

Sustainable Value
Creation Plan
2022-2028

Builders of
the future



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1. Our Commitment

Thinking Sustainability means taking action now to build the future. At Italgas we are persuaded that this can be achieved by generating positive impacts on the planet, the people and the economic system.

The processes of an economic activity are truly sustainable only if they are able to preserve, increase or, where appropriate, minimize the use of the Capitals that are used for value production.

To meet this challenge, we have developed an innovative model that, starting from an analysis of the challenges posed by a constantly evolving external context, identifies actions that will have a positive impact on the Capitals we draw upon. This is where we started from to define the goals and the structure of our Sustainable Value Creation Plan.



1.1 The values that drive us

Vision

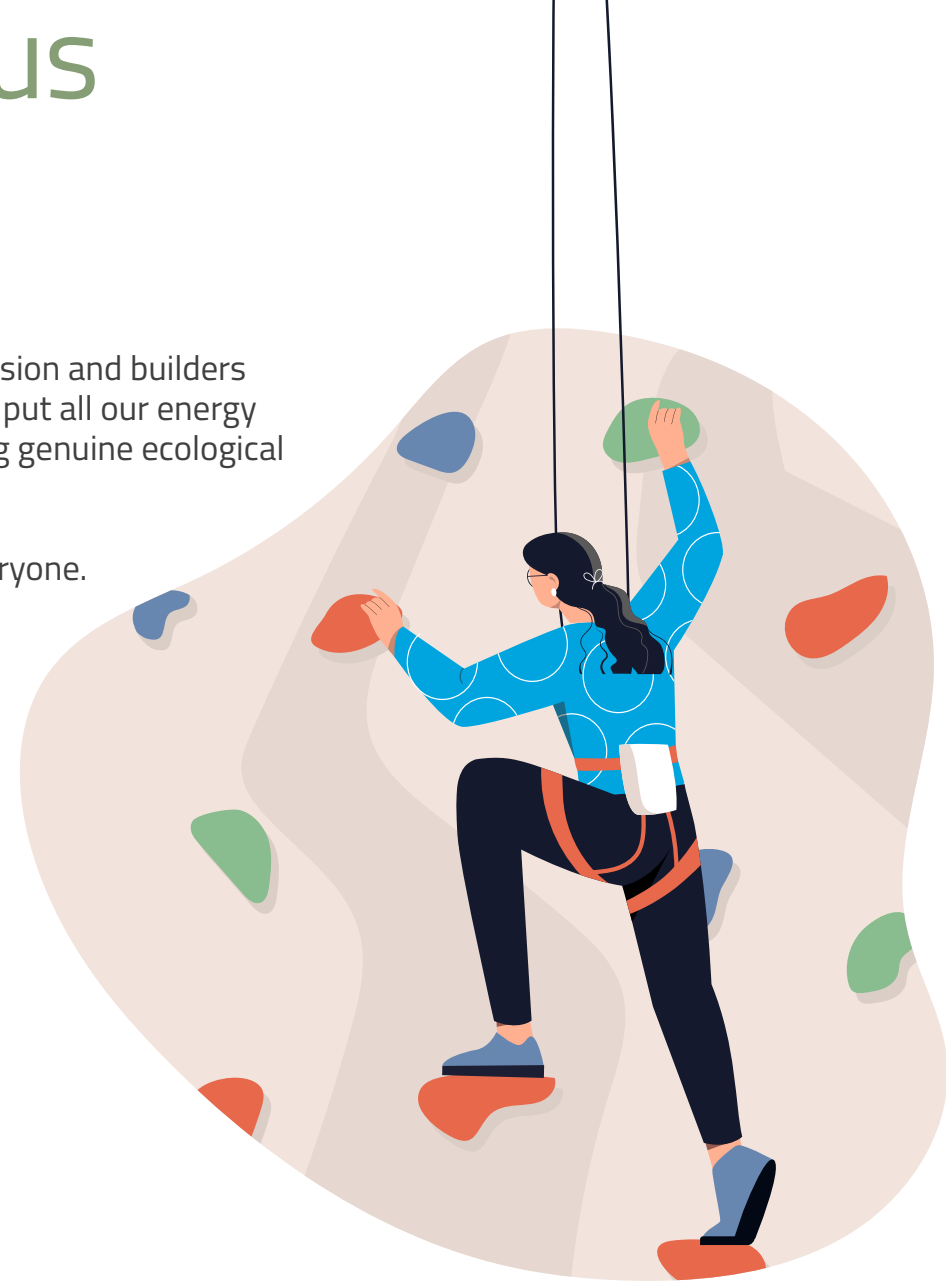
To be a leading player in the energy world, driving its evolution with continuous and sustainable innovation to improve people's quality of life.

Purpose

Pioneers by passion and builders by vocation, we put all our energy into accelerating genuine ecological transition.
We do it for us.
We do it for everyone.

