Italgas Procurement Strategy

Sustainable Procurement Strategy

1. Introduction and objective

Italgas Procurement operates as a strategic function supporting the Group's industrial, economic, environmental and social objectives. The strategy focuses on creating sustainable value throughout the supply chain by integrating ESG principles into supplier sourcing, qualification, assessment, management and development processes.

For the Group, Sustainable Procurement means the ability to influence our supply chain so that it evolves and grows around shared objectives and targets. From the outset, this principle has made it possible to clearly communicate to the supply chain, starting with the Italgas supplier portal, the requirements, strategy and values expected of the Group's suppliers, and to share the Group's vision with a clear growth objective.

This document describes the model through which Procurement integrates and develops these principles in purchasing policies, processes and decisions, taking into account economic competitiveness, environmental sustainability, social responsibility, ethics, compliance, innovation and supply chain resilience.

2. Vision

To be an innovative, sustainable and data-driven Procurement function, capable of generating shared value for Italgas, its stakeholders and the entire supply chain ecosystem, contributing to the achievement of the Group's industrial and sustainability objectives, and investing in training for its team and its suppliers of goods, materials, services and works.

3. Guiding principles

Procurement activities are based on the following principles:

- **Transparency and Integrity** - Ensure transparent, traceable purchasing processes that comply with applicable regulations;
- **Environmental Protection** - Take environmental impacts into account in purchasing decisions and supplier management processes;

- **Partnership and Collaboration** - Develop long-term relationships with strategic suppliers, investing in training and monitored growth program, and providing tools shared with internal stakeholders;
- **Continuous Innovation** - Encourage the adoption of innovative technologies, digitalization and the energy transition, supporting skills re-skilling and up-skilling across the value chain where necessary;
- **Risk Management and Workplace Safety** - Safeguard supply chain continuity and the operational resilience of the value chain, fostering a culture of physical, information and cyber security that promotes responsible behavior among all workers in the supply chain;
- **Skills Development** - Invest in people's professional growth and the dissemination of a sustainable Procurement culture, also supporting internal and external training, re-skilling and up-skilling program.

4. Italgas Procurement Strategic Pillars

4.1 Innovation, Digitalization & Artificial Intelligence

Procurement promotes innovation as a driver of competitiveness and sustainability.

The main objectives are:

- end-to-end digitalization of purchasing processes;
- use of advanced e-Procurement tools;
- development of Procurement Analytics;
- use of Artificial Intelligence and AI agents in selected processes, with a *human-in-the-loop* approach, to optimize lead times and consequently service levels for internal stakeholders;
- continuous improvement of data quality;
- collaboration with startups and innovative SMEs.

4.2 Compliance & Vendor Management 360°

Procurement ensures comprehensive and structured management of the supplier lifecycle.

The **Vendor Management 360°** model developed by the Procurement team over the years aims to monitor the performance of the Group's suppliers across several areas. The areas covered by the Vendor Management assessment include:

- economic and financial assessment;
- operational assessment;
- ESG assessment;
- reputational and compliance monitoring;
- HSE and quality assessments;
- cybersecurity assessment.

The model helps ensure supply chain reliability, regulatory compliance and continuous improvement. Alongside monitoring, periodic audits are carried out by Procurement itself or in collaboration with other corporate functions (such as HSE) and third parties to define and monitor the development of the Group's suppliers through shared improvement and growth plans.

4.3 Business Continuity & Supply Chain Resilience

Procurement manages risks throughout the supply chain through:

- monitoring of strategic and critical materials;
- supply chain risk analysis;
- advance qualification of alternative suppliers;
- diversification of sourcing options;
- international scouting;
- continuous monitoring of markets and trends in key cost drivers.

The objective is to ensure operational continuity and security of supply by monitoring key market drivers and macroeconomic trends that may affect supply chains.

4.4 Cost Control, Synergies & Complexity Management

Procurement generates economic value through the following levers:

- Total Cost of Ownership (TCO), working in synergy with internal stakeholders to optimize not only external costs but also costs from a total-cost perspective;

- consolidation of requirements, leveraging economies of scale;
- consolidation of Group synergies, identifying best practices and scaling optimal solutions;
- segmentation of purchasing categories for more precise and targeted purchasing, involving leading suppliers in the various business sectors;
- optimization of materials and warehouse management;
- advanced negotiation strategies;
- management of supply chain complexity.

