

3 | Governance, risks and opportunities

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3.1 Governance

Italgas has adopted the so-called traditional administration and control system, which envisages the presence of the Board of Directors (BoD) and Board of Statutory Auditors, in office for three financial years, as well as the Shareholders' Meeting and the Independent auditing firm. The planning, management and control rules and methodologies forming the corporate governance system are defined by the Board of Directors in compliance with the provisions of the civil code and the Unbundling Regulations, using national and international best practices as a reference, in compliance with the legislation to which the Company is subject as listed Issuer as well as with the Corporate Governance Code published by the Corporate Governance Committee on 31 January 2020 (the "Corporate Governance Code"), which applies from 1 January 2021 and to which the Company adhered, under the terms set forth in the Corporate Governance Code, last 18 December 2020¹⁶.

This system is founded on certain basic principles, such as fair and transparent management of business choices, also ensured by identifying the information flows between corporate bodies and the efficient definition of the internal control and risk management system.

The Corporate Governance Code, adapting to the evolution of international best practices, places growing attention on sustainability, inviting the Board to guide the company by pursuing "sustainable success", creating long-term value for shareholders while considering the interests of stakeholders, rather than shareholders, who have a significant role in guaranteeing sustainability over time on the market the company operates in.

Therefore, the Corporate Governance Code gives the administrative body the responsibility of integrating sustainability objectives into the definition of the strategies and business plan, the internal control and risk management system and remuneration policies. The same Rules for the functioning and organisation of the Board of Directors, moreover, specify that the Board shall guide the Company, pursuing the objective of creating value in the long-term, to the benefit of shareholders, taking into account the interests of the other relevant Company stakeholders. From this standpoint, the Board defines the strategies of the Company and of the Group in line with the pursuit of Sustainable Success and monitors its implementation.

Shareholders' Meeting

The Shareholders' meeting represents all shareholders and is Italgas' decision-making body responsible, among other things, for the task, in ordinary and extraordinary session, of appointing the members of the Board of Directors and Board of Statutory Auditors and establishing the related fees, appointing the Independent Auditors, approving the financial statements, including allocation of profits, and resolving on the purchase of treasury shares, amendments to the Bylaws and the issue of convertible bonds.

For more information on the functions of the Shareholders' meeting, please refer to the Report on the Corporate Governance and Ownership Structure of Italgas for the 2021 financial year ("Corporate Governance and Ownership Structure Report"), drawn up pursuant to Article 123-bis of Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Finance").

Board of Directors

Italgas' Board of Directors 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 Bylaws, are reserved for the Shareholders' meeting.

In accordance with the provisions of its Bylaws, the Company is administered by a Board of Directors made up of 9 members. All the Italgas directors 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. The composition of the Board of Directors 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 issue, in 2018, the Group prepared a "Diversity of corporate bodies policy", a specific document summarising these policies (as well as their

¹⁶ As indicated in the New Code (see "Introduction"), "the companies adopting the New Code will apply it from the first financial year starting after 31 December 2020, advising the market of the fact in the corporate governance reports to be published in 2022".

objectives and methods of implementation). This was approved by the company's Board of Directors on 24 January 2019 and has been updated at the proposal of the Appointments and Compensation Committee, with Board of Directors' resolution of 25 January 2021, in order to bring it into line with the Corporate Governance Code.

In particular, with regard to the 2021 financial year, the Board of Directors is made up as follows¹⁷:

- | three Directors of the less represented gender, equal to one third of the total composition, in compliance with gender balance requirements;¹⁸
- | six directors, including the Chairman, qualified as independent on the basis of both the requirements of independence of the CLF (Article 147-ter, subsection 4 and 148, subsection 3 of the CLF), and of the Corporate Governance Code (Article 2).

The Board is characterised by the age structure diversity of its members, considering that the Board directors are aged between 42 and 67, and by diversity of geographical origin and experiences, including those abroad.

The educational and professional profiles of the Board directors in office (lawyers, engineers, economists, university professors) guarantee a balanced distribution of experience and expertise within the corporate body suitable to ensure that the functions are performed correctly.

Considering that the Company had already adapted to the New Corporate Governance Code recommendations on the matter, based on the statements issued by those concerned, on 10 March 2021 it was ascertained that: (i) the existence of the independence requirements pursuant to the CLF and the Corporate Governance Code as at 31 December 2020 and (ii) the existence of the independence requirements pursuant to the CLF and the New Corporate Governance Code as at 10 March 2021, also taking into account the quantitative and qualitative criteria applied to assess independence, as approved by the Board of Directors on 24 February 2021. In this regard, it is noted that at 10 March 2021, the Chairman was also independent, both in accordance with the CLF and in accordance with the Corporate Governance Code, as none of the circumstances described under Recommendation 7 of the Corporate Governance Code applied.

Lastly, the verification on the existence of independence requirements pursuant to the CLF and Corporate Governance Code was carried out on 09 March 2022, after which the six non-executive directors specified above were found to be independent.

405-1 Diversity of governance bodies and employees Breakdown of the Governance Bodies (Italgas S.p.A. Board of Directors) by gender and age group

	u.o.m.	Men		Women	
		30-50	>50	30-50	>50
2019	n.	3	3	1	2
2020	n.	3	3	1	2
2021	n.	3	3	1	2

¹⁷ Following the resignation tendered by Mr Yunpeng He on 11 January 2022, with effect from the date on which his replacement was to be appointed, on 27 January 2022, the Board of Directors appointed through cooptation, Mr Qinjing Shen as non-executive, non-independent director of the Company who, therefore, is in office at the date this Report is approved.

¹⁸ The Board includes three Directors of the less represented gender, equal to one third of the total composition. The composition of the Board of Directors therefore complies with the legislation on gender balance, which was already being applied in advance on a voluntary basis at the time the company was listed and to a greater extent than legally required for the first renewal following listing (1/3 instead of 1/5 as required for the first renewal). Budget law no. 160/2019, in force since 1 January 2020, established that the least represented gender must constitute at least two-fifths of the elected members, instead of the previous quota of one-third. The new distribution criterion of at least two-fifths applies from the first renewal of the administrative body following the date of entry into force of the law and, therefore, on the occasion of the next renewal of the Board of Directors (and the Board of Statutory Auditors), scheduled for the Shareholders' Meeting to approve the financial statements at 31 December 2021.

During the 2021 financial year, the Board of Directors met fifteen times and the rate of Director participation in the meetings was close to 100%.

For more information on the Board of Directors, please refer to the Corporate Governance and Ownership Structure Report.

In compliance with the company Bylaws, the Board of Direc-

tors set up three internal committees: the **Control, Risk and Related Party Transactions Committee**, set up on 4 August 2016, the **Sustainability Committee**, set up on 4 August 2016, and the **Appointments and Compensation Committee**, set up on 23 October 2017 following the merging of the Appointments Committee and Compensation Committee set up on 4 August 2016.

The composition and functions of the Board Committees



Control, Risk and Related Party Transactions Committee

It consists of three independent, non-executive directors.

It provides proposals and advice to the Board of Directors regarding the Internal Control System, risk management and the periodic financial and non-financial reports.



On 18 December 2020, the Board of Directors approved the new regulations of the Control, Risk and Related Party Transactions Committee, which will be effective from 1 January 2021. The regulations assign the Committee tasks and functions updated in line with the Recommendations of the Corporate Governance Code, including responsibilities for non-financial reporting¹⁹. Please therefore refer to these Regulations for details of the tasks and duties assigned to the committee.



Appointments and Compensation Committee

The Committee is composed of three non-executive directors, two of whom are independent.

It provides proposals and advice to the Board of Directors regarding the appointment of directors, their remuneration and that of general managers, statutory auditors and executives with strategic responsibilities.



On 18 December 2020, the Board of Directors approved the new regulations of the Appointments and Compensation Committee, which will be effective from 1 January 2021, in which the tasks and functions of the Committee have been supplemented in line with the Recommendations of the Corporate Governance Code²⁰. Please therefore refer to these Regulations for details of the tasks and duties assigned to the Committee.

¹⁹ The Regulation of the Control, Risk and Related Party Transactions Committee can be consulted on the Company's website (https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Controllo-e-Rischi-e-Operazioni-con-Parti-Correlate.pdf).

²⁰ The Appointments and Compensation Committee Regulations can be consulted on the Company's website: (https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Nomine-e-Remunerazione.pdf).



Sustainability Committee

The Committee is composed of three non-executive directors, of which two are independent ²¹.

