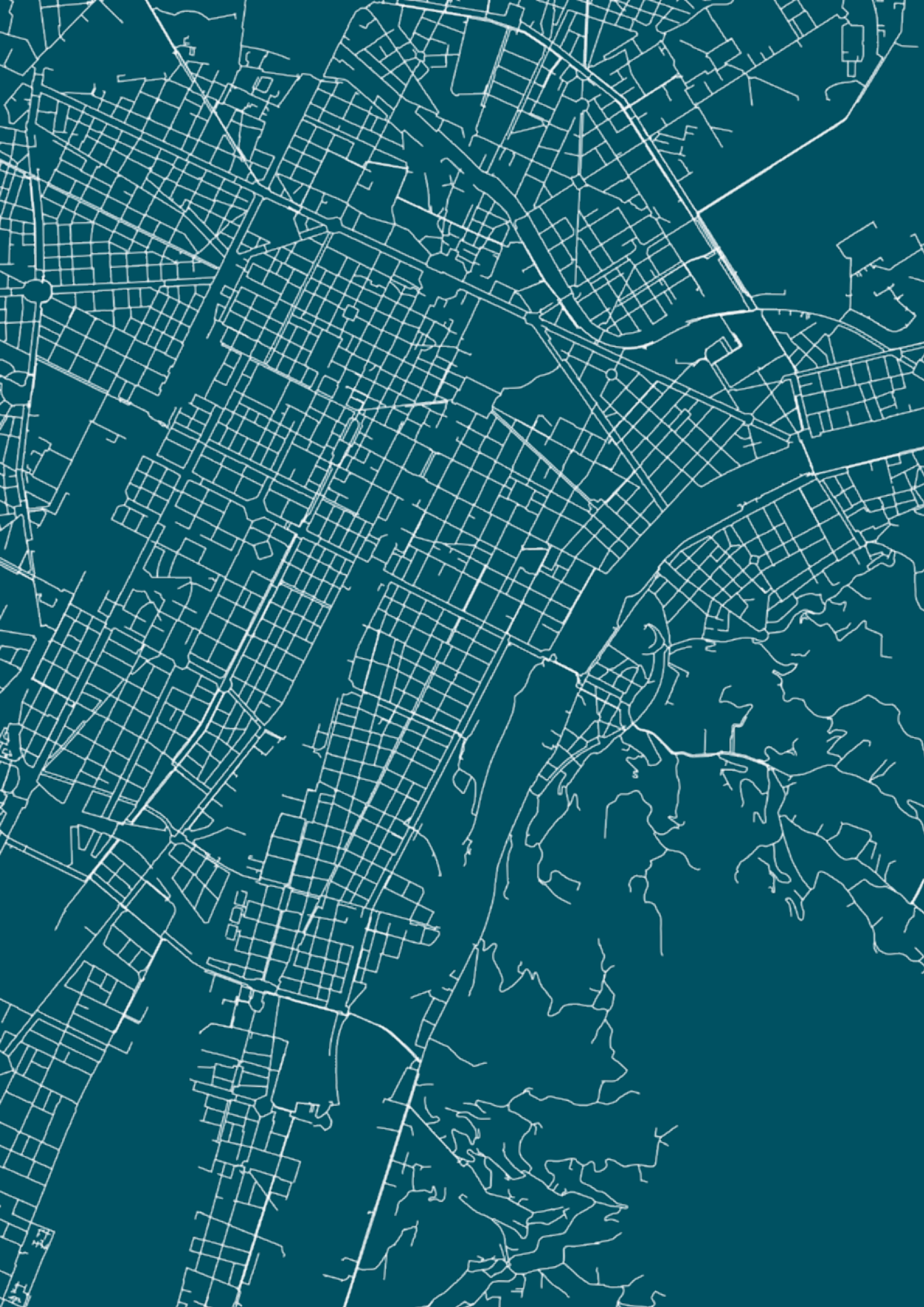
Strategic Responsibilities, other than the Directors and Statutory Auditors and besides the General Manager of Finance and Services, are: Head of Legal, Corporate Affairs and Compliance, Head of Human Resources & Organisation, Head of External Relations and Communication, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, Italgas Reti CEO, Toscana Energia CEO. From 18 January 2021, following the introduction of a new organisational structure, the role of Head of Commercial Development was replaced by another role, and, therefore, the appointment as executive with strategic responsibilities expired.

<sup>5</sup> The application of the new Code is expected from the first financial year starting after 31 December 2020, with disclosure to the market starting from the corporate governance Reports published in 2022.

<sup>6</sup> The text is published in the “Governance and Conduct” section of the Company’s website ([www.italgas.it](http://www.italgas.it)).

<sup>7</sup> Innovations introduced by Legislative Decree 49/2019, Article 3, subsection 1, letters e) and g) that supplement subsection 3 and replace subsection 6 of article 123-ter of Legislative Decree no. 58/98.





1.0  
**SECTION I - 2021  
REMUNERATION POLICY**

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# 1. GOVERNANCE OF THE REMUNERATION PROCESS

## 1.1. Bodies and parties involved

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

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

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

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

Policy for Directors and Executives with Strategic Responsibilities.

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

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

- The Board of Statutory Auditors: can attend Appointments and Compensation Committee meetings and expresses the opinions required by the legislation in force, verifying consistency with the remuneration policy adopted by the Company.
- Management team of the HR & Organisation department: provides technical and specialist support on compensation issues in addition to the preparation of detailed analyses such as monitoring of the internal and market compensation dynamics; studies and benchmarking of market practice and trends; analyses of the compensation levels in terms of internal fairness and competitiveness with respect to the markets chosen as reference.
- Management team of the Legal and Corporate Affairs department: provides technical and specialist support regarding the governance of the Group's corporate bodies; supports the HR department in the preparation of public information relating to the Group's remuneration and incentive systems, in collaboration with other competent company departments; identifies the most Relevant Personnel to ensure consistency with the corporate governance structure at consolidated level.
- Management team of the Finance and Services department: provides support in identifying and valuating the quantitative parameters on which the variable incentive systems are based and in determining ex-post their level of achievement.

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

## 1.2. Italgas Appointments and Compensation Committee

### 1.2.1 COMPOSITION, APPOINTMENT AND TASKS

The Appointments and Compensation Committee was established by the Board of Directors on 23 October 2017<sup>9</sup> and, in line with the recommendations of the Corporate Governance Code, consists of three non-executive Directors, the majority of whom are independent, with the Chairman elected from among the Independent Directors.

At least one member of the Committee has adequate knowledge and experience in financial or compensation policies, as assessed by the Board at the time of appointment. The Board of Directors of 13 May 2019 made this assessment.

The Appointments and Compensation Committee is composed, since its establishment, of the following Directors: Andrea Mascetti (non-Executive and Independent Director), serving as Chairman, Maurizio Dainelli (Non-Executive Director) and Silvia Stefini (Non-Executive and Independent Director).

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

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

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

- \_ it submits the Remuneration Policy to the Board of Directors for approval and, specifically, the Policy for the Compensation of Directors, the General Manager of Finance and Services and Executives with Strategic Responsibilities, for presentation to the Shareholders' Meeting called to approve the financial statements within the time frame established by law;
- \_ it assesses the vote cast by the Shareholders' Meeting on the Remuneration Policy in the previous financial year and gives an opinion to the Board of Directors;
- \_ it periodically assesses the appropriateness, overall consistency and practical application of the Policy adopted, by formulating proposals to the Board in this regard;
- \_ it prepares proposals regarding the remuneration of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;
- \_ it makes proposals or expresses opinions relating to the compensation of members of the Committees of

Directors established by the Board;

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

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

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

The Committee, in agreement with the Control and Risk Committee, has provided the Head of Internal Audit with:

- \_ an MBO (Management by Objective) grid, solely with measurable functional objectives, excluding economic and financial targets;
- \_ the determination of the annual monetary incentive

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

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

- depending entirely on the results relating to this sheet;
- the allocation of the minimum/target/maximum performance levels and the evaluation of the results achieved carried out by the Control and Risk Committee;
- the standardisation of other forms of deferred and long-term monetary incentives for all managers.

For the effective performance of its analysis and investigatory function, the Appointments and Compensation Committee utilises the relevant Company departments and through these structures, may make use of the support of external consultants who are not in

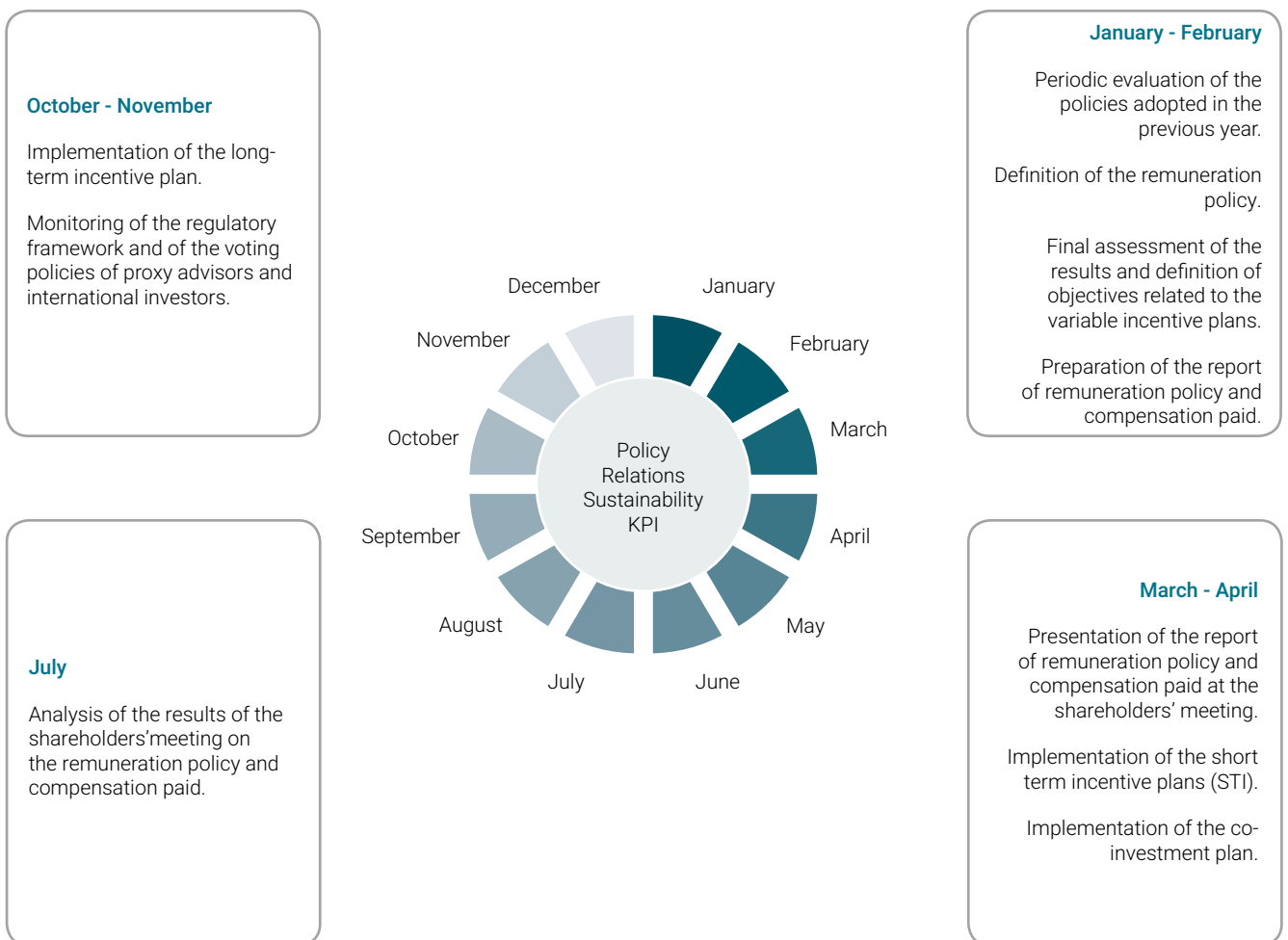
a position that would compromise their independence of judgement.

In 2020, the Chairman of the Board of Statutory Auditors was regularly invited to the Committee meetings.

