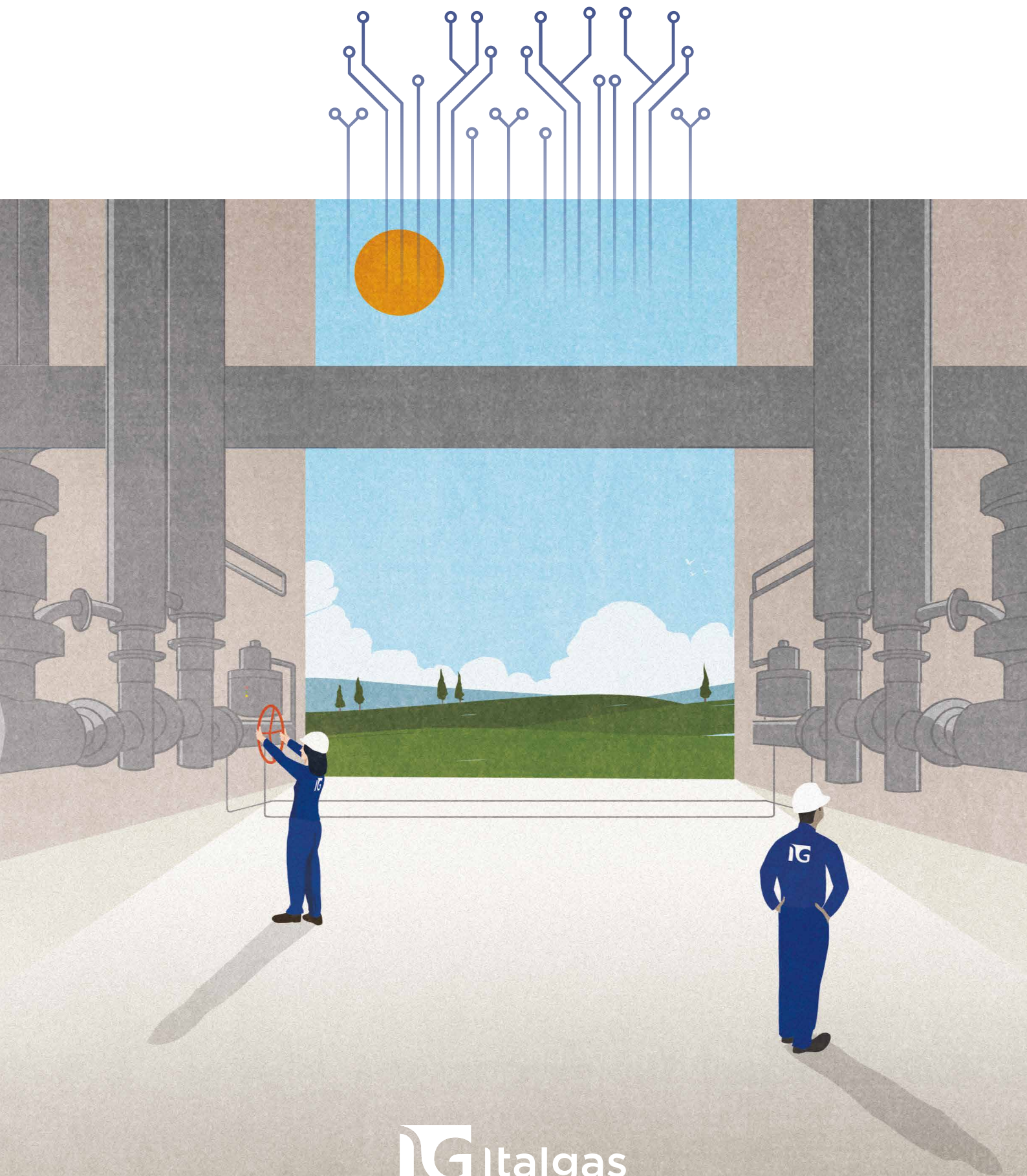


# Remuneration Policy and 2020 compensation paid

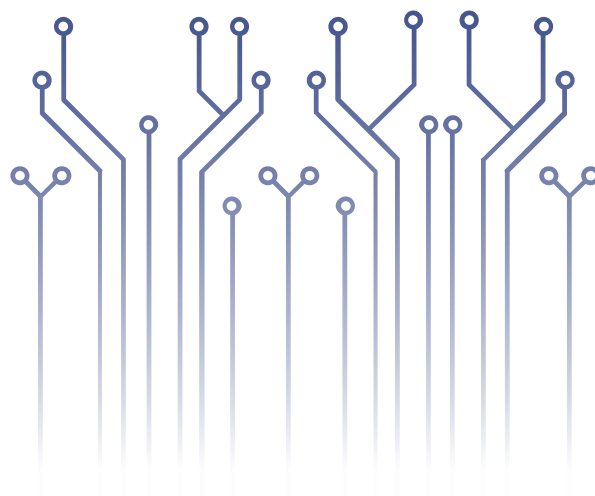


Competence, efficiency, innovation, reliability, safety, proximity to people.

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

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

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



# Remuneration Policy and 2020 compensation paid

Approved by the Board of Directors' meeting of 10 April 2020  
The Report is published in the "Governance and Conduct"  
section of the Company's website ([www.italgas.it](http://www.italgas.it))

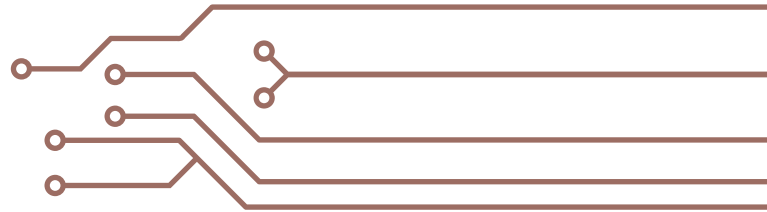
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Financial year to which the Report refers: 2019  
Report approval date: 10 April 2020

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



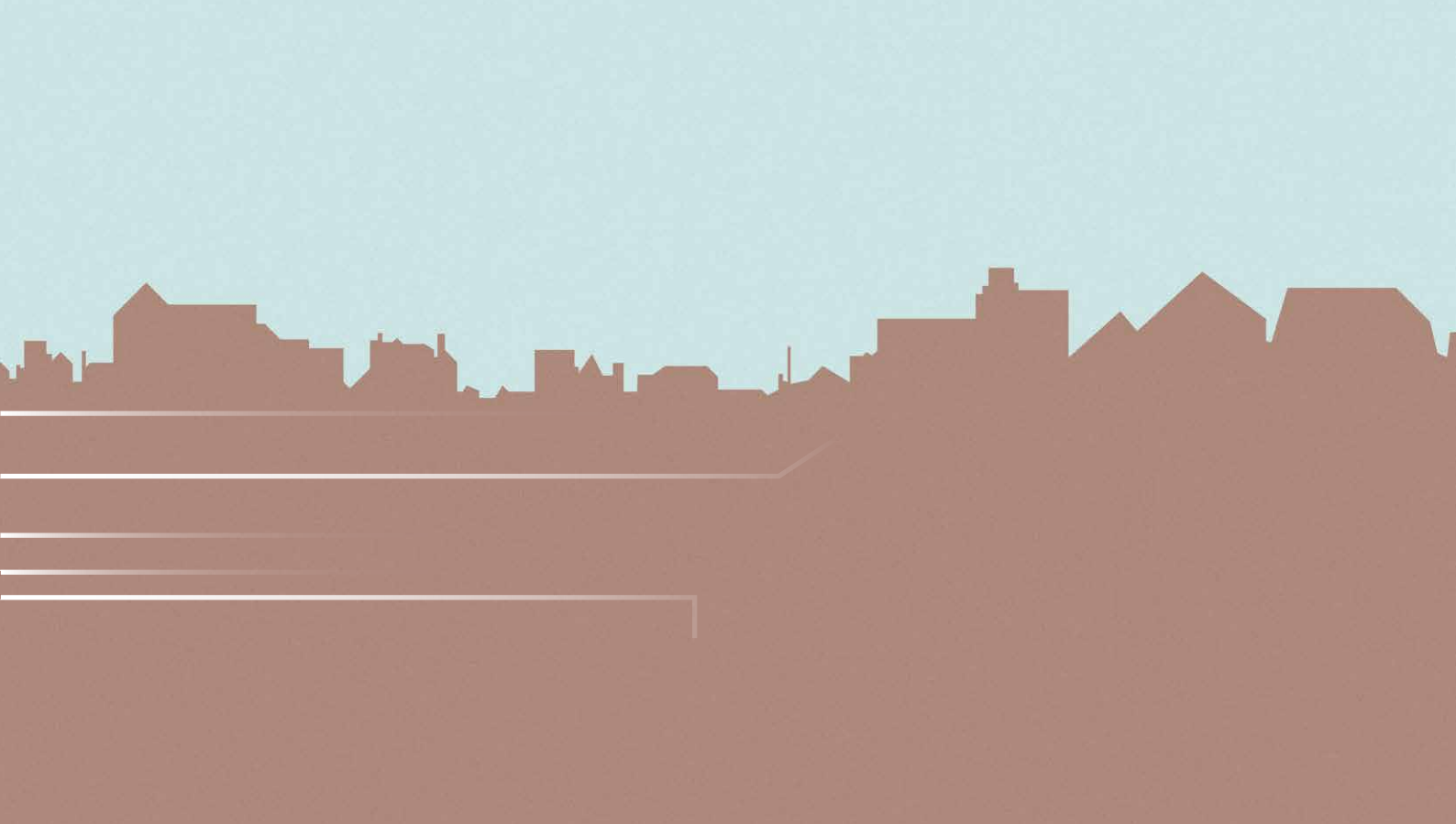
Dear Shareholders,

I am pleased to present for the first time the 2020 edition of the Remuneration Policy and compensation paid.

After the renewal of the Board at the Ordinary Shareholders' Meeting in March of last year, the Board of Directors established the new Appointments and Compensation Committee formed, in addition to myself, by the Directors Maurizio Dainelli and Silvia Stefini, whom I thank now for their considerable and unstinting commitment in recent months.

The activity and decisions of the new Appointments and Compensation Committee focused on two convergent tasks: on the one hand to ensure continuity with the system established over the past three years, particularly in view of the broad consensus expressed by shareholders regarding the 2019 Compensation Report, which summarized its contents. However, an innovative review was carried out of some aspects of the incentive systems with the aim of ensuring an even better reflection of the short and long-term





corporate objectives set out in the 2019-2025 Strategic Plan. We believe this meets the expectations of Italgas stakeholders and implements national and international best practices.

As part of this innovation, the review of the objectives on which the short and long-term variable incentive systems are based is particularly important in giving more systematic space to the themes of sustainable success. Among the changes, objectives have been included in the Long Term Incentive Plan to reduce emissions and consolidate the presence of Italgas in the main sustainability indexes, including the Dow Jones Sustainability Index, which testify to consistent and systematic commitment in the various areas outlined by the United Nations' SDGs (Sustainable Development Goals). At the same time, the sustainability indicators of the Short-Term Incentive system have been carefully reviewed with the introduction of a gender equality goal. The latter is connected with and stresses the importance in management incentive systems of the more complete Diversity and Inclusion Policy

adopted by the Italgas Board of Directors during 2019 and implemented through the 2019-2021 Programme Lines and Actions regarding diversity and inclusion.

In the regulatory context, there was an important change with the approval of Legislative Decree no. 49 of 10 May 2019, the applicable contents of which are fully transposed into the document and which means that votes cast at shareholders' meetings regarding the Remuneration Policy are binding on decisions made by the company. Strengthened by the consensus achieved in the last three years by the Italgas Compensation Report and confident that the improvements further made in this edition of the document meet the expectations of our shareholders, the Appointments and Compensation Committee and the Board of Directors submit the two sections of this document for approval with two separate votes.

**Andrea Mascetti**  
**Chairman of the Appointments  
and Compensation Committee**

# Summary framework

## 2020 COMPENSATION POLICY AND MAIN RESULTS

### Abstract

#### Fixed Remuneration

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

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

#### Variable Remuneration

##### STI - Short Term Incentive

This defines a clear and predetermined tie between remuneration and annual performance

- The value of the STI depends on the level of attainment of **economic-financial and sustainability targets set by the Board of Directors**:
 

– Net financial position	30%	
– Investments	30%	
– Profitability	20%	○ —————
– Sustainability	20%	

  1. Accident frequency index (5%)
  2. Integration and Governance of new initiatives (10%)
  3. Diversity and inclusion (5%), percentage of female candidates out of the total number of applications examined for recruitments made



- The results are measured on a **scale of 70/130 points with a minimum threshold set to 85 points**

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

**Claw Back clauses** are provided.

#### Co-investment

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

- 35% of the Short-Term Incentive is co-invested and transformed into shares;
- At the end of the three-year interval, the number of shares allocated to the Beneficiary depends on the level of achievement **of the three-year cumulated EBITDA target**;
- If the minimum target is not achieved, no share shall be allocated and the deferred portion of STI will be reduced to zero

Three-year deferral of 35% of the STI

**Claw Back clauses** are provided.

#### LTM - Long-Term Monetary Incentive

This favours the alignment of individual targets with stakeholders' targets, while also serving a retention function.

- The value of the LTM depends on the level of achievement of the following objectives:
  - Consolidated Net Profit (55%)
  - Total Shareholder Return (30%)
  - Sustainability (15%)
    - 1. Inclusion, over the three-year period 2020-2022, in the DJSI, FTSE4GOOD and CDP Climate Change sustainability indexes (10%)
    - 2. Reduction of emissions (5%)

- The results are measured on a scale of 70/130. For results below 70, no pay out is provided.