It provides proposals and advice to the Board of Directors regarding the processes and activities which contribute to the company's sustainable development along the value chain, aimed at pursuing sustainable success and for periodic non-financial reports, coordinating with the Control, Risk and Related Party Transactions Committee for evaluation by this committee of the suitability of the periodic, financial and non-financial reporting.



On 18 December 2020, the Board of Directors approved the new regulations of the Sustainability Committee, which will be effective from 1 January 2021. The regulations assign the Committee tasks and functions updated in line with the Recommendations of the Corporate Governance Code and the sustainability activities carried out by the Company ²². Please therefore refer to these Regulations for details of the tasks and duties assigned to the Committee.

Italgas also has a Sustainability unit within the External Relations and Sustainability Department. The Sustainability unit is responsible for sustainability processes and coordinates the contribution of each company department involved in the various issues.

For more information on the Control, Risk and Related Party Transactions Committee, the Appointments and Compensation Committee and the Sustainability Committee, please refer to the Corporate Governance and Ownership Structure Report.



The Board of Statutory Auditors

The Board of Statutory Auditors supervises compliance with the law and the Articles of Association, respect for the principles of correct administration in carrying out corporate activities, the adequacy of the organisational structure for aspects of responsibility, of the system of internal control and accounting system as well as the reliability of the latter in correctly representing transactions, and how to implement the corporate governance rules provided under the Corporate Governance Code.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 4 April 2019 for a term of three financial years and in any event until the date of the Shareholders' Meeting called in 2022 to approve the financial statements for 2021.

The Board of Statutory Auditors is made up of five members, three of whom standing auditors and two alternate, in connection with whom, it is specified that: (i) one Standing Auditor and one Alternate Auditor belong to the least represented gender ²³; (ii) without prejudice to the professional requirements provided for by law, the training and professional background of the members of the Board of Statutory Auditors currently in office guarantees the appropriate skills to ensure the proper performance of their duties.

²¹ Following the resignation tendered by Mr Yunpeng He, on 27 January 2022 the Board of Directors also appointed Mr Qinjing Shen member of the Sustainability Committee, who was thus a member of said Committee on the date on which this Report was approved.

²² The Sustainability Committee Regulations can be consulted on the Company's website (https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Sostenibilita.pdf).

²³ The same considerations set forth for the Board of Directors also apply to the gender balance of the Board of Statutory Auditors.

For more information on the Board of Statutory Auditors, please refer to the Corporate Governance and Ownership Structure Report.

Independent Auditors

External auditing is entrusted in accordance with the law to an independent auditing firm entered in the relevant register and appointed by the Shareholders' Meeting on the reasoned proposal of the Board of Statutory Auditors.

At the Shareholders' Meeting of 12 May 2020, the independent auditing firm Deloitte & Touche S.p.A. was appointed for the period 2020-2028.

Shareholders' agreements

As far as agreements between shareholders are concerned, pursuant to Article 122 of the TUF, as far as Italgas is aware, the following is noted.

On 20 October 2016, Snam S.p.A. ("Snam"), CDP Reti S.p.A. ("CDP Reti") and CDP Gas S.p.A. ("CDP Gas") signed a shareholders' agreement (the "Italgas Shareholders' Agreement") covering all the shares that the respective parties held in Italgas of consequence and with effect starting on the effective date of the partial and proportional demerger from Snam in favour of Italgas and the simultaneous listing of the Italgas shares, namely 7 November 2016. Amongst other things, the Italgas Shareholders' Agreement governs: (i) the exercise of voting rights attached to the syndicated shares; (ii) the establishment of a consultation committee; (iii) the obligations and procedures for submitting a joint list for the appointment of members of the company's Board of Directors; and (iv) certain restrictions on the sale and purchase of Italgas shares. The Italgas Shareholders' Agreement was filed in copy at the Milan Business Registry on 11 November 2016 and can be retrieved in extract from the company's website at:

<http://www.italgas.it/investitori/azionariato/patti-parasociali/>.

On 1 May 2017, CDP Gas was merged into CDP, to which the Italgas shares held by CDP Gas were transferred. On 19 May 2017 these same shares were transferred to CDP Reti, already party to the Italgas Shareholders' Agreement. On 1 August 2019, the Italgas Shareholders' Agreement was further updated to take into account the reclassification of the equity investment of CDP in Italgas as a de facto controlling interest, pursuant to Article 2359, subsections 1) and 2) of the Italian Civil Code and Article 93 of the CLF.

On 27 November 2014, CDP S.p.A. ("CDP"), on the one hand, and State Grid Europe Limited ("SGEL") and State Grid International Development Limited ("SGID"), on the other, entered into a shareholders' agreement (the "SGEL Shareholders' Agreement") in the context of the sales contract concluded between the same parties on 31 July 2014 in accordance with which on 27 November 2014 SGEL acquired from CDP a stake equal to 35% of the share capital of CDP Reti. In conjunction with the effectiveness of the partial and proportional demerger from Snam in favour of Italgas and the simultaneous listing of the Italgas shares on 7 November 2016, SGEL, SGID and CDP have amended and supplemented the SGEL Shareholders' Agreement, effective on the same date, extending its application to the stake held by CDP Reti in Italgas. The SGEL Shareholders' Agreement was filed in copy at the Milan Business Registry on 11 November 2016 and can be retrieved in extract from the company's website at:

<http://www.italgas.it/investitori/azionariato/patti-parasociali/>.

3.2 Risks Management

Italgas has an Internal Control and Risk Management System integrated into the organisational, administrative and accounting structure and, more generally, a corporate governance system that ensures compliance with the laws and company procedures, protects the company assets and contributes to the management of activities, solidifying the accounting and financial data processed.

The Enterprise Risk Management (ERM) Department is tasked with overseeing the Group's integrated business risk management process. The ERM activities focus on the definition of a homogeneous, transversal model for assessing the risks, identifying priority risks, ensuring consolidation of the mitigation actions and developing a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and the existing international best practices (in particular, the 2017 COSO framework relative to the Enterprise Risk Management, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and ISO 31000:2018). 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.

The activities directly involve all business departments through dedicated meetings that make it possible to incorporate updates to the information on the description, significance and management of the risks already existing in the portfolio, and the detection of new emerging risks. These activities are carried out in a way that covers the entire scope of the Group and all the potential applicable events. In order to ensure the correct assessment and prioritisation of risk events, the assessment is carried out considering the following potential types of impact: economic-financial; operative; legal, governance and compliance; environment, health and safety; reputation and market. The ERM model establishes an integrated, cross-cutting and dynamic risk assessment that enhances the management systems already existing in the individual business processes. Each risk is assessed using a specific assessment scale that sets out the thresholds of relevance for the Group and attributes a rating to each risk, thereby making it easier to prioritise them. For all risks, the risk ownerships are identified and attributed and the management strategies are defined, broken down into specific actions for dealing with the risk and establishing the relative implementation time.

With reference to strategic risks, the Enterprise Risk Management Department, in coordination with all relevant departments,

carries out a specific in-depth analysis of risks, opportunities and uncertainties related to the Strategic Plan. The analysis is conducted using a proprietary Monte Carlo simulation model that uses the information gathered on risks, opportunities and volatility and on related correlations to generate a multitude of alternative scenarios for the evolution of the variables underlying the Strategic Plan and evaluates their overall impact on the value drivers. In addition, specific "what if" scenarios are identified in relation to the reference context on which the Strategic Plan is based, and the impacts that these scenarios would have on the strategic agenda are then assessed. The analysis allows estimation of the overall volatility of the defined economic and financial targets and evaluation of the level of resilience of the Strategic Plan. The "Strategic Plan" document, which has been approved by Italgas S.p.A.'s Board of Directors, contains the output of this analysis.

The Enterprise Risk Management Department draws up specific summary reports on the identification, assessment and management of the risks and shares them with the different company levels. The risks are updated once a quarter, half-year or year, depending on their relevance. The results found in relation to the main risks and related management plans are presented to the Control, Risk and Related Party Transactions Committee at each updating. Moreover, the mapping of risks and the relative management strategies are presented periodically to the Board of Statutory Auditors and the Supervisory Body of Italgas and to the Boards of Statutory Auditors and the Supervisory Bodies of the Subsidiaries.

The Officer Responsible and the Internal Audit department periodically receive the results of the risk assessments performed by the ERM unit.

The reconciliation table below shows the main risks mapped in the ERM process being monitored, the management methods and the material topics identified. It is specified that the management methods include those initiatives envisaged on the Strategic Plan that amongst others have the effect of reducing exposure to risk. The table also shows the correlation between the risks and the material topics reported in the materiality matrix. Note that the specific topic "Responsible governance and risk management" is not explained in the table as, by nature, it applies transversally to all risks.