### 1.2.2 ACTIVITY CYCLE FOR THE APPOINTMENTS AND COMPENSATION COMMITTEE

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

#### ACTIVITY CYCLE FOR THE APPOINTMENTS AND COMPENSATION COMMITTEE AND THEMATIC AREAS



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

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



### 1.2.3 ACTIVITIES UNDERTAKEN IN 2020

In 2020 the Appointments and Compensation Committee met 9 times. The main issues addressed are shown below:

#### January 2020

- \_ 2020 corporate targets for the variable incentive systems
- \_ Analysis of market benchmarking and remuneration positioning
- \_ 2020 Remuneration Policy and compensation paid (second reading)

#### February 2020

- \_ 2020 Remuneration Policy and compensation paid (third reading)

#### March 2020

- \_ Final accounting of the 2019 corporate targets for the variable incentive systems
- \_ Final accounting of the 2019 objectives for the Chief Executive Officer
- \_ 2018-2020 Co-Investment Plan - 2020 grant for the Chief Executive Officer
- \_ Finalisation of the 2020 Remuneration Policy and compensation paid
- \_ Proposal for Information Notice on the 2020-2022 Long-Term Incentive Plan

#### September 2020

- \_ Remuneration policy guidelines: analysis of the remuneration positioning of members of the Sustainability Committee, the chairmen of the other two Committees, and proposal to review the compensation
- \_ Results of the shareholders' vote on the 2020 Remuneration Policy and compensation paid

#### October 2020

- \_ 2020-2022 Long-Term Incentive Plan: regulations and definition of the 2020 allocation for the Chief Executive Officer
- \_ Remuneration policy guidelines: unbundling legislation and related impact
- \_ Remuneration policy guidelines: sharing of issues for discussion on remuneration positioning analysis

#### November 2020

- \_ 2020-2022 Long-Term Incentive Plan for members of the Independent Operator/Head of Compliance

- \_ Remuneration policy guidelines: start of remuneration positioning analysis with the external advisor (EY)
- \_ Chief Executive Officer Contingency Plan: early termination of appointment or impediment to the performance of his/her duties

#### December 2020

- \_ 2021 Remuneration Policy and 2020 compensation paid (start of activities)

## 1.3. Approval procedure for the 2021 Remuneration Policy

The Appointments and Compensation Committee, in exercising its powers, defined the structures and the contents of the Remuneration Policy, for the purposes of preparing this document, in particular at its meetings of 10 December 2020, 25 February 2021 and 4 March 2021, consistently with the recommendations of the Corporate Governance Code.

In making its decisions, the Committee took account of the outcomes of the periodic assessment carried out on the adequacy, overall consistency and practical application of the Policy Guidelines decided for 2020.

Italgas' 2021 Remuneration Policy for Directors, the General Manager of Finance and Services and Executives with Strategic Responsibilities was consequently approved by the Board of Directors, at the recommendation of the Appointments and Compensation Committee, at its meeting on 10 March 2021, concurrently with the approval of this document.

The compensation policies, defined in line with the instructions of the Board of Directors, are implemented by the delegated bodies, supported by the relevant company departments.

With reference to remuneration, the Committee made use of the support of a specialist consultancy firm to monitor the market trend and to verify the compensation competitiveness of Italgas compared to sector practice. Furthermore, for the purposes of this Report, the Committee evaluated the practices observed at national level for the preparation of remuneration reports.

## 2. PURPOSE AND GENERAL PRINCIPLES OF THE REMUNERATION POLICY

### 2.1. Purpose

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

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

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

### 2.2. General Principles

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

- \_ a compensation structure that will **attract, retain and motivate** people with high professional qualities;
- \_ a compensation structure, for the **Chairman**, consisting of a fixed fee consistent with the position held;
- \_ **non-executive Directors' salaries commensurate with the effort required from them** in relation to participating on Board Committees, with different compensation for the Chairman than the members of each Committee, with respect to the position allocated thereto, for coordinating the work and liaising with the corporate bodies and corporate functions;
- \_ a compensation structure, for the **Chief Executive Officer, the General Manager of Finance and Services and Executives with Strategic Responsibilities**, with a suitable balance between a fixed component in line with the powers and/or responsibilities assigned and a variable component defined within maximum limits and aimed at linking remuneration to actual performance;
- \_ consistency of overall remuneration with respect to applicable **market benchmarks** for comparable responsibilities or for positions at a similar level in terms of responsibility and complexity, as part of the corporate panel comparable to Italgas, using specific compensation benchmarks applied with the support of institutional providers of compensation information;
- \_ **variable remuneration** of executive roles having greater influence over company results featuring a **significant percentage of incentive components, in particular long term**, including based on **equity instruments**;
- \_ adequate **periods of deferral and/or accrual of the incentives** over a time scale of at least three years, in line with the long-term nature of the business and with the connected risk profiles;
- \_ **predetermined, measurable and definite targets, also on a stock basis**, linked with the variable remuneration, so as to ensure remuneration for performance over the short or medium term by:
  - i. setting targets for short-term incentive plans based on a balanced scorecard that enhances the performance of the business and of the individual, in relation to the specific targets in their area of responsibility and, as regards those that are responsible for internal control functions, consistent with the tasks assigned to them;
  - ii. setting targets for a long-term incentive plan based in ways that allow an assessment of company performance in absolute terms, with reference to the ability to generate increasing and sustainable levels of profitability, both in relative terms compared to a peer group of listed companies in the European utilities sector, and with reference to the ability to generate value;
  - iii. systematic inclusion among the objectives of the short and long-term incentive plan of indicators representing the priority objectives of the Company's Sustainability Plan (reduction of accident rates, reduction of emissions, diversity, inclusion in international sustainability indexes and ratings, etc.).
- \_ **evaluation of assigned performance targets**, excluding the effects of external impacts stemming from the development of the benchmark scenario, in order to make the most of the actual contribution to the achievement of

the performance objectives assigned to it;

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

### 2.3. Derogations from the remuneration policy

As a non-recurring exception, again in accordance with the regulations envisaged for related-party transactions, there may be possible derogations from the remuneration policy described in section I relating to the information described for the Chief Executive Officer, the General Manager of Finance and Services and other Executives with Strategic Responsibilities, with particular reference to the incentive systems, in order to ensure the pursuit of the long-term and sustainability interests of the Group as a whole. In particular, the exceptional circumstances considered may include extraordinary transactions not previously planned (e.g. restructuring, reorganisation or reconversion), exogenous shocks that are unforeseeable or of an extraordinary amount and/or regulatory/legislative in nature, changes in the organisational, managerial and administrative structure of the company that impact the economic and financial results and the creation of value in the long term, the rotation in the appointed bodies due to unforeseen events, actions intended to attract/retain the best talent. In these cases, the Appointments and Compensation Committee, in accordance with the procedure envisaged for related-party transactions, and with possible support from the HR department, will assess any impact on the remuneration policy for the purpose of submitting a proposal for amendment and derogation from said policy for the approval of the Board of Directors.

### 2.4. Market benchmarks

The remuneration policies were evaluated considering the market benchmarks, with support from independent and highly specialised advisors, using specific compensation benchmarks (EY). The pre-chosen market positioning for the remuneration policy is defined as below the market median considered for the fixed component, with greater emphasis placed on the variable components with a view to the overall competitiveness of the compensation package. It is believed that this is the best approach to guarantee a direct connection between remuneration and performance, ensuring at the same time a correct alignment with the company’s risk profile. The analyses undertaken in terms of compensation benchmarks show the full alignment of the policy in terms of average positioning compared to the market considered.

The compensation references used for the various types of role are shown in the table below:

#### PEER GROUPS FOR COMPENSATION BENCHMARKS <sup>10</sup>

ROLE ANALYSED	COMPARISON PANEL	
<p><b>Chief Executive Officer</b></p> <p><b>Chairman</b></p> <p><b>Board Bodies</b></p> <p><b>Control Bodies</b></p>	<ul style="list-style-type: none"> <li>_ A2A</li> <li>_ Acea</li> <li>_ Amplifon</li> <li>_ Atlantia</li> <li>_ Campari</li> <li>_ DiaSorin</li> <li>_ Hera</li> <li>_ Iren</li> <li>_ Interpump</li> </ul>	<ul style="list-style-type: none"> <li>_ Leonardo</li> <li>_ Maire Tecnimont</li> <li>_ Moncler</li> <li>_ Prysmian</li> <li>_ Saipem</li> <li>_ Snam</li> <li>_ Telecom</li> <li>_ Terna</li> </ul>
<p><b>GM of Finance and Services</b></p> <p><b>Other KSEs</b></p>	<p><b>EY Top Executive</b></p> <p>with reference to comparable roles of companies operating in related industrial segments, so that the median turnover of the panel is in line with that of Italgas.</p>	

The Company constantly monitors the main market practice so that the competent bodies are able to submit remuneration policies to the shareholders that are increasingly more appropriate for the professionalism, expertise and commitment required.

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

## 3. 2021 REMUNERATION POLICY

The 2021 Remuneration Policy continues along the lines of the 2020 and 2019 policy, which provided for the comprehensive revision of the variable incentive system for the Chief Executive Officer, for the General Manager of Finance and Services, for Executives with Strategic Responsibilities, and for all Managers, based on the objectives for the **simplification** of the overall architecture of the incentive system and for the further alignment of the performance targets to the shareholders' expectations.

Specific attention was paid to the review and integration of the sustainability objectives used in the managerial incentive systems, in order to further strengthen the connection with the **sustainability** plan developed by the Company, and with **the renewal of the Co-Investment and Deferral Plan** (subject to approval of this Shareholders' Meeting), in order to ensure full alignment between management and shareholders.

The 2021 Compensation Policy guidelines were evaluated by the Appointments and Compensation Committee as being consistent with the applicable market benchmarks.

### 3.1. Chairman

#### 3.1.1 COMPENSATION FOR THE POSITION AND POWERS AND OTHER INDEMNITIES

According to the provisions of the Board of Directors at its meeting on 23 September 2019, on a proposal made by the Appointments and Compensation Committee, the remuneration of the Chairman of the Board of Directors provides for a gross annual fixed salary for the position of 270,000 euros, including the fixed annual remuneration for Directors established by the Shareholders' Meeting, in addition to reimbursement of the costs incurred in connection with the position.

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

### 3.2. Non-executive Directors

#### 3.2.1 COMPENSATION DETERMINED BY THE SHAREHOLDERS' MEETING

On 4 April 2019, the Shareholders' Meeting approved the Directors' remuneration at a gross annual fixed remuneration for the office of 50,000 euros, in addition to reimbursement for costs incurred in connection with the position.

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

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

#### 3.2.2 COMPENSATION FOR PARTICIPATING IN BOARD COMMITTEES

For non-executive Directors, the Board of Directors of 5 October 2020 substantially approved the remuneration policy resolved by the Board of Directors of 13 May 2019, amending at the proposal of the Appointments and Compensation Committee the compensation for the role of Chairman of the Sustainability Committee from € 25,000 to € 30,000, due to the market benchmarking conducted and the role's relevance for sustainability issues at Italgas.

Remuneration due for participation in Board Committees in 2021 is shown in the following table:

COMMITTEE	CHAIRMAN COMPENSATION	MEMBER COMPENSATION
Control and Risk Committee	€ 45,000	€20,000
Appointments and Compensation Committee	€ 40,000	€20,000
Sustainability Committee	€ 30,000	€20,000

### 3.2.3 END-OF-MANDATE SETTLEMENT AND COMPENSATION

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

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

### 3.3.1 FIXED REMUNERATION

The Chief Executive Officer's remuneration was determined, at the proposal of the Appointments and Compensation Committee and with the approval of the Board of Statutory Auditors, by the Board of Directors on 23 September 2019, at a gross annual amount of 810,000 euros, including the remuneration provided by the Shareholders' Meeting. The gross up for the car, amounting to 6,800 euros gross per year, is to be maintained.

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

### 3.3.2 VARIABLE INCENTIVE PLANS

#### 3.3.2.1 Short-term incentives

In order to ensure the strong alignment with the interests

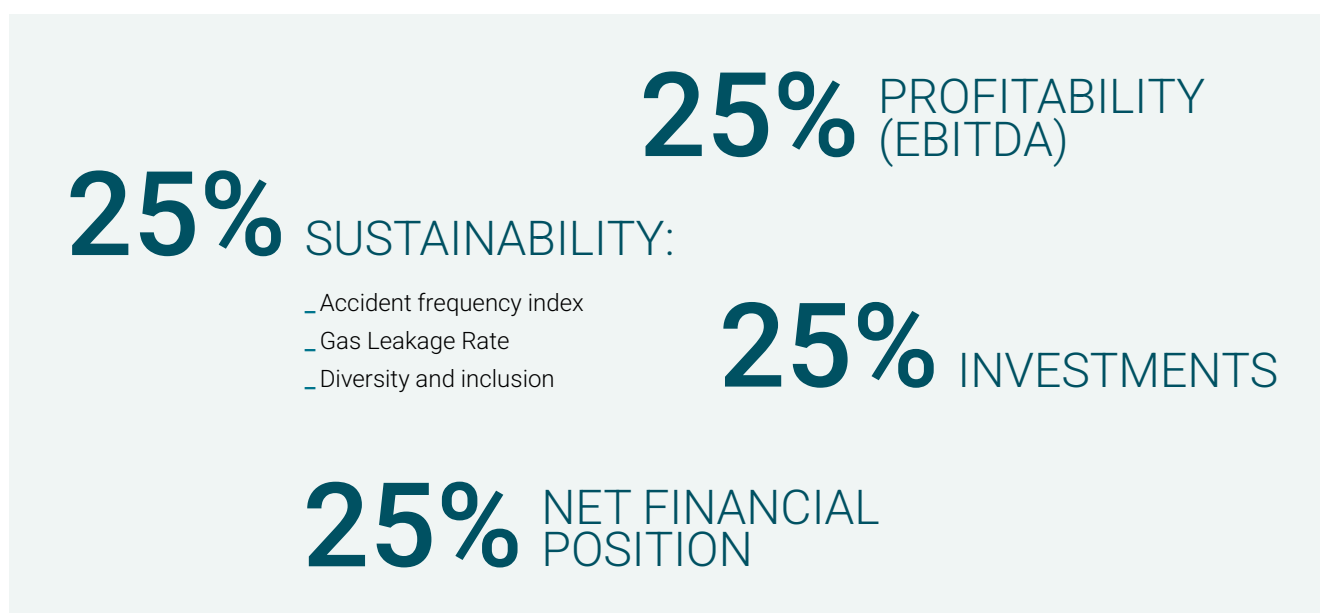
of shareholders and the creation of long-term value, a short-term incentive plan has been in existence since 2018 which is connected with a system of deferment and co-investment in Company shares (2018-2020 Co-Investment Plan approved by the Shareholders' Meeting on 19 April 2018). Considering the relevance granted to shares, and to their deferment and co-investment and the remuneration for Top Management, the new 2021-2023 Co-Investment Plan is submitted for the approval of this Shareholders' Meeting of 20 April 2021, which entirely follows the approach of the previous 2018-2020 Plan.

