



**CONSOLIDATED  
NON-FINANCIAL  
STATEMENT  
2018**

# CONSOLIDATED NON-FINANCIAL STATEMENT 2018

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





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# LETTER TO THE STAKEHOLDERS

In our era, the main long-term risk is represented by the deterioration in the plant's environmental conditions. In fact, for the third consecutive year the 2019 Global Risk Report, drawn up by the World Economic Forum, places the environmental topics, and in particular the climate changes, along the five most significant risks at global level. Businesses and institutions are therefore required on a daily basis to formulate tangible proposals for furthering and supporting the energy transition, towards a more sustainable future.

The first step in this direction was made by means of the Paris climate agreements which led to a clean break from the past introducing a global and shared vision in the handling of the policies for combatting climate change. A new framework of ideas which contributed to a greater awareness of the need for mutual and collective action which involves institutions at every level, civil society and private parties transversally.

Within this scenario, the entire energy sector is required to provide impetus to the transition towards a more efficient, safe and sustainable system. Natural gas, in this sense, covers a key role for the development of a new energy system, in that it is a safe, flexible supply which can be planned, capable of serving the production of electricity, supporting



the development of sustainable mobility and balancing the interruptible nature of the renewables ensuring greater environmental protection.

With its know-how developed over almost two centuries of activities, Italgas has achieved an infrastructure of excellence in the majority of the country and, as a leading company in the sector, it was a primary player in the methane conversion process in Italy. To this today, by means of its daily activities, it continues to accompany the economic and social development of the communities in which it operates, actively contributing to the creation of increasingly sustainable towns and cities by means of the constant improvement of the services.

This is the heart of the Italgas strategy and its Sustainability Plan, which accepts the challenges of the Sustainable Development Goals (SDGs) furthered by the United Nations in the 2030 Global Agenda, and sets them out in five strategic pillars with the aim of strengthening its sustainability culture, placing the individuals at the core, making itself recognised by the area, creating value for the customer and the gas market and contributing towards the efficiency and safety of the energy system.

## PEOPLE AT THE CORE

In 2018, the Italgas Group employed 120 individuals, more than 65% of which under the age of 30 and women in over 20% of the cases. At year end, total employees came to more than 4,000 individuals. We wish to continue to create stable and quality employment, with specific managerial and technical expertise investing in the creation of our employees: over the last year around 68 thousand hours of training were provided, with an average of 19 hours per employee, and we have continued to invest in programmes aimed at increasing the satisfaction of the individuals. Furthermore, we are increasingly involved in the promotion of a flexible work model by means of the use of organisational systems and digital instruments which, as from 2017, have permitted more than 350 individuals to carry out part of their work activities in smart working mode.

## VICINITY TO THE COMMUNITY

Italgas's commitment with regard to the community does not only materialise by means of the on-going improvement of the network and services, but also involves the contribution made to growth as well as to social and cultural development of the community in which we operate, with respect to which we encourage and fuel on-going and direct dialogue. Furthermore, we collaborate with bodies, associations and foundations, no-profit organisations and other parties in the area to give rise to projects and ventures in favour of the protection of the environment, the divulgation of culture, technological and scientific innovation, research and training. In 2018, 764 thousand euros were invested in sponsorships and charitable donations and the delivery of 1,500 computers commenced, donated to the schools in the Municipal areas affected by the earthquake in the regions of Abruzzo, Lazio, Marche and Umbria.

**IN 2018, 605 MILLION EUROS  
WERE DISTRIBUTED TO THE  
STAKEHOLDERS**

**41% went to employees, more than  
31% to the shareholders, 20% to the  
Public Administration Authorities and  
8% to lenders**

## VALUE FOR THE MARKET AND THE CUSTOMER

In 2018, 605 million euros were distributed to the stakeholders. Specifically, 41% went to employees (248 million euros), more than 31% to the shareholders (189 million euros), 20% to the Public Administration Authorities (121 million euros) and 8% to lenders (47 million euros). Furthermore, a significant portion of the investments in the 2016 - 2018 three-year period (500 million euros) was dedicated to innovation and digitisation of the network. These investments were allocated to the development and improvement of the service and technological innovation, in particular with the continuation of the programmes for installation of the smart meters and digitisation of the network and the processes, partly thanks to our digital factory.

## ENERGY EFFICIENCY AND ENVIRONMENT

Over the last year we have invested in energy efficiency projects which, partly thanks to the acquisition of Seaside, one of the largest Italian Energy Service Companies, made it possible to implement technologically advanced solutions for the increasingly more efficient management of infrastructures, processes and services. With regard to the commitment

in terms of lessening the carbon footprint of the activities, over the last year we gave a sharp boost to the project for conversion of the entire company vehicle fleet to methane.

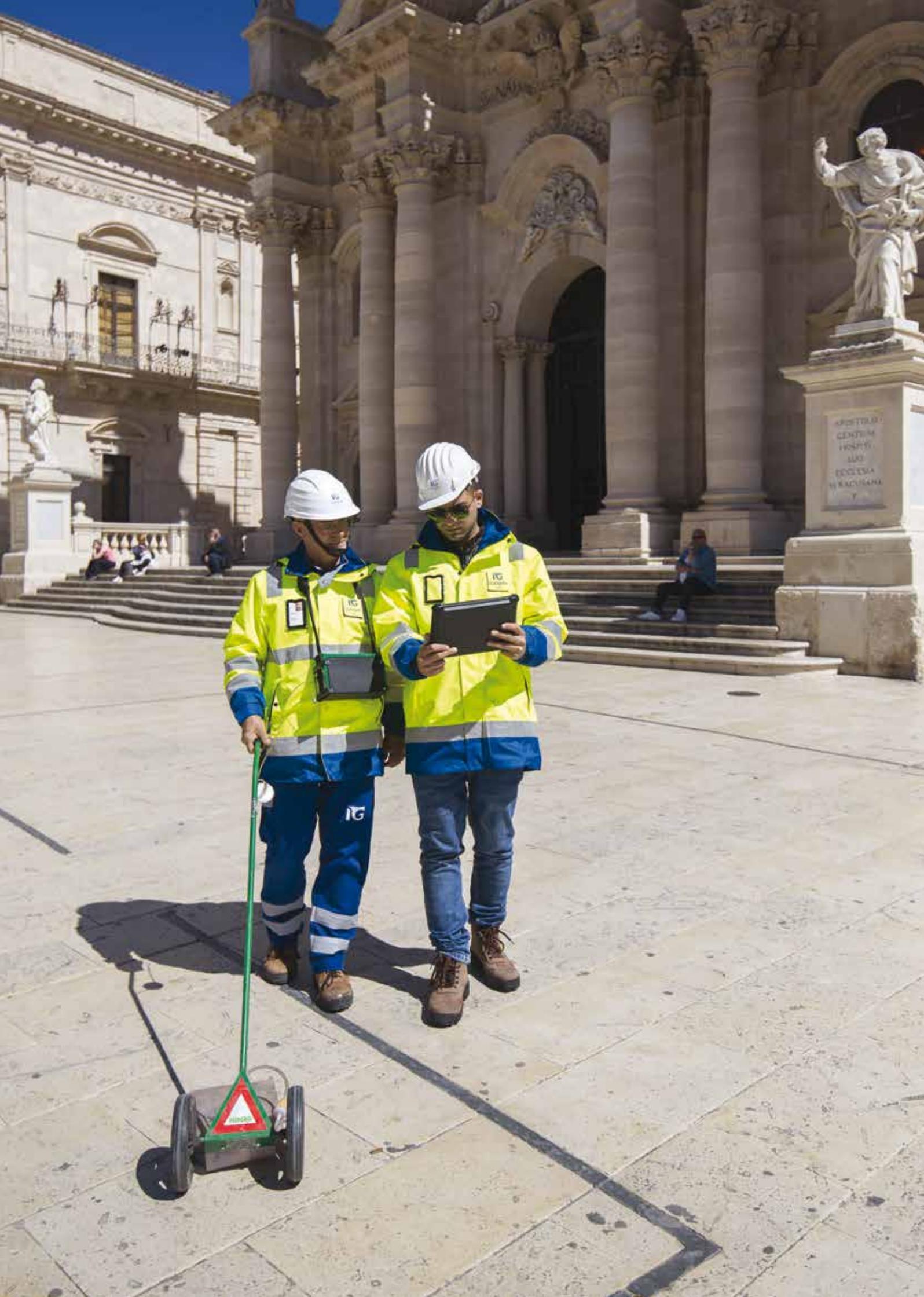
Amongst the other goals achieved, the portion of gas in the energy mix used by the company was raised to 80% and the carbon footprint produced was reduced by 5%.

On a consistent basis with these activities, in conclusion, Italgas also equipped itself with new discussion and inspiration instruments, starting off with compliance with the Global Compact of the United Nations, the largest voluntary initiative at global level with regard to sustainability aspects. Furthermore, inclusion in various important global stock market indexes which assess the social responsibility of the companies, was confirmed for Italgas stock. At the end of 2018, the company furthered on a voluntary basis and obtained UNI ISO 37001 certification with regard to anti-corruption.

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

**Chief Executive Officer**  
*Paolo Gallo*





# THE ITALGAS GROUP<sup>1</sup>

## BUSINESS PROFILE AND ACTIVITIES

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

With a historic presence in the largest Italian cities including Turin, Florence<sup>2</sup>, Rome, Naples and Venice, over the last two years the Company launched an important plan of investments intended to consolidate certain areas, in particular in the regions of Southern Italy, and to promote growth which led the company to make its entrance in Sardinia, a region which to-date does not have natural gas distribution infrastructures.

Italgas is leader in Italy in the sector of natural gas distribution and the third largest operator in Europe. In detail, Italgas and its affiliated companies with more than 4,000 individuals, manages a network which extends in total for almost 70,000 kilometres and serves more than 7.5 million customers. The current market share exceeds 34%<sup>3</sup>.

A significant portion of the investments in the three-year period 2016 - 2018 (500 million euros) was dedicated to innovation and digitisation of the network: today there are almost 5 million smart meters installed (59.1% of our basin) and in 2018 alone we installed 1.8 million (including the investee companies), with the objective of completing the replacement of all the traditional meters within the first few months of 2020 (compared with the 85% as at 31 December 2020 fixed by ARERA).

**1\_The qualitative and quantitative data and information contained in this section ("The Italgas group") refers to the scope of reporting of the 2018 Annual Financial Report, for the purpose of offering a complete view of the Group. In the following chapters and sections, the scope includes the companies consolidated line-by-line as envisaged by Italian Legislative Decree No. 254/2016 and in line with the matters described in the Methodological Note.**

**2\_Via the investee Toscana Energia.**

**3\_Considering the investee companies.**

**4\_Considering the investee companies and the smart meter substitution plan of the Group.**



Network monitoring  
and modernisation



Replacement  
of traditional  
gas meters



Gas odourisation



Remote meter reading



Rapid response



Works to meet end  
customer requirements  
and the problem  
of arrears



Scheduled search  
for leaks



Interruption of the  
gas supply

Gas distribution activities, carried out within the wider national system, consist of transporting gas on behalf of sales companies authorised to market it to end customers. The service includes transport through local pipeline networks from the city-gates (reduction and measurement cabins interconnected with the transmission networks), to end customers and measurement activities, which include the collection, processing, validation and making available of consumption data in order to regulate commercial transactions between operators and users.

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) regulates the entire sector, determining the methods of access to infrastructures and the performance of the service and the related fees for the payment of activities performed<sup>5</sup>. Italgas is engaged in continuous and constructive dialogue with ARERA to help define a clear, transparent and stable regulatory framework to encourage the sustainable development of the gas system.

The Group, in its entirety, employs more than 4,000 people, located in local offices distributed throughout Italy. In the performance of its activities, it uses its own operating companies and a supply chain that also extends nationwide.

Italgas is today facing an important phase and a new chapter in its long history. In the 2018-2024 strategic plan, the Company has envisaged an important plan of investments targeted at growth and consolidation, digitisation of the network and the processes, development and improvement of the network.

**5** For further information on the regulatory aspects, please refer to the chapter “Regulation” in the 2018 Annual Financial Report

## ITALGAS GROUP: REGIONAL PRESENCE AND MAIN OPERATING DATA

### DISTRIBUTED GAS

As at 31 December 2018 Italgas distributed 7,873 million cubic metres of gas (7,767 million cubic metres of gas in 2017), through 323 sales companies (284 in 2017). Also considering the investee companies, the gas distributed in 2018 came to 9,098 million cubic metres of gas.

### DISTRIBUTION NETWORK

As at 31 December 2018, the gas distribution network covered 61,361 kilometres (57,773 kilometres as at 31 December 2017), with an increase of 3,588 kilometres since 31 December 2017. Also considering the investee companies, the distribution network covers 69,782 kilometres.

### CONCESSIONS

As at 31 December 2018 Italgas was the concession holder for the gas distribution service in 1,700 municipalities (1,500 as at 31 December 2017), of which 1,614 were in operation (1,484 as at 31 December 2017).

### METERS

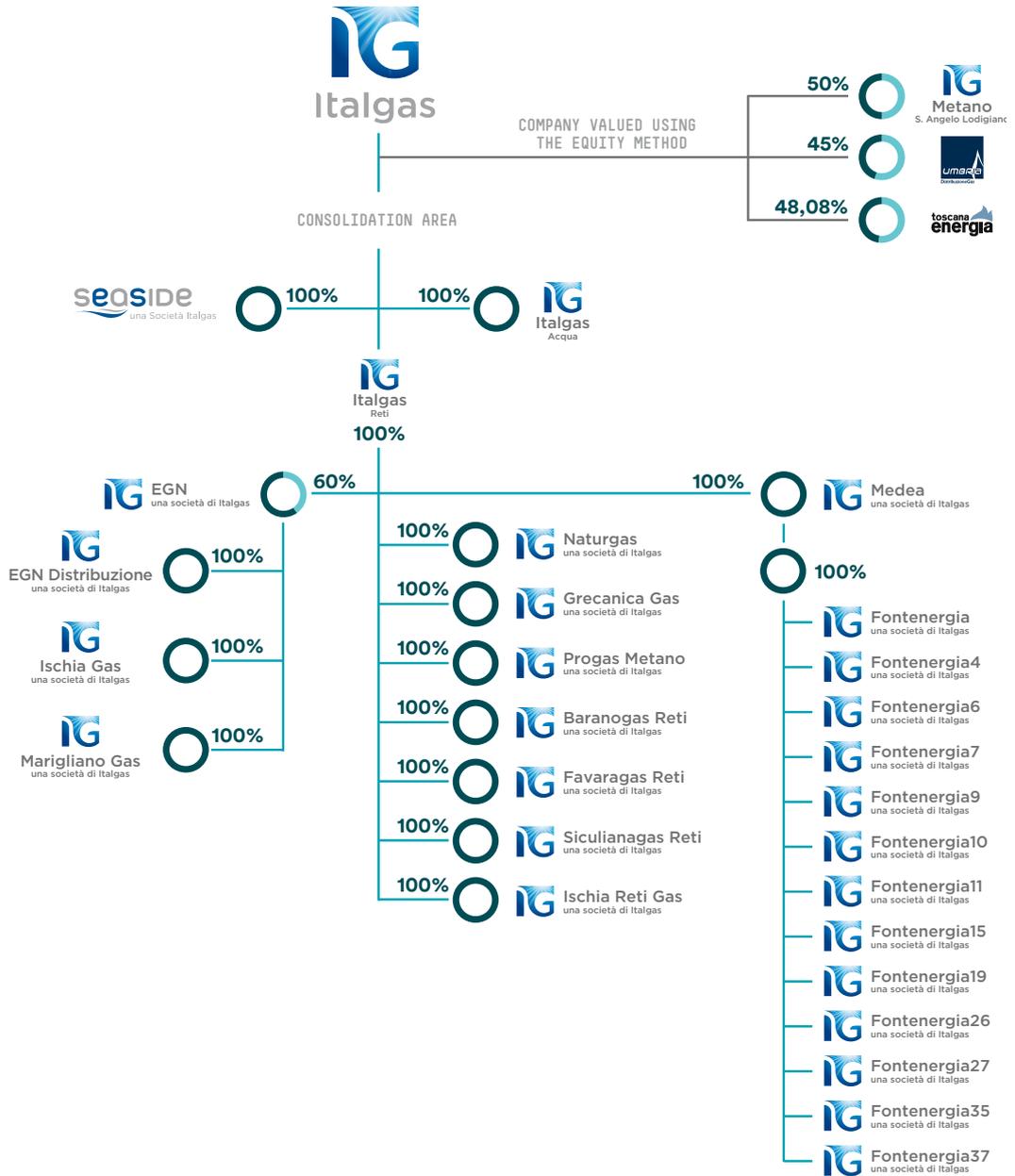
As at 31 December 2018, there were 6.708 million meters (6.586 million at 31 December 2017) in use at redelivery points ("PdR"). Also considering the investee companies, the active meters numbered 7.562 million.

#### THE INVESTEE COMPANIES: THE MAIN NUMBERS FOR 2018

	<b>Toscana Energia</b>	<b>Metano Sant'Angelo</b>	<b>Umbria Distribuzione Gas</b>
Net profit (million euro)	41	0.5	0.2
Municipalities under gas management	102	5	1
Redelivery points operative	794,456	9,819	50,254
Gas distributed (million m <sup>3</sup> )	1,134	17	57.9
Employees on the workforce	442	3	3

## CORPORATE STRUCTURE

The Italgas group as at 31 December 2018 is illustrated in the following organisation chart.



The main changes in the consolidation area of the Italgas group compared to that existing as at 31 December 2017, concern:

- the establishment of Italgas Acqua S.p.A., on 1 January 2018, further to the proportional partial spin-off of Italgas Reti in favour of a newly established company by means of assignment to the latter of the so-called “former Napoletanagas water business segment”;
- the acquisition, on 28 February 2018, of 100% of the share capital of Ichnusa Gas S.p.A., a holding company which controlled 12 companies holding concessions for the construction and running of LPG distribution networks in Sardinia, subsequently merged in Medea on 28 November 2018, with retroactive accounting effectiveness as from 1 January 2018;
- the acquisition, on 13 March 2018, of 100% of the share capital of Seaside S.r.l., a company operating in the energy efficiency sector, together with its wholly-owned subsidiary White 1 S.r.l., subsequently merged via incorporation in Seaside S.r.l. on 16 October 2018;
- acquisition on 6 April 2018 of 100% of the share capital of Medea S.p.A., an LPG distribution and sales company in Sassari;
- acquisition on 31 May 2018 of 98% and on 27 November 2018 of the residual 2% of the share capital of Favaragas Reti S.r.l., Sicilianagas Reti S.r.l., Baranogas Reti S.r.l., Ischia Reti Gas S.r.l., Progas Metano S.r.l. and Grecanica Gas S.r.l., companies which overall hold 7 concessions for the construction and management of the gas network in 16 Municipalities in Southern Italy;
- the acquisition, on 30 November 2018, of 100% of Naturgas S.r.l. and Fontenergia S.r.l. and 60% of EGN (European Gas Network) S.r.l., a holding company which controls 3 companies holding concessions for the construction and running of gas distribution networks.

In conclusion, during 2018:

- the following companies were merged via incorporation within Italgas Reti S.p.A. with accounting and tax effects as from 1 January 2018: (i) ACAM Gas S.p.A. on 21 May 2018 and (ii) Enerco S.p.A. and S.G.S. S.r.l. on 18 April 2018;
- Italgas Reti finalised the acquisitions of the business segments of Amalfitana Gas and AEnergia Reti relating respectively to the natural gas distribution activities in three ATEMs (minimum geographical areas) in Campania and Basilicata and the distribution network serving the Municipality of Portopalo di Capopassero (Siracusa).

## ORGANISATION OF ACTIVITIES

During the last two years, the Group created a new holding company and reconfigured the operating entities so as to improve the interaction and streamline the most important processes. Accordingly, today Italgas S.p.A. includes staff functions, while the mainly operational activities have been concentrated within Italgas Reti S.p.A.. During 2018, in particular, the reorganisation of the Italgas Reti's Operations achieved in 2017 was consolidated and the "professional families" were identified for the purpose of ensuring the safeguarding and development of the technical know-how and the sharing of the operating methods, best practices and work instruments among all the Operations units involved.

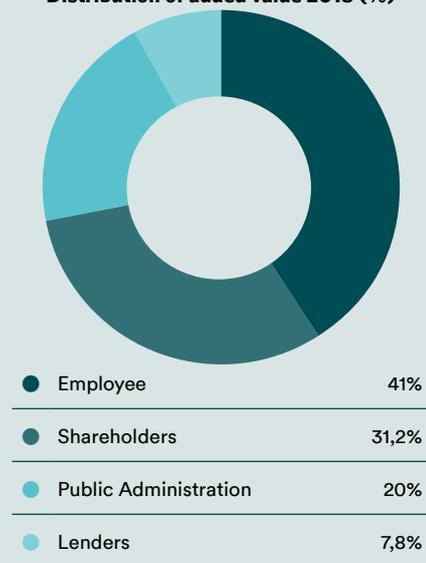
Each professional family is overseen by a Competence Leader, who supervises the development of the know-how, defines the objectives and priorities, calls and handles the meetings and the interaction between the members of the professional family, which during 2018 were 45.

The 13 professional families, involving a total of 300 members, represent six different business areas: asset creation, asset management and maintenance, commercial service management, tender management, staff and transversal activities.

