

NFD  
2019

CONSOLIDATED  
NON-FINANCIAL  
DISCLOSURE

NFD  
2019  
Activities  
results and  
impacts

CONSOLIDATED  
NON-FINANCIAL  
DISCLOSURE

# LETTER to STAKEHOLDERS

*Dear readers,*

*Welcome to the new 2i Rete Gas Consolidated Non-Financial Disclosure, where the Group's activities and impact for the year 2019 are reported.*

The path taken two years ago is gradually consolidating in business processes and during 2019 took further steps, as our Company showed its full commitment to having sustainability increasingly embedded into its strategic goals, consistent with its Values and in the firm belief that its endeavours will contribute to creating a virtuous circle for the benefit of all stakeholders and the community.

As a first step, reliance was made on the Sustainability and Transparency Working Group to update the stakeholder base and the **Materiality Matrix** by carrying out an extensive benchmark analysis and review of the involvement of other corporate departments to identify the most relevant topics and, consequently, the priority actions through which the Company can deliver its contribution to a more sustainable future.

Subsequently, a **Sustainability Framework** linked to the United Nations Sustainable Development Goals (SDGs) was defined. This allowed the company **Mission** to be updated and a new **Sustainability Policy** to be outlined, whereby guidance is provided on future decisions, with the aim to ensure a responsible management of the company business while pursuing a balanced development thereof in the medium to long term.

As part of this process, four issues were identified as prerequisites, i.e. key enablers for our business: regulatory compliance, ethics and anti-corruption, listening to stakeholders and creating sustainable economic value.

The Framework shows four priority drivers on which to develop the 2020-2023 **Sustainability Plan**, which includes specific, measurable, achievable, relevant and time-bound goals. The Sustainability Plan will in turn form the basis for an increasingly synergistic integration of ESG issues in strategic planning.

On the other hand, looking at the results achieved in 2019, emphasis should be placed on the further great strides made in engaging, training and establishing a dialogue with our human resources. In January, a survey was administered to all employees to gain insights into work-related stress, with as much as 86% of the workforce responding. The results were shared with all employees and helped to identify areas for improvement and action plans to promote a positive and supportive working environment.

The first phase of the Job Evaluation project intended for professional profiles within the Operational Areas and Territorial Departments was carried out. A head-office and staff profile analysis will be completed by 2020, the underlying goal being to plan more objective and targeted training programmes, incentive schemes and flexibility tools.

With regard to training, in 2019 more and more resources were involved in training programmes, with an increase mainly in technical training for operational staff.

For the first time, a meeting for discussions and exchanges was organised with all the heads of End-User Management and Plant Operation and Maintenance, which resulted in the creation of Working Groups that will allow individuals with similar roles operating in different areas to work together, with a view to promoting the streamlining of processes, the exchange of knowledge and the definition of best practices.

Increasing emphasis was placed on digital development through automation and digitisation efforts and the use of advanced analytics technologies on the data being collected, so as to ensure continuous performance improvement. Information technology projects are invariably shared with the entire management, with the twofold aim of increasing collective awareness and defining priorities, programmes and developments on a joint basis.

With regard to policies designed to fight corruption, the Company carried out an extensive mapping to pinpoint possible conflicts of interest among

all employees and further established a register of the individuals having access to insider information.

Further progress was made in the emission reduction and energy saving area by (i) carrying out preventive dispersion detection checks as well as field audits on the degree of odourisation of the gas being distributed; (ii) switching to more efficient energy class buildings; (iii) gradually converting the car fleet into methane-powered vehicles; and (iv) optimising vehicle use.

The Company's constant commitment across the territory resulted in major investments being made to extend the network to areas that had no access to methane and to replace old plants, as well as in a commercial development scheme being devised for 453 municipalities, with the aim of encouraging the switch to methane gas to replace more polluting carriers.

Finally, as a contribution to decarbonisation and to signify its support to the pursuit of advanced asset uses with a view to green

objectives, 2i Rete Gas started collaboration agreements with RSE (Ricerca su Sistema Energetico S.p.A.) and the Milan Polytechnic to explore technical solutions for feeding into the network gas from renewable sources and for the dynamic study of pressures, where different gas injections occur.

Having provided a fair view of the activities carried out and of the further momentum gained towards sustainability goals, I can only thank again this year all our stakeholders for their attention and unfailing support.

Enjoy the read!



Michele De Censi  
Chief Executive Officer

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# METHODOLOGICAL FRAMEWORK

## OBJECTIVE AND REFERENCE STANDARDS

The “Consolidated non-financial disclosure” (hereinafter also referred to as the “Disclosure”) of the 2i Rete Gas Group (hereinafter also referred to as “2i Rete Gas” or the “Group”) for the year 2019 has been drawn up pursuant to **Italian Legislative Decree no. 254 of 30 December 2016** (hereinafter referred to as the “Decree 254/2016”) and envisaged, as a methodological framework, the use of the principles defined by the “**Sustainability Reporting Standards**” of the **Global Reporting Initiative** (hereinafter referred to as “GRI”), in accordance with the “**Core**” option.

In preparing this Disclosure, full reference was made to the reporting principles set out by the GRI, which play a key role in ensuring quality disclosures: **Stakeholder Inclusiveness; Sustainability Context; Materiality; Completeness; Balance; Comparability; Accuracy; Timeliness; Clarity and Reliability.**

The Disclosure highlights the results of the in-depth analyses carried out in relation to the topic areas selected as relevant in editorial terms, based on Decree 254/2016, the characteristics of the Group and the activity carried out, and, where appropriate, also with a view to the best practices in the industry, commenting on the results presented. The level of detail and of reporting on the topics, in compliance with Decree 254/2016 and the guidelines of the GRI, reflects an **updating of the materiality analyses** carried out in 2019.

## SCOPE

**The scope of consolidation** for the purposes of this Disclosure **consists of 2i Rete Gas S.p.A.** (hereinafter referred to as the “Parent Company”) **and its fully consolidated subsidiaries** (hereinafter referred to as the “Group”) **as at 31 December 2019.**

The Group companies mainly carry out **gas distribution** activities regulated by the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia Reti e Ambiente* - ARERA).

In order to better understand the comparative data relating to previous years included in this consolidated Disclosure, it is important to remember that, on 1 February 2018, the Parent Company finalised the acquisition from the Spanish multinational Naturgy, formerly known as Gas Natural Fenosa, of 100% of the share capital of the companies Nedgia S.p.A. (then renamed 2i Rete Gas Impianti S.p.A.) and Gas Natural Italia S.p.A. (then renamed 2i Rete Gas Servizi S.p.A.), which are active in the gas distribution and services industry respectively.

Moreover, in May 2018, the Parent Company acquired 100% of the shareholding in Compagnia Generale Metanodotti S.r.l., a company operating in the gas distribution industry in the Municipality of Cadeo (Province of Piacenza).

Regarding the water services provided in general, their marginality in relation to the core business, both from the economic point of view and in terms of activities addressed to clients, is confirmed also in 2019, as is their gradual discontinuing, which in almost all cases occurred during the course of 2018 and 2019. For this reason, these services are not covered by this Disclosure.

The following indicators refer to the reporting year from **1 January to 31 December 2019**; in order to ensure comparability, the data and information for **financial years 2017 and 2018** have also been reported as required by the GRI. The change in the scope of consolidation between the three financial years and the other elements deemed necessary for understanding the performance of the three-year period have been included, where deemed necessary, in specific explanatory notes in the document; the information concerning the companies acquired is included in the scope of consolidation since the 2018 Disclosure, while the comparative data relating to 2017 did not include information on the companies acquired in 2018.

## PROCESS FOR THE DEFINITION OF TOPIC AREAS AND MATERIALITY

In 2019, the Group launched a **structured process aimed at integrating its approach to sustainability with its corporate operations and strategy.**

The first objective pursued as part of this process was to update the **Group’s stakeholder base** and **Materiality Matrix**, which was reached thanks to a **benchmark analysis** of the external context and the industry, on both a national and international scale.

The outcome of the benchmark analysis allowed an in-depth analysis and further insights on potentially relevant topics which were shared and discussed as part of an interactive workshop with the management of the main corporate departments in charge of the relations with the identified stakeholders and, on the other hand, to define the vision of the Group. During this workshop, each Manager involved expressed his or her vote both from the point of view of the corporate department being represented as well as from the point of view of the reference stakeholder.

The results were analysed by the Steering Committee and presented in the form of a materiality matrix, which makes it possible to highlight the updated connection of the relevant issues with the strategy of the Group and the reference stakeholders.

Following this initial process, the relevant topics subject to disclosure were reviewed, providing a more rational breakdown of them and even redrafting some of them in order to better convey the link with the main sustainability issues. Four issues considered as crucial for the very existence of the Company were identified as **prerequisites** (regulatory compliance, ethics and anti-corruption, listening to stakeholders and creating sustainable economic value), while **the remaining relevant topics were reported virtually in line** with the criteria adopted in previous years, occasionally reviewing and clarifying the link with sustainability issues in general.

The stakeholder known as "Staff services clients", which was introduced in 2018 to qualify the entity to which the Group provided services during the same year, was, on the other hand, removed as the relevant service contract was terminated at the end of 2018.

The steps following the creation of the Materiality Matrix, which were implemented between 2019 and 2020 and led to the preparation of the 2020-2023 Sustainability Plan, are illustrated in the section "Responsible approach to management".

In order to collect information on the material topics covered by this

Disclosure, the "Sustainability and Transparency" Working Group collected the necessary data provided by the representatives of the corporate departments involved, subject to such data being processed and checked by them as required.

Finally, the economic data contained in the Disclosure were taken from the Group's Consolidated Financial Statements.

The process of continuous review of materiality will continue in the years to come, also through a process of stakeholder engagement.

With regard to financial year 2019, the results of the latest edition of the

**Customer Satisfaction Analysis** (see section "Satisfaction") were considered for the purposes of the above process. The survey was carried out to measure the quality level perceived by different types of customers regarding specific aspects of the service provided. Account was also taken of the **Work-Related Stress Assessment**, (see section "Human Capital engagement"), which was carried out to both identify any criticalities pertaining to work-related content and context factors and implement adequate risk management measures to improve working conditions and health and safety for People.