Using shares as an incentive instrument allows for strengthening of the connection between incentive and long-term value creation, in alignment with all shareholder expectations.

The Short-Term Incentive Plan and the related Co-investment Plan, to be approved by the Shareholders' Meeting on 20 April 2021, provide for a portion of the incentive to be paid out annually, while a portion is mandatorily deferred for three years and transformed into an equivalent number of shares as illustrated below.

The Short-Term Incentive Plan is connected with the attainment of the 2021 corporate objectives set by the Board of Directors of 10 March 2021. These objectives maintain a structure that is focused on essential targets, consistent with the guidelines defined in the Strategic Plan and balanced with respect to the perspectives of interest of different stakeholders. The structure and the weight of the different objectives, in recent years, has seen a growth in the weight of sustainability, and in 2021, are structured as follows:

## OBJECTIVES OF THE 2021 SHORT-TERM INCENTIVE PLAN



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

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

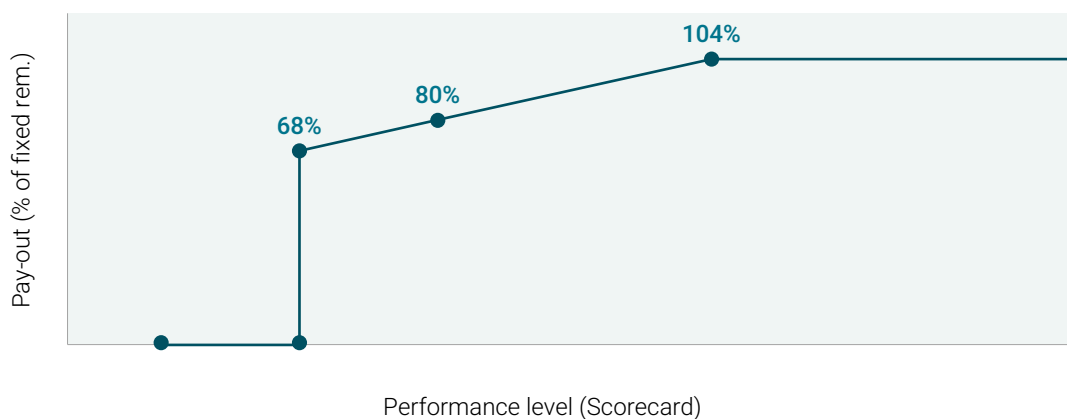
OBJECTIVE	DESCRIPTION	WEIGHT	SCENARIOS	PERFORMANCE	SCORE
<b>Net financial position</b>	Determined as the sum of short- and long-term financial debt (gross financial debt) and cash and cash equivalents. <i>The net financial position of the company objectives does not include financial debts for operating leases pursuant to IFRS 16.</i>	25%	Minimum Target Maximum	Budget +2% Budget Budget -2%	70 100 130
<b>Investments</b>	Technical investments made in the year, excluding investments resulting from the adoption of IFRS 16 and centralised investments.	25%	Minimum Target Maximum	Budget +/- 10% Budget +/- 7.5% Budget +/- 5%	70 100 130
<b>EBITDA</b>	Operating performance indicator, calculated by subtracting from the revenues the operating costs and income components classified as special items (agreed and approved annually by the BoD, upon the proposal of the Appointments and Compensation Committee).	25%	Minimum Target Maximum	Budget - 5% Budget Budget + 5%	70 100 130
<b>Sustainability</b>	<b>Frequency rate of accidents</b> suffered by employees and contractors, measured in terms of the number of accidents that occurred for every million hours worked during the year;	5%	Minimum Target Maximum	2 1.5 1	70 100 130
	<b>Gas Leakage Rate:</b> measured as the percentage of gas leaks into the atmosphere out of the total gas transported by the Italgas network during the calendar year. It measures the rate of gas leakage into the atmosphere on an annual basis in relation to the total volume of gas distributed by the group's networks (cubic meters of gas leaked per cubic meter of gas transported).	10%	Minimum Target Maximum	0.30% 0.20% 0.10%	70 100 130
	<b>Diversity and inclusion:</b> _ percentage of female candidacies on the total of candidacies examined to be hired (net of workers).	5%	Minimum Target Maximum	40% 45% 50%	70 100 130
	_ Percentage of women holding the position of "head of business unit" at 31/12/21.	5%	Minimum Target Maximum	17% 18% 19%	70 100 130
<b>PERFORMANCE GATE</b>		Weighted average of the scores of the individual objectives by relative weight. <b>Threshold level for incentive disbursement equal to 85 points.</b>			

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

Each objective is therefore measured according to the performance scale of 70÷130 points (target = 100), relative to the weight assigned to it. Below 70 points, the performance of each objective is considered equal to zero. For intermediate values between the minimum and target and between the target and the maximum the incentive value is defined by linear interpolation.

The Plan envisages a predefined payout based on the performance level achieved, with a fixed threshold level of 85 points in total, as shown in the following table and in the related incentive curve:

	PERFORMANCE LEVEL ACHIEVED			
	< MINIMUM (SCORE < 85)	MINIMUM (SCORE = 85)	TARGET (SCORE = 100)	MAXIMUM (SCORE =130)
STI payout % fixed remuneration	0	68%	80%	104%



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

1. a portion paid out annually (1 Year) amounting to 65% of the total amount:

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



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

	PERFORMANCE LEVEL ACHIEVED			
	< MINIMUM (SCORE < 85)	MINIMUM (SCORE = 85)	TARGET (SCORE = 100)	MAXIMUM (SCORE =130)
Upfront STI payout % fixed remuneration	0	44%	52%	68%

- a portion deferred to the Co-Investment Plan, subject to approval of this Shareholders' Meeting, equal to the remaining 35% of the overall amount

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

### 3.3.2.2 Co-Investment Plan

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

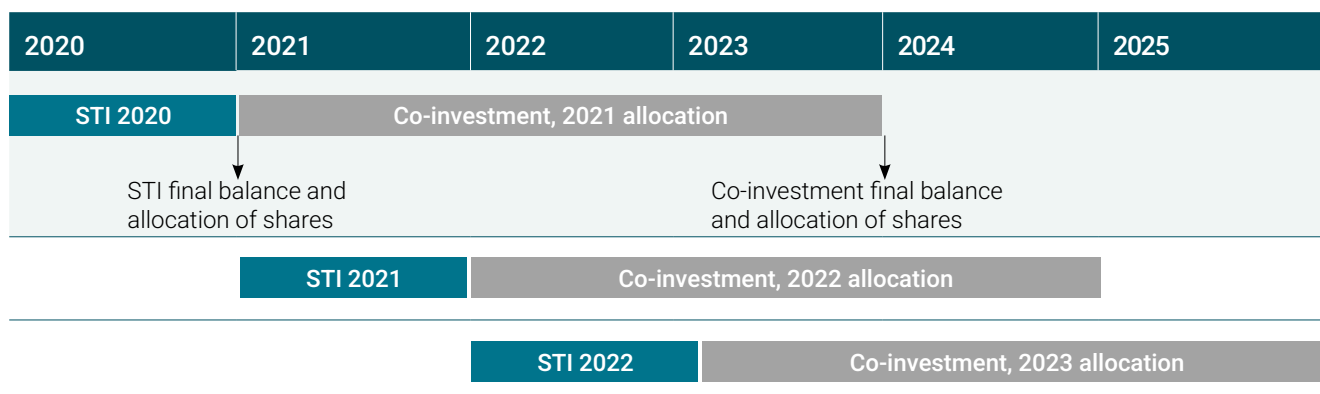
The deferred portion of the STI ( $I_{\text{Deferred}}$ ) is transformed into Italgas shares according to the following formula:

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

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

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

#### CO-INVESTMENT PLAN - TIMELINE



The actual allocation of the shares is subject to a performance condition represented by the EBITDA accumulated in the reference three-year period.

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

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

SHARES ACCRUED	CUMULATED EBITDA IN THE REFERENCE THREE-YEAR PERIOD			
	< MINIMUM	MINIMUM (TARGET -5%)	TARGET	MAXIMUM (TARGET +5%)
Multiplier (% shares compared to those assigned)	0	70%	130%	170%
Matching (ratio with respect to shares assigned)	0	0.6:1	0.8:1	1:1

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



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

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

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

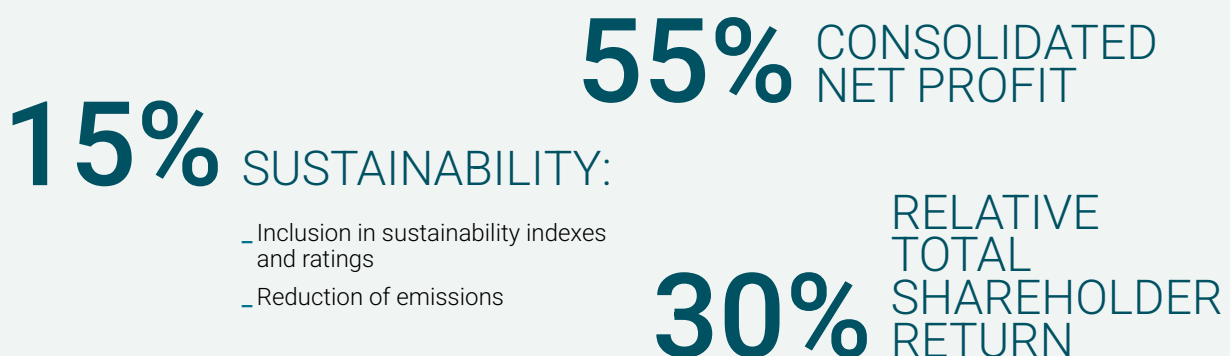
There is also provision for an additional number of shares to be allocated - known as the Dividend Equivalent - on the actually accrued shares in an amount equivalent to the ordinary and extraordinary dividends distributed by Italgas during each three-year performance period and which would be due to the beneficiary during this period.

The number of additional shares to be allocated is determined as the ratio between the sum of the dividends distributed in each three-year period and the average price of the share recorded in the 30 days before the Board of Directors' meeting that approves the final accounting of the performance conditions to which the plan is connected.