	<b>Minimum threshold</b>	<b>Target</b>	<b>Maximum</b>
General Manager of Finance and Services	46%	65,5%	85%
Executives with Strategic Responsibilities	33%	47%	61%
Dirigenti con Responsabilità Strategiche	23%	34%	44%

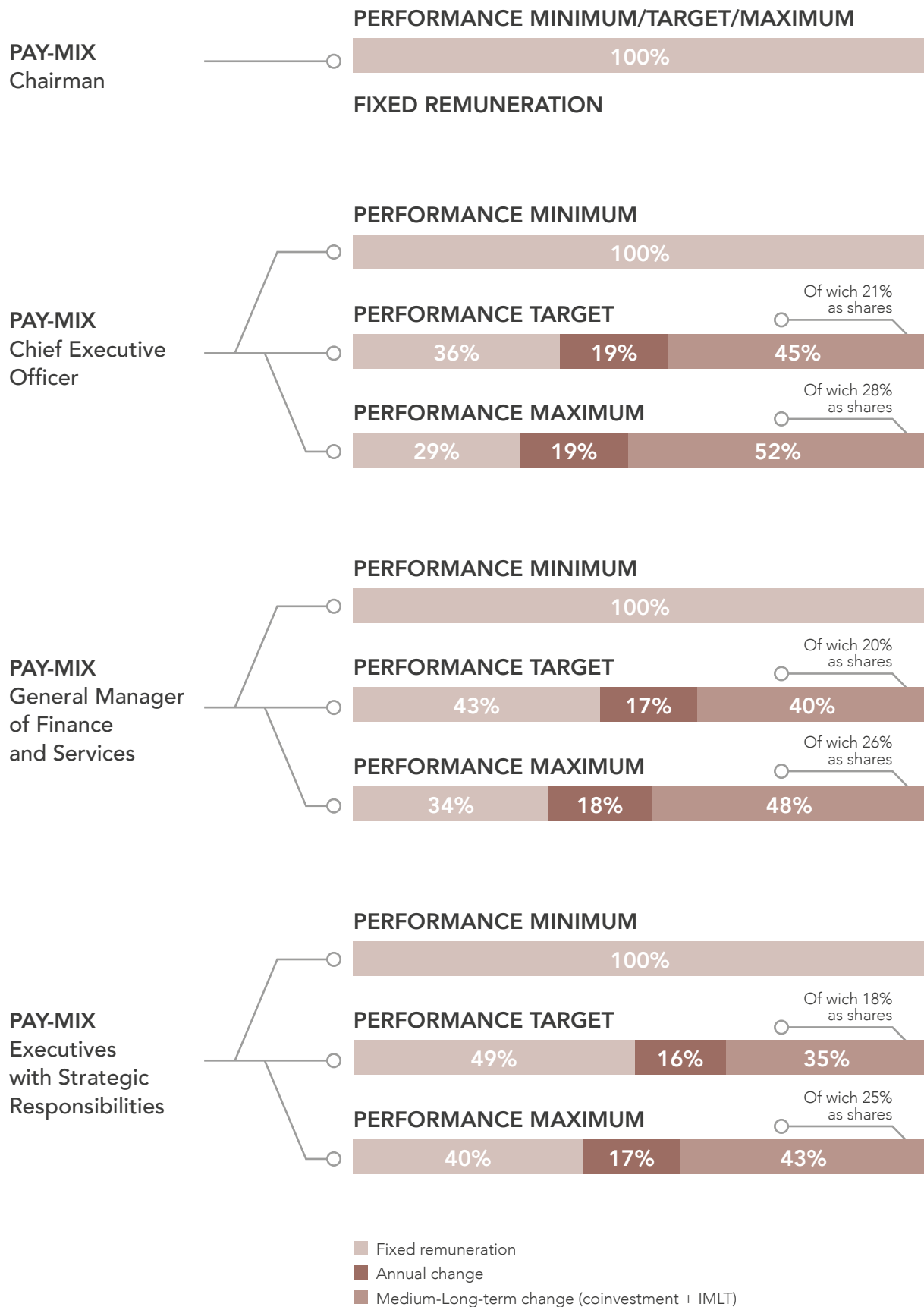
**Claw Back clauses** are provided.

## THE PAY-MIX

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

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

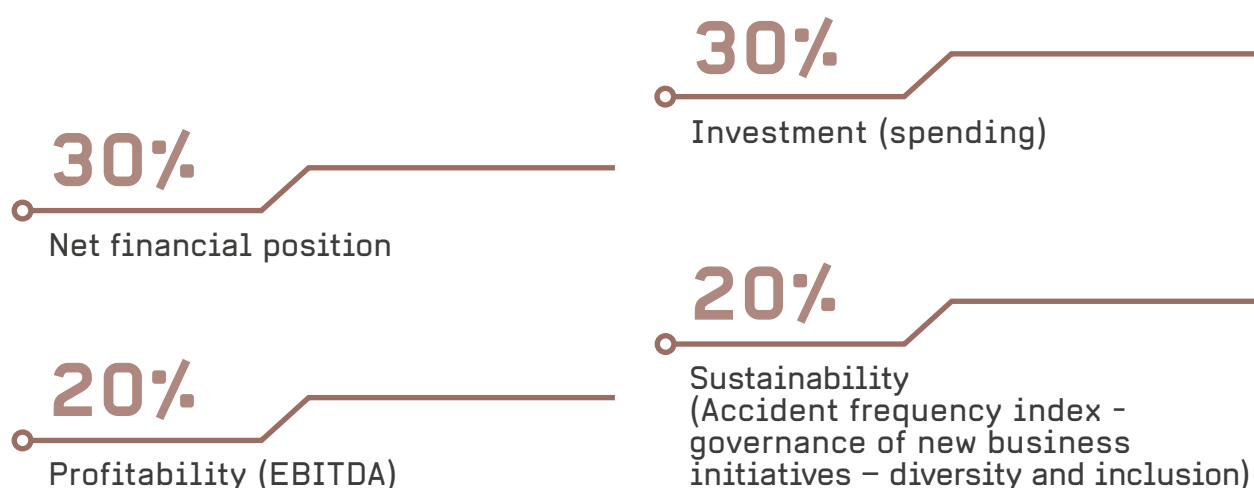
The remuneration is partly paid in shares (participation).



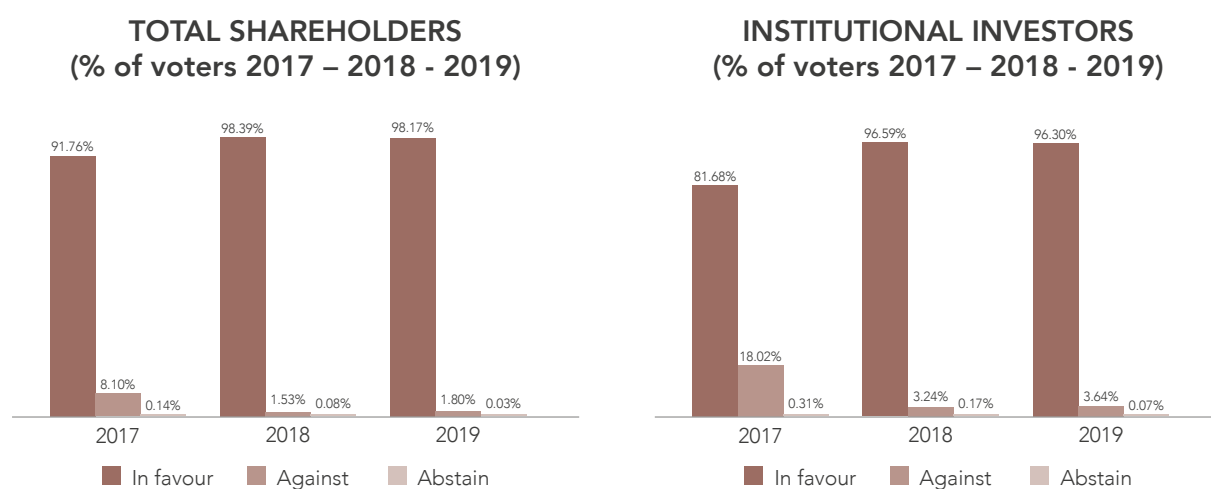
### The 2019 targets for the Chief Executive Officer

Performance parameters	% Weight	Unit of measurement	Minimum 70	Central 100	Maximum 130	Performance Score
Net financial position	30%	Mln €			4,411	39.0
Investment (spending)	30%	Mln €			634	39.0
Profitability (EBITDA)	20%	Mln €			908	25.1
Sustainability: Accident frequency index	5%	Table of Contents			1.34	5.5
Sustainability: Integration and Governance of new initiatives	15%	no. of completed actions			3	19.5
Total						128.1

### The 2020 targets for the Chief Executive Officer



### 2019 Compensation Report – results of the Shareholders' Meeting vote (2017 - 2018 - 2019)



# Introduction

The Remuneration Policy, approved by the Board of Directors at the proposal of the Appointments and Compensation Committee, on 10 April 2020, in accordance with current legislative and regulatory requirements<sup>1</sup>, defines and describes:

- in the first section, the Policy adopted for 2020 by Italgas S.p.A. for the remuneration of Directors, the General Manager of Finance and Services and Executives with Strategic Responsibilities<sup>2</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 2019 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 drawn up to comply with the remuneration recommendations of the Corporate Governance Code promoted by Borsa Italiana S.p.A. (hereinafter the “Corporate Governance Code”) in the version, approved in July 2018, with which Italgas complies, and with the innovations regarding remuneration introduced by Legislative Decree no. 49 of 10 May 2019, which implemented Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 (Shareholder Rights Directive II, “SHRD 2”), which amends Directive 2007/36/EC (“SHRD”) with regard to encouraging the long-term commitment of shareholders.

The text of the Remuneration Policy and compensation paid is available to the public at the registered office, on the Company’s website<sup>3</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 2019 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>4</sup>.

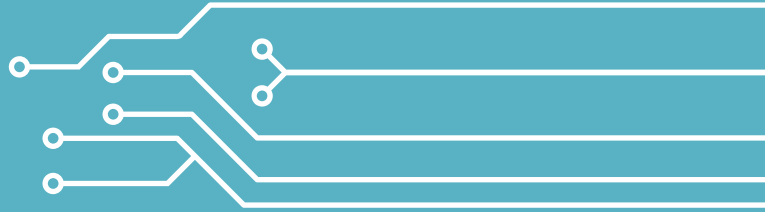
The following documents are considered to be attached to this document: Co-investment plan approved by the Ordinary Shareholders’ Meeting of 19 April 2018 and 2020-2022 Long Term Monetary Incentive Plan to be approved by the Ordinary Shareholders’ Meeting of 12 May 2020, published in the **Governance - Corporate Governance System - Shareholders’ Meeting** section of the **Italgas.it** website.

1 Article 123-ter of Legislative Decree No. 58/98 and article 84-quater of the Consob Issuers’ Regulation (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.

2 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 Commercial Development, 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.

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

4 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.



# SECTION I

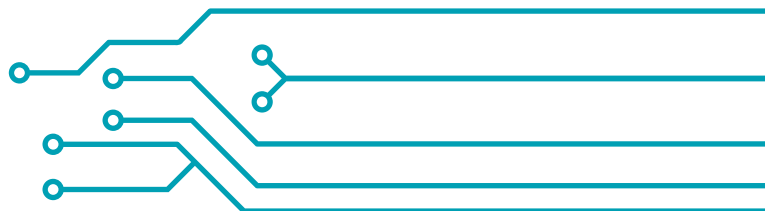
2020

Remuneration  
Policy





# 01



## 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>5</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;

<sup>5</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.







- assesses, after a mandatory opinion of the Appointments and Compensation Committee, the content of the vote on the Compensation Report 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.

## 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>6</sup>. The Appointments and Compensation Committee, 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).



Andrea Mascetti



Maurizio Dainelli



Silvia Stefini

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

Previously, the Committee consisted of: Cinzia Farisè (non-Executive and Independent Director), serving as Chairman, Maurizio Dainelli (Non-Executive Director) and Federica Lolli (Non-Executive and Independent Director).

The Senior Vice President 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>7</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 makes proposals concerning the remuneration of the Chairman and the Chief Executive Officer, with regard to the various forms of remuneration and pay arrangements;
- it makes proposals or expresses opinions relating to the remuneration of members of the Committees of Directors established by the Board;
- it examines the information reported by the Chief Executive Officer and proposes:
  - general criteria for the 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 final calculations of company results and the definition of claw-back clauses, linked to the implementation of incentive plans and for the determination of the variable remuneration for Executive Directors;
- in connection with the Executive Directors, it proposes the definition:
  - i) of compensation to be paid in case of employment termination; ii) non-compete agreements;
- it monitors the implementation of the decisions made by the Board;
- it reports to the Board on its activities at least every six months, and within the deadline for the approval of the financial statements and half-year report, at the Board meeting indicated by the Chairman of the Board of Directors.