### DISTRIBUTION OF ADDED VALUE<sup>6</sup>

In 2018, the gross added value produced by the Group was 1,132 million euros. A significant portion of this figure remained within the company mainly for amortisation, depreciation and impairment, while 605 million euros was distributed to stakeholders. Specifically, 41% went to employees (248 million euros), more than 31% to the shareholders (189 million euros), 20% to the Public Administration Authorities (121 million euros) and 8% to lenders (47 million euros).

Distribution of added value 2018 (%)



<sup>6</sup>For the calculation of the breakdown of the added value, the principals for the final preparation of the Study Group for the Social Report (GBS) were used

**CALCULATION OF THE ADDED VALUE (IN MILLIONS OF €)**

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

(\*) The balances shown in the table are taken from the 2018 income statement net of the so-called special items (non-recurrent costs relating to facilitated redundancies of the staff for 2.5 million).

(\*\*) The item includes the effects of IFRIC 12 "Service concession arrangements" amounting to 447 million euros.

**DISTRIBUTION OF THE ADDED VALUE (IN MILLIONS OF €)**

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

(\*) The 2018 figure refers to the dividend proposed by the Board of Directors, subject to the approval of the next shareholders' meeting on 4 April 2019

## METHODOLOGICAL NOTE

### REPORTING STANDARDS

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

This Statement, which is published annually, is drawn up according to the GRI Standards (accordance core option) published in 2016 by the Global Reporting Initiative, which to-date represent the most common and well-known benchmark at international level with regard to non-financial reporting. For the purpose of facilitating the reader in retrieving the information within the document, pages 105 et seq. contain the GRI Content Index.

The information present in the Statement reflects the principle of materiality or relevance, as envisaged both by the reference legislation and the GRI Standards. As a result, the aspects subject to non-financial reporting are those which, further to the materiality analysis, described on page 15 of this document, were considered “relevant”, or rather capable of representing the effective impacts of the Group’s activities or influencing the decisions of its stakeholders.

### REPORTING SCOPE AND METHOD

The qualitative and quantitative data and information contained in this Statement refer to the performance of the Italgas group in the year ended 31 December 2018. The reporting scope concerns the parent company (Italgas S.p.A.<sup>7</sup>) and the wholly-owned subsidiaries (Italgas Reti S.p.A., Medea S.p.A.<sup>8</sup>, Fontenergia 7 S.r.l., Fontenergia 9 S.r.l., Italgas Acqua S.p.A., Seaside S.r.l.).

European Gas Network S.r.l. and its subsidiaries (EGN Distribuzione S.r.l., Ischia Gas S.r.l., Marigliano Gas S.r.l.), Naturgas S.r.l. and Fontenergia S.r.l. are not included in the scope since the closing of their acquisition was finalised in the second half of 2018 thus not making it possible, as at 31 December 2018, to gather the non-financial information for the purposes of the inclusion of the same in the Group’s Consolidated Non-Financial Statement.

Furthermore, Grecanica Gas S.r.l., Progas Metano S.r.l., Baranogas Reti S.r.l., Favaragas Reti S.r.l., Sicilianagas Reti S.r.l., Ischia Reti Gas S.r.l., Fontenergia 4 S.r.l., Fontenergia 6 S.r.l., Fontenergia 10 S.r.l., Fontenergia 11 S.r.l., Fontenergia 15 S.r.l., Fontenergia 19 S.r.l., Fontenergia 26 S.r.l., Fontenergia 27 S.r.l., Fontenergia 35 S.r.l., Fontenergia 37 S.r.l. were not included in the scope because, despite being acquired in the first half of the year, the analysis of the dimension and the operating data has not revealed them to be significant.

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

<sup>7</sup> During 2018, the following companies were merged via incorporation within Italgas Reti S.p.A.: (i) ACAM Gas S.p.A. on 21 May 2018, with statutory effects as from 1st June 2018 and (ii) Enerco S.p.A. and S.G.S. S.r.l. on 18 April 2018, with statutory effects as from 1st May 2018.

<sup>8</sup> Ichnusa Gas S.p.A. was merged via incorporation in Medea S.p.A. on 28 November 2018, with statutory effects as from 12 December 2018.

## REPORTING PROCESS

The drafting of the Statement for 2018 was based on a structured reporting process which envisaged:

- the involvement of all the company divisions/units responsible for the relevant spheres and the related data and information forming the subject matter of the Statement. They were requested to describe in the Statement the materials aspects, the projects and the most significant initiatives, as well as proceed with the collation, analysis and consolidation of the data, with the task of checking and validating the information contained in the Statement, each one for their own area of competence. In detail, the data and information included in the Statement derive from a non-financial reporting system (data collation files) specifically adopted to satisfy the requirements of Italian Legislative Decree No. 254/2016 and the GRI Standards. The data was processed by means of accurate calculations and extractions and, where specifically indicated, by means of estimates;
- the approval of the Statement by the Board of Directors, called on 22 February 2019 for the approval of the 2018 draft financial statements;
- the issue of a compliance opinion on the Statement by PwC, in the form of limited assurance;
- the publication of the Statement on the corporate website.



# SUSTAINABILITY IN ITALGAS: VALUE AND STRATEGY

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

The sustainability aspects are part of the operational management of the company and a reference value for the activities of Top management and all the company units. The strategic guidelines, in terms of commitment and lines of action, are contained in the Sustainability Plan developed, on a consistent basis with the SDGs of the United Nations, within the 2018-2024 Business Plan.

The Sustainability Plan is subject to annual review (as is the Business Plan) and is made up of 5 key pillars of the Group's commitment with regard to socio-environmental aspects, 14 objectives and 45 short/medium-term actions.

Specifically, the five pillars on which the Plan is based are:

- **Strengthen and enhance the company's sustainability position**, establishing processes for integrating sustainability into the business and working on increasing the culture of sustainability within the company along the entire value chain;
- **Prioritise everyone who works for Italgas**, protecting and enhancing the company's know-how, increasing the wellbeing of staff and improving accident rates;
- **Gain recognition from the community**, fostering relations with the local areas and investing in the communities in a way that is consistent and integrated with the business;

- **Create value for customers and the gas market** by harmonising processes with sales companies and developing the relationship with the end customer;
- **Contribute to the efficiency and security of the energy systemo**, through the improvement of energy efficiency and the reduction of the carbon footprint, developing gas advocacy and enabling circular economic processes.

The main action and initiatives implemented by the Group in 2018 are presented below, divided up by area of activity and which have led to a level of completion of the Plan of 68% already in its first year of implementation, confirming the commitment which the Company manifests for the promotion of the sustainability culture:

- **Improvement of the sustainability position** of the Group by means of:
  - Compliance with the Global Compact and another 4 sustainability networks;
  - Participation in 5 questionnaires for the assessment and admission of the stock to the sustainability indexes (DJSI and FTSE4Good);
  - Organisation of induction activities with the members of the BoD, the Board of Statutory Auditors and company management;
  - Inclusion of the sustainability section in the company website and simultaneous sharing of the Sustainability Plan brochure.
- **Development and involvement of the individuals** by means of:
  - Creation of 7 career days care of Universities and 6 internal workshops for the development of skills for high potential individuals and youngsters;
  - Launch of a survey into welfare services;
  - Extension of the use of smart working to 140 individuals;
  - Realisation of 25 initiatives in collaboration with Valore D;
  - Performance of 10 engagement initiatives with 1,078 employees of 258 suppliers;
  - Organisation of 4 safety Walks in the regional centres.
- Promotion of the activities for engagement of **customers and market** by means of:
  - Realisation of two workshops with 50 sales companies which represent 99% of the PdRs.
- Efficiency and safety of the **energy system**:
  - Acquisition of more than 3,000 new PdRs in the target municipalities (gas advocacy);
  - Decarbonisation activities by means of the introduction of 710 methane-fuelled service vehicles, the installation of 28 efficient systems which reduce the energy consumption in the gas pre-heating stage and the replacement of 24.5 km on network with lead hemp couplings.



United Nations Global Compact

During 2018 Italgas formerly complied with the Global Compact, the initiative created 20 years ago due to the desire of the Secretary of the United Nations, Kofi Annan, so as to further a sustainable global economy. Global Impact encourages the companies throughout the entire world to create a network for sustainable development and in order to do so requires the companies and the organisations which comply with the same to act in observance of the 10 universal principles of the Global Impact, which refer to human rights and employment, the protection of the environment and the fight against corruption.

### WHAT COMPLIANCE WITH THE GLOBAL COMPACT MEANS FOR ITALGAS

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

### SUSTAINABILITY AND STAKEHOLDER ENGAGEMENT POLICY

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

**GLOBAL IMPACT ENCOURAGES THE COMPANIES  
THROUGHOUT THE ENTIRE WORLD TO CREATE  
A NETWORK FOR SUSTAINABLE DEVELOPMENT**

## ITALGAS STOCK IN SUSTAINABILITY INDICES

Once again in 2018, Italgas stock was included in the main international SRI stock market indexes, further improving the awareness of the operations of the company and the information vis-à-vis the socially responsible investors and, more in general vis-à-vis the entire financial market.



Already back in 2017 Italgas stock was included in the FTSE4Good series of indexes, which positively evaluated the responses of the Group to the rigorous criteria of the FTSE independent method within the Environmental, Social and Governance (ESG) sphere.

As at August 2018, the stock was confirmed in the FTSE4Good series of indexes at the time of the assessment carried out within the sphere of the June 2018 review. The result obtained bears witness to the commitment of the Company to sustainable development based on the leadership of the company in the interaction with the social reference context, aimed at the creation of opportunities focused on the principle of the shared value.



In 2018 Italgas was included among the securities selected in the World Enlarged Dow Jones Sustainability Index (DJSI) by RobecoSAM. The DJSI is one of the most important index which assesses the financial performance of the global companies which follow sustainability principles.



The Italgas stock was confirmed in the MSCI Italy Small Cap Index passing, in 2018, from an A to an AA rating.

The MSCI Global Sustainability indexes include the companies with a high sustainability rating among those of the sector of membership.



The Italgas stock has been included in the ECPI Euro ESG Equity and ECPI World ESG Equity stock.

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



Since 2017, CDP (Carbon Disclosure Project) recognised Italgas as an international leader in the implementation of strategies and actions to combat climate change. In 2018 it obtained inclusion in the "Climate change B List".





# MATERIAL ASPECTS: IDENTIFICATION OF THE TOPICS IMPORTANT FOR ITALGAS

Italgas periodically implements its materiality analysis process, aimed at identifying the spheres in which the activities of the Group may more greatly affect the natural ecosystems as well as the wellbeing of the community, the individuals and all the stakeholders of the Group.

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

**IN 2018 THE MATERIAL ASPECTS  
IDENTIFIED IN 2017 WERE STREAMLINED**

In 2018 the material aspects identified in 2017 via the analysis of the following were streamlined and supplemented, where necessary:

- **benchmarking** carried out on the main competitors and best practices of the energy&utilities sector;
- **documents within** the Group (including the Sustainability Plan, Strategic Plan, Code of Ethics, policies and procedures);
- **external documents** (including the reports of the World Economic Forum, the OECD Guidelines and the Agenda for Action of the European Commission).

The list of the aspects updated further to the analysis, indicated below, was shared with the Sustainability Committee.

- Responsible business and anti-corruption management
- Integration of ESG elements in the Governance
- Energy efficiency
- Reduction of the carbon footprint
- Waste management
- Protection of health and safety in the workplace
- Responsible supply chain management
- Reliability, quality and safety of the service
- Innovation and digitisation
- Social innovation and relationship with the reference communities
- Relations with the Regulatory Authority
- Security of the information and data (cyber security)
- Transparent dealings and collaboration with the sales companies
- Employment and the protection of workers' rights
- Development and enhancement of human capital
- Corporate diversity and welfare

The aspects relating to the water resources and the protection of Human Rights, even though envisaged by Italian Legislative Decree No. 254/2016, have not been included among the material ones, in consideration of the territorial, legislative and business context in which the Group operates. These aspects are therefore dealt with within the Statement.

2018 was an important year also for the definition of the stakeholder engagement activities aimed at involving the external and internal stakeholders in the evaluation of the list of material aspects as from 2019.

## ITALGAS AND ITS STAKEHOLDERS

Based on the interactions with the main stakeholders, also identified as recipients of the Code of Ethics, and the characteristics of the sector, Italgas, with the direct contribution of its corporate functions, has identified the categories of stakeholders that can reasonably affect capacity of the company to implement its own strategy and which can be significantly influenced by company activities.

The involvement of the stakeholders represents - for the Group - an occasion for feedback and dialogue fundamental for understanding the level of satisfaction with respect to its action.

Accordingly, Italgas adopts diversified and flexible dialogue and involvement practices, in response to the various characteristics and needs of the stakeholders. The stakeholder engagement activities carried out in 2018, as described within the individual section of this Document, did not reveal any particular critical aspects, but rather useful insights in terms of improvement for the services and the operational and management models.

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





# GOVERNANCE AND MANAGEMENT OF ACTIVITIES

Italgas's governance system follows the "traditional" administration and control model, which envisages the presence of the Board of Directors (BoD) and the Board of Statutory Auditors, in office for three accounting periods, as well as the Shareholders' meeting and the Independent auditing firm. The Board of Directors defines the rules and methods of planning, management and control that make up the corporate governance system in compliance with the regulations to which it is subject as a listed Issuer and with the Self-Regulatory Code of the listed companies issued by the Corporate Governance committee, in the last edition dated July 2018. This system is based on a number of key principles, such as a correct and transparent choice of management of the business activities ensured also by means of the identification of information flows between the corporate bodies and an efficient definition of the internal control and risk management system.

The Shareholders' meeting represent Italgas's decision-making body which is responsible for the task, in ordinary and extraordinary session, of appointing the members of the BoD and the Board of Statutory Auditors and establishing the related fees, approving the financial statements, including the allocation of the profits, and resolving with regard to the purchase of treasury shares, amendments to the Articles of Association and issue of convertible bonds. With the exception of these documents, all ordinary and extraordinary administration is the responsibility of the Board of Directors, the central body in the corporate governance system.

## BOARD OF DIRECTORS

Italgas S.p.A.'s BoD is tasked with the ordinary and extraordinary management of the Company and has the faculty to carry out all the acts deemed appropriate for the implementation and achievement of the corporate purpose, with the exclusion of the acts which, pursuant to applicable legislation and the Articles of Association, are reserved for the Shareholders' meeting. The composition of the BoD respects the company policies with regard to diversity in relation to aspects such as age, gender composition as well as training and professional background. Demonstrating the importance of this aspect, in 2018 the Group drafted a "Policy for the diversity of the corporate bodies" approved by

the Company's Board of Directors on 24 January 2019. The management body is made up of nine members: of which three are women, in compliance with gender balance criteria<sup>9</sup>, while four meet the requirements of independence; the age of the Directors ranges between 41 and 62; the training and professional background of the Directors currently in office (lawyers, engineers, economists) guarantees a balanced combination of profiles and experience within the management body suitable for ensuring the correct performance of the functions.

All the Italgas director possess the integrity requirements laid down by current legislation, and an executive director, seven non-executive directors and a chairman without management powers is appointed from among the same.

#### IVERSITY IN THE COMPOSITION OF MEMBERS OF THE BOARD OF DIRECTOR STANDARD GRI 405-1

	Unit of measurement	2016	2017	2018
Total members of the BoD	no.	9	9	9
	no.	3	3	3
- of which women	%	33.3	33.3	33.3

Three Committees have been established within the Board of Directors, with advisory and proposal functions: Control and Risk and Related Party Transactions Committee, Appointments and Remuneration Committee, Sustainability Committee.

#### COMMETTEE: COMPOSITION AND FUNCTIONS

Control and Risk and Related Party Transactions Committee	Appointments and Remuneration Committee	Appointments and Remuneration Committee
It comprises three non-executive and independent directors.	It comprises three non-executive directors, two of whom are independent.	It comprises three non-executive directors, one of whom is independent.
It plays a proactive and advisory role in relation to the Board of Directors regarding the Internal Control System, risk management and periodic financial reports, as well as related party transactions.	It plays a proactive and advisory role in relation to the Board of Directors regarding the appointment of directors, their remuneration and that of managers with strategic responsibilities.	It plays a proactive and advisory role in relation to the Board of Directors regarding all the processes and activities which contribute to the company's sustainable development along the value chain.

<sup>9</sup>The Board has 3 Directors of the least represented gender, equal to a third of the overall composition. The composition of the Board of Directors (as well as the Board of Statutory Auditors) is therefore already compliant with the legislation concerning balance between the genders which was applied in advance and on a voluntary basis at the time of admission to stock market listing and to an extent greater than that envisaged by law for the first renewal subsequent to listing (1/3 instead of 1/5 as envisaged for the first renewal).

## SUSTAINABILITY COMMITTEE

The Sustainability Committee also has a specific function with respect to the areas referred to in Italian Decree 254/2016, since one of its main tasks is to examine, evaluate and monitor:

- sustainability policies, seeking to ensure the creation of value over time for all shareholders and all other stakeholders in the medium to long term;
- the guidelines, objectives, and the consequent sustainability processes;
- the non-financial reporting submitted annually for the approval of the Board of Directors;
- the positioning of the Company with respect to the financial markets with regard to sustainability aspects, with particular reference to the placement of the same in the ethical sustainability indexes;
- the national and international initiatives with regard to sustainability in which to take part also for the purpose of consolidating the business reputation on the international front;
- the sustainability initiatives possibly envisaged in the agreements submitted to the Board of Directors, also in relation to the subject of climate change;
- the profit and non-profit strategy, as well as gas advocacy.

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

## BOARD OF STATUTORY AUDITORS

Italgas's Board of Statutory Auditors oversees the observance of the law and the Articles of Association, the observance of the correct principles of administration, the adequacy of the organisational structure, the internal control system and the administrative and accounting system as well as the methods of implementation of the corporate governance rules envisaged by the Self-regulatory Code. The Board of Statutory Auditors is made up of 3 standing auditors and 2 alternative auditors, in relation to whom it is specified that: (I) a standing Auditor and an alternate Auditor belong to the least represented gender<sup>10</sup>; (II) without prejudice to the professionalism requirements envisaged by the law, the training and professional background of the members of the Board of Statutory Auditors guarantees the expertise suitable for ensuring the correct performance of the functions they are responsible for.

## SUSTAINABILITY INDUCTION FOR THE SENIOR BODIES

On Monday 29 October 2018, the Group - for the purpose of furthering the culture of sustainability - involved the directors, the statutory auditors and top management in a board induction meeting on socio-environmental aspects with Professor Enrico Giovannini, founder of and spokesman for the Italian Alliance for Sustainable Development (ASviS). This encounter was dedicated to the in-depth analysis of the sustainability topics regarding Italgas's sector of activities, the description of the future trends and the analysis of the methods by means of which the Company can play a fundamental role for sustainable development in the gas distribution sector.

<sup>10</sup>The composition of the Board of Statutory Auditors is therefore already compliant with the legislation concerning balance between the genders which was applied in advance and on a voluntary basis at the time of admission to stock market listing.



# RESPONSIBLE BUSINESS MANAGEMENT WITHIN ITALGAS

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

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

## THE CODE OF ETHICS

The Italgas Code of Ethics<sup>11</sup> is the system of values on which the Group's ethical culture is based. These values inspire the conduct of company activities in line with the principles of sustainability and corporate responsibility considered an integral part of its own

corporate management model. The Code and the values contained in the same are adopted by all the Italgas Group companies. Ethics is a guiding factor informing the company's strategic and operational choices and a lever to ensure long-term sustainable growth, while providing the results expected by shareholders and sharing with all its stakeholders the value generated, also from an environmental and social point of view.

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

<sup>11</sup>The Code of Ethics is available on the Company website <http://www.italgas.it/it/governance/etica-dimpresa/il-codice-etico/>.

## PROTECTION OF HUMAN RIGHTS

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

Compliance with the Global Compact of the United Nations, which took place in 2018, confirms the commitment towards protection and promotion of human rights by Italgas.

**COMPLIANCE WITH THE GLOBAL COMPACT OF THE UNITED NATIONS CONFIRMS THE COMMITMENT TOWARDS PROTECTION AND PROMOTION OF HUMAN RIGHTS BY ITALGAS.**

## THE 231 ORGANISATION, MANAGEMENT AND CONTROL MODEL

The Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001 (hereinafter the 231 Model) approved in 2016 by the BoD, is intended for the members of the corporate bodies, management and the employees of Italgas, as well as all those who operate for the achievement of the Group's objectives.

The Model consists of a series of principles and rules of conduct, operating procedures and initiatives aimed at preventing the commission of offences, guaranteeing ethical conduct by those who operate on behalf of the company in observance of the principles of legitimacy, completeness and transparency.

The observance of the 231 Model is monitored by the Supervisory Body so as to ensure the satisfactory functioning and constant updating of said Model. The Chief Executive Officer has the task of implementing and up-dating the 231 Model, while the Board of Directors is responsible for up-dating the general binding principles of the Model.

## TRAINING ON THE NEW 231 MODEL

For the purpose of keeping the Model up-to-date and therefore maintaining the legislative compliance, during 2018 the Company launched a process for the up-date of the general part which concluded with the approval of the new Model and the Code of Ethics by the BoD in January 2019.

Italgas's Board of Directors, on 24 January 2019, approved an up-date to the Code of Ethics and the 231 Model of Italgas, having taken into account the recent legislative provisions which amended Italian Legislative Decree No. 231/2001 (Italian Law No. 179/2017 "Whistleblowing"), also intervening on the information flows to the Supervisory Body.

