



2018
COMPENSATION
REPORT



ITALGAS IS WARMTH

Behind simple gestures such as turning on the tap or the heater there are almost two centuries of history.

Italgas's contribute is a committed, reliable and innovative one which arrives into the houses of the Italians in order to bring natural gas warmth, for more then 180 years.

Flipping through these pages, you will find a visual translation of some of the daily moments alternating and being animated also thanks to our people's work.

2018 Compensation Report

Approved by the Board of Directors on 12 March 2018.
The Report is published in the “Ethics and Governance”
section of the Company’s website (www.italgas.it)

Values and mission

Competence, efficiency, innovation, reliability, safety, closeness to people. Every day, for more than 180 years, the work of the men and women at Italgas has drawn inspiration from these values. Italgas has always supported the economic and social development of Italy, encouraging its sustainable growth. Today, Italgas is the first natural gas distributor in Italy and the third largest in Europe. Building on these solid foundations, the Group now looks ahead and aims for stronger market presence. Investments, service quality and digitalisation are the main pillars of the strategy developed to achieve our ambitious goals and to continue generating value. Italgas, over 180 years of history and a successful future yet to be written.

The names Italgas, Italgas Group or Group refer to Italgas S.p.A. and the companies comprised in the area of consolidation.

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Letter from the Chairman of the Nominations and Compensation Committee

Dear Shareholders,

There are many changes in the 2018 Compensation Report that Italgas presents and submits to be reviewed by you and, more in general, by all stakeholders.

As a whole, the changes we introduced represent well the rapid evolution of a Company that, after the demerger from Snam and the listing on the Stock Market, which took place in November 2016, used last year to define its own identity and configuration, recognisable and transparent, also on the front of the manager compensation and incentive systems.

The first change pertains to the governance of the compensation process. Last October, the Board of Directors established the Nominations and Compensation Committee, thus conflating in a single body the responsibilities and duties that had previously

been entrusted to two distinct Committees. With this decision, the Board of Directors decided to set up a more efficient Committee structure that will be still more effective in thoroughly studying and managing its issues. Specifically, after joining the competencies of the Nominations Committee and of the Compensation Committee makes it possible to better exploit the appropriate synergies, also in relation to the programmes of acquisition of other companies. I am honoured to serve as the Chair of the Committee and I wish to thank Ms. Barbara Borra, who served admirably in this role in the months following the listing.

Together with my colleagues Federica Lolli and Maurizio Dainelli, the first goal we set for ourselves as the Nominations and Compensation Committee was to study and introduce a new short term and long-term incen-

tive system for the Chief Executive Officer, for Managers with strategic responsibilities and, more in general, for Italgas Managers. While consideration was given to the favourable reaction of the shareholders' assembly on the first Compensation Report prepared by Italgas last year, approved by over 90% of voters, in preparing the draft of the new incentive system, then adopted by the Board of Directors, all improvement indications collected from the shareholders, from the other stakeholders and from the proxy advisors were considered, in an effort towards continuous alignment and improvement between the demands of the market and the compensation policy of Italgas. In the new incentive system presented in the pages of the 2018 Report, the three-year deferral of part of the bonus accrued annually, **the inclusion of equity instruments** in the compensation structure, the

determination of performance with **targets defined for the entire three years** of vesting, have become characterising elements next to those already adopted previously and appreciated by the investor community. All these elements are present in the **new Co-investment Plan**, which we are certain will be appreciated also as an expression of the intention of the Italgas management to participate directly in the risk capital of the Company, sharing its opportunity with all shareholders.

Confiding that the 2018 Compensation Report submitted for your review can attest the constant effort by the Committee and by Italgas to improve the compensation systems adopting the best Italian and international practices, I thank you for in advance for your approval of the 2018 Italgas Compensation Policy.

Cinzia Farisè

Chairman of the Nominations and Compensation Committee

Abstract

FIXED COMPENSATION

It 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

Chairman: 238,000

Chief Executive Officer: 725,000

General Manager Finance and Services: 401,808

Managers with Strategic Responsibilities: commensurate to role and position

VARIABLE COMPENSATION

STI (SHORT TERM INCENTIVE)

It defines a clear and predetermined tie between compensation and annual performance.

- The value of the STI depends on the level of attainment of **economic-financial and sustainability targets** set by the Board of Directors:
 - Net financial position 30%
 - Investments 30%
 - Profitability 20%
 - Sustainability 20%
- The results are measured on a **scale of 70/130 points with a minimum threshold set to 85 points**

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

Claw Back clauses are provided



CO-INVESTMENT

It assures consistency between the annual and multiannual performance, providing 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 time interval, the number of shares allocated to the Beneficiary depends on the level of achievement of the **three-year cumulated EBITDA target**
- If the minimum target is not achieved, no share shall be allocated and the deferred portion of STI will be reduced to zero

Claw Back clauses are provided

LONG-TERM MONETARY INCENTIVE (LTMI)

It provides for the alignment of individual targets to the stakeholders' targets, while also serving a retention function.

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

	Minimum threshold	Target	Maximum threshold
Chief Executive Officer	46%	65.5%	85
General Director of Finance and Services	29%	42%	54.5%
Managers with Strategic Responsibilities	23%	34%	44%

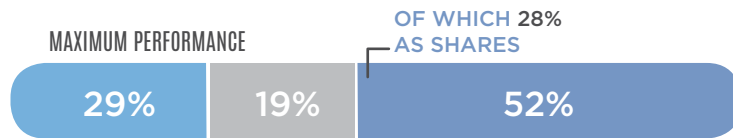
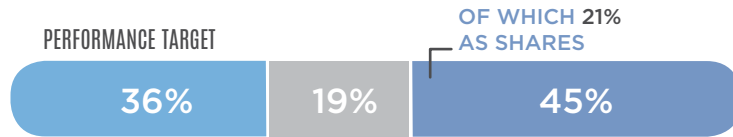
Claw Back clauses are provided

THE PAY-MIX

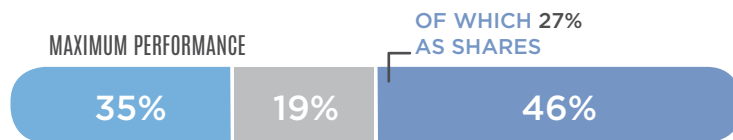
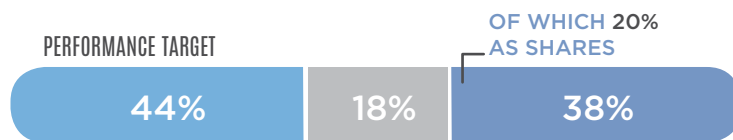
The compensation package of the Chief Executive Officer, of the General Manager Finance and Services and of the other Managers with Strategic Responsibilities of the Italgas Group is set-up as follows:

- A significant share is tied to the attainment of predetermined results (performance-oriented)
- For a significant portion, the pay-out is deferred in time and tied to long term targets (sustainability)
- The compensation is partly paid in shares (participation)

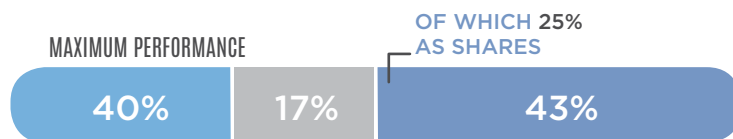
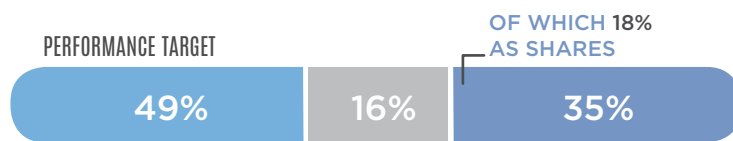
**PAY-MIX
CHIEF EXECUTIVE OFFICER**



**PAY-MIX
GENERAL DIRECTOR
OF FINANCE AND SERVICES**



**PAY-MIX
MANAGERS WITH STRATEGIC
RESPONSIBILITIES**



■ fixed remuneration
 ■ annual change
 ■ Medium-/Long-term change (coinvestment + IMTL)

The 2017 targets for the Chief Executive Officer

Performance parameters	% Weight	Minimum 70	Central 100	Maximum 130	Performance Score
Net financial position	30%			V	39
Investment (spending)	30%			V	39
Profitability (EBITDA)	25%			V	32.5
Sustainability	15%		V		16.5
				Total	127

THE 2018 TARGETS FOR THE CHIEF EXECUTIVE OFFICER

30%

Net financial position

30%

Profitability (EBITDA)

20%

Investment (spending)

20%

Sustainability:
injury frequency index
and governance of the
new business initiatives



Introduction

This Report, approved by the Board of Directors at the proposal of the Nominations and Compensation Committee, on 12 March 2018, in accordance with current legislative and regulatory requirements¹, defines and describes:

- in the first section, the policy adopted for 2018 by Italgas S.p.A. (hereinafter “Italgas” or the “Company”) for the compensation of Directors, the General Manager Finance and Services and Managers with strategic responsibilities², while 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 2017 to Directors, Statutory Auditors (individually), and Italgas Managers with strategic responsibilities (collectively).

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

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

The text of this Report is made available to the public at the Company’s registered office and on its website³ and the website of Borsa Italiana no later than 21 days prior to the date of the Shareholders’ Meeting called to approve the financial statements for financial year 2017 and give its opinion, though a non-binding decision, on the first section of this Report in accordance with current regulations⁴.

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

2 The definition of “managers with strategic responsibilities” as per Article 65, paragraph 1-quarter of the Issuers’ Regulations, covers persons who have the power and responsibility, directly and indirectly, for planning, management and control of Italgas. Italgas managers with strategic responsibilities, other than the Directors and Statutory Auditors and besides the General Manager Finance and Services, are Senior Vice President Legal, Corporate and Compliance Affairs, Senior Vice President Commercial Development, Senior Vice President Human Resources & Organisation.

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

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



2018
COMPENSATION
POLICY





1. Governance of the compensation process

1.1 BODIES AND PARTIES INVOLVED

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

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

In line with the Italgas corporate governance rules⁵, the Board also:

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

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



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

1.2 ITALGAS NOMINATIONS AND COMPENSATION COMMITTEE

1.2.1 COMPOSITION, APPOINTMENT AND TASKS

The Nominations and Compensation Committee was established by the Board of Directors on 23 October 2017 to replace the Compensation Committee and the Nominations Committee that were active from 5 September 2016 to 23 October 2017. The Nominations and Compensation Committee, in line with the recommendations of the Code of Corporate Governance, consists of three non-executive Directors, the majority of whom are independent, with the 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 23 October 2017 made this assessment.

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

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

The composition, tasks, and operating methods of the Committee are governed by specific rules⁷, approved by the Board of Directors on 23 October 2017.