4.5 Sustainable Value Creation

Sustainability is a central element of Italgas's Procurement strategy, serving as a driver of supply chain growth. The main areas of action for supplier engagement include criteria relating to monitoring climate and environmental impacts and reducing the carbon footprint and energy consumption, developing communities and employees, and fostering enlightened governance that continuously evolves in line with the Italgas Group's principles. Italgas Procurement aims to monitor the entire value chain. The action levers are defined as follows:

Environmental Lever (Environment)

- monitoring of emissions (Scope 3);
- waste management and monitoring of the chain of recovery facilities;
- support for the local business ecosystem and enterprises with a high social impact.

Social Lever (Social)

- promotion of diversity, equity and inclusion;
- protection of health and safety throughout the supply chain;
- SME development and training program (e.g. "Capacity Building");
- support for the local business ecosystem and enterprises with a high social impact.

Governance Lever (Governance)

- monitoring of ethical and reputational requirements;

- legality rating;
- corruption prevention through training activities and supply chain engagement;
- cybersecurity and information security requirements, through continuous alignment with corporate principles and regulations.

4.6 People & Procurement Excellence

People are a fundamental enabler. Italgas Procurement, in collaboration with HR and external partners (universities or accredited institutions), promotes continuous skills development, ensuring up-skilling or re-skilling where necessary. The tools used include specialist training on topics such as negotiation skills, sustainability culture, management development and talent development, as well as ongoing collaboration with internal stakeholders.

5. ESG integration into the Procurement process

ESG criteria are used at different stages of the Procurement process as a lever for selecting and rewarding suppliers and defining the technical content of tenders. The levers used by the Procurement team are defined as follows:

- ESG award criteria in tenders and related contractual clauses.
- Requests for environmental, energy, social and governance disclosures, and consideration of these disclosures when choosing vendors during strategy development.
- Checks on ISO certifications, legality ratings, HSE/ESG audits and reputational requirements.
- Measurement of Scope 3 emissions and monitoring of trends during contract performance.

6. Governance and monitoring

Procurement ensures periodic monitoring of the strategy through economic and service-level indicators relating specifically to the Procurement process, as well as supplier-related indicators covering operational performance, sustainability performance, measurement of the impact of suppliers' growth, and warehouse management. Procurement oversees

contract execution to support internal stakeholders in applying contractual clauses, enabling shared supplier management.

7. Principles and Levers for Sustainable Procurement

The identified principles and levers, consistent with the Group's Strategy, enable Italgas Procurement to connect the pillars with the strategy itself. The Italgas Group also promotes innovation as an enabler of sustainability.

Principle / lever	Related pillars	Application in Italgas's strategy
Accountability	Sustainable Value Creation; Compliance & Vendor Management 360°; Business Continuity & Resilience	Management of the supply chain's economic, social and environmental impacts through monitoring, audits and improvement plans.
Transparency	Digitalization & AI; Compliance & Vendor Management 360°; Cost Control & Synergies	Traceability of purchasing decisions, clear qualification and tender criteria, and use of platforms and data for monitoring. Management of internal KPIs.
Ethical Behaviour	Compliance & Vendor Management 360°; Sustainable Value Creation Plan	Oversight of legality, integrity, anti-corruption, reputation and fairness in supplier relationships. Publicly available and regularly updated Code of Ethics and Supplier Regulations.
Respect for Stakeholder Interests	Sustainable Value Creation Plan; People & Procurement Excellence; Partnerships with strategic suppliers	Engagement of internal stakeholders, strategic suppliers, SMEs and the supply chain in development and sustainability programmes through workshops, webinars, supplier conferences and capacity-building projects.
Respect for the Rule of Law	Compliance & Vendor Management 360°; Business Continuity & Resilience	Application of current regulations, competition principles and corporate procedures, using internal tools for supply chain reputational due diligence.
International Norms of Behaviour	Sustainable Value Creation Plan; Compliance & Vendor Management 360°	Promotion of international standards and certifications covering the environment, energy, safety, quality, governance and social responsibility. Requirements included during qualification and as award criteria in tenders.
Human Rights	Sustainable Value Creation Plan; Vendor Management 360°	Focus on working conditions, health and safety, equal opportunities, inclusion and social requirements in the supply chain.
Innovative Solutions - enabling lever	Innovation, Digitalization & AI; International scouting; People & Excellence	Adoption of digital solutions, analytics, AI and scouting for new technologies to improve process effectiveness and sustainability.

8. Italgas's commitment and continuous improvement

Through this strategy, Italgas confirms its commitment to promoting sustainable, responsible and innovative Procurement, capable of creating lasting value for the Group, communities, suppliers and stakeholders. The strategy is reviewed periodically on the basis of measured performance, regulatory developments, ESG priorities and the Group's industrial needs.