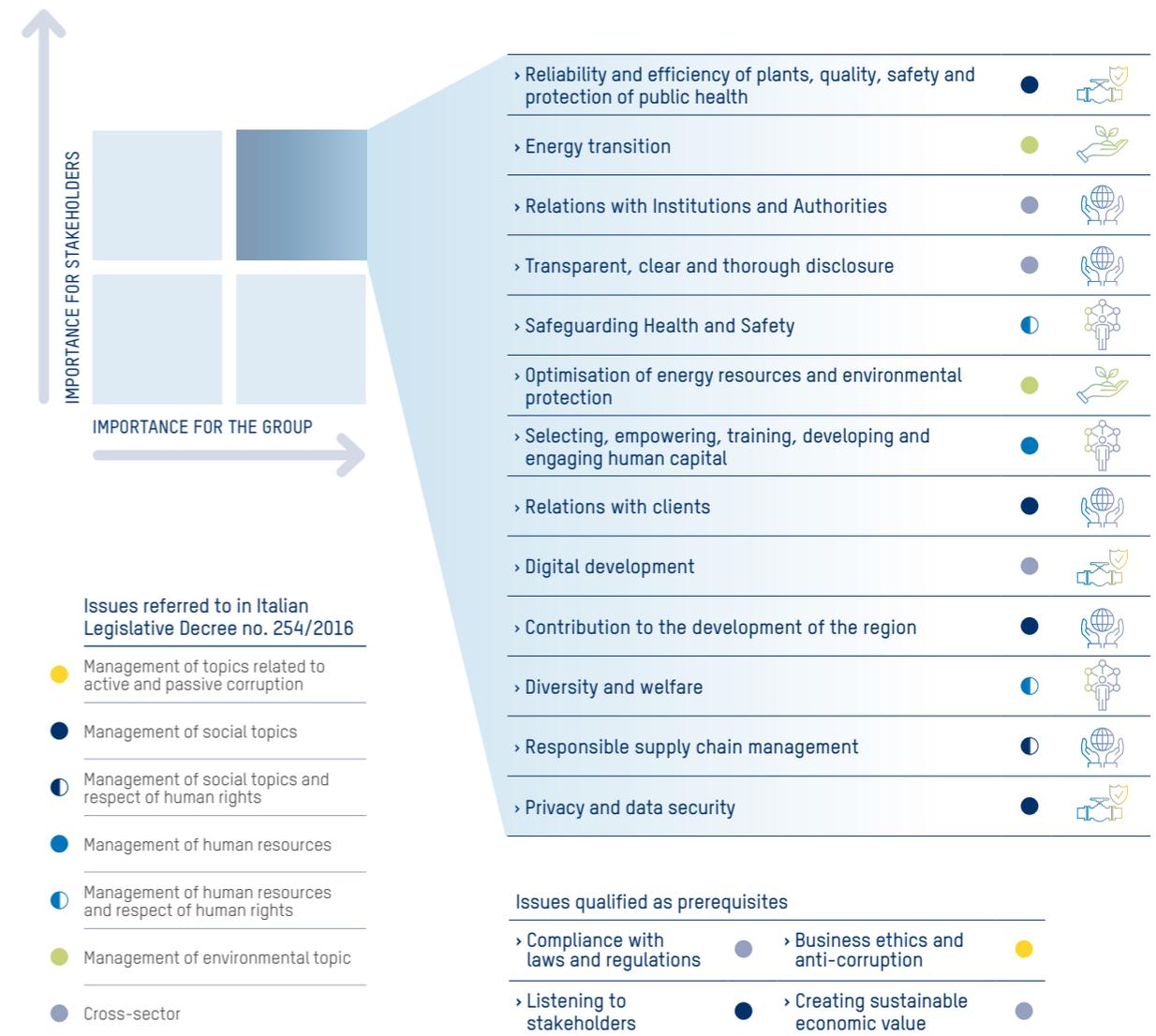
The Board of Directors of 2i Rete Gas S.p.A. approved this document on 25 March 2020. This Consolidated non-financial disclosure is subject to limited assurance

in accordance with ISAE 3000 by PricewaterhouseCoopers S.p.A.. An e-mail address for further requests for information is available in order to facilitate dialogue with stakeholders.



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## Relevant topics in the Materiality Matrix



## Key Stakeholders for the Group



SHAREHOLDERS and LENDERS



HUMAN CAPITAL and UNIONS



SUPERVISORY AUTHORITY and ASSOCIATIONS



SUPPLIERS, CONTRACTORS and INDUSTRIAL PARTNERS



SALES COMPANIES, END CLIENTS of the NETWORK



MUNICIPALITIES and LOCAL AUTHORITIES



ENVIRONMENT and COMMUNITIES

**2,132**

Concessions managed

**18**

Regions

**66** thousand

km of network managed

**4.3** million

redelivery points

**6** billion

m<sup>3</sup> of gas transported

**2,057**

Employees

2i Rete Gas is the result of a process of acquisitions that over time has led the Group to being committed to aggregating, integrating and consolidating multiple realities in the natural gas distribution industry.

Today the Group operates nationwide and works daily to fulfil its role as a concessionaire of a public utility service, guaranteeing high performance levels and constant attention to the challenges facing the industry itself.

GROUP  
PROFILE

# HIGHLIGHTS, HISTORY AND CORPORATE STRUCTURE

*2i Rete Gas represents a reference point in the Italian natural gas distribution industry.*

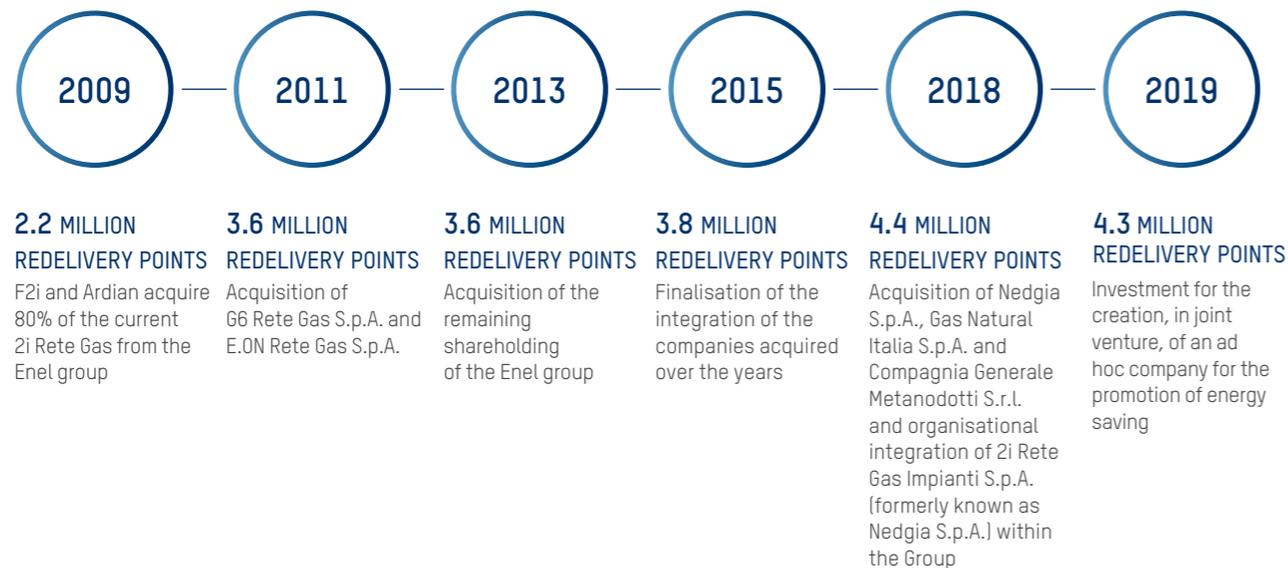
The Group currently operates at a national level, is present in 18 regions and 114 Minimum Territorial Areas (ATEMs) where, at the end of 2019, with the work of more than 2,000 people it has come to manage 2,132 concessions and over 66 thousand km of network through which it has distributed almost 6 billion cubic

meters of gas (natural gas and LPG) on behalf of 342 sales companies to 4.3 million end clients of the network, positioning itself as the second national operator in the industry.

This positioning is the result of a solid history that has its roots in the last century with the first methane pipelines developed on Italian territory and of an **important growth path for external lines** started in the early 2000s. A growth

achieved through the acquisition of numerous companies - all active in the distribution and metering of gas with a high know-how in the design, construction and management of networks - and characterised by the continuous harmonisation and integration of business models, protocols and systems of the various realities acquired with the wealth of skills and management and operational tools developed internally.

## Main stages in its history



## The Group as at 31 December 2019



The development path has led the Parent Company (which since 2009 operates as an independent distributor and was the first operator in Italy to take on this role) and its subsidiaries to form a Group which, with internal resources highly specialised in the rigorous exercise of its core business, has always stood out for its ability to welcome and interpret the challenges facing the industry.

Lastly, in 2019 the integration process was completed with the merger of Compagnia Generale Metanodotti S.r.l., 2i Rete Gas Servizi S.p.A. and 2i Rete Gas Impianti S.p.A., the latter merged by incorporation into the Parent Company on 1 October 2019. As a result of these mergers, which after the integration of activities and processes have also allowed the rationalisation of the Group's shareholdings, 2i Rete Gas S.p.A. now holds directly 60% of Cilento

Reti Gas S.r.l., a project company the remaining 40% of which is held by Bonatti S.p.A. as a construction partner. Cilento Reti Gas S.r.l. operates under a public concession for the design and construction of the network and the management of the natural gas distribution service in the area of Bussento, Lambro and Mingardo, and in the areas of Gelbison e Cervati, Alento and Monte Stella, and is engaged in the construction of the natural gas distribution system in the 31 Municipalities that are parties to the convention signed in 2010, ensuring investments for the construction and expansion of infrastructures and those to guarantee the safety of the plants, the continuity and quality of service, the protection of the environment as well as the optimisation of organisational and operational efficiency.

During 2019, the Parent Company, in joint venture with Tekne Esco S.r.l., also set up 2i Servizi Energetici S.r.l., a company in which 2i Rete Gas S.p.A. holds 60% of the share capital, active in the development and marketing of energy efficiency initiatives for public and private entities. The company, it should be noted, is not included in the Group's scope of consolidation.

The progressive simplification of the corporate structure and the definition of an organisational setup capable of taking advantage of the synergies that are necessary to achieve continuous performance improvement are other guidelines that have accompanied and continue to characterise the Group's constantly evolving history.

From a corporate point of view, the subsidiaries of 2i Rete Gas S.p.A., according to current service contracts and in order to guarantee the highest performance levels in widespread territorial areas, benefit from the activities of the central and territorial organisational structures of the Parent Company, which is organised with:

- a central management office in Milan, mainly dedicated to staff activities;

- three decentralised offices also dedicated to staff activities in Verona, Frosinone and Acquaviva delle Fonti (Province of Bari);
- six Territorial Departments that coordinate 24 Operational Areas which, in turn, manage the territory of competence.

This organisation consists of a streamlined and flexible structure, able to adapt quickly to the changing context and respond to the needs of the categories of Clients with whom the Group has relations.