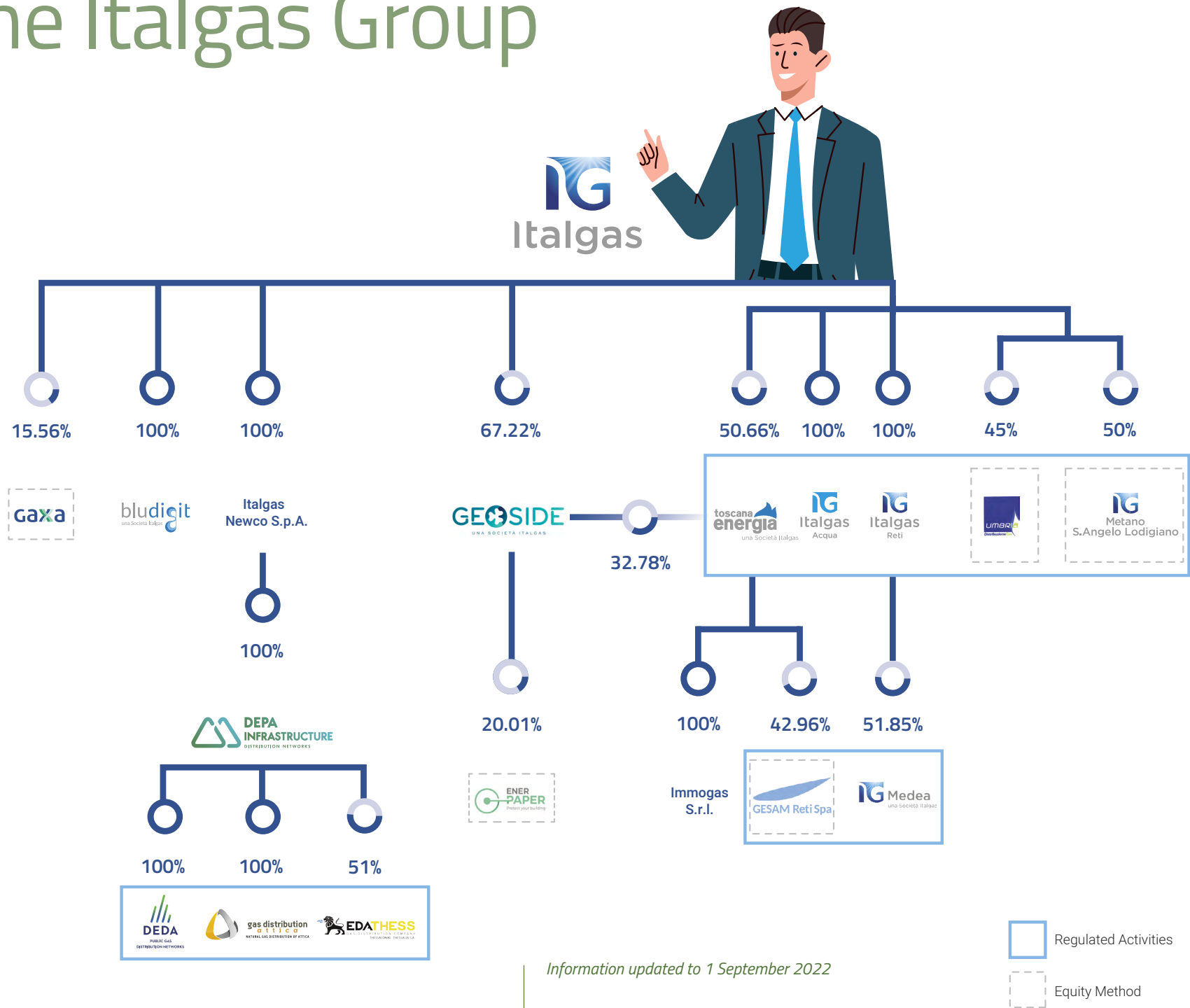
Mission

We have provided energy services to the community with efficiency, safety and excellence for over 180 years.
Advancing the energy transition by creating the networks of the future and promoting innovative and sustainable solutions.
We care for local communities. We nurture positive and generative relationships with everyone we meet: individuals, companies, suppliers and shareholders.
We are open to new markets where we can apply our distinctive skills.
We promote people's growth and develop talent by building inclusive and stimulating working environments.



The future has ancient roots. Italgas was established in 1837, with over 180 years of history, it is founded on strong, stable values, but is able to adapt to our times

1.2 The Italgas Group

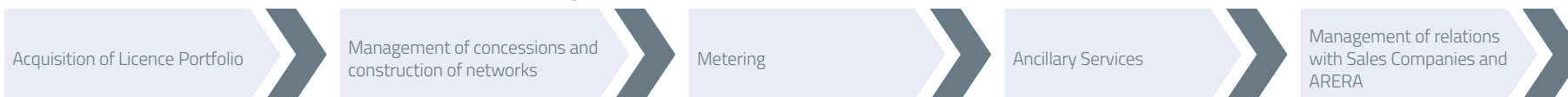


Information updated to 1 September 2022

1.3 The value chain



Business process - Gas distribution and metering



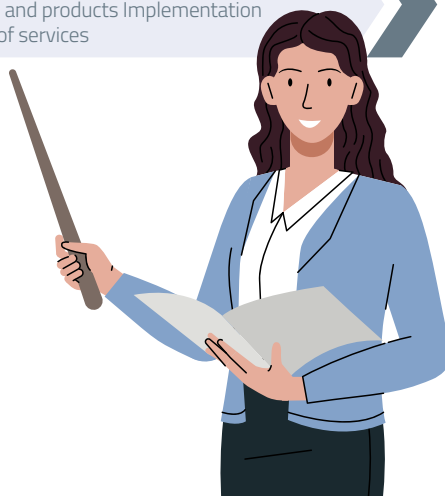
Business Process - Integrated Water Service



Business Process - Energy efficiency



Business Process - IT Services



1.4 The paths of the Strategic Plan

Acceleration of transition processes and improved safety of supplies. Development and large-scale use of green gases in the networks

Energy transition

Transforming the gas distribution network into a digital network to enhance its efficiency and resilience and permit the distribution of green gases

Digital transformation

Decarbonisation of the Group's operational activities and development of energy efficiency initiatives, also through the Group's ESCo, Geoside