In particular, the amendments concerned:

- the reinforced reference to the Code of Ethics, as expression of the ethical values of the Company and as binding principle to which the business procedures will have to aspire;
- the channels and the information flows to the Supervisory Body, in accordance with the recent legislation concerning reporting (Italian Law No. 179/2017, so-called "Whistleblowing");
- the integration of the reasons on

ineligibility and expiry of the term of the members of the Supervisory Body;

- the introduction of an additional information flow concerning whistleblowing on acts of corruption.

These amendments will be acknowledged in all the Italgas Group companies.

Italgas S.p.A.'s subsidiary companies autonomously adopt their own Organisation, Management and Control Model on the basis of the specificities of the different company situations, taking - however - as a benchmark the principles of the Italgas S.p.A. 231 Model and taking into account the indications and implementation formalities in relation to the Group's organisational and operational set-up. Furthermore, each Subsidiary establishes an autonomous and independent Supervisory Body.

The Group has also endowed itself with a Reporting Procedure on a consistent basis

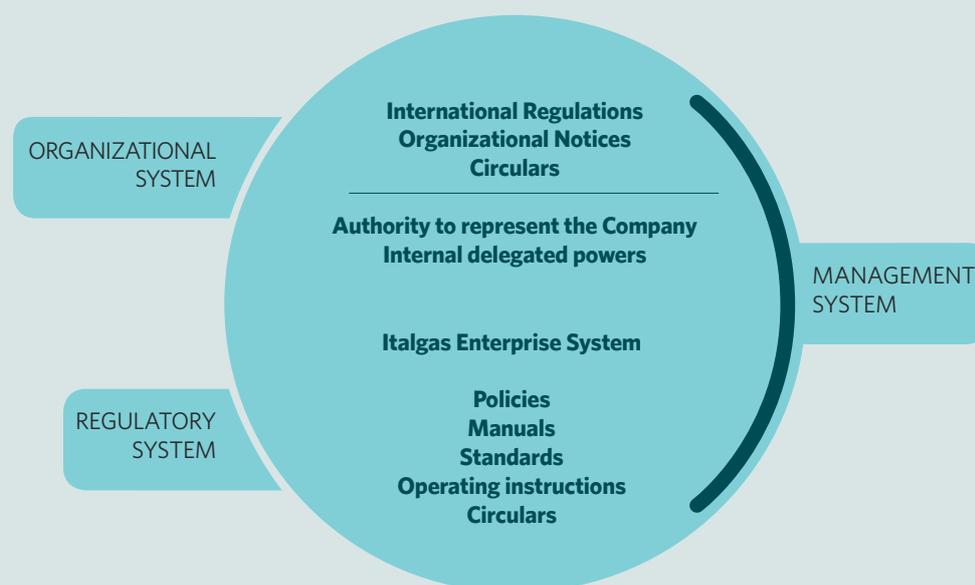
with the best practices on the subject. This procedure disciplines the process for the receipt, analysis and handling of the reports sent or transmitted by whomever, also in confidential or anonymous form, with regard to any irregularities or violations of the applicable legislation and the internal procedures. The Reporting Procedure complies with the fulfilments envisaged by the 231 Model, represents a legislative instrument

in accordance with the Italgas Anti-corruption Procedure, and is an integral part of the Internal Control System on Corporate Disclosure. In line with the amendments of the Italgas 231 Model, and with the attainment of the UNI ISO 37001 certification concerning the management systems for the prevention of and fight against corruption, also an up-date of this Procedure is envisaged.

### ITALGAS ENTERPRISE SYSTEM

The Italgas Enterprise System (IES), a fundamental part of the company regulatory system, provides a complete description of the company's activities and processes and is therefore an important instrument supporting the operations of each Group department. Following the issue of the IES, the regulatory system was revised to adapt the group rules to the principles described. In particular, the IES mapped out an initial approach to the sustainability model, which aims to provide an approach to corporate social responsibility that combines business objectives with respect for environmental, social and governance issues, and that recognises the central role of stakeholders and their needs to create social value as well as economic value, also with the drive towards innovation. By means of the awareness raising and training, Italgas people are made aware of how the rules and codes apply to their activities and conduct and how to deal with any critical situations.

### OUTLINE OF THE ITALGAS CORPORATE MANAGEMENT SYSTEM



## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

structured and standardised risk identification, assessment, management and control model for all Group companies. The process for the identification, assessment, measurement and management of the risks is carried out periodically, at least once a year, on the basis of the importance of the risk and any changes in context, by means of the involvement of all the company units. The identification of the risks is carried out covering the entire scope of the Group and all the potential applicable events.

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

- economic-financial;
- operational (services, assets and human capital);
- legal, governance and compliance;
- environment, health and safety;
- reputation and market.

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

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

**MATCHING TABLE: IMPORTANT ISSUES, SCOPE OF THE DECREE AND MAIN RISKS<sup>12</sup> MAPPED OUT IN THE ERM PROCESS**

Material issues 2018	Scope of Italian Legislative Decree No. 254/2016	Description of risks	Main mitigation action adopted
<ul style="list-style-type: none"> <li>▪ Responsible business and anti-corruption management;</li> <li>▪ Integration of ESG elements in the Governance;</li> </ul>	<b>Fight against active and passive corruption</b>	<p>Risk of non-compliance due to failure to comply, wholly or in part, with European, national, regional and local regulations that Italgas must follow, in particular with reference to Corporate Governance and the internal control system, protection of health and safety of workers and the environment and the fight against corruption, with possible penalties, even significant, against the company in accordance with the regulations governing the administrative liability of institutions (Italian Legislative Decree No. 231/01)</p>	<ul style="list-style-type: none"> <li>▪ Code of Ethics, 231 Model, Policy for the prevention of and the fight against corruption;</li> <li>▪ ISO 37001 anti-corruption certification for Italgas and Italgas Networks;</li> <li>▪ Areas of responsibility defined with regard to Compliance;</li> <li>▪ Monitoring of the legislative evolution and related adaptation of the internal regulatory system;</li> <li>▪ Training on corporate social responsibility and anti-corruption;</li> <li>▪ Analysis and monitoring of reputational requirements of the Group's counterparties (suppliers, sub-contractors, etc.);</li> </ul>
<ul style="list-style-type: none"> <li>▪ Energy efficiency;</li> <li>▪ Reduction of the carbon footprint;</li> <li>▪ Waste management;</li> <li>▪ Protection of health and safety in the workplace;</li> <li>▪ Responsible supply chain management;</li> </ul>	<b>Environment, Health and Safety</b>	<ul style="list-style-type: none"> <li>▪ Risks connected to health, safety and environmental protection in relation to current activities and reclamation of contaminated sites, removal and disposal of waste.</li> <li>▪ Risks associated with the operational, reputational and compliance reliability of the suppliers of materials/subcontractors appointed to execute operating activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality, social and environmental system (HSEQ) in compliance with the latest versions of the reference standards;</li> <li>▪ Applications for the prompt and efficient gathering, handling and reporting of the data relating to the health and safety of the workers;</li> <li>▪ Training activities, and awareness raising initiatives on the aspects of Health, Safety and Environment;</li> <li>▪ On-going checks and audits on the working practices and systems certified both internally and by external professionals;</li> <li>▪ Analysis and monitoring of reputational requirements of the Group's counterparties (suppliers, sub-contractors, etc.);</li> <li>▪ Qualification procedures for third party companies, engineering and works management, supervision of the execution risks of sub-contractors;</li> <li>▪ On-going up-date of the vendor list;</li> <li>▪ Technical/on-site HSEQ visits / process and quality audits on suppliers, also with the involvement of outside professionals.</li> </ul>

<sup>12</sup> Main risks mean those arising from the application of the Italgas Group ERM methodology with significant impact and/or probability with respect to the identified areas/issues.

**TABLE LINKING: IMPORTANT ISSUES, SCOPE OF THE DECREE AND MAIN RISKS<sup>12</sup> MAPPED OUT IN THE ERM PROCESS**

Material issues 2018	Scope of Italian Legislative Decree No. 254/2016	Description of risks	Main mitigation action adopted
<ul style="list-style-type: none"> <li>▪ Reliability, quality and safety of the service;</li> <li>▪ Innovation and digitisation;</li> <li>▪ Social innovation and relationship with the reference communities;</li> <li>▪ Relations with the Regulatory Authority;</li> <li>▪ Security of the information and data (cyber security);</li> <li>▪ Transparent dealings and collaboration with the sales companies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Social</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Operational risks of malfunctioning and unexpected interruption of the distribution service caused by accidental events including incidents, breakdowns or malfunctions of equipment or control systems, reduced performance of installations and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond the control of Italgas;</li> <li>▪ Regulatory risk, in relation to the changes made by European Union and Italian government directives and regulatory provisions, ARERA decisions and possible changes in the regulatory framework governing the criteria for setting the reference tariffs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Procedures and systems for the handling of emergencies, emergency plans with defined measures for the placement in safety of the plants and for ensuring the continuity of the service;</li> <li>▪ Scheduled search for leaks by means of the use of innovative systems and technologies;</li> <li>▪ Plant and asset safety and network monitoring systems;</li> <li>▪ Qualification procedures for third party construction companies, engineering and works management, supervision of the execution risks of sub-contractors;</li> <li>▪ Action for preventing potential damage to pipes carried out by Third Parties (e.g. other sub-services);</li> <li>▪ Action for the on-going modernisation of the network (investment in maintenance, replacement of cast iron pipes and pipes with mechanical couplings, plans for the recovery of risers and brackets);</li> <li>▪ Development of network digitisation initiatives, for the progressive improvement of the real time monitoring systems and the preventive maintenance;</li> <li>▪ Establishment of the Digital Factory for the development of innovative solutions aimed at the digitisation of the processes and the improvement of the operating and management activities of the network and the quality of the service.;</li> </ul>

**TABLE LINKING: IMPORTANT ISSUES, SCOPE OF THE DECREE AND MAIN RISKS<sup>12</sup> MAPPED OUT IN THE ERM PROCESS**

<b>Material issues 2018</b>	<b>Scope of Italian Legislative Decree No. 254/2016</b>	<b>Description of risks</b>	<b>Main mitigation action adopted</b>
<ul style="list-style-type: none"> <li>▪ Employment and the protection of workers' rights;</li> <li>▪ Development and enhancement of human capital;</li> <li>▪ Corporate diversity and welfare.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Personnel;</b></li> <li>▪ <b>Respect for Human Rights.</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk linked to the reduction of the level of satisfaction of the staff in certain functional areas;</li> <li>▪ Risk associated with the lack of technical and specialist know-how.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Periodic survey on the in-house climate extended to all Group employees;</li> <li>▪ On-going streamlining of the technical training processes;</li> <li>▪ Succession plan for the senior roles;</li> <li>▪ Development plan of the resources which envisages a specific training programme per profile.</li> </ul>

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

The results of the main risks and the related management plans are presented to the Control and Risk and Related Party Transactions Committee, in order to allow the assessment of the effectiveness of the Internal Control and Risk Management System, with respect to Italgas specific characteristics and the risk profile undertaken. The results are also used by the Internal Audit department, which exercises its control function by preparing and implementing audit plans. During 2018, 35 audits were carried out, of which 6 scheduled audits, 1 special operational audit, 1 for other reasons and 27 independent monitoring checks.

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

In 2018, 8 reports were received (down with respect to 2017, year in which 19 were received), of which 6 looked at the internal control system and 2 the ethical and behavioural aspects. As at 31 December 2018, all the reports received during the year had been duly processed, and of these 6 had been closed.

In the event that the reports concerned the distribution network and were well-grounded, the related installations have been made safe and notifications sent to the competent local authorities.

## REPORTS RECEIVED

	Unit of measurement	2016	2017	2018
<b>Total reports received</b>	<b>no.</b>	<b>20</b>	<b>19</b>	<b>8</b>
- of which, related to the Internal Control System	no.	12	13	6
- of which, related to other matters (Code of Ethics, harassment at work, theft, security, etc.)	no.	8	6	2
Closed notifications	no.	20	17	6
Reports under examination	no.	-	2	2

## SECURITY OF THE INFORMATION AND DATA (CYBER SECURITY)

In 2018 Italgas and its subsidiaries carried out a process for the adaptation of the provisions of (EU) Regulation No. 2016/679 “relating to the protection of individuals with regard to personal data processing, as well as the free circulation of said data, and which repeals directive No. 95/46/EC” (hereinafter, the “GDPR”), which became applicable in all the member nations of the European Union as from 25 May 2018.

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

All the Subsidiaries, at the time of their Board Meetings, defined and formally approved a Data Protection Organisational Model consistent with the standards which inspired the Italgas Data Protection Organisational Model albeit designed in accordance with their specific requirements and their organisational structure.

The Subsidiaries in conclusion identified and appointed the DPO of Italgas S.p.A.



# PREVENTION OF ACTIVE AND PASSIVE CORRUPTION

## RELEVANCE TO ITALGAS' ACTIVITIES

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

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

**ONE OF THE KEY FACTORS OF THE ITALGAS GROUP'S REPUTATION IS ITS ABILITY TO CONDUCT ITS BUSINESS WITH FAIRNESS, PROPRIETY, TRANSPARENCY, HONESTY AND INTEGRITY, IN COMPLIANCE WITH LAWS, REGULATIONS AND INTERNATIONAL STANDARDS.**

## POLICIES AND COMMITMENTS TO MONITOR THE ISSUE

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

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

Specifically, the Anti-corruption procedure:

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

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

### ANTI-TRUST CODE

Since 2016 Italgas has adopted its own Anti-trust Code of Conduct (the "Anti-trust Code"), which defines the conduct guidelines which all the Italgas employees and those of the subsidiaries must comply with so as to ensure compliance with the standards laid down by applicable legislation regarding anti-trust matters.

The Anti-trust Code applies to the entire Group, within the sphere of the management and co-ordination activities exercised by Italgas S.p.A. and within the sphere of the initiatives dedicated to encourage the development of the business culture with regard to the protection of the competition and with a view to the definition of procedures and systems suitable for reducing the risk of violations of the anti-trust legislation to a minimum, within the wider sphere of the compliance initiatives furthered by the Group.

In accordance with the Code, an anti-trust unit has been set up within the Legal Unit, which every individual of the Group can contact for communications regarding the interpretation and the application of the same and each time a situation of potential anti-trust risk arises. In line with the matters published by the AGCM in 2018, the Italgas group has launched an up-date of the company programme and started to develop specific training.

## ACTIVITIES AND RESULTS

During the year activities concluded which permitted Italgas S.p.A. and Italgas Reti S.p.A. to obtain UNI ISO 37001 certification. The certification required a long and accurate audit process on the management system for preventing and fighting corruption, which acknowledged the soundness of a business model aspiring to principles of integrity, sustainability and transparency vis-à-vis the stakeholders.

The other companies by contrast were subject to observance of the regulations of the Italgas group regarding anti-corruption and took steps to assimilate the document on anti-corruption. No reports regarding anti-corruption were received in 2018.

In 2018, a total of 209 hours of training were provided on compliance issues, with 78 employees attending.

**NO REPORTS  
REGARDING ANTI-CORRUPTION WERE RECEIVED IN 2018.**



# PEOPLE AND ORGANISATION

## RELEVANCE TO ITALGAS' ACTIVITIES

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

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

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

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

## POLICIES AND COMMITMENTS TO MONITOR THE ISSUE

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

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

## ACTIVITIES AND RESULTS

In line with the strategic objectives of the 2018-2024 Multi-year Plan, Italgas has continued along a path of growth and improvement of the operating efficiency. The policies for the management of the Human Resources and the organisational policies and the main achievements in 2018 all point in this direction. This area includes:

- the continuation of a major **turnover plan**, also given the need for generational turnover, which, in addition to everything already achieved in the last two years, will be developed over the coming years through the introduction of new skills from the market, the growth of its resources, and the consolidation and development of its know-how. Education, training and internal turnover paths for the acquisition of inter-functional skills confirm themselves to be of fundamental importance;
- the **personal growth**, both through the internal development system and through active participation in the processes of company change, supported by internal communication and networking initiatives;
- the **"Migliora" Continuous Improvement Programme** seeks to increase the efficiency and effectiveness of company activities and processes and implement initiatives that can lead to tangible returns in terms of economic benefits and quality of services offered;
- the Italgas **Digital Factory**, a genuine factory of innovation, seeks to achieve the digitisation of the business processes and further the transformation of the processes within the Group. This is a work environment in which the multifunctional teams develop, on a parallel, IT solutions in Agile and Time-Boxed mode;
- the realisation of the **migration on cloud**: in particular the process for the transfer on Cloud Azure (Microsoft) was concluded in November 2018 and concerned more than 5,000 devices (Personal Computers, iPads, smartphones and videoconference facilities, printers), around 100 applications, required the configuration of 1,000 servers, the moving of 100 Terabyte of data and involved around 200 ICT experts of Italgas and suppliers;
- the up-dating and enhancement of the **company intranet** site for a greater divulgation and internal sharing of information on important strategies, programmes, initiatives and results. This up-date was important for making the company intranet an instrument accessible to all the employees. The internal portal was also enhanced with a new section entirely dedicated to sustainability and its meaning and value for Italgas;

**+ 5,000 DEVICES**  
**AROUND 100 APPLICATIONS, REQUIRED**  
**THE CONFIGURATION OF 1,000 SERVERS,**  
**THE MOVING OF 100 TERABYTE**

**The process for the transfer on Cloud Azure (Microsoft) was concluded in November 2018**

- the 2018-2019 company **climate analysis** at the same time as the collation of the questionnaires for all the Italgas group companies and for the subsequent processing of the first results. In the first few months of 2019, the Group will take steps to process the questionnaires and analyse the results so as to identify the related improvement action;
- the the **improvement of the working environment**, procedures and working practices and continuous commitment to protect workers' health, safety and well-being and to create conditions favourable to professional and human growth. This commitment also translates into a complex system of services and welfare that is constantly expanding so as to meet new needs and expectations; the system has become a pillar of the remuneration structure;
- the **Co-investment Plan**: following the evolution of the legislation and the market practices applied within the national and international sphere, Italgas has maintained constant attention to the feedback and dialogue with the market by means of the furthering, with the support of the competent company units, of structured periodic meetings with the main proxy advisors and the institutional investors. The requests collected contributed towards the definition of the new managerial incentive system which introduced the Co-Investment Plan, as from 2018, which envisages the deferral of part of the bonus accrued annually, the introduction of equity instruments in the structure of the remuneration and the determination of the performance with objectives defined for the entire two-year vesting period;
- the introduction of the **Flexible Benefit Plan** with the agreement on the 2017 production bonus; Italgas has offered the employees benefiting from the bonus the possibility of converting, at the voluntary choice of the employee, a portion of the Participation Bonus so as to access Welfare goods and services, for themselves or their family members, without any tax or contribution charge. Italgas has disbursed an additional Welfare Bonus equal to 18% of the converted portion, to all those which have chosen to convert their bonus into Welfare Credit;
- definition of a **new Industrial Relations protocol** and on-going dialogue with workers' representatives, through the industrial relations system, starting from the strategic directions pursued and their implications on work organisation.

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



## “LET’S TALK: YOUR OPINION COUNTS”

The climate analysis intends to be a moment of feedback from the individuals for identifying the areas of improvement and introducing any solutions aimed at furthering the involvement of the employees for the achievement of the strategic objectives of the company and supporting the action for turning to account the Group’s human resources. By means of this analysis, the Group has the opportunity to measure the levels of motivation and involvement with respect to significant external benchmarks for Italgas and with respect to the previous 2015-2016 analysis, as well as achieve internal comparisons between the various organisational areas and between the various demographic characteristics.

From the analysis of the results it is possible to identify the organisational conditions which encourage or hinder the involvement of the employees and highlight the areas of intervention for the improvement of the internal climate.

In 2018, the survey was planned and handled with the support of a specialised outside company. In an initial phase, it envisaged “virtual” focus groups created digitally with more than 200 individuals and interviews with management, aimed at the construction of the questionnaire (70 items). The questionnaire has been loaded on the intranet so as to be able to be compiled by means of various company devices (PCs, tablets, mobile phones) of the employees of all the Group companies. Around 3,600 individuals responded voluntarily and in anonymous form.

77% expressed their opinions on the various aspects proposed, providing precious contributions and insights for improvement. Optimum participation was achieved also with regard to the companies which only recently joined the Italgas group. The breakdown follows:

- Italgas SpA 80%
- Italgas Reti 74%
- Italgas Acqua 86%
- Medea 73%
- SeaSide 100%

In the first few months of 2019, the appointed outside company will process the analysis, returning the results which will represent the starting point for the definition of the improvement action.

The various stages of the initiative are supported by diligent internal communication of objectives and results, both by management and by means of initiatives vehicled via the company intranet.

## EMPLOYMENT AND THE PROTECTION OF WORKERS’ RIGHTS

As at 31 December 2018, the Italgas group had 3,614 employees (up with respect to the 3,584 in 2017). Specifically, 192 people joined the company in 2018, 120 of whom came directly from the job market, 21 returned to service from the Snam Group, 5 returned to service from leave and 46 from extraordinary transactions which led to the expansion of the scope.

On the other hand, 162 people left the Group, of whom 127 for termination of the employment relationship and 35 for other reasons (mainly dismissal, resignation and leave). Overall, 12.4% of company employees are women, an increase with respect to the previous year.

