



Integrated Annual Report 2021

Includes
Consolidated
Non-Financial
Statement ex d.lgs.
254/2016



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This English language version has been translated from the original issued in Italian by the entity itself. This translated version is a non-ESEF compliant version of the Integrated annual report 2021 and constitutes a non-official version. In the event of discrepancy, the Italian-language version prevails.

Corporate bodies ^(a)



Board of Directors ^(b)

**Alberto
Dell'Acqua**

Chairman

**Paolo
Gallo**

Chief Executive Officer
and General Manager

**Qinjing
Shen ^(c)**

Directors

**Paola
Annamaria
Petrone**

Directors

**Maurizio
Dainelli**

Directors

**Giandomenico
Magliano**

Directors

**Veronica
Vecchi**

Directors

**Silvia
Stefini**

Directors

**Andrea
Mascetti**

Directors

^(a) The Central Finance and Services Department has been closed as of 1 June 2021. On the same day, Mr A. Pacioretti, General Manager, terminated his employment relationship with the company by mutual consent.

^(b) Appointed by the Shareholders' Meeting of 4 April 2019. In office until the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2021.

^(c) On 27 January 2022, the Board of Directors appointed Mr Qinjing Shen as a non-executive and non-independent director, as well as a member of the Sustainability Committee of the Company, to replace Mr Yunpeng He who resigned from the office on 11 January 2022. In office until the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2021.



Board of Statutory Auditors ^(b)

**Pierluigi
Pace**

Chairman

**Maurizio Di
Marcotullio**

Standing
auditors

**Marilena
Cederna**

Standing
auditors

**Stefano
Fiorini**

Alternate
auditors

**Giuseppina
Manzo**

Alternate
auditors

Composition of the internal committees

Appointments and Compensation Committee ^(e)

- | Andrea Mascetti (Chairman)
- | Maurizio Dainelli
- | Silvia Stefini

Sustainability committee ^(f)

- | Giandomenico Magliano (Chairman)
- | Qijing Shen ^(c)
- | Veronica Vecchi

Supervisory body ^(d)

- | Paola Annamaria Petrone (Chairman)
- | Giandomenico Magliano
- | Silvia Stefini

Control, risk and related party transactions committee ^(g)

- | Carlo Piergallini (Chairman)
- | Romina Guglielmetti ^(h)
- | Francesco Profumo

Independent Auditing Firm ⁽ⁱ⁾

- | Deloitte & Touche S.p.A.

^(d) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 13 May 2019.

^(e) Committee established by the Board of Directors on 23 October 2017. Members appointed by the Board of Directors on 13 May 2019.

^(f) Committee established by the Board of Directors on 04 August 2016. Members appointed by the Board of Directors on 13 May 2019.

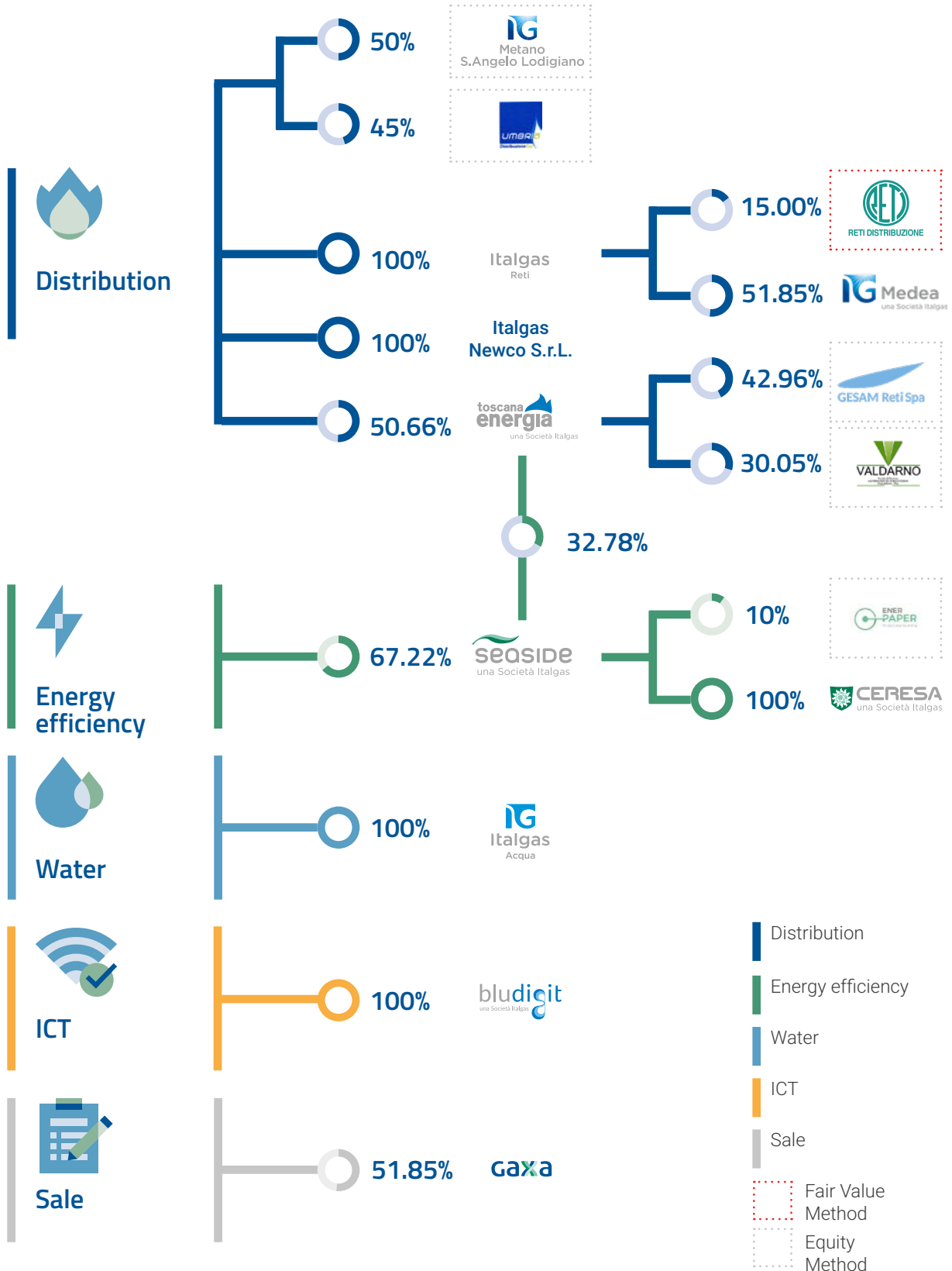
^(g) The Supervisory Body was appointed by the Board of Directors on 23 September 2019.

^(h) On 1 July 2021, the Board of Directors appointed Ms Romina Guglielmetti as a member of the Supervisory Body to replace Ms Marcella Caradonna (appointed on 23 September 2019), who had tendered her resignation from office on 03 May 2021.

⁽ⁱ⁾ Engagement assigned by the Shareholders' Meeting of 12 May 2020 for the period 2020 - 2028.

DNF Italgas Group structure as at 31 December 2021

The structure of the Italgas Group as of 31 December 2021 has changed from how it was at 31 December 2020, due to the merger of Toscana Energia Green into Seaside, the establishment of Bludigit, the total acquisition of the capital of the company Isgastrentatré, followed by its incorporation into Medea and the acquisition of the total capital of the company Fratelli Ceresa (hereinafter also Ceresa), by Seaside.



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In order to facilitate the reading of this document, specific identification icons have been used for the minimum elements required by Legislative Decree 254/16

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and the principles required by the Global Compact



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a | Management
Report

Letter to Shareholders and Stakeholders

Dear Shareholders and Stakeholders,

If 2020 was the year of a clear break from the world as we knew it to that shaped by the health emergency, 2021 - with the recovery of the economy and consumption - will probably go down in history for what has been, by various parties, associated with a new "energy shock". A continental crisis, which has not yet been overcome, has forced governments to take urgent action to mitigate the impact on bills and to consider what solutions they can possibly adopt in the medium/long-term to address any similar situations.

Although the result of a series of contingencies, this "perfect storm" started a long way back. And the geopolitical issues tied to the commissioning of the North Stream 2 are just the tip of the proverbial iceberg. There are, in fact, industrial type considerations that have driven the cost of the gas commodity up so far as to more than triple it and require a structural approach. Amongst others, the clear decline in production from renewable sources recorded as the year drew to a close, the speculative action of certain European countries (with the exception of Italy) in filling storage facilities and the increase in the demand for gas by Asia, which further accentuated the phenomenon that saw a great many liquefied natural gas cargoes be redirected east, away from their original destination in Europe.

There is no one solution to the problem of expensive energy. There are strategic choices, which, when included in an organic plan, can reduce our continent's exposure to market oscillations. The introduction of a Europe-wide policy to regulate the filling of storage and greater diversification in sources of supply are just two of the most urgent, debated hypotheses. Indeed, as regards diversification, the role played by renewable gas is increasingly central, both in order to achieve the decarbonisation targets and to substantially reduce imports. We need merely consider biomethane, which, with 5% of the European Union's gas demand, is today the most significant renewable source, but still a long way off its real potential use, which various studies set as 10% of consumption in Italy and between 25 and 30% in Europe by 2030.

And this is why gas networks are a strategic pillar in the energy transition, as well as an asset - we are talking about two million kilometres of infrastructures in Europe, 200,000 of which are in Italy - to be further enhanced through their complete digitisation. This vision is now widely shared even by the European Commission. The gas infrastructure is, in fact, considered a powerful leverage, which can assure flexibility to the energy system with the twofold task of storing and carrying energy. A smart, flexible, digital network can collect, manage

and recognise the various gas flows, receive and execute instructions from a remote position, optimise assets; together with its capillary structure, it also acts as a major stimulus for greater green hydrogen and biomethane production.

This change in general thinking is also due to the intense advocacy over the years by GD4S, the Association that, together with Italgas, represents the main DSOs of gas distribution in Europe, contributing towards overcoming the ideology of the dichotomy of energy sources and stressing the importance of taking a holistic approach in order to achieve the net zero target. Collaboration with associations like Eurogas, Geode and Cedec then made it possible to represent the voice of 90% of operators in our sector on the European Commission tables and, through it, to take the commitment to make sector coupling a reality to a whole new level and, accordingly, collaboration between electricity and gas as the main route towards a zero-emissions future.

Emissions is another area in which digitisation becomes a valuable ally. Zeroing them is an essential challenge for the environment. And Italgas is already winning, partly thanks to the adoption of Picarro Surveyor, the most cutting-edge technology available in the preventive monitoring of gas networks. A thousand times more sensitive than traditional technologies (parts per billion vs parts per million), from 2018 to date, it has allowed our company to virtually zero (0.087%) network leaks. It is precisely because of this commitment and the important results achieved that we have chosen to join the Oil & Gas Methane Partnership 2.0: under the scope of the initiative promoted by the United Nations (UNEP), European Commission, Climate & Clean Air Coalition and Environmental Defence Fund, to help raise global awareness of the reduction of emissions and pool experience, that we have obtained Gold Standard recognition.

The common thinking is that we cannot manage what we cannot measure. Hence the choice to further strengthen reporting on our actions, adopting financial and non-financial

performance indicators. Once again this year we have chosen to publish the Integrated Annual Report with the aim being to paint an effective and transparent picture as possible of the Group's ability to create value over time, as well as of the underlying links between the strategic priorities, governance decisions, risks management and financial performance, and the social, environmental and economic context in which it operates. The principles of sustainability are now part of the corporate structure, the strategic choices and the operative processes; and it could not be otherwise in a context in which, in order to be able to help achieve a common threshold, the action of individuals, companies and organisations must comply with criteria of social and environmental responsibility.

Sustainability is at the very heart of planning in all areas. As DSO, we are called to satisfy the energy needs of our 7.76 million customers in a sustainable manner, through processes and technologies that are inspired by the highest standards of environmental protection, safety and efficiency. Our aim is to continue to drive evolution in our industry and be acknowledged as a global benchmark for the capacity to create innovation and play a leading role in achieving decarbonisation targets. An aim that takes concrete form in the five main cornerstones on which the 2021-2027 Strategic Plan is hinged: (i) digital transformation and technological innovation; (ii) repurposing, upgrading the infrastructure to collect and distribute renewable gases and its extension including through M&As and ATEM tenders; (iii) new growth opportunities by optimising the Group's competences in energy efficiency, water and IT services; (iv) insourcing of core competences, a further drive on the reskilling and upskilling of people; and (v) solid, efficient financial structure.

In this context, Sardinia remains emblematic as one of the main fields of application of our Plan: on the island, we have, in two years, successfully risen to the challenge of methane, moreover equipping our basins with some of the country's most cutting-edge networks that are able to distribute not only natural gas but also biomethane, synthetic methane and green hydrogen. Another important Italgas project in that region in fact focusses precisely on green hydrogen. In Sardinia, we are developing the very first technological showcase of the entire chain, which will allow us to produce and store hydrogen, use it for public mobility and the local industry and residential utilities. It is a project that will allow us to get ahead in the creation of a European hydrogen market and, in order to contribute towards this, Italgas has also adhered to the "Ready4H2" initiative, which brings together 90 natural gas distributors from 17 different countries across Europe.

Our "Sardinia model" will, on a larger scale, be the benchmark that will allow us to effectively flank the action of the Greek government to achieve the decarbonisation targets. Last De-

ember, in fact, we signed the contract for the purchase of 100% of DEPA Infrastructure S.A., Greece's main gas distribution operator. This threshold allows us to go back to working abroad after approximately 20 years away from it and which, at the same time, represents the acknowledgement of our technical and technological leadership, proving we are a strategic partner with which to quickly and concretely address the carbon and lignite phase-out process, focussing on gas networks.

Together with the networks, another strategic sector for achieving environmental targets, is that of energy efficiency. And Italgas made the choice some time ago to act as consolidator of a market that was still very much fragmented. In the last year, the subsidiary Seaside has enriched itself with specific competences, acquiring them from the merger of Toscana Energia Green and the acquisition of Ceresa, a long-standing operator of Piedmont. The operations also seek to rationalise and concentrate the know-how in a single subject that can then face up to the market with a wide portfolio of services. Similar reasoning was behind the establishment of Bludigit, the company in which we have concentrated all the Group's Information Technology business and the Digital Factory. It is a choice that represents the natural evolution of the digital transformation and that allow us to further enhance efficiency and control costs, developing new synergies both within and outside the Group, all with the logical approach of service provider.

The attention paid by Italgas to environmental, social and ethical topics has also led to the choice to include precise emission reduction and energy efficiency targets in the latest Strategic Plan unveiled to the market, along with the development of skills and enhancement of resources to make the change effective: these are clear commitments that are regularly reported on and with respect to which you will find information in this Report on the progress made on the important results achieved during this first year. It is an approach that has helped increase the consideration given by investors and analysts to Italgas and with it, also the confirmation of the Group's growth on the main international sustainability indexes, from the FTSE4Good to the Dow Jones Sustainability Index World and Europe (for the first time ever), from the Carbon Disclosure Project to the Sustainability Yearbook of S&P Global.

Thanks to the contribution of all Italgas people who have combined change, innovation and improvement, the results achieved mean we can propose the distribution of a dividend of € 0.295, an increase of 6.5% on 2020 to the satisfaction of our Shareholders, in addition to an economic value generated by the Group equal to 2,247.2 million euros, of which the distributed value is 1,681.1 million euros (+8.0% on 2020).

Alberto Dell'Acqua

Alberto Dell'Acqua
Chairman



Paolo Gallo

Paolo Gallo
Chief Executive Officer and
General Manager



2021 Highlights



Economic and financial highlights¹

1,370.8 ML

Adjusted total revenue

+2.8% compared to 2020

1,008.9 ML

Adjusted EBITDA

+4.1% compared to the 2020 result

583.2 ML

Adjusted EBIT

+6.2% compared to the 2020 result

367.7 ML

Adjusted net profit²

+6.0% compared to the 2020 restated result (+6.5% before restatement)

865.1 ML

Investments

€ 775.7 million in 2020

831.9 ML

Cash flow from operating activities³

€ 746.6 million in 2020

4,980.0 ML

Net financial debt⁴

€ 4,736.5 million on 2020

4,910.0 ML

Net financial debt⁴ (excluding the effects of IFRS 16)

€ 4,660.2 million on 2020

Proposed dividend of

0.295 €

per share

an increase of 6.5% compared to the dividend paid in 2021

¹ For the economic and financial analyses for the financial year 2021, the company considered it more representative to comment on the adjusted results, i.e. the recurring results, comparing them with the adjusted recurring results for the financial year 2020.

² Adjusted net profit refers to the adjusted amount attributable to the Italgas Group, net of the portion attributable to minority interests.

³ Net of the effects deriving from IFRS 15.

⁴ At 31 December 2021, net financial debt reported in the Directors' Report did not consider liabilities for € 5.6 million due to Consooop, consisting of shareholder loans disbursed by it to Isgastrentatrè, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.



Operating highlights⁵

**868.6
thousand**

new smart meters

installed to replace traditional meters

+1,339 km

Distribution network in operation

for an overall length of
approximately 74,400 km

increased to

**1,898
thousand**

Municipalities with gas distribution
service concessions

1,887 as at 31 December 2020,
of which 1,822 operating
1,804 as at 31 December 2020

⁵ Considering the affiliates over which Italgas does not exercise control.



NFS Sustainability highlights

160.7

10^3 tCO₂ e Scope 1 e 2

-7.3% on 2020

Volumes of gas distributed:

8,886,68 ML

cubic metres

+4.8 on 2020

-0.067

energy intensity⁶

-4.3% on 2020

0.087%

Gas leakage rate⁷

-13.0% on 2020

106.7

Fugitive emissions/km network

-10.3% on 2020

Grams of pollutants per km
travelled by the car fleet

0.081 gNO_x

(same as 2020)

0.0003

Grams particulate

-18.3% on 2020

⁶ Calculated as the ratio of total Group energy consumption and gas distributed.

⁷ Volume of fugitive emissions of natural gas/volume of gas distributed.

1.07

Employee and contractor
accident frequency index⁸

with 1.41 in 2020

22%

women in positions of
responsibility

with 16.7% in 2020

16.4%

women in the company

with 15.1% in 2020

112,379

total hours of training provided

+48.0% on 2020

of which 24,832 for topics relating to
digitisation

2,247.2 ML

economic value directly generated
by the Group

+6.7% on 2020

of which 1,681.1 ML distributed to
stakeholders

+8.0% on 2020

163

new suppliers assessed using
environmental criteria

+13.9% on 2020

⁸ Frequency index: number of injuries recorded / million hours worked.

Methodological note - Integrated Annual Report 2021

Objectives of the document

For the second year now, the Italgas Group (hereinafter also referred to as "Italgas" or the "Group") has presented the annual financial report in the form of an Integrated Annual Report (hereinafter also referred to as the "Report" or the "Integrated Report") as a tool for the integrated reporting of financial and non-financial data. The Integrated Annual Report includes information which was previously, before 2020, included in the following documents:

- | Annual financial report;
- | Consolidated Non-Financial Statement (hereinafter also "NFS" or "Non-Financial Statement").

In particolare, la Relazione Annuale Integrata si compone della More specifically, the Integrated Annual Report consists of the Integrated Directors' Report, with both financial and non-financial reporting, the Consolidated Financial Statements and the Separate Financial Statements of Italgas S.p.A..

By way of this document, the Italgas Group also aims to meet the requirements of Italian Legislative Decree 254/16, issued in order to "implement Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups". Also, "to the extent necessary to ensure understanding of the business, its performance, results and the impact it produces, the document covers environmental and social matters, personnel-related issues, respect for human rights and the fight against active and passive bribery, which are important, considering the activities and characteristics of the company".

The Integrated Annual Report makes it possible to provide stakeholders with an accurate, extensive and transparent report of the Group's activities, the results achieved and their progress, in addition to the services provided.

Having joined the United Nations Global Compact, Italgas also decided to update the annual *Communication on Progress* (CoP)⁹ within its Integrated Report, by supplementing its content in order to notify all internal and external stakeholders of the activities undertaken and results achieved when implementing the Ten Principles of the Global Compact.

Reference framework and reporting standards

In relation to the financial information, the Italgas Integrated Annual Report was prepared using the following references:

- | International accounting standards (IAS/IFRS);
- | Italian Legislative Decree no. 58 of 24 February 1998, as amended ("Consolidated Finance Act" or "TUF");
- | Regulation (EC) No. 1606/2002;
- | Italian Legislative Decree no. 25/2016, implementing European Directive 2013/50/EU.

Pursuant to Italian Legislative Decree 254/2016, the reporting of non-financial information is carried out "in accordance with the methods and principles required by the reporting standard used as a reference or by the independent reporting method used to prepare the statement".

For this aspect, the Group used the following technical and methodological references:

- | for reporting of the information required by Italian Legislative Decree 254/16, Italgas has adopted the "Global Reporting Initiative Sustainability Reporting Standards" (hereinafter "GRI Standards") issued by the "Global Reporting Initiative" in 2016, as amended. In particular, according to the provision of the GRI Standard 101: Foundation, section 3, the Group decided to prepare the document in accordance - Core. The references to the GRI Standards reported on are contained in both the Integrated Annual Report and the table of indicators;
- | the Integrated Annual Report refers to the Guiding Principles and Content Elements required by the International Integrated Reporting Framework (hereinafter also "IIRF" or "IR Framework"), issued by the International Integrated Reporting Council (IIRC) and updated in January 2021;

For the information on the topics required by Italian Legislative Decree no. 254/2016, a specific reconciliation table has been prepared.



Where estimations were required in order to report particular data, this is specified in the description or in the notes to the table.

In addition, with reference to the requests for information correlated with European Taxonomy, the report is made in compli-

⁹The United Nations Global Compact (GC), the world's largest voluntary corporate citizenship initiative, requires companies to adhere to principles which encourage the integration of sustainability in business. Companies/organisations joining the initiative are required to inform all internal and external stakeholders of the activities undertaken and results achieved during implementation of the Global Compact principles. Participating companies are in fact required to notify stakeholders on a yearly basis of any progress they have achieved, by publishing an annual reporting document (Communication on Progress, COP) on the GC website.

ance with the provisions of the “Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088” as well as with the Delegated Acts applicable to it with reference to the date of publication of this document.

The document is published annually and is available on the website: <https://www.italgas.it/investitori/bilanci-e-presentazioni/>

To facilitate the reading of this document, specific icons have been used to identify the minimum elements required by Italian Legislative Decree 254/16  and the principles required by the Global Compact. 

Finally, the Group also provides a summary of its governance, strategy, risks and opportunities, metrics and targets relative to climate change, in response to the recommendations made by the Task Force on Climate-related Financial Disclosures: this information is provided in summary form in the table “Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)”, at the foot of this document.

Reporting scope and period

The data and information reported in this Integrated Annual Report refer to the performance of the Italgas Group in the financial year ending 31 December 2021.

Compared with last year, the consolidation scope has changed as a result i) of the incorporation of Toscana Energia Green into Seaside, ii) of the establishment of Bludigit, iii) of the acquisition of all the capital of the company Isgastrentatré followed by its incorporation into Medea and iv) of the acquisition of Ceresa.

For the non-financial reporting, the quantitative data in this document refer, where possible, to the 2019, 2020 and 2021 financial years. This is to ensure comparison of the information with information from previous financial years, as required by Italian Legislative Decree 254/16, and also to comply with the comparability principle under the GRI Standards.

The reporting boundary of the non-financial data includes:

- | Italgas S.p.A., parent company with offices in Milan, Via Carlo Bo 11;
- | Italgas Reti S.p.A., with offices in Turin, at Largo Regio Parco 11, whose core business is nationwide gas distribution;
- | Italgas Acqua S.p.A., with offices in Caserta, at Via Falco 31, whose core business is water distribution in five municipalities of the Campania region;
- | Medea S.p.A., with offices in Sassari, at Via Torres 4, whose core business is the distribution of natural gas and propane air in the Sardinia region;
- | Toscana Energia S.p.A., with offices in Florence, at Piazza E. Mattei 3, whose core business is gas distribution primarily in the Tuscany region;
- | Seaside S.p.A., with offices in Bologna, at Via E. Cristoni 88, an Energy Service Company (ESCO) providing consulting services and technological and financing solutions in the energy efficien-

cy sector;

- | Gaxa S.p.A., with registered office in Milan, at Via Carlo Bo 11, whose core business is the sale of gas in the Sardinia region;
- | Bludigit S.p.A., with registered office in Milan, at Via Carlo Bo 11, whose core business is tied to the management of the Italgas Group business and assets in the IT area and the creation of a commercial offer of IT services;

Data relating to the Energy Service Company (ESCO) Ceresa S.p.A., with registered office in Turin, at Corso Palestro ¹⁰, is not included in the 2021 non-financial reporting boundary insofar as the completion of acquisition of control took place in December 2021 and has no significantly material effects on the report.

Any exceptions to the criteria set out above are detailed in the individual sections of the document in the form of a footnote to a table or page.

Reporting process

Preparation of the Italgas Integrated Annual Report involved across-the-board engagement of all Italgas Group companies, departments and divisions and the performance of the following activities:

- | identifying the reporting scope for financial and non-financial information;
- | preparing and updating the materiality analysis, including through stakeholder engagement;
- | collecting the qualitative and quantitative data to be reported, with the direct engagement of the company divisions/units in charge of such data;
- | consolidating the data and preparing the draft Integrated Annual Report;
- | the issuance of reports by the independent auditing firm appointed;
- | approval on 09 March 2022 by the Board of Directors of the Integrated Annual Report and the draft financial statements for the year ended 31 December 2021;
- | the issuance of reports by the independent auditing firm appointed.

More specifically, the following independent auditors’ reports contain the results of the audits conducted by Deloitte & Touche S.p.A.:

- | Report in accordance with Article 3, paragraph 10 of Italian Legislative Decree no. 254 of 30 December 2016 and Article 5 of CONSOB Regulation no. 20267/2018, drawn up in relation to non-financial information reporting in the document;
- | Reports in accordance with Article 14 of Italian Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) No 537/2014, drawn up in relation to the financial information in the Consolidated Financial Statements and Separate Financial Statements.

¹⁰ Please note that for the purposes of non-financial reporting in the Integrated Annual Report, the Italgas Group only includes companies over which Italgas exercises control and not also affiliates that are not subsidiaries, for which the operating data is stated. For the list of companies consolidated using the line-by-line method, please refer to the detail in point “B”) Consolidated financial statements “as at 31 December 2021.

Materiality analysis

The structure and contents of the Integrated Annual Report must revolve around the analysis of the material issues, i.e. those considered relevant and a priority for the company, taking into account not only the minimum elements set out in Italian Legislative Decree 254/2016 (Article 3, paragraph 1), but also its own business and characteristics, as well as the expectations of its stakeholders.

As the Group looks to sustainability as an evolutionary concept, Italgas has chosen to update the materiality matrix once a year, in order to incorporate, for example, stakeholder requests, the evolution of the regulatory context, the group's strategy and any drivers potentially able to significantly impact the Group's capacity to create value in the short, medium and long-term.

In particular, Italgas updates its Materiality Matrix by means of a series of activities coordinated by the Sustainability Department. These activities include but are not limited to:

- | benchmarking against key competitors;
- | media and ESG (environmental, social and governance) area trend analyses and in sustainability indexes/questionnaires;
- | identification, including based on the materiality matrix reported in the 2020 Integrated Annual Report, of any developments in the Group and context in which it operates, of matters of greatest interest highlighted by the reference stakeholders and the minimum scopes of disclosure set out in Italian Legislative Decree 254/16, of the list of relevant issues to be submitted for evaluation by Italgas top management and the stakeholders;
- | internal and external stakeholder engagement activities, aimed at gathering information on the importance of the issues for stakeholders in terms of economic, environmental and social impact and/or priority given.

Following in-depth stakeholder engagement activities carried out for the 2020 non-financial report, for 2021, Italgas refined its ma-

teriality matrix through internal stakeholder engagement, involving the top management of the companies of the whole Group. This resulted in a reassessment of the relevance of certain topics and the inclusion of new aspects, with a view to guaranteeing an even greater level of alignment with the 2021-2027 Strategic Plan and with the evolution of the sustainability route undertaken.

This refinement led to some minor variations in the definition of the material topics, as well as to the following main changes:

- | grouping together of the "Compliance and transparency" and "Fight against corruption" topics;
- | division of the topic "Environmental sustainability and the fight against climate change" into two different topics "Energy transition and the fight against climate change", which was well and importantly laid out in the 2021-2027 Strategic Plan, and in that which has a more ample meaning, namely "Environmental sustainability", which includes aspects relating to emissions (not climate-altering), waste and water resources (individually not considered as a material topic);
- | extension of the topic "Enhancement of human resources" to "Protection, inclusion, enhancement and well-being of human resources", so as to incorporate, just as mentioned above, elements relating to HR management that were already reflected in the 2021-2027 Strategic Plan;
- | inclusion of the topic "Respect for human rights".

The very same relevance of topics, consequently, has changed in adherence to the contents of the 2021-2027 Strategic Plan.

Dialogue with stakeholders is an opportunity that is useful for understanding the level of satisfaction of a company's work. It is also a chance to gather useful insights in order to improve the services and operational and management models. Accordingly, Italgas adopts diversified and flexible dialogue and involvement practices, in response to the various characteristics and needs of its stakeholders.

The stakeholder categories identified and stakeholder engagement activities carried out in 2021 are set out below.

Stakeholder category	Stakeholder interaction methods
Investors and lenders	Periodic financial reports and conference calls about these; presentation of the business plan; shareholders' meeting; physical and on-line meetings and conference calls with analysts and investors, also focusing specifically on SRI matters; corporate website; social networks.
Suppliers	Dedicated meetings, supplier conventions; annual engagement initiatives.
Customers and sales companies	Direct, ongoing relationship with the sales personnel through dedicated dialogue channels (e.g. "GasOnLine"); periodic workshops with sales companies; interactions with end customers through the customer portals (MyItalgas, MyToscanaEnergia, MyMedea, etc.); customer satisfaction surveys.
Authorities and Associations	Periodic meetings; continuous dialogue and workshops for debate and discussion of sustainability topics on an Italian and international level.
People	Training events; periodic meetings; annual meetings to discuss career development paths; newsletters; company environment analyses; company Intranet.
Communities and local areas	Meetings with representatives of local communities, associations and organisations; social and cultural initiatives.

Another method of interaction compared with those summarised, which is valid for all stakeholders, is the answering of questionnaires aiming to assess sustainability performance and the publication of the results obtained in them.

Italgas has therefore updated its materiality matrix, highlighting the degree of relevance assigned to priority topics, from an internal perspective (x-axis) and an external perspective, i.e. of the reference stakeholders (y-axis).

MATERIALITY MATRIX 2021



- 1 Compliance, transparency and fight against corruption
- 8 Sustainable economic value generation and ESG finance
- 2 Sustainable management of the supply chain
- 9 Corporate identity
- 3 Responsible governance and risk management
- 10 Protection, inclusion, enhancement and well-being of human resources
- 4 Safety of network, assets and people
- 11 Environmental sustainability
- 5 Quality of services and customer satisfaction
- 12 Energy transition and fight against climate change
- 6 Innovation
- 13 Respect for human rights
- 7 Dialogue and value creation on territory

The highest relevance, from an internal and external perspective, was given to the following five topics:

- | energy transition and the fight against climate change;
- | protection, inclusion, enhancement and well-being of the human resources;
- | safety of the networks, assets and people;
- | innovation;
- | generation of sustainable economic value and ESG finance.

The topic of "Respect for human rights", which is in any case constantly monitored and supervised by the Group, has been, however, assessed with low relevance.

The aspect relating to water resources contained in the "Environmental sustainability" topic is also, on its own, considered as not relevant to the core business of Italgas, as more fully explained in the section on "Attention to the environment" of this document. Considering, in fact, the entity of the volumes of water withdrawn, the type of use made and the geographic location of the Italgas companies, the impacts on the water resource were considered negligible. Although the water resources management topic may be of greater relevance to Italgas Acqua, this topic was not included in the non-financial reporting in the Integrated Annual Report, given the impact of this business on the Group's total revenue (less than 1%). Despite this, as evidence of the fact that the aspect is in any case monitored and supervised, the above section sets out the withdraw-

als, discharges and consumptions of the Group, in compliance with the requirements of Italian Legislative Decree no. 254/16.

With regard to the areas provided for by the Decree, Italgas's material topics are broken down as follows:

- | **social:** sustainable supply chain management; dialogue and the creation of value on the territory; network, asset and personal safety; quality of service and customer satisfaction; generation of sustainable economic value and ESG finance; innovation; compliance, transparency and the fight against corruption; respect of human rights;
- | **people:** protection, inclusion, enhancement and well-being of the human resources; compliance, transparency and the fight against corruption;
- | **environmental** environmental sustainability; energy transition and the fight against climate change;
- | **fight against bribery and corruption:** compliance, transparency and fight against corruption;
- | **respect for human rights:** respect of human rights; protection, inclusion, enhancement and well-being of the human resources; sustainable supply chain management.

The material topics "Responsible governance and risk management" and "Corporate identity" are transversal with respect to the areas envisaged by the Decree.

Below is the table of GRI indicators reported.

TABLE OF GRI INDICATORS

GRI content index			
GRI ID	Description of indicator	Notes	Page
General standard disclosures			
Profile of the organisation			
102-1	Name of organisation		2
102-2	Activities, brands, products and services		34-35
102-3	Location of headquarters		19
102-4	Location of operations		19
102-5	Ownership and legal form		19
102-6	Markets served		34-35
102-7	Scale of the organisation		34-35, 93-94, 108-109
102-8	Information on employees and other workers		108-109
102-9	Supply chain		135-144
102-10	Significant changes to the organisation and its supply chain	In 2021, no significant changes were made to the organisation and its supply chain	
102-11	Principle of precaution		65-79
102-12	External initiatives		55-57
102-13	Membership of associations		107

GRI content index

GRI ID	Description of indicator	Notes	Page
Strategia			
102-14	Statement from senior decision-maker		12-13
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour		2, 78-79
Governance			
102-18	Governance structure		60-65
102-22	Composition of the highest governance body and its committees		60-64
102-24	Nominating and selecting the highest governance body		60-64
Stakeholder engagement			
102-40	List of stakeholder groups		20
102-41	Collective bargaining agreements	In the three years 2019-2021, the percentage of employees covered by collective bargaining agreements is 100%.	
102-42	Identifying and selecting stakeholders		20-22
102-43	Approach to stakeholder engagement		20-22
102-44	Key topics and concerns raised		20-22
Reporting practices			
102-45	Entities included in the consolidated financial statements		7, 19
102-46	Defining report content and topic boundaries		20-22
102-47	List of material topics		20-22
102-48	Restatements of information		19
102-49	Changes in reporting	No significant changes occurred in 2021.	
102-50	Reporting period		19
102-51	Date of most recent report	The 2020 Integrated Annual Report was published in April 2021.	
102-52	Reporting cycle		19, 20
102-53	Contact points for questions regarding the report	sustainability@italgas.it	
102-54	Claims of reporting in accordance with the GRI Standards		18
102-55	GRI content index		22-28
102-56	External assurance		19-20, 64, 217-220

GRI content index

GRI ID	Description of indicator	Notes	Page
Economic performance			
103-1	Explanation of the material topic and its boundary		21, 147
103-2	The management approach and its components		21, 147
103-3	Evaluation of the management approach		21, 147
201-1	Direct economic value generated and distributed		147
Anti-corruption			
103-1	Explanation of the material topic and its boundary		21, 83, 84
103-2	The management approach and its components		21, 83, 84
103-3	Evaluation of the management approach		21, 83, 84
205-2	Disclosure and training on anti-corruption policies and procedures		83
205-3	Confirmed incidents of corruption and actions taken		83
207-1	Approach to taxation		149
207-2	<i>Tax governance, risk control and management</i>		149
207-3	Stakeholder engagement and management of tax concerns		149
207-4	Country-by-country reporting	Not applicable, Italgas only operates in Italy.	
Energia			
103-1	Explanation of the material topic and its boundary		21, 150-154
103-2	The management approach and its components		21, 150-154
103-3	Evaluation of the management approach		21, 150-154
302-1	Energy consumed within the organization		161
302-3	Energy intensity		161, 162
302-4	Reduction of energy consumption		158
Water withdrawals and discharges			
303-1	Interactions with water as a shared resource		20, 159, 160, 163
303-2	Management of water discharge-related impacts		20, 159, 160, 163
303-3	Water withdrawals		163
303-4	Water discharge		163
303-5	Water consumption		163
Emissioni			
103-1	Explanation of the material topic and its boundary		21, 150, 155-158
103-2	The management approach and its components		21, 150, 155-158
103-3	Evaluation of the management approach		21, 150, 155-158

GRI content index

GRI ID	Description of indicator	Notes	Page
305-1	Direct (Scope 1) GHG emissions	The CO ₂ e emissions were consolidated using the operational control approach. The GHGs included in the calculation are CO ₂ and CH ₄ and the emissions are calculated with a GWP of methane equal to 28, as indicated in the scientific study of the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC". Losses from venting can be considered residual, while there are no pneumatic or unburned material losses.	164
305-2	Energy indirect (Scope 2) GHG emissions		164
305-3	Other indirect (Scope 3) GHG emissions	As regards the calculation of scope 3 emissions linked to value spent, an internal approach was used that associates a conversion factor from the value spent into CO ₂ e emissions for each product category.	164
305-4	GHG emissions intensity		164
305-5	Reduction in GHG emissions		155-158
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant emissions	SO _x and COV emissions are not considered significant	164

Waste

103-1	Explanation of the material topic and its boundary		21, 159, 164, 165
103-2	The management approach and its components		21, 159, 164, 165
103-3	Evaluation of the management approach		21, 159, 164, 165
306-4	Waste sent for recovery		164
306-5	Waste for disposal		165

Environmental compliance

103-1	Explanation of the material topic and its boundary		21, 159
103-2	The management approach and its components		21; 165-166
103-3	Evaluation of the management approach		21; 165-166
307-1	Non-compliance with environmental laws and regulations	In 2021, just like in 2020 and 2019, the Italgas Group did not receive any significant sanctions for breaching environmental laws and regulations.	

Environmental assessment of suppliers

103-1	Explanation of the material topic and its boundary		21, 135-144
103-2	The management approach and its components		21, 135-144
103-3	Evaluation of the management approach		21, 135-144

GRI content index

GRI ID	Description of indicator	Notes	Page
308-1	New suppliers that were screened using environmental criteria		144

Employment

103-1	Explanation of the material topic and its boundary		21, 108-114
103-2	The management approach and its components		21, 108-114
103-3	Evaluation of the management approach		21, 108-114
401-1	New employee hires and employee turnover		110, 111, 113, 114
401-3	Parental leave		123

Health and safety in the workplace

103-1	Explanation of the material topic and its boundary		21, 127-129
103-2	The management approach and its components		21, 127-129
103-3	Evaluation of the management approach		21, 127-129
403-1	Occupational health and safety management system		21, 127-129
403-2	Hazard identification, risk assessment, and incident investigation		21, 127-129
403-3	Occupational health services		21, 127-129
403-4	Worker participation, consultation, and communication on occupational health and safety		21, 127-129
403-5	Worker training on occupational health and safety		21, 117, 127-129
403-6	Promotion of worker health		21, 127-129
403-7	Prevention and mitigation of occupational health and safety linked by business relationships		21, 127-129
403-9	Workplace accidents		128, 129

Education and training

103-1	Explanation of the material topic and its boundary		21, 115-118
103-2	The management approach and its components		21, 115-118
103-3	Evaluation of the management approach		21, 115-118
404-1	Average hours of training per year per employee		117

Diversity and equal opportunities

103-1	Explanation of the material topic and its boundary		21, 124-127
103-2	The management approach and its components		21, 124-127
103-3	Evaluation of the management approach		21, 124-127
405-1	Diversity of governance bodies and employees		61, 125
405-2	Ratio of basic salary and remuneration of women to men		126

GRI content index

GRI ID	Description of indicator	Notes	Page
Non discrimination			
103-1	Explanation of the material topic and its boundary		21, 108, 121
103-2	The management approach and its components		21, 108, 121
103-3	Evaluation of the management approach		21, 108, 121
406-1	Incidents of discrimination and corrective actions taken		121
Child labour			
103-1	Explanation of the material topic and its boundary		20-22, 135, 136
103-2	The management approach and its components		20-22, 135, 136
103-3	Evaluation of the management approach		20-22, 135, 136
408-1	Operations and suppliers considered to have significant risk for incidents of child labour	<p>To become part of the Italgas supply chain it is necessary to accept the principles of the Group's Code of Ethics, as well as the Code of Ethics of the Italgas Suppliers and the Ethics and Integrity Agreement, in compliance with our Organisational Model 231. All suppliers are required to meet important criteria in terms of human rights and work by accepting the Italgas Policy on Human Rights, health and safety, environmental protection and the ethical and responsible management of the business.</p> <p>No supplier has been identified as having significant risk for incidents of child labour.</p>	
Forced or compulsory labour			
103-1	Explanation of the material topic and its boundary		20-22, 135, 136
103-2	The management approach and its components		20-22, 135, 136
103-3	Evaluation of the management approach		20-22, 135, 136

GRI content index

GRI ID	Description of indicator	Notes	Page
409-1	Operations and suppliers considered to have significant risk for incidents of forced or compulsory labour	<p>To become part of the Italgas supply chain it is necessary to accept the principles of the Group's Code of Ethics, as well as the Code of Ethics of the Italgas Suppliers and the Ethics and Integrity Agreement, in compliance with our Organisational Model 231. All suppliers are required to meet important criteria in terms of human rights and work by accepting the Italgas Policy on Human Rights, health and safety, environmental protection and the ethical and responsible management of the business.</p> <p>No supplier has been identified as having significant risk for incidents of forced or compulsory labour.</p>	

Social assessment of suppliers

103-1	Explanation of the material topic and its boundary		21, 135-144
103-2	The management approach and its components		21, 135-144
103-3	Evaluation of the management approach		21, 135-144
414-1	New suppliers that were screened using social criteria		144

Public policy

103-1	Explanation of the material topic and its boundary		21, 107
103-2	The management approach and its components		21, 107
103-3	Evaluation of the management approach		21, 107
415-1	Political contributions	As envisaged by the Code of Ethics, Italgas does not make any direct or indirect contribution in any form to political parties, movements, committees, political organisations or trade unions, nor to their representatives and candidates, except for those specifically mandated by applicable laws and regulations.	107

Customer health and safety

Material issue: Quality and safety of assets

103-1	Explanation of the material topic and its boundary		21, 100, 101
103-2	The management approach and its components		21, 100, 101
103-3	Evaluation of the management approach		21, 100, 101
416-1	Assessment of the health and safety impacts of product and service categories		101

On the basis of the materiality matrix and the table of GRI indicators reported above, below is the table reconciling:

- | Minimum elements envisaged by Italian Legislative Decree no. 254/2016;
- | Document chapters/paragraphs;
- | Capital and material topics;
- | GRI indicators.

RECONCILIATION TABLE

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/paragraphs	Capital and material topics	Indicators
Corporate management model and organisation of the business activities	<ul style="list-style-type: none"> Methodological note 1. Value creation process in the Italgas Group (paragraphs 1.1 Corporate identity, 1.2 Business model and 1.3 External context, markets and Italgas share) 3. Governance, risks and opportunities (paragraphs 3.1 Governance, 3.3 The internal control system and 3.4 Ethics and compliance) 4. Summary data and information (paragraph 4.3 Operating performance) 	<p>Responsible governance and risk management</p> <p>Corporate identity</p> <p>Compliance, transparency and fight against corruption</p> <p><i>Relational capital</i></p> <p><i>Human capital</i></p>	<ul style="list-style-type: none"> 405-1 - Diversity of governance bodies and employees
Policies practised by the company	<ul style="list-style-type: none"> 2. Strategy and forward-looking vision 5. Italgas Group performance (paragraphs 5.1 Transparent relations, 5.2 Put people at the centre, 5.3 Create value for customers and the market, 5.4 Create value for the territory and the communities and 5.5. Attention to the environment) 		
Risk management	<ul style="list-style-type: none"> Methodological note (paragraph "Materiality analysis") 3. Governance, risks and opportunities (paragraph 3.2 Risk management) "Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)" Table 		

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/paragraphs	Capital and material topics	Indicators
<p>Use of energy resources</p> <p>Greenhouse gas emissions and polluting emissions into the atmosphere</p> <p>Impact on the environment or other relevant environmental risk factors</p>	<p> 5. Italgas Group performance (paragraph 5.5. Attention to the environment)</p>	<p>Environmental sustainability</p> <p>Energy transition and the fight against climate change</p> <p><i>Natural capital</i></p>	<p> 302-1 - Energy consumed within the organization</p> <p> 302-3 Energy intensity</p> <p> 302-4 - Reduction of energy consumption</p> <p> 303-3 - Water withdrawals</p> <p> 303-4 - Water discharge</p> <p> 303-5 - Water consumption</p> <p> 305-1 Direct (Scope 1) GHG emissions</p> <p> 305-2 - Indirect (Scope 2) GHG emissions from energy consumption</p> <p> 305- 3 - Other indirect (Scope 3) GHG emissions</p> <p> 305-4 - GHG emissions intensity</p> <p> 305-5 - Reduction in GHG emissions</p> <p> 305-7 - Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant emissions</p> <p> 306-4 - Waste sent for recovery</p> <p> 306-5 - Waste for disposal</p> <p> 307-1 - Non-compliance with environmental laws and regulations</p>
<p>Impact on health and safety or other relevant health risk factors</p> <p>Personnel management</p> <p>Action taken to prevent discriminatory action or behaviour</p>	<p> 5. Italgas Group performance (paragraph 5.2 Put people at the centre)</p>	<p>Protection, inclusion, enhancement and well-being of the human resources</p> <p><i>Human capital</i></p>	<p> 401-1 - New hires and turnover</p> <p> 403-9 - Accidents at work</p> <p> 405-1 - Diversity of governance bodies and employees</p> <p> 405-2 - Ratio of basic salary and remuneration of women to men</p> <p> 401-3 - Parental leave</p> <p> 404-1 - Average hours of training per year per employee</p> <p> 406-1 - Incidents of discrimination and corrective actions taken</p>

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/paragraphs	Capital and material topics	Indicators
Social (including those relating to the supply chain and subcontracting and respect for human rights)	<ul style="list-style-type: none"> 4. Summary data and information (paragraph 4.2 Key data) 5. Italgas Group performance (paragraphs 5.1 Transparent relations, 5.3 Create value for customers and the market, 5.4 Create value for the territory and the communities and 5.6 Business outlook (economic-financial)) 6. Comment on the economic and financial results and other information (paragraph 6.2 Comment on the economic and financial results) 	Innovation Safety of the networks, assets and people Sustainable supply chain management Quality of service and customer satisfaction Dialogue and the creation of value on the territory Generation of sustainable economic value and ESG finance <i>Intellectual capital</i> <i>Manufacturing capital</i> <i>Relational capital</i> <i>Financial capital</i>	<ul style="list-style-type: none"> 308-1 - New suppliers that were assessed using environmental criteria 414-1 - New suppliers that have been assessed through the use of social criteria 416-1 - Assessment of the health and safety impacts of product and service categories 201-1 - Direct economic value generated and distributed Non-GRI indicator - Value of sponsorships and donations 207-1 - Approach to taxation 207-2 - Tax governance, risk control and management 207-3 - Stakeholder engagement and management of tax concerns 207-4 - Country-by-country reporting 102-7 - Scale of the organisation
Respect for human rights	<ul style="list-style-type: none"> 2. Strategy and forward-looking vision 5. Italgas Group performance (paragraphs 5.2 Put people at the centre and 5.3 Create value for customers and the market) 	Protection, inclusion, enhancement and well-being of the human resources Sustainable supply chain management Respect for human rights <i>Relational capital</i> <i>Human capital</i>	<ul style="list-style-type: none"> 408-1 Operations and suppliers considered to have significant risk for incidents of child labour 409-1 Operations and suppliers considered to have significant risk for incidents of forced or compulsory labour 414-1 - New suppliers that have been assessed through the use of social criteria
Fight against both active and passive corruption	<ul style="list-style-type: none"> 3. Governance, risks and opportunities (paragraph 3.4 Ethics and compliance) 	Compliance, transparency and fight against corruption <i>Relational capital</i>	<ul style="list-style-type: none"> 205-2 - Disclosure and training on anti-corruption policies and procedures 205-3 - Confirmed incidents of corruption and actions taken



1 | The Italgas Group value creation process

NFS 1.1 Corporate identity

Italgas is Italy's top gas distributor and the third in Europe: the Group and its affiliates¹¹, with 3,966 people working at the various offices across Italy, manage 74,397 kilometres of gas distribution network, through which, in 2021, 9,194 million cubic metres of gas were distributed to 7,757 thousand users. The Group and its affiliates hold 1,898 distribution concessions, with a historical presence in Italy's main cities, including Turin, Venice, Florence, Rome and Naples, and a market share of over 35%.

Italgas was founded in 1837. With more than 180 years of history behind it, it is unanimously acknowledged as the company that has brought gas into Italian homes, contributing towards the country's social and economic development. It is a contribution that is also renewed today: the most significant example is the methanisation of Sardinia, where since it first started back in 2018, the Group has installed approximately 900 km of new native digital networks and in 2020, the first natural gas was distributed on the island.

Italgas has always had a firm focus on the future, aware of the role its infrastructure will play in supporting the energy transition, guaranteeing the country's energy security. Through the major investment plan announced in June 2021, the 2021-2027 Business Plan, the Group intends to continue its extension and repurposing of the network, not only in order to guarantee its safety and efficiency, but also to distribute renewable, low-carbon, hydrogen and synthetic gases, which look set to play an increasingly important role over the next few years.

The acquisition of DEPA Infrastructure S.A. in Greece, which should draw to a close during the first few months of 2022, will allow the Group to further strengthen its leadership position in the European gas sector, entering a market that offers significant growth opportunities, making its distribution network development and digitisation capacities available to support Greece's energy transition.

The Group's business

The core business of Italgas is focused on gas distribution, which it carries out as part of the wider national system, involving the distribution of gas on behalf of sales companies authorised to sell the gas to end customers. In addition to the

delivery service, carried out using the local pipeline networks from the city-gates (reduction and metering stations interconnected with the transmission networks), the company also carries out metering activities, which include the collection, processing, validation and provision of consumption data in order to regulate commercial transactions between operators and users.

The operations for the gas distribution business are managed by:

- | Italgas Reti S.p.A. - which operates nationwide;
- | Toscana Energia S.p.A. - operating in the Tuscany region;
- | Medea S.p.A. - operating in Sardinia.

Italgas is subject to regulation by the Italian Regulatory Authority for Energy, Networks and Environment (also referred to as the Authority or ARERA), which defines both how to conduct the service and the rates for distribution and metering. The gas distribution business is carried out under concession.

The Italgas Group also operates in energy efficiency through Seaside S.p.A. and Ceresa S.p.A., the two energy service companies specialised in energy consulting and the supply of energy services to both the private residential and industrial sector and the public administration sector.

In Sardinia, Italgas also sells gas (LPG, propane air and methane) through Gaxa S.p.A., the island's most important sales company.

The Group also manages the integrated water service (IWS) of five municipalities in Campania, on a concession basis, through Italgas Acqua S.p.A..

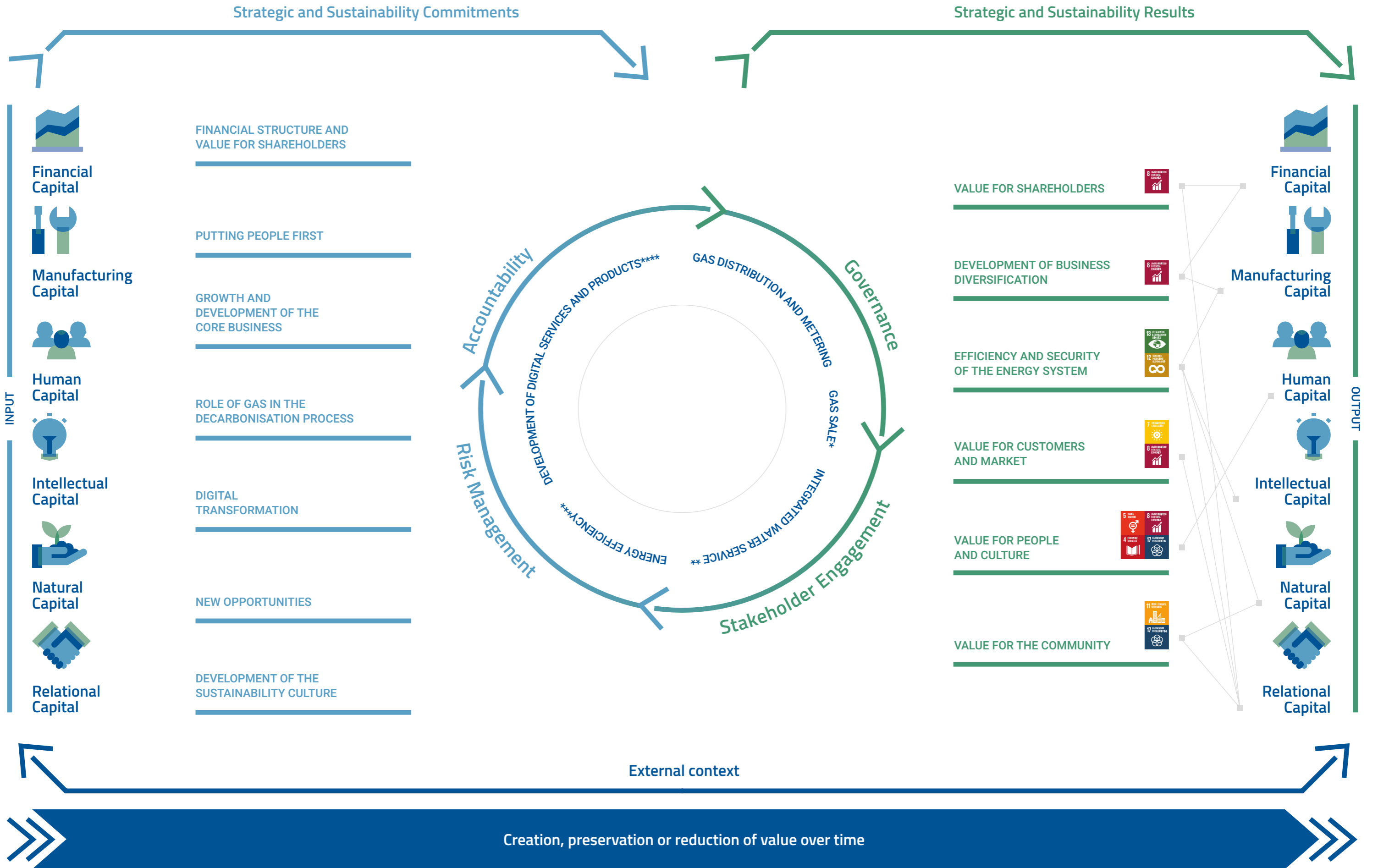
In 2021, the company Bludigit S.p.A. was established, in which all the Group's Information Technology business was concentrated: through this new company, the Italgas Group offers cutting-edge proprietary digital solutions, making the competences and applications developed in-house available to other operators of both its own energy sector and other sectors.

¹¹ The data referring only to the Group, subject to reporting, are as follows: 3,904 employees, 72,503 km of network, 8,887 million Sm³ of gas distributed, 7,604 million active meters.

NFS 1.2 Business model

To implement a real economic, financial, environmental and social sustainability and be able to create shared value in response to the expectations of all stakeholders - from investors and shareholders to the territorial context and employees - the Group has adopted an integrated business model that can use all its input capital to achieve strategic objectives and create value in the short, medium and long-term.





* through Gaxa ** through Italgas Acqua *** through Seaside **** through Bludigit

In the representation of the model, the input capitals correspond to the Group's resources and distinguishing factors, such as the distribution network, know-how, people and stakeholder relations, which are used, transformed or enhanced in the various processes.

INPUT CAPITALS



Financial Capital

Financial capital guarantees the cash flows needed to ensure investments, infrastructure management and achievement of the growth and diversification goals.



Human Capital

Human capital is made up of all the people at Italgas and their skills, knowledge and experience.



Natural Capital

Natural capital consists of the environmental resources used by the Group to carry out its activities, including the environmental resources themselves, such as natural gas, which enable the Group to provide the service.



Relational Capital

Relational capital consists of the relations built and preserved by Italgas within the community and with its reference stakeholders.



Intellectual Capital

Intellectual capital is made up of company know-how, company processes and systems enabling optimum management of business activities.



Manufacturing Capital

Manufacturing capital is made up of the Group's assets.

The 2021-2027 Business Plan and the Sustainability Plan of the Italgas Group, also on the basis of the input capital, constitute the main guidelines along which the Italgas Group works:

Sustainability

- | digital transformation;
- | growth and development of the core business;
- | decarbonisation process;
- | new opportunities;
- | financial structure and return for shareholders;
- | human resources.

The operations of the Italgas Group are also included in the business model. Below are the key processes of these operations:

- | governance processes;
- | business processes;
- | support processes;
- | control processes.



Governance process



DEVELOPMENT ACTIVITIES

OPERATIONAL ACTIVITIES

COMMERCIAL ACTIVITIES

Business process - Gas distribution and metering

Acquisition of Licence Portfolio



Management of concessions and construction of networks



Metering



Ancillary Services



Management of relations with Sales Companies and ARERA

Business Process - Sale of gas

Marketing and development of the services offered



Management of sales



Management of Operations/ Commodity Supply



Management of relations with the end customer

Business Process - Integrated Water Service

Development of services offered and territories served



Collection and filtering



Management and construction of networks



Management of metering



Management of the contract with the end customer

Business Process - Energy efficiency

Design of energy efficiency services for companies/buildings and digital services



Development of services



Analysis of results obtained also shared with the customer



Offer and sale of services to the customer

Business Process - IT Services

Design and management of innovative IT services and products for businesses



Project implementation
Development of IT services and products
Implementation and delivery of services



Analysis of results obtained involving customers and continuous improvement of product and service catalogue

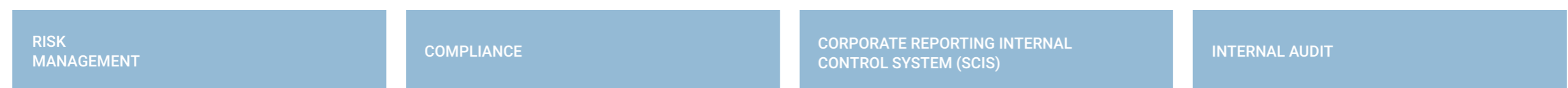


Lead generation, sales and after-sales of projects, products and services to customers

Support Process



Control Process



* In the case of the value chain for the energy efficiency process, commercial activities take place before operations.

Responsible governance, stakeholder engagement, risk management and accountability are key, essential elements of all the above activities and processes (see “Governance, risks and opportunities” section).

Lastly, the model shown includes the Strategic and Sustainability Results, detailing the United Nations Sustainable Development Goals (SDGs) of reference and the link to the output capitals, which represent the impacts generated by the Group’s business.

NFS 1.3 External context, markets and Italgas stock

Covid-19 pandemic

The continuation of the Covid-19 pandemic has generated a phenomenon of social insecurity, albeit faced with a substantial recovery that has marked the national, European and world scene. At two years since the emergency first started, in fact, most countries are finding themselves addressing a series of peaks in the health emergency, alternating with less critical periods. The pandemic has speeded up a whole series of evolutions in how companies work, as they found themselves forced to innovate to adapt quickly to the changes. In this scenario, Italgas showed exceptional resilience, guaranteeing continuity of service to around 8 million customers in Italy, while at the same time allowing its people to operate in complete safety.

Precisely in this situation of extraordinary unpredictability, Italgas gathered its first results on the digital transformation of processes, assets and people launched in 2017. Investments in digitisation have allowed, from the very start of the pandemic, for work to be reorganised and all activities carried out from a remote position. Still today, the presence in the company office is alternated with long periods spent working from home, to guarantee maximum employee safety. In addition, thanks to the development and application of innovative technologies, such as “ShareView” and “WorkOnSite”, it has become possible to efficiently manage the network from a remote position, reducing the number of trips to the field and, consequently fuel consumption and CO2 emissions.

Recording twenty consecutive quarters of growth since its return to the stock exchange, Italgas has shown itself capable of continuing its development and transformation even during the health emergency, supporting the country’s economic fabric, contributing to the economic recovery thanks to important investments and playing a lead role in the energy transition.

Rising energy prices

The major rise in energy prices seen during the latter months of 2021, was caused by a combination of factors - first and foremost geopolitical - which has generated further instability on a European level. This situation, which is putting numerous industrial segments very much to the test in Italy, has led to a reflection on the investments necessary to achieve energy independence for the country. In this context, renewable gases - biomethane first and foremost - have very significant potential, not only in terms of the decarbonisation of consumption but also to guarantee greater security of procurement.

The gas networks are a strategic asset by which to stimulate renewable gas production, as long as they are entirely digitised and flexible, i.e. able to transmit data, receive and execute instructions, be managed from a remote position. Comparisons within national and international trade associations, thanks to the digital transformation undertaken, find that Italgas is the first gas distribution company in the world with an entirely digitised network. The company is working on numerous innovative projects aimed at driving the integration of renewable gases in the country’s energy mix.

1.3.1 Macroeconomic scenario and market trends

After the major slow-down last year, 2021 saw a rapid recovery of the GDP (gross domestic product) and employment levels worldwide, thanks to the progressive reopening of economic activities and the support supplied by the monetary and tax authorities. This is confirmed by the GDP growth for the US, Europe and Italy, coming in respectively at 5.7%, 5.2% and 6.5% for 2021. At the same time, the Purchasing Managers Index for the US manufacturing sector reached all-time highs, while initial unemployment applications in the United States have dropped to the lowest level seen in more than 50 years.

The major recovery of economic activities, coupled with the rising pressure on prices of energy commodities, due to growth in demand that exceeds supply, have given rise to a major price increase and, accordingly, inflation. This increase intensified in particular towards year end. In December, US inflation rose to 7.0% as compared with the same month of 2020, to the peaks recorded in 1982, while German inflation came to 5.3%, a high since 1992.

Despite the rise in inflation, central banks maintained an approach that was generally accommodating, in support of the economy. It was only at year end that they decided to proceed with a gradual withdrawal of monetary stimuli. More specifically, the FED initially announced in November the progressive reduction of 15 billion dollars a month of the QE (Quantitative Easing) and during the following meeting held in December, it doubled the monthly purchase reduction plan to 30 billion dollars, so as to zero QE in March 2022. The FED has also declared its expectation to raise the rates three times in 2022. After having intensified the PEPP (Pandemic Emergency Purchase Programme) in the 2nd and 3rd quarters, during the December meeting, the ECB instead announced the end of this programme as from end March 2022, with its temporary substitution, for a total of 6 months, with the strengthening of the APP programme (Asset Purchase Programme).

Despite the considerable increase of inflationist forecasts, the

central banks' policy compressed real bond yields on new all-time lows, with a consequent limited rise in nominal yields. The German 10-year nominal yield rose by 39 bps (from -0.57% to -0.18%) with the real component declining by 59 bps (the new all-time low was recorded mid-November: -2.26%) and implicit inflation rising by 98 bps. In the case of the US Treasury, the increase in the nominal yield was even more marked (+60 bps; from 0.91% to 1.51%), reflecting the less accommodating approach of the FED and the more dynamic US economy, with the variation entirely brought about by inflationist forecasts, whilst the real component was generally stable at all-time lows (in this case too, the new low was recorded in November: -1.20%). The BTP-Bund spread showed a moderate rise (+24 bps, i.e. from 111 to 135 bps), entirely concentrated in the last two months of the year as a reflection of expectations for a gradual withdrawal of monetary stimuli by the ECB in order to mitigate the inflationist dynamic consequent to the overheating of the economy.

The performance of currencies reflected the different expectations in terms of timing for the normalisation of monetary policies by the various central banks. In 2021, the EUR/USD depreciated by 7% (to 1.14, close to the lows since June 2020) and the EUR/GBP drew back by 6% (to 0.84, lowest since February 2020).

1.3.2 2021 Trend and Italgas stock

With the progressive reopening of economic activities and support by the monetary and tax authorities, the main world share indexes recorded major rises in 2021, extending the all-time highs. With prices adjusted for dividend payments and reinvestments (total shareholder return), the Euro Stoxx share index rose by 23.5%. The US S&P 500 index improved by +28.7% thanks to the greater exposure to technological securities, which, together with the banking sector, were the best of the list. Faced with an economic recovery that was fairly homogeneous in the various countries of the Eurozone, the difference in yield between the various national share indexes reflected exposure to the specific economic sectors. With a rise of 31.9%, the French CAC 40 share index was the best,

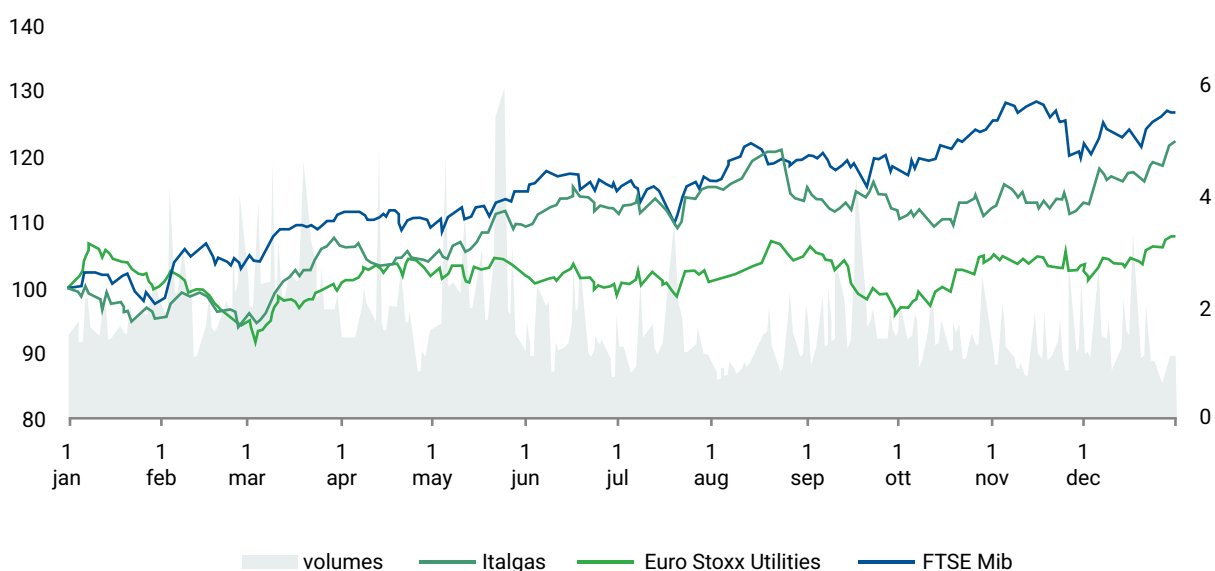
thanks to the exposure to the fashion & luxury segment, which benefited from the major recovery of sales worldwide and particularly in China. This was followed by the Italian FTSE Mib (+26.8%), which benefited from exposure to the bank segment and the production of semi-conductors. Further off, is the German DAX index (+15.8%) and the Spanish Ixex 35 (+9.4%), with the latter penalised by its high exposure to the utilities sector, the worse of the list.

Despite the support given by the energy scenario, the Euro Stoxx Utilities only rose by 7.9%, coming in fourth-to-last of the European sector indexes, penalised by fears over legislative interventions aiming to mitigate the impact on end users of the rise in gas and electricity prices, with a negative impact on the profits of the integrated operators. The banking and technological segments performed best on the Eurozone market, the first due to the improved economic scenario and major rise in inflation, the second thanks to the digitisation process underway in a great many sectors, which resulted in a world shortage of semi-conductors. The defensive sectors (real estate and retail) were the worst in terms of return, due to the improved macroeconomic context.

The Italgas share closed 2021 at € 6.052 per share. Considering the dividend of € 0.277 per share issued in May 2021 and a price at end 2020 of € 5.20, it recorded a total shareholder return (with reinvestment of the dividend) of 22.2%.

From the date on which it was listed in November 2016 to 31 December 2021, the total shareholder return is 91.2%.

During the year, the average daily trading volume of the Italgas stock on the Italian Stock Exchange electronic market was about 1.9 million shares, with a greater concentration of trades around the announcement of quarterly results, the ex-dividend date and updating of the 2021-2027 Strategic Plan, presented mid-June 2021.



1.4 Ownership structure

The share capital of the Company as at 31 December 2021 consisted of 809,768,354 shares without par value, giving a share capital value of € 1,002,016,254.92.

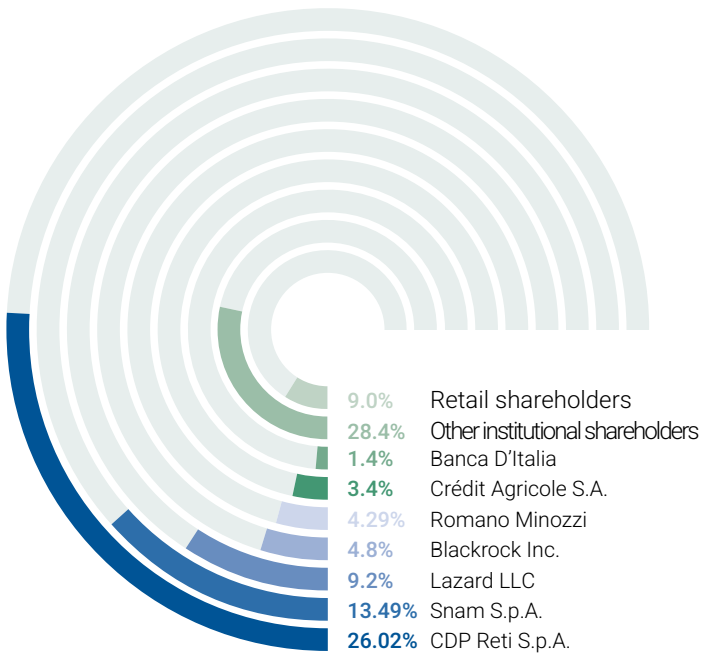
As at 31 December 2020, based on the shareholders' list, the information available and the notices received pursuant to Article 120 of the Consolidated Finance Act, the owners of significant equity investments are represented below.

Consolidating company	Shareholders	% Ownership
Italgas S.p.A.	CDP Reti S.p.A (*) (**)	26.02
	Snam S.p.A.	13.49
	Lazard LLC	9.2
	Blackrock Inc.	4.8
	Romano Minozzi	4.29
	Crédit Agricole S.A.	3.4
	Banca D'Italia	1.4
	Other institutional shareholders	28.4
	Retail shareholders	9.0

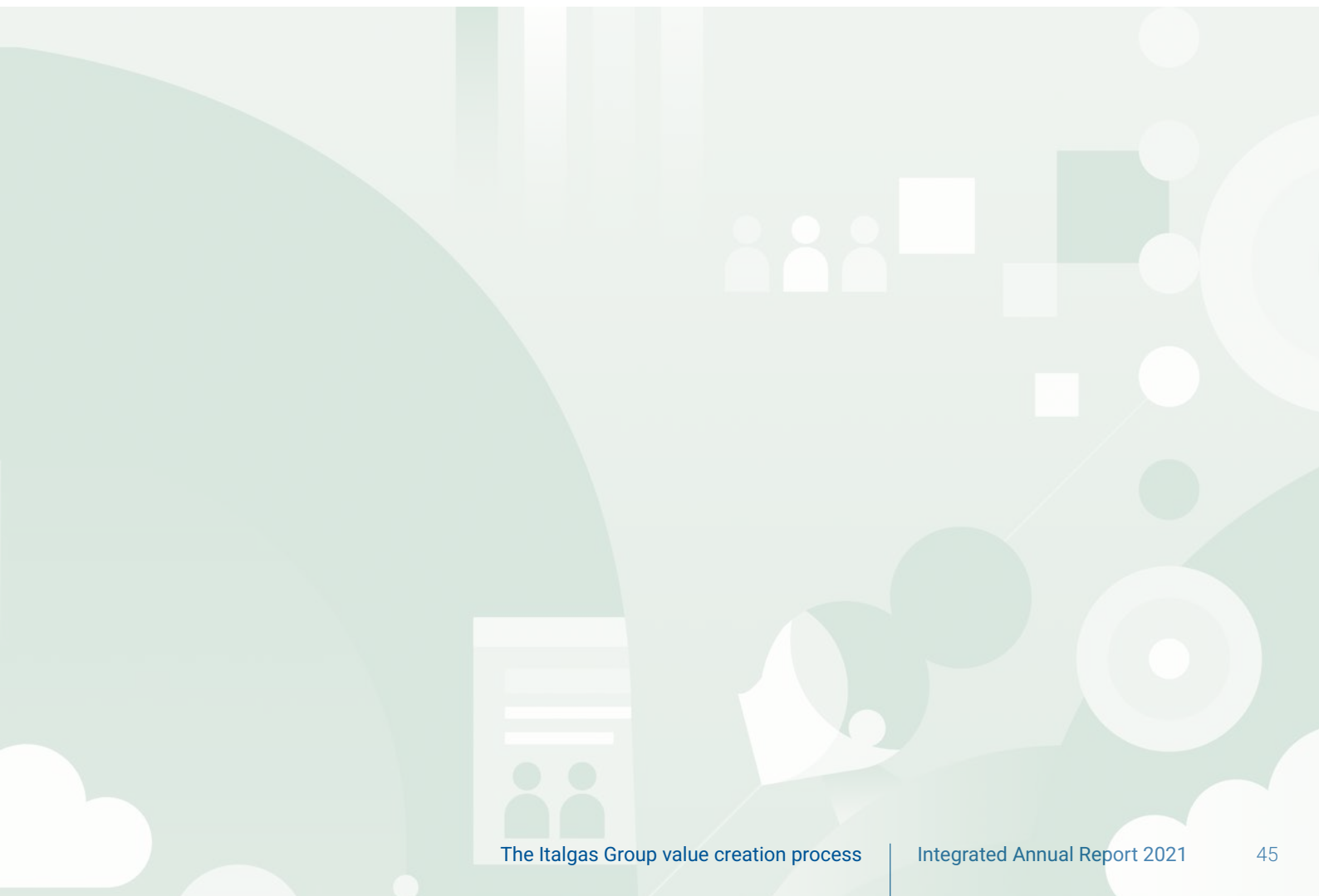
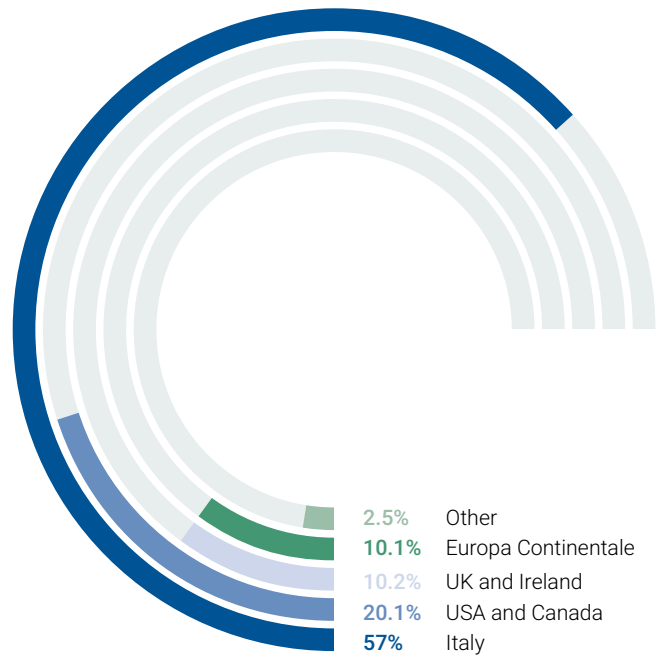
(*) On 1 August 2019 the Board of Directors of CDP S.p.A., also with a view to considering the control guidelines contained in Consob Communication no. 0106341 of 13 September 2017, reclassified its equity investment in Italgas as de facto control pursuant to article 2359, subsection 1, no. 2) of the Italian Civil Code and article 93 of the CLF, exercising control through CDP Reti with a 26.05% equity holding and through Snam with a 13.50% equity holding. CDP does not exercise management and coordination activities with respect to Italgas pursuant to articles 2497 et seq. of the Italian Civil Code.

(**) A shareholders' agreement between Snam, CDP Reti and CDP Gas was signed on 20 October 2016, effective from the date of the demerger of Italgas S.p.A. on 16 November 2016. With effect from 1 May 2017, CDP Gas was merged into CDP. Subsequently, on 19 May 2017, CDP sold to CDP Reti, inter alia, its equity investment in Italgas S.p.A., equal to 0.969% of Italgas S.p.A.'s share capital. CDP Reti is 59.1% owned by CDP, 35% by State Grid Europe Limited - SGEL, a company of the State Grid Corporation of China group, and 5.9% by a number of Italian institutional investors. On 1 August 2019, the shareholders' agreement was further updated to take account of the aforementioned re-qualification of the shareholding.

ITALGAS SHAREHOLDERS BY TYPE OF INVESTOR



ITALGAS SHAREHOLDERS BY GEOGRAPHICAL AREA



NFS 1.5 SRI indexes and ratings¹²

The sustainability ratings of Italgas were reconfirmed or improved in 2021, and its stock was included in a growing number of leading SRI stock indexes, in recognition of the sustainable approach of the company's strategies and activities, as well as the transparent information it provides to all stakeholders.



Italgas was included for the first time in the Dow Jones Sustainability Index Europe in November 2021 and confirmed for the third consecutive year in the Dow Jones Sustainability Index World, with a score of 90 points out of 100 (score date 12 November 2021).

The two indexes comprise the world and European leaders of sustainability selected by S&P Global every year, on the basis of the score achieved on the Corporate Sustainability Assessment (CSA).

On the basis of the result achieved in the CSA 2021, in February 2022 Italgas was also reconfirmed in the Sustainability Yearbook, obtaining Gold Class Distinction recognition.



Since 2017, CDP (Carbon Disclosure Project) has recognised Italgas as an international leader for the strategies and actions implemented to combat climate change. In 2021, the Italgas Group was included in the Leadership band, thanks to the improvement of its score to "A-" from last year's "B" on the "Climate change 2021" questionnaire. This score positioned Italgas above the European average and the average of the Energy Utilities Networks sector, which both have a score of "B".



In January 2022, the Italgas share was once again confirmed as "constituent" in the series of FTSE4Good indexes on the basis of the valuation conducted in the fourth quarter of 2021.



On 18 October 2021, Italgas' stock was included in the MIB ESG Index, the first blue-chip index for Italy dedicated to Environmental, Social and Governance (ESG) best practices of Borsa Italiana, part of the Euronext group. The MIB ESG Index was made operational by Euronext in collaboration with Vigeo Eris. The inclusion also reflects the score of 58 points and the "Robust" rating assigned by Vigeo to the Italgas Group in 2021.

¹² Socially Responsible Investing (SRI).



The Italgas stock has been confirmed in its position in the ECPI Euro ESG Equity and ECPI World ESG Equity stock. In July 2021, the company was also included on the ECPI Global Infrastructure Equity Index. ECPI focuses on the ESG (Environmental, Social, and Governance) performance indicators which determine the sustainability profile of an issuer. ECPI uses an objective approach, differentiated by industrial sectors in the analysis of the ESG data with the aim of translating mainly qualitative information into quantitative indicators thus assigning a score and a rating to each issuer.



In 2021, Italgas had its sustainability rating from ISS (Institutional Shareholder Services) confirmed as A- in the context of the ISS ESG Corporate Rating last year.

Italgas shares are also included in the ESG MSCI, Stoxx and EuroStoxx indexes as well as those of other operators.





2 | Strategy and forward-looking vision

NFS





The 2021-2027 Strategic Plan envisages investments for € 7.9 billion dedicated to the energy transition, digital transformation and sustainability, in addition to the development of the portfolio businesses through the awarding of future tenders for the management of the ATEMs (Minimum Territorial Areas) and M&A initiatives.

The strategy is structured along the following lines:

- | development of the long-term value of the gas distribution infrastructure through:
 - | the construction of a new generation of smart networks that, through digitisation and the application of innovative technologies, causes the infrastructure management model to evolve to the benefit of safety and operative efficiency, as well as enabling the use of renewable, low carbon content, synthetic and hydrogen gases in the distribution networks;
 - | the progressive decarbonisation of the infrastructure managed, mainly reducing fugitive methane emissions through a frequent, granular control of the networks and

all possible emission points, in line with the guidelines given by the European Commission;

- | growth of the reference perimeter, through a combination of organic growth, M&As, area tenders (ATEM) and international developments in the sector of natural gas distribution;
- | growth in the energy service sector for the efficiency of industrial, residential and public administration consumption;
- | growth in the water segment, in synergy with the competences of the Group developed for the innovation and digitisation of the natural gas distribution infrastructure;
- | maintaining a sound and efficient financial structure to support the growth opportunities and continue to ensure adequate return for shareholders.

These objectives involve the entire Group in an overall, consistent effort, inspired by a model that integrates the sustainability principles. ESG topics are in fact the matrix in which the drivers of the Plan are inserted, as well as being the keystone that links them together, guiding investment choices.

2.1 The key role in the energy transition

The net-zero target by 2050, set by the European Union as part of the Green Deal, has made it urgent for the individual Member States to decarbonise consumptions and reduce the carbon footprint of all manufacturing activities to zero.

Moreover, the key role of gas in the energy transition was highlighted at European level¹³, in light of the recent review proposal of the directive and the regulations on the gas market and hydrogen, as well as the guideline from the European Commission regarding the inclusion of gas among the sources included in the European taxonomy of sustainable investments, with reference to electricity generation and cogeneration. For gas, a leading role is envisaged in supporting the imminent exit of carbon and will continue to account for approximately 20% of European energy consumption in 2050¹⁴, but with a renewed composition that will reflect an increasing weight of renewal gases such as hydrogen, biomethane and synthetic methane (e-gas). In this scenario, the role played by gas distribution networks remains key. Thanks to its capillary distribution and extension in Europe, the gas infrastructure is a key asset in the energy transition

process. The networks that today distribute natural gas, in fact, will soon be able to host low-carbon content renewable gases and subsequently synthetic gases and hydrogen: to do so, the infrastructure needs to be entirely digitised. The digital transformation is therefore the main enabler of the energy transition, or its precondition.