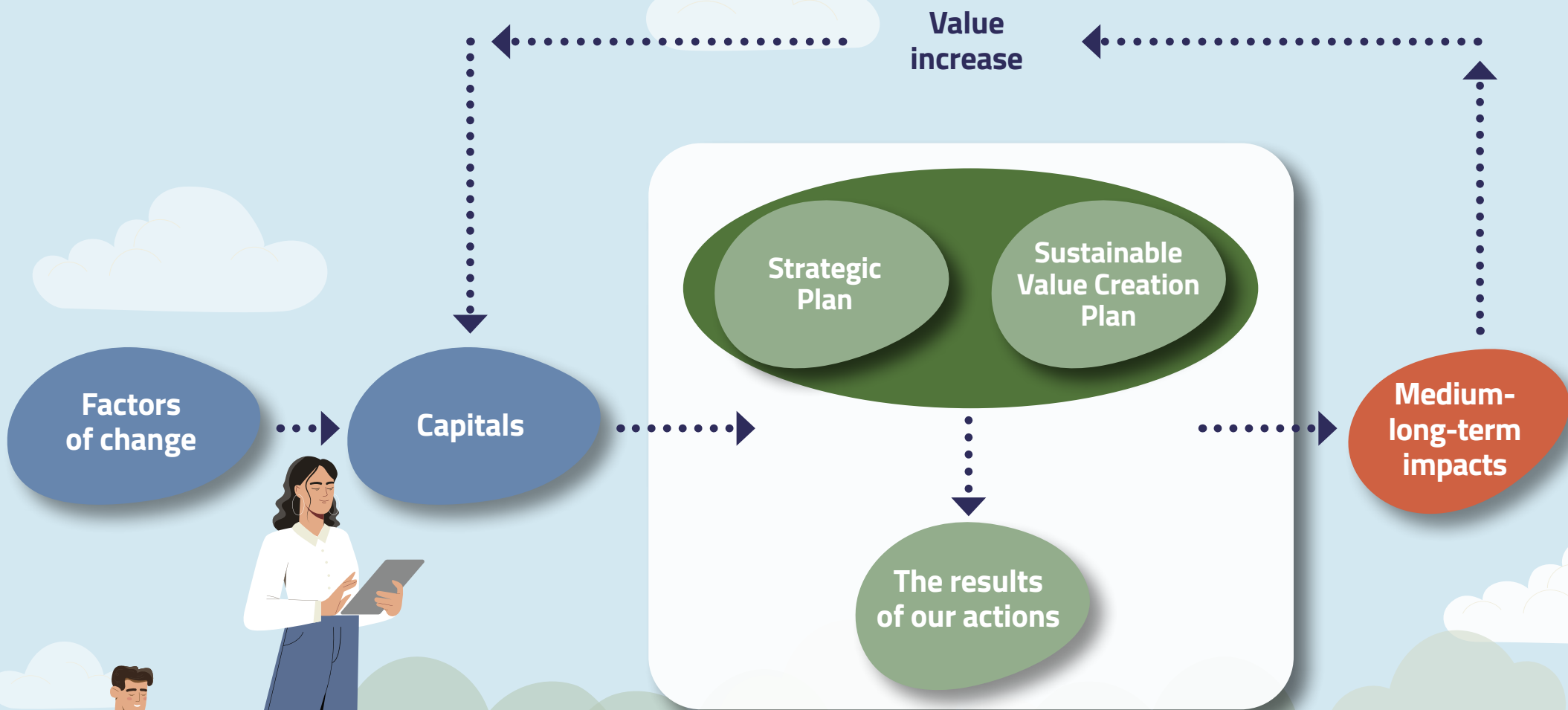
Emissions' reduction

Business expansion through acquisitions, network development, tenders to expand the service. Growth in the energy efficiency, water and digital service sectors

New opportunities



1.5 Our view on Sustainability



The factors of change and the external context affect the Capitals that every company uses to create value. Our aim is to ensure that besides creating economic value, the activities addressed by the Strategic Plan and the Sustainable Value Creation Plan can regenerate the Capitals used in the production processes. For us Sustainability is this virtuous circularity: working, together with our stakeholders, to generate positive impacts on the Capitals that constitute the wealth of the communities where we operate

1.6 The right direction

The results of our actions

- Promotion of innovation and digital transition
- Reduction of energy consumption of the Group and of third parties
- Extensiveness and digitalisation of the distribution network
- Reduced leakage from the networks
- Distribution of renewable gases and GHG emissions' reduction
- Waste reduction
- Growth of knowledge within and outside the company
- Better results through the inclusion of diversity in terms of gender, age, abilities and education
- Employee satisfaction and engagement
- Respect for human rights
- Reduced work-related accidents
- Dissemination of good Sustainability practices along the entire supply chain
- Support for the communities and the territory
- Financial solidity



Our every action produces results. Our commitment is to maximise positive results and minimise potential adverse effects by generating virtuous impacts on the tangible and intangible Capitals we use in our processes

1.7 Benefits for the future generations

Medium-long-term impacts

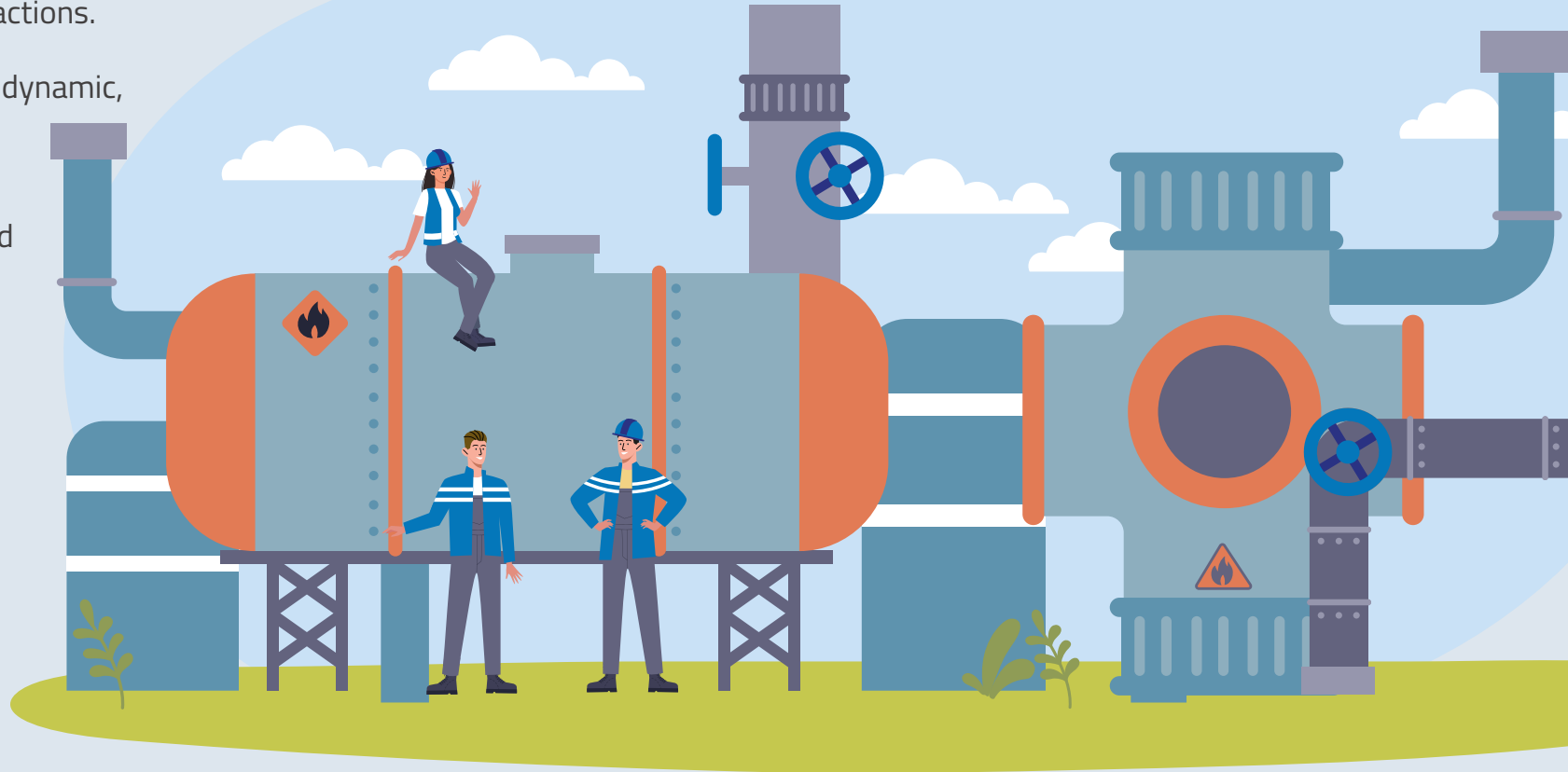
- Increased supply chain resilience through the dissemination of the best Sustainability practices
- Mitigation of environmental impacts, protection of the ecosystems, support for the circularity EU goals
- Economic development of the Country
- Energy security of the Country
- Decarbonisation of the Country
- in keeping with EU goals
- Development of a culture orientated to the promotion of equal opportunities and women's empowerment
- Energy and digital literacy of the citizens in the service of the energy transition
- Generation of shared value for the stakeholders in the territory
- Development of a corporate culture that is healthy and inclusive, based on respect for human rights and designed to ensure the wellbeing of the workers
- Digitalisation, innovation, efficiency, safety and Sustainability of gas distribution infrastructure
- Safe and efficient access to energy for all
- Promotion of innovation in the service of energy transition