## Territorial Departments

- |   |  |
|---|--|
| <b>NORTH</b><br>Biella<br>Como-Valtellina<br>Costa Masnaga<br>Tradate             | <b>NORTH EAST</b><br>Bergamo<br>Mira<br>Rovigo                     |
| <b>NORTH WEST</b><br>Castellazzo-Bormida<br>Southern Milan<br>Piacenza<br>Albenga | <b>CENTRE</b><br>Massa<br>Perugia<br>L'Aquila<br>Viterbo<br>Chieti |
| <b>SOUTH WEST</b><br>Frosinone<br>Naples<br>Catania<br>Palermo                    | <b>SOUTH EAST</b><br>Foggia<br>Bari<br>Taranto<br>Lecce-Brindisi   |



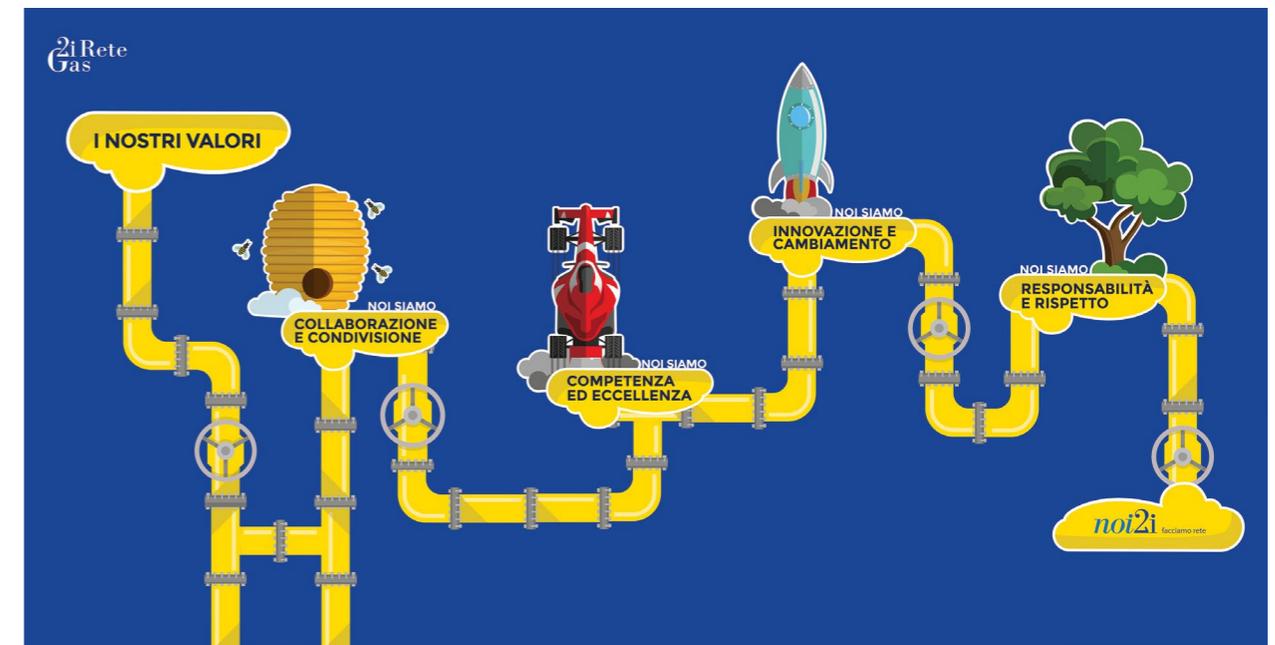
# MISSION and VALUES

*The Group's mission is to manage, develop and enhance gas distribution networks and infrastructures, with the aim of continuous improvement and operational excellence and to pursue technological innovation for a new energy model that reduces environmental impact and continues to efficiently meet the Country's energy needs.*

Moreover, the following are the guiding principles which lay at the foundation of its identity as a Group, and guide its strategic choices and its daily operations.

- **COLLABORATION AND SHARING**
- **KNOW-HOW AND EXCELLENCE**
- **INNOVATION AND CHANGE**
- **RESPONSIBILITY AND RESPECT**

These values, taken as a whole, constitute the guide on which the Group gears the behaviour that 2i Rete Gas, through its staff, concretely implements inside and outside the organisation, therefore also towards the stakeholders with whom 2i Rete Gas relates and which it considers key interlocutors to maintain its leadership as a solid, reliable and responsible Group.



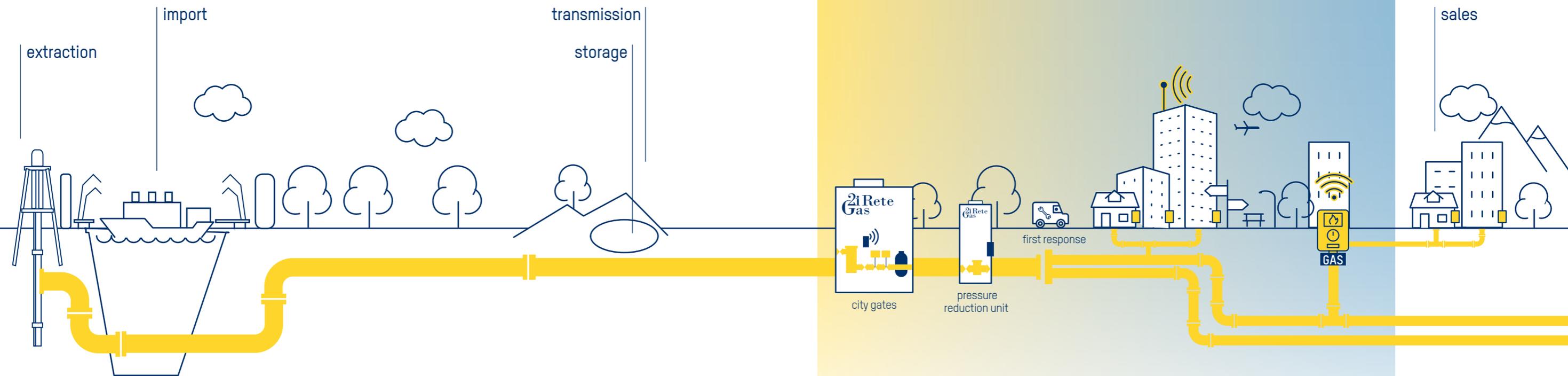
# RESPONSIBLE APPROACH TO MANAGEMENT

The Group operates in the natural gas supply chain and carries out its activities within a business regulated by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA), which determines the methods of access to infrastructures and of carrying out the service of distribution and

metering of gas as well as the tariffs for the remuneration of the activities carried out under public concession. In fact, gas distribution is the activity that, through an integrated system of infrastructures (withdrawal stations, pressure reduction units distribution networks, redelivery points and meters) ensures the withdrawal of gas from the

national transmission network to be redelivered to the end clients of the network (domestic or industrial) on behalf of the sales companies authorised to market the supply.

## Natural gas supply chain



### DISTRIBUTION

The distribution service includes the management of the activities of:

- > operation and ordinary and extraordinary maintenance of distribution systems
- > metering of consumption data
- > first response
- > management of settlement procedures and provision of ancillary and optional services provided by the Network Code to system users and end clients of the network

Aware of its role, the Group carries out its activities by pursuing **operational excellence**, applying methods of **continuous improvement** and compliance with criteria of **efficiency and economic management**, offering high levels of performance and striving to ensure a sustainable evolution of the gas distribution infrastructure in the medium to long term.

This in the full conviction that the exercise of its core business goes beyond the supervision of the infrastructure managed and the service provided, because **distributing methane means making available the most flexible and cleanest energy resource among fossil fuels** and thus **guaranteeing significant benefits in terms of safety and environmental protection**, such as continuity of supply, flexibility of use, reduced environmental impact and integration with the electricity produced from renewable sources, thus contributing by vocation to improving the quality of life of the communities in which it operates and accompanying the development of the areas served towards a more sustainable tomorrow.

In 2019, 2i Rete Gas therefore started a **process to consolidate the integration**

**of sustainability in its corporate strategy and operations.**

As already shared in the section on the "Process for the definition of topic areas and materiality", the first step in the definition of this process was to carry out a benchmark analysis of the external context and industry (both at national and international level) preparatory to updating the Group's Materiality Matrix. The outcome of the benchmark analysis allowed for an in-depth analysis and refinement of potentially relevant topics that, as required by the reporting framework used (GRI Sustainability Reporting Standards), were shared and discussed as part of an interactive workshop with the management of the main corporate departments. The results were analysed by the Steering Committee and presented in the form of a materiality matrix, which makes it possible to highlight the updated connection of the relevant issues with the strategy of the Group and the reference stakeholders.

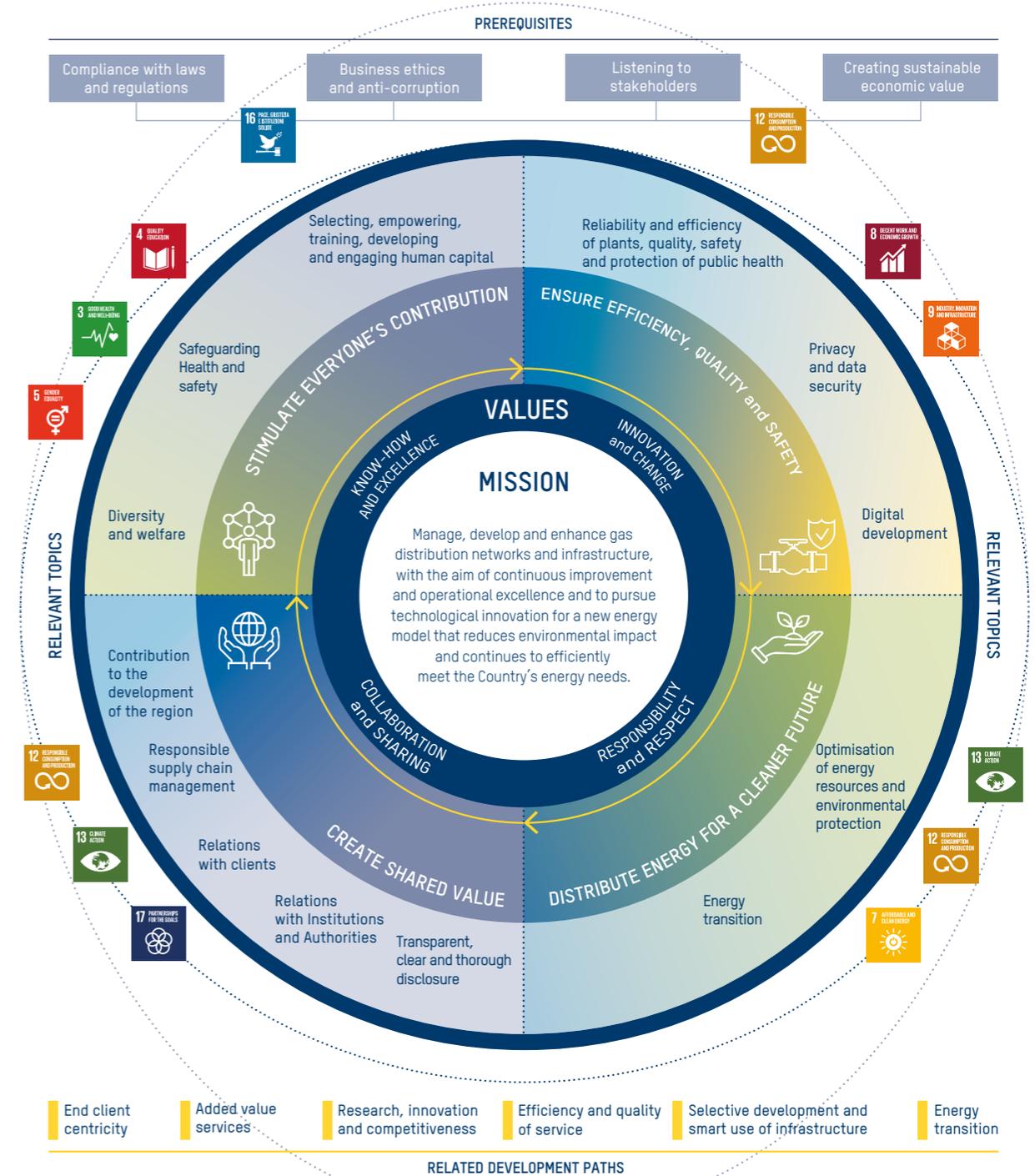
Secondly, following the update of the **Materiality Matrix**, a **Sustainability Framework** was defined, based on which efforts were made to update the corporate **Mission** and define a new