As part of its commitment to decarbonisation, Italgas has adopted advanced practices and technologies that can pave the way for a more sustainable future. These competences and solutions can also be useful for other infrastructure and energy operators or operators of other sectors, in fixing more ambitious, concrete objectives. Bludigit, the Italgas Group digital services company, with the capacities developed in the Digital Factory in the proprietary digital applications and through the partnerships with technological suppliers globally, offers innovative solutions to third parties in support of the energy transition process.

2.2 Digitisation, network upgrades and energy efficiency

Digitisation is considered an essential element in enabling the energy transition process in the gas distribution sector. Digitisation increases efficiency, improves safety, network management and the quality of the service, enables predictive maintenance, for more effective control of the operating parameters, and helps guarantee operation under any conditions.

The digitisation and transformation of the current gas distribution infrastructure towards a smart, flexible, digital model, remains one of the main objectives: it is the contribution of the Italgas Group assets towards creating the net-zero energy mix envisaged by the European Union by 2050 and the very future of the gas distribution sector. This is why in the 2021-2027 Strategic Plan, Italgas has allocated € 5 billion to upgrading / repurposing the networks, digitising assets/processes and developing initiatives for the integration of low-carbon content gases.

Comparisons within national and international trade associations, thanks to the digital transformation undertaken, find that Italgas is the first gas distribution company in the world with an entirely digitised network. A digital network is an infrastructure with built-in devices capable of giving and receiving information and can be controlled remotely and in real time

through a centralised command and control system. It is a necessary condition for the accommodation and distribution of renewable gases other than methane, such as hydrogen, biomethane and synthetic methane.

To this end, Italgas has installed digital devices that can give and receive information in real time, it has introduced IoT technologies for the mass acquisition of the physical network parameters and has created smart algorithms that can usefully interpret this information. Finally, it has virtually completed its replacement of traditional meters with smart meters, latest generation meters equipped for smart metering and thus able to read consumption without the need to access the meter. Replacement results in greater operational efficiency, with a direct impact on the consumer. It also increases the capacity to provide sales companies with reliable and timely consumption data. This makes it possible to obtain accurate billing quickly, while increasing customer trust. The replacement process makes it possible to make the network monitoring and control increasingly more capillary, also in terms of security, and above all constitutes a technical condition that must be met in order to transport renewable gases like hydrogen, biomethane and synthetic methane.

¹³ The taxonomy of investments, in fact, is a European classification system of environmentally-sustainable economic assets that is aimed to channelling and redirecting the flow of international capital towards sustainable energy solutions (please refer to the annex "Information on the assets that can and cannot be admitted to the Taxonomy of sustainable investments")

¹⁴ European Commission COM (2021) 803 final, Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on common rules for the internal markets in renewable and natural gases and in hydrogen



The integration of green gases in the networks

The transformation of the networks involves digitisation, but not only this. Italgas has already planned and launched projects, in the 2021-2027 period, for investments of approximately 40 million, in support of the development and integration of low-carbon content gases in the distribution networks. The main development initiatives include:

- | the pilot Power to Gas project in Sardinia, near Cagliari, the very first application in the EU, aimed at verifying the whole green hydrogen chain, from the production of hydrogen from electricity produced by photovoltaic panels, to the distribution in the networks and the end uses, such as mobility, industrial applications and residential uses, which according to plans, will come to light in 2023. Italgas believes that Power-to-Gas technology is another way in which gas and electricity sectors are merging, able to offer a reliable solution to the problem of the reduced programmability of renewable resources. The plant will be connected to the new “native digital” networks that Italgas is developing in Sardinia. The region, which was once the only one in Italy not reached by natural gas, can, in fact, today boast the country’s most modern infrastructure; a network that already today guarantees greater efficiency and quality of gas distribution service, and in a not-too-distant future, will be able to collect and distribute renewable gases to end customers, making the achievement of decarbonisation targets ever more concrete;
- | In line with the expertise being developed, Italgas has signed an agreement with Buzzi Unicem (during the early months of 2022), to carry out a feasibility study to develop Power to Gas plants combined with carbon capture systems (CO₂ capture) at the production plants of Buzzi Unicem. The development of these technologies will help ensure the decarbonisation of the production processes of cements and concretes, thereby guaranteeing greater environmental sustainability and support to the energy transition;
- | the design and development of a new generation, hydrogen ready Italgas smart meter, which integrates green gas metering and management functions. The development of the first prototype, created entirely using recycled and recyclable materials, is expected for 2022 and the first installations from 2023;
- | relaunch of the historic technical and metrological analysis laboratory of Asti, Piedmont, and the creation of the laboratory in Sestu in Sardinia, near the Power to Gas pilot project, which will take on the role of centres of excellence of analysis and tests of new gases.

Italgas has chosen to optimise this important knowledge base, together with the best practices acquired in gas distribution, also to contiguous sectors, with the aim of fostering an innovation process, always assuring safety, efficiency and sustainability. Within this context, approximately € 200 million of investments was allocated to extending the digital skills to the water network management and energy service sectors, in which the following Group companies operate: Italgas Acqua, and the ESCOs Seaside and Ceresa. In the water sector, the aim is to further improve the quality and efficiency of managed networks by means of a two-level intervention plan. On the one hand, by installing “water smart meters” to replace traditional meters for the 30,000 users served; and on the other, through the widespread installation of sensors along the networks, to enable the monitoring of all operational parameters of the infrastructures at all times, prompt and increasingly accurate detection of any faults and fast intervention in the event of leaks. Similarly, digital know-how is being rapidly and effectively put to use with the launch of various innovative projects aimed at saving energy and reducing the carbon footprint of consumptions. One such project is “Savegas”, a service offering energy efficiency measures for buildings, with a turnkey system to cut bills by up to 20%.

Digital transformation also concerns processes and people. In the case of processes, driving this great change is the Italgas Digital Factory. Inside the Digital Factory, physical and virtual rooms work in agile mode to digitise the company’s processes, creating innovations that have further improved day-to-day operations. The main innovations of 2021 include a particularly effective digital solution called ClickToGas: an application that allows the end customer to share information and photographs with Italgas or even to activate video collaboration sessions with indications in augmented reality, eliminating the need for physical site inspections at the customer’s premises and drastically reducing the time necessary to provide a quotation for a new connection to the gas network. Continuing on with the enabling of smart maintenance, new solutions have been introduced based on machine learning and AI for predictive analysis and the optimisation of the function of critical components of the network, such as smart meters and the odourisation stations.

As for the people, all Italgas employees have now been provided with at least one mobile device and are involved in training, refresher and digital reskilling programmes. This approach proved invaluable during the continued pandemic context, to rise to the challenges of reorganising work and increase everyone’s skills. This approach has proven to be ever more effective, making the skills and tools available to our people to be able to interpret and use the numerous data items sent each and every day by the IoT sensors distributed throughout the infrastructure. In addition, the re-design has been launched of the digital experience of employees, through the optimisation of the HR processes and the related support systems and evolution of the collaboration and communication tools.

2.3 The role played of sustainability

All aspects of sustainability are part of the Group's operational and strategic management and a reference value for the work of top management and all company departments. In its vision for a sustainable approach to business, the Italgas Group intends to contribute daily to the achievement of the sustainable development goals of the United Nations 2030 Agenda and the goals defined by the European Union. In line with global sustainability principles and the important integrations made to the Italian Constitutional Charter in February 2022, which establishes on the one hand that the environment, biodiversity and ecosystems must be protected, introducing the concept of the interests of future generations, on the other it strengthens the principle that economic activity cannot be carried out while harming health and the environment, as well as the aspects of safety, freedom and human dignity already present, Italgas further strengthens its commitment and conviction that it is operating in the right direction.

The strategic guidelines, in terms of commitment and lines of action, are set out in the Italgas Sustainability Plan, developed in line with the United Nations Sustainable Development Goals.

The whole of the Strategic Plan responds to the main sustainability challenges and integrates the ESG criteria, setting new targets for the Company in terms of emissions reductions, energy efficiency and the development and enhancement of resources. Sustainability is therefore one of the company's cornerstones: and this aspect too is involved in defining the Group's operative and strategic choices. When defining the strategic drivers for 2027, Italgas was guided by the five pillars of the Sustainability Plan that represent the basic principles with which the company has identified from day one: nurturing an ESG culture, choosing to put people first, creating value for the local area, customers and the market, and helping to make the system safer and more effective. These pillars are translated into objectives and measures for the short- to medium-term. They are also the source of the specific policies officialising the company's commitment, including:

| **sustainability and Stakeholder Engagement Policy**, which defines its vision on social, environmental and governance topics relevant to the corporate identity and the desire to cre-

ate lasting value for all its stakeholders, through continuous dialogue, the sharing of objectives and the strengthening of collaborative, transparent and professional relations;

| **corporate Citizenship Policy**, to further consolidate the support to the local communities in line with its strategic growth and sustainable development plans;

| **diversity and Inclusion Policy**, to promote matters of diversity and encourage progress and innovation;

| **human Rights Policy**, which outlines the reference principles and actions taken to safeguard human rights in the conduct of its business and, in general, in any context in which Italgas' people and business partners operate;

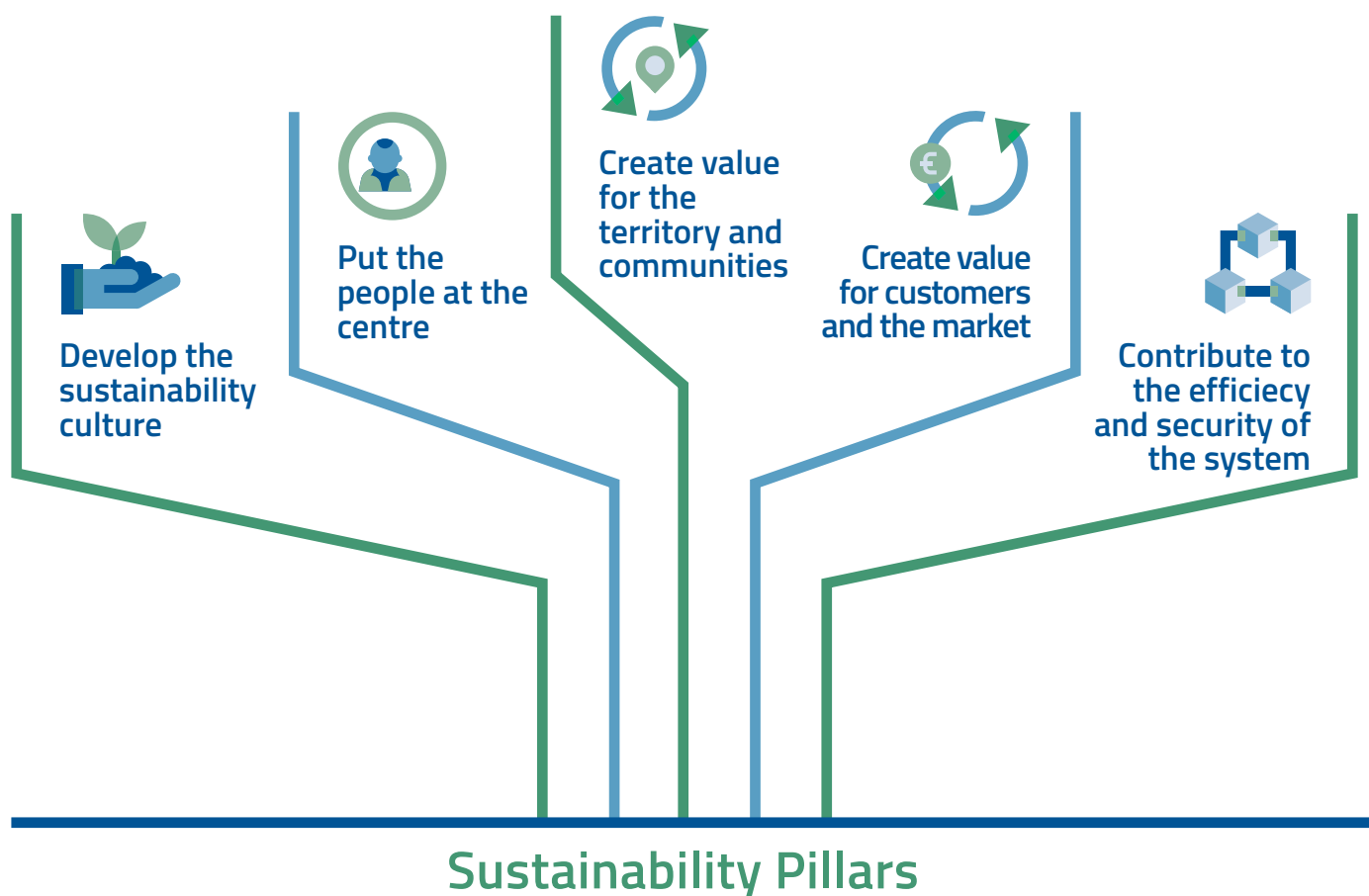
| **policy for the prevention of discrimination and protection of dignity**, by which the company undertakes to prevent discrimination, protect the dignity of its personnel and maintain the best conditions of well-being at work;

| the **HSEQE Policy**, to promote full compliance with the standards protecting health, safety, the environment and energy performance;

| **policy for managing dialogue with all shareholders**, to promote, with a view to active and constructive communication, an open and constant dialogue with shareholders.

These policies are periodically updated and integrated, with a view to ensuring constant adherence to the evolution of the Group strategies and position, also on the basis of the guidelines that have emerged from sustainability indexes and ratings and international ESG trends.

According to the preparation of the next Strategic Plan, the Group has taken action to guarantee an even more organic integration of strategic and sustainability pillars, creating a framework that guides the whole process, from the preparation of strategies to the definition of objectives and reporting on them.



2.3.1 The decarbonisation of the group's operating assets

In order to support the energy transition with the 2021-2027 Strategic Plan, the Group has undertaken to obtain a 30% reduction in its CO₂ equivalent emissions by 2027, and 25% of energy consumption as compared with 2020¹⁵. These objectives have been defined through a detailed planning of measurable interventions. In particular, during the Plan, the following actions have been planned to reduce:

- | fugitive methane emissions: the company is very committed in this sense, using and promoting the adoption of the most advanced leak detection solutions. Already in 2018, in fact, Italgas had introduced Picarro Surveyor, the most cutting-edge technology available in the field of network monitoring and the identification of gas leaks; based on CRDS (Cavity Ring-Down Spectroscopy) technology, a sophisticated sensing technology that, as compared with traditional technologies, offers important advantages in terms of speed of action, sensitivity in detection and scope of the areas under control. Since 1 January 2020, Picarro Surveyor has fully replaced the traditional system on 100% of the natural gas network managed by Italgas Reti. Moreover, last year Italgas launched a trial based on the use of drones and satellite images to monitor the above-ground portion of difficult-to-access pipelines. The company also continues its scouting work carried out worldwide to identify new technologies and solutions aimed at making the detection of fugitive emissions increasingly more accurate and effective;
- | civil and industrial energy consumption and emissions (natural gas and electricity): energy efficiency interventions and the renewal of the Group's real estate assets, technological innovations to optimise industrial consumption, such as the mass use (or deployment) of Savemixer and Savegas solutions - energy intelligence solutions by the ESCo, Seaside - on the distribution network plants equipped with pre-heating;
- | consumption and emissions of the company fleet of service vehicles: modernisation of the operations fleet, removal of cars powered exclusively by petrol and diesel from the car list

¹⁵ Considering the contribution of self-production through the recovery of energy that is otherwise dispersed. The reduction is measured with the same scope, excluding any changes following M&As and ATEM (Minimum Territorial Area) tenders.

of the Managers class, introduction of hybrid vehicles (electric-petrol), among the cars for mixed personal/business use as well as operations vehicles, with the consequent installation of charging points at the company offices. In addition to changes to the fleet, the following is envisaged: the implementation of a fleet management software for monitoring consumption and vehicle status and training activities for safe and sustainable driving;

| electricity consumption for industrial use: design, implementation and commissioning, at the main city gates, of turbo-expanders for energy recovery and cogeneration plants.

2.3.2 Attention to people and skills

Italgas HR management intends to support personal development and the Group's industrial growth, based on three strategic pillars:

- | strengthening engagement and encouraging innovation and organisational changes;
- | improving inclusion and sustainability of doing business;
- | increasing efficiency through digitisation processes.

Aware that the main challenges of the digital transformation must involve the people, in its 2021-2027 Strategic Plan, the Group has envisaged continuing to invest in upskilling and reskilling with more than 600,000 hours of training, of which 250,000 focussed on digital learning. In addition, the Italgas Managerial Academy, which will be established in the early years of the Plan, will ensure continuous managerial and cultural growth, conveying a single corporate purpose among the various businesses and managers.

Italgas reiterates its commitment to diversity & inclusion in order to improve the inclusion of its people, promote equal opportunities, appreciate the value of diversity and promote the uniqueness of individuals.

To this end, a change management programme was launched dedicated to Diversity & Inclusion through widespread awareness-raising initiatives, which culminated in the identification of over 30 Diversity & Inclusion Ambassadors, key figures of change who will be engaged in specific work areas such as Age & Culture, Disability and Gender.

The objectives that Italgas has set itself for 2027 are challenging: increase in the gender representation, with particular reference to managerial positions (one in 4 management roles are held by women), generational renewal (over 60% of new resources hired under 30 years old and 50% women).

2.3.3 Partnerships for the goals



United Nations Global Compact

For a sustainable future: international initiatives and working tables

Since 2018, Italgas is a member of the Global Compact, the initiative created 20 years ago by the then United Nations Secretary-General Kofi Annan, to promote a sustainable global economy which encourages companies to adopt strategies consistent with development increasingly geared towards social and corporate responsibility. The Global Compact encourages companies all over the world to create a network for sustainable development. To do this, it requires participating companies and organisations to act in accordance with the 10 universal principles of the Global Compact, which refer to human rights and labour, environmental protection and the fight against bribery.



Oil and Gas methane partnership initiative - OGMP 2.0

In 2020, Italgas joined the second edition of the Oil and Gas Methane Partnership Initiative (OGMP 2.0), the voluntary initiative aimed at helping companies cut methane emissions in the Oil&Gas sector, created by the Climate and Clean Air Coalition (CCAC) and by the United Nations Environmental Programme (UNEP) and launched for the first time during the United Nations (UN) Secretary-General's Climate Summit in 2014.

From 2020, the initiative was extended to sectors midstream and downstream of the O&G chain, therefore also including all natural gas transportation and distribution activities. The OGMP 2.0 - which remains a voluntary initiative - essentially strives to incentivise participating companies to adopt increasingly effective and incisive methodologies to control, measure and reduce emissions. To this end, the OGMP requires participating companies to establish increasingly accurate corporate protocols that will lead, in five years, to a 45% reduction in emissions by 2025, taking 2015 values as a basis, in line with the climate change emission reduction targets set by the COP21 conference in Paris. Participating companies are required to report emissions data with an increasing degree of accuracy on five different levels, starting with the overall data on plants managed, calculated based on standard emission factors, right up to, at the end of the

final year, accurate information measured at site-level, for each specific type of plant and material used by the company when carrying out its operations.

Companies participating in the OGMP obtain the recognition of a "gold standard" in the management of methane emissions, initially in connection with adherence to the initiative and subsequently confirmed based on the actual progress made towards achieving the announced reduction targets.

At the official presentation of the OGMP 2.0 held on 23 November 2020, Italgas officially showed its commitment as a company in the Downstream sector on a global level, thanks to the participation of the CEO, Paolo Gallo.

OGMP member companies - including Italgas - worked in spring 2021 to define individual voluntary targets to reduce methane emissions by 2025. Italgas indicated a reduction of methane emissions deriving from the management of its business, measured in absolute value, of 83% by 2025 as compared with 2015. In the UNEP publication "An Eye on Methane International Methane Emissions Observatory 2021 Report", Italgas was recognised as a *Gold Standard company*, thanks to a quality of data considered "excellent" for operated assets and "very good" for non-operated assets. In addition, the same report certifies that the company has presented a good implementation plan, assisted by credible scheduling, objectives and technological developments. It is also declared that it has already begun making an important effort to also involve companies in which it holds an investment but not operative control, in the reporting programme and to extend the adhesion of other subjects to the OGMP 2.0 initiative.



GD4S

Italgas is part of the GD4S (Gas Distributors for Sustainability), the non-profit association of European gas distributors that seeks to represent the position of the gas distribution sector at European institutions, specifically concerning the role that such infrastructures can play in the energy transition process towards a low carbon economy. In particular, the association supports gas and LNG as fuels for the transport sector, biomethane development, the study and implementation of Power to Gas technologies for the production of "green" hydrogen and its use as energy carrier able to carry and store renewable energy, taking advantage of the existing infrastructure now used for natural gas.

In July 2021, the GD4S presented a "White Paper" setting out its strategic vision and all the policy recommenda-

tions for the development of renewable gases and the limitation of methane emissions, essential tools for the fight against climate change.

In addition, in the last two years, under the chair of Italgas, GD4S has worked intensely on defining a Sustainable Charter to give shape to a collective approach to sustainability for all association members. In short, the Charter sets out nine shared commitments - in line with the United Nations SDGs - to achieve shared objectives on the three dimensions of sustainability: Environmental, Social and Governance. The commitments are based on best practices already adopted by one or more members of GD4S, also acting as inspiration for the other members. In the Charter, all seven associated companies are committed to defining clear KPIs relating to the commitments made and to regularly reporting on the progress made, starting 2023. The Sustainable Charter will be formally unveiled during a dedicated event held on 15 March 2022.



Joint statement on methane emissions

The associations CEDEC, EUROGAS, GD4S and GEODE, which together represent virtually the entire European sector of gas distribution, in 2021 signed a document in which they undertook to encourage and support their respective members in taking proactive action to monitor, report on and reduce fugitive methane emissions into the atmosphere. In particular, four specific commitments were made to stakeholders and associates:

- | to promote monitoring, reporting and verification procedures based on the **best methods and technologies available**;
- | to support the spread of the digitisation programmes consisting of the installation of sensors and data analysis capacity to allow for **predictive maintenance**;
- | to encourage the signing of operative protocols with local entities, aimed at **limiting the interference of roadworks** with the gas distribution networks;
- | to promote the adoption of methods based on cutting-edge detection systems and on **adequate inter-**

vention protocols, consistent with the entity of the emissions expected from each individual leak.

To maximise the effort made by European DSOs (Distribution System Operators), the Associations also asked for:

- | the introduction of consistent, homogeneous regulations governing methane emissions throughout Europe, which can adjust to local conditions and network specificity;
- | the development of appropriate guidelines to support network operators in reporting fugitive methane emissions occurring on their networks;
- | as regulated subjects, the introduction by national regulation authorities of an incentive system, without additional cost to the end customers, to support the implementation of methods and technologies aimed at reducing methane emissions, at the same time guaranteeing the safe function of the network;
- | the introduction of a regulatory framework to foster the injection of biomethane into the networks and which optimises the capacity to reduce, recover and reuse methane emissions linked to waste and raw agricultural materials that would otherwise be released into the atmosphere.




ready4H₂

Ready4H₂

In 2021, Italgas adhered to “Ready4H₂” (Ready for Hydrogen), an international-reach initiative that brings together the experience and expertise of the most important DSOs of 13 European countries to promote access to hydrogen by consumers and the development of the entire value chain, including through the entrance onto the market of new producers.

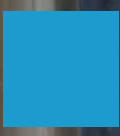
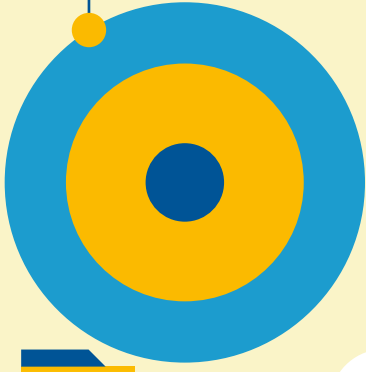
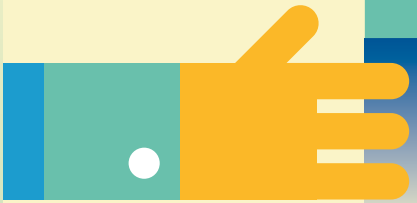
The project aims to pool the respective competences and establish how, starting from hydrogen ready gas distribution networks, a solid European hydrogen market can be constructed. With this initiative, distributors want to make sure that their specific competences, and those developed through collaboration with all the other players in the hydrogen chain, are made available to European and national decision-makers as part of the process for defining public policies in support of a hydrogen economy.

“Ready4Hydrogen” is open to all organisations and businesses choosing to adhere to it and has, in the immediate term (by February 2022) decided to carry out three specific studies:

1. the know-how of DSOs regarding hydrogen. A collec-

tion of experience and knowledge that European DSOs have accrued during projects and in developing hydrogen infrastructures. The study will also focus on the involvement of the individual DSOs in the development of the hydrogen chain in its country and the evolution of the hydrogen strategy nationally;

2. The contribution made by DSOs to the hydrogen value chain. By using the data from the first study, an analysis will be performed of how European distribution operators can help develop hydrogen. The experience and knowledge of the DSOs will be examined and transformed into value proposals to boost the hydrogen chain. In addition, the role to be played by each DSO in its country and its contribution towards strategic territorial planning, will be assessed. Another point of interest will be the role played by the distributor over the years, within the gas market and how the experience and skills accrued can be used in hydrogen;
3. a roadmap to transform the DSOs into the main players of hydrogen distribution in Europe. A roadmap setting out concrete initiatives relating to how the DSOs, on a European and national level, can act as a go-between for hydrogen producers and consumers. The study aims to identify the opportunities, as well as the obstacles, to the route of DSOs in becoming lead players in hydrogen distribution.



3 | Governance, risks and opportunities

NFS

COMMUNICATION
ON PROGRESS



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 director possess the integrity requirements laid down by current legislation, and an executive director, seven non-executive directors and a chairman without management powers is appointed from among the same. 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 ACCRE-DIA (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

* The data reported for FY 2019 refer to the companies Italgas Reti and Italgas S.p.A. only.

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
Attendees	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.



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4 | Summary figures and information

4.1 Main events

Extraordinary and M&A transactions

| The acquisition of the natural gas distribution concession in the Municipality of Olevano sul Tusciano (SA) was finalised on 28 January 2021 following the framework agreement signed between Italgas and CONSCOOP on 28 December 2020. The network spans around 26 kilometres, covering a potential catchment area of 2500 households overall. As part of the aforesaid agreement, on 13 July 2021, through its subsidiary, Medea, Italgas finalised the acquisition of the entire share capital of Isgastrentatrè, the company holding the concession for management of the natural gas service in Basin 33 in Sardinia. The scope of the company's assets includes: 242 km of network, around 700 active re-delivery points and an LNG plant covering 60 cubic metres. The enterprise value was € 25 million, equal to the estimated RAB for the company's assets. With completion of the transaction, the number of basins where Italgas operates in Sardinia rises to 18 (out of 38). The merger by incorporation of Isgastrentatrè into Medea was implemented on 4 November 2021, with effect for accounting and tax purposes as of 14 July 2021.

| the merger by incorporation of Toscana Energia Green S.p.A. into Seaside S.r.l. was completed on 26 April 2021, with effect for accounting and tax purposes as of 1 January 2021. On 2 August 2021, the transformation of Seaside into a joint stock company was resolved;

| on 23 June 2021, as a result of a partial and proportional demerger of Italgas Reti S.p.A, the company Bludigit S.p.A., 100% owned by Italgas S.p.A., was established, to which tangible and intangible assets and contracts relating to the IT area were contributed, with a view to streamlining the Group's business and assets in the IT area and proposing a commercial offer of IT services. The operation was completed on 29 June 2021 with the capital increase of Bludigit S.p.A. serving the contribution in kind by Italgas S.p.A. of its IT business unit, with effect as of 1 July 2021;

| on 15 July 2021, as part of the international public competitive bidding tender process for the sale of 100% of the shares of the company DEPA Infrastructure S.A. by Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum S.A. (HELPE), Italgas filed its binding offer for the acquisition of the company. On 9 September 2021, a memo from HRADF announced that, following the opening of the improved financial offer submitted by Italgas, the Board of Directors of HRADF and HELPE had declared Italgas the "Preferred Bidder". On 10 December 2021, the preliminary sale contract was signed for the equity investment for a price of € 733 million. Completion of the purchase is subject to the satisfaction of various conditions, namely approval of the operation by the Greek regulatory authority RAE and clearing by the Greek antitrust authority, HCC. DEPA Infrastructure currently holds 51% of Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), 100% of Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and 100% of Public Gas Distribution Networks S.A.

(DEDA), the three main players in gas distribution in Greece, which together operate 6,900 kilometers of network and 509,000 active redelivery points;

| on 1 December 2021, following the verification of the conditions envisaged in the purchase and sale agreement, the purchase of 100% of the capital of the ESCo Fratelli Ceresa S.p.A., company established in 1921 and specialised in the supply of energy services, with a portfolio of 3,700 customers (of which more than 800 condominiums) mainly located in the Turin area, was completed. The transaction is based on the valuation of the enterprise value at € 22 million, to be adjusted according to the net financial position.

Anticorruption Certification

On 23 November 2021, Italgas S.p.A. and Italgas Reti S.p.A. achieved renewal for a further three-year period of the UNI ISO 37001:2016 certification "Anti-bribery management systems", for Italgas S.p.A. also obtaining the extension of its "anticorruption governance" to all Group companies. The anti-bribery management system, adopted on a voluntary basis, was audited by the independent certification body DNV GL - Business Assurance.

New Corporate Governance Code

On 18 December 2020, the Italgas' Board of Directors resolved to adhere to the Corporate Governance Code approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, starting 1 January 2021. On 10 March 2021, on the basis of declarations given by the parties concerned, the following was ascertained: 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.

Innovation, digitisation of the corporate networks and processes

The pandemic still in progress, coupled with the extreme acceleration of the average rate of digital maturity of the population, has led to the even greater need to be able to rely on digital solutions and ecosystems. In addition to all this, there is the need to speed up the ecological transition to prepare the distribution network for the forthcoming challenges, which require a greater drive on the digitisation of assets and processes, as well as of people's skills and the world of employment.

In this context, the Digital Factory, operative since 2018, has continued to work, effectively adapting the agile model to suit the hybrid on-site and on-line working methods imposed by the pandemic.

In addition to the innovative solutions already released in 2020, the Digital Factory has intensified the work of the rooms, giving rise to various innovations that have allowed Italgas to further improve its everyday operations. These include:

- | introduction of tools based on machine learning in order to enable the smart maintenance of critical network components, such as smart meters and odourisation stations;
- | technological re-design and of the UX of all customer portals, for sales companies and end customers; start-up of the automation of commercial processes - inbound channel management;
- | re-design of the employee experience through the re-engineering of HR processes, the strengthening of collaboration and communication solutions and the optimisation of existing HR systems;
- | re-design of the supplier journey in order to increase the effectiveness and efficiency of the relationship between Italgas and its fleet of suppliers, redesigning supporting digital solutions and processes;
- | design of an innovative command and control system for the digitised GAS distribution network.

Further initiatives have helped make the impact of the Italgas digital transformation plan even more relevant in 2021, including: i) automation of routine operative processes, ii) architectural evolution of the main components of the application map, enabling the modularisation and management of micro-services, in line with the best practices and latest IT trends globally, iii) complete re-engineering of the landscape business solution for Gaxa, with the introduction of the Salesforce platform for the management of front office processes and iv) start-up of the complete re-engineering of the business solution landscape for Italgas Acqua, in order to modernise the entire fleet of solutions in support of the business and make a solid contribution to the improvement of the technical and commercial process management.

Rating and optimization of the debt structure

- | on 5 February 2021, Italgas successfully completed the launch of the fixed-rate 7- and 12-year "dual-tranche" bond

issue, for a total of € 500 million each, with an annual coupon of 0% and 0.5% respectively, with a view to pre-funding prospective financial requirements and extending the maturity profile. On the same date, a bond buyback transaction was launched, relating to two bond issues - one for an original nominal value of € 750 million maturing in January 2022, and one for an original nominal value of € 650 million maturing in March 2024. The buyback was finalised on 16 February 2021 with a total nominal buyback value of approximately € 256.0 million;

- | on 15 September 2021, the Board of Directors resolved on the renewal of the EMTN Programme launched in 2016 and already renewed in 2017, 2018, 2019 and 2020, confirming the maximum nominal amount of € 6.5 billion, which was signed on 7 October 2021;
- | in October 2021, Italgas took out two fixed-rate bank loans with leading banks, in relation to the achievement of ESG targets, with a 3-year term, for a total of € 500 million;
- | on 25 November 2021, the rating agency Moody's confirmed the long-term credit rating of Italgas, as Baa2 with Stable outlook;
- | on 06 December 2021, the rating agency Fitch confirmed the long-term credit rating of Italgas, as BBB+ with Stable outlook.

Capital transactions

On 10 March 2021, as part of the 2018-2020 Co-investment Plan approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves. Following the increase, the share capital of the Company amounts to € 1,002,016,254.92, made up of 809,768,354 shares. Moreover, Italgas' Shareholders' Meeting of 20 April 2021 approved the 2021-2023 Co-investment Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Winning of area tenders ²⁹

- | the bid review procedure for the tender for management of the natural gas distribution service in the territorial area of Turin 1, which encompasses the regional capital and the Municipalities of Moncalieri, Grugliasco, Rivoli, Rivalta di Torino and Nichelino, was officially concluded on 4 March 2021. The only bid received, which had been submitted by Italgas Reti, was deemed valid in all legal respects. The tender committee

²⁹ For more details, see the paragraph on "Municipal territories under concession and tenders for territorial areas" on page 93.

therefore proposed to award the tender to the Company. The contracting authority is currently carrying out the procedures in preparation for the final awarding of the tender. The awarding of the ATEM, consisting of approximately 560 thousand users, will allow Italgas Reti to seamlessly continue managing the service in an area where it has operated since 1837 and for which an investment plan worth around € 357 million has been envisaged. The contract for the network management service is expected to be signed in the first half of 2022;

| on 1 September 2021, the Plant Handover Report of the Valle d'Aosta ATEM was signed, officially confirming the start of the Service Contract and of management of the area, following the ruling by which the Regional Administrative Court of Lombardy rejected the appeal brought against the Municipality of Aosta by one of the other operators participating in the tender process contesting the awarding of the tender to Italgas Reti.

Other agreements

| on 8 March 2021, a collaboration agreement was entered into with Jemena, a leading Australian company in the energy infrastructure sector. The agreement is aimed at exchanging knowledge and experience relating to network management, focusing on technological innovation and decarbonisation in particular;

| on 29 July 2021, a strategic agreement was signed with Salesforce, a global leader in Customer Relationship Management (CRM), aimed at maximising the productivity of the investment cycle (capital deployment) through the use of advanced digital solutions, involving Bludigit at the forefront. The agreement is part of the wider digital transformation process launched in 2017, thanks to which, following an investment of more than € 2 billion, Italgas is on its way to becoming the world's first gas distribution company to have a fully digital network;

| on 28 September 2021, Seaside and the Consorzio Intercomunale Torinese signed the framework agreement for the awarding of redevelopment work on 22 public housing buildings located in the municipalities of Turin, Mappano, Nichelino, Orbassano, Moncalieri, Caselle Torinese and Settimo Torinese. The operation has a total value of over € 57 million and will concern 926 homes in which 893 families reside. It aims to implement a series of energy efficiency and structural consolidation measures.

Other events

During the evening of 11 December 2021, an explosion took place in the residential area of Ravanusa (AG) and the fire brigade informed the Italgas Integrated Supervision Centre, asking that emergency intervention be activated. The technical staff of Italgas Reti arrived promptly.

The intervention of the first separation of the network, in order to keep the pipe safe, began that same evening of 11 December, once the relevant authorisation had been given by the fire brigade, and was completed in just a few hours with the isolation of the segment of pipe crossing the area involved by the event.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 by Siciliana Gas and is therefore well within its useful life as per ARERA requirements.

There were no Italgas Reti construction sites on the section of pipeline affected by the explosion, either at the time of the accident or in the weeks preceding it.

The previous week, Italgas Reti had not received any reports of any type to its Emergency Intervention service, complaining of gas leaks.

The whole of the Ravanusa network - including that installed in the area involved by the event - had been checked using the cutting-edge Picarro Surveyor technology, and in 2020 and 2021, no critical issues had arisen.

On 31 December 2021, the Public Prosecution of Agrigento issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatable technical assessments.

Italgas Reti has acknowledged these provisions, guaranteeing maximum collaboration during activities in support of investigators, just as it has since the outset.

During these technical assessments, a breakage of a steel pipe installed along the road involved by the explosion, was found. This breakage is currently being further investigated in metallurgical terms. At present, the causes of the breakage are not known, as neither are the causes of the event.

Following the incident a precautionary claim has been promptly opened with the insurance companies with which the "third party liability" and "property" policies had been stipulated, in order to assure the orderly management of any claims for compensation.

4.2 Key figures

In order to allow for a better assessment of economic and financial performance, the Directors' Report includes the reclassified financial statements and certain alternative performance indicators, including EBITDA, EBIT and net financial debt, in addition to the financial statements and conventional indicators laid out in IAS/IFRS. These figures are presented in

the tables below, the relative notes and the reclassified financial statements. For the definition of the terms used, when not directly specified, please refer to the chapter "Financial results, Non-GAAP Measures".

KEY SHARE FIGURES

	u.o.m.	31.12.2020	31.12.2021
Number of shares of share capital	(million)	809,135,502	809,768,354
Closing price at the end of period	(€)	5.2	6.1
Average closing price in the period (a)	(€)	5.2739	5.4921
Market capitalisation (b)	(€ million)	4,267	4,447
Exact market capitalisation (c)	(€ million)	4,208	4,901

(a) Non-adjusted for dividends paid.

(b) The product of the number of shares outstanding (exact number) multiplied by the average closing price in the period.

(c) The product of the number of shares outstanding (exact number) multiplied by the closing price at the end of the period.

KEY FINANCIAL FIGURES

(€ million)	2020 (*)	2021
Total revenues (**)	1,442.2	1,370.8
Adjusted total revenues (**)	1,333.8	1,370.8
EBITDA	1026.1	1,008.9
Adjusted gross operating margin	969.6	1,008.9
Operating profit	605.6	583.2
Adjusted operating profit	549.1	583.2
Gross profit	557.9	525.3
Adjusted gross profit	501.4	531.7
Net profit	405.2	383.4
Net profit attributable to the Group	384.6	362.8
Adjusted net profit	365.6	388.3
Adjusted net profit attributable to the Group	347.0	367.7
Adjusted Earnings per share (***)	0.452	0.479

(*) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the items relating to Operating costs (-€ 1.8 million), Amortisation, depreciation and impairment (+€ 4.1 million) and Income taxes (-€ 0.7 million) were adjusted as of 31 December 2020.

(**) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 772.0 and € 668.2 million respectively in 2021 and 2020), connection contributions (€ 19.6 and € 19.5 million respectively in 2021 and 2020) and other residual components (€ 0.8 and € 3.2 million respectively in 2021 and 2020).

(***) The indicator is calculated as a ratio between the adjusted net profit and the total number of shares, which is 809,768,354 at 31 December 2021 and 809,135,502 at 31 December 2020.

(€ million)	31.12.2020 (*)	31.12.2021
Net invested capital at the end of the end of period	6,713.9	7,122.5
Shareholders' equity	1,977.4	2,142.5
Net financial debt (**)	4,736.5	4,980.0
Finance lease payables - IFRS 16	76.3	70.0
Net financial debt (**) (excluding the effects pursuant to IFRS 16)	4,660.2	4,910.0

(*) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the balance sheet items, the item relating to shareholders' equity was adjusted as of 31 December 2020 (-€ 3.6 million).

(**) At 31 December 2021, the item did not consider liabilities for € 5.6 million due to Conscoop, consisting of shareholder loans disbursed by it to Isgastrentatrè, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.

NFS 4.3 Operating performance

Infrastructure

Italgas is the leader in Italy in the industry of natural gas distribution and is the third largest operator in Europe. The distribution service consists of transporting gas through local pipeline networks, from points of delivery at the reduction and measurement stations interconnected with the transport networks ("city-gates") up to the final delivery points to customers (households, enterprises, etc.). Furthermore, Italgas is engaged in metering activities, which consist of determining, gathering, making available and archiving metering data on natural gas withdrawn over the distribution networks.

Collection cabins are equipment that link local distribution networks to the national gas pipeline network. They are complex systems that must perform different functions, including the measurement of the gas collected and a first reduction of the pressure to allow routing through the urban network. Currently Italgas has collection cabins equipped with advanced remote

control and smart metering systems. Remote control allows the fastest possible intervention in case of anomalies; smart metering allows the continuous detection of a series of parameters relative to the management of gas flows as well as the detection of the quantity of gas entering the networks.

The systems for the reduction of pressure are devices placed along the distribution network and have the task to bring the pressure of the gas at the right level in relation to the type of use.

Investments

Technical investments were made in 2021 for a total of € 865.1 million, up by 11.5% compared to 2020 (€ 775.7 million), of which € 14.9 million related to investments accounted for in accordance with IFRS 16. Total investments do not include the acquisition of the concession for natural gas distribution in the municipality of Olevano sul Tusciano (SA) for a consideration of € 1.8 million.

(€ million)	2020	2021	Abs. change	Change %
Distribution	569.0	718.3	149.3	26.2
Network maintenance and development	455.8	604.4	148.6	32.6
of which digitisation	84.9	146.7	61.8	72.8
New networks	113.1	113.9	0.8	0.7
of which Sardinia	100.7	95.0	(5.7)	(5.7)
Metering	119.0	76.5	(42.5)	(35.7)
Other investments	87.7	70.3	(17.4)	(19.8)
of which Real Estate	41.7	24.0	(17.7)	(42.4)
of which ICT	25.4	27.5	2.1	8.3
of which due to the effect of IFRS 16	26.5	14.9	(11.6)	(43.8)
	775.7	865.1	89.4	11.5

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the details of the Investment items, the corresponding investment item (-€ 1.8 million) was adjusted accordingly as of 31 December 2020.

Distribution investments (€ 718.3 million, +26.2% compared to 2020) refer to initiatives for the development, maintenance and repurposing of the network as well as for the construction of new gas distribution networks, which involved the installation of a total of 732 km of pipeline. In 2021 a further 91 km of new network was constructed in Sardinia, bringing the total installed networks to 897 km, and a total of 53 LNG storage plants were installed, of which 50 were operative at 31 December 2021.

Investments in digitisation (€ 146.7 million, up +72.8%) relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.

Metering investments (€ 76.5 million, -35.7% compared to 2020) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. In 2021, the Company installed 821 thousand new meters, of which 339 thousand to replace traditional G4/G6 meters, 468 thousand for the repair of digital meters with anomalies and 14 thousand to replace large-caliber meters. At 31 December 2021³⁰, a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (91.7% of the total number of meters and practically all active meters).

³⁰ Also taking into account the affiliates, over which Italgas does not exercise control, 869 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 31 December 2021 to 7.9 million (90.8% of the total number of meters and practically all active meters).

Summary of the key operating figures

KEY OPERATING FIGURES - ITALGAS GROUP

	u.o.m.	2020	2021	Abs. change	Change %
Active meters	(millions)	7.595	7.604	0.009	0.1
Installed meters	(millions)	8.515	8.563	0.048	0.6
Municipalities with gas distribution concessions	(no.)	1,826	1,837	11	0.6
Municipalities with gas distribution concessions in operation	(no.)	1,743	1,761	18	1
Distribution network	(kilometres)	71,184.8	72,503.1	1,318.3	1.9
Gas distributed	(million cubic metres)	8,477.0	8,886.7	409.7	4.8

KEY OPERATING FIGURES - ITALGAS GROUP AND AFFILIATES

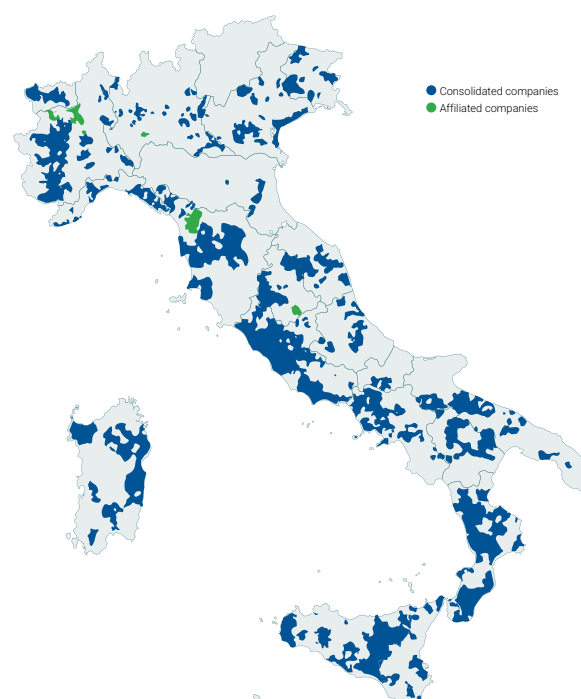
	u.o.m.	2020	2021	Abs. change	Change %
Active meters	(millions)	7.749	7.757	0.009	0.1
Installed meters	(millions)	8.684	8.733	0.049	0.6
Municipalities with gas distribution concessions	(no.)	1,887	1,898	11	0.6
Municipalities with gas distribution concessions in operation	(no.)	1,804	1,822	18	1
Distribution network	(kilometres)	73,057.8	74,396.6	1,338.8	1.8
Gas distributed	(million cubic metres)	8,727.4	9,194.1	466.7	5.3

Situation at year end on tenders and contracts awarded ³¹

The following figure shows the presence of the Italgas Group³² in Italy. As at 31 December 2021, as a result of the regulatory framework envisaging the award of gas distribution services through local tenders (and not by individual municipality), 38 tender notices have been published, 27 of which were sent to the Authority as envisaged in Ministerial Decree no. 226/2011.

Of the 38 tender notices published to date:

- | Turin 3 - South West, Massa Carrara, Cremona 2 - Centre and Cremona 3 - South aggregates, Como 1 - Lariano Triangle and Brianza Comasca, Bergamo 3 - Suburbs West of Bergamo, Brescia 1 - North/West and Bergamo 2 - North/East have been suspended by the Contracting Authorities;
- | Venice 1 - Laguna Veneta and Alessandria 2 - Centre were cancelled by the State Council and by the Piedmont Regional Administrative Court (TAR) respectively;
- | Monza and Brianza 2 - West, Lucca and Trieste were revoked by the respective contracting authorities;
- | Turin 2 - Turin Plant, Valle D'Aosta, Belluno and Turin 1 - City of



³¹ For more information on the regulation concerning the assignments of gas distribution service and the related call for tenders, please see the specific paragraph in the chapter "Legislative and regulatory framework".

³² The territorial presence where Italgas exercises control is shown in blue, the presence through affiliates over which it does not exercise control is shown in green.

Turin, were officially awarded to Italgas Reti;

| La Spezia, for which the bids submitted by various operators, including Italgas Reti, are currently being assessed.

The public session on the "Open tender procedure for the concession of the natural gas distribution service in the Naples 1 - City of **Naples and coastal plant ATEM**" was held on 29 January 2021. This ATEM encompasses approximately 370,000 re-delivery points. In this context, the tender committee announced that it would verify the appropriateness of the bids received and suspended tender operations pending the outcome of these checks. On 14 April 2021, the tender committee acknowledged that both bids received had been found to be adequate and made a proposal to award the contract to another operator, having verified that the requirements declared during the tender had been met. Italgas Reti appealed before the Regional Administrative Court of Campania against the awarding of the tender to the other operator mentioned above. In particular, following the order of 15 September 2021 whereby it had rejected one of the claimed grounds for inadmissibility raised by the other operator, by judgement given on 6 October 2021, the Regional Administrative Court of Campania rejected the main petition at the first instance and the additional grounds proposed by Italgas for the cancellation of the award to another operator of the tender in the Minimum Territorial Area of Naples 1. On 11 November 2021, Italgas Reti filed an appeal to the Council of State against the judgement of the Regional Administrative Court of Campania, with an application for compensation for damages. Following the hearing on 13 January 2022 at the Council of State, the Municipality of Naples and the other operator undertook not to stipulate the contract before the publication of the ruling on the merits. The Council of State has scheduled the hearing for discussion of the merits for 7 April 2022.

On 11 October 2021, the Regional Administrative Court of Veneto rejected the appeal brought by another operator against the invitation to tender relating to the **Belluno ATEM**, thereby confirming the legitimacy of awarding the tender to Italgas Reti. Specifically, the Regional Administrative Court rejected all the objections expressed by the other operator, with reference both to the tender documents and the legitimacy of the offer and of the Committee's actions. The operator ap-

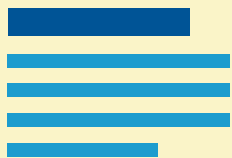
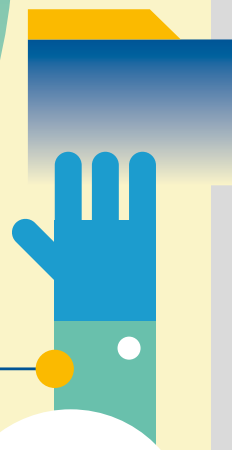
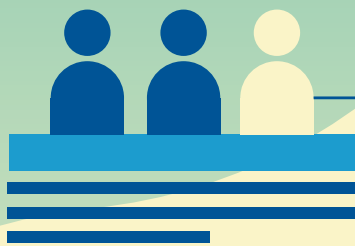
pealed against this judgement, without, however, submitting a petition for the interim suspension of the deeds challenged. The ruling of the Council of State is pending with reference to the rehearing requested by the municipalities belonging to the Belluno ATEM against the judgement of the Regional Administrative Court of Veneto, whereby the petition brought against the award of the tender to Italgas Reti, was rejected. Judgement is also pending by the Council of State on the appeal brought by the councils against another judgement whereby the Regional Administrative Court of Veneto had upheld the petition brought by Italgas Reti against the unlawful revocation of the delegation on the Council of Belluno, as Client.

Legislative and regulatory framework ³³

| the Authority contested the ruling of the Regional Administrative Court of Lombardy that upheld the appeal brought by Italgas for annulment of **Resolutions no. 195/2017/S/gas** of 30 March 2017 and **no. 232/2017/S/gas** of 6 April 2017, with which the Authority had issued the company a fine of € 204,000 for breach of certain provisions of the Regulation of the Quality of Gas Distribution and Metering services for the 2014-2019 period, concerning obligations to replace the cast iron pipelines with hemp and lead joints that make up the distribution network in the Municipality of Venice. Italgas Reti filed an appearance and at present, the next hearing is scheduled for 26 April 2022;

| the Authority appealed against the judgement of 8 November 2021 of the Regional Administrative Court of Lombardy that upheld the appeal submitted by Italgas Reti against **Resolution no. 328/2019/S/gas**, whereby the Authority had applied a sanction of € 469,000 for breach of emergency gas intervention in the areas of Venice, Andria, Chiavari, Rome, Messina and Albano Laziale and partially cancelled **Resolution no. 163/2020/R/gas** relative to the determination of premiums and penalties (of € 361,320) for safety recoveries in 2016 in the areas of Andria and Venice and **Resolution no. 567/2020/R/gas** on premiums and penalties (equal to € 536,565) for safety recoveries in 2017 in the areas of Andria, Venice and Albano. Italgas filed an appearance and at present, the next hearing is scheduled for 29 March 2022.

³³ Further information is provided in Note 23 "Disputes and other measures" to the Notes to the Consolidated Financial Statements.



IG Italgas Reti

10 litri di gasolio e metano

5 | Performance of the Italgas Group

NFS 5.1 Transparent relations

Transparent relations with authorities, trade associations and citizens

For Italgas, quality of service goes well beyond simple business objectives: continuity, security, accessibility, emergency intervention and comprehensive efficiency of the system are a real assumption of responsibility in regard to the territories served and the end customers. In this context, the Group pays special attention to strengthening the relationship with the sales company, aiming to standardise processes and update the tools and procedures that allow access to services. The operating and commercial activities are carried out with increasingly sophisticated computer systems that allow for a rapid flow of information in contract management. These systems are regularly updated according to the regulations issued by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA), which regulates the services provided by the Italgas Group companies.

Italgas also invests in the territories in which it operates, promoting continuous dialogue and social, cultural and environmental interventions. In pursuing these interventions, Italgas interfaces with its interlocutors through criteria of transparency, correctness and impartiality, confirming its commitment to the values of collaboration and attention to people and the environment.

Network monitoring

Every year, in order to guarantee the safety and efficiency of the gas distribution networks, the Group carries out extensive monitoring of its infrastructures. To this end, with regard to the verification of "electrical protection" conditions of the underground steel pipes, the cathodic protection remote monitoring system was again used in 2021 at 14,602 significant points on the network. Moreover, approximately 24,029 cathodic protection measures were carried out with a qualified operator on non-remote controlled points.

An additional preventive control on the reliability of the distribution system was the search for gas leaks into the atmosphere. In 2021, in compliance with the provisions of the Authority Resolution no. 569/19/R/gas, almost all the network managed was subjected to scheduled searches for leaks, recording quality standards that well exceeded those established by the Authority. In this segment, the Company extensively adopts a new method for searching for leaks based on the CRDS (Cavity Ring-Down Spectroscopy) method of the company Picarro Inc., as described below in the chapter

on technological innovation. In addition to identifying leaks on aerial parts, which are normally impossible to access using the traditional method, this technology also performs much better at detecting leaks on underground parts of distribution plants, including utility derivations.

At the gas delivery points - city gate - measurement and odourisation takes place (with systems equipped with innovative automatic injection systems that can dispense just the right quantity of odouriser, according to the volumes of gas distributed) and the transit gas pressure is reduced, set to be transported through to the re-delivery points at the individual end customers' premises (domestic or industrial consumers) where the gas is once again measured. In 2021, a further 122 gas chromatographs (Greta) were installed, in addition to the 35 of 2020, making for a total of 157 operative instruments on the network. These tools enable the continuous monitoring of the odourisation level at reduction plants considered to be significant. In addition, in compliance with the ARERA provisions, controls were carried out on the degree of odourisation at the significant points of the network, with laboratory gas chromatograph analysis (ACCREDIA certified) totalling 12,956 for natural gas and 150 for LPG. At 31 December 2021, the Group manages 889 reduction and measurement collection plants (IPRM); all the IPRMs managed are equipped with a remote control system to guarantee prompt intervention both in the event of an anomaly and of limits or interruptions to the regional service, as well as a continuous smart metering system that measures the gas entering its network.

To reduce the gas pressure before delivering to individual end customers, the Group has equipped itself with 1,220 intermediate reduction plants (IRI), 11,174 final reduction units and 8,043 industrial reduction units at the end customers gas delivery point.

In 2021, the natural gas conversion plan of the LPG (liquefied petroleum gas) distribution networks managed, continued; at 31/12/2021, Italgas Reti has just 2 more distribution plants used to channel LPG, while Medea has converted 26 plants, taking the number of plants still to be converted, to 5.

The technical-commercial operations carried out at end customers' premises are done so in accordance with specific quality standards established by ARERA, which regard services such as quotations, works execution, the activation and deactivation of supply, respect of appointments, arrival times in situ for emergency reports and, finally, compliance with all technical standards relative to the installation and maintenance of plants making up the distribution and metering network.

STANDARD GRI 416-1 ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

Quality standards established by ARERA ³⁴ (ARERA obligation 569/19 subsection 14.2) - Italgas Reti	u.o.m.	Target ARERA	2019	2020	2021 ³⁵
High and medium pressure network inspected	%	100% in three mobile years	58.70	95.2	98.3
Low pressure network inspected		100% in four mobile years	60.40	95.5	98.2
Respect for maximum arrival time at the place of the call for emergency intervention		>90	98.90	99.3	99.5

Quality standards established by ARERA - Italgas Reti	u.o.m.	2019	2020	2021
Respect for maximum time set for the performance of services subject to specific standards	%	98.1	98.4	98.6
Respect for punctuality in appointments made with customers		99.1	98.9	99.0

Quality standards established by ARERA (ARERA obligation 569/19 subsection 14.2) - Toscana Energia	u.o.m.	Target ARERA	2019	2020	2021
High and medium pressure network inspected	%	100% in three mobile years	42.4 ³⁶	91.6	95.8
Low pressure network inspected		100% in four mobile years	35.5 ³⁷	94.2	98.0
Respect for maximum arrival time at the place of the call for emergency intervention		>90	97.9	98.0	98.0

³⁴ In accordance with Annex A to Resolution 569/2019 (RQDG), the distributor is required to comply with service obligations relating to the frequency of network inspection, equal respectively to 100% in the 3 mobile years for high and medium pressure networks and 100% in the 4 mobile years for low pressure networks (subsection 14.2, letters a) and b) of the RQDG).

³⁵ The amount represents the best estimate as of the closing date and is subject to adjustment when reporting to the Authority.

³⁶ With the CRDS (Picarro) method, the 2019 value becomes 50.3.

³⁷ With the CRDS (Picarro) method, the 2019 value becomes 52.1.

Quality standards established by ARERA - Toscana Energia	u.o.m.	2019	2020	2021
Respect for maximum time set for the performance of services subject to specific standards	%	98.9	99.2	99.7
Respect for punctuality in appointments made with customers		99.6	99.6	99.7

Quality standard established by ARERA (ARERA obligation 569/19 subsection 14.11) - Medea	u.o.m.	Target ARERA	2019	2020	2021
High, medium and low pressure network inspected - Other Gases	%	100% in four mobile years	27.1	47.9	59.7
High and medium pressure network inspected - Natural gas ³⁸		100% in three mobile years	-	-	100
Low pressure network inspected - Natural gas ³⁸		100% in four mobile years	-	-	100
Respect for maximum arrival time at the place of the call for emergency intervention		>90	99.1	99.0	99.5

Citizen and customer support services

The operative management of quality aspects is hinged on the management systems certified according to ISO 9001 standard and implemented at the level of each individual company. In support of service safety and quality, Italgas has also activated two freephone numbers to be contacted as necessary by citizens and users:

Gas emergency intervention freephone number - 800 900 999

The service is operative 24 hours a day, 7 days a week. There is one Freephone Number for the whole of Italy for all the Municipalities where the distribution companies of the Italgas Group operate and is shown separately on the gas bill of the sales company, on the websites of Italgas and the Group companies and in the telephone directories of the municipalities served. The service is subject to control by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA). Anyone contacting the Emergency Intervention service is put in direct contact with an operator of the Integrated Supervision Centre and never transferred to another number. The dispatch of all calls is guaranteed and operators respond within a few seconds. Upon receipt of a report, the operators provide initial indications on how to behave in the event of gas leaks, a lack of gas or irregularities in the flow and dispersion. After the conversation with the caller, if the call was made from a mobile telephone, a text message is automatically sent to the caller's telephone, with a link from which all steps of the report can be tracked, from when it is assigned to the team that will be intervening through to make-safe and problem-solving. At the same time, the Emergency Intervention unit is activated for the

relevant verifications and technical operations, to safeguard citizens, make systems safe and restore the service to normal operating conditions as quickly as possible. Both the call and the technical intervention are free of charge.

Contact Centre freephone number - 800 915 150

The freephone number shown on the Italgas website is the same throughout Italy for all municipalities in which Italgas operates and manages requests for information coming from "Medea" users, the subsidiary operating in Sardinia. The service is not subject to any obligations imposed by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA). By contacting the freephone number, users can receive information about multiple technical and commercial aspects by means of IVR (Interactive Voice Response), with the possibility, where envisaged, of being transferred to a Contact Centre service operator, a service that operates weekdays from 8 a.m. to 8 p.m. and is managed entirely with in-house resources based in Italy. Through the Salesforce and Genesys applications, the Contact Centre operators manage the customer requests received over the telephone by e-mail, through the on-line help system, via social channels and requests made by users from "security" points, where present, for:

- | scheduled replacement of meters with displays that do not function;
- | appointment management;
- | reports of disservices and complaints to the competent services;
- | information on metrology verifications, estimates and 40/14 documentation;
- | problems and support with registration on the portal.

³⁸Data for 2019 and 2020 are not available as the first natural gas network was activated in early 2021.

Online help

In order to guarantee the end customer more immediate, direct access to information about the Group and the activities relating to gas distribution, in 2020, Italgas launched the "Help Online" web portal (faq.italgas.it): a new self search tool consisting of more than 100 digital pages of browsable support, accessible from the Italgas website or directly from the main search engines to quickly find answers to the most frequently asked questions or, if the answer is not sufficient, from here, a request can be submitted that will be sorted and sent onto the competent services for handling. In 2021, the information contained in the Help Online platform has been added to, including new pages dedicated in particular to the topics of deactivation, activation and reactivation, 40/14 forms and the description of the new digital estimation service "ClickToGas".

Customer portal

In 2021, the project continued seeking to evolve the "Customer Portal" called "MyItalgas", with the aim of making the portal a clear touch point dedicated to end customers and to offer, through the digital channel, a more effective service and experience. In actual fact, in addition to the functions already present at the time of the launch, i.e. those of consulting utility data (re-delivery point, meter serial number, etc.), verification of readings and consumptions, monitoring of cases and appointments, requests for quotations for works, submission of requests for information or complaints, in 2021, the function was also integrated into MyItalgas, allowing for the management of document assessment for reactivations, which could previously be managed through the Accertatemi Online portal.

In addition, the "Support" section has been created within MyItalgas, to best guide the customer with answers to the most frequently-asked questions and the possibility of sending specific requests, both for activities linked to the assessment and to estimations.

At the end of 2021, on the basis of the experience accrued through the MyItalgas, MyMedea and MyToscanaEnergia portals, the Customer Portal was extended to also include users served by the company Metano S.Angelo Lodigiano, through the launch of the MySantangelo portal.

ClickToGas

With the aim of improving the end customer experience, speeding up estimate release times and increasing the sustainability of the entire process, in 2021, Italgas introduced a new digital site inspection procedure. Thanks to some additional information, requested on-line through MyItalgas when entering the estimate for the construction works or works to modify or remove the supply system, the customer can inspect the site with the Italgas technician digitally, scheduling a virtual appointment or, if the characteristics of the request allow, perform a self site inspection, which can be managed independently. ClickToGas and use of the virtual or self site inspection not only guarantee a quicker, more effective esti-

mation service but also, in 2021, helped reduce staff movements on the territory and further protect the safety of end customers, employees and suppliers. In 2021, use of ClickToGas made it possible to avoid 6,488 physical site inspections, thereby savings 37,2 tCO₂ in emissions into the atmosphere³⁹.

Consumer associations

In order to continually improve service quality indexes, 2018 saw Italgas launch a structured, continuous collaboration programme with the world of consumer associations, based on an equal relationship of mutual benefit and trust. This programme started with the stipulation of a Memorandum of Understanding, finalised early 2018 after lengthy preparatory work, signed by Italgas and by 19 of the 20 Consumer Associations recognised by the CNCU (Italian National Council of Consumers and Users) at what was then the Ministry of Economic Development.

The Memorandum of Understanding aims, on the one hand, to improve the relationship with the end user and the quality of service supplied by Italgas; on the other, to increase consumer awareness regarding the qualities of natural gas and how it is used.

During the first period of protocol implementation, particular focus was assured on the programme for replacing traditional gas meters with smart meters, so as to better understand the greater operative efficiency achieved, which reflects positively on the consumer, and the increase of the greater capacity to provide reliable, timely data on consumption to sales companies, thereby limiting incorrect billing or that based on estimated readings. At the same time, the smart meter makes it possible to provide the customer with a tool that can foster the adoption of responsible consumer behaviour and - ultimately - improve the quality of the relationship between the company and the end customer, at the same time reducing physical access to the home.

The targeted cooperation between associations and company has also made it possible to handle user reports of any disservices more quickly and, ultimately, through a comparison with the requests made by the association, to study and implement interventions specifically aiming to limit the number of those that are likely to give rise to complaints.

Thanks to the Protocol signed, Italgas and the associations worked together during specific territorial campaigns like, for example, the transformation to methane of the networks previously isolated and managed with LPG or particularly important unforeseen events, in order to facilitate the conversion, limiting, through due information, potential negative fallout impacting the consumer.

In 2021, the collaboration's main focus was once again on the programme to methanise Sardinia, operating on two different levels. On the one hand, continuing to highlight the economic and environmental benefits deriving from the use of natural gas in lieu of other fuels with a higher impact on the environment and, therefore, supporting the development of the natural gas distribution networks entrusted to Medea S.p.A. On the other, driving on the commercial penetration of natural gas

³⁹ Calculated by associating an average emissions coefficient per km with an average distance per site inspection avoided.

through the sales activities by the associate Gaxa S.p.A.

In February 2021, Gaxa and the consumer associations operating in Sardinia shared the administrative and commercial requirements necessary to accompany the methane conversion plan of the networks operating on LPG prepared by the local distributor (internal system certification, adaptation of gas equipment, signing of supply contracts). In March 2021, the reasons that had led to the increase in the price of LPG and propane air in the latter months of 2020 were analysed, highlighting the contribution deriving from the increased cost of the raw material from that of the regulatory interventions of ARERA.

In July, additional meetings were organised for the local reference persons of the Consumer Associations operating in Sardinia to present the initiatives and dialogue tools prepared by Gaxa to streamline and make relations with its customers more effective and to show how the energy efficiency drive can help maximise benefits for consumers in switching to natural gas in lieu of other fuels.

A specific meeting with the national representatives of the associations, held in April, saw the unveiling of the Italgas 2021/2027 Strategic Plan, which highlights the implicit advantages for consumers deriving from Italgas' commitment to digitisation and the development of renewable gas such as biomethane and hydrogen and, in particular, the P2G project was presented, which Italgas intends to pursue in Sestu. Again with the national levels of the associations, in October 2021, the possibility was discussed to stipulate a specific memorandum of understanding concerning the sale business and dialogue was started regarding its possible contents. This Memorandum is currently being finalised and should be signed during the first few months of 2022.

In all, the dialogue between Italgas and the associations therefore took place over 6 separate meetings, which involved around 70 operators of the Region of Sardinia and 20 on a national level.

Transparent relations and collaboration with sales companies

Natural gas consumers are already today free to choose their supplier on the free market. Also, with the end of the "protected market", scheduled to become effective in January 2023, consumers using this service will also have to switch to the free market and choose their own supplier.

To this end, the distribution companies are obliged to grant access to their networks for all those so requesting. More specifically, with Resolution no. 138/04, the Authority issued orders to promote the development of competition in the sale of natural gas and, at the same time, to ensure, in respect of consumer rights, the correct transmission of information between distributors and sellers. This is why, in line with that requested by the Authority and defined in its Sustainability Plan, Italgas has embarked upon a route aimed at strengthening its relations with the sales companies, through important initiatives.

With the objective of improving dialogue between the parties and fostering increasingly constructive debate and exchange, in 2019 Italgas organised a proper training and information pro-

gramme dedicated entirely to the sales companies. Continuing on from the work of 2019 and 2020, in 2021, the initiative was further confirmed with another 4 meetings, involving more than 900 participants, for more than 140 different Sales Companies serving more than 95% of the Italgas portfolio re-delivery points. The participants very much appreciated these initiatives, assigning an average score of 4.5 on a scale of 1 to 5 points.

In June 2021, Italgas organised an on-line convention with a view to creating a true partnership to achieve common goals centred around satisfying the customer. It invited all sales companies to take part. This important opportunity, which followed the previous plenary meetings, was an opportunity to explain the strategies, policies and instruments characterising relations with the sellers and to share the Italgas business development plan. It was also a chance to discuss, exchange and share suggestions on opportunities for common growth to be seized in the full spirit of the partnership.

Gas2Be

Within the more extensive Italgas digitisation process, since February 2021, the brand new Gas2Be communication portal has been on-line, designed and developed in the Digital Factory. This innovative platform aims to optimise and support the partnership with the sales companies ever more quickly, with simple, user-friendly processes in a bid to continue the digitisation of Italgas' processes and improve the services offered. Thanks to Gas2Be, the sales companies can be accredited on the Italgas Group networks, modify their corporate data with just a few, simple clicks and access information and news available on the homepage, which has a brand new look. The aim is to make Gas2Be the main communication, service and support portal for sales companies, improving and optimising the experience accrued by the sales companies themselves.

SalesSupport

As regards the systems in place to collect stakeholder reports and complaints, Italgas has enriched the "Sales Support" function with new sections through which to obtain data and information. With the new "DIY" section, "Sales Support" provides rapid support to the request for information without the need to create an actual report; it makes available a series of "Self Tools" that immediately provide the data required and more than 160 "FAQs", through which to find complete information to answer customer questions. In addition, Italgas has further improved the formal submission of a report, making the creation phase simple and user-friendly.

Thanks to "Sales Support", Italgas can respond quickly and digitally to sellers' requests, guaranteeing the certification of data supplied and greater efficiency. In 2021, Italgas digitally handled more than 30 thousand reports made by the sales companies through "Sales Support".

Customer Satisfaction Survey

With the aim of listening to the point of view of the sales companies and gathering valuable feedback to continue to

improve the partnership, in October 2021, Italgas proposed the Customer Satisfaction Survey (CSS) for the second year running. Just like in 2020, the on-line survey measured the degree of satisfaction of the Sales Companies through 37 questions divided up into 9 different areas relating to the main businesses and processes; more than 120 people of the sales companies took part.

Starting from the results obtained, Italgas undertakes to organise focus groups for next year, just like in 2021, to listen and implement improvements, with a view to assuring even greater collaboration, engagement and improvement in the quality of service.

Customer Experience Revolution

In September 2021, in line with the challenges of digital transformation and sustainability, Italgas launched the initiative for the sales companies called the "Customer Experience Revolution", with the aim of pursuing the continuous improvement of processes and guaranteeing an optimal customer experience.

The dialogue and discussion initiative, which was already started with the focus groups, consisted of the construction and development, in collaboration with the sales companies, of three important projects that were completed during the year.

GaSmart e GaSmart Ti Premia

The "GaSmart" and "GaSmart Ti Premia" promotions are also another important initiative, as part of the multi-year business plan with which the Group has set itself the target of continuing to increase the number of active Re-Delivery Points on its network.

Within the scope of the same plan, Italgas also launched a series of initiatives to raise awareness of, promote and spread the benefits of using methane gas, in municipalities that have recently undergone methanisation.

Collaboration with trade associations

As the top Italian operator in the distribution of gas and the third most important in Europe, the Italgas Group plays an active part in the work of the Italian and international trade associations, confirming its commitment towards the protection, optimisation and development of the segment in which it operates. Italgas takes part in the work of the associations through the oversight of corporate bodies and the participation in working groups or formal or informal parties established by these associations, which discuss and define the organisation's position on operative and policy matters.

Some of the most important associations in which Italgas takes part, on a national level, include:

| Anigas (Italian National Association of the Gas Industry). This Trade Association, a member of Confindustria, represents firms operating along the entire natural gas supply chain with a particular focus on the following sectors: trans-

portation, distribution, sale of natural gas on the end market and wholesale market, trading and methane for motor vehicle use. The association aims to support the role of natural gas and LNG as an energy source with lower environmental impact compared to other fossil sources, particularly as a fuel for mobility, as well as the gradual development of renewable gas, due to their contribution to the fight against climate change. As a member of the CIG - Italian Gas Committee - a regulator federated with the UNI, which oversees the definition of technical and safety standards in relation to gas infrastructure and gas-powered equipment, the participation in Anigas allows the Group, through a representative on the Presiding Board, to take part in the Committee's working groups.

| Assonime - this is an association of Italian joint stock companies, particularly those listed on the stock exchange. It studies and handles problems that directly or indirectly concern the interests and development of the Italian economy, focussing specifically on themes of corporate governance, corporate finance and legal tax matters.

| GD4S - on the international front, Italgas instead takes part in a non-profit association under Belgian law that unites the seven major operators in the natural gas distribution sector in Europe, in France, Greece, Ireland, Italy, Portugal, Romania and Spain and that takes part in a collaboration platform with the other European associations that group together gas DSOs, including GEODE, CEDEC and EUROGAS, which the Group later joined (its formal adhesion took effect in January 2022). For more details, see the paragraph on "Partnerships for the goals".

The main topics covered in 2021 in the working groups of the Associations indicated above were:

- | energy transition and the role of infrastructure in the decarbonisation process and in the fight against climate change;
- | the development of hydrogen and renewable gases as energy carriers able to facilitate the integration of the gas and electricity segments;
- | the control and reduction of methane emissions (Methane Regulation);
- | the definition of the market structure and related regulatory aspects in view of the development of renewable gases and hydrogen (the "Gas Package").

All these topics have been discussed both through participation in formal consultations by supranational bodies and through the preparation and giving out of position papers on the main policy topics, as well as, finally, meetings with national and European institutional stakeholders as well as through participation in seminars, congresses and webinars.



Other collaborations

Italgas actively collaborates with various other contexts:

Anie - Association, of which Seaside is a member, which constitutes the national federation of Electrotechnical and Electronic companies adhering to Confindustria. It protects and represents the requests of associate members through intense institutional relations and ensures technological and regulatory oversight, promoting initiatives aiming to standardise products and systems developed by the associated businesses.

FSR - Florence School of Regulation, Independent advanced training and research institute on international regulation and policies in the electrical, water and gas sectors, sponsored by the European Commission. Every year, it presents a vast range of courses, seminars and workshops, both open and in exchange for payment, which cover all fields of service regulation. It provides the European Commission with opinions and expertise in view of the adoption of legislative and regulatory proposals. In joining the "supporters" of the FSR, Italgas gained the opportunity of taking part in the network formation and research initiatives, cooperating with the organisation of events and making its own contribution to the debate of a complex matter that evolves continuously and is so vital to the growth and development of the energy segment. Through participation in the Policy.

Advisory Council, moreover, Italgas has the chance to promote its vision of energy policy topics, the challenges that development prospects in the industry raise, also in terms of the evolution

of regulation and training projects offered by the FSR to regulators and managers.

MIP - Polytechnic University of Milan Graduate School of Business, University training institute in technical and managerial matters, potential basin of competences also to draw from with a view to identifying possible high-potential candidates. It offers a particularly extensive curriculum of studies, apart from training and masters programmes customised for the needs of the institutions and Public Administration, and enjoys a particularly good international reputation. The direct collaboration with the MIP and the network of associated businesses allows Italgas to promote and develop, with projects focused on business needs, specific initiatives in management, digital transformation and continuous improvement; at the same time, Italgas makes its know-how and distinctive skills, accrued over 180 years of experience, available to the network.

Valore D - Organisation founded to support the appreciation of the role of the woman in the workplace and equal treatment of the genders, as an element by which to foster growth of businesses and the country system. It supplies studies, consultancy, examples of business best practices and social innovation and networking services. Italgas has adhered to the Valore D Manifesto for Women's Employment, a document created in 2017 under the guidance of G7 Italy, the aim of which is to define precise tools to promote concrete actions to optimise and include diversity in all business processes.

CCE - International think tank operative in various sectors, including energy. An open door on the thoughts of European peers and senior functionaries of state administrations and the European Commission.

Below is a summary of the expenses incurred in 2021 for joining trade associations. In order to guarantee the possibility of comparison, data for previous years has also been reported. Starting 2019, the data also includes values relative to the company Seaside and, from 2020, also Toscana Energia.

GRI 102-13 MEMBERSHIP OF ASSOCIATIONS

GRI 415-1 POLITICAL CONTRIBUTIONS

Membership fees and for representation of interests	U.o.m.	2019	2020	2021
Representation of interests through third parties	€	96,743	77,990	92,990
Support to political parties or candidates on a local, regional or national level	€	0	0	0
Confindustria and trade associations	€	560,159	455,920	480,150
Scholars and think tanks	€	66,700	73,200	101,700
Technical associations	€	47,085	47,085	49,599
Total	€	770,687	654,195	724,439
Data coverage (percentage coverage with respect to business scope)	€	100%	100%	100%
of which				

Contributions to industrial and trade associations	U.o.m.	Corporate position	2019	2020	2021
Anigas	€	Support	356,668	353,420	380,000
Confindustria ⁴⁰	€	Support	200,991	100,000	100,000
CNA	€		0	0	150
Anie	€	Support	2,500	2,500	0

Other significant expenses ⁴¹	U.o.m.	Type	2019	2020	2021
GD4S	€	Representation of interests	53,000	53,000	53,000
FSR - Florence School of Regulation	€	Academic	0	0	35,000
Assonime	€	Representation of interests	18,743	24,990	24,990
MIP - Milan Politechnic	€	Academic	20,000	20,000	20,000
Valore D	€	Think Tank	15,000	15,000	15,000
CCE	€	Representation of interests	25,000	0	0

⁴⁰ Data on membership of Confindustria Rome not final.

⁴¹ Details for expenses of at least 15,000 €.

5.2 Put people at the centre

Italgas, which has always considered its people as its most valuable assets, has defined a series of actions within the 2021-2027 Strategic Plan, aimed at their development and growth. The Group continues to invest in upskilling and reskilling, with an important focus on digital learning and the identification on the market of resources who can add digital skills. In addition, the insourcing of the Group's main core activities is envisaged, in line with the approach taken in recent years, and the inclusion of new resources aged under 30.

Increasing attention will then be paid to the topics of diversity & inclusion, through focussed initiatives and internal dissemination actions. The gender equality target has an important place among the many human capital challenges.

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

Personnel

As at 31 December 2021, the Italgas Group had 3,904 employees (compared to 3,985 in 2020).

Employees (headcount) GRI 102-8	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Part time	no.	11	43	54	7	37	44	7	36	43
Fixed term	no.	0	0	0	0	0	0	0	0	0
On permanent contracts	no.	11	43	54	7	37	44	7	36	43
Apprenticeships/access-to-work contracts	no.	0	0	0	0	0	0	0	0	0
Full time	no.	3,506	536	4,042	3,378	563	3,941	3,257	604	3,861
Fixed term	no.	2	0	2	1	0	1	0	1	1
<i>On permanent contracts</i>	no.	3,342	492	3,834	3,187	504	3,691	3,049	537	3,586
<i>Apprenticeships/access-to-work contracts</i>	no.	162	44	206	190	59	249	208	66	274
Total	no.	3,517	579	4,096	3,385	600	3,985	3,264	640	3,904

Specifically, 93% of the company population are hired on permanent contracts, while apprenticeship contracts account for the remaining 7%. The apprenticeship contracts terminated in 2021 were all transformed into permanent contracts.

	2019	2020	2021
Fixed-term contract	0%	0%	0%
Permanent contract	95%	94%	93%
Apprenticeship/access-to-work contracts (direct employees)	5%	6%	7%

Employees (headcount) GRI 102-8	U.o.m	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Fixed-term contract	no.	2	0	2	1	0	1	0	1	1
North Italy	no.	2	0	2	1	0	1	0	1	1
Central Italy	no.	0	0	0	0	0	0	0	0	0
South Italy and islands	no.	0	0	0	0	0	0	0	0	0
Permanent contract*	no.	3,353	535	3,888	3,194	541	3,735	3,056	573	3,629
North Italy	no.	1,213	273	1,486	1,170	272	1,442	1,127	303	1,430
Central Italy	no.	1,134	141	1,275	1,055	146	1,201	997	147	1,144
South Italy and islands	no.	1,006	121	1,127	969	123	1,092	932	123	1,055
Apprenticeship/access-to-work contracts (direct employees)	no.	162	44	206	190	59	249	208	66	274
North Italy	no.	44	25	69	49	27	76	57	26	83
Central Italy	no.	69	10	79	86	13	99	94	13	107
South Italy and islands	no.	49	9	58	55	19	74	57	27	84
Total	no.	3,517	579	4,096	3,385	600	3,985	3,264	640	3,904

*Permanent contracts also include part-time contracts.

Employees by average seniority	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Average age of employees (age)	no.	51	49	51.2	51	48	50.5	50	47	49.5
Average seniority of service (years)	no.	25	22	25.4	25	21	24.5	24	19	23.2

In 2021, 221 people joined, of whom 217 were hired on the market and 4 come from internal transfers from affiliate companies.

New recruits* GRI 401-1	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	no.	58	30	88	41	26	67	68	50	118
under 30 years	no.	39	22	61	30	16	46	29	22	51
between 30 and 50 years	no.	17	8	25	9	10	19	38	27	65
over 50 years	no.	2	0	2	2	0	2	1	1	2
Central Italy	no.	47	11	58	40	12	52	45	10	55
under 30 years	no.	45	6	51	36	9	45	40	8	48
<i>between 30 and 50 years</i>	no.	2	5	7	4	3	7	5	2	7
<i>over 50 years</i>	no.	0	0	0	0	0	0	0	0	0
South Italy and islands	no.	32	14	46	21	19	40	30	14	44
under 30 years	no.	31	13	44	17	13	30	20	8	28
between 30 and 50 years	no.	1	1	2	3	6	9	10	6	16
over 50 years	no.	0	0	0	1	0	1	0	0	0
Total	no.	137	55	192	102	57	159	143	74	217
under 30 years	no.	115	41	156	83	38	121	89	38	127
between 30 and 50 years	no.	20	14	34	16	19	35	53	35	88
over 50 years	no.	2	0	2	3	0	3	1	1	2

*Only market entries are considered.

Inbound turnover rate* GRI 401-1	u.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	%	5	10	6	3	9	4	6	15	8
under 30 years	%	33	63	40	25	38	29	24	51	31
between 30 and 50 years	%	5	8	6	3	9	4	11	19	14
over 50 years	%	0	0	0	0	0	0	0	1	0
Central Italy	%	4	7	4	4	8	4	4	6	4
under 30 years	%	34	60	36	24	60	28	26	47	28
<i>between 30 and 50 years</i>	%	1	11	3	2	6	3	2	4	2
<i>over 50 years</i>	%	0	0	0	0	0	0	0	0	0
South Italy and islands	%	3	11	4	2	13	3	3	9	4
under 30 years	%	45	93	53	20	62	29	22	35	25
between 30 and 50 years	%	1	3	1	2	15	5	6	14	8
over 50 years	%	0	0	0	0	0	0	0	0	0
Total	%	4	9	5	3	10	4	4	12	6
under 30 years	%	36	69	41	24	49	28	25	46	28
between 30 and 50 years	%	3	8	4	2	9	4	7	15	9
over 50 years	%	0	0	0	0	0	0	0	0	0

*Calculated as: new recruits/employees as at 31.12 every year for each cluster.