The commitment we undertake is to ensure that our actions have positive impacts on a wide range of issues that contribute to define a sustainable society

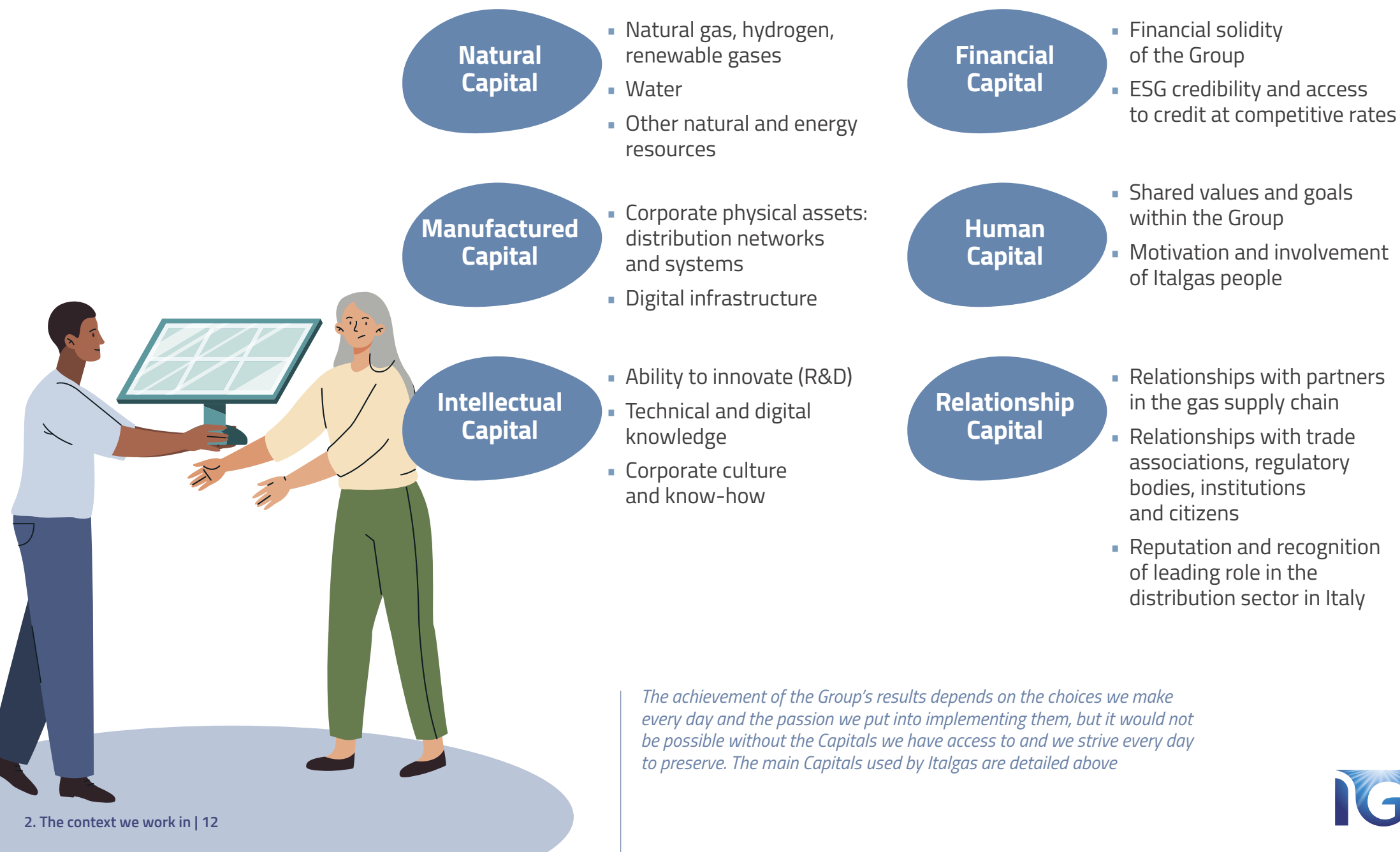
2. The context we work in

The resources existing in the context we operate in – natural, manufactured, intellectual, financial, human and relational Capitals – enable Italgas to carry out its activities. On these Capitals, together with our management skills, depends the success of our actions.

Since the external context is dynamic, evolving through rapid and often unpredictable changes that affect the Capitals to different extents, we respond to change to preserve and increase over time the value of the Capitals we use.



2.1 A responsible use of resources



2.2 The factors of change

Growing attention to renewable gases

Based on the goals defined by the European Union, the attention of the operators has focused to an ever-greater extent on renewable gases: biomethane and hydrogen will play a key role in the energy transition.

EU decarbonisation plan (Green deal)

The European Union has undertaken to reduce greenhouse gas emissions with the aim to achieve climate neutrality by 2050. This goal is the foundation of the EU energy transition Plan.