### 3.3.3 LONG-TERM MONETARY INCENTIVE (LTMI)

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

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



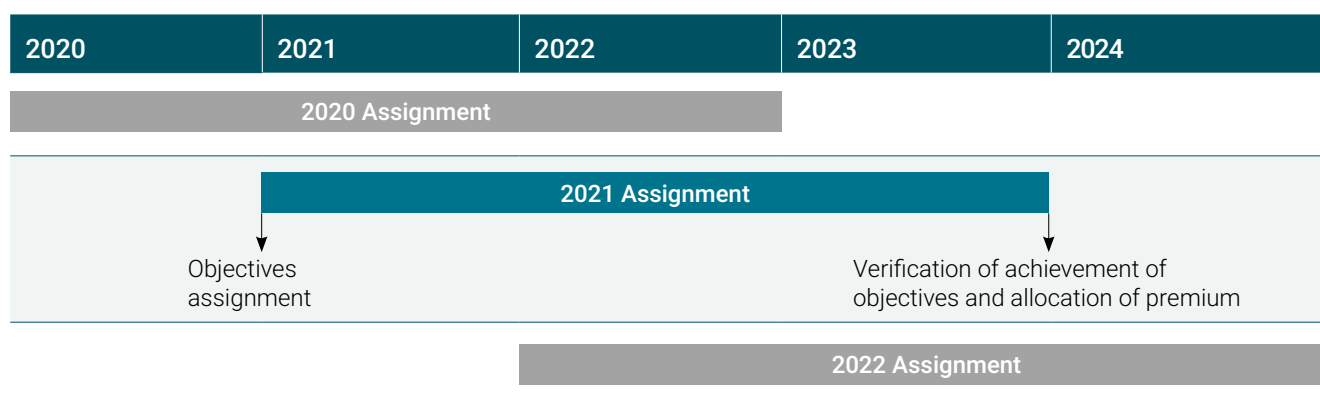
With reference to the objectives identified above, the metrics and main performance indicators <sup>14</sup> are described below:

OBJECTIVE	DESCRIPTION	WEIGHT	SCENARIOS	PERFORMANCE	PAYOUT
<b>Adjusted net profit</b>	Operating performance indicator, calculated by subtracting from earnings the operating costs (EBITDA), depreciation and amortisation, net financial expenses, adding income from equity investments and subtracting income tax, excluding the income components classified as special items (agreed and approved annually by the BoD, upon the proposal of the Appointments and Compensation Committee)	55%	Minimum Target Maximum	Budget - 5% Budget Budget + 5%	70% 100% 130%
<b>Relative TSR</b>	Measured in relation to the positioning of Italgas in a select peer group formed of the following European companies listed on markets in the euro zone (also relevant for the purposes of the P4P methodology) belonging to the EURO STOXX TMI utilities index: Snam, Terna, A2A (Italy), Red Eléctrica, Enagas (Spain), Elia System Operator (Belgium)	30%	1st place 2nd place 3rd place 4th place 5th place 6th place 7th place		130% 120% 110% 100% 0% 0% 0%
<b>Sustainability</b>	Defined based on two parameters:  _ Inclusion, over the three-year period 2021-2023, in the DJSI, FTSE4GOOD and CDP Climate Change sustainability indexes and ratings.  _ Reduction of emissions, measured as the decrease in quantity of gas emitted into the atmosphere by dispersions <sup>15</sup> .	15%	Minimum Target Maximum  Minimum Maximum	5 inclusions 6 inclusions 8 inclusions  92% 93%	70% 100% 130%  70% 130%

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

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

#### LONG-TERM MONETARY INCENTIVE PLAN - TIMELINE



<sup>14</sup> With reference to the economic/financial performance indicators, considering the sensitivity of the data and its strategic relevance, reference is made to performance levels determined in

comparison with budget values and strategic plan without explicitly providing individual numbers.

<sup>15</sup> For 2021, the reference metric to ensure the figure is measurable on a multi-year basis, which

is therefore defined as the percentage of plants (out of the total number) that do not fall within the disincener area using the ARERA method, is confirmed.

### 3.3.4 SEVERANCE AGREEMENT AND PAY

The serving Chief Executive Officer is entitled to compensation for termination of his administration and management employment contract, in line with the practice of the reference markets.

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

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

The effects of any termination of the CEO's relationship on the rights assigned under the long-term incentive and co-investment plans in place are described in the relevant Information Documents and Assignment Regulations. In particular, for all Plans that provide for a three-year vesting period, in the event of termination of the employment contract (agreed by mutual consensus or under good leaver conditions) during the vesting period, the beneficiary shall retain the right to a smaller incentive based on the period elapsed between the allocation of the incentive and

the occurrence of this event. In the event of termination of the contract for cases other than those stated above, all rights are forfeited.

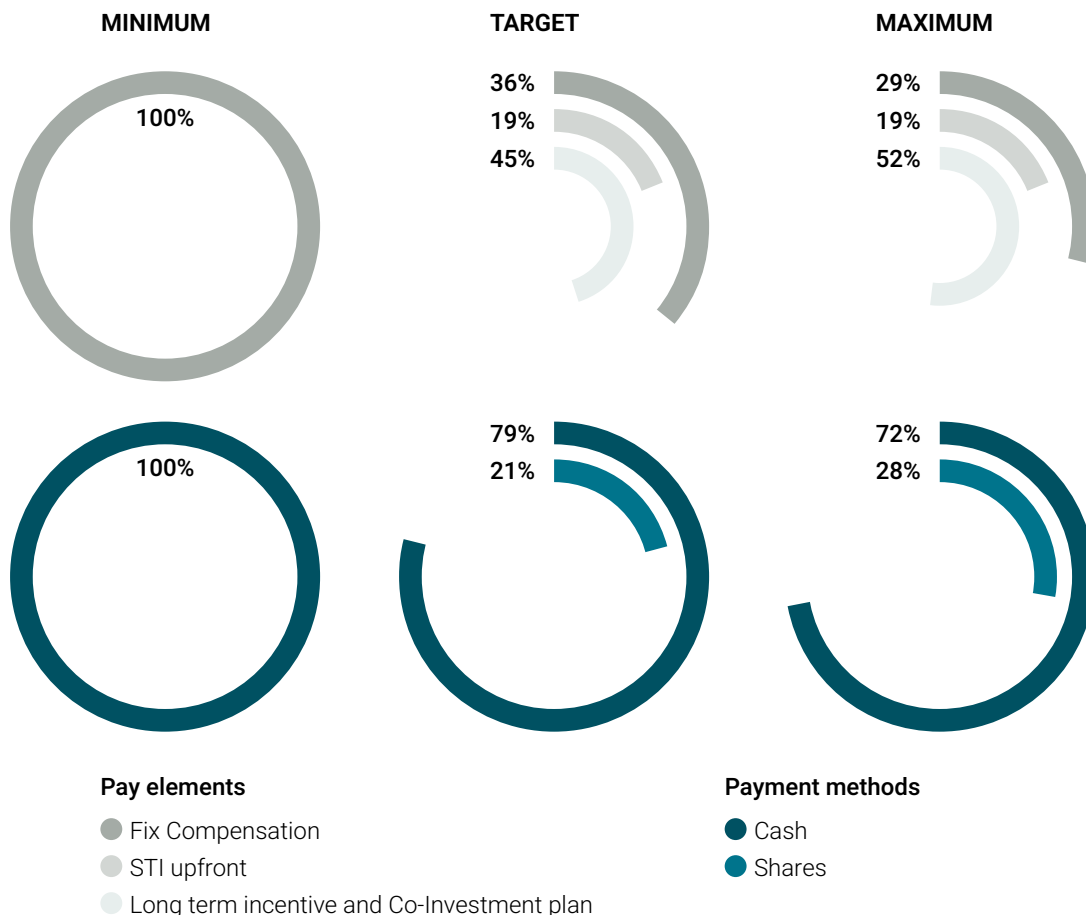
### 3.3.5 NON-COMPETE AGREEMENTS

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

### 3.3.6 BENEFITS

In accordance with national collective labour agreements and supplementary company agreements for Italgas executives, the Chief Executive Officer is also entitled to enrolment in the Supplementary Pension Fund (AZIMUT PREVIDENZA)<sup>16</sup>, enrolment in the Supplementary Health Care Funds (FISDE and CassaPrevint)<sup>17</sup> and insurance cover against the risk of death and disability, as well as a car for personal and business use.

## CHIEF EXECUTIVE OFFICER PAY MIX AND FORM OF REMUNERATION FOR THE MINIMUM, TARGET AND MAXIMUM PERFORMANCE RESULTS



<sup>16</sup> [www.azimutprevidenza.it](http://www.azimutprevidenza.it)

<sup>17</sup> Funds that issue refunds for health care costs to executives, whether in service or retired, and their family members, [www.fisde-eni.it](http://www.fisde-eni.it); [www.cassaprevint.it](http://www.cassaprevint.it)

The pay-mix of the Chief Executive Officer has a prevalent variable component (short and long term) compared to the fixed component, thereby significantly emphasising the link between remuneration and company performance. In relation to the benchmarks conducted with the support of an independent specialist advisor (EY), the impact of the variable component on the total remuneration of the Chief Executive Officer is higher than the market average of the peer group analysed.

## 3.4. Control Bodies

### 3.4.1 BOARD OF STATUTORY AUDITORS

Based on the resolutions of the ordinary Shareholders' Meeting of 4 April 2019, the remuneration of the Chairman of the Board of Statutory Auditors includes a gross annual fixed compensation for the position of 70,000 euros, in addition to reimbursement for costs incurred in connection with the position.

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

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

## 3.5. General Manager of Finance and Services

### 3.5.1 FIXED REMUNERATION

The fixed remuneration determined on the basis of the role and responsibilities assigned, considering the average compensation levels found on the market, is equal to 403,615.1 euros per year gross.

In his capacity as an Italgas executive, the General Manager of Finance and Services receives allowances for national and international travel, in accordance with the provisions of the relevant national collective agreement and supplementary Company agreements.

### 3.5.2 VARIABLE INCENTIVE PLANS

The Short-Term Incentive Plan provides for a payment determined on the basis of the Italgas and individual performance results with a target (performance = 100) and maximum (performance = 130) incentive level of 63% and 82% of fixed remuneration respectively.

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

For the General Manager of Finance and Services, the variable annual incentive is determined partly (50%) by the company results compared to the targets assigned to the CEO by the Board of Directors on 10 March 2021 and partly (50%) by a series of individual targets assigned in relation to the responsibility held, in accordance with the provisions of the Company's Strategic Plan.

The Short-Term Incentive (STI) accrued is then divided into two portions: the first paid annually is equal to 65% of the total amount, the second will instead be deferred to the Co-Investment Plan, to be approved by this Shareholders' Meeting, and is equal to 35% of the total amount.

In line with the provisions made for the CEO, the General Manager of Finance and Services participates in the Long-term Incentive Plans as follows:

- 2021-2023 Co-Investment Plan, to be approved by this Shareholders' Meeting, in relation to the Company's performance measured in terms of EBITDA, under the same performance conditions and with the same characteristics as described in the paragraph dedicated to the Chief Executive Officer's remuneration;
- 2020-2022 Long-Term Monetary Incentive Plan (LTMI) provided for managerial roles with the greatest impact on the company's results. This Plan has the same performance conditions and characteristics as the Plan envisaged for the CEO. For the General Manager of Finance and Services, the target incentive is 47% of the fixed remuneration. The incentive payable at the end of the three-year vesting period is determined as a percentage of between 0% and 130% of the value assigned, based on the results achieved.

### 3.5.3 PAYMENTS MADE IN THE EVENT OF TERMINATION OF OFFICE OR TERMINATION OF THE EMPLOYMENT CONTRACT

The Finance and Service General Manager is entitled to receive the severance pay provided for in the relevant national collective labour agreement and any supplementary payments individually agreed on termination according to the criteria established by Italgas in cases of facilitated redundancy.

The effects of any termination of the employment contract on the rights assigned under the long-term incentive plans are described in the relevant information notices and assignment regulations.

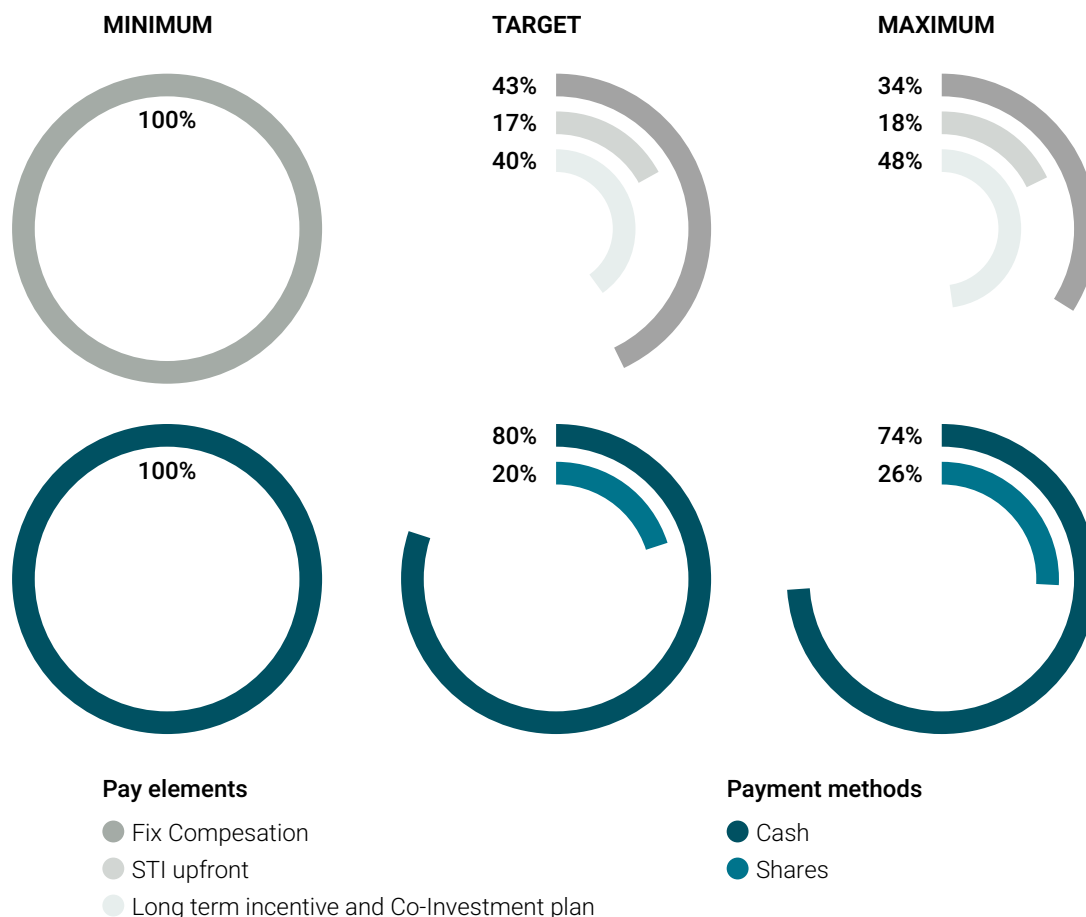
In particular, for all Plans that provide for a three-year vesting period, in the event of termination of the employment contract (agreed by mutual consensus or under good leaver conditions) during the vesting period, the beneficiary shall retain the right to a smaller incentive based on the period elapsed between the allocation of the incentive and the occurrence of this event. In the event of termination of the contract for cases other than those stated above, all rights are forfeited.