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

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

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 annual incentive grid, solely with measurable functional objectives, excluding economic and financial targets; the determination of the annual monetary incentive totally dependent on the results as per that grid; the assignment of minimums/target/maximums performance levels and the assessment of the achieved results, by the Control 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 2019, 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

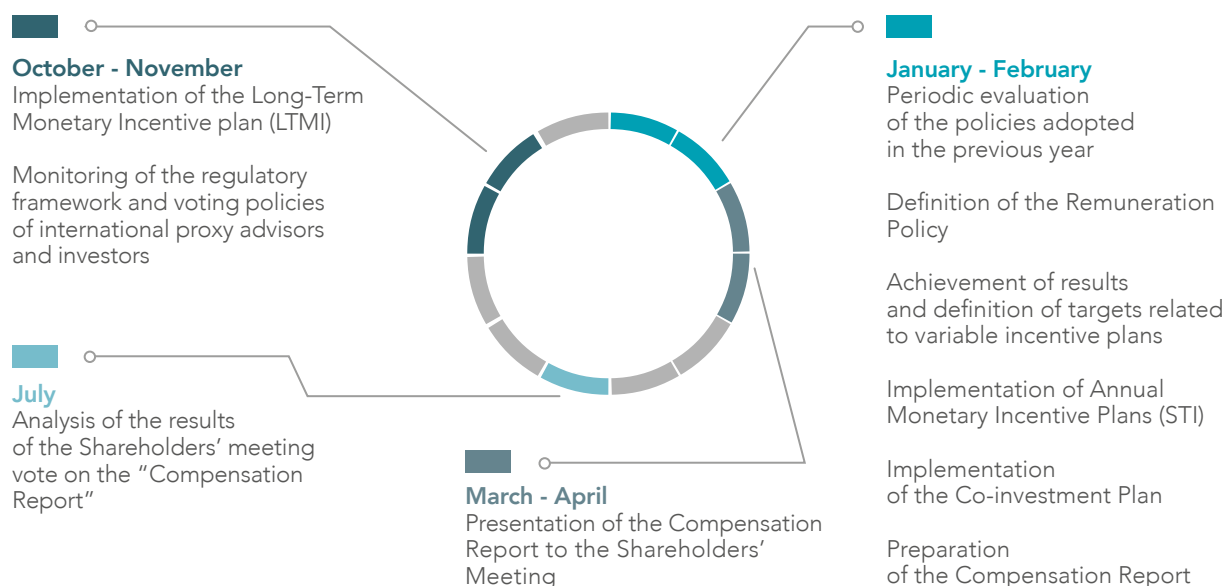
The Committee's activities pertaining to remuneration are conducted through the implementation of an annual programme that involves the following steps:

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

The Committee reports on the procedures for carrying out its functions to the Shareholders' Meeting called to approve the year's financial statements, via the Committee 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.

**Figure 1**  
**Activity cycle for the Appointments and Compensation Committee**



### 1.2.3 Activities carried out and scheduled

In 2019, the Appointments and Compensation Committee met 14 times. The attendance of its members was 100%.

During the first half of the year, the Committee focused its activities on preparing the Compensation Report, on drawing up the report on the 2018 objectives and on defining the 2019 performance objectives for the purposes of the incentive plans, on the diversity and inclusion policy.

In the second half of the year, the following were analysed: the results of the Shareholders' Meeting vote on the 2019 Compensation Report, looking in detail at the issues examined by shareholders and proxy advisors; the remuneration of directors with particular offices; sustainability objectives in the managerial incentive systems.

For 2020, the Committee scheduled seven meetings, three of which have already taken place at the date of approval of the present Report.

### 1.2.4 Main issues dealt with

#### January 2019

- 2019 corporate targets for the variable incentive systems
- Analysis of the Shareholders' Meeting vote on the 2018 Compensation Report

#### February 2019

- Diversity and inclusion: proposal for a dedicated policy
- Report on the Company's 2018 objectives
- Short Term Incentive for the Chief Executive Officer
- 2018-2020 Co-Investment Plan: 2019 assignment
- 2019 Compensation Report

#### June 2019

- Compensation policy guidelines: (i) existing systems (ii) identification of advisor for second opinion on market positioning
- Result of the Shareholders' Meeting vote on the 2019 Compensation Report: initial evidence

### July 2019

- Compensation policy guidelines: analysis of the compensation positioning for directors with particular offices

### September 2019

- Compensation policy guidelines: (i) existing systems (ii) identification of advisor for second opinion on market positioning

### October 2019

- 2017-2019 Long-Term Incentive Plan: regulations and 2019 allocation for the Chief Executive Officer
- Sustainability objectives applied to the management incentive systems
- Diversity and inclusion policy

### December 2019

- Sustainability objectives applied to the management incentive systems
- 2020 Remuneration Policy: regulatory innovations and first reading

### January 2020

- 2020 corporate targets for the variable incentive systems
- 2020 Remuneration Policy (second reading)

### February 2020

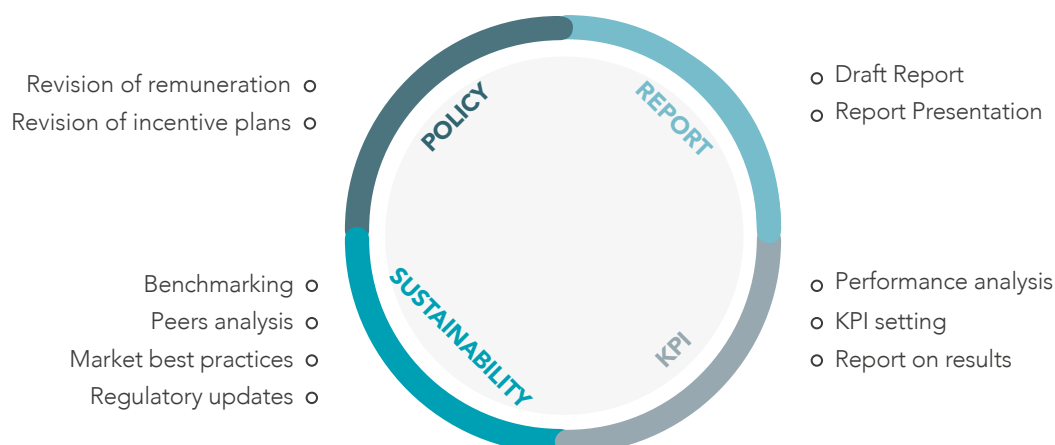
- 2020 Remuneration Policy and compensation paid
- 2020-2022 Long-term Monetary Incentive Plan

### March 2020

- Final accounting of the 2019 corporate targets for the variable incentive systems
- Proposed Short Term Incentive for the Chief Executive Officer
- 2018-2020 Co-Investment Plan - 2020 assignment

**FIGURE 2**

**The Appointments and Compensation Committee's activities broken down by issue**





### 1.3 Approval procedure for the 2020 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 17 December 2019, 17 January and 17 February 2020, consistently with the recommendations of the Corporate Governance Code.

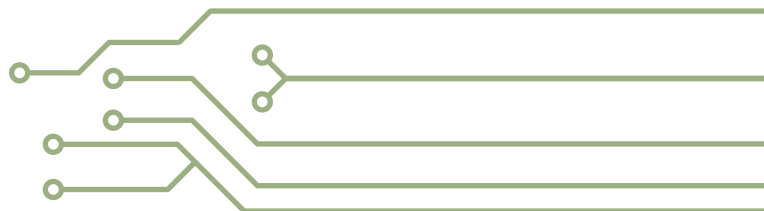
In making its decisions, the Committee took account of the outcomes of the periodic assessment carried out on the adequacy, overall consistency and practical application of the Policy Guidelines decided for 2019.

For the purposes of this Report, the practices observed at the national and international levels for the preparation of the compensation report were also evaluated. Lastly, the Committee used the compensation benchmarks set up by independent advisory companies, for the preliminary analyses directed at the preparation of the 2020 Remuneration Policy.

Italgas' 2020 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 April 2020, 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.

# 02



## 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 have, 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.

In this regard, particularly with reference to the provisions of article 3-bis of Legislative Decree 49/2019, the following table shows the comparison between the performance objectives used in the short and long-term incentive systems and the fundamental guidelines of the 2019-2025 Strategic Plan which shows the clear and complete link between the Company's Strategic Plan and the incentive systems.





**Table A – Comparison between the Strategic Plan and the management incentive systems**

PILLARS OF 2019-2025 STRATEGIC PLAN	SHORT-TERM INCENTIVE	LONG-TERM MONETARY INCENTIVE PLAN
NETWORK DEVELOPMENT	Investments (spending)	
DEVELOPMENT OPPORTUNITIES	Integration and governance of the new initiatives	
GAS TENDERS		
DIGITISATION AND TECHNICAL INNOVATION	Investments and spending	Reduction of gas emissions
OPERATIONAL EFFICIENCIES	EBITDA Co-investment Plan: EBITDA	Net profit
SOLID AND EFFICIENT FINANCIAL STRUCTURE	Net financial position	
SHAREHOLDERS RETURN		Total Shareholders Return
SUSTAINABILITY	Accident frequency index Integration and governance of the new initiatives Diversity	Inclusion in the Sustainability indexes Reduction of gas emissions

## 2.2 General Principles

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

- a compensation structure that will attract, retain and motivate people with high professional qualities;
- **non-executive Directors'** salaries commensurate with the effort required from them in relation to participating on Board Committees, with different compensation for the 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 **Chairman**, consisting of a fixed fee consistent with the position held;
- a compensation structure, for the **Chief Executive Officer, the General Manager of Finance and Services and 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**, through adequate periods of deferral and/or accrual of the incentives over a time scale of at least three years, in line with the long-term nature of the business and with the connected risk profiles;
- predetermined, measurable and definite targets, also on a stock basis, **linked with the variable 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, etc.).
- any **share-based remuneration** plans aligned to the shareholders' expectation in a medium-long time scale, through

three-year vesting periods, the connection to predefined, measurable performance targets, the provision that a portion of the shares or of the assigned rights must be restricted for a predefined time scale.

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

## 03

2020 Remuneration  
Policy Guidelines

The 2020 Remuneration Policy continues along the lines of the 2019 and 2018 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 (which will comprise of two incentive plans) and for the further alignment of the performance targets to the shareholders' expectations. Particular attention has been paid to reviewing and including the sustainability objectives used in the managerial incentive systems.

The 2020 Compensation Policy guidelines were defined in line with the declared aims and general principles and 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, 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.

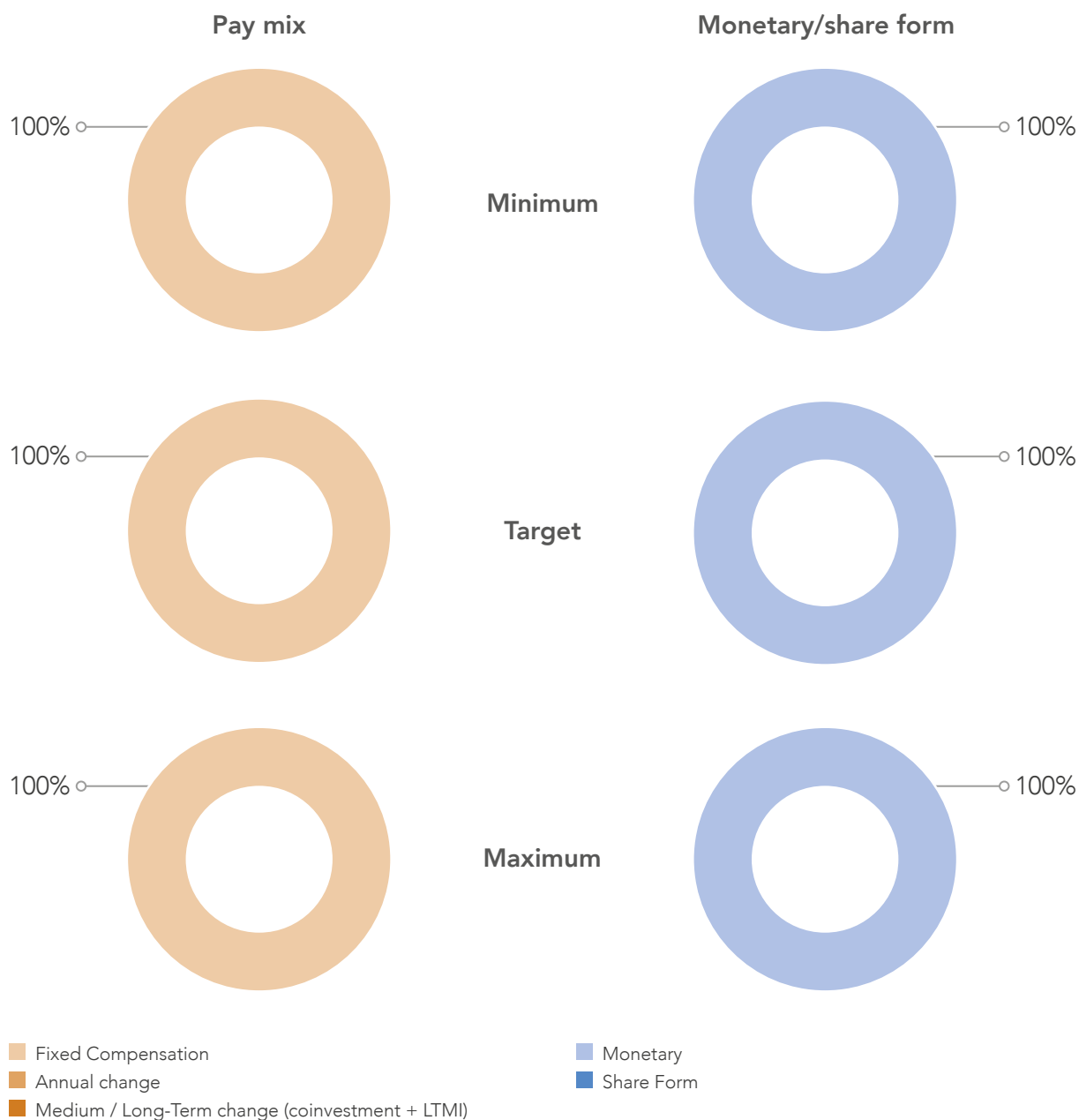
The Appointments and Compensation Committee, in its meeting of 17 September 2019, analysed the positioning of the Chairman's remuneration, which is between the first quartile and the median of the benchmark market.