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

- it submits to the Compensation Report to the Board of Directors for approval and, specifically, the Policy for the Compensation of Directors, the General Manager Finance and Services and Managers with strategic responsibilities, for presentation to the Shareholders' Meeting called to approve the financial statements within the time frame established by law;
- it assesses the vote cast by the Shareholders' Meeting on the Compensation Report in the previous financial year and gives an opinion to the Board of Directors;
- it periodically assesses the appropriateness, overall consistency and practical application of the Policy adopted, by formulating proposals to the Board in this regard;
- it makes proposals concerning the compensation of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and pay arrangements;
- it makes proposals or expresses opinions relating to the compensation of members of the Committees of Directors established by the Board;
- it examines the information reported by the Chief Executive Officer and proposes:
 - general criteria for the compensation of managers with strategic responsibilities;
 - general guidelines for the compensation of other managers of Italgas and its Subsidiaries;

6 Previously, from 5 September 2016 to 23 October 2017, the Compensation Committee was active; it comprised Barbara Borra (non-Executive and Independent Director), serving as Chairman, who resigned on 20 July 2017; Maurizio Dainelli (Non-Executive Director) and Paola Annamaria Petrone (Non-Executive and Independent Director).

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

- annual and long-term incentive plans, including share-based plans;
- it proposes the definition of performance targets, the final calculations of company results and the definition of claw-back clauses, linked to the implementation of incentive plans and for the determination of the variable compensation for executive Directors;
- in connection with the executive directors, it proposes the definition: i) of indemnities to be paid in case of employment termination; ii) non-compete agreements;
- it monitors the implementation of the decisions made by the Board;
- it reports to the Board on its activities at least every six months, and within the deadline for the approval of the financial statements and half-year report, at the Board meeting indicated by the 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 time-frame set out by that procedure.

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

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

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

In 2017, the Chairman of the Board of Auditors was regularly invited to the Committee meetings.

1.2.2 ACTIVITY CYCLE FOR THE NOMINATIONS AND COMPENSATION COMMITTEE

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

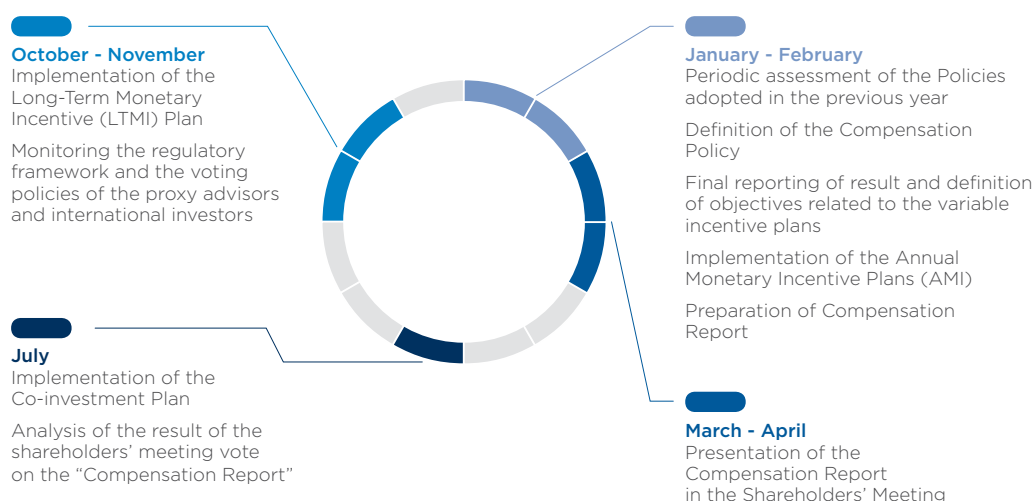
- verification of the adequacy, overall consistency and practical application of the Policy adopted in the previous year, in relation to the results achieved and the compensation benchmarks supplied by highly skilled providers;
- definition of proposals for the compensation Policy and proposals relating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

The Committee reports on the procedures for carrying out its functions to the Shareholders'

Meeting called to approve the year's financial statements, via the Committee Chairman, in accordance with its own Rules, complying with the Code of Corporate Governance and with the aim of establishing an appropriate channel for dialogue with shareholders and investors.

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

FIGURE 1: ACTIVITY CYCLE FOR THE NOMINATIONS AND COMPENSATION COMMITTEE



1.2.3 ACTIVITIES CARRIED OUT AND SCHEDULED

In the period from 1 January to 23 October 2017, the Compensation Committee met 4 times. In the period from 24 October to 31 December 2017, the Nominations and Compensation Committee met 1 times. The attendance of its members was 100%.

In the first part of the year, the Committee focused: on the preparation, for the first time, of the Compensation Report and of the information document on the Long Term Monetary Incentive Plan and on the definition of the 2017 performance targets for the purposes of the incentive plans.

In the second part of the year, the results of the shareholders' meeting vote on the 2017 Compensation Report and on the information document of the Long Term Monetary Incentive Plan, delving into the issues raised by the shareholders and by the proxy advisors that were at the base of the revision of the managerial incentive systems.

For 2018, the Committee scheduled five meetings, three of which have already taken place at the date of approval of the present Report.

1.2.4 MAIN ISSUES DEALT WITH

January 2017

- Compensation Policy Guidelines: Chief Executive Officer's compensation
- 2017 corporate targets for the variable incentive systems

February 2017

- Annual analysis and assessment of the compensation positions
- First draft of the 2017 Compensation Report

March 2017

- Compensation Report 2017
- 2017-2019 Long Term Monetary Incentive Plan information document

July 2017

- Deferred Monetary Incentive Plan - 2017 Assignment
 - a) Regulation
 - b) Proposed assignment for the Chief Executive Officer
- 2017 - 2019 Long-term Monetary Incentive Plan - 2017 Assignment
 - a) Regulation
 - b) Proposed assignment for the Chief Executive Officer

November 2017

- Compensation of Internal Audit Manager. Proposal for the Control, Risk and Related Parties Transactions Committee
- Compensation Policy Guidelines: compensation to Directors for participating in Board Committees

January 2018

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

February 2018

- 2018 Compensation Report: evolution of the long-term Incentive Plans

March 2018

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

FIGURE 2 - ACTIVITIES OF THE NOMINATIONS AND COMPENSATION COMMITTEE BROKEN DOWN BY ISSUE

1.3 APPROVAL PROCEDURE FOR THE 2018 COMPENSATION POLICY

The Nominations and Compensation Committee, in exercising its powers, defined the structures and the contents of the Compensation Policy, for the purposes of preparing this Report, in particular at its meetings of 25 January, 22 February and 7 March 2018, consistently with the recommendations of the Code of Corporate Governance.

In making its decisions, the Committee took account of the outcomes of the periodic assessment carried out on the adequacy, overall consistency and practical application of the Policy Guidelines decided for 2017. 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 2018 Compensation Policy.

Italgas' Compensation Policy for 2018 for Directors, the General Manager Finance and Services and Managers with strategic responsibilities was then approved by the Board of Directors, at the recommendation of the Nominations and Compensation Committee, at its meeting on 12 March 2018, concurrently with the approval of this Report. The compensation policies, defined in line with the instructions of the Board of Directors, are implemented by the delegated bodies, supported by the relevant company departments.





2. Purpose and general principles of the compensation Policy

2.1 PURPOSE

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

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

- promoting activities and behaviours in line with the Company's culture, while respecting the principles of diversity, equal opportunity, and the development of knowledge, professionalism, equality and non-discrimination as provided for in Italgas' Ethics Code and in the Italgas Enterprise System;
- recognising the responsibilities assigned, the achievements and quality of the professional contribution made, while taking account of the reference context and the compensation markets;
- the definition of systems linked to the achievement of economic/ financial, business development, operational and individual objectives, defined in terms of the sustainability of the results in the long term, in line with the Strategic Plan of the Company and with the assigned responsibilities.

2.2 GENERAL PRINCIPLES

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

- 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;
- compensation structure, for the **Chairman**, consisting of a fixed fee consistent with the position held;
- compensation structure, for **the Chief Executive Officer, the General Manager Finance and Services and Managers with strategic responsibilities**, with a suitable balance between a fixed component in line with the powers and/or responsibilities assigned and a variable component defined within maximum limits and aimed at linking compensation to actual performance;
- consistency of overall compensation with respect to applicable **market benchmarks** for comparable responsibilities or for positions at a similar level in terms of responsibility and complexity, as part of the corporate panel comparable to Italgas, using specific compensation benchmarks applied with the support of institutional providers of compensation information;
- variable compensation of executive roles having greater influence over company results featuring a significant percentage of incentive components, in particular long-

term, through adequate periods of deferral and/or accrual of the **incentives over a time scale of at least three years, in line with the long-term** nature of the business and with the connected risk profiles;

- predetermined, measurable and definite **targets**, also on a stock basis, **linked with the variable compensation**, so as to ensure compensation for performance over the short or medium term by:
 - i. setting targets for short-term incentive plans based on a balanced scorecard that enhances the performance of the business and of the individual, in relation to the specific targets in their area of responsibility and, as regards those that are responsible for internal control functions, consistent with the tasks assigned to them;
 - ii. setting targets for long-term incentive plan based in ways that allow an assessment of company performance in absolute terms, with reference to the ability to generate increasing and sustainable levels of profitability, both in relative terms compared to a peer group of listed companies in the European utilities sector, and with reference to the ability to generate value;
- any **share-based compensation plans** aligned to the shareholders' expectation in a medium-long time scale, through three-year vesting periods, the connection to pre-defined, 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 enhance to the actual contribution to the achievement of the assigned performance targets;
- adoption of **claw-back mechanisms** aimed at recovering the variable part of the compensation that is not payable since it was received on the basis of targets achieved as a result of intentional misconduct or gross negligence or on data that have proven to be manifestly incorrect;
- **benefits** in line with market benchmark compensation practices and consistent with current regulations, so as to supplement and enhance the total compensation package, taking into account the position and/or responsibilities assigned, while focusing on the social security and insurance components;
- any **supplementary indemnities** in severance pay for termination of employment and/or executive positions known to be of a "temporary" nature, or with increased risks of competitive recruitment defined within a given amount or a given number of years of compensation;
- any use of **non-compete agreements** pursuant to Article 2125 of the Italian Civil Code intended to protect corporate interests in the event of terminating employment with the company, with the provision of appropriate penalties in the event of their non-compliance.