It should be noted that, despite the mitigation actions introduced in order to monitor and prevent the occurrence of significant risks, the Company cannot rule out specific events that could lead to the recognition of liabilities in the financial statements.

Category	Risk	Description	Main methods of management	Connected material topics
Strategic/business-related	Changes in Regulation and legislation	<ul style="list-style-type: none"> Risk of changes in the regulatory and institutional context in Europe or nationally affecting the natural gas sector Risk of penalising update of the rate of return on net invested capital recognised by ARERA according to the update of some reference macroeconomic variables 	<ul style="list-style-type: none"> Specific structures for monitoring regulation, legislation and their prospective development plans, including in Europe Active participation in the consultations called by ARERA, sharing corporate positions and/or proposals for defining, updating and implementing clear and transparent regulation criteria Active participation in consultations called by the Italian government or by European community organisations on relevant topics, including Taxonomy; Guidance aimed at defining unified trade positions in Italy and abroad 	Generation of sustainable economic value and ESG finance
Strategic/business-related	Climate Change	<ul style="list-style-type: none"> Physical Risk: increased frequency of extremely intense natural events in the places where Italgas operates (more or less prolonged unavailability of assets and infrastructure, increase in repair and insurance costs, service interruption, etc.) with a negative impact on costs, revenue and level of service Emerging risk²⁴: Physical Risk: increase in the average temperatures in the areas where Italgas operates with a negative impact on volumes of gas distributed and/or on the number of active re-delivery points served, with a negative impact on revenue Emerging risk: Transition Risk: changes in the Italian and EU legislative and regulatory context in terms of greenhouse gas, with the objective of limiting emissions, for instance by introducing measures that require natural gas distributors to acquire certificates to cover emissions, with a negative impact on costs Emerging risk: Transition Risk: technological changes that may lead to a negative impact on residential demand for natural gas with a negative impact on costs, revenue and level of expected investments Emerging risk: Transition Risk: uncertainty of the role of natural gas in the future energy mix with a negative impact on costs, revenue and level of expected investments 	<ul style="list-style-type: none"> Operational countermeasures as described in the "Service continuity: malfunctioning, accidents or extraordinary events" risk Target to reduce greenhouse gas emissions by 30% and energy consumption by 25% in the 2021-27 period Use of Picarro Surveyor technology, currently the most advanced technology in the field of gas network monitoring activities, with significant benefits in terms of speed of execution, extent of the areas being controlled and three times greater sensitivity of detection of gas in the air than those currently used by sector operators (parts per billion versus parts per million) Process of converting the approximately 74,000 kilometres of network into digital infrastructure in order to enable the distribution of gas other than methane, such as hydrogen, biomethane and e-gas Development, implementation and adoption of digital applications for the remote control of network and facility construction, development and maintenance worksites Conversion to methane of the distribution networks supplied by LPG, with resulting reduction in emissions compared to the current configuration Actions to continuously modernise the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, restoration of upright columns and brackets) Promotion of responsible business practices, by joining the UN Global Compact and the OGMP 2.0 of the UNEP Guidance aimed at defining unified trade positions in Italy and abroad Active participation in consultations called by the Italian government or by European community organisations on relevant topics Active participation in the activities of European sector associations to oversee technological changes Carrying out energy efficiency projects through the subsidiary Seaside Investments intended to increase the Group's presence in the water and energy efficiency sectors Promotion of sustainable mobility Development of power-to-gas technology powered by renewable energy in order to produce renewable gas that can be used in the existing networks Network and facility analysis initiatives for the evaluation of their adequacy and of interventions intended to enable the distribution of gas other than methane, such as hydrogen, biomethane and e-gas 	<ul style="list-style-type: none"> Energy transition and the fight against climate change Generation of sustainable economic value and ESG finance Safety of the networks, assets and people Quality of service and customer satisfaction Innovation Corporate identity Environmental sustainability
Strategic/business-related	Risks associated with the development and awarding of area tenders for the gas distribution service	<ul style="list-style-type: none"> Risk of not being awarded concessions in the planned areas, or being awarded concessions with less favourable conditions than previously Risk of higher management costs borne by the Group with respect to its operating standards in case of concessions awarded in ATEMs (Minimum Territorial Areas) previously managed entirely or partially by other operators Risk of legal and/or arbitration disputes with possible negative effects on the business and the equity, economic and financial position of the Italgas Group deriving from the complexity of the legislation that governs the expiry of the concessions held by Italgas Risk that the redemption value of the concessions, for which a third party is an assignee following the area tenders, is lower than the value of the RAB, with possible negative effects on the business and on the equity, economic and financial position of Italgas 	<ul style="list-style-type: none"> The existing legislation states that, in the event of failure to be awarded concessions previously managed, the outgoing operator is entitled to the redemption value for the networks it owns Specific procedures that govern the pre-tender activities, including calculation of the redemption value, and participation in area tenders Monitoring of legislative changes (national, regional, local) and evaluation of the potential impacts on the tender process Planning of the Tender calendar and the bidding strategy integrated into the Group's Strategic Plan Critical analysis of the quality of the tender bid and implementation of improvement measures, including through use of external experts, organisations and universities 	<ul style="list-style-type: none"> Corporate identity Generation of sustainable economic value and ESG finance
Strategic/business-related	Risks related to energy efficiency certificates	Potential risk of economic loss due both to the possible negative difference recorded between the mean purchase value of the Energy Efficiency Certificates purchased and the recognised tariff-based fee at the end of each year of obligation and the failure to achieve the targets annually set	<ul style="list-style-type: none"> Established a specific provision to cover the liabilities associated with the Energy Efficiency Certificates Process for the acquisition of Energy Efficiency Certificates and the management of related obligations Monitoring of legislative changes Active participation in working groups and development of sector position papers with proposals for guidelines for reviewing the rules of the EEC system Optimised purchasing strategy through access to the market, evaluation and development of any reports for bilateral agreements, periodic reporting to company management Presence in energy efficiency sectors through the development of projects with partial reduction of the EEC short position 	<ul style="list-style-type: none"> Environmental sustainability Energy transition and the fight against climate change Generation of sustainable economic value and ESG finance

²⁴ Risk for which the potential effects for the company and/or sector refer to a medium to long-term time frame.

Category	Risk	Description	Main methods of management	Connected material topics
Financial	Credit Risk	Risk of potential losses arising from counterparties failing to fulfil their obligations or delayed payment of amounts owed with negative effects on the financial results and financial position of Italgas	<ul style="list-style-type: none"> Rules for user access to the gas distribution service established by ARERA and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services, and lay down contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request As at 31 December 2021 there were no significant credit risks. Note that on average, 97.8% of trade receivables relating to gas distribution are settled by the due date and over 99.7% within the following 4 days, confirming the strong reliability of the customers Analysis and monitoring of the credit portfolio Assessments of initiatives for outsourcing to external companies specialised in credit recovery. Monthly monitoring of the activities and performance of the appointed companies 	Generation of sustainable economic value and ESG finance
Financial	Changes in interest rates, inflation and deflation	Risk of fluctuations in interest rates, impacting the market value of the Company's financial assets and liabilities and its net financial expense. The risk that an extended period of inflation lower than the Group's forecasts could have adverse effects in the long-term on the RAB value and expected regulated revenue. Risk of an unexpected increase in the inflation rate with possible adverse effects on expected costs	<ul style="list-style-type: none"> Process for the preparation and monitoring of the financial and management plan, and control and reporting of financial risks Financial planning activities with a time frame of 7 years, carried out annually Maintenance of a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates (as at 31 December 2021, 92.7% of the gross financial debt was at fixed rate and 7.3% at floating rate) Use of a diverse mix of external financial resources (bonds subscribed by institutional investors, syndicated loans with banks and other financial institutions, in the form of medium-to-long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate [Euribor]) Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) 	Generation of sustainable economic value and ESG finance
Financial	Liquidity Risk	Risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern	<ul style="list-style-type: none"> Process for the preparation and monitoring of the financial and management plan, and control and reporting of financial risks Financial planning activities with a time frame of 7 years, carried out annually Adequate level of cash held in current accounts and fixed-term deposits with leading banks The EMTN programme, in addition to funding from the banking system, which presently allows issue of the remaining bonds worth a nominal € 1.9 billion to be placed with institutional investors Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) 	<ul style="list-style-type: none"> Corporate identity Generation of sustainable economic value and ESG finance Sustainable supply chain management
Financial	Credit rating risk	Risk of a downgrade in Italgas' credit rating due to worsening in the economic and financial parameters or due to a downgrade of the rating of the Italian Republic, which, based on the methodologies adopted by the rating agencies, could trigger a downward adjustment in Italgas' rating	<ul style="list-style-type: none"> Process for the preparation and monitoring of the financial and management plan, and control and reporting of financial risks Financial planning activities with a time frame of seven years, carried out annually Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) Constant dialogue with rating agencies 	<ul style="list-style-type: none"> Corporate identity Generation of sustainable economic value and ESG finance
Financial	Debt covenant and default risk	Risk of failure to comply with financial covenants for existing loans (in some cases only when this non-compliance is not remedied within a set time period, and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values), which could result in Italgas' failure to comply and could trigger the early repayment of the relative loan	<ul style="list-style-type: none"> Absence of financial covenants and/or collateral in the loan agreements (as at 31 December 2021, there were no loan agreements with these characteristics, except for the EIB loan taken out by Toscana Energia, for a nominal € 90 million, which requires compliance with certain financial covenants) The issue of bonds as part of the Euro Medium Term Notes programme, requiring compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and pari passu clauses Monitoring of compliance with the following types of contractual clauses: negative pledge undertakings, pursuant to which Italgas and its subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; pari passu and change of control clauses; limitations on some extraordinary transactions that the company and its subsidiaries may carry out (as at 31 December 2021, these commitments appear to have been respected) 	<ul style="list-style-type: none"> Corporate identity Generation of sustainable economic value and ESG finance