REPowerEU energy self-sufficiency plan

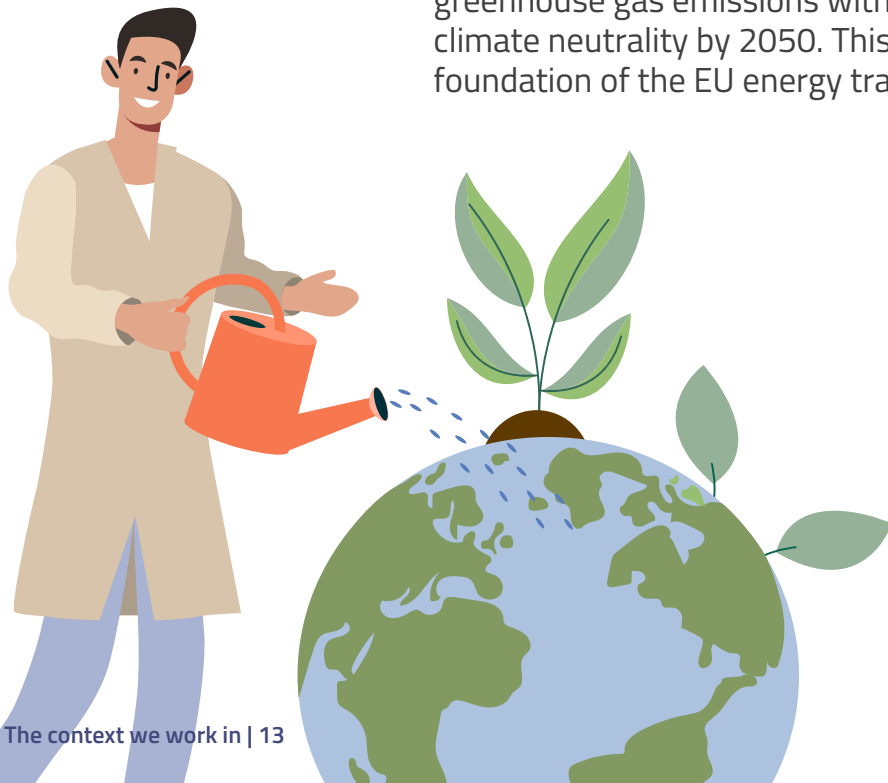
The plan provides for a series of measures to quickly reduce dependence of Russian fossil fuels and accelerate the energy transition, building up the resilience of the European energy system.

EU Circular Economy Action Plan

The package of measures adopted by the European Union aims to speed up the transition to a new economic model, reducing waste, energy use and raw materials consumption.

Criteria of access to financial Capitals

Also through the effects of political choices such as the European Taxonomy for sustainable investments, banks and investors direct funding and investments primarily to companies that are seen to integrate the principles of Sustainability into corporate goals and decisions.



2.2 The factors of change

Demand for specialised know-how

The energy transition and the evolution of digital technologies call for new, specific technical and specialised skills, not always readily available on the market.

Changing customs and diversity policies

The companies intensify their efforts to promote equal opportunities and policies ensuring diversity in management positions. At global level, legislators, investors and employees ask the companies to commit to the elimination of discrimination between workers.

Changing expectations of young workers

In recent years the way young people approach the world of work has been changing. A growing number of workers resign in search of independence and a better work-life balance. In particular, young people seek jobs characterised by values they can share, where they can express their interests and passions, and that enable them to acquire new knowledge.

Introduction of environmental and social criteria in supplier evaluation

Legislators are increasingly directing companies to extend their responsibility beyond organisational boundaries, along the entire supply chain. An example of this trend is the recent Corporate Sustainability Due Diligence Directive, whereby companies are required to undertake environmental and social due diligence processes.



2.3 Today's challenges



Growing attention to renewable gases

Italgas invests in the technological and digital transformation of the networks so that they contain and distribute biomethane and hydrogen.

EU decarbonisation plan (Green deal)

Italgas makes investments aimed at reducing its carbon footprint, also through a complete digitalisation of its distribution network.

REPowerEu energy transition acceleration plan

Italgas intensifies its investments in biomethane, hydrogen and energy efficiency.

EU Circular Economy Action Plan

Italgas reduces the waste of resources and the impact of its activities on the planet.

Changing investment evaluation criteria

Italgas relies on its ESG performance to continue to attract new funding.

Growing demand for specialised know-how

Italgas addresses this need by leveraging internal training and new hires.

Changing workers' expectations

Italgas responds to the changing expectations of candidates and workers by striving to be attractive and secure the best talents.

Changing customs and diversity policies

Italgas looks to the best practices and invests in the dissemination of technical skills among women.

Environmental and social criteria in supplier evaluation

Italgas introduces specific Sustainability criteria in procurement processes, leveraging its purchasing power.

Impact on
Capitals

Financial Capital
Intellectual Capital
Manufactured Capital
Natural Capital

Financial Capital

Human Capital
Intellectual Capital
Relationship Capital

Financial Capital
Relationship Capital



3. The Sustainable Value Creation Plan (2022-2028)

To be consistent with the intention to preserve and develop the Capitals we use in our corporate processes, we have structured our Sustainable Value Creation Plan starting from three pillars: the Planet, the People, the Partnerships.

To each of these pillars correspond three precise lines of action with clear commitments and measurable targets*. Such lines of actions are expected to have a medium - long-term impact that will make it possible to enrich the Capitals involved.

** The targets refer to the perimeter of the societies of the Group fully consolidated in 2021 and therefore do not take into account possible changes following ATEM tenders, M&A operations and Depa Infrastructure*



3.1 Italgas for the future of the planet

As natural gas distributors we are called upon to meet the energy needs of our nearly eight million users in a sustainable manner. This is why we are committed to the continual improvement of our infrastructure, with the aim to digitalise it so that Italgas can become an enabler of the energy transition.

This process is carried out in particular through the digitalisation of the networks, to make them suitable to contain and distribute biomethane and hydrogen, and by extending the networks to areas using higher emission sources.

In the water sector too, the technological and digital modernization of infrastructure allows a more efficient management of such a valuable resource, also improving the quality of the service offered.

By building up the activities of the ESCo, Geoside , and by reducing the Group's energy consumption and emissions, Italgas aims to strengthen its role as an active player in the fight against climate change.