### 3.5.4 BENEFITS

In accordance with national collective labour agreements and supplementary company agreements for Italgas executives, the General Manager of Finance and Services is also entitled to enrolment in the Supplementary Pension Fund (FOPDIRE), enrolment in the Supplementary Health Care Fund (FISDE) and insurance cover against the risk of death and disability, as well as a car for personal and business use.

## GENERAL MANAGER OF FINANCE AND SERVICES

### PAY MIX AND FORM OF REMUNERATION FOR THE MINIMUM, TARGET AND MAXIMUM PERFORMANCE RESULTS



## 3.6. Other Executives with Strategic Responsibilities

### 3.6.1 FIXED REMUNERATION

For Executives with Strategic Responsibilities, other than the General Manager of Finance and Services, the fixed remuneration is determined based on the role and responsibilities assigned, considering the compensation levels found on the market for roles with a similar level of responsibility and managerial complexity in companies on the FTSE MIB index and comparable companies in terms of business type, providing for a recovery of competitiveness with the variable components and can be adjusted periodically as part of the annual salary review process carried out in respect of all managers. The Guidelines for 2021, considering the reference context and current market trends, provide for selective criteria while maintaining high levels of competitiveness and motivation. In particular, the actions proposed involve adjustments addressed selectively at the holders of positions whose scope of responsibilities has increased or whose position is significantly below the median market references.

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

### 3.6.2 VARIABLE INCENTIVE PLANS

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

For other Executives with Strategic Responsibilities the variable annual incentive is determined partly (40%) by the company results compared to the targets assigned to the Chief Executive Officer by the Board of Directors on 10 March 2021 and partly (60%) by a series of individual targets (focused on economic/financial, operational and industrial performance, internal efficiency and sustainability matters) assigned in relation to the responsibility held, in accordance with the provisions of the Company's Strategic Plan.

The Short-Term Incentive (STI) accrued is then divided into two portions: the quota paid annually is equal to 65% of the total amount, while the quota that will be deferred to the Co-Investment Plan, to be approved by this Shareholders' Meeting, is equal to 35% of the total amount.

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

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

employment contract.

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

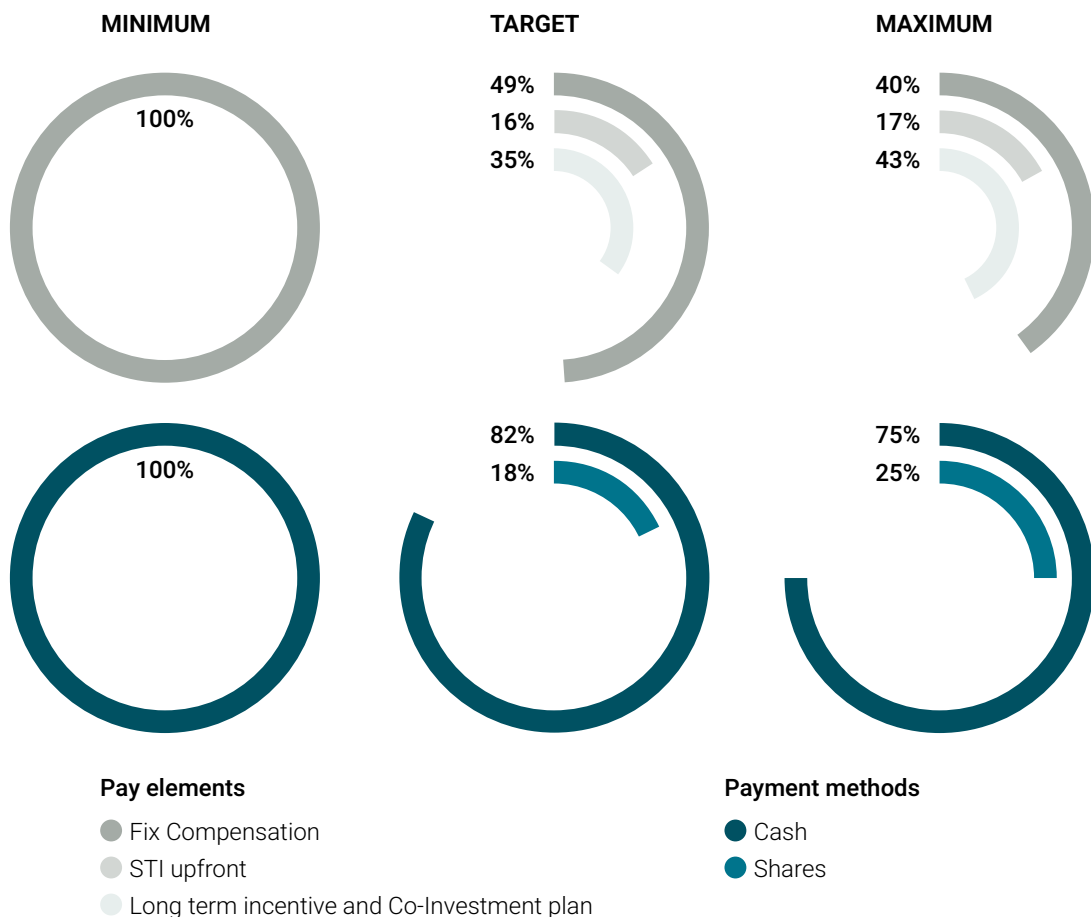
### 3.6.4 PAYMENTS MADE IN THE EVENT OF TERMINATION OF OFFICE OR TERMINATION OF THE EMPLOYMENT CONTRACT

Executives with Strategic Responsibilities are entitled to receive the severance pay provided for in the relevant national collective labour agreement and any supplementary payments individually agreed on termination according to the criteria established by Italgas in cases of facilitated redundancy. On the date on which this report was drawn up there were no supplementary individual agreements in the event of termination of the

### 3.6.5 BENEFITS

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

### EXECUTIVES WITH STRATEGIC RESPONSIBILITIES PAY MIX AND FORM OF REMUNERATION FOR THE MINIMUM, TARGET AND MAXIMUM VARIABLES





### 3.6.6 ROLES SUBJECT TO UNBUNDLING REGULATION

For the managers, which include two Executives with Strategic Responsibilities, who are members of the Independent Operator/Head of Compliance, there is a specific policy in relation to the short and long-term variable incentive plans, in order to ensure the neutrality of management of essential infrastructure in accordance with the reference legislation<sup>18</sup>.

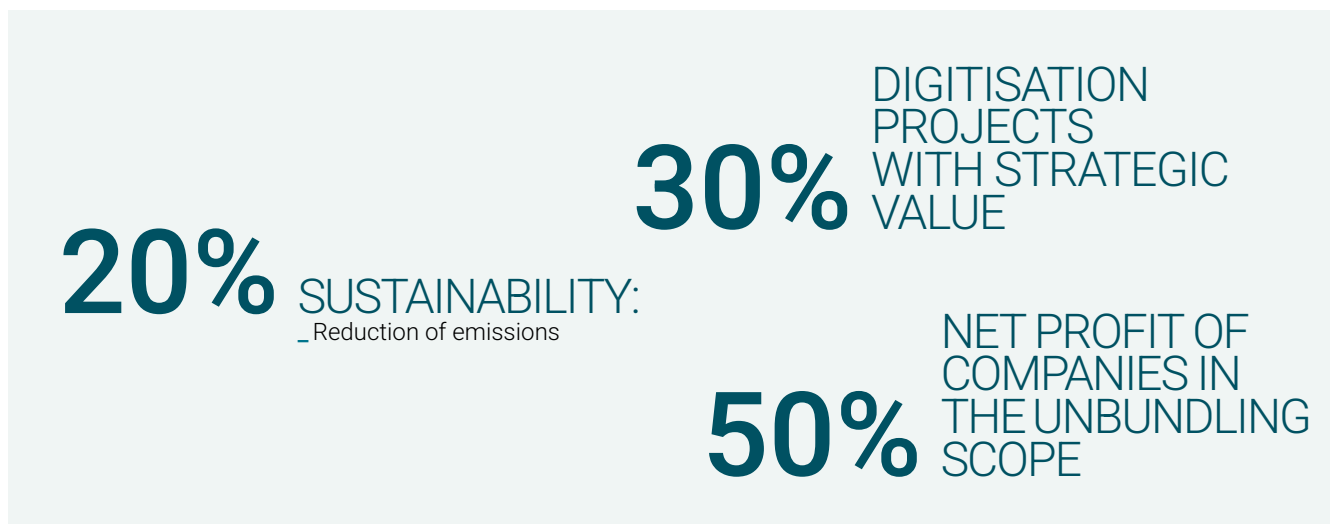
The remuneration policy envisaged for members of the Independent Operator/Head of Compliance for the Unbundling regulation, albeit with the necessary specifications, is aligned with the Company's overall approach for compensation issues and is formed of a short-term variable incentive component, a medium-term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

- \_ A short-term incentive (STI);
- \_ A deferment plan for the short-term incentive - "Bonus Bank" in monetary form;
- \_ A long-term monetary incentive (LTMI) plan.

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

The 65% of the incentive is paid upfront on the basis of achievement of the annual results, whereas 35% is "invested" into a company "bonus bank" plan and is subject to a performance condition, tied to the EBITDA of the unbundling scope, according to the same incentive scale provided for the other Executives with Strategic Responsibilities who are not part of the Independent Operator. This deferred component is paid in monetary form in compliance with the functional unbundling legislation.

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



### 3.7 Claw-back mechanisms

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

<sup>18</sup> Pursuant to Annex A (TIUF) to resolution 296/2015, amended and supplemented with resolution 15/2018, which, in addition to providing for specific provisions relating to the functional unbundling obligations for companies operating in the electricity and gas sectors, governs the independence requirements of the members of the Independent Operator/Head of Compliance of companies operating in the corporate unbundling of sales and production. In particular, subsection 10.3 sets out the ban on implementing compensation policies or incentive systems directly or indirectly connected to the performance of the sales or production activity of electricity or natural gas.



2.0

**SECTION II - 2020  
COMPENSATION  
PAID AND OTHER  
INFORMATION**

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# 1. IMPLEMENTATION OF 2020 COMPENSATION POLICIES

Below is a description of the compensation measures implemented in 2020 for the Chairman of the Board of Directors, non-executive Directors, the Chief Executive Officer, the Board of Statutory Auditors and Executives with Strategic Responsibilities.

The 2020 Compensation Policy, as verified by the Appointments and Compensation Committee during the periodic assessment required by the Corporate Governance Code, was implemented in accordance with the general principles referred to in the resolutions passed by the Board of Directors and was consistent with the 2020 Remuneration Policy, both in the market references found and in terms of overall positioning and pay mix.

In 2020, in compliance with application of the functional unbundling legislation, Italgas also adjusted the remuneration policy mechanisms for Independent Operators and Heads of Compliance as defined by the unbundling regulation, without prejudice to the substantial consistency with the compensation structure envisaged in the 2020 Remuneration Policy and in line with the description in the dedicated subsection in section I.

In accordance with Italian Legislative Decree 49/2019, art. 4, subsection b, shown below are the 2020 performance results based on the targets set by the Italgas Board of Directors, which will determine or contribute to determining

the incentives for 2020 that will be disbursed during 2021.

The incentives disbursed in 2020 were paid on basis of the final statement of results for 2019, as accrued within the Italgas Group and approved by the Italgas Board of Directors following the verification carried out and proposal made by the Appointments and Compensation Committee of Italgas. The 2019 results were stated in the 2020 Report on the remuneration policy and compensation paid.

## Historical trend of the Chief Executive Officer's remuneration and the average remuneration of employees

The analysis conducted on the historical trend relating to the annual variation in the total remuneration of the Chief Executive Officer and the average remuneration of employees, both characterised by a slightly positive percentage change, shows substantial alignment with the business results shown herein by the EBITDA. The following table shows the comparison for the last two-year period:

	2019	2020
<b>EBITDA (€ mln)</b>	<b>908</b>	<b>971</b>
<b>Total Compensation - Chief Executive Officer (€)</b>	<b>1,752,309</b>	<b>1,791,344</b>
<i>Fixed</i>	<b>47%</b>	<b>47%</b>
<i>Variable</i>	<b>53%</b>	<b>53%</b>
<b>Average gross annual compensation - employees (€)</b>	<b>39,872</b>	<b>39,881</b>

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

In order to ensure full comparability between the different elements of the compensation package in the years considered, for 2019 the component linked to the last monetary cycle of the Deferred Monetary Incentive Plan was excluded (540,210 euros). This plan is no longer available from 2020 since it has been replaced by the

2018-2020 Co-Investment Plan which, following the final accounting of the results of the first cycle of the plan, attributes 191,432 shares to the Chief Executive Officer<sup>19</sup>.