96% of the company workforce is on a permanent contract, while apprenticeship contracts account for the remaining 4%, of which only 4 are fixed-term. The 24 apprenticeship contracts which concluded during 2018 were transformed into permanent contracts.

## EMPLOYEES (HEADCOUNT) - GRI STANDARD 102-8

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Fixed-term contract</b>	no.	<b>1</b>	-	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	-	<b>4</b>
Northern Italy	no.	<b>1</b>	-	<b>1</b>	1	1	<b>2</b>	4	-	<b>4</b>
Central Italy	no.	-	-	-	-	-	-	-	-	-
Southern Italy and Islands	no.	-	-	-	-	-	-	-	-	-
<b>Permanent contract*</b>	no.	<b>3,097</b>	<b>376</b>	<b>3,473</b>	<b>3,074</b>	<b>405</b>	<b>3,479</b>	<b>3,040</b>	<b>427</b>	<b>3,467</b>
Northern Italy	no.	1,224	216	<b>1,440</b>	1,232	246	<b>1,478</b>	1,219	262	<b>1,481</b>
Central Italy	no.	890	62	<b>952</b>	884	60	<b>944</b>	853	55	<b>908</b>
Southern Italy and Islands	no.	983	98	<b>1,081</b>	958	99	<b>1,057</b>	968	110	<b>1,078</b>
<b>Apprenticeship/ internship (direct employees)</b>	no.	<b>89</b>	<b>7</b>	<b>96</b>	<b>93</b>	<b>10</b>	<b>103</b>	<b>123</b>	<b>20</b>	<b>143</b>
Northern Italy	no.	41	7	<b>48</b>	56	9	<b>65</b>	59	17	<b>76</b>
Central Italy	no.	43	-	<b>43</b>	28	1	<b>29</b>	33	3	<b>36</b>
Southern Italy and Islands	no.	5	-	<b>5</b>	9	-	<b>9</b>	31	-	<b>31</b>
<b>Total</b>	no.	<b>3,187</b>	<b>383</b>	<b>3,570</b>	<b>3,168</b>	<b>416</b>	<b>3,584</b>	<b>3,167</b>	<b>447</b>	<b>3,614</b>

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

## EMPLOYEES (HEADCOUNT) - GRI STANDARD 102-8

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Part time</b>	no.	<b>9</b>	<b>32</b>	<b>41</b>	<b>8</b>	<b>31</b>	<b>39</b>	8	33	<b>41</b>
Fixed-term	no.	-	-	-	-	-	-	-	-	-
Permanent	no.	9	32	<b>41</b>	8	31	<b>39</b>	8	33	<b>41</b>
Apprenticeship/internship	no.	-	-	-	-	-	-	-	-	-
<b>Full time</b>	no.	<b>3,178</b>	<b>351</b>	<b>3,529</b>	<b>3,160</b>	<b>385</b>	<b>3,545</b>	<b>3,159</b>	<b>414</b>	<b>3,573</b>
Fixed-term	no.	1	-	<b>1</b>	1	1	<b>2</b>	4	-	<b>4</b>
Permanent	no.	3,088	344	<b>3,432</b>	3,066	374	<b>3,440</b>	3,032	394	<b>3,426</b>
Apprenticeship/internship	no.	89	7	<b>96</b>	93	10	<b>103</b>	123	20	<b>143</b>

## TURNOVER RATE\* - GRI STANDARD 401-1

	Unit of measurement	2016	2017	2018
<b>Men</b>	%	12.7	8.7	9.1
<b>Women</b>	%	10.5	7.6	14.8
<b>Northern Italy</b>	%	33.7	17.7	11.6
<b>Central Italy</b>	%	20.1	14.5	8.9
<b>Southern Italy and Islands</b>	%	8	5.7	8.02
<b>Turnover rate</b>	%	<b>12.7</b>	<b>8.7</b>	<b>9.8</b>

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

2018 saw continued searching and hiring from the job market of qualified personnel and junior resources with the objective of strengthening certain company areas, and continuing with the generational changeover programme. The hiring of graduates with different levels of experience involved both corporate management, with particular reference to the ICT area, and the technical and operational units of Italgas Reti (engineering, investment realisation, area technical services and plants).

In the new Regional Centres, technical and network management activities also included the hiring of young qualified technicians (50% of total recruitment). At Group level, 45% of new recruits were in the regions of Central and Southern Italy.

For the purpose of furthering and developing the female presence in-house also in the technical and operational areas which traditionally see a male predominance, specific recruitment sessions were dedicated to the search for female talent. The initiative, "IngegnerE, femminile plurale", launched in 2018 also via the social media channels of the Company and which will continue in 2019, concerns the search for women with a Master's degree in engineering (in particular the faculties of Engineering, Civil, Environment and Area, Managerial) and led to the employment of 11 young engineers introduced into the engineering, investments, plants and commercial development areas.

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

During 2018, Italgas further extended its presence during the main Career Days, taking part in the initiatives promoted by Milan Polytechnic, Turin Polytechnic, Università Cattolica del Sacro Cuore in Milan, LUISS Guido Carli in Rome and Ca' Foscari in Venezia. In all the cases these were important opportunities for dialogue between young people and the Company and more generally so as to learn about the world of work, giving them some insight into the business and employment opportunities in their areas of activity.

In 2018 Italgas also took part in the "Diversity Day" an initiative organised at national level and specifically dedicated to differently abled individuals and those belonging to protected categories, with the aim of facilitating access to the employment market.

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

## NEW HIRES (HEADCOUNT)\* - GRI STANDARD 401-1

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Northern Italy</b>	no.	<b>58</b>	12	<b>70</b>	<b>43</b>	<b>23</b>	<b>66</b>	<b>44</b>	<b>21</b>	<b>66</b>
under 30 years of age	no.	<b>39</b>	5	<b>44</b>	28	9	<b>37</b>	21	10	<b>32</b>
between 30 and 50 years of age	no.	17	7	<b>24</b>	15	14	<b>29</b>	23	11	34
over 50 years of age	no.	2	-	<b>2</b>	-	-	-	-	-	-
<b>Central Italy</b>	no.	<b>33</b>	<b>2</b>	<b>35</b>	<b>8</b>	<b>1</b>	<b>9</b>	<b>24</b>	<b>3</b>	<b>27</b>
under 30 years of age	no.	26	-	<b>26</b>	5	1	<b>6</b>	21	2	23
between 30 and 50 years of age	no.	6	2	<b>8</b>	2	-	<b>2</b>	3	-	3
over 50 years of age	no.	1	-	<b>1</b>	1	-	<b>1</b>	-	1	1
<b>Southern Italy</b>	no.	<b>7</b>	-	<b>7</b>	<b>6</b>	-	<b>6</b>	<b>27</b>	-	<b>27</b>
under 30 years of age	no.	4	-	<b>4</b>	6	-	<b>6</b>	25	-	25
between 30 and 50 years of age	no.	3	-	<b>3</b>	-	-	-	2	-	2
over 50 years of age	no.	-	-	-	-	-	-	-	-	-
<b>Total</b>	no.	<b>98</b>	<b>14</b>	<b>112</b>	<b>57</b>	<b>24</b>	<b>81</b>	<b>95</b>	<b>25</b>	<b>120</b>
under 30 years of age	no.	<b>69</b>	<b>5</b>	<b>74</b>	<b>39</b>	<b>10</b>	<b>49</b>	<b>67</b>	<b>13</b>	<b>80</b>
between 30 and 50 years of age	no.	<b>26</b>	<b>9</b>	<b>35</b>	<b>17</b>	<b>14</b>	<b>31</b>	<b>28</b>	<b>11</b>	<b>39</b>
over 50 years of age	no.	<b>3</b>	-	<b>3</b>	<b>1</b>	-	<b>1</b>	-	<b>1</b>	<b>1</b>

(\*) Only the entrants from the market are considered

## TURNOVER RATE - NEW HIRES\* - GRI STANDARD 401-1

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Northern Italy</b>	%	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>3%</b>	<b>9%</b>	<b>4%</b>	<b>4%</b>	<b>8%</b>	<b>4%</b>
under 30 years of age	%	<b>51%</b>	42%	50%	31%	50%	34%	23%	50%	27%
between 30 and 50 years of age	%	5%	9%	6%	4%	15%	6%	7%	10%	8%
over 50 years of age	%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Central Italy</b>	%	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>1%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	<b>3%</b>
under 30 years of age	%	41%	n.a.	41%	8%	100%	<b>9%</b>	27%	67%	28%
between 30 and 50 years of age	%	4%	11%	5%	2%	0%	<b>1%</b>	3%	0%	2%
over 50 years of age	%	0%	0%	0%	0%	0%	<b>0%</b>	0%	2%	0%
<b>Southern Italy</b>	%	<b>1%</b>	<b>0%</b>	<b>1%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>	<b>3%</b>	<b>0%</b>	<b>2%</b>
under 30 years of age	%	19%	n.a.	19%	27%	0%	27%	56%	0%	54%
between 30 and 50 years of age	%	1%	0%	1%	0%	0%	0%	1%	0%	1%
over 50 years of age	%	0%	0%	0%	0%	0%	0%	0%	0%	<b>0%</b>
<b>Total</b>	%	<b>3.1%</b>	<b>3.7%</b>	<b>3.1%</b>	<b>1.8%</b>	<b>5.8%</b>	<b>2.3%</b>	<b>3.0%</b>	<b>5.4%</b>	<b>3.3%</b>
under 30 years of age	%	<b>42.9%</b>	<b>41.7%</b>	<b>42.8%</b>	<b>21.9%</b>	<b>52.6%</b>	<b>24.9%</b>	<b>30.9%</b>	<b>54.2%</b>	<b>32.8%</b>
between 30 and 50 years of age	%	<b>3.6%</b>	<b>7.2%</b>	<b>4.1%</b>	<b>2.6%</b>	<b>10.4%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>7.5%</b>	<b>5.1%</b>
over 50 years of age	%	<b>0.1%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>0.0%</b>

(\*) Calculated as: new recruits/employees as at 31 December 2018

## EMPLOYEES - LEAVERS (HEADCOUNT)\* - GRI STANDARD 401-1

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Northern Italy</b>	no.	<b>19</b>	<b>-</b>	<b>19</b>	<b>72</b>	<b>9</b>	<b>81</b>	<b>70</b>	<b>15</b>	<b>85</b>
under 30 years of age	no.	-	-	-	3	-	3	5	1	6
between 30 and 50 years of age	no.	3	-	3	4	-	4	6	3	9
over 50 years of age	no.	16	-	16	65	9	74	59	11	70
<b>Central Italy</b>	no.	<b>24</b>	<b>-</b>	<b>24</b>	<b>35</b>	<b>6</b>	<b>41</b>	<b>52</b>	<b>2</b>	<b>54</b>
under 30 years of age	no.	-	-	-	1	-	1	-	-	-
between 30 and 50 years of age	no.	2	-	2	1	-	1	-	-	-
over 50 years of age	no.	22	-	22	33	6	39	52	2	54
<b>Southern Italy</b>	no.	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>2</b>	<b>23</b>	<b>20</b>	<b>-</b>	<b>20</b>
under 30 years of age	no.	-	-	-	1	-	1	-	-	-
between 30 and 50 years of age	no.	-	-	-	1	-	1	1	-	1
over 50 years of age	no.	-	-	-	19	2	21	19	-	19
<b>Total</b>	no.	<b>44</b>	<b>1</b>	<b>45</b>	<b>128</b>	<b>17</b>	<b>145</b>	<b>142</b>	<b>17</b>	<b>159</b>
under 30 years of age	no.	-	-	-	5	-	5	5	1	6
between 30 and 50 years of age	no.	5	-	5	6	-	6	7	3	10
over 50 years of age	no.	39	1	40	117	17	134	130	13	143

(\*) Consensual termination and other leavers

## TURNOVER RATE - LEAVERS\* - GRI STANDARD 401-1

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Northern Italy</b>	%	2%	0%	<b>1%</b>	6%	4%	<b>5%</b>	5%	5%	<b>5%</b>
under 30 years of age	%	0%	0%	<b>0%</b>	3%	0%	<b>3%</b>	5%	5%	<b>5%</b>
between 30 and 50 years of age	%	1%	0%	<b>1%</b>	1%	0%	<b>1%</b>	2%	3%	<b>2%</b>
over 50 years of age	%	2%	0%	<b>2%</b>	8%	6%	<b>8%</b>	7%	7%	<b>7%</b>
<b>Central Italy</b>	%	3%	0%	<b>2%</b>	4%	10%	<b>4%</b>	<b>6%</b>	3%	<b>6%</b>
under 30 years of age	%	0%	n.a.	<b>0%</b>	2%	0%	<b>2%</b>	0%	0%	<b>0%</b>
between 30 and 50 years of age	%	1%	0%	<b>1%</b>	1%	0%	<b>1%</b>	0%	0%	<b>0%</b>
over 50 years of age	%	3%	0%	<b>3%</b>	5%	14%	<b>5%</b>	7%	5%	<b>7%</b>
<b>Southern Italy</b>	%	0%	0%	<b>0%</b>	2%	<b>2%</b>	<b>2%</b>	<b>2%</b>	0%	<b>2%</b>
under 30 years of age	%	0%	n.a.	<b>0%</b>	5%	0%	<b>5%</b>	0%	0%	<b>0%</b>
between 30 and 50 years of age	%	0%	0%	<b>0%</b>	1%	0%	<b>0%</b>	1%	0%	<b>1%</b>
over 50 years of age	%	0%	0%	<b>0%</b>	2%	3%	<b>2%</b>	2%	0%	<b>2%</b>
<b>Total</b>	%	<b>1.4%</b>	<b>0.3%</b>	<b>1.3%</b>	<b>4.0%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.5%</b>	<b>3.8%</b>	<b>4.4%</b>
under 30 years of age	%	0.0%	0.0%	0.0%	2.8%	0.0%	0.1%	2.3%	4.2%	2.5%
between 30 and 50 years of age	%	0.7%	0.0%	0.1%	0.9%	0.0%	0.2%	1.1%	2.0%	1.3%
over 50 years of age	%	1.7%	0.4%	1.1%	5.0%	6.5%	3.7%	5.6%	4.7%	5.5%

(\*) Calculated as: leavers/employees as at 31 December 2018

## DEVELOPMENT AND ENHANCEMENT OF HUMAN CAPITAL

### TRAINING PROGRAMMES

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

Specialist know-how, typical of technicians and manual workers, is transferred and promoted through the development of specific skills in network and system maintenance activities. The specific training courses for the various professional figures during 2018 were implemented by means of providing 39 courses in 70 editions for a total of more than 950 participants and around 11,000 hours of training. The team of about thirty trainers, selected from among company experts and specialists, ensured the teaching and sharing of critical knowledge for this purpose.

The launch of the training to support the Digital Transformation programmes of the company undertook particular importance during 2018, in relation to which the following were organised:

- training measures on the new technological scenarios and the main applications of interest for gas distribution were dedicated to management, the middle managers included in development courses and young graduates (around 670 hours and 200 participations);
- specific change management and training initiatives for the resources of the ICT area, also by means of innovative team building and networking methods (4 dedicated initiatives, 181 participations, 1,424 hours);
- training dedicated to the resources involved in the more innovative digitisation projects pertaining to the new Italgas Digital Factory launched in November, with particular reference to the roles and the Agile method (41 participations, 962 hours);
- training on new technological platforms dedicated to the workers of the Italgas contact centre (19 participations, 152 hours);
- intercompany course in US Silicon Valley focused on the aspects of Innovation and Digital Transformation dedicated to a group of managers and experts from the group (6 participations, 240 hours);
- internal communication and training initiatives on objectives, methodology, ICT equipment and services made available by the company, as well as health and safety aspects linked to smart working (411 participations and 1,402 hours provided) to support the extension and consolidation of Smart Working as the new way of working.

Project-based courses and initiatives saw their involvement in the new Turin Training Campus which, thanks to the development of its structures, or rather classrooms and external spaces for in-the-field exercises, represents the ideal context, not only for the learning processes, but also for integration and networking between colleagues from different area offices.

In 2018, a total of more than 67,500 hours of training were provided and each employee averaged approximately 19 hours of training on at least 2 different training courses throughout the year.

**A TOTAL OF MORE THAN 67,500  
HOURS OF TRAINING**

**19 HOURS OF TRAINING PER  
EMPLOYEE ON AT LEAST 2  
DIFFERENT TRAINING COURSES**

Besides the matters already described, the main training programmes developed in 2018 were the following:

- **Induction of new recruits:** the training course dedicated to young graduates introduced into the Group was continued and extended, with specific measures on history, culture and skills, identity values and elements of Italgas; strategies and business lines, the Group's history and culture, distribution techniques and operations with on-site visits to expand knowledge of construction sites and plants, budgeting of planned and final investment costs, safety, commercial quality and technical standards, business economics and finance basics, teamwork. When achieving the training measures, in-house teaching was favoured, with company managers involved to share their personal and working experience with their newly-hired colleagues.
- **Young Graduates Programme:** in 2018 the analytical module on the economic-strategic logics of the markets regulated within Italgas was overhauled in collaboration with MIP Milan Polytechnic, enhancing the course with experiences and business cases and looking in-depth at the economic aspects on the main Key Performance Indicators of interest for the Italgas business. The programme also envisaged a specific module on the reference framework, analysis of the lines of Italgas's Digital Transformation Programme and an overview of the first experiments launched in the Network, seen to by the Company's Top Management.
- **Middle Management under development programme:** within the sphere of the programme dedicated to Middle Management under development (around 40 individuals), in 2018 an advanced training module was planned and provided on the economic-strategic logic within Italgas, in collaboration with SDA Bocconi. The theoretical training was accompanied by inter-functional work groups with the assignment of analysis for the purpose of creating advanced reporting of interest and use for the Group and encouraging team working. A module on the new economic scenarios and on the impact of the digitisation in the economic-financial areas of the main organisations was also envisaged in this programme.
- **Leadership al femminile:** da gennaio 2018 Italgas è diventata socio sostenitore di Valore D, associazione di imprese che ha la finalità di favorire e valorizzare lo sviluppo del talento femminile e di una cultura d'impresa inclusiva nelle aziende associate. Nell'ambito delle iniziative di valorizzazione della diversità di genere, di generazioni e culture diverse, 25 colleghe e colleghi hanno partecipato ai programmi di formazione interaziendale e ai laboratori finalizzati a sviluppare capacità di leadership inclusiva.
- **Female leadership:** as from January 2018 Italgas became the sponsoring partner of Valore D, an association of businesses which has the purpose of encouraging and turning to account the development of female talent and of an inclusive business culture in the associated companies. Within the sphere of the valorisation initiatives of the diversity of gender, generations and different cultures, 25 colleagues took part in intercompany training programmes and workshops aimed at developing inclusive leadership abilities.
- **Lean Six Sigma - Yellow and Green Belt:** during 2018, the training commitment continued to support the on-going improvement path of the business processes by means of the realisation of specific initiatives aimed at providing method-based elements structured on basic and advanced concepts of the Six Sigma method. Basic (Yellow Belt) and advanced (Green Belt) level training paths were in fact created, in partnership with the MP Milan

Polytechnic, which led to the certification of 53 and 24 colleagues respectively, for a total of more than 2 thousand hours of training provided.

- **Safety at the wheel programme:** with a view to Italgas's constant attention to the prevention of road accidents and those occurring to and from work, once again in 2018 the "Safe Driving" programme continued, developed in collaboration with ASC Quattroruote. Around 300 Italgas colleagues (executives, middle managers, office workers and blue collars) took part in the training initiative, for a total of 2,384 hours, dedicated to acquiring greater control of the vehicle in emergency situations, by means of the practical experimentation of the situations which may most frequently occur when driving. The programme falls within the framework of the training initiatives regarding safety realised in collaboration with the HSEQ unit.
- **Training for the Integrated Supervision Centre:** specific training and refresher measures were realised for the operators of the Integrated Supervision Centre with the purpose of increasing the effectiveness and efficiency of the services carried out by the Emergency Assistance call centre. The beneficiaries of the training were 38 operators of the Integrated Supervision Centre, for the purpose of ensuring the operations and the shifts of the call centre. The training was personalised on specific company cases, appropriately modulating the theoretical part and the practical part; the latter was realised by means of the simulation of phone calls.
- **GIS4GAS:** during 2018 221 employees were provided with a module for specific analysis on the new company map system, GIS4GAS, for a total of more than 4,700 hours, dealings with topics such as map up-dating and establishment, fluid dynamics set-up, planning and verification of the network, leak detection and electrical protection.

Furthermore, training continued in 2018 with regard to refresher activities for workers on safety in the workplace, as per the State /Regions Agreement, by means of the presentation of the up-dated version of the "Safety instructions for the operating activities of the gas distribution network", known as the "Blue Book" by Italgas workers. The refresher activities involved 1,225 employees for 7,350 hours of training provided.

In conclusion, a specific training programme was planned and provided for all the technical staff of the companies Acam Gas and Enerco, incorporated during 2018. The programme focused on the technical training modules, on the information systems and the Italgas procedures with the aim of bridging specific information gaps. The programme envisaged around 230 participations for over 2,000 hours of training.

The companies Seaside and Medea were involved in a total of more than 750 hours of training, for a total of 73 participations.

The average hours of training, equal to 19 in 2018, were up with respect to those carried out in the previous year. In particular there was a rising trend for middle managers (from 22 average hours in 2017 to 27 in 2018) and for blue-collar workers (from 15 average hours in 2017 to 18 in 2018) and a decreasing trend for executives (from 41 average hours in 2017 to 21 in 2018) and for office workers (from 20 average hours in 2017 to 18 in 2018). In particular during the year, the hours of training on quality, safety and environmental aspects increased by 47% compared with 2017.