**Sustainability Policy**, subject however to sharing such a scheme with the Steering Committee.

Following this, interviews were organised with the Departments and the main corporate functions, with the aim to gather the projects and the lines of action on which a **Sustainability Plan** will be developed in accordance with the objectives and KPIs set for the three-year period 2020-2023 and, thereafter, based on an increasingly synergistic integration of ESG issues in strategic planning.

The definition of the Sustainability Framework, consistent with the material issues and the reference SDGs, with the Mission and with the Sustainability Policy, from the next financial year, and therefore from the next edition of the "Disclosure", will allow 2i Rete Gas to report annually on its economic, environmental and social performance, also highlighting the progress achieved from time to time with respect to the objectives set out in the Sustainability Plan, monitoring compliance with the Policy and at the same time maintaining an active dialogue with stakeholders.

## Sustainability Framework



# POLICIES and CERTIFICATIONS

*In 2019, in the light of the experiences and changes that affected the organisation, the stakeholders and the reference regulatory context, the Group decided to adopt a new Sustainability Policy, consisting of a document providing guidance on (i) business decisions with a view to sustainability, (ii) the assumption of firm commitments and (iii) the definition of implementation principles to be followed to ensure responsible business management.*

The essence of the document is to strengthen and, at the same time, develop all those guiding principles on which the Group's own identity rests and to raise awareness in respect of the commitments undertaken in the area of sustainability in order to pursue a balanced development in the medium and long term.

Furthermore, the Policy highlights, endorses and sets out the Company's belief that in order to create sustainable and long-lasting value, business growth must be combined with respect for the **principles of legality, integrity, impartiality and transparency**, on the basis of an integrated strategy, applying at the

same time continuous improvement practices as well as operation efficiency and cost-effectiveness criteria. Indeed, the commitments set out in the Policy are driven and underpinned by **prerequisites**, i.e. aspects considered to be essential - such as regulatory compliance, ethics and anti-corruption, listening to stakeholders and creating sustainable economic value - as well as by implementation principles that identify the priority actions to be taken and developed.

The new Sustainability Policy was formally approved by the Board of Directors of 2i Rete Gas S.p.A. in March 2020. Since then, it has been applied to all the Group companies over which 2i Rete Gas S.p.A. has control and it is applied, together with the laws and regulations in force, the guiding principles and principles of conduct set out in the Group's Charter of Values and Code of Ethics, the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/2001 and other policy documents adopted by the Group, as pursuant to the provisions, procedures and operating instructions that govern the operations of corporate departments and further as detailed in the related 2020-2023 Sustainability Plan.

An overview of the commitments and implementation principles set out in the new Sustainability Policy can be viewed by accessing the chapters making up this "Disclosure".

The Parent Company has adopted an **Integrated Quality, Safety and Environmental Management System** (hereinafter referred to as "IMS") to underpin the Company's ability to provide the "Management and Operation of the Natural Gas Distribution Service" on a regular, continuous and safe basis in compliance with the applicable mandatory requirements and in accordance with the applicable certification standards. The principles laid down by the **Integrated Quality, Safety and Environmental Policy** - which sets out the relevant issues with respect to the three standards to which it refers, namely Quality, Safety, and the Environment - are also applied through the IMS. At the same time, this Integrated Policy underlines the organisation's attention towards all internal and external stakeholders, the **respect for Human Rights** and social commitment, also through respect for diversity, as the foundation on which to build an integrated sustainability strategy.

The Parent Company operates in accordance with its own IMS, which covers all the organisation's production units and facilities, the latter being managed directly or through a service contract. Compliance of the IMS with the applicable certification standards is guaranteed by the "Certiquality" Certification Institute, which periodically assesses compliance with the applicable standards and the regulations of the accreditation body ACCREDIA.

In 2019, "Certiquality" performed the annual audit of the Management Systems of the Group companies, this being a prerequisite in order to maintain the relative certifications of conformity to the applicable standards. The final outcome of the above audit resulted in a **full conformity** rating.

More specifically, the Institute confirmed compliance of the IMS of the Parent Company **2i Rete Gas S.p.A.** pursuant to standards **UNI EN ISO 9001:2015 and UNI EN ISO 14001:2015** and issued the certification for the Health and Safety system in compliance with the new standard scheme **UNI ISO 45001:2018**, allowing a major milestone to be achieved well in advance of the deadline set for such requirement (i.e., March 2021).

At the same time, "Certiquality" confirmed compliance of the Health and Safety system also with the previous standard BS OHSAS 18001:2007, resulting in the certification being valid through March 2021, when the British Standards Institution is expected to withdraw this standard.

In addition to detecting **no "compliance issues"**, the

Management System assessment disclosed a number of strengths that emerged during the audit sampling process.

In addition to the IMS of the Parent Company, in 2019 the following were certified:

- The **Quality Management System of 2i Rete Gas S.r.l.**, with certificate being confirmed pursuant to standard **UNI EN ISO 9001:2015**;
- The **IMS of 2i Rete Gas Impianti S.p.A.**, with certificates being confirmed pursuant to standards **UNI EN ISO 9001:2015, BS OHSAS 18001:2007 and UNI EN ISO 14001:2015**.

The Group considers its IMS as a fundamental stimulus for staff engagement and for the continuous improvement of its business activities.



**Integrated Management System of 2i Rete Gas S.p.A., compliant with standards UNI EN ISO 9001-2015, UNI EN ISO 14001-2015, and UNI ISO 45001:2018**



**Integrated Management System of 2i Rete Gas Impianti S.p.A., compliant with standards UNI EN ISO 9001:2015, UNI EN ISO 14001:2015, and BS OHSAS 18001:2007**



**Quality Management System of 2i Rete Gas S.r.l., compliant with standard UNI EN ISO 9001:2015**

# GOVERNANCE and COMPLIANCE

The governance model of the Group is based on the principles of integrity, fairness, and business ethics.

The company organisation, through dedicated departments, carefully and constantly monitors the compliance of its activities with the primary and secondary regulations applicable to the Group and to the specific natural gas distribution industry.

The system of corporate governance rules together with the set of decision-making processes guide the Group

towards the creation of value for shareholders, the protection of stakeholders' interests, and ensuring transparency in relations with them, as well as towards the control of corporate risks.

## OWNERSHIP STRUCTURE AND LEGAL FORM

2i Rete Gas S.p.A. is a joint-stock company controlled by infrastructure investment funds reserved for institutional investors and managed by F2i SGR S.p.A. (Fondi Italiani per le infrastrutture) and participated, through the shareholder Finavias S.à r.l., by APG and Ardian.

F2i is a national asset management company dedicated to the collection and management of funds for investment in the infrastructure sector.

APG is a large independent pension fund manager investing in infrastructure and energy worldwide.

Ardian is a well-known independent international investment firm that manages private equity investments in the infrastructure sector in Europe, North America and Asia.

## GOVERNANCE STRUCTURE, DELEGATION SYSTEM AND BODIES

2i Rete Gas S.p.A. adopts a so-called traditional governance and control system in accordance with the applicable regulatory provisions, which envisages:

- The Shareholders' Meeting
  - The Board of Directors
  - The Board of Statutory Auditors
- with the statutory audit of the Group entrusted to the independent auditors PricewaterhouseCoopers S.p.A..

The functions and activities of these corporate bodies are governed by law and the articles of association of the company.

With specific reference to the Parent Company, the decision-making body is the **Shareholders' Meeting**, which is responsible for appointing the Board of Directors, the Board of Statutory Auditors and the audit firm.

The **Board of Directors** is responsible for the **ordinary and extraordinary management of the Company and has the power to carry out all the actions deemed necessary to implement and achieve the corporate purpose, with the exception of those actions that are reserved for the Shareholders' Meeting by the applicable regulations and the Articles of Association.**

The Board of Directors is composed of 9 members, 3 of whom are women.



The Board of Directors includes high-profile managers and professionals from the management of F2i SGR, APG and Ardian, as well as from the decision-making bodies of the infrastructure funds sponsors, identified by the Shareholders in order to represent an adequate combination of professional experience and individual skills.

The meetings of the Board of Directors are managed electronically using a modern software interface, allowing support information to be viewed online, thereby doing away with the need for printing while ensuring confidentiality and traceability of all activities.

2i Rete Gas S.p.A., whose share capital is not listed on a regulated market, at the time of appointment verifies that the Directors meet the necessary requirements of integrity and that there are no conflicts of interest with the Company. On 20 January 2020, Professor Stefano Gatti, associate professor at Bocconi University Finance Department, joined the Board of Directors, replacing outgoing member Jans-Willem Ruisbroek.

The **Chief Executive Officer of the Parent Company is Michele Enrico De Censi**, a

manager with a high level of experience in the energy and infrastructure industry. The Board of Directors of 2i Rete Gas S.p.A. has also set up a **Tender Executive Committee** composed of 4 members of the Board of Directors and chaired by the Chief Executive Officer, the purpose of which is to support the Company in evaluating and deciding on its participation in major calls for tender. The companies that are directly controlled are wholly owned by the Parent Company and are subject to its management and coordination, with a Sole Director at the top.

Cilento Reti Gas S.r.l., a company that manages the concession and the project for the construction of a methane distribution network in the Cilento area, controlled through 2i Rete Gas S.p.A. that holds 60% of the shares while the remaining 40% is owned by the construction company Bonatti S.p.A., is the only one governed by a Board of Directors with directors representing both shareholders.