3. 2018 Compensation Policy Guidelines

The main change in the 2018 Compensation Policy is the comprehensive revision of the variable compensation system for the Chief Executive Officer, for the General Manager of Finance and Services, for Managers with Strategic Responsibilities, and for all Managers, based on the objectives for the simplification of the overall architecture of the incentive system (which will comprise two incentive plans instead of three) and for the further alignment of the performance targets to the shareholders' expectations. In particular, the new incentive system provides for the introduction of the Short Term Monetary Incentive Plan with the deferral of a portion of the accrued bonus, which will start from the assignment of the 2018 targets with first pay out in 2019, replacing the previous Annual Monetary Incentive and Deferred Monetary Incentive Plans.

The 2018 Compensation Policy guidelines were defined in line with the declared aims and general principles, and were evaluated by the Nominations and Compensation Committee as being consistent with the applicable market benchmarks.

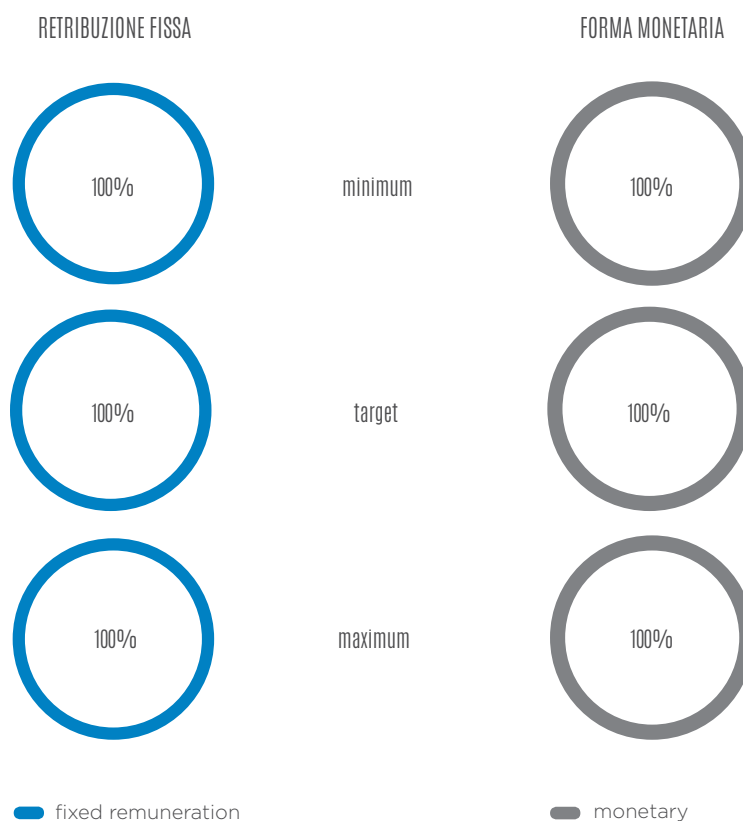
3.1 CHAIRMAN

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 26 September 2016, the compensation of the Chairman of the Board of Directors provides for a gross annual fixed salary for the position of € 238,000, including the fixed annual compensation for Directors established by the Shareholders' Meeting, in addition to reimbursement of the costs incurred in connection with the position.

In view of the nature of this position, there are no: i) short or long-term variable incentive components; ii) agreements on severance indemnities. The Nominations and Compensation Committee, in its meeting of 25 January 2018, analysed the positioning of the Chairman's compensation, which is at the median levels of the benchmark market.

FIGURE 3: CHAIRMAN - PAY MIX AND FORM OF THE COMPENSATION FOR THE MINIMUM, TARGET AND MAXIMUM PERFORMANCE RESULTS



3.2 NON-EXECUTIVE DIRECTORS

3.2.1 COMPENSATION DETERMINED BY THE SHAREHOLDERS' MEETING

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

In the light of the recommendations under Article 6.C.4 of the Code of Corporate Governance, the compensation of Non-executive Directors is not linked to the economic results achieved by the company, nor are they the beneficiaries of share-based incentive plans.

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

The Compensation Committee, having analysed the compensation positioning of Non-executive Directors at its meeting on 25 January 2018, using a specific benchmark with the companies in the FTSE MIB, pointed out that the compensation paid is positioned significantly lower than the benchmark market median (-30%).

3.2.2 COMPENSATION FOR PARTICIPATING IN BOARD COMMITTEES

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

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

The Nominations and Compensation Committee, at its meetings of 30 November 2017 and of 25 January 2018, analysed the position of non-executive Directors with regard to compensation for participating in Board committees, which is in line with the median levels of the reference market and, for the Chairman, they are differentiated, being positioned at higher levels.

3.2.3 SEVERANCE INDEMNITIES AND SEVERANCE PAY

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

3.3 CHIEF EXECUTIVE OFFICER⁸

3.3.1 FIXED COMPENSATION

The Chief Executive Officer's compensation was determined, at the proposal of the Nominations and Compensation Committee and with the approval of the Board of Auditors, by the Board of Directors on 26 January 2017, at a gross annual amount of € 725,000, including the compensation provided by the Shareholders' Meeting. The gross up for the car, amounting to € 6,800 gross per year, is to be maintained.

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

The Nominations and Compensation Committee, at its meeting of 25 January 2018, analysing the compensation position with respect to the benchmark panel⁹, confirmed its correctness with reference to the summary position adopted at the meeting of 26 January 2017:

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

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

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

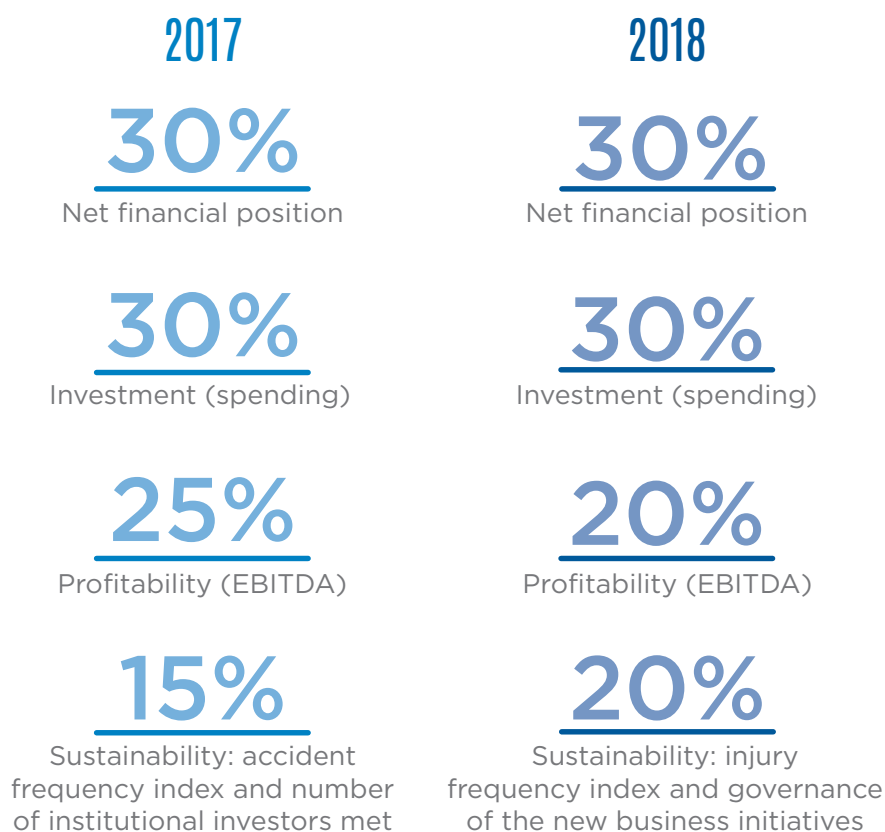
3.3.2 VARIABLE INCENTIVE PLANS

3.3.2.1 Short-term incentives

To assure greater alignment to shareholder interests and to long-term value creation, the decision has been made to introduce, from 2018 onwards, a new short-term incentive plan to which is connected a system of deferral and co-investment in Company shares. Using shares as an incentive instrument allows strengthening the connection between incentive and long-term performance of the Company, thereby meeting some requirements expressed by shareholders. The new Short-Term Incentive Plan and the related Co-investment Plan replaces the previous Annual Monetary Incentive (AMI) and Deferred Monetary Incentive (DMI) plans. According to the Plan, a portion of the incentive is 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 2018 objectives set by the Board of Directors of 25 January 2018. 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-up for 2017.

FIGURE 4 - OBJECTIVES OF THE 2018 SHORT-TERM INCENTIVE PLAN (COMPARISON WITH 2017)



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

The objective of the investments is defined in terms of investments made compared to those provided in the budget. The profitability target is measured by the EBITDA compared to the value set in the budget. The sustainability theme comprises two objectives: the accident frequency index of employees and contractors, measured in terms of the number of accidents that have occurred for every million hours worked during the year; the development of the business, with reference to the objects of the main ongoing acquisitions and to their integration within Italgas, first and foremost with regard to the governance processes.

The value of each objective at the level of target performance is aligned to the provisions of the budget. Each objective is measured according to the performance scale of 70-130 points (target = 100), relative to the weight assigned to it. Below 70 points, the performance of each objective is considered equal to zero. A threshold level is set (performance = 85) below which the short-term incentive is equal to 0 and, therefore, no bonus is paid out. The Plan provides a predefined pay-out according to the performance level achieved, minimum (performance = 85), target (performance = 100) and maximum (performance = 130) respectively equal to 68%, 80% and 104% of the fixed compensation, in relation to the results achieved compared to the objectives defined. The accrued Short-term incentive (STI) is then divided in two portions:

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

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

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

Annual performance	<85	85 threshold	100 target	130 max
Annual incentive (in % 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

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

3.3.2.2 Co-Investment Plan

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

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

$$\text{Shared}_{\text{Ass}} = I_{\text{Deferred}} / \text{Price}_{\text{Ass}}$$

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

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



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

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

130% in addition to a free matching amount by the company equal to 0.8 shares for each assigned share;

- 4) for EBITDA results that are higher by 5% compared to the target, the number of shares allocated will be equal to 170% in addition to a matching amount equal to 1 share for each assigned share.

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

Accrued shares	<Minimum	Minimum	Target	Maximum
Deferment	0	70%	130%	170%
Matching	0	0,6:1	0,8:1	1:1

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

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

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

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

To make effective the introduction of the new Co-investment Plan in 2018, considering the impossibility of deferring the portion of the annual bonus accrued in relation to the 2017 performance, the first cycle of the plan will be implemented considering as deferral a pre-defined value which, for the Chief Executive Officer, is set to 45.5% of the fixed compensation.

3.3.3 LONG TERM MONETARY INCENTIVE

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

The LTMI plan is provided for managers who have a greater impact on the corporate results and it provides for the annual allocation of an amount equal to 65% of the fixed compensa-

tion, and payment of the incentive after three years (vesting period), as a percentage ranging from 0 to 130% based on the weighted change in the parameters of Consolidated Net Profit (60%) and Total Shareholder Return (40%).