**Figure 3**  
**Chairman - Pay mix and form of remuneration for the minimum, target and maximum performance results**



## 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 under Article 6.C.4 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 in terms of remuneration for the Independent Directors.

The Compensation Committee, having examined the compensation position of non-executive Directors at the meetings held on 15 July 2019, 17 September 2019 and 17 January 2020, applying a specific benchmark based on the FTSE MIB companies, highlighted that the emoluments paid contribute to determine a position between the first quartile and the median of the reference market.

### 3.2.2 Compensation for participating in Board Committees

The non-executive Directors, as decided by the Board of Directors on 13 May 2019, are provided an additional annual compensation for participating in Board Committees:

- the Control and Risk Committee, in connection with the important role exercised in safeguarding against business risks, was provided compensation respectively of 45,000 euros for the Chairman and 20,000 euros for the other members;
- the Compensation Committee was provided compensation respectively of 40,000 euros for the Chairman and 20,000 euros for the other members;
- the Sustainability Committee was provided compensation respectively of 25,000 euros for the Chairman and 20,000 euros for the other members.

The Appointments and Compensation Committee, at its meetings of 15 July 2019, 17 September 2019 and of 17 January 2020, analysed the position of non-executive Directors with regard to remuneration for participating in Board committees, which is in line with the median levels of the reference market and, for the Chairman, they are differentiated, being positioned at higher levels.

The Appointments and Compensation Committee highlighted that the structure adopted by all the resolutions of the Shareholders' Meeting and of the Board of Directors is consistent with a position on the median of the reference markets, "rewarding" the activity of the Chairmen of the Board Committees based on the importance of the coordination role they play.

### 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>8</sup>

#### 3.3.1 Fixed remuneration

The Chief Executive Officer's remuneration was determined, at the proposal of the 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.

At the meetings held on 15 July 2019, 17 September 2019 and 17 January 2020, examining the compensation position based on the reference panels<sup>9</sup>, the Appointments and Compensation Committee determined that to continue ensuring prudence and moderation in the remuneration paid it was appropriate to set the fixed remuneration at between the first quartile and the median, reserving the right to reconsider this determination also in the light of any developments that may occur in the reference panels.

#### 3.3.2 Variable incentive plans

##### 3.3.2.1 Short-term incentives

In order to ensure greater 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.

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

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

The Short-Term Incentive Plan is connected with the attainment of the 2020 objectives set by the Board of Directors of 26 February 2020. These objectives maintain a structure that is focused on essential targets, consistent with the guidelines defined in the Strategic Plan and balanced with respect to the perspectives of interest of different stakeholders. The structure and the weight of the different objectives are represented in the following chart, compared with the similar set-ups for 2019, 2018 and 2017.

<sup>8</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.

<sup>9</sup> In determining the remuneration of the Chief Executive Officer, consideration was given to the compensation studies conducted by Mercer and Spencer Stuart on a specific panel of FTSE- MIB companies supplemented by other listed companies operating in similar sectors to the gas distribution sector.

**Figure 4**  
**Objectives of the 2020 Short-Term Incentive Plan**  
**(comparison with 2019-2018-2017)**

2017	2018	2019	2020
30%	30%	30%	30%
Net financial position	Net financial position	Net financial position	Net financial position
30%	30%	30%	30%
Investments (spending)	Investments (spending)	Investments (spending)	Investments (spending)
25%	20%	20%	20%
Profitability (EBITDA)	Profitability (EBITDA)	Profitability (EBITDA)	Profitability (EBITDA)
15%	20%	20%	20%
Sustainability: <ul style="list-style-type: none"> <li>◦ accident frequency index</li> <li>◦ governance of new business initiatives</li> </ul>	Sustainability: <ul style="list-style-type: none"> <li>◦ accident frequency index</li> <li>◦ governance of new business initiatives</li> </ul>	Sustainability: <ul style="list-style-type: none"> <li>◦ accident frequency index</li> <li>◦ governance of new business initiatives</li> </ul>	Sustainability: <ul style="list-style-type: none"> <li>◦ accident frequency index</li> <li>◦ governance of new business initiatives</li> <li>◦ Diversity and inclusion</li> </ul>

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

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

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

Sustainability consists of three objectives: the frequency rate of accidents suffered by employees and contractors, measured in terms of the number of accidents that occurred for every million hours worked during the year; business development, with reference to the purposes of the main acquisition operations in progress and their integration within Italgas, primarily as regards the governance processes; diversity and inclusion, measured as a percentage of female applications out of the total number of applications examined for recruitments made (net of manual workers).

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

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

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

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

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

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

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

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

Annual Performance	< 85	85 threshold	100 target	130 max
Annual Incentive (% of Fixed Remuneration)	0%	44%	52%	68%

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

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

### 3.3.2.2 Co-Investment Plan

The Co-Investment Plan, valid for the three-year period 2018-2020, is one of the components of the long-term incentive plan, together with the 2020-2022 Long-term monetary incentive plan submitted for approval by the Shareholders' Meeting and described in the following paragraph.

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

$$\text{Share Abs} = \frac{\text{I Deferred}}{\text{Price Abs}}$$

in which the assignment price [**Prezzo 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 Performance and Vesting Plan



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

- 1) for EBITDA results of less than 5% of the target value fixed for the three years (threshold level), the number of shares allocated will be 0 and, therefore, the deferred portion of the annual incentive will not be disbursed either;
- 2) if performance is achieved equal to the threshold level, 70% of shares will be allocated as well as free Matching by the company, equal to 0.6 shares for each share assigned;
- 3) for EBITDA results on target, the number of shares allocated will be 130%, as well as free Matching by the company, equal to 0.8 shares for each share assigned;
- 4) for EBITDA results that exceed the target by 5%, the number of shares allocated will be 170%, as well as Matching of 1 share for each share assigned.

The following table summarises the number of shares accrued (Deferral and Matching) based on the level of performance achieved:

Shares accrued	< Minimum	Minimum	Target	Maximum
Deferral	0	70%	130%	170%
Matching	0	0.6:1	0.8:1	1:1

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

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

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

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 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 month prior to the allocation of the shares themselves.

### 3.3.3 Long-Term Monetary Incentive (LTMI)

The long-term variable component involves the deferral of the incentive with a view to ensuring the sustainability of value creation for the shareholders in the medium-long term and is made up of the Co-investment Plan along with the 2020-2022 Long-term Monetary Incentive plan (LTMI) submitted for approval by the Shareholders' Meeting.

The LTMI plan applies to managerial roles with the greatest impact on company results and provides for the annual allocation 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 Consolidated Net Profit (55%), Total Shareholder Return (30%) and Sustainability (15%) parameters.

Performance in terms of Consolidated Net Profit is calculated with reference to the three-year budget and Strategic Plan values<sup>10</sup>. Performance in terms of Total Shareholder Return is calculated based on the positioning of Italgas in the panel that includes a peer group 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 and Enagas (Spain); Elia System Operator (Belgium).

A first-place ranking corresponds to a score of 130, second place to 120, third place to 110 and fourth place to 100. The score is 0 for lower than average rankings (5th, 6th, 7th place).

In terms of Sustainability, performance is assessed on the basis of two objectives:

- Inclusion, over the three-year period 2020-2022, in the DJSI, FTSE4GOOD and CDP Climate Change **sustainability indexes**. Performance is assessed according to a linear scale which awards: 130% if the result is 8 inclusions over the three-year period; 100% for 6 inclusions over the three-year period; 70% for 5 inclusions; 0% for less than 5 inclusions.
- Reduction of emissions, measured as the decrease in quantity of gas emitted into the atmosphere by dispersions<sup>11</sup>.

<sup>10</sup> Performance is assessed according to a linear scale which awards: 130% if the result is equal to or higher than the budget by +5%; 100% if it is equal to the budget; 70% if it is equal to the budget -5%; 0% if it is lower than the budget -5%.

<sup>11</sup> For the 2020 allocation, it is measured as the percentage of plants (out of the total number) that do not fall within the disincentive area (year 2022), using the ARERA method valid for 2019 for the 2019 concessions scope. Performance is assessed according to a linear scale which awards: 130% if the result is 93% of plants (out of the total number); 70% for 92% of plants (out of the total number); 0% for less than 92% of plants (out of the total number).



## Long-Term Monetary Incentive Plan - Timeline



### 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.

### 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.

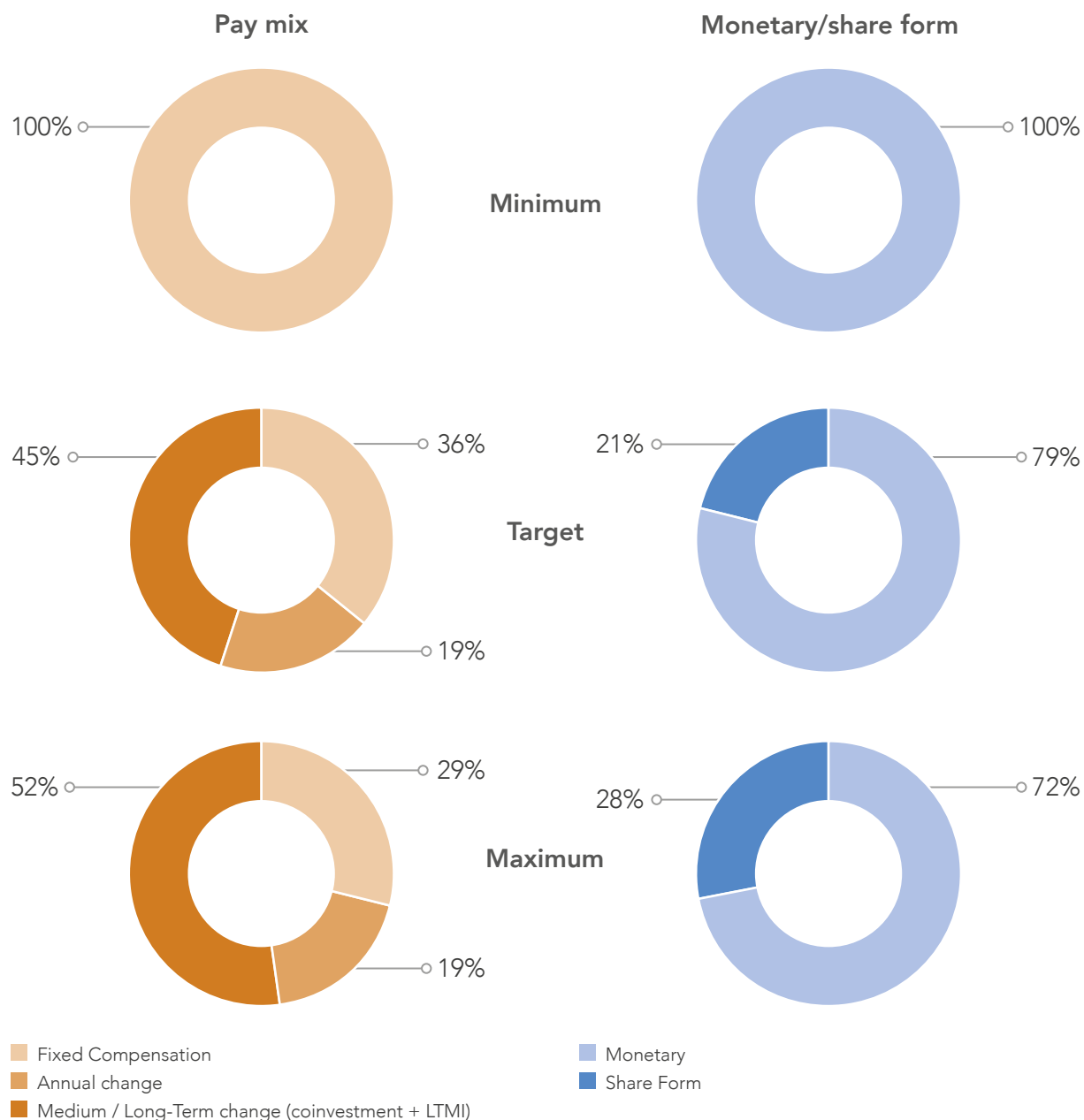
### 3.3.6 Benefits

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>12</sup>, enrolment in the Supplementary Health Care Funds (FISDE and CassaPrevint)<sup>13</sup> and insurance cover against the risk of death and disability, as well as a car for personal and business use.