The power and delegation system implemented by the Group consists of a structured system of general powers of attorney and delegation of functions pursuant to Italian Legislative Decree no. 81/2008, Italian Legislative Decree no. 231/2001 and Regulation (EU) 2016/679, aimed at ensuring the operations of the company in terms of effectiveness and efficiency, and the correct allocation of responsibilities in terms of regulations and management.

## Shareholding of 2i Rete Gas S.p.A.



## Board of Directors of 2i Rete Gas S.p.A.

<b>Paola Muratorio</b> - 1949 Chairman of the Board of Directors	<b>Carlo Michelini</b> - 1968 Deputy Chairman and Member of the Tender Executive Committee	<b>Michele Enrico De Censi</b> - 1966 Director Chief Executive Officer and Managing Director Chairman of the Tender Executive Committee	
<b>Matteo Ambroggio</b> - 1972 Director and Member of the Tender Executive Committee	<b>Rita Ciccone</b> - 1960 Director	<b>Rosaria Calabrese</b> - 1978 Director	
<b>Rosario Mazza</b> - 1983 Director and Member of the Tender Executive Committee	<b>Carlo Maddalena</b> - 1987 Director	<b>Jans-Willem Ruisbroek</b> - 1982 Director Resigned on 15 January 2020	<b>Prof. Stefano Gatti</b> - 1967 Director In office since 20 January 2020

## Board of Statutory Auditors of 2i Rete Gas S.p.A.

<b>Marco Antonio Dell'Acqua</b> - 1966 Chairman	<b>Marco Giuliani</b> - 1959 Standing Auditor	<b>Nicola Gaiero</b> - 1961 Standing Auditor
<b>Andrea Cioccarelli</b> - 1964 Alternate auditor	<b>Giuseppe Panagia</b> - 1968 Alternate auditor	

### BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors monitors compliance with the law, the statute and the articles of association, and has monitoring functions in terms of compliance with the principles of proper administration in the exercise of corporate activities. It also verifies the suitability of the organisational, administrative and accounting structure adopted by the Company and its actual functioning.

The Board of Statutory Auditors consists of 3 standing auditors and 2 alternate auditors who remain in office for three financial years; their term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term in office (31 December 2020), at which point they may be re-elected. In accordance with the provisions of article 19 of Italian Legislative Decree no. 39/2010 on control bodies in Public Interest Entities, the Board of Statutory Auditors is also qualified as **Internal Control and Audit Committee**.

It shall also oversee the financial reporting process, the effectiveness of the internal control and risk management systems, and the independence of the statutory auditor or the statutory audit firm, in particular with regard to the provision of non-audit services to the audited entity.

### SUPERVISORY BODY

The Supervisory Body monitors the functioning of and compliance with the Company's Organisation, Management and Control Model and makes sure that it is updated.

2i Rete Gas S.p.A. and the companies of the Group have appointed a Supervisory Body in accordance with Legislative Decree no. 231/2001. With regard to the Parent Company, this Body consists of the following 3 members, who were, among other things, appointed both in pursuance of law requirements as well as with the aim of relying on the combination of diverse professional skills and experiences: Daniela Mainini, a criminal lawyer with proven experience also in the field of liability under Italian Legislative Decree no. 231/2001, acting as Chairman; the Chairman of the Board of Statutory Auditors, Marco Dell'Acqua, acting as a full member; and Maria Cristina Fortunati, Head of Legal and Corporate Affairs, acting as a full member.

Such a composition ensures ongoing exchanges also with the Board of Statutory Auditors and a link with the Company's Legal and Corporate Affairs unit, which is responsible for overseeing the Company's activities from a legal perspective.

### BUSINESS ETHICS AND ANTI-CORRUPTION

#### Tools

The Group prevents risks of active and passive corruption through the implementation and application of its **Charter of Values, 231 Organisational Model, Code of Ethics and Quality Policy**, the system, values and principles of which are detailed in specific organisational documents (provisions, procedures, operating instructions, quality manual) that regulate the activities of corporate departments, as well as through updates and/or training on anti-corruption regulations and policies and on the liability incurred under Italian Legislative Decree no. 231/2001.

The current Organisation, Management and Control Model (hereinafter referred to as the "Model") of 2i Rete Gas S.p.A., approved in 2011 and subject to continuous updating, aims at tracking sensitive or risky corporate processes and the related organisational, precautionary and control measures in place, with the purpose of eliminating the so-called "risk of crime" and the administrative liability for the Group pursuant to Italian Legislative Decree no. 231/2001.

The Model aims to ensure that the management of the Group is carried out in compliance with the principles of legality, correctness, transparency and traceability, in line with efficient work practices and in compliance with the provisions of the law. The current version of the Model was updated by the Parent Company in March 2019 and subsequently adopted by all the companies in the Group.

The Code of Ethics, which is part of the Model, defines in detail the principles of ethics and conduct which 2i Rete Gas S.p.A. and its subsidiaries and the respective employees and collaborators (as well as all other recipients of the Code of Ethics including corporate officers and directors, suppliers and consultants) are required to observe and comply with in the discharge of their duties, such as the principle of legality, fairness, impartiality and integrity of the individual. The Code of Ethics also requires the aforesaid principles to be abode by in the Company's relations with its main stakeholders, including employees, shareholders, clients, public administrations, etc., setting out precise conduct criteria that the Company must comply with in such relations right from the outset.

In particular the **Model and the Code of Ethics are published on the Group's Internet and Intranet sites** and in 2019 the English translation of the section covering compliance with Italian Legislative Decree no. 231/2001 - with special reference to the Code of Ethics - was published on the Parent Company's website so that foreign stakeholders may also become acquainted with it more readily.



The **Model is also the subject of periodic training**, the last of which was held in 2019 by delivering a specific online course to all employees, who were required to complete it within the deadlines set by the Human Resources Department.

Between 2018 and 2019, the Company's employees received extensive information and training on the specific issue of crimes related to corruption between private individuals and on whistleblowing procedures. This activity, which was organised by the Human Resources Department and carried out by the Legal and Corporate Affairs unit of the General Affairs Department, was extended to both local offices as well as head-office.

The Model includes a special section where the activities at greater risk are identified in respect of each type of crime set forth in Italian Legislative Decree no. 231/2001 as a possible source of administrative liability to which the Company may be exposed.

Notably, given its dual nature - being on the one hand a private entity and, on the other hand, acting as a public utility service provider in the conduct of its core business - the Company is subject to both the laws governing corruption under the Criminal Code as applicable to entities to whom public utility services are entrusted, as well as Civil Code provisions governing corruption between private individuals. As a result, the activities identified within the Model as involving a greater risk of corruption include both activities concerning relations with public institutions and bodies (e.g. concession-granting authorities, public authorities responsible for managing the financing of methane distribution network construction schemes, public authorities owning property that interferes with natural gas plants and distribution networks, industry authorities, etc.) and activities concerning relations with banks, suppliers (including their selection), clients as well as preliminary procedures for hiring personnel.

With special reference to the most sensitive areas, most notably to relations with the Public Administration, the Group approved and implemented specific procedures that - consistent with the Model - require actions and controls to be performed in order to provide reasonable assurance as to the operational and ethical fairness, transparency, traceability and enforceability against third parties of the transactions carried out, such as:

- prior and detailed authorisation of employees' activities by the department managers;
- disclosing and collecting evidence on all activities;
- reporting the above on a regular basis to the Supervisory Body.

In case of updates or amendments to the regulations that govern criminal offences applicable to 2i Rete Gas and its activities, or in case of introduction of new important criminal offences, the Supervisory Body submits to the attention of the Board of Directors the need to approve an updated version of the Organisation and Management Model. On this occasion, **the members of the Board of Directors receive appropriate and in-depth information and training on the issues that require updating, directly from the members of the Supervisory Body.**

Moreover, on an annual basis, generally at the time of approval of the draft financial statements, **the Supervisory Body presents and describes to the Board of Directors the Report of the Chairman of the Supervisory Body** on the activities carried out during the financial year just ended. On this occasion, the Supervisory Body presents and describes the activities carried out for the purposes of monitoring the correct application of the Model and the results thereof.



### Concerns and reporting

As required by the Code of Ethics, the Parent Company and its subsidiaries provide stakeholders, including their own employees, with specific communication tools (including two certified email accounts) where they can directly report to the Supervisory Bodies of the individual companies any violations or alleged violations of the Code of Ethics and the Organisational Model.

In this regard, the Company promptly arranged for its Organisational Model to comply with the rules on whistleblowing, establishing, among other things, sanctions against managers, directors and statutory auditors who infringe the privacy of

the individuals raising concerns or who take discriminatory or harmful actions against such individuals because of the concerns they raised.

Whenever a report is submitted, including upon recommendation of the Audit Committee or the directors, the Supervisory Body collects, examines, and stores all the reports and information received, evaluates them carefully and impartially, ruling on their truthfulness and validity and ensuring anonymity with regard to the name of the person submitting the report. To this end, it adopts appropriate measures to ensure the confidentiality of the identity of the person submitting the report and, consequently, to avoid any form of reprisal or discrimination.

As was the case in previous years, no anonymous reports were received in 2019. However, two enquiries were sent to the "code of ethics" certified mailbox. In the first enquiry, an employee sought clarifications on the Company's policy regarding certain types of leaves of absence from work. In the second enquiry, another employee sought confirmation regarding the appropriate procedures to be followed for the sale of a company asset.

Both enquiries were dealt with and no conduct violating the Code of Ethics or the Organisational Model was detected in the process.

In addition, each corporate department provides the Supervisory Body with a four-monthly report, in which they illustrate, with reference to the four-month period, the main activities carried out with regard to internal supervision measures and controls performed in compliance with the Model, as well as any concerns raised in respect of events that may have occurred as part of potentially relevant company activities with a view to Italian Legislative Decree no. 231/2001. The Supervisory Body reviews the individual reports, asks for clarifications and additions as appropriate and, unless specific reports need to be filed, provides an overview of the information collected which is then shared with the directors of the company concerned.

With reference to the internal concerns raised through the periodic reports, the Parent Company took, from time to time, the necessary measures, such as audits and in-depth investigations conducted by the Internal Audit department; infliction of disciplinary measures; fulfilment of requests for information received by the Company from law

enforcement agencies; audits on contractors. These measures were reported to the Supervisory Body.

None of these reports revealed any confirmed incidents of corruption.

The Organisational Model states that in case of infringement of the provisions set out in Model itself (and, therefore, of the corporate procedures that form an integral part thereof) committed by any employee, 2i Rete Gas S.p.A. will adopt the sanctioning measures set forth in the Organisational Model, with reference being made in this respect to the Disciplinary Code (as defined in the national collective bargaining agreement applicable to the Gas and Water industry).

During the course of the year, nine disciplinary sanctions were inflicted (two of which were of a non-conservative nature) against employees whose conduct in the discharge of their duties was found to be contrary to the Organisational Model and the Code of Ethics.