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

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

LONG-TERM MONETARY INCENTIVE PLAN - TIMELINE



3.3.4 INDEMNITIES FOR TERMINATION OF OFFICE OR EMPLOYMENT

For the Chief Executive Officer in office, in accordance with the reference market practices, an indemnification is provided for the termination of the directorship and executive position. If the term of office is not renewed when it expires, or if it is terminated in advance, two years of the fixed annual compensation are payable plus the average from the Short-Term Incentive [1 year] paid over the last three years.

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

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

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

3.3.5 NON-COMPETE AGREEMENTS

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

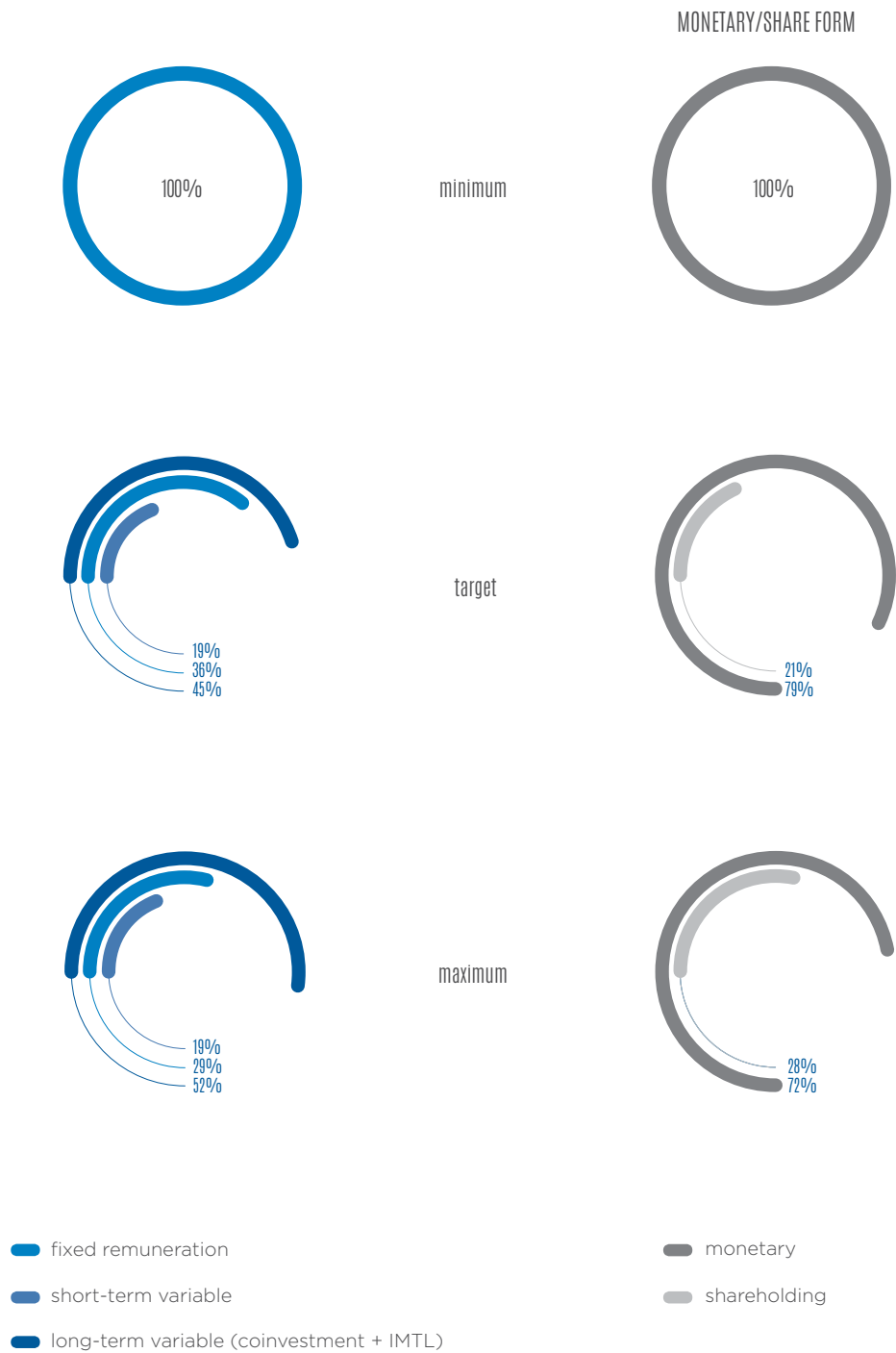
3.3.6 BENEFITS

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

¹¹ www.azimutprevidenza.it.

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

**FIGURE 5 - CHIEF EXECUTIVE OFFICER
PAY MIX AND FORM OF THE COMPENSATION FOR THE MINIMUM, TARGET AND MAXIMUM PERFORMANCE RESULTS**



3.4 GENERAL MANAGER FINANCE AND SERVICES

3.4.1 FIXED COMPENSATION

The fixed compensation, determined based on the position and responsibilities assigned considering the average compensation levels in the market, is equal to a gross annual amount of € 400,000.

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

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

3.4.2 VARIABLE INCENTIVE PLANS

The Short-Term Incentive Plan provides for a compensation determined with reference to the Italgas and individual performance results with a level of incentive targets (performance = 100) and maximum (performance = 130) equalling 63% and 82% respectively of the fixed compensation. A threshold level is set (performance = 85), below which the short-term incentive is not paid.

For the General Manager of Finance and Services, the annual variable incentive is determined, in one part (50%) from the company results compared with the targets assigned to the Chief Executive Officer by the Board of Directors on 25 January 2018 and, the other part (50%), by a series of individual targets assigned in relation to the scope of responsibilities in the position held, in accordance with the provisions of the Company's Performance Plan. The accrued Short-term incentive (STI) is then divided in two portions: the portion paid out annually is equal to 65% of the total amount, the deferred portion in the Co-investment Plan is equal to 35% of the total amount.

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

- Co-investment Plan, in relation to the Company's performance measured in terms of EBIT-DA, which maintains the same performance conditions and characteristics described in the section dedicated to the compensation of the Chief Executive Officer;
- The 2018 Long-Term Monetary Incentive Plan (LTMI) is provided for managerial positions with greater impact on business outcomes. This plan has the same performance conditions and characteristics of the plan provided for the Chief Executive Officer. For the General Manager of Finance and Services, the basic incentive to be allocated is equal to 42% of the fixed compensation. The incentive to be disbursed at the end of the three-year reference period (vesting) is determined in a percentage between 0% and 130% of the value allocated, in relation to the results achieved.

3.4.3 INDEMNITIES PROVIDED IN THE EVENT OF TERMINATION OF OFFICE OR EMPLOYMENT

For the General Director of Finance and Services, there is an indemnity for termination of employment as director. Upon the consensual termination of the employment, if this occurs by 31.12.2018, two years of the fixed annual compensation are paid supplemented by the average of the Annual Monetary Incentive paid over the last three years and except that resulting from the application of the provisions of the National Directors Contract for companies producing goods and services. The effects of any termination of the employ-

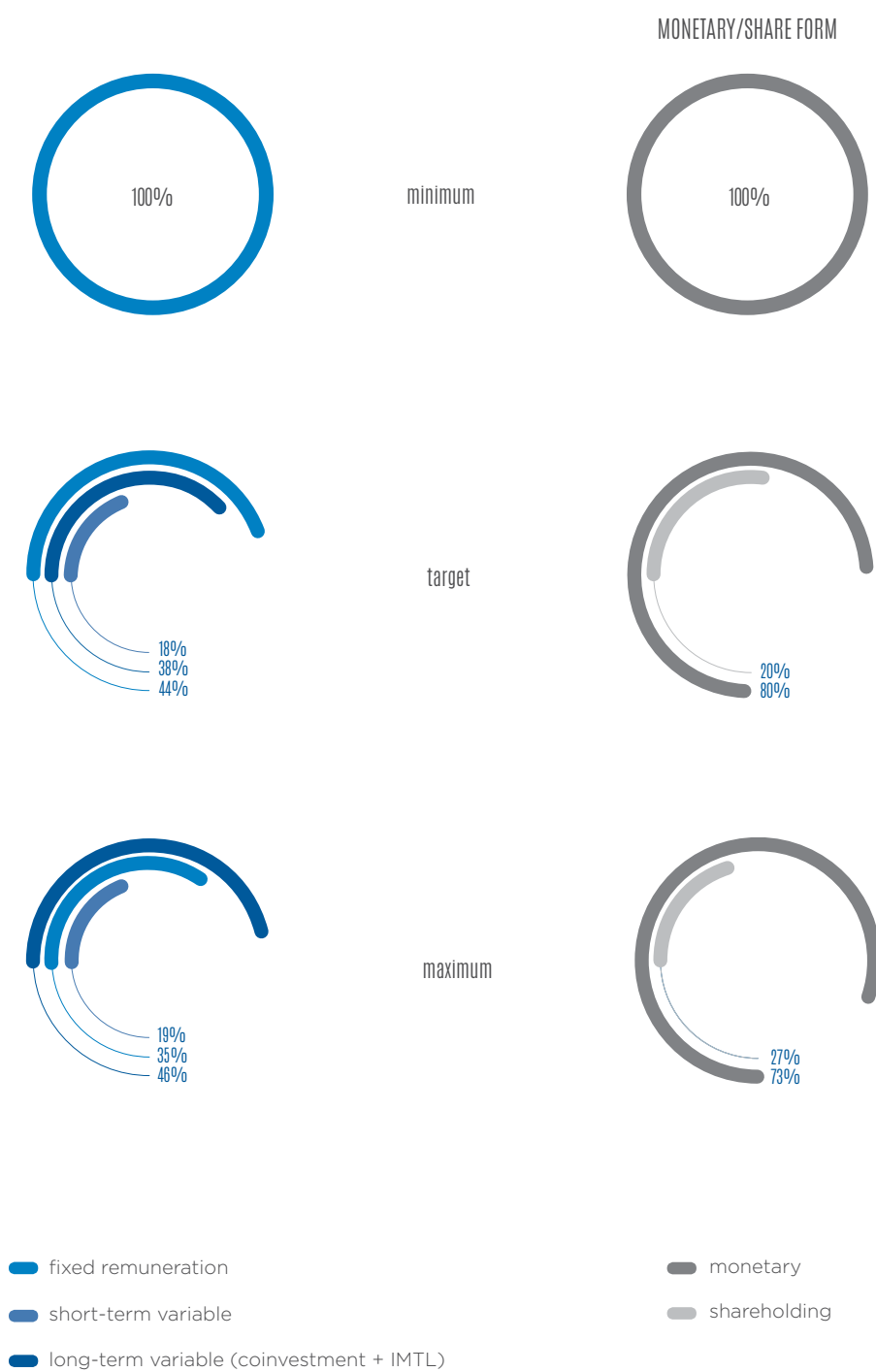
ment of the General Manager of Finance and Services on the benefits assigned under existing long-term incentive plans based on financial instruments are described in the relevant allocation rules. Specifically, all the Incentive Plans that entail a three-year vesting period, contemplating clauses aimed at promoting the retention of personnel, provide, in the event of consensual termination of employment during the vesting period, that the beneficiary remains entitled to incentives at a reduced level for the period between the granting of the base incentive and the occurrence of the termination. No compensation is due in cases of unilateral termination by the Company or for voluntary resignation or for just cause or achieving objectively inadequate results.