Furthermore, by observing the relationship between just the fixed component received by the Chief Executive Officer and the average remuneration of all employees, there is a pay ratio of 1:20, which has been substantially constant over the years analysed, demonstrating the attention paid by the company in defining remuneration policies as a whole.

The data related to board members are not shown since these are not tied to the company results.

<sup>19</sup> As per instructions from CONSOB, column 7 "Fair Value of equity compensation" of Tab.1 Compensation paid to Directors, Statutory auditors and Executives with Strategic Responsibilities of this report, sets out the sum of the fair value pertaining to the year of all the equity plans currently in place, therefore this value is not considered for the purposes of defining the comparison table.

## 2. FINAL REPORT ON THE PERFORMANCE OF THE VARIABLE INCENTIVE PLANS

### Short-Term Incentive Plan (STI)

The annual 2020 incentives will be paid on the basis of the final statement of results for the targets set for 2020 in accordance with the Strategic Plan and the annual budget, determined on a constant scenario basis. In particular, the final results for the targets set by the Board of Directors on a proposal from the Appointments and Compensation Committee at the meeting of 10 March 2021 determined a performance score of 109.9 points on the measurement scale which provides for a target and maximum

performance level of 100 and 130 points respectively.

This will result in the disbursement to the Chief Executive Officer in 2021, as a Short-Term Incentive, of € 712,152, 35% of which (€ 249,253) will be deferred in the Co-Investment Plan, to be approved at this Shareholders' Meeting.

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

#### SHORT-TERM INCENTIVE - FINAL STATEMENT OF 2020 TARGETS

PERFORMANCE PARAMETERS	% WEIGHT	UNIT OF MEASUREMENT	MINIMUM (70)	TARGET (100)	MAXIMUM (130)	PERFORMANCE SCORE
Net financial position	30%	Mln €	4,660			28.5
Investment (spending)	30%	Mln €	674			34.6
Profitability (EBITDA)	20%	Mln €	971			22
Sustainability: Accident frequency index	5%	Index	1.41			5.3
Sustainability: Integration and Governance of new initiatives	10%	Implementation and optimisation of governance initiatives	Initiatives completed			13
Sustainability: diversity and inclusion	5%	Gender equality in the selection process (% of female candidacies)	51%			6.5
					<b>Total</b>	<b>109.9</b>

## 2018-2020 Co-Investment plan

At its meeting held on 10 March 2021, following the verification and proposal of the Appointments and Compensation Committee, the Italgas Board of Directors resolved:

an Italgas accrued EBITDA result for the 2018-2020 three-year period of 2,719.4 which determined a multiplier of 1.51 on the scale of 70 = minimum, 130 = budget and 170 = maximum, to be applied to the number of Rights assigned in 2018 for the purpose of determining the number of Italgas Shares to be allocated to the Beneficiaries of the Plan. Furthermore, in consideration of the performance level achieved, Italgas has offered a free matching in Shares, equal to 0.9 shares for every right assigned, as governed by the Plan, for a total multiplier of 2.41.

	MINIMUM (70)	CENTRAL (130)	MAXIMUM (170)	MULTIPLIER
Accrued EBITDA			2,719.4	1.51
Matching				0.9
Total				2.41

an additional number of Shares - "Dividend Equivalent" - determined as the ratio between the sum of the dividends distributed in the Performance Period and the average of the official daily prices of the Share registered in the 30 calendar days prior to Assignment of said Shares (10 March 2021).

## Long-term Monetary Incentive Plan (LTMI) 2017-2019 - 2018 assignment

At its meeting held on 10 March 2021, following the verification and proposal of the Appointments and Compensation Committee, the Italgas Board of Directors resolved:

a 2020 Italgas Consolidated Net Profit result that determined a multiplier of 130 on a scale of 0-130 (60% weighting);

	MINIMUM	TARGET	MAXIMUM	MULTIPLIER
2020 Net profit			345 mln	130

– a 2020 Total Shareholders Return result compared to the peer group (A2A, Elia, Enagas, Red Eléctrica, Terna, Snam) that positions Italgas in 4th place, determining a multiplier of 100 points on a scale of 0 - 130 (40% weighting).

CLASS.	COMPANY	TSR (DIFF. %)
1	Elia SO	+25.3%
2	Terna	+9.4%
3	Snam	+3.4%
4	<b>Italgas</b>	<b>+0.6%</b>
5	Red Electrica	-0.5%
6	Enagas	-14.3%
7	A2A	-17.0%

Therefore, the annual multiplier for 2020 was 118 points on a scale of 0 -130.

Consequently, in relation to the 2018 and 2019 results already reported, the three-year average multiplier was 1.047, applied to the incentives awarded in 2018 for the purpose of the disbursement which will take place in October 2021.

#### 2018 LTM DISBURSEMENT - ADJUSTED NET PROFIT AND TOTAL SHAREHOLDERS RETURN

2018 MULTIPLIER	2019 MULTIPLIER	2020 MULTIPLIER	FINAL MULTIPLIER FOR 2020 DISBURSEMENT
0.78	1.18	1.18	1.047 (three-year period average)

In addition, in relation to the cash basis, the value related to the 2017-2019 Deferred Monetary Incentive and to the 2017-2019 Long-Term Monetary Incentive accrued at the end of 2019 were paid in 2020.

## 3. COMPENSATION PAID TO THE DIRECTORS

### Chairman of the Board of Directors

#### FIXED COMPENSATION

The Chairman was paid, on a pro quota basis from the date of appointment, the /compensation resolved by the Board of Directors on 23 September 2019, amounting to 270,000 euros gross, including the fixed annual compensation for Directors established by the Shareholders' Meeting on 4 April 2019.

### Non-executive Directors

#### FIXED COMPENSATION

The Directors received, on a pro quota basis, the fixed compensation resolved by the Shareholders' Meeting of 23 April 2019, amounting to a gross annual amount of 50,000 euros. In accordance with the resolutions passed by the Board of Directors on 13 May 2019, the additional compensation for participation in the Board Committees was also paid, details of which are given in Table 1, under "Compensation for participation in Committees".

### Chief Executive Officer

#### FIXED COMPENSATION

The Chief Executive Officer received the fixed compensation resolved by the Board of Directors on 23 September 2019, which also includes the compensation resolved by the Shareholders' Meeting for all Directors and the travel allowances payable (1,360 euros) in the total annual gross amount of 811,360 euros.

Also disbursed and shown in Table 1 under "Other compensation" is the gross-up for the car, amounting to 6,800 euros gross.

#### SHORT-TERM INCENTIVE

The Chief Executive Officer will be paid a variable annual gross incentive of 462,899 euros, equal to 65% of the total incentive accrued, associated with the performance achieved in the 2020 financial year (109.9 points). The gross value of the incentive that will be paid in 2021 is shown in Table 3.b under "Bonus for the year - payable/paid".

During 2020, according to the cash basis, the bonus related to the Short-Term Incentive equal to € 539,663, pertaining to FY 2019, was paid.

### 2018-2020 CO-INVESTMENT PLAN

At the meeting held on 10 April 2020, on a proposal made by the Appointments and Compensation Committee and in accordance with the 2020 Remuneration Policy, the Board of Directors resolved to assign 63,669 rights to the Chief Executive Officer to receive Company shares at the end of the three-year vesting period and on achievement of the specific performance objective, to be approved by this Shareholders' Meeting.

The fair value of the assignment is shown in table 3.a under "Fair value on the assignment date".

Furthermore, with reference to the rights assigned in 2018 and accrued at the end of the performance period as at 31.12.2020, at the Board of Directors meeting on 10 March 2021, 191,432 shares were assigned to the Chief Executive Officer in relation to the performance achieved in the 2018-2020 three-year period, the free matching offered by Italgas and the approved Dividend Equivalent.

### LONG-TERM MONETARY INCENTIVE

At the meeting held on 29 October 2020 on a proposal made by the Appointments and Compensation Committee and in accordance with the 2020 Remuneration Policy, the Board of Directors resolved to allocate a gross amount of 530,550 euros (fix compensation x 65.5%) to the Chief Executive Officer as the 2020 payment under 2020-2022 Long-Term Monetary Incentive Plan, subject to achievement of the predefined performance conditions in the three-year vesting period. The gross value of the incentive paid is shown in Table 3.b under "Bonus for the year - deferred".

In 2020, the Long-Term Monetary Incentive awarded in 2018 for a gross value of 493,660.50 euros, reported in table 3.b under "Bonuses from previous years - payable/paid" was also accrued, which will be paid in 2021.

According to the cash basis, the bonuses related to the 2017-2019 Deferred Monetary Incentive equal to 540,210 euros and to the 2017-2019 Long-Term Monetary Incentive equal to 394,037 euros, pertaining to FY 2019, were paid in 2020.

### BENEFITS

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



## 4. 4.COMPENSATION PAID TO THE GENERAL MANAGER OF FINANCE AND SERVICES

### FIXED COMPENSATION

The General Manager of Finance and Services was paid fixed compensation for a total gross annual amount of 404,952 euros, which also includes the travel allowances payable (1,337 euros).

The amount is shown in Table 1 under the item "Fixed Compensation".

### SHORT-TERM INCENTIVE

In April 2021, an annual variable incentive will be paid to the General Manager of Finance and Services, determined in accordance with the defined Remuneration Policy, with reference to the final record of performance in FY 2020. In particular, the incentive is connected to the company results and to a series of business, sustainability and individual objectives assigned in relation to the responsibility of the role held.

The gross value of the up-front incentive to be paid in 2021 to the General Manager of Finance and Services, in consideration of the performance level achieved of 114.9 on a scale of 70-130, is equal to 189,958 and shown in Table 3.b under "Bonus for the year - payable/paid".

Lastly, during 2020, according to the cash basis, the bonus related to the Short-Term Incentive equal to 207,838 euros, pertaining to FY 2019, was paid.

### 2018-2020 CO-INVESTMENT PLAN

At the meeting held on 10 April 2020, on a proposal made by the Appointments and Compensation Committee and in accordance with the 2020 Remuneration Policy, the Board of Directors resolved to assign 24,521 rights to the General Manager of Finance and Services to receive Company shares at the end of the vesting period and on achievement of the specific performance objective.

The fair value of the assignment is shown in table 3.a under "Fair value on the assignment date".

Furthermore, with reference to the rights assigned in 2018 and accrued in 2020, at the Board of Directors meeting on 10 March 2021, 81,599 shares were assigned to the General Manager of Finance and Services in relation to the performance achieved in the 2018-2020 three-year period, the free matching offered by Italgas and the approved Dividend Equivalent.

### LONG-TERM MONETARY INCENTIVE

In 2020, the Long-Term Monetary Incentive was assigned to the General Manager of Finance and Services for a total value of 189,500 euros, the accrual of which is subject to predefined performance conditions and to a three-year vesting period, determined in line with the 2020 Remuneration Policy.

The Long-Term Monetary Incentive allocated in 2018 was also accrued in 2020, for a total value to be paid equal to 197,883 euros.

The gross value of the incentives allocated and those paid to the General Manager of Finance and Services is shown in Table 3.b under "Bonuses for the year - deferred" and "Bonuses from previous years - payable/paid" respectively.

Lastly, according to the cash basis, the bonuses related to the 2017-2019 Deferred Monetary Incentive equal to 229,180 euros and to the 2017-2019 Long-Term Monetary Incentive equal to 124,963.50 euros, pertaining to FY 2019, were paid in 2020.

### BENEFITS

In accordance with national collective labour agreements and supplementary company agreements for Italgas executives, the General Manager of Finance and Services was also granted the benefits provided for, and more specifically enrolment in the Supplementary Pension Fund (FOPDIRE or PREVINDAI or AZIMUT), enrolment in the Supplementary Health Care Fund (FISDE) and insurance cover against the risk of death and disability, as well as a car for personal and business use.

## 5. COMPENSATION PAID TO EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Italgas Executives with Strategic Responsibilities for 2020, other than the General Manager of Finance and Services, are: Head of Commercial Development <sup>20</sup>, Head of Legal, Corporate Affairs and Compliance, Head of Human Resources & Organization, Head of External Relations and Communication, Head of Institutional Relations and Regulatory Affairs, Head of Procurement and Material Management, CEO Italgas Reti, CEO Toscana Energia.

### FIXED COMPENSATION

For Executives with Strategic Responsibilities, as part of the annual salary review process envisaged for all executives, in 2020 selective adjustments were made to the fixed remuneration as a result of promotions to higher level positions or adjustments to compensation levels needed to reflect the market benchmarks identified. The aggregate gross value of fixed remunerations disbursed in 2020 to Executives with Strategic Responsibilities is 1,484,658 euros and is shown in Table 1 under "Fixed Compensation".