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Anomalies in smart meter performance	Risk of increased levels of malfunctioning of remote-reading meters with lost/failed reading of the use and/or requiring replacement or regeneration	<ul style="list-style-type: none"> Maintenance of an adequate provision to cover the liabilities generated by the costs arising from malfunctioning; Issue of adequate guarantees by the suppliers of materials "Smart Tracker" Digital Factory application for the tracking and management of smart meters throughout the entire life cycle Plan to replace and/or repair meters with function anomalies Operative centres for the regeneration of smart meters with anomalies Audits on suppliers and supply tests Updating of technical specifications, including in consideration of technological developments Adoption in the field of smart meters equipped with NB-IoT communication technology Project for the development of latest generation smart meters, also compatible with renewable gas like biometane and hydrogen and patented by Italgas 	<ul style="list-style-type: none"> Corporate identity Quality of service and customer satisfaction Environmental sustainability Generation of sustainable economic value and ESG finance Safety of the networks, assets and people Sustainable supply chain management Innovation
Operational	Service continuity: malfunctioning, accidents or extraordinary events	Risks of malfunctioning and unforeseeable distribution service disruptions from unintended events, such as accidents, breakdowns or malfunctioning of equipment or control systems, the underperformance of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control	<ul style="list-style-type: none"> Third Party Liability Insurance and Asset Protection coverage Procedures and systems for emergency management, emergency plans with measures defined to make plants safe and guarantee service continuity Health and safety procedures, communication campaigns, training and meetings to raise awareness of and analyse the prevention of accidents, initiatives that also involve suppliers/contractors Integrated Centre for Supervision (ICS) active 24/7 which makes it possible to monitor the status of the network remotely using remote monitoring systems, manage requests for prompt intervention, identify the places that require intervention and monitor the progress of making conditions safe Plant and asset safety and network monitoring systems Digitisation of the network, for the improvement of real-time monitoring systems and predictive maintenance Planned search for leaks using the best systems and technologies (Picarro Surveyor) and with higher levels of coverage of the network inspected on an annual basis than the standards defined by ARERA Continuous modernisation of the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, plans to clean up upright columns and brackets) Prevention of potential damage to pipes caused by third parties (e.g. other sub-services) Qualification procedures for third-party construction, engineering and project management companies, contractor monitoring Digital Factory for the development of innovative solutions intended to digitise processes and improve the network operating and management activities and the quality of service 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, enhancement and well-being of the human resources Safety of the networks, assets and people Quality of service and customer satisfaction Sustainable supply chain management Environmental sustainability Dialogue and the creation of value on the territory Energy transition and the fight against climate change Generation of sustainable economic value and ESG finance

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Cyber attacks	Risks of cyber attacks on the IT (Information Technology), OT (Operational Technology) and IoT (Internet of Things) sectors	<ul style="list-style-type: none"> Specific insurance coverage of the risks related to cybersecurity Cybersecurity organisational and operational model Group Policy on Integrated Security, Resilience and Crisis Management Models and procedures for business continuity, network and information security, and emergency and crisis management Adoption of conditional access solutions on the basis of certain risk factors (illegitimate accesses, accesses from unusual locations, etc.) and multi-factor authentication for Group employees Adoption of security measures to protect endpoints (antimalware) and e-mail through the implementation of antispam solutions (protection of mail from spam), anti spoofing solutions (protection from attacks that impersonate the address of the sender of a communication), advanced hunting (advanced analysis to proactively verify possible threats), safe link/safe attachment (protection from harmful links and attachments present in e-mails through simulation in a test environment, sandbox) Specific training for Group employees on cyber risks, common vulnerabilities, phishing and spam Possibility for all Group employees to report suspected phishing e-mails (phishing alarm) to a specifically appointed team that will analyse the e-mail Phishing simulations for Group employees intended to test and strengthen their ability to recognise malicious emails Secure Product Development Lifecycle process which defines an operational and project approach in which the considerations and measures to prevent and mitigate cybersecurity risks are integrated from the very start of the procurement process and/or the development of hardware and software Security measures to protect the network infrastructure from unauthorised alteration, disservices, incorrect applications and unauthorised data disclosure through firewall solutions, intrusion prevention systems, web application firewalls, anti DDoS (Distributed Denial of Service) systems, protection of internet browsing (proxy) and network segmentation Continuous real time monitoring, through Security Information and Event Management (SIEM) solutions, of IT and OT systems aimed at identifying and correlating events on monitored devices and acting accordingly where necessary Periodic IT and OT vulnerability assessments performed by third parties Definition and periodic updating of contract technical specifications, including in relation to cybersecurity Leading sector suppliers that guarantee maximum levels of security and performance, the service levels of which are defined by contract and monitored "Cybersecurity Awareness for third parties", with which Italgas Group suppliers must formally comply. It promotes the application of appropriate cybersecurity processes by third parties 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Sustainable supply chain management Quality of service and customer satisfaction Safety of the networks, assets and people Generation of sustainable economic value and ESG finance Innovation
Operational	Risks associated with the health and safety of people and environmental protection	<ul style="list-style-type: none"> Risk of incidents and/or injuries involving employees and partner companies Risk that Italgas may incur costs or liability, including to a significant extent, arising from any environmental damage, including in consideration of changes in legislation on protecting the environment and the possible occurrence of disputes 	<ul style="list-style-type: none"> Specific insurance policies for "individuals", which cover cases of professional and non-professional accidents, and death by illness HSEQ system in compliance with the reference standards, certified according to international legislation for aspects of health, safety, environment, quality and energy efficiency, which envisages compliance audits carried out by the certification body Research and technological innovation and actions and projects for the energy efficiency of processes, the improvement of plant safety conditions and the environmental recovery of former manufactured gas production sites Monitoring of HSE legislation, formation and dissemination of applicable legislative oversight Training on HSE issues and digital management system for courses (Learning Management System) Digital applications for reporting and recording "near misses" and for waste management Communication campaigns and meetings to raise awareness about safety and other HSE topics for all operating units. Reward systems for virtuous operating structures in terms of health and safety Conventions with suppliers/contractors intended to raise awareness/create alignment on HSE issues Internal procedures that involve specific measures with regard to suppliers/contractors in case of HSEQ non-compliance and reward system for virtuous behaviour (Contractor Safety Trophy) Compliance audits on the HSE and ISO 37001 integrated system and technical audits on suppliers and contractors during qualification and normal activities <p>With particular reference to reclamation activities:</p> <ul style="list-style-type: none"> A specific provision has been set up to cover the estimated liabilities in relation to the formalities required by the law in effect Reclamation process of contaminated sites, which defines the tasks, operating procedures and indications in operations of waste removal, land analysis, establishing safe conditions and/or reclamation of sites contaminated by previous activities Structure dedicated to monitoring the design and construction phases. Audits on sites being reclaimed, carried out internally and by third parties, both during the works and for the final inspection 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, enhancement and well-being of the human resources Safety of the networks, assets and people Environmental sustainability Sustainable supply chain management Dialogue and the creation of value on the territory Compliance, transparency and fight against corruption Generation of sustainable economic value and ESG finance