3.4.4 BENEFITS

In compliance with the provisions of the national collective bargaining and supplementary agreements for Italgas company executives, the General Manager Finance and Services will also be enrolled in the Supplementary Pension Fund (FOPDIRE)¹³, in the integrated health care Fund (FISDE), and in forms of insurance coverage against the risk death and disability, and shall also be assigned of a passenger car for business and personal use.

¹³ Occupational Pension Fund with defined contribution and individual capitalisation, www.fopdire.it.

**FIGURE 6 - GENERAL DIRECTOR OF FINANCE AND SERVICES
PAY MIX AND FORM OF THE COMPENSATION FOR THE MINIMUM, TARGET AND MAXIMUM PERFORMANCE RESULTS**



3.5 OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES

3.5.1 FIXED COMPENSATION

For Managers with Strategic Responsibilities, other than the General Manager Finance and Services, the fixed compensation is determined based on the position and responsibilities assigned considering the average compensation levels in the market of major Italian companies for positions at a similar level of managerial responsibility and complexity and by providing for recovery of competitiveness with the variable components. This compensation may be adjusted periodically in the context of the annual salary review as part of the process that applies to all managerial staff. The 2018 Guidelines, in view of the global context and the current market trends, provide selective criteria while maintaining high levels of competitiveness and motivation. In particular, the proposed actions regard adjustment operations aimed at those holding positions that have increased in scope of responsibility or with positioning below the median market benchmarks.

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

3.5.2 VARIABLE INCENTIVE PLANS

The Short-Term Incentive Plan (STI) provides for a compensation determined with reference to the Italgas and individual performance results with a level of incentive targets (performance = 100) and maximum (performance = 130) equalling 51% and 67% respectively of the fixed compensation. A threshold level is set (performance = 85) below which the short-term incentive is not paid. For the Managers with strategic responsibilities, the annual variable incentive is determined, in one part (50%), from the company results compared with the targets assigned to the Chief Executive Officer by the Board of Directors on 25 January 2018 and, for the other part (50%), by a series of individual targets (focused on economic/financial, operational and industrial performance, internal efficiency and sustainability issues) assigned in relation to the scope of responsibilities in the position held, in accordance with the provisions of the Company's Performance Plan. The accrued short-term incentive (STI) is then divided in two portions: the portion paid out annually is equal to 65% of the total amount, the deferred portion in the Co-investment Plan is equal to 35% of the total amount. The Managers with strategic responsibilities, in accordance with the provisions for the Chief Executive Officer, participate in long-term incentive plans with the following characteristics:

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

3.5.3 INDEMNITIES PROVIDED IN THE EVENT OF TERMINATION OF OFFICE OR EMPLOYMENT

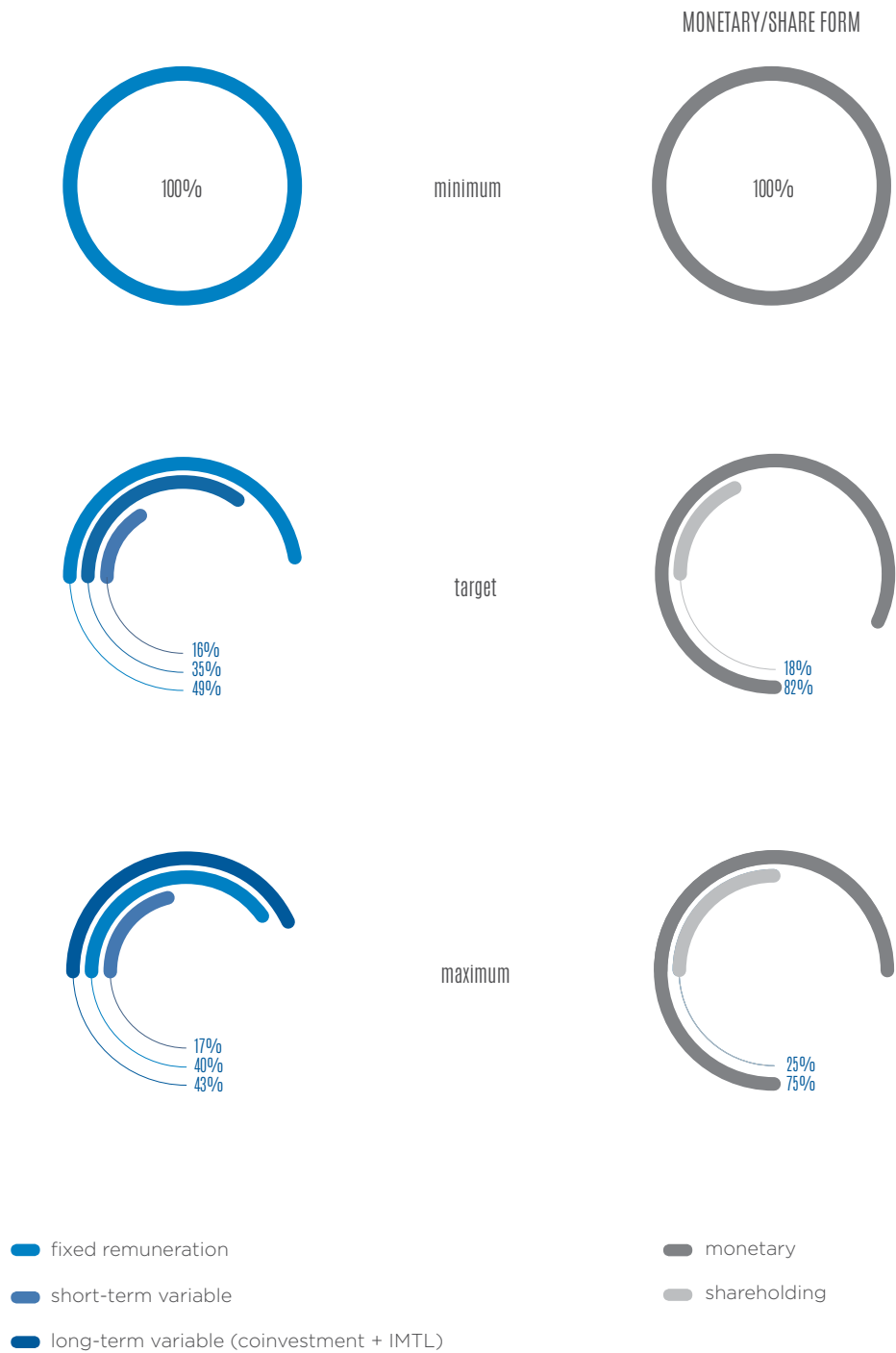
Managers with strategic responsibilities are provided with indemnities for termination of employment as established by the national collective agreement and any supplementary indemnities agreed individually with the termination according to the criteria established by Italgas for incentivised exit.

The effects of any employment termination of the Managers with strategic responsibilities on the benefits assigned under existing long-term incentive plans based on financial instruments are described in the relevant allocation rules. Specifically, all Plans entailing a three-year vesting period, contemplating clauses aimed at promoting the retention of personnel, provide, in the event of consensual termination of employment during the vesting period, that the beneficiary remains entitled to incentives at a reduced level for the period between the granting of the base incentive and the occurrence of the termination. No compensation is due in cases of unilateral termination by the Company or for voluntary resignation or for just cause or achieving objectively inadequate results.

3.5.4 BENEFITS

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

**FIGURE 7 - MANAGERS WITH STRATEGIC RESPONSIBILITIES
PAY MIX AND FORM OF THE COMPENSATION FOR THE MINIMUM, TARGET AND MAXIMUM VARIABLES**



3.6 CLAW-BACK MECHANISMS

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

3.7 MARKET BENCHMARKS


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

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

FIGURE 8 - PANEL USED FOR THE REMUNERATION BENCHMARKS

	Mercer	Spencer Stuart	Willis Towers Watson
Chief Executive Officer	Panel of listed companies comparable with Italgas in terms of capitalisation and turnover or similar in line of business (17 companies)	Panel of listed companies comparable with Italgas in terms of complexity of business	Panel of Italian and European companies comparable with Italgas in size
Chairman	Panel of listed companies comparable with Italgas in terms of capitalisation/turnover (13 companies)	-	-
General Manager Finance and Services	Executive Remuneration Guide	-	-
Other Managers with Strategic Responsibilities	Executive Remuneration Guide	-	-





**COMPENSATION
AND OTHER
INFORMATION**



1. Implementation of 2017 Compensation Policies

Below is a description of the compensation paid in 2017 for the Chairman of the Board of Directors, the Non-Executive Directors, the Chief Executive Officer and Managers with Strategic Responsibilities.

The implementation of the 2017 Compensation Policy, as verified by the Nominations and Compensation Committee on the occasion of the periodic assessment prescribed by the Code of Corporate Governance, remained in line with the general principles referenced in the resolutions passed by the Board of Directors and it was found consistent with the 2017 Compensation Policy.

Based on the assessment expressed by the Committee, the 2017 Policy was found to be substantially consistent with the market benchmarks, both in terms of overall positioning and of pay-mix.

In view of the process that characterised, during 2016, the demerger from Snam and Italgas' listing on the Milan Mercato Telematico Azionario [Electronic Stock Exchange], the incentives disbursed in 2017 were paid out as a result of the final accounting for the 2016 results accrued within the Snam Group and resolved by the Board of Directors of Snam upon verification and proposal of the Snam Compensation Committee.

For the sake of full disclosure, the accrued 2017 performance results are also provided below, with respect to the targets assigned by the Italgas Board of Directors, and which will determine or contribute to determine the incentives that will be paid out in 2018.

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

ANNUAL MONETARY INCENTIVE PLAN (AMI)

The 2017 annual incentives were paid out following the final report on the results regarding to targets defined by the Snam Board of Directors for 2016 and recorded by it determining a performance score of 128.5 points in the measurement scale that provides a target and maximum performance level of respectively 100 and 130 points.