Italgas is also committed to protecting the ecosystems where it operates and promoting a circular economy.





We count on digitalisation to bring about the energy transition and the decarbonization

ACTIONS

Repurposing the network to increase its flexibility and ensure the necessary connections for the distribution of biomethane and hydrogen

Extending the network to non-methanised territories

TARGETS

- 100% network ready to accommodate hydrogen by 2028
 - 100% digitised network by 2024
-
- 100,000 new users connected to the extensions of Group’s natural gas distribution networks by 2028, in areas currently not methanised, thus replacing more polluting sources, allowing sector coupling and reducing costs for customers

MEDIUM- LONG-TERM IMPACTS

- Economic development of the Country
 - Decarbonisation of the Country in accordance EU goals
 - Digitalisation, innovation, efficiency, safety and Sustainability of gas distribution infrastructure
-
- Economic development of the Country
 - Decarbonisation of the Country in accordance EU goals
 - Digitalisation, innovation, efficiency, safety and Sustainability of gas distribution infrastructure
 - Safe and efficient access to energy for all



We contribute to the fight against climate change

ACTIONS

TARGETS

MEDIUM- LONG-TERM IMPACTS

Enhancing the activities of ESCo Geoside

- 280,000 MWh saved by ESCo customers, corresponding to about 62,000 tons of CO₂, thanks to energy efficiency interventions implemented between 2022 and 2028

- Decarbonisation of the Country in accordance with the EU goals

Reducing the Group's energy consumption and greenhouse gas emissions

- -34% Scope 1 and 2* emissions by 2028, -42% by 2030 (baseline 2020), Net Zero Carbon by 2050
- -27% Net energy consumption by 2028, -30% by 2030 (baseline 2020)
- -25% Gas leakage rate ** by 2028 (baseline 2020)

- Digitalisation, innovation, efficiency, safety and Sustainability of gas distribution infrastructure
- Decarbonisation of the Country in accordance with the EU goals
- Energy security for the Country

Reducing the GHG emissions from the Group's value chain

- -30% Scope 3 emissions by 2028 (baseline 2020)

- Decarbonisation of the Country in accordance with the EU goals



* Market based

** Volume of fugitive emissions of natural gas / volume of gas distributed

We protect the ecosystems and promote a circular economy

ACTIONS

Introducing ecodesign principles in smart meter production

Reducing the amount of waste sent on for disposal

Managing and mitigating the impact of the Group on the ecosystems

TARGETS

- 50% of all active smart meters designed according to «Design for environment» criteria in lieu of GPRS meters by 2028

- 100% of the waste produced annually by the Group sent on for recovery by 2028
- 93% of the waste produced annually by contractors of the Group sent on for recovery by 2028

- Realisation by 2024 of an integrated model for the evaluation, management and monitoring of the impacts of Group activities on the ecosystems

MEDIUM- LONG-TERM IMPACTS

- Mitigation of environmental impacts, protection of the ecosystems, support for the circularity EU goals

- Mitigation of environmental impacts, protection of the ecosystems, support for the circularity EU goals

- Mitigation of environmental impacts, protection of the ecosystems, support for the circularity EU goals



3.2 Italgas for the future of people

We view people as our most important asset. This is why we are actively engaged in improving the quality of life of our customers, by providing safe and reliable services, and the quality of life of our employees and collaborators, by promoting rigorous health, safety and wellbeing policies, protecting human rights, valorising and supporting diversity, inclusion and equal opportunities.

Since digitalisation is a key factor in our strategy, we are committed to disseminating skills among the people, both within and outside the Group.

Italgas also works to increase the energy security of the Country, making it possible to reduce energy dependence on foreign sources.





We improve the quality of life and ensure the safety of employees, citizens and the national energy system

ACTIONS	TARGETS	LONG-TERM IMPACTS
Providing the citizens with high quality, dependable and safe services	<ul style="list-style-type: none">90% compliance with the 10-day and 100% compliance with the 20-day time limit to complete procedures within Italgas’ remit, from request for a quotation to activation of the supply to the end-customer by 2028*More than 100% of the networks undergoing annual inspections under the gas dispersion search programme (target value for each year), and 200% by 2028**98% of interventions with Emergency Response arrival at site within 60 minutes (target value for each year)***	<ul style="list-style-type: none">Safe and efficient access to energy for all
Promoting the health, safety and wellbeing of employees and collaborators	<ul style="list-style-type: none">Maintain the work-related accident rate**** of employees and contract workers below 2 (target value for each year)>90% of employees benefiting from corporate welfare services by 2028>85% net promoter score for employee engagement (degree of satisfaction with working for the Group) by 2028	<ul style="list-style-type: none">Development of a corporate culture that is healthy and inclusive, based on respect for human rights and designed to ensure the wellbeing of the workers
Promoting the diversification of national energy supply	<ul style="list-style-type: none">400 biomethane production plants, built by third parties, connected to the distribution network by 2028200 tons of green hydrogen produced and distributed in the Group’s P2G pilot plant in Sardinia by 2028, demonstrating the validity of the solution for industrial and residential transport and use	<ul style="list-style-type: none">Energy security for the CountryDecarbonisation of the Country in accordance with EU goals



* Target applies solely to interventions to be performed by the distributor that do not call for network extensions

** ARERA target: the distributor company is required to comply with the service obligations undertaken in terms of inspection frequency, corresponding to 100% in the 3 mobile years for high and medium pressure networks and 100% in the 4 mobile years for low pressure networks

*** ARERA target: > 90%

**** Number of accidents recorded/million hours worked



We develop the skills of the future

ACTIONS

Promoting the dissemination of digital skills for the energy sector outside the organization

Developing digital skills and repositioning skills towards higher value-added activities

TARGETS

- 18,000 persons engaged in external training activities dedicated to the energy transition by 2028
- 48 hours of training per year per employee, with a focus on digital training, by 2028
- Creation of an Academy that can promote upskilling and long-life learning by 2023

LONG-TERM IMPACTS

- Energy and digital literacy of the citizens in the service of the energy transition
- Energy and digital literacy of the citizens in the service of the energy transition



We valorise diversity and support equal opportunities and inclusion

ACTIONS

Promoting female leadership and ensuring a workplace that offers equal opportunities, also in terms of remuneration

Investing on the future of women, also by supporting the dissemination of STEM skills among the female population

Monitoring respect for human rights

TARGETS

- 27% of women in managerial roles by 2028
- Annual implementation of projects and involvement of the employees on diversity and inclusion issues

- Organisation of annual recruiting activities dedicated to women who have undertaken a STEM education pathway

- Annual due diligence audits on respect for human rights, applied to the Group’s operational activities and suppliers

LONG-TERM IMPACTS

- Development of a culture orientated to the promotion of equal opportunities and women’s empowerment

- Energy and digital literacy of the citizens in the service of the energy transition

- Development of a corporate culture that is healthy and inclusive, based on respect for human rights and designed to ensure the wellbeing of the workers



3.3 Italgas for a sustainable future together

Italgas adopts an approach inspired by Partnership for the Goal (SDG 17) criteria, promoting an ongoing search for innovative solutions for the energy transition and, in general, a culture of innovation within and outside the Group.