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Risks associated with human resources	Risks associated with the development of human resources, including risk of resources in key roles leaving, lack of technical and specialist know-how, increase in the age of company personnel, drop in the level of satisfaction and/or increase in workplace disputes	<ul style="list-style-type: none"> Knowledge transfer system developed in the Italgas Digital Factory, which involves the video coding of operating activities and real-time instructions available via wearable devices Refining of training processes, with a multimedia platform for planning, managing and accessing the various managerial, technical, HSEQ and digital training activities Initiatives for the dissemination of the culture and digital knowledge (mapping of digital skills, creation of Digital Ambassadors and training on digital topics) Personnel scouting and recruitment process, performance management system and development plans for resources with a role-specific training programme Succession plan for senior roles Collaborations with Italian universities intended to anticipate talent acquisition Organisational structures dedicated to diversity and inclusion and to HR sustainability Periodic survey on the corporate climate extended to all Group employees System of services and welfare under constant expansion in order to intercept new requirements and expectations Italgas Human Rights Policy Italgas Diversity and Inclusion Policy Mac@Italgas project to provide Italgas personnel already in possession of an iPhone or iPad with a MacBook to replace Windows PCs, guaranteeing an ecosystem capable of ensuring the simplicity of the approach to new digital solutions, driving exchange and collaboration and improving the daily experience Smart Rotation project, the internal Italgas job posting, to foster the exchange of skills within the Group, enhancing its people and facilitating upskilling and reskilling 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, enhancement and well-being of the human resources Respect for human rights Generation of sustainable economic value and ESG finance Innovation
Operational	Risks associated with the quality and level of service	Risk of non-compliance of the commercial levels of service for services to sales companies and/or risk of delayed or partial compliance with the obligations assumed, such as execution of the investments plan related to concessions involving obligations borne by the concession holder	<ul style="list-style-type: none"> Continuous monitoring of Key Performance Indicators on commercial processes, alerts and communication to Territorial Hubs for activation/acceleration of territorial interventions Ad hoc analysis of all commercial processes and development of improvement measures Operating procedures and instructions for Commercial Management of the Service Acceleration in improvements to the level of service driven by the digitisation of assets and processes Surveys at sales companies Italgas digital portal dedicated to Gas2Be sales companies, developed to strengthen the partnership, facilitate the accreditation process of the network and allow the sales companies direct and immediate access to information and news about Italgas, such as the most recent promotions launched in the territory, or about the upcoming webinars designed specifically to increase and improve the exchange of know-how between Italgas and the sales companies Allocation to a specific business unit of the responsibility for mapping the existing concession obligations, monitoring and activating the network technical units for prompt interventions Monitoring of the works progress on the basis of the obligations assumed Constant dialogue with contracting parties, including in order to understand and satisfy update requirements Salesforce (CRM) to support people working at the Italgas Contact Centre in carrying out front-end activities (Customer Service) 	<ul style="list-style-type: none"> Corporate identity Quality of service and customer satisfaction Dialogue and the creation of value on the territory Generation of sustainable economic value and ESG finance Innovation

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Supply chain risks	Risks associated with the availability and cost of materials, services and supplies, the operating capacity and scalability and the reputational and compliance reliability (including respect for human rights) of the suppliers and contractors of the Group	<ul style="list-style-type: none"> Planning of procurement, analysis and monitoring of department KPIs Supplier qualification process which provides for specific reputational checks, including regarding ESG and anti-Mafia checks New digital IT4Buy platform, which improves the speed and simplicity of the supplier registration and qualification process ESG rewarding criteria in tenders on Legality Index topics Verification of sustainability and economic-financial requirements through recognised external providers when registering the supplier Standardised tender processes and regulations Supplier performance evaluation, including in terms of sustainability, integrated into the vendor management module On-site, technical and ESG checks for the qualification purposes of suppliers deemed critical/strategic Technical specifications being continuously updated including in consideration of the technological changes and contractual clauses that govern cases of goods and services exposed to cyber risk "Supplier Code of Ethics", which requires a commitment by the suppliers and is inspired, among other things, by the information set out internationally in the UN Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Conventions issued by the International Labour Organization (ILO) and in the Ten Principles of the UN Global Compact, in addition to the contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises Anti-corruption Awareness Policy for third parties - request for declaration to suppliers regarding anti-corruption and/or ISO 37001 "Cybersecurity Awareness for third parties", with which the Italgas Group's suppliers must comply Renewed logistics model with Warehouse Centralisation and management of Withdrawal Points in the territories (UT) and consequent digitisation of monitoring materials in stock/transit 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Protection, inclusion, enhancement and well-being of the human resources Sustainable supply chain management Environmental sustainability Respect for human rights Energy transition and the fight against climate change Generation of sustainable economic value and ESG finance Innovation
Operational	Covid-19, pandemics and new diseases	Risks associated with the health crisis arising from Covid-19 and/or the spread of new pandemics or new diseases that have repercussions on health and safety, on the operating context and on the resulting economic and financial framework of reference of Italgas	<ul style="list-style-type: none"> Formation of a Crisis Committee for the monitoring and management of the various phases of the pandemic Continuous monitoring of the changes in the reference regulations and solutions for the management of the Covid-19 emergency both nationally and internationally, maintaining constant connections with the authorities, research organisations and hospitals Adoption of the Italgas Group Protocol regulating measures to combat and contain the spread of the Covid-19 virus in the workplace Specific indemnity insurance policy for all employees who test positive for Covid-19 Campaigns open to all employees for carrying out PCR swab tests, serological tests and flu vaccinations Specific operating measures to minimise contact (e.g. smart working, starting from home for operative staff) and controls (e.g. temperature scanners upon entry, hand sanitiser towers, anti-gathering rules) Daily monitoring of positive cases and personnel in quarantine, including through the Appointed Physicians and process for the receipt and management of reports regarding positive Covid-19 cases, which provides for the identification, contact tracing and activation of quarantine in coordination with health authorities Periodic dissemination of the rules of conduct in connection with the evolution of the pandemic and the instructions given by the health authorities 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, enhancement and well-being of the human resources Safety of the networks, assets and people Dialogue and the creation of value on the territory Generation of sustainable economic value and ESG finance
Legal and non-compliance	Risk of non-compliance and legislative changes	Risk of non-compliance with legislation at European, national, regional and local level with which Italgas must comply in relation to the activities that it carries out and/or risk of failure to intercept and transpose new regulations falling under the scope of application	<ul style="list-style-type: none"> Internal control and risk management system and areas of responsibility defined in terms of compliance Code of Ethics, Model 231, Policy for the prevention of and fight against corruption, ISO 37001 anti-bribery certification for Italgas and Group companies Monitoring, analysis, distribution and implementation of legislative measures on topics of interest for the Italgas Group and verification of correct implementation Training for personnel on compliance issues Analysis and monitoring of the reputational requirements of the Group's counterparties "Supplier Code of Ethics", with which the Italgas Group's suppliers must comply 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Protection, inclusion, enhancement and well-being of the human resources Environmental sustainability Energy transition and the fight against climate change Sustainable supply chain management Quality of service and customer satisfaction Generation of sustainable economic value and ESG finance

3.3 Internal control system

In order to ensure the correctness, accuracy, reliability and timeliness of the information communicated to shareholders and the market, Italgas is committed to promoting and maintaining an adequate Corporate Reporting Internal Control System (hereinafter also referred to as the "SCIS") and should be seen as the set of all instruments necessary or useful to guiding, managing and verifying the corporate business.

In line with the decision to draw up an Integrated Annual Report that includes both financial and non-financial information, Italgas has aligned its internal control system also in respect of non-financial information.

The Corporate Internal Control System adopted by Italgas and its subsidiaries was defined in accordance with the provisions of the above-mentioned Article 154-bis of the CLF that Italgas is required to ensure compliance with, and is based in methodological terms on the "COSO Framework" ("Internal Control - Integrated Framework", issued by the Committee of Sponsoring Organisations of the Treadway Commission), the international reference model for the establishment, updating, analysis and assessment of the control system in respect of both financial and non-financial information.

The reference "COSO Framework" for Italgas is updated to May 2013 and this is the last version available.

The design, establishment and maintenance of the Corporate Reporting Internal Control System are guaranteed through scoping, identifying and assessing risks and controls (at corporate and process level, through risk assessment and monitoring activities), and the relevant information flows (reporting).

The control system structure provides for entity-level controls (CELCs - Company Entity Level Controls) which apply across the entire entity in question (group/individual company), and process-level controls (PLCs).

The controls, both at the entity level and process level, are subject to regular evaluation (monitoring) to verify the adequacy of the design and actual operability over time. For that purpose, there is provision for ongoing monitoring activities, assigned to the management responsible for the relevant procedures/activities, as well as independent monitoring assigned to Internal Audit, which operates according to an annual plan agreed with the Executive responsible for preparing the corporate accounting documents (DP), which aims to define the scope and objectives of its actions through concerted audit procedures.