The 2018 annual incentives shall be paid out following the final report on the results regarding to the targets defined for 2017 consistently with the Strategic Plan and the annual budget, assessed at constant scenario. In particular, the final reported results for the targets assigned by the Board of Directors at the proposal of the Compensation Committee in the meeting of 26 January 2017 determined a performance score in the measurement scale that provides a target and maximum performance level respectively equal to 100 and 130 points. The following table shows, for each target, the assigned weight and the achieved performance level.

FIGURE 9 - 2018 MONETARY INCENTIVE PAY-OUT - FINAL REPORT ON 2017 TARGETS

Performance parameters	% Weight	Minimum 70	Central 100	Maximum 130	Performance Score
Net financial position	30%			V	39
Investment (spending) ^a	30%			V	39
Profitability (EBITDA)	25%			V	32.5
Sustainability	15%			V	16.5
				Total	127

DEFERRED MONETARY INCENTIVE PLAN (DMI)

The Snam Board of Directors, upon verification and proposal of the Compensation Committee, resolved the reach of a 2016 Snam EBITDA that determined an annual multiplier of 161 on the scale of 70 = minimum, 130 = target and 170 = maximum.

Consequently, in relation of the 2014 and 2015 results already reported, the three-year average multiplier was found to be equal to 140.3 points, applied to the incentives allocated in 2014 for the purposes of the pay-out that took place in August 2017.

FIGURE 10 - IMD 2014 DISBURSEMENT - EBITDA 2014-2016

EBITDA target	Multiplier 2014	Multiplier 2015	Multiplier 2016	Final multiplier for 2017 disbursement
	130	130	161	140.3 (average in the three-year period)

The Italgas Board of Directors, at the meeting of 12 March 2018, upon verification and proposal of the Nominations and Compensation Committee, resolved a 2017 Italgas EBITDA result that determined an annual multiplier equal to 170 on the scale of 70 = minimum, 130 = budget and 170 = maximum.

Consequently, in relation of the 2015 and 2016 results already reported, the three-year average multiplier was found to be equal to 163 points, applied to the incentives allocated in 2015, which will be paid out in August 2018.

LONG-TERM MONETARY INCENTIVE PLAN (LTM)

The Snam Board of Directors, upon verification and proposal of the Compensation Committee and on the basis of the results of the Snam Adjusted Net Profit achieved in the 2014-2016 three-year time interval, measured in relative terms with respect to the peer group (Enagas, National Grid, Red Electrica, Severn Trent, Terna, United Utilities), determined the multiplier to be applied to the basic incentive allocated in 2014 to be 115% in the 0 ÷ 130% incentive scale.

FIGURE 11 - EROGAZIONE IMLT 2014 - UTILE NETTO ADJUSTED VERSO PEERS

Multiplier 2014	Multiplier 2015	Multiplier 2016	Final multiplier for 2017 disbursement
115	150	115	115 (average in the three-year period)

The Italgas Board of Directors, at the meeting of 12 March 2018, upon verification and proposal of the Nominations and Compensation Committee, resolved:

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

Therefore, the annual multiplier for 2017 is equal to 130 points on the scale of 0 - 130. Consequently, in relation to the 2015 and 2016 already reported, the two-year average multiplier is equal to 125.5 and will be applied to the incentives allocated in 2015, to be paid out in October 2018.



3. Compensation paid to the Directors

CHAIRMAN OF THE BOARD OF DIRECTORS

Fixed compensation

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

NON-EXECUTIVE DIRECTORS

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

CHIEF EXECUTIVE OFFICER

Fixed compensation

The Chief Executive Officer was paid the fixed compensation resolved by the Board of Directors of 25 January 2017, which also absorbs the compensation resolved by the Shareholders' Meeting for all Directors and the travel indemnities due (€ 7,897) for a total gross annual amount of € 717,437.

In addition, the following were paid out, and reported in Table 1 under "Other compensation":

- the gross up for the car, for the second half, equal to € 3,400;
- the amounts (equal to € 57,095) accrued from the date of demerger from Snam at 25 January 2017 for the difference with the compensation resolved by the Board of Directors of 26 January 2017.

Annual Monetary Incentive

The Chief Executive Officer was paid a gross annual variable incentive of € 158,750 connected with the performance achieved in 2016 referred to the period from 4 August to 31 December (128.5 points). The gross value of the incentive paid out in 2017 is shown in Table 3 under "Bonus of the year - payable/paid".

Deferred Monetary Incentive

The Board of Directors, at the meeting of 27 July 2017, at the proposal of the Compensation Committee and consistently with the 2017 Compensation Policy, resolved to allocate to the Chief Executive Officer the 2017 deferred monetary incentive equal to a gross amount of € 330,000 (RAL x 45.5%). The gross value of the incentive allocated is shown in Table 3 under "Bonus of the year - deferred"

Long Term Monetary Incentive

The Board of Directors, at the meeting of 27 July 2017, at the proposal of the Compensation Committee and consistently with the 2017 Compensation Policy, resolved to allocate to the Chief Executive Officer the 2017-2019 Long Term Monetary Incentive, for a gross amount of € 362,500 (RAL x 50%). The gross value of the incentive allocated is shown in Table 3 under "Bonus of the year - deferred".

Benefits

In compliance with the provisions of the national collective bargaining and supplementary agreements for Italgas company executives, the Chief Executive Officer will be enrolled in the Supplementary Pension Fund (PREVINDAI from January to April; AZIMUT PENSION FUNDS since May 2017), and in integrated health care Funds (FISDE and CassaPrevint), as well as forms of insurance coverage against the risk death and disability, and shall also be assigned a car for both business and private use.

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

Italgas Managers with Strategic Responsibilities, other than the General Manager of Finance and Services, are Senior Vice President Commercial Development, Senior Vice President Legal, Corporate and Compliance Affairs, Senior Vice President Human Resources & Organisation.

Fixed compensation

For the Managers with Strategic Responsibilities, within the scope of the annual salary review process prescribed for all managers, in 2017 selective changes were made to fixed compensation, in relation to the promotion to higher level positions or in relation to needs to revise the compensation levels with respect to the market benchmarks. The aggregate gross value of the fixed compensation paid out in 2017 to Managers with Strategic Responsibilities is shown in Table 1 under "Fixed Compensation".

Annual Monetary Incentive

In March 2017, annual variable incentives were paid out to Managers with Strategic Responsibilities, determined in accordance with the defined Compensation Policy, with reference to the reported performance in 2016. In particular, the incentive is connected to the company results and to a series of business, sustainability and individual targets in relation to the scope of responsibility of the position held, in accordance with the 2016 Performance Plan. The aggregate gross value of the incentives paid out in 2017 to the Managers with Strategic Responsibilities is shown in Table 3 under "Bonus of the year - payable/paid".

Deferred Monetary Incentive

For Managers with Strategic Responsibilities, the 2017 Deferred Monetary Incentive, determined in accordance with the 2017 Compensation Policy, was allocated.

In 2017, the Deferred Monetary Incentive allocated in 2014 was vested.

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

Long Term Monetary Incentive

For Managers with Strategic Responsibilities, the 2017 Long Term Monetary Incentive, determined in accordance with the 2017 Compensation Policy, was allocated. In 2017, the Long-Term Monetary Incentive allocated in 2014 was vested.

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

Benefits

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

Table 1 – Compensation paid to Directors, Statutory auditors and Managers with strategic responsibilities

The following table shows the compensation to Directors, Statutory Auditors and, at the aggregate level, Managers with strategic responsibilities¹⁴.

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

In particular:

- the column “**Fixed compensation**” shows, according to an accrual principle, the fixed compensation and salaries of employees payable in the year 2017, before social security and taxes. Excluded are reimbursed flat-rate expenses and attendance compensation as there are no provisions for it. The note provides the compensation details as well as a separate indication of any allowances and amounts owed related to the employment relationship;
- the column “**Compensation for participating in Committees**” shows, according to the position shown, the compensation owing to Directors for participating in Committees established by the Board. The note supplies a separate indication of the compensation for each Committee in which the Director participates;
- the column “**Non-equity Variable Compensation**” lists under “**Bonuses and other incentives**”, the year’s incentives with the vesting of the related rights upon verification and approval of the performance results by the relevant corporate bodies, as specified in greater detail in the Table “Monetary incentive plans for Directors and Managers with strategic responsibilities”;
- the column “**Non-monetary benefits**” shows, according to the positions concerned and tax liability, the amount of fringe benefits awarded
- the column “**Other compensation**” shows, according to accrual and taxability criteria, the gross-up for the car (Euro 3,400) and the back-pay that was paid out (€ 57,095) to the Chief Executive Officer;
- the columns “**Non-equity variable compensation/Profit sharing**”, “**Fair Value of equity compensation**” and “**Indemnity for severance or termination of employment**” do not show any figures, as they were non-existent for the year 2017;
- the column “**Total**” shows the sum of the amounts of the previous entries.

¹⁴ There are no prerequisites required by applicable legislation for disclosure on an individual basis.

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TABLE 1: Compensation paid to Directors, Statutory auditors and Managers with strategic responsibilities (amounts in € thousands)

Board of Directors

Name and Surname	Notes	Office	Period office was held	Expiration of office	Fixed compensation	Compensation for participating in Committees
Lorenzo Bini Smaghi	(1)	Chairman	01.01 - 31.12	04.19	238,000 (a)	
Paolo Gallo	(2)	CEO	01.01 - 31.12	04.19	717,437	
Nicola Bedin	(3)	Director	01.01 - 31.12	04.19	40,000	35,959 (b)
Barbara Borra	(4)	Director	01.01 - 20.07		22,027	22,026 (b)
Federica Lolli	(5)	Director	27.07 - 31.12	04.18	17,315	7,672 (b)
Maurizio Dainelli	(6)	Director	01.01 - 31.12	04.19	40,000	28,082 (b)
Cinzia Farisè	(7)	Director	01.01 - 31.12	04.19	40,000	39,999 (b)
Yunpeng He	(8)	Director	01.01 - 31.12	04.19	40,000	15,000 (b)
Paolo Mosa	(9)	Director	01.01 - 31.12	04.19	40,000	15,000 (b)
Pola Annamaria Petrone	(10)	Director	01.01 - 31.12	04.19	40,000	44,999 (b)

Board of Statutory Auditors

Name and Surname	Notes	Office	Period office was held	Expiration of office	Fixed compensation	Compensation for participating in Committees
Gian Piero Balducci	(11)	Chairman	01.01 - 31.12	04.19	60,000 (a)	
Giandomenico Genta	(12)	Standing Auditor	01.01 - 31.12	04.19	40,000 (a)	
Laura Zanetti	(13)	Standing Auditor	01.01 - 31.12	04.19	40,000 (a)	

Managers with strategic responsibilities (14)

1,041,041

Grand total

2,415,820

208,737

Non-equity Variable Compensation						
Bonuses and other incentives	Profit sharing	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for severance or termination of employment
				238,000		
158,750		17,216	60,495	935,898		
				75,959		
				44,053		
				24,987		
				68,082		
				79,999		
				55,000		
				55,000		
				84,999		
Non-equity Variable Compensation						
Bonuses and other incentives	Profit sharing	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Indemnity for severance or termination of employment
				60,000		
				40,000		
				40,000		
854,200		47,396		1,942,637		
1,012,950		64,612	60,495	3,762,614		

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

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

(2) Paolo Gallo - Chief Executive Officer

- (a) The amount of € 717,437 comprises the actual RAL set by the Board of Directors at the meeting of 26 January 2017, which absorbs the compensation of € 40,000 set by the Shareholders' Meeting of 4 August 2016 for the office of Director, in addition to the amount of the allowances payable for business trips in Italy and abroad, in line with the provisions of the National Collective Bargaining Agreement for Executives and supplementary agreements reached at the company (for a total amount of € 7,897).