**TRAINING - GRI STANDARD 404-1**

	Unit of measurement	2016	2017	2018
<b>Total training hours delivered</b>	Hour	<b>113,115</b>	<b>66,000</b>	<b>67,537</b>
- to women	Hour	6,223	5,945	5,364
- to men	Hour	106,892	60,055	62,173
<b>Breakdown of training hours provided by subject matter and type</b>	<b>Unit of measurement</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Training on HSEQ topics (*)	Hour	29,026	20,700	30,441
- participants	no.	5,721	3,049	4,382
Training on the Code of Ethics - Model 231 - anti-corruption - anti trust - regulatory system - UNI ISO	Hour	3,030	899	209
- participants	no.	1,505	331	78
Management Training	Hour	3,288	14,038	11,595
- participants	no.	<b>335</b>	<b>3,200</b>	<b>1,470</b>
Technical /specialised training	Hour	75,795	30,363	25,292
- participants	no.	6,496	2,595	2,580

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

**AVERAGE HOURS OF TRAINING PROVIDED PER PROFESSIONAL CATEGORY\* - GRI STANDARD 404-1**

	Unit of measurement	2016	2017	2018
		Men	Women	Total
<b>Total employees</b>	Hours / No.	<b>20</b>	<b>12</b>	<b>19</b>
Executives	Hours / No.	18	34	<b>21</b>
Middle Managers	Hours / No.	28	24	<b>27</b>
Office workers	Hours / No.	20	10	<b>18</b>
Blue-collar workers	Hours / No.	18	14	<b>18</b>

(\*) Data may include multiple participations per individual participant.

## DEVELOPMENT PROGRAMMES

The personal and professional growth of the resources is the fundamental cornerstone of Italgas's three-pillar commitment:

- **managerial skills system**, which considers the pro-active attitude, future orientation, interpersonal skills and leadership of each individual;
- **performance management**, intended as the step of evaluating and collecting feedback from people's own work, in order to combine professional and business objectives;
- **potential of every individual**, which considers continuous assessment and the provision of adequate incentives as essential to help people strive for excellence.

During 2018, on the basis of the Italgas three-year Development System defined for all the Group companies, various paths have been activated for the various categories of population involved.

For the young graduates included since 2010 and with at least two years of company seniority, a two-year development path has been created and activated, the first basic module for all was a Junior and Expert Development Center lasting two days aimed at the assessment and development of the characteristics of managerial potential. The Development Center campaign took place in nine editions for a total of 71 individuals involved. Downstream from the participation of each participant, an encounter was dedicated for the sharing of the development profile with HR and the direct manager.

The second module envisages the participation in a Junior and Expert development workshop by means of the Self Empowerment method. The workshop is structured in two sessions of two days each, in which the participants carry out the activities in small work groups. During 2018 five editions of the first session were held (43 individuals involved) and in 2019 another three editions are envisaged along with the completion of the programme with all the second sessions.

The Young Engineers Project activated in 2017 continues, involving 16 new hires, including 6 women, in a three-year placement and growth program that envisages:

- **annual job rotation** within the Regional Centres and the technical staff functions defined on the basis of the characteristics and the motivation of the youngsters as well as the business needs;
- **training and coaching** by senior colleagues achieved by means of the supervision of a tutor;
- **assessment of the performances** carried out on a six-monthly basis with manager-worker feedback interview and interview regard to potential.

For all the executives, middle managers and young graduates (a total of 406 individuals), internal mapping has been carried out with regard to potential and performance according to the 9Box method, which has involved all the area directors and unit heads. The mapping of the various clusters has made it possible to identify the individuals to be included in role development activities and the individuals to valorise by means of accelerated development programmes.

With regard to the younger middle managers identified in the cluster of the accelerated development, a two-year managerial development course has been created entitled Italgas Leadership Way. With regard to these employees, besides the training already described in the dedicated section of this document, the two-day Senior Development Center programme followed aimed at the assessment and the development of the managerial potential characteristics; the programme took place by means of group or individual editions.

The mapping of the managerial potential of the executives employed in 2017 took place in 2018, also for the purpose of up-dating the Succession Planning. Furthermore, a number of individual Coaching courses were activated supporting the executives who during the year acquired roles of greater responsibility.

In conclusion, a specific programme was activated devoted to the manager-worker feedback instrument which in 2019 will be extended to the executives and the middle managers responsible for resources, and will be structured by means of experience-based Workshops in small groups. On a parallel, training measures will be achieved dedicated to the sharing and the development of the Italgas Model of the Managerial Skills.

The various activities for the assessment and support of the development of the potential have provided elements useful for the definition of the job rotation and career evolution plans for the resources undergoing development (36 individuals affected by job rotation during the year).

## COMPENSATION SYSTEMS

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

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

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

In 2018, the performance assessment involved 90 individuals: 57 executives (of which 4 women), 19 non executives (all men), 14 Seaside (of which 4 women).

## DIVERSITY AND WELFARE

The development of human capital also involves the enhancement of diversity and respect for each individual. This requires zero tolerance for any type of discrimination, regardless of whether it is based on ethnic, sexual, political, religious, health or age grounds, while at the same time ensuring equal opportunities in all phases and for all aspects of the employment. In line with this approach, the Group - despite the type of operating activities carried out - is committed to consolidating female presence within the company. Proof of this commitment lies in the 44% of new recruits involving young women graduates.

Overall, female presence represents around 12%, a percentage on the up of which 19% relates to the executive area and 15% to the managerial area (Executives and Middle Managers).

## EMPLOYEES (HEADCOUNT) - GRI STANDARD 405-1

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Executives</b>	no.	<b>49</b>	<b>7</b>	<b>56</b>	<b>49</b>	<b>11</b>	<b>60</b>	<b>46</b>	<b>11</b>	<b>57</b>
under 30 years of age	no.	-	-	-	-	-	-	-	-	-
between 30 and 50 years of age	no.	10	5	<b>15</b>	11	10	<b>21</b>	11	10	<b>21</b>
over 50 years of age	no.	39	2	<b>41</b>	38	1	<b>39</b>	35	1	<b>36</b>
<b>Middle Managers</b>	no.	<b>208</b>	<b>29</b>	<b>237</b>	<b>219</b>	<b>32</b>	<b>251</b>	<b>234</b>	<b>39</b>	<b>273</b>
under 30 years of age	no.	2	-	<b>2</b>	-	-	-	-	-	-
between 30 and 50 years of age	no.	39	9	<b>48</b>	50	10	<b>60</b>	63	15	<b>78</b>
over 50 years of age	no.	167	20	<b>187</b>	169	22	<b>191</b>	171	24	<b>195</b>
<b>Office workers</b>	no.	<b>1,553</b>	<b>343</b>	<b>1,896</b>	<b>1,569</b>	<b>369</b>	<b>1,938</b>	<b>1,571</b>	<b>394</b>	<b>1,965</b>
under 30 years of age	no.	93	12	105	115	19	134	121	24	145
between 30 and 50 years of age	no.	311	110	<b>421</b>	284	114	<b>398</b>	278	121	<b>399</b>
over 50 years of age	no.	1,149	221	<b>1,370</b>	1,170	236	<b>1,406</b>	1,172	249	<b>1,421</b>
<b>Blue-collar workers</b>	no.	<b>1,377</b>	<b>4</b>	<b>1,381</b>	<b>1,331</b>	<b>4</b>	<b>1,335</b>	<b>1,316</b>	<b>3</b>	<b>1,319</b>
under 30 years of age	no.	66	-	<b>66</b>	<b>63</b>	-	<b>63</b>	<b>99</b>	-	<b>99</b>
between 30 and 50 years of age	no.	369	1	<b>370</b>	312	1	<b>313</b>	265	1	<b>266</b>
over 50 years of age	no.	942	3	<b>945</b>	956	3	<b>959</b>	952	2	<b>954</b>
<b>Total</b>	no.	<b>3,187</b>	<b>383</b>	<b>3,570</b>	<b>3,168</b>	<b>416</b>	<b>3,584</b>	<b>3,167</b>	<b>447</b>	<b>3,614</b>

## EMPLOYEES (HEADCOUNT) - STANDARD GRI 405-1

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Employees belonging to protected categories</b>	no.	<b>155</b>	<b>27</b>	<b>182</b>	<b>147</b>	<b>25</b>	<b>172</b>	<b>138</b>	<b>25</b>	<b>163</b>

## EMPLOYEES BY LEVEL OF EDUCATION

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>High School diploma-holders</b>	no.	1,562	206	<b>1,768</b>	1,541	243	<b>1,784</b>	1,601	232	<b>1,833</b>
<b>Graduates</b>	no.	257	93	<b>350</b>	325	84	<b>409</b>	324	140	<b>464</b>
<b>Other</b> (no high school diploma)	no.	1,368	84	<b>1,452</b>	1,311	80	<b>1,391</b>	1,242	75	<b>1,317</b>
<b>Total</b>	no.	<b>3,187</b>	<b>383</b>	<b>3,570</b>	<b>3,177</b>	<b>407</b>	<b>3,584</b>	<b>3,167</b>	<b>447</b>	<b>3,614</b>

## EMPLOYEES BY AVERAGE LENGTH OF SERVICE

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Average age of employees (age)</b>	no.	52	51	<b>52</b>	53	51	<b>53</b>	52	50	<b>52</b>
<b>Average length of service (years)</b>	no.	26	26	<b>26</b>	27	25	<b>27</b>	27	24	<b>26</b>

## WOMEN / MEN PAY GAP BASIC SALARY\* - GRI STANDARD 405-2

	Unit of measurement	2016	2017	2018
		Men	Women	Total
Executives	%	82.0	81.1	85.2
Middle Managers	%	94.5	93.1	<b>92.8</b>
Office workers	%	98.6	97.5	<b>97.4</b>
Blue-collar workers	%	74.2	76.7	<b>74.7</b>

WOMEN / MEN PAY GAP AVERAGE REMUNERATION<sup>13\*</sup> - GRI STANDARD 405-2

Executives	%	63.3	75.0	80.0
Middle Managers	%	92.5	89.7	90.3
Office workers	%	92.8	92.7	93.1
Blue-collar workers	%	65.3	77.7	68.0

(\*)The figures do not include Seaside and Medea

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

Starting with the results of the internal survey on the subject of Welfare carried out in 2017 on the entire company population, in 2018 various initiatives were achieved with the aim of more efficiently communicating the services offered (reorganisation of the website, Mobile App, Single Sign-on, videoclips, newsletters, brochures delivered to home).

In line with the matters envisaged by the 2017 Budget Law, in 2018 Italgas launched the first "Flexible Benefit" plan which envisages the possibility of converting the Production Bonus into Welfare services (pensions/social welfare, family care, support for studies, mobility, leisure time). Each employee who complies voluntarily with the Plan is offered a "Bonus" by Italgas equal to 18% of the portion of bonus converted into Welfare Credit.

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

## MILAN OFFICE: AN OPEN WORK SPACE

Italgas is based in Milan in Via Carlo Bo 11, in the building called Parallelo, where top management and the Holding functions (Legal, HR, Finance, Real Estate, ICT, External Relations) are based. The building extends horizontally, the offices are all on one floor, and this facilitates relations and communication between the various functions. From an energy standpoint, the building is highly efficient (Class A certification), thanks to the heat and geothermic pumps which it is equipped with and a photovoltaic plant and solar heating plant, which permit a saving of 26% on the overall energy cost.

These improvement initiatives made it possible to obtain compliance with the Welfare Plan of over 21% with respect to 2017.

Furthermore, the Italgas welfare offer was further enhanced during 2018 with the creation of the first Company Gym ItalGym, and the crush bars, within the Milan offices reserves for the employees. Both the initiatives are also envisaged for the other management offices within the sphere of the property renovation projects. 2018 was also the year of the first ItalgasSnow, the ski competition dedicated to Italgas employees.

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

### PARENTAL LEAVE GRI STANDARD 401-3<sup>14</sup>

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Total open positions</b>	no.	208	31	<b>239</b>	261	48	<b>309</b>	246	53	<b>299</b>
<b>Positions opened in the year</b>	no.	34	4	<b>38</b>	31	2	<b>33</b>	13	3	<b>16</b>
<b>Positions closed in the year</b>	no.	174	27	<b>201</b>	230	46	<b>276</b>	233	50	<b>283</b>
<b>due to return to work</b>	no.	170	27	<b>197</b>	190	41	<b>231</b>	227	49	<b>276</b>
<b>due to termination of employment</b>	no.	4	-	<b>4</b>	40	5	<b>45</b>	6	1	<b>7</b>

## INDUSTRIAL RELATIONS

During 2018 the relationship between Italgas and the Trade Unions saw the involvement and participation of the structures at national, area and company level. In December an Italgas group industrial relations Protocol was signed which ratifies a new phase of trade union relations marked by transparency and dialogue, defining the prerogatives and the scopes of action with regard to Company, national trade union and Single Trade Union Reps (R.S.U.). The parties committed themselves to proceed with the renewal of the R.S.U.'s on the basis of the new organisational model within the first half of 2019.

Significant agreements were reached with regard to employment, in particular at national level the signing of accords was achieved which define and implement certain important aspects

<sup>14</sup>Data on parental leave refers to the L. 53/2000.

which directly affect the daily operations of the workers, such as for example availability (on-call), shift end and the working hours in the various company units.

Further agreements entered into during the year concerned:

- the Group "Participation Bonus" which, in continuity with last year, takes into account and implements the possibilities of fruition of the services envisaged in the Welfare plan of the Italgas group;
- the permanent confirmation of Smart Working and its extension to the technical staff of Italgas Reti;
- the various extraordinary corporate transactions.

## SMART WORKING

Introduced experimentally in 2017 for the staff areas of the corporate area with the involvement of around 150 individuals, in 2018 Smart Working (or Flexi Working) was extended further to new staff colleagues and likewise individuals of Italgas Reti belonging to the following Divisions: Commercial Development, Measurement, Engineering and Investment Realisation, Technical Services, Technological Innovation and HSEQ.

The extension to the technical staff areas was preceded by the involvement of the staff by means of a specific survey and by an organisational analysis agreed with the line manager which made it possible to identify activities to which this new work organisation model is applicable, a model which permits the performance of part of the work activities outside the company premises with the following objectives:

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

The extension and consolidation of the new organisational model were supported by internal communication campaigns and specific training measures on objectives, methodology, ICT equipment and services made available by the company and on health and safety aspects. There were 411 participations for 1,402 total hours of training.

To-date, the voluntary participations are 365, of which 215 in the staff areas of Italgas S.p.A.

Thanks to a new trade union agreement entered into at the end of 2018, the experimental phase was concluded and Smart Working was confirmed as fully operative.

On the subject of Smart Working, during 2018 Italgas participated in the Flexi Work Week furthered by the Milan Municipal Authority in collaboration with various entities in employment circles, with the aim of promoting innovative work models, improving the organisational wellbeing and the private life/work reconciliation. Specifically, participating in the "Adotta un'impresa" venture, Italgas accommodated the team of a company interested in launching Smart Working internally, transferring its projects, experiences and results achieved

In 2018, 92 meetings were held with Trade Union Organisations, of which 21 at national level and 71 at local level. The figure highlights the increasing involvement of the representations at area level in consideration of the information and negotiation processes triggered by the implement of the new Italgas Reti organisation model, as well as the matters envisaged by the Group Industrial Relations Protocol. At the end of 2018, the percentage of employees who are members of a trade union organisation was 50%.

COLLECTIVE BARGAINING AGREEMENTS - GRI STANDARD 102-41				
	Unit of measurement	2016	2017	2018
Number of employees covered by the National Collective Labour Agreement (CCNL)	no.	3,570	3,529	3,614
Total employees	no.	3,570	3,584	3,614
Percentage of employees covered by collective bargaining agreements	%	<b>100%</b>	<b>98%</b>	<b>100%</b>

The legal disputes with employees and former employees was as a rule stable over time, with a light rise during 2018 due to the increase in the disciplinary measures issued vis-à-vis the employees. The main cases concern job level and corresponding remuneration differences and financial claims of various kinds and appeals against disciplinary measures imposed, including suspension or dismissal.

EMPLOYMENT DISPUTES <sup>15</sup>				
	Unit of measurement	2016	2017	2018
Disputes opened in the year	no.	22	13	18
Disputes closed in the year	no.	35	21	15
Total disputes pending at 31 Dec. (employees and former employees)	no.	<b>23</b>	<b>18</b>	<b>21</b>

<sup>15</sup>No cases of employee or former employee disputes have been registered within Italgas S.p.A. or in the other Companies.



# SOCIAL ASPECTS OF THE BUSINESS

## RELEVANCE TO ITALGAS' ACTIVITIES

The main material issues related to the social impacts generated by the performance of the activities refer to:

- Reliability, quality and safety of the service;
- Relations with the Regulatory Authority;
- Innovation and digitisation;
- Transparent relations and partnership with sales companies;
- Social innovation and relationship with the regions concerned.

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

The digitisation of business networks and processes is the primary challenge that Italgas is facing and will face in the coming years. An example of this is the smart meter installation plan; the installation of sensors spread throughout the Italian network to manage the network using innovative methods, criteria and algorithms; the simplification and digitisation of business processes through the use of innovative technologies.

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

## POLICIES AND COMMITMENTS TO MONITOR THE ISSUE

The operational management of quality aspects is regulated through the ISO 9001 certified management systems and is implemented in each individual company.

To support the safety and quality of the service, Italgas has set up two freephone numbers that members of the public and users can contact depending on what they need:

- **Freephone number for Gas Emergencies** - 800 900 999.

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



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

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

DO YOU NEED TO REPLACE  
YOUR METER, REPORT A FAULT  
OR OTHER INFORMATION?

CALL OUR CUSTOMER SERVICE

**ON 800 915 150**

Italgas has equipped itself with the Contact Center to improve the quality of the service and be closer to the end user, rationalising and integrating the existing contact channels into a single system. This tool creates a single point of contact in which cases are taken care of and recorded and constitute the database useful for the development and launch of activities aimed at continuous service improvement. To respond to user requests, Italgas also provides its own social media channels and the CCWeb service, within the website, for changing the appointment to replace the traditional meter with a smart meter.

## ACTIVITIES AND RESULTS

### RELIABILITY, QUALITY AND SAFETY OF THE SERVICE

Every year Italgas inspects tens of thousands of kilometres of network to ensure the efficiency of the gas distribution network. In this regard, as part of steel pipes inspections, in 2018 monitoring of the cathodic protection was carried out, which remotely detects the “electrical protection” parameters on approximately 10,500 significant points of the network (+12.9% compared to 2017), and about 24,300 specific measurements of cathodic protection were carried out on non-remote controlled points (+9.5% compared to 2017)<sup>16</sup>.

#### QUALITY STANDARDS ESTABLISHED BY ARERA - GRI STANDARD 416-1

	Unit of measurement	ARERA Target	2016	2017	2018
High- and medium-pressure networks subject to inspection*	%	>100	53	48,7	70,2
Low-pressure networks subject to inspection **	%	>100	55,4	49,1	74,4
Compliance with the maximum time for reaching the call-out site for emergency assistance	%	>90	96,1	96,2	97,7

\* The target is measured by considering the sum of the percentage quantities achieved in the last three years

\*\* The target is measured by considering the sum of the percentage quantities achieved in the last four years

To perform this important activity, in addition to traditional flame ionisation or semiconductor devices, advanced technology instruments are used, such as laser detectors that provide greater selectivity, resolution and work capacity. In 2018, the percentage of dispersion searches in the total network increased significantly.

In 2018, a new dispersion search methodology was successfully tested using CRDS (Cavity Ring-Down Spectroscopy) technology based on laser absorption spectroscopy, which is an evolution of the laser systems currently used: this technology allows the detection of buried and above-ground dispersions.

The average maximum arrival time at the emergency call point in 2018 improved by 1.5% compared to 2017.

In support of the network safety, in 2018 the plan for the replacement of grey cast iron pipes with hemp- and lead-sealed joints and with mechanical joints continued; in addition to increasing safety levels, they contribute to reducing gas emissions into the atmosphere. At 31/12/2018 only 14 km of grey cast iron still have hemp and lead joints in the city of Rome, which will be removed during 2019.

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

<sup>16</sup>Data include Italgas Reti SpA. Medea SpA, Fontenergia 7 Srl and Fontenergia 9 Srl are excluded.

In this respect, Italgas is committed to the progressive **replacement of gas meters** with new generation digital equipment (smart meters) with new functionalities. This activity is carried out in compliance with the provisions issued by ARERA, which set the objectives for the commissioning of new meters differentiated by size. In the year 2018 alone, 1.9 million were installed. The target is to complete the replacement of all traditional meters by early 2020 (compared to the ARERA target of 85% by end 2020). The entire fleet of smart meters and the digitised network, with a multitude of sensors distributed, will allow us to measure and monitor gas consumption more accurately, prevent failures and dispersions and manage maintenance on a predictive basis, significantly improving service efficiency and quality: the traditional distribution network will thus acquire a new digital identity.

More generally, the technical-commercial activities carried out at the end customers following specific quality standards established by ARERA, concern the estimate and execution of the works, the activation and deactivation of gas supply, in accordance with the appointments made and with rapid response times, and finally odourisation checks.