<sup>12</sup> [www.azimutprevidenza.it](http://www.azimutprevidenza.it)

<sup>13</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)

**Figure 5**  
**Chief Executive Officer - Pay mix and form of remuneration for the minimum, target and maximum performance results**



## 3.4 Control Bodies

### 3.4.1 Board of Statutory Auditors

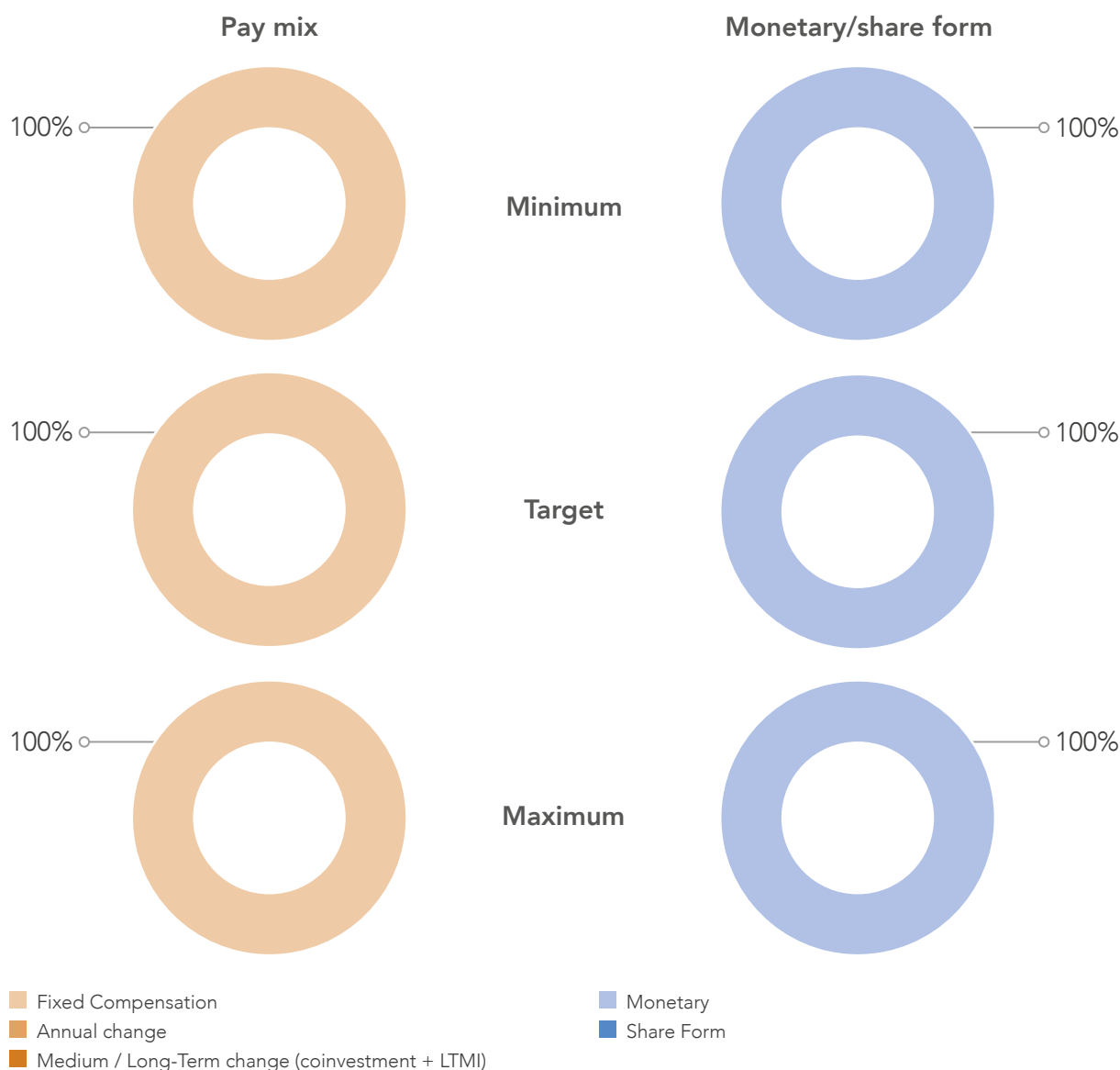
Based on the resolutions of the Shareholders' Meeting of 4 April 2019, the remuneration of the Chairman of the Board of Statutory Auditors includes a gross annual fixed compensation for the position of 70,000 euros, in addition to reimbursement for costs incurred in connection with the position.

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.

The Appointments and Compensation Committee, in its meetings of 17 September 2019 and 17 January 2020, analysed the positioning of the remuneration of the Board of Statutory Auditors's Chairman, which is between the first quartile and the median of the benchmark market.

**Figure 6**  
**Chairman and members of the Board of Statutory Auditors - Pay mix and form of remuneration for the minimum, target and maximum performance results**



## 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 401,800 euros per year gross.

The Appointments and Compensation Committee assessed the consistency with the corporate compensation policy and with the compensation benchmark determined by Mercer with reference to the Italian market.

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 26 February 2020 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 Performance Plan.

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

- 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 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 basic incentive to be assigned 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 assignment regulations. In particular, all Plans that provide for a three-year vesting period, including clauses aimed at promoting the retention of resources, provide, in the event of a mutually-agreed termination of the employment contract during the vesting period, that the beneficiary retains the right to a smaller incentive based on the period elapsed between the allocation of the basic incentive and the occurrence of this event.

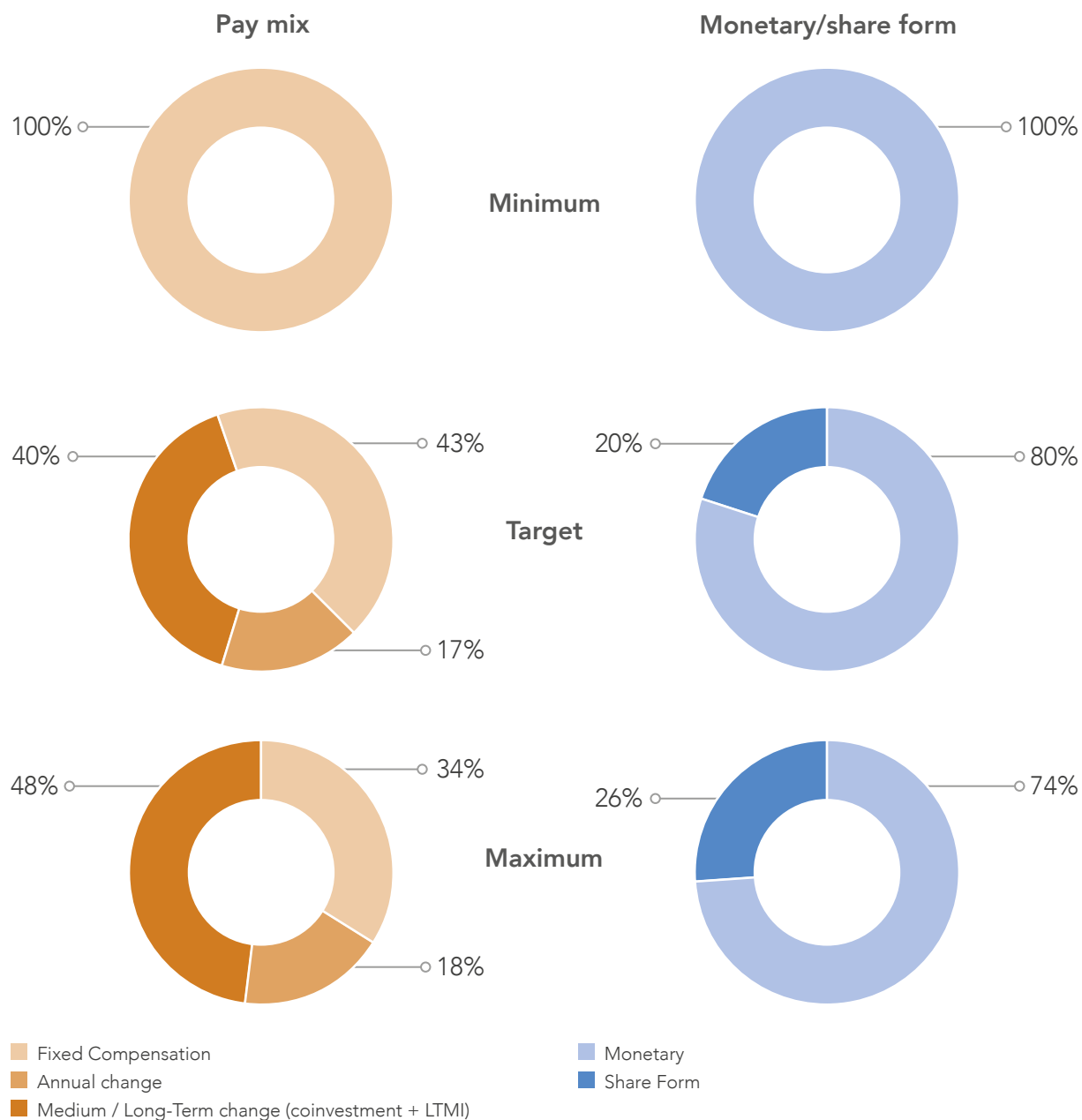
No disbursement is due in cases of unilateral termination by the Company or for voluntary resignation or for just cause or the achievement of objectively inadequate results.

### **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.



**Figure 7**  
**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 average compensation levels found on the market of large national companies for roles with a similar level of responsibility and managerial complexity and 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 2020, 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 perimeter 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) 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 26 February 2020 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 Performance Plan.

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

- 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 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 basic incentive to be allocated is 34% of fixed remuneration. The incentive payable at the end of the three-year vesting period is determined as a percentage of between 0% and 130% of the value assigned, based on the results achieved.

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

Executives with Strategic Responsibilities are entitled to receive the severance pay provided for in the relevant national collective labour agreement and any supplementary payments individually agreed on termination according to the criteria established by Italgas in cases of facilitated redundancy.

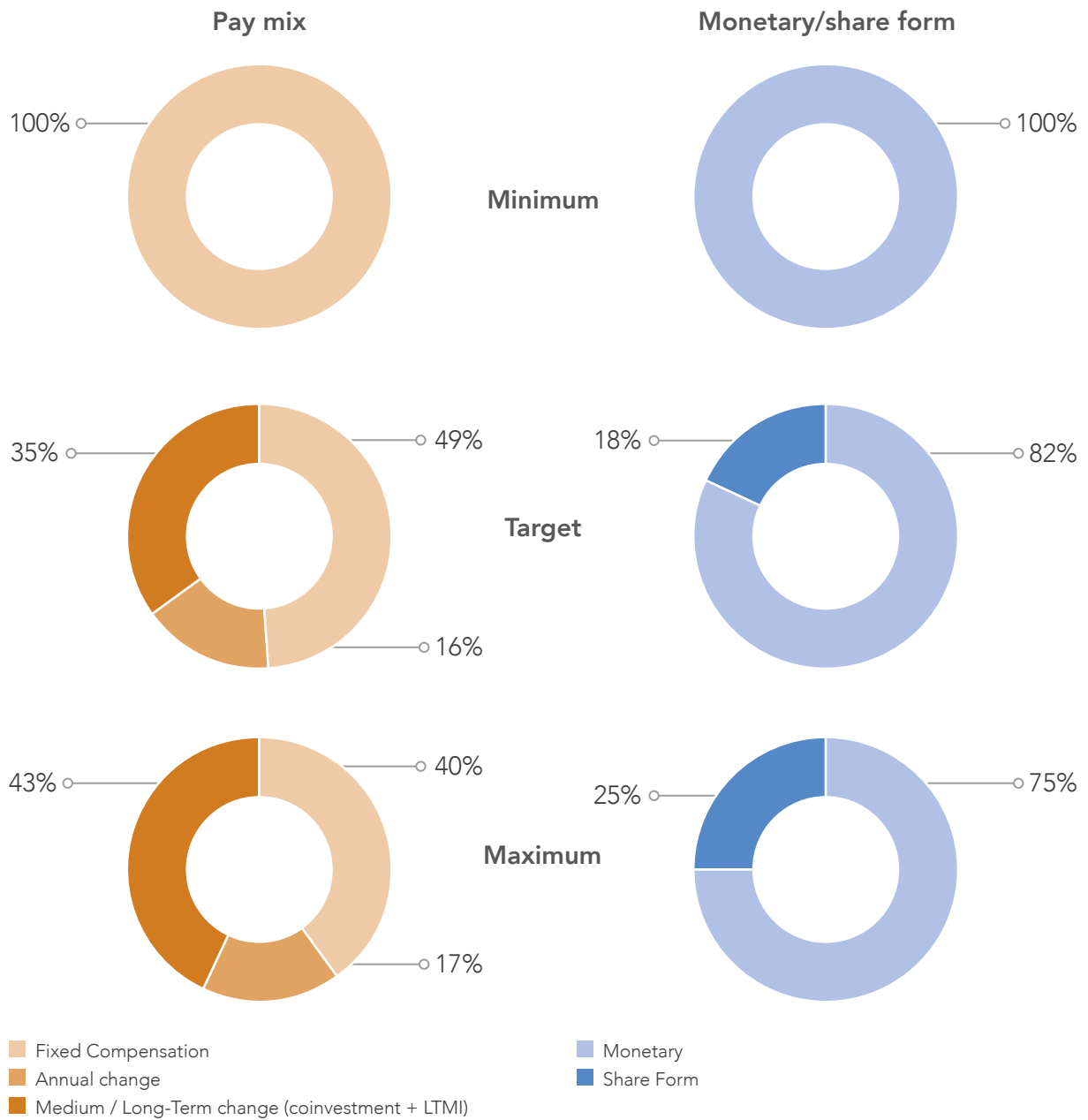
The effects of any termination of the employment contract of Executives with Strategic Responsibilities on the rights assigned under the long-term incentive plans are described in the relevant assignment regulations. In particular, all Plans that provide for a three-year vesting period, including clauses aimed at promoting the retention of resources, provide, in the event of a mutually-agreed termination of the employment contract during the vesting period, that the beneficiary retains the right to a smaller incentive based on the period elapsed between the allocation of the basic incentive and the occurrence of this event.

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

### **3.6.4 Benefits**

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

**Figure 8**  
**Executives with Strategic Responsibilities - Pay mix and form of remuneration**  
**for the minimum, target and maximum variables**



### 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.

### 3.8 Market benchmarks

The preparation of the guidelines and the evaluation of the policies implemented are carried out, with the support of independent and highly specialised advisors, using specific compensation benchmarks (Mercer, Spencer Stuart, EY).