(3) Nicola Bedin - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€ 40,000).
- (b) The amount corresponds (i) to the fixed annual compensation (€ 20,000) for participating, in the capacity of Chairman, in the Sustainability Committee, (ii) to the period in office with respect to the annual fixed compensation (€ 15,000) for participation, in the capacity of Member, in the Nominations Committee and (iii) to the period in office with respect to the fixed annual compensation (€ 20,000) for participating, as a Member, in the Control and Risk Committee.

(4) Barbara Borra - Director

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

(5) Federica Lolli - Director

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

(6) Maurizio Dainelli - Director

- (a) The amount corresponds to the fixed compensation per annum established

by the Shareholders' Meeting on 4 August 2016 (€ 40,000). The amount of the compensation is paid to the company of membership (Cassa Depositi e Prestiti S.p.A.).

- (b) The amount corresponds to the period in office with respect (i) to the fixed annual compensation (€ 15,000) for participating, in the capacity of Member, in the Compensation Committee, (ii) to the annual fixed compensation (€ 15,000) for participating, in the capacity of Member, in the Nominations Committee and (iii) to the period in office with respect to the fixed annual compensation (€ 20,000) for participating, as a Member, in the Nominations and Compensation Committee. The amount of the compensation is paid to the company of membership (Cassa Depositi e Prestiti S.p.A.).

(7) Cinzia Farisè - Director

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

(8) Yunpeng He - Director

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

(9) Paolo Mosa - Director

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

(10) Paola Annamaria Petrone - Director

- (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€ 40,000).
- (b) The amount corresponds to the period in office with respect (i) to the fixed annual compensation (€ 30,000) for participating, in the capacity of Chairman, in the Control, Risk and Related Parties Transactions Committee, (ii) to the annual fixed compensation (€ 15,000) for participating, in the capacity of Member, in the Compensation Committee and (iii) to the period in office with respect to the fixed annual compensation (€ 45,000) for participating, as Chairman, in the Control, Risk and Related Parties Transactions Committee.

- (11) **Gian Piero Balducci - Chairman of the Board of Statutory Auditors**
 (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€ 60,000).
- (12) **Giandomenico Genta - Standing Auditor**
 (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€ 40,000).
- (13) **Laura Zanetti - Standing Auditor**
 (a) The amount corresponds to the fixed compensation per annum established by the Shareholders' Meeting on 4 August 2016 (€ 40,000).
- (14) **Managers with Strategic Responsibilities**
 (a) This amount corresponds to the Gross Annual Salaries (GAL). Added to this amount are the allowances payable for business trips in Italy and abroad, in line with the provisions of the National Collective Bargaining Agreement for Executives and supplementary agreements reached at the company, for a total amount of € 13,985.
 The amount includes the payment of € 441,500 relating to the 2017 award of the annual monetary incentive, € 193,050, relating to deferred monetary incentive awarded in 2014 and the payment of € 219,560 relating to the long-term monetary incentive awarded in 2014.

Table 2 - Stock options assigned to Directors and Managers with strategic responsibilities.

Since there is no figure to report, it is not listed in table 2.

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

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

In particular:

- the column “Annual Bonus - payable/paid”: shows the Annual Monetary Incentive paid in the year on the basis of finalised report on performance carried out by the relevant corporate bodies in relation to the targets set for the year 2016;
- the column “Bonus for the year - deferred”: shows the amount of the base incentive awarded in the year in implementation of the Deferred Monetary Incentive plan (DMI) and Long-Term Monetary Incentive plan (LTMI);
- the column “Deferral period”: shows the duration of the vesting period of the deferred and long-term incentives allocated in the year;
- the column “Bonus for previous years - no longer payable”: contains no data because the conditions were not satisfied for non-payment or partial payment of the bonus as per the provisions contained in the Plan Regulations;
- the column “Bonus of previous years - payable/paid”: shows the long-term variable incentives paid during the year, which have accrued based on the final accounting of the performance conditions for the vesting period;
- the column “Bonus of previous years - still deferred”: shows the incentives awarded related to the existing deferred and long-term plans that have not yet matured;

Following the agreement dated 22 September 2016 among the Corporate Union Representation (CUR) of the Managers of Snam/Italgas and Italgas S.p.A., the Deferred Monetary Incentive and Long-term Monetary Incentive, still in the vesting period, shall remain valid until completion of the relevant vesting period. In particular: 2014, 2015 and 2016 Deferred Monetary Incentive Plan; 2014, 2015 and 2016 Long Term Monetary Incentive.

The column "Other Bonuses": does not show values for other bonuses as none were paid. The total number of the "Annual Bonus - payable/paid" and "Bonus of previous years -payable/paid" matches the amount indicated in the column "Bonuses and other incentives" in Table 1.

TABLE 3: Monetary incentive plans for Directors, the General Manager Operations and other Managers with Strategic Responsibilities (amounts in € thousands)

Name and Surname	Office	Plan	Bonus for the year			Bonus for previous years			Other bonus
			payable/paid	deferred	deferral period	no longer payable	payable/paid	still deferred	
		2017 Annual Monetary Incentive Plan Snam BOD	158,750						
		2017 Deferred Monetary Incentive Plan Italgas BOD of 27/07/2017		330,000	three-year				
Paolo GALLO ¹	CEO	2017 Long-term Monetary Incentive Plan Italgas BOD of 27/07/2017		362,500	three-year				
		2016 Deferred Monetary Incentive Plan Snam BOD						230,000	
		2016 Long-term Monetary Incentive Plan Snam BOD						252,500	
Total			158,750	692,500				482,500	

Name and Surname	Office	Plan	Bonus for the year			Bonus for previous years			Other bonus
			payable/ paid	deferred	deferral period	no longer payable	payable/ paid	still deferred	
Managers with Strategic Responsibilities		2017 Annual Monetary Incentive Plan Snam BOD	441,500						
		2017 Deferred Monetary Incentive Plan Italgas BOD of 27/07/2017		291,500	three-year				
		2017 Long-term Monetary Incentive Plan Italgas BOD of 27/07/2017		299,000	three-year				
		2016 Deferred Monetary Incentive Plan Snam BOD of 26/07/2016						223,000	
		2016 Long-term Monetary Incentive Plan Snam BOD of 27/09/2016						265,500	
		2015 Deferred Monetary Incentive Plan Snam BOD of 28/07/2015						256,000	
		2015 Long-term Monetary Incentive Plan Snam BOD of 27/10/2015						298,500	
		2014 Deferred Monetary Incentive Plan Snam BOD						193,050	
		2014 Long-term Monetary Incentive Plan Snam BOD						219,650	
		Total	441,500	590,500	0	0	412,700	1,043,000	
		Total	600,250	1,283,000	0	0	412,700	1,525,500	0

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

SHAREHOLDINGS IN ITALGAS S.P.A. HELD BY DIRECTORS, STATUTORY AUDITORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES (SITUATION AS AT 31.12.2017)

TABLE 4a: shareholdings held by Directors and Statutory Auditors

Name and Surname	Office	Investee	Number of shares owned as at 31 December 2016	Number of shares purchased in 2017	Number of shares sold in 2017	Number of shares owned as at 31 December 2017
Paolo GALLO ¹	Chief Executive Officer	Italgas	14,000	0	0	14,000
Paolo MOSA ²	Director	Italgas	27,835	0	0	27,835
Laura ZANETTI	Standing Auditor	Italgas	6,000	0	0	6,000

1 Of which 12,000 personally and 2,000 by spouse.

2 Of which 27,435 personally and 400 by spouse.

TABLE 4b: shareholdings held by Managers with Strategic Responsibilities

	Investee	Number of shares owned as at 31 December 2016	Number of shares purchased in 2017	Number of shares sold in 2017	Number of shares owned as at 31 December 2017
Italgas Managers with Strategic Responsibilities	Italgas	27,510	778	0	28,288

Glossary

EXECUTIVE DIRECTORS

Directors invested with specific duties by the Board of Directors.

NON-EXECUTIVE DIRECTORS

Directors not invested with specific duties by the Board of Directors and not delegated with individual management powers.

INDEPENDENT DIRECTORS

Italgas directors meeting the requirements of independence provided under the Code of Corporate Governance, to which Italgas subscribes.

ASSIGNED SHARES

Number of shares placed at the start of the vesting period in the Co-investment Plano.

ALLOCATED SHARES

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

BALANCED SCORECARD

The instrument used as the basis for the short-term variable incentive system to support the achievement of corporate objectives by translating business strategy into a set of measurable performance metrics for each eligible party.

BENEFITS

Elements included in the non-monetary component of compensation aimed at in-

creasing the well-being of employees and their families in economic and social terms. This category covers all provisions aimed at meeting the needs of social security and insurance contributions (supplementary pensions, health care, insurance coverage) but also the so-called perquisites, which consist of goods and services that Italgas S.p.A. offers its employees.

CLAW BACK

Contractual mechanisms that provide for the possible return, including partial return, of compensation already paid by the companies to their own managers as a variable part of the compensation.

CODE OF CORPORATE GOVERNANCE

As defined by Borsa Italiana, is the "Code of Corporate Governance for Listed Companies" approved by the Corporate Governance Committee. The document, in line with the experience of leading international markets, indicates the best practices in corporate governance as recommended by the Committee on listed companies, to be applied according to the comply or explain principle that requires an explanation of the reasons for any non-compliance with one or more recommendations contained in the application principles or criteria.

CO-INVESTMENT

Plan entitling participants to receive a bonus, at the end of the vesting period, in relation to the results achieved and to the deferred portion of annual incentive.