New hires by level*	U.o.m.	2019	2020	2021
Executives	n.	3	4	5
Managers	n.	5	11	13
Office workers	n.	113	82	146
Manual workers	n.	71	62	53
Total	n.	192	159	217

*Only market entries are considered

Employees by level of education	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
University graduates	no.	388	218	606	405	255	660	455	308	763
Secondary school graduates	no.	1,807	277	2,084	1,727	268	1,995	1,671	263	1,934
Other (below secondary school diploma)	no.	1,322	84	1,406	1,253	77	1,330	1,138	69	1,207
Total	no.	3,517	579	4,096	3,385	600	3,985	3,264	640	3,904

The increase continues in the absolute value of the number of university graduates, while those who have completed secondary school or other schooling levels, declines.

In 2021, 58.5% of hires regarded resources aged under 30 years old, a percentage that is in line with the objective included in the 2021-2027 Strategic Plan, which envisages the inclusion of more than 60% of resources aged under 30 throughout the plan time-line. The figure is consistent with the trend recorded in 2019-2021 and shows constant growth.

Employees by age bracket out of total employees	U.o.m.	2019	2020	2021
Under 30 years	%	9.2	10.7	11.4
Between 30 and 50 years	%	21.8	22.4	24.8
Over 50 years	%	69.0	66.9	63.8

Vice versa, 302 staff left the Group, of whom 298 due to termination of employment contracts and other reasons (mainly for retirement).

Outgoing workers* GRI 401-1	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	no.	76	10	86	78	21	99	96	18	114
under 30 years	no.	5	0	5	3	3	6	2	6	8
between 30 and 50 years	no.	8	4	12	3	2	5	9	2	11
over 50 years	no.	63	6	69	72	16	88	85	10	95
Central Italy	no.	105	3	108	98	8	106	93	10	103
under 30 years	no.	4	1	5	1	0	1	3	2	5
<i>between 30 and 50 years</i>	no.	2	0	2	2	0	2	2	0	2
over 50 years	no.	99	2	101	95	8	103	88	8	96
South Italy and islands	no.	56	0	56	62	6	68	74	7	81
under 30 years	no.	3	0	3	0	1	1	1	1	2
between 30 and 50 years	no.	3	0	3	1	1	2	2	0	2
over 50 years	no.	50	0	50	61	4	65	71	6	77
Total	no.	237	13	250	238	35	273	263	35	298
under 30 years	no.	12	1	13	4	4	8	6	9	15
between 30 and 50 years	no.	13	4	17	6	3	9	13	2	15
over 50 years	no.	212	8	220	228	28	256	244	24	268

*Termination by mutual agreement and other outgoings.

Outgoing turnover rate* GRI 401-1	u.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	%	6	3	6	6	7	7	8	5	8
under 30 years	%	4	0	3	3	7	4	2	14	5
between 30 and 50 years	%	3	4	3	1	2	1	3	1	2
over 50 years	%	8	4	7	9	11	9	12	7	11
Central Italy	%	9	2	8	9	5	8	9	6	8
under 30 years	%	3	10	4	1	0	1	2	12	3
<i>between 30 and 50 years</i>	%	1	0	1	1	0	1	1	0	1
over 50 years	%	12	2	11	12	9	12	12	9	12
South Italy and islands	%	5	0	5	6	4	6	7	5	7
under 30 years	%	4	0	4	0	5	1	1	4	2
between 30 and 50 years	%	2	0	2	1	3	1	1	0	1
over 50 years	%	6	0	6	8	5	7	10	7	9
Total	%	7	2	6	7	6	7	8	5	8
under 30 years	%	4	2	3	1	5	2	2	11	3
between 30 and 50 years	%	2	2	2	1	1	1	2	1	2
over 50 years	%	9	2	8	10	9	10	11	7	11

*Calculated as: leavers/employees as at 31.12 every year for each cluster.

	u.o.m.	2019	2020	2021
Voluntary outgoing turnover rate*	%	0.63	0.35	0.74

Turnover rate* GRI 401-1	u.o.m.	2019	2020	2021
Men	%	10.6	9.9	12.4
Women		12.3	15.6	17
North		11.3	10.8	15.3
Centre		12.2	11.9	12.1
South		8.7	9.2	11
Total		10.9	10.7	13.2

*Calculated as (incoming + outgoing) / average workforce * 100 for each cluster.

Development programmes

Development at Italgas is intended to ensure an increase in the skills required by the business strategies. The Company, in fact, provides all employees and collaborators with career opportunities based on merit, professional and managerial expertise and active participation in company development and improvement processes.

In 2021 the change management process began, which will lead to the identification of the Italgas purpose, vision, mission and leadership model and to the definition of identifying values, which will be the cornerstones on which to create an articulated plan of actions in 2022. More specifically, the leadership model will form the base on which to build a new performance management system and structure the Italgas Managerial Academy. In 2021, the talent strategy project was also started, which will guide development activities in 2022.

The managerial development programme, launched in 2020 to support development of the managerial culture, digital transformation and the significant generational handover continued during 2021. The plan's logic and pillars are as follows: the management of performance through the continuous feedback culture, the development of staff potential through an assessment and empowerment programme and the consequent development and career plans.

Moreover, the following continued in 2021: the mapping of the managerial potential of newly appointed managers, also for the purposes of updating the Succession Planning and individual Coaching courses for executives and middle managers who have acquired more responsibilities over the year.

In relation to the accelerated career paths, the young engineers hired in 2017 and included in the rotation programme have completed their job rotations and now hold roles as managers/professionals in the various Group companies.

Training and development courses aimed at empowerment and skills consolidation were also improved, with a focus on digital and managerial skills. A snapshot of the main initiatives is shown below:

- | Italgas School;
- | Digitalgas project;
- | weLEAD course.

Italgas School

For graduates who had recently joined the Group, the Training and Development Programme ("Italgas School") combines classroom-based training activities over several modules with activities for developing potential and managerial skills using the self-empowerment methodology. The programme also involves a development centre (in the two junior and expert formats, according to seniority) downstream of which a meeting is organised for each participant to look at their development profile with HR and their line manager.

The second edition of the Italgas School is under way with over 57 participants in 2020, and will conclude in mid-2022. During the second half of 2022, the 3rd edition will be launched. In 2021, the total number of training hours dedicated to this course was 1072.

Digitalgas project

In order to support the ongoing digital transformation in Italgas, the "Digitalgas" programme was developed in 2021, a path by which to develop the innovation and change management skills by the ICT Department and the Technological Innovation Department. The programme is divided into four phases: Define & Ideate, Ethnographic Research, Sharing Insight & Idea Generation and Prototyping Ideas.

WeLEAD course

In November 2021, the “WeLEAD” development path began, aimed at supporting recently-appointed managers in taking up their roles and acquiring the key competences, techniques and tools to manage and develop their team and the business. The pilot involved 19 people for a total of 304 training hours and in 2022, another 60 colleagues will be trained.

	u.m.o.	2019	2020	2021
Percentage of new positions held by in-house candidates	%	96.6	90.6	87.6

The percentage of positions held by in-house candidates has reduced slightly on 2020 insofar as in 2021, the Group increased certain hires on specialised skills acquired by the market.

It is noted that with the Smart Rotation project, the last two months of 2021 have seen 8 positions covered out of a total of 17 positions opened.

Training programmes

The 2021-2027 Strategic Plan pays close attention to the Italgas people and the development of their competences. A key role is therefore played by training, which is giving a further boost to personal reskilling and upskilling.

All employees, regardless of their job description or contract type, plus all new resources, are offered dedicated training and development activities.

In 2021, training continued to focus on digital learning initiatives (provision of 250,000 hours by 2027 of training on the digital transformation): training courses and initiatives were held in virtual remote classrooms, also thanks to Italgas advanced technologies and the introduction of new gamification tools that made it possible to guarantee the continuity and effectiveness of training. The transfer of specialist technical know-how required for maintenance, management and performance of Italgas assets continued in spite of the pandemic.

The specific training paths for various technical and professional figures continued in 2021 in a “digital learning” format, with over 28,000 hours of training and 3,250 attendees.

Training continued of the community of 65 Digital Ambassadors - present in all areas of the main offices and across the territory - who contributed to help the transfer of digital expertise at Italgas with their willingness to carry out the role of internal teachers, participating proactively and with commitment in the training initiatives offered.

On MyLearning, a multimedia platform dedicated to training, various training actions were launched on cybersecurity, the latter intended to promote awareness and maintain the focus on risks associated with the dissemination of company information and, in particular, the cyber attacks and fraud that take place through malicious phishing campaigns.

To foster the knowledge transfer and professional updates on technical systems and the deployment activities of the Digital Factory, digital training was delivered using train-the-trainer procedures and in-depth sessions through shadowing on new digital systems, with the help of expert employees.

In 2021, a total of over 112,000 hours of training were provided and every employee on average received over 28 hours of training.



Smart rotation

With a view to strengthening the exchange of skills in the Group, optimising its people and fostering the development of internal talent and professionalism, in November 2021, the **smart rotation** project was launched. This is a system of internal Job Posting used by Italgas, which immediately informs its employees of any vacancies in the company and the possibility of applying for them before selection begins on the external market.

Training	U.o.m.	2019	2020	2021
Total hours of training provided	hours	84,038	75,948	112,379
women	hours	7,856	11,899	17,571
men	hours	76,182	64,049	94,808

Breakdown of training hours provided by subject and type	U.o.m.	2019	2020	2021
Training on HSEQ topics	hours	37,679	19,040	41,921
Attendees	no.	5,220	4,038	6,715
Training on the Code of Ethics - Model 231 - Anti-corruption - Antitrust	hours	367	3,849	1,950
Attendees	no.	302	2,914	1,686
Managerial training	hours	18,752	16,071	14,908
Attendees	no.	5,224	6,418	5,959
Technical/specialised training	hours	27,241	16,852	28,768
Attendees	no.	3,392	2,423	3,252
Training on digitisation topics	hours	N/A	20,137	24,832
Attendees	no.	N/A	17,122	18,449

GRI 404-1 Average hours of training per year per employee*	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	hours/no.	22	14	21	19	20	19	29	28	29
Executives	hours/no.	29	31	30	26	30	26	24	28	25
Managers	hours/no.	29	16	27	26	21	25	27	27	27
Office workers	hours/no.	20	13	18	20	20	20	25	27	26
Manual workers	hours/no.	22	16	22	16	5	16	34	56	34

* The figure may include multiple participations for an individual participant

The average external costs incurred per Italgas resource are around € 280, not including more than 2,000 hours of internal teaching.

In addition to that already described, the main training programmes developed in 2021 were as follows:

- | induction of new hires: the training course dedicated to young graduates joining the Group continued in a fully digital format, with specific interventions on the history, culture and skills, values and identity elements of Italgas. Strategic and business lines, fundamentals of economics and finance for the business, sustainability. In preparing the training interventions, use of in-house teachers was preferred, by the Company management team who, through their testimonials shared with their new colleagues information about their own personal and working experience;
- | english: in 2021, a widespread training programme aimed at deepening the English language was launched. The course is aimed at the entire corporate population and is delivered by digital learning through videos, reading and writing exercises, listening and listening comprehension, individual or small group conversation lessons, in-depth thematic studies;
- | effective communication: In order to enhance soft skills, a programme of training initiatives was launched in 2021 on effective e-mail management, on basic and advanced elements of public speaking, with a focus on digital presentations. The programme will be developed more widely in 2022;
- | training for the Integrated Supervision Centre: training and refresher courses for the operators of the Integrated Supervision Centre continued, with the aim of increasing the effectiveness and efficiency of the service provided by the First Aid call centre. The 2021 activities focused on supporting 2 new operators with more experienced operators for a total of over 400 hours;
- | training course on Picarro: in support of the Scheduled Search for Leaks, various training initiatives were organised on the technology, use of Surveyor vehicles and portable backpack analysers. The initiatives involved over 450 participants for a total of 2,211 hours. This provided the opportunity to extend the Scheduled Search for Leaks service beyond the company's boundaries by involving other companies in the sector such as UnaReti;
- | training course on Safe and Eco-sustainable Driving: with a view to Italgas' constant attention to the issues of Safety and Sustainability, an ad hoc preventive, defensive and eco-sustainable safe driving course was designed and created on the Vairano, Sarno and Viterbo circuits. About 300 participants were involved for 2,471 hours with the aim of achieving the best driving safety standards and optimising vehicle management in terms of consumption and maintenance costs. The programme comes under the scope of training on safety carried out in collaboration with the HSEQ department.
- | area conventions: in 2021 great attention was paid to management sharing of corporate objectives and challenges through area conventions, held in digital format and aimed at a widespread population.



9BOX mapping

In 2021, the fourth edition of the 9box mapping was carried out, a process that positions the population in nine possible quadrants, a cross-over between the overall role performance in the last 12 months (below expectations, in line with expectations, above expectations of the role) and three levels of potential that can be used in the organisation (low, medium, high potential for growth). Mapping is a process of sharing observations of resources by line and HR managers, and is the compass by which actions are guided for career development, role growth, total reward, resource management. In 2021, several innovations were introduced in the process:

- | extension of mapping to employees of all Group companies (total assessed: 2,413 people, including managers, executives and employees);
- | extension of the Calibration process (when managers meet in calibration meetings to discuss employee performance and reach agreement on assessment ratings) to all Group Companies and all areas of Italgas Spa and Italgas Reti, in order to achieve an increasingly homogeneous, fair, shared and, therefore, solid assessment;
- | accompanying moments dedicated to managers, to manage annual performance feedback (workshops attended by 321 people for a total of 321 training hours and digital pill available to all managers on the e-learning platform).

After the training, the performance feedback campaign was finalised.

HSEQ training - traditionally undertaken via classroom teaching, as well as in the field - also continued in the new digital manner, while maintaining the same standards of effectiveness and in accordance with the legislative requirements set out to enable specific activities. In 2021, Italgas then added various initiatives to involve the entire chain of suppliers. This is the context into which the "HSE Partners Lb" and "Communication management in emergency situations" fall, aimed at raising awareness amongst our partners on paying closer attention to improve prevention, increase safety levels, reduce the environmental impacts, stimulate a more efficient use of resources and, at the same time, increase communication skills and awareness in the various situations, so as to be able to offer an ever-better service to the public.

Employee training for safety at work also continued in 2021, with the relative periodic refreshers, as per the State/Regions Agreement, through courses taken in an e-Learning format. All training initiatives are extended to all Italgas Group companies.

Compensation system

In order to attract, motivate and retain the best talents, Italgas promotes employee commitment and performance through the definition and implementation of compensation policies, that are very much focussed on meritocracy and differentiated according to performance and professional and managerial abilities, by considering:

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

The Italgas Group remuneration policy is to be approved by the Shareholders' Meeting and is based on the following principles:

- | promote the pursuit of the company objectives, its sustainable success and therefore the improvement of its long-term results through a close connection with the corporate strategic plan;
- | pursue and promote the creation of value for the various company stakeholders (employees, shareholders, local communities, suppliers);
- | attract, retain and motivate people with high professional qualities;
- | encourage the commitment of key resources;
- | encourage actions and conducts that respect the values and culture of the Company, in compliance with the principles of meritocracy, inclusion and plurality, equal opportunity, enhancement of people's knowledge and professionalism, fairness, non-discrimination and integrity required by the Code of Ethics.

The 2021 Remuneration Policy has been widely accepted and approved by the Shareholders' Meeting with 96.4% of votes in favour in regard to the section on the 2021 Policy and 97.3% of votes in favour of the section on fees paid in 2020.

The compensation systems, in particular, are periodically assessed and updated based on a comparison with best practice and the remuneration markets of reference in relation to criteria inspired by meritocracy, internal equality and external competition in order to ensure the



Talent Analytics

Talent Analytics in Italgas means collecting, analysing and processing statistics on large quantities of data linked to people (internal and external) in order to make better organisational and operative decisions. Since 2021, there has been an organisational unit called Talent Analytics in place, dedicated to the spread of a data-driven culture, also on HR matters.

Just as for the physical assets and operative processes (thanks to the support of the Network analytics organisational unit), also the data relating to the people and their "movements" within the organisation is used to obtain valuable information to make more informed decisions.

In 2021, data-driven projects were implemented, supported by the use of BI technologies, on HR processes that range from selection and performance and potential assessment right through to the internal and external movements of our workforce.

Below are three examples:

- | monitoring has been implemented through Google Analytics of the new Career Portal to track and analyse the flows of people interested in Italgas job offers;
- | statistics have been processed on the 2,412 9box assessments to identify cognitive trend/bias or to compare the performance and potential of the population, segmenting it on different variables (age, gender, seniority in the company, qualification, business, etc.);
- | a Talent Strategy has been prepared based on quantitative data: through the Mercer Internal Labour Market Analysis tool, all incoming/outgoing movements and the promotions of all Italgas staff, have been collected into a single "visual" tool. This has made it possible to view the historic trends of the workforce and, by applying predictive simulations, predict future trends. This is at the basis of being able to make more informed choices about HR processes, such as hires, promotions, welfare, remuneration policies, job rotation, etc.

recognition of the results achieved is correctly rewarded and aligned with the overall business results, thereby assuring the development, growth, attraction and retention rate of key individuals in order to contribute to the achievement of comprehensive business objectives.

The analysis of the fixed remuneration, which is therefore connected with the nature and responsibilities of the role, highlights the consistency of this approach; the ratio of fixed remuneration paid in 2021 to the CEO and the average fixed remuneration of Italgas employees in 2021 is 1:20, a ratio that remains effectively unchanged on the previous year.

Once a year, Italgas carries out a structured analysis and review of the fixed remuneration of employees with a view to acknowledging personal merits and growth. This process considers both principles of internal fairness and competitiveness towards the external market and the performance and potential of the people themselves. In addition, in order to assure the development of the strategic plan and the achievement of the business objectives, Italgas assigns incentive systems with short- and long-term horizons, based both on monetary instruments and shares. The beneficiaries of these incentive systems are the managerial roles, first and foremost the Chief Executive Officer and Executives with strategic responsibilities.

From time to time, the performance is assessed in relation to the incentive systems that provide for the disbursement of premiums only where the objectives assigned are reached, thereby assuring a strong focus on results and a solid tie between remuneration and performance.

In 2021, thanks to an agreement reached with the main trade union organisations, for all middle managers, an individual target card was introduced, to which 50% of the corporate premium is linked, in a bid to further strengthen the focus on results and assign increasing importance to merit. In addition, just like in 2020, the assessment of the performance of all Group company unit managers, has been confirmed.

In 2021, performance assessment involved 60 executives (11 of whom were women) and 367 non-executives (82 of whom were women), coming to a total of 427 people, divided among the various Italgas Group companies as follows:

- | Italgas (29.87%): 135 people, 33 of whom were executives (8 of whom were women) and 102 of which were non-executives (34 of whom were women);
- | Italgas Reti (7%): 199 people, 14 of whom were executives (1 of whom was woman) and 185 of which were non-executives (28 of whom were women);
- | Medea (13%): 8 people, 1 of whom was a female executive;
- | Toscana Energia (7%): 27 people, 5 of whom were executives;
- | Seaside (27.3%): 12 people, 2 of whom were executives and 5 women;
- | Gaxa (37%): 7 people, 1 of whom was an executive and 1 woman;

| Italgas Acqua (10.5%): 2 people;

| Bludigit (40.2%): 37 people, 4 of whom were executives and 6 women.

Relations with trade unions

In 2021, relations between the Italgas Group and the trade unions saw the involvement and participation of structures at national, local and company levels. During the year, relations with the trade unions were particularly intense and focused on the process of renewing the Group's RSUs and RSAs by calling for elections in October. Early 2021, the new electoral parameters were defined, taking into account the organisational changes that had taken place during the last two years, and the conditions recognised for being appointed unitary trade union representative and workers' representatives for health, safety and the environment on a Group level. Trade union communication procedures have also been agreed for the electoral phase and the new tool of the Electronic Union Notice Board launched and regulated. More specifically, significant agreements were reached on the following issues: update of the COVID protocol, launch of the vaccination plan, regulation of collective transfers by means of the Site Plan, final calculation of the Results Premium for 2020 and setting of the productivity and profitability targets for 2021, with specific reference to the definition of an agreement regarding the productivity of the middle managers. In 2021, 116 meetings were held with trade unions, 36 of which at national level and 80 at local level. The figure confirms the constant involvement of representatives at all levels. At the end of 2021, the total number of employees in the Group was 3,904 and the total number of employees registered with a trade union was 1,816; therefore, the percentage of employees registered with a trade union organisation was 46.51%.

To address the Covid-19 health emergency and guarantee employee safety, in 2021 smart working conditions continued to be used, calibrating the maximum number of days to be spent working from home according to the need to maintain distances within the offices and depending on infection and employee vaccination levels. For all operational staff, on the other hand, in order to avoid crowding in the offices, the method of working from home has continued to be implemented.

The lawsuit with employees and former employees of the Italgas Group, although basically stable over time, has decreased on 2020, due to the definition of 17 serial judgements connected with a single dispute relative to various employees of the former AES of Turin.

DISPUTES WITH EMPLOYEES

Employee disputes	U.o.m.	2019	2020	2021
Disputes started during the year	no.	13	35	19
Disputes closed during the year	no.	15	16	36
Total disputes pending as at 31/12 (employees and former employees)	no.	20	41	24

In 2021, a total of 19 new disputes were brought and 36 were closed. At 31 December 2021, a total of 24 disputes were pending, of which two brought by groups of workers and respectively regarding economic requests relative to holidays and the institution of reduced working hours.

In general, legal action brought against the Group companies (Italgas Reti, Medea and Toscana Energia) mainly referred to the following situations: difference between professional category and related remuneration, economic claims of various types, occupational illness, challenge of disciplinary measures inflicted, including dismissals.

In 2021, with the creation of the Heritage Lab, collaboration began with the cooperative company Il Maringe and the Piedmont Employment Agency in order to actively involve people recognised as “fragile” in the world of work.

Finally, it should be noted that no incidents of discrimination occurred during 2021.

Employee experience

During the year, the Group started various initiatives to design the “new normal” and guarantee its employees a more inclusive, more modern employee experience. Below are the main project started in 2021:

| **Co-working** - To outline a vision of the new way of working that allows for the alternation of smart working and working in the office, the Group has launched a co-working project, with modular work stations designed to satisfy the various needs of employees heading into the main offices. In 2021, the pilot project began in Turin where, with the restructuring of the building at Largo Regio Parco, 9, it was possible to review the layout of certain spaces, introducing modularity of the areas according to the activities to be carried out and non pre-assigned work stations, but rather which can be booked and that are equipped with the essential tools. This makes it possible to have a workplace that facilitates collaboration and dialogue between colleagues, as well as spaces designed to host new employees and create team building opportunities;

| **Employee journey** - During the year, a digital room was launched in the Digital Factory, with a twofold objective:

| to make the employee experience on the digital channels made available to them easy, innovative, personal and smart;

| to adopt best-in-class tools to identify, involve and enhance the best talents.

More specifically, as the first step of this transformation, a new intranet has been issued, as a central hub of the employee experience, which can put the needs and expectations of colleagues at the centre, simplifying access to communication, information, tools and services, maximising the possibilities of communication and the exchange of know-how.

As second step, the activities of the HR teams have been optimised, starting with the Recruiting & Onboarding process through the introduction of new digital tools, the evolution of the solutions already available and the convergence of the front office experience in the new intranet.

Through these tools, the employee's journey within the company is completely redesigned, from the application through to when the company is left.

| **New Payroll system** - During the last few months of 2021, IG SUITE was introduced, the new attendance detection, travel and administrative document consultation system, operative since January 2022 for all Group staff. The new system allows employees to manage all attendance and transfers from a mobile telephone, also enabling a simplification and digitisation of the reporting process.

Welfare

In Italgas, personal and professional well-being are seen as company assets. Indeed, people are always at the heart of the Italgas Group's focus and the Welfare Plan, dedicated to all Group employees, stems precisely from the initiatives taken in a bid to improve the quality of life of its people, helping them strike a fair balance between their personal and working lives, creating a lively, active community.

The Welfare Programme is structured into a series of services and initiatives designed to meet the different needs and demands of the population in terms of family management, income support, health and physical well-being, free time and dealing with the day-to-day issues as they arise. The services are available for use by all Group employees on permanent contracts, including part-time workers.

The initiatives implemented evolve constantly and are outlined each time on the basis of the needs and demands expressed by colleagues.

In 2021, in fact, a survey was given out to all Group employees, to which more than 1,300 employees contributed, seeking to analyse needs and demands, with the aim of then structuring an increasingly cutting-edge, complete and inclusive Welfare Plan. On the basis of the main evidence that emerged, a series of new initiatives has been identified, launched in 2021:

- | the new Wellgas Platform, which is more dynamic, interactive and user-friendly, available to everyone;
- | the Italgas Health Challenges to improve the life-work balance;
- | on-line and in-gymnasium training sessions through the collaboration with external partners providing on-line training free of charge and granting discounts on networks of wellness centres/gymnasiums across national territory (280 employees have used the service);
- | nutrition programmes: a nutritionist is available to employees and their families with a dedicated diet plan at special rates for the group (45 employees have used the service);
- | on-line psychotherapy and "Mind-Body Connection" courses: the importance of mental well-being is now very much acknowledged and this is why Italgas has decided to supplement its Welfare Programme, activating an agreement with an on-line psychology and psychotherapy service, which provides a competent, reliable point of reference in people's lives, to help improve their psychological well-being, quality of life and personal growth. The course was accompanied by a 4-session webinar, held by a specialist, on the theme "The Mind-Body Connection" (the webinar recorded a total of 421 attendees);
- | activation of the healthcare network: in order to complete the services offered in the area of the health and well-being of employees, and to supplement the current healthcare policies in force, during the month of December, Italgas activated a healthcare network that allows employees and their families to benefit from specialist visits throughout the country at discounted rates (170 members as at 31.12.2021).



Italgas Health Challenge

In 2021, the Group launched two editions of the "Italgas Health Challenge", a sports challenge dedicated to all employees with the aim of encouraging sport and a balance between work and personal lives. The two editions were attended by 470 members who, thanks to their registration with the challenge platform, supported the **Eden Reforestation Project** and guarantees the planting of 503 trees in support of the communities in Brazil.

Apart from the new services introduced in 2021, the Welfare Plan continued on from previous years:

- | income and free time support: micro credit, reimbursement of nursery schools, agreements with banks, dedicated purchasing convention portals, legal and tax consultancy;
- | family support: reimbursement of nursery schools, summer camps, study aid (loan for the purchase of schoolbooks, study grants, on-line support lessons and guidance courses), agreements with caregiver assistance services;
- | support for health and well-being: in addition to the category healthcare funds and the various insurance policies covering illness/life/permanent disability and Covid-19, the free cancer prevention courses have been maintained throughout the national territory in collaboration with LILT (the Italian League for the Fight Against Cancer);
- | support to mobility: agreements with the main urban (and other) transport carriers and with sustainable (waterless) car washing;
- | Flexible Benefit plan: possibility of converting a share of the Participation Premium into Welfare Credit in the manner governed by the company regulations and current legislation, in order to access welfare services and goods, enjoying tax and social security benefits envisaged by current legislation, as well as the Welfare Bonus guaranteed by Italgas, equal to 18% of the converted share;
- | Welfare Day: days - at the main group sites - dedicated to explaining the current welfare programme, opportunity for obtaining answers to requests for clarification and dedicated analyses.

The initiatives implemented in 2021 have proven very popular, with great acceptance, involvement and enthusiasm seen by all Group people: at 31.12.2021, more than 3,500 employees had registered with the portal (+12.6% on 2020) and approximately 7,000 requests for services had been made by users (+69% on 2020).

In line with the Strategic Plan objectives, which envisage a greater dissemination and use of welfare services by 2027 (target: 75% of the company population), in 2021, the number of active users (company population that has used at least one service) is 65.9% of the total company population, recording a significant increase on 2020.



2021 Climate survey

With a view to listening and engaging its people, in 2021 Italgas launched the climate survey *"La tua voce conta"* (Your voice matters), dedicated to all Group employees, who were thus able to express their opinion on various themed areas: listening, training, workload, pandemic management, inclusion and diversity, remuneration and recognition, performance, innovation, health and safety and much more besides. The survey recorded an adherence rate of 87%, higher than that of the latest surveys run to date and above the reference benchmark and more than 43% of participants gave free comments, thereby further validating and extending the feedback received.

The main evidence was anticipated by the HRO Manager to the Group's first line in December 2021 and to all the company population by end 2021.

Early 2022, the results were officially communicated to all colleagues: the areas of excellence and the areas of improvement were analysed, as well as the guidelines for action to be taken in 2022, in response to the subject that had arisen. For everyone, moreover, a mailbox has been activated to which suggestions, ideas and proposed improvements can be sent, with the aim of always guaranteeing continuous listening and implementing actions that are truly effective for the Group people.

The initiatives started immediately following the needs that emerged from the survey include the promotion of smart working: a series of suggestions aimed at promoting "virtuous" behaviour that may help in organising the working day and support the work-life balance of everyone.

GRI 401-3 Parental leave	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Total positions open	no.	230	55	285	225	53	278	229	73	302
Positions open during the year	no.	24	5	29	17	15	32	41	21	62
Positions closed during the year	no.	206	50	256	208	38	246	188	52	240
for return	no.	196	50	246	202	36	238	179	49	228
for contract end	no.	10	0	10	6	2	8	9	3	12

* The data for parental leave refer to Italian Law 53/2000.



Top Employer

The important, continuous commitment of the Group in taking care of its people, has been rewarded: in 2022 again the Italgas Group is confirmed amongst the certified Top Employers Italy 2022. Top Employers certification is the official recognition of the company's excellences in HR strategies and policies and their implementation to help ensure the well-being of people, improve the workplace and the world of work. The certification is issued to companies that achieve and satisfy the high standards demanded by the HR Best Practices Survey, which examines and analyses 20 different topics in-depth and the respective best practices, including People Strategy, Work Environment, Talent Acquisition, Learning, Well-being, Diversity & Inclusion and many others.

Diversity

In line with the attention paid to the topics of Diversity & Inclusion in the Strategic Plan, in 2021, female presence in the company improved significantly, also in terms of women holding positions of responsibility. In particular, 22% of Group managers are women, a clear rise on last year (16.7% in 2020), whilst in all, a total of 16.4% of the company workforce are women (15.1% in 2020), also taking into account the traditional male presence in the technical operative areas of the company.

Women of all employees, by professional category	U.o.m.	2019	2020	2021
Executives	%	14.8	13.8	17.2
Managers	%	14.9	17.2	19.7
Office workers	%	23.0	24.4	26.0
Manual workers	%	0.2	0.3	0.4
Total	%	14.1	15.1	16.4

Diversity indicators	U.o.m.	2020	2021	Notes
Women of total workforce	%	15.1	16.4	total workforce
Women in positions of responsibility	%	16.7	22.2	all positions of responsibility
Women in junior positions of responsibility	%	17.3	23.1	all positions of junior responsibility (first level)
Women in top management positions	%	13.8	17.2	all top management positions (two levels from CEO)
Women in positions of responsibility in revenue-generating departments	%	12.4	18.0	this type of position
Women in STEM positions	%	34.5	35.8	this type of position

In line with the objectives included in the 2021-2027 Strategic Plan, the Italgas Group includes in its priority commitments, the definition and implementation of policies and processes of inclusion and optimisation of Group diversity, whether gender, age or background.

GRI 405-1 Breakdown of the workforce by nationality

2020 - Nationality	u.o.m.	total workforce	managerial positions
Italian	%	99.2	99.7
Other European countries	%	0.2	0.0
Non-European countries	%	0.6	0.3

2021 - Nationality	u.o.m.	total workforce	managerial positions
Italian	%	99.2	99.7
Other European countries	%	0.23	0.0
Non-European countries	%	0.56	0.3

GRI 405-1 Diversity amongst employees (headcount)	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	no.	52	9	61	50	8	58	53	11	64
under 30 years	no.	0	0	0	0	0	0	0	0	0
between 30 and 50 years	no.	14	7	21	16	6	22	23	8	31
over 50 years	no.	38	2	40	34	2	36	30	3	33
Managers	no.	252	44	296	250	52	302	248	61	309
under 30 years	no.	0	0	0	1	0	1	0	0	0
between 30 and 50 years	no.	67	15	82	73	23	96	87	33	120
over 50 years	no.	185	29	214	176	29	205	161	28	189
Office workers	no.	1,747	523	2,270	1,659	536	2,195	1,599	563	2,162
under 30 years	no.	165	58	223	153	76	229	147	80	227
between 30 and 50 years	no.	346	161	507	355	171	526	386	194	580
over 50 years	no.	1,236	304	1,540	1,151	289	1,440	1,066	289	1,355
Manual workers	no.	1,466	3	1,469	1,426	4	1,430	1,364	5	1,369
under 30 years	no.	154	1	155	195	2	197	216	3	219
between 30 and 50 years	no.	282	1	283	247	1	248	238	0	238
over 50 years	no.	1,030	1	1,031	984	1	985	910	2	912
Total	no.	3,517	579	4,096	3,385	600	3,985	3,264	640	3,904

Through the 2021 creation of a specific structure within the HRO Department in the Talent & Change Management area, and with the establishment of the figure of the Diversity & Inclusion Manager, Italgas' approach to Diversity & Inclusion in fact received new drive and method, with the launch of a structured awareness-raising and engagement process involving the whole of the company population, with the pursuit of an action plan that will be developed over the next three years.

Some of the main Diversity & Inclusion initiatives carried out in 2021 in Italgas include:

- | inclusion of Diversity and Inclusion KPIs among the corporate objectives:
 - | percentage of female candidacies on the total of candidacies examined to be hired (net of labourers) - 44,7% in 2021;
 - | percentage of women holding the position of "head of business unit" - 22% in 2021;
- | renewal of collaboration - as Supporting Partner - with Valore D, the leading association of businesses in Italy which, for over ten years, has been promoting gender balance and a culture of inclusion, committed to spreading this culture of inclusion within our Country;
- | adhesion to STEM By Women, an association of businesses, organisations and people that promotes and encourages women's careers and studies in the STEM (Science, Technology, Engineering and Mathematics) area;
- | participation in a new edition of the Grow Data Girls challenge, facilitated by colleagues in collaboration with the LUISS Business School. The project aims to promote, support and improve the personal and professional growth of the female students at the LUISS Business School, paying particularly close attention to inclusion in the world of work and promotion of the professional career;
- | gender equality assessment, which aims both to measure, using elements that are partly qualitative and statistical,

effective gender equality in Italgas and to launch concrete actions offering support and improvement over the next three years;

- | qualitative listening projects through focus groups with the aim of analysing aspects relative to generational and background diversity present in the Italgas Group, in order to gather further input and contributions on the matter;
- | first edition of the female leadership course, with the aim of facilitating opportunities for exchanges, experimentation and inspiration on the distinctive characteristics of female leadership, including through internal networking and a comparison with models of sports excellence;
- | first edition of the "Unconscious Bias" course, a time for reflection on the importance of Diversity and Inclusion in the company, with particular attention paid to the effects that the stereotypes and prejudices to which we are all unknowingly subject have on the organisation and decision-making processes;
- | participation in the survey "*Valorizzare le differenze in azienda*" (Optimising differences in the Company), as part of the research project developed by the Catholic University of Milan with the aim of analysing employee perception of the dimensions enabling the processes for optimising differences and inclusion;
- | widespread action to raise awareness and engagement throughout the territories and business areas, which took concrete form with the identification of more than 30 Diversity & Inclusion Ambassadors, which will star in the organisational change with the aim of promoting the benefits of a business culture based on principles of diversity and inclusion.

The constant commitment continues to reducing the pay gap between men and women: in 2021, in fact, the difference in the number of training hours aimed at both genders was aligned (see section "Training programmes") and the difference between the salary received by men and women in all roles was further reduced⁴².

GRI 405-2 - Ratio of basic salary and remuneration of women to men

Ratio of remuneration	U.o.m.	2019	2020	2021
Executives	%	74.7	80.5	88.6
Managers	%	89.8	91.2	91.3
Office workers	%	93.4	91.3	92.5
Manual workers	%	71.8	74	71.1
Ratio of basic salary	U.o.m.	2019	2020	2021
Executives	%	84.7	91.6	96.1
Managers	%	94.5	93.8	95.6
Office workers	%	98.2	97.2	97.7
Manual workers	%	78.6	75.7	73.6

⁴² Due to the type of business, the population of Italgas workers is very much imbalanced towards the male gender, hence the sample is not statistically significant.

Employees belonging to protected categories	U.o.m.	2019			2020			2021		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees belonging to protected categories	no.	146	30	176	148	32	180	145	34	179

Employees pertaining to protected categories out of total employees	U.o.m.	2019	2020	2021
Employees belonging to protected categories	%	4.3	4.5	4.6

Accessibility of the applications developed

In 2021, the focus was kept on the degree of accessibility of the applications developed by Italgas in all phases of the process. In particular, also thanks to the new proprietary Design System, during all phases of the design and development of technological solutions, specific tests are run on accessibility for blind and poorly-sighted users.

Health and safety in the workplace

The commitment towards health and safety was formalised through the adoption of the Italgas Group Health, Safety, Environment, Quality and Energy Policy (HSEQE), developed on the basis of company policies and in line with the Code of Ethics aimed at enhancing and protecting human resources, essential values for the Company.

Some of the specific commitments on which the Policy is based in fact regard:

- | to design, implement, manage and dispose of facilities, constructions and assets, to protect worker health and safety, the environment, energy savings, while aligning with the best technologies available and sustainable economically;
- | to conduct and manage activities in order to prevent incidents, accidents and occupational diseases;
- | to ensure the information, training, and awareness of personnel for an active and responsible participation in the implementation of the principles and the achievement of the objectives.

In relation to the Covid-19 pandemic, the Italgas Group, from the start of the Covid-19 emergency, has established a Crisis Committee with the task of constantly monitoring the situation and assessing any action to be taken in response to the evolution of the emergency situation and the consequent directives given by the competent Authorities. In 2021, the Crisis Committee met 37 times.

The company has taken proper prevention and protection measures in regard to all its workers, identified to prevent the spread of the virus in the workplace, implementing the measures defined by the reference Authorities that envisage, amongst others, the supply of specific personal protection equipment (e.g. FFP2/3 masks, surgical masks and disposable gloves) and the adoption of organisational measures aimed at minimising people's travel and fostering social distancing (suspension of transfers, smart working, permits, etc.). In 2021, 10 communications were sent to all staff, through the HSEQ department, containing the protocol adopted by the Company updated according to the indications of provisions issued by the competent authorities.

In 2021, as regards information, meetings with suppliers should be highlighted, which, due to the Covid-19 health emergency, were held over the internet. In all, 24 meetings were held with contractors, during which the data on incidents was examined and commented and awareness was raised on safety topics. In addition, 19 specific digital conventions should be noted with the territorial poles addressed in particular towards raising awareness to injuries, the analysis of incidents, including near misses, and the definition of corrective actions to be implemented.

In 2021, a major reduction was recorded in injuries involving employees, which went from 7 in 2020, to 4. In all cases, an in-depth analysis was performed on the causes so as to identify the corrective action necessary to avoid any repetition of similar incidents. The frequency index, calculated considering only employee injuries, has improved considerably, dropping to 0.61 (1.07 in 2020). The severity index has instead remained constant at 0.01.

The number of injuries involving contractors in the last three years has stayed constant at 8; in 2021, having worked more hours than in previous years, we can see an improvement in the frequency index, which comes to 1.71 (1.94 in 2020). The severity index also improves, dropping to 0.07 (0.10 in 2020).

The comprehensive frequency index, considering the sum of employee injuries and injuries involving contractor staff, has dropped to 1.07 (1.41 in 2020), with the number of injuries declining: 12 as compared with 15 in 2020. Il del personale degli appaltatori, è sceso a 1,07 (1,41 nel 2020) con il numero di infortuni in calo: 12 rispetto ai 15 del 2020.

GRI 403-9 Work-related injuries Employees*	U.o.m.	2019	2020	2021
Workplace accidents (LTI) ⁴³	no.	6	7	4
of which with serious consequences (absence of more than 6 months)	no.	1	0	0
Deaths	no.	0	0	0
Employee accident indices ***				
Frequency Index (LTIFR) ⁴⁴	-	0.98	1.07	0.61
Accident frequency index with serious consequences	-	0.16	0	0
Death index	-	0	0	0
Severity index	-	0.10	0.01	0.01

*The table does not include details of men/women and regions so as to standardise the report with the new version of the GRI. For the value given on the 2019 Consolidated Non-Financial Statement, reference is made to the document published on the Group's website at <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Non-Financial-Statement-2019.pdf>.

The data on accidents include events that led to absence from work for more than one day.

*** The injury indices have been calculated as follows:

Death index: number of deaths / million hours worked

Severity index: days absence due to injury / thousand hours worked

Frequency index: number of injuries recorded / million hours worked

⁴³ LTI: Lost Time Injury

⁴⁴ LTIFR: Lost Time Injury Frequency Rate

GRI 403-9 Work-related injuries Non-employed workers (contractors ⁴⁵)*	U.o.m.	2019	2020	2021
Workplace accidents (LTI)	no.	8	8	8
of which with serious consequences (absence of more than 6 months)	no.	0	0	0
Deaths	no.	0	0	0
Accident indices (contractors) ***				
Frequency Index (LTIFR)	-	1.85	1.94	1.71
Accident frequency index with serious consequences	-	0.00	0.00	0.00
Death index	-	0.00	0.00	0.00
Severity index	-	0.11	0.10	0.07
Employee and contractor accident frequency index	-	1.34	1.41	1.07
Near misses	no.	44	5	9

*The table does not include details of men/women and regions so as to standardise the report with the new version of the GRI. For the value given on the 2019 Consolidated Non-Financial Statement, reference is made to the document published on the Group's website at <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Non-Financial-Statement-2019.pdf>.

The data on accidents include events that led to absence from work for more than one day.

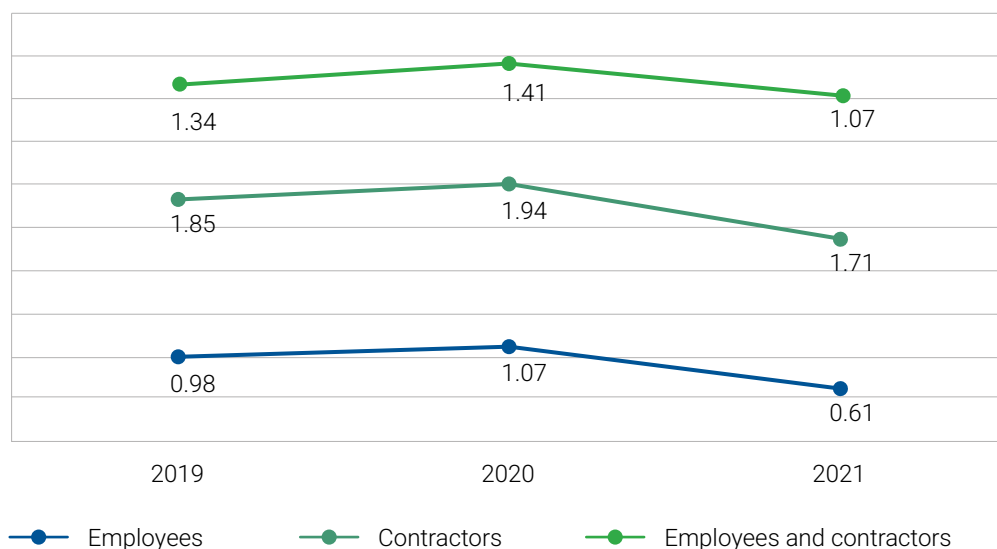
*** The injury indices have been calculated as follows:

Death index: number of deaths / million hours worked

Severity index: days absence due to injury / thousand hours worked

Frequency index: number of injuries recorded / million hours worked

NON-COMMUTING FREQUENCY INDEX



** For 2019, the data of Medea, Italgas Acqua, Ichnusa, Enerco and Seaside is included. Starting 1 October 2019, the data of Toscana Energia is included.

⁴⁵ Workers of companies with a service or work contract with Italgas (e.g. construction companies, cleaning companies, etc.).

DNF 5.3 Create value for customers and the market

Innovation

The innovation is the main driver of the Italgas development strategy. The Company's capacity to consolidate its leadership position in Italy and Europe involves its technological innovation, assuring it is confirmed as cutting-edge in the gas distribution segment.

The 2021-2027 Strategic Plan has recorded an increase in investments, mainly driven by digitisation. With the aim of completing the digital transformation of assets and making Italgas to all intents and purposes a leader in the energy transition, the Group has allocated more than € 1.4 billion (+32% on the previous Plan) to the digitisation of the networks; a plan in line with the European decarbonisation objectives and the development of renewable gases such as biomethane, synthetic methane and green hydrogen.

Partnership with Polytechnic University of Turin

The partnership signed in July 2020 continues between Italgas and the Polytechnic University of Turin, initiated with the aim of developing joint research, innovation and training activities in support of the energy transition, sustainable mobility and the circular economy. The collaboration includes research projects on general themes - such as digital innovation, the optimisation of energy consumption, improvement of network efficiency and recovery of resources - to more specific actions. These actions will be aimed at developing innovative technologies for feeding renewable gases into existing networks, developing "power to gas" systems to recover surplus energy production, and creating an advanced gas smart meter especially for "smart" networks. The Polytechnic and Italgas will also be working on several educational fronts, with joint projects aimed at developing university Master's courses, courses for recent graduates, events and dissemination activities through national and international networks. Italgas has also provided professors and researchers with the spaces and expertise of its Digital Factory, the driving force behind the digital transformation of the company.

Digital transformation: in the hallmark of sustainability, resilience, to enable the ecological transition and new working models

The pandemic has shown the importance of digital infrastructures in mitigating the impacts of phenomena taking place in the physical world. This widespread awareness has speeded up the average rate of digital maturity in the population and presents new challenges to all businesses, from the working models to the innovation of production processes.

In addition to all this, there is the need to speed up the ecological transition and prepare the network for the challenges to come, which call for a greater drive on the digitisation of assets and processes, as well as of people's skills and the world of employment. The opportunities offered up in this sense by artificial intelligence, the advanced analysis of data and latest generation telecommunications networks must be exploited to the full and on a large scale, with a renewed, closer attention paid to cybersecurity and the control and management of risks and compliance with current regulations and guidelines.

The optimal trade-off of innovative drive and safety, resilience and sustainability of solutions is therefore the aim of Italgas' digital transformation, which in 2021 took another important step forward in terms of evolution of the business capability and way of working.

In this context, the Digital Factory, operative since 2018, has continued to work, effectively adapting the agile model to suit the hybrid on-site and on-line working methods imposed by the pandemic.

In addition to the innovative solutions already released in 2020, such as WorkOnSite - which



Open innovation

Italgas has launched a programme under the scope of open innovation: with the aim of selecting the very best national and international start-ups and SMEs in support of the transformation and sustainability of the gas distribution networks, the call has been created "**Ideas4Italgas: Gas grid of the future.**" Specifically, the selection regards contexts developing products and services with innovative, sustainable, original business models in line with Italgas' strategy, such as the management and monitoring of the network infrastructure, improving energy efficiency and supporting the energy transition. The start-ups that are approved by the innovation committee access the co-design phase with the aim of defining a proof-of-concept (POC) for the validation of strategic partnerships.

uses artificial intelligence to verify the conformity of sites and progress made on works from a remote position - or ShareView - smart-glass thanks to which an expert can offer remote support to colleagues a long way away - the Digital Factory has intensified the work of the rooms, giving rise to various innovations that have allowed Italgas to further improve its everyday operations. These include the main projects that regarded predictive maintenance of smart meters and odourisation stations and the improvement of commercial, staff management and supplier relations processes.

Italgas' digital transformation has continued to effectively support the achievement of the Group sustainability targets, thanks to the numerous initiatives aimed at optimising the digital solutions and the use of the cloud resources needed, redesigning processes taking a paperless approach and contributing to the ecological transition through all projects striving to achieve complete network digitisation.

Although the neutralisation of the carbon footprint remains the main digital sustainability objective, for Italgas, creation of effective re-skill and up-skill plans, aiming to assist people as they seek to evolve the way of working and acquire new skills, is an equally important aspect and specific projects have been dedicated to this objective. All this has made the digital transformation implemented sustainable and ethical, in respect of people and hinged on the continuous improvement of their skills, key to guaranteeing the maximum extraction of value from the digital innovations introduced.

The birth of Bludigit - the Group's digital innovation hub - has guaranteed a further boost on the execution of the digital transformation initiatives, strengthening the drive towards the convergence of architectures and solutions; the possibility of Italgas Reti, Toscana Energia and Medea benefiting from much of the digital innovations released by the Digital Factory and other sites started - for example the Customer Experience Evolution, Digital Estimation and New Billing System - is a first concrete example.

Bludigit has implemented an evolved, more mature business engagement and performance and investment control model, which will guarantee the possibility of further scaling-up the future digital transformation plan and the value it will bring to the business.

The Italgas digital innovation hub



offers Italgas companies and the market digital solutions to enable the sustainable corporate transformation of assets, processes and people's skills.



Portfolio of innovative digital solutions



Digital factory



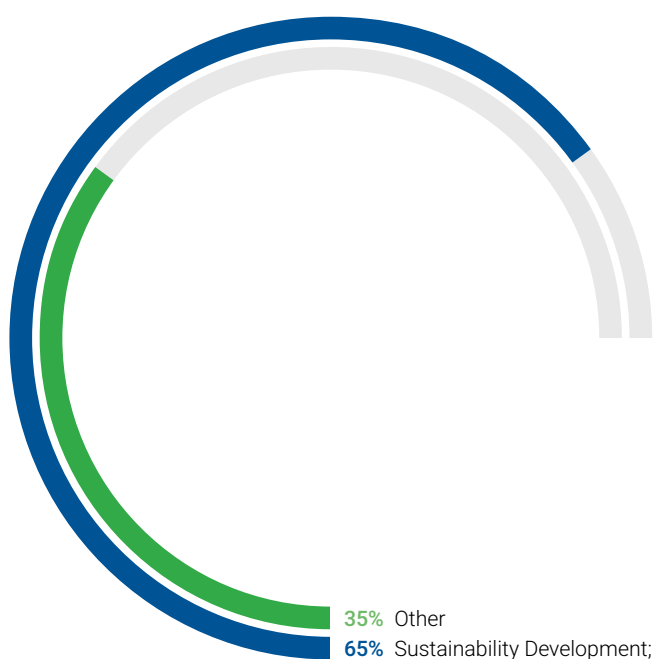
Center of Excellence for Emerging Technologies

(Operation Technologies, IoT, Big Data, analytics, Cybersecurity...)

In 2021, with the aim of optimising the systems and increasing efficiency of the public cloud, the “ON-OFF” model was adopted, which makes it possible to increase the hours of server “downtime”, when systems are off and not consuming resources, thereby minimising the environmental impact.

To stress the importance of combining sustainability and digital transformation, in addition to the usual prioritisation of initiatives to be included in the Italgas 2022 digital project portfolio, a score has been introduced, able to take the degree of support of the specific initiative to one or more United Nations Sustainable Development Goals (UN SDGs): an important step forward the once again puts sustainability at the heart of strategic choices relative to investments in digital and in new enabling technologies.

PERCENTAGE OF ICT INITIATIVES ASSESSED IN 2021 WITH POSITIVE IMPACT ON THE SDGS



The initiatives to which a positive impact has been recognised in terms of digital sustainability come under one of the following four macro categories:

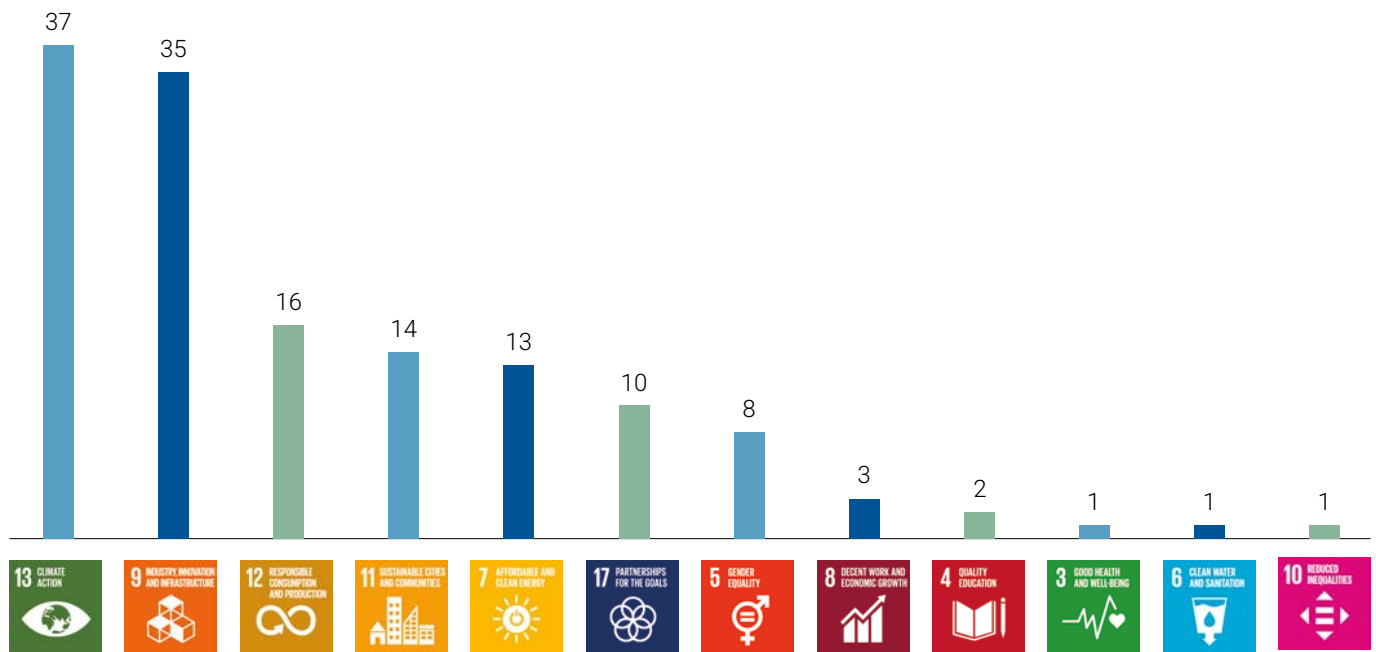
- Solutions** SUSTAINABLE DESIGN OF PRODUCTS, SERVICES AND BUSINESS MODELS

- Ecosystem** STAKEHOLDER ENGAGEMENT TO DRIVE THE SUSTAINABLE CHANGE

- Operations** OPTIMISATION OF OPERATIONS AND CREATION OF THE SUSTAINABLE VALUE CHAIN

- People** MAKING STAFF ABLE TO CREATE A SUSTAINABLE BUSINESS

SDGS IMPACTED BY THE INITIATIVES (57 IN TOTAL)



Bludigit has therefore implemented an evolved, more mature business engagement and performance and investment control model, increasing the focus on innovation and sustainability, which will guarantee the possibility of further evolution the future digital transformation plan and the value it will bring to the business.

Network innovation and security

Italgas makes the security of the service provided to its end customers the cornerstone of its business and mission.

Attention paid to security starts with the careful choice of traces established for its infrastructures in the design stage; it then continues with the use of increasingly innovative site-suitable materials and develops with the construction of the networks in respect of reference legislation; finally it consolidates through specific plans for the running and maintenance of networks that can keep expected quality and performance unchanged over time, along the lines of continuous improvement of performance and technology.

In order to improve the quality and security performance of the service, as well as to increase the efficiency of the distribution system, Italgas continues to invest very significantly in the digitisation of its network and process infrastructures, with unique technology and artificial intelligence.

The digital transformation activities regard, for example:

- | scheduled gas leakage detection;
- | the systematic, real time control of all sites;
- | the digitisation of reduction units and the network;
- | the laying of multi-ducts for optic fibre and Rfid (Radio Frequency Identification) markers.

Scheduled Gas Leakage Detection

For leak detection, in 2018, Italgas introduced and now makes extensive use of CRDS (Cavity Ring-Down Spectroscopy) technology - designed and finalised by the US company Picarro Inc. This is a sophisticated sensing technology that, as compared with traditional technologies, offers important advantages in terms of the speed of conduct and extent of areas under control; indeed, it can:

- | detecting fugitive emissions with a sensitivity three times greater than those currently used by all other industry players (parts per billion vs parts per million);
- | detecting a gas leak even at a distance of several dozen metres from the route covered by the equipped vehicle, thanks to specific on-board sensors and sophisticated calculation software.

This makes Italgas one of the first, very few, gas distributors in Italy to carry out scheduled gas leakage detection, also extended to all the underground and overhead connections, albeit this activity is not prescribed by current legislation and regulations. Right from the first applications, the technology - now fully part of the management of the distribution network - has made it possible to control approximately triple the network envisaged by the minimum standards laid down by ARERA.

This technology, coupled with the subsequent localisation and elimination of leaks, put Italgas in a cutting-edge position, also in terms of the work it does to limit leaks, a topic to which the

European Commission pays close attention.

With the proper start-up of the land-based network monitoring system using CRDS technology, Italgas has also applied the system in different, very specific urban contexts, like Venice, where the natural gas distribution network has no equals worldwide, due to the undersea pipes, clamped to the arches of the bridges or below the pedestrian crossings. The network monitoring in the lagoon is thus carried out using a boat equipped in a similar manner to the cars and that applies and benefits from the same specifications.

Systematic site control

In order to carry out a systematic real time control of the various operative phases making up the development of a network or a simple user connection, Italgas has designed and finalised, thanks to its Digital Factory, the innovative digital application called WorkOnSite, which, supported by artificial intelligence systems, makes it possible to:

- | acquire, at each operative phase (e.g. site preparation, excavation, installation of pipes, re-burial, etc.) the pertinent photographic findings, sending them in real time to a site control centre monitored by technicians who have been specifically trained on the control;
- | validate or otherwise the consistency and conformity of each photograph, through artificial intelligence systems, with current legislative provisions and the tender specifications (e.g. site safety conditions, depth of installation of pipes, type/quality of reburial, correct positioning of the signalling tape, etc.);
- | establish a permanent repository of quality and conformity of all works realised.

Italgas has made WorkOnSite available to all contractors.

Digitisation of the reduction units

Thanks to new digital technologies, Italgas Reti is continuing to pursue the digitisation and remote supervision of network infrastructures and systems, thanks to the installation of suitable sensors and actuators, directly connected to RTUs (Remote Terminal Units) for two-way communication between the field and the control and command centre. 2021 saw the launch of a project to implement a new instrument in the application map, which can make the most of the digitisation and remote supervision project. This instrument, which is called "DANA" (Digital Advanced Network Automation) has an in-built GIS (Geographical Information System) and a SCADA type supervision system, which benefits from the support of dedicated HMIs (Human Machine Interfaces), precisely with the aim of managing and controlling the network as a whole.

Multi-ducts for optic fibre and Rfid (Radio Frequency Identification) markers

The new natural gas distribution networks have already been equipped for some years with multi-ducts and related accessories prepared for the insertion of optic fibre cables for the mass transmission of data recorded by the Digital Reduction Units, by the network and smart meters installed at the re-delivery points to users and by the sensors installed at the terminal points of the network. The multi-ducts are positioned at the same time as the pipes are installed and within the same excavation. The new distribution networks are also equipped with Rfid markers, again positioned inside the excavation at an average step of 1 every 50 metres, which allow for the traceability and localisation of the pipes directly from the road level without any need for invasive interventions in the subsoil and consequent interference with traffic.

Other significant activities

In 2021 gas odourisation activities continued, odourisation being crucial for distribution safety because it enables the detection of gas, which would otherwise be odourless and colourless, in the case of accidental leakage.

Within the Italgas Reti Asti Device and Material Testing Laboratories (LABs), centre of technological excellence that can operate according to the standard ISO 17025 for the tests and calibrations indicated on the accreditation certificates on the Accredia website, test and calibration methods are developed and updated in connection with innovative systems and products for each individual production process and the various specialised activities connected with gas distribution are monitored. In 2021, activities continued in relation to instrumental tests on gas odourisation, rhino-analytical tests (sensorial, on gas odourisation), the calibration of gas meters and other instrumentation supporting gas distribution activities, as well as mechanical tests on network materials. In 2021, the Laboratory has carried out a total of 26,107 activities, of which 11,765 tests accredited and 17 calibrations accredited. A detailed report on the LAB activities is included in the "Review of the Italgas Reti Laboratory management system for 2021".

The possibility of improving performance in terms of technical and commercial quality also depends on the technological component made available to the customer.

In this respect, Italgas is committed to completing the replacement of traditional meters with new generation digital smart meters with new functions. See paragraph 4.3 "Operating performance" for further details.

In support of network safety, the plan has almost been completed for replacing the grey cast iron pipes with hemp and lead joints and mechanical joints; this will not only increase the safety levels but also help reduce gas leakages into the atmosphere: there are now only 1.7 km left of grey cast iron with hemp and lead joints located in Rome, concentrated below Via Casilina, an important metropolitan road. Completion of the replacement is expected for 2022.



Suppliers

Increasing attention to sustainability topics and the need to measure, manage and mitigate ESG risks drive Italgas more and more to promote and encourage responsible business not only for the Group, but also for its suppliers.

To become part of the Group supply chain, it is necessary to examine and accept the principles of the **Group's Code of Ethics**, as well as the **Code of Ethics of the Italgas Suppliers** and the **Ethics and Integrity Agreement**, in compliance with the **Organisational Model 231**.

Important criteria must be met by suppliers in terms of human rights and work by accepting the Italgas Policy on Human Rights, health and safety, environmental protection and the ethical and responsible management of the business.

As, moreover, the suppliers involved in the Italgas Group processes also play an important active role in managing **Cybersecurity** and **Data Protection** risks, to promote and guarantee the protection of information assets and mitigate cyber threats and risks, they formally undertake to comply with the general principles, by signing the "Cybersecurity Awareness for third parties" disclosure. For a correct management of personal data, finally, the Group guarantees the regulatory requirements and the protection of data subject rights through a specific contract regulating mutual relations in connection with personal data processing, following which if any non-conformities should be reported, various measures can be taken.

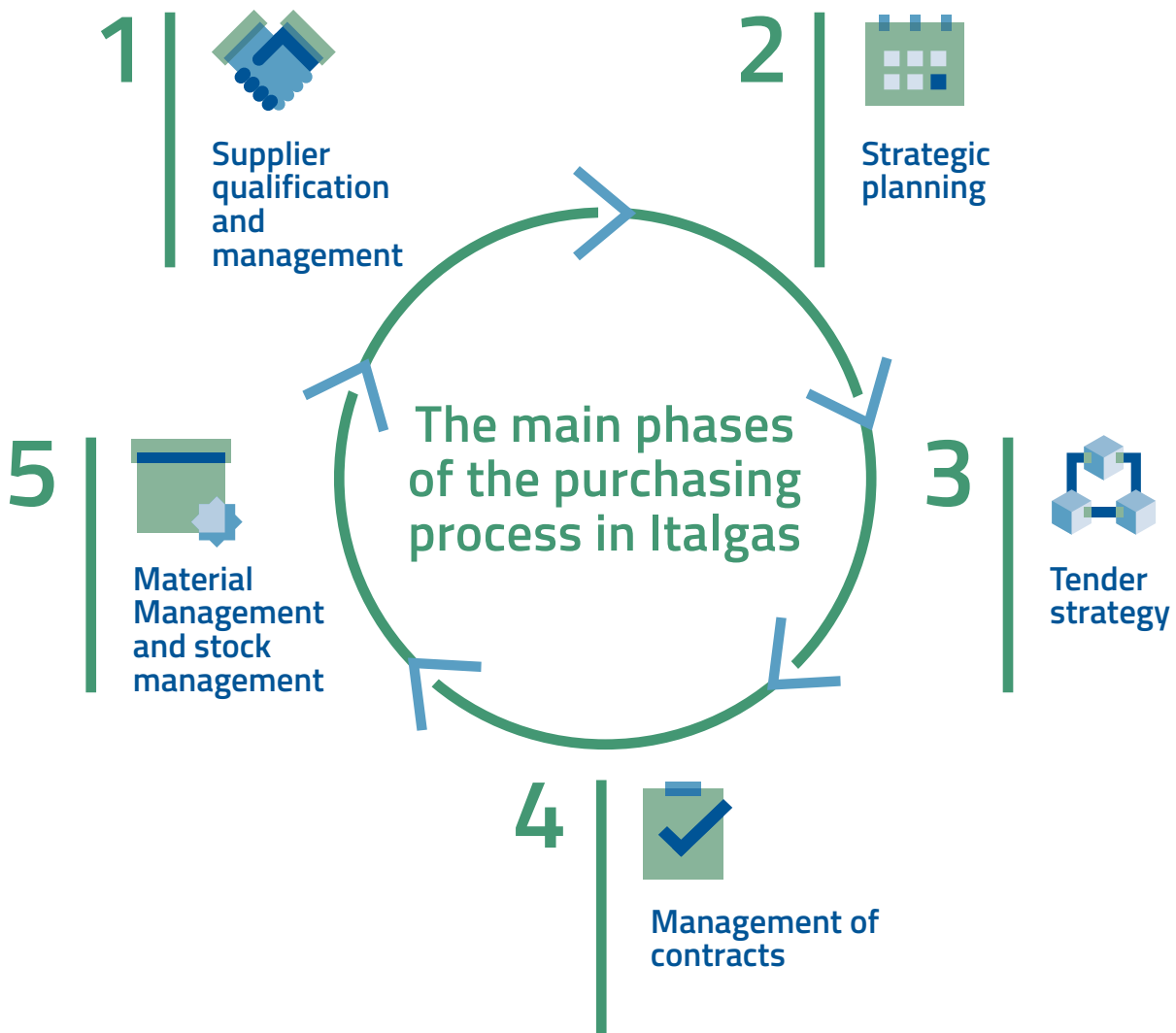
For Italgas, **sustainable supply chain management** is of strategic importance to ensure that its services are of high quality and helps protect and increase its reputation. In 2021, the Italgas Vendor List numbered 1,935 qualified suppliers, an increasing trend (+17%) following the new acquisitions and benefits of the Relaunch Decree.

In terms of economic value, in 2021, Italgas commissioned Contracts and Orders worth € 1,432 million, of euro⁴⁶ which approximately 8 million (1%) for contracts in other European and non-European countries, showing an increasing trend of 35% on 2020.

⁴⁶ The value has grown on 2020, in line with the Group's business plans.

The Italgas purchasing process

All Italgas Group suppliers must accept and support the principles of the Code of Ethics and of the Ethics and Integrity Agreement, starting with respect for and protection of human rights, occupational health and safety, the environment and sustainability, as well as compliance with the law. To make sure that all suppliers respect precise standards, the Group uses different tools in the different phases of procurement.



Supplier qualification and management

To ensure the integrity and solidity of the supply chain and to maintain the expected quality and efficiency standards, the Italgas Group uses a series of instruments, such as: supplier qualification and appraisal processes, inspections and audits and performance monitoring during the execution of contracts.

Strategic planning

In the strategic purchasing planning phase, procurement plans are defined that identify the future requirements and determine any strategic interventions necessary to ensure a service with high added value, in terms of both efficiency and effectiveness.

Tender strategy

After the strategic planning phase and when there are real purchasing requirements, by activating the relative tender process, Italgas defines the best assignment methods in compliance with the procedures and current legislation. The tender process ends with the awarding and signing of the contract. 2021 was characterised by the introduction of a new tender strategy based on the award of Framework Agreements, which aim to pool together multiple needs for the Group companies. This has made it possible to guarantee scale economies and, at the same time, supply a more flexible, effective tool, having multiple suppliers available, who are already identified insofar as they have been assigned Framework Agreements, which can be immediately available (following competitive comparisons) to supply a given need (Services/Works/Assets) that is not planned and/or may arise, thereby optimising availability times of application contracts able to satisfy the specific demand.

Management of contracts

The Italgas Group undertakes to make sure that the agreements contracted by suppliers are fulfilled effectively and completely, constantly verifying the execution of contracts and guaranteeing a correct management of the interface with suppliers. These activities are the responsibility of the subjects involved (Italgas Group companies and Supplier) and are carried out in compliance with the contractual provisions.



Supplier section and qualification process on the italgas website:

The sustainability of the Supply Chain is monitored from the first phases of qualification and for the full duration of the process. To be qualified, our suppliers must pass various assessment phases, which, in particular, involve:

- | preliminary analysis of the documentary and technical requirements, depending on the complexity of the goods category of reference;
- | analysis of the sustainability requirements;
- | analysis of the health, safety and quality requirements;
- | analysis of the economic-financial requirements.

Since 2020, within the Digital Factory, an inter-departmental team is redesigning the whole of the purchasing process in an “agile” manner, with a view to digitising and optimising all phases making it up. The first phase has redefined and redesigned the Supplier section (also including it on the Italgas institutional website), adopting a new, latest generation platform called “IT4Buy”. The new Platform will allow for the transparent, traceable management, with full information provided, of all phases of the process: from supplier qualification and management through to strategic planning, including tender, contract and material stocks management. During the first phase, the use of the new platform also incorporated the update of the qualification process, which has three phases: Application, Registration and Qualification.

1. Application: the supplier fills in a preliminary questionnaire, which is useful above all in querying some **Info Providers** in order to incorporate **economic-financial and sustainability data**.
2. Registration: once the Application phase has been completed, the supplier registers on the platform and fills in a structured questionnaires according to the product category for which it intends to be qualified and on the basis of the qualification requirements, divided up into:
 - | standard requirements: minimum qualification requirements for any product category;
 - | specific requirements: associated with a specific product category.

Depending on the financial relevance and technological complexity, the products and services purchased are divided into three macro Product Categories: Goods, Works, Services.

Material Management and stock management

The Italgas Group undertakes to ensure the planning and management of all the activities linked to material procurement flows necessary for the development of the business plans and the management of logistics activities, including the operation of the warehouses.

3. Qualification: Based on the complexity of the requirements indicated, the supplier can access three different qualification paths:

- | smart (low complexity);
- | medium (medium complexity);
- | strong (high complexity);

For each level of complexity, the minimum Quality, Environment, Health and Safety requirements must be satisfied, as well as the technical, economic-financial and Cybersecurity requirements.

Suppliers belonging to the product categories with the greatest complexities tend to be the suppliers that are strategic to the Group's core business and, therefore, in addition to documentary checks, an on-site audit is essential.

Finally, for some specific categories of suppliers (Start-ups & innovative SMEs), the Group adopts a simplified qualification process which involves filling in a further slimmed-down questionnaire and accepting the Italgas Group essential conditions. In 2021, the innovative start-ups emerging from the Open Innovation Projects launched by the Group were qualified using the smart process.

Suppliers passing the qualification process become part of Italgas' vendor list and may be selected and invited to carry out the tender procedures over time.

The most important activities that are considered as being above threshold pursuant to Italian Legislative Decree 50/2016 (Contracts Code) are managed through the publication of “Qualification systems” by the European Community, stating the minimum HSEQ, economic-financial and technical-organisational requirements needed by suppliers in order to be entered on the Italgas Vendor List.

The European qualification systems are published in the Official Journal. For other activities considered important in terms of turnover and technological complexity, Italgas has identified specific qualification requirements linked to the distinct characteristics of the Product Categories.

Although qualification lasts for 3 years for Medium and Strong level, and 5 years for Smart level, all suppliers are asked to be proactive in updating the documentation with any changes to their corporate structure, the achievement of additional certifications and any situations with a potential reputational impact. The Group reserves the right to constantly verify economic and financial stability and to carry out repeated, in-depth analyses in respect of reputational checks.

The qualification will only be renewed if the minimum requirements are confirmed. Any non-conformities found may entail the application of various measures.

Performance monitoring

The supplier assessment monitoring and management model was made official in 2019 through the definition of a series of supplier scores and took concrete form with the “**Digital Supplier Journey**” working party, which aimed to find innovative, digitised solutions by which to monitor the technical, organisational and management capacity, as well as the ethical, economic-financial reliability and adherence to compliance aspects of Italgas Group suppliers.

More specifically, the following indicators and criteria are observed and monitored:

1. Operational vendor rating: supplier assessment system based on a questionnaire focussing on aspects of quality (compliance with technical requirements), conduct (relationship with the contracting authority for the entire contract period) and punctuality (observing arranged delivery times), and consequently assigns an overall score (0-100) to each supplier. During the year, 950 feedback items were collected regarding the services of 124 suppliers. A Vendor rating of less than 60 results in measures taken towards the supplier, which, depending on severity, may be:

- | Warning (accurate supplier monitoring): 2 suppliers received a warning;
- | Temporary suspension of qualification (banned from taking part in tenders for the entire suspension period): 1 supplier had the suspension extended;
- | Cancellation of qualification (deleted from the vendor list): 1 supplier was cancelled following bankruptcy.

In addition, following information received from open sources, 1 supplier had a reputational alert extended and 1 supplier was assigned to reputational alert status. Both are currently awaiting definition of their position.

In addition to monitoring suppliers through the contract manager giving feedback, the Italgas Group constantly monitors activities in situ through **audits at sites** where the contractors work. The HSEQ Technical Audit facility continually conducts audits on aspects of quality, the environment, health and safety, as well as on the proper performance of works. In 2021, 687 audits were carried out on suppliers (68 audits carried out directly by HSE Technical Audit and 619 audits carried out by an external engineering firm contracted by the structure itself to perform site audits), of which 334 regarding site safety aspects;

2. Reputational check: the companies included on the vendor list pass compliance and reputational checks. These analyses are carried out by the competent corporate departments brought together in the “Assessment Team”, which, for competence and access to information, can guarantee the execution of all in-depth analyses necessary to identify any circumstances that may result in the failure by a supplier to meet the requirements laid down by Italgas in terms of compliance and alignment with the Group Code of Ethics. For 2021, the Assessment Team examined 1,521 cases, of which 1,058 relating to direct suppliers;

3. Sustainability index: Following the project launched in collaboration with Seaside in 2019/2020, whereby it was

possible to determine the level of sustainability of the Supply Chain (through an assessment with respect to the main sustainability areas) and to provide each supplier with a summary prospectus of their position with respect to the best in class of the product category and certifications in the various ISO management systems (quality, environment, safety, energy, anti-corruption, cybersecurity, etc.), in 2021, the Italgas Group developed an assessment course dedicated to ESG topics, with the aim of undertaking a sustainability audit process for the growth and increased accountability of suppliers. The Project launched with Seaside was a pilot project that ended with the rewarding of the best sustainability path, celebrated at the Supplier Conference held on 24 November 2021. The evolution of this path aimed to involve the entire supply chain and, therefore, following a beauty contest, took consolidated form in a partnership with the company Cribis. The Platform adopted allows for a completion of a Sustainability Questionnaire at the time of application, assessed and validated by the company Cribis and which makes it possible to obtain a certificate for each supplier (CRIF ESG). The aim is to determine the general and specific level of supplier sustainability, and to offer a summary overview of the certifications in the various ISO Management Systems. Based on the score obtained, the supplier receives a rating or “Sustainability Index”, which makes up the overall assessment of the suppliers. If the rating is lower than the set threshold the supplier cannot be admitted to the subsequent phases of the qualification process. Average-low ratings will be subject to development plans, and an on-site audit will be carried out, to identify the areas of improvement and monitor performances in the short and long term. In 2021, in addition to the new suppliers intending to become qualified, all suppliers have been involved with at least one active contract (598 suppliers as compared with the 245 suppliers involved in 2020). The Group’s objectives are the involvement of all suppliers in filling in the Sustainability Questionnaire (increasing the percentage up to 100%), the inclusion of the questionnaire amongst the qualification requirements and, finally, the launch of a training course specifically for suppliers on ESG topics;

4. Financial solidity index: already in 2020, Italgas had consolidated an economic-financial check, using an external provider on an on-line platform, where all economic-financial aspects are analysed of all Suppliers subjected to Qualification or Qualification Renewal processes.

In 2021, the “financial solidity index”, just like the “sustainability index” makes up the total supplier rating and if the rating is lower than the set threshold, the supplier cannot be admitted to the subsequent phases of the qualification process. The more complex cases are sent to specialised analysts for timely investigation and potentially discussed in the reputational check process.



Digital supplier journey - New supplier portal and new platform

In 2021, in collaboration with Bludigit, a digital room was launched with the aim of digitising and simplifying the entire procurement process.

The project is divided up into four phases:

1. **Qualification** - New supplier section in a public area and re-design of qualification;

2. **Tender and contract management** - New management of the sourcing process;
3. **Execution** - Catalogue purchases and work order management;
4. **Logistics** - Logistics processes and management of direct materials.

The first phase, which was completed in November, in addition to redesigning the qualification and identification process of a new platform (IT4BUY) also involved the creation of a new supplier section on the Italgas website (<https://www.italgas.it/en/suppliers/>). These new features allow for innovative, all-digitised management, making for greater traceability, the monitoring of information and a facility of browsing, also for those interfacing for the first time with the Italgas Group.



Green procurement

The Group adopts a structured procurement process in line with the principles of free competition, equal treatment and transparency, based on traceable information.

Procurement regarding the pursuit of activities linked to the core business of Italgas mainly include work tenders for the development and maintenance of the network and supplies of materials and services (meters of various calibres and services of various types). In all tenders, both those managed in the Contracts Code and otherwise, the Italgas group applies sustainability criteria.

In 2020, Italgas updated and consolidated its procedure for issuing purchase orders, setting out the procurement activities for all companies in the Group, based on the Contracts Code for contracts of a public nature and on the Italian Civil Code for contracts of a private nature. Access to tender procedures is guaranteed to all suitable companies according to the principle of equal opportunities and is regulated by the Contracts Code, Italian Legislative Decree no. 50/2016 for the "over threshold" tenders and the "below threshold regulation".

To ensure transparency and access for all, Italgas prefers to manage procurement activities electronically using the Purchasing Portal. In 2021, the Purchasing Department conducted 98% of tenders on-line (similarly to the trend seen in 2020), for both public and invitation-only procedures.

Under the scope of the tender procedures, in addition to applying the requirements laid down by the Contracts Code (Italian Legislative Decree no. 50/2016) for a certain number of product categories, Italgas has also introduced, by way of rewarding criteria in assessing bids, the possession of requirements and certifications

showing a clear attention to saving on resources and sustainable development.

These requirements concern environmental and circular economy aspects and reflect the Italgas philosophy of considering its supply chain as an integral part of the sustainability process.

In 2019, the tenders for network construction and maintenance were an example of this, for which more points were assigned to bids that envisage the use of means of transport fuelled by gas or electricity, or at least of Euro 5 vehicles (for works vehicles), in order to promote environmental sustainability and cut CO₂ emissions.

In 2020, Italgas extended the rewarding criteria to the technical scoring of other tenders too, which envisage the use of company vehicles and cars where the supplier shows that it renews its fleet taking into account sustainability and in line with the CAMs (Minimum Environmental Criteria).

In 2021, Italgas developed and consolidated a scoring model that takes minimum sustainability requirements into account for all product categories, works and strategic services, including during the evaluation of bids. The new assessment criteria present in the offer model include: legality index (AGCM), injury rates (severity index and frequency index), direct and indirect CO₂ emissions and sustainability report.

This model has also been introduced for small and medium enterprises, increasing their accessibility and participation through guided and responsible growth and taking into account the different sizes of the companies and the heterogeneous nature of their businesses.

The other criteria used in tenders as rewarding criteria include Italgas focussing particularly on: injury and legal rates (AGCM), which are in any case requested during the qualification phase. During tender processes, they are criteria that can ensure a better score depending on the levels certified.

The aim for 2022 is to add additional assessment criteria to bids with particular attention paid to indirect emissions (Scope 3) and waste management.

New Projects

The Italgas Group always promotes new sustainable development activities along the entire supply chain. To this end, for 2021, we would point out the following projects:

Supplier convention

In November 2021, the first **Italgas Supplier Conference** was held, an event dedicated to all Group suppliers that attended partly in person and for the most part streamed, on an on-line platform that allowed them to register, review the event and answer an exploratory survey to be able to plan dedicated training courses on the topics discussed.

Sustainability, change and **digitisation** were the main topics of the day, with a dedicated focus on:

- | the **digitisation of the networks**, key to achieving the energy efficiency thresholds;
- | the optimisation and **improvement** of the **logistics system**;
- | **safety at work** to be achieved with great determination and **training**.

The conference was an important opportunity to stress the close collaboration with all suppliers and the future objectives to be achieved together.

The digital innovations that will improve the whole supply chain process, were also presented:

- | **IT4Buy** - the new on-line platform that makes digital;
- | the **new supplier section** of our company website.

Finally, as mentioned, at the close of the Seaside Project, during the event the two most virtuous suppliers were rewarded, which had stood out in terms of growth in sustainability and, in addition, all suppliers that in the 2 years 2019/2020 took part in the Seaside project, received a symbolic prize. More specifically, the prize, in collaboration with the start-up Biofarm, consisted of the remote adoption of a fruit orchard: in addition to helping protect the environment through the absorption of CO₂ over the years, the adoption also allows for the fruit to be received, which comes from the orchard.

Supplier training

In 2021, the Group prepared various training courses involving a high number of suppliers.

As part of health and safety, 24 remote events were organised, involving various departments of the Group and with over 500 participants.

All participants were given a copy of the MAG (Gas Activity Manual), a handbook used to manage the activities of suppliers and subcontractors.

Between September and November 2021, suppliers also actively participated in the online course "*La comunicazione nelle situazioni di emergenza*" [Communication in emergencies], organised and administered in collaboration with the Group's Press Office. The nine events were attended by 152 experts for a total of 72 suppliers (out of 158 suppliers involved, most-

ly network works and excavations).

In October 2021, an initial training module was also launched as part of the Anti-corruption policy.

During the Suppliers Convention, the "Partners HSE Lab" Project was also made official. This laboratory is where a series of initiatives take place that allow for further consolidation of the partnership with suppliers through targeted workshops and training courses, placing increasing focus on ESG topics (as well as environmental, health and safety, governance techniques).

The first workshop was launched on 15 December 2021, involving a select number of suppliers, on "*La gestione della pandemia Covid-19 e i controlli Green Pass*" [Management of the Covid-19 pandemic and Green Pass controls]. For 2022, a substantial calendar of events has been defined, which will involve a significant number of Italgas Group suppliers in various topics of their interest.

Contractor insurance

In 2020, Italgas launched the **Contractor Insurance Project**, through the use of a dedicated portal for Works activities. The **digital online platform** allows Contractors, using a specific agreement signed by the Italgas Group on the insurance market, to activate the insurance guarantees and to obtain the approval of the policy document and its immediate digital availability to said contractor within 4 hours.