### SHORT-TERM INCENTIVE

In April 2021, variable annual incentives will be paid to Executives with Strategic Responsibilities, in accordance with the defined Remuneration Policy, with reference to the final record of performance in 2020. In particular, the incentive is connected to the company results and to a series of business, sustainability and individual objectives assigned in relation to the responsibility of the role held.

The aggregate gross value of the incentives to be paid in 2021 to Executives with Strategic Responsibilities is equal to 548,166 and is shown in Table 3.b under "Bonus for the year - payable/paid".

During 2020, according to the cash basis, the bonus related to the Short-Term Incentive equal to 587,260 euros, pertaining to FY 2019, was paid.

### 2018-2020 CO-INVESTMENT PLAN

At the meeting held on 10 April 2020, on a proposal made by the Appointments and Compensation Committee and in accordance with the 2020 Remuneration Policy, the Board of Directors resolved to assign a total of 50,614 rights to Executives with Strategic Responsibilities to receive Company shares at the end of the vesting period and on achievement of the specific performance objective.

The fair value of the assignment is shown in table 3.a under "Fair value on the assignment date".

Furthermore, with reference to the rights assigned in 2018

and accrued in 2020, at the Board of Directors meeting on 10 March 2021, a total of 82,423 shares were assigned to Executives with Strategic Responsibilities in relation to the performance achieved in the 2018-2020 three-year period, the free matching offered by Italgas and the approved Dividend Equivalent.

In compliance with the provisions of the functional unbundling legislation, the Board of Directors resolved, on the basis of the proxies received for management of said plan, to pay the monetary value of the shares accrued for two Executives with Strategic Responsibilities appointed as Independent Operator, for a total value of 286,541.06 euros.

### LONG-TERM MONETARY INCENTIVE

In 2020, the Long-Term Monetary Incentive was assigned to Executives with Strategic Responsibilities for a total value of 484,375 euros, the accrual of which is subject to predefined performance conditions and to a three-year vesting period, determined in line with the 2020 Remuneration Policy.

The Long-Term Monetary Incentive allocated in 2018 was also accrued in 2020, for a total value to be paid equal to 341,845.50 euros.

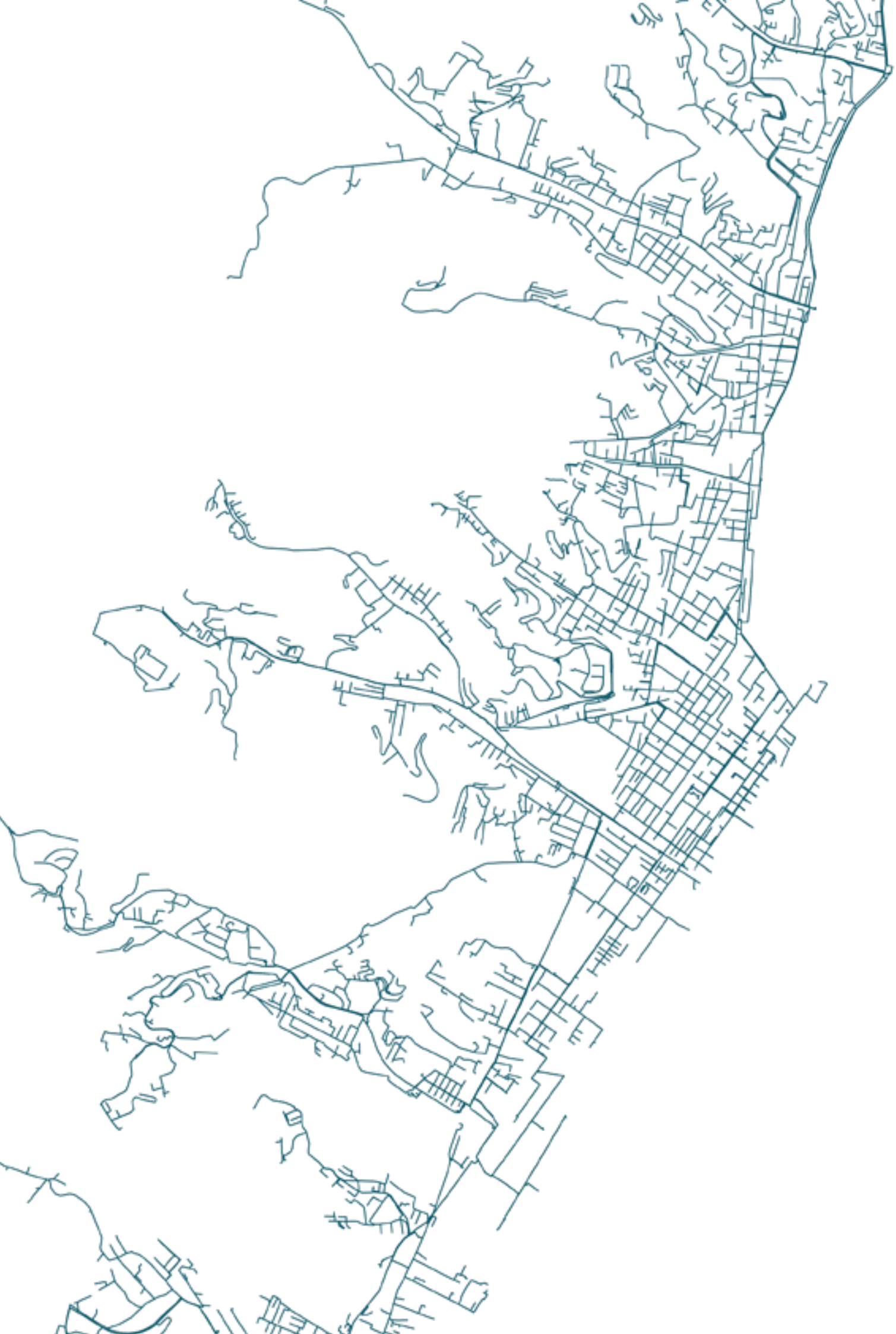
The aggregate gross value of the incentives allocated and those paid to Executives with Strategic Responsibilities is shown in Table 3.b under "Bonuses for the year - deferred" and "Bonuses from previous years - payable/paid" respectively.

According to the cash basis, the bonuses related to the 2017-2019 Deferred Monetary Incentive equal to 491,500 euros and to the 2017-2019 Long-Term Monetary Incentive equal to 200,933 euros, pertaining to FY 2019, were paid in 2020.

### BENEFITS

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

<sup>20</sup> From 18 January 2021, following the introduction of a new organisational structure, the role of Head of Commercial Development was replaced by another role, and, therefore, the appointment as executive with strategic responsibilities expired.







# 3.0 CONSOB TABLES



# TABLE 1 - COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The following table lists the compensation paid to Directors, Statutory Auditors and, at aggregate level, Executives with Strategic Responsibilities<sup>21</sup>.

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

More specifically:

- \_ the “**Fixed Compensation**” column shows, on an accrual basis, the fixed emoluments and wages and salaries due in 2020, gross of social security and tax charges. Flat fee reimbursements and attendance fees are excluded as they are not payable. The note provides details of the compensation as well as a separate indication of any allowances and amounts payable based on the employment contract;
- \_ the “**Compensation for participation in Committees**” column shows, on an accrual basis, the compensation due to Directors for their participation in the Committees set up by the Board. The note provides a separate indication of the compensation for each committee in which the director participates;
- \_ the “**Variable non-equity compensation**” column shows, under “**Bonuses and other incentives**”, the incentives payable for the year from accrual of the related rights following verification and approval of the related performance results by the competent corporate bodies as specified in greater detail in Table 3.b “Monetary incentive plans for Directors and Executives with Strategic Responsibilities”;
- \_ the “**Non-monetary benefits**” column shows, on an accrual and taxability basis, the value of the fringe benefits assigned;
- \_ the “**Other compensation**” column shows, on an accrual and taxability basis for the Chief Executive Officer, the gross-up value of the car;
- \_ the “**Variable non-equity compensation/Profit sharing**” column contains no data as this did not exist in 2020;
- \_ the “**Total**” column shows the sum of the previous items;
- \_ the “**Fair Value of equity compensation**” column shows the fair value on the date on which compensation pertaining to the financial year was allocated with respect to the incentive plans based on financial instruments, estimated according to international accounting standards;
- \_ the “**Compensation for end of office or termination of employment contract**” shows the amount of any redundancy incentives or non-competition agreements for Executives with strategic responsibilities who ended their employment during 2020.

<sup>21</sup> The prerequisites set by current legislation for disclosure on an individual basis do not exist.

**TABLE 1: COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**

NAME AND LAST NAME	NOTES	OFFICE	PERIOD OFFICE WAS HELD	EXPIRY OF OFFICE	FIXED COMPEN-SATION	COMPENSATION FOR PARTICIPATION IN COMMITTEES
<b>BOARD OF DIRECTORS</b>						
Alberto Dell'Acqua	(1)	Chairman	01.01 - 31.12	04.22	270,000 (a)	
Paolo Gallo	(2)	Chief Executive Officer	01.01 - 31.12	04.22	811,360 (a)	
Andrea Mascetti	(3)	Director	01.01 - 31.12	04.22	50,000 (a)	40,000 (b)
Giandomenico Magliano	(4)	Director	01.01 - 31.12	04.22	50,000 (a)	46,191.78 (b)
Veronica Vecchi	(5)	Director	01.01 - 31.12	04.22	50,000 (a)	20,000 (b)
Silvia Stefini	(6)	Director	01.01 - 31.12	04.22	50,000 (a)	40,000 (b)
Maurizio Dainelli	(7)	Director	01.01 - 31.12	04.22	50,000 (a)	20,000 (b)
Yunpeng He	(8)	Director	01.01 - 31.12	04.22	50,000 (a)	20,000 (b)
Paola Annamaria Petrone	(9)	Director	01.01 - 31.12	04.22	50,000 (a)	45,000 (b)
<b>BOARD OF STATUTORY AUDITORS</b>						
Pierluigi Pace	(10)	Chairman	01.01 - 31.12	04.22	70,000 (a)	
Marilena Cederna	(11)	Standing Auditor	01.01 - 31.12	04.22	45,000 (a)	
Maurizio di Marcotullio	(12)	Standing Auditor	01.01 - 31.12	04.22	45,000 (a)	
<b>GENERAL MANAGER OF FINANCE AND SERVICES AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b>						
Antonio Paccioretti	(13)	General Manager of Finance and Services	01.01 - 31.12		404,952 (a)	
Executives with Strategic Responsibilities (14)					1,484,658 (a)	
<b>Grand Total</b>					<b>3,480,970</b>	<b>231,192</b>



VARIABLE NON-EQUITY COMPENSATION		NON-MONETARY BENEFITS	OTHER COMPENSATION	TOTAL	FAIR VALUE OF EQUITY COMPENSATION	COMPENSATION FOR END OF OFFICE OR TERMINATION OF EMPLOYMENT CONTRACT
BONUS AND OTHER INCENTIVES	PROFIT SHARING					
				270,000		
956,560 (b)		16,624 (c)	6,800 (d)	1,791,344	1,131,516 (e)	
				90,000		
				96,192		
				70,000		
				90,000		
				70,000		
				70,000		
				95,000		
				70,000		
				45,000		
				45,000		
387,841 (b)		12,611 (c)		805,404	478,446 (d)	
1,788,620 (b)		90,765 (c)		3,364,043	854,966 (d)	830,000 (e)
<b>3,133,021</b>		<b>120,000</b>	<b>6,800</b>	<b>6,971,983</b>	<b>2,464,928</b>	

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

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

#### 2. Paolo Gallo - Chief Executive Officer

- a. The amount of 811,360 euros includes:
  - the G.A.C. of 810,000 euros approved by the Board of Directors at the meeting held on 23 September 2019, which includes the compensation of 50,000 euros established by the Shareholders' Meeting of 4 April 2019 for the office of Director;
  - the allowances due for national and international travel undertaken, in accordance with the national collective labour agreement for the relevant Executives and supplementary company agreements (in the total amount of 1,360 euros).
- b. The amount is related to 462,899 euros of the 2021 Annual Monetary Incentive, pertaining to 2020, to be paid with the salary of April 2021 and to 493,660.5 euros related to the Long-Term Monetary Incentive allocated in 2018 and to be paid with the salary of October 2021. In addition, in 2020 the following incentives pertaining to 2019 were paid: 539,663 euros related to the 2020 Annual Monetary Incentive; 540,210 euros related to the Deferred Monetary Incentive allocated in 2017 and paid in August 2020; 278,002.50 euros related to the Long-Term Monetary Incentive allocated in 2017 and paid in October 2020.
- c. The amount corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- d. The amount relates to the gross-up value of the Chief Executive Officer's car.
- e. The amount corresponds to the fair value on the date on which compensation pertaining to the financial year was allocated with respect to the incentive plans based on financial instruments, estimated according to international accounting standards.