### Further actions

Finally, with regard to policies aimed at fighting corruption, it should also be noted that in 2019 a thorough investigation was carried out to **establish if any conflicts of interest**, whether potential or otherwise, existed among all the Company's employees.



In particular, the Human Resources Department provided all employees with a special form for reporting personal situations that could constitute a conflict between the employee's personal interest and the interest of the company, with special reference, by way of illustration and not limitation, to positions held in local concession-granting authorities or to relationships existing between the employee's family members and suppliers or clients of the Company.

The reporting forms were submitted together with slides illustrating the matter at hand, through which attention was drawn to the importance of identifying and managing conflicts of interest pursuant to both the laws governing administrative liability of companies and the regulations governing participation in public tenders, under which the presence of any conflict of interest is identified as one of the causes resulting in a company being excluded from the selection process.

The reports received from the employees were also classified on the basis of their relevance to the role and duties of the employee involved



and were managed by the Company through its Human Resources Department, which relied on the support of Internal Audit and Legal and Corporate Affairs.

The final reports on the outcome of the audits conducted and the ensuing measures taken by the company are being finalised and will be shared with the Chief Executive Officer.

Last but not least, it should be noted that in order to ensure that the Company meets the essential requirements for participation in public

tenders, audits are conducted on a regular and ongoing basis regarding criminal proceedings pending and previous convictions against all natural persons working for the Company, whether as directors, members of the Board of Statutory Auditors and of the Supervisory Body or acting as mere attorneys.

These audits ensure that the Company operates by relying on natural persons who have not committed crimes of such nature and extent as to affect the Company's status as a dependable public utility service provider (crimes under Article 80 of Italian Legislative Decree no. 50/2016, also with reference to compliance with anti-mafia legislation).



The companies of the Group have a dedicated mailbox for submitting reports.

	Supervisory Body	Code of Ethics
<b>2i Rete Gas S.p.A.</b>	0dv231@2iretegas.it	2iReteGas.CodiceEtico@2iretegas.it
<b>2i Rete Gas S.r.l.</b>	0dv231@2iretegas.it	2iReteGas.CodiceEtico@2iretegas.it
<b>Cilento Reti Gas S.r.l.</b>	CilentoRetiGas0dv@2iretegas.it	CilentoRetiGas.CodiceEtico@2iretegas.it

# RISK MANAGEMENT MODEL

*The Group's internal governance and risk management system consists of the set of tools necessary or useful for directing, managing and monitoring business activities.*

Its purpose is to **ensure compliance with laws and corporate procedures; to protect company assets; to manage activities effectively and efficiently; and to provide accurate and complete accounting and financial information.**

The Group carries out its activities within the framework of a regulated business, therefore it is subject not only to legal provisions, but also to the specific resolutions issued by the authority in the industry, namely the Italian Regulatory Authority for Energy, Networks and Environment (hereinafter referred to as ARERA).

**The Group has implemented an approach to manage all the risks that may affect the conditions underpinning the creation of value by setting up a system for identifying, assessing, managing, and controlling risks.**

The Group's internal control and risk management system is based on an integrated control scheme, with the identification of the tasks of each body and department involved, and with concrete methods of coordination between them.

- **THE BOARD OF DIRECTORS**, also through the mandate granted to the Chief Executive Officer, **defines the policy for the internal control and risk management system**, also with the support of the Internal Audit department; it also **periodically checks the adequacy and effective functioning of the system**, ensuring that the main corporate risks are identified and managed.
- **THE BOARD OF STATUTORY AUDITORS**, acting also as the "Internal Control and Audit Committee", **oversees the effectiveness of the system.**
- **THE AUDIT FIRM carries out the legal audit**, expressing an opinion on the separate and consolidated financial statements and presenting the results of the statutory audit in a special report; during the financial year it also **carries out verifications**

**on how the company accounts are kept and on the correct recording of the management activities in the accounting records.**

- **THE SUPERVISORY BODY**, in turn, **carries out periodic checks and specific verifications** on relevant corporate processes in order **to determine compliance with the Model and the Code of Ethics.**
- **THE INTERNAL AUDIT DEPARTMENT** (which also acts as Compliance Officer) **is the body that performs audits** on the functioning and adequacy of the system by implementing the annual Audit Plan. **It promotes periodic Risk Analysis**, setting forth the methodological rules (according to ERM - Enterprise Risk Management and CRSA - Control Risk Self-Assessment international best practices) and checking the adequacy of the assessments made on management-related and law compliance risks. **It carries out assessments on the controls designed to counter the aforesaid risks**, based on the audit tasks performed until then.

It provides the institutional control bodies and departments involved with **appropriate reports**. It prepares, based on a "rolling" approach following Risk Analysis, the **three-year Audit Plan**. The Internal Audit department also helps to raise company-wide awareness and perception of the business risks and legislative and regulatory non-compliance risks that the Company may face, while urging the different department heads to define suitable corrective and preventive plans to avert such risks, disseminating at the same time the principles set out in the Code of Ethics.



Each body and department exercises its control duties in continuous coordination, also through the preparation and dissemination of the annual reports submitted to the Board of Directors at the time of approval of the annual financial statements.

Finally, the verification of the application of corporate rules in the activities carried out is primarily the responsibility of management, as control activities are an integral part of the management processes that the individual operating units must implement.

**THE DATA PROTECTION OFFICER (DPO)**, appointed in 2018, **is responsible for informing and advising the Data Controller and Processors** (and employees that process personal data) **on the obligations arising from national and EU legislation** (in particular Regulation (EU) 2016/679) and for monitoring compliance.

When asked, it must give its opinion on the necessity of carrying out a data protection impact assessment, as well as monitor the process in accordance with article 35 of the Regulation.

It must also cooperate with the Data Protection Authority and act as a point of contact on matters relating to the processing of personal data.

**THE QUALITY, SAFETY AND ENVIRONMENT DEPARTMENT**, in order to guarantee compliance with the standards mentioned above, **carries out internal verifications** extended also to ensuring compliance with respect to the **Consolidated Law on Safety (Italian Legislative Decree no. 81/2008)**, the **Consolidated Law on Environment (Italian Legislative Decree no. 152/2006)** and **Part I of the Consolidated Law on the regulation of quality and tariffs of gas distribution and metering services** for the regulatory period 2014-2019 (Resolution no. 574/2013 of ARERA).



**The Risk Management Model is described in section 15 of the Annual Financial Report 2019**

## Major risks regarding key topics

TOPIC AREA	ASSOCIATED RISKS	STAKEHOLDERS INVOLVED	RISK MANAGEMENT METHOD
<b>MANAGEMENT OF ENVIRONMENTAL TOPICS</b>	Dispersion and inefficiency of the gas distribution network	Environment and Communities	Extensive monitoring of the entire network with ad hoc means to search for leaks and planned verifications on the difference between input and output of gas in the station
	Non-optimal consumption	Environment and Communities	Energy saving projects concerning the gas used for preheating
	Failure to manage the energy transition process	Environment and Communities, Shareholders and Lenders	Participation in panel discussions on decarbonisation Projects for alternative use of distribution networks
<b>MANAGEMENT OF HUMAN RESOURCES</b>	Failure to promote capacity building	People and Unions	Plan to assess individual performance Training programmes
	Failure to provide adequate and timely technical training on distribution network management	People and Unions	Initiatives for continuous updating through training plans
	Health and safety	People and Unions	Health monitoring, non-occupational accident insurance policy, life insurance policy Training and awareness
	Failure to strike up an adequate dialogue with People and Unions	People and Unions	Frequent company meetings with Unions Management training and communication
	Non-transparency in the management of relations with Local Authorities	Municipalities and Local Authorities People	231 Model Charter of Values Code of Ethics Procedures with rules of engagement and reporting to the Supervisory Body
<b>MANAGEMENT OF TOPICS RELATED TO ACTIVE AND PASSIVE CORRUPTION</b>	Selection of suppliers that are non-compliant with the legal requirements	Suppliers and Contractors	Register of suppliers, selection process, purchasing portal 231 Model Code of Ethics
	Inadequate supervision of financial reporting procedures	Shareholders and Lenders, Communities	Internal Audit plans, Continuous monitoring, Certification by independent bodies

TOPIC AREA	ASSOCIATED RISKS	STAKEHOLDERS INVOLVED	RISK MANAGEMENT METHOD
<b>MANAGEMENT OF SOCIAL TOPICS AND RESPECT OF HUMAN RIGHTS</b>	Service interruption	Municipalities and Local Authorities Communities People	Intervention within the standard required by the regulation Informing the competent authorities of the reasons for the gas incident and of the measures taken
	Delayed handling of requests from contracting authorities	Municipalities and Local Authorities Communities People	Program to handle document requests Monitoring of responses within the set deadlines
	Unsatisfactory quality of service	Sales Companies and End Clients	Performance monitoring, call centre, customer satisfaction survey, meetings with sales companies, conciliation protocol
	Use of suppliers that do not meet the minimum selection requirements of the Group	Suppliers and Contractors	Register of suppliers, selection process, purchasing portal Code of Ethics
	Failure to provide precise and on-time control over corporate governance issues	Shareholders and Lenders	Governance Model
	Health and safety	Municipalities and Local Authorities Environment and Communities Suppliers and Contractors End Clients	Inspection of the distribution network and attention paid to the quality of service Supply chain management in the selection phase On-site visits
	Ineffective participation in the sector decision-making	Public Institutions and Authorities	Communication of opinions and documents Participation in institutional meetings Conferences and seminars Collaborative projects
	Protection of personal data	People End Clients of the Network Municipalities and Local Authorities Environment and Communities Suppliers and Contractors	Information initiatives on the activities carried out in compliance with the relevant legislation, including: Appointment of the Data Protection Officer and the Data Processors Establishment of a data processing register Amendment of contractual clauses and disclosures Implementation of IT infrastructure security tools

# CREATING SUSTAINABLE ECONOMIC VALUE

*2i Rete Gas views the creation of sustainable economic value as a key enabler in ensuring business continuity in the long term, bearing in mind that, as reflected in the Sustainability Policy, such value is geared not only towards shareholders and bondholders but also towards generating positive impacts inside and outside the organisation and, therefore, for all stakeholders.*

As to the activities carried out by the 2i Rete Gas Group, 2019 was a year of consolidation of the acquisitions completed in the previous financial year, with merger transactions being completed with a view to rationalising the Group structure and increasing cost effectiveness in relation to the costs associated with the presence of several companies.

As at 2019, the Group's operating figures (i.e., number of concessions, active redelivery points, kilometres of network managed) showed a slight year-over-year drop, chiefly due to the sale in April of the equity interest held in Murgia Reti Gas S.r.l., a vehicle company to which the Parent Company had transferred the concessions, assets and payables held for sale relating to the Minimum Territorial Areas (ATEMs) of Bari 2 and Foggia 1.

While the volumes transported remained virtually stable, net of the above-mentioned sale, the number of Redelivery Points under management increased marginally. From an economic point of view, the figures showed a significant increase in EBITDA, while financial costs increased as a result of the issue of part of the existing bond loan completed in September 2018, which transaction was deemed necessary to safely refinance the instalments reaching maturity in mid-2019 and early 2020.

As a result, net profit amounted to 206.5 million euro, a significant improvement compared with the previous financial year as (i) previously allocated provisions for risks were released to income and (ii) cost-effectiveness for Group companies increased further.

Movements in net financial position during the year occurred based on normal business needs and as a result of the financial debt deriving from the new IFRS 16 standard.

## Market Share

The Group's market share remained virtually in line with the previous year, with a role also being played to this end by the transactions completed in 2018, regarding both redelivery points and kilometres of network under management.

**531.1**  
million €  
EBITDA AT THE  
END OF 2019

**206.5**  
million €  
NET PROFIT OF THE YEAR  
AT THE END OF 2019

**934.6**  
million €  
SHAREHOLDERS' EQUITY

## Economic performance

### MAIN ECONOMIC AND EQUITY INDICATORS OF THE GROUP

	31.12.2017	31.12.2018	31.12.2019
REVENUE	867.3	985.6	1,057.1
EBITDA	408.3	461.2	531.1
EBIT	247.1	271.4	326.8
NET PROFIT	121.6	155.4	206.5
NET FINANCIAL POSITION	2,009.2	2,640.5	2,677.8
SHAREHOLDERS' EQUITY	759.9	825.7	934.6
NET INVESTED CAPITAL	2,769.3	3,440.5	3,609.5
TOTAL NET FIXED ASSETS	2,739.2	3,474.3	3,560.8

## COMMITMENT

2i Rete Gas is committed to putting **people** at the heart of its business, encouraging their **engagement** and **development** in terms of their ability to contribute and promoting a culture based on **participation** and **exchange**, where everyone can continue to improve their **skills** and unleash their full **potential**, adding responsibly and proudly to the Company's performance by:

## IMPLEMENTATION PRINCIPLES

- Promoting respect for personal and inalienable human rights, recognising **equal opportunities** for all employees, rejecting all forms of discrimination and, indeed, nurturing **diversity** through **inclusive approaches**.
- Encouraging **skill development, experience sharing and knowledge exchange** as well as implementing a **merit-related policy** based on the assessment of people's conduct, performance, competences and commitment.
- Furthering a corporate culture based on **dialogue, engagement and empowerment**.
- Managing the protection of the **health and safety** of its employees and collaborators.



STIMULATE  
EVERYONE'S  
CONTRIBUTION

# PEOPLE

*2i Rete Gas considers People to be a key strategic asset and promotes a corporate culture based on listening, dialogue and participation, driving an ever-increasing sense of belonging and growing motivation, stimulating a sense of responsibility in each Resource, thereby turning him or her in an agent and a champion of the Company's continuous improvement endeavours.*

Personal interaction, corporate process integration and the mutual exchange of know-how act as drivers in increasing everyone's curiosity and will to expand one's own knowledge and test one's own potential while making an increasingly broad and informed corporate vision easier to achieve.



# Sizing

The Group owes its current positioning to the **constant commitment and orientation towards growth and evolution of its business**. Over the years, the Group has carried out **significant operations of corporate integration**, which led to the definition of an organisational structure capable of capturing the synergies in terms of market presence, costs and efficiency, thus safeguarding skills and empowering People. These operations proved successful thanks to the flexible approach shown by all the Resources, as they developed increasingly stronger **adaptation and complexity management skills**, interpreting and owning change as an opportunity and source of enrichment. This helped to enhance the existing best practices and professional skills in order to consolidate teamwork and continue to foster a positive and proactive environment, oriented towards the achievement of future goals.

With regard to 2019, on 1 January **2i Rete Gas Servizi S.p.A.**, which had been acquired in the previous financial year, was merged by incorporation into the Parent Company 2i Rete Gas S.p.A. A total of 45 employees joined the Parent Company and their skills were mostly employed within the

staff structures, thereby meeting the needs related to the (i) introduction of new professional profiles, (ii) filling of vacancies and (iii) deployment of new strategic units.

During 2019, the transfer and sale of plants located in the Bari 2 and Foggia 1 areas was completed, resulting in 33 Resources being transferred to Centria S.r.l., a subsidiary of Estra S.p.A.. This deal was completed on 1 April 2019 to ensure compliance with the requirements set down by the Competition Authority when Nedgia S.p.A. was acquired.

The importance of the **"Project for the construction of a methane distribution network in the Cilento area"** was confirmed. In 2019, the desired organisational sizing for the project was identified, resulting in the organisation being supplemented with new professional profiles, which proved to be increasingly in line with the required operating procedures and competences.

**At the end of 2019, the Group had 2,057 employees.**

Since its establishment, 2i Rete Gas has relied on a **major multiannual selection and competence consolidation plan** as part of a project

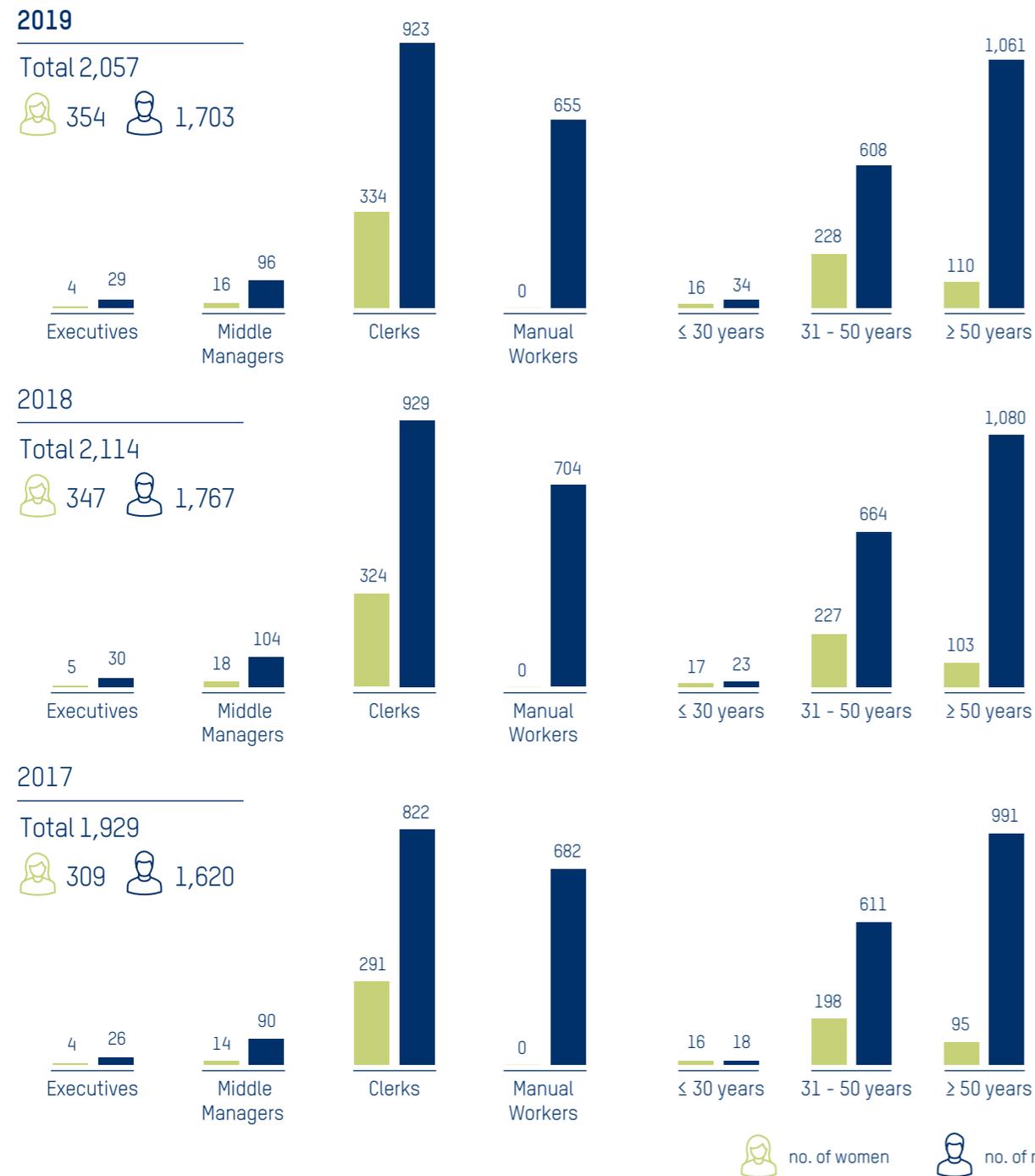
to renew and increase the skills that are crucial for the development of the Company's strategy, that in 2019 led to the **hiring of 65 new Resources**. In the last six years, **274 people have been hired**, including **159 young graduates**.

In 2019, **122 people left** the company, 69 of whom were retired or terminated by mutual agreement aimed at supporting people close to retirement, in addition to 33 people transferred to Centria S.r.l.

The Group continues to attach strategic importance to the need to retain competences that cannot be delegated, preferring methods of direct employment through permanent or fixed-term employment contracts to staff leasing contracts, with fixed-term contracts eventually becoming permanent in almost all cases, subject however to getting to know the Resources being employed.

As at 31 December 2019, **permanent employment contracts accounted for about 98.5%** and fixed-term contracts for about 1.5%, while there was a **significant reduction in staff leasing contracts**, to the extent that as at 31 December 2019 only 3 of such contracts were in place, as compared to 32 in the previous year.

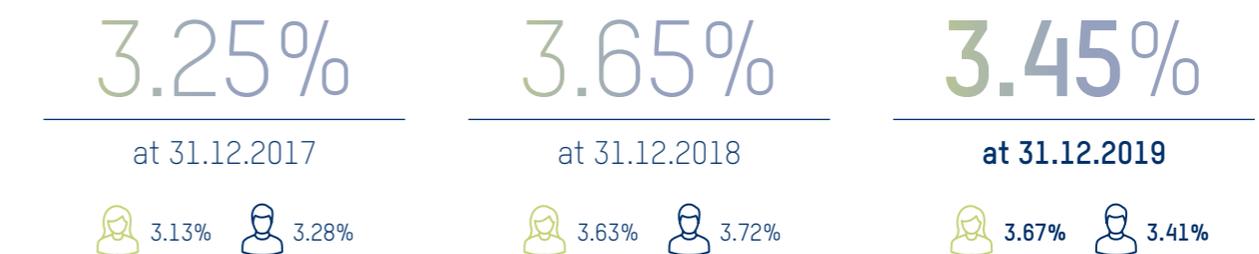
## Current staff



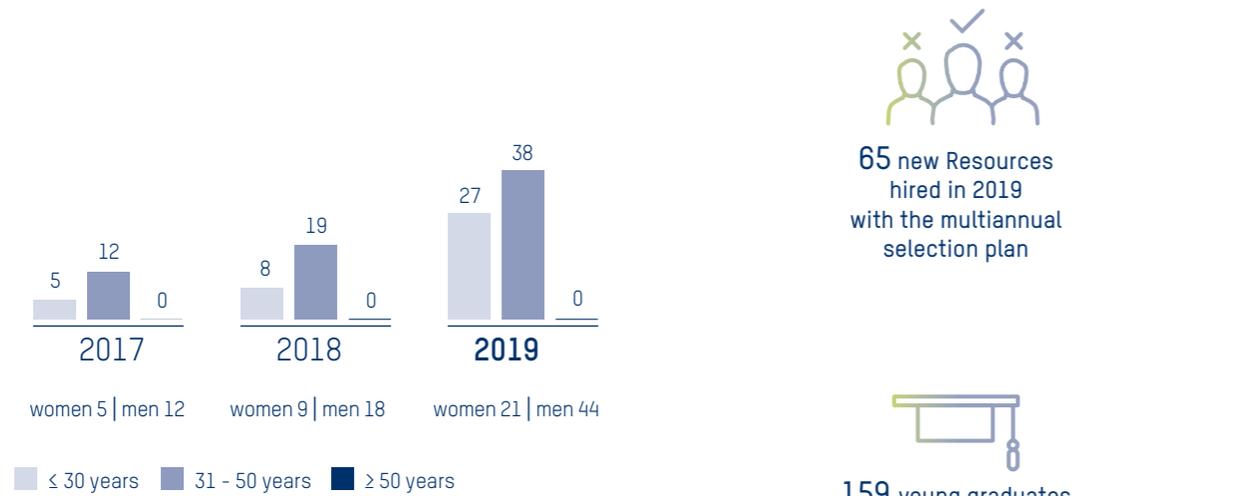
## Type of contract



## Absentee rate | diseases, accidents and leaves of absence for serious reasons



## Incoming



  
**65 new Resources**  
 hired in 2019  
 with the multiannual  
 selection plan

  
**159 young graduates**  
 employed within the  
 last six years

## Incoming-outgoing turnover

2019\*

 women    men

\* Excluding terminations for transfer to Centria S.r.l.

	≤ 30 years	31-50 years	≥ 50 years
	+6 +37.5%	+15 +6.6%	0 0%
	-1 -6.3%	-6 -2.2%	-7 -4.5%
	+21 +61.8%	+23 +3.8%	0 0%
	-3 -8.8%	-14 -1.6%	-91 -6.1%

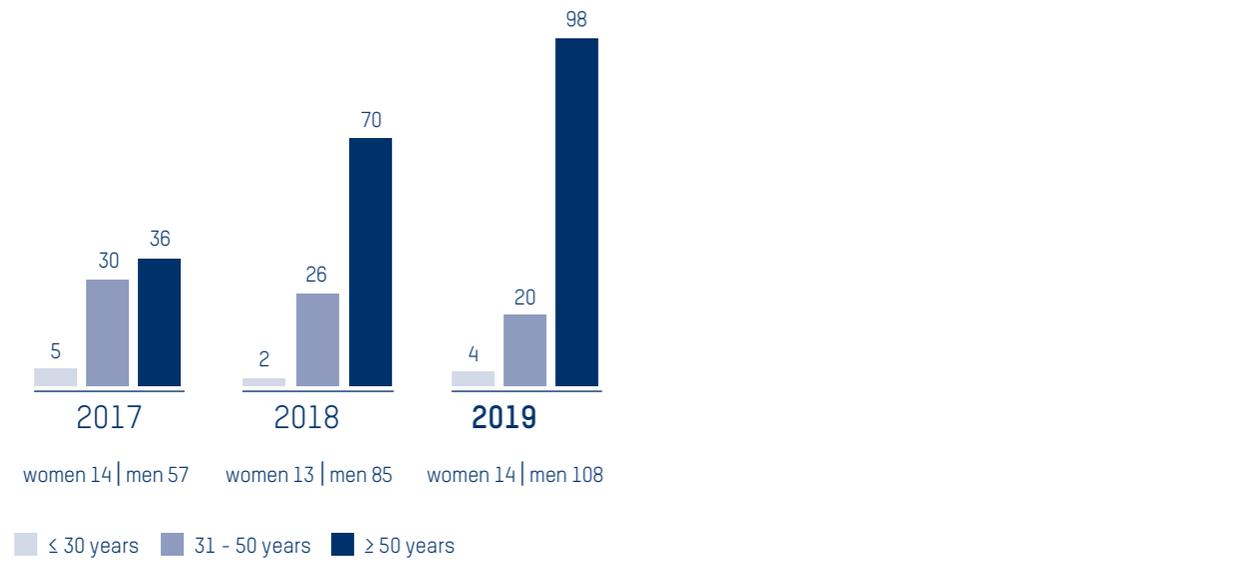
2018

	≤ 30 years	31-50 years	≥ 50 years
	+2 +11.8%	+7 +3.1%	0 0%
	-1 -5.9%	-6 -2.6%	-6 -5.8%
	+6 +26.1%	+12 +1.8%	0 0%
	-1 -4.3%	-20 -3%	-64 -5.9%

2017

	≤ 30 years	31-50 years	≥ 50 years
	+2 +12.5%	+3 +1.5%	0 0%
	-2 -12.5%	-7 -3.5%	-5 -5.3%
	+3 +16.7%	+9 +1.5%	0 0%
	-3 -16.7%	-23 -3.8%	-31 -3.1%

## Outgoing



# Human Resources Management and Valorisation Model

The Group promotes human capital development and talent building, paying attention to the development of distinctive, specialist, management and executive skills through targeted training programmes, coaching efforts aimed at increasing personal awareness, job rotation plans and succession plans, as well as through experience sharing and listening opportunities. The Group recognises individual merits as related to conduct, performance, competences and commitment while respecting People and ensuring compliance with equal opportunity standards, without any discrimination whatsoever.

Collaboration and transparency in relations between managers and their direct reports as well as between peers is considered of key importance. For this reason, the Group nurtures a behavioural culture based on meaningful feedback and constant exchanges in everyday life and throughout one's working life, where managers support their direct reports in their growth path.

Learning and improvement are supported and encouraged by:

- a **performance evaluation** aimed at stimulating awareness and self-empowerment;

- **targeted training programmes;**
- **compensation and incentive systems** that guarantee transparency and impartiality based on merit and the measurement of results and behaviour.

## SELECTION

The people employed by 2i Rete Gas are selected through a process that is **transparent**, mindful of **Human Rights** and **dignity of the individual**, and **impartial**, in compliance with the Group's Code of Ethics, Italian Legislative Decree no. 231/2001, and the "Integrated Quality, Safety and Environmental Policy". The recruitment and selection process **offers equal opportunities** to any individual irrespective of their gender, religion, belief, ethnic origin, disability, age, sexual or political orientation, and it avoids any form of discrimination.

Compliance with the above principles is further ensured by the entry into force of **SAP Success Factors** as a tool for electronic management of recruitment and selection processes. Almost all processes are currently managed within the platform, resulting in a more effective management and traceability of all phases of the process.

Thanks to this tool, profiles are retrieved through a single channel and by accessing an ever-increasing pool of applicants. The different validation and assessment steps and timeframes are also certified.

During the course of the year, a total of **47 selection procedures were completed as a result of external recruiting efforts**, with 9 started in 2018 and 38 new procedures started in 2019.



**47 selection procedures as a result of external recruiting efforts**

The new hires were dictated, in most cases, by the need to replace staff due to normal turnover, change of position following internal job posting or maternity leave.

The selection plan met chiefly the need to increase headcount in staff and operational functions and strengthen units such as Procurement and Services, Network Commercial Services, Operations and Information Services.

## DRIVING SELECTION PRINCIPLES

- respect of Human Rights
- dignity of the individual
- impartiality and transparency
- equal opportunities

With regard to activities related to the exchange of expertise and valorisation of competences of the Resources within the Company, 2i Rete Gas continued to support the promotion of open positions through job postings. In 2019, **28 recruiting procedures were started for as many positions, with 55 applications being received and 8 selection processes being completed.**

Trusting that People's development is a key driver for continuous creation of value for the entire Group, 2i Rete Gas believes that job rotation is not only a tool that helps meet organisational and turnover needs of its own staff, but it is also a specific and effective way to create opportunities for exchanging competences and knowledge, strengthening the network of collaboration between the different corporate functions and departments, and increasing professional growth opportunities for the Resources and talent within the Company.

## DEVELOPMENT AND TRAINING

The Group invests in the **professional development** of its People, as a precondition and drive for increasing the quality and efficiency of its services and ensuring that its choices and actions prove successful.

In 2i Rete Gas, managers not only evaluate results but also individual behaviours, encouraging those that are most in keeping with the Company's values. The evaluation process also makes it possible to (i) achieve an increasingly clearer and shared vision of the Company's objectives, performance levels and expected results, (ii) establish whether there is room for development of an individual's skills and (iii) identify further training needs and job rotation opportunities, including on a cross sectoral basis.

During the course of 2019, **the first phase of the Job Evaluation project was completed in respect of the professional profiles of the Operational Areas and Territorial Departments**, with a commitment to finalise this analysis in 2020 regarding head-office and staff profiles.

This has laid the foundations for a Performance Assessment System - implemented in 2015 - even more target-oriented and capable of identifying the quality standards of performance based on both macro roles and individual jobs and defining the technical and management skills required of the individual position. The performance assessment makes it possible to evaluate the level and degree of competence of the individual resource being assessed with reference to the position held, so that a targeted training and development plan may be defined in greater detail. Efforts got underway to complete by 2020 a company catalogue of courses, including modular ones, related to each individual professional profile, enhancing the distinctive skills of each of them.

The performance assessment plan, initially launched for specialist roles and for the coordination of functional and technical processes, over the years has been addressed to all staff in the head offices and department units, as well as to Area technical staff with a grade above the 6th level. In 2019, **the evaluation process was further extended to Works Control Officers, Works Execution Coordinators, Secondary Office Representatives and Smart Meter Representatives.**

In the last three years, **47% of the staff were involved in the evaluation process**, not considering those who are already involved in other incentive plans.

**47%**

**staff involved in the evaluation process within the last three years**

## Employees that underwent an annual assessment

15.94%

at 31.12.2017

Training plays a primary role as a development engine and value generator. 2019 was hallmarked by the planning and deployment of **many training endeavours**, both on managerial and on specialist issues, as well as on technical and health and safety ones.

With regard to the management area, a project dedicated to young people and intended for the **development and/or strengthening of soft skills** was carried out