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

**Figure 9 - Panels used for Compensation Benchmarks<sup>14</sup>**

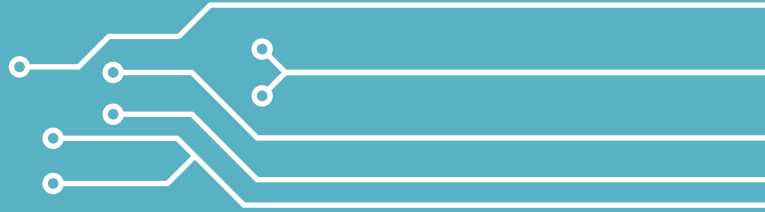
	Mercer	Spencer Stuart	EY
<b>Chief Executive Officer</b>	Panel of listed companies comparable to Italgas in terms of capitalisation and turnover or involved in a similar business (18 companies)	Panel of listed companies comparable to Italgas in terms of business complexity	Panel of listed companies comparable to Italgas in terms of capitalisation and turnover or involved in a similar business (18 companies)
<b>Chairman</b>	Panel of listed companies comparable to Italgas in terms of capitalisation/turnover (9 companies)	Panel of listed companies comparable to Italgas in terms of business complexity	Panel of listed companies comparable to Italgas in terms of capitalisation/turnover (9 companies)
<b>Boards and Control Bodies</b>	Panel of listed companies comparable to Italgas in terms of capitalisation/turnover (14 companies)	-	Panel of listed companies comparable to Italgas in terms of capitalisation/turnover (14 companies)
<b>General Manager of Finance and Services</b>	-	-	EY Top Executive
<b>General Manager of Finance and Services</b>	-	-	EY Top Executive

<sup>14</sup> The Mercer and EY panels consist of the following:

- CEO (18 companies): A2A, Acea, Amplifon, Ascopiave, Atlantia, Campari, Diasorin, Enel, Eni, Hera, Iren, Leonardo, Moncler, Prysmian, Saipem, Snam, Telecom Italia, Terna
- Chairman (9 companies): Amplifon, Diasorin, Enel, Eni, Leonardo, Prysmian, Saipem, Snam, Terna
- Boards and control bodies (14 companies): A2A, Amplifon, Atlantia, Campari, Diasorin, Enel, Eni, Leonardo, Moncler, Prysmian, Saipem, Snam, Telecom Italia, Terna







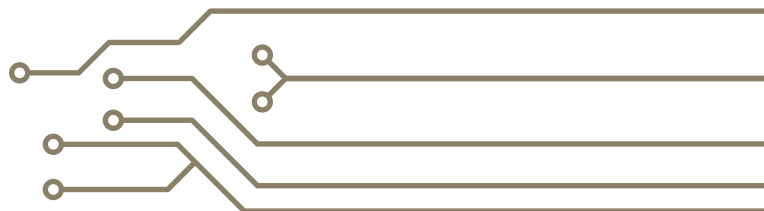
# SECTION II

## Compensation and other information





# 01



## Implementation of 2019 Compensation Policies

Below is a description of the compensation measures implemented in 2019 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 2019 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 2019 Remuneration Policy, both in the market references found and in terms of overall positioning and pay mix.

The incentives disbursed in 2019 were paid on basis of the final statement of results for 2018, 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 2018 results were stated in the 2019 Remuneration Report.

In accordance with Legislative Decree 49/2019, article 4, subsection b<sup>15</sup>, shown below are the 2019 performance results based on the targets set by the Italgas Board of Directors, which will determine or contribute to determining the incentives disbursed during 2020.

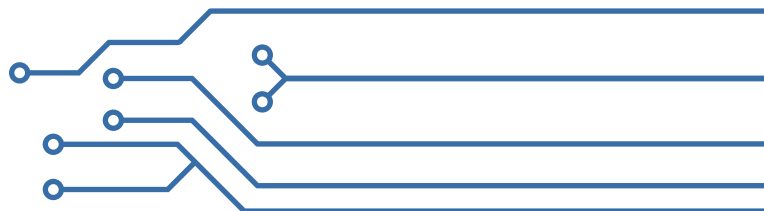
<sup>15</sup> Among the innovations introduced by Legislative Decree 49/2019, article 4, subsection b-bis, provides for "The second section of the report [...] to illustrate how the company has taken account of the votes cast the previous year on the second section of the report". For the first time, therefore, this section will be submitted to a non-binding vote by the 2020 Ordinary Shareholders' Meeting and, therefore, the voting will be analysed and reviewed as of 2021.







# 02



## Final report on the performance of the Variable Incentive Plans

### Short-Term Incentive Plan (STI)

The 2019 annual incentives were paid on the basis of the final statement of results for the targets set by the Italgas Board of Directors for 2018, determining a performance score of 127.3 points on the measurement scale which provides for a target and maximum performance level of 100 and 130 points respectively.

The annual 2020 incentives will be paid on the basis of the final statement of results for the targets set for 2019 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 April 2020 determined a performance score of 128.1 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 2020, as a Short-Term Incentive, of € 830,250, a third of which (€ 290,587) will be deferred in the Co-Investment Plan.



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

**Figure 10 - Disbursement of Short-Term Incentive – final statement of 2019 targets**

Performance parameters	Peso %	Unit of measurement	Minimum 70	Central 100	Maximum 130	Performance Score
Net financial position	30%	Mln €			4,411	39.0
Investment (spending)	30%	Mln €			634	39.0
Profitability (EBITDA)	20%	Mln €			908	25.1
Sustainability: Accident frequency index	5%	Table of Contents			1.34	5.5
Sustainability: Integration and Governance of new initiatives	15%	no. of completed actions			3	19.5
<b>Total</b>						<b>128.1</b>

## Deferred Monetary Incentive Plan (DMI)

Following the verification and proposal made by the Compensation Committee, the Italgas Board of Directors confirmed by resolution that the EBITDA achieved by Italgas in 2018 determined an annual multiplier of 170 on the following scale: 70 = minimum, 130 = target and 170 = maximum .

Consequently, in relation to the 2016 and 2017 results already reported, the three-year average multiplier was 163 points, applied to the incentives awarded in 2016 for the purpose of the disbursement which took place in August 2019.

**Figure 11 – 2016 DMI Disbursement – EBITDA 2016-2018**

Target EBITDA	2016 Multiplier	2017 Multiplier	2018 Multiplier	Final multiplier for 2019 disbursement
	161	170	157	<b>163</b> (three-year period average)

Following the verification and proposal made by the Appointments and Compensation Committee, the Italgas Board of Directors at the meeting of 10 April 2020 confirmed by resolution that the EBITDA achieved by Italgas in 2019 determined an annual multiplier of 164 on the following scale: 70 = minimum, 130 = budget and 170 = maximum.

Consequently, in relation to the 2017 and 2018 results already reported, the three-year average multiplier was 163.7, applied to the incentives awarded in 2017 for disbursement that will take place in August 2020.



## Long-Term Monetary Incentive (LTMI) Plan

At its meeting held on 22 February 2019, following the verification and proposal of the Appointments and Compensation Committee, the Italgas Board of Directors resolved:

- a 2018 Italgas Consolidated Net Profit result higher than the maximum (budget +5%), which determined a multiplier of 130 points on a scale of 0-130 (60% weighting);
- a 2018 Total Shareholders Return result compared to the peer group (A2A, Elia, Enagas, Red Eléctrica, Terna, Snam) that positions Italgas in 6th place, determining a multiplier of 0 points on a scale of 0 – 130 (40% weighting).

Therefore, the annual multiplier for 2018 was 78 points on a scale of 0 -130.

Consequently, in relation to the 2016 and 2017 results already reported, the three-year average multiplier was 110.10, applied to the incentives awarded in 2016 for the purpose of the disbursement which took place in October 2019.

**Figure 12 - Erogazione IMLT 2016 – Utile Netto Adjusted e Total Shareholders Return**

<b>2016 Multiplier</b>	<b>2017 Multiplier</b>	<b>2018 Multiplier</b>	<b>Final multiplier for 2019 disbursement</b>
122.3	130	78	<b>110.10</b> (three-year period average)

At its meeting held on 10 April 2020, following the verification and proposal of the Appointments and Compensation Committee, the Italgas Board of Directors resolved:

- a 2019 Italgas Consolidated Net Profit result that determined a multiplier of 130 on a scale of 0-130 (60% weighting);
- a 2019 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).

Therefore, the annual multiplier for 2019 was 118 points on a scale of 0 -130.

Consequently, in relation to the 2017 and 2018 results already reported, the three-year average multiplier was 108.7, applied to the incentives awarded in 2017 for the purpose of the disbursement which will take place in October 2020.

# 03



## 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 (9,589 euros) in the total annual gross amount of 800,768 euros.

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

#### Annual Monetary Incentive

The Chief Executive Officer was paid a variable annual gross incentive of 479,921 euros associated with the performance achieved in the 2018 financial year (127.3 points). The gross value of the incentive paid in 2019 is shown in Table 3.b under "Bonus for the year - payable/paid".





### Co-Investment Plan

At the meeting held on 22 February 2019, on a proposal made by the Appointments and Compensation Committee and in accordance with the 2019 Remuneration Policy, the Board of Directors resolved to assign rights to the Chief Executive Officer to receive 49,480 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".

### Deferred Monetary Incentive

In 2019, the Deferred Monetary Incentive allocated in 2016 was accrued. The gross value of the incentive disbursed to the Chief Executive Officer was 374,900 euros and is shown in Table 3.b under "Bonuses from previous years - payable/paid".

### Long-Term Monetary Incentive

At the meeting held on 7 November 2019 on a proposal made by the Appointments and Compensation Committee and in accordance with the 2019 Remuneration Policy, the Board of Directors resolved to allocate a gross amount of 530,000 euros (G.A.C. x 65.5%) to the Chief Executive Officer as the 2019 payment under 2017-2019 Long-Term Monetary Incentive Plan. The gross value of the incentive paid is shown in Table 3.b under "Bonus for the year - deferred".

In 2019, the Long-Term Monetary Incentive awarded in 2016 for a gross value of 278,003 euros, reported in table 3.b under "Bonuses from previous years - payable/paid" was also accrued.

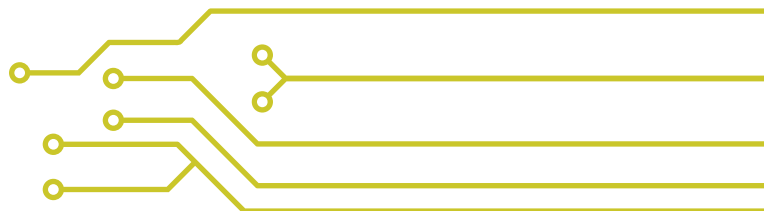
### Benefits

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.





## 04



## Compensation paid to the General Manager of Finance and Services and to the other Executives with Strategic Responsibilities

Italgas Executives with Strategic Responsibilities, other than the General Manager of Finance and Services, are: Head of Commercial Development, 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.

### Fixed compensation

For Executives with Strategic Responsibilities, as part of the annual salary review process envisaged for all executives, in 2019 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 2019 to Executives with

Strategic Responsibilities is shown in Table 1 under "Fixed Compensation".

### Annual Monetary Incentive

In April 2019, variable annual incentives were paid to Executives with Strategic Responsibilities, in accordance with the defined Remuneration Policy, with reference to the final record of performance in 2018. 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, in accordance with the provisions of the 2018 Performance Plan. The aggregate gross value of the incentives paid in 2019 to Executives with Strategic Responsibilities is shown in Table 3.b under "Bonus for the year - payable/paid".





### Co-Investment Plan

At the meeting held on 22 February 2019, on a proposal made by the Appointments and Compensation Committee and in accordance with the 2019 Remuneration Policy, the Board of Directors resolved to assign rights to Executives with Strategic Responsibilities to receive 80,544 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".

### Deferred Monetary Incentive

In 2019, the Deferred Monetary Incentive allocated in 2016 was accrued.

The aggregate gross value of the incentives paid to Executives with Strategic Responsibilities is shown in Table 3.b under "Bonus from previous years - payable/paid".

### Long-Term Monetary Incentive

In 2018, Executives with Strategic Responsibilities were allocated the Long-Term Monetary Incentive determined in accordance with the 2018 Remuneration Policy.

The Long-Term Monetary Incentive allocated in 2015 was also accrued in 2018.

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.

### 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.



**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>16</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 2019, 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 (6,800 euros);
- the **"Variable non-equity compensation/Profit sharing"** column contains no data as this did not exist in 2019;
- the **"Total"** column shows the sum of the previous items;
- the **"Fair Value of equity compensation"** shows, on an accrual basis, the value of the rights assigned during 2019;
- 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 2019.