CONTROL, RISK AND RELATED PARTIES TRANSACTIONS COMMITTEE

is composed of three independent non-executive directors (including the Chairman) and has consulting and advisory functions with respect of the Board of Directors, assisting it with appropriate preliminary investigatory activities relating to its decisions regarding the internal control system and risk management, as well as those relating to the approval of the financial relationships.

NOMINATIONS AND COMPENSATION COMMITTEE

Consists of two independent non-executive directors (including the Chairman) and a non-executive director and has consulting and advisory functions with respect to the Board of Directors. Specifically, the Committee submits the annual Compensation Report to the Board for approval and puts forward proposals relating to the compensation of executive Directors and members of Board Committees. The Nominations and Compensation Committee, in accordance with the procedure “Transactions involving interests of Directors and Statutory Auditors and Related-Party Transactions”, is responsible for issuing its opinion concerning Transactions involving the compensation of Directors and managers with strategic responsibilities. The main tasks pertaining to nominations include: proposing candidates for the Office of Director if one or more directors during the year is removed, ensuring compliance with the minimum number of independent directors and the quotas for the least represented category; submitting to the Board of Directors the candidates for the corporate boards of the Subsidiaries included within the scope of consolidation. Among other things, it develops and proposes the procedures for annual self-assessment of the Board and its Committees.

APPOINTMENTS COMMITTEE

(See Nominations and Compensation Committee).

COMPENSATION COMMITTEE

(See Nominations and Compensation Committee).

SUSTAINABILITY COMMITTEE

Consists of three non-executive directors, a majority of whom is independent, including the Chairman. The Sustainability Committee performs consulting and advisory functions with respect to the Board of Directors on sustainability matters, i.e. the processes, initiatives and activities aimed at bolstering the Company’s commitment for sustainable development along the value chain.

MANAGERS WITH STRATEGIC RESPONSIBILITIES

according to IAS 24, this means “key management personnel”, namely “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly”.

The Italgas Managers with strategic responsibilities, other than the Directors and Auditors, are the General Manager Finance and Services, the Senior Vice President Legal, Corporate and Compliance Affairs, the Senior Vice President Human Resources & Organisation, Senior Vice President Commercial Development

DIVIDEND EQUIVALENT

additional shares allocated to the Beneficiary of the Co-investment Plan as a result of the non-obtainment of the dividends in the vesting period

EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION)

Also known as “gross operating margin” or “GOM” is a profitability indicator that shows the company’s income deriving from only its operating activities, gross, therefore, of interest (financial management), taxes (tax management), depreciation of assets and amortisation.

FAIR VALUE OF EQUITY COMPENSATION

Also referred to as fair value. International Financial Reporting Standard 2 (IFRS 2) defines fair value as “The amount for which an asset could be exchanged, or a liability settled, or an equity instrument granted between knowledgeable and willing parties in an arm’s length transaction.”

FREE CASH FLOW

Means the (monetary) cash flow produced by operating and non-operating activities.

SHORT-TERM VARIABLE INCENTIVES

Plan that entitles involved parties to receive an annual cash bonus based on the results achieved in the previous year, with respect to the targets set.

MEDIUM - LONG-TERM VARIABLE INCENTIVES

Plan entitling participants to receive, at the end of the vesting period (see vesting), a bonus to be paid out in relation to the results achieved.

DIRECTORS’ TERMINATION INDEMNITY

The monetary amount payable to the employee upon termination of his/her employment contract as an executive.

EMPLOYEE SEVERANCE INDEMNITY

The monetary amount payable to the employee upon termination of his/her employment contract as an executive.

ACCIDENT FREQUENCY INDEX

Is based on standard UNI 7249 and is included among the safety measurement indicators in the workplace. This aforesaid rule establishes that this index is calculated as the number of accidents that occur per every million hours worked over a given period and/or within a given scope at the corporate level.

SUSTAINABILITY INDICES

Dow Jones Sustainability World Index and FTSE4GOOD are stock exchange indices composed of internationally listed companies selected from among those that achieved the best performance in terms of sustainability and Corporate Social Responsibility.

ITALGAS ENTERPRISE SYSTEM (IES):

Is the internal document of the Italgas Group, whose objective is to describe and illustrate with reference to Italgas S.p.A. and to its Subsidiaries: (i) the Italgas Group; (ii) the organisational and governance model; (iii) the corporate management system; (iv) the Group’s operating model.

THRESHOLD LEVEL

Represents the minimum level to be achieved, below which the plan does not provide payment of any incentive.

TARGET LEVEL

Is the standard level for achieving the objective that entitle to 100% of the incentive.

MATCHING

Allocation of additional shares to the Beneficiary according to the performance results.

RELATED-PARTY TRANSACTIONS

“Transactions with interests of the Directors and Statutory Auditors and related-party transactions”, adopted in accordance with Article 2391-bis of the Italian Civil Code and the “Regulations on Transactions with Related-Parties” (adopted by Consob under Resolution No. 17221 of 12 March 2010 and subsequently amended by Resolution No. 17389 of 23 June 2010) that establishes the principles and rules which Italgas and companies directly or indirectly controlled by the same must follow in order to ensure transparency as well as substantive and procedural correctness in transactions with Related-Party and with Entities of Interest of Directors and statutory auditors of Italgas, undertaken by Italgas and its subsidiaries, also taking into account the purpose of avoiding the risk of depleting company assets.

NON-COMPETE AGREEMENTS

Based on Article 2125 of the Italian Civil Code, these are those “agreements that place limits on an employee’s activities for a period following the termination of the contract”.

PAY MIX

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

PEER GROUP

Group of companies used for comparison with the Italgas results according to the performance parameters defined, consisting of the following companies listed in the European utilities sector: Enagas, Red Eléctrica, Terna, Snam, A2A, Elia System Operator.

PERFORMANCE PLAN

The instrument that defines the targets underlying the variable short-term incentive system.

COMPENSATION POLICY

Is the set of compensation programmes in terms of fixed and variable compensation implemented at the company level in order to support the achievement of strategic objectives.

ASSIGNMENT PRICE [PRICE_{ASS}]

In the Co-investment plan, it is the average of the official daily prices recorded in the thirty calendar days prior to the date of the Board of Directors meeting that approves the reported results pertaining to the short-term incentive.

PROXY ADVISORS

Companies, utilised by institutional investors, that issue specific recommendations on the basis of the documents from the Sha-

reholders' Meeting and their own voting policies, which can have an important influence on voting on the Compensation Report.

ISSUER'S REGULATIONS

This is CONSOB Regulation 11971 of 14 May 1999, which sets out the rules for entities issuing financial instruments.

FIXED COMPENSATION

Includes the entire fixed annual compensation before taxes and social security contributions paid by the employee, therefore not including annual bonuses, other bonuses, allowances, indemnities, fringe benefits, reimbursement of expenses, and any other form of variable or occasional compensation.

VARIABLE COMPENSATION

Consists of the variable short-term incentives and medium-to-long-term incentives

SALARY REVIEW

Is the review process for the annual fixed compensation for the eligible managerial personnel.

STOCK OPTION

Financial instrument through which the company entitles beneficiaries to subscribe or purchase shares of the company or of another company in the same group, at a predetermined price (strike price).

THE CONSOLIDATED FINANCE ACT (TUF)

"Consolidated Act on Financial Intermediation" is Italian Legislative Decree No. 58 of 24 February 1998 (as amended). The TUF introduced the so-called "principle-based" financial legislation, which at the primary legislative level establishes only general guidelines, leaving the definition of detailed rules to the Supervisory Authorities (e.g., Consob).

TOTAL SHAREHOLDER RETURN (TSR)

Indicates the overall return of a share taking into consideration both the change in price and the distribution of dividends.

CONSOLIDATED NET PROFIT

This is the net profit obtained by excluding special items relating to events or transactions: i) which are non-recurring events or transactions which do not occur frequently in the ordinary course of business; ii) are not representative of the normal course of business.

VESTING (VESTING PERIOD):

Time elapsing between the assignment and exercise of the entitlement to receive a bonus.



Analytical index of topics (CONSOB resolution No. 18049, SECTION I)

CONSOB Resolution	Information required	Reference
A	Bodies or persons involved in the preparation and approval of the compensation policy, specifying the respective roles, as well as the bodies or persons responsible for the correct implementation of that policy	1.1 1.3
B	Any intervention by a Compensation Committee or any other Committee competent in this regard, describing its composition (distinguishing between non-executive and independent directors), the powers and working procedures	1.2
C	The names of any independent experts involved in the preparation of the compensation policy	3.7
D	The aims pursued with the compensation policy, the principles that underlie it, and any changes in the compensation policy compared to the previous financial year	2
E	Description of the policies for the fixed and variable components of compensation, with particular regard to an indication of the relative weight in the overall pay mix and distinguishing between the variable short-term and medium-to-long-term components	3
F	The policy applied with regard to non-monetary benefits	3.3.6 3.4.4 3.5.4
G	With reference to the variable components, a description of the performance targets used as a basis for awarding them, distinguishing between the variable short-term and medium-to-long-term components, and information on the link between changes in results and changes in compensation	3.3.2 3.3.3 3.4.2 3.5.2
H	The criteria used for evaluating the performance targets used for awarding shares, options and other financial instruments, or other variable components of compensation	3.3.2 3.3.3 3.4.2 3.4.3 3.5.2
I	Information used to show that the compensation policy is consistent with the pursuit of the company's long-term interests and with the risk management policy, if one has been formally adopted	2.1 2.2 3.3.2.2 3.3.3 3.4.2 3.5.2

CONSOB Resolution	Information required	Reference
J	The vesting periods of any deferred payment systems indicating the deferral periods and the criteria used for determining those periods, and, if provided, the ex post correction mechanisms	2.2 3.3.2.2 3.3.3 3.4.2 3.5.2 3.6
K	Information about any provision for the retention of financial instruments in the portfolio after their acquisition, indicating the retention periods and the criteria used for determining such periods	
L	The policy in relation to indemnities termination of office or termination of the employment relationship, specifying the circumstances that give entitlement to their payment and any link between such indemnities and the company's performance	3.2.3 3.3.4 3.3.5 3.4.3 3.5.3
M	Information on the presence of any insurance, social security or retirement benefits cover, other than those statutorily required	3.3.6 3.4.4 3.5.4
N (i)	Any compensation policy applied with reference to independent directors	3.2.1
N (ii)	Any compensation policy applied in relation to committee membership	3.2.2
N (iii)	Any compensation policy applied with reference to the performance of particular offices (Chairman, Vice-Chairman, etc.)	3.1 3.3
O	Information regarding the use of compensation policies of other companies as benchmarks, and, where such use is made, the criteria used for selecting these companies.	3.7



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