**QUALITY STANDARDS ESTABLISHED BY ARERA - GRI STANDARD 416-1<sup>17</sup>**

	<b>Unit of measurement</b>	<b>ARERA Target</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Compliance with the maximum time set for services subject to specific commercial quality standards	%	100%	97.6	97.7	97.7
Punctuality in appointments arranged with end customers	%	100%	98.3	98.3	99.0

To continually improve service quality indexes, Italgas has established structured relationships with various consumer associations on an equal footing and mutually beneficial. After extensive preparatory work that began in 2017, Italgas and 19 of the 20 Consumer Associations recognised by the CNCU (Italian National Council of Consumers and Users) formalised, at the Ministry of Economic Development, a Memorandum of Understanding to improve the service that Italgas provides constantly. In this context, the agreement aims to make consumers increasingly aware and informed about the correct use of energy resources and the service they receive. In the protocol, particular importance was given to the programme for replacing traditional gas meters with smart meters, the latest generation of meters designed for remote reading that can thus constantly monitor consumption without the need to access the meter, and forms of cooperation to limit the number of complaints and for the prompt management of consumer association reports of outages.

In application of the Protocol, Italgas and the associations cooperate in specific regional campaigns, such as the move over to methane of isolated networks that previously used LPG or unforeseen events of particular importance, to limit the potential adverse effects on the consumer.

In particular, the smart meter installation programme concerns all 7.5 million users served by the Italgas group. Despite the Group's economic, technical and organisational commitment, the size and complexity of the programme may lead to some unintended outages, and it is in this context that the agreement aims to identify the best forms of cooperation to mitigate the phenomenon and handle any reports.

<sup>17</sup>This perimeter includes Italgas Reti SpA and LPG distribution networks managed by the Group. Medea SpA, Fontenergia 7 Srl and Fontenergia 9 Srl are excluded.

## INNOVATION AND DIGITISATION

Innovation and digitisation are key factors and strategic priorities for the Italgas group. In the 2018-24 strategic plan, the company has planned major investments in innovation and digitisation of networks and processes to furnish the traditional distribution network with a new “digital identity” that will enable it to more accurately measure and monitor gas consumption, prevent failures and leaks and manage maintenance on a predictive basis, significantly improving the efficiency and quality of the service. In particular, a significant share of investments in the three-year period 2016-18 (500 million euros) was allocated to innovation and the digitisation of the network.

Digital technologies are also transforming the way Italgas technicians work, allowing them to perform various activities on the move that until recently required a presence on site.

In 2018 the Go2Cloud Project was launched and completed to make the company’s digital transformation possible. This led to the migration of the Group’s applications, users and information services to the Microsoft Azure Cloud platform, with clear benefits in terms of infrastructure flexibility, open innovation and cost optimisation. In November 2018 the Digital Factory was also launched, a space where dozens of our resources work in multifunctional teams to study and develop new IT solutions to digitise business processes. A real engine for innovation that, in 2019, will involve an increasing number of resources and partnerships with third parties such as universities and start-ups.

The first steps of this path were taken thanks also to the advantages offered by the Public Cloud.

Some technological innovation projects were part of the National Industry 4.0 Plan defined by the Ministry of Economic Development.

Specifically, some action areas were identified, such as:

- **Digitisation of gas networks**  
A pilot project on 50 non-interconnected (antenna) gas distribution networks was completed, on which devices for the acquisition of physical and analogue parameters were installed, transmitting information and data to a supervision centre. The information is processed with algorithms to create forecasting and analysis models of any outages caused by network failures or malfunctions and is also used to provide direct feedback on the status of the parameters monitored.
- **Pressure monitoring**  
Testing continued on pressure monitoring (as indicated in UNI/TR 11631) on some Italgas low-pressure networks, to test data collection and processing methods to identify the efficiency benchmark of the distribution system.

- **Localisation of buried pipes by RFID markers**

RFID markers are electronic tags consisting of an integrated circuit and an antenna for short-range data transmission. These tags are positioned close to the underground piping and are located using a transceiver controlled by an operator on the road. They can contain structured information on underground pipes (type of material, installation depth, position, etc.); data exchange with the transceiver occurs by electromagnetic induction; therefore, RFID markers are not powered by electricity sources that run out over time (batteries). The information contained in the Markers can be used by the network owner, by the operating companies or by third parties (accurate reporting of other services adjacent to the gas pipeline). These markers are essential for improving the exchange of information for the location of underground pipelines.

In 2018, an innovative laser system for searching for dispersions was also tested using the Cavity Ring-Down Spectroscopy (CRDS) method, resonant cavity laser absorption spectroscopy, which is an evolution of the laser systems currently used by Italgas. This technology enables the detection of dispersions on road pipelines and user branches and riser columns, with greater selectivity for other types of gas and with a faster vehicular inspection. The system, following the definition of appropriate operating procedures, was introduced into company practice.

In 2018 Italgas continued its gas odourisation activities, odourisation being crucial for distribution safety because it enables the detection of gas, which would otherwise be odourless and colourless, in the case of accidental leakage. Specifically, during the year research into biomethane was concluded, within the European Gas Research Group (GERG), on the interaction between odoriferous compounds in biomethane and THT and TBM odourants. This study made it possible to identify, in greater detail, the behaviour of some interferents (Limonene, Pinene, Butanone and DMS) both in the presence of the THT odourant and in that of TBM, with the possibility of proposing maximum concentration limits. The results of this recently completed research to assess olfactory interference may be incorporated into changes to Italian regulations.

Within the Italgas Reti Laboratory in Asti - a centre of technological excellence operating according to ISO 17025 standards for the tests and calibrations indicated in the accreditation certificates found on the Accredia site, test and calibration methods are developed and updated for innovative systems and products for each individual production process along with the monitoring of the various specialist activities related to gas distribution. In 2018, the following activities continued: rhino-analytical tests; instrumental tests on gas odourisation; the calibration of gas meters and other instrumentation supporting gas distribution activities, as well as mechanical tests on network materials.

In 2018, Italgas Reti LAB carried out a total of 24,645 activities, including 11,446 accredited tests and 20 accredited calibrations.

## CYBER SECURITY

During the year, following the migration of the network infrastructure to the cloud, the Security function reorganised cyber security activities. In particular, the function implemented security guarantees in terms of business continuity and privacy, following the new European data protection regulations.

As a result of the commitments set out in the strategic plan and the growing importance of information and data management, appropriate security policies were defined and solutions implemented to create a model of Security Information & Event Management, the main points of which concerned:

- **Early Warning & Reporting processes and Data Breach management**, to meet the requirements of the new privacy regulations and to manage the growing risk of loss of business-relevant information caused by the massive distribution of connected endpoints;
- **Infosharing and Reporting processes** to top management for the prompt reporting cybersecurity events and cyber threats that may have a potential impact on the interest and assets of the Italgas group;
- **Protection processes and solutions**, monitoring and correlation of events from different sources (application and infrastructure) to detect potential cybersecurity threats in advance.

## ITALGAS AND SAP TO IMPROVE THE LIVES OF VISUALLY IMPAIRED AND BLIND PEOPLE

Thanks to the experience of Italgas and SAP, it has been possible to start on a process towards a new meaning of “smart company”, that is, a company that helps to improve people’s lives, is inclusive, and that uses technology to provide equal opportunities to all its employees.



In line with its commitment to offer equal career paths for all and new professional opportunities, Italgas worked with SAP to implement a project that aims to make its information systems accessible to all, including the blind. In collaboration with the SAP Premium Engagement team, the localisation of the scripts for SAP ERP ECC was completed, leading to the creation of SAP GUI, allowing the visually impaired and blind user to interface with Jaws on a PC. The screen reader developed enables voice access to the PC, improving accessibility and usability thanks to audio feedback, the ability to quickly access the information and the field to be completed. It also enables blind people to work more effectively and efficiently, for example in managing emails and web browsing. This collaboration is an example of how companies and providers can develop partnerships that lead to the implementation of solutions that benefit the entire market.

## TRANSPARENT RELATIONS AND PARTNERSHIP WITH SALES COMPANIES

Consumers of natural gas can already freely choose their supplier on the free market. Also, with the end of the “protected market” planned for July 2020 under the Competition Law, consumers using this service will also have to switch to the free market and select their own supplier.

To this end, distribution companies are obliged to allow access to their networks to anyone who requests it. In particular, with Resolution No. 138/04, the Authority issued measures to promote competition in the sale of natural gas and at the same time ensure, respecting consumer rights, the correct transmission of information between distributors and sellers. For this reason Italgas, in line with the Authority’s requirements and with its Sustainability Plan, has started a process of strengthening its relationship with sales companies through a series of initiatives. In addition, to create synergies with the sales companies, Italgas held two workshops with 50 participating companies, representing 99% of the redelivery points.

In March and May 2018, the Group organised conventions to illustrate strategies, policies and tools that define relations with sellers, as well as to share Italgas’ development plan. These meetings were the result of important discussions and sharing of suggestions on development opportunities and the evaluation of Italgas’ work.

As part of the initiatives aiming to strengthen the network of channels for dialogue with sales companies, the Group has created version 2.0 of the **“GasOnline” web portal** which helps to update the main channel of communication with sellers for the management of service requests, the exchange of information, the consultation of readings (Reading Portal) and transport invoices (Invoice Portal) with advanced search tools. The new Portal,

created with responsive technology, among other things, also allows access to services and functions from mobile devices, to the benefit of sales company operators. It also features a home page dedicated to news, communications and documents that help sales companies to operate entirely independently, with understanding and transparency in relation to Italgas. The company is working to bring new features to the portal to simplify and speed up the formal process. For example, sellers can apply through GasOnLine for accreditation and access to distribution networks, as well as licenses for their operators. In the future, a section dedicated to reporting will also be created to provide in-depth information on the services requested by each vendor, their results and the calculation of the required guarantee.

Following the installation and commissioning of an ever-increasing number of smart meters, Italgas has invested in infrastructures and applications to make all the readings available every month, in a quantity that exceeds ARERA regulatory obligations. As a result, in addition to the “daily” readings (large consumption), there has been an increase from an average of about 1 million readings per month notified to sellers, to more than 4 million readings per month for meters that need to be read quarterly or annually. The primary purpose of making end-customer consumption data available as quickly as possible is to increase the accuracy of invoicing to the end-customer, reducing estimated volumes and adjustments, to the benefit of customer satisfaction but also the benefit of the seller, thanks to the reduction of disputes and complaints.

With regard to the mechanisms and systems for collecting reports and complaints from stakeholders, in 2018 Italgas Reti created new functions for its information systems in order to manage, in addition to complaints and requests from sellers regulated by the Authority’s resolutions, also the reports and requests for information coming from the approximately 300 sales companies on a daily basis accredited to operate on the distribution networks managed by the Company. At the same time, a project was carried out to define and measure organically and continuously KPIs, to define areas for improvement and implementing organisational and technological solutions aimed at improving the service offered to stakeholders.

Another important initiative is “ItalgasSummer”, a commercial plan and pilot promotional initiative with which the Group has set itself the objective of increasing the active Redelivery Points and has launched a series of initiatives to define and implement a multi-year Commercial Plan. The initiative involved 12 towns recently connected to the methane gas network in Campania and Calabria, to promote the activation of new users.

## MYITALGAS

The “Customer Portal” project was launched in 2018 to create a channel for access to the services offered by Italgas, dedicated to end customers. The launch of the “MyItalgas” portal is scheduled for 2019 and will allow end users to consult their user data (PdR - redelivery point, meter number, etc..), to check the progress of their readings, to request a quote for the performance of construction work, modification or removal of the supply system. MyItalgas will be progressively enriched with additional functions, linked to requests for execution of work and information or the submission of complaints and tracking of appointments.

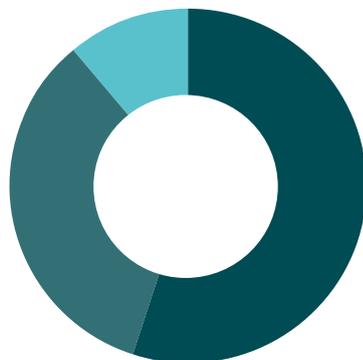
## SOCIAL INNOVATION AND RELATIONSHIP WITH THE REGIONS CONCERNED

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

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

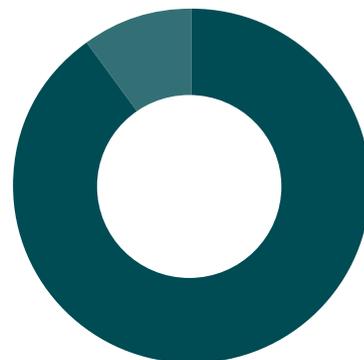
To strengthen its corporate citizenship in the communities and regions in which it operates Italgas cooperates with bodies, associations and foundations, non-profit organisations and other parties in projects and initiatives in specific areas. This commitment is reflected in initiatives mainly related to the protection of the environment, promotion of culture, social development and the protection of the local area with organisations active in Italy and abroad. Since 2017 Italgas has opened, in agreement with the Municipal Administrations, a series of meetings involving the participation of operators in the sector, aimed at strengthening awareness of the value of the gas network and the benefits of its responsible use for the community, in terms of convenience, practicality, safety and costs. The first round of meetings took place in Calabria. In 2018, the initiative was extended to the Sorrento Peninsula and Sardinia. In 2018, 764,000 euros were invested in sponsorships (90%) and donations (10%).

**Investment area**



● Other	55%
● Cultural activities	34%
● Energy education	11%

**Investments of the community**



● Sponsorships	90%
● Donations	10%

## INVESTMENTS IN THE COMMUNITY - GRI STANDARD 203-1

	Unit of measurement	2016	2017	2018
Sponsorships	K€	92.2	295	687.6
Donations	K€	76	76	76
Total	K€	168.2	358	764

In particular, sponsorships amounted to approximately 687,600 euros.

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

In particular, the Company is a founding member of the Teatro Regio theatre in Turin, a member of Consulta Torino art and cultural association and a supporter of the Cini Foundation in Venice. In the sports world, Italgas is sponsoring the Italian National Men's and Women's Tennis Championships teams in the Davis Cup and Fed Cup competitions for 2018 and 2019.

## ITALGAS AND ITS COMMITMENT TO THE HISTORICAL ARCHIVE AND THE MUSEUM

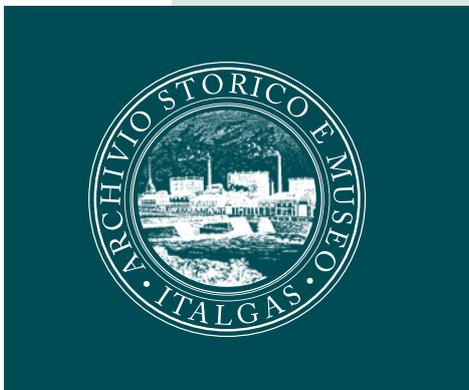
For decades, Italgas has worked to preserve its historical documentation and that of its various subsidiaries and associates in two centuries of history. The Historical Archive, known as being of considerable historical interest, is currently being reorganised and integrated but continues to ensure the use of its documents to researchers. The acquisition of a new description software will soon bear fruit with the launch of a new web portal enabling consultation of the archive, the library, the periodicals' library and the museum.



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

A heritage that Italgas preserves and enhances, making it known and accessible to an ever-wider public. This is the context of the initiatives promoted to make the Italgas Historical Archive an increasingly open and lively space, a place of dialogue and cultural contamination, a catalyst for new ideas and energies.

One of the initiatives in 2018 was the festival of Italian archives which ended last June with "La notte degli Archivi", an evening in which many of the city archives and some museums stayed open to the public. Italgas participated in the initiative by opening its Archives and inviting as special guest the famous mathematician Piergiorgio Odifreddi.



With the Historical Archive and Museum, Italgas is also a partner in various projects in the local area, including "L'officina della Memoria", in partnership with the Piedmontese Institute for the History of the Resistance and Contemporary Society, the Archival Superintendence for Piedmont and Valle d'Aosta and the Regional Education Office. The purpose of this work-related cultural programme is to inform and guide high school, technical and professional school students on the peculiarities and functions of the cultural heritage owned by institutions and entities outside the school (including companies) and train them for the management of these assets.

For the first time in 2018, the Italgas Museum began a partnership with the Opera Barolo of Turin, participating in the exhibition "Beyond the journey ... Giulia and Tancredi discovering Europe", with the display of an old gas lamp and the model of the 19th century Gas Workshop in London.

Italgas also renewed its membership of the Musei Impresa association, dedicating itself in the spring of 2018 to the "The word to the object" format: the 10 companies

involved, narrated part of their history through the choice of an “object”. The resulting story that emerged focused attention on the points of contact between businesses and the vicissitudes of companies rooted in the local area.

Also with Musei Impresa, in the autumn, Italgas organised two extraordinary openings of the Historical Archive and Museum on the occasion of the seventeenth “Week of Business Culture”.

### AN AID TO RECONSTRUCTION: THE DONATION OF PCS TO SCHOOLS AFFECTED BY THE 2016 EARTHQUAKE

Italgas, always supportive of local communities, signed an agreement with the government’s extraordinary commissioner for the earthquake in central Italy to donate 1,500 computers to schools in central Italy affected by the earthquake. At the end of 2018, 25 computers had been donated to the students of the Galilei school of Cittaducale. But the Company’s commitment doesn’t stop there. Another 165 computers were delivered to the local school office in Rieti, which will then distribute them to other schools in early 2019.



### ENERGY CULTURE: MEETINGS WITH YOUNG PEOPLE TO TRAIN INFORMED CONSUMERS

In 2018 Italgas started a travelling project, in partnership with Confindustria, called “Energia mi piace” (“I like Energy”).

This initiative seeks to reveal to young people, especially secondary school students, what lies behind daily actions such as pressing a switch or turning on the stove at home. During the meetings, young people are led by the hand, and interactively involved, to discover the complexity and articulated nature of the natural gas supply system, how many companies and how many people work in it daily and the impressive and articulated nature of the infrastructure network. It also gives information to help understand the energy future that awaits us and the role that gas infrastructures can play in energy de-carbonisation, in order to make the public more aware of the strategic options that our country faces in terms of energy supply and able to understand a debate that would otherwise be restricted to technicians and specialists in the field. The programme, launched in Turin, carried on in Sardinia and will continue in 2019.



**IG**  
Italgas  
Reti

# ENVIRONMENTAL AND HEALTH ISSUES AND WORK SAFETY

## RELEVANCE TO ITALGAS' ACTIVITIES

For Italgas main material issues related to the environmental impact of its activities and to health and safety at work refer to:

- Energy efficiency
- Reducing the carbon footprint
- Waste management
- Protection of health and safety at work

Italgas's most significant environmental impacts are the natural gas emissions from the distribution networks, the emissions deriving from gas combustion in the network systems and those from the fuels used by company cars.

Other impacts derive from the waste generated by the construction and maintenance of networks and by the recovery of abandoned industrial areas. The main causes of accidents are road accidents, accidents en route to or from work and accidents while performing operational activities.

Italgas has a responsible and transparent approach that aims to ensure compatibility between its infrastructures and the local environment and efficient management of energy and natural resources, to contain the

environmental footprint of its activities and protect the health and safety of its employees and the staff of its contractors involved in operations.

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

As recipient of the Decree of 20 July 2004 of the Ministry of Economic Development, Italgas fulfils its annual obligation by purchasing the Energy Efficiency Certificates in the market sessions managed by GME and through bilateral contracts with operators in the sector. For 2018 Italgas Reti purchased a total of 718,847 TEEs for a total cost of 217.9 million euros; in particular, from 1 June 2018 it began to purchase on the market the securities required to meet the 2018 minimum obligation of 756,970 TEEs (i.e. 60% of the 2018 minimum obligation and the residual obligation accumulated in 2016). On 31 May

2018 it annulled 318,155 TEEs under the 2017 obligation, 212,284 TEEs under the 2016 obligation and the residual 2,991 TEEs under the 2015 obligation (Italgas Reti therefore annulled 533,430 TEEs, collecting 166.1 million euros plus 86.9 million euros relating to the adjustment for 2017), while in the interim cancellation session of 30 November 2018, it cancelled 216,252 TEEs, obtaining an advance payment of EUR/TEE 175.00 from the Italian Fund for Energy and Environmental Services (Cassa per i Servizi Energetici e Ambientali - CSEA), with a collection of 37.8 million euros.

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

## POLICIES AND COMMITMENTS

In the performance of all its activities Italgas ensures great focus on the environment, natural resources and public and employee safety, considering them all key factors in the sustainable development of the company and the local environment. The model of governance of health, safety, environment, quality and energy implemented by Italgas has been in continuous evolution in recent years to adapt to changes in the regulatory environment and the market in which it operates.

The commitment on these issues can be seen in the adoption of the "Health, Safety, Environment, Quality and Energy Policy (HSEQE)" of Italgas Reti, developed on the basis of company policies and the Code of Ethics aimed at enhancing and protecting human and natural resources, essential values

for the Company. This Policy underlines the Company's commitment to consider its Integrated Management System as one of the main stimuli for staff involvement and process improvement, basing its operational choices on the principles of fairness, professionalism and compliance, to ensure service delivery according to the best quality standards to meet customer expectations.

The principles on which the Policy is based are:

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

In the first half of 2018, Italgas Reti brought its Integrated Management System into line with the UNI EN ISO 9001:2015 standards for "Quality Management Systems" and UNI EN ISO

14001:2015 for “Environmental Management Systems”. Also, Italgas Reti confirmed its certification of compliance with the OHSAS 18001 “Occupational Health and Safety Management System” and UNI CEI EN ISO 50001 “Energy Management System” standards.