We disseminate good practices along our supply chain, to ensure compliance with Sustainability principles.

We want to take care of the territory, supporting employment levels and the local economy, and developing and supporting projects that reflect the identity and the values of the Group.





We promote innovation and dialogue through partnerships

ACTIONS

TARGETS

LONG-TERM IMPACTS

Promoting the culture of innovation

- 3,000 innovative MSEs and start-ups evaluated for collaboration by 2028, also through advisors, incubators and university scouting in Europe, USA and Asia

- Promotion of innovation in the service of energy transition
- Digitalisation, innovation, efficiency, safety and Sustainability of gas distribution infrastructure

Developing innovative solutions that will promote the energy transition

- 45 solutions to support the energy transition adopted or developed with innovative start-ups or MSEs by 2028
- 75% of the digital projects realised for the Group and the market having a major impact on Sustainability in 2028
- Transformation of the measurement laboratory into a centre of excellence in the search for applications that can promote the energy transition by 2024

- Promotion of innovation in the service of energy transition
- Digitalisation, innovation, efficiency, safety and Sustainability of gas distribution infrastructure

Contributing to the debate on the role of gas in the energy transition

- Active participation in national and international associations for gas advocacy and the energy transition

- Promotion of innovation in the service of energy transition



We encourage the adoption of Sustainability principles in the supply chain

ACTIONS

Disseminating the culture of Sustainability along the supply chain

Integrating Sustainability criteria in supplier qualification, evaluation and selection processes

TARGETS

- 100% of the suppliers posing high Sustainability risks* involved and trained in ESG issues by 2024

- 100% of the suppliers posing high Sustainability risks* subject to ESG audits (including respect for human rights) by 2028
- Introduction of additional Sustainability criteria rewarding the suppliers at the tendering stage by 2023

LONG-TERM IMPACTS

- Increased resilience of the supply chain through the dissemination of the best Sustainability practices
- Increased resilience of the supply chain through the dissemination of the best Sustainability practices



** Suppliers of strategic importance to the core business of the Group at risk of non-compliance with their contractual obligations concerning Sustainability-related issues*

We take care of the territory

ACTIONS

Supporting employment levels and the economy of the municipalities where we operate

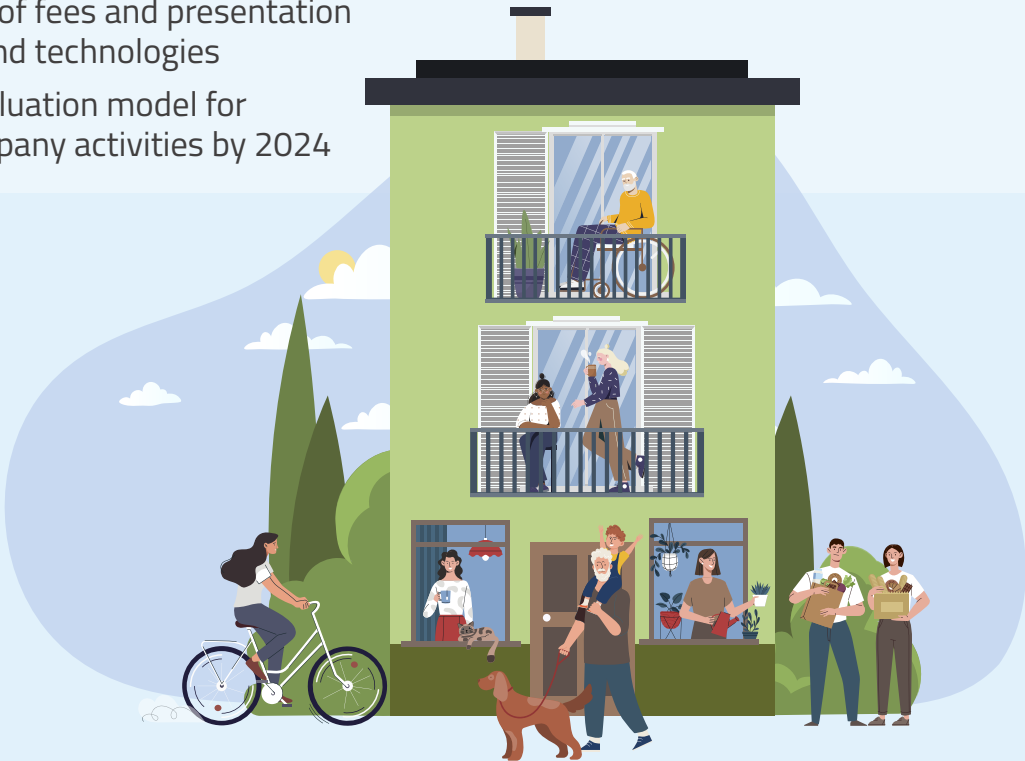
Developing projects associated with the identity and business model of the Group that can valorise the territories

TARGETS

- +40% network works suppliers in the territory selected from among the MSEs by 2028 (base 2022)
- Consolidating a growth path for SME suppliers through training, joint technological development, access to new geographical areas by 2023
- 60% of the mayors of municipalities with service contracts or concessions met annually, for: monitoring commitments made, network extension requests, payment of fees and presentation of new initiatives and technologies
- Definition of an evaluation model for the impacts of company activities by 2024

LONG-TERM IMPACTS

- Generation of shared value for the stakeholders in the territory
- Generation of shared value for the stakeholders in the territory