The initiative was one of the first ones launched in 2020 as part of the digitisation process of Procurement and Supply Chain, using agile methods and tools; 2021 confirms the Italgas Group's desire to adopt integrated solutions with the entire supply chain, allowing for reduced times, greater insurance coverage and an economic benefit for everyone, extending the release of Insurance Policies to other types of activity and to all Group Companies.

The **Contractor Insurance Project** involved numerous businesses (42 in 2020, 120 in 2021), which quickly and easily stipulated their policies with them. In 2021, 304 policies were issued, for a total of 90 contracts stipulated. (94 policies were stipulated in 2020).

Small and medium enterprises

In order to facilitate the classification of small and medium enterprises for the maintenance and construction of gas distribution networks and the maintenance of water networks, in 2020, Italgas published two new qualification systems. Both systems, one for the gas distribution networks and the other for water, aim to include the small and medium enterprises in the works segment on the Italgas vendor list and to spread values and principles for progressive progress towards aware production growth. It is in the Group's interests to spread awareness of a responsible management model, taking into account the different sizes of the companies and the heterogeneous nature of their businesses.

In 2021, five new small and medium enterprises were qualified, which took part in tenders below threshold in accordance with Italian Legislative Decree no. 50/2016 (Tenders Code), joining the other six already qualified in 2020. Orders were assigned to seven suppliers, which are carrying out the activities and

whose performance are being monitored, through the operational vendor rating.

The initiative makes it possible to increase accessibility and participation of the companies, eliminating entry barriers and expanding on the potential market, monitoring “guided” growth of small enterprises, which stand out in terms of performance, professionalism and quality of work.

During the first **Italgas Supplier Conference** in November 2021, one of the two companies awarded is an SME from Tuscany that stood out for its commitment and attention to sustainability issues.

Open innovation

Open Innovation is increasingly more strategic for the Italgas Group. As part of Procurement, a simpler qualification process (Smart Process) has been defined, thus generating a standardisation of the contracts used to cover the projects involving Innovative Start-ups. In this context, various channels were developed and tested to gather applications or to describe projects and tenders on specific topics. In 2021, Italgas’ procurement launched two projects: **Call4Innovation** to gather applications from potential suppliers through the use of LinkedIn: “*NextGen - Call For Innovation Smart Meter*”, a post to provide visibility and gather applications for the Italgas Reti new meter project and “*Vuoi diventare Partner di Seaside?*” [Do you want to become a Seaside partner?] - post to provide visibility and gather applications for the SuperBonus 110% project of Group Company Seaside. The two posts contained a link to the participation requirements and the project details. The Group’s Procurement believes that the channel used could also be an innovative tool to communicate other Projects happening in 2022 in order to provide wider diffusion and visibility.

Management of warehouses and digitisation

2020 marked the birth of the Centralised Warehouse at the historical site of Rome Monte Mario, where - as part of the office renovation project - new life was injected into the available logistics spaces.

A project created using agile methods with the goal of optimising the Group’s stock management through the centralisation of material inventories, to improve the management of procurement of territorial depots, to launch the digitisation of logistics processes and to innovate operating procedures.

At the same time, the transmission process was reviewed and optimised, with the aim of improving the service operationally and in terms of sustainability, by selecting, via tender, a leading logistics operator in the sector. 2021 was the first year of operation of the project and in addition to the above, during the year the optimisation of the vehicle fleet was also consolidated for internal goods handling using green electric vehicles. The procurement method for centralised materials on the HUB was redefined using a computer tool built *ad hoc*.

Finally, our employees’ material picking process was digitised through the use of the new Gas2Go functionality, “Picking List”, which allows employees to digitally request that the technician of reference prepare the material required for the operating activities.

Subcontractor sustainability criteria

As Tier II suppliers are an integral part of the process, Italgas has extended the verification of the reputational requirements and from 2020, they have been qualified and included on the Group Vendor List. The activities include restoring the road and cathode protection, in addition to various suppliers of materials.

Attention to workplace safety, not only in its own activities but also along the entire supply chain, is increasingly a topic of fundamental importance for the Group.

Considering the significant use of external workforce by the Italgas Group (specifically Italgas Reti, Toscana Energia and Medea), and the major focus on the safety of the construction sites, the Group began to implement rigorous controls on the management of construction sites by making use of external companies, with a view to greater control and creating responsibility and awareness among the companies carrying out the activities.

The checks on subsuppliers involve, in particular:

- | compliance with the provisions of the tender specifications, in terms of performing commissioned work within the time frames, with the planned materials and with performance of the required tests;
- | compliance with the provisions relating to occupational health and safety (Italian Legislative Decree 81/08) and the environment (Legislative Decree 152/06).

The chapter “Accident prevention” sets out the main indicators relating to contractor health and safety.

The value of safety is part of the rigorous management of Italgas operations and allows the Group to spread and promote a proactive health and safety culture among its employees and throughout the entire supply chain. Sustainability principles guide the Group’s activities to protect the working environment, reduce impact and generate value in the territories where it operates.



ISO certifications

In order to maintain a constant and high quality level, we require suppliers to have specific **ISO Certifications**. These confirm the creation, application and maintenance of a management and work organization system consistent with specific reference standards recognised internationally.

During the qualification phase and to participate in the tender procedure, we require the following certifications:

- | **ISO 9001** on quality management systems;
- | **ISO 14001 or EMAS** on environmental management systems;
- | **OHSAS 18001/ISO 45001** on health and safety management systems.

Their mandatory nature is a requirement of product classes with a high level of complexity, but it may represent a bonus requirement for qualification and participation in tender procedures. The certificates must be issued by the Accredited Organisation "Accredia" or equivalent in the case of foreign Certifying Bodies. As well as the certifications mentioned above, as rewarding criteria in tender participation, we also ask for certifications that are not currently compulsory, but are fundamental for the Group for the purposes of environmental, social and governance impact on the entire supply chain, including:

- | **SA8000** on social responsibility;
- | **ISO 37001** on preventing corruption;
- | **ISO 50001** on energy management;
- | **ISO 27001** on information security.

The Group's objective is to monitor and raise awareness on the supply chain in order to register improvement in possession of requirements. The primary objective of the Group's Procurement is +5% growth from 2022 of suppliers with the 4 ISO certifications, in addition to those already required among the minimum qualification requirements.



Technical and ESG audits

The on-site audit procedure is required for strong level goods categories and is carried out during qualification and renewal phases. This category includes audits on the processes of the production sites of suppliers of goods and at the premises of works suppliers. For the on-site audit, Italgas makes use of a third party appointed and instructed to carry out the inspection at the supplier's premises. In 2021, 15 third-party audits were planned and carried out.

Generally, the visit involves an inspection at the supplier's premises and an analysis of the documentation found there, in order to verify the references and/or

requirements declared while completing the qualification questionnaire.

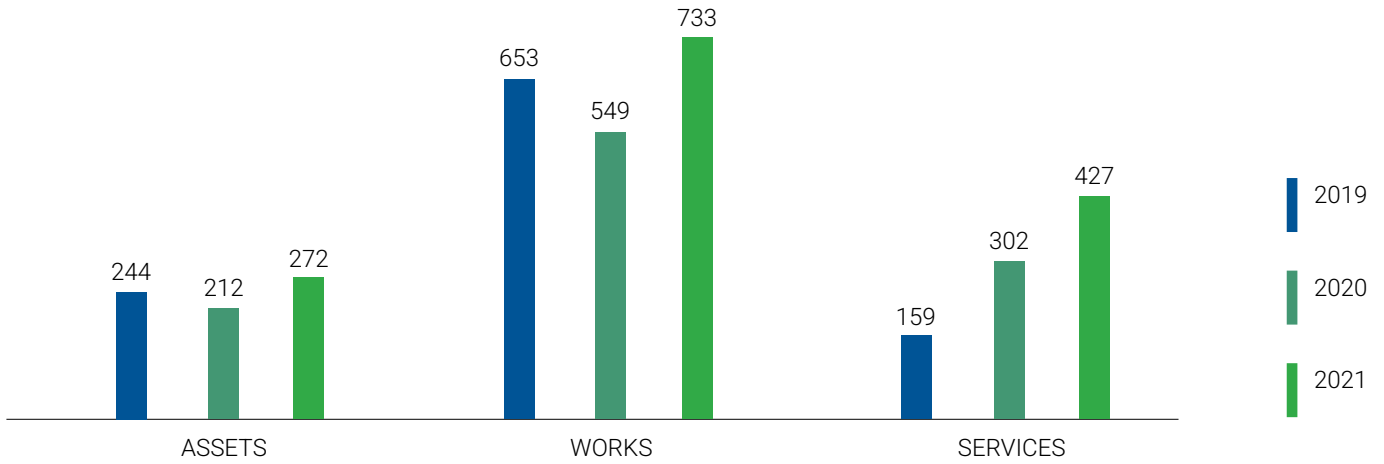
At the end of the inspection a suitability report is drawn up. The final assessment is finalised with any areas of improvement and inclusion on the Italgas Vendor List.

In 2021, the Italgas Group, in addition to launching the supplier assessment process according to ESG criteria - Environmental, Social and Governance - also launched a "beauty contest" to define specific ESGs, with the objective of monitoring the supply chain during the qualification validity period. The objective of this latter activity is the definition of an ESG impact priority scale on the basis of which the cluster of suppliers that will be subject to ESG audits are identified.

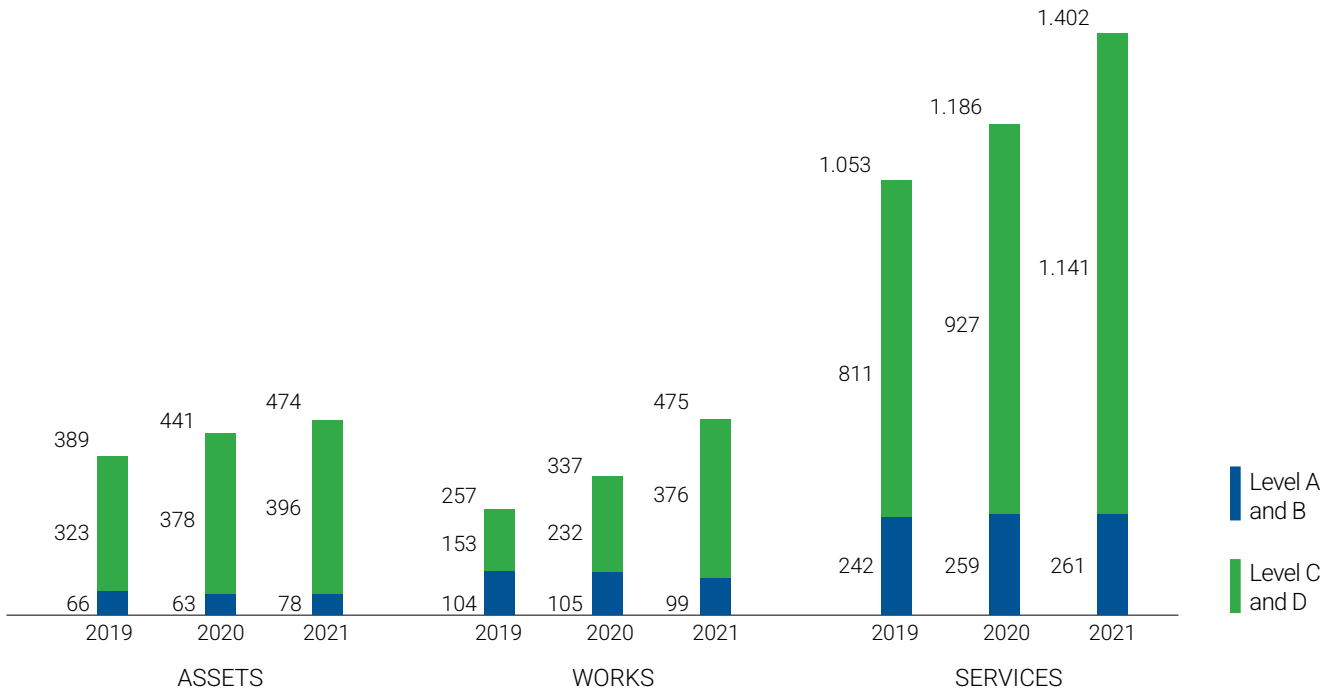
In the Italgas strategy, ESG audits will make it possible to identify the best in class and also the suppliers for which appropriate action plans will be necessary in order to guarantee their growth in terms of sustainability.

Main Key Performance Indicators

PROCUREMENT BY PRODUCT TYPE



TOTAL SUPPLIERS QUALIFIED

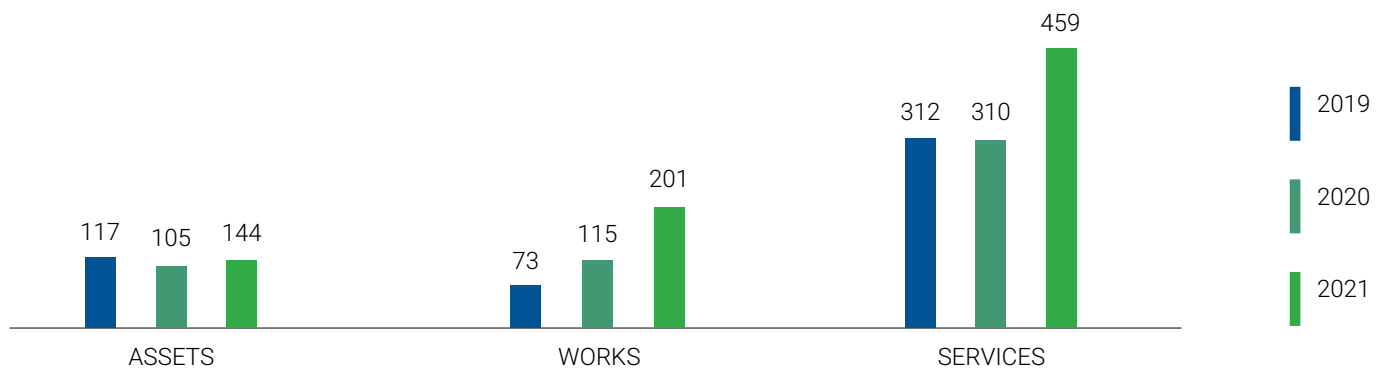


Some suppliers are present in more than one product group - the representation still refers to the classification according to the A, B, C and D qualification levels criteria, the one adopted by Italgas Procurement before the project developed in the Digital Factory. The restatement will be consolidated in 2022.

GRI 308-1 - New suppliers that were assessed using environmental criteria

GRI 414-1 - New suppliers that have been assessed through the use of social criteria

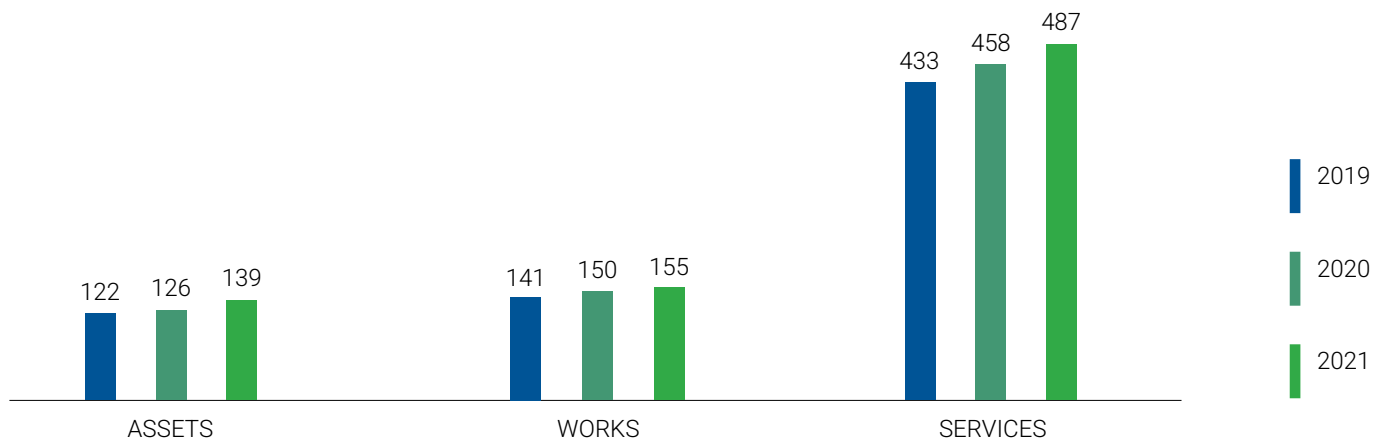
TOTAL SUPPLIERS QUALIFIED IN THE YEAR



All Italgas suppliers are assessed according to social criteria, regardless of year and category.

On the other hand, for the suppliers assessed using environmental criteria, the percentage is 29% for the "Goods" category, 16% for the "Works" category and 21% for the "Services" category. As shown by the graph below, the trends are nevertheless increasing over the years monitored (respectively: Goods +10%, Works +3%, Services +6.5% compared to 2020).

TOTAL QUALIFIED SUPPLIERS (ENVIRONMENTAL IMPACT)



NFS 5.4 Create value for the territory and communities



Italgas invests in the territories in which it operates, promoting social, cultural and environmental interventions based on criteria of transparency, correctness and impartiality. The company promotes the development and cohesion of the communities in which it works, acknowledging the central role played by stakeholders and their needs, to create social value that goes beyond the economic value.

The Company is constantly committed to assuring direct, continuous dialogue with the communities in which it works and, to contribute to their social and cultural development, has equipped itself some time ago with a structure specifically dedicated to this end.

Furthermore, the Groups collaborates with bodies, associations and foundations, no-profit organisations and other parties in the area to give rise to events, projects and ventures in favour of the protection of the environment, the spread of culture, technological and scientific innovation, research and training.

To better manage relations with the territory and its activities of dialogue with and listening to stakeholders, the Group adopted its Corporate Citizenship Policy, which was updated during the year. In the framework defined in the Group's Code of Ethics on the general principles of transparency, honesty, fairness and good faith, the Policy assigns clear responsibilities in terms of the management of donations, sponsorships and territorial projects.

Through this Policy, the Group has confirmed and formalised its commitment to the following areas of intervention:

- | sensitisation towards topics relating to the energy segment and responsible use of resources;
- | preparation of training and education initiatives;
- | artistic-cultural support;
- | inclusion and health lifestyles through sport.

By supporting the initiatives on the territory, Italgas aims to strengthen its contribution to meeting specific Sustainable Development Goals (SDGs), constituting the 2030 Agenda of the United Nations.

In 2021, Group donations to the value of € 324.4 thousand

were made, intended mainly for art and culture.

Italgas traditionally supports, as a member, two important organisations in Turin, the company's home city and current registered offices of Italgas Reti:

- | the Fondazione Teatro Regio of Turin, the city's main opera house, as well as one of the most important theatres in Europe and internationally for opera and ballet;
- | the Consulta Torino for the promotion of artistic and cultural heritage, created with the purpose of contributing to developing and improving the availability of Turin's historical and artistic heritage which in thirty years of activity has invested more than € 30 million in 90 restorations and upgrades.

Furthermore, Italgas supports the Fondazione Giorgio Cini in Venice, an internationally recognised centre for culture, research, exhibitions and conferences, shows and concerts.

The Italgas Heritage Lab also collaborates with various institutes of the Fondazione, including ARCHiVe Analysis and Recording of Cultural Heritage in Venice.

Of the Group companies, Toscana Energia is a member of the foundations of two important theatres in the territory where it operates:

- | Teatro del Maggio Musicale Fiorentino, which organises the oldest Italian music festival and is the international point of reference for ballet and grand opera;
- | Teatro Verdi in Pisa, a historic cultural institution of the Tuscan city.

In 2021, the Italgas Group activated sponsorship initiatives worth € 969,483 mainly aimed at art, culture and sport.

The management of sponsorships and donations follows a formalised process governed by specific internal procedures, in particular:

- | requests for donations are subject to periodic reporting (every six months) to the Board of Directors of the company involved in the initiative, overseen by the Head of the External Communication and Sustainability Department supported by the Human Resources Department (in case of initiatives directed at employees);
- | once assessed by the competent corporate Departments, requests received for sponsorship are submitted for authorisation by the Chief Executive Officer of the company involved before preparing the relevant contract.

Sponsorships and donations	U.o.m.	2019	2020	2021
Sponsorships	k€	671	1,086	970
Liberal donations	k€	26	2,029 ⁴⁷	324
Total	k€	697	3,115	1,294

⁴⁷ 86% of the liberal disbursements activated by the Group in 2020 consisted of donations to various hospitals for the purchase of machinery, equipment, and functional garrisons (such as devices for the protection of health facility personnel, inpatient beds and technical equipment) and contributed to the setting up of new areas to meet the needs arising from the emergency situation related to the pandemic and ensure hospital service.

Due to the continued Covid-19 containment measures, support for the initiatives in terms of education on energy, usually envisaged with the physical involvement of participants, has slowed. In spite of this, in Sardinia and Tuscany the initiatives dedicated to the world of education continued.



Toscana Energia: “Draw your energy!”

The 2020/2021 educational project was dedicated to primary schools for the first time. The “Disegna la tua energia!” [Draw your energy!] contest proposed a creative activity with the objective of bringing young students closer to the various sources of renewable and non-renewable energy, educating them on their sustainable and informed use. At the end of the course, the children used drawings to express their idea of energy and the winning classes were awarded teaching materials.



Italgas/Medea: “LaNuova @Scuola”

Italgas and Medea also participated this year in the LaNuova@Scuola project implemented by the newspaper, La Nuova Sardegna, to develop opportunities for information and training in the field dedicated to students and teachers from Sardinian schools.

The virtual event with more than 500 students was attended by senior figures from Italgas and Medea to provide information about the energy and gas distribution sector, to develop relations between the company and schools, to promote the development of talent and to support guidance around decisions about transitioning to university or looking for a job.



Economic value generated and distributed

The statement determining and breaking down Economic Value, generated directly by the Group, has been prepared reclassifying the consolidated profit and loss account as envisaged by the GRI Standards and distinguishing between three levels of economic value: that generated/produced, that distributed and that withheld by the Group.

The economic value represents the comprehensive wealth created directly by the Group, which is thereafter split between the various stakeholders: suppliers, employees, lenders, shareholders, Public Administration and general public.

In 2021, the value generated by the Group was € 2,247.2 million (+6.7% on 2020).

Of this, € 566.1 million have been kept in the company and € 1,681.1 million have been distributed to stakeholders. Specifically, of the total value distributed, 51.6% went to suppliers (€ 867.5 million), 15.9% to employees (€ 267.4 million), more than 15.0% to the shareholders (€ 252.9 million), approximately 13.8% to the Public Administration Authorities (€ 232.5 million) and 3.6% to lenders (€ 59.5 million). 1.3 million were allocated to the general public, a decrease compared to the extraordinary portion allocated last year, mainly to support the health sector with the Covid-19 emergency.

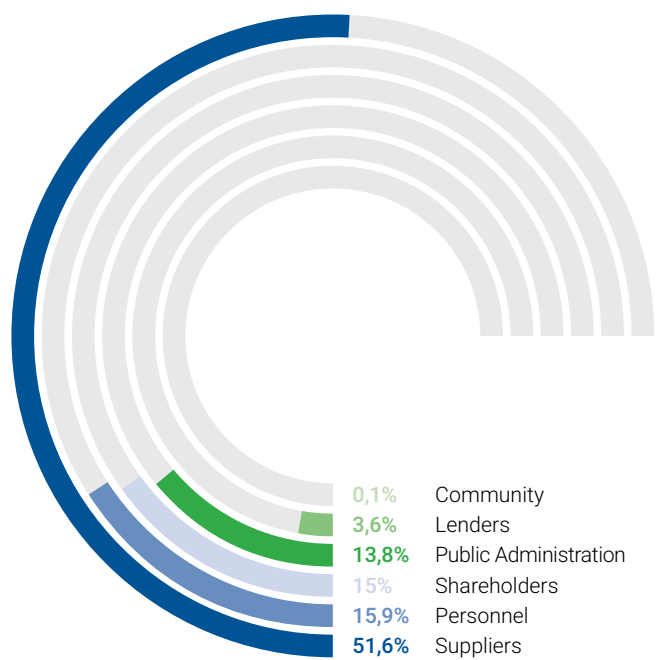
GRI 201-1 Direct economic value generated and distributed

€ Million	2019*	2020	2021 ⁴⁸	Change % 2020-2021
Distributed				
Suppliers	754.2	756.4	867.5	14.7%
Personnel	258.3	266.9	267.4	0.2%
Lenders	53.0	56.4	59.5	5.5%
Shareholders	207.2	243.6	252.9	3.8%
Public Administration	203.9	229.8	232.5	1.2%
Community	0.7	3.1	1.3	-58.3%
Withheld				
Company	549.6	550.5	566.1	2.8%
Total value generated	2,026.9	2,106.7	2,247.2	6.7%

* Restated figure. For the value reported in the 2019 Consolidated Non-Financial Statement, please refer to the document published on the Group's website at <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Non-Financial-Statement-2019.pdf>.

⁴⁸ The direct economic value generated and distributed includes the financial data of the Ceresa Company.

2021 DISTRIBUTED ECONOMIC VALUE



Focus on tax - GRI 207

The Company has defined and approved the principles and guidelines inspiring the Group Tax Strategy, in order to assure capital integrity over time and the transparency of management of the tax variable and risks associated to it.

The Tax Strategy, defined and approved by the Board of Directors of Italgas S.p.A., incorporated by its subsidiaries and disclosed to non-subsidiary affiliate companies, in order to promote awareness and application of the principles and guidelines contained therein, aims to:

- | guarantee the correct calculation and settlement of taxes due by law (and execution of connected obligations), well aware that management of taxes is an integral part of the broader economic and social role the Group performs in the Country it operates in;
- | control the fiscal risk, understood as the risk of violating tax regulations or of operating against the principles or purposes of the tax system.

The Tax Strategy is inspired by the same principles expressed in the Italgas Code of Ethics, that comprises the set of values that the Group acknowledges, accepts and shares and the responsibilities undertaken both inside and outside its organisation, which constitute the ethical business culture inspiring Italgas' strategic reasoning and running of its business.

In line with these values, Italgas acts in compliance with applicable laws and the principles of the tax system of the country in which it operates, in order to determine the tax due and the fulfilment of the requirements; in interpreting said laws and principles, it operates in such a way as to responsibly manage the risks connected with the tax variable; it establishes relations with the Financial Administration based on the spirit of collaboration, transparency and good faith, pursuing the objective of developing constructive relations, based on its reliability as counterparty.

The Italgas S.p.A. Board of Directors guarantees the conditions for the implementation of the Tax Strategy, promoting awareness on all levels of the importance that the Group attaches to the values of honesty, correctness and legality in tax.

The Italgas Group's Tax Strategy can be consulted at the following link: <https://www.italgas.it/en/governance/business-ethics/>

In order to further strengthen its Internal Control and Risk Management System, the Italgas Group adopted the Tax Control Framework (TCF), which establishes the principles, methodologies, characteristics, operating logics, roles and responsibilities pertaining to the establishment, maintenance over time and functioning of the detection, management and control system of tax risks, as well as the assessment of its constant effectiveness in terms of adequacy and actual operations.

The responsibilities of Italgas's Departments with respect to the TCF refer to the concept of the "lines of defence":

1. the first line of defence is represented by the management, with the responsibility of implementing suitable controls to cope with the risks involved in their area of responsibility;
2. the second line of defence is the Tax Risk Manager, who is responsible for overseeing the process of identifying, assessing, managing and controlling the tax risk;
3. the third line of defence of the organisation is the Internal Audit, responsible for providing comprehensive assurance on the design and overall function of the Internal Control and Risk Management System.

The measurement of tax risks, made on the basis of quantitative and qualitative elements, was developed taking inspiration from the company methods adopted as part of Enterprise Risk Management.

For each tax risk detected during the tax risk assessment, within specific control matrices, the measures implemented by Italgas to mitigate such risks are identified and mapped.

The implementation of the Tax Control Framework was functional to the admission, by the Italian Revenue Agency, of Italgas S.p.A. and Italgas Reti S.p.A., on 29 December 2020, into the cooperative compliance set out by Italian Legislative Decree no. 128/2015; intended to reduce the level of uncertainty around tax matters, favouring the prevention of disputes, through forms of continuous and preventive dialogue around situations liable to generate tax risks.

The tax risk assessment and monitoring activities are subject to reporting to the company departments responsible, the corporate administrative and control bodies and the Financial Administration.

5.5 Attention to the environment

Italgas adopts a responsible, transparent approach to guarantee the compatibility of its infrastructures and the territory, to efficiently manage energy and natural resources and limit the environmental impact deriving from its business, as well as to protect the health and safety of its employees and the staff of contractors involved in operations.

Constant research and technological innovation makes it possible to develop and adopt the very best solutions to interact with the environment in the least intrusive, most sustainable way possible. With this reference context, Italgas promotes actions and projects designed to reduce environmental impact attributable to its own business processes, to improve system safety conditions, and the environmental restoration of sites involved by previous industrial gas production.

In addition, the monthly analysis of the effectiveness of the initiatives brought into play by the Group companies, alongside the monitoring of the main indicators relating to environmental issues, allows Italgas to constantly verify its progress.

Policies and commitments

All Italgas' business is carried out paying close attention to the environment, natural resources and public and personal safety, considering all these as key factors to the sustainable development of the business and the territory. The health, safety, environment, quality and energy governance model adopted by Italgas has evolved constantly over the years to adjust to changes in the regulatory and market contexts in which it operates.

The commitment on these issues can be seen in the adoption of the Health, Safety, Environment, Quality and Energy Policy (HSEQE) of the Italgas Group, developed on the basis of company policies and in line with the Code of Ethics aimed at enhancing and protecting natural resources, essential values for the Company. This Policy stresses the Company's commitment to considering its Integrated Management System one of the main stimuli for involving personnel and improving its processes, basing operational choices on correctness, professionalism and compliance, to ensure the supply of a service based on the best quality standards in order to satisfy Customer expectations.

Some of the commitments on which the Policy is based are stated below:

- | to guarantee, using suitable management and organisational procedural tools, the Customer's right to the accessibility and use of services;
- | to optimise company processes in order to reach maximum efficiency and effectiveness levels, in compliance with the health and safety of workers and maximum attention for the environment;
- | to design, implement, manage and dispose of facilities, constructions and assets, to protect worker health and safety, the environment, energy savings, while aligning with the best technologies available and sustainable economically;
- | to conduct and manage activities in order to prevent incidents, accidents and occupational diseases;
- | to ensure the information, training, and awareness of personnel for an active and responsible participation in the implementation of the principles and the achievement of the objectives;
- | to implement sustainable use of natural resources, prevent pollution and protect ecosystems and biodiversity;
- | to implement operational and management actions to reduce greenhouse gas emissions, with a climate change mitigation approach;
- | to manage waste to reduce its production and promote recovery in its final destination.

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

Consumption

The energy source used the most in the Group's activities is natural gas, in both civil and industrial uses, and for vehicles. For years, Italgas has monitored its consumption with the aim of reducing its environmental impact over time according to a continuous improvement process in line with the objectives identified in its 2021-2027 Strategic Plan.

Energy consumption totalled 597.2 TJ in 2021. The figure has increased slightly since 2020 (+ 5.1 TJ, corresponding to +0.9%).

Net energy consumption	U.o.m.	2019	2020	2021	Change % 2020-2021
Fuel energy consumption for industrial use	TJ	322.3	322.5	319.3	-1.0%
Fuel energy consumption for civil use	TJ	45.4	45.5	46.7	2.6%
Fuel energy consumption for vehicles	TJ	122.0	123.0	137.2	11.5%
Net electricity consumption for industrial use	TJ	55.4	56.8	56.6	-0.4%
Net electricity consumption for civil use	TJ	44.7	44.0	37.1	-15.7%
Thermal energy consumption for civil use	TJ	-	0.3	0.3	0.0%
Total	TJ	589.8	592.1	597.2	0.9%

Fuel energy consumption for industrial use

In 2021, fuel energy consumption for industrial use recorded a decrease of 3.2 TJ, falling from 322.5 TJ to 319.3 TJ (-1.0% compared to 2020).

Thanks to the efficiency initiatives implemented, a decrease was recorded in industrial consumption of natural gas for the preheating process: over the year, at Italgas Reti, 129 optimisation systems were installed, while Toscana Energia completed the installations of similar optimisation systems initiated in previous years. These interventions, alongside operational and maintenance initiatives, contributed to:

- | an overall saving of around 875 10³Sm³ compared to 2020⁴⁹ (which correspond to around 1,735 tCO₂ of emissions avoided);
- | a reduction in the specific consumption⁵⁰ of the plants of Italgas Reti and Toscana Energia, which decreased from 1.30 in 2020 to 1.18 in 2021, a change of -9.2%.

Also considering the works carried out in previous years, at

the end of 2021, there were 228 reduction and measurement collection plants (IPRMs) of Italgas Reti with preheating that make use of consumption optimisation systems. In 2022, the campaign for the installation will continue in the other IPRMs.

With a view to including new technologies for a greater efficiency in the optimisation of the preheating process, at one IPRM a PCM (Phase Change Materials) thermal battery was tested, which makes it possible to transform part of the electricity produced by the photovoltaic plant into thermal energy, thanks to resistance, storing this energy and the thermal one produced by the thermal solar plant and to use it at the times of day when the heat required for gas preheating is greatest.

Even LPG consumption, entirely attributable to Medea, reduced slightly during the year by 0.1%, though against a significant increase in gas injected into the network. Specific consumption⁵¹ improved by 3.5%, decreasing from 18.23 in 2020 to 17.59: the increase in gas injected into the network allowed for operations under conditions of greater efficiency, buffering the high variability of the specific consumption present in the summer period and reducing it significantly.

⁴⁹ The calculation considers the comparison with consumption that would have been obtained in the absence of optimisation (with reference to the formula used for the reporting of the savings to ENEA pursuant to Article 7, subsection 8 of Italian Legislative Decree no. 102/2014)

⁵⁰ Specific consumption, i.e. consumption of natural gas for preheating per 1,000 Sm³ of gas injected into the network, expressed in Sm³ preheating/10³ Sm³ gas injected into the network.

⁵¹ Specific consumption, i.e. consumption of LPG every 1,000 sm³ of LPG injected into the network, expressed in Sm³/10³Sm³ LPG injected into the network.

Fuel energy consumption for civil use

The Italgas Group also pursues sustainability objectives through the constant renewal of its real estate assets, the management and continuous monitoring of consumption, the introduction of digital technologies intended to improve the ability to identify possible anomalies, malfunctions and opportunities for the automation of the management processes with the aim of reducing intervention times on systems for their regulation.

In particular, the Group uses around 140 sites distributed throughout Italy to serve all company activities, of which the majority (around 85%) are medium sized (below 1,000 m²) and small-medium and are typically used by the Technical Units where the operating personnel work. The largest sites (surfaces larger than 3,000 m²) are concentrated in Turin (with the building complex of Largo Regio Parco, Via Foggia and Corso Regina Margherita), Rome (with the site on Via Guicciardi), Venice (via Forte Marghera), Naples (Via Ferraris and Via Brin), Florence (Piazza Mattei) and Asti (Via Venezia).

The Group's real estate strategy is therefore characterised by the following basic principles:

- | proactively manage the Group's real estate assets in line with sustainability objectives;
- | guarantee continuous technological upgrades, real estate development and rationalisation of the properties in line with the evolution of the business and the operating models.

The trend in civil consumption is in line with the previous financial year (+1.2 TJ compared to 2020, i.e. +2.6%), thanks to a more careful management of the sites in a year characterised by the intermittent presence of personnel due to the continuing pandemic. It is important to note how the consumption of methane gas for civil use is substantially aligned with 2020, despite the increase in the available surfaces and the contextual functioning, albeit limited over time, of the buildings that were then decommissioned: in 2021, the building on Largo Regio Parco 9 in Turin became fully operational. In line with what was already done for the adjacent building, in Largo Regio Parco 11, the building has been developed according to the criteria laid down by the US energy efficiency classification system on the ecological footprint of buildings (LEED) developed by the US Green Building Council, which provides a set of measurement standards by which to assess environmentally-sustainable constructions (Largo Regio Parco 11 achieved GOLD certification, while the certification for Largo Regio Parco 9, a building with similar performance, is being obtained). The building was commissioned in late June 2021, replacing the offices on Via Foggia and Via Parma, which were some of the most energy-intensive buildings of all the real estate assets. 2021 also saw the full availability of the new sites in Monte Mario and Via Ostiense 131L, which replaced, by late 2020, the historical site on Via Del Commercio 9/11. Towards the end of the year, the office on Corso Regina Margherita was partially closed, and will be subject to a significant redevelopment in 2022 and 2023 which will see it become the operating heart of the Piedmont region.

In this context, with a view to improving efficiency, lastly, a wide range of projects has been launched for the monitoring of consumption and office temperatures.

2021 was therefore characterised by a renewal and optimisation process of the spaces occupied and the improvement of the energy performances of the buildings in order to achieve a significant reduction in consumption.

The renewal process of the real estate assets will also continue throughout 2022 with the launch of new important construction sites that will affect a number of the main operations offices of the territory in order to improve personnel working conditions by providing state-of-the-art working environments that are more functional and pleasant, as well as allowing for further optimisation of consumption for civil use.

Fuel energy consumption for vehicles

Driven by a constant commitment to guarantee high performance and quality in the distribution service, 2019 and 2020 saw Italgas implement a major renewal project of the whole of its vehicle fleet throughout national territory. The project has been established on the basis of the following strategic drivers:

- | the modernisation of the operative fleet in line with operative needs;
- | the improvement of sustainability criteria in the short, medium and long-term, both in respect of reducing polluting emissions (CO₂, NO_x and PM) and in terms of limiting expenditure for fleet operation;
- | the rationalisation of the number of vehicles in the fleet;
- | the increased availability of operative vehicles, by reducing maintenance and repair time.

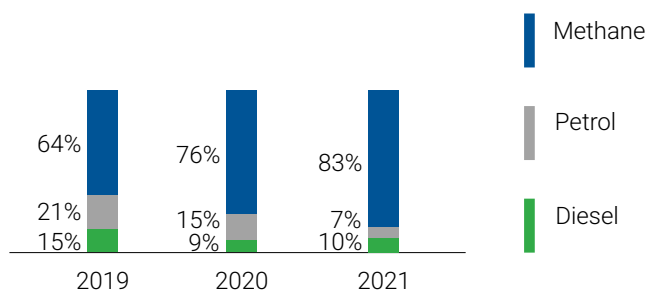
The cornerstone of the project to transform the vehicle fleet was making the switch away from ownership of the fleet (mainly diesel engines) and towards the procurement of a long-term vehicle rental service (based on methane bifuel vehicles).

TOTAL KILOMETRES TRAVELLED IN 2019-2021

	U.o.m.	2019	2020	2021
Diesel	ML of km	6.1	4.5	4.9
Petrol	ML of km	11.5	7.1	6.1
Methane	ML of km	21.7	26.2	31.8
Total	ML of km	39.3	37.8	42.8

The results of this transformation are clear: though fuel energy consumption for vehicles recorded an increase of 14.2 TJ (+11.5% compared to 2020), in 2021 as a whole, 13.1% more kilometres were travelled than the previous financial year, equal to around 42.8 million kilometres, of which over 35 million were made by operations vehicles. This type of vehicle is characterised by the virtual total presence of a bifuel system (methane-petrol) that significantly reduces CO₂ and PM emissions released into the atmosphere, as compared with the use of purely petrol or diesel engines.

ENERGY CONSUMED BY TYPE OF VEHICLE FUEL (% VS TOTAL ENERGY CONSUMED IN THE YEAR)



Despite the increase in mileage and the activities in the territory, petrol consumption decreased: this result was achieved by further improving the percentage of use of bifuel vehicles, which rose from 86% of km travelled by methane in 2020 to 92% in 2021. This significant improvement demonstrates the commitment of the Italgas Group to cutting emissions and the ethical conduct of its employees behind the wheel of the corporate fleet.

During the year, lines of action were pursued mainly to reduce emissions and make the vehicle fleet more efficient. In particular, the actions included:

- | the publication of a new policy for vehicles for mixed personal/business use with incentives for choosing a car with lower environmental impact and the insertion of a cap on the fuel card;
- | the removal of cars powered exclusively by diesel and petrol from the car list of the Executives class;
- | the training of over 300 employees via safe and sustainable driving courses, with the objective of improving the ratio between distance travelled per unit of fuel. This initiative will continue throughout 2022, involving an increasingly wider pool of drivers and it will further refine the capacity for sustainable driving, including with hybrid vehicles;
- | the implementation of a fleet management software for monitoring consumption and vehicle status.

Sustainability will also be at the centre of car management for 2022 through new even more challenging initiatives such as the introduction of hybrid vehicles (electric-petrol) among the cars for mixed personal/business use as well as operations vehicles and the consequent installation of charging points at the company offices.

Net electricity consumption for industrial use

Net electricity consumption for industrial use dropped by 0.4% compared to the previous financial year, despite the fact that various new Points of Delivery (PODs) were activated in 2021 for the purposes of the installation of the Final Digitised Reduction Groups (GRFDs), which generated additional consumption of 132 MWh.

The above result was also achieved thanks to the completion, in 2021, of the replacement of all traditional bulbs with LED bulbs in the external and internal areas of all IPRMs, Intermediate Reduction Plants (IRIs) and Final Reduction Units (GRFs) equipped with lighting that generated an indicative saving of 150 MWh, equivalent to a saving of 36.9 tCO₂ eq.

Experimental installation continued at various:

- | IPRMs of direct-drive meters inserted into the electrical panels, which allow for the monitoring of the general consumption and secondary utilities (cathode or light protection) in the IPRMs, enabling more detailed analysis, also with a view to certification in accordance with ISO 50001: 2018;
- | GRFDs ("Gruppi di Riduzione Finali Digitalizzati" - Final Digitised Reduction Groups) of innovative systems that allow for energy recovery using microturbines. These systems use energy that would otherwise be dissipated by the gas pressure reduction process, transforming it into electrical energy available for use *in situ* (energy harvesting systems): the electrical energy thus produced is used to feed RTUs and other measurement/control devices *in situ*, in the context of the digitisation of the network.

Furthermore, various interventions were carried out to replace the circulators within the thermal power stations for preheating, with the installation of inverter pumps. Mass interventions are planned in the upcoming years.

Electricity consumption of Italgas Acqua, which represents the company's entire industrial consumption, also decreased thanks to regulation interventions on the output pressures of the relaunch systems, which made it possible to achieve an excellent result in terms of energy saving. In 2021, various experimental interventions were also launched, including the installation of passive filters, brushless motors and system remote control, which will make it possible to achieve significant results starting from 2022.

Net electricity consumption for civil use

Electricity consumption for civil use decreased by 15.7% compared to 2020. The sharp decrease recorded is attributable to improved efficiency in the use of the Group's offices, partly due to the reorganisation of management in response to the pandemic. Furthermore, in 2021 a number of organisational rules were consolidated, which, in addition to greater use of smart working, allowed for the so-called "starting from home" for operators and technicians with the consequent closure of changing rooms at the operations offices: this further contributed to the limited consumption, especially electricity.

The restructuring of several important company offices, already

under way or planned by 2027, will also help further reduce the demand for electricity and, as a result, related emissions.

Photovoltaic

In addition to consumption from purchased electricity, the Group produces electricity from renewable energy sources through 19 photovoltaic plants. Part of the energy produced is self-consumed, whilst the remainder is released to the network.

Below is a table summarising consumption of electricity deriving from photovoltaic plants together with that relative to the emissions avoided thanks to their use for the production of electricity instead of purchasing it on the market.

Photovoltaic ⁵²	2019		2020		2021		Change% 2020- 2021
	kWh	TJ	kWh	TJ	kWh	TJ	
Dedicated collection by GSE	1,333,801	4.80	8,876,626	31.96	9,284,818	33.43	4.6
Self-consumption	45,426	0.16	136,893	0.49	135,598	0.49	-0.9
Production	1,379,227	4.97	9,013,519	32.45	9,420,416	33.91	4.5

Emissions avoided ⁵³	U.o.m.	2019	2020	2021	Change % 2020-2021
Emissions avoided for self-produced energy sold to GSE	t CO ₂ e	370.2	2,337.8	2,419.0	3.5
Emissions avoided for self-produced energy consumed on site	t CO ₂ e	12.2	35.4	33.3	-5.8
Total emissions avoided for photovoltaic	t CO ₂ e	382.4	2,373.2	2,452.3	3.3

⁵² Please note that 2019 data considers Toscana Energia only for the three months of consolidation. 2020 data, on the other hand, also includes Toscana Energia for the full 12 months.

⁵³ Please note that 2019 data considers Toscana Energia only for the three months of consolidation. 2020 data, on the other hand, also includes Toscana Energia for the full 12 months. Please also note that in order to calculate the emissions avoided, the emissions factor was used represented by the national energy mix of the reference year; more specifically, for 2020, the preliminary estimate of the emissions factor for electricity consumption in Italy was used, supplied by the Istituto Superiore per la Protezione e Ricerca Ambientale (Superior Institute for Environmental Protection and Research).

Greenhouse gas emissions

Fully in line with what was done in relation to consumption, for years Italgas has also monitored its greenhouse gas emissions, with the objective of reducing its carbon footprint according to a continuous improvement process in line with the objectives identified in its 2021-2027 Strategic Plan.

Italgas has recorded the following emissions:

- | direct emissions (Scope 1): deriving from the civil consumption of gas, from industrial consumption of gas for preheating, from fuel consumptions for vehicles and grid losses ("fugitive emissions");
- | indirect emissions (Scope 2): deriving from the consumption of electricity purchase and district heating;
- | other indirect emissions (Scope 3) deriving from business travel, outsourced activities (supply chain) and emissions relating to the production of energy purchased and consumed (fuel side, emissions linked to their extraction, production and transport; electricity side, emissions relating to the extraction, production and transport of the fuels used for generation and emissions relating to losses for transmission and distribution).

The Italgas Group's main greenhouse gas emission contribution is from fugitive emissions of natural gas from distribution networks, distributed gas preheating processes in the decompression systems and the use of cars in the corporate fleet.

Scope 1 e Scope 2 ⁵⁴	U.o.m.	2019	2020	2021	Change % 2020-2021
Fugitive gas emissions	10 ³ t CO ₂ e	128.0	146.6	133.4	-9.0%
Emissions from gas consumption for industrial use	10 ³ t CO ₂ e	18.1	18.2	18.1	-0.5%
Emissions from gas consumption for civil use	10 ³ t CO ₂ e	2.5	2.6	2.6	0%
Emissions from fuel consumption for vehicles	10 ³ t CO ₂ e	7.6	5.7	6.4	12.3%
Emissions from thermal energy for civil use	10 ³ t CO ₂ e	-	0.0	0.0	0.0%
Emissions from electricity consumption for industrial use	10 ³ t CO ₂ e	7.5	0.2	0.0	0.0%
Emissions from electricity consumption for civil use	10 ³ t CO ₂ e	-	-	0.2	-
Total	10 ³ t CO ₂ e	163.7	173.3	160.7	-7.3%

2021 saw a drop in total Scope 1 and Scope 2 emissions of 7.3% lower than the previous financial year. The main components that contributed to this decrease are fugitive emissions and emissions from gas consumption for industrial use, which in total make up for over 94% of the total Scope 1 and Scope 2 emissions.

It is important to note how this reduction is even more significant against an increase in Group operations, in terms of increase of network length (+1.9% compared to 2020) and gas distributed (+4.8%).

Emissions from gas for civil and industrial use are in line with the consumption trend described, while those from electricity consumption are decreasing as a result of reduced consumption and the near total supply of electricity from certified renewable sources (certified by the guarantee of origin management system).

⁵⁴ 2019: Scope II location-based; 2020 and 2021: Scope II market-based

Lastly, emissions from fuel consumption for vehicles were +12.3%, in line with the increase in kilometres travelled compared to 2020, a year particularly characterised by the lockdowns due to the pandemic. The significant improvement in the total value of emissions is mainly due to the 2021 completion of the project to modernise the fleet, which, last year, also involved the company Toscana Energia.

Another significant parameter is represented by the value of the NO_x and particulate emissions expressed in grams per kilometre travelled by the fleet. In 2021, these values were 0.081 gNO_x/km (same as 2020) and 0.0003 gPart/km, equivalent to a 18.3% reduction compared to 2020. The savings obtained in 2021, if the same number of kilometres had been travelled using a non bifuel and older fleet of operations vehicles, is quantified as ranging between 50 and 55% of nitrogen oxides and 1500% of particulate; CO₂ savings amounted to 1.39 thousand tonnes. These indicators provide further representation of the capacity to reduce emissions levels, brought about by the fleet transformation project.

Fugitive emissions

The Italgas Group's fugitive emissions for 2021 decreased considerably, equal to -9.0% compared to 2020.

By analysing the characteristic KPIs of the process in more depth, a 13.0% decrease is recorded on the indicator of the ratio between emissions and gas distributed and 10.3% for the indicator of the ratio between emissions and km of network inspected.

The prompt inspection, localisation and repair of leaks also produced an important result in terms of savings of fugitive emissions into the atmosphere. In 2021, thanks to the operational effort in the prompt elimination of leaks, emissions avoided made up around 34% of total emissions⁵⁵.

2021 also saw a number of important developments, thanks

to the partnership with Picarro and the Polytechnic University of Turin, mainly:

- | the use of an innovative approach, developed in collaboration with Picarro, in the assessment of measurement uncertainty (named 4 Bins model), which uses Bayes' theorem and statistical analysis of data samples;
- | the launch of a collaboration with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system. Thanks to this project, for the first time it was possible to estimate (for now using specific emissions factors) emissions from permeation, operational emissions, emissions due to maintenance on reduction units and emissions due to meter replacements. This project will continue throughout 2022 with the purpose of refining the calculation and estimation methods. For 2021, the emissions not quantifiable with Picarro for the Group made up around 1.4% (already accounted for in the above table);
- | the launch of the development, jointly with Picarro, of a GIS model for asset management used to design smart maintenance for the Italgas networks, with a view to extension to Group level thereafter. From 2022, these innovative tools will be implemented as a basis for the development of the network maintenance CAPEX plan, in order to focus on interventions on the most emissions-heavy networks.

The partnership with the Polytechnic University of Turin will also make it possible to develop, in 2022, reporting models aimed at achieving levels 4-5 of the OGMP⁵⁶ framework in short times and to explore the applicability of other tools and technologies for the reconciliation of measurements in the field.

Below is the table showing the fugitive emissions and some reference KPIs, the data of which refers to the companies consolidated by the Group.

	U.o.m.	2019 ⁵⁷	2020	2021
Total natural gas fugitive emissions	10 ⁶ Sm ³	7.4	8.5	7.7
Total fugitive emissions in CO ₂ e	10 ³ tCO ₂	128.0	146.6	133.4
Gas distributed	10 ⁶ Sm ³	8,001.0	8,477.0	8,886.6
Gas Leakage Rate (natural gas fugitive emissions / gas distributed)	Sm ³ / Sm ³	0.092%	0.100%	0.087%
Network consistency ⁵⁸	km	70,484.3	71,184.5	72,145.2
Fugitive emissions of natural gas / network consistency	Sm ³ / km	104.9	118.9	106.7

⁵⁵ Total emissions that would be obtained considering the maximum emission time, i.e. one year.

⁵⁶ Levels 4 and 5 require that the estimate of the fugitive emissions be based on real measurements taken in the field at site/source level.

⁵⁷ 2019 data on fugitive emissions was calculated by re-parametrising, only for the 3-month consolidation period, the fugitive emissions of Toscana Energia, calculated on the basis of the new method (CRDS Picarro). For more details on the method used, refer to the italgas.it website, in the section on "Our commitment" - "Energy efficiency and the environment". For the value shown in the 2019 Consolidated Non-Financial Statement, please refer to the document published on the Group's website at <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Non-Financial-Statement-2019.pdf>.

⁵⁸ Note that the km of network used for the 2021 KPIs are related to the ARERA consistency declared in 2020 (i.e. as at 31/12/2020). For the other gas network consistency of Medea, an average consistency for 2021 was considered, given the variability due to multiple conversions of the networks to natural gas during the year.

Scope 2 emissions	U.o.m.	2019	2020	2021
Location-based	10 ³ tCO ₂	7.5	7.3	6.4
Market-based ⁵⁹	10 ³ tCO ₂	12.9	0.2	0.2

Market-based indirect Scope 2 emissions are substantially in line with 2020, as a result of purchasing electricity produced from certified renewable sources, as certified by the Guarantees of Origin (GO) management system.

Scope 3 emissions	U.o.m.	2019	2020	2021
Supply chain	10 ³ tCO ₂	128.3	148.7	167.6
Energy	10 ³ tCO ₂	5.7	4.0	4.1
Business Travel	10 ³ tCO ₂	2.3	0.6	0.8
Total	10 ³ tCO ₂	136.3	153.3	172.5

Scope 3 emissions increased slightly on 2020, mainly as a result of an increase in the spending of outsourced activities by around 11% and the inclusion of Toscana Energia Green within the scope considered. Scope 3 emissions deriving from outsourced activities were calculated, in line with what was done in the reported historical series, by associating a conversion factor of the value spent in CO2 emissions for each product class.

The Group, which for the sake of completeness of information reported the value for 2022 using the same methodology, has nevertheless undertaken an overall revision of the calculation model for Scope 3 emissions linked to the supply chain, through a wide-ranging project that might make it possible to calculate specific emissions factors for suppliers which can be updated as often as required by the evolution of their supply chain.

By following this approach, the Group also intends to achieve an important objective: aware of the relevance of including its supply chain in the fight against climate change, Italgas intends to develop an approach inspired by "Partnerships for the goals" (SDG 17), by promoting the best techniques/technologies available or, where possible, by identifying new solutions with its suppliers. On the basis of this journey, the Group will determine, in the Strategic Plan, a specific target for the reduction of Scope 3 emissions.

⁵⁹ The calculation of market-based Scope 2 emissions requires that the emission quota related to renewable sources be null and that the residual mix type emission factor be used for the quota not covered by such contracts.

CONSUMPTION AND EMISSIONS AVOIDED FOR THE GROUP

GRI 302-4 Reduction of energy consumption GRI 305-5 Reduction of GHG emissions	2020		2021	
	TJ	tCO ₂ eq	TJ	tCO ₂ eq
Network conversion from LPG to natural gas	23.1	217.0	46.3	452.5
Vehicle fleet conversion	-	1,250.0	-	1,390.0
Renovation of the site at Largo Regio Parco 11 and 9 in Turin ⁶⁰	6.47	382.0	5.5	389.9
Preheating optimisation systems	8.82	500.0	30.9	1,735.1
Installation of smart meters	2.6	192.0	2.6	187.8
Photovoltaic	32.4	2,373.0	33.9	2,452.3
Purchase of electricity from certified renewable sources	0.0	7,039.0	0.0	6,155.7
Replacement of lighting with LED bulbs	-	-	0.5	36.9
Total emissions avoided	73.4	11,953.0	119.7	12,800.2

Third-party emissions avoided by esco seaside activities

Seaside is the ESCO of the Italgas Group. Among other activities, it proposes and performs energy efficiency interventions for its public and private customers in a residential and industrial context.

Specifically, the EPCs - Energy Performance Contracts - in place require that the savings generated following interventions be guaranteed and suitably measured.

In the public sector, the main tool used is funding via third parties envisaged by Italian Legislative Decree 115/2008, often combined with the project financing, governed by the Tenders Code (Italian Legislative Decree 50/2016). The proposals are characterised by the assumption of risk, against the standards offered, at the full expense of the proposing party and the contracts provide for an economic rebalancing mechanism to

the benefit of the Administration, if the minimum objectives are not successfully guaranteed.

The remuneration mainly derives from the saving levels achieved, which must be able to generate the necessary cash flows to repay the investments.

The EPCs predominantly concern interventions

- | on the air conditioning systems, generally powered by methane gas;
- | on the public lighting systems, powered by electricity;
- | to construct photovoltaic plants, which reduce withdrawals of electricity from the network.

In 2021, these interventions made it possible to achieve the following results, calculated using historical consumption figures:

Energy carrier	U.o.m.	2021 Saving	2021 Saving (GJ)	2021 Saving (tCO ₂ e)
Electricity	MWh	8,746.0	31,485.6	2,148.9
Methane gas	Sm ³	200,471.4	6,928.3	397.5

Energy carrier	U.o.m.	Saving 2021	Saving 2021 (tCO ₂ e)
Production	MWh	2,311.8	602.3
Self-consumption	MWh	947.5	-

⁶⁰ The 2020 figure refers to the site on Largo Regio Parco 11 only.

Waste production and disposal

In 2021, the Group's main companies replaced the use of the traditional paper Loading and Unloading Register by adopting a waste management software application, which allows for faster and easier completion and standardisation of data collection relating to the production and disposal of waste.

In all, for the Group as a whole, in 2021, waste deriving from production came to approximately 334.4 tonnes (-41.5% compared to 2020); the total value of waste sent for recovery or disposal for 2021 comes to 352.8 tonnes (-44.0% compared to 2020), 96% of which are not hazardous, including any stocks in 2020. This type of waste consists mainly of mechanical meters, subject to a large-scale replacement campaign, and partly of material resulting from maintenance and development of the network and connections and sludge from the septic tanks of Toscana Energia and Medea.

An in-depth analysis of the quantity and type of waste produced finds that the trend of the activities is sharply decreasing. Examining and isolating the exceptional events in the 2020-2021 two-year period confirms the achieved results.

Activities carried out on the reclamation sites in 2021

In 2021, Italgas Reti implemented design, safety, characterisation, monitoring, reclamation and environmental restoration activities on a total of 31 sites (already identified in 2020), on the basis of the national environmental legislation for the reclamation of polluted sites, represented by Italian Legislative Decree 152/06 "Environmental Standards", which replaced the previous legislative reference established by Ministerial Decree 471/99.

For the sake of completeness of information, on 04/08/2021 the former Italgas area in Chiavari on Viale Trieste was sold to a third party, which replaced Italgas as the new party subject to the legal obligations regarding the reclamation of polluted sites and waste management. Therefore, as at 31/12/2021 there were 30 areas with an active environmental procedure managed by Italgas Reti.

Except for in specific cases, the reclaimed sites are the former gas production facilities initially called "illuminating gas" in the second half of the 19th century, which then became "city gas" for cooking and heating.

In these sites, the pollution, when present, was mainly due to the dispersion of tar, as a by-product of the distillation of fossil carbon to produce the city's gas.

The sites in which an environmental procedure is operative in accordance with Italian Legislative Decree no. 152/06 Part Four Title V "Reclamation of contaminated sites" are distributed throughout national territory and are geographically located as follows:

- | 6 in Piedmont;
- | 8 in Liguria;
- | 8 in Veneto;
- | 1 in Tuscany;
- | 3 nel Lazio;
- | 2 in Campania;
- | 1 in Molise;

- | 1 in Calabria.

From an administrative point of view, only the "via Brin" site of Naples comes under the competence of the Ministry of the Ecological Transition (*Ministero della Transizione Ecologica*, MITE), as it falls within the scope of the Site of National Interest (SNI) of Eastern Naples, whilst the remaining sites come under the competence of Regional or Municipal authorities.

According to the "state of business", the 30 sites can be grouped together into five clusters:

- | 5 have active sites and operating groundwater pumping systems

Venice Mestre v. Altobello - Venice Santa Marta - Cairo Montenotte Park 3 - Lucca - Naples via Brin;

- | 1 has an active site Cuneo;

- | 6 have active groundwater reclamation and safety systems

Turin C.so Regina Margherita Area Università - Civitavecchia - Venice Island of Murano - Venice San Francesco Area ITGR - Castellammare di Stabia - Ventimiglia;

- | 6 have finished operational sites and/or active monitoring

Bassano del Grappa - Legnago - Sanremo - Turin via Trofarello - Turin C.so Regina Margherita Area ITGR (recovery of gas holders 2 and 3) - Venice San Francesco Area ex Veritas;

- | 12 are under design or approaching start-up of operations

Cairo Montenotte Parks 1 and 2 - Cairo Montenotte Terreni C.so Stalingrado - Campobasso - Catanzaro - Chiavari Loc. Caperana - Ciampino - Este - Rapallo - Rome - Savona - Turin Basse di Stura - Turin C.so Unione Sovietica.

Industrial water

In 2018, with the update in 2020, Italgas carried out an environmental analysis which showed that the use of water resources is not a significant environmental aspect because it is used exclusively for hygiene-sanitary and fire-fighting purposes. The Italgas production process does not involve the use of water for industrial purposes, with the exception of the quantities used to top up the gas preheating systems, inserted inside the cabins used to reduce the pressure of gas collected from the high pressure gas pipe system, without the presence of industrial drains. With specific reference to the management of the Medea distribution networks, the water used is heated to vaporise the LPG into a liquid phase when leaving the tanks. This water, which is also released into the fire-fighting system, is collected from the aqueduct or groundwater via wells. At the Sassari plant, the washing water is released to the ground, after treatment, in compliance with the authorisation.

For 2021, lastly, as part of the reclamation work, approximately 247,240 cubic metres of water were taken from the contaminated groundwater; this was treated to take the concentrations of pollutants back to the limits permitted for discharge in public drains, in compliance with current legislation and authorisations.

Water for civil uses

The Group companies' environmental analyses, prepared in accordance with standard UNI EN ISO 14001, showed that use of water resources is not a significant environmental aspect. However, the safeguarding of resources and their rational use is envisaged by the HSEQ Policy and this is why the Group is committed to reducing limited water consumption. The withdrawal of fresh water from the aqueduct, used for hygiene/sanitary purposes in the changing rooms and offices and for the fire-fighting system, came to 76,025 cubic metres

(-23.6%): the reduction is mainly attributable to the closure of the changing rooms (and showers) at the operations offices and the greater use of smart working. As regard civil drains, most waste water is conveyed, considering its nature, to the drains without any treatment.

This differs for Italgas Acqua, the Group company that manages the distribution of water under concession in five municipalities of Campania. For this company, managing water consumption means collecting the water, making it suitable for drinking and distributing it to the city, guaranteeing quality standards and continuity and regularity of service.

DNF Main Key Performance Indicators

GRI 302-1 Energy consumed within the organization	U.o.m.	2019 ⁶¹	2020	2021
FUEL ENERGY CONSUMPTION				
Fuel energy consumption from non-renewable sources				
Fuel energy consumption for civil and industrial use	TJ	367.7	368.0	366.0
of which natural gas for civil use	TJ	45.3	45.3	46.4
of which natural gas for industrial use	TJ	313.6	310.2	306.4
LPG and propane air for civil and industrial use	TJ	8.8	12.6 ⁶²	13.2
Fuel energy consumption for vehicles⁶³	TJ	122.0	123.0	137.2
of which diesel	TJ	17.9	11.0	12.1
of which petrol	TJ	25.5	18.1	16.2
of which natural gas	TJ	78.7	93.9 ⁶⁴	109.0
Fuel energy consumption from renewable sources				
Fuel energy consumption from renewable sources	TJ	0	0	0
Total fuel energy consumption				
Total fuel energy consumption	TJ	489.7	491.0	503.2

⁶¹ The data relative to the consumption of natural gas energy by vehicles has been restated with respect to the 2019 Non-Financial Statement. For the value shown in the 2019 Consolidated Non-Financial Statement, please refer to the document published on the Group's website at <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Non-Financial-Statement-2019.pdf>

⁶² Please note that as compared with 2019, propane air has been considered separately from LPG.

⁶³ For more details on the trend of consumption linked to vehicles, refer to the specific graphs and the information given in the section "Emissions and action taken to reduce them" of this document.

⁶⁴ The trend of energy consumption is consistent with the change in the fuel mix used by the vehicle fleet. For more details on the trend of consumption linked to vehicles, refer to the specific graphs and the information given in the section "Emissions and action taken to reduce them" of this document.

GRI 302-1 Energy consumed within the organization	U.o.m.	2019⁶¹	2020	2021
CONSUMPTION OF PURCHASED ENERGY				
Consumption of purchased energy from non-renewable sources				
of witch electricity	TJ	100.0	1.5	1.9
Heating energy	TJ	0	0.3	0.3
Consumption of purchased energy from renewable sources				
Consumption of purchased energy from renewable sources	TJ	0	99.3	91.8
Total consumption of purchased energy				
Total consumption of purchased energy	TJ	100.1	101.1	94.0
TOTAL ENERGY CONSUMED WITHIN THE ORGANISATION				
Total energy consumed within the organization	TJ	589.8	592.1	597.2

GRI 302-3 ENERGY INTENSITY

Below are some energy intensity values in respect of different reference parameters:

1. Energy intensity calculated by comparing the total Group energy consumption with the gas distributed. This parameter offers an indication of the quantity of energy used to supply 10⁶Sm³ of gas

Energy intensity	U.o.m.	2019*	2020	2021
Global energy intensity	TJ/10 ⁶ Sm ³	0.074	0.070	0.067
Total energy consumed within the organization	TJ	589.78	592.15	597.2
Gas distributed	10 ⁶ Sm ³	8,001	8,477	8,887

* In 2019, 3 months of Toscana Energia are considered.

2. Energy intensity calculated by comparing the total industrial natural gas energy consumption with the gas distributed. This parameter offers an indication of the quantity of energy used for pre-heating to supply 10⁶Sm³ of gas

Energy intensity	U.o.m.	2019*	2020	2021
Natural gas for industrial use energy intensity	TJ/10 ⁶ Sm ³	0.039	0.037	0.034
Total natural gas for industrial use energy consumed	TJ	313.62	310.15	306.3
Gas distributed	10 ⁶ Sm ³	8,001	8,477	8,887

* In 2019, 3 months of Toscana Energia are considered.

3. Energy intensity calculated by comparing the total Group energy consumption with km of network. This parameter offers an indication of the quantity of energy used to supply the service per km of network

Energy intensity	U.o.m.	2019*	2020	2021
Energy intensity per km of network	GJ/km	8.37	8.32	8.24
Total energy consumed within the organization	GJ	589,782.8	592,147.7	597,233.4
km of network	km	70,502	71,185	72,503

* In 2019, 3 months of Toscana Energia are considered.

4. Energy intensity calculated by comparing industrial electricity consumption with km of network. This parameter offers an indication of the quantity of electricity used to supply the service per km of network

Energy intensity	U.o.m.	2019*	2020	2021
Industrial electricity intensity per km of network*	GJ/km	0.785	0.798	0.777
Industrial electricity consumed within the organisation	GJ	55,374.6	56,824.3	56,350.3
km of network	km	70,502	71,185	72,503

* In 2019, 3 months of Toscana Energia are considered.

5. Energy intensity calculated by comparing the total Group energy consumption with the number of delivery points active. This parameter offers an indication of the quantity of energy used to supply the service per re-delivery point

Energy intensity	U.o.m.	2019*	2020	2021
Energy intensity per delivery point*	GJ/unità	0.078	0.078	0.079
Total energy consumed within the organization	GJ	589,782.89	592,147.77	597,233.41
Active delivery points	unità	7.573 · 10 ⁶	7.595 · 10 ⁶	7.604 · 10 ⁶

* In 2019, 3 months of Toscana Energia are considered.

GRI 303-3 Water withdrawals	U.o.m.	2019	2020	2021
Quarry water, collected from quarries	MI	0	0	0
Sea water	MI	0	0	0
Rainwater collected	MI	0	0	0
Water withdrawn from the aqueduct (municipal drinking water)	MI	134,1	98,04	75,77
Surface water	MI	0	0	0
Underground water	MI	0,41	0,15	0,26
External waste water	MI	0	0	0
Total water withdrawn	MI	138,25	99,51	76,03

GRI 303-4 Water discharge	U.o.m.	2019*	2020	2021
Discharged in underground water ⁶⁵	MI	0,33	1,40	0
Discharge to sewers	MI	137,91	98,01	74,19
Discharged in seawater	MI	0	0	0
Discharged in surface water	MI	0	0	1,55
Benefit/other use	MI	0	0	0,28
Sent to other treatment plants	MI	NA	0,11	0
Total discharges	MI	138,25	99,51	76,03

For the Italgas Group, the water drains correspond to the collections; consequently, water consumption is zero (**GRI 303-5 Water consumption**).

⁶⁵ Please note that water is drained in the soil after treatment.

GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Indirect (Scope 2) GHG emissions from energy consumption GRI 305-3 Other indirect (Scope 3) GHG emissions GRI 305-4 Intensity of GHG emissions	GRI Standard	U.o.m.	2019 ⁶⁶	2020	2021
Total scope 1	305-1	10 ³ t CO ₂ e	156.3	173.1	160.5
Total scope 2 ⁶⁷	305-2	10 ³ t CO ₂ e	7.5	0.2	0.2
Total scope 1 and scope 2		10 ³ t CO ₂ e	163.8	173.3	160.7
Total scope 3	305-3	10 ³ t CO ₂ e	136.3	153.3	172.5
Total scope 1, scope 2 and scope 3			300.1	326.6	333.3
Carbon intensity ⁶⁸	305-4	tCO ₂ eq/10 ⁶ Sm ³	20.5	20.4	18.1

GRI 305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	U.o.m.	2019	2020	2021
Civil	tNO _x	1.26	1.26	1.29
Service	tNO _x	17.2	17.2	16.4
Vehicles	tNO _x	5.04	3.11	3.36
Total	tNO _x	23.6 ⁶⁹	21.7	21.1

GRI 306-4 Waste not for disposal	U.o.m.	2019		2020		2021	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Recovery/Recycling	t	2.0	637.5	31.5	527.9	12.0	329.1
<i>of which ferrous material</i>	t	0.0	581.6	1.0	424.5	0	287.5
<i>of which other material</i>	t	2.0	55.9	30.5	103.4	12.0	41.6

⁶⁶ Data restated with respect to the 2019 Non-Financial Statement. For the value shown in the 2019 Consolidated Non-Financial Statement, please refer to the document published on the Group's website at <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Non-Financial-Statement-2019.pdf>

⁶⁷ 2019: Scope II location-based, 2020 and 2021: Scope II market-based

⁶⁸ Calculated as Scope 1 and Scope 2 emissions / gas distributed.

⁶⁹ 2019 NO_x emissions were calculated partly using the 2020 calculation method and, where not possible, the 2019 calculation method was applied. For the value shown in the 2019 Consolidated Non-Financial Statement, please refer to the document published on the Group's website at <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Non-Financial-Statement-2019.pdf>.

GRI 306-5 Waste by type and disposal method	U.o.m.	2019*		2020		2021	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Incineration	t	0	0	0	0.1	0	0.3
<i>of which ferrous material</i>	t	n.a.	n.a.	0	0	0	0
<i>of which other material</i>	t	n.a.	n.a.	0	0.1	0	0.3
Waste sent directly to landfill	t	0,3	0	0	0	0	0
<i>of which ferrous material</i>	t	n.a.	n.a.	0	0	0	0
<i>of which other material</i>	t	n.a.	n.a.	0	0	0	0
Other disposal plant	t	3.9	3.3	3.3	67.0	1.5	9.6
<i>of which ferrous material</i>	t	n.a.	n.a.	0.8	0	0	0
<i>of which other material</i>	t	n.a.	n.a.	2.4	67.0	1.5	9.6
Total	t	4.1	3.3	3.2	67.0	1.5	10.0

*In order to standardise the report with the new version of the GRI, the table has been amended in respect of previous versions, hence waste is not available broken down by type of material for 2019.

Waste by type	U.o.m.	2019	2020	2021
Non-hazardous	t	559.1	526.7	318.3
Hazardous	t	7.9	45.0	16.07

Main data on reclamation	2019		2020		2021	
	n	m ²	n	m ²	n	m ²
Sites involved by reclamation works or to be reclaimed	32	1,269,951	32	1,265,551	30	1,206,677
Certified reclamation works	3	15,909	0	0	0	0
Approved characterisation plans	28	1,226,319	28	1,208,348	26	1,143,810
Approved risk analysis (152/2006) or approved preliminary reclamation projects (pursuant to 471/99)	23	1,132,588	23	1,109,240	21	1,049,533
Approved operative reclamation projects (152/2006) or approved final reclamation projects (pursuant to 471/99)	20	1,120,178	19	1,094,760	18	1,036,482
Operative safety measures	1	10805	1	257	1	257
Soil emergency safety measures	0	0	0	0	0	0
Groundwater safety measures	9	0	10	0	11	0

5.6 Business Outlook

As we all know, the so-called Coronavirus Emergency unfolded in Italy in February 2020, with the spread of infection and the necessary emergency measures taken by the Health and Government Authorities to contain the spread.

Although this state of emergency is only expected to be officially declared over on 31 March 2022, the Company has not to date noted any major adverse effects on the development and investment initiatives. By leveraging digitisation processes, measures have been implemented to ensure the continuity and effectiveness of worksite activities and interventions at customer premises, while operating in complete safety and in compliance with the terms set out in the company plans.

With reference to the customer base / sales company and their solvency, it is noted that the rules for user access to the gas distribution service are established by ARERA and are regulated in the Network Code. At present, the Company has not noted and does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

With regard to access to credit, Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of around € 1,391.8 million as of 31 December 2021; (ii) there are limited requirements to refinance debt (in January 2022 a bond was repaid for around € 112 million and the subsequent repayment is due during 2024), (iii) the bonds issued by Italgas as of 31 December 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

As of 31 December 2021, the only loan agreement providing for financial covenants, which have been complied with, is the EIB loan for € 90 million taken out by Toscana Energia.

The success of the “dual-tranche” bond issue maturing in February 2028 and February 2033, for a total of € 500 million each, implementing the EMTN Programme, as well as confirmation of the rating by Moody's (Baa2, stable outlook), on 25 November 2021, and Fitch (BBB+, stable outlook), on 6 December 2021, bear witness to the Company's financial soundness and confirm its ability to access the capital market.

With reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the limitations imposed by the aforementioned health emergency, the Company has not found any evidence to date to suggest significant negative effects on FY 2022.

However, the Company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook in the periods to come, should the health emergency situation persist or return to a critical state.

In this context, Italgas will therefore continue to pursue its strategic objectives, focusing on digital transformation with the goal of improving service quality, streamlining processes and operating costs, whilst paying constant attention to development opportunities. With specific regard to investments, Italgas expects to continue to carry out its plan targeted primarily at the implementation of projects for network digitisation and repurposing and the methanisation of Sardinia, plus the normal maintenance and development of the networks managed.

Russia-Ukraine conflict

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Therefore, there are no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the ongoing conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

With reference to the tensions on the financial markets, Italgas reports that it is marginally exposed to foreign exchange risk and in any case only against the US dollar. With regard to the availability of sources of financing and the related costs, it is reported that i) over 92% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing and/or liquidity requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 December 2021, of € 1,391.8 million, which, including in light of the existing investment plans and the operations planned over the next 18 months, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the raw material that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service are established by ARERA and regulated in the Network Code, which defines the system for existing financial guarantees to protect the distributor.

Lastly, with reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.





6 | Comment on the economic and financial results and other information

6.1 Legislative and regulatory framework

Tariff regulation

The distribution and measurement of natural gas is regulated by the Regulatory Authority for Energy, Networks and Environment (ARERA). Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructure and for the delivery of the related services.

The rate system establishes in particular that the reference revenue for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital. Three cost categories are recognised:

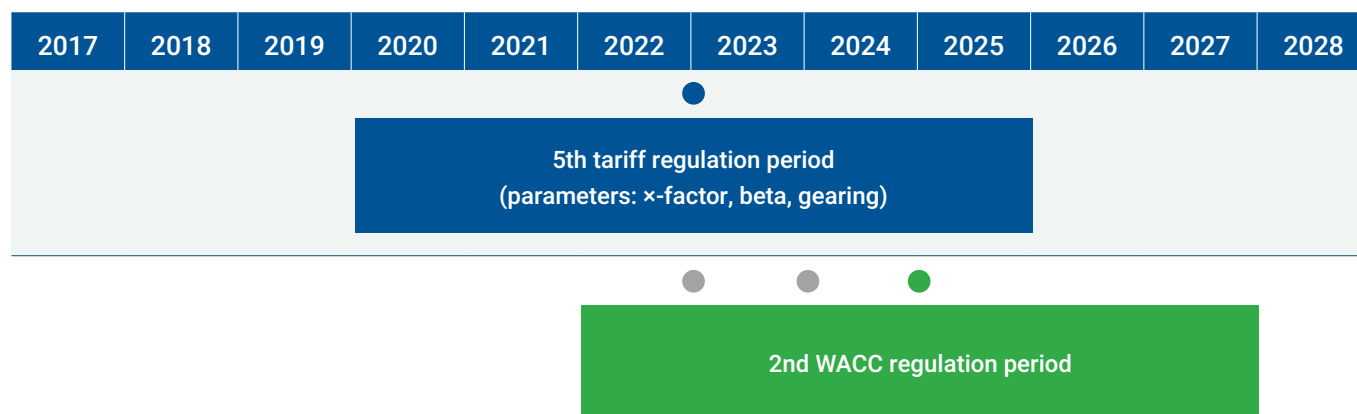
- | the cost of net invested capital for RAB (Regulatory Asset Base) purposes through the application of a rate of return of the same;
- | economic-technical amortisation/depreciation, hedging investment costs;
- | operating costs, hedging operational costs.

The main rate elements are reported below on the basis of the regulatory framework (Resolution no. 570/2019/R/gas as amended)

Highlights fifth regulatory period (from 1/1/2020 to 31/12/2025)

End of Regulatory period (TARIFFS)	31 december 2025
Calculation of net invested capital recognized for regulatory purposes (RAB) *	Revalued historical cost Parametric method for centralised asset base
Return on net invested capital recognized for regulatory purposes (WACC _{pre-tax})	Distribution and Metering: 6.3% Years 2020- 2021
Incentives on new Investment	Return on investments t-1 to offset regulatory time lag (from 2013)
Efficiency Factor (X-factor)	Distribution operating costs: 3.53% for large companies (RDP > 300.000) 4.79% for medium companies (RDP > 50.000) 6.59% for small companies (RDP < 50.000) Metering operating costs: 0% Commercialization operating costs: 1,57%

(*) The RAB of the companies currently included in the scope of consolidation, calculated by applying the criteria adopted by the Authority, with reference to investments made up to 31 December 2021, in the definition of the reference tariffs, is equal to € 8.2 billion.



- Infra-period parameters review (x-factor, beta, gearing)
- WACC update if an increase in the main parameters results in a change of at least 50 bps of the WACC with respect to the current value
- Update of WACC parameters common to all services (RFnominal, FP, physical parameters, CRP, inflation, iBoxx indexes and cost of debt graduation)

Resolution no. 570/2019/R/gas, following the consultation process conducted with the documents for consultation no. 170/2019/R/gas and 410/2019/R/gas, approved the regulation of tariffs for gas distribution and metering services for the period 2020-2025.

In particular:

| the Authority confirmed the six-year duration of the tariff regulation period, as well as the division into two half-periods of three years each;

| with regard to the recognition of operating costs, the Authority provided that:

a. the initial level for 2020 of recognised operating costs be fixed by applying equal weight to the actual and recognised costs of the reference year 2018;

b. the rate of annual reduction of unit costs recognised to cover operating costs be set at:

| for the distribution service:

| 3.53%, for large companies (> 300,000 re-delivery points);

| 4.79%, for medium-sized enterprises (> 50,000 re-delivery points);

| 6.59%, for small businesses (< 50,000 re-delivery points);

| 0% for the metering service;

| 1.57% for the marketing service;

c. the level of the recognised standard cost for each switch reading be confirmed, for the first half of the regulation period, at € 5;

d. the recognition of costs relating to smart metering/remote management systems be confirmed based on the costs actually incurred for the first half of the regulation period, with the application of a ceiling and recognition in account;

e. the recognition of costs relating to meter checks be confirmed on the basis of the costs actually incurred with the application of recognition in account;

| with regard to the recognition of capital costs, the Authority provided that:

a. the adoption of a ceiling to tariff recognition for investments in distribution networks applied to locations with year of first supply after 2017 be confirmed for the fifth regulation period, to the extent set out in Resolution no. 704/2016/R/gas;

b. the weights to be applied for the recognition of smart meter investments made in the two-year period 2020-2021 be revised to 30% (from 40%) for the standard cost and to 70% (from 60%) for the actual cost and that the standard cost revision be referred to the investments in the metering service made in 2022;

c. a time horizon be adopted for the full recovery of "frozen" contributions aligned with the time horizon for the reimbursement of contributions subject to depreciation (about 34 years);

d. in relation to the recognition of residual costs of traditional meters class G6 or lower replaced with smart meters, an amount be set for the recovery of non-depreciation (IRMA), to be paid to the distribution companies over five years, equal to the difference between the residual non-depreciated value, calculated applying the pro-tempore regulatory

useful life in force, and the residual value, calculated by applying a useful life of 15 years; also providing for the recovery of non-depreciation for traditional meters installed in the period 2012-2014 replaced with smart meters;

e. following the equalisation of the β asset parameter for distribution (0.439) and metering services (from 0.502 to 0.439), the rate of return on invested capital WACC be set at 6.3% until 2021, including for metering activities;

f. incentive regulation schemes for capital costs related to the distribution service, based on standard cost recognition logics, be introduced starting from investments made in 2022;

g. aspects related to the introduction of tools to support network innovation be addressed in a specific consultation document, which was published in February 2020;

| with regard to the methanisation of Sardinia, the Authority has established a specific tariff framework providing, for a period of three years, for a transitional equalisation mechanism that allows the tariff of the Sardinian sector to be equalised with that of the southern Italy sector;

| with regard to the application of the tariff regulation to isolated LNG networks and isolated networks supplied by gas supply trucks, the Authority has introduced transitional rules, providing that these networks may be assimilated to interconnected distribution networks for a period of five years, subject to submission of an application by the distribution company concerned.

The Company filed an appeal before the Regional Administrative Court of Lombardy, served on 24 February 2020, challenging the legitimacy of the **Resolution no. 570/2019/R/gas** in several respects, including the planned reduction in recognised operating costs to the distributors, the reduction in the return on capital invested in metering activities, confirmation of the cap on investments in start-up locations, the proposed single tariff sector for Sardinia with equalization mechanism limited to the first three years only, and the proposal for a fixed x-factor throughout the regulation period. By order of 3 February 2021, the Regional Administrative Court prepared a verification intended to respond to a number of queries of particular technical complexity, which were relevant for the purposes of defining the judgement. As part of the verification activities, the expert witnesses were given the chance to examine, among other things, the data of the separate annual accounts used by ARERA for the adoption of the disputed regulatory provisions. The verification operations must be completed no later than 30 March 2022. The hearing on the merits is set for 21 April 2022.