In line with the Group’s Management Models, the Company applies a regulatory system which aims to guarantee the safety and health of people (employees, end customers, contractors, etc.), prevent accidents, ensure the protection of the environment and public

safety, and ensure the rational use of energy. The guidance, management and control function of HSEQE activities, under the authority of the Chief Executive Officer, guarantees and monitors the effective implementation of policies and practices on health, safety and the environment. In 2018, Italgas provided 30,441 hours of HSEQ training.

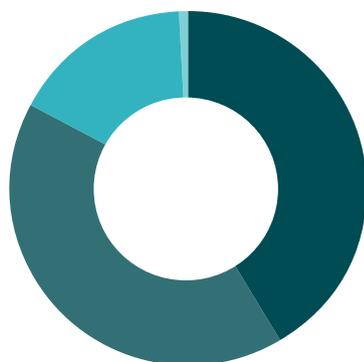
The following table summarises the certifications for the various management systems, as well as the accreditations of the Company’s laboratories:

#### CERTIFICATIONS FOR THE MANAGEMENT SYSTEMS, AND ACCREDITATIONS OF THE COMPANY’S LABORATORIES

Company	System or Scheme	Standard
ITALGAS S.p.A.	Management system for the prevention of corruption	UNI EN ISO 37001:2016
ITALGAS RETI S.p.A.	Management system for the prevention of corruption	UNI EN ISO 37001:2016
ITALGAS RETI S.p.A.	Quality Management System	UNI EN ISO 9001:2015
ITALGAS RETI S.p.A.	Environmental Management System	UNI EN ISO 14001:2015
ITALGAS RETI S.p.A.	Occupational Health and Safety Management System	BH OHSAS 18001:2007
ITALGAS RETI S.p.A.	Energy Management System	UNI CEI EN ISO 50001:2011
ITALGAS RETI S.p.A.	C Type inspection body	UNI CEI EN ISO/IEC 17020:2012
ITALGAS RETI S.p.A.	Testing laboratory	UNI CEI EN ISO/IEC 17025:2005
ITALGAS RETI S.p.A.	Calibration laboratory	UNI CEI EN ISO/IEC 17025:2005
MEDEA S.p.A.	Quality Management System	UNI EN ISO 9001:2015
SEASIDE S.r.l.	Examination centre for certification as an Expert in Energy Management	UNI CEI 11339:2009
SEASIDE S.r.l.	Provision of energy services	UNI CEI 11352:2014
SEASIDE S.r.l.	Quality Management System	UNI EN ISO 9001:2015

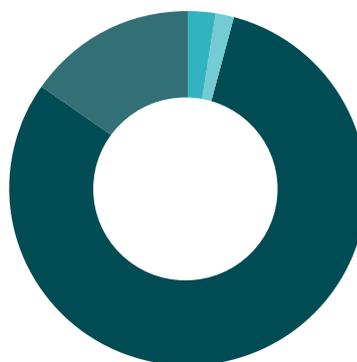
Concerning environmental management, the total amount of expenses and capital expenditures in 2018 was around 15.046 million euros. In particular, they are divided as follows:

#### Environmental expenses in 2018 (K euro)



● Soil and subsoil protection	3,696
● Waste and water management	3,659
● Air and climate protection	1,465
● Other environmental protection activities	58

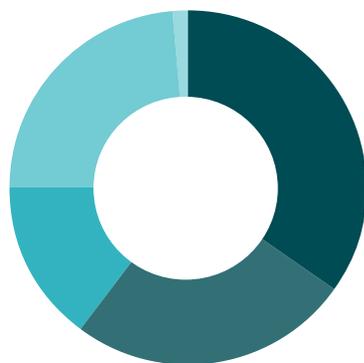
#### Environmental investments in 2018 (K euro)



● Air and climate protection	3,587
● Waste and water management	2,449
● Soil and subsoil protection	112
● Other environmental protection activities	21

Concerning health and safety management, the total amount of expenses and capital expenditures in 2018 was over 21 million euros. In particular, they are divided as follows:

#### Safety expenses (K euro)



● Safety management	3,338
● Plant and equipment	2,402
● Insurance	1,445
● Personal protection equipment	232
● Training	122

#### Safety investments (K euro)



● Safety management	9,842
● Plant and equipment	3,891

During 2018, the Italgas group did not receive any significant sanctions for breaching environmental laws and regulations.<sup>18</sup>

<sup>18</sup> It should also be noted that the figure for insurance takes into account the insurance premiums paid to INAIL, which for 2018 will be determined after the publication of this document (see with the provisions of Article 1, paragraph 1125, of Law No. 145 of 30 December 2018) and have therefore been assumed to be the same as those of 2017.

## ACTIVITIES AND RESULTS OF OPERATIONS

### ENERGY EFFICIENCY AND EMISSIONS

In Italgas, energy is mainly for industrial use. Natural gas is the most commonly used energy source, followed by electricity and diesel. In 2018, energy consumption was 561.59 TJ. The figure, comparable with that of previous years, shows an evident decrease in total energy consumption from 591.42 TJ in 2017. In general, there has been a reduction in the total energy consumption of fuel. In particular, concerning road transport, there was an increase in the use of natural gas and a decrease in the use of diesel fuel indicating Italgas is replacing its fleet with vehicles fuelled by natural gas. The reduction in electricity consumption is partly due to the migration, which began in mid-July, of the infrastructure and application map to the Cloud.

Ten small-scale photovoltaic systems produced a negligible share of the electricity consumed (39kW of installed power for a production of 40.2 MWh in 2018).

ENERGY CONSUMPTION<sup>19</sup>. GRI STANDARD 302-1, GRI STANDARD 302-3

## Consumption of energy from non-renewable resources

	Unit of measurement	2016	2017	2018
<b>Fuel consumption for civil and industrial use</b>	<b>TJ<sup>20</sup></b>	373.21	374.49	<b>361.08</b>
<i>Of which natural gas for civil use</i>	TJ	57.09	58.16	<b>47.59</b>
<i>Of which natural gas and LPG for industrial use</i>	TJ	316.12	316.33	<b>313.49</b>
<b>Transport fuel consumption</b>	<b>TJ</b>	<b>102.27</b>	<b>104.19</b>	<b>97.24</b>
<i>Of which diesel fuel</i>	TJ	82.80	79.60	<b>63.98</b>
<i>Of which petrol</i>	TJ	14.40	17.71	<b>19.37</b>
<i>Of which natural gas</i>	TJ	5.07	6.89	<b>13.89</b>

## Consumption of energy from renewable resources

<b>Fuel consumption from renewable sources</b>	<b>TJ</b>	-	-	-
<b>Total fuel consumption</b>	<b>TJ</b>	<b>475.48</b>	<b>478.68</b>	<b>458.32</b>

## Indirect energy consumption

<b>Electricity</b>	<b>Kwh</b>	<b>27,729,663.0</b>	<b>31,314,814.3</b>	<b>28,685,654.4</b>
<i>Of which from non-renewable sources</i>	Kwh	27,729,663.0	31,314,814.3	28,685,654.4
<i>Of which from renewable sources</i>	Kwh	-	-	-
<b>Total indirect energy consumption</b>	<b>TJ</b>	<b>99.83</b>	<b>112.73</b>	<b>103.27</b>

## Self-produced electricity

<b>Total of electricity produced from renewable sources</b>	<b>TJ</b>	<b>0.13</b>	<b>0.13</b>	<b>0.14</b>
<i>Electricity sold (produced and sold to third parties)</i>				
<b>Total energy sold</b>	<b>TJ</b>	<b>0.06</b>	<b>0.07</b>	<b>0.07</b>

## Total energy consumption

<b>Total energy consumption</b>	<b>TJ</b>	<b>575.40</b>	<b>591.42</b>	<b>561.59</b>
<b>Energy intensity</b>				
Total energy consumption	TJ	575.40	591.42	561.59
Transported gas <sup>21</sup>	10 <sup>6</sup> Sm <sup>3</sup>	7,470	7,767	7,820
<b>Energy intensity (*)</b>	<b>TJ/10<sup>6</sup>Sm<sup>3</sup></b>	<b>0.077</b>	<b>0.076</b>	<b>0.072</b>

(\*) Total energy consumption out of total distributed gas

<sup>19</sup> Perimeter: Italgas SpA, Italgas Reti SpA, Italgas Acqua SpA, Seaside Srl, Medea SpA. For Medea, the figure includes 9/12 of total annual consumption. For Seaside, the vehicle consumption figure is an estimate based on 9.5 months of the yearly total.

<sup>20</sup> The NHVs of the fuels obtained from the table of national standard parameters published on the Ministry of the Environment's website (most recent year available: 2018) were used to calculate the totals in TJ.

<sup>21</sup> The figure of gas transported refers to Italgas Reti's natural gas, while the Medea data was not included since it relates to propane-air mixes and LPG expressed in k tons, which is negligible in any case compared to the transport of natural gas.

The main greenhouse gas (GHG) effects produced are carbon dioxide (CO<sub>2</sub>), produced in combustion processes and directly related to the consumption of fuels and methane (CH<sub>4</sub>) contained in natural gas released into the atmosphere during the normal operation of systems. Total GHG emissions (direct Scope 1, indirect Scope 2 and Scope 3) amounted to approximately 717,000 tonnes of CO<sub>2</sub>eq, an increase over 2017 mainly due to scope 3 emissions. In fact, in 2018 there was an increase in supply chain emissions due to the considerable rise in procurement (up by over 50%) and the launch of new initiatives.

Direct emissions included emissions from civil and industrial fuel and emissions from motor vehicles, as well as network losses specific to the business in which the Group operates. Fugitive emissions are up slightly because of a larger network due to the acquisition of new networks and a number of methanisation campaigns in southern Italy. However, the quality of the network as a whole is improving due to replacement of most cast iron networks with hemp-lead joints by steel and polyethylene. The emission factor of the network weighted by network kilometres rose from 490.1 (2017) to 478.7 (2018), highlighting the improvement underway. Total direct emissions (scope 1) are 515 10<sup>3</sup>CO<sub>2</sub>eq.

ATMOSPHERIC EMISSIONS					
	GRI Standard	Unit of measurement	2016	2017	2018
Natural gas emissions	305-1	10 <sup>6</sup> Sm <sup>3</sup>	28.4	28	28.2
Total GHG emissions			<b>714</b>	<b>657.3</b>	<b>717.43</b>
of which scope I (*)	305-1	10 <sup>3</sup> ton CO <sub>2</sub> eq	520	513.9	515.07
of which scope II	305-2		9	10.4	9.08
of which scope III (**)	305-3		185	133.03	193.29
Carbon intensity (***)	305-4	ton CO <sub>2</sub> eq / 10 <sup>6</sup> Sm <sup>3</sup>	69.6	66.2	67
Emissioni di NO <sub>x</sub>	305-7	tonnes	32.8	32.2	30.01

(\*) CO<sub>2</sub>eq emissions were consolidated according to the operational control approach. The GHG gases included in the calculation are CO<sub>2</sub> and CH<sub>4</sub> and emissions were calculated with a methane GWP of 28, as suggested in the scientific study of the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC"

(\*\*) Includes emissions related to gas supplied, business travel and the launch of new initiatives. As regards the calculation of scope 3 emissions related to supplied gas, Italgas employed an internal methodology that uses a factor to convert the value of supplied gas into CO<sub>2</sub> emissions for each product category.

(\*\*\*) Calculated as scope 1 and scope 2 / distributed gas emissions

In 2018, experiments continued on the central heating management system of Reduction and Measurement (IPRM) plants, aimed at reducing preheated gas; the system combines the Energy Multivariable Master thermoregulation (EMMa) optimisation technology with a gas absorption heat pump.

To increase the energy efficiency of IPRM systems, in 2018 EMMa ECO devices were installed in 28 IPRMs. These microcontrollers enable significant reductions in preheating consumption of up to more than 20%. Taking into account the installations carried out in previous years, there are now a total of 29 plants with EMMa ECO devices, all equipped with a thermo-hygrometric probe that limits condensation during the summer months.

## ONGOING TRIALS

Another three IPRMs have EMMA Premium systems installed, combining EMMA ECO technology with a gas-absorption heat pump with a view to the further reduction of preheating consumption.

During 2018, the testing of an alternative system, called EcoCH4 - Starbox, began on a further three IPRMs.

Again with a view to reducing electricity consumption at the IPRM, an analysis was launched in 2018 to replace the lamps dedicated to outdoor lighting with LED lamps, which will be installed in 2019.

During 2018, the plan to convert the current LPG distribution networks to natural gas continued with a total of approximately 76 km of network to be converted by 2020, after the construction of approximately 220 km of new extensions. During 2018, work began on eight extensions to networks for converting 10 districts located in eight municipalities to natural gas, which we expect to complete in 2019. The carbon dioxide produced by the combustion of natural gas is 15% less than LPG, for the same level of energy consumption.

Also, Italgas has improved, through gas advocacy and de-carbonisation activities, the efficiency and safety of the energy system. It has acquired over 3,000 new PTOs in the target municipalities, installed 28 efficient systems that reduce energy consumption in the gas preheating phase and replaced 24.5 km of network with lead hemp joints.

## ITALGAS VEHICLES

On **2,342** operating vehicles      **1,680** are methane gas

Lastly, the plan for the total renewal of the company's fleet with methane powered vehicles and the installation of systems (columns) at operating sites was optimised to ensure their refuelling even where the road distribution network is not yet sufficiently developed. The renewal of the vehicle fleet will be completed in the first few months of 2019: by that date all operating vehicles will be powered by methane gas. Italgas considers methane a valid alternative to traditional automotive fuels. Using methane entails a reduction of nitrogen oxides emissions by about 94%, and of fine particles emissions by about 95% compared to fossil fuels, thereby proving as a fundamental measure to combat pollution, especially in urban centres. In 2018, 87 had been installed in 25 operating sites, in addition to the 17 already operational at the Italgas Reti office in Turin. At the end of 2018, approximately 72% of the vehicles used by Italgas SpA, Italgas Reti, Italgas Acque SpA and Medea SpA were powered by methane (33% at the end of 2017).

## WASTE PRODUCTION AND DISPOSAL

In 2018, waste from operational activities approximately 761 tonnes, including the 2017 waste inventory of 48 tons, the total value of the waste sent for recovery or disposal for the year 2018 amounts to 809 tons, 99% of which was non-hazardous. This type of waste is composed in part of mechanical meters, subject to a massive replacement campaign, and in part of material resulting from the excavation activities carried out by the newly incorporated companies (Acam Gas, SGS) before their merger and the verification of the correct installation of the networks.

### TOTAL WASTE FROM PRODUCTION AND RECLAMATION - GRI STANDARD 306-2

	Unit of measurement	2016	2017	2018*
<b>Total generated waste</b>	<b>t.</b>	<b>20,498</b>	<b>14,422</b>	<b>1,719</b>
<i>of which hazardous</i>	t.	236	1,510	10
<i>of which non-hazardous</i>	t.	20,262	12,912	1,709
Total waste generated by operating activities	t.	1,609	1,520	761
Total waste generated by reclamation activities	t.	18,890	12,804	959
Total waste for disposal or recovery	t.	20,469	14,380	1,768
<i>of which recovered</i>	%	22.9	36.1	97

(\*) The figure includes waste from reclamation produced only in the first months of 2018, i.e. when Italgas was the material producer of the waste, which was subsequently assigned to a contractor.

### WASTE FROM PRODUCTION ACTIVITIES BY TYPE OF DISPOSAL

	Unit of measurement	2018	
		hazardous	non-hazardous
<b>Total waste sent for recover/disposal outside the company (from production activities)</b>	<b>t.</b>	<b>10.37</b>	<b>798.27</b>
Recovery / Recycling	t.	4.08	795.56
<i>of which ferrous material</i>	t.	-	421.79
other	t.	4.08	373.77
Incineration	t.	-	-
Waste sent directly to landfill	t.	-	-
Other plant	t.	6.29	2.70

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

From early 2018, under current legislation, Italgas Reti no longer assumes the role of Waste Producer in the context of reclamation sites. Therefore the data relating to waste refer to the activity carried out by Italgas in the first part of the year. In 2018, the Group's waste from reclamation activities amounted to approximately 959 tonnes, entirely classified as non-hazardous, of which 53.5 tonnes were from soil reclamation activities and 905.5 tonnes from groundwater reclamation activities.

In 2018, reclamation, environmental reclamation, restoration and monitoring activities carried out in compliance with the process with the Public Administration envisaged by Italian Legislative Decree 152/06 involved 31 sites, of which only the Naples site falls within the remit of the Ministry of the Environment from an administrative standpoint, while the others fall within the competence of the region.

#### MAIN DATA ON RECLAMATION ACTIVITIES - GRI STANDARD 306-2

	2018	
	No.	m <sup>2</sup>
<b>Sites affected by reclamation activities or to be reclaimed</b>	<b>31</b>	<b>1,477,000</b>
Certified clean-up operations	-	-
Approved characterisation programmes	26	1,233,524
Approved risk analysis (152/2006) or approved preliminary clean-up projects (pursuant to 471/99)	23	1,155,524
Approved operational reclamation projects (152/2006) or approved final reclamation projects (pursuant to 471/99)	19	625,213
Operational safety measures	1	257
Soil emergency safety measures	-	-
Groundwater safety measures	8	-

<sup>22</sup> There are no reclamation processes pursuant to Italian Legislative Decree 152/2006 for companies connected to Italgas

During 2018, the Permanent Safety Measures for the Bassano del Grappa (VI) site were completed, whose reclamation certification procedure is in the start-up phase. Also, a series of reclamations were started which will continue in 2019 for the sites of Venezia Santa Marta, Venezia Isola di Murano, Legnago (VR) and Turin, where in particular the reclamation concerned the aquifer of Corso Regina Margherita. Finally, executive projects needed to call for tenders for the reclamation of the Venezia Altobello and Cairo Montenotte sites are currently being drafted, with regard to the Parco 3 fossil deposit area and the SFAT and landfill areas.

**RECLAMATION<sup>23</sup> - GRI STANDARD 306-2**

	<b>2018</b>
	<b>Waste from soil reclamations</b>
<b>of which earth and rock from excavation</b>	<b>53.5</b>
Total waste from soil reclamation sent for recovery and disposal	53.5
of which recovery/recycling	53.5
of which soil sent to landfill	11.4
Waste from groundwater reclamation	42.1
Total waste from groundwater reclamation sent for recovery and disposal	905.5
of which recovery/recycling	905.5

<sup>23</sup>Waste generated only in the first months of 2018, before the role of material producer of the waste was contractually assigned to the Contractor

## GROUNDWATER

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

Medea also uses the water that is heated to vaporise the mixture of propane gas and air entering the plants. This water, which also goes into the firefighting system, is drawn from the water table through an authorised well. The excess water is discharged to the ground, after treatment, in accordance with the authorisation granted.

As part of the reclamation activities, 275,600 cubic metres of water are taken from the contaminated water table; this water is treated to bring the concentrations of pollutants back to a level in conformity with the limits for disposal into the public sewerage system, in compliance with the appropriate authorisations.

## WATER

The Environmental Analysis carried out by Italgas Reti in 2018, according to UNI EN ISO 14001, has shown that the use of water resources is not a significant environmental aspect. However, the HSEQ Policy provides for the protection of resources and their rational use. For this reason, the Group is committed to reducing its limited water consumption. The use of freshwater from the aqueduct for sanitary purposes in the changing rooms and offices and for firefighting systems, totals approximately 156,000 cubic metres. As far as the disposal of water for civil uses is concerned, all wastewater is, by its nature, sent into the sewerage system untreated.

The situation is different for Italgas Acqua, a Group company that manages the distribution of water in five municipalities in Campania. For this company, managing water consumption means taking water, making it drinkable and distributing it to the public, ensuring quality standards and continuity and regularity of service. Italgas Acqua invoices 7.6 million cubic metres of water per year and is responsible for the management and maintenance of all the underground or overhead pipes present

exclusively on public land and of the meters installed at the customers' premises, through which it establishes the location and the flow rate.

## ACCIDENT PREVENTION

The protection of health and safety is a factor of primary importance for Italgas, as stated in the "Health, Safety, Environment, Quality and Energy Policy (HSEQE)". The principles of the Policy include some fundamental aspects related to the concept of health and safety of workers including the optimisation of business processes, the design, construction, management and decommissioning of plants and the management of activities with a view to preventing accidents, injuries and occupational diseases. Italgas, aware of the importance of managing these aspects, applies management systems certified according to the OSHAS 18001 standard.

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

In 2018, Italgas provided approximately 28,000 hours of health and safety training.

Other significant good practices should also be noted:

- the organisation of “Safety Walks” continued, four sessions of which took place in 2018, during which management shared with operating staff the carrying out of some significant practical activities and addressed and commented on safety issues;
- initiatives aimed at raising awareness on safety issues addressed to internal employees and contractors; both initiatives involved the local management who attended all the numerous meetings organised locally throughout the year.

Health and safety management in 2018 focused in particular on communication aspects. In this regard, it is worth mentioning the structured internal communication campaign, aimed at all employees, or the “safety first” campaign, which aims to raise awareness of safety issues among employees, with images and messages disseminated through various communication tools such as posters, corporate intranets and mobile devices supplied to staff.