#### 3. Andrea Mascetti - Director

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

#### 4. Giandomenico Magliano - Director

- a. The amount includes the annual fixed compensation established by the Shareholders' Meeting on 4 April 2019 (50,000 euros);
- b. The amount includes the fixed annual compensation for participation, as Chairman, in the Sustainability Committee (26,191.78 euros). This amount takes account of the increase from 25,000 euros to 30,000 euros of the gross annual fee of the Chairman of the Sustainability Committee (resolved by the Board of Directors on 5 October 2020) and the participation, as Member, in the Control, Risk and Related Party Transactions Committee (20,000 euros).

#### 5. Veronica Vecchi - Director

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

#### 6. Silvia Stefini - Director

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

#### 7. Maurizio Dainelli - Director

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

#### 8. Yunpeng He - Director

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

#### 9. Paola Annamaria Petrone - Director

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

#### 10. Pier Luigi Pace - Chairman of the Board of Statutory Auditors

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

#### 11. Marilena Cederna - Board of Statutory Auditors

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

#### 12. Maurizio Di Marcotullio - Board of Statutory Auditors

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

#### 13. Antonio Paccioretti - General Manager of Finance and Services

- a. The amount of 404,952 euros corresponds to the G.A.C. and the allowances for national and international travel undertaken, in accordance with the national collective labour agreement for the relevant Executives and supplementary company agreements, totalling 1,337 euros.
- b. The amount is related to 189,958 euros of the 2021 Annual Monetary Incentive, pertaining to 2020, to be paid with the salary of April 2021 and to 197,883 euros related to the Long-Term Monetary Incentive allocated in 2018 and to be paid with the salary of October 2021. In addition, in 2020 the following incentives pertaining to 2019 were paid: 207,838 euros related to the 2020 Annual Monetary Incentive; 229,180 euros related to the Deferred Monetary Incentive allocated in 2017 and paid in August 2020; 124,963.50 euros related to the Long-Term Monetary Incentive allocated in 2017 and paid in October 2020.
- c. The amount corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- d. The amount corresponds to the fair value on the date on which compensation pertaining to the financial year was allocated with respect to the incentive plans based on financial instruments, estimated according to international accounting standards.

#### 14. Executives with Strategic Responsibilities

- a. The amount of 1,484,658 euros corresponds to the G.A.C. and the allowances for national and international travel undertaken, in accordance with the national collective labour agreement for the relevant Executives and supplementary company agreements, totalling 20,610 euros.
- b. The amount is related to 548,166 euros of the 2021 Annual Monetary Incentive, pertaining to 2020, to be paid with the salary of April 2021; to 341,845.50 euros related to the Long-Term Monetary Incentive allocated in 2018 and to be paid with the salary of October 2021. The amount also includes the total incentives paid in monetary form related to the promises of the long-term incentive plan and the 2018-2019-2020 co-investment plans, paid in accordance with the provisions of the related regulations in the event of consensual terminations (612,067.23 euros). The monetary value of the rights related to the 2018-2020 Co-Investment Plan paid to two Executives with Strategic Responsibilities appointed as Independent Operators is also included, equal to 286,541.06 euros. In addition, in 2020 the following incentives pertaining to 2019 were paid: 795,098 euros related to the 2020 Annual Monetary Incentive; 720,280 euros related to the Deferred Monetary Incentive allocated in 2017 and paid in August 2020; 325,896 euros related to the Long-Term Monetary Incentive allocated in 2017 and paid in October 2020.
- c. The amount corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- d. The amount corresponds to the fair value on the date on which compensation pertaining to the financial year was allocated with respect to the incentive plans based on financial instruments, estimated according to international accounting standards.
- e. The amount includes the payment for the redundancy incentive and the novation settlement.



## TABLE 2 - STOCK OPTIONS ASSIGNED TO DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

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

## TABLE 3.A - INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS FOR DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

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

More specifically:

- \_ the "Number and type of financial instruments" column shows the number of rights assigned for the stated plan;
- \_ the "Fair Value on assignment date (euros)" column shows the fair value of the rights assigned;
- \_ the "Vesting period" column shows the three-year duration of the assignment vesting period;
- \_ the "Market price on assignments (euros)" column shows the assignment price;
- \_ calculated as the average of the official daily prices recorded in the thirty calendar days preceding the Board of Directors meeting that approved the assignment. The assignment price for 2020 was 4.564 euros;
- \_ the "Financial instruments vested during the financial year and not allocated" column contains no data as there are none to report;
- \_ the "Financial instruments vested during the financial year and attributable" column contains the number of shares assigned to CEO, General Manager and Execs based on the performance level related to the 2018-2020 vesting period and reported by the BoD on 10/03/2021;
- \_ the "Financial instruments pertaining to the year" column shows the fair value pertaining to the year relating to the Co-Investment Plan, estimated according to the international accounting standards which distribute the related cost over the vesting period; the total corresponds to the amount shown in Table 1 of the "Fair value of equity compensation" column;

FIRST NAME, LAST NAME, POSITION	PLAN	FINANCIAL INSTRUMENTS ASSIGNED IN PREVIOUS YEARS NOT VESTED DURING THE YEAR		FINANCIAL INSTRUMENTS ASSIGNED DURING THE YEAR		
		NUMBER AND TYPE OF FINANCIAL INSTRUMENT	VESTING PERIOD	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	FAIR VALUE AT ASSIGNMENT DATE (EUROS)	VESTING PERIOD
Paolo Gallo Chief Executive Officer	2018 Co-Investment Plan Italgas BoD of 08/06/2018					
Antonio Paccioretti General Manager of Finance and Services	2018 Co-Investment Plan Italgas BoD of 08/06/2018					
Executives with Strategic Responsibilities	2018 Co-Investment Plan Italgas BoD of 08/06/2018					
Paolo Gallo Chief Executive Officer	2019 Co-Investment Plan Italgas BoD of 22/02/2019	49,480	three-year			
Antonio Paccioretti General Manager of Finance and Services	2019 Co-Investment Plan Italgas BoD of 22/02/2019	21,494	three-year			
Executives with Strategic Responsibilities	2019 Co-Investment Plan Italgas BoD of 22/02/2019	41,728	three-year			
Paolo Gallo Chief Executive Officer	2020 Co-Investment Plan Italgas BoD of 10/04/2020			63,669	290,585.32	three-year
Antonio Paccioretti General Manager of Finance and Services	2020 Co-Investment Plan Italgas BoD of 10/04/2020			21,223	96,861.77	three-year
Executives with Strategic Responsibilities	2020 Co-Investment Plan Italgas BoD of 10/04/2020			50,614	231,002.30	three-year
<b>Total</b>		<b>112,702</b>		<b>135,506</b>	<b>618,449.4</b>	

FINANCIAL INSTRUMENTS ASSIGNED DURING THE YEAR		FINANCIAL INSTRUMENTS VESTED DURING THE YEAR AND NOT ASSIGNED	FINANCIAL INSTRUMENTS VESTED DURING THE YEAR AND ATTRIBUTABLE		FINANCIAL INSTRUMENTS PERTAINING TO THE YEAR
ASSIGNMENT DATE	MARKET PRICE ON ASSIGNMENT (EUROS)	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VALUE AT MATURITY DATE	FAIR VALUE (EUROS)
			191,432	5,1533	801,738
			81,599	5,1533	341,747
			82,423	5,1533	583,291
					196,702
					85,447
					165,885
10/04/2020	4,564				133,077
10/04/2020	4,564				51,252
10/04/2020	4,564				105,790
			<b>355,454</b>		<b>2,464,928</b>





## TABLE 3.B - MONETARY INCENTIVE PLANS FOR DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

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

More specifically:

- \_ the "Bonuses for the year - payable/paid" column shows the Short Term Incentive paid during the year based on the final statement of performance produced out by the relevant corporate bodies in relation to the objectives set for the year 2020;
- \_ the "Bonuses for the year - deferred" column shows the amount of the basic incentive allocated for the year 2020 under the Long-Term Monetary Incentive Plan (LTMI);
- \_ the "Deferral period" column shows the duration of the vesting period of the long-term incentive allocated in the year;
- \_ the "Bonuses from previous years - no longer payable" column contains no data as the conditions for non-payability or partial payment of the bonus did not arise as predicted in the Plan Regulations;
- \_ the "Bonuses from previous years - payable/paid" column contains the long-term variable incentives paid during the year, accrued on the basis of the final accounting of the performance conditions of the vesting period, including the monetary value of the co-investment plan for Executives with Strategic Responsibilities appointed as Independent Operators;
- \_ the "Bonuses from previous years - still deferred" column shows the incentives allocated from existing deferred and long-term plans that have not yet been accrued;
- \_ the "Other Bonuses" column does not show the values of other bonuses as none were disbursed.
- \_ The Total of "Bonuses for the year-payable/paid" and "Bonuses from previous years payable/paid" is the same as the figure shown in the "Bonuses and other incentives" column in Table 1.

The table does not contain the incentives related to the 2017 Deferred Monetary Incentive Plan or the 2017 Long-Term Incentive Plan approved by the BoD on 27/07/2017 and paid in August and October 2020 respectively. The amounts paid are broken down as follows:

- \_ Chief Executive Officer: 540,210 euros related to the 2017 Deferred Monetary Incentive and 278,002.5 euros related to the 2017 Long-Term Monetary Incentive;
- \_ General Manager of Finance and Services: 229,180 euros related to the 2017 Deferred Monetary Incentive and 124,963.50 euros related to the 2017 Long-Term Monetary Incentive;
- \_ Executives with Strategic Responsibilities: 491,100 euros related to the 2017 Deferred Monetary Incentive and 200,933 euros related to the 2017 Long-Term Monetary Incentive.

(THOUSAND EUROS)

NAME AND LAST NAME	OFFICE	PLAN
Paolo Gallo	CEO	2020 Annual Monetary Incentive Plan Italgas BoD of 10/03/2021
		2020 Long-term Monetary Incentive Plan Italgas BoD of 29/10/2020
		2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019
		2018 Long-term Monetary Incentive Plan Italgas BoD of 08/06/2018
<b>Total</b>		
General Manager of Finance and Services		2021 Annual Monetary Incentive Plan Italgas BoD of 10/03/2021
		2020 Long-term Monetary Incentive Plan Italgas BoD of 29/10/2020
		2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019
		2018 Long-term Monetary Incentive Plan Italgas BoD of 08/06/2018
<b>Total</b>		
Executives with Strategic Responsibilities		2021 Annual Monetary Incentive Plan Italgas BoD of 10/03/2021
		2020 Long-term Monetary Incentive Plan Italgas BoD of 29/10/2020
		2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019
		2018 Long-term Monetary Incentive Plan Italgas BoD of 08/06/2018
		2018 Co-Investment Plan - Italgas BoD of 08/06/2018 Monetary disbursement Independent Managers as per functional unbundling regulations
<b>Total</b>		
<b>TOTAL</b>		

BONUS FOR THE YEAR			BONUS FOR PREVIOUS YEARS			OTHER BONUSES
PAYABLE/ PAID	DEFERRED	DEFERRAL PERIOD	NO LONGER PAYABLE	PAYABLE/ PAID	STILL DEFERRED	
462,899						
	530,550	three-year				
					530,000	
				493,661		
<b>462,899</b>	<b>530,550</b>		<b>0</b>	<b>493,661</b>	<b>530,000</b>	<b>0</b>
189,958						
	189,500	three-year				
					189,000	
				197,883		
<b>189,958</b>	<b>189,500</b>		<b>0</b>	<b>197,883</b>	<b>189,000</b>	<b>0</b>
548,166						
	484,375	three-year				
					351,500	
				341,848		
				286,541		
<b>548,166</b>	<b>484,375</b>		<b>0</b>	<b>628,387</b>	<b>351,500</b>	<b>0</b>
<b>1,201,024</b>	<b>1,204,425</b>		<b>0</b>	<b>1,319,930</b>	<b>1,070,500</b>	<b>0</b>

## TABLE 4 - SHAREHOLDINGS HELD

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

### SHAREHOLDINGS IN ITALGAS S.P.A. HELD BY DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

AS AT 31.12.2020

TABLE 4A: SHAREHOLDINGS HELD BY DIRECTORS AND STATUTORY AUDITORS

NAME AND LAST NAME	OFFICE	INVESTEE COMPANY	NUMBER OF SHARES OWNED AS AT 31 DECEMBER 2019	NUMBER OF SHARES PURCHASED IN 2020	NUMBER OF SHARES SOLD IN 2020	NUMBER OF SHARES OWNED AS AT 31 DECEMBER 2020
Paolo GALLO <sup>22</sup>	Chief Executive Officer	Italgas	14,000	0	0	14,000

TABLE 4B: SHAREHOLDINGS HELD BY EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

	INVESTEE COMPANY	NUMBER OF SHARES OWNED AS AT 31 DECEMBER 2019	NUMBER OF SHARES PURCHASED IN 2020	NUMBER OF SHARES SOLD IN 2020	NUMBER OF SHARES OWNED AS AT 31 DECEMBER 2020
Italgas Executives with strategic responsibilities	Italgas	44,787	1,000	0	45,787

<sup>22</sup> Of which 12,000 personally and 2,000 by spouse.