Resolution no. 106/2020/R/gas redetermined the reference tariffs for gas distribution and metering services for the years 2009-2018 based on the requests of several distribution companies to correct the data. The Resolution also redetermined the reference tariffs for distribution and metering services for 2018 for locations with first year of supply starting from 2017 based on the provisions of Resolution no. 570/2019/R/gas, in relation to the ceiling on the costs recognised to cover capital costs relating to the distribution service in start-up locations. In particular, for 2017 start-ups, the Authority no longer provides for application of the ceiling to the amount of recognised costs, which are therefore remunerated based on the costs actually incurred

Resolution no. 107/2020/R/gas determined the final reference tariffs for gas distribution and metering services for

2019, calculated on the basis of the actual balance sheet figures for 2018.

Resolution No. 596/2020/R/gas approved the mandatory tariffs for natural gas distribution, metering and marketing services and the bimonthly equalisation prepayment amounts for natural gas distribution service for the year 2021. The Resolution also determined the values expressed in euro/re-delivery points, valid for the year 2021, of the components to cover operating costs related to the distribution, metering and marketing service, as well as the component to cover centralised capital costs.

Resolution no. 117/2021/R/gas determined the final reference tariffs for gas distribution and metering services for 2020, calculated on the basis of the actual balance sheet figures for 2019.

Resolution no. 122/2021/R/gas determined the provisional reference tariffs for gas distribution and metering services for 2021, based on the preliminary balance sheet data for 2020 pursuant to Art.3, subsection 2, of the RTDG.

Resolution no. 287/2021/R/gas amended Article 57, subsection 1 of the RTDG, in order to standardise the criteria for decommissioning, for regulatory purposes, the traditional meters replaced in accordance with the Directives for gas metering unit commissioning set out by Resolution no. 631/2013/R/gas, as amended and supplemented. The Resolution establishes that, regardless of the class of the traditional meter replaced, the decommissioning carried out in accordance with the smart meter directives be conventionally deducted from the stratification of the historical gross values using the values of the gross fixed assets related to the assets installed earliest (*so-called regulatory FIFO*).

Resolution no. 413/2021/R/gas approved the amounts of operating costs relating to smart metering/remote management systems and concentrators, incurred by the companies which submitted an application for the year 2019.

Resolution no. 414/2021/R/gas granted the request to recognise the operating costs relating to smart metering/remote management systems and concentrators, incurred by the former Company Napoletana Gas for the year 2017, not approved by the previous Resolution no. 568/2020/R/gas, since it is subject to in-depth analysis by the Authority.

Resolution no. 559/2021/R/gas determined the amounts for the recovery of non-depreciation (*so-called IRMA*) for the G4 and G6 traditional metering units replaced with gas *smart meters* in accordance with the smart meter directives. The Resolution redetermined the tariffs of reference for the tariff years 2015-2020, in accordance with the new provisions relating to the methods for declaring the decommissioning of G4 and G6 traditional metering units replaced with smart meters.

Resolution no. 575/2021/R/gas concluded the proceeding, initiated with Resolution no. 141/2021/R/gas, for the implementation of the ruling of the Council of State no. 341/2021 confirming the adoption of a constant productivity recovery rate (*x-factor*) (rather than decreasing with offsetting) in the first semi-period 2014-2016 of the fourth regulation period, therefore maintaining the formulation of Article 11, subsection 1, of the RTDG 2014-2019 in force until 31 December 2016, approved with resolution no. 367/2014/R/gas.

Resolution no. 614/2021/R/com, following the process initiated with the documents for consultation no. 308/2021/R/gas

and 488/2020/R/gas, approved the criteria for determining and updating the rate of return on invested capital for the infrastructural services of the electricity and gas sectors for the 2022-2027 period (TIWACC 2022-2027) and, on the basis of the economic scenario, carried out the infra-period update of the WACC base parameters shared by all regulated infrastructural services of the electricity and gas sectors. The 2PWACC is split into two sub-periods, each lasting three years. Albeit maintaining a three-year update frequency of the parameters relating to the macroeconomic and fiscal context, the Authority introduced an annual update mechanism (at least for the first three-year period) for the macroeconomic variables, if the cumulative effect of the update of the parameters leads to a change in the WACC above a threshold of 50 bps. For gas distribution and metering service, the value of the WACC as of 2022 is set at 5.6%, in pre-tax real terms.

Resolution No. 620/2021/R/gas approved the mandatory tariffs for natural gas distribution, metering and marketing services and the bimonthly equalisation prepayment amounts for natural gas distribution service for the year 2022. The Resolution also determined the values expressed in euro/re-delivery points, valid for the year 2022, of the components to cover operating costs related to the distribution, metering and marketing service, as well as the component to cover centralised capital costs.

In addition, the Resolution:

- | extends to 2022 the tariff regime relating to the natural gas distribution networks interconnected with the national transmission system for the isolated networks, pending the conclusion of the proceeding for the definition of a graduation mechanism to protect the end customers connected to such isolated natural gas networks, initiated with Resolution no. 634/2021/R/gas;
- | requires the activation of the rate of change to cover unpredictable and exceptional events and changes in the regulatory framework, setting it at 0.9%, for the recognition of the higher costs deriving from the amendments to the tax framework following the entry into force from 1 January 2021 of the provisions on the single concession fee;
- | requires that the costs relating to the single fee incurred by companies in 2021 be included in the calculations of the 2021 final reference tariffs and recognised through revenue equalisation mechanisms for the distribution service.

Resolution no. 634/2021/R/gas postponed until 30 April of year *t* the publication of the provisional reference tariffs relating to year *t* and until 31 March of year *t*+1 the publication of the final reference tariffs relating to year *t*.

Quality and safety of the gas distribution and metering service

With **Resolution no. 74/2021/S/gas** of 2 March 2021, the Authority issued Italgas Reti a fine of € 500,000, deeming the company to be in breach of a number of provisions of the Regulation on the Quality of Gas Distribution and Metering services for the 2014-2019 period, regarding the emergency intervention service for the natural gas distribution plant called "Castelnuovo Magra" managed by it. On 19 April 2021, Italgas Reti contested the aforesaid resolution, and the setting of a date for the hearing is currently pending.

With Resolution no. 232/2021/R/gas of 1 June 2021, the Au-

thority made a payment on account of the total net amount of the premiums relating to safety recoveries of the natural gas distribution service, for the year 2018, owing to distribution companies that gave their approval within the prescribed time limits, in the amount of 80%.

With **Resolution no. 596/2021/R/gas of 21 December 2021**, the Authority determined the premiums and penalties related to the safety recoveries of the natural gas distribution service for 2018. In particular, for subsidiaries and associates companies of Italgas S.p.A., the overall net amount (total premiums and penalties) due for the odourisation and dispersion components is: i) € 8,051,340 for Italgas Reti; ii) € 864,165 for Toscana Energia e iii) € 32,496 for Metano Sant'Angelo Lodigiano. For Umbria Distribuzione Gas, the total amount to be paid to the CSEA by way of balance is instead negative, for € 29,430.

Commercial regulation of gas distribution and metering service

With **Resolution no. 63/2021/R/com** of 23 February 2021, the Authority defined, pursuant to Law Decree no. 124 of 26 October 2019, the procedures for application of the system for automatic recognition of social gas and water bonuses for economic hardship, replacing the regulatory provisions of the previous "on-demand" system. The automatic recognition of the social gas bonus has a duration of 12 months and the procedures for application take into account the entry into operation of the Integrated Information System (IIS) to cross-check direct supplies and the personal data of an ISEE household, received from INPS [the Italian Social Security Institute], with those listed in its Official Central Register, in order to identify a re-delivery point held by one of the household members.

With **Resolution no. 191/2021/R/com** of 11 May 2021, the Authority updated the retail monitoring system by requiring that the basic data, found by the IIS, be detected by switching in the gas sector and by the information pertaining to the extent of the re-delivery points served as part of the protection service and in the free market.

With **Resolution no. 257/2021/R/com** of 22 June 2021, the Authority supplemented and amended the aforesaid Resolution no. 63/2021/R/com, regarding methods for payment of portions of the 2021 social bonuses already accrued, the operator disclosure obligations to end customers and social bonuses for physical discomfort. In particular, for the direct customers of the natural gas sector, if the user associated with the re-delivery point during the bonus period is not the same user associated with the re-delivery point at the moment of identification of the eligible supply, the distribution companies must pay the previous accruals of the 2021 social bonuses in a lump sum to the user associated with the supply for the previous period and to notify him/her of this.

Natural gas balancing service - Settlement

With **Resolution no. 227/2021/E/gas** of 1 June 2021, the Authority approved the programme for two inspections of gas distribution companies, concerning regulation of the physical and economic items of the natural gas balancing (settlement) service, with particular reference to the 2013-2018 period. The inspections aim to ascertain compliance with the provisions relating to the regulation of physical and economic items, the

accuracy of data used, the efficiency of the metering systems and the correct technical operation of the distribution network in relation to the parameters relevant for the purposes of the "delta in-out" control, which expresses the value of the difference between gas injected into the distribution network and gas taken from re-delivery points of the same network.

With **Resolution no. 604/2021/R/com** of 21 December 2021, the Authority defined the methods for compensating the settlement items deriving from the biennial prescription objections raised by the end customer and by the seller, maintaining the compensation activities of the economic charge pertaining to such items not connected to the settlement processes.

Energy efficiency

On 12 February 2021, **Resolution no. 550/2020/R/efr** was contested, with which the tariff contribution for Energy Efficiency Certificates was determined for the year 2019. At present, the hearing on the merits has not yet been scheduled.

On 18 February 2021, a ruling was issued, with which the Regional Administrative Court of Lombardy declared that **Resolution no. 270/2020/R/efr** did not violate the judgement of the previous Regional Administrative Court of Lombardy ruling no. 2358/2019 on EECs. The latter states that Italian Ministerial Decree of 10 May 2018, in the part where it set the cap on the tariff recognition of costs incurred for the purchase of certificates at € 250/EEC, unlawfully exceeded the tariff powers granted to ARERA. The judgement was only given on the claim of nullity brought by Italgas Reti against Resolution no. 270, but the claim of annulment brought against the ruling has yet to be examined. At present, the setting of a date for a new hearing for the decision on the annulment claim is pending. On 18 May 2021, the Company contested Regional Administrative Court of Lombardy ruling no. 437 of 18 February 2021. By judgement no. 7837 of 23 November 2021, the Council of State confirmed judgement no. 437/2021, declaring that Resolution no. 270/2020/R/efr was null as a result of violation of the judgement. The judgement of the Council of State rejected the claim of nullity but left without prejudice the claim of annulment, which is still pending before the Regional Administrative Court of Lombardy.

On 21 May 2021, the new Ministerial Decree on Energy Efficiency Certificates was published, regulating the four-year period 2021-2024 and retroactively updating the 2020 obligation for distributors. In addition, it provides for the postponement of 2020 compliance from 21 May to 16 July 2021 and introduced a balancing mechanism of future obligations lying with distributors according to certificate availability.

With **Resolution no. 01/2020** of 16 June 2021, subsequently amended with Resolution 06/2021 following publication of the Ministerial Decree of 21 May 2021, the Authority updated the national quantitative obligations for the increase in energy efficiency of natural gas end uses, to be achieved in 2020 by distributors with more than 50,000 end customers connected to their distribution network as at 31 December 2018. For subsidiaries and affiliates of Italgas S.p.A., the **quantitative obligation for 2020**, rounded off to the nearest whole number on a commercial basis and expressed as a number of White Certificates, is: i) 429,881 for Italgas Reti; ii) 62,226 for Toscana Energia and iii) 3,181 for Umbria Distribuzione Gas.

With **Resolution no. 358/2021/r/efr** of 03 August 2021, the Authority declared the value of the definitive tariff contribution

for reference period 2020, which is € 260.00/Energy Efficiency Certificate;

With **Determination no. 16/2021** of 10 November 2021, the Authority defined and transmitted to the Ministry of the Ecological Transition and to the GSE the national quantitative obligations for the increase in energy efficiency of natural gas end uses, to be achieved in 2021 by distributors with more than 50 thousand end users connected to its distribution network as at 31 December 2019. For subsidiaries and associates of Italgas S.p.A., the **quantitative obligation for 2021**, expressed as a number of White Certificates, is: i) 150,380 for Italgas Reti; ii) 22,428 for Toscana Energia and iii) 1,161 for Umbria Distribuzione Gas.

With **Resolution no. 547/2021/r/efr** of 30 November 2021, the Authority ruled the extraordinary recognition, for reference period 2020, of an exceptional contribution for each certificate annulled during the July 2021 session, not above the achievement of its specific objective, equal to € 7.26/Energy Efficiency Certificate.

Coronavirus emergency - main measures of the Authority

With Resolution no. 226/2020/E/com of 23 June 2020, the Authority extended to 31 March 2021, the deadline initially set at 30 June 2020 for the execution of the inspection programme pursuant to Resolution no. 531/2019/E/com on compliance with the Integrated Information System (IIS).

With Resolution no. 432/2020/R/com of 3 November 2020, the Authority introduced extraordinary measures regarding the output-based regulation of gas distribution services:

- | in relation to the slowdown in the replacement of network sections in non-compliant materials, it decreased the minimum obligation set for 31 December 2022 from 40% to 30%, leaving the deadlines for the subsequent intermediate and final obligations unchanged (75% in 2024 and 100% in 2025);
- | it stated that any applications for a derogation from the time frames provided for in the service quality regulation may be submitted by 30 June 2021, rather than 31 December 2020.

With **Resolution no. 501/2020/R/gas** of 1 December 2020, the Authority updated the deadlines of the gas smart meter commissioning obligations in at least 85% of existing redelivery points, with a metering unit class of less than or equal to G6, to 31 December 2021 for distribution companies with more than 200,000 end customers and 31 December 2022 for companies with between 100,000 and 200,000 end customers.

With **Resolution no. 81/2021/R/com** of 2 March 2021, the Authority extended the measures introduced with Resolution no. 248/2020/R/com intended to manage the reputational guarantee of the credit rating of sales companies in natural gas distribution contracts, in cases of downgrades related to the Covid-19 emergency. In particular, the Authority requires that, if, at the end of the twelve months following the downgrade of the rating, the issuer agency confirms the assessment previously expressed in light of the economic context connected with the ongoing health emergency, the network user can also continue to make use of such assessment in natural gas distribution contracts for the next twelve months.

6.2 Comment on the economic and financial results⁷⁰

6.2.1 Comment on the economic and financial results

(€ million)	2020	2020(**) restated	2021	Abs. change	Change %
Gas Distribution regulated revenues	1,394.3	1,394.3	1,294.5	(99.8)	(7.2)
of which distribution revenue	1,183.7	1,183.7	1,200.1	16.4	1.4
of which Other distribution revenue	102.2	102.2	94.4	(7.8)	(7.6)
of which special items	108.4	108.4	-	(108.4)	-
Adjusted gas distribution regulated revenue	1,285.9	1,285.9	1,294.5	8.6	0.7
Other revenues	47.9	47.9	76.3	28.4	59.3
Total revenues (*)	1,442.2	1,442.2	1,370.8	(71.4)	(5.0)
Adjusted total revenues	1,333.8	1,333.8	1,370.8	37.0	2.8
Operating costs	(414.3)	(416.1)	(361.9)	54.2	(13.0)
of which special items	(51.9)	(51.9)	-	51.9	-
Adjusted operating costs	(362.4)	(364.2)	(361.9)	2.3	(0.6)
EBITDA	1,027.9	1,026.1	1,008.9	(17.2)	(1.7)
Adjusted EBITDA	971.4	969.6	1,008.9	39.3	4.1
Amortisation, depreciation and impairment	(424.6)	(420.5)	(425.7)	(5.2)	1.2
EBIT	603.3	605.6	583.2	(22.4)	(3.7)
Adjusted EBIT	546.8	549.1	583.2	34.1	6.2
Net financial expense	(49.2)	(49.2)	(60.4)	(11.2)	22.8
of which special items	-	-	(6.4)	(6.4)	-
Adjusted net financial expense	(49.2)	(49.2)	(54.0)	(4.8)	9.8
Net income from equity investments	1.5	1.5	2.5	1.0	66.7
Gross profit	555.6	557.9	525.3	(32.6)	(5.8)
Adjusted gross profit	499.1	501.4	531.7	30.3	6.0

⁷⁰ The paragraph "Comment on the economic and financial results" refers to the Italgas Group, which comprises: Italgas S.p.A., Italgas Reti S.p.A., Medea S.p.A., Gaxa S.p.A., Italgas Acqua S.p.A., Toscana Energia S.p.A., Seaside S.p.A., Bludigit S.p.A., Ceresa S.p.A. and Italgas NewCo S.r.l.

(€ million)	2020	2020(**) restated	2021	Abs. change	Change %
Income taxes	(152.0)	(152.7)	(141.9)	10.8	(7.1)
<i>taxation related to special items</i>	<i>(16.9)</i>	<i>(16.9)</i>	<i>1.5</i>	<i>18.4</i>	<i>-</i>
Adjusted income taxes	(135.1)	(135.8)	(143.4)	(7.6)	5.6
Net profit	403.6	405.2	383.4	(21.8)	(5.4)
Net profit attributable to the Group	383.0	384.6	362.8	(21.8)	(5.7)
Net profit attributable to minority shareholders	20.6	20.6	20.6	0.0	0.0
Adjusted net profit	364.0	365.6	388.3	22.7	6.2
Adjusted net profit attributable to the Group	345.4	347.0	367.7	20.7	6.0
Adjusted net profit attributable to minority interests	18.6	18.6	20.6	2.0	10.8

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 772.0 and € 668.2 million respectively in 2021 and 2020), connection contributions (€ 19.6 and € 19.5 million respectively in 2021 and 2020) and other residual components (€ 0.8 and € 3.2 million respectively in 2021 and 2020).

(**) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the items relating to Operating costs (€ -1.8 million), Amortisation, depreciation and impairment (€ +4.1 million) and Income taxes (€ -0.7 million) were therefore adjusted as of 31 December 2020.

Adjusted operating profit (adjusted EBIT), net of non-recurring items, achieved in financial year 2021, amounted to € 583.2 million, with an increase of € 34.1 million compared to 31 December 2020 (+6.2%) due to higher adjusted total revenues (€ 37.0 million; +2.8%), lower adjusted operating costs (€ -2.3 million; -0.6%), partially offset by higher amortisation, depreciation and impairment (€ 5.2 million; +1.2%).

Adjusted net profit for FY 2021, comes to € 388.3 million, was up by € 22.7 million, or +6.2%, on 2020 net profit.

Adjusted net profit attributable to the Group came to € 367.7 million and has increased on FY 2020 (€ 20.7 million; +6,0%).

6.2.2 Reconciliation of reported EBIT and net profit with adjusted EBIT and net profit

Italgas' management assesses Group performance on the basis of alternative performance indicators⁷¹ not envisaged by IFRS, obtained by excluding special items from EBIT and net profit.

The income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. These performance metrics allow for analysis of the business trends, making it easier to compare results. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IFRS.

⁷¹ For the definition of alternative performance indicators, reference should be made to the chapter "Non-GAAP Measures" in this report.

The income components classed among special items in 2021 referred to:

| increased costs (€ 6.4 million) resulting from the bond buyback transaction finalised in February 2021, net of related taxes (€ 1.5 million)..

The effect on adjusted net profit was € 4.9 million in terms of lower expenses.

The income components classed among special items in 2020 referred to:

| the higher revenues associated with the contribution pursuant to Article 57 relating to the replacement of traditional meters with electronic ones (smart meters) due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to DCO 545/2020/R/gas and Resolution no. 570/2019/R/gas, amounting to € 108.4 million;

| costs for staff leaving incentives incurred in the financial year and the provision for staff leaving incentives for a total amount of € 13.0 million;

| the provision for the repair of faulty meters, amounting to € 38.5 million, determined on the basis of faulty meters detected on the field as at 31 December 2020, estimated faults for the 2021-2026 period and agreements with the suppliers;

| expenses associated with the 2019-2021 co-investment plan, due to the adjustment of the number of rights assigned, amounting to € 0.4 million;

With reference to the higher revenues pursuant to Article 57, the Company has already recorded the effects on the 2020 financial statements by virtue of DCO no. 545/2020/R/gas, whereby the Authority announced its intention to amend the RTDG 2020-2025, proposing that disposals relating to meters up to class G6 be determined using the so-called regulatory FIFO method and that this criterion be extended to the disposals of traditional meters higher than class G6, thereby making the criterion for determining residual depreciation uniform for all meters disposed of under the Directives.

The greater contribution is also made up of the amount for the recovery of non-depreciation (so-called IRMA) relating to meters class G6 or lower replaced with the smart meters introduced by Resolution no. 570/2019/R/gas.

(€ million)	2020	2021
Total revenue	1,442.2	1,370.8
<i>Excluding special items</i>	<i>(108.4)</i>	-
Adjusted total revenues	1,333.8	1,370.8
Total operating costs	(416.1)	(361.9)
<i>Excluding special items</i>	<i>51.9</i>	-
Adjusted total operating costs	(364.2)	(361.9)
EBITDA	1,026.1	1,008.9
<i>Excluding special items</i>	<i>(56.5)</i>	-
Adjusted EBITDA	969.6	1,008.9
EBIT	605.6	583.2
<i>Excluding special items</i>	<i>(56.5)</i>	-
Adjusted EBIT	549.1	583.2
Net financial expense	(49.2)	(60.4)
<i>Excluding special items</i>	-	6.4
Adjusted net financial expense	(49.2)	(54.0)
Net income from equity investments	1.5	2.5
Gross profit	557.9	525.3

(€ million)	2020	2021
<i>Excluding special items</i>	(56.5)	6.4
Adjusted gross profit	501.4	531.7
Income taxes	(152.7)	(141.9)
<i>Excluding special items</i>	16.9	(1.5)
Net profit (loss)	405.2	383.4
Net profit (loss) attributable to minority interests	20.6	20.6
Net profit (loss) attributable to the Group	384.6	362.8
<i>Excluding special items</i>		
revenues pursuant to Article 57 (*)	(77.2)	-
financial expense from bond buyback (*)	-	4.9
expense for staff leaving incentives (*)	9.7	-
provision for faulty meters (*)	27.6	-
co-investment plans (*)	0.3	-
Adjusted net profit (loss)	365.6	388.3
Adjusted net profit (loss) attributable to minority interests	18.6	20.6
Adjusted net profit (loss) attributable to the Group	347.0	367.7

(*) Net of the related tax effect.

6.2.3 Analysis of the Reclassified Income Statement items

TOTAL REVENUE

(€ million)	2020	2021	Abs. change	Change %
Total gas distribution regulated revenue	1,394.3	1,294.5	(99.8)	(7.2)
Distribution revenue	1,183.7	1,200.1	16.4	1.4
Other distribution revenue	102.2	94.4	(7.8)	(7.6)
of which special items	108.4	-	(108.4)	-
Total adjusted gas distribution regulated revenue	1,285.9	1,294.5	8.6	0.7
Other revenue	47.9	76.3	28.4	59.3
Adjusted total revenue	1,333.8	1,370.8	37.0	2.8
Total revenue	1,442.2	1,370.8	(71.4)	(5.0)

Adjusted total revenues for 2021 totalled € 1,370.8 million, up by € 37.0 million compared to 2020 (+2.8%).

Adjusted gas distribution regulated revenues increased by € 8.6 million compared to the same period of 2020 due to an increase in revenues from transmission (€ 16.4 million) offset by a reduction in other regulated gas distribution revenues (€ -7.8 million).

The increase in **distribution revenue** (€ 16.4 million), attributable to the increase in the RAB (€ 21.0 million), the effect of the deflator (€ 5.4 million), the contribution of the Sardinian networks (€ 8.1 million) and other regulation components (€ 4.8 million), mainly such as the tariff recognition of extra costs relating to the single asset fee (€ 1.9 million) and repayments for metrological checks (€ 2.2 million), more than offset the application of the X-factor according to the terms of ARERA Resolution 570/2019 (€ -7.9 million). Finally, lesser positive tariff balances are recorded than the previous year (€ -15.0 million).

The reduction of **other regulated revenues** (€ 7.8 million) is mainly linked to the lesser contribution pursuant to Article 57 of ARERA Resolution no. 367/14, as subsequently amended and supplemented, relative to the replacement of traditional meters with electronic ones (€ 13.9 million at 31 December 2021; € 30.2 million at 31 December 2020) partly offset by greater revenues from services to customers (€ 8.5 million), up on FY 2020 (very much impacted by the restrictive measures introduced as a result of the Covid-19 emergency).

Other revenues amounted to € 76.3 million as of 31 December 2021. The increase of € 28.4 million on the same period of 2020 is essentially linked to the increased activities in energy efficiency (€ 28.1 million) and revenues deriving from the sale of natural gas and LPG (€ 3.3 million), net of lesser revenues linked to sundry activities.

OPERATING COSTS

(€ million)	2020	2021	Abs. change	Change %
Fixed gas distribution costs	260.3	237.2	(23.1)	(8.9)
net personnel cost	146.3	137.9	(8.4)	(5.7)
of which special items	0.4	-	(0.4)	-
net external costs	114.0	99.3	(14.7)	(12.9)
Adjusted Fixed gas distribution costs	259.9	237.2	(22.7)	(8.7)
Other assets	24.9	53.5	28.6	-
net personnel cost	3.6	5.3	1.7	47.2
net external costs	21.3	48.2	26.9	-
Other costs and provisions	57.9	3.8	(54.1)	(93.4)
of which special items	51.5	-	(51.5)	-
Other adjusted costs and provisions	6.4	3.8	(2.6)	(40.6)
EEC	5.0	(2.2)	(7.2)	-
Concession-related expenses	68.0	69.6	1.6	2.4
Adjusted operating costs	364.2	361.9	(2.3)	(0.6)
Operating costs	416.1	361.9	(54.2)	(13.0)

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the item relating to operating costs was adjusted as of 31 December 2020 (-€ 1.8 million).

Adjusted operating costs amounted to € 361.9 million. Compared with the same period in 2020, these have dropped by € 2.3 million due to the result of lesser i) net personnel costs (€ 6.3 million), ii) net costs in connection with Energy Efficiency Certificates (€ 7.2 million), iii) other costs and provisions (€ 2.6 million) and iv) net external costs of gas distribution (€ 14.7 million), partly offset by greater v) net external costs for energy efficiency and marketing of methane and other gases in Sardinia (€ 26.9 million) and vi) concession charges (€ 1.6 million).

AMORTISATION, DEPRECIATION AND IMPAIRMENT

(€ million)	2020	2021	Abs. change	Change %
Amortisation and depreciation	419.6	424.8	5.2	1.2
Intangible assets IFRIC 12	339.8	344.8	5.0	1.5
Other Intangible Assets	43.5	40.9	(2.6)	(6.0)
Property, plant and equipment	36.3	39.1	2.8	7.7
of which amortisation of Right of Use	20.2	22.9	2.7	13.4
Impairment	0.9	0.9	0.0	-
	420.5	425.7	5.2	1.2

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the item relating to Amortisation, depreciation and impairment (+€ 4.1 million) was adjusted as of 31 December 2020.

Amortisation, depreciation and impairment (€ 425.7 million) increased by € 5.2 million (+1.2% compared to 31 December 2020) compared to the corresponding period of 2020, due mainly to the investments made in the previous financial year, offset by lower depreciation in relation to the replacement of traditional meters in view of the upcoming completion of the replacement plan (€ 1.5 million at 31 December 2021; € 17.7 million at 31 December 2020).

NET FINANCIAL EXPENSE

(€ million)	2020	2021	Abs. change	Change %
Expense (income) on short-term and long-term financial debt	48.9	56.1	7.2	14.7
of which special items	0.0	6.4	6.4	-
Upfront fee	4.8	6.3	1.5	31.3
Other net financial expense (income)	(2.6)	(0.1)	2.5	(96.2)
Expenses (income) related to the discounting of environmental provisions and provisions for employee benefits	2.0	1.1	(0.9)	(45.0)
Other net financial expense (income)	(4.6)	(1.2)	3.4	(73.9)
Financial expense capitalised	(1.9)	(1.9)	-	-
<i>Adjusted net financial expense</i>	49.2	54.0	4.8	9.8
Net financial expense	49.2	60.4	11.2	22.8

Adjusted net financial expense, i.e. net of the accounting effects of the bond buyback (€ 6.4 million) finalised in February 2021, amounted to € 54.0 million at 31 December 2021, up by € 4.8 million on FY 2020, mainly due to i) lesser other net financial income for € 3.4 million and ii) higher upfront fees connected with the 2021 bond issue for € 1.5 million.

NET INCOME FROM EQUITY INVESTMENTS

Net income from equity investments, of € 2.5 million at 31 December 2021, increased by € 1.0 million on FY 2020, mainly due to the contribution made by affiliates, measured using the equity method.

INCOME TAXES

(€ million)	2020	2021	Abs. change	Change %
Current taxes	186.2	154.6	(31.6)	(17.0)
Net deferred taxes	(33.5)	(12.7)	20.8	(62.1)
Income taxes	152.7	141.9	(10.8)	(7.1)
<i>taxation related to special items</i>	<i>(16.9)</i>	<i>1.5</i>	<i>18.4</i>	<i>-</i>
Adjusted income taxes	135.8	143.4	7.6	5.6
Effective tax rate (%)	27.4%	27.0%	(0.4)	(1.3)
Adjusted effective tax rate (%)	27.1%	27.0%	(0.1)	(0.4)

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the item relating to Income taxes (-€ 0.7 million) was adjusted as of 31 December 2020

Income taxes came to € 141.9 million, down € 10.8 million compared to the same value of the previous year, essentially as a consequence of the lower period result. Note that the higher result for financial year 2020 was characterised by special items relative to the higher revenues associated with the Art. 57 contribution relative to the replacement of traditional meters with electric ones due to the change in methodology compared to previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas, net of provisions for staff leaving incentives and recovery of metering instruments.

The **tax rate** was 27.0% (27.4% in 2020).

The reconciliation of the theoretical tax rate with the effective tax rate is described in the note "Income taxes" in the Notes to the consolidated financial statements.

6.2.4 Reclassified Statement of Financial Position

The Reclassified Statement of Financial Position combines the assets and liabilities of the mandatory format included in the consolidated financial statements based on the criterion of how the business operates, conventionally split into the three basic functions of investment, operations and financing.

The statement provided represents useful information for the investor because it makes it possible to identify the sources of financial resources (own and third-party funds) and uses of financial resources in fixed and working capital.

The Italgas' Reclassified Statement of Financial Position as at 31 December 2021, compared with that as at 31 December 2020, is summarised below:

(€ million)	31.12.2020(**)	31.12.2021	Abs. change
Fixed capital (*)	6,707.2	7,106.2	399.0
Property, plant and equipment	369.9	372.1	2.2
Intangible assets	6,511.5	6,938.1	426.6
Equity investments	34.2	35.1	0.9
Financial receivables and securities instrumental to operations	0.2	2.8	2.6
Net payables related to investments	(208.6)	(241.9)	(33.3)
Net working capital	111.2	109.7	(1.5)
Provisions for employee benefits	(104.6)	(95.6)	9.0
Assets held for sale and directly related liabilities	0.1	2.2	2.1
NET INVESTED CAPITAL	6,713.9	7,122.5	408.6
Shareholders' equity	1,977.4	2,142.5	165.1
attributable to the Italgas Group	1,737.4	1,891.4	154.0
attributable to minority shareholders	240.0	251.1	11.1
Net financial debt (***)	4,736.5	4,980.0	243.5
HEDGING	6,713.9	7,122.5	408.6

(*) Net of the effects deriving from the application of IFRS 15.

(**) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the balance sheet items, the items relating to intangible assets (-€ 5.1 million), shareholders' equity (-€ 3.6 million) and tax assets (+€ 1.5 million) were adjusted as of 31 December 2020.

(***) At 31 December 2021, the item did not consider liabilities for € 5.6 million due to Conscoop, consisting of shareholder loans disbursed by it to Isgastrentatrè, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.

The **net invested capital** at 31 December 2021 amounted to € 7,122.5 million and consists of the items outlined below.

The **fixed capital** (€ 7,106.2 million) increased by € 399.0 million compared to 31 December 2020, essentially due to the increase in tangible and intangible assets (€ 428.8 million), net of the increase in net payables related to investments (€ 33.3 million).

The **intangible fixed assets** (€ 6,938.1 million), which include assets for services in concession posted in the accounts pursuant to IFRIC 12, recorded an increase of € 426.6 million mainly following investments of € 778.5 million, net of contributions received and the change in the scope of consolidation for € 47.0 million, less amortisation, depreciation and impairment for € 386.6 million and disposals and sales of € 13.5 million.

The **tangible fixed assets** (€ 372.1 million), which mainly related to property, plant and equip-

ment, recorded an increase of € 2.2 million principally due to the effect of investments of € 45.7 million, including € 14.9 million linked to the application of IFRS 16, net of depreciation of € 39.1 million, of which € 22.9 linked to the right of use pursuant to IFRS 16 and disposals and sales in the amount of € 3.9 million.

Below is an analysis of the change in **Property, plant and equipment** and **Intangible assets**:

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2020	369.9	6,332.7	178.8	6,881.4
Investments	45.7	774.0	45.4	865.1
of which IFRS 16	14.9	-	-	14.9
Amortisation, depreciation and impairment	(39.1)	(344.5)	(42.1)	(425.7)
of which D&A pursuant to IFRS 16	(22.9)	-	-	(22.9)
Acquisition of companies and business units and asset	0.4	26.9	20.1	47.4
Contributions received	-	(40.9)	-	(40.9)
Disposals and sales	(3.9)	(12.8)	(0.7)	(17.4)
Other changes	(0.9)	(3.4)	4.6	0.3
Balance at 31 December 2021	372.1	6,732.0	206.1	7,310.2

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the balance sheet items, the item relating to intangible assets (-€ 5.1 million) was adjusted as of 31 December 2020.

The acquisition of companies and business units and asset item includes the effect of the purchases of assets of the Olevano sul Tusciano concession (€ 1.8 million), of the companies Ceresa (€ 20.3 million) and Isgastretantrè (€ 25.3 million).

Disposals and sales mainly include the effect of sales of real estate (€ 3.9 million) and the replacement of meters showing anomalies (€ 9.4 million).

Equity investments (€ 35.1 million) refer mainly to the companies Gesam Reti, Valdarno, Umbria Distribuzione Gas, Metano S. Angelo Lodigiano, Enerpaper and Reti Distribuzione.

Consolidated net working capital at 31 December 2021 amounts to € 109.7 million and is broken down as follows:

(€ million)	31.12.2020	31.12.2021	Abs. change
Trade receivables	462.2	388.6	(73.6)
Inventories	101.2	105.3	4.1
Tax receivables	64.4	71.6	7.2
Accruals and deferrals from regulated activities	202.8	115.8	(87.0)
Other assets	148.3	186.4	38.1
Trade payables	(303.0)	(300.9)	2.1
Provisions for risks and charges	(202.6)	(159.5)	43.1
Deferred tax liabilities	(55.2)	(50.8)	4.4
Tax payables	(43.5)	(12.1)	31.4
Other liabilities	(263.4)	(234.7)	28.7
	111.2	109.7	(1.5)

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the balance sheet items, the item relating to tax payables (-€ 1.5 million) was adjusted as of 31 December 2020.

Compared to 31 December 2020, net working capital fell by € 1.5 million due to: i) lower trade receivables (€ 73.6 million), mainly linked to the reduction of receivables due from the sales companies and the equalisation balance to CSEA; ii) an increase in inventories (€ 4.1 million) predominantly in relation to gas meters; iii) a decrease in net tax liabilities (€ 43.0 million) due mainly to the lower period taxable income; iv) a decrease in accruals and deferrals from regulated activities (€ 87.0 million) due to receivables relating to the contribution for meters pursuant to Art. 57 of ARERA Resolution no. 367/14 as amended, transferred to a factor; v) an increase in other assets (€ 38.1 million) mainly relating to the accessory billing components and receivables due from CSEA for safety incentives; vi) a decrease in trade payables (€ 2.1 million) relating to the equalisation balance due to CSEA; vii) a decrease in provisions for risks and charges (€ 43.1 million), mainly linked to the reduction of the reclamation provision (€ 25.5 million) and use of the provision for risks for operational restoration of metering instruments (€ 14.1 million); viii) a decrease in other liabilities for the period (€ 28.7 million), mainly for the accessory billing components, partly offset by the increase in payables for concession fees due to Municipalities.

It was pointed out that the Company had finalised factoring agreements with financial counterparties, on which basis the receivables claimed by the company could be transferred without recourse. In particular, transactions were completed for a total of € 306.2 million (2020: € 356.2 million) the factoring of receivables related to: i) trade receivables relating to distribution due on 31 December 2021 for € 66.6 million, ii) receivables due from CSEA for a total of € 182.9 million (additional components of € 44.3 million, cancellation of Energy Efficiency Certificates for € 37.9 million and contribution pursuant to Article 57 of ARERA Resolution no. 367/14 as subsequently amended and supplemented for € 100.7 million) and iii) other receivables for a total of € 56.7 million (tax, public grants).

NET FINANCIAL DEBT

(€ million)	31.12.2020	31.12.2021	Abs. change
Financial and bond debt	5,405.1	6,376.9	971.8
Short-term financial debt (*)	677.7	571.6	(106.1)
Long-term financial debt	4,651.1	5,735.3	1,084.2
Finance lease payables - IFRS 16	76.3	70.0	(6.3)
Financial receivables and cash and cash equivalents	(668.6)	(1,396.9)	(728.3)
Cash and cash equivalents	(663.5)	(1,391.8)	(728.3)
Financial receivables	(5.0)	(5.0)	-
Securities not instrumental to operations	(0.1)	(0.1)	-
Net financial debt (**)	4,736.5	4,980.0	243.5
Finance lease payables - IFRS 16	76.3	70.0	(6.3)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,660.2	4,910.0	249.8

(*) These include the short-term portions of long-term financial debt.

(**) At 31 December 2021, the item did not consider liabilities for € 5.6 million due to Conscoop, consisting of shareholder loans disbursed by it to Isgastrentatrè, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.

Net financial debt as at 31 December 2021 amounted to € 4,980.0 million, up by 243.5 million euros compared to 31 December 2020. Excluding the effects deriving from the application of IFRS 16, (€ 70.0 million), the net financial debt came to € 4,910.0 million (€ 4,660.2 million at the end of 2020).

Gross financial and bond debt as of 31 December 2021, amounting to € 6,376.9 million (€ 5,405.1 million as of 31 December 2020), relates to bonds (€ 4,591.5 million), loan agreements concerning European Investment Bank (EIB) funding (€ 828.1 million), liabilities pursuant to IFRS 16 (€ 70.0 million) and bank loans (€ 887.3 million).

Cash, amounting to € 1,391.8 million, up by € 728.3 million compared to 31 December 2020, is

held in current accounts immediately available with leading banks. The increase mainly stems from the funding generated by the bond issued in February 2021, with the aim of anticipating future financial needs.

The breakdown of gross financial debt by type of interest rate as at 31 December 2021 is as follows:

(€ million)	31.12.2020	%	31.12.2021	%
Fixed rate	4,676.3	86.5	5,910.9	92.7
Floating rate	728.8	13.5	466.0	7.3
Gross financial debt	5,405.1	100.0	6,376.9	100.0

Fixed-rate financial liabilities amounted to € 5,910.9 million and mainly refer to bonds (€ 4,591.5 million), EIB loans (€ 712.4 million), bank loans (€ 537.0 million) and financial liabilities pursuant to IFRS 16 (€ 70.0 million).

Fixed-rate financial liabilities increased by € 1,234.6 million compared to 31 December 2020, primarily due to the “dual-tranche” bond issue maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the buyback of bonds maturing in January 2022 and March 2024, for a total of € 255.7 million and the October 2021 subscription of two bank loans for a total of € 500.0 million, with a term of 3 years at zero rate. In view of the net liquidity from the “dual-tranche” bond issue, on 12 March 2021 Italgas cancelled the “Revolving Credit Facility” of € 500 million, maturing in October 2021 and completely unused.

Floating-rate financial liabilities were down by € 262.8 million due to the decreased use of bank credit lines, also thanks to the greater liquid funds available.

As at 31 December 2021, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan for nominal € 90 million taken out by Toscana Energia, which requires compliance with certain financial covenants.

Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 31 December 2021, these commitments were respected.

STATEMENT OF COMPREHENSIVE INCOME

(€ million)	2020	2021
Net profit	405.2	383.4
Other comprehensive income		
<i>Components reclassifiable to the income statement:</i>		
Change in fair value of cash flow hedge derivatives (Effective portion)	(10.3)	14.8
Tax effect	2.5	(3.6)
	(7.8)	11.2
<i>Components not reclassifiable to the income statement:</i>		
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	(4.6)	1.9
Tax effect	1.3	(0.5)
	(3.3)	1.4
Total other components of comprehensive income, net of tax effect	(11.1)	12.6
Total comprehensive income for the year	394.1	396.0
Attributable to:		
Italgas	372.0	375.3
Minority interests	20.5	20.7
	392.5	396.0

SHAREHOLDERS' EQUITY

(€ million)	2021
Shareholders' equity as at 31 December 2020	1,977.4
of which:	
Group shareholders' equity	1,737.4
Shareholders' equity of minority shareholders	240.0
Increase for:	
- 2021 comprehensive income	383.4
of which:	
Profit attributable to the Group	362.8
Profit attributable to minority shareholders	20.6
Stock grant reserve	2.2
IAS 19 valuation reserve	1.4

(€ million)	2021
Cash Flow Hedge valuation reserve	11.2
Payment of share capital by minority shareholders	11.3
	409.5
Decrease for:	
- Italgas 2020 dividend distribution	(224.3)
- 2020 dividend distributed to minority shareholders*	(19.5)
	(243.8)
- Other changes	
of which:	
<i>Attributable to the Group</i>	0.7
<i>Attributable to minority shareholders</i>	(1.4)
Group shareholders' equity	1,891.4
Shareholders' equity of minority shareholders	251.1
Shareholders' equity as at 31 December 2021	2,142.5

(*) This is the extraordinary dividend paid by Toscana Energia.

6.2.5 Reclassified Statement of Cash Flows

The reclassified statement of cash flows provided below is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash equivalents at the start and end of the period with the change in net financial debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow⁷², i.e. the cash surplus or deficit remaining after the financing of investments.

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million)	2020(**)	2021
Net profit	405.2	383.4
<i>Correction:</i>		
Depreciation and amortisation and other non-monetary components	424.2	426.6
Net capital losses (capital gains) on asset sales and eliminations	(1.1)	3.6
Interest and income taxes	201.9	203.6
Change in working capital due to operating activities	(110.8)	76.5
Dividends, interest and income taxes collected (paid)	(176.2)	(261.8)
Cash flow from operations (*)	743.2	831.9
Technical investments	(740.0)	(809.3)
Other changes related to investments activities	(5.2)	14.6
Divestments and other changes	2.0	12.5
Free cash flow before M&A transactions	-	49.7
Companies included in the scope of consolidation	(4.4)	(22.1)
Acquisition of business units and plants	(9.7)	(1.7)
Free cash flow	(14.1)	25.9
Change in short- and long-term financial debt and financial receivables	657.3	955.7
Reimbursements of financial liabilities for leased assets	(24.1)	(21.5)
Capital contribution from third parties	-	11.3
Equity cash flow	(211.4)	(243.1)
Net cash flow for the year	407.7	728.3

(*) Net of the effects deriving from the application of IFRS 15.

(**) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the items relating to Operating costs (€ -1.8 million), Amortisation, depreciation and impairment (€ +4.1 million) and Income taxes (€ -1.5 million) were adjusted as of 31 December 2020.

⁷² The free cash flow alternatively closed: (i) the change in cash for the period, after the addition/subtraction of cash flows relating to financial payables/receivables (usage/repayment of financial receivables/payables) and equity (payment of dividends/capital contributions); (ii) the change in net financial debt for the period, after the addition/subtraction of flows of debt relating to equity (payment of dividends/capital contributions).

CHANGE IN NET FINANCIAL DEBT

(€ million)	2020 ^(*)	2021
Free cash flow before M&A transactions	-	49.7
Change due to acquisitions of equity investments, business units and assets	(14.1)	(42.2)
Increase in finance lease payables	(25.7)	(15.2)
Equity cash flow	(211.4)	(243.1)
Capital contribution from third parties	-	11.3
Other changes (Difference between interest accounted for and paid)	-	(4.0)
Change in net financial debt	(251.2)	(243.5)

The cash flow from operating activities at 31 December 2021 amounted to € 831.9 million, with an increase of € 85.3 million compared to the previous year (+11.4%). In view of the flow from net investments, totalling € 782.2 million, the company generated a free cash flow before M&A transactions of € 49.7 million. As of 31 December 2021, the cash outflow from M&A transactions amounted to € 23.8 million, bringing the free cash flow to € 25.9 million.

Taking into account payment of the dividend for € 243.1 million, net financial debt increased by € 243.5 million.

6.3 Comment on the economic and financial results of Italgas S.p.A.

Italgas S.p.A. was incorporated on 1 June 2016 and listed on the Milan Stock Exchange from 7 November 2016.

6.3.1 Reclassified income statement

In view of Italgas S.p.A.'s nature as an industrial investment holding, the following reclassified Income Statement has been prepared, which inverts the order of the income statement items under Leg. Decree 127/91, presenting first those which relate to the financial operations, as this is the most significant income component for those companies⁷³.

(€ million)	2020	2021	Abs. change	Change %
Income from investments	239.7	264.1	24.4	10.2
Interest income	35.3	38.4	3.1	8.8
of which special items	-	2.9	2.9	-
Interest expenses and other financial expenses	(52.8)	(61.5)	(8.7)	16.5
of which special items	-	(5.2)	(5.2)	-
Financial income and expenses	222.2	241.0	18.8	8.5
Adjusted financial income and expenses	222.2	249.1	26.9	12.1
Income from services	104.1	102.2	(1.9)	(1.8)
Other operating income	104.1	102.2	(1.9)	(1.8)
Other operating costs				
For staff	(59.9)	(48.8)	11.1	18.5
of which special items	9.0	-	(9.0)	-
For performance of non-financial services and other costs	(48.7)	(52.2)	(3.5)	(7.2)
Amortisation and depreciation	(6.6)	(5.3)	1.3	19.7
Total of other operating costs	(115.2)	(106.3)	8.9	7.7
<i>Total of other operating costs - adjusted</i>	<i>(106.2)</i>	<i>(106.3)</i>	<i>(0.1)</i>	<i>(0.1)</i>
Gross profit	211.1	236.9	25.8	12.2
Adjusted gross profit	220.1	245.0	24.9	11.3
Income taxes	3.7	2.7	(1.0)	(27.0)
<i>taxation related to special items</i>	<i>(2.2)</i>	<i>(1.9)</i>	<i>0.3</i>	<i>(11.6)</i>
Adjusted income taxes	1.5	0.8	(0.7)	(49.6)
Net profit	214.8	239.6	24.8	(11.5)
Adjusted net profit	221.6	245.8	24.2	(10.9)

⁷³ See Consob Communication 94001437 of 23 February 1994.

The **net profit** achieved in 2021 amounted to € 239.6 million, up by € 24.8 million from the corresponding value for 2020. **Adjusted net profit** came to € 245.8 million.

The income components classified as special items in 2021 regard i) lesser income (€ 2.9 million) supported for the renegotiation of a loan in respect of the subsidiary Medea, with effect as of 1 July 2021, net of the related taxation (€ 0.7 million) and ii) greater expense (€ 5.2 million) deriving from the bond buyback completed in February 2021, net of the related taxation (€ 1.3 million).

6.3.2 Analysis of the Reclassified Income Statement items

FINANCIAL INCOME AND EXPENSES

(€ million)	2020	2021	Abs. change	Change %
Income from investments	239.7	264.1	24.4	10.2
Interest income	35.3	38.4	3.1	8.8
of which special items	-	2.9	2.9	
Interest expenses and other financial expenses	(52.8)	(61.5)	(8.7)	16.5
of which special items	-	(5.2)	(5.2)	-
Adjusted financial income and expenses	222.2	249.1	18.8	8.5
Total financial income and expenses	222.2	241.0	26.9	12.1

Income from equity investments (€ 264.1 million) essentially includes the dividends distributed by Italgas Reti subsidiaries (€ 240.4 million) and Toscana Energia (€ 20.0 million).

Interest income (€ 38.4 million) essentially relates to income from the intragroup loans granted by Italgas to its subsidiaries.

Interest expense and other financial expense (€ 61.5 million) refers to the costs relating to financial debt, and essentially concerns bond loan expense⁷⁴ (€ 54.6 million) and loans from banks (€ 6.6 million).

OTHER OPERATING INCOME

(€ million)	2020	2021	Abs. change	Change %
Income from services	104.1	102.2	(1.9)	(1.9)
Other operating income	104.1	102.2	(1.9)	(1.9)

⁷⁴ The details of bond issues during the year and related terms are provided in the note "Short-term financial liabilities, long-term financial liabilities and short-term portions of long-term financial liabilities" in the Notes to the separate financial statements.

Other operating income (€ 102.2 million) refers mainly to chargebacks to subsidiaries of the costs incurred for the provision of services centrally managed by Italgas S.p.A. These services are regulated through agreements signed between Italgas S.p.A. and its subsidiaries and refer to the following areas: ICT, personnel and organisation, planning, administration, finance and control, procurement, general services, property and security services, legal and corporate affairs and compliance, health, safety and environment, institutional relations and regulation, external relations and communication, internal audit and Enterprise Risk Management (ERM).

OTHER OPERATING EXPENSES

(€ million)	2020	2021	Var. ass.	Var. %
For staff	(59.9)	(48.8)	11.1	18.5
of which special items	9.0	-	(9.0)	-
For performance of non-financial services and other costs	(48.7)	(52.2)	(3.5)	(7.2)
Amortisation and depreciation	(6.6)	(5.3)	1.3	19.7
Total of other operating costs - adjusted	(106.2)	(106.3)	(0.1)	(0.1)
Total of other operating costs	(115.2)	(106.3)	8.9	7.7

Other operating expenses (€ 106.3 million) refer to personnel costs (€ 48.8 million) and costs for non-financial services, amortisation and other costs (€ 57.5 million). The latter includes costs for consulting and professional services (€ 8.3 million), ICT services (€ 22.2 million), costs relating to various service contracts (€ 10.7 million), other costs (€ 11.0 million).

Amortisation/depreciation (€ 5.3 million) reduces on 2020 following the transfer of IT assets to the subsidiary Bludigit.

6.3.3 Reclassified Statement of Financial Position

(€ million)	31.12.2020	31.12.2021	Abs. change
Fixed capital	6,201.2	6,709.8	508.6
Property, plant and equipment	15.8	12.3	(3.5)
Intangible assets	13.5	0.4	(13.1)
Equity investments	2,994.6	3,010.4	15.8
Financial receivables and securities instrumental to operations	3,181.0	3,687.8	506.8
Net payables (receivables) relating to investment activities	(3.7)	(1.1)	2.6
Net working capital	(31.6)	(10.8)	20.8
Provisions for employee benefits	(14.9)	(12.3)	2.6
NET INVESTED CAPITAL	6,154.7	6,686.7	532.0
Shareholders' equity	1,708.9	1,737.7	28.8
Net financial debt	4,445.8	4,949.0	503.2
HEDGING	6,154.7	6,686.7	532.0

Net invested capital amounted to € 6,686.7 million and rose by € 532.0 million compared to 31 December 2020, mainly as a result of the greater financial receivables instrumental to operations (€ 506.8 million).

Equity investments came to € 3,010.4 million and refer to the subsidiaries Italgas Reti, Italgas Acqua, Toscana Energia, Gaxa, Seaside, Italgas NewCo and Bludigit (€ 3,009.4 million) and joint ventures Umbria Distribuzione Gas and Metano S. Angelo Lodigiano (€ 1.0 million).

NET WORKING CAPITAL

(€ million)	31.12.2020	31.12.2021	Abs. change
Trade receivables	49.1	37.2	(11.9)
Tax receivables	55.8	17.3	(38.5)
Deferred tax assets	9.0	4.7	(4.3)
Other assets	4.5	4.4	(0.1)
Trade payables	(32.9)	(17.1)	15.8
Provisions for risks and charges	(8.4)	(8.0)	0.4
Tax payables	(74.7)	(31.2)	43.5
Other liabilities	(34.0)	(18.1)	15.9
	(31.6)	(10.8)	20.8

Net working capital (€ 10.8 million) dropped by € 20.8 million on 31 December 2020, mainly as a result of (i) the reduction in net tax items (€ 0.7 million), (ii) the reduction in trade receivables (€ 11.9 million) and trade payables (€ 15.8 million) mainly for IT services, a business held by Bludigit since July 2021, (iii) the reduction in other liabilities (€ 15.9 million) mainly connected to IRS hedging transactions.

NET FINANCIAL DEBT

(€ million)	31.12.2020	31.12.2021	Abs. change
Financial and bond debt	5,268.9	6,547.8	1,278.9
Short-term financial debt (*)	684.4	875.8	191.4
Long-term financial debt	4,571.6	5,662.5	1,090.9
Finance lease payables - IFRS 16	12.9	9.5	(3.4)
Financial receivables and cash and cash equivalents	(823.1)	(1,598.8)	(775.7)
Cash and cash equivalents	(657.1)	(1,384.6)	(727.5)
Financial receivables non-instrumental to operations	(166.0)	(214.2)	(48.2)
Net financial debt	4,445.8	4,949.0	503.2
Finance lease payables - IFRS 16	12.9	9.5	(3.4)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,432.9	4,939.5	506.6

(*) Includes the short-term portion of long-term financial debt and financial debt to subsidiaries.

As at 31 December 2021, net financial debt, including the impacts of financial liabilities pursuant to IFRS 16 of € 9.5 million (€ 12.9 million in the corresponding period of 2020), amounted to € 4,949.0 million, up by € 503.2 million from 31 December 2020 (€ 4,445.8 million). Net of the impact of the application of IFRS 16, net financial debt amounted to € 4,939.5 million (€ 4,432.9 million as at 31 December 2020).

Financial and bond debt as at 31 December 2021 totalled € 6,547.8 million (€ 5,268.9 million as at 31 December 2020) and refer mainly to: bonds (€ 4,591.5 million), loan agreements with the European Investment Bank (EIB) (€ 750.4 million), (iii) payables to banks (€ 850.0 million) and (iv) financial liabilities pursuant to IFRS 16 (€ 9.5 million).

As at 31 December 2021, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2020	%	31.12.2021	%
Fixed rate	4,527.0	85.9	6,082.1	92.9
Floating rate	741.9	14.1	465.7	7.1
Gross financial debt	5,268.9	100.0	6,547.8	100.0

Fixed-rate financial liabilities amounted to € 6,082.1 million and refer to bonds (€ 4,591.5 million), financial liabilities pursuant to IFRS 16 (€ 9.5 million), two EIB loans (€ 634.7 million) and bank loans (€ 846.4 million).

Fixed-rate financial liabilities increased by € 1,555.1 million compared to 31 December 2020, primarily due to the “dual-tranche” bond issue maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the buyback of bonds maturing in January 2022 and March 2024, for a total of € 255.7 million and the October 2021 subscription of two bank loans for a total of € 500.0 million, with a term of 3 years at zero rate.

Floating-rate financial liabilities were down by € 276.2 million due to the decreased use of bank credit lines, also thanks to the greater liquid funds available.

As at 31 December 2021, there are no loan contracts in place containing financial covenants and/or backed by real guarantees. Some of these contracts require, inter alia, compliance with: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 31 December 2021, these commitments were respected.

6.3.4 Reclassified Statement of Cash Flows

(€ million)	2020	2021
Net profit	214.9	239.6
<i>Correction:</i>		
Depreciation and amortisation and other non-monetary components	6.6	4.1
Interest and income taxes	(225.9)	(240.9)
Change in working capital due to operating activities	19.6	(9.5)
Dividends, interest and income taxes collected (paid)	206.5	244.1
Cash flow from operating activities	221.7	237.4
Technical investments	(7.8)	(8.7)
Equity investments	-	(0.7)
Net financial investments instrumental to operations	(558.0)	(506.8)
Other changes related to investments activities	(2.6)	(2.6)
Divestments and other changes	-	4.6
Free cash flow	(346.7)	(276.8)
Change in financial receivables not related to operations	252.9	48.3
Change in current and non-current financial debt	791.4	1,181.8
Reimbursements of financial liabilities for leased assets	(2.3)	(2.2)
Equity cash flow	(207.1)	(223.6)
Other changes relating to non-monetary components	19.1	-
Cash flow for the year	507.3	727.5

CHANGE IN NET FINANCIAL DEBT

(€ million)	2020	2021
Free cash flow	(346.7)	(276.8)
Equity cash flow	(207.1)	(223.6)
Other changes (Difference between interest accounted for and paid)	19.1	(3.9)
Increase in finance lease payables	(2.5)	1.1
Change in net financial debt	(537.2)	(503.2)

6.4 Non - GAAP Measures

Alternative performance indicators

On 5 October 2015, the ESMA (European Security and Markets Authority) published its guidance (ESMA/2015/1415) on the presentation criteria for alternative performance indicators (API or APM), which replaces the CESR/05-178b recommendations from 3 July 2016. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS/IFRS.

The alternative performance indicator adopted in this report are illustrated below.

MAIN ALTERNATIVE PERFORMANCE INDICATORS

Alternative economic performance indicators	Description
Gas Distribution regulated revenue	Operating performance indicator representing revenue from regulated gas distribution activities, calculated by subtracting Other revenue from the Total revenue. Other revenue is revenue from unregulated activities, revenue for construction and enhancement of infrastructures recognised pursuant to IFRIC 12, the release of connection contributions relating to the financial year and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
Reclassified operating costs	Operating performance indicator representing the legally-required operating costs minus costs for construction and enhancement of the infrastructure recognised pursuant to IFRIC 12 and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
EBITDA	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment.
Adjusted EBITDA	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBITDA.
EBIT	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments and net financial expense.
Adjusted EBIT	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBIT.
Adjusted Earnings per Share	Indicator of the profitability of the company's shares, calculated as the ratio between the adjusted net profit attributable to the Group and the total number of shares.

Alternative capital performance indicators	Description
Net working capital	A capital indicator that expresses the capital employed in current and non-financial assets and liabilities. This is defined as the sum of the values relating to trade receivables and payables, inventories, tax receivables and payables, provisions for risks and charges, deferred tax assets, deferred tax liabilities and other assets and liabilities.
Fixed capital	A capital indicator that expresses the total fixed assets. It is defined as the sum of the values relating to items of Property, plant and equipment, Intangible assets net of Other liabilities relating to connection contributions, Equity investments and Net debt relating to investment activities.
Net invested capital	A capital indicator that expresses the investments made by the company in operations. This is defined as the sum of the values related to fixed capital, net working capital, provisions for employee benefits and assets held for sale and directly related liabilities.
Alternative financial performance indicators	Description
Cash flow from operating activities	It represents the net cash flow from the operating activity of the mandatory schemes, excluding the effects deriving from the application of the IFRS 15 accounting standard (Other liabilities relating to connection contributions).
Free cash flow before M&A transactions	It represents the cash surplus or deficit remaining after the financing of investments, excluding the flow deriving from Merger and Acquisition transactions.
Free cash flow	It represents the cash surplus or deficit remaining after financing of the investments.
Net financial debt	Determined as the sum of short and long-term financial debt, net of cash and cash equivalents and current financial assets, such as, for example, securities held for trading (note 18).

6.4.1 Reconciliation of the reclassified Income Statement, Statement of Financial Position and Statement of Cash Flows

In line with ESM/2015/1415 guidance, the reconciliation of the Income Statements, Statements of Financial Position and Statements of Cash Flows of the Italgas Group and Italgas S.p.A., commented in the Directors' Report is provided below with the related legally required statements.

In compliance with the ESMA provisions for the taxonomy of ESEF (European Single Electronic Format) annual financial statements, a number of items in the balance sheet and income statement were reclassified, also readjusting the values as at 31 December 2021.

For more details, see the "Financial Statements" section of the notes to the consolidated financial statements and separate financial statements.

RECONCILIATION BETWEEN RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS AND THE LEGALLY REQUIRED FINANCIAL STATEMENTS

RECLASSIFIED INCOME STATEMENT

(€ million)	Reference to the explanatory notes of the consolidated financial statements	2020		2021			
		Figures from restated mandatory statement	Partial figures from restated mandatory statements	Figures from restated reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements
Revenues (from mandatory statements)		2,126.8			2,163.2		
Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 27)		(668.2)			(772.0)	
Release of connection contributions relating to the financial year	(note 27)		(19.5)			(19.6)	
Net income from Energy Efficiency Certificates	(note 27)		3.4			-	
Reimbursement of faulty meters	(note 27)		(0.2)			(0.8)	
Total revenue (from reclassified statements)				1,442.2			1,370.8
Operating costs (from mandatory statements)		(1,081.1)			(1,134.7)		
Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(nota 27)		668.2			772.0	
Net income from Energy Efficiency Certificates	(nota 27)		(3.4)			-	
Reimbursement of faulty meters	(nota 27)		0.2			0.8	
Operating costs (from reclassified statements)				(416.1)			(361.9)
EBITDA				1,026.1			1,008.9

(€ million)	Reference to the explanatory notes of the consolidated financial statements	2020			2021		
		Figures from restated mandatory statement	Partial figures from restated mandatory statements	Figures from restated reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements
Amortisation, depreciation and impairment (from mandatory statements)		(440.0)			(445.3)		
Release of connection contributions relating to the financial year	(note 27)		19.5			19.6	
Amortisation, depreciation and impairment (from reclassified statements)				(420.5)			(425.7)
EBIT		605.7		605.6	583.2		583.2
Net financial expense		(49.2)		(49.2)	(60.4)		(60.4)
Net income from equity investments		1.5		1.5	2.5		2.5
Gross profit		557.9		557.9	525.3		525.3
Income taxes		(152.7)		(152.7)	(141.9)		(141.9)
Net profit (loss)		405.2		405.2	383.4		383.4

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€ million)	Reference to the explanatory notes of the condensed consolidated half-year financial statements	31.12.2020		31.12.2021	
		Partial figures from restated mandatory statements	Figures from restated reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Fixed capital					
Property, plant and equipment			369.9		372.1
Intangible assets, of which:			6,511.5		6,938.1
Intangible assets	(note 14)	7,055.0		7,469.8	
from which to deduct Connection contributions	(note 21)	(543.5)		(531.7)	
Participating interests, composed of:			34.2		35.1
Equity investments measured using the equity method	(note 15)	29.3		30.1	
Other investments	(note 16)	4.9		5.0	
Financial receivables and securities instrumental to operations			0.2		2.8

(€ million)	Reference to the explanatory notes of the condensed consolidated half-year financial statements	31.12.2020		31.12.2021	
		Partial figures from restated mandatory statements	Figures from restated reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
(Where not expressly indicated, the item is obtained directly from the legally-required statement)					
Net payables relating to investment activities, composed of:			(208.6)		(241.9)
Payables for investment activities	(note 19)	(225.1)		(241.6)	
Payables due to Conscoop shareholders	(note 18)	-		(5.6)	
Receivables from investment/divestment activities	(note 9)	16.5		5.3	
Total fixed capital (from reclassified statements)			6,707.2		7,106.2
Net working capital					
Trade receivables			462.2		388.6
Inventories			101.2		105.3
Tax assets, composed of:			64.4		71.6
Current income tax assets	(note 11)	7.6		21.7	
Non-current income tax assets	(note 11)	-		22.9	
Other current tax assets	(note 12)	40.8		10.7	
IRES receivables for National Tax Consolidation Scheme	(note 9)	16.0		16.3	
Accruals and deferrals from regulated activities			202.8		115.8
Other assets, composed of:			148.3		186.5
Other receivables	(nota 9)	140.3		177.9	
Other assets	(nota 12)	8.0		7.9	
Other financial assets	(nota 20)	-		0.7	
Trade payables			(303.0)		(300.9)
Provisions for risks and charges			(202.6)		(159.5)
Deferred tax liabilities			(55.2)		(50.8)
Tax payables, composed of:			(43.5)		(12.1)
Current income tax liabilities	(note 11)	(34.4)		(3.4)	
Other tax liabilities	(note 21)	(9.0)		(8.7)	
Parent company's payables for liquidation of Group VAT	(note 19)	(0.1)		-	
Other liabilities, composed of:			(263.4)		(234.8)
Other payables	(note 19)	(239.4)		(220.9)	
Other liabilities	(note 21)	(2.7)		(7.2)	
Other financial liabilities	(note 20)	(21.3)		(6.7)	
Total net working capital (from reclassified statements)			111.2		109.7

(€ million)	Reference to the explanatory notes of the condensed consolidated half-year financial statements	31.12.2020		31.12.2021	
		Partial figures from restated mandatory statements	Figures from restated reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
(Where not expressly indicated, the item is obtained directly from the legally-required statement)					
Provisions for employee benefits			(104.6)		(95.6)
Assets held for sale and directly related liabilities, composed of:			0.1		2.2
Assets held for sale	(note 17)	0.1		2.2	
NET INVESTED CAPITAL			6,713.9		7,122.5
Shareholders' equity including minority interests			(1,977.4)		(2,142.5)
Net financial debt					
<i>Financial and bond debt, composed of:</i>			(5,405.1)		(6,376.9)
Long-term financial liabilities	(note 18)	(4,651.1)		(5,735.3)	
Short-term financial liabilities, composed of:					
Short-term portions of long-term financial debt	(note 18)	(97.7)		(208.0)	
Short-term financial liabilities:					
Short-term financial liabilities	(note 18)	(580.5)		(363.6)	
from which to deduct Factoring transactions in transit		0.5		-	
Financial liabilities pursuant to IFRS 16	(note 18)	(76.3)		(70.0)	
<i>Financial receivables and cash and cash equivalents, composed of:</i>			668.6		1,396.9
Cash:			663.5		1,391.8
Cash and cash equivalents	(note 7)	664.0		1,391.8	
from which to deduct Factoring transactions in transit		(0.5)			
Current financial assets, composed of:			5.1		5.1
Financial receivables non-instrumental to operations	(note 8)	5.0		5.0	
Other financial assets held for trading or available for sale	(note 8)	0.1		0.1	
Total net financial debt (from reclassified statements)			(4,736.5)		(4,980.0)
HEDGING			(6,713.9)		(7,122.5)

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million)	2020		2021	
Reclassified Statement of Cash Flows items and intersection of legally-required statement items	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Net profit		405.2		383.4
<i>Correction:</i>				
Amortisation, depreciation and other non-monetary components:		428.3		426.6
Amortisation and depreciation	443.3		444.4	
Net impairment of property, plant and equipment and intangible assets	0.9		0.9	
Contributions for connections - uses	(19.5)		(19.6)	
Effect of valuation using equity method	(1.5)		(2.5)	
Non-monetary items (stock grants)	5.1		3.4	
Net capital losses (capital gains) on asset sales and eliminations		(1.1)		3.6
Interest, income taxes and other changes:		201.2		203.6
Interest income	(5.3)		(3.6)	
Interest expense	54.5		65.3	
Income taxes	152.0		141.9	
Change in working capital due to operating activities:		(110.8)		76.5
Inventories	(48.9)		(3.5)	
Trade and other receivables	11.9		35.1	
Trade and other payables	3.9		(50.4)	
Change to provisions for risks and charges	29.7		(43.5)	
Other assets and liabilities	(99.8)		148.4	
from which to deduct Deferrals for connection contributions - increases	(7.1)		7.7	
from which to deduct Deferrals for connection contributions - uses	19.5		(19.6)	
from which to deduct effects of transactions to municipalities	(10.6)		-	
Change in provisions for employee benefits	(8.6)		(9.6)	
other changes	(0.8)		-	
Dividends, interest and income taxes collected (paid):		(176.2)		(261.8)
Dividends collected	7.4		1.3	
Interest income	1.4		3.6	
Interest paid	(48.3)		(59.8)	
Income taxes (paid) refunded	(136.7)		(206.9)	
Cash flow from operating activities		746.6		831.9

(€ million)	2020		2021	
	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Reclassified Statement of Cash Flows items and intersection of legally-required statement items				
Technical investments:		(741.8)		(809.3)
Property, plant and equipment	(39.5)		(30.8)	
Intangible assets	(709.4)		(786.2)	
Contributions for connections - increases	7.1		7.7	
Other changes relating to investment activities:		(5.2)		14.6
Disinvestments:		2.0		12.5
Property, plant and equipment	2.0		1.3	
Intangible assets	11.2		-	
Change in receivables relating to investment activities	(11.2)		11.2	
Free cash flow before M&A transactions	1.6		49.7	
Change in scope of consolidation		(4.4)		(22.1)
price paid for equity	(4.4)		(22.1)	
Business units and assests		(9.7)		(1.7)
Free cash flow		(12.5)		25.9
Change in financial debt:		657.3		955.6
Change in short- and long-term financial debt (*)	657.3		955.6	
Reimbursements of financial liabilities for leased assets		-24.1		(21.5)
Capital contribution from third parties		-		11.3
Equity cash flow		-211.4		(243.1)
Net cash flow for the year		409.3		728.2

(*) The statement takes into account an adjustment of 0.5 made in 2020 for factoring income

RECONCILIATION BETWEEN RECLASSIFIED FINANCIAL STATEMENTS OF ITALGAS S.P.A. AND THE LEGALLY REQUIRED FINANCIAL STATEMENTS

RECLASSIFIED INCOME STATEMENT

(€ million)	Reference to the explanatory notes of the consolidated financial statements	2020			2021		
		Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements
Revenues (from mandatory statements)		106.6			104.5		
Income for seconded personnel	(note 25)		(2.4)			(2.3)	
Total revenue (from reclassified statements)				104.1			102.2
Operating costs (from mandatory statements)		(111.0)			(103.4)		
Income for seconded personnel	(note 25)		2.4			2.3	
Operating costs (from reclassified statements)				(108.6)			(101.1)
EBITDA				(4.5)			1.1
Amortisation, depreciation and impairment		(6.6)		(6.6)	(5.3)		(5.3)
EBIT		(11.0)		(11.0)	(4.2)		(4.2)
Net financial expense		(17.4)		(17.4)	(23.1)		(23.1)
Net income from equity investments		239.7		239.7	264.1		264.1
Gross profit		211.2		211.2	236.9		236.9
Income taxes		3.7		3.7	2.7		2.7
Net profit (loss)		214.9		214.9	239.6		239.6

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€ million)	Reference to the explanatory notes of the financial statements	31.12.2020		31.12.2021	
(Where not expressly indicated, the item is obtained directly from the legally-required statement)		Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Fixed capital					
Property, plant and equipment			15.8		12.3
Intangible assets			13.5		0.4
Equity investments			2,994.6		3,010.4
Net payables related to investments			(3.7)		(1.1)
Financial receivables and securities instrumental to operations			3,181.0		3,687.8
Total fixed capital (from reclassified statements)			6,201.2		6,709.8
Net working capital					
Trade receivables			49.1		37.2
Inventories			-		-
Tax assets, composed of:			55.8		17.3
Income tax assets	(note 11)	-		12.6	
Other current tax assets	(note 12)	30.2		4.7	
IRES receivables for National Tax Consolidation Scheme	(note 9)	25.6		-	
Group VAT receivables	(note 9)	-		-	
Deferred tax assets			9.0		4.7
Other assets			4.5		4.4
Other current and non-current assets	(note 12 e 20)	4.5		4.4	
Trade payables			(32.9)		(17.1)
Provisions for risks and charges			(8.4)		(8.0)
Tax payables, composed of:			(74.7)		(31.2)
Income tax liabilities	(note 11)	(26.6)		(11.5)	
Other current tax liabilities	(note 21)	(1.6)		(1.4)	
Group VAT payables	(note 19)	(46.4)		(18.3)	
Other liabilities, composed of:			(34.0)		(18.1)
Other payables	(note 19)	(12.7)		(10.8)	
Other financial liabilities	(note 20)	(21.3)		(7.3)	

(€ million)	Reference to the explanatory notes of the financial statements	31.12.2020		31.12.2021	
		Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
<i>(Where not expressly indicated, the item is obtained directly from the legally-required statement)</i>					
Total net working capital (from reclassified statements)			(31.6)		(10.8)
Provisions for employee benefits			(14.9)		(12.3)
NET INVESTED CAPITAL			6,154.7		6,686.7
Shareholders' equity including minority interests			(1,708.9)		(1,737.7)
Net financial debt					
Financial and bond debt, composed of:			(5,268.9)		(6,547.8)
Long-term financial liabilities	(note 18)	(4,571.6)		(5,662.5)	
Short-term portions of long-term financial debt	(note 18)	(66.5)		(179.4)	
Short-term financial liabilities	(note 18)	(617.9)		(696.5)	
Financial liabilities pursuant to IFRS 16	(note 18)	(12.9)		(9.5)	
Financial receivables and cash and cash equivalents, composed of:			823.1		1,598.8
Financial receivables non-instrumental to operations	(note 9)	166.0		214.2	
Cash and cash equivalents	(note 7)	657.1		1,384.6	
Total net financial debt (from reclassified statements)			(4,445.8)		(4,949.0)
HEDGING			(6,154.7)		(6,686.7)

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million)	2020		2021	
	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Reclassified Statement of Cash Flows items and intersection of legally-required statement items				
Net profit		214.9		239.6
<i>Correction:</i>				
Amortisation, depreciation and other non-monetary components:		6.6		4.8
Amortisation and depreciation	6.6		5.3	
Impairment of equity investments	-		(2.0)	
Non-monetary items (stock grants)	-		1.5	
Interest, income taxes and other changes:		(225.9)		(240.9)
Dividends and other income from equity investments	(239.7)		(261.4)	
Interest income	(35.3)		(38.4)	

(€ million)	2020		2021	
Reclassified Statement of Cash Flows items and intersection of legally-required statement items	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Interest expense	52.8		61.5	
Income taxes	(3.7)		(2.6)	
Change in working capital due to operating activities:		19.6		(10.2)
Inventories	-		-	
Trade and other receivables	(14.4)		36.5	
Trade and other payables	5.4		(34.3)	
Change to provisions for risks and charges	6.6		(0.4)	
Other assets and liabilities	25.7		(10.6)	
Other changes	(0.9)		0.0	
Change in provisions for employee benefits	(2.8)		(1.4)	
Dividends, interest and income taxes collected (paid):		206.5		244.1
Dividends and other income collected from equity investments	239.7		261.4	
Interest income	10.8		38.4	
Interest paid	(47.4)		(57.3)	
Income taxes (paid) refunded	3.4		1.6	
Cash flow from operating activities		221.6		237.4
Technical investments:		(565.8)		(516.2)
Property, plant and equipment	(0.6)		(1.3)	
Intangible assets	(7.2)		(7.4)	
Equity investments	(0.8)		(0.7)	
Financial receivables instrumental to operations	(558.0)		(506.8)	
Change in receivables relating to disinvestment activities		(2.6)		(2.6)
Disinvestments:		-		4.6
Operating activities sold	-		4.6	
Free cash flow		(346.8)		(276.8)
Change in financial receivables not related to operations		252.9		48.3
Change in short- and long-term financial debt		791.4		1,181.8
Change in financial liabilities for leased assets		(2.3)		(2.2)
Equity cash flow		(207.1)		(223.6)
Other changes relating to non-monetary components		19.1		-
Cash flow for the year		507.2		727.5

6.5 Other information

Treasury shares

The company did not own any treasury shares as at 31 December 2021.

Related party transactions

Based on Italgas' current ownership structure, Italgas related parties include, in addition to directors, statutory auditors, executives with strategic responsibilities, companies associated with the Group or under its joint control, also the subsidiaries directly or indirectly controlled by CDP, therefore including the shareholder Snam, and the Ministry of Economy and Finance (MEF). Transactions with these entities relate to the exchange of assets, the provision of services and, in the case of CDP, the provision of financial resources.

These transactions are part of ordinary business operations and are generally settled at arm's length, i.e. the conditions which would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the Company intends to carry out and in which they have an interest.

CDP and CDP Reti consolidate Italgas pursuant to IFRS 10. In addition, through the Board of Directors' decision of 1 August 2019, CDP reclassified its investment in Italgas S.p.A. as a controlling interest pursuant to Article 2359, paragraph 1.2) of the Italian Civil Code and Article 93 of the CLF. Italgas is not subject to management and coordination activities by CDP.

As at 31 December 2021, Italgas manages and coordinates its subsidiaries, pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the balance sheet, income statement and cash flows, are provided in the paragraph "Related-party transactions" of the Notes to the consolidated and separate financial statements.

Relations with Key Managers are shown in the paragraph "Operating costs" of the Notes to the consolidated financial statements.

Operating performance of subsidiaries

For information on the outlook of areas where Italgas operates in whole or in part through subsidiaries, please refer to "Operating performance" and "Comment on the economic and financial results" of this Report.

Branch offices

In compliance with Art. 2428, fourth paragraph of the Italian Civil Code, note that the Italgas does not have secondary offices.

Research and development

Research and development activities carried out by Italgas are not of a considerable amount. For more details, see the notes to the Consolidated Financial Statements.

Significant events after year end

The significant transactions carried out after 31 December 2021 are summarised below. The Integrated Annual Report has been submitted to the examination of the Company's Board of Directors and its publication was authorised on 9 March 2022. Therefore, this document does not note any events that occurred subsequent to that date.

Capital transactions

| On 09 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and started the execution of the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earnings.

Legal and Regulatory

| With the ruling of 14 February 2022, the Regional Administrative Court of Lombardy upheld the appeal brought by Italgas Reti and annulled ARERA resolutions no. 163/2020/R/Gas and no. 567/2020/R/Gas with which the premiums and penalties related to the safety recoveries of the natural gas distribution service were determined in 2016 and 2017.

Other events

| on 18 January 2022, Italgas signed an agreement with Buzzi Unicem, an international group focused on the production of cement, concrete and natural aggregates, for the conduct of a feasibility study relative to the development of Power-to-Gas plants in combination with CO2 (carbon) capture systems at the production plants of Buzzi Unicem, with a view to assuring greater environmental sustainability and support for the energy transition;

| on 28 January 2022, Medea completed the conversion from LPG to natural gas of the distribution networks serving the municipalities of Tortoli, Girasole, Loceri and Talana in the province of Nuoro (Basin 22), for a total of around 15,000 inhabitants and involving around 84 kilometres of network, also replacing traditional meters with smart meters. The operations in these 4 municipalities follow those already completed in December in Osini, Gairo, Sant'Elena, Ulassai, Seui (Basin 22) and Pattada (Basin 10) for a total of 34 Sardinian municipalities already converted from LPG to natural gas. With the switch to methane of Gairo Taquisara and Cardedu, expected for the spring, Medea will complete its conversion programme on the island, which involves a total of 500 kilometres of pipes supplied by 31 LNG cryogenic depots;

| on 1 February 2022, Italgas was included for the third year running in the **Sustainability Yearbook 2022**, the annual S&P Global publication that brings together experiences, success stories and best practices from world leading companies on sustainability matters. Italgas was included following the Corporate Sustainability Assessment (CSA) carried out in 2021. Italgas has also obtained "Gold Class Distinction" for its excellent sustainability performance;

The Italgas share has also been confirmed on the **FTSE4Good Index Series**, which includes the best companies that stand out for the attention paid to sustainable economic development.

| on 2 March 2022, with an outlay of \$ 15 million, Italgas strengthened its partnership with **Picarro Inc.** through the acquisition of a minority **share** in the capital of the US technological start-up company and world leader in sensors applied to gas distribution network monitoring as well as technologies for sectors characterised by the need to have extremely sensitive detection, such as environmental measurements of the concentration of dangerous atmospheric pollutants and the electronics industry to identify impurities in the environments dedicated to semiconductor production.

DNF Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments

European taxonomy

The European taxonomy for sustainable activities was instituted with EU Regulation 2020/852 in order to define a unique criterion for the classification of sustainable economic activities from an environmental viewpoint. The European Union aims to provide companies, investors and policy managers with appropriate definitions for environmentally-sustainable activities, useful on the one hand to achieve the objectives set out in the Green Deal, directing their investments, and on the other to offer greater security to investors and companies in their green investment choices. With its investments in the gas networks aimed at making them carriers of renewable gases, in electronic meters, in energy efficiency and the ever greater reduction of potential grid losses, Italgas helps pursue that energy transition process necessary to achieve the European Green Deal objectives, while at the same time ensuring the stability of energy systems.

EU Regulation 2020/852 defines an activity as environmentally-sustainable if it makes a substantial contribution to achieving one of the following six objectives:

- | climate change mitigation;
- | climate change adaptation;
- | the sustainable use and protection of water and marine resources;
- | the transition to a circular economy;
- | pollution prevention and control;
- | the protection and restoration of biodiversity and ecosystems.

In particular, the Taxonomy, as it is defined today, establishes that an activity shall be:

- | eligible, if it comes under the list envisaged by the Regulation;
- | aligned, if in addition to making a significant contribution towards the adaptation and mitigation of climate change, in compliance with the technical examination criteria defined

by the Commission, it also does not have negative effects on the remaining objectives (Do No Significant Harm - DNSH) in respect of the minimum guarantees of safeguarding the protection of employment and human rights.

To date, the European Union has published delegated acts relating only to i) climate change mitigation and ii) climate change adaptation.

Starting 2022, and therefore applicable already from the 2021 financial statements, non-financial companies required to publish non-financial information in accordance with Article 19 *bis* or Article 29 *bis* of Directive 2013/34/EU are required to report the portion of turnover, capital expenditure and operating expenses considered Taxonomy-eligible and non-eligible. Italgas is subject to this obligation. At present, the definition of eligible activities is only disclosed in respect of the two objectives of climate change mitigation and climate change adaptation. For FY 2021, moreover, reporting relative to alignment with the Taxonomy is not mandatory.

For the other four objectives, the relevant delegated acts are expected for 2022, with application from 2023 and therefore applicable to the 2022 results.

The data reported in this section therefore satisfies the reporting obligation.

Main assumptions

To define the portion of turnover, operating expenses and capital expenditure deriving from activities that are eligible or aligned with the taxonomy, for lack of a consolidated, shared practice on a sector level and in light of possible different technical interpretations of the EU Delegated Regulations 2021/2139 and 2021/2178 that supplemented Regulation 2020/852, Italgas has defined a standard of internal criteria. It therefore follows that the resulting values, expressing the best assumptions presently available for the Group, could be subject to future updates in view of changes or updates

of the reference regulations or the emerging of new shared standards.