<sup>16</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 the office	Fixed compensation	Compensation for participation in Committees
Board of Directors						
Lorenzo Bini Smaghi	(1)	Chairman	01.01 - 03.04	04.19	61,293 (a)	
Alberto Dell'Acqua	(2)	Chairman	04.04 - 31.12	04.22	201,205 (a)	
Paolo Gallo	(3)	Chief Executive Officer	04.04 - 31.12	04.22	800,768 (a)	
Andrea Mascetti	(4)	Director	04.04 - 31.12	04.22	37,260 (a)	25,534 (b)
Giandomenico Magliano	(5)	Director	04.04 - 31.12	04.22	37,260 (a)	28,726 (b)
Veronica Vecchi	(6)	Director	04.04 - 31.12	04.22	37,260 (a)	12,767 (b)
Silvia Stefini	(7)	Director	04.04 - 31.12	04.22	37,260 (a)	25,534 (b)
Nicola Bedin	(8)	Director	01.01 - 03.04	04.19	10,301 (a)	10,301 (b)
Federica Lolli	(9)	Director	01.01 - 03.04	04.19	10,301 (a)	10,301 (b)
Maurizio Dainelli	(10)	Director	01.01 - 03.04	04.19	10,301 (a)	5,150 (b)
		Director	04.04 - 31.12	04.22	37,123 (a)	12,767 (b)
Cinzia Farise'	(11)	Director	01.01 - 03.04	04.19	10,301 (a)	10,301 (b)
Yunpeng He	(12)	Director	01.01 - 03.04	04.19	10,301 (a)	3,863 (b)
		Director	04.04 - 31.12	04.22	37,123 (a)	12,767 (b)
Paolo Mosa	(13)	Director	01.01 - 03.04	04.19	10,301 (a)	3,863 (b)
Paola Annamaria Petrone	(14)	Director	01.01 - 03.04	04.19	10,301 (a)	11,589 (b)
		Director	04.04 - 31.12	04.22	37,123 (a)	28,726 (b)
Board of Statutory Advisors						
Gian Piero Balducci	(15)	Chairman	01.01 - 03.04	04.19	15,452 (a)	
Pierluigi Pace	(16)	Chairman	04.04 - 31.12	04.22	52,164 (a)	
Giandomenico Genta	(17)	Standing Auditor	01.01 - 03.04	04.19	10,301 (a)	
Marilena Cederna	(18)	Standing Auditor	04.04 - 31.12	04.22	33,534 (a)	
Laura Zanetti	(19)	Standing Auditor	01.01 - 03.04	04.19	10,301 (a)	
Maurizio di Marcotullio	(20)	Standing Auditor	04.04 - 31.12	04.22	33,534 (a)	
Executives with Strategic Responsibilities	(14)				1,792,410 (a)	
Grand Total					3,343,478	202,189

Variable non-equity compensation					Fair value of equity compensation	Compensation for end of office or termination of employment contract
Bonus and other incentives	Profit sharing	Non-monetary benefits	Other compensation	Total		
				61,293		
				201,205		
1,132,824 (b)		11,041 (c)	6,800 (d)	1,951,432	74,139 (e)	
				62,794		
				65,986		
				50,027		
				62,794		
				20,602		
				20,602		
				15,451		
				49,890		
				20,602		
				14,164		
				49,890		
				14,164		
				21,890		
				65,849		
				15,452		
				52,164		
				10,301		
				33,534		
				10,301		
				33,534		
1,492,609 (b)		66,523 (c)		3,351,542	120,685 (d)	
2,625,433		77,563	6,800	6,255,463	194,824	

**(1) Lorenzo Bini Smaghi - Chairman of the Board of Directors**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting on 4 August 2016 (40,000 euros) and the fixed annual compensation for the duties assigned by the Board of Directors' meeting held on 26 September 2016 (198,000 euros).

**(2) Alberto Dell'Acqua - Chairman of the Board of Directors**

The amount:

- (a) for the period from 4 April 2019 to 31 December 2019 includes, pro quota, 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.

**(3) Paolo Gallo - Chief Executive Officer**

The amount:

- (a) of 800,768 euros includes:
  - the G.A.C. of 725,000 euros established by the Board of Directors at the meeting held on 26 January 2017 and applicable until 3 April 2019;
  - the G.A.C. of 810,000 euros applicable from the date of the appointment on 4 April 2019 and 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 9,589 euros).
- (b) relates to the disbursement of 479,921 euros of the 2019 annual monetary incentive, 374,900 euros relating to the Deferred Monetary Incentive awarded in 2016 and the disbursement of 278,003 euros relating to the Long-term Monetary Incentive awarded in 2016.
- (c) corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- (d) relates to the gross-up value of the CEO's car.
- (e) corresponds to the value of the rights assigned during 2019, on an accrual basis.

**(4) Andrea Mascetti - Director**

The amount:

- (a) for the period from 4 April 2019 to 31 December 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 April 2019 (50,000 euros);
- (b) for the period from 13 May 2019 to 31 December 2019, includes, pro quota, the fixed annual compensation for participation, as Chairman, in the Appointments and Compensation Committee (40,000 euros).

**(5) Giandomenico Magliano - Director**

The amount:

- (a) for the period from 4 April 2019 to 31 December 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 April 2019 (50,000 euros);
- (b) for the period from 13 May 2019 to 31 December 2019 includes, pro quota, the fixed annual compensation for participation, as Chairman, in the Sustainability Committee (25,000 euros) and participation, as Member, in the Control, Risk and Related Party Transactions Committee (20,000 euros).

**(6) Veronica Vecchi - Director**

The amount:

- (a) for the period from 4 April 2019 to 31 December 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 April 2019 (50,000 euros);
- (b) for the period from 13 May 2019 to 31 December 2019, includes, pro quota, the fixed annual compensation for participation, as Member, in the Sustainability Committee (20,000 euros).

**(7) Silvia Stefini - Director**

The amount:

- (a) for the period from 4 April 2019 to 31 December 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 April 2019 (50,000 euros);
- (b) for the period from 13 May 2019 to 31 December 2019 includes, pro quota, 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).

**(8) Nicola Bedin - Director**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros);
- (b) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation for participation, as Chairman, in the Sustainability Committee (20,000 euros) and participation, as Member, in the Control, Risk and Related Party Transactions Committee (20,000 euros).

**(9) Federica Lolli - Director**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros);
- (b) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, 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).

**(10) Maurizio Dainelli - Director**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros). The compensation is paid to the company to which he belongs (Cassa Depositi e Prestiti S.p.A.). for the period from 4 April 2019 to 31 December 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 April 2019 (50,000 euros);
- (b) for the period from 1 January 2019 to 3 April 2019, includes, pro quota, 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.). for the period from 13 May 2019 to 31 December 2019, includes, pro quota, the fixed annual compensation for participation, as Member, in the Appointments and Compensation Committee (20,000 euros).

**(11) Cinzia Farisè - Director**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros);
- (b) for the period from 1 January 2019 to 3 April 2019, includes, pro quota, the fixed annual compensation for participation, as Chairman, in the Appointments and Compensation Committee (40,000 euros).

**(12) Yunpeng He - Director**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros); for the period from 4 April 2019 to 31 December 2019, it includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 April 2019 (50,000 euros);
- (b) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation for participation, as Member, in the Sustainability Committee (15,000 euros); for the period from 13 May 2019 to 31 December 2019 it includes, pro quota, the fixed annual compensation for participation, as Member, in the Sustainability Committee (20,000 euros).

**(13) Paolo Mosa - Director**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros);
- (b) for the period from 1 January 2019 to 3 April 2019, includes, pro quota, the fixed annual compensation for participation, as Member, in the Sustainability Committee (15,000 euros).

**(14) Paola Annamaria Petrone - Director**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros); for the period from 4 April 2019 to 31 December 2019, it includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 April 2019 (50,000 euros);
- (b) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation for participation, as Chairman, in the Control, Risk and Related Party Transactions Committee (45,000 euros); for the period from 13 May 2019 to 31 December 2019 it includes, pro quota, the fixed annual compensation for participation, as Chairman, in the Control, Risk and Related Party Transactions Committee (45,000 euros).

**(15) Gian Piero Balducci - Chairman of the Board of Statutory Auditors**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (60,000 euros), for participation, as Chairman, in the Board of Statutory Auditors.

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

The amount:

- (a) (a) for the period from 4 April 2019 to 31 December 2019 includes, pro quota, 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.

**(17) Giandomenico Genta - Board of Statutory Auditors**

The amount:

- (a) (a) for the period from 1 January 2019 to 3 April 2019 includes, pro quota, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros), for participation, as Standing Auditor, in the Board of Statutory Auditors.



**(18) Marilena Cederna - Board of Statutory Auditors**

The amount:

- (a) per il periodo dal 4 aprile 2019 al 31 dicembre 2019, comprende, *pro quota*, il compenso fisso annuo stabilito dall'Assemblea del 4 aprile 2019 (45.000 euro), per la partecipazione, in qualità di Sindaco Effettivo, al Collegio Sindacale.

**(19) Laura Zanetti – Board of Statutory Auditors**

The amount:

- (a) for the period from 1 January 2019 to 3 April 2019 includes, *pro quota*, the fixed annual compensation established by the Shareholders' Meeting of 4 August 2016 (40,000 euros), for participation, as Standing Auditor, in the Board of Statutory Auditors.

**(20) Maurizio Di Marcotullio – Board of Statutory Auditors**

The amount:

- (a) for the period from 4 April 2019 to 31 December 2019 includes, *pro quota*, 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.

**(21) Executives with Strategic Responsibilities**

The amount:

- (a) of 1,792,410 correspond 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 42,605 euros.
- (b) includes the disbursement of 781,218,000 euros of the 2019 Annual Monetary Incentive, 325,896 euros relating to the Deferred Monetary Incentive awarded in 2016 and the disbursement of 385,495 euros relating to the Long-term Monetary Incentive awarded in 2016.
- (c) corresponds to the value of the fringe benefits assigned, on an accrual and taxability basis.
- (d) The amount corresponds to the value of the rights assigned during 2019, on an accrual basis.

**Table 2**

**Stock options assigned to Directors and Executives with Strategic Responsibilities**

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

**Table 3.a**

**Incentive plans based on financial instruments other than stock options for Directors and Executives with Strategic Responsibilities**

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

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 assignment (euros)" column shows the assignment price calculated as the average of the official daily prices recorded in the thirty calendar days preceding the Board of Directors meeting that approved the assignment. The assignment price for 2019 was 5.2227 euros;

- the columns in the “Financial instruments assigned in previous financial years not vested during the financial year”, “Financial instruments vested during the financial year and not allocated”, “Financial instruments vested during the financial and attributable” sections contain no data as there are none to report;
- the “Financial instruments pertaining to the year” column shows the fair value pertaining to the year relating to the Co-Investment Plan, estimated according to the international accounting standards which distribute the related cost over the vesting period; the total corresponds to the amount shown in Table 1 of the “Fair value of equity compensation” column.

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

First name, Last name, Position	Plan	Financial instruments assigned in previous years non vested during the year	
		Number and type of financial instruments	vesting period
Paolo Gallo Executive Officer	2018 Co-Investment Plan Italgas BdD of 08/06/2018	69,770	three-year
Executives with Strategic Responsibilities	2018 Co-Investment Plan Italgas BdD of 08/06/2018	104,340	three-year
Paolo Gallo Executive Officer	2019 Co-Investment Plan Italgas BdD of 22/02/2019	n.a.	n.a.
Executives with Strategic Responsibilities	2019 Co-Investment Plan Italgas BdD of 22/02/2019	n.a.	n.a.
<b>Total</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
Number and type of financial instruments	Fair Value at assigned data (euros)	Vesting period	Assignment date	Market price on Assignment (euros)	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair Value (euros)
								114,840
								171,741
49,480	258,419	triennale	22/02/19	5,2227	n.a.	n.a.	n.a.	74,139
80,544	420,657	triennale	22/02/19	5,2227	n.a.	n.a.	n.a.	120,685
	<b>679,076</b>							<b>481,405</b>

**Table 3.b**

**Monetary incentive plans for Directors and Executives with Strategic Responsibilities**

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

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 2019;
- the “Bonuses for the year – deferred” column shows the amount of the basic incentive allocated for the year 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 shows the long-term variable incentives paid during the year and accrued on the basis of the final statement of performance during the vesting period;
- 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.

**Tabella 3b: Monetary incentive plans for Directors, the General Manager Operations and other Executives with Strategic Responsibilities**

Name and Last Name	Office	Plan
Paolo Gallo	CEO	2019 Annual Monetary Incentive Plan Italgas BoD of 22/02/2019
		2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019
		2018 Long-term Monetary Incentive Plan Italgas BoD of 08/06/2018
		2017 Deferred Monetary Incentive Plan Italgas BoD of 27/07/2017
		2017 Long-term Monetary Incentive Plan Italgas BoD of 27/07/2017
		2016 Long-term Monetary Incentive Plan Snam BoD
		2016 Deferred Monetary Incentive Plan Snam BoD
Total		
Executives with Strategic Responsibilities		2019 Annual Monetary Incentive Plan Italgas BoD of 22/02/2019
		2019 Long-term Monetary Incentive Plan Italgas BoD of 07/11/2019
		2018 Long-term Monetary Incentive Plan Italgas BoD of 08/06/2018
		2017 Deferred Monetary Incentive Plan Italgas BoD of 27/07/2017
		2017 Long-term Monetary Incentive Plan Italgas BoD of 27/07/2017
		2016 Deferred Monetary Incentive Plan Snam BoD of 26/07/2016
		2016 Long-term Monetary Incentive Plan Snam BoD of 27/09/2016
Total		
TOTAL		

Bonus for the year			Bonus for previous years			Other bonuses
playable/ paid	deferred	deferral period	no longer playable	playable/ paid	still deferred	
479,921						
	530,000,00	three-year				
					471,500	
					330,000	
					362,500	
				278,003		
				374,900		
<b>479,921</b>	<b>530,000</b>		<b>0</b>	<b>652,903</b>	<b>1,164,000</b>	<b>0</b>
781,218						
	692,000	three-year				
					667,000	
					440,000	
					449,500	
				385,495		
				325,896		
<b>781,218</b>	<b>692,000</b>		<b>0</b>	<b>711,391</b>	<b>1,556,500</b>	<b>0</b>
<b>1,261,139</b>	<b>1,222,000</b>		<b>0</b>	<b>1,364,294</b>	<b>2,720,500</b>	<b>0</b>



#### Table 4 Shareholdings held

In accordance with Article 84-quater, fourth subsection, of the Consob Issuers' Regulation, 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 31.12.2019

**TABLE 4a: shareholdings held by Directors and Statutory Auditors**

Name and Last Name	Office	Investee Company	Number of shares owned as at 31 December 2018	Number of shares purchased in 2019	Number of shares sold in 2019	Number of shares owned as at 31 December 2019
Paolo Gallo <sup>1</sup>	CEO	Italgas	14,000	0	0	14,000

1 of which 12,000 personally and 2,000 by spouse

**TABLE 4b: shareholdings held by Executives with Strategic Responsibilities**

	Investee Company	Number of shares owned as at 31 December 2018	Number of shares purchased in 2019	Number of shares sold in 2019	Number of shares owned as at 31 December 2019
Italgas Executives with strategic responsibilities	Italgas	44,787	0	0	44,787



# Glossary

## **Accident frequency index:**

based on the UNI 7249 standard, this is included among the indicators used to measure safety at work. The aforementioned regulation establishes that this index is calculated as the number of accidents that occurred for every million hours worked in a given period and/or in a specific area and across the company.