In 2021, all 10 audits envisaged in the Audit Plan were carried out and 27 monitoring reports: 16 relating to the monitoring

in a single session in 2020, which was concluded during the early months of 2021 and 11 relative to the first session of 2021, which was concluded late 2021.



In 2021, with a view to considering the relevance of ESG performance and in order to guarantee increasing robustness of the relevant reporting process, the Corporate Reporting Control System has also been integrated with the main non-financial areas, through the preparation of specific risk matrices and related controls and the consequent update of procedures relating to the following material topics:

- | protection, inclusion, enhancement and well-being of the human resources;
- | energy transition and the fight against climate change;
- | environmental sustainability.

In order to allow for the assessment of the efficacy of the Internal Control and Risk Management System with respect to Italgas's specific characteristics and the risk profile adopted, the findings relating to the monitoring of the main risks and relative management plans are presented to the Control, Risk and Related Party Transactions Committee periodically.

The results are also used by the Internal Audit Department to prepare the audit plan and carry out the audits set out therein, with the aim of verifying that the internal control and risk management system is functional and adequate.

Control of presumed breaches of the principles and rules of conduct for company activities is also exercised through the analysis of the reports received, which may also be anonymous, made through the channels prescribed in the Whistle-blowing Procedure, applicable to all Group companies.

In 2021, 15 reports were received, of which 12 regarded the internal control system, 2 administrative liability pursuant to Italian Legislative Decree no. 231/2001 and 1 other matters (Code of Ethics). As at 31 December 2021, all reports received during the year had been properly processed and closed.

	u.o.m.	2019	2020	2021
Total reports received	no.	7	13	15
of which relating to the internal control system	no.	2	12	12
of which relating to other matters (Code of Ethics, mobbing, thefts, security, etc.)	no.	5	0	1
of which relating to administrative liability pursuant to Legislative Decree 231/2001	no.	0	1	2
Reports closed	no.	6	12	15
Reports pending	no.	1	1	0

Cooperative Compliance

In order to promote forms of communication and cooperation with the Financial Administration based on reciprocal reliance, in December 2020, Italgas S.p.A. and Italgas Reti S.p.A. adhered to the cooperative compliance regime with the Revenue Agency.

Italgas regulatory system

In accordance with the evolving process aimed at continually improving the effectiveness and efficiency of its internal control and risk management system, Italgas has adopted its own regulatory system comprising the following regulatory levels:

- | italgas Enterprise System (level one regulations);
- | process standards and Compliance standards (level two regulations);

| operating instructions (level three regulations).

The regulatory system also includes as an integral part thereof, the documents belonging to the certified management systems for health, safety, environment, quality, energy and, lastly, anticorruption in accordance with international ISO standard (Policies, Manuals, Procedures and Operating Instructions). Lastly, there are regulatory circulars to govern specific issues (sometimes with temporary validity). The Bylaws, the Code of Ethics, the Corporate Governance Code, Model 231 and the Internal Control System on Corporate Information are placed in the general framework of the Regulatory System, as, although specific tools, the principles that inspire them are recognised as the founding principles of the conduct of the Italgas Group and, therefore, part of the general framework of the entire regulatory system. These regulatory tools are part of the efficient handling of the Management and Coordination activities performed by Italgas concerning Subsidiaries, and they are subject to regular delivery to, and/or formal adoption by the Boards of Directors of the Subsidiaries.

3.4 Ethics and compliance

The Italgas Group operates on the basis of a Corporate Management System comprising an Organisational System and a Regulatory System that defines roles, responsibilities, powers and rules of conduct to be upheld in going about the corporate business. The Corporate Management System is updated continuously with a view to guaranteeing the effectiveness and efficiency of processes, safeguarding the company's assets and ensuring compliance with legislation, thereby allowing Italgas to also direct the management and coordination of the subsidiaries.

The correctness and transparency of business management aim not only to ensure a correct management model and dialogue with stakeholders, but also to prevent corruption.

The Code of Ethics

On 16 December 2021 the Board of Directors approved the update to the Code of Ethics ²⁵, compared to the version previously adopted on 18 October 2016, which represents a general principle from which no derogation can be made, of the Model 231. It is a collection of the values that the Company recognises, accepts and shares and the responsibilities it assumes within and outside of its organisation. The Code of Ethics has been integrated to assign importance to sustainability topics with formal reference made to the relevant documents (e.g. Sustainability Policy, Human Rights Policy, HSEQE Policy, etc.) and the prevention of and fight against

²⁵ The Code of Ethics is available on the Company's website: <http://www.italgas.it/it/governance/etica-dimpresa/il-codice-etico/>

corruption, also under the certifications of the Italgas Group Companies in accordance with the provisions of standard UNI ISO 37001/2016. The Code of Ethics also recalls the principles of business responsibility, which should be complied with on the subjects of the workplace, relations with stakeholders and suppliers and the matter of personal data protection.

The Code of Ethics applies with regard to “Italgas people” or directors, statutory auditors, management and employees of Italgas, as well as all of those who work to achieve the objectives of Italgas, each within the scope of their functions and responsibilities. The representatives indicated by Italgas on the corporate bodies of affiliate companies, consortia and joint ventures promote the principles and contents of the Code of Ethics within their areas of responsibility. The Supervisory Body acts as guarantor of the principles set forth in the Code of Ethics, reporting back once every six months to the Control and Risks Committee and the Board of Statutory Auditors.

Organisational and management model pursuant to Legislative Decree 231/2001

The Model 231 is a support tool aiming to prevent the administrative liability of the entity and is intended for members of Italgas corporate bodies, management and employees, as well as those operating to achieve Italgas objectives. On 16 December 2021 the Italgas’ Board of Directors approved its organisational, management and control model²⁶ pursuant to Legislative Decree no. 231 of 8 June 2001 (“Model 231”), updating the version previously adopted on 18 October 2016.

The Italgas Model 231 is updated in light of periodic legislative reforms, which modify the list of predicate offences relevant in accordance with Italian Legislative Decree 231/2001, as well as in light of any organisational and regulatory changes within the Italgas Group.

In application of its Model 231, Italgas appoints a Supervisory Body consisting of three external members, one of whom, acting as Chairman, was chosen from scholars and professionals with proven expertise and experience on legal and corporate issues and corporate economics and organisation. The term of office of members of the Supervisory Body is aligned with that of the Board of Directors which appointed them. The term of office of the members expires on the date of the Shareholders’ Meeting called for the approval of the financial statements for the last year of their office, although they continue to carry out their functions over the ad interim period, until new members of the Supervisory Body are appointed.

Each Subsidiary independently adopts its own Model 231 and constantly updates it according to the specific needs of the corporate context, although the main point of reference is the principles of Italgas’ Model 231 and it must take into account the indications and implementation methods laid down by Italgas with regard to the organisational and operating struc-

ture of the Group. Additionally, each subsidiary appoints an autonomous and independent Supervisory Body.

Certified management systems and accreditations

For Group companies, Italgas assures the adoption of both the Integrated management system for health and safety at work, the environment, quality and energy (HSEQE) and the Management system for the prevention of and fight against corruption. To this end, for companies that are not yet certified, Italgas has prepared the HSEQE and Anti-corruption certifications development plan.

The Management systems stimulate the involvement of staff and foster the conduct of business according to standards of loyalty, correctness, transparency, honesty and integrity, in compliance with laws, regulations, international standards and guidelines and help improve the processes, to satisfy the expectations of its stakeholders.

With specific reference to the Group’s route towards decarbonisation, it is important to note the 2021 start-up of a plan to spread an energy efficiency culture to the population of the distribution companies, through the delivery of training courses on ISO 50001 as well as basic courses on energy saving and, in some cases, advanced courses for “Energy Management Expert” certification.

The management systems are structured and implemented in compliance with the requirements of reference international standards:

- | UNI ISO 37001:2016 “Management systems for the prevention of corruption”;
- | UNI EN ISO 9001:2015 “Quality management systems”;
- | UNI EN ISO 14001:2015 “Environmental management systems”;
- | UNI ISO 45001:2018 “Management systems for health and safety at work”;
- | UNI CEI EN ISO 50001:2018 “Energy management system”.

and commitments to these topics are expressed in the related corporate policies in order to inspire activities and conduct in specific regulatory and market contexts.

Under the scope of the Group Company management systems, the regulatory tools prepared help ensure regulatory compliance and personal health and safety (of employees, end customers, contractors, etc.) as well as preventing accidents, safeguarding the environment, ensuring public safety and a rational use of energy, global quality and the prevention of and fight against corruption.

To verify compliance of the Management systems with the

²⁶ The Model 231 may be consulted on the Company website: https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_lit/07-governance/03-controllo-interno-e-compliance/02-responsabilita-amministrativa-231/Italgas_modello231.pdf

standard requirements, Italgas uses the DNV Certification Body, which, in 2021, carried out the relevant audits and issued the relevant certificates.

The Companies' accreditations, or of some sectors of such, are verified and issued by ACCREDIA (single accreditation entity).

According to their corporate purpose and business, as at 2021, the Italgas Group companies have the following certifications and accreditations.²⁷:

Certifications of Italgas S.p.A. Degree of certification coverage	Reference standard	Year of first certification
Company/Group	UNI ISO 37001	2018

Certifications and accreditations of Italgas reti S.p.A. Degree of certification/accreditation coverage	Reference standard	Year of first certification/ accreditation
Company	UNI CEI EN ISO 50001	2012
	UNI EN ISO 14001	2001
	UNI ISO 45001	2019*
	UNI EN ISO 9001	1996
	UNI ISO 37001	2018
Calibration laboratory	UNI CEI EN ISO/IEC 17025	2009
Test laboratory	UNI CEI EN ISO/IEC 17025	1994
Type C Inspection Body	UNI CEI EN ISO/IEC 17020	2014

* Since 2001 for the former reference standard OHSAS 18001

Certifications and accreditations of Toscana Energia S.p.A. Degree of certification/accreditation coverage	Reference standard	Year of first certification/ accreditation
Company	UNI CEI EN ISO 50001	2017
	UNI EN ISO 14001	2003
	UNI ISO 45001	2019*
	UNI EN ISO 9001	1998
	UNI ISO 37001	2020
Type C Inspection Body	UNI CEI EN ISO/IEC 17020	2016

* Since 2003 for the former reference standard OHSAS 18001

²⁷ All operative Group companies are certified in accordance with standard ISO 140001.

Certifications of Medea S.p.A. Degree of certification coverage	Reference standard	Year of first certification
Company	UNI CEI EN ISO 50001	2021
	UNI EN ISO 14001	2021
	UNI ISO 45001	2021
	UNI EN ISO 9001	2021*
	UNI ISO 37001	2020

* Since 2014 for the Sassari site only

Certifications of Italgas Acqua S.p.A. Degree of certification coverage	Reference standard	Year of first certification
Company	UNI CEI EN ISO 50001	2021
	UNI EN ISO 14001	2021
	UNI ISO 45001	2020
	UNI EN ISO 9001	2020
	UNI ISO 37001	2020

Certifications of Seaside S.p.A. Degree of certification coverage	Reference standard	Year of first certification
Company	UNI EN ISO 14001	2021
	UNI ISO 45001	2021
	UNI EN ISO 9001	2021*
	UNI ISO 37001	2020
	UNI CEI 11352	2015
	F-GAS (Italian Presidential Decree 43/12)	2013
	SA8000	2007

* Since 2014 for the Bologna site only

Certifications of Gaxa S.p.A. Degree of certification coverage	Reference standard	Year of first certification
Company	UNI EN ISO 14001	2021
	UNI ISO 45001	2021
	UNI EN ISO 9001	2021
	UNI ISO 37001	2020

Anti-corruption

Italgas operates in fighting and preventing any form of corruption both nationally and internationally. The relevance of the corruption risk for the company's activities is specifically analysed and managed in Model 231 and the internal management system specifically adopted. Anti-corruption measures are contained in a specific Compliance Standard 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 and the specific Policy for the prevention of and fight against corruption. The Anti-corruption Compliance Standard brings together the measures 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. The Compliance Standard applies to Italgas S.p.A. and its subsidiaries as part of the management and coordination activities performed by the Group's corporate body. Adhesion to the anti-corruption measures is also required by suppliers, intermediaries and any subject that may entertain relations with Italgas.

In 2021, as already pointed out in 2020, no incidents of corruption took place.

GRI 205-3 Confirmed incidents of corruption and actions taken	U.o.m.	2019*	2020	2021
Total confirmed incidents of corruption		0	0	0
Confirmed incidents of corruption with dismissal/disciplinary measure of employees	no.	0	0	0
Confirmed incidents of corruption with termination/non-renewal of contracts with business partners		0	0	0

* I dati rendicontati per l'esercizio 2019 fanno riferimento alle sole società Italgas Reti e Italgas S.p.A..

GRI 205-2 Disclosure and training on anti-corruption policies and procedures	U.o.m.	2019	2020	2021
Anti-corruption training*	hours	367	3.849	1.950
Equity investments	no.	302	2.914	1.686

* The training considered covers the following subjects: Code of Ethics, Model 231, Anti-corruption, Antitrust and Data Protection.



37001 ISO

At the end of 2021, Italgas S.p.A. and the subsidiary Italgas Reti S.p.A. have achieved renewal for the three-year period 2021-2024 of the certification in accordance with standard UNI ISO 37001:2016 that certifies the conformity of the management system for the prevention and fight of corruption. In addition, during the year, internal audits were carried out that led to the maintenance of certification in accordance with standard UNI ISO 37001:2016 also for all management systems for the prevention of and fight against corruption adopted by Italgas Acqua S.p.A., Seaside S.p.A., Medea S.p.A., Toscana Energia S.p.A. and Gaxa S.p.A.. The management systems for the prevention of and fight against corrup-

tion were reassessed for maintenance upon completion of the in-depth audits. The commitment and collaboration was seen of the corporate departments and representatives, supervised by the department for conformity for the prevention of and fight against corruption, in the implementation and observance of the measures adopted in order to assure the adequacy and suitability of each management system for the prevention of and fight against corruption in accordance with standard UNI ISO 37001:2016.

Following the July 2021 establishment of the company Bludigit S.p.A., the latter is planned to adopt and implement its own management system for the prevention of and fight against corruption, which will then be audited in order to obtain UNI ISO 37001:2016 certification in 2022.

Antitrust

On 18 October 2016 the Board of Directors approved its Antitrust Code of Conduct (the “**Antitrust Code**”) which defines the guidelines of the behaviour which all employees of Italgas and Subsidiaries should conform to in order to guarantee the compliance of Italgas and its Subsidiaries with the principles dictated by the applicable regulations on antitrust issues.

The Antitrust Code applies to the entire Italgas Group as part of Italgas’ management and coordination activities, and is one of the initiatives aimed both at protecting competition as part of the business culture and at implementing suitable procedures and systems for minimising the risk of violations of antitrust laws, under the broader umbrella of the compliance initiatives of the Italgas Group.

The adoption of the Antitrust Code is part of the broader antitrust compliance programme promoted by the Italgas Group, which develops, inter alia, the establishment of an antitrust department within the Legal Department, which anyone in the Group can apply to for communications concerning the interpretation and application of the Antitrust Code and whenever a situation with potential antitrust risk arises.

Due to the evolution of the structure and organisation of the Italgas Group, on 27 July 2020, the Board of Directors approved the update of the “Antitrust Compliance Standard” (“**Antitrust and Consumer Protection Code of Conduct**”). In particular, on the one hand references to consumer protection provisions were analysed in depth, and, on the other, the description of the main circumstances prohibited by competition law was outlined in more detail, also using accurate references to the decision cases of the Italian Competition Authority. This update was preceded by an assessment aimed at verifying the level of updating, in light of the criteria established by the guidelines of the Italian Competition Authority, of the “Antitrust” Compliance Standard already in force for Group companies.

An updated Antitrust and Consumer Protection Manual is attached to the Antitrust and Consumer Protection Code of Conduct, which describes the main antitrust and consumer protection provisions and provides an overview of the most important decision-making practices of the Italian Competition Authority. The Manual is a more in-depth instrument available to the Italgas Group to carry out training and for any analysis that the Antitrust Oversight may be called to carry out in the exercise of its duties.

By way of completion of the more extensive antitrust compliance programme, during the second half of 2021, training was delivered to all those holding particularly relevant roles in the Group in matters of antitrust and consumer protection.

Cybersecurity

Italgas has innovated its security model, developing an approach that enables for the integrated management of different information levels and, in particular:

- | the level of digital data and IT infrastructures (the "Logical Domain");
- | the level of material assets and staff (the "Physical Domain");
- | the level of information (the "Information Domain");

With the aim of converging towards the Integrated Security System able to interface multi-domain security management platforms, applications, services and operative processes to manage vulnerabilities, threats and security events, to guarantee a quantitative and dynamic vision of the risk and direct and facilitate decision-making processes.

The Group Security and Cybersecurity Departments work together, implementing corporate security policies and procedures; the respective roles and responsibilities are defined through a shared RACI matrix²⁸, which allows for the harmonisation of efforts to protect the company's information assets.

The principles of Cybersecurity adopted by Italgas include:

- | the development of incremental cybersecurity operating capacities and the update of existing ones in line with the business needs of the Group and in the context of external threats;
- | a clear definition of the roles and responsibilities under the scope of aspects and processes relating to cybersecurity;
- | the guarantee of access to data according to the principle of least privilege;
- | the assurance of confidentiality, integrity and availability of the Group's information assets;
- | the monitoring by the Enterprise Risk Management Department of the risks connected with cybersecurity in the corporate risk portfolio;
- | the monitoring of aspects of logical and organisational security necessary to maintaining commensurate levels of cybersecurity;
- | the use of communication management processes with specialised groups and professional associations operating in cybersecurity, in order to promote the continuous update, improve knowledge of best practices, exchange information on threats, vulnerabilities, new services, products and/or technologies;
- | specific information sessions for corporate governance bodies regarding events or updates relative to Italian and international legislation.

The Italgas procedures establish that at least once a year, the Group Security Officer (GSO) shall report to the Board of Directors and Control Bodies on the level of conformity with

national and international regulations on cybersecurity and the corporate policies on technical-organisational measures able to manage risks and prevent cyber incidents. In addition, the GSO updates the CEO directly and constantly on the topics of interest.

Relative to the working conditions deriving from the current pandemic crisis, Italgas implements technical procedures and controls aimed at allowing internal and external staff to securely connect from a remote position to the company network. Remote connections take place through a private network (VPN), which allows for the protection of the communication present. In addition, Italgas delivers specific training sessions aimed at making all staff aware of the security threats deriving from smart working.

In order to increase the security level and protection of accesses and identities, Italgas has, for all its employees, adopted multi-factor authentication (MFA) technology.

Italgas develops and implements a suitable vulnerability management system, which includes the execution of security checks aimed at noting the application and infrastructural vulnerabilities of the IT and OT systems and accordingly implementing remedial action necessary to solve them, mitigating the related risks.

It guarantees 24-hour monitoring of IT and OT security events, including through a new generation Security Operation Centre (Next Generation-SOC). Specifically, this structure supplies managed security services and continuous activities relating to the monitoring, detection and response of incidents. Indeed, Italgas defines and applies a process that identifies the action to be taken to manage and solve incidents impacting cybersecurity, intended as events that can compromise the confidentiality, integrity or availability of the company information assets, and which may impact business operations and/or threaten cybersecurity.

The cybersecurity incident management process is structured into the following phases: detection, analysis and classification of the incident, mitigation and resolution of the incident, closure of the incident and reporting and continuous improvement.

In the last three years (2019 - 2021), no incidents were recorded linked to cybersecurity which generated data breaches or compromised the business systems; as a tool for greater protection, Italgas has an insurance policy against IT incidents.

Italgas adopts cyber threat intelligence processes and tools, which allow for the preventive identification of cyber threats and attacks that could impact the organisation, with the aim of proactively implementing security measures and actions aimed at risk reduction and continuous management. Cyber threat intelligence activities flank and supplement the security measures present in the company and offer a tool in support of operations seeking to detect security incidents. Through its cyber threat intelligence capacity, Italgas proactively protects

²⁸ The RACI matrix (responsibility assignment matrix) specifies the type of relationship between the resource and the asset: Responsible, Accountable, Consulted, Informed. This instrument is used to indicate "who does what" within an organisation.

the company's information assets, reputation and sensitive data. The maturity level of its information security is also constantly verified and monitored using synthetic indicators (ratings), prepared by external international companies, which, in 2021, saw Italgas positioned in the group of the most advanced organisations at global level.

In relation to the management of so-called "Third Parties", Italgas defines the information security requirements necessary to limit the risks associated with access to information. Italgas also regulates supplier access to equipment used for processing information, implementing adequate security controls.

In line with the digital transformation initiatives contained in the strategic plan and by virtue of the growing importance of information and data management, in addition to defining adequate security policies, training on cyber risk has been extended to all personnel, through a series of interactive courses and specific awareness-raising campaigns. At the same time, the alerting system has also been strengthened, with the mass dispatch of reporting e-mails, in the case of malicious or phishing campaigns.

In order to consolidate the public-private collaboration network, Italgas held meetings with the government authorities in charge of information security and with the main national and international think tanks. In this regard, Italgas has defined memoranda of understanding with the Postal Service Police (CNAIPIC) and national CSIRT; furthermore, since 2021 Italgas has adhered to the European Cyber Security Organisation (ECSO) in order to implement and strengthen its collaboration with the EU Commission, the European Union Agency for Cybersecurity (ENISA), Competence Centres and academia.

Italgas plays an active role in the "Cyber Resilience of Economy, Infrastructure & Services" Working Group, whose objectives include the creation of a "trusted" Information Sharing and Strategic Threat Intelligence environment and the development, within the European Community of Cybersecurity, of a shared network and exchange of competences with the aim of facilitating dialogue between companies, governments and suppliers and increasing the maturity level on security topics..

Information and personal data security

The Italgas Group approach to personal data protection includes the voluntary adoption of virtuous behaviour that goes beyond mere compliance with regulatory provisions: a specific paragraph of the Code of Ethics requires a specific commitment to be made by employees and the supply chain regarding personal data protection.

In 2018, Italgas adopted a Data Protection Organisational Model defined in compliance with the provisions of Regulation (EU) 2016/679 (GDPR). This Model formalises the roles and responsibilities regarding the protection of personal data processed within the scope of company activities. All contractual agreements with suppliers processing personal data on behalf of Italgas include a specific "Data Protection Agreement" in compliance with the provisions of Art. 28 of the GDPR.

The Company has designated a Data Protection Officer (or "DPO"), identified from the Internal Audit Department, who is responsible for informing and advising the company departments and people involved in the processing of personal data, monitoring compliance with the Regulation, national provisions and company policies on the protection of personal data and cooperating with the Supervisory Authority, acting as a point of contact with the same. The DPO has also assigned tasks relating to the promotion of the personal data protection culture within the company, the management of requests made by data subjects and to support the data protection assessment of aspects of each new project that may impact personal data protection. The DPO is supported by the Data Protection Team, which includes legal, IT, organisational and security experts.

Italgas has also adopted compliance standards regarding data protection, aimed at setting out the principles applicable to the processing of personal data and formalising roles and responsibilities under the scope of the corporate organisational structure to guarantee the correct processing of information relating to data subjects and regarding data breach management, so as to guarantee the governance and implementation of management processes used to address any data breaches. The data protection compliance standard was updated in 2021 to include the consequences of conduct not compliant with data protection legislation.

Italgas has adopted a register of processing, which includes all information pursuant to Art. 30.1 of the Regulation; in 2021, the register was regularly updated, as were all disclosures regarding processing.

In line with the principle of risk-based management of processing, appropriate technical and organisational measures are implemented to ensure an appropriate level of security, especially taking into account the risks represented by the processing, resulting from the accidental or unlawful destruction, loss, alteration, unauthorised disclosure or access to personal data transmitted, stored or otherwise processed. Where processing operations may present a high risk to the rights and freedoms of data subjects, a data protection impact assessment has been carried out to determine, in particular, the origin, nature, particularity and severity of that risk, and to implement, where necessary, appropriate additional security measures.

As early as 2019, data protection training was provided to Italgas Group personnel and it is continuously extended and updated, including through remote training tools.

In the context of the changing regulatory framework linked to the Covid-19 pandemic, the major commitment shown in 2021 by all corporate structures, supported by the DPO, in ensuring full compliance with personal data protection regulations, is worthy of note.

All the Subsidiaries defined and formally approved a Data Protection Model consistent with the standards which inspired the Italgas Data Protection Model albeit designed in accordance with their specific requirements and their organisational structure. In implementation of the Model, each subsidiary has adopted procedures, appointed a DPO, implemented its own processing register and defined appropriate security measures and carried out training activities.

With reference to all Italgas Group companies, in the three-year period 2019-2021:

- | no data breach reports were received;
- | no justified complaints relating to personal data breaches were received;
- | the Data Protection Authority did not receive requests of any kind;
- | no penalties for regulatory breaches concerning personal data protection were applied.

With reference to the requests for the exercise of data subject rights, note that in 2021, the process adopted by the Group companies was assigned to independent audit and this audit did not reveal any significant gap.