It is also specified that the portion of activities that are non-eligible includes all activities not described in Delegated Regulation EU 2021/2139, as well as defined in Delegated Regulation EU 2021/2178, regardless of whether or not these activities make a significant contribution towards mitigating climate change or adapting to climate change.

Area considered

The mapping of activities considered the scope made up of Italgas S.p.A. and its subsidiaries, going into detail of the individual activities carried out. The NACE code associated with the operating company has not been considered as a restriction for inclusion or exclusion, given that, in the case of Italgas and its subsidiaries, the NACE code in most cases reflects the core business and does not necessarily reflect the details required by the Taxonomy. For the definition of eligible activity, consistency was therefore considered with the definition of the activities included in the delegated acts.

Together with the process of defining eligible and non-eligible activities to the Taxonomy for current reporting purposes, Italgas has already started to assess and identify the actions necessary and aimed at defining the activities for Taxonomy to also comply with the disclosure obligations for 2023, also in the presence of possible changes or updates to regulations by the European Union or emerging of new shared standards.

Materiality

No minimum materiality thresholds have been defined for the inclusion/exclusion of individual activities.

Reporting principle

As the operator of a distribution network, Italgas acts to create the best possible conditions to guarantee that its network is "enabled" to the distribution of hydrogen and/or other renewable gases. It is not, however, responsible for the production of such gases nor for the definition of blending thresholds, which are activities carried out by other subjects. In considering the activities, it has been assessed how far the Company can act to facilitate and make possible, during the plan time frame, the distribution of other gases apart from methane.

Eligible activities

In accordance with Delegated Regulation 2021/2139, which supplements Regulation 2020/852, the analysis carried out by Italgas has led to the identification of eligible activities falling under the following descriptions:

- | (4.14) Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;
- | (7.5) Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;

- | (7.3) Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;
- | (7.6) Installation, maintenance and repair of renewable energy technologies;
- | (3.10) Manufacture of hydrogen;
- | (4.11) Storage of thermal energy;
- | (5.1) Construction, expansion and management of water collection, treatment and supply systems;
- | (5.2) Renewal of water collection, treatment and supply systems in respect of the drinking water sale and distribution companies;
- | (4.1) Production of electricity by means of solar-photovoltaic technology;
- | (4.15) Distribution of district heating/district cooling;
- | (8.1) Data processing, hosting and connected activities;
- | (8.2) Data-driven solutions for GHG emissions reductions;
- | (9.1) Close to market research, development and innovation;
- | (9.3) Professional services related to energy performance of buildings;

Calculation method

The procedure continued with the assessment of activities for next steps. If an activity can be considered both in light of climate mitigation and climate adaptation, the main aim was assessed for which this activity was implemented and the main impacts, thereby guaranteeing no duplication of data.

The accounting standards underlying the determination of the portions of turnover, capital expenditure and operative expense eligible, are the same used to prepare the consolidated financial statements, as explained in the Notes and are consistent with Regulation 2020/852 and the Delegated Regulations of Taxonomy made available by the European Commission.

Turnover eligible to the taxonomy

The portion of turnover eligible to the taxonomy, in compliance with paragraph 1.1.1 of Annex 1 to Regulation 2020/852, is calculated as the sum of revenues derived from products or services associated with activities eligible to the taxonomy, proportionally to the total net revenues of the group recorded in compliance with International Accounting Standard (IAS) no. 1, paragraph (82: (a)), shown in the Notes to the Consolidated Financial Statements in section 27.

More specifically, the eligible turnover includes the part share of the remuneration of the gas metering service, relative to the installation, maintenance and repair of digital meters. For the gas distribution activity, the following has been calculated: i) the part share of the RAB and related revenues connected with investments in the network suitable for the distribution of renewable and low-carbon gases including all requalification of the distribution network and its extensions, carried out with materials suitable for the new renewable gases and ii) the portion of turnover relating to activities involving the detection of leaks, the repair of existing gas pipelines and other elements of the network, aimed at reducing methane leaks. Revenues deriving from activities relating to the ESCOs and water ser-

vice have also been included, consistently with the taxonomy criteria.

The portion of turnover (revenues, net of the items relative to Service concession agreements) considered ineligible includes all activities not coming under the previous points.

Operating expenses eligible to the taxonomy

The portion of admissible operating expenses (OPEX) is calculated as the ratio of operating costs related to activities or processes admissible to the Taxonomy proportionally to the operating expenses incurred (considered equal to 26.2% of the total operating expenses), in compliance with the provisions of subsection 1.1.2 of Annex 1 to Regulation 2020/852 and are explained in the Notes to the Consolidated Financial Statements in section 28.

The activities to which these expenses refer are those described in the previous section, in addition to the operating expenses related to real estate services and ICT.

Capital expenditure eligible to the taxonomy

The portion of admissible capital expenses (CAPEX), in compliance with paragraph 1.1.2 of Annex 1 to Regulation 2020/852, is calculated as the ratio of investments in activities

or processes eligible to the taxonomy with respect to the increases in tangible and intangible assets in 2021, considered before amortisation/depreciation, impairment and any value adjustment, including those resulting from the recalculation and reduction in value and excluding changes in fair value. As indicated in Delegated Regulation 2021/2178, the increase in assets also includes the increases in tangible and intangible assets deriving from business combinations. CAPEX is booked in accordance with IAS 16 (73: (e) (i) and (iii)), IAS 38 (118: (e) (i)), and IFRS 16 (53: (h)) and are shown in the Notes to the Consolidated Financial Statements in sections 13 and 14 as well as in the Integrated Annual Report in section 4.3.

In particular, the admissible CAPEX includes all investments related to the installation, maintenance and repair of digital meters. For the gas distribution activity, the following has been included: i) the investments made in the network for the distribution of renewable and low-carbon gases, including all requalification of the distribution network and its extensions, carried out with materials suitable for the new renewable gases and ii) the portion of investments relating to activities involving the detection of leaks, the repair of existing gas pipelines and other elements of the network, aimed at reducing methane leaks. The CAPEX relative to the ESCOs, the water service, real estate and ICT were also included in line with the taxonomy criteria.

Turnover is reported, along with CAPEX and OPEX associated with the eligible activities. No information is supplied in respect of other KPIs, apart from that required by the Delegated Regulation (EU) 2021/2178.

(€ million)	U.o.m.	eligible	non-eligible
Revenues	%	25%	75%
OPEX	%	82%	18%
CAPEX	%	86%	14%

DNF “Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)” Table

In 2020, the Group began improving its strategy for the fight against climate change, taking inspiration from the Financial Stability Board TCFD (Task Force on Climate-related Financial Disclosures) recommendations, which aim principally to guide the companies in providing their stakeholders with clear and comparable information on the risks and opportunities connected with climate change.

The contents of the table given below have been organised on the basis of four themed areas concerned by the TCFD recommendation: governance, strategy, risk management and metrics and objectives with a view to providing a clearer disclosure on such matters.

TCFD Recommendations	Disclosure
GOVERNANCE (organisation's governance model in connection with the risks and opportunities associated with climate change)	
a) Supervision of the Board of Directors on the risks and opportunities associated with climate change	The Italgas Group has a specific governance model on sustainability topics, also with a view to monitoring the impacts of climate change on corporate operations. Thanks to the involvement of top management in all strategic sustainability choices and the Italgas governance model, matters relating to climate change are taken into account when defining the Group's strategic and sustainability plan, in risk management policies, in defining the organisation's performance objectives and actions for their monitoring, etc. The Board of Directors, the Sustainability Committee and the Control, Risk and Related Party Transactions Committee are periodically informed as to aspects relating to climate change and the related initiatives; finally, at least once a quarter, the Board of Directors is informed about climate-altering emissions performance and the level of achievement of GHG targets, which are reported on in the Consolidated Half-Year Report, the Consolidated First and Third Quarter Results and the Integrated Annual Report.
b) Role played by the management in assessing and managing the risks and opportunities associated with climate change	

TCFD Recommendations	Disclosure
STRATEGY (current or potential impacts of the risks and opportunities associated with climate change on the organisation's business, strategy and financial planning)	
a) Risks and opportunities associated with climate change that the organisation has identified in the short-, medium- and long-term	As reported in the table of the paragraph entitled "Risk Management" in this document, Italgas considers, in connection with the risks relating to climate change, both physical risks and risks of transition, assessing the relevant impact.
b) Impacts of the risks and opportunities associated with climate change on the organisation's business, strategy and financial planning	Italgas puts sustainability firmly at the heart of its development model, a guiding element in defining strategic and operative choices to guarantee long-term growth. In the Strategic Plan, Italgas defines a macro-comprehensive scenario that includes contexts and trends of the Energy and Environmental Policies (decarbonisation - Paris Agreement, renewal sources, energy efficiency, sustainable mobility, power to gas and green gas) and presents its own Sustainability Plan. The Group's strategy is developed consistently with the United Nations Sustainable Development Goals.
c) Resilience of the strategy of the organisation, taking into account different climate-related scenarios, including a scenario of 2°C or less.	<p>The definition of the Strategy is also influenced by the internal monthly information, collection and reporting process on current and forecast GHG emissions and other matters relating to climate change (e.g. energy consumption), in which the data and main trends in consumption, scope 1, 2 and 3 emissions are analysed, through the use of specific KPIs, which make it possible to assess the effectiveness of the initiatives brought into play by the Group companies in terms of energy efficiency and the reduction of climate-altering emissions, in line with the objectives included in the 2021-2027 Strategic Plan.</p> <p>In recent years, Italgas' corporate strategy has been increasingly influenced by climate change matters and various initiatives have been developed with a view to reducing GHG emissions (e.g. leak detection using Picarro technology, conversion of the corporate fleet to methane gas, green gas initiatives, energy efficiency of the plants, etc.).</p> <p>In the short-term, the main elements impacting the development of Italgas' strategy are the regulatory aspects of climate change like the European policy objectives, whilst in the short-/medium-term, the technological aspects, such as, for example, the digitisation of assets as a factor enabling the distribution of renewable and low carbon emission gases.</p> <p>Italgas' strategy is outlined in the 2021-2027 Strategic Plan, which also highlights and considers elements such as:</p> <ul style="list-style-type: none"> the role of gas in the decarbonisation process; the digital transformation and technological innovation that allow Italgas to also play a key role in the energy transition.
RISK MANAGEMENT (how the organisation identifies, assesses and manages risks associated with climate change)	
a) Organisation's processes to identify and assess risks associated with climate change	The process of identifying, managing and monitoring risks and opportunities associated with climate change comes under the scope of the Enterprise Risk Management model described above.
b) The organisation's processes to manage risks associated with climate change	Risk reporting is shared/discussed with top management and the Control, Risk and Related Party Transactions Committee of Italgas, the Board of Statutory Auditors and the Supervisory Body to allow for assessments of the effectiveness of the Internal Control and Risk Management System.
c) How the processes of identifying, assessing and managing the risks associated with climate are integrated into the organisation's overall risk management	With reference to the risks connected with climate change and the related management methods, special reference is made to the risks of "Climate Change" described in the table given in the paragraph on "Risk Management" in this document.

TCFD Recommendations	Disclosure
METRICS AND TARGETS (metrics and targets used by the organisation to assess and manage the relevant risks and opportunities associated with climate change)	
a) Metrics used by the organisation to assess the risks and opportunities associated with climate change in line with its risk management process and strategy	Italgas shows its commitment to aspects relating to climate change through the careful monitoring of its energy consumptions and emissions and the implementation of specific initiatives aimed at reducing greenhouse gas emissions and increasing its energy efficiency performance and the search for and reduction of fugitive emissions. Italgas monitors the following GHG tCO ₂ eq) emissions:
b) Scope 1, 2 and 3 greenhouse gas (GHG) emissions and related risks	<ul style="list-style-type: none"> Direct emissions (Scope 1): deriving from the civil consumption of gas, from industrial consumption of gas for preheating, from fuel consumptions for vehicles and grid losses ("fugitive emissions"); Indirect emissions (Scope 2): deriving from the consumption of electricity purchase and district heating; other Indirect Emissions (Scope 3) deriving from business travel, outsourced activities (supply chain) and emissions relating to the production of energy purchased and consumed (fuel side, emissions linked to their extraction, production and transport; electricity side, emissions relating to the extraction, production and transport of the fuels used for generation and emissions relating to losses for transmission and distribution).
c) Targets used by the organisation to manage the risks and opportunities associated with climate change and performance with respect to the targets	The Group has undertaken to reduce its CO ₂ equivalent emissions by 30% by 2027 as compared with 2020 ⁷⁵ .

⁷⁵ Considering the contribution of self-production through the recovery of energy that is otherwise dispersed. The reduction is measured with the same scope, excluding any changes following M&As and ATEM (Minimum Territorial Area) tenders.

Independent Auditors' Report on the Consolidated Non-Financial Statement

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018

To the Board of Directors of
Italgas S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Italgas S.p.A. and its subsidiaries (hereinafter "Italgas Group" or "Group") as of December 31, 2021 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 9, 2022 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the NFS.

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and Global Reporting Initiative Sustainability Reporting Standards established by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Italgas Group;
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Italgas S.p.A. and with the employees of the main legal entities of the Group and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at group level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries Italgas S.p.A., Italgas Reti and Toscana Energia, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits and remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Italgas Group as of December 31, 2021 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and GRI Standards.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the NFS.



Other matters

The NFS for the year ended December 31, 2019, whose data are presented for comparative purposes, have been subject to a limited assurance engagement by another auditor that, on April 16, 2020 expressed an unmodified conclusion.

DELOITTE & TOUCHE S.p.A.

Signed by
Franco Amelio
Partner

Milan, Italy
April 1, 2022

This report has been translated into the English language solely for the convenience of international readers.

Glossary

A glossary of financial, commercial and technical terms, as well as units of measurement, is available online at www.italgas.it.

Economic-financial terms

Non-current assets

Balance sheet item which shows long-lasting assets, net of relative amortisation, depreciation and impairment losses. They are divided into the following categories: "Property, plant and equipment", "Compulsory inventories", "Intangible assets", "Equity investments", "Financial assets" and "Other non-current assets".

Cash flow

Net cash flow from operating activities is represented by the cash generated by a company over a certain period of time. Specifically, the difference between current inflows (mainly cash revenue) and current cash outflows (costs in the period that generated cash outflows).

Controllable fixed costs

Fixed operating costs of regulated activities, represented by the sum of "Total recurring personnel costs" and "Recurring external operating costs".

Covenants

A covenant is an undertaking within a loan agreement whereby certain activities can or cannot be carried out by the borrower. Specifically, a covenant is defined as "financial" when it imposes a limit relating to the possibility of taking out a further loan, while in covenants relating to property, the clauses are aimed, inter alia, at limiting the use of financial leverage by the company, involving the obligation of maintaining a given ratio between balance sheet debt and capitalisation.

These commitments are imposed by financial subjects to prevent the financial conditions of the borrower from deteriorating and, where this does happen, to be able to request the early repayment of the loan.

Credit rating

Represents the opinion of the rating agency with respect to a debtor's general credit or the debtor's creditworthiness with specific reference to a particular debt instrument or another form of financial obligation, based on the relevant risk factors; the classification of various risk levels is made using letters of the alphabet and with essentially the same procedures by the various agencies.

Dividend payout

Ratio between the dividend and net profit for the period, and equal to the percentage of profits paid out to shareholders in the form of dividends.

Outlook

The outlook indicates the future rating prospects over a long period of time, usually two years. When it is "negative" it means that the rating is weak and that the rating agency has detected some critical elements. If the weakness factors persist or worsen, the rating may be downgraded.

Notch

Risk level assigned by the rating agency, as part of the process of assigning the credit rating, which corresponds to a probability of default, i.e. of the issuer.

R.O.E. (Return on equity)

Ratio between the net profit and shareholders' equity at the end of the period, able to express the return on own capital.

R.O.I. Core (Return on investment)

Ratio of EBIT and net invested capital at period end, net of equity investments, capable of expressing operating profitability, indicating the company's capacity to remunerate invested capital from the results of its core business activities.

Consolidated Finance Act (TUF)

Legislative Decree No. 58 of 24 February 1998, as amended.

Comprehensive income

Includes both net income for the period and changes in shareholders' equity, which are recognised in shareholders' equity in accordance with international accounting standards (Other components of comprehensive income).

Commercial and technical terms

Thermal year

Time period into which the regulatory period is divided. Starting from the third regulatory period, the thermal year coincides with the calendar year.

ARERA

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) is an independent body set up by Law no. 481 of 14 November 1995 to protect the interests of consumers and promote competition, efficiency and dissemination of services with adequate levels of quality, through regulation and control activities. The Authority's action, initially limited to the electricity and natural gas sectors, was later extended through a number of regulatory measures, in particular through Law Decree 201/11, converted to Law 214/11, to assign responsibility also for water services.

ATEM

Minimum Geographical Areas (ATEMs) for conducting tenders and assigning the gas distribution service, calculated as 177 pursuant to the definition of Article 1 of the Ministerial Decree of 19 January 2011. The Municipalities belonging to each area are listed in the Ministerial Decree of 18 October 2011.

Energy and Environmental Services Fund - CSEA

Public economic institution that operates in the fields of electricity, gas and water. Its primary mission is the collection of certain regulation components by operators; these components are collected in dedicated management accounts and subsequently disbursed to businesses according to the rules issued by the Authority. The CSEA is supervised by the Authority and the Ministry of Economy and Finance. The CSEA also, in relation to the entities administered, performs inspection activities aimed at administrative, technical, accounting and management assessments, consisting in hearing and comparing the entities involved, with recognition of locations and systems, research, testing and comparison of documents.

White certificates

White Certificates, or Energy Efficiency Certificates (EEC) are negotiable securities that certify the energy savings achieved in the end uses of energy by taking action to increase energy efficiency. The White Certificate system is an incentive mechanism based on a mandatory primary energy saving regime for electric power and natural gas distributors. All entities eligible for the mechanism are entered in the Electronic Register of Energy Efficiency Certificates with the GME.

End user

The consumer who buys gas for their own use.

Network code

The document governing the rights and obligations of the parties involved in providing the gas distribution service.

Gas distribution concession

The deed by which a local authority entrusts to a company the management of a natural gas distribution service which falls within the remit of said authority, and for which said company assumes the operational risk.

Local tender

The local tender is the sole tender procedure for the provision of gas distribution services held in each of the 177 ATEMs (Minimum Territorial Areas) identified pursuant to Articles 1 and 2 of the Decree of the Ministry of Economic Development of 19 January 2011.

Gas distributed or circulated

Amount of gas delivered to users of the distribution network at the delivery points.

Italian Power Exchange (GME)

A joint stock company established by the GSE to which business management of the Electrical Energy Market was assigned according to criteria of transparency and objectiveness, with a view to promoting competition between producers and ensuring the availability of an adequate power reserve level. Previously known as the Italian Power Exchange, it changed its name on 19 November 2009. In particular, the GME manages the day-ahead energy market (MGP), the intraday market (MI), the daily product market (MPEG), the dispatching services market (MSD), the electric forward market (MTE) and the Platform for the physical delivery of financial contracts concluded on the Index (CDE). The GME also manages the Environment Markets (energy efficiency certificates market and the origin guarantees market) and the spot and futures markets for natural gas, as part of the natural gas market (MGAS). In the context of regasification, it organises and manages the PAR platform.

Energy Services Manager (GSE)

Public company limited by shares with wholly public capital, with a central role in the promotion, incentive and development of renewable sources in Italy. The sole shareholder of the GSE is the Ministry of Economy and Finance, which exercises shareholder rights with the Ministry of Economic Development. The GSE controls three companies: the Acquirente Unico (AU; Single Buyer), Gestore dei Mercati Energetici (GME; Energy Markets Operator) and Ricerca sul Sistema Energetico (RSE; Energy System Research).

Equalisation

Difference between revenues for the period (annual TRL) and those invoiced to retail companies. The net position with the

CSEA is established at the end of the thermal year and settled over the course of the year on the basis of advance payments.

Regulatory period

This is the time period for which criteria are defined for setting tariffs for gas distribution services. The fourth regulatory period ended on 31 December 2019. The fifth regulatory period is now in progress, beginning on 1 January 2020 and ending on 31 December 2025.

Delivery point

This is the point of demarcation between the gas distribution plant and the plant owned or managed by the end user at which the distribution company redelivers gas transported for supply to the end user, and at which metering occurs.

Gas distribution service

Service of transporting natural gas through networks of local methane pipelines from one or more delivery points to redelivery points, generally at low pressure and in urban areas, for delivery to end users.

Retail Company or Relco (Retail Company)

Company which, by way of a contract giving it access to the networks managed by a distributor, sells the gas.

Regulatory Asset Base (RAB)

The term RAB (Regulatory Asset Base) refers to the value of net invested capital for regulatory purposes, calculated on the basis of the rules defined by the Regulatory Authority for Energy, Networks and Environment (ARERA), for determining the reference tariff.

Centralised RAB

The Centralised Regulatory Asset Base is made up of tangible fixed assets other than those included under local tangible fixed assets and intangible fixed assets (in other words non-industrial buildings and property, other tangible fixed assets and intangible fixed assets, such as, for example, remote management and remote-control systems, equipment, vehicles, IT systems, furniture and furnishings, software licenses).

Local RAB

The Local Regulatory Asset Base for the distribution service consists of the following types of tangible fixed assets: land

on which industrial buildings, manufacturing buildings, major and minor plants, road and pipeline installations (connections) are located. Local Regulatory Asset Base relating to the metering service is made up of the following types of tangible fixed assets: traditional metering equipment and electronic metering equipment.

Reimbursement value

The Reimbursement Value is the amount owed to outgoing operators on the termination of the service pursuant to Article 5 of the Decree of the Ministry of Economic Development No. 226 of 12 November 2011 in the absence of specific different calculation method forecasts contained in the documents of the individual concessions stipulated before 11 February 2012 (the date when Ministerial Decree No. 226/2011 came into force).

RIV or Residual Industrial Value

The residual industrial value of the part of the plant owned by the outgoing operator. It is equal to the cost that should be incurred for its reconstruction as new, reduced by the value of the physical degradation and also including non-current assets under construction as indicated from the accounting records (Article 5(5) of Ministerial Decree No. 226/2011).

TRL (Total Revenue Limit)

Total revenue allowed for distribution companies by the regulatory body to cover costs for providing distribution and metering services.

WACC

Weighted Average Cost of Capital. Rate of return on net invested capital.



b | Consolidated
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statements

Statement of Financial Position

(€ thousands)	Notes	31.12.2020 restated (*)		31.12.2021	
		Total	of which, related parties	Total	of which, related parties
ASSETS					
Current assets					
Cash and cash equivalents	(7)	664,026		1,391,763	
Current financial assets	(8)	5,120		5,120	
Trade and other receivables	(9)	635,028	253,182	588,098	225,831
Inventories	(10)	101,184		105,294	
Current tax assets on income	(11)	4,251		21,625	
Other current non-financial assets	(12)	84,168	5	54,079	4
		1,493,777		2,165,979	
Non-current assets					
Property, plant and equipment	(13)	369,899		372,108	
Intangible assets	(14)	7,055,028		7,469,805	
Investments valued using the equity method	(15)	29,301		30,108	
Non-current financial assets	(16)	5,072		7,855	
Non-current income tax assets	(11)	3,340		22,936	
Other non-current financial assets	(20)			670	
Other non-current non-financial assets	(12)	167,441	674	80,366	668
		7,630,081		7,983,848	
Non-current assets held for sale	(17)	69		2,180	
TOTAL ASSETS		9,123,927		10,152,007	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term financial liabilities	(18)	698,406	536	591,188	464
Trade and other payables	(19)	767,555	28,535	769,137	36,683
Current tax liabilities on income	(11)	34,471		3,430	
Other current financial liabilities	(20)	299		290	
Other current non-financial liabilities	(21)	9,118	175	13,111	175
		1,509,849		1,377,156	
Non-current liabilities					
Long-term financial liabilities	(18)	4,707,145	2,097	5,785,707	1,351

(€ thousands)	Notes	31.12.2020 restated (*)		31.12.2021	
		Total	of which, related parties	Total	of which, related parties
Provisions for risks and charges	(22)	202,617		159,506	
Provisions for employee benefits	(23)	104,622		95,648	
Deferred tax liabilities	(24)	55,215		50,791	
Other non-current financial liabilities	(20)	21,002		6,283	
Other non-current non-financial liabilities	(21)	546,054		534,425	
		5,636,655		6,632,360	
Liabilities directly associated with non-current assets held for sale					
TOTAL LIABILITIES		7,146,504		8,009,516	
SHAREHOLDERS' EQUITY	(25)				
Share capital		1,001,232		1,002,016	
Reserves		139,821		154,510	
Profit (loss) carried forward		211,755		372,075	
Profit (loss) for the year		384,626		362,813	
Treasury shares					
Total Italgas shareholders' equity		1,737,434		1,891,414	
Minority interests		239,989		251,077	
TOTAL SHAREHOLDERS' EQUITY		1,977,423		2,142,491	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,123,927		10,152,007	

(*) for details on reconciliation with the 2020 restated figures, see point 4) Financial statements

Income Statement

(€ thousands)	Notes	2020 restated (*)		2021	
		Total	of which, related parties	Total	of which, related parties
REVENUE	(27)				
Revenue		2,057,935	853,432	2,098,463	806,219
Other revenue and income		68,844	9,516	64,769	5,726
		2,126,779		2,163,232	
OPERATING COSTS	(28)				
Costs for raw materials, consumables, supplies and goods		(124,066)	(7,378)	(150,932)	(11,096)
Costs for services		(536,511)	(3,308)	(614,223)	(2,926)
Costs for leased assets		(87,555)	(1,414)	(90,780)	(1,142)
Personnel cost		(268,411)		(254,580)	
Allocations to/releases from provision for risks and charges		(44,499)		1,868	
Allocations to/releases from provisions for doubtful debt		16		(320)	
Other expenses		(20,124)	(134,792)	(25,783)	(99,170)
		(1,081,150)		(1,134,750)	
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(29)	(440,053)		(445,251)	
EBIT		605,576		583,231	
FINANCIAL INCOME (EXPENSE)	(30)				
Financial expense		(54,507)	(299)	(64,645)	(914)
Financial income		5,298		3,630	
Derivative financial instruments				636	
		(49,209)		(60,379)	
INCOME (EXPENSE) FROM EQUITY INVESTMENTS	(31)				
Effect of valuation using the equity method		1,466	1,466	2,011	2,011
Dividends		49	49	50	50
Other income (expense) from equity investments				391	
		1,515		2,452	
Gross profit		557,882		525,304	
Income taxes	(32)	152,633		141,884	

(€ thousands)	Notes	2020 restated (*)		2021	
		Total	of which, related parties	Total	of which, related parties
Net profit (loss) for the year		405,249		383,420	
Attributable to Italgas		384,626		362,813	
Minority interests		20,623		20,607	
Net profit (loss) per share attributable to Italgas (€ per share)	(33)				
- basic and diluted		0.48		0.45	

(*) for details on reconciliation with the 2020 restated figures, see point 4) Financial statements

Consolidated Statement of Comprehensive Income: attributable to the parent company and to minority interests

(€ thousands)	31.12.2020 restated (*)			31.12.2021		
	Attributable to the parent company	Attributable to minority interests	Total	Attributable to the parent company	Attributable to minority interests	Total
Net profit (loss) for the year	384,626	20,623	405,249	362,813	20,607	383,420
Other comprehensive income						
Components reclassifiable to the income statement:						
Change in fair value of cash flow hedge derivatives (Effective portion)	(10,320)		(10,320)	14,753		14,753
Tax effect	2,477		2,477	(3,541)		(3,541)
	(7,843)		(7,843)	11,212		11,212
Components not reclassifiable to the income statement:						
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	(4,347)	(185)	(4,532)	1,761	168	1,929
Tax effect	1,196	52	1,248	(493)	(47)	(540)
	(3,151)	(133)	(3,284)	1,268	121	1,389
Total other components of comprehensive income, net of tax effect	(10,994)	(133)	(11,127)	12,480	121	12,601
Total comprehensive income for the year	373,632	20,490	394,122	375,293	20,728	396,021

(*) for more details on the 2020 restated figures, see section 4) Financial statements

Statement of changes in shareholders' equity

(€ thousands)	Shareholders' equity pertaining to owners of the parent													Minority interests	Total shareholders' equity
	Share capital	Consolidation reserve	Share premium reserve	Legal reserve	Reserve for defined benefit plans for employees, net of tax effect	Fair value reserve for cash flow hedge derivatives, net of tax effect	Reserve for business combinations under common control	Stock grant reserve	Other reserves	Retained earnings	Net profit for the year	Total			
Balance at 31 December 2019	1,001,232	(323,907)	620,130	200,246	(13,257)	(8,119)	(349,839)	1,169	8,711	6,777	417,238	1,560,381	234,558	1,794,939	
Restatement effect										(4,337)	(784)	(5,121)	(121)	(5,242)	
Balance as at 31 December 2019 restated (a) (Note 25)	1,001,232	(323,907)	620,130	200,246	(13,257)	(8,119)	(349,839)	1,169	8,711	2,440	416,454	1,555,260	234,437	1,789,697	
2020 profit for the year											382,972	382,972	20,654	403,626	
Restatement effect											1,654	1,654	(31)	1,623	
2020 profit for the year restated											384,626	384,626	20,623	405,249	
Other components of comprehensive income:															
<i>Components reclassifiable to the income statement:</i>															
- change in fair value of cash flow hedge derivatives						(7,843)						(7,843)		(7,843)	
<i>Components not reclassifiable to the income statement:</i>															
- Actuarial gains on remeasurement of defined-benefit plans for employees					(3,151)							(3,151)	(133)	(3,284)	
Total comprehensive income 2020 (b)					(3,151)	(7,843)					384,626	373,632	20,490	394,122	
Transactions with shareholders:															
- Allocation of 2019 profit for the year										416,454	(416,454)				
- Allocation of Italgas SpA dividend for 2019 (€0.256 per share)										(207,139)		(207,139)		(207,139)	
- Payment of share capital by minority shareholders													9,630	9,630	
- Allocation of dividends to minority shareholders													(13,880)	(13,880)	
- Stock grant reserve								4,466				4,466		4,466	
Total transactions with shareholders (c)								4,466		209,315	(416,454)	(202,673)	(4,250)	(206,923)	
Other changes in shareholders' equity (d)									11,215			11,215	(10,688)	527	
Balance as at 31 December 2020 (e=a+b+c+d) (Note 25)	1,001,232	(323,907)	620,130	200,246	(16,408)	(15,962)	(349,839)	5,635	19,926	211,755	384,626	1,737,434	239,989	1,977,423	

Statement of changes in shareholders' equity

(€ thousands)	Shareholders' equity pertaining to owners of the parent													Minority interests	Total shareholders' equity
	Share capital	Consolidation reserve	Share premium reserve	Legal reserve	Reserve for defined benefit plans for employees, net of tax effect	Fair value reserve for cash flow hedge derivatives, net of tax effect	Reserve for business combinations under common control	Stock grant reserve	Other reserves	Retained earnings	Net profit for the year	Total			
Balance as at 31 December 2020 (e=a+b+c+d) (Note 25)	1,001,232	(323,907)	620,130	200,246	(16,408)	(15,962)	(349,839)	5,635	19,926	211,755	384,626	1,737,434	239,989	1,977,423	
2021 profit for the year											362,813	362,813	20,607	383,420	
Other components of comprehensive income:															
<i>Components reclassifiable to the income statement:</i>															
- change in fair value of cash flow hedge derivatives						11,212						11,212		11,212	
<i>Components not reclassifiable to the income statement:</i>															
- Actuarial gains on remeasurement of defined-benefit plans for employees					1,268							1,268	121	1,389	
Total comprehensive income 2021 (b)					1,268	11,212					362,813	375,293	20,728	396,021	
Transactions with shareholders:															
- Allocation of 2020 profit for the year										384,626	(384,626)				
- Allocation of Italgas SpA dividend for 2020 (€0.277 per share)										(224,306)		(224,306)		(224,306)	
- Payment of share capital by minority shareholders													11,267	11,267	
- Allocation of dividends to minority shareholders													(19,500)	(19,500)	
- Stock grant reserve								2,214				2,214		2,214	
Total transactions with shareholders (c)								2,214		160,320	(384,626)	(222,092)	(8,233)	(230,325)	
Other changes in shareholders' equity (d)	784		2,247				(2,247)	(5)				779	(1,407)	(628)	
Balance as at 31 December 2021 (e=a+b+c+d) (Note 25)	1,002,016	(323,907)	622,377	200,246	(15,140)	(4,750)	(349,839)	5,602	19,921	372,075	362,813	1,891,414	251,077	2,142,491	

Cash flow statement

(€ thousands)	2020 restated	2021
Profit (loss) for the year	405,249	383,420
Adjustments to reclassify net profit to cash flow from operating activities:		
Amortisation and depreciation	439,120	444,387
Net impairment of assets	933	864
Effect of valuation using the equity method	(1,466)	(2,011)
Other income from equity investments		(391)
Stock grant	5,153	3,375
Net capital losses (capital gains) on asset sales, cancellations and eliminations	(1,150)	3,553
Dividends	(25)	(50)
Financial income	(5,298)	(3,630)
Financial expense	54,507	65,281
Income taxes	152,633	141,884
Change in provisions for employee benefits	(8,575)	(9,581)
Changes in working capital:		
- Inventories	(48,889)	(3,518)
- Trade receivables	11,861	73,560
- Trade payables	3,931	(2,115)
- Provisions for risks and charges	29,720	(43,507)
- Other assets and liabilities	(99,840)	49,935
Cash flow from working capital	(103,217)	74,355
Dividends collected	7,442	1,254
Financial income collected	1,381	3,630
Financial expense paid	(48,370)	(59,783)
Income taxes paid, net of tax credits reimbursed	(136,656)	(206,923)
Net cash flow from operating activities	761,661	839,634
<i>of which, related parties</i>	<i>705,661</i>	<i>731,289</i>
Investments:		
- Property, plant and equipment	(39,502)	(30,836)
- Intangible assets	(707,548)	(788,747)
Change in scope of consolidation and business units	(19,775)	(19,014)
- Equity investments	(4,382)	(2,250)
- Change in payables and receivables for investments	(5,168)	14,605

(€ thousands)	2020 restated	2021
Disinvestments:		
- Property, plant and equipment	2,492	961
- Intangible assets	13,501	296
- Change in receivables relating to disinvestment activities	(11,244)	11,244
Net cash flow from investment activities	(771,626)	(813,741)
<i>of which, related parties</i>	<i>(520)</i>	<i>(807)</i>
Assumptions of long-term financial debt	495,900	1,492,298
Repayment of long-term financial debt	(6,180)	(313,514)
Increase (decrease) in short-term financial debt	157,532	(223,535)
Capital contributions from third parties	9,630	11,267
Dividends collected	(221,007)	(243,143)
Reimbursements of financial liabilities for leased assets	(24,121)	(21,529)
Net cash flow from financing activities	411,754	701,844
<i>of which, related parties</i>	<i>(82,478)</i>	<i>(89,464)</i>
Net cash flow for the year	401,789	727,737
Opening cash and cash equivalents	262,237	664,026
Closing cash and cash equivalents	664,026	1,391,763

Notes to the consolidated financial statements

Company information

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries (hereinafter referred to as "Italgas", the "Italgas Group" or the "Group"), is at the forefront of the regulated natural gas sector.

Italgas S.p.A. is a joint stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices in Milan at 11 via Carlo Bo.

CDP S.p.A. consolidated Italgas S.p.A. pursuant to the accounting principle IFRS 10 "Consolidated Financial Statements".

As at 31 December 2021, CDP S.p.A. owns, via CDP Reti S.p.A.⁷⁶ 26.02% of the share capital of Italgas S.p.A.

The parent company Italgas S.p.A. is not subject to management and coordination activities. Italgas S.p.A. exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Italian Civil Code.

1. Basis of preparation

The consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) as well as the interpretive documents still in force issued by the IFRS Interpretations Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, before that, by the Standing

Interpretations Committee (SIC). For sake of simplicity, all of the aforementioned standards and interpretations will hereafter be referred to as "IFRS" or "International Accounting Standards".

The same consolidation principles and measurement criteria of the previous year are applied in the 2021 consolidated financial statements, except for the international accounting standards that came into force starting from 1 January 2021, which are described in the following section "Accounting principles and interpretations applicable from 2021" of said report.

The consolidated financial statements are prepared on a going-concern basis, using the historical cost method, taking into account value adjustments, where appropriate, with the exception of the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria.

The consolidated Financial Statements as at 31 December 2021, approved by Italgas S.p.A.'s Board of Directors at the meeting of 09 March 2022, were subjected to an audit by Deloitte & Touche S.p.A., which - as the main auditor - is responsible for auditing the separate financial statements of Italgas S.p.A. and its subsidiaries.

The consolidated Financial Statements are presented in Euro. Given their size, amounts in the financial statements and respective notes are expressed in thousands of Euro, unless otherwise specified.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB (INTERNATIONAL ACCOUNTING STANDARDS BOARD), APPROVED BY THE EUROPEAN UNION (EU) AND IN FORCE SINCE 1/1/2021

The following provisions issued by the IASB (International Accounting Standards Board) entered into effect in the European Union on 1 January 2021:

IASB AND IFRS IC DOCUMENTS	EU effective date	Date of endorsement	Date of publication in the Official Journal
Amendment to IFRS 16 - Covid- 19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021	30 August 2021	31 August 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i> (issued on 27 August 2020)	1 January 2021	13 January 2021	14 January 2021
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (issued on 25 June 2020)	1 January 2021	15 December 2020	15 December 2020

⁷⁶ CDP S.p.A. holds 59.10%.

On 31 March 2021, the IASB published the **“Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)”** document, which extends, by one year (until 30 June 2022), the IFRS 16 amendment that provides operators with an exemption from assessing whether the impacts of Covid-19 on leases (e.g. reduction of rent) constitute amendments to the lease conditions. The amendments are effective for financial years starting on or after 1 April 2021, and early application is permitted.

On 27 August 2020, the IASB published the **“Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)”** document, which specified the effects on financial reporting in the event that, following the reform on IBOR interbank rates (e.g. LIBOR, EURIBOR and TIBOR), alternative reference rates are adopted in the measurement of financial instruments. In particular, it outlined how to implement the changes in the financial assets, financial liabilities, lease liabilities, accounting requirements for hedging operations and reporting requirements pursuant to IFRS 7. In summary, the effects on the financial assets, financial liabilities and lease liabilities are summarised in an amendment to the effective reference rate used in the measurements, whereas on the hedging instruments, the change from the IBOR to alternative reference rates does not cause an interruption to hedge accounting. The amendments are effective for financial years starting on or after 1 January 2021, with early application permitted.

On 25 June 2020, the IASB issued an amendment to standards IFRS 17 and IFRS 4, “Insurance contracts”; the changes include deferral of the application of IFRS 9 to insurance contracts until 1 January 2023.

The changes made did not significantly impact the Group’s consolidated financial statements as at 31 December 2021.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED PREVIOUSLY AND APPROVED BY THE EUROPEAN UNION BUT NOT YET IN FORCE

On 14 May 2020, the IASB published the **“Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)”** document, which specified that, if it is possible to obtain proceeds from selling items produced using property, plants and equipment (PPE), before these PPE are fully operative in the manner intended by management, these proceeds must not be taken account of but instead deducted from the cost of the assets themselves. The changes published are effective for financial years starting on or after 1 January 2022.

On 14 May 2020, the IASB published the **“Annual Improvements to IFRS Standards 2018-2020”** document, containing amendments to certain IFRS standards as a result of the IASB’s annual improvement project. In particular, the changes concerned:

- | IFRS 1 “First-time Adoption of International Financial Reporting Standards”, where a subsidiary, when transitioning to international accounting standards, is permitted to cumulatively adopt the values defined by its parent company on the date of transition to the IFRS;
- | IFRS 9 “Financial instruments”, where it specified which paid or received fees are to be considered in the “10 per cent” test carried out to establish whether an issuer reacquiring its own financial instrument, for example for the purposes of re-issuing it later on, can consider that instrument derecognised;

- | IFRS 16 “Leases”, with reference to the treatment of lease incentives granted by the lessor.

On 14 May 2020, the IASB published the **“Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)”** document, amending the standard by detailing which contractual costs a company has to consider for the purposes of the provisions provided for in IAS 37.

On 25 June 2020, the IASB issued the document “Amendments to IFRS 17 Insurance Contracts”. The main changes included:

- | deferment of the initial application date of the IFRS 17 by two years (annual periods starting from 1 January 2023 or later);
- | corresponding deferment of application of the IFRS 9 to insurance contracts from 1 January 2023;
- | exclusion from the scope of application for specific contracts (e.g. those stipulated with credit cards that provide insurance coverage).

The changes to the IFRS 17 are effective for financial years starting on or after 1 January 2023.

The directors do not expect the adoption of these amendments to significantly affect the Group’s consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AS AT THE DATE OF REFERENCE OF 31 DECEMBER 2021

On 23 January 2020, the IASB issued the **“Classification of Liabilities as Current or Non-current (Amendments to IAS 1)”** document, providing a more general approach to the classification of liabilities pursuant to IAS 1. The objective is to clarify whether a liability is classified as non-current if an entity expects, or has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms. The IASB has specified that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and only those rights should influence the classification of a liability. Classification is therefore not influenced by the faculty to defer settlement of a liability.

On 12 February 2021, the IASB published the **“Definition of Accounting Estimates (Amendments to IAS 8)”** document to help entities distinguish between changes in accounting policies and changes in accounting estimates. Specifically, changes in accounting policies must be applied retroactively, while changes in accounting estimates must be accounted for prospectively. The amendments to IAS 8 focus on accounting estimates, clarifying that such estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. A change in the accounting estimate that results from new information or new developments is therefore not the correction of an error and may affect only the current period’s profit or loss, and/or the profit or loss of future periods. The changes are effective for financial years starting on or after 1 January 2023. Early application is permitted.

On 12 February 2021, the IASB issued the **“Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice**

Statement 2)” document, containing amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. IAS 1 states that “an entity shall disclose its significant accounting policies”, but no definition is provided for the term “significant” (material). Therefore, the IASB amended/supplemented the standard with information that an entity can use to identify material accounting policy information. For example, it is clarified that a policy is material if changing it has a significant impact on disclosures in the financial statements or if its application requires significant estimates. The amendments also clarify that the accounting policy information may be: (i) material because of its nature, even if the related amounts are immaterial; (ii) material if users of an entity’s financial statements would need it to understand other material information in the financial statements; (iii) extended to immaterial information, as long as this does not obscure material information. In addition, the IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the “materiality process”. The changes to the IAS 1 are effective for financial years starting on or after 1 January 2023. Early application is permitted.

On 7 May 2021, the IASB published the “**Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**” document, with which, with a view to standardising the treatment followed by companies, it was clarified that from initial recognition of single transactions (e.g. leasing or asset dismantling charges), it is necessary to account for the resulting temporary differences in the event that deferred tax assets or liabilities arise. The changes are effective for financial years starting on or after 1 January 2023. Early application is permitted.

On 09 December 2021, the IASB published the document

“**Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)**”, which allows insurance companies to improve the content of the comparative statements between different accounting periods which must be presented by the same entities upon first-time application of IFRS 17 and IFRS9. Application of this amendment is deferred until insurance companies apply IFRS 17 for the first time.

The company does not expect the aforesaid standards and/or amendments to have any significant impacts on the Group’s consolidated financial statements.

Change in accounting value

The 2021 Consolidated Financial Statements apply the principles of consolidation and the measurement criteria described when preparing the 2020 Consolidated Financial Statements, to which reference is made, with the exception of the international accounting standards that came into force on 1 January 2021, described in the section “Recently issued accounting standards” of that integrated Annual Report.

In line with the provisions of standard IAS 8 (paragraphs 41 and 42), as of 31 December 2021, the Group restated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. These expenses had been previously recorded under intangible assets. The change was incorporated retrospectively in the financial statements, as shown in the table below.

Changes made to the Balance Sheet and Income Statement as at 31 December 2020 are shown below:

BALANCE SHEET

(€ thousands)	31.12.2020		
	2020 statement value	adjustments for legally required periodic checks	adjusted value
ASSETS			
Current assets			
Cash and cash equivalents	664,026		664,026
Current financial assets	5,120		5,120
Trade and other receivables	635,028		635,028
Inventories	101,184		101,184
Current tax assets on income	4,251		4,251
Other current non-financial assets	84,168		84,168
	1,493,777		1,493,777
Non-current assets			
Property, plant and equipment	369,899		369,899

(€ thousands)	31.12.2020		
	2020 statement value	adjustments for legally required periodic checks	adjusted value
Intangible assets	7,060,110	(5,082)	7,055,028
Investments valued using the equity method	29,301		29,301
Non-current financial assets	5,072		5,072
Non-current income tax assets	3,340		3,340
Other non-current non-financial assets	167,441		167,441
	7,635,163	(5,082)	7,630,081
Non-current assets held for sale	69		69
TOTAL ASSETS	9,129,009	(5,082)	9,123,927
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term financial liabilities	698,406		698,406
Trade and other payables	767,555		767,555
Current tax liabilities on income	35,934	(1,463)	34,471
Other current financial liabilities	299		299
Other current non-financial liabilities	9,118		9,118
	1,511,312	(1,463)	1,509,849
Non-current liabilities			
Long-term financial liabilities	4,707,145		4,707,145
Provisions for risks and charges	202,617		202,617
Provisions for employee benefits	104,622		104,622
Deferred tax liabilities	55,215		55,215
Other non-current financial liabilities	21,002		21,002
Other non-current non-financial liabilities	546,054		546,054
	5,636,655		5,636,655
TOTAL LIABILITIES	7,147,967	(1,463)	7,146,504
SHAREHOLDERS' EQUITY			
Share capital	1,001,232		1,001,232
Reserves	139,821		139,821
Profit (loss) carried forward	216,876	(5,121)	211,755
Profit (loss) for the year	382,972	1,654	384,626
Total Italgas shareholders' equity	1,740,901	(3,467)	1,737,434
Minority interests	240,141	(152)	239,989
TOTAL SHAREHOLDERS' EQUITY	1,981,042	(3,619)	1,977,423
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,129,009	(5,082)	9,123,927

INCOME STATEMENT

(€ thousands)

2020 statement items	2020 statement value	adjustments for legally required periodic checks	2020 restated value
REVENUE			
Revenue	2,058,442	(507)	2,057,935
Other revenue and income	68,844		68,844
	2,127,286	(507)	2,126,779
OPERATING COSTS			
Costs for raw materials, consumables, supplies and goods	(123,896)	(170)	(124,066)
Costs for services	(535,589)	(922)	(536,511)
Costs for the use of third-party assets	(87,555)		(87,555)
Personnel cost	(268,164)	(247)	(268,411)
Allocations to/releases from provision for risks and charges	(44,499)		(44,499)
Allocations to/releases from provisions for doubtful debt	16		16
Other expenses	(20,124)		(20,124)
	(1,079,811)	(1,339)	(1,081,150)
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(444,176)	4,123	(440,053)
EBIT	603,299	2,277	605,576
FINANCIAL INCOME (EXPENSE)			
Financial expense	(54,507)		(54,507)
Financial income	5,298		5,298
	(49,209)		(49,209)
INCOME (EXPENSE) FROM EQUITY INVESTMENTS			
Effect of valuation using the equity method	1,466		1,466
Other income (expense) from equity investments	49		49
	1,515		1,515
Gross profit	555,605	2,277	557,882
Income taxes	(151,979)	(654)	(152,633)
Net profit (loss) for the year	403,626	1,623	405,249
Attributable to Italgas	382,972	1,654	384,626
Minority interests	20,654	(31)	20,623
Net profit (loss) per share attributable to Italgas (€ per share)			
- basic and diluted	0.47		0.33

2. Consolidation principles

The consolidated financial statements comprise the financial statements of Italgas S.p.A. and of the companies over which the Company has the right to exercise direct or indirect control, as defined by IFRS 10 - "Consolidated Financial Statements". Specifically, control exists where the controlling entity simultaneously:

- | has the power to make decisions concerning the affiliate;
- | is entitled to receive a share of or is exposed to the variable profits and losses of the affiliate;
- | is able to exercise power over the affiliate in such a way as to affect the amount of its economic returns.

The proof of control must be verified on an ongoing basis by the Company, with a view to identifying all the facts or circumstances that may imply a change in one or more of the elements on which the existence of control over an affiliate depends.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix "Subsidiaries, associates and equity investments of Italgas S.p.A. as at 31 December 2021", which is an integral part of these notes.

All financial statements of consolidated companies close at 31 December and are presented in Euro.

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Figures relating to subsidiaries are included in the consolidated financial statements from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist.

The assets, liabilities, income and expenses of the consolidated companies are consolidated line-by-line in the consolidated financial statements (full consolidation); the book value of the equity investments in each of the subsidiaries is derecognised against the corresponding portion of shareholders' equity of each of the participated entities, inclusive of any adjustments to the fair value of the assets and liabilities on the date of acquisition of control.

The portions of equity and profit or loss attributable to minority interests are recorded separately in the appropriate items of shareholders' equity, the income statement and the statement of comprehensive income.

Changes in the equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded as equity transactions. The book value of the shareholders' equity pertaining to shareholders of the parent company and minority interests are adjusted to reflect the change in the equity investment. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under shareholders' equity pertaining to shareholders of the parent company.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of consolidated shareholders' equity transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the former subsidiary which will be reversed to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new book value of the equity investment, and therefore the reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is a participated company in relation to which the investor holds significant influence or the power to participate in determining financial and operating policies but does not have control or joint control⁷⁷. It is assumed that the investor has significant influence (unless there is proof to the contrary) if it holds, directly or indirectly through subsidiaries, at least 20% of the exercisable voting rights.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

BUSINESS COMBINATIONS

Business combinations are recorded using the acquisition method in accordance with IFRS 3 - "Business Combinations". Based on this standard, the consideration transferred in a business combination is determined at the date on which control is assumed, and equals the fair value of the assets transferred, the liabilities incurred or assumed, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are posted to the income statement when they are incurred.

The shareholders' equity of these participated companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the acquisition or transfer cost is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.

Where total control is not acquired, the share of shareholders' equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the "full goodwill method"). In this case, minority interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill ("Partial goodwill method" or "Full goodwill method") is made based on each individual business combi-

⁷⁷ Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

nation transaction.

If control is assumed in successive stages, the acquisition cost is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid for the remaining portion. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of comprehensive income are posted to the income statement or to another item of shareholders' equity, if no provisions are made for reversal to the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER JOINT CONTROL

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as "business combinations of entities under common control". Such transactions do not fall within the scope of application of IFRS 3 and are not governed by any other IFRS. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which dictates that the principle of continuity be applied to the values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired predating the transaction or, where available, at the values from the consolidated financial statements of the common ultimate parent. With regard to business transfers under common control, the transferee entity should record the business transferred at its historical book value increasing its shareholders' equity by this amount; the transferring entity will record the equity investment in the transferee entity for the same amount as the increase in the shareholders' equity of the latter.

This accounting treatment is based on the Preliminary Guidelines on IFRS (OPI 1 Revised) - "Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements" issued by Assirevi in October 2016.

INTRAGROUP TRANSACTIONS THAT ARE ELIMINATED IN THE CONSOLIDATION PROCESS

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they effectively represent impairment of the asset transferred.

3. Measurement criteria

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at the cost of purchase or production, including directly allocable ancillary costs needed to make the assets available for use.

Property, plant and equipment may not be revalued, even through the application of specific laws.

The costs of incremental improvements, upgrades and transformations to/value of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to the income statement. Ordinary maintenance and repair expenses are posted to the income statement in the period when they are incurred.

If impairment indicators are present, the book value of property, plant and equipment is verified to identify any impairment (see the paragraph "Impairment of property, plant and equipment and intangible assets with a finite useful life" for more details).

RIGHTS OF USE

The cost of the asset consisting of right of use comprises:

- a. the amount of the initial measurement of the liability of the lease;
- b. the payments due for the lease made on the date or before the starting date, net of lease incentives received;
- c. the initial direct costs incurred;
- d. the costs for dismantling and restoring the site.

The liabilities of the leases include the following payments for the right of use of the underlying asset along the duration of the lease unpaid as at the starting date:

- a. the fixed payments, net of any lease incentives receivable;
- b. the variable payments due for the lease that depend on an index or rate;
- c. the amounts payable by way of warranties of the residual value;
- d. the price for exercising the right to purchase where there is the reasonable certainty of exercising the option;
- e. the payments of lease termination penalties where lease termination is provided for.

The discount rate used is the embedded interest rate of the lease for the remaining duration of the lease, if such rate is not easy to determine, the marginal loan interest rate of the Group as at the recalculation date is used.

In determining the duration of the lease, the Group considered

the presence of renewal and cancellation options respectively for the lessee, the lessor or both.

As the standard allows, the short-term leases and the leases for assets of a modest amount were excluded.

The duration of the lease is calculated by taking into account the non-voidable lease period, together with any periods covered by an option to extend the agreement if it is reasonably certain that this option will be exercised, or any period covered by an option to terminate the lease contract, if the Group deems it reasonably certain that such option will not be exercised.

In the event of any significant changes in events and circumstances under the Group's control that make it appropriate to change the assessment of the reasonable certainty of exercising the options, the Group will redetermine the duration of the lease.

After initial recognition, the right-of-use asset is adjusted to

take into account (i) the amortization portions, (ii) any impairment losses and (iii) the related effects and any restatements of the leasing liability.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. Depreciation starts when the asset is available and ready for use.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual depreciation rate (%)
Land and building	
- Industrial buildings	2%
- Civil buildings	3%
Plant and equipment	
- Other plant and equipment	4% - 6.6%
Industrial and commercial equipment	
- Office furniture and machinery	12% - 33.3%
- Transportation vehicles	20% - 25%
Rights of use	duration of the lease agreement

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately.

Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale (see the "Non-current assets held for sale" section).

Depreciation rates are reviewed each year and are altered if they do not adequately reflect the future benefits expected. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.

Freely transferable assets are depreciated during the period of the concession or of the useful life of the asset, if lower.

INTANGIBLE ASSETS

Intangible assets are those assets without identifiable physical form which are controlled by the company and capable of producing future economic benefits, as well as goodwill, when purchased for consideration. Intangible assets are reported at the cost of purchase or internal production, when their use is likely to generate future benefits and the relative cost can be reliably determined.

They may not be revalued, even through the application of specific laws.

Development costs are only recognised as intangible assets when the Group can prove the technical feasibility of completing the intangible asset and can demonstrate that it has the ability, intention and available resources to complete the asset for use or sale. Research costs are recognised in the income statement.

Intangible fixed assets with a finite useful life are measured at

cost, net of amortisation and accumulated impairment losses. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation, but are tested at each reporting date, as provided for by IAS standard 36, to check for impairment losses to be reflected in the financial statements.

Intangible assets are eliminated at the time they are decommissioned, or when no future economic benefit is expected from their use; the related profit or loss is posted in the income statement.

SERVICE CONCESSION AGREEMENTS

Intangible assets include service concession agreements between the public and private sectors for the development, financing, management and maintenance of infrastructures under concession in which: (i) the grantor controls or regulates the services provided by the operator through the infrastructure and the related price to be applied; and (ii) the grantor controls any significant remaining interest in the infrastructure at the end of the concession by owning or holding benefits, or in some other way. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service distributor of natural gas and other gases, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution service at the tariff established by the ARERA, holding the right to use the infrastructure, which is controlled

by the grantor, for the purposes of providing the public service. They also apply to the integrated water service agreements.

The Group applies the intangible asset model as provided for by IFRIC 12 for the accounting of service concession agreements. The intangible asset is accounted for at the cost both on initial recognition and for subsequent recognition. Revenue and costs originating from network construction and other services are recognised and measured applying IFRS 15. Construction services and improvements carried out on behalf of the grantor are accounted for as changes to work in progress on order.

AMORTISATION OF INTANGIBLE ASSETS

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset. Amortisation starts when the asset is ready for use.

The amount to be amortised is the book value, reduced by the projected net realisable value at the end of the asset's useful life if this is significant and can be reasonably determined.

The table below shows the annual amortisation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual amortisation rate (%) (*)
Patent rights and intellectual property rights	20% - 33.3%
Concession expenses	Depending on the duration of the agreement
Land and buildings (concession agreements)	
- Industrial buildings	1.67% - 5%
- Light constructions	9% - 10%
Plant and equipment (concession agreements)	
- Gas distribution network	1.67% - 5%
- Principal and secondary facilities	4% - 6%
- Gas derivation plants	2% - 10%
Industrial and commercial equipment (concession agreements)	
- Metering and control equipment	6.7% - 20%

(*) for the Rome concession, the terms established by it apply

SUBSIDIES

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase, transfer or production cost of the related assets.

Operating grants are recognised in the income statement on an accrual basis, consistent with the relative costs incurred.

IMPAIRMENT OF NON-FINANCIAL FIXED ASSETS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value adjusted for disposal costs (see "Fair value measurement") or the value in use, whichever is greater.

As regards the value of the non-financial fixed assets falling within the scope of the regulated activities, the recoverable value is determined considering: (i) the amount quantified by the Authority based on the rules used to define the tariffs for provision of the services for which they are intended; (ii) any value that the group expects to recover from their sale or at the end of the concession governing the service for which they are intended; (iii) the cash flows expected from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Similarly to what happens for the quantification of tariffs, also the quantification of the recoverable value of the assets falling within the scope of regulated activities takes place on the basis of current regulatory provisions.

With reference to non-financial fixed assets not falling within the scope of the regulated activities, the value in use is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Cash flows are determined based on reasonable, documentable assumptions representing the best estimate of future economic conditions which will occur during the remaining useful life of the asset, with a greater emphasis on outside information. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.

The valuation is done for individual assets or for the smallest identifiable group of assets which, through ongoing use, generates incoming cash flow that is largely independent of those of other assets or groups of assets ("Cash-Generating Units" or CGUs).

The following are the Group's identified CGUs: Natural and other gas distribution and metering (regulated activity), Sale of natural and other gases, Integrated water service (regulated activity), Various activities (ESCoS).

As compared with last year, due to the advanced state of conversion of the networks supplied by different gases into

networks supplied by natural gases throughout Sardinia and the consequent altered importance in terms of both physical and economic value of the distribution and metering assets, the CGUs "Distribution and metering of natural gas" and "Distribution and metering of other gases (LPG and propane air)", have been combined. In addition, this year, the "Sale of other gases" CGU also includes the business of selling natural gas, following the start-up of natural gas supplies in Sardinia and has consequently been renamed "Sale of natural and other gases".

If the reasons for impairment losses no longer apply, the assets are revalued, and the adjustment is posted to the income statement as a revaluation (recovery of value). The recovery of value is applied to the lower of the recoverable value and the book value before any impairment losses previously carried out, less any depreciation that would have been recorded if an impairment loss had not been recorded for the asset.

IMPAIRMENT OF GOODWILL, INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE AND INTANGIBLE ASSETS NOT YET AVAILABLE FOR USE

The recoverability of the book value of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment. Goodwill is tested at the level of the smallest aggregate, on the basis of which the Company's management directly or indirectly assesses the return on investment, including goodwill. When the book value of the CGU, including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets which constitute the CGU. Goodwill impairment losses cannot be reversed.

INVESTMENTS VALUED USING THE EQUITY METHOD

Equity investments in joint ventures and associates are valued using the equity method.

In applying the equity method, equity investments are initially recognised at cost and subsequently adjusted to take into account: (i) the participant's share of the results of operations of the affiliate after the date of acquisition, and (ii) the share of the other components of comprehensive income of the affiliate. Dividends paid out by the affiliate are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the "Consolidation principles" section).

In the case of assumption of an association (joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the equity investments held prior to assumption of association (or joint control) is posted to the income statement, including any components recognised under other components of comprehensive income. When the transfer of equity investments entails loss of joint control or significant influence over the

affiliate, the following are recognised in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of the booked amount transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the affiliate that will be taken to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new book value, and therefore the reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the recoverability of the amount recognised is tested by comparing the book value with the related recoverable value determined using the criteria indicated in the section "Impairment of non-financial fixed assets".

When the reasons for the impairment losses entered no longer apply, equity investments are revalued up to the amount of the impairment losses entered with the effect posted to the income statement under "Income (expense) from equity investments".

The parent company's share of any losses of the participated company, greater than the equity investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the participated company or, in any event, to covering its losses.

MINORITY INTERESTS

Financial assets representing minority interests, since they are not held for trading, are measured at fair value with the effects recognised in the income statement.

INVENTORIES

Inventories, including compulsory inventories, are recorded at the lower of purchase or production cost and net realisable value, which is the amount that the company expects to receive from their sale in the normal course of business.

The cost of natural gas inventories is determined using the weighted average cost method.

The value of obsolete and slow-moving inventories is written down in relation to the possibility of use or realisation, through the allocation of a specific obsolescence fund.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial investments with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible.

They are recorded at their nominal value, which corresponds

to the fair value.

FINANCIAL INSTRUMENTS

Financial instruments are any contracts that give rise to a financial asset for one entity and a financial liability or equity instrument for another entity; they are recognised and measured in accordance with IAS 32 and IFRS 9.

FINANCIAL ASSETS - DEBT INSTRUMENTS

Depending on the characteristics of the instrument and of the business model adopted for its management, financial assets representing debt instruments are classified in the following three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value with the effects recognised in the other comprehensive income components (hereinafter also referred to as OCI); (iii) financial assets measured at fair value with the effects recognised in the income statement.

Initial recognition is at fair value; for those trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.

Following initial recognition, the financial assets that generate contractual cash flows representing only payments of capital and interest are measured at amortised cost if held with the aim of collecting their contractual cash flows (so-called hold to collect business model). Based on the amortised cost method, the initial book value is then adjusted to account for repayments of principal, any impairment losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial book value equal at the time of the initial recording.

The receivables and other financial assets measured at amortised cost are presented in the balance sheet net of their provision for impairment losses.

The financial assets representing debt instruments whose business model includes both the possibility to collect contractual cash flows and the possibility to realise capital gains on transfers (so-called hold to collect and sell business model) are measured at fair value with the effects recorded on OCI (hereinafter also FVTOCI).

In this case the fair value changes in the instrument are recognised in shareholders' equity amongst the other components of comprehensive income. The cumulative amount of the changes in fair value, recognised in the shareholders' equity provision that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognised. The interest income, calculated using the effective interest rate, exchange rate differences and impairment losses, is recognised on the income statement.

A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value with the effects recognised in the income statement

(hereinafter referred to as FVTPL).

When the purchase or sale of financial assets is made according to a contract requiring that the transaction be regulated and that the asset be delivered within a certain number of days, established by the market control authorities or by market agreements (e.g. purchase of securities on regulated markets), the transaction is recognised on the settlement date.

Disposals of financial assets are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

IMPAIRMENT OF FINANCIAL ASSETS

Recoverability of the financial assets representing debt instruments not measured at fair value with effects on the income statement is measured on the basis of the so-called "expected credit loss model".

In particular, the expected losses are generally determined based on the product between: (i) the exposure to the counterparty net of the relevant mitigants (Exposure At Default, EAD); (ii) the probability that the counterparty does not meet its payment obligation (Probability of Default, PD); (iii) the estimate, in percentage terms, of the amount of credit that will be unable to be recovered in case of default (Loss Given Default, LGD) defined on the basis of prior experiences and possible attemptable recovery actions (e.g. out-of-court actions, legal disputes, etc.).

To this regard, to determine the probability of default of the counterparties the internal ratings already used for the assignment were adopted; the probability of default for the counterparties represented by state entities and in particular for the national oil companies, basically depicted by the probability of a late payment, is determined using the country risk premiums adopted to determine WACCs for the impairment of the non-financial assets as input.

For the retail customers not characterised by internal ratings, measurement of the expected losses is based on a matrix provision built by grouping, if advisable, the receivables in appropriate clusters to which impairment percentages defined on the basis of prior loss experience are applied. If necessary, those percentages are adjusted to take into account forward looking information on the credit risk of the counterparty or of clusters of counterparties.

FINANCIAL LIABILITIES

Financial liabilities other than derivative instruments, including financial payables, trade payables, other payables and other liabilities, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting, as demonstrated in "Financial assets" above.

Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset in the balance sheet when there is the currently exercisable legal right to compensation and there is the intention of settling the transaction on a net basis (i.e. realizing the asset and at the same time extinguishing the liability).

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments, including embedded derivatives, are assets and liabilities recognised at fair value according to the criteria indicated under the following point "Fair value measurement".

As part of the strategy and objectives defined for risk management, defining transactions as hedging requires: (i) checking the existence of an economic ratio between hedged object and hedging instrument such as to achieve the offsetting of the relevant changes in value and that this offsetting ability is not invalidated by the counterparty's level of credit risk; (ii) the definition of a ratio consistent with the risk management objectives within the scope of the defined risk management strategy, taking the appropriate rebalancing actions if necessary. The changes introduced to the risk management objectives, the conditions previously specified for defining transactions as hedging not met, or implementation of rebalancing transactions bring about the total or partial prospective interruption of the hedging.

When the hedge derivatives cover the risk of change in the fair value of the instruments to be hedged (fair value hedge; e.g. hedging the variability of the fair value of fixed rate asset/liability), the derivatives are recognised at fair value with the effects recorded in the income statement; consistently, the hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk in the income statement, regardless of the forecast of a different measurement criterion usually applicable to the type of instrument.

When the derivatives cover the risk of change in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging the variability of the asset/liability cash flows due to fluctuations in interest rates or exchange rates), the changes in fair value of the derivatives considered effective are initially recognised in the shareholders' equity provision pertaining to the other components of comprehensive income and afterwards recorded in the income statement in line with the economic effects generated by the hedged transaction. In the case of hedging future transactions involving the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedge derivatives recognised in the shareholders' equity are recorded to adjust the book value of the asset/liability of the non-financial asset/liability hedged (basis adjustment).

The non-effective portion of the hedge is recognised in the income statement item "Financial (expense)/income".

The changes in the fair value of the derivatives that do not meet the conditions to be defined as hedging, including any ineffective components of the hedge derivatives, are recorded in the income statement. Specifically, the changes in fair value of the non-hedge derivatives on interest rates and currencies are recognised in the income statement item "Financial (expense)/income".

The embedded derivatives incorporated in financial assets are no longer separated in accounting; in this case, the entire hybrid instrument is classified based on the general financial asset classification criteria. The embedded derivatives incorporated in financial liabilities and/or non-financial assets are separated by the main contract and are recognised separately if the embedded instrument: (i) meets the definition of derivative; (ii) as a whole is not measured at fair value with the effects recognised in the income statement (FVTPL); (iii) if the characteristics and risks of the derivative are not closely tied to those of the main contract. The existence of embedded derivatives to separate and measure separately is checked when the company joins the contract and afterwards when there are amendments to the conditions of the contract that bring about significant changes in the cash flows it generates.

FAIR VALUE MEASUREMENT

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its highest and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of the financial instruments is determined considering the credit risk of the counterparty of a financial asset ("Credit Valuation Adjustment" - CVA) and the risk of default by the same entity with reference to a financial liability ("Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

| level 1: inputs represented by (unmodified) quoted prices on active markets for assets or liabilities identical to those that

can be accessed as at the valuation date;

| level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;

| level 3: inputs that cannot be observed for the asset or liability.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative book value will be recovered mainly by their sale rather than through their continued use. This condition is regarded as fulfilled when the sale is highly probable, and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that affiliate are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Checking that the conditions required to classify an item as held for sale requires that the Company's management made subjective assessments and formulate reasonable and realistic assumptions based on the information available.

Non-current assets held for sale, current and non-current assets related to disposal groups and directly associated liabilities are recognised in the Statement of Financial Position separately from the Company's other assets and liabilities.

The assets and liabilities falling within a disposal group are measured according to the accounting standards applicable to them right before being classified as held for sale. Afterwards, the non-current assets held for sale and non-current assets in disposal groups are not amortised or depreciated and are measured at the lower between the book value and the related fair value, less any sales costs (please refer to the forgoing point "Fair value measurement").

The classification as "held for sale" of equity investments valued using the equity method implies suspended application of this measurement criterion. Therefore, in this case, the book value is equal to the value resulting from the application of the equity method at the date of reclassification.

Any negative difference between the book value of the non-current assets and the fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

Provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be

reliably determined. Provisions are recorded at a value representing the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits deriving from the contract, and the cost to terminate the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset and posting to the income statement is accomplished through depreciation. The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

PROVISIONS FOR EMPLOYEE BENEFITS

POST-EMPLOYMENT BENEFITS

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

| Defined-benefit plans

The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.

Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Financial income (expense)".

| Defined-contribution plans

In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

OTHER LONG-TERM PLANS

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

DISTRIBUTION OF DIVIDENDS

The distribution of dividends to the Company's Shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's Shareholders or, in the case of interim dividends, by the Board of Directors.

REVENUE

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the price of the transaction; (iv) allocation of the price of the transactions to the performance obligations identified based on the standalone selling price of each good or service; (v) recognition of the revenue when its performance obligation has been met, or when the promised good or service is transferred to the customer; the transfer is considered completed when the customer gains control of the good or service, which can occur over time or at a specific point in time.

As regards the activities carried out by the Italgas Group, revenue is recognised when the service is provided. The largest share of revenue relates to regulated activities, the income from which is governed by the regulatory framework established by the Italian Regulatory Authority for Energy, Networks

and Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA). Therefore, the economic conditions of the services provided are defined in regulatory schemes and not on a negotiation basis. In reference to the distribution and metering of natural gas, the difference between revenues recognised by the regulator ("Revenue cap") and actual accrued revenue is posted in the Statement of Financial Position under the item "Trade and other receivables" if positive, and under the item "Trade and other payables", if negative, in that it will be subject to monetary settlement with Cassa per i Servizi Energetici e Ambientali (CSEA).

As regards the recognition of revenues relating to "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit to tariff recognitions for investments, which are not covered by government grants, in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per delivery point, expressed at 2017 prices set by resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years (in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Allocations of revenue relating to services partially rendered are recognised by the fee accrued, as long as it is possible to reliably determine the stage of completion and there are no significant uncertainties over the amount and the existence of the revenue and the relative costs; otherwise they are recognised within the limits of the actual recoverable costs.

Items of property, plant and equipment not used in concession services, transferred from customers (or realised with the cash transferred from customers) and depending on their connection to a network for the provision of supply, are recognised at fair value as a contra-entry to revenue in the income statement. When the agreement stipulates the provision of multiple services (e.g. connection and supply of goods), the service for which the asset was transferred from the customer is checked and, accordingly, the disclosure of the revenue is recognised on connection or for the shorter of the term of the supply and the useful life of the asset.

Revenue is recorded net of returns, discounts, allowances and bonuses, as well as directly related taxes.

Revenue is reported net of items involving regulation components, in addition to the tariff, applied to cover gas system

expenses of a general nature. Amounts received from Italgas are paid in full to the Energy and Environmental Services Fund (CSEA). Gross and net presentation of revenue is described in more detail in the Notes to the consolidated financial statements (see "Revenue" note).

Since they do not represent sales transactions, exchanges between goods or services of a similar nature and value are not recognised in revenue and costs.

DIVIDENDS RECEIVED

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting, unless it is not reasonably certain that the shares will be sold before the ex-dividend date.

COSTS

Costs are recognised in the period when they relate to goods and services sold or consumed during the same period or when it is not possible to identify their future use.

Costs sustained for share capital increases are recorded as a reduction of shareholders' equity, net of taxes.

ENERGY EFFICIENCY CERTIFICATES

The Energy Efficiency Certificates purchased during the year are entered in the income statement at the cost borne. The relevant contribution that CSEA will pay at the time the certificates are cancelled is booked as a reduction of the cost borne and is calculated based on the repayment price scheduled at year-end. A special risk provision is allocated to cover the future expected charges to fulfil the year's objective calculated as the difference between the cost to be borne and its cancellation contribution.

INCOME TAXES

Current income taxes are calculated by estimating the taxable income. Receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/recovered to/from the tax authorities under the prevailing tax regulations and rates or those essentially approved at the reporting date.

Regarding corporation tax (IRES), Italgas has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up. The projected payable is recognised under "Current income tax liabilities".

The regulations governing Italgas Group companies' participation in the national tax consolidation scheme stipulates that:

| subsidiaries with positive taxable income pay the amount due to Italgas. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of

negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;

| subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate financial statements, receive from their shareholders - in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability - or from Italgas in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

Regional production tax (IRAP) is recognised under the item "Current income tax liabilities"/"Current income tax assets".

Some Group companies have adhered to the national consolidation option, which makes it possible to determine current IRES on a taxable base that coincides with the algebraic sum of the positive and negative taxable income of the participating companies. Economic transactions, as well as the reciprocal responsibilities and obligations, are regulated by specific agreements between the parties, according to which, in the event of positive taxable income, the subsidiaries transfer the financial resources corresponding to the higher tax due by them as a result of their participation in the national consolidation scheme to the parent company and, in the event of negative taxable income, receive compensation equal to the relative tax savings achieved by the parent company.

Deferred income tax assets and liabilities are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based on the prevailing tax regulations and rates or those essentially approved for future years. Deferred tax assets are recognised when their recovery is considered probable; specifically, the recoverability of deferred tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset. The balance of the offsetting, if it results in an asset, is recognised under the item "Deferred tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, prepaid and deferred current taxes are also posted

to equity.

Income tax assets with elements of uncertainty are recognised when they are regarded as likely to be obtained.

OPERATING SECTORS

The Group mainly operates in gas distribution and metering, and on a residual basis in the sale of gases, the integrated water service and the business energy service company (ESCO) and in the IT service business; owing to the irrelevance of this residual line of business, a single operating sector was identified pursuant to IFRS 8, which is gas distribution and metering.

4. Financial Statements

The formats adopted for the preparation of the financial statements are consistent with the provisions of IAS 1 - "Presentation of financial statements" (hereinafter "IAS 1"). In particular:

- | the Statement of Financial Position items are broken down into assets and liabilities, and then further into "current or non-current items"⁷⁸;
- | the Income Statement classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with international best practice;
- | the Statement of Comprehensive Income shows the profit or loss in addition to the income and expense recognised directly in shareholders' equity as expressly provided for by the IFRS;
- | the Statement of Changes in Shareholders' Equity reports the total income (expense) for the financial year, shareholder transactions and the other changes in Shareholders' equity;
- | the Statement of Cash Flows is prepared using the "indirect" method, adjusting the profit for the year of non-monetary components.

It is believed that these statements adequately represent the Group's situation with regard to its Statement of Financial Position, Income Statement and Statement of Cash Flows.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in the note "Related party transactions", are shown separately in the financial statements.

⁷⁸ The assets and liabilities are classified as current if: (i) their realisation/settlement is expected in the company's normal operating cycle or within twelve months after the financial year-end; (ii) they are composed of cash or cash equivalents which do not have restrictions on their use over the twelve months following the year-end date; (iii) they are mainly held for trading purposes; or (iv) with reference to liabilities, the company does not have the unconditional right to defer settlement of the liability for at least twelve months from the financial year closing date.

5. Use of estimates

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Details are given below about the main accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on results of subsequent years.

IMPAIRMENT OF ASSETS

Measurement of tangible and intangible assets, including goodwill, requires recording of these in the financial statements for a value no higher than their recoverable value (so-called Impairment test).

In determining the recoverable amount, the Group applies the higher of the fair value less cost to sell criterion and the value in use criterion. "Fair value less cost to sell" is:

- i. The estimated value of net invested Capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB - Regulatory Asset Base) by ARERA, net of the flat-rate components, employee severance pay and contributions received. RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated from assets⁷⁹. The RAB value is defined using the revalued historical cost method for Fixed Capital and on a flat-rate basis for Working Capital and employee severance pay;
- ii. The reimbursement value (RV) valid for ATEM (Minimum Territorial Areas) tenders. The RV is the amount to be paid to the operator selling the infrastructure following the tender procedure.

Value in use refers to:
- iii. the present value of the future cash flows expected to be derived from the asset being measured. These flows are determined in line with the most recent business plan approved by management, which is based not only on devel-

opments in the regulations, but also on estimates relating to reference market trends and investment and divestment decisions. In the process of determining the recoverable value, flows are discounted at a discount rate that reflects current market conditions, the time value of money and the specific risks of the asset.

More information on the impairment test carried out by the Company's management on property, plant and equipment and on intangible assets can be found in the "Impairment of non-financial fixed assets" section.

The recoverable value is sensitive to the estimates and assumptions used to determine the total invested capital, cash flows and discount rates applied. Therefore, possible variations in the estimation of the factors on which the calculation of the aforesaid recoverable values is based could result in different measurements.

Analysis of each of the groups of non-financial assets is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.

BUSINESS COMBINATIONS

Recognition of business combination transactions requires determination of the fair value of any assets and liabilities acquired as a result of obtaining control of the business. With the help of independent professionals, the company's management measured the fair value of assets, liabilities and potential liabilities, on the basis of information on facts and circumstances available at the acquisition date.

Determination of the fair value of assets and liabilities acquired is subject to estimates and measurements by the company's management. Possible variations in the estimation of the factors on which determination of the fair value is based could generate different measurements.

Analysis of each business combination transaction is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.

ENVIRONMENTAL LIABILITIES

The Italgas Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out.

The measurement of future liabilities in connection with reclamation and restoration obligations in relation to sites and/or land on which the company carries out its business is a complex process based on technical and financial assumptions made by the company's management and supported by independent experts where necessary.

⁷⁹ The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors.

The restoration cost estimate is discounted using a risk-free rate in accordance with IAS 37. The estimate is made using a principle of prudence based on the known market, legislative and technological conditions at the time of measurement.

The estimates are reviewed at each balance sheet date to verify that the amounts recorded are the best reflection of the costs the Group will face. If any significant variations are found, the amounts are adjusted. The key factors for revising cost estimates are the revision of the timeframes for implementing the site reclamation and restoration plan, developments in the technologies and environmental regulations and discount rate trends.

Measurement of environmental liabilities recorded in the financial statements takes into account the environmental legislation currently in force. However, this measurement could be subject to variations, even to a significant extent, in relation to: (i) the possibility of further contamination arising; (ii) the results of current and future refurbishment and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental cleansing; and (v) the possibility of disputes concerning the environmental liability for specific sites and the difficulty of determining the potential consequences of this, including in relation to the liability of other parties and any indemnity.

PROVISIONS FOR EMPLOYEE BENEFITS

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employ-

ees.

Differences in the value of net liabilities relating to employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the statement of comprehensive income. Actuarial assumptions are also used to determine other long-term employee benefit obligations; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

PROVISIONS FOR RISKS AND CHARGES

In addition to the amounts allocated to the provisions for environmental liabilities, Italgas recorded provisions mainly relating to the following in the financial statements: (i) operational restoration of metering instruments; (ii) legal and tax disputes; (iii) staff leaving incentives; (iv) expenses related to meeting the Energy Efficiency Certificates targets (EEC) set by the Authority.

The provision for operational restoration of metering instruments is determined by the company's management on the basis of assumptions that take into account (i) hypothesised malfunctioning of smart meters currently installed; (ii) the warranties agreed with the meter suppliers; (iii) the estimated costs for replacing the smart meters.

Provisions are made to cover the risk of future outlay for the cases set out above. The value of the provisions recorded in the financial statements for such risks reflects the best estimate made by the company's management with the support of independent professionals at the preparation date of this document. This estimate involves making assumptions based on factors that may vary over time, which could, therefore, produce a significantly different outcome with respect to the current estimates made by the company's management for the preparation of the Group's financial statements.

6. Business combination transactions

During the year, equity investments were purchased in Isgastrentatrè (thereafter incorporated into Medea S.p.A.) and in Fratelli Ceresa S.p.A.

As part of the aforesaid agreement signed between Italgas and CONSCOOP on 28 December 2020, on 13 July 2021, through its subsidiary, Medea, Italgas finalised the acquisition of 100% of the share capital of Isgastrentatrè, the company holding

the concession for management of the natural gas service in Basin 33 in Sardinia, for a price of € 755 thousand. The scope of the company's assets includes: 242 km of network, around 700 active re-delivery points and an LNG plant covering 60 cubic metres. The merger by incorporation of Isgastrentatrè into Medea was finalised on 04 November 2021, with effect for accounting and tax purposes as of 14 July 2021.

On 1 December 2021, following the verification of the conditions envisaged in the purchase and sale agreement, the purchase of 100% of the capital of the ESCo F.lli Ceresa S.p.A., company established in 1921 and specialised in the supply of

energy services, with a portfolio of 3,700 customers (of which more than 800 condominiums) mainly located in the Turin area, was completed. The price paid by the Company was € 19,800 thousand. The initial booking relative to the acquisition of F.lli Ceresa S.p.A. was determined provisionally at the end of the reporting period. The goodwill booked upon completion of the transaction was € 6,501 thousand.

The analysis of the transactions is given below.

(€ thousands)	Acquisition of companies	
	Fratelli Ceresa	Isgastrentatrè
Cash and cash equivalents	786	3
Trade and other receivables	11,178	209
Inventories	592	8
Tax assets	703	
Other current assets	454	335
Current assets	13,713	555
Property, plant and equipment	312	117
Intangible assets	9,774	25,173
Equity investments		
Financial assets	2,684	
Deferred tax assets	328	
Other non-current assets	10	3
Non-current assets	13,108	25,293
TOTAL ASSETS	26,821	25,848
Short-term financial liabilities	1,818	
Trade and other payables	3,333	1,644
Tax liabilities		26
Other current liabilities	5,705	5
Current liabilities	10,856	1,675
Long-term financial liabilities	88	23,021
Provisions for risks and charges	18	
Provisions for employee benefits	588	19
Deferred tax liabilities	441	350
Other non-current liabilities		28
Non-current liabilities	1,135	23,418
TOTAL LIABILITIES	11,991	25,093
NET VALUE OF ACQUIRED ASSETS	14,830	755
GOODWILL	6,501	
PRICE OF THE ACQUIRED ASSETS	21,331	755
of which paid	19,800	
to be paid	1,531	755

With regard to the acquisition transactions, it should be noted that the values entered are subject to the valuation period referred to in paragraph 45 of IFRS 3 which allows provisional amounts to be recognised in the closing financial statements, pending acquisition within a year. Additional information that may derive from any adjustments relating to the assets and liabilities acquired.