## **Appointments and Compensation Committee:**

consists of two independent non-executive directors (one of whom is the Chairman) and one non-executive director and has consultative and advisory functions with regard to the Board of Directors. In particular, the Committee specifically submits the annual Compensation Report to the Board for its approval and makes proposals relating to the remuneration of directors with powers and members of the Board Committees. The Appointments and Compensation Committee, pursuant to the "Transactions with interests of directors and statutory auditors and transactions with related parties" procedure, is responsible for issuing an opinion on Transactions concerning the remuneration of directors and executives with strategic responsibilities.

Among the main tasks regarding appointments: it proposes candidates for the office of director if one or more directors are lost during the year, ensuring compliance with the requirements on the minimum number of independent directors and on the quotas reserved for the less represented gender; submits candidates for the corporate bodies of the Subsidiaries included in the consolidation area to the Board of Directors. It draws up and proposes, among other things, annual self-assessment procedures for the Board and its Committees.

**Appointments Committee:** (See Appointments and Compensation Committee)

## **Assignment Price [Ass. Price]:**

in the Co-investment plan, this is the average of the official daily prices recorded in the thirty calendar days prior to the date of the Board of Directors' meeting which approves the final statement of results for the short-term incentive.

## **Balanced Scorecard:**

is the tool on which short-term variable incentive system is based to support the achievement of corporate objectives by translating the corporate strategy into a set of measurable performance metrics for each eligible subject.

## **Benefits:**

means the elements included in the non-monetary component of the remuneration aimed at increasing the individual and family well-being of workers in economic and social terms. This category includes all the resources intended to meet social security and welfare needs (supplementary pensions, health care, insurance cover) but also the so-called perquisites, which consist of goods and services that Italgas S.p.A. makes available to its employees.

## **Claw Back:**

contractual mechanisms that provide for the potential full or partial return of compensation already paid by companies to their management as a variable part of the remuneration.

## **Co-investment:**

plan that entitles participants to receive a reward, at the end of the vesting period, in relation to the results achieved and the deferred annual incentive quota.

**Compensation Committee:** (See Appointments and Compensation Committee)

## **Compensation Policy:**

is the set of compensation programmes in terms of fixed and variable remuneration



implemented at company level in order to support the achievement of strategic objectives.

**Consolidated Law on Finance (CLF):**

the “Consolidated Law on financial intermediation” is Legislative Decree 58 of 24 February 1998 (as subsequently amended). The CLF introduced legislation on financial matters “based on principle”, which at primary regulatory level only establishes general guidelines, deferring the definition of detailed rules to the Supervisory Authorities (e.g. CONSOB).

**Consolidated net profit:**

is the net profit achieved net of special items relating to events or operations: i) which are non-recurring or do not occur frequently in the usual course of business; ii) are not representative of the normal business activity of the company.

**Control and Risks Committee:**

consists of three independent non-executive directors (one of whom is the Chairman) and has consultative and advisory functions with regard to the Board of Directors, supporting decisions concerning the internal control and risk management system and those relating to the approval of financial reports through appropriate investigation.

**Corporate Governance Code:**

as defined by Borsa Italiana, this is the “Corporate Governance Code for listed companies” approved by the Corporate Governance Committee. Based on the experience gained in the main international markets, the document states the best corporate governance practices recommended by the Committee to listed companies, to be applied according to the comply or explain principle, which requires the reasons for any failure to adapt to one or more recommendations contained in the principles or application criteria to be explained.

**Dividend Equivalent:**

additional shares allocated to the Co-investment Plan Beneficiary based on the failure to obtain dividends in the vesting period.

**EBITDA (Earnings before interest, tax, depreciation and amortisation):**

also known as “gross operating margin” or “GOM” is an indicator of profitability which highlights the company’s income deriving only from its core business, gross, therefore, of interest (financial management), taxes (tax management), depreciation of assets and amortisation.

**End-of-term/mandate compensation:**

Monetary amount to be paid to the director on termination of his/her appointment as director.

**Executive Directors:**

directors vested with particular offices by the Board of Directors.

**Executives with Strategic Responsibilities:**

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 Commercial Development, 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.

**Fair Value of equity compensation:**

also known as fair value. The International Financial Reporting Standard no. 2 (IFRS 2) defines fair value as "The consideration at which an asset could be exchanged, or a liability extinguished, or an instrument representing equity assigned, in a free transaction between informed and willing parties."

**Fixed Remuneration:**

includes all fixed annual compensation, before taxes and social security charges payable by the employee, therefore not including annual bonuses, other bonuses, indemnities, fringe benefits, expense reimbursements, and any other form of variable or occasional remuneration.

**Free Cash Flow:**

indicates the (monetary) cash flow generated by operational and non-operational management.

**Independent Directors:**

Italgas directors who meet the independence requirements set out in the Corporate Governance Code with which Italgas complies.

**Issuers' Regulations:**

this is CONSOB Regulation 11971 of 14 May 1999 containing the rules for entities issuing financial instruments.

**Italgas Enterprise System (IES):**

is the Italgas Group's internal document intended to describe and illustrate the following regarding Italgas S.p.A. and its Subsidiaries: (i) the Italgas Group; (ii) the organisational and governance model; (iii) the corporate management system; (iv) the Group's operating model.

**Matching:**

allocation to the Beneficiary of additional shares based on the performance results.

**Medium - long term variable incentive:**

Plan that entitles participants to receive a reward at the end of the vesting period (see vesting) based on the results achieved.

**Non-competition agreements:**

based on article 2125 of the Italian Civil Code, this is an "agreement under which the employee's freedom to work is restricted for a period following termination of his/her contract".

**Non-Executive Directors:**

these are directors who are not vested with particular offices by the Board of Directors and do not have individual management powers.

**Pay Mix:**

is the percentage of fixed remuneration, short-term variable and long-term incentive paid at target level.

**Peer Group:**

group of companies used to compare company results with Italgas according to the defined performance parameters, made up of the following listed European companies in the utilities sector: Enagas, Red Eléctrica, Terna, Snam, A2A, Elia System Operator.

**Performance Plan:**

is the tool that defines the objectives underlying the short-term variable incentive system.

**Proxy Advisors:**

Company, used by institutional investors, which issue specific recommendations, based on the meeting documents and their voting policies, which may have a significant influence on votes cast regarding the Remuneration Policy.

**Related-party transactions:**

the "Transactions with interests of directors and statutory auditors and transactions with related parties" procedure adopted



under the terms and for the purposes of article 2391-bis of the Italian Civil Code and the “*Regulation on transactions with related parties*” (adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequently amended by resolution no. 17389 of 23 June 2010) which establishes the principles and rules with which Italgas and its subsidiaries, directly or indirectly, must comply in order to ensure transparency and the substantial and procedural correctness of transactions with Related Parties and with Subjects of Interest of directors and statutory auditors of Italgas, carried out by Italgas and its subsidiaries, also taking into account the need to avoid the risk of depleting the corporate assets.

**Salary review:**

is the process of reviewing the annual fixed remuneration for the entire eligible managerial population.

**Severance pay:**

monetary amount to be paid to the worker on termination of his/her employment contract as an executive.

**Shares allocated:**

number of shares to which the Beneficiary of the Co-investment Plan is entitled at the end of the vesting period.

**Shares assigned:**

number of shares placed at the beginning of the vesting period in the Co-investment Plan.

**Short-term variable incentive:**

Plan that entitles the parties involved to receive an annual cash reward based on the results achieved in the previous year in relation to the defined objectives.

**Stock Option:**

financial instrument through which the company grants the beneficiaries the right to subscribe to or purchase shares of the company itself or of another company belonging to the same group, at a predetermined price (strike price).

**Sustainability Committee:**

consists of three non-executive directors, most of them independent, including the Chairman. The Sustainability Committee carries out proposal and consultation functions with regard to the Board of Directors on matters of sustainability, understood as the processes, initiatives and activities intended to oversee the commitment of the Company to sustainable development along the value chain.

**Sustainability indexes:**

Dow Jones Sustainability World Index and FTSE4GOOD are stock market indexes made up of listed companies selected internationally among those that have achieved the best performance in terms of sustainability and Corporate Social Responsibility.

**Target level:**

is the standard level of achievement of the objective that entitled the recipient to receive 100% of the incentive.

**Threshold level:**

represents the minimum level below which the plan does not allow any incentive to be disbursed.

**Total Shareholder Return (TSR):**

indicates the overall yield of a share taking into account both the change in price and the distribution of dividends.

**Variable Remuneration:**

consists of short-term variable incentives and medium-long term incentives.

**Vesting (vesting period):**

period between assignment and accrual of a right to receive the reward.

# Analytical index of topics

## CONSOB Resolution no. 18049, SECTION I

**Legislative Decree no. 49 of 10 May 2019, Article 3 - Amendments to Part IV, Heading III, Section II of Legislative Decree no. 58 of 24 February 1998, article 123 ter**

CONSOB Resolution	Information requested	Reference
A	Bodies or subjects involved in the preparation and approval of the remuneration policy, specifying the respective roles, as well as the bodies or subjects responsible for the correct implementation of this policy	1.1 1.3
B	Any action taken by a compensation committee or other committee relevant to the matter, describing its composition (distinguishing between non-executive and independent directors), responsibilities and operating methods;	1.2
C	The names of any independent experts who have contributed to drawing up the remuneration policy;	3.8
D	The purposes pursued with the remuneration policy, the principles that underlie it and any changes in the remuneration policy compared to the previous financial year;	2
E	Description of the policies regarding fixed and variable components of remuneration, with particular regard to the relative weight within the overall remuneration and distinguishing between short and medium-long term variable components;	3
F	The policy relating to non-monetary benefits;	3.3.6 3.5.4 3.6.4
G	With reference to the variable components, a description of the performance objectives on the basis of which they are assigned, distinguishing between short and medium-long term variable components, and information on the connection between the change in results and the change in remuneration;	3.3.2 3.3.3 3.5.2 3.6.2
H	The criteria used to evaluate the performance objectives underlying the assignment of shares, options, other financial instruments or other variable remuneration components;	3.3.2 3.3.3 3.5.2 3.6.2
I	information intended to highlight the consistency of the remuneration policy with the pursuit of the company's long-term interests and with the risk management policy, where formalised;	2.1 2.2 3.3.3.2 3.3.3 3.5.2 3.6.2

<b>CONSOB Resolution</b>	<b>Information requested</b>	<b>Reference</b>
		2.2
		3.3.3.2
J	the vesting periods, any deferred payment systems, indicating the deferral periods and the criteria used to determine these periods and, if applicable, the ex-post correction mechanisms;	3.3.3 3.5.2 3.6.2 3.7
K	information on any clauses for the maintenance of financial instruments in the portfolio after their acquisition, with indication of the maintenance periods and the criteria used to determine these periods;	
L	the policy relating to the payment made in the event of termination of office or termination of the employment contract, specifying which circumstances give rise to the entitlement and any link between these payments and the company's performance	3.2.3 3.3.4 3.3.5 3.5.3 3.6.3
M	information on the existence of any insurance, welfare or pension cover, other than the obligatory ones	3.3.6
N (i)	any compensation policy applied in respect of independent directors	3.2.1
N (ii)	any compensation policy applied with regard to participation in committees	3.2.2
N (iii)	any compensation policy applied with regard to the performance of particular duties (chairman, vice-chairman, etc.)	3.1 3.3
O	Information on the use of compensation policies of other companies as reference and, if so, the criteria used for choosing these companies.	3.8

Legislative Decree no. 49/2019	Information requested	Reference
		SECTION I:
Article 3	The company's policy regarding the remuneration of members of the administrative bodies, general managers and executives with strategic responsibilities with reference at least to the following year <i>and, without prejudice to the provisions of article 2402 of the Italian civil code, of the members of the control bodies.</i>	3.1 3.2 3.3 3.4 3.5 3.6
Article 3 subsection b)	The procedures used to adopt and implement this policy.	SECTION I: 1.3
Art. 3-bis	The remuneration policy shall contribute to corporate strategy, the pursuit of long-term interests and the company's sustainability and shall explain the way in which it makes this contribution. Under exceptional circumstances, companies will be able to temporarily derogate from the remuneration policy, provided that it envisages the procedural conditions that must be met in order for the derogation to be applied and specifies the policy elements that can be derogated from.	SECTION I: 2.1 2.2
Article 4 subsection a)	[...] shall provide an adequate representation of each constituent item of the remuneration.	SECTION II: 3 4 Table 1
Article 4 subsection b)	[...] shall analytically illustrate the compensation paid in the reference year for any reason and in any form by the company and by subsidiaries or associated companies, indicating any components of the aforementioned compensation which refer to activities carried out in previous years and also highlighting the compensation to be paid in one or more subsequent years for the activity carried out in the reference year, possibly including an estimate of the components not objectively quantifiable in the reference year.	SECTION II: 2 Table 1 Table 2 Table 3.a Table 3.b
Art. 4.b bis	[...] shall illustrate how the company has taken account the vote expressed the previous year on the second section of the report.	N.A.
Art. 5	The compensation plans required by article 114-bis shall be attached to the report or the section of the company's website where these documents are available shall be indicated in the report.	Introduction

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