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

In 2018, Group employees were involved in a total of 17 accidents, a marked improvement on the previous year (24 in 2017), of which eight were accidents at work (13 in 2017) and nine in progress (11 in 2017). Total accidents resulted in 747 days of absence or 162 excluding accidents en route to or from work. The breakdown of accidents also influences the value of frequency and severity indexes that improved on last year, excluding accidents en route to or from work.

Also, the number of contractor accidents decreased considerably, with four occupational accidents detected in 2018 (seven in 2017) for a total of 307 days of absence. None of the injuries was fatal.

## EMPLOYEE INJURIES - GRI STANDARD 403-2

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Accidents at work</b>	no.	<b>14</b>	-	<b>14</b>	<b>12</b>	<b>1</b>	<b>13</b>	<b>8</b>	-	<b>8</b>
Northern Italy	no.	<b>8</b>	-	<b>8</b>	6	1	<b>7</b>	2	-	<b>2</b>
Central Italy	no.	2	-	<b>2</b>	2	-	<b>2</b>	4	-	<b>4</b>
Southern Italy and Islands	no.	4	-	<b>4</b>	4	-	<b>4</b>	2	-	<b>2</b>
<b>Injuries en route to and from work</b>	no.	<b>6</b>	<b>3</b>	<b>9</b>	<b>10</b>	<b>1</b>	<b>11</b>	<b>7</b>	<b>2</b>	<b>9</b>
Northern Italy	no.	2	3	<b>5</b>	5	1	<b>6</b>	3	2	<b>5</b>
Central Italy	no.	3	-	<b>3</b>	3	-	<b>3</b>	1	-	<b>1</b>
Southern Italy and Islands	no.	1	-	<b>1</b>	2	-	<b>2</b>	3	-	<b>3</b>
<b>Total injuries</b>	no.	<b>20</b>	<b>3</b>	<b>23</b>	<b>22</b>	<b>2</b>	<b>24</b>	<b>15</b>	<b>2</b>	<b>17</b>
Northern Italy	no.	10	3	<b>13</b>	11	2	<b>13</b>	5	2	<b>7</b>
Central Italy	no.	5	-	<b>5</b>	5	-	<b>5</b>	5	-	<b>5</b>
Southern Italy and Islands	no.	5	-	<b>5</b>	6	-	<b>6</b>	5	-	<b>5</b>
Severity index*	%	0.24	0.17	<b>0.23</b>	0.23	0.09	0.21	<b>0.14</b>	0.06	<b>0.13</b>
Frequency index**	%	4.04	4.45	<b>4.09</b>	8.53	2.84	<b>4.10</b>	2.87	2.99	<b>2.89</b>
Rate of occupational diseases (ODR)	%	-	-	-	-	-	-	0.04	-	<b>0.03</b>
<b>Near miss</b>	<b>no.</b>	<b>16</b>	-	<b>16</b>	<b>7</b>	-	<b>7</b>	<b>30</b>	-	<b>30</b>
Northern Italy	no.	2	-	<b>2</b>	5	-	<b>5</b>	8	-	<b>8</b>
Central Italy	no.	8	-	<b>8</b>	1	-	<b>1</b>	12	-	<b>12</b>
Southern Italy and Islands	no.	6	-	<b>6</b>	1	-	<b>1</b>	10	-	<b>10</b>
<b>Absenteeism rate***</b>	<b>%</b>	<b>6.6</b>	<b>7.2</b>	<b>6.7</b>	<b>6.9</b>	<b>7.0</b>	<b>6.9</b>	<b>6.5</b>	<b>7.0</b>	<b>6.6</b>
Northern Italy	%	5.3	5.1	<b>5.3</b>	5.4	5.0	<b>5.3</b>	5.0	5.4	<b>5.1</b>
Central Italy	%	8.5	11.2	<b>8.7</b>	9.2	11.2	<b>9.3</b>	8.7	10.6	<b>8.8</b>
Southern Italy and Islands	%	6.4	9.1	<b>6.6</b>	6.9	9.0	<b>7.1</b>	6.5	8.9	<b>6.7</b>

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

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

(\*\*\*) Total number of days lost in the period / total number of working days in the period

## CONTRACTORS' INJURIES - GRI STANDARD 403-2

	Unit of measurement	2016			2017			2018		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Accidents at work</b>	no.	<b>8</b>	-	<b>8</b>	<b>7</b>	-	<b>7</b>	<b>3</b>	1	<b>4</b>
Northern Italy	no.	<b>5</b>	-	<b>5</b>	2	-	<b>2</b>	1	1	<b>2</b>
Central Italy	no.	2	-	<b>2</b>	5	-	<b>5</b>	2	-	<b>2</b>
Southern Italy and Islands	no.	1	-	<b>1</b>	-	-	-	-	-	-
<b>Injuries en route to and from work</b>	no.	<b>1</b>	-	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	-	-	-
Northern Italy	no.	1	-	<b>1</b>	-	1	<b>1</b>	-	-	-
Central Italy	no.	-	-	-	1	-	<b>1</b>	-	-	-
Southern Italy and Islands	no.	-	-	-	-	-	-	-	-	-
<b>Total injuries</b>	no.	<b>9</b>	-	<b>9</b>	<b>8</b>	<b>1</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>4</b>
Northern Italy	no.	6	-	<b>6</b>	2	1	<b>3</b>	1	1	<b>2</b>
Central Italy	no.	2	-	<b>2</b>	6	-	<b>6</b>	2	-	<b>2</b>
Southern Italy and Islands	no.	1	-	<b>1</b>	-	-	-	-	-	-
Severity index*	%	0.20	-	<b>0.14</b>	0.21	0.02	0.22	<b>0.11</b>	0.10	<b>0.11</b>
Frequency index**	%	9.73	-	<b>4.28</b>	8.68	7.96	<b>4.30</b>	1.23	3.01	<b>1.44</b>



# ITALGAS AND RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Given the extension of Italgas activities, the supply chain is of strategic importance for the performance of its operational activities. In procurement practices, Italgas is clear and transparent with its suppliers and, once the supply relationship has been established, seeks to help each supplier to achieve sustainable performance over time, with a view to mutual growth and value creation.

The Procurement function of the Italgas Group is responsible for managing all purchases of goods and services for the Group (from network works, excavations, pipe laying, meter installations and the related goods and services required, meters of various calibres, reduction units, remote control systems, pipes, fittings and valves, reading services, replacement of meters, dispersion research, engineering services and works management, ICT Services all for services of staff areas for Human Resources, Communication, Security and of Internal Auditing).

Suppliers are required to take note of Model 231 to fulfil the requirements of the relevant legislation (Italian Legislative Decree No. 231/2001), to comply with the principles of the Code of Ethics, and to operate in compliance with the occupational safety, health protection, environmental protection regulations, as well as international standards on labour law.

In managing procurement, Italgas is subject, for a number of product classes, to the application of the procedures set out in the Tender Code (Italian Legislative Decree No. 50/2016). Italgas' suppliers are required to sign the Ethics and Integrity Agreement if they want to maintain their status and inclusion in the suppliers' register.

In 2018 Italgas had over 1,351 active suppliers and 869 contracts signed. Ninety-nine percent the value of the gas supplied comes from Italy, with particular reference to the regions of Lombardy, Lazio, Calabria, Veneto and Sicily.

SUPPLIED BY PRODUCT TYPE<sup>24</sup>

	Unit of measurement	2016	2017	2018
Goods	%	37	12	16
Works	%	29	43	48
Services	%	34	45	36

In recent years Italgas has committed to strengthening its involvement with its suppliers, aware of the importance of establishing lasting and trusting relationships. This is why in 2018 it organised 10 sustainability initiatives involving 258 suppliers.

## QUALIFICATION AND SELECTION

Companies that apply to supply goods, services and works to the Italgas group participate in a selection and qualification process conducted on the basis of a range of requirements, and always in compliance with the principle of equal opportunities. Requests for new qualification, updating or renewal are managed centrally through the Vendor Management and Supplier Performance Evaluation System, under the responsibility of the Procurement and Materials Management department, following the organisational change that occurred in 2018. Suppliers who pass the qualification phase therefore receive a qualification valid for all Group companies<sup>25</sup>.

The technical and managerial skills and economic and financial reliability of suppliers are to be assessed, as well as other aspects more closely connected to sustainability issues. In reference to this latter aspect, respect for ethical principles, commitment to the fight against corruption, environmental safeguard and protection, promotion of healthy and safe working conditions, and the absence of forced labour and the economic exploitation of children, are all assessed.

The economic, environmental and social risks associated with each product class give rise to four different levels of supply criticality, on a scale ranging from minimum "D" to maximum "A", which identifies strategic suppliers. The minimum requirements for HSEQ must be met for each criticality level. For product categories A and B class, the selection and qualification procedures include more stringent requirements such as, for example, the supplier's possession of management systems certified according to international standards<sup>26</sup>.

<sup>24</sup> The figure for the Gas supplied and Contracts of 2018 refers to the companies in the SAP system. The companies Medea (Fontenergia 7 and Fontenergia 9), Seaside, Italgas Acqua

<sup>25</sup> The vendor lists acquired for the companies that joined the Group in 2018 were verified using the same criteria as for Italgas.

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

## SELECTION AND QUALIFICATION OF SUPPLIERS - 2018 - GRI STANDARD 308-1; 414-1

	Unit of measurement	Totale	of which on health and safety requirements*	of which on environmental requirements*	of which on labour protection requirements*
<b>Product Group: Goods</b>					
Total qualified suppliers	no.	<b>445</b>	<b>445</b>	<b>148</b>	<b>445</b>
<i>of which belong to class A and B</i>	no.	78	78	78	78
Total qualified suppliers in 2018	no.	106	106	21	106
	%	100%	100%	20%	100%
<i>of which belong to class A and B</i>	no.	8	8	8	8
<b>Product Group: Works</b>					
Total qualified suppliers	no.	<b>224</b>	<b>224</b>	<b>114</b>	<b>224</b>
<i>of which belong to class A and B</i>	no.	86	86	86	86
	no.	47	47	18	47
Total qualified suppliers in 2018	%	100%	100%	38%	100%
<i>of which belong to class A and B</i>	no.	11	11	11	11
<b>Product Group: Services</b>					
Total qualified suppliers	no.	<b>1,029</b>	<b>1,029</b>	<b>422</b>	<b>1,029</b>
<i>of which belong to class A and B</i>	no.	212	212	212	212
	no.	261	261	85	261
Total qualified suppliers in 2018	%	100%	100%	33%	100%
<i>of which belong to class A and B</i>	no.	45	45	45	45

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

The selection and qualification process includes due diligence activities to check the actual possession and maintenance of the requirements by suppliers. In 2018, three audits were requested on critical suppliers during qualification for type A product classes, while another 347 suppliers were involved in renewal activities and the assignment of new qualifications. During the qualification or renewal phase, 34 reputational checks were finalised, using specialised databases, from which irregularities emerged, which generated:

- 1 revocation of qualification;
- 2 reputational alerts;
- 1 suspension measure.

## PERFORMANCE MONITORING AND SUPPLIER ASSESSMENT

During the execution of the contract, the services rendered by suppliers are assessed through the collection of feedback questionnaires issued by the contract managers (449 in 2018). For each type of product class, the supplier is assessed in three distinct areas: punctuality, behaviour and quality. In particular, the quality area includes technical capabilities as well as HSEQ aspects.

If the supplier fails to meet the obligations undertaken during the qualification and assignment of the contract, Italgas reserves the right to take measures consisting in the limitation, suspension or revocation of the qualification and assignment. The assessment in 2018 involved 79 suppliers, and in 15 cases measures were taken to deal with negative situations or failures.

In 2018, the development of the vendor rating component of the Vendor Management System was completed. Thanks to this system, these questionnaires are automatically managed and each supplier is awarded an overall score, also visible to the Procurement Units, obtained by combining the results of the questionnaires with other information from the company information systems responsible for managing the contracts issued. In 2018, the questionnaires were refined as planned, to make the assessment of suppliers even more effective and timely.

Italgas also carries out audits at the sites where the contractors operate. In 2018, 38 audits carried out by external certifiers at Italgas sites led to the temporary suspension (of 3 to 6 months) of the qualification of some suppliers. The critical issues identified led to the temporary suspension of the qualification of 10 suppliers. Also, these audits gave rise to four warnings. Temporary suspensions are linked to safety on construction sites, compliance with legal requirements and Italgas' specifications.

## SUBCONTRACTING

Within the supply chain, subcontractors are supervised during the tender or contract management phases.

As for suppliers, Italgas requires subcontractors to take note of Model 231 in order to fulfil the requirements of the relevant legislation (Italian Legislative Decree No. 231/2001), to comply with the principles of the Code of Ethics, and to operate in compliance with the regulations on occupational safety, health protection, environmental protection, as well as international standards on labour law. Subcontractors must also sign the Ethics and Integrity Agreement.

In the course of 2018, only subcontracts for ancillary works<sup>27</sup>, were granted, always within the scope of Italian Legislative Decree No. 50/2016, according to which subcontracting cannot account for more than 30% of the value of the overall contract.

In 2018, 186 companies were designated as subcontractors, of which 21 were qualified suppliers and included in the Vendor Management System as direct suppliers of Italgas. Reputational checks are also carried out for subcontractors.

<sup>27</sup> Ancillary works: for example drilling (TOT), pipe jacking, relining, non-destructive welding inspections, special flooring, repairs of road surfaces, cast asphalt, road signs, drying of AP pipes, geological survey activity ahead of drilling works for laying cathodic protection earth electrodes and works for the creation of earth electrodes, and possible laboratory tests on floorings.



## GRI CONTENT INDEX - CORE OPTION

GRI Standard	Disclosure	Description of the indicator	Page or disclosure number	Omissions	Global compact
GRI 102- General disclosure					
	102-1	Name of the organisation	p. 9		
	102-2	Main activities, brands, products and/or services	pp. 9-12; 69-70		
	102-3	Headquarters	<b>Milano, via Carlo Bo no. 11</b>		
	102-4	Location of operations	p. 9		
	102-5	Ownership structure and legal form	pp. 29-31 Report on corporate governance and shareholding structure		
	102-6	Markets served (including geographical breakdown, sectors, types of customers and beneficiaries)	pp. 9-10; 69; 76-77		
organization profile	102-7	Scale of the organisation	pp. 9-10; 14-15; 51		
	102-8	Information on employees and other workers	pp. 50-51		Principle 6
	102-9	Supply chain	pp. 99-103		
	102-10	Significant changes to the organization and its supply chain	pp. 12-13		
	102-11	Precautionary Principle or approach	p. 37		
	102-12	External initiatives	pp. 21; 34		
	102-13	Membership of national or international support associations and organisations	pp. 10; 71-73		

## GRI CONTENT INDEX - CORE OPTION

GRI Standard	Disclosure	Description of the indicator	Page or disclosure number	Omissions	Global compact
Strategy	102-14	Statement by the Chairman and Chief Executive Officer	pp. 5-7		
Ethics and integrity	102-16	Values, principles, standards, codes of conduct and codes of ethics	pp. 19-20; 33-35; 44		Principle 10
	102-17	Mechanisms for advice and concerns about ethics	pp. 34-35		Principle 10
Governance	102-18	Governance structure	pp. 29-31		Principle 10
	102-22	Composition of the highest governing body and its committees	pp. 29-31		
	102-24	Processes for appointing and selecting the highest governing body	pp. 29-30; Report on corporate governance and ownership structure		
Involvement of stakeholders	102-40	List of stakeholders involved	p. 27		
	102-41	Collective bargaining agreements	pp. 65; 67		Principle 3
	102-42	Process for identifying and selecting stakeholders to involve	pp. 20; 26-27; 48-50; 67; 76		
	102-43	Approach to stakeholder Engagement	p. 26-27		
	102-44	Key topics and concerns raised	pp. 26-27; 48-49; 67; 76		

## GRI CONTENT INDEX - CORE OPTION

GRI Standard	Disclosure	Description of the indicator	Page or disclosure number	Omissions	Global compact
	102-45	List of entities included in the consolidated financial statements	pp. 12; 16-17		
	102-46	Defining report content and topic Boundaries	pp. 25-26		
	102-47	List of material topics	pp. 25-26		
	102-48	Restatements of information	pp. 16-17		
	102-49	Changes in reporting	pp. 12; 16-17		
	102-50	Reporting period	pp. 16		
Parameters of the report	102-51	Date of most recent report	p. 15; the Consolidated Non-Financial Statement was published in March 2018		
	102-52	Reporting cycle	p. 16		
	102-53	Contact point for questions regarding the report	sustainability@italgas.it		
	102-54	Claims of reporting in accordance with the GRI Standards	pp. 105-110		
	102-55	GRI content index	p. 16		
	102-56	External assurance	p. 111		

## GRI CONTENT INDEX - CORE OPTION

GRI Standard	Disclosure	Description of the indicator	Page or disclosure number	Omissions	Global compact
Class: Economic performance					
Aspect: Economic performance	103-1 103-2 103-3	Management approach	pp. 14-15		
	201-1	Direct economic value generated and distributed	pp. 14-15		Principle 7
Aspect: Indirect economic impacts	103-1 103-2 103-3	Management approach	pp. 78-81		
	203-1	Investments in infrastructure and supported services	pp. 78-79		
Aspect: Anti-corruption	103-1 103-2 103-3	Management approach	pp. 33-36; 37; 43-45		
	205-3	Cases of corruption identified and actions taken	pp. 45		Principle 10
Class: Environmental performance					
Aspect: Energy	103-1 103-2 103-3	Management approach	pp. 83-85; 87; 89		
	302-1	Energy consumed within the organisation	pp. 87-88	The data for total annual consumption for Medea and data on vehicle consumption for Seaside are estimated for the relevant period	Principle 7, 8
	302-3	Energy intensity	pp. 87-88	The value of the energy intensity of Medea is not included	Principle 8
Aspect: Emissions	103-1 103-2 103-3	Management approach	pp. 83-84; 89-90		
	305-1	Direct greenhouse gas emissions (scope 1)	pp. 88-89		Principle 7, 8
	305-2	Indirect greenhouse gas emissions (scope 2)	pp. 88-89		Principle 7, 8
	305-3	Other indirect greenhouse gas emissions (scope 3)	pp. 88-89	the data does not include Medea, Seaside, Italgas Acqua.	Principle 7, 8
	305-4	GHG emissions intensity	pp. 88-89		Principle 8
	305-7	NOx, SOx and other significant emissions	p. 89	Sox emissions have not been reported as they are considered not significant.	Principle 7, 8

## GRI CONTENT INDEX - CORE OPTION

GRI Standard	Disclosure	Description of the indicator	Page or disclosure number	Omissions	Global compact
Class: Environmental performance					
Aspect: Disposal and waste	103-1 103-2 103-3	Management approach	pp. 91-93		
	306-2	Waste by type and disposal method	pp. 91-93		Principle 8
Aspect: compliance ambientale	103-1 103-2 103-3	Management approach	pp. 83-86		
	308-1	New suppliers that were screened using environmental criteria	pp. 101		Principle 8
Class: Social performance					
Aspect: Employment	103-1 103-2 103-3	Management approach	pp. 47-49; 62-65		
	401-1	New employee hires and employee turnover	pp. 50-56		Principle 6
	401-3	Parental leave	pp. 65		Principle 6
Aspect: Occupational health and safety	103-1 103-2 103-3	Management approach	pp. 94-95		
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	pp. 95-97		Principle 7, 8
Aspect: Training and education	103-1 103-2 103-3	Management approach	pp. 47-49; 56-62		
	404-1	Average hours of training per employee per gender and per employee category	pp. 60		Principle 6

## "IN COMPLIANCE" GRI CONTENT INDEX - CORE OPTION

GRI Standard	Disclosure	Description of the indicator	Page or disclosure number	Omissions	Global compact
Class: social performance					
	103-1 103-2 103-3	Management approach	pp. 29-30; 62-65		
Aspect: Diversity and equal opportunities	405-1	Diversity of governance bodies and employees	pp. 30; 63-64		Principle 6
	405-2	Ratio of basic salary and remuneration of women to men	pp. 64	The data does not include Seaside and Medea.	Principle 6
Aspect: Environmental assessment of suppliers	103-1 103-2 103-3	Management approach	pp. 99-103		
	414-1	Percentage of new suppliers assessed by social criteria	p. 101		Principle 2
Aspect: Health and safety of consumers	103-1 103-2 103-3	Management approach	pp. 71-73		
	416-1	Assessment of health and safety impacts of products and services	pp. 71; 72	The data does not include Medea.	
Material issue: security of information and data	103-1 103-2 103-3	Management approach	p. 41		
Material issue: transparent relations and partnership with sale companies	103-1 103-2 103-3	Management approach	pp.76-78		
Material issue: innovation and digitisation	103-1 103-2 103-3	Management approach	pp.73-75		





**ITALGAS SPA**

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

**YEAR ENDED 31 DECEMBER 2018**



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

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

To the Board of Directors of Italgas SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Italgas SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 22 February 2019 (hereafter the "NFS").

### **Responsibility of Management and those charged with Governance for the NFS**

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

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

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

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

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

### **PricewaterhouseCoopers SpA**

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

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

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

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

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

In particular, we performed the following procedures:

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

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;



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

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

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

### **Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Italgas Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Milan, 11 March 2019

PricewaterhouseCoopers SpA

*Signed by*

Giulio Grandi  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised Signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2018 translation.*



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Photos  
**Chiara Cesana**

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**Territorial hubs included  
in the shooting:**  
Campania, Piemonte - Aosta,  
Roma Nord, Roma Sud,  
Torino, Sicilia, Venezia

April 2019



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