

Annex 02-bis

Definitions of “Related Parties” and “Related Party Transactions” and definitions functional thereto in accordance with the International Accounting Standards in force on 14 June 2021

Update of 01/07/2021

I. RELATED PARTIES

A related party is a person or entity related to the entity that draws up the financial statements (i.e. Italgas).

The following are related parties of Italgas, in accordance with IAS 24, paragraph 9 (“*Related Party Disclosures*”):

- (a) a person or a “close relative” of that person if that person:
 - (i) has “control” or “joint control” of Italgas; or
 - (ii) exercises “significant influence” over Italgas; or
 - (iii) is an “executive with strategic responsibilities” of Italgas or of the shareholders who, even jointly, control Italgas;
- (b) an entity if one of the following conditions applies:
 - (i) the entity and Italgas are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) the entity is an “associate” of Italgas;
 - (iii) the entity is a “joint venture” in which Italgas is a participant;
 - (iv) the entity is an “associate” or “joint venture” of a group of which the other entity is a member;
 - (v) both entities are “joint ventures” of the same third party;
 - (vi) one entity is a “joint venture” of a third entity and the Italgas is an “associate” of the third entity;
 - (vii) the entity is a post-employment benefit plan for the benefit of employees of Italgas or an entity related to the latter;
 - (viii) the entity is controlled or jointly controlled by a person identified in point (a) above;
 - (ix) a person identified in point (a)(i) above has significant influence over the entity or is one of the “executives with strategic responsibilities” of the entity (or of a parent company of the entity);
 - (x) the entity, or any member of a group to which it belongs, provides key management services to Italgas or to the subjects that, even jointly, control it.

2. TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24, paragraph 9 (“*Related Party Disclosures*”), a “*related-party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.*”

These transactions include:

- merger transactions, spin-off by incorporation or strictly non-proportional spin-off, if carried out with related parties;
- any decision on the allocation of wages and economic benefits, in whatever form, for members of the administrative and control bodies and executives with strategic responsibilities.

3. DEFINITIONS FUNCTIONAL TO THOSE OF “RELATED PARTIES” AND “RELATED-PARTY TRANSACTIONS” ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 In accordance with IAS 24, paragraph 9 (“*Related Party Disclosures*”), the terms “**control**”, “**joint control**” and “**significant influence**” are defined in IFRS 10 (“*Consolidated Financial Statements*”), in IFRS 11 (“*Joint Arrangements*”) and IAS 28 (“*Investments in Associates and Joint Ventures*”) and are used in IAS 24 with the meanings specified in these IFRS.

3.1.1 - “Control”

In accordance with IFRS 10 (“*Consolidated Financial Statements*”) “an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Therefore, an investor controls an investee if and only if it has simultaneously:

- (a) power over the investee (an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns);
- (b) exposure, or rights, to variable returns from involvement with the investee; and
- (c) the ability to use power over the investee to affect the amount of the investor's returns

An investor shall consider all facts and circumstances when assessing

whether it controls an investee. The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in paragraph 7 (see paragraphs B80–B85).

Two or more investors collectively control an investee when they must act together to direct the relevant activities. In such cases, because no investor can direct the activities without the co-operation of the others, no investor individually controls the investee. Each investor would account for its interest in the affiliate company in accordance with the relevant IFRSs, such as IFRS 11 *Joint Arrangements*, IAS 28 *Investments in associates and joint ventures* or IFRS 9 *Financial instruments*.”

3.1.2 - “Joint Control”

In accordance with IFRS 11 (“*Joint Arrangements*”) “joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control”.

3.1.3 - “Significant influence”

In accordance with IAS 28 (“*Investments in associates and joint ventures*”) “significant influence is the power to participate in the financial and operating policy decisions of the affiliate but is not control or joint control of those policies.

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an affiliate, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the entity holds 20% or less of the voting power (directly or through subsidiaries) on an affiliate, it will be presumed

the investor does not have significant influence unless it can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways: (a) representation on the board of directors, or equivalent governing body, of the investee; (b) participation in the policy-making process, including participation in decisions about dividends or other distributions; (c) material transactions between the entity and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.”

3.2 – “Executives with strategic responsibilities [Key management personnel]”

In accordance with IAS 24, paragraph 9 (“Related Party Disclosures”) “key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly [i.e. Italgas], including any directors (whether executive or otherwise) of the entity”. The executives with strategic responsibilities of Italgas are identified by the Board of Directors. The Consob Communication also specifies that «the category of “executives with strategic responsibilities” also includes the actual members of the control bodies».

3.3 – “Close relatives [Close member of the family]”

In accordance with IAS 24, paragraph 9 (“Related Party Disclosures”) “

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include, (a) that person’s children and spouse or domestic partner; (b) children of that person’s spouse or domestic partner; (c) dependants of that person or of that person’s spouse or domestic partner.”

The definition of “close relatives” relevant for the purpose of application of the Standard also includes other persons recognised as such in the statements issued by the Related Party periodically.

3.4 – “Associate”

In accordance with IAS 28, paragraph 3 (“Investments in associates and joint ventures”) “an associate is an entity over which the investor has significant influence”.

In accordance with IAS 24, paragraph 12 (“Related Party Disclosures”), “in the definition of related party, an associate includes subsidiaries of the same associate (...). Therefore, for example, an associate’s subsidiary and the investor that has significant influence over the associate are related to each other”.

A list of “associates” of Italgas is given in the consolidated financial statements, together with those included in the Database defined in paragraph 3.1 of the Standard.

3.5 – “Joint Venture”

In accordance with IAS 28, paragraph 3 (“Investments in associates and joint ventures”) “a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement; the same paragraph 3 of IAS 28 also states that “a joint arrangement is an arrangement of which two or more parties have joint control” and that “joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.”

In accordance with IAS 24, paragraph 12 (“Related Party Disclosures”), “in the definition of related party (...) a joint venture includes the subsidiaries of the joint venture”.

4. STANDARDS INTERPRETING THE DEFINITIONS

In accordance with IAS 24, paragraph 10 (*“Related Party Disclosures”*), *“In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form”*.