7. Cash and cash equivalents

Cash and cash equivalents, equal to € 1,391,763 thousand (€ 664,026 thousand as at 31 December 2020), refer to current account deposits held at banks.

Cash and cash equivalents are not subject to any usage restrictions.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the State-

ment of Cash Flows.

8. Current financial assets

Current financial assets, amounting to € 5,120 thousand, unchanged compared to 31 December 2020, relate to financial receivables from credit institutions that can be liquidated in the short-term, essentially as guarantee of M&A operations with Conscoop (€ 5,001 thousand), and to the remaining amount of the equity investment of Italgas Reti S.p.A. in Acqua Campania S.p.A. (€ 119 thousands).

9. Trade and other receivables

Trade and other receivables, which amount to € 588,098 thousand (€ 635,028 thousand as at 31 December 2020) comprise the following:

(€ thousands)	31.12.2020	31.12.2021
Trade receivables	462,174	388,614
Receivables from investment/divestment activities	16,522	5,278
Other receivables	156,332	194,206
	635,028	588,098

Trade receivables (€ 388,614 thousand as at 31 December 2021 and € 462,174 thousand as at 31 December 2020), mainly relate to the gas distribution and metering service and ancillary services. These primarily concern receivables from sales companies, including from the Eni S.p.A. Group for € 180,121 thousand and the Enel Group for € 41,499 thousand. These receivables are a reduction on the balance of the previ-

ous year, mainly in connection with the sales to the factor, as described further on.

These are reported net of the provision for impairment losses (€ 15,643 thousand at 31 December 2021 and € 15,494 thousand at 31 December 2020). Changes in the provision for impairment losses on receivables during the year are shown below:

(€ thousands)	Provision for impairment losses at 31.12.2019	Provisions	Releases	Provision for impairment losses at 31.12.2020
Trade receivables	15,480		(874)	14,606
Other receivables	888			888
	16,368		(874)	15,494

(€ thousands)	Provision for impairment losses at 31.12.2020	Change in scope of consolidation	Provisions	Releases	Other changes	Provision for impairment losses at 31.12.2021
Crediti commerciali	14,606	1,213	320	(1,384)	888	15,643
Altri crediti	888				(888)	888
	15,494	1,213	320	(1,384)		15,643

The provision for impairment of receivables reflects estimated losses in connection with the Group's credit portfolio. Provisions are made for expected losses on receivables, estimated both on the basis of past experience with receivables with similar credit risk and on the basis of future expected loss on open positions as at the balance sheet date, as well as careful monitoring of the quality of credit portfolios.

Receivables for investment/divestment activities (€ 5,278 thousand as at 31 December 2021 and € 16,522 thousand as at 31 December 2020) involve receivables for sales of property, plant and equipment and intangible assets.

Other receivables (€ 194,206 thousand as at 31 December 2021 and € 156,332 thousand as at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020	31.12.2021
IRES receivables for the national tax consolidation scheme	15,996	16,285
VAT receivables for liquidation of Group VAT		2
Receivables due from CSEA	102,769	130,575
Receivables from the Public administration	10,292	5,979
Advances to suppliers	19,737	32,805
Receivables from personnel	2,975	2,258
Other receivables	4,563	6,302
	156,332	194,206

IRES receivables for the national tax consolidation scheme (€ 16,285 thousand as at 31 December 2021) mainly concern receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2004 to 2007 (pursuant to Article 6 of Decree-Law no. 185 of 28 November 2008, converted by Law no. 2 of 28 January 2009) and to tax years 2007 to 2011 (pursuant to Decree-Law no. 201/2011).

Receivables from the CSEA (€ 130,575 thousand as at 31 December 2021) mainly relate to the additional regulation components of the gas distribution (Safety incentives, UG2⁸⁰ and Bonus Gas⁸¹).

Receivables from public administrations (€ 5,979 thousand as at 31 December 2021) relate to receivables from Municipalities,

mainly for Cosap.

The market value of trade and other receivables is analysed in the Note "Guarantees, commitments and risks - Other information about financial instruments". All receivables are in Euro.

The fair value measurement of trade and other receivables has no material impact considering the short period of time from when the receivable arises and its due date and contractual conditions.

The length of time the trade receivables and other receivables have been outstanding is shown below:

(€ thousands)	31.12.2020			31.12.2021		
	Trade receivables	Other receivables (*)	Total	Trade receivables	Other receivables (*)	Total
Receivables not overdue	417,520	172,854	590,374	364,628	199,484	564,112
Receivables overdue:	44,654		44,654	23,986		23,986
- from 0 to 3 months	15,929		15,929	5,575		5,575
- from 3 to 6 months	1,430		1,430	1,375		1,375
- from 6 to 12 months	4,596		4,596	2,438		2,438
- over 12 months	22,699		22,699	14,598		14,598
	462,174	172,854	635,028	388,614	199,484	588,098

(*) The item includes I Receivables from investment/divestment activities

⁸⁰ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

⁸¹ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

The receivables past due, which total € 23,986 thousand, mainly regard receivables from end users for supply of gas and water (€ 12,781 thousand), ESCo services customers (€ 3,531 thousand) and public administrations (€ 3,939 thousand).

Average collection time for receivables is 31 days, in line with last year.

It should be noted that the Group has finalised factoring agreements with financial counterparties on the basis of which the Group's receivables can be factored without recourse. In particular, transactions were completed for the factoring of receivables related to: (i) trade receivables relating to transmissions expiring on 31 December 2021 for € 66.6 million, (ii) receivables due from CSEA for a total of € 182.9 million (additional distribution components of € 44.3 million, cancellation of Energy Efficiency Certificates for € 37.9 million and contribution pursuant to Article 57 of ARERA Res-

olution no. 367/14 as subsequently amended and supplemented for € 100.7 million and (iii) other receivables for a total of € 56.7 million (including VAT receivables and public grants).

Receivables from related parties are described in the note "Related party transactions".

Specific information on credit risk is provided in the note "Guarantees, commitments and risks - Financial risk management - Credit risk".

10. Inventories

Inventories, which amount to € 105,294 thousand, are analysed in the table below:

(€ thousands)	31.12.2020			31.12.2021		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and supplies	102,138	(954)	101,184	106,013	(719)	105,294
	102,138	(954)	101,184	106,013	(719)	105,294

Inventories of raw materials, consumables and supplies (€ 105,294 thousand at 31 December 2021) mainly consisted of gas meters in connection with the replacement plan.

The provision for impairment losses on inventories of raw materials, consumables and supplies amounts to € 719 thousand.

Inventories are not collateralised. Inventories do not secure liabilities, nor are they recognised at net realisation value.

11. Current and non-current income tax assets/liabilities

Current and non-current income tax assets/liabilities break down as follows:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Income tax assets	4,251	3,340	7,591	21,625	22,936	44,561
- IRES	4,248	3,340	7,588	18,153	22,936	41,089
- IRAP	3		3	3,472		3,472
Income tax liabilities	34,471		34,471	3,430		3,430
- IRES	32,802		32,802	3,162		3,162
- IRAP	1,669		1,669	268		268

The change in income tax assets of € 36,970 thousand is mainly due to the different position of Group IRES tax, which has gone from a debt position to a credit position, in respect of the incentives for the Superbonus, as envisaged by the Re-launch Decree, Decree Law 34/2020.

Taxes pertaining to the year under review are shown in the note "Income taxes".

12. Other current and non-current non-financial assets

Other current non-financial assets, amounting to € 54,079 thousand, and *other non-current non-financial assets*, amounting to € 80,366 thousand, break down as follows:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Other regulated activities	38,618	164,148	202,766	38,664	77,175	115,839
Other assets	45,550	3,293	48,843	15,415	3,191	18,606
- Other current taxes	40,818		40,818	10,710		10,710
- Prepayments	4,729	164	4,893	4,701	163	4,864
- Security deposits		2,767	2,767		2,970	2,970
- Other	3	362	365	4	58	62
	84,168	167,441	251,609	54,079	80,366	134,445

Other regulated activities (€ 115,839 thousand as at 31 December 2021) essentially relate to the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas and Determination no. 3/2021.

The other current tax assets, amounting to € 10,710 thousand (€ 40,818 thousand as at 31 December 2020) refer to VAT receivables for € 6,976 thousand (€ 36,138 thousand as at 31 December 2020) and to other taxes for € 3,734 thousand (€

4,680 thousand as at 31 December 2020).

Deferred expenses of € 4,864 thousand mainly related to deferrals relative to the single equity charge and insurance policies.

13. Property, plant and equipment

Property, plant and equipment, which amounts to € 372,108 thousand as at 31 December 2021 (€ 369,899 thousand at 31 December 2020), breaks down as follows:

(€ thousands)	31.12.2020						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2019	13,047	440,856	32,504	164,441	29,342	12,210	692,400
Right of Use as at 1.1.2020		38,078		40,160	14,428		92,666
Investments	10	14,089	922	7,240	44	17,197	39,502
Right of Use investments		9,872		6,721	9,887		26,480
Divestments	(43)	(1,893)	(308)	(14,911)	(2,798)	(54)	(20,007)
Disposals of Right of Use		(1,107)		(290)			(1,397)
Other changes	1	321	1,052	767	(5)	(10,409)	(8,273)
Other change in rights of use		(1,216)		(1,882)	1,402		(1,696)

(€ thousands)	31.12.2020						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2020	13,015	460,922	34,170	162,086	37,872	18,944	727,009
Accumulated depreciation at 31.12.2019		(200,007)	(13,701)	(111,779)	(16,224)		(341,711)
Depreciation of Right of Use as at 1.1.2020		(5,873)		(8,767)	(2,236)		(16,876)
Depreciation		(7,369)	(1,736)	(6,593)	(414)		(16,112)
Depreciation of Right of Use		(5,854)		(10,019)	(4,362)		(20,235)
Divestments		1,128	116	14,766	2,761		18,771
Disposals of Right of Use		518		180			698
Other change in rights of use		1,199		543	(59)		1,683
Other changes		8	475	(1)	2		484
Accumulated depreciation at 31.12.2020		(210,377)	(14,846)	(112,903)	(18,296)		(356,422)
Provision for impairment losses at 31.12.2019				(657)		(31)	(688)
Provision for impairment losses at 31.12.2020				(657)		(31)	(688)
Net balance at 31.12.2019	13,047	240,849	18,803	52,005	13,118	12,179	350,001
Net balance at 31.12.2020	13,015	250,545	19,324	48,526	19,576	18,913	369,899
- of which Right of Use		35,617		26,646	19,060		81,323

(€ thousands)	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2020	13,015	460,922	34,170	162,086	37,872	18,944	727,009
Right of Use as at 1.1.2021		45,627		44,709	25,717		116,053
Investments	2	19,349	2,208	3,576		5,705	30,840
Right of Use investments		1,044		4,031	9,829		14,904
Divestments	(183)	(4,040)	(416)	(13,432)	(960)	(216)	(19,247)

(€ thousands)	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Disposals of Right of Use		(1,099)		(3,509)	(18)		(4,626)
Change in scope of consolidation			129	793			922
Change in scope of consolidation right of use				92			92
Other changes	(96)	11,212	211	2,084	484	(16,955)	(3,060)
Other change in rights of use		(169)		(39)	(86)		(294)
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Accumulated depreciation at 31.12.2020		(210,377)	(14,846)	(112,903)	(18,296)		(356,422)
Depreciation of Right of Use as at 1.1.2021		(10,010)		(18,063)	(6,657)		(34,730)
Depreciation and depreciation		(7,779)	(1,723)	(6,416)	(270)		(16,188)
Depreciation of Right of Use		(6,687)		(10,020)	(6,230)		(22,937)
Divestments		1,986	2	12,576	941		15,505
Disposals of Right of Use		565		3,016	6		3,587
Change in scope of consolidation			(1)	(580)			(581)
Change in scope of consolidation right of use				(4)			(4)
Other change in rights of use		62		77	47		186
Other changes		2,534	4	177	(182)		2,533
Accumulated depreciation at 31.12.2021		(219,696)	(16,564)	(114,077)	(23,984)		(374,321)
Provision for impairment losses at 31.12.2020				(657)		(31)	(688)
(Write-down)/Value restorations						31	31
Divestments				653			
Other changes				4		(111)	(107)
Provision for impairment losses at 31.12.2021						(111)	(111)
Net balance at 31.12.2020	13,015	250,545	19,324	48,526	19,576	18,913	369,899
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
- of which Right of Use		29,333		20,290	22,608		72,231

Investments (€ 45,744 thousand) mainly refer to buildings used as offices (€ 19,349 thousand) and leased goods (€ 14,904 thousand).

The Rights of use are detailed in the following table:

							RIGHT OF USE (*)
(€ thousands)	1.1.2021	depreciation	Change in scope of consolidation	increases	decreases	reclassifications	31.12.2021
Buildings	35,617	(6,687)		1,044	(534)	(107)	29,333
- operating properties	35,617	(6,687)		1,044	(534)	(107)	29,333
Industrial and commercial equipment	26,646	(10,020)	88	4,031	(493)	38	20,290
- ICT	3,511	(1,984)		3,492	(1)	(1)	5,017
- motor vehicles	23,135	(8,036)	88	539	(492)	39	15,273
Other assets	19,060	(6,230)		9,829	(12)	(39)	22,608
	81,323	(22,937)	88	14,904	(1,039)	(108)	72,231
Interest expense (included in financial expense)	304						290

(*) included in the item "Property, plant and equipment" of the Balance Sheet

Operating properties include rental expenses for Rights of use to the associate Valdarno S.r.l. in liquidation, of € 1,815 thousand.

Land and buildings, of € 280,261 thousand, mainly include buildings for office use, workshops, warehouses and depots used in the corporate business, of which rights of use of € 29,333 thousand.

Plant and machinery (€ 19,738 thousand) mainly related to photovoltaic plants (€ 12,683 thousand) and VRA units (€ 3,369 thousand).

Industrial and commercial equipment (€ 41,605 thousand) mainly include ICT infrastructures, vehicles and other equipment of which rights of use are € 20,290 thousand.

During the year, there were no changes in the estimated useful

life of assets or in the depreciation rates applied and explained by category in the Note - "Measurement criteria - Property, plant and equipment".

Property, plant and equipment are not collateralised and there are no restrictions on ownership and property. Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in the Note "Guarantees, commitments and risks".

During the year, no impairment indicators were observed, nor any significant variations to the measurement of the recoverability of the value recognised in the financial statements for Property, plant and equipment.

14. Intangible assets

Intangible assets, which amount to € 7,469,805 thousand as at 31 December 2021 (€ 7,055,028 as at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020 restated						
	Finite useful life					Indefinite useful life	Total
	Service concession agreements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	
Cost at 31.12.2019	10,784,892	431,191	233,181	14,208	97,223	68,654	11,629,349
Restated effect					(23,562)		(23,562)
Cost at 31.12.2019 restated	10,784,892	431,191	233,181	14,208	73,661	68,654	11,605,787
Investments	522,418	29,422	146,320	9,360	3,842		711,362
Investments restated effect					(1,846)		(1,846)
Government grants			(1,968)				(1,968)
Acquisition of business units	19,769						19,769
Divestments	(88,644)	(47)	(117)	(37)	(11)		(88,856)
Other changes	81,597	10,213	(62,210)	(11,870)	(68)	(1,216)	16,446
Cost at 31.12.2020	11,320,032	470,779	315,206	11,661	75,578	67,438	12,260,694
Accumulated amortisation at 31.12.2019	(4,467,900)	(345,999)			(71,319)		(4,885,218)
Restated effect					16,203		16,203
Accumulated amortisation as at 31.12.2019 restated	(4,467,900)	(345,999)			(55,116)		(4,869,015)
Amortisation	(359,337)	(35,886)			(11,673)		(406,896)
Amortisation restated effect					4,123		4,123
Divestments	77,239	6			11		77,256
Other changes	217	56			16		289
Accumulated amortisation at 31.12.2020	(4,749,781)	(381,823)			(62,639)		(5,194,243)
Provision for impairment losses at 31.12.2019	(9,994)			(2,148)			(12,142)
(Write-down)/Value restorations	(933)						(933)
Other changes	1,651			1			1,652
Provision for impairment losses at 31.12.2020	(9,276)			(2,147)			(11,423)
Net balance at 31.12.2019	6,306,998	85,192	233,181	12,060	18,545	68,654	6,724,630
Net balance at 31.12.2020	6,560,975	88,956	315,206	9,514	12,939	67,438	7,055,028

(€ thousands)	31.12.2021						
	Finite useful life					Indefinite useful life	Total
	Service concession agreements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	
Cost at 31.12.2020	11,320,032	470,779	315,206	11,661	75,578	67,438	12,260,694
Investments	632,359	6,382	141,394	39,124	15,396	6,501	841,156
Government grants			(33,140)				(33,140)
Change in the scope of consolidation	26,864	217			1,142		28,223
Divestments	(63,653)	(989)	(87)	(1,880)	(290)		(66,899)
Reclassifications	(77,757)				77,757		
Other changes	106,731	35,261	(105,100)	(36,911)	85	567	633
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506	13,030,667
Accumulated amortisation at 31.12.2020	(4,749,781)	(381,823)			(62,639)		(5,194,243)
Amortisation	(364,339)	(37,598)			(3,325)		(405,262)
Change in the scope of consolidation	(1,666)	(207)			(704)		(2,577)
Divestments	50,904	288			287		51,479
Reclassifications	76,619				(76,619)		
Other changes	(752)	11			1,136		395
Accumulated amortisation at 31.12.2021	(4,989,015)	(419,329)			(141,864)		(5,550,208)
Provision for impairment losses at 31.12.2020	(9,276)			(2,147)			(11,423)
(Write-down)/Value restorations	(895)						(895)
Divestments	17			2,095			2,112
Change in the scope of consolidation		(10)			(438)		(448)
Provision for impairment losses at 31.12.2021	(10,154)	(10)		(52)	(438)		(10,654)
Net balance at 31.12.2020	6,560,975	88,956	315,206	9,514	12,939	67,438	7,055,028
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506	7,469,805

As of 31 December 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the Balance Sheet items and the Income Statement items as at 31 December 2020, these statements have been adjusted.

Service concession agreements including the related work in progress, amounting to € 7,263,680 thousand (€ 6,560,975 thousand as at 31 December 2020), refer to agreements between the public and private sectors on the development, financing, management and maintenance of infrastructure under concession by a contracting party. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service natural gas distributor, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution service at the tariff established by ARERA, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service.

Industrial patent rights and intellectual property rights of 92,311 (€ 88,956 thousand as at 31 December 2020) mainly concern information systems and applications in support of operating activities.

Other intangible assets of € 27,366 thousand (€ 18,021 thousand as at 31 December 2020) predominately concern the customer lists relating to the acquisition of ESCo and gas sales businesses (€ 14,736 thousand).

Intangible assets with an undefined useful life of € 74,506 thousand (€ 67,438 thousand at 31 December 2020) mainly refer to goodwill arising in previous years in relation to the process of allocation of prices paid for the acquired companies. As compared with 31 December 2020, they increase by € 7,068 thousand mainly in view of the business combination relative to Fratelli Ceresa S.p.A.

IFRIC 12 Work in progress of € 318,273 thousand (€ 315,206 thousand at 31 December 2020) mainly refers to new networks under construction.

Investments for the year, equal to € 841,156 thousand, mainly relate to concession agreements for the maintenance and development of the smart metering network and the digitisation of networks. In particular:

- | gas distribution investments (€ 541.6 million) refer to the network development and maintenance initiatives, as well as the construction of new gas distribution networks;
- | investments in digitisation (€ 146.7 million) relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.
- | metering investments (€ 76.5 million) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. In 2021, the Company installed 821 thousand new meters, of which 339 thousand to replace traditional G4/G6 meters, 468 thousand for the repair of digital meters with anomalies and 14 thousand to replace large-caliber meters. At 31 December 2021, a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart

meters (91.7% of the total number of meters and practically all active meters).

Amortisation refers to economic and technical amortisation determined on the basis of the finite useful life of the intangible assets or their remaining possible use by the Company.

The provision for impairment, amounting to € 10,654 thousand, mainly relates to service concession arrangements.

Advanced research and development expenses of the period are not of a considerable amount.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in the Note - "Guarantees, commitments and risks".

IMPAIRMENT TEST

The impairment test is conducted for all CGUs with impairment indicators and/or goodwill allocated to them. In 2021, the test was carried out for all the CGUs, regardless of the presence of impairment indicators and/or goodwill.

The impairment test therefore concerned the following CGUs (Cash Generating Units):

- | Distribution and metering of natural and other gases;
- | Sale of natural and other gases;
- | Integrated water service;
- | Other activities (ESCOs).

As compared with last year, due to the advanced state of conversion of the networks supplied by different gases into networks supplied by natural gases throughout Sardinia and the consequent altered importance in terms of both physical and economic value of the distribution and metering assets, the CGUs "Distribution and metering of natural gas" and "Distribution and metering of other gases (LPG and propane air)", have been combined. In addition, this year, the "Sale of other gases" CGU also includes the business of selling natural gas, following the start-up of natural gas supplies in Sardinia and has consequently been renamed "Sale of natural and other gases".

As required by the reference accounting standards (IAS 36), impairment testing was conducted on assets and goodwill by determining their recoverable value and comparing this with the net book value of the CGUs to which they belong.

Goodwill posted to the financial statements is allocated to the CGUs as follows:

- | Distribution and metering of natural and other gases: € 66.2 million;
- | Other activities (ESCOs): € 8.3 million.

With reference to the Natural and other gas distribution and metering CGU and the Integrated water service CGU, the recoverable value was defined in accordance with the estimated value of Net Invested Capital attributed to such assets for tariff purposes (RAB - Regulatory Asset Base⁸²) by the Authority.

The "Distribution and metering of natural gas" CGU includes,

⁸² RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated from assets. The RAB value is defined using the revalued historical cost method for Fixed Capital and on a flat-rate basis for Working Capital and employee severance pay.

as described previously, the “Municipalities in start-up”, mainly concentrated in Sardinia, for which the remuneration mechanism provides for a limit to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 (expressed at 2017 prices) per delivery point set by resolution no. 704/2016/R/gas. The RAB considered is based on the achievement of break-even delivery points.

The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors; reasonable changes in valuation inputs would not result in losses of value in the asset. As mentioned in the Directors’ Report, with reference to the “Open procedure for the award under concession of the natural gas distribution service in the “Naples 1 - City of Naples and coastal plant” ATEM, on 14 April 2021, the tender commission formulated a proposed award to another operator, subject to the verification that the requirements declared during the tender are effectively met. Italgas Reti has challenged the tender award in the favour of said other operator and the procedure is still in progress. In connection with the assessment of the potential recovery of value of the assets relating to the Naples 1 ATEM, it is noted that there are no impairment indicators for the assets, as the net book value of these assets does not exceed the Reimbursement Value envisaged by the relative tender notice.

With reference to the Sale of natural and other gases CGU, the recoverable amount was defined on the basis of the price offered in a recent binding offer of sale, as better detailed in paragraph “5.6 Business Outlook”.

As regards the Other activities CGU, the recoverable amount has been determined partly by the price paid in a recent binding agreement of sale established in a free transaction and for the remainder, on the basis of the Discounted Cash Flow (DCF) method based on flows deriving from the 2021-2027 Business Plan. No impairment was found as a result of the test carried out. A sensitivity analysis was also carried out on the WACC used to determine the recoverable value.

15. Investments valued using the equity method

Equity investments valued using the equity method, which amount to € 30,108 thousand (€ 29,301 thousand at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020	Income (expense) from shareholders' equity	Decrease for dividends	31.12.2021
Umbria Distribuzione Gas S.p.A.	1,547	(32)		1,515
Metano Sant'Angelo Lodigiano S.p.A.	1,102	143	(142)	1,103
Gesam Reti S.p.A.	20,716	1,979	(1,062)	21,633
Valdarno S.r.l. in liquidation	5,562	(101)		5,461
Enerpaper S.r.l.	374	22		396
	29,301	2,011	(1,204)	30,108

Income from valuation using the equity method, of € 2,011 thousand, refers mainly to the company Gesam Reti (€ 1,979 thousand).

The decrease for dividends, of € 1,204 thousand concerns the company Gesam Reti (€ 1,062 thousand) and Metano Sant'Angelo Lodigiano (€ 142 thousand).

Equity investments are not collateralised.

With regard to the recoverable value of equity investments, for companies operating exclusively in regulated businesses, it is calculated using the adjusted RAB value of the net financial

position, while for companies operating in other businesses, it is estimated based on future cash flows deriving from the business plans. In the light of the positive performance of those companies, the value estimated in this way is higher for all equity investments than the value recorded in the financial statements, and therefore there are no losses in value.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix “Subsidiaries, associates and equity investments of Italgas S.p.A. at 31 December 2021”, which is an integral part of these notes.

OTHER INFORMATION ON EQUITY INVESTMENTS

In accordance with the provisions of IFRS 12 - "Disclosure of interests in other entities", the economic and financial data for joint ventures and associates are provided below.

EQUITY INVESTMENTS IN JOINT VENTURES

The IFRS-compliant economic and financial data on equity investments in joint ventures operating in the distribution of natural gas⁸³ are reported below according to their relevance.

	31.12.2021
(€ thousands)	Gas distribution companies under joint control
Current assets	6,919
- of which Cash and cash equivalents	4,382
Non-current assets	12,892
Total assets	19,811
Current liabilities	(12,463)
- of which Short-term financial liabilities	(3,308)
Non-current liabilities	(1,778)
- of which Long-term financial liabilities	(1,566)
Total liabilities	(14,241)
Shareholders' equity	5,570
Group interest	2,617
Other adjustments	1
Book value	2,618
Revenue	7,333
Operating costs	(6,186)
Amortisation, depreciation and impairment	(690)
EBIT	457
Financial expense	(48)
Income taxes	(115)
Net profit	294
Total comprehensive income	294

⁸³ Unless otherwise indicated, the financial statement figures for joint ventures, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method.

UMBRIA DISTRIBUZIONE GAS S.p.A.

Umbria Distribuzione Gas S.p.A. operates in the natural gas distribution segment in Umbria.

The share capital of Umbria Distribuzione Gas S.p.A. is held by Italgas S.p.A. (45%), by A.S.M. Terni S.p.A. (40%) and by Acea S.p.A. (15%).

Umbria Distribuzione Gas manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructures, mainly owned by Terni Reti S.r.l., a wholly-owned subsidiary of the Terni municipality, comprising stations for withdrawing gas from the transportation network, pressure reduction plants, the local transportation and distribution network, user derivation plants and redelivery points comprising technical equipment featuring meters at the end users.

The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partners (Italgas S.p.A. and Acea S.p.A.) and the Public Partner (Municipalities).

METANO SANT'ANGELO LODIGIANO S.p.A.

Metano Sant'Angelo Lodigiano S.p.A. operates in the natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

The share capital of Metano Sant'Angelo Lodigiano S.p.A. is held by Italgas S.p.A. (50%), the Municipality of Sant'Angelo Lodigiano (50%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partner (Italgas S.p.A.) and the Public Partner (Municipalities).

EQUITY INVESTMENTS IN ASSOCIATES

The IFRS-compliant economic and financial data for each significant associate, are reported below:

(€ thousands)	31.12.2021		
	Gesam Reti S.p.A.	Valdarno S.r.l. in liquidation	Enerpaper S.r.l.
Current assets	12,587	1,609	932
- of which Cash and cash equivalents	4,362	428	150
Non-current assets	53,192	21,008	454
Total assets	65,779	22,617	1,386
Current liabilities	(24,069)	(1,293)	(126)
- of which Short-term financial liabilities		(418)	(114)
Non-current liabilities	(3,769)	(3,148)	(760)
- of which Long-term financial liabilities		(147)	(719)
Total liabilities	(27,838)	(4,441)	(886)
Shareholders' equity	37,941	18,176	500
Equity investment held by the group %	42,96%	30,05%	10,00%
Group interest	16,299	5,562	50
Other adjustments	5,334	(101)	346
Value of the equity investment	21,633	5,461	396
Revenue	16,721	2,502	1,158
Operating costs	(6,615)	(1,561)	(795)
Amortisation, depreciation and impairment	(3,337)	(441)	(100)
EBIT	6,769	500	263
Financial Income (Expense)	(255)	(6)	(24)
Income taxes	(2,084)	(180)	(30)
Net profit	4,430	314	209
Total comprehensive income	4,430	314	209

GESAM RETI S.P.A.

Gesam Reti S.p.A. operates in the natural gas distribution and network management sector (owned 42.96% by Toscana Energia S.p.A.) in the municipality of Lucca and in another 7 municipalities of the province.

VALDARNO S.R.L. IN LIQUIDATION

Valdarno S.r.l. is a real estate management company in liquidation, 30.05% owned through Toscana Energia S.p.A.

ENERPAPER S.R.L.

Enerpaper S.r.l. operates in Turin, is 10% owned through Seaside S.p.A., whose activities carried out on its own behalf or on behalf of third parties are mostly focused on energy efficiency, building production in general, development, production, installation and sale of innovative products or services having high technological value.

16. Non-current financial assets

Non-current financial assets, amounting to € 7,855 thousand (€ 5,072 thousand as at 31 December 2020), are broken down as follows:

(€ thousands)	31,12,2020	31,12,2021
Financial receivables instrumental to operations	156	2,848
Other equity investments	4,916	5,007
	5,072	7,855

The increase in the item Financial receivables instrumental to operations of 2,692 is due to the entrance into the consolidation area of the company Fratelli Ceresa S.p.A. mainly relating to energy plus service contracts.

The item Other equity investments includes the equity investment held in Reti Distribuzione, measured at fair value with effect on the Income Statement.

17. Assets held for sale

Assets held for sale, worth € 2,180 thousand (€ 69 thousand at 31

December 2020) increase by € 2,111 thousand, mainly due to the future sale of the real estate complex in via Avezzana, Milan and the gas distribution plants in certain municipalities of the ATEM Milan 1 to another operator awarded the related area tender.

18. Short-term and long-term financial liabilities

Short-term financial liabilities, amounting to € 591,188 thousand (€ 698,406 thousand as at 31 December 2020) and long-term financial liabilities, totalling € 5,785,707 thousand (€ 4,707,145 thousand as at 31 December 2020), break down as follows:

(€ thousands)	31.12.2020					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	600,210	44,160	644,370	237,794	592,047	829,841
Bonds		33,279	33,279	1,242,336	2,578,920	3,821,256
Financial payables for leased assets (IFRS 16)		20,250	20,250	48,043	8,004	56,047
Other shareholders	507		507	1		1
	600,717	97,689	698,406	1,528,174	3,178,971	4,707,145

(€ thousands)	31.12.2021					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	350,470	42,186	392,656	830,429	458,494	1,288,923
Bonds		146,111	146,111	880,791	3,564,619	4,445,410
Financial payables for leased assets (IFRS 16)		19,625	19,625	45,066	5,307	50,373
Other shareholders	32,796		32,796	1,001		1,001
	383,266	207,922	591,188	1,757,287	4,028,420	5,785,707

Loans are initially recognised at cost represented by the fair value of the amount received net of incidental charges for obtaining the loan. After this initial recognition, loans are recognised with the amortised cost criterion calculated using the effective interest rate. All financial liabilities are accounted for using the amortised cost method.

On 5 February 2021, Italgas successfully completed the launch of the fixed-rate 7- and 12-year "dual-tranche" bond issue, for a total of € 500 million each, with an annual coupon of 0% and 0.5% respectively, with a view to pre-funding prospective financial requirements and extending the maturity profile. On the same date, a buyback transaction was carried out on two bond issues, one for an original nominal value of € 750 million maturing in January 2022 and one for an original nominal value of € 650 million maturing in March 2024. The buyback was finalised on 16 February 2021 with a total nominal buyback value of € 255.7 million.

On 15 September 2021, the Board of Directors resolved on

the renewal of the EMTN Programme launched in 2016 and already renewed in 2017, 2018, 2019 and 2020, confirming the maximum nominal amount of € 6.5 billion, which was signed on 7 October 2021.

In October 2021, Italgas took out two fixed-rate bank loans with leading banks, in relation to the achievement of ESG targets, with a 3-year term, for a total of € 500 million.

Any failure to achieve these ESG objectives focussed on gender equality and the maintenance of a solid sustainability rating by the Group would only affect the interest rate applied to the nominal amount for the time remaining to expiry. At 31 December 2021, both objectives had been met.

As required by IAS 7 (§44A), below is the statement showing the prospectus containing a reconciliation of the changes in liabilities deriving from financing, distinguishing between changes deriving from cash flow and other non-monetary changes.

(€ thousands)	Figures at 01.01.2021	Cash flow	Other non-monetary changes				Figures at 31.12.2021
			Conversion differences	Other changes	Business combinations	Total change	
Bank loans	1,474,211	238,022		(32,472)	1,818	207,368	1,681,579
<i>of which short-term</i>	644,370	(163,553)		(89,979)	1,818	(251,714)	392,656
<i>of which long-term</i>	829,841	401,575		57,507		459,082	1,288,923
Bonds	3,854,535	683,938		53,048		736,986	4,591,521
<i>of which short-term</i>	33,279	(92,271)		205,103		112,832	146,111
<i>of which long-term</i>	3,821,256	776,209		(152,055)		624,154	4,445,410
Financial payables for leased assets (IFRS 16)	76,297	(21,529)	975	14,167	88	(6,299)	69,998

(€ thousands)	Figures at 01.01.2021	Cash flow	Other non-monetary changes				Figures at 31.12.2021
			Conversion differences	Other changes	Business combinations	Total change	
<i>of which short-term</i>	20,250	(21,529)	975	19,841	88	(625)	19,625
<i>of which long-term</i>	56,047			(5,674)		(5,674)	50,373
Other shareholders	508	33,289				33,289	33,797
<i>of which short-term</i>	507	32,289				32,289	32,796
<i>of which long-term</i>	1	1,000				1,000	1,001
	5,405,551	933,720	975	34,743	1,906	971,344	6,376,895

SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities, of € 591,188 thousand (€ 698,406 thousand as at 31 December 2020), including the short-term portions of long-term liabilities, mainly refer to the use of uncommitted credit lines. The reduction of € 107,218 thousand is mainly due to the decreased use of the credit lines.

There are no short-term financial liabilities denominated in currencies other than the Euro.

LONG-TERM FINANCIAL LIABILITIES

Long-term financial liabilities amount to € 5,785,707 thousand

overall (€ 4,707,145 thousand as at 31 December 2020).

Net of financial payables for leased assets, the increase compared to 31 December 2020, of € 1,084,236 thousand, is primarily due to the effect of the “dual-tranche” bond issues maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the buyback of bonds maturing in January 2022 and March 2024 for a total of € 255,700 thousand. In view of the net liquidity from the “dual-tranche” bond issue, on 12 March 2021 Italgas cancelled the “Revolving Credit Facility” of € 500 million, maturing in October 2021 and completely unused.

The breakdown of the bonds (€ 4,591,521 thousand), with the issuing company, year of issue, currency, average interest rate and due date, is provided in the following table.

(€ thousands)							
Issuing company	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2021	Rate (%)	Due date (year)
Euro Medium Term Notes							
ITALGAS S.p.A.	2017	euro	750,000	6,916	756,916	1.625%	2027
ITALGAS S.p.A.	2017	euro	112,307	519	112,826	0.500%	2022
ITALGAS S.p.A.	2017	euro	381,326	2,561	383,887	1.125%	2024
ITALGAS S.p.A.	2017	euro	750,000	8,435	758,435	1.625%	2029
ITALGAS S.p.A.	2019	euro	600,000	(3,107)	596,893	0.875%	2030
ITALGAS S.p.A.	2019	euro	500,000	(3,981)	496,019	1.000%	2031
ITALGAS S.p.A.	2020	euro	500,000	(3,096)	496,904	0.250%	2025
ITALGAS S.p.A.	2021	euro	500,000	(6,373)	493,627	0.000%	2028
ITALGAS S.p.A.	2021	euro	500,000	(3,985)	496,015	0.500%	2033
			4,593,633	(2,112)	4,591,521		

(a) Includes issue discount/premium and interest rate.

The breakdown of bank loans, amounting to € 1,681,579 thousand is provided in the table below.

(€ thousands)							
Type	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2021	Rate (%)	Due date (year)
ITALGAS S.p.A. - BEI	2017	euro	360,000	(171)	359,829	0.35+Euribor 6M	15.12.2037
ITALGAS S.p.A. - BEI	2015	euro	115,733	0	115,733	0.14+Euribor 6M	22.10.2035
ITALGAS S.p.A. - BEI	2016	euro	275,000	(163)	274,837	0.47+Euribor 6M	30.11.2032
TOSCANA ENERGIA S.p.A - BEI	2016	euro	77,727	(26)	77,702	1.049%	30.06.2031
ITALGAS S.p.A. - TL MEDI-OBANCA	2021	euro	200,000	0	200,000	0,000%	15.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2021	euro	300,000	0	300,000	0,000%	27.10.2024
ITALGAS S.p.A. - HM BNL	2021	euro	350,000	56	349,944	-0.290%	03.05.2022
Debiti finanziari verso altre banche			3,534		3,534		
			1,681,994	(416)	1,681,579		

(a) Include aggio/disaggio di emissione e rateo di interesse.

There are no long-term bank loans denominated in currencies other than the Euro.

There were no breaches of loan agreements as at the reporting date.

There were no breaches of loan agreements as at the reporting date. See the "Financial covenants and negative pledge contractual clauses" paragraph.

BREAKDOWN OF TOTAL FINANCIAL LIABILITIES BY INTEREST RATE TYPE

As at 31 December 2021, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2020		31.12.2021	
	Value	%	Value	%
Fixed rate	4,676,3	86.5	5,910,9	92.7
Floating rate	728,8	13.5	466,0	7.3
	5,405,1	100.0	6,376,9	100.0

FINANCIAL COVENANTS AND NEGATIVE PLEDGE CONTRACTUAL CLAUSES

As at 31 December 2021 there are no loan agreements containing financial covenants and / or secured by collateral, with the exception of the EIB loan signed by Toscana Energia for an amount of € 90 million which provides for compliance with certain financial covenants⁸⁴. Some of these contracts require, inter alia, compliance with: (i) negative pledge undertakings, pursuant to which Italgas and the 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; (ii) pari passu and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. These commitments were satisfied as at 31 December 2021.

The option for the lender to request additional guarantees if Italgas' credit rating is below BBB- (Fitch Ratings Limited) or Baa3 (Moody's) is envisaged only for the EIB loans taken out by

Italgas. As at 31 December 2021, these criteria were met (see "Rating risk").

Failure to comply with the commitments established for these 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, may result in Italgas and Toscana Energia failure to comply and could trigger the early repayment of the relative loan.

BREAKDOWN OF NET FINANCIAL DEBT

Below is the net financial position in line with the CONSOB provisions of 28 July 2006 and with the provisions of ESMA guideline no. 39 issued on 04 March 2021, applicable from 05 May 2021 and CONSOB's Warning Notice no. 5/21 issued on 29 April 2021, reconciled with the financial debt prepared according to the Italgas Group representation methods.

(€ thousands)	31.12.2020	31.12.2021
A, Cash	432,974	1,390,711
B, Cash equivalents	231,052	1,052
C, Other current financial assets	5,120	5,120
D, Liquidity (A+B+C)	669,146	1,396,883
E, Current financial debt (including debt instruments but excluding the portion of non-current financial debt)	600,717	383,266
F, Current portion of non-current financial debt (*)	97,689	207,922
G, Current financial debt (E+F)	698,406	591,188
<i>of which, related parties</i>	<i>536</i>	<i>464</i>
H, Net current financial debt (G-D)	29,260	(805,695)
I, Non-current financial debt (excluding the current portion and debt instruments) (*)	885,889	1,340,297
J, Debt instruments	3,821,256	4,445,410
K, Trade and other non-current payables		
L, Non-current financial debt (I+L+K)	4,707,145	5,785,707
<i>of which, related parties</i>	<i>2,097</i>	<i>1,351</i>
M, Total financial debt as per ESMA guideline (H+L)	4,736,405	4,980,012

(*) Includes financial payables for leased assets recognised in accordance with IFRS 16 "Leases", of which € 50,373 thousand are long-term (€ 56,047 thousand at 31.12.2020) and € 19,625 thousand are short-term portions of long-term financial payables (€ 20,250 thousand at 31.12.2020).

⁸⁴ The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2021 have been respected.

With reference to the new provisions of paragraphs 175 et seq. of the ESMA Guidelines on disclosure obligations in accordance with Regulation EU 2017/1129, the change to the prospectus has involved the highlighting under the item of Cash and cash equivalents of bank funds that are not readily available for use (€ 1,052 thousand at 31 December 2021 and € 231,052 thousand at 31 December 2020).

Net financial debt as at 31 December 2021, including the effects of the application of IFRS 16, of € 70 million, amounted to € 4,980,012 thousand, up by € 243,607 thousand (€ 4,736,405 thousand as at 31 December 2020). Net of that effect, the net financial debt amounted to € 4,910,014 thousand (€ 4,660,108 thousand as at 31 December 2020, € +249,906 thousand).

Financial and bond debt as at 31 December 2021 totalled € 6,376,895 thousand (€ 5,405,551 thousand as at 31 December 2020) and refer to: bonds (€ 4,591,521 thousand), loan agreements with the European Investment Bank (EIB) (€ 828,101

thousand), (iii) payables to banks (€ 887,275 thousand) and financial liabilities pursuant to IFRS 16 (€ 69,998 thousand).

Cash, amounting to € 1,390,711 thousand, is held in current accounts and fixed-term deposits that can be immediately liquidated with leading banks.

Net financial debt does not include payables for dividends resolved and yet to be distributed, payables for investments and the fair value of interest rate hedges.

19. Trade and other payables

Trade payables and other payables, which amount to € 769,137 thousand (€ 767,555 thousand as at 31 December 2020), comprise the following:

(€ thousands)	31.12.2020	31.12.2021
Trade payables	303,021	300,906
Payments on account and prepayments	2,402	2,269
Payables for investment activities	225,109	247,055
Other payables	237,023	218,907
	767,555	769,137

Trade payables of € 300,906 thousand (€ 303,021 thousand as at 31 December 2020) relate to payables to suppliers and to CSEA relating to equalisation⁸⁵ (€ 8,027 thousand).

Payables for investment activities equal to € 247,055 thousand (€ 225,109 thousand as at 31 December 2020) mainly relate to payables to suppliers for technical activities.

The 2021 purchase of the concession of Olevano sul Tusciano is subject to a price adjustment clause according to the ultimate RAB to be approved by ARERA following the upholding of a specific request for correction of the equity data submitted by the seller on 14 September 2018 as concession-holder, in accordance with the provisions of RTDG 2014-2019, subject to the final tariffs of 2020. The Group has reflected the best esti-

mate available of said value in the financial statements.

The purchase of the equity investment Isgastrentatrè in 2021 is subject to a price adjustment clause according to the RAB subject to the definitive 2021 tariffs. The Group has reflected the best estimate available of said value in the financial statements.

The 2021 purchase of the equity investment in Fratelli Ceresa is subject to a price adjustment clause according to the net financial position at the closing date. The Group has reflected the best estimate available of said value in the financial statements.

Other payables (€ 218,907 thousand at 31 December 2021 and € 237,023 thousand as at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020	31.12.2021
Payables to the public administration	46,043	75,816
Payables to CSEA	139,316	71,578
Payables to personnel	34,229	29,523
Payables to social security institutions	14,934	15,045
Payables to consultants and professionals and other payables	2,501	26,945
	237,023	218,907

⁸⁵ The mechanism based on which the differences between what is invoiced to sales companies and the revenue restrictions defined by the Authority are recorded as debits/credits from the CSEA.

Payables to the public administration (€ 75,816 thousand; € 46,043 thousand as at 31 December 2020) primarily involve payables to municipalities for concession fees for the gas distribution business.

Payables to the CSEA (€ 71,578 thousand; € 139,316 as at 31 December 2020) relate to safety penalties for € 11,694 thousand (€ 24,224 as at 31 December 2020) and to several ancillary components of tariffs relating to the gas distribution service to be paid to this Fund (RE, RS, UG1 and GS)⁸⁶ for the remaining amount.

Payables to related parties are described in the note "Related party transactions".

The book value of trade payables and other payables, considering the limited time interval between the occurrence of the payable and its maturity, is an approximation of the fair value. See the "Guarantees, commitments and risks - Other information on financial instruments" note for the market value of the trade payables and other payables.

20. Other current and non-current financial assets/liabilities

The market value of the derivative financial instruments as at 31 December 2021 is analysed below:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Other assets					670	670
Derivative financial instruments for foreign exchange risk						
- Fair value instruments for foreign exchange risk					670	670
Other liabilities	(299)	(21,002)	(21,301)	(290)	(6,283)	(6,573)
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	(299)	(21,002)	(21,301)	(290)	(6,283)	(6,573)

The value of other non-current assets, amounting to € 670 thousand, concerns the foreign exchange rate risk derivative hedging future payment flows in USD on Picarro invoices. The total amount hedged is \$16.3 million. The Group did not apply hedge accounting under IFRS 9 for this instrument, as it is for operational hedging only.

	Date stipulated	Initial amount as at 15.01.2021 USD hedging	Residual value as at 31.12.2021 USD	Foreign exchange rate on the subscription date	Foreign exchange rate on expiry (*)	Expiry date (last hedge)
Foreign exchange risk derivative	15.01.2021	16,300,000,00	14,980,000,00	1.2131	from 1.2143 to 1.2517	31.10.2024

(*) based on future instalments.

⁸⁶ These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.

On 28 December 2017 Italgas entered into an EIB loan for an amount of € 360 million, expiring on 15 December 2037. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.355%.

On 15 January 2018 Italgas entered into an Interest Rate Swap, effective from 15 January 2018, expiring in 2024 and with the same coupon frequency as the loans.

On 12 December 2016 Italgas entered into an EIB loan for an

amount of € 300 million, expiring on 30 November 2032. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.47%.

On 24 July 2019 Italgas also entered into an Interest Rate Swap, effective from 24 July 2019, expiring in 2029 and with the same coupon frequency as the loans.

The IRS characteristics are summarised below:

	Date stipulated	Amount	ITG rate	Bank rate	Coupon	Expiration date
"Italgas Gas Network Upgrade" EIB loan	28.12.2017	360,000,000,00	var EUR 6M+spread 0.355%		half-yearly	15.12.2037
IRS derivative	15.01.2018	360,000,000,00	0.6195%	var EUR 6m	half-yearly	15.12.2024
"Smart Metering" EIB loan	12.12.2016	300,000,000,00	var EUR 6M+spread 0.47%		half-yearly	30.11.2032
IRS derivative	24.07.2019	300,000,000,00	-0.056%	var EUR 6m	half-yearly	30.11.2029

The derivatives stipulated to hedge the interest rate are booked according to the rules of hedge accounting. The effectiveness testing carried out as at 31 December 2021 did not show any impacts on the income statement in terms of ineffectiveness.

21. Other current and non-current non-financial liabilities

Other current non-financial liabilities, amounting to € 13,111 thousand (€ 9,118 thousand as at 31 December 2020) and *other non-current non-financial liabilities*, amounting to € 534,425 thousand (€ 546,054 thousand as at 31 December 2020), are broken down as follows:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Other tax liabilities	9,011		9,011	8,686		8,686
Accruals and deferrals connection contributions		543,484	543,484		531,678	531,678
Liabilities for security deposits		2,570	2,570		2,747	2,747
Other	107		107	4,425		4,425
	9,118	546,054	555,172	13,111	534,425	547,536

Other non-current liabilities, totalling € 534,425 thousand, mainly regard connection contributions totalling € 531,678 thousand.

Other current tax liabilities of € 8,686 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees (€ 8,167 thousand).

22. Provisions for risks and charges

Provisions for risks and charges, which amount to € 159,506 thousand as at 31 December 2021 (€ 202,617 thousand as at 31 December 2020), comprise the following:

31.12.2020							
(€ thousand)	Opening balance	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	115,461	58	1,228	(8,265)			108,482
Provisions for site decommissioning risks and charges	1,823	3,334	(23)			543	5,677
Risk provision for litigation	12,180	3,241		(524)	(2,099)	1	12,799
Provisions for other risks - energy efficiency certificates	10,926	4,980		(7,668)		1	8,239
Provision for retirement risks	2,873	10,000		(91)			12,782
Provision for operational restoration of metering instruments	14,240	38,600		(8,004)		(286)	44,550
Other personnel risk provisions	3,111	1,585		(1,557)	(106)	2	3,035
Risk provision for tax disputes for indirect tax	290				(76)	(43)	171
Other provisions	8,659	371		(2,054)	(383)	289	6,882
	169,563	62,169	1,205	(28,163)	(2,664)	507	202,617

31.12.2021								
(€ thousand)	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	108,482			774	(13,703)	(6,094)	(5,650)	83,809
Provisions for site decommissioning risks and charges	5,677			(818)	(6)		4	4,857
Risk provision for litigation	12,799		7,667		(5,367)	(1,732)	(1)	13,366
Provisions for other risks - energy efficiency certificates	8,239		3,043		(492)	(4,903)	(1)	5,886
Provision for retirement risks	12,782				(1,124)			11,658

31.12.2021

(€ thousand)	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provision for operational restoration of metering instruments	44,550				(14,130)			30,420
Other personnel risk provisions	3,035		664		(942)	(16)	(7)	2,734
Risk provision for tax disputes	171		152			(41)	1	283
Other provisions	6,882	18	237		(534)		(110)	6,493
	202,617	18	11,763	(44)	(36,298)	(12,786)	(5,764)	159,506

The provision for environmental risks and charges of € 83,809 thousand (€ 108,482 thousand as at 31 December 2020) mainly included costs for environmental soil reclamation, pursuant to Law no. 471/1999, as subsequently amended, primarily for the disposal of solid waste, in relation to the gas distribution business. The reduction, equal to € 24,673 thousand, is mainly due to uses in view of period expenses (€ 13,703 thousand) and the transfer of the reclamation expense, together with the related property, of the Chiavari site (€ 5,650 thousand). The release is due to the cessation of obligations mainly linked to the Bassa di Stura (Turin) site.

The risk provision for litigation (€ 13,366 thousand) included costs which the Group has estimated it will incur for existing lawsuits.

The Energy Efficiency Certificates risk provision (EEC) of € 5,886 thousand (€ 8,239 thousand as at 31 December 2020) is connected with reaching the targets set by the Authority. The release is due to the halving of obligations for 2020, which took place in 2021 with Ministerial Decree of 21 May 2021.

The provision for operational restoration of metering instruments, totalling € 30,420 thousand (€ 44,550 thousand at 31 December 2020), was determined by the management on the basis of assumptions that take into account (i) the number of meters that have already shown malfunctions and hypotheses on future outbreaks; (ii) of the guarantees agreed with the suppliers of the meters for the resolution of anomalies; (iii) the estimated costs for restoring the functionality of smart meters with operating anomalies.

The risk provision for early retirement of € 11,658 thousand (€ 12,782 thousand as at 31 December 2020) involves personnel incentive and mobility schemes for the 2021-2023 period.

In accordance with ESMA Recommendation 2015/1608 of 27 October 2015, the effects on provisions of risks and charges arising from a reasonably possible change to the discount rate used at year-end are shown below. The sensitivity analysis on the discounting rates shows the change in value of the actuarial liabilities obtained with the year-end assessment data, by changing the discounting rate, without prejudice to other hypotheses.

(€ thousands)	% change in discounting rates	
	10% reduction	10% increase
Effect on net obligation at 31.12.2021		
Provision for site decommissioning risks and charges	61	(59)
Provisions for environmental risks and charges	525	(514)

23. Provisions for employee benefits

Provisions for employee benefits, which amount to € 95,648 thousand as at 31 December 2021 (€ 104,622 thousand as at 31 December 2020) comprise the following:

(€ thousands)	31.12.2020	31.12.2021
Employee severance pay (TFR)	67,644	62,445
Supplementary healthcare provision for company executives of Eni (FISDE)	8,621	8,868
Gas Fund	24,257	20,479
Other provisions for employee benefits	4,100	3,856
	104,622	95,648

The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS.

The supplementary healthcare provision (€ 8,868 thousand as at 31 December 2021) includes the estimate of costs (determined on an actuarial basis) related to contributions benefiting current⁸⁷ and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group⁸⁸ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The Gas Fund (€ 20,479 thousand at 31 December 2021) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as of 1 December 2015, of the fund pursuant to Law no. 125 of 6 August 2015. In particular, Articles 9-decies and 9-undecies of the Law stipulate that the employer must cover: (i) an extraordinary contribution to cover expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020⁸⁹; and (ii) a contribution in favour of those registered or in voluntary continuation of the contribution, that as at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration in the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated through the employer or the supplementary pension scheme.

At present, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The other provisions for employee benefits (€ 3,856 thousand as at 31 December 2021) relate to seniority bonuses and the long-term incentive plans (LTI).

The long-term incentive plans (IAS 19) envisage, after three years of assignment, the disbursement of a variable monetary benefit linked to a corporate performance parameter, not linked to the share price. Obtaining the benefit depends

⁸⁷ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

⁸⁸ The fund provides the same benefits for Italgas Group executives.

⁸⁹ Article 9-quinquiesdecies also stipulates that "... If monitoring shows that the extraordinary contribution pursuant to Article 9-decies is insufficient to cover the relative expenses, a decree issued by the Ministry of Labour and Social Policy, in concert with the Ministry of Economic Development and the Ministry of Economy and Finance, provides for the redetermination of the extraordinary contribution, the criteria for redistribution of the contribution between employers and the time periods and procedures for payment of the extraordinary INPS contribution".

on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the “vesting period”). This benefit is allocated pro rata over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind.

Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are classified as other long-term benefits pursuant to IAS 19.

The composition of and changes in provisions for employee benefits, determined by applying actuarial methods, are as follows⁹⁰:

(€ thousands)	31.12.2020					31.12.2021				
	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total
Current value of the obligation at the start of the year	72,347	6,641	26,735	7,474	113,197	67,644	8,621	24,257	4,100	104,622
Current cost	150	161		1,540	1,851	185	192		1,615	1,992
Cost for interest	518	49	202	16	785	(26)	40	(12)	8	10
Revaluations / (Impairment):	1,323	2,103	(101)	(93)	3,232	1,162	199	(613)	(505)	243
- Actuarial (Gains) / Losses resulting from changes in the demographic assumptions	107				107	(583)		(25)		(608)
- Actuarial (Gains) / Losses resulting from changes in the financial assumptions	3,035	99	1,177		4,311	608	715	(351)		972
- Effect of past experience	(1,956)	2,004	(18)	(224)	(194)	575	(579)	(425)	(575)	(1,004)
- Other changes	137		(1,260)	131	(992)	562	63	188	70	883
Paid benefits	(6,694)	(333)	(5,563)	(266)	(12,856)	(6,520)	(184)	(3,153)	(1,389)	(11,246)
Effect of transfers			2,984	(4,571)	(1,587)				27	27
Current value of the obligation at the end of the year	67,644	8,621	24,257	4,100	104,622	62,445	8,868	20,479	3,856	95,648

(*) Concerns the measurement of the liabilities arising from: (i) the contribution in favour of those registered or in voluntary continuation of the contribution, equal to 1% for each year of registration in the Gas Fund multiplied by the social security tax base for 2014, (ii) the extraordinary contribution for expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020.

⁹⁰ The table also provides a reconciliation of liabilities recorded for provisions for employee benefits.

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below:

(€ thousands)	2020				2021			
	Employee severance fund	FISDE	Gas Fund	Other provisions	Employee severance fund	FISDE	Gas Fund	Other provisions
Discount rate (%)	(0.04)	0.46	(0.05)	0.40	0.37	0.60	0.27	0.99
Inflation rate (%) (*)	0.70	N/A	N/A	0.70	1.50	N/A	N/A	1.50

(*) With reference to the other provisions, the rate refers only to the seniority bonuses.

The discount rate adopted was determined by considering the yields on corporate bonds issued by Eurozone companies with AA ratings.

The employee benefit plans recognised by Italgas are subject, in particular, to interest rate risk, in the sense that a change in the discount rate could result in a significant change in the liability.

The table below illustrates the effects of a reasonably possible change⁹¹ in the discount rate at the end of the year. The sensitivity of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate by a certain number of basis points, without any change in the other assumptions.

(€ thousands)	Discount rate			
	reduction		increase	
	%	amount	%	amount
Effect on net obligation at 31.12.2021				
Employment severance pay	(0.13)	1,912	0.87	(1,810)
FISDE	0.10	621	1.10	(558)
Gas Fund	(0.23)	553	0.77	(528)
Other provisions for employee benefits	(0.25)	112	0.75	(105)
		3,198		(3,001)

⁹¹ With regard to FISDE, any changes relating to mortality do not have a significant effect on the liability.

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(€ thousands)	31.12.2020					31.12.2021				
	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total
Within the next year	6,724	356	522	1,816	9,418	8,998	342	620	1,261	11,221
Within five years	20,764	1,285	4,965	838	27,852	22,570	1,258	5,163	1,323	30,314
Beyond five and up to ten years	25,046	1,394	9,549	834	36,823	21,527	1,394	7,636	878	31,435
Beyond ten years	15,110	5,586	9,221	612	30,529	9,350	5,874	7,060	394	22,678
	67,644	8,621	24,257	4,100	104,622	62,445	8,868	20,479	3,856	95,648

(*) The amount includes the estimate of the 10% INPS solidarity contribution applied to the amounts to allocate to the supplementary pension.

24. Deferred tax liabilities

Net deferred tax liabilities of € 50,791 thousand (€ 55,215 thousand as at 31 December 2020) are stated net of offsettable prepaid tax assets and are analysed in the tables below:

(€ thousands)	31.12.2019	Provisions	Uses	Other changes	31.12.2020
Deferred tax liabilities	346,146	7,314	(30,033)	425	323,852
Deferred tax assets	(253,662)	(34,348)	23,569	(4,196)	(268,637)
	92,484	(27,034)	(6,464)	(3,771)	55,215

(€ thousands)	31.12.2020	Change in scope of consolidation	Provisions	Uses	Other changes	31.12.2021
Deferred tax liabilities	323,852	791	166	(20,913)	9,421	313,317
Deferred tax assets	(268,637)	(328)	(24,990)	26,878	4,551	(262,526)
	55,215	463	(24,824)	5,965	13,972	50,791

There are no prepaid income taxes which cannot be offset.

Deferred tax liabilities and deferred tax assets break down as follows, based on the most significant temporary differences:

(€ thousands)	31.12.2020							
	Opening balance	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	346,146	7,314	(30,033)		425	323,852	312,150	11,702
Amortisation and depreciation exclusively for tax purposes	203,697	881	(12,315)			192,263	181,014	11,249
Revaluations of property, plant and equipment	113,127		(12,239)			100,888	100,888	
Capital gains subject to deferred taxation	1,766	1,126	(842)			2,050	2,050	
Employee benefits	11,154	2,249	(1,222)			12,181	12,094	87
Capitalisation of financial expense	2,592		(133)			2,459	2,093	366
Impairment losses on receivables in excess of tax deductibility and other temporary differences	13,810	3,058	(2,857)			14,011	14,011	
Other temporary differences			(425)		425			
Deferred tax assets	(253,662)	(34,348)	23,569	(3,725)	(471)	(268,637)	(245,597)	(23,040)
Provisions for risks and charges and other non-deductible provisions	(49,439)	(13,909)	8,275			(55,073)	(47,360)	(7,713)
Non-repayable and contractual grants	(67,357)		2,667			(64,690)	(52,437)	(12,253)
Non-deductible amortisation and depreciation	(116,687)	(18,295)	10,838			(124,144)	(123,455)	(689)
Employee benefits	(8,179)	(1,327)	978	(1,248)		(9,776)	(8,209)	(1,567)
Other temporary differences	(12,000)	(817)	811	(2,477)	(471)	(14,954)	(14,136)	(818)
Net deferred tax liabilities	92,484	(27,034)	(6,464)	(3,725)	(46)	55,215	66,553	(11,338)

(€ thousands)	31.12.2021								
	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	323,852	791	166	(15,711)	458	3,761	313,317	318,496	(5,179)
Amortisation and depreciation exclusively for tax purposes	192,263		24	(2,824)		696	190,159	182,250	7,909
Revaluations of property, plant and equipment	100,888		(32)	(10,758)		2,914	93,012	106,448	(13,436)
Capital gains subject to deferred taxation	2,050		31	(592)		32	1,521	1,521	
Employee benefits	12,181		4				12,185	12,185	
Capitalisation of financial expense	2,459			(124)			2,335	1,987	348
Other temporary differences	14,011	791	139	(1,413)	458	119	14,105	14,105	
Deferred tax assets	(268,637)	(328)	(24,017)	26,878	3,623	(45)	(262,526)	(241,125)	(21,401)
Provisions for risks and charges and other non-deductible provisions	(55,073)		(3,407)	15,776		13	(42,691)	(36,731)	(5,960)
Non-repayable and contractual grants	(64,690)			2,789		(576)	(62,477)	(50,728)	(11,749)
Non-deductible amortisation and depreciation	(124,144)		(18,542)	5,230		830	(136,626)	(135,762)	(864)
Employee benefits	(9,776)		(994)	1,161	540	(345)	(9,414)	(7,707)	(1,707)
Other temporary differences	(14,954)	(328)	(1,074)	1,922	3,083	33	(11,318)	(10,197)	(1,121)
Net deferred tax liabilities	55,215	463	(23,851)	11,167	4,081	3,716	50,791	77,371	(26,580)

Deferred tax assets and deferred tax liabilities are considered to be long term.

It should be noted that there are no deductible temporary differences, tax losses and unused tax credits for which, in the balance sheet, the deferred tax asset is not recognized.

Furthermore, there are no temporary differences relating to investments in subsidiaries, branches and associated companies, and to jointly controlled investments, for which a deferred tax liability has not been recognized.

The Group has deemed it appropriate to set aside prepaid tax-

es on the timing differences at 31 December 2021, insofar as it believes it is likely they will be recovered.

The note "Income taxes" provides information about taxes for the year.

25. Shareholders' equity

Shareholders' equity, which amounts to € 2.142,491 thousand as at 31 December 2021 (€ 1,977,423 thousand as at 31 December 2020) breaks down as follows:

(€ thousands)	31.12.2020	31.12.2021
Shareholders' equity attributable to Italgas	1,737,434	1,891,414
Share capital	1,001,232	1,002,016
Legal reserve	200,246	200,246
Share premium reserve	620,130	622,377
Cash flow hedge on derivative contracts reserve	(15,962)	(4,750)
Consolidation reserve	(323,907)	(323,907)
Reserve for business combinations under common control	(349,839)	(349,839)
Stock grant reserve	5,635	5,602
Other reserves	19,926	19,921
Profits relating to previous years	211,755	372,075
Reserve for remeasurement of defined-benefit plans for employees	(16,408)	(15,140)
Net profit (loss)	384,626	362,813
<i>to be deducted</i>		
- Treasury shares		
Shareholders' equity attributable to minority interests	239,989	251,077
	1,977,423	2,142,491

SHARE CAPITAL

On 10 March 2021, as part of the 2018-2020 Co-investment Plan approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves. Following the capital increase, the share capital of the Company amounts to € 1,002,016,254.92, made up of 809,768,354 shares. Moreover, Italgas' Shareholders' Meeting of 20 April 2021 approved the 2021-2023 Co-investment Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in

accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

LEGAL RESERVE

The legal reserve stood at € 200,246 thousand as at 31 December 2021, unchanged compared to the previous year.

SHARE PREMIUM RESERVE

The share premium reserve, which totalled € 622,377 thousand (€ 620,131 thousand as at 31 December 2020), was created after the equity investment in Italgas Reti S.p.A. was acquired.

CASH FLOW HEDGE ON DERIVATIVE CONTRACTS RESERVE

The reserve includes the negative fair value of the IRS derivative net of the related tax effect. The reserve changes with the accounting of cash flows deriving from instruments which, for the purposes of IFRS 9, are designated as "cash flow hedging instruments". The related tax effect is reported in the "tax effect" item of the "Components reclassifiable to the income statement" in the Statement of comprehensive income.

CONSOLIDATION RESERVE

The consolidation reserve, amounting to € -323,907 thousand, was determined during the first consolidation (year 2016) following the sale by Snam S.p.A. to Italgas S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A. (difference between the purchase cost of the equity investment of Italgas Reti and the related shareholders' equity pertaining to the group).

RESERVE FOR BUSINESS COMBINATIONS UNDER COMMON CONTROL

The reserve for business combinations under common control, amounting to -€ 349,839 thousand, relates to the acquisition by Snam S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A.

To this regard it should be specified that the natural gas distribution activities were acquired through three simultaneous transactions (transfer, sale and demerger) of the equity investment held by Snam S.p.A. in Italgas Reti S.p.A. in favour of Italgas S.p.A. This transaction led to the deconsolidation of the natural gas distribution sector for Snam, and the acquisition of the equity investment in Italgas Reti and, at consolidated level, of the net assets of the gas distribution sector for Italgas S.p.A. The reader is reminded that the shareholder of reference of Snam, CDP, is concomitantly the shareholder of reference of Italgas. The exposure described above reflects an approach based on the continuity of book values (as regards Snam) since the transaction represents an "aggregation of corporate entities or activities under common control" within the scope of the broader group of which Italgas is part. The companies taking part in the business combination (Snam, Italgas and Italgas Reti) remained subject to control because of the transactions and therefore they were fully consolidated by the same subject (CDP) pursuant to the IFRS 10 accounting standard, as Snam explained in its disclosure document pursuant to Article 70 and Italgas explained in its disclosure document pursuant to Article 57.

STOCK GRANT RESERVE

The reserve includes the assessment pursuant to IFRS 2 of the co-investment plan approved on 19 April 2018 by the Italgas S.p.A. Shareholders' Meeting.

On 19 April 2018 the Italgas' Shareholders' Meeting approved the 2018-2020 Long term share incentive plan, intended for the Chief Executive Officer, General Manager and senior executives identified among those in a position to influence the company's results, with the annual assignment of three-year objectives. At the end of the performance period of three years, if the conditions set out in the Plan have been met, the beneficiary shall be entitled to receive Company shares free of charge. The maximum number of shares that may be allocated through the plan is 4,000,000 shares. In relation to the aforementioned plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2018 Remuneration Policy, rights to receive Italgas shares in the amounts of 341,310 for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unitary fair value of the share, determined by the value of the Italgas share on the grant date, is respectively € 4.79, € 5.58 and € 4.85 per share. The cost related to the Long Term Share Incentive Plan is recorded during the vesting period as a component of the personnel costs, with a contra entry in the shareholders' equity provision.

On 10 March 2021, the Board of Directors resolved on: (i) free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the 2018-2020 Plan; and (ii) execution of the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves.

OTHER RESERVES

The other reserves relate to the effects deriving from the valuation of equity investments.

RESERVE FOR REMEASUREMENT OF DEFINED-BENEFIT PLANS FOR EMPLOYEES

The reserve for remeasurement of employee benefit plans (€ -15,140 thousand at 31 December 2021) included actuarial losses, net of the relative tax effect, recognised under other components of comprehensive income pursuant to IAS 19. The changes in the reserve during the course of the year are shown below:

(€ thousands)	Gross reserve	Tax effect	Net reserve
Reserve as at 31 December 2019	(18,467)	5,210	(13,257)
Changes of the year 2020	(4,347)	1,196	(3,151)
Reserve as at 31 December 2020	(22,814)	6,406	(16,408)
Changes of the year 2021	1,761	(493)	1,268
Reserve as at 31 December 2021	(21,053)	5,913	(15,140)

TREASURY SHARES

As at 31 December 2021 Italgas did not have any treasury shares in its portfolio.

SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MINORITY INTERESTS

The Shareholder's equity attributable to minority interests is broken down below:

(€ thousands)	Shareholders' equity attributable to minority interests 31.12.2020	Shareholders' equity attributable to minority interests 31.12.2021	Net income attributable to minority interests 31.12.2020	Net income attributable to minority interests 31.12.2021
Toscana Energia S.p.A.	208,150	209,122	21,353	20,411
Toscana Energia Green S.p.A.	2,744		469	
Seaside S.p.A.		(1,519)		589
Ceresa		3,502		42
Medea S.p.A.	27,635	39,672	(936)	723
Gaxa S.r.l.	1,460	300	(263)	(1,158)
	239,989	251,077	20,623	20,607

DIVIDENDS

In its meeting of 09 March 2022, the Board of Directors proposed to the Shareholders' Meeting the distribution of an ordinary dividend of € 0.295 per share. The dividend will be paid out as of 25 May 2022, with an ex-coupon date of 23 May 2022 and a record date of 24 May 2022.

RECONCILIATION STATEMENT OF THE RESULT FOR THE YEAR AND OF THE SHAREHOLDERS' EQUITY OF ITALGAS S.P.A. WITH THE CONSOLIDATED ONES.

(€ thousands)	Profit net 2021	Shareholders' equity 31.12.2021
Financial statements Italgas S.p.A.	239,589	1,737,695
Profit of the companies included in the consolidation	409,089	
Difference between book value of investments consolidated companies and shareholders' equity of the financial statements, including the result		289,843
Adjustments consolidation:		
Dividends net of the tax effect	(261,292)	
Income from valuation of equity investments with the equity method and other income from equity investments	1,198	33,199
Other consolidation adjustments net of the tax effect	(5,164)	81,754
Net income attributable to minority interests	(20,607)	(251,077)
	123,224	153,719
Consolidated financial statements Group	362,813	1,891,414

26. Guarantees, commitments and risks

Guarantees, commitments and risks, amounting to € 2,191,477 thousand as at 31 December 2021 comprise:

(€ thousands)	31.12.2020	31.12.2021
Bank guarantees given in the interest of the companies of the Group	366,575	460,618
Financial commitments and risks:	1,326,492	1,730,859
Commitments	1,028,356	1,430,705
Commitments for the purchase of goods and services	1,024,084	1,430,705
Other	4,272	
Risks	298,136	300,154
- for compensation and litigation	298,136	300,154
	1,693,067	2,191,477

GUARANTEES

Guarantees of € 460,618 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

COMMITMENTS

At 31 December 2021, commitments with suppliers to purchase property, plant and equipment and provide services relating to the purchase of property, plant and equipment and intangible assets under construction amounted to € 1,430,705 thousand.

On 10 December 2021, the purchase agreement for the investment in DEPA Infrastructure S.A. was signed with Hellenic Republic Asset Development Fund S.A (HRDAF) and Hellenic Petroleum SA (HELPE). for a price of 733 million euros, increased, as envisaged by the same, by interest from 1 January 2021, the date of the locked box, up to the date of the closing. Upon signing the contract, as envisaged therein, a bank guarantee was delivered to the sellers for an amount of € 50 million to support the contractual commitments undertaken. Completion of the purchase is subject to the satisfaction of various conditions, namely approval of the operation by the Greek regulatory authority RAE and clearing by the Greek anti-trust authority, HCC. DEPA Infrastructure currently holds 51% of Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), 100% of Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and 100% of Public Gas Distribution Networks S.A. (DEDA), the three lead players in gas distribution in Greece, which together manage 6,900 kilometres of network and 509,000 active delivery points.

Depa Infrastructure S.A. is also expected to undertake, following its purchase by Italgas, to acquire the remaining 49% of the capital of EDA Thess S.A. owned by Eni Gas & Luce S.p.A. under the terms and conditions previously defined between HRDAF, HELPE and Eni Gas & Luce S.p.A.

OTHER UNVALUED COMMITMENTS

The acquisition of 51% of the share capital of ACAM Gas S.p.A. by the subsidiary Italgas Reti, which took place in 2015, involves mutual commitments by the parties in relation to the first public tender for the awarding of the La Spezia ATEM.

The acquisition of the equity investment of Enerco Distribuzione by the subsidiary Italgas Reti, which took place in 2017, is subject to an ownership price adjustment (so-called "earn-out") clause.

The acquisition of the "Alessandria 4 ATEM" business unit by the subsidiary Italgas Reti, which took place in 2020, is subject to a price adjustment (so-called "earn-out") clause if the Alessandria 4 ATEM tender is awarded within 10 years of the signing date and if the contracting authority in the aforesaid tender procedure recognises a higher reimbursement value than the pro-forma value under the agreement, for the same year of reference.

RISKS

Risks concerning compensation and litigation (€ 300,154 thousand) relate to possible (but not probable) claims for compensation arising from ongoing litigation, with a low probability that the pertinent economic risk will arise.

FINANCIAL RISK MANAGEMENT

Foreword

Italgas has established the Enterprise Risk Management (ERM) unit, which reports directly to the CFO and oversees the integrated process of managing corporate risk for all Group companies. The main objectives of the ERM are to define a homogeneous and transversal risk assessment model, to identify priority risks and to guarantee the consolidation of mitigation actions and the development of a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and existing international best practices (COSO Framework and ISO 31000).

The ERM unit operates as part of the wider Italgas' Internal Control and Risk Management System.

The main corporate financial risks identified, monitored and, where specified below, managed by Italgas are as follows:

- | risk arising from exposure to fluctuations in interest rates;
- | credit risk arising from the possibility of counterparty default;
- | liquidity risk arising from not having sufficient funds to meet short-term financial commitments;
- | rating risk;
- | debt covenant and default risk.

There follows a description of Italgas' policies and principles for the management and control of the risks arising from the financial instruments listed above. In accordance with IFRS 7 - "Financial instruments: Additional information", there are also descriptions of the nature and size of the risks resulting from such instruments.

Information on other risks affecting the business (operational risk and risks specific to the segment in which Italgas operates) can be found in the "Elements of risk and uncertainty" section of the Directors' Report.

Interest rate risk

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

An increase in interest rates, not implemented - in full or in part - in the regulatory WACC, could have negative effects on the assets and on the economic and financial situation of the Italgas Group for the variable component of the debt in place and for future loans.

At full performance, Italgas aims to maintain a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates. As at 31 December 2021 the financial debt at floating rate was 7.3% and at fixed rate was 92.7%. Please refer to the paragraph "Short-term and long-term financial liabilities" for further details.

Below are the impacts on shareholders' equity and the net period result at 31 December 2021 of a hypothetical positive and negative variation of 10 basis points (bps) of the interest rates effectively applied during the year.

(€ thousands)	Result of the income statement		Other items of the statement of comprehensive income	
	interest +10 bps	interest -10 bps	interest +10 bps	interest -10 bps
Variable-rate loans not hedged				
Effect of change in interest rate	(200)	200		
Variable-rate loans converted into fixed-rate loans by means of IRSs				
Effect of change in interest rate on the fair value of the hedge derivative contracts - effective portion of hedge			2,448	(2,464)
Impacts gross of the tax effect				
Tax effect	54	(54)	(661)	665
Impacts net of the tax effect	(146)	146	1,787	(1,799)

(*) The change in interest rate impacts the change in fair value of the hedge derivatives, which is noted amongst other items of the statement of comprehensive income and, therefore, does not impact the result of the income statement.

Credit risk

Credit risk is the exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of amounts owed may have a negative impact on the Italgas financial results and financial situation. It cannot be ruled out that Italgas could incur liabilities and/or losses due to its customers' failure to fulfil their payment obligations.

The rules for customer access to the gas distribution service are established by the 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 contain contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request.

In addition to this, in order to manage credit risk, the Group has established procedures for monitoring and assessing its customer portfolio. The reference market is the Italian market.

For further considerations linked to the impacts associated with Covid-19, as well as the related accounting implications linked to the measurement of assets and liabilities, see the below note, "Update information on Covid-19".

Liquidity risk

Liquidity risk is the 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.

Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of € 1,391.8 million as of 31 December 2021; (ii) there are limited requirements to refinance debt (in January 2022 a bond was repaid for € 112 million and the subsequent repayment is due during 2024), (iii) the bonds issued by Italgas as of 31 December 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

Italgas aims, in financial terms, at establishing a financial structure that, in line with its business objectives, ensures a level adequate for the group in terms of the duration and composition of the debt. The achievement of this financial structure will take place through the monitoring of certain key parameters, such as the ratio between debt and the RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed rate and floating rate debt and the ratio between bank credit granted and bank credit used.

Rating risk

With reference to the long-term debt of Italgas, on 25 November 2021 and 06 December 2021, the rating agencies Moody's and Fitch confirmed the rating assigned to Italgas S.p.A. as level BAA2 with stable outlook and BBB+ with stable outlook, respectively. Based on the methodologies adopted by the rating agencies, the downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating, which in turn could have an impact on the cost of future debt.

Debt covenant and default risk

As at 31 December 2021 there are no loan agreements containing financial covenants and / or secured by collateral, with the exception of the EIB loan signed by Toscana Energia for an amount of € 90 million which provides for compliance with certain financial covenants⁹². Some of these contracts require, inter alia, compliance with: (i) negative pledge undertakings, pursuant to which Italgas and the 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; (ii) pari passu and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. In relation to the EIB loan of Toscana Energia, refer to the note "Short-term financial liabilities and long-term financial liabilities". For all other ones, these commitments were satisfied as at 31 December 2021.

The bonds issued by Italgas as at 31 December 2021 as part of the Euro Medium Term Notes programme provide for compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and pari passu clauses.

Failure to comply with the commitments established for these 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, may result in Italgas' failure to comply and could trigger the early repayment of the relative loan.

With reference to the EIB, the relative contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required.

The Group monitors these cases closely in the context of financial management and business performance.

⁹² The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2020 have been respected.

Future payments for financial liabilities

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments not discounted:

€ thousands)	Due date								
	Balance as at 31.12.2020	Balance as at 31.12.2021	Portion with due date within 12 months	Portion with due date beyond 12 months	2023	2024	2025	2026	Beyond
Financial liabilities									
Bank loans	874,001	1,332,110	42,186	1,289,924	633,239	66,124	65,672	66,395	458,494
Bonds	3,854,535	4,591,521	146,111	4,445,410		383,887	496,904		3,564,619
Short-term liabilities	600,717	383,266	383,266						
Interest on loans			44,033	276,381	43,382	43,295	38,913	37,575	113,215
Liabilities Right of Use	76,297	69,998	19,625	50,373	17,310	13,669	8,560	5,527	5,307
Interest Right of Use			290	726	226	169	116	79	136
	5,405,550	6,376,895	635,511	6,062,814	694,157	507,144	610,165	109,576	4,141,771

With reference to the payment times with regard to trade and other payables, refer to the note "Short-term and long-term liabilities" in the consolidated financial statements.

As for the sensitivity on the interest rate, any changes in interest rates do not lead to significant effects in consideration of the fact that 92.7% of the Group's financial debt is at fixed rate.

Please refer to note "Trade and other receivables" for the breakdown of receivable by due date bracket.

Market value of financial instruments

Below is the classification of financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

- a. level 1: listed prices (unadjusted) on active markets for identical financial assets or liabilities;
- b. level 2: measurements made on the basis of inputs differing from the quoted prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
- c. level 3: inputs not based on observable market data.

In connection with the above, classification of the assets and liabilities measured at fair value in the Statement of Financial Position according to fair value concerned the IRS and exchange rate derivative instruments classified level 2 and recorded under the note "Other current and non-current financial assets" and "Other current and non-current financial liabilities".

Equity investments measured at fair value with effects posted to the income statement fall under fair value category level 3.

Other information on financial instruments

With reference to the categories established by IFRS 9 "Financial instruments", the book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(€ thousands)	Book value		Income / expense recognised to income statement		Income / expense recognised to shareholders' equity (a)	
	Balance as at 31.12.2020	Balance as at 31.12.2021	Balance as at 31.12.2020	Balance as at 31.12.2021	Balance as at 31.12.2020	Balance as at 31.12.2021
Financial instruments measured at amortised cost						
- Cash	664,026	1,391,763				
- Current financial assets	5,120	5,120				
- Trade and other receivables	635,028	588,098				
- Non-current financial assets	156	2,848				
- Other investments	4,916	5,007				
- Other current and non-current non-financial assets	251,609	134,445				
- Trade and other payables	767,555	769,137				
- Financial payables (b)	5,405,551	6,376,895	(53,984)	(63,851)		
- Other current and non-current non-financial liabilities	555,172	547,536				
- Financial instruments measured at fair value						
- Financial assets (liabilities) for hedge derivative contracts	(21,301)	(6,573)			(5,721)	

(a) Net of tax effect.

(b) The effects in the income statement are recognised in the item "Financial income (expense)".

The table below provides a comparison between the book value of financial assets and liabilities and their respective fair value.

(€ thousands)	Balance as at 31.12.2020		Balance as at 31.12.2021	
	Book value	Market value	Book value	Market value
Financial instruments measured at amortised cost				
- Long-term financial debt	4,724,030	5,039,078	5,734,333	5,939,843

The book value of trade receivables, other receivables and financial payables is close to the related fair value measurement, given the short period of time between when the receivable or the financial payable arises and its due date.

Disputes and other measures

Italgas is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements.

Below is a summary of the most significant proceedings; no provisions have been made pursuant to IAS 37 for these proceedings in the financial statements, as the company deems that the risk of an adverse outcome is possible, but not likely, or the amount of the allocation cannot be reliably estimated.

Civil dispute

ITALGAS RETI S.P.A. / MUNICIPALITY OF ROME - ROME CIVIL COURT

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific Service Contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business plan, which is an integral part of the above-mentioned Contract, charged Italgas Reti, arbitrarily, with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed an appeal with the Lazio Regional Administrative Court on 11 January 2019 for cancellation of the notice with which the Municipality of Rome had starting the procedure to apply default penalties and supplemented it on 30 August 2019 due to reasons added following further notices of the Municipality of Rome. On 19 December, the Municipality of Rome served the Managerial Resolution dated 6 September 2019 that i) set € 91,853,392.79 as the alleged amount owed by Italgas Reti by way of penalties for the supposed delay in implementing the business plan covered by the gas concession contract, ii) levied the bank guarantee issued to guarantee the proper execution of the above Service Contract, in the case in which the penalties should not be paid within the deadline of 90 days from notification of the resolution. With its appeal of 20 January 2020, Italgas contested the above-mentioned Managerial Resolution at the Lazio Regional Administrative Court and submitted, as a precautionary measure, a petition to suspend the effect of the measure in so far as it is illegitimate from different perspectives, including i) invalidity due to vagueness of the penalty clause, ii) non-existence and/or in any case non-chargeability of the company for the non-fulfillments challenged by the Municipality of Rome, iii) waiver by the Municipality of Rome to promptly apply the penalties, iv) violation of the procedure to impose the penalties. The precautionary application was conditionally granted with order no. 1124/2020 - confirmed, again conditionally, with precautionary decree no. 1636/2020 - by which the effectiveness of the contested acts was suspended until the chamber proceedings scheduled for 22 April 2020. However, the Board expressed some doubts concerning the existence of its jurisdiction, inviting the parties to file briefs prior to the chamber proceedings scheduled for 22 April 2020.