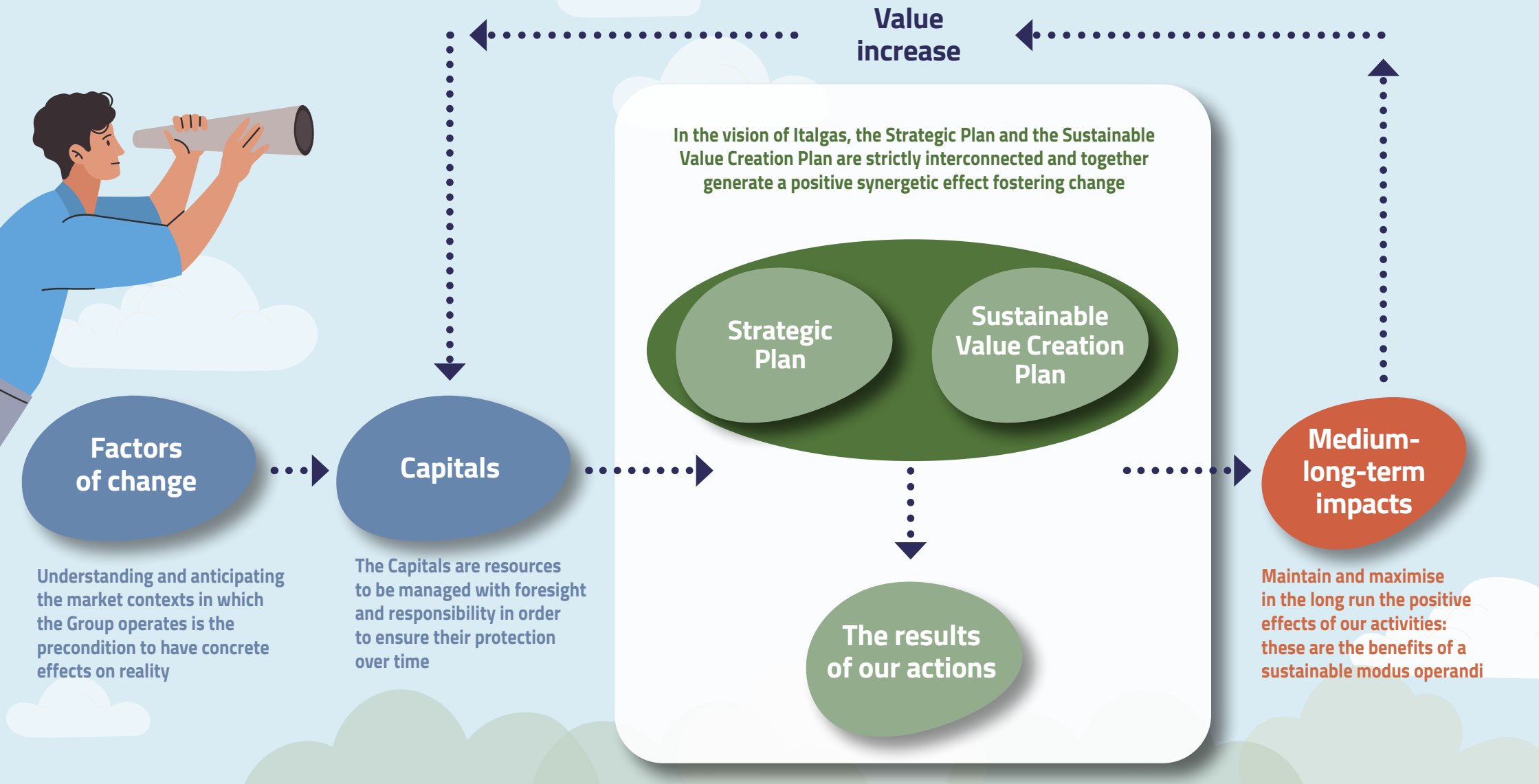
4. Impact on the Capitals

Our ambition is to become players in processes that contribute to creating a better future. This is the reason why we view the Capitals available to us as resources to be preserved, as fruits to take care of.

The medium- long-term impacts of our activities will enrich the Capitals affected, handing down a better tomorrow to future generations.



4.1 A forward-looking model



4.2 Awareness of value



Medium- long-term impacts of our activities



- Decarbonisation of the Country in accordance with EU goals
- Mitigation of environmental impacts, protection of the ecosystems, support for the EU circularity goals



Natural Capital



- Digitalisation, innovation, efficiency, safety and Sustainability of the gas distribution infrastructure
- Promotion of innovation in the service of energy transition
- Energy security of the Country
- Safe and efficient access to energy for all



Manufactured Capital



- Digitalisation, innovation, efficiency, safety and Sustainability of the gas distribution infrastructure
- Promotion of innovation in the service of energy transition
- Energy security of the Country
- Contribution to the energy and digital literacy of the Country



Intellectual Capital

We work to ensure that the medium - long-term impacts generated by our activities preserve and increase the Capitals: this is our notion of Sustainability

4.2 Awareness of value

2

Medium- long-term impacts of our activities



- Energy security of the Country
- Safe and efficient access to energy for all
- Economic development of the Country
- Enhanced resilience of the supply chain through the dissemination of the best Sustainability practices
- Generation of shared value for the stakeholders in the territory



**Financial
Capital**



- Contribution to the energy and digital literacy of the Country
- Development of a corporate culture that is healthy and inclusive, based on respect for human rights and designed to ensure the wellbeing of the workers
- Development of a culture orientated to the promotion of equal opportunities and women's empowerment



**Human
Capital**



- Digitalisation, innovation, efficiency, safety and Sustainability of the gas distribution infrastructure
- Promotion of innovation in the service of energy transition
- Decarbonisation of the Country in keeping with EU goals
- Safe and efficient access to energy for all
- Contribution to the energy and digital literacy of the Country
- Economic development of the Country
- Enhanced resilience of the supply chain through the dissemination of the best Sustainability practices
- Generation of shared value for the stakeholders in the territory



**Relationship
Capital**

4.3 A concrete promise



Builders of the future

for the future of the PLANET

Digitalise to bring about
the energy transition and
decarbonisation

Contribute to the fight
against climate change

Protect the ecosystems
and promote a circular
economy



for the future of PEOPLE

Improve the quality of life and
ensure the safety of employees,
citizens and the national
energy system

Develop and disseminate
the skills of the future

Valorise diversity and support
equal opportunities and inclusion



for a sustainable future TOGETHER

Promote innovation
and dialogue through
partnerships

Promote the principles
of Sustainability in
the supply chain

Take care of
the territory





Learn more at
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