In light of these circumstances, the lodging of an appeal before the Court of Cassation was proposed for the prior settlement of jurisdiction, pending judgement before the Regional

Administrative Court. The appeal was notified on 18 April 2020 and filed in the office of the clerk of the court on 20 April 2020. It was entered in the General Registry under no. 10196/2020. The hearing was held on 15 December 2020 and, with an order of 12 January 2021, the Court of Cassation declared the jurisdiction of the ordinary court. Therefore, on 11 February 2021, Italgas resumed the proceedings before the Court of Rome.

During the chamber proceedings of 22 April 2020, the Regional Administrative Court adopted Order no. 4140/2020, with which it acknowledged the proposal for prior settlement of jurisdiction and suspended the proceedings. It also performed a further assessment for the purposes of the invoked precautionary legal protection and, considering itself to be without jurisdiction, declared the precautionary application inadmissible. On 13 May 2020, Italgas Reti appealed against this order before the Council of State. The hearing was held on 18 June 2020. On the outcome of the hearing, the Council of State, with an order of 19 June 2020, upheld the precautionary appeal filed by Italgas Reti, suspending the effectiveness of the first instance order until definition of the merits.

At the same time, on 5 June 2020, Italgas lodged an appeal with the Regional Administrative Court of Lazio, by which it requested that the Municipality of Rome be ordered to pay Italgas Reti compensation of the total amount of € 106,290,396.25 resulting from the failure of the Municipality of Rome to comply with the public methane gas distribution service concession contract entered into on 20 November 2012. The Regional Administrative Court later declared the jurisdiction of the ordinary court, in line with the previous decision. Therefore, in this case too, Italgas Reti, in a reinstatement of the case notified on 1 September 2021, summarised the proceedings before the Ordinary Court of Rome, asking for a joining with the judgement concerning the penalties applied by Rome Council. The hearing for appearance for both proceedings has been scheduled for 20 September 2022.

At the same time, Italgas Reti filed an interim petition whereby it asked the Court of Rome to suspend the effects of the Penalty Quantification Ruling of 19 December 2019 and to prevent Roma Capitale from enforcing the Surety given by Intesa San Paolo S.p.A. By order of 12 November 2021, the Court suspended the effects of the quantification of the penalties by Roma Capitale to Italgas Reti, at the same time preventing Roma Capitale from executing the surety given by Intesa San Paolo S.p.A. in connection with the demand for the payment of penalties.

The parties in any case keep dialogue and the related investigations of the respective positions open in order to verify that the conditions for coming to an agreement are met, the terms of which to date are nevertheless unforeseeable. Also on the basis of an external legal opinion, the Company, at present, does not believe it likely it will lose.

ITALGAS RETI S.P.A. / MUNICIPALITY OF ANDRIA - TRANI COURT

With Ruling no. 1862/2019 of 5 August 2019, published on 7 August 2019, the court of first instance of Trani, Civil Division, rejected the application with which the Municipality of Andria had requested verification of its right to obtain from Italgas payment of the sum of € 1,521,402.00, in addition to legal interest and inflation adjustment, as an increase in concession fees for the gas distribution service in the municipal area, from 1 January 2006 to 31 December 2011. With a subsequent

ruling, no. 2562/2019, of 25 November 2019, published on 29 November 2019, the court of first instance of Trani, Civil Division, rejected the application with which the Municipality of Andria had requested verification of its right to obtain from Italgas payment of a sum, in addition to legal interest and inflation adjustment, as reimbursement of the constraint on distribution revenue owed by the company to the Municipality, as the owner of the gas distribution plant in the relative area, from 1 January 2006 to 31 December 2011.

Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

MUNICIPALITY OF VENICE / ITALGAS RETI S.P.A. - COURT OF VENICE

Italgas Reti appealed against the acts through which the Municipality of Venice had deducted from the residual industrial value due to Italgas Reti as the outgoing operator, the value of a portion of the distribution network (Block A), which as at 31 December 2014 had a residual industrial value of about € 31 million. The Municipality of Venice claims to have acquired - through a free transfer - ownership of Block A at the end of the original concession deed (2010).

However, according to Italgas Reti, the expiry of the concession and therefore the accrual of entitlement to the free transfer was postponed to 2025 on the basis of the subsequent additional amending deed to the original concession deed, signed by the parties in 1995.

With Ruling no. 654/2017, the Regional Administrative Court of Veneto rejected the appeal lodged by the company, deeming that the free acquisition of a portion of the distribution network had fallen due on the original expiry date of the concession relationship (2010). Italgas Reti appealed against the ruling before the Council of State. Consequent to ruling no. 654/2017, in a letter dated 2 February 2018, the Municipality of Venice requested Italgas Reti to pay a fee, the amount of which to be defined, for use of the plants subject to free acquisition. Italgas Reti appealed against this request before the Regional Administrative Court of Veneto.

Decision no. 4104/2018 was filed on 4 July 2018, by which the State Council rejected the appeal brought by Italgas Reti against decision no. 654/2017 pronounced by the Veneto Regional Administrative Court, confirming the acquisition free of charge in favour of the Municipality of Venice of assets included in Block A, as well as the Company's obligation to pay a fee for use of the portion of network devolved free of charge.

The Company has filed a claim for repeal of the decision of 4 July 2018 with the State Council and with the European Court of Human Rights (ECHR). Note that, also with respect to a fee request from the Municipality of Venice equivalent to the tariff remuneration of the assets from Block A, in the absence of specific reference regulations, the company is not yet able to reliably determine the extent of the liability.

At the same time, following the aforementioned provision of the Council of State, the Company has expedited the depreciation of part of the network relating to the "Block A".

With decision no. 588/2019 of 24 January 2019, the State Council pronounced on a similar case relating to the devolution free of charge of a portion of a network relating to the

existing concession with the Municipality of Cavallino-Treporti. In fact, Italgas manages the public natural gas distribution service in the aforementioned Municipality under the terms of concession agreements at the time accepted by the Municipality of Venice. This is due to the fact that the Municipality of Cavallino-Treporti was established in 1999 as a spin-off portion of the geographic area already falling within the Municipality of Venice.

With the aforementioned decision, the State Council sanctioned the free-of-charge acquisition in favour of the Municipality of Cavallino Treporti of assets included in Block A, as well as the Company's obligation to pay a fee for use of the portion of network devolved free of charge.

The Company has filed a claim for repeal of the decision of 24 January 2019 with the State Council before the European Court of Human Rights (ECHR). Note - in this case, too - that, also against a claim for fees from the Municipality of Cavallino-Treporti equivalent to remuneration of the Block A assets, in the absence of specific reference regulations, to date it is not possible to reliably determine the extent of the liability.

With subsequent Decisions no. 2177 and no. 2178 of 21 March 2019, published on 2 April 2019, the State Council confirmed the previous rulings on the free transfer of "Block A" to the Municipality of Venice and to the Municipality of Cavallino Treporti, respectively, rejecting the claims for appeal filed by Italgas Reti.

Lastly, on 24 April 2019, the Municipality of Venice notified a writ of summons against Italgas Reti to the Court of Venice, for the verification and consequent payment of € 59,006,552.03 as a consideration for use of the portion of the network subject to free acquisition for the period 01/6/2010-31/12/2018 as well as the sums due for the same reason for the period after 31/12/2018 and up until the judgement. Italgas Reti filed an appearance challenging the quantification of the fee and asking for repayment of the amount wrongfully paid to the Municipality after the free transfer of Block A. At the first hearing on 12 September 2019, after having heard the defence of the parties, the Judge postponed the case for the admission of preliminary evidence, initially to 1 April 2020, then to 23 December 2020, due to the health emergency and, most recently, to 29 December 2020. By order of 26 April 2021, the Judge ordered Italgas Reti S.p.A. to produce relevant documentation and consequently scheduled the hearing for 31 May 2022 for examination of the documentation.

Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

MUNICIPALITY OF CAVALLINO TREPORTI / ITALGAS RETI S.P.A. - COURT OF VENICE

Following the rulings of the Council of State on the free transfer of Block A, the Municipality of Cavallino-Treporti served a writ on Italgas Reti S.p.A, summoning it before the Court of Venice, requesting that it be ordered to pay € 4,669,129.00 or a different amount as payment due under the current tariff regulation for the use of the plants comprising the so-called "Block A", which became the property of the Municipality of Cavallino-Treporti as a result of the Concession no. 19309/1970 from 1 June 2010 until 31 December 2018, and of the assets in Block A. With an appearance and response filed on 25 November 2020, Italgas Reti appeared in court. In

the same appearance, a counterclaim was made for the Municipality of Cavallino to be ordered to repay the total amount of € 37,313.69 paid in fees for the occupation of public spaces and areas (COSAP) for Block A in the period from 1 January 2013 to 31 December 2018. The first appearance hearing was held on 17 December 2020, following which the judge granted the parties the time limits for the preliminary statements and adjourned the case to the hearing of 1 April 2021 for the admission of evidence. Later, that hearing was postponed to 13 January 2022, when the terms were assigned for depositing the replies. On the basis of the information currently available and supported by an external legal opinion, the Company does not believe it likely it will lose.

PUBLISERVIZI S.P.A. / ITALGAS S.P.A. - FLORENCE COURT

On 25 July 2019, a writ of summons was served on Italgas S.p.A. by Publiservizi S.p.A. and other Municipalities with stakes in Toscana Energia which, claiming the alleged violation of a shareholders' agreement signed between said parties and Italgas S.p.A. on 28 June 2018, demanded that Italgas be ordered to acquire a 3% stake in Toscana Energia S.p.A. (for the price of € 70,000,000.00 indicated in the tender notice of 20 July 2018) or, in any case, to fulfil the aforementioned shareholders' agreement and, in the alternative, to pay Publiservizi € 59,800,000.00 by way of compensation for damages for breach or, alternatively, by way of unjust enrichment. The first hearing, held on 14 January 2020 before the Court of Florence, was adjourned first to 6 May 2020, then, due to the health emergency, to 25 November 2020 and, most recently, to 28 April 2021. Italgas S.p.A., which entered an appearance within the legal term, raised all the objections required to prove that the counterparty's claims were groundless. After being postponed a number of times, the hearing for the discussion of the preliminary requests was held on 28 April 2021, by means of the exchange of written notes, with which the parties emphasised their respective preliminary statements, even though Italgas had stressed that the case could be heard without carrying out any preliminary activity. Following this hearing, by order of 30 April 2021, the Judge ruled that the case could be settled at that stage and therefore scheduled the hearing for specification of the pleadings for 28 June 2022. Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Criminal dispute

The main criminal disputes in which the Group is involved are set out below.

ITALGAS RETI S.P.A. - ROME/VIA PARLATORE EVENT

The public prosecutor at the Court of Rome opened an investigation in relation to the event that took place on 7 September 2015 during an ordinary intervention in the gas distribution network in the Municipality of Rome.

The incident, which took place due to causes that are still being investigated, caused a fire that involved three people. Two of them, workers for an Italgas Reti contractor, suffered mild injuries. The third person - an Italgas Reti employee - died after a few weeks despite medical treatment. The preliminary inves-

tigations involved some Italgas Reti managers. On completion of the investigations, the Public Prosecutor's office of Rome requested that the case be discontinued for all persons under investigation. The file was assigned to the Judge for Preliminary Investigations for the decision. At the hearing of 26 October 2018, the Judge for Preliminary Investigations requested the Public Prosecutor to carry out further investigations. Following the additional investigations, the Public Prosecutor once again requested that the case be discontinued for all persons under investigation. The injured parties objected and the Judge for Preliminary Investigations scheduled the Chamber proceedings for 20 March 2020 for discussion of the objection to the request for the case to be discontinued. This was later postponed to 25 September 2020 due to the ongoing health emergency. The judge set aside the ruling at that hearing. On 17.11.2020, the Judge for Preliminary Investigations, lifting the reservation made at that hearing, did not grant the Public Prosecutor's second request for dismissal and ordered the latter to charge the individuals under investigation (basically a request for committal for trial). Enforcing the order of the Judge for Preliminary Investigations, the Public Prosecutor prepared the indictment for the three Italgas Reti individuals under investigation, without formulating charges against Italgas Reti under Law 231 for safety violations. The Judge for the Preliminary Hearing scheduled the hearing for discussion for 26 May 2021. At that hearing, the Judge for the Preliminary Hearing called for the indictment of the individuals under investigation, with the next hearing scheduled for 22.01.2022. The wife, son and sister of Mr Spera and the contractor's two employees who suffered injuries appeared as civil claimants. The hearing was postponed to 06 April 2022 for the first hearing activities.

ITALGAS RETI S.P.A. - CERRO MAGGIORE/VIA RISORGIMENTO EVENT

The public prosecutor at the Court of Busto Arsizio opened criminal proceedings against several Italgas Reti executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The incident was caused by a gas leak due to a gas leak due to remotely guided boring works for the laying of a fibre optic cable carried out by a third party.

The explosion occurred while interception activities were being completed on the section involved in the damage, causing the collapse of a house at No. 39 and the death of the woman who lived there, a serious injury to an Italgas Reti employee and to two other people who suffered mild injuries. A notice was served on 24 April 2017 advising of the conclusion of the preliminary investigations pursuant to Article 415-bis of the Code of Criminal Procedure of the persons under investigation and Italgas Reti, with regard to which it was alleged the occupational safety prevention measures had failed to be adopted. On 30 April 2018 the trial documents still being served were acquired from the office of the clerk of the Court of Busto Arsizio: request for committal for trial, request for dismissal regarding several natural persons under investigation, list of witnesses for the public prosecutor's office. The content of the request for remand is in line with those of the notification of conclusion of the preliminary investigations with regard to the involvement of Italgas Reti, while the request for application seeking, subsequently received by the Judge in the preliminary hearing, also included Italgas Reti's principal. On 4 May 2018 notification of the preliminary hearing being set for 26 June 2018 was served together with the request for committal for trial. The hearing,

however, was not then held and was postponed until 23 October 2018. There were no applications to join proceedings as a civil party at the 23 October 2018 hearing, and the judge acknowledged the negotiations in progress with the injured parties, so the hearing was postponed until 23 January 2019. During that hearing the payment was acknowledged for the indemnification of the descendants of the dead person and the other injured parties, who then waived the option to initiate civil proceedings. The Municipality of Cerro Maggiore was allowed to initiate civil proceedings. Both the Italgas Reti defence and that of the Company's employees asked for the indictment to be dismissed. The judge reserved their decision on request of the defending counsels. At the subsequent hearing of 19 March 2019, the Judge for the Preliminary Hearing pronounced the dismissal for the two employees of Italgas Reti for not having committed the act. A conviction was issued against those requesting the abbreviated trial procedure, employees of the subcontracting company for the laying of the optic fibre cable, rejecting the request for damages of the civil party, the Municipality of Cerro Maggiore. On the hearing of 9 December 2019 the Judge called for the indictment of the Company Italgas Reti and its three employees, in addition to the defendants of the company contracting the laying of the fibre optic cable. The first hearing was held on 9 December 2019, during which it was ascertained that the parties had been duly served and appeared. Exclusion of the civil claimant, the Municipality of Cerro, was requested. A schedule, subject to change, was also fixed for the actual investigation.

The judge rejected the preliminary claims at the hearing on 13 January 2020, considering that the Municipality of Cerro Maggiore might have sustained damage to its image, the demonstration of which is left to the continuation of the proceedings. The witnesses summoned by the Italgas Reti defence shall be heard once all the witnesses of the prosecution have been heard. The first hearing for the examination of witnesses, scheduled for 8 June 2020, was postponed to 7 September 2020 due to the health emergency. The hearings of the prosecution's witnesses began during the hearing of 7 September 2020 and continued on a weekly basis. The hearings of the defence witnesses began at the hearings of 9 November 2020 and 23 November. Examination of the defendants was completed at the subsequent hearing of 8 February 2021 (two of the defendants employed by Italgas Reti were heard) and the following hearing, for the examination and cross-examination of the expert witnesses, has been set for 8 March 2021. At the hearing of 8 March 2021, the civil claimant waived the hearing of its expert, and our expert witnesses were heard. At the hearing of 19 April 2021, the expert of two defendants of the contracting company was heard, and the discussion of the parties took place on 7 May at the subsequent hearing.

The Public Prosecutor's Office requested acquittal of the Italgas Reti safety manager and two defendants of the contracting company, while it requested two years' imprisonment for the other two defendants of Italgas Reti, with a suspended (and therefore not enforceable) sentence.

It was requested that a reduced fine be imposed on Italgas Reti for administrative liability pursuant to Italian Legislative Decree 231/01. The defence lawyers of Italgas Reti and of the defendants from the company discussed the matter at length, contesting all the conclusions of the Public Prosecutor's Office.

The Municipal Authority, a civil claimant, requested the conviction of two Italgas Reti defendants only, complaining of damage to their image and financial damage for costs incurred, for

which, however, it failed to provide a figure.

The ruling of the sentence was communicated at the hearing of 4 June 2021. The acquittal of the Italgas Reti safety manager and of one of the two defendants of the company was confirmed. The other defendant, on the other hand, was sentenced to one year and six months with a suspended sentence and the right not to disclose the conviction. Acquittal was also confirmed for the two defendants of the contracting company for the laying of the optic fibre cable.

The fine for liability pursuant to Legislative Decree 231/01 was further reduced to € 30,000 for Italgas Reti, without the application of prohibitory measures. The civil claimant's claim was rejected.

The Company and its sentenced employee lodged an appeal against the judgement, deposited on 14 October 2021. On 13 September 2021, the Public Prosecution lodged an appeal against the other Italgas Reti employee who had been acquitted at first instance.

ITALGAS RETI S.P.A. - ROME VIA SABA EVENT

The public prosecutor at the Court of Rome opened an investigation in relation to the incident that took place on 2 May 2018 during a repair job on the gas distribution network in the Municipality of Rome.

The incident, which took place in via Saba 68, severely injured a worker of a contractor company. The Public Prosecutor's Office of Rome declared that four people were under investigation, one of whom a former Italgas Reti employee, from January 2020. On 12 November 2020, the Public Prosecutor's Office served notice of conclusion of the preliminary investigations on the former Italgas Reti employee, together with the employer of the contractor, the supervisor and a specialised worker of the same company, on charges of serious injury caused by negligence and violation of Italian Legislative Decree 81/2008. Thereafter, the Prosecution notified the writ of summons to court for the hearing of 25 January 2022. Upon completion of the legal and technical investigations, it was considered appropriate to settle the proceedings through plea-bargaining.

An agreement was reached with the Public Prosecutor on 4 months of imprisonment with a suspended sentence.

At the hearing of 25 January, having made this request, the Court wrote off the position of the former Italgas Reti employee, separating it out from that of the other defendants and deferred to the 25 February 2022 for the settlement of the plea-bargaining. At the hearing of 25 February, with the consent of the public prosecutor on the plea-bargaining request, the Judge upheld this plea-bargaining request submitted by the former employee of Italgas Reti.

ITALGAS RETI S.P.A. - ROCCA DI PAPA EVENT

The public prosecutor at the Court of Velletri opened an investigation relating to the incident on 10 June 2019 in the municipality of Rocca di Papa, caused by the rupture of an Italgas Reti pipe by a company carrying out works for the same Municipality.

The resulting gas leak caused an explosion in which some people were injured, two of which died in the following days.

The Velletri Public Prosecutor is carrying out preliminary investigations which are focusing on people outside of the company. Italgas Reti, which is an injured party in the offence having suffered damage to its conduct, is cooperating with the investigations. The Prosecutor has also arranged expert investigations on the accident area and Italgas Reti has appointed its own defendant's expert as injured party. The Judge for Preliminary Investigations approved the request for a special pre-trial evidentiary hearing made by one of the individuals under investigation, aimed at verifying the causes of the explosion, which was reported to Italgas Reti on 16 July 2019. After a number of postponements, the deadline for filing the expert's report of the expert witness appointed by the Judge for Preliminary Investigations was set for 5 July 2020 and later extended to 31 August 2020. The expert witness report was made available on 10 September 2020. The hearing before the Judge for Preliminary Investigations, initially scheduled for 1 October 2020, was postponed to 16 October 2020, during which the evidentiary hearing took place, with discussion of the expert witness report.

The Public Prosecutor's investigation ended with the serving, on 28 April 2021, of notice of the conclusion of the preliminary investigations to the persons under investigation. The persons under investigation are: the geologist, Mr Nolasco, appointed by the Municipal Authority, the geologist of IMG s.r.l., appointed by Mr Nolasco, the owner of the company Tecnogeo, in charge of the drilling works, the Technical Director of Tecnogeo and the Project Manager of the municipality of Rocca di Papa.

Italgas Reti is an injured party in the proceedings. The preliminary hearing held in Velletri on 09 November 2021 was postponed due to failure to notify three offended persons.

The hearing was postponed to 15 March 2022. Italgas Reti entered an appearance as civil party.

Other events

ITALGAS RETI S.P.A. - RAVANUSA EVENT

At 21:02 on 11 December 2021, the fire brigade notified the Integrated Supervision Centre of an explosion in the residential area of Ravanusa and asked for emergency intervention. Italgas Reti's technical staff arrived on site at 21:20.

The initial network sectioning work intended to make the pipeline safe began at midnight after the Fire Brigade had given the respective authorisation. At 02:05 on 12 December 2021, the Italgas Reti technicians completed the work required to isolate the section of pipeline that crosses the area affected by the event, between via Trilussa and via Galileo Galilei.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 and is therefore well within its useful life as per ARERA requirements.

There were no Italgas Reti construction sites on the section of pipeline affected by the explosion, either at the time of the accident or in the weeks preceding it.

The previous week, Italgas Reti had not received any reports of any type to its Emergency Intervention service, complaining of gas leaks.

The whole of the Ravanusa network - including that installed

in the area involved by the event - had been checked using the cutting-edge Picarro Surveyor technology, and in 2020 and 2021, no critical issues had arisen.

On 31 December 2021, the Public Prosecution of Agrigento issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatable technical assessments.

Italgas Reti has acknowledged these provisions, guaranteeing maximum collaboration during activities in support of investigators, just as it has since the outset.

During these technical assessments, a breakage of a steel pipe installed along via Trilussa, was found. This breakage is currently being further investigated in metallurgical terms. At present, the causes of the breakage are not known, as neither are the causes of the event.

Note that following the incident, a precautionary claim has been promptly opened with the insurance companies with which the "third party liability" and "property" policies had been stipulated, in order to assure the orderly management of any claims for compensation.

On the basis of the information available and supported by legal and technical opinions, at present it is not possible to foresee the outcomes of the surveys conducted by the Public Prosecutor's Office in Agrigento, surveys which are covered by investigative secrecy.

At present, no civil legal actions have been filed against Italgas Reti S.p.A..

INFORMATIVE PRIORITIES ESMA 2021

The global health emergency emerged in the early months of 2020, caused by the spread of the Covid-19 virus, in response to which the World Health Organisation declared a global "pandemic crisis" on 11 March 2020.

The epidemic developed very quickly, resulting in a significant number of infections and forcing many governments to place restrictive measures on the movement of people and, consequently, on the performance of company and production activities in order to contain the spread of the virus.

In particular, in Italy the government introduced several Government Decrees (DPCM), starting with the one of 22 March 2020, which defined the economic activities exempt from the obligation to close/restrict and those that were to be suspended in that they were not considered immediately essential.

As regards the 2021 financial statements, with Public Statement no. 32-63-1186 of 29 October 2021, the "European common enforcement priorities for 2021 annual financial reports", ESMA aims to guide management in preparing the 2021 annual financial statements, focussing particularly on the need to provide a suitable financial and non-financial disclosure on the long-term impacts of the Covid-19 pandemic and topics related to climate change.

With reference to climate change, in its October 2021 Public Statement, ESMA stresses that companies must pay close attention to climate risk, to the extent to which the effects of these risks may be significant.

In light of the ESMA documents and in accordance with the

provisions of the IAS 34 in subsections 15-15C with reference to “significant events” during the year, an update for 2021 to the information already presented in the 2020 Integrated Annual Financial Report is provided below.

In particular, specific thematic areas have been identified and expanded on below which, with reference to the individual IFRS standards, provide a better understanding of the information.

Update information on Covid-19

BUSINESS CONTINUITY (IAS 1)

Based on the provisions of IAS 1, paragraph 25, where factors of uncertainty arise, which a pandemic situation would certainly be classed as, the management is required to analyse their potential impacts in terms of business operation.

Taking into account Italgas’ activities and the consequences for it deriving from the spread of Covid-19, there are no elements that require an in-depth analyses of the validity of the assumption of business continuity.

From the start of the pandemic, the company took action with measures and means that allowed it to ensure the continuity of its services, also thanks to the innovative digital tools developed also by its Digital Factory.

In compliance with the measures issued by the Authorities, activities deemed essential were in fact always guaranteed (e.g. emergency interventions, work linked to plant safety and efficiency, etc.), temporarily suspending technical activities that could be postponed.

Work on networks and interventions at user premises, including the replacement of traditional meters with smart meters, gradually resumed as provided for and permitted by the legislator.

Unless there are unforeseeable future resurgences of the health emergency, which reasonably should be countered by ongoing vaccinations, the Company believes it will be able to confirm its investment plans, having already proven in 2020 and 2021 that it was able to overcome delays in its original plans to carry out works, with particular reference to the implementation of the network digitisation projects, the installation of “smart” meters and the methanisation of Sardinia, in addition to the usual maintenance and development activities of the networks managed.

Similarly, Italgas confirmed the strategic priorities included in its 2021-2027 Strategic Plan, with reference to both participation in area tenders to award the natural gas distribution service, and potential acquisitions, which will strengthen territorial presence and enable the scope of activities to grow.

FINANCIAL INSTRUMENTS (IFRS 9, IFRS 7 AND IFRS 13)

The impacts deriving from the worsening of the macroeconomic situation caused by the global spread of the pandemic have not had significant effects on the Italgas financial instruments.

With reference to the customer base / sales company and their solvency, it is noted that the rules for user access to the

gas distribution service are established by ARERA and are regulated in the Network Code. For each service type, this Code defines the rules for the rights and obligations of the parties involved in the process of providing the services, as well as the tools to mitigate the risk of default by customers.

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.

With regard to access to credit, Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of around € 1,391.8 million as of 31 December 2021; (ii) there are limited requirements to refinance debt (in January 2022 a bond was repaid for around € 112 million and the subsequent repayment is due during 2024), (iii) the bonds issued by Italgas as of 31 December 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

As of 31 December 2021, the only loan agreement providing for financial covenants, which have been complied with, is the EIB loan for € 90 million taken out by Toscana Energia.

The success of the “dual-tranche” bond issue maturing in February 2028 and February 2033, for a total of € 500 million each, implementing the EMTN Programme, as well as confirmation of the rating by Moody’s (Baa2, stable outlook), on 25 November 2021, and Fitch (BBB+, stable outlook), on 06 December 2021, bear witness to the Company’s financial soundness and confirm its ability to access the capital market.

CLASSIFICATION AND MEASUREMENT

The impacts of Covid-19 did not result in changes for Italgas in the classification of the financial instruments and, in particular, the reference business model for these instruments has not changed.

In this regard, in the context of the credit and liquidity risk management strategy, the pandemic did not cause transfer of receivables, or other financial activities; there were no changes to the frequency or to the sum of revenues that led to changes to the business model; the company’s revenues are not subject to reduction for impairment or lower market liquidity.

There were no changes to the conditions of the loan agreements leading to a renegotiation of the contractual terms of the financial transactions for both assets and financial liabilities and therefore the need to determine, in accordance with IFRS 9, the effects deriving from any derecognition or modification of the financial instruments.

HEDGE ACCOUNTING

Compliance with requirements in hedging relationships has been maintained in the Covid-19 context, also with reference to any new hedging operations.

FAIR VALUE

The measuring of the fair value of the company's assets and liabilities did not change due to the effect of Covid-19 in terms of market price volatility, increased credit and counterparty risk, change to interest rates, etc.

Similarly, there were no changes to the sensitivity analysis of the evaluation with respect to the change to the underlying assumptions.

FINANCIAL RISK MANAGEMENT

In accordance with IFRS 7, note that the credit risk, liquidity, change to interest rates, rating, debt covenant and default risk and other risks have not undergone significantly negative changes for the company as a result of the pandemic.

FINANCIAL INSTRUMENTS IMPAIRMENT TEST

Financial assets representative of debt instruments, not measured at fair value with effects on the income statement, are subject to recoverability tests based on the "Expected credit loss model" (ECL) according to which the anticipated losses are determined, taking into account the Company's exposure as regards the counterparty ("Exposure At Default"), the probability that the counterparty will not fulfil its payment obligations ("Probability of Default") and the estimate, in percentage terms, of the amount of credit not recovered in the case of default ("Loss Given Default").

In this regard, to determine the probability of default of the counterparties, internal ratings have been adopted that take into account the historical record of payments made by the counterparties and, on a quarterly basis, an update of the analyses relating to the need to support the exposure with guarantees.

For the financial instruments in scope for the ECL calculation, and therefore with particular reference to trade and other receivables, the impacts of Covid-19 did not result in changes to the assumptions incorporated into the ECL estimates, subject to disclosure pursuant to IFRS 7, and in particular there were no changes to the ECL deriving from the transfer of assets from stage 1 (low risk or absence of worsening) to stage 2 (significant increase in risk).

IMPAIRMENT OF NON-FINANCIAL ASSETS AND EQUITY INVESTMENTS (IAS 36)

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries, is an integrated group at the forefront of the regulated natural gas sector and a relevant player in terms of invested capital in its regulatory asset base (RAB) in the sector.

RAB (Regulatory Asset Base) is calculated on the basis of the rules defined by Authority for determining base revenues for regulated businesses.

At present, following the impairment tests carried out, there are no effects that could suggest a reduction of the value of property, plant and equipment under concession or of intangible assets with a finite or indefinite useful life (goodwill).

In particular, as regards the value of property, plant and equipment under concession that fall within the scope of regulated activities, their recoverable value is determined by considering: (i) the amount quantified by the Authority on the basis of the rules that define the tariffs for the provision of the services they are intended for; (ii) the value the group expects to recover from the transfer or at the end of the concession that governs the service for which they are intended.

Therefore, for each valuation of the regulated assets, reference should be made to the provisions of current legislation.

At the end of 2019, ARERA issued Resolution 570/2019/R/gas, with which it approved the regulation of tariffs for gas distribution and metering services for the period 2020-2025.

This resolution defined the method for calculating the RAB (revalued historic cost and centralised assets) and the related WACC with the related parameters (risk-free rate, beta, inflation, gearing, cost of debt, tax rate) throughout the next five-year period.

Considering the temporary interruption of some operating activities mainly regarding worksites or user services, the stability of the regulatory framework meant the effects on business profitability and on the expected cash flows could be significantly limited. In the light of the foregoing, no impairment losses emerged as at 31 December 2021 relating to the recoverability of the asset and goodwill values.

Similar conclusions apply to the equity investments, both those in companies operating in regulated activities (whose recoverable value is determined taking into consideration the pro-quota RAB value net of the financial position and/or the reimbursement value valid for ATEM tenders) and those in companies whose activities are exclusively or partly unregulated (whose recoverable value is determined taking into consideration the value determined on the basis of business evaluation methodologies - Discounted Cash Flows).

LEASES (IFRS 16)

On 28 May 2020 the IASB published the document "Covid-19-Related Rent Concessions (Amendment to IFRS 16)" on the basis of which lessor companies are allowed not to consider contractual amendments made following the pandemic as lease modifications. The accounting of the aforementioned amendments as lease modifications would in fact have resulted in the need to update: i) the estimate of financial liabilities for the leases, ii) the right-of-use asset and related future amortisation associated with it, iii) the discounting rate (incremental borrowing rate) updated to the modification date.

As of today, Italgas's leasing contracts (both as lessor and lessee) have not been amended with the counterparties for a value of € 1.1 million.

REVENUE RECOGNITION (IFRS 15)

IFRS 15 requires verification of whether there is a fee reduction for transactions with customers, taking into account the nature, amount, timing and uncertainty of the cash flows deriving from the revenues.

The most significant part of Italgas' revenue relates to regulated activities, the income of which are governed by the regulatory framework defined by ARERA. Therefore, the economic

conditions of the services provided are defined in regulatory schemes and not on a negotiation basis. In reference to the distribution of natural gas, the difference between revenues recognised by the regulator ("Revenue cap") and actual accrued revenue is posted in the Statement of Financial Position under the item "Trade and other receivables" if positive, and under the item "Trade and other payables", if negative, in that it will be subject to monetary settlement with Cassa per i Servizi Energetici e Ambientali (CSEA).

Therefore, taking into account the methodology described above and the absence of significant insolvency situations on the part of customers, as specified above, at present Italgas is unaffected by effects induced by Covid-19 capable of causing a revenue reduction with an impact on the accounting records and estimates.

GOVERNMENT INCENTIVES AND TAX AREA (IAS 12 AND 20)

The Italian government has issued measures to support the economy to mitigate the impacts of Covid-19, including tax relief and exemptions and, in some cases, specific incentives for certain sectors.

In 2020, some of the Group's companies benefited from the exclusion from payment of the 2019 IRAP balance and the first 2020 IRAP instalment; these payments, pursuant to Article 24 of Decree-Law no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020, are not payable by Companies with revenues of up to € 250 million in the 2019 tax period. These provisions are nevertheless applied in accordance with the limits and conditions envisaged by the communication of the European Commission dated 19 March 2020 (C(2020) 1863 Final), "Temporary framework for state aid measures to support the economy in the current Covid-19 outbreak", as amended.

Considering the uncertainty around the interpretation and application of these provisions, the legislator subsequently postponed the deadline of the payments first to 30 April 2021 and then to 30 September 2021, making it possible to implement them, without the application of fines or interest, in the event of misapplication of said provisions in relation to determination of the limits and conditions envisaged by said European Commission communication.

The companies benefited from the extension in the deadlines, including for the purpose of assessing the effects of proposed amendments to the aforesaid "Temporary framework for state aid measures to support the economy in the current Covid-19

outbreak"; amendments that were confirmed by the European Commission communication published in the Official Journal of the EU on 1 February 2021, the effects of which are still to be assessed in light of the legislative and interpretation changes yet to be issued.

Pending adoption of these measures, with reference to the application of the aforementioned regulations, the payable related to the tax in question was nevertheless recognised in the financial statements as at 31 December 2020.

By the due date of 30 September 2021, and without any charges for penalties or interest, the Group's companies paid the portion of the benefit used over the limits and conditions of the above-mentioned communication of the European Commission dated 19 March 2020 C(2020) 1863 final, "Temporary framework for State aid measures to support the economy in the current Covid-19 outbreak", as amended.

In terms of deferred taxation, due to the health emergency caused by Covid-19, the need to review the recoverability of deferred tax assets or the determination of deferred tax liabilities did not arise.

OTHER LIABILITIES

PROVISIONS FOR RISKS AND ONEROUS CONTRACTS (IAS 37)

IAS 37 establishes that provisions for risks should only be recorded if: (i) an entity has an obligation deriving from past events; (ii) a financial outlay will likely be required to meet this obligation; (iii) a reliable estimate can be made.

In fact, IAS 37 does not permit provisions for future operating costs or future restructuring costs.

As there are no current specific obligations in relation to Covid-19 forecasts that would likely require a future financial outlay, there has been no need to make provisions deriving from the pandemic situation.

MAIN ECONOMIC IMPACTS DIRECTLY ATTRIBUTABLE TO COVID-19

As recommended by ESMA, the amounts recognised in the 2021 income statement for the main impacts directly attributable to Covid-19 are set out below.

(€ thousands)	
	2021
Purchase of consumables (disinfectant, gloves, masks, etc.) and services	2,740

ENVIRONMENTAL REGULATIONS

With respect to environmental risk, while the Group believes that it operates in substantial compliance with the laws and regulations and considering the adjustments to environmental regulations and actions already taken, it cannot be ruled out that the Company may incur costs or liabilities, which could be significant.

It is difficult to foresee the repercussions of any environmental damage, partly due to new laws or regulations that may be introduced for environmental protection, the impact of any new technologies for environmental clean-ups, possible litigation and the difficulty in determining the possible consequences, also with respect to other parties' liability and any possible insurance compensation.

The Group closely monitors the various risks and associated financial impacts (which at present could mainly concern matters of impairment and recoverability of the value of assets and provisions under IAS 37) that could ensue from environmental and climate change issues.

As described in the Directors' Report, in recent years, Italgas' corporate strategy has been increasingly influenced by climate change matters and various initiatives have been developed with a view to reducing GHG emissions (e.g. leak detection using Picarro technology, conversion of the corporate fleet to methane gas, green gas initiatives, etc.).

In the short-term, the main elements impacting Italgas' strategy development are the regulatory aspects of climate change such as the European policy objectives, whilst in the short/medium-term, the efficient procurement of natural gas, in order to reduce impacts on climate change.

In the Strategic Plan, Italgas defines a macro-comprehensive scenario that includes contexts and trends of the Energy and Environmental Policies (decarbonisation - Paris Agreement, renewal sources, energy efficiency, sustainable mobility, power to gas and green gas) and presents its own Sustainability Plan. The Group's strategy is developed consistently with the United Nations Sustainable Development Goals.

Italgas' strategy is outlined in the 2021-2027 Strategic Plan, which highlights the digital transformation and technological innovation that will enable Italgas to play a key role in the energy transition, etc.

TOPICS RELATED TO CLIMATE CHANGE

In consideration of ESMA's requests made in the October 2021 recommendation, below are assessments relating to the climate change risk in the medium/long-term on operations and on Italgas values.

ESMA recommends that suitable information be provided on the significant judgement and main sources of uncertainty in forecasts with reference to climate risks and the energy transition.

More specifically, the request is that a correct disclosure be assured in connection with the main risks considered in preparing forecasts, which may entail a significant adjustment to the carrying value of assets and liabilities; additionally, a suitable disclosure should also be provided on how and why specific risks have not significantly impacted the financial statements.

For more details, in addition to that reported below, reference is made to the chapters on "Risk Management" and "Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)" of the Annual integrated report.

IMPAIRMENT TESTING AND EXPECTED USEFUL LIFE OF TANGIBLE AND INTANGIBLE ASSETS

With reference to the impact of climate risks in determining the expected useful life of tangible and intangible fixed assets and their estimated residual value, there are no (i) indicators suggesting that assets have reduced in value, (ii) significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and (iii) there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made.

At present, therefore, company management does not reasonably expect climate change to have a significant impact on forecast future cash flows of a given asset or cash generating unit (CGU) and, consequently, on the relevant recoverable value.

IAS 37 - PROVISIONS FOR RISKS AND POTENTIAL LIABILITIES

In accordance with IAS 37, the company management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

EFFECTS OF THE CLIMATE RISK ON MEASURING EXPECTED CREDIT LOSS

No significant climate and environmental risks are noted worthy of consideration in assessing the credit risk and therefore worthy of inclusion in calculating the ECL (Expected Credit Loss), as required by IFRS 7.

INFORMATION ON ARTICLE 8 OF THE TAXONOMY REGULATION

In connection with the disclosure obligations pursuant to Article 8 of the European Regulation on Taxonomy, the system envisaged for classifying economic activities as environmentally-sustainable on the basis of six environmental objectives for two of which, (i) climate change mitigation and (ii) climate change adaptation, the European Commission has prepared technical criteria, the Group has:

- | assessed the degree of alignment of its economic activities with the taxonomy criteria;
- | prepared internal reporting systems to comply with the requirements envisaged;
- | specifically collected data in order to guarantee a timely and correct application of taxonomy requirements.

For more details, see the chapter on “Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments” of the Integrated annual report.

Public funds received

With reference to the new rules introduced by Law no. 124 of 4 August 2017 “Annual competition law”, under Article 1, paragraphs 125-129, please note that the following grants from public authorities relating to the construction of gas networks were collected in 2021.

Beneficiary			Grantor	Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	MORRO D'ORO	81000370676	00516370673	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	14,421.00
ITALGAS RETI S.P.A.	CASTEL SAN GIORGIO	80021560653	80021560653	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	551,881.91
ITALGAS RETI S.P.A.	PINETO	00159200674	00159200674	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	2,160.00
ITALGAS RETI S.P.A.	CICALA	00296280795	00296280795	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	330,300.44
ITALGAS RETI S.P.A.	SANTA CATERINA DELLO IONIO	00245050794	00245050794	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	125,285.83
ITALGAS RETI S.P.A.	BAGALADI	00283390805	00283390805	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	87,012.21
ITALGAS RETI S.P.A.	CONDOFURI	00162630800	00162630800	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	95,075.45
ITALGAS RETI S.P.A.	SELLIA	00311650790	00311650790	Plant account grants Law 784/80	50,000.00
MEDEA S.P.A.	ALA' DEI SARDI	81000550905	81000550905	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	57,691.12
MEDEA S.P.A.	ANELA	00237220900	00237220900	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	183,146.76
MEDEA S.P.A.	BENETUTTI	00289880908	00289880908	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	103,183.24
MEDEA S.P.A.	NULE	81001030907	81001030907	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	459,591.52
MEDEA S.P.A.	BITTI	80006550919	80006550919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	197,533.44

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	ONANI	80003810910	80003810910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	287,807.21
MEDEA S.P.A.	OSIDDA	80006560918	80006560918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	49,150.47
MEDEA S.P.A.	DORGALI	00160210910	00160210910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	541,502.91
MEDEA S.P.A.	GALTELLI	80003250919	80003250919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	6,332.26
MEDEA S.P.A.	IRGOLI	80005110913	80005110913	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	106,142.45
MEDEA S.P.A.	LOCULI	80006160917	80006160917	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	53,703.81
MEDEA S.P.A.	ONIFAI	80006610911	80006610911	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	119,610.23
MEDEA S.P.A.	OROSEI	00134670918	00134670918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	510,812.11
MEDEA S.P.A.	GIBA	81002090926	81002090926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	203,749.17
MEDEA S.P.A.	MASAINAS	81002530921	81002530921	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	196,062.12
MEDEA S.P.A.	NARCAO	00535840920	00535840920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	316,594.36
MEDEA S.P.A.	PISCINAS	90005610929	90005610929	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	274,479.07
MEDEA S.P.A.	PERDAXIUS	81002390920	81002390920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	76,070.86

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	SANT'ANNA ARRESI	81001910926	81001910926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	342,493.20
MEDEA S.P.A.	TRATALIAS	81001590926	81001590926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	261,748.86
MEDEA S.P.A.	VILLAPERUCCIO	81005130927	81005130927	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	273,918.16
MEDEA S.P.A.	MONASTIR	82001930922	82001930922	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	157,503.35
MEDEA S.P.A.	NURAMINIS	82002130928	82002130928	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	140,067.53
MEDEA S.P.A.	SAN SPERATE	01423040920	01423040920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	360,614.85
MEDEA S.P.A.	USSANA	82001730926	82001730926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	149,332.70
TOTAL					6,684,978.60

For information only, it should be noted below that the following contributions were collected through the Factor:

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	VICO EQUENSE	82007510637	01548611217	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	1,937,073.00
ITALGAS RETI S.P.A.	BARANO D'ISCHIA	83000730636	83000730636	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	1,754,230.86
ITALGAS RETI S.P.A.	MASSA LUBRENSE	00637560632	00637560632	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	389,934.80

Beneficiary	Grantor		Type of transaction	Amount €	
	Designation Company name	Tax code			VAT Number
ITALGAS RETI S.P.A.	META	00423370634	00423370634	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	224,242.83
ITALGAS RETI S.P.A.	PIANO DI SORRENTO	00385130638	00385130638	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	558,622.45
ITALGAS RETI S.P.A.	SANT' AGNELLO	82007930637	82007930637	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	277,227.95
ITALGAS RETI S.P.A.	SORRENTO	82001030632	82001030632	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	705,230.39
ITALGAS RETI S.P.A.	ALBI	80002220798	80002220798	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	179,284.89
ITALGAS RETI S.P.A.	BIVONGI	81000470807	81000470807	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	182,500.51
ITALGAS RETI S.P.A.	BONIFATI	00390090785	00390090785	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	151,456.20
ITALGAS RETI S.P.A.	CARAFFA DEL BIANCO	81001190800	81001190800	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	95,575.05
ITALGAS RETI S.P.A.	COLOSIMI	00375660784	00375660784	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	446,347.78
ITALGAS RETI S.P.A.	GERACE	81002190809	81002190809	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	405,345.30
ITALGAS RETI S.P.A.	GIMIGLIANO	00296900798	00296900798	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	162,721.88
ITALGAS RETI S.P.A.	GROTTERIA	00282690809	00282690809	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	545,911.64
ITALGAS RETI S.P.A.	PANETTIERI	00391660784	00391660784	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	77,487.77
ITALGAS RETI S.P.A.	PAZZANO	81001230804	81001230804	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	47,106.38
ITALGAS RETI S.P.A.	PENTONE	00220810790	00220810790	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	186,732.63
ITALGAS RETI S.P.A.	SANT'AGATA DEL BIANCO	00720540806	00720540806	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	54,733.78
ITALGAS RETI S.P.A.	SAN PIETRO APOSTOLO	00296580798	00296580798	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	219,489.78

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	SAN SOSTI	00395970783	00395970783	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	267,321.72
ITALGAS RETI S.P.A.	SAMO	81002530806	81002530806	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	125,991.63
ITALGAS RETI S.P.A.	SANGINETO	00401810783	00401810783	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	67,948.87
ITALGAS RETI S.P.A.	SIMERI CRICHI	00296790793	00296790793	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	136,550.88
ITALGAS RETI S.P.A.	STIGNANO	81001010800	81001010800	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	79,266.43
ITALGAS RETI S.P.A.	STILO	81001070804	81001070804	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	335,421.20
MEDEA S.P.A.	ALA' DEI SARDI	81000550905	81000550905	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,242,593.78
MEDEA S.P.A.	ANELA	00237220900	00237220900	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	117,047.69
MEDEA S.P.A.	BENETUTTI	00289880908	00289880908	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,015,335.28
MEDEA S.P.A.	NULE	81001030907	81001030907	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	293,721.44
MEDEA S.P.A.	BITTI	80006550919	80006550919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	126,242.12
MEDEA S.P.A.	ONANI	80003810910	80003810910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	206,109.29
MEDEA S.P.A.	OSIDDA	80006560918	80006560918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	201,455.63
MEDEA S.P.A.	ORUNE	00161070917	00161070917	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	282,051.28

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	DORGALI	00160210910	00160210910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,296,213.72
MEDEA S.P.A.	GALTELLI	80003250919	80003250919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	15,157.73
MEDEA S.P.A.	IRGOLI	80005110913	80005110913	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	778,812.04
MEDEA S.P.A.	LOCULI	80006160917	80006160917	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	202,977.76
MEDEA S.P.A.	ONIFAI	80006610911	80006610911	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	286,315.00
MEDEA S.P.A.	OROSEI	00134670918	00134670918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	623,587.65
MEDEA S.P.A.	BARRALI	80019570920	80019570920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	992,155.96
MEDEA S.P.A.	GESICO	80015830922	80015830922	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	16,887.71
MEDEA S.P.A.	GONI	80010850925	80010850925	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	17,257.47
MEDEA S.P.A.	GUAMAGGIORE	80008970925	80008970925	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	575,781.64
MEDEA S.P.A.	SAN BASILIO	80016750921	80016750921	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	150,417.25
MEDEA S.P.A.	SELEGAS	80018170920	80018170920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,216,776.01
MEDEA S.P.A.	SENBORBI'	80008070924	80008070924	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,616,467.38

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	SUELLI	80016870927	80016870927	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,145,266.06
MEDEA S.P.A.	GIBA	81002090926	81002090926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	245,375.09
MEDEA S.P.A.	MASAINAS	81002530921	81002530921	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	236,117.59
MEDEA S.P.A.	NARCAO	00535840920	00535840920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	381,274.55
MEDEA S.P.A.	PISCINAS	90005610929	90005610929	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	330,555.10
MEDEA S.P.A.	PERDAXIUS	81002390920	81002390920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	91,612.13
MEDEA S.P.A.	SANT'ANNA ARRESI	81001910926	81001910926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	412,464.52
MEDEA S.P.A.	TRATALIAS	81001590926	81001590926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	315,224.12
MEDEA S.P.A.	VILLAPERUCCIO	81005130927	81005130927	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	268,446.36
TOTAL					27,313,455.95

27. Revenue

The breakdown of *revenue* for the year, which totalled € 2,163,232 thousand as at 31 December 2021 (€ 2,126,779 thousand as at 31 December 2020) is shown in the following table.

(€ thousands)	2020	2021
Revenue	2,057,935	2,098,463
Other revenue and income	68,844	64,769
	2,126,779	2,163,232

Group revenue is earned exclusively in Italy.

REVENUE

Revenues, which amount to € 2,098,463 thousand (€ 2,057,935 thousand as at 31 December 2020), are analysed in the table below:

(€ thousands)	2020	2021
Gas distribution	1,322,303	1,213,906
Revenues for infrastructure construction and improvements (IFRIC 12)	668,231	772,005
Technical assistance, engineering, IT and various services	46,850	66,643
Energy efficiency interventions		21,688
Water distribution and sale	7,515	7,715
Gas sales	13,036	16,506
	2,057,935	2,098,463

Revenue refers primarily to the consideration for the natural gas distribution service and other regulated revenues (€ 1,213,906 thousand) and revenue deriving from the construction and upgrading of gas distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 772,005 thousand).

Revenue is reported net of the following items involving regulation components, in addition to the tariff, applied to cover gas system expenses of a general nature. Amounts received from Italgas are paid in full to CSEA.

(€ thousands)	2020	2021
RE-RS-UG1 fees	153,656	111,093
UG3 fees	21,528	14,501
Gas Bonus and GS fees	(15,377)	(61,206)
UG2 fees	(19,679)	(3,101)
	140,128	61,287

The fees in addition to the distribution service (€ 61,287 thousand) mainly relate to the following fees: (i) RE, to cover the expenses burdening the *Fund for calculating and implementing energy savings and the development of renewable energy sources in the gas sector*; (ii) RS, to cover expenses burdening the *Account for gas services quality*; (iii) UG1, to cover any imbalances in and adjustments to the equalisation system; (iv) UG2, to cover the costs of retail sales marketing; (v) UG3int, to cover expenses connected to the interruption of services; (vi) UG3ui, to cover expenses connected to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider (FDD) as well as the expenses for payment delays incurred by Suppliers of Last Instance (FUI), limited to end customers for which the supply cannot be suspended; (vii) UG3ft, to cover the arrears paid to temporary providers on the transport system; (viii) GS, to cover the tariff compensation system for economically disadvantaged customers.

Gas distribution revenue (€ 1,213,906 thousand) refers to

natural gas distribution on behalf of all commercial operators requesting access to the networks of the distribution companies based on the Network Code. These revenues include the higher revenues associated with the contribution pursuant to Article 57 of ARERA Resolution 570/2019/R/gas relating to the replacement of traditional meters with electronic smart meters and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas, Resolution no. 570/2019/R/gas, Resolution no. 287/2021 and Determination no. 3/2021, for a total of € 13.9 million.

As regards the recognition of revenues relating to "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per delivery point, expressed at 2017 prices set by resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years

(in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Revenue for technical assistance, engineering, IT and various services (€ 66,433 thousand) increase by € 41,481 thousand in respect of the greater revenues relative to the business of the ESCos.

Revenue deriving from energy efficiency interventions (€ 21,688 thousand) mainly relate to work carried out during the year, generally referred to as "superbonus", as envisaged by the "Relaunch Decree" (Decree Law 34/2020), which introduced the "Superbonus 110", an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the "sismabonus" that makes it possible to receive 110% of the expense generated and admissible in 5 years.

Revenue from the sale of gas (€ 16,506 thousand) relates to gases sold in Sardinia by the subsidiary Gaxa S.p.A.

Revenue from the sale of water (€ 7,715 thousand) relates to the water distributed in Campania by the company Italgas Acqua.

OTHER REVENUE AND INCOME

Other revenue and income, which amounted to € 64,769 thousand, can be broken down as follows:

(€ thousands)	2020	2021
Income from gas distribution service safety recovery incentives	23,445	22,399
Plant safety assessment pursuant to ARERA Resolution no. 40/04	2,281	2,520
Capital gains from sale of assets	5,016	4,458
Sundry management refunds and chargebacks	662	399
Contractual penalties receivable	812	659
Revenue from regulated activities	8,381	11,110
Connection contribution uses	19,564	19,589
Income from real estate investments	1,391	525
Revenue from seconded personnel	223	283
Net revenue from Energy Efficiency Certificates (EEC)		232
Other revenue	7,069	2,595
	68,844	64,769

Income from safety recovery incentives, equal to € 22,399 thousand, relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

Net revenues from EECs of € 232 thousand at 31 December 2021 were net of EEC charges at 31 December 2020 for € 4,271 thousand. The item contains the effect net of expenses for the purchase of energy efficiency certificates and the contribution due to gas distributors by applicable regulations.

28. Operating costs

The breakdown of operating costs for the period, which totalled € 1,134,750 thousand, is shown in the following table:

(€ thousands)	2020	2021
Purchase costs for raw materials, consumables, supplies and goods	124,066	150,932
Costs for services	537,076	614,831
Costs for the use of third-party assets	87,555	90,780
Personnel cost	269,853	256,808
Allocations to/(releases from) provision for risks and charges	44,499	(1,868)
Allocations to/(releases from) provisions for doubtful debt	(16)	320
Other expenses	20,124	25,783
<i>To be deducted:</i>		
Increases for own work	(2,007)	(2,836)
- of which costs for services	(565)	(608)
- of which labour costs	(1,442)	(2,228)
	1,081,150	1,134,750

Operating costs relating to the construction and upgrading of gas distribution and water service infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amount to € 772,005 thousand and are broken down as follows:

(€ thousands)	2020	2021
Purchase costs for raw materials, consumables, supplies and goods	94,236	121,277
<i>of which external</i>	15,336	40,622
<i>of which internal</i>	78,900	80,655
Costs for services	457,188	520,816
<i>of which external</i>	411,941	468,576
<i>of which internal</i>	45,247	52,240
Costs for the use of third-party assets	8,572	10,264
<i>of which external</i>	8,572	10,264
Personnel cost	107,076	113,576
<i>of which internal</i>	107,076	113,576
Other expenses	1,159	6,072
<i>of which external</i>	1,159	6,072
	668,231	772,005

Costs for raw materials, consumables, supplies and goods, amounting to € 150,932 thousand (124,066 as at 31 December 2020), comprise the following:

(€ thousands)	2020	2021
Inventories	88,395	115,361
Purchase of gas	19,847	27,107
Purchase of water	2,638	2,194
Motive power	1,129	1,594
Purchase of fuel	2,442	3,298
Consumables	9,615	1,378
	124,066	150,932

Inventories refer in particular to the acquisition of meters and gas pipes.

Purchase costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution and water service infrastructure (€ 121,277 thousand), recorded in accordance with IFRIC 12.

Costs for services of € 614,223 thousand relate to:

(€ thousands)	2020	2021
Project management and plant maintenance	409,682	485,405
Consultancy and professional services	51,025	56,230
Costs for personnel services	10,899	11,757
IT and telecommunications services	39,018	37,481
Electricity, water and other (utility) services	5,733	6,751
Insurance	5,434	5,508
Cleaning, security service and guard services	3,613	4,871
Advertising and entertainment	2,869	3,896
Costs for seconded personnel	256	367
Other services	24,389	29,863
Use of risk provision	(15,842)	(27,298)
	537,076	614,831
<i>To be deducted:</i>		
Increases for own work	(565)	(608)
	536,511	614,223

Costs for services include costs relating to the construction and upgrading of gas distribution and water distribution infrastructure (€ 520,816 thousand) recognised pursuant to IFRIC 12.

Costs for project management and plant maintenance planning (€ 485,405 thousand) essentially relate to the extension and maintenance of gas distribution plants.

Costs for the use of third-party assets, of € 90,780 thousand, regard:

(€ thousands)	2020	2021
Patent, license and concession fees	77,203	80,501
Leases and rentals	10,635	10,440
Use of risk provision	(283)	(161)
	87,555	90,780

Fees, patents and licences (€ 80,501 thousand) refer primarily to fees recognised to contracting parties for the running of natural gas distribution activities under concession.

Costs for use of third-party assets include costs relating to the construction and upgrading of gas distribution infrastructure (€ 10,264 thousand) recognised in accordance with IFRIC 12.

Releases from provision for risks and charges, amounting to € -1,868 thousand net of utilisations, refer mainly to the

provision for risks and charges relating to energy efficiency certificates.

For more details on the changes in provisions for risks and charges, please refer to the note "Provisions for risks and charges".

Personnel cost, totalling € 254,580 thousand, breaks down as follows:

(€ thousands)	2020	2021
Wages and salaries	180,419	180,176
Social charges	55,740	54,827
Employee benefits	14,316	16,544
Other expenses	19,378	5,261
	269,853	256,808
<i>To be deducted:</i>		
Increases for own work	(1,442)	(2,228)
	268,411	254,580

The item includes costs relating to the construction and upgrading of gas distribution infrastructure (€ 113,576 thousand) recognised pursuant to IFRIC 12.

Employee benefits (€ 16,544 million) mainly regard the employee severance pay accrued, to be paid to pension funds or to INPS.

Other expenses of € 5,261 thousand, in particular refer to charges for the incentive plan for senior executives (co-invest-

ment plan). For Stock Grant plans for Company employees, the fair value of the option, determined at the time it is granted (calculated on the basis of the "Black-Scholes" economic and actuarial method) is posted to the income statement as a cost throughout the vesting period, with a corresponding balancing item in a reserve under shareholders' equity.

More details are provided in the "Provisions for employee benefits" note.

AVERAGE NUMBER OF EMPLOYEES

The average number of payroll employees of the consolidated entities, broken down by status, is as follows:

Professional qualification	2020	2021
Executives	60	61
Managers	302	312
Office workers	2,239	2,175
Manual workers	1,430	1,389
	4,031	3,937

The average number of employees is calculated on the basis of the monthly number of employees for each category.

At 31 December 2021, there were 3,932 employees on average.

REMUNERATION DUE TO KEY MANAGEMENT PERSONNEL

The remuneration due to persons with powers and responsibilities for the planning, management and control of the Company, i.e. executive and non-executive directors, general managers and managers with strategic responsibilities ("key management personnel"), in office at 31 December 2021, amounted to € 10,271 thousand and breaks down as follows:

(€ thousands)	2020	2021
Wages and salaries	5,536	8,215
Post-employment benefits	559	742
Other long-term benefits	1,147	1,314
	7,242	10,271

REMUNERATION DUE TO DIRECTORS AND STATUTORY AUDITORS

Remuneration due to Directors, except for the Chairman and the CEO who form part of the key management personnel as explained in the foregoing paragraph, amounted to € 1,619 thousand and remuneration due to Statutory Auditors amounted to € 621 thousand (Article 2427, no. 16 of the Italian Civil Code). This remuneration includes emoluments and any other amounts relating to pay, pensions and healthcare due for the performance of duties as a director or statutory auditor giving rise to a cost for the Company, even if not subject to personal income taxes.

Other expenses, of € 25,783 thousand, are analysed below:

(€ thousands)	2020	2021
Gas distribution service safety improvement penalties	473	440
Other penalties	7,844	2,259
Indirect taxes, local taxes	6,552	6,729
Capital losses from disposal/recovery of property, plant and equipment and intangible assets	3,866	8,011
Other expenses	1,389	8,344
	20,124	25,783

Gas distribution service safety improvement penalties (€ 440 thousand) relate to expenses, paid to the Authority, related to awards for gas distribution safety improvements for 2021.

The capital losses from the disposal/recovery of fixed assets (€ 8,011 thousand) mainly relate to the replacement of faulty meters and pipes and connections.

29. Amortisation, depreciation and impairment

Amortisation, depreciation and impairment, totalling € 445,251 thousand, breaks down as follows:

(€ thousands)	2020	2021
Amortisation and depreciation	439,120	444,387
- Property, plant and equipment	16,112	16,188
- Right of use pursuant to IFRS 16	20,235	22,937
- Intangible assets	402,773	405,262
Impairment	933	864
- Write-backs of tangible assets		(31)
- Impairment of intangible assets	933	895
	440,053	445,251

Impairment of intangible assets, of € 895 thousand (€ 933 thousand in 2020) relate to the exit from the production process of certain assets.

30. Financial Income (Expense)

Net financial expense, amounting to € 60,379 thousand, comprises:

(€ thousands)	2020	2021
Financial Income (Expense)	(53,669)	(63,292)
Financial expense	(53,941)	(64,060)
Financial income	272	768
Other financial income (expense)	4,460	2,913
Other financial expenses	(566)	(619)
Other financial income	5,026	3,532
	(49,209)	(60,379)

(€ thousands)	2020	2021
Financial Income (Expense)	(53,669)	(63,292)
Borrowing costs:	(53,941)	(64,060)
- Interest expense on bonds	(45,919)	(54,602)
<i>of which the effect of the bond buyback transaction of 5 February 2021</i>		(6,433)
- Commission expense on bank loans and credit lines	(6,298)	(8,702)
- Interest expense on credit line and loan expense due to banks and other lenders	(1,724)	(756)
Financial expense capitalised		
Income on financial receivables:	272	768
- Interest income and other income on financial receivables non-held for operations	272	768
Other financial income (expense):	4,460	2,913
- Capitalised financial expense	1,884	1,920
- Financial income (expense) connected with the passing of time (accretion discount) (*)	(2,022)	(839)
- Uses of risk provisions and financial expense		
- Expense for right of use pursuant to IFRS 16	(304)	(290)
- Other expenses	(124)	(1,410)
- Other income	5,026	3,532
	(49,209)	(60,379)

(*) The item relates to the increase in the provisions for risks and charges and provisions for employee benefits that are specified, at a discounted value, in the notes "Provisions for risks and charges" and "Provisions for employee benefits".

31. Income (expense) from equity investments

Income (expense) from equity investments, totalling € 2,452 thousand, breaks down as follows:

(€ thousands)	2020	2021
Effect of valuation using the equity method	1,466	2,011
Capital gains from valuation using the equity method	1,466	2,011
Other income (expense) from equity investments	49	441
Dividends	25	50
Other income from equity investments	24	391
	1,515	2,452

The increase of € 937 thousand as compared with 2020 mainly relates to the valuation using the equity method of Gesa Reti (€ 957 thousand).

Details of capital gains and capital losses from the valuation of equity investments using the equity method can be found in the note "Equity investments valued using the equity method".

32. Income taxes

Income taxes for the year, amounting to € 141,884 thousand (€ 152,633 thousand as at 31 December 2020) comprise:

(€ thousands)	2020			2021		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes	152,987	33,144	186,131	128,146	26,422	154,568
Current taxes for the year	152,041	32,433	184,474	134,322	27,967	162,289
Adjustments for current taxes pertaining to previous years	946	711	1,657	(6,176)	(1,545)	(7,721)
Deferred and prepaid taxes	(29,665)	(3,833)	(33,498)	(13,470)	786	(12,684)
Deferred taxes	(19,816)	(2,903)	(22,719)	(14,183)	(1,362)	(15,545)
Prepaid taxes	(9,849)	(930)	(10,779)	713	2,148	2,861
	123,322	29,311	152,633	114,676	27,208	141,884

Income taxes relate to current taxes amounting to € 154,568 thousand (€ 186,131 thousand as at 31 December 2020) and net prepaid taxes with a positive effect of € 12,684 thousand (€ 33,498 thousand as at 31 December 2020).

The rates applied and provided for by tax regulations for current taxes are 24% for IRES and 4.2% for IRAP.

The reconciliation of the theoretical tax charge (calculated by applying the corporation tax (IRES) rate in force in Italy) with the actual tax charge for the year can be broken down as follows:

(€ thousands)	2020		2021	
	Tax rate	Balance	Tax rate	Balance
IRES				
Gross profit		557,882		525,304
IRES tax calculated based on the theoretical tax rate	24.00%	133,892	24.00%	126,073
Changes compared to the theoretical rate:				
- Income from equity investments	0.6%	2,874	0.9%	3,209
- Current taxes for previous years	0.0%	138	0.0%	(207)
- "Super Iper amortisation and depreciation" tax benefit	(2.1%)	(12,067)	(2.3%)	(12,111)
- Other permanent differences	(0.4%)	(2,302)	(0.4%)	(2,425)
IRES taxes for the year through profit or loss	22.1%	122,535	22.2%	114,539

(€ thousands)	2020		2021	
	Tax rate	Balance	Tax rate	Balance
IRAP				
EBIT for IRAP		605,576		583,231
IRAP tax calculated based on the theoretical tax rate	4.2%	25,434	4.2%	24,496
Changes compared to the theoretical rate				
- Taxes for previous years	0.0%	24	(0.1%)	(245)
- Regional IRAP adjustments	0.8%	4,012	0.8%	3,519
- Other permanent differences	0.2%	600	(0.1%)	(425)
IRAP taxes for the year through profit or loss	5.2%	30,070	4.8%	27,345

An analysis of deferred tax assets and liabilities based on the nature of the significant temporary differences that generated them can be found in the note "Deferred tax liabilities".

Pursuant to Article 157 of Decree-Law no. 34 of 19 May 2020, converted, with amendments, by Law no. 77 of 17 July 2020, amended by Article 22-bis of Decree Law no. 183 of 31 December 2020, converted, with amendments, by Law no. 21 of 26

February 2021, notifications of investigations, disputes, imposition of penalties, recovery of tax credits, settlements and adjustment and settlement, for which the time limits expired between 8 March 2020 and 31 December 2020 - including documents relating to IRES and IRAP declarations for the 2015 tax year - had to be issued by 31 December 2020, but may be filed in the period between 1 March and 28 February 2022.

TAXES RELATED TO COMPONENTS OF COMPREHENSIVE INCOME

Current and deferred taxes related to other components of comprehensive income can be broken down as follows:

(€ thousands)	2020			2021		
	Gross value	Tax impact	Net tax value	Gross value	Tax impact	Net tax value
Remeasurement of defined-benefit plans for employees	(4,532)	1,248	(3,284)	(6,293)	1,741	(4,552)
Change in fair value of cash flow hedge derivative financial instruments	(10,320)	2,477	(7,843)	1,929	(540)	1,389
Other components of comprehensive income	(14,852)	3,725	(11,127)	(4,364)	1,201	(3,163)
Deferred tax assets/liabilities		3,725			1,201	

33. Profit (loss) per share

The earnings per basic share, equal to € 0.45, was calculated by dividing the net profit attributable to Italgas (€ 362,813 thousand) by the weighted average number of Italgas shares outstanding during the year (809,768,354 shares).

The diluted earnings per share is calculated by dividing the net profit attributable to Italgas (€ 362,813 thousand) by the weighted average number of shares outstanding during the period, excluding any treasury shares, increased by the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares in the portfolio for stock grant plans. The diluted earnings per share, calculated also considering the co-investment plan, was € 0.45 per share.

34. Related party transactions

Considering the “de facto” control of CDP S.p.A. over Italgas S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, Italgas’ related parties, based on the current ownership structure, are represented by Italgas’ associates and joint ventures, as well as by the parent company, CDP S.p.A., and by its subsidiaries and associates and direct or indirect subsidiaries, associates and joint ventures of the Ministry of Economy and Finance (MEF). Members of the Board of Directors, Statutory Auditors and managers with strategic responsibilities of the Italgas Group and their families, are also regarded as related parties.

As explained in detail below, related-party transactions involve the trading of goods and the provision of regulated services in the gas sector. Transactions between Italgas and related parties are part of ordinary business operations and are generally settled at arm’s length, i.e. at the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with

related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the company and the group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer’s interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the company intends to carry out and in which they have an interest.

Italgas is not subject to management and coordination activities. Italgas exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Civil Code.

During the year, Mr Antonio Paccioiretti, former General Manager of Finance and Services, reached an agreement for the termination by mutual consent of his employment relationship with effect as of 1 June 2021 and also resigned from all his positions held in the Group’s companies. The above-mentioned agreement was approved on 31 May 2021 by Italgas’ Board of Directors, subject to the favourable opinion of the Appointments and Compensation Committee and in compliance with Italgas’ regulations on related-party transactions, regarding an executive with strategic responsibilities.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties, are shown below. The nature of the most significant transactions is also stated.

With reference to the balances reported to the Eni Group and the Enel Group, the underlying relationships refer to the activities relating to the natural gas distribution service according to the terms of the Network Code, defined by the Regulatory Authority for Energy Networks and Environment. The Network Code regulates the non-discriminatory conditions, including tariff conditions, applicable to distribution users. These relationships can be configured as ordinary transactions concluded at market or standard conditions as they fall within the ordinary exercise of the Group’s operating activity, as defined by the Compliance Standard “Transactions with interests of Directors and Statutory Auditors and Transactions with Related Parties” of Italgas.

COMMERCIAL AND OTHER TRANSACTIONS

Commercial and other transactions are analysed below:

(€ thousands)	31.12.2020			2020				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		100			143			
		100			143			
Companies under joint control and associates								
- Umbria Distribuzione Gas	201						614	37
- Metano Sant'Angelo Lodigiano	347				(2)		306	95
- Gesam Reti	29							
- Valdarno in liquidation		140			421	272		
	577	140			419	272	920	132
Companies owned or controlled by the State								
- Eni Group	204,005	17,405		3,593	762	1,406	690,242	6,131
- Snam Group	4,859	4,691		122	288	2	235	1,499
- Enel Group	42,606	2,485		1	148	415	162,030	1,524
- Anas Group	22	731			2	385		63
- Ferrovie dello Stato Group	208	72			7	758		146
- GSE Gestore Servizi Group	1,581	(31)			4	132,966		5
- Poste italiane Group	3	354			577		5	
- Terna Group								16
- Saipem Group		187			311			
	253,284	25,894		3,716	2,099	135,932	852,512	9,384
Other related parties								
- Gruppo Valvitalia		1,899		3,662				
- Trevi		673			647			
- Eur Group		4				2		
		2,576		3,662	647	2		
Total	253,861	28,710	-	7,378	3,308	136,206	853,432	9,516

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

(€ thousands)	31.12.2021			2021				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		101			81			
		101			81			
Companies under joint control and associates								
- Umbria Distribuzione Gas	690				(5)		572	102
- Metano Sant'Angelo Lodigiano	565				(5)		387	106
- Gesam Reti	147							151
- Valdarno in liquidation		36			185	14	39	
- Enerpaper					54			
	1,402	36			229	14	998	359
Companies owned or controlled by the State								
- Eni Group	180,121	28,341		2,881	837	2,552	651,409	3,990
- Snam Group	743	771			654	39	240	7
- Enel Group	41,499	5,009			27	760	151,435	1,328
- Anas Group	15	841			10	449		37
- Ferrovie dello Stato Group	238	61			1	699		
- GSE Gestore Servizi Group	2,481	(29)			15	95,793	2,137	
- Poste italiane Group	4	245			200			3
- Terna Group								1
- Saipem Group		53			130			
	225,101	35,292		2,881	1,874	100,292	805,221	5,366
Other related parties								
- Zecca dello Stato [Italian State Mint]								1
- Eur Group		4				6		
- Gruppo Valvitalia		1,286		8,215				
- Trevi		139			742			
		1,429		8,215	742	6		1
Total	226,503	36,858	-	11,096	2,926	100,312	806,219	5,726

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

COMPANIES UNDER JOINT CONTROL AND ASSOCIATES

The main receivable commercial transactions mostly regarded IT supplies and staff services to Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A.

The main receivable commercial transactions mainly regard IT services.

COMPANIES OWNED OR CONTROLLED BY THE STATE

The main receivable commercial transactions refer to:

| the distribution of natural gas to the Eni Group;

| the distribution of natural gas to Enel Energia S.p.A.

The main payable commercial transactions refer to:

| the supply of electricity and methane gas for internal consumption by the Eni Group.

The main payable commercial transactions to the GSE refer to:

| acquisition of Energy Efficiency Certificates

FINANCIAL TRANSACTIONS

Financial transactions can be broken down as follows::

(€ thousands)	31.12.2020		2020	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti				299
				299
Companies under joint control and associates				
- Valdarno in liquidation		2,633		
		2,633		
Total		2,633		299

(€ thousands)	31.12.2021		2021	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti				163
				163
Companies under joint control and associates				
- Valdarno in liquidation		1,815		
		1,815		
Other companies				
- Sace Ft				751
				751
Total		1,815		914

RELATIONS WITH THE PARENT COMPANY CDP

The main financial transactions carried out with CDP specifically concern commissions on subscribed loans.

COMPANIES UNDER JOINT CONTROL AND ASSOCIATES

The main financial transactions carried out with Valdarno S.r.l. in liquidation concern rental expenses for Rights of use (pursuant to IFRS 16).

OTHER COMPANIES

The main financial transactions entertained with Sace Ft S.p.A. relate to financial commission following the transfer of receivables.

Transactions with Directors, Statutory Auditors and key managers, with reference in particular to their remuneration, are described in the note "Operating costs", to which reference is made.

IMPACT OF RELATED-PARTY TRANSACTIONS OR POSITIONS ON THE STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND STATEMENT OF CASH FLOWS

The impact of related-party transactions or positions on the Statement of Financial Position is summarised in the following table:

(€ thousands)	31.12.2020			31.12.2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Trade and other receivables	635,028	253,182	39.9%	588,098	225,831	38.4%
Other current non-financial assets	84,168	5	0.0%	54,079	4	0.0%
Other non-current non-financial assets	167,441	674	0.4%	80,366	668	0.8%
Short-term financial liabilities	698,406	536	0.1%	591,188	464	0.1%
Trade and other payables	767,555	28,535	3.7%	769,137	36,683	4.8%
Other current non-financial liabilities	9,118	175	1.9%	13,111	175	1.3%
Long-term financial liabilities	4,707,145	2,097	0.0%	5,785,707	1,351	0.0%
Other non-current non-financial liabilities	546,054	0	0.0%	534,425	0	0.0%

The impact of related-party transactions on the income statement is summarised in the following table:

(€ thousands)	2020			2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenues	2,057,935	853,432	41.5%	2,098,463	806,219	38.4%
Other revenue and income	68,844	9,516	13.8%	64,769	5,726	8.8%
Costs for raw materials, consumables, supplies and goods	124,066	7,378	5.9%	150,932	11,096	7.4%
Costs for services	536,511	3,308	0.6%	614,223	2,926	0.5%
Costs for leased assets	87,555	1,414	1.6%	90,780	1,142	1.3%
Personnel cost	268,411	0	0.0%	254,580	0	0.0%
Other expenses	20,124	134,792		25,783	99,170	
Financial expense	54,507	299	0.5%	64,645	914	1.4%
Financial income	5,298	0	0.0%	3,630	0	0.0%

Related-party transactions are generally carried out at arm's length, i.e. at the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table:

(€ thousands)	2020	2021
Revenue and income	862.948	811.945
Costs and charges	(146.892)	(115.248)
Change in trade and other current receivables	(20.874)	27.351
Change in other assets	(124)	7
Change in trade and other payables	10.904	8.148
Change in other current liabilities	(2)	
Interest collected (paid)	(299)	(914)
Net cash flow from operating activities	705.661	731.289
Net investments		
- (Purchase) Sale of equity investments	(520)	(807)
Net cash flow from investment activities	(520)	(807)
Dividends distributed to minority shareholders	(81.944)	(88.646)
Increase (decrease) in financial debt	(534)	(818)
Net cash flow from financing activities	(82.478)	(89.464)
Total cash flows to related entities	622.663	641.018

The incidence of cash flows with related parties are shown in the following table:

(€ thousands)	2020			2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	761,661	705,661	92.6%	839,634	731,289	87.1%
Cash flow from investment activities	(771,626)	(520)	0.1%	(813,741)	(807)	0.1%
Cash flow from financing activities	411,754	(82,478)	(20.0%)	701,844	(89,464)	(12.7%)

35. Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during the course of the year.

36. Positions or transactions arising from atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no atypical and/or unusual positions or transactions took place during the course of the year.

37. Significant events after year end

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Therefore, there are no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially

in relation to components, we cannot rule out that the political and economic tension induced by the ongoing conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

With reference to the tensions on the financial markets, Italgas reports that it is marginally exposed to foreign exchange risk and in any case only against the US dollar. With regard to the availability of sources of financing and the related costs, it is reported that i) over 92% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing and/or liquidity requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 December 2021, of € 1,391.8 million, which, including in light of the existing investment plans and the operations planned over the next months, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the raw material that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service are established by ARERA and regulated in the Network Code, which defines the system for existing financial guarantees to protect the distributor.

Lastly, with reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation would not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the

optimisation of storage, the diversification of procurement sources and the increase in domestic output.

In light of the above, with reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the Russian-Ukrainian conflict, the Company has not found any evidence to date to suggest significant effects on the 2022 results.

The company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook of the years to follow, should the situation last significantly longer.

The company presently does not see any factors of uncertainty that would make it unable to consider the same ability to continue as a going concern. These circumstances do not lead to any adjustments of the balances as at 31 December 2021 pursuant to IAS 10.

On 21 January 2022 Italgas received, from a third party to the Group, a binding offer for the acquisition of a majority stake in Gaxa S.p.A. The conclusion of the transaction is subject to the successful outcome of the negotiations in progress and the signing of the necessary contractual documentation

Further post-balance sheet events are described in the section "Other information" contained in the Directors' Report.

38. Publication of the financial statements

The financial statements were authorised for publication by the Board of Directors of Italgas at its meeting of 09 March 2022. The Board of Directors authorised the Chairman and the Chief Executive Officer to make any changes which might be necessary or appropriate for finalising the form of the document.

Certification of the consolidated financial statements pursuant to Article 154-bis, paragraph 5 of Legislative Decree 58/1998 (Consolidated Finance Act)

1. Pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, the undersigned Paolo Gallo and Giovanni Mercante, as Chief Executive Officer and Director in charge of preparing company accounting documents of Italgas S.p.A. respectively, certify:

- | the adequacy, considering the Company's characteristics, and
- | the effective implementation

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2021.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2021 were defined and their adequacy was assessed using the rules and methods in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a benchmark framework for the internal control system generally accepted at international level.

3. It is also certified that:

3.1 The consolidated financial statements at 31 December 2021:

- a. were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b. are consistent with the accounting books and records;
- c. are able to provide a true and fair view of the financial position, results of operations and cash flows of the issuer and the consolidated companies.

3.2 The Directors' Report includes a reliable analysis of the operating performance and results, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

9 March 2022

Chief Executive Officer

Executive responsible for preparing
the corporate accounting documents

Paolo Gallo

Giovanni Mercante

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Italgas S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Italgas S.p.A. and its subsidiaries ("Italgas Group" or "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the income statement and the consolidated statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Italgas S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in service concession agreements related to the natural gas distribution and metering services and evaluation of their recoverable amount

Description of the key audit matter

As at December 31, 2021, the Group accounts for intangible assets including the captions "Service concession agreements" and "Work in progress and payments on account IFRC 12", respectively equal to Euro 6.945.407 thousand and Euro 318.273 thousand, mainly related to investments made for development and maintenance of the infrastructures related to the service concession agreements for the natural gas distribution and metering services. Investments made in the financial year relating to these items of intangible assets totalled Euro 773.753 thousand. The goodwill allocated to the cash-generating unit for the "distribution and metering of natural and other gases" amounts to Euro 66.200 thousand.

The natural gas distribution and metering activity is regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA"), which defines, among the others, the rules for the remuneration of the natural gas distribution and metering services. In particular, the regulated revenues for the natural gas distribution and metering services provided by the Group are determined by ARERA and provide for recognition of a predefined return on the regulatory net invested capital recognized (RAB – Regulatory Asset Base), of the relative depreciation and of some operating expenses – the so-called "revenue cap". The RAB value is determined by ARERA mainly through the "revalued historical cost" method.

At the end of the financial year, the Group's management assessed the recoverability of non-financial fixed assets related to the natural gas distribution and metering services. The recoverability of these fixed assets is tested by comparing the carrying amount, represented by the net invested capital of the cash-generating unit to which they belong, that is the "distribution and metering of natural and other gases" cash-generating unit, with the recoverable amount represented by the higher of fair value and value in use.

In performing the impairment test, the recoverable amount of the cash-generating unit was estimated based on the relative updated RAB at the balance sheet date.

No impairment loss resulted from the test.

We believe that investments in service concession agreements related to the natural gas distribution and metering services and the related impairment test represent a key audit matter for the Group's consolidated financial statements as at December 31, 2021 due to: (i) The relevance of the intangible assets related to such service concession agreements compared to the Group's total assets, (ii) the relevance of the investments made during the year, compared to the amount of the intangible assets for service concession agreements, (iii) their impact in determining the revenue cap for the remuneration of the natural gas distribution and metering services and (iv) the estimation component in determining the recoverable amount of the assets.

Paragraphs "3) Measurement criteria – Intangible assets", "3) Measurement criteria – Impairment of non-financial fixed assets", "5) Use of estimates", "14) intangible assets" and "27) Revenue" of the consolidated financial statements include the disclosure on the investments for service concession agreements for the natural gas distribution and metering services and the relative impairment test.

Audit procedures performed

With reference to investments in service concession agreements for the natural gas distribution and metering services, our audit procedures included, among the others, the following:

- understand the processes for recognition of such investments in the financial statements and for related impairment test;
- understand the relevant controls implemented by the Group in relation to these processes and assessment of their operating effectiveness;
- critical analysis of the composition of the intangible assets caption, including the analysis of any unusual item;
- for a sample of investment items accounted within intangible assets for which the amortization process begun during the year test of the accurate start of depreciation when the asset is available for use and aging analysis of the assets capitalized within work in progress;
- with reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards;
- assessment of the consistency between the useful life used for the depreciation of the assets under concession and their regulatory useful life and reperforming of the periodic depreciation;
- obtain the impairment test calculation and discussion meetings with the Group's management in order to understand the impairment test methodology;

- assessment of the recoverable amount estimated by the Group and of the underlying assumptions (RAB determination) to the impairment test, also using the work of experts of the Deloitte network.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Italgas S.p.A. has appointed us on May 12, 2020 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Italgas S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Italgas S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Italgas Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Italgas Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Italgas Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.



Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Italgas S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
April 1, 2022

As disclosed by the Directors on page 1, the accompanying consolidated financial statements of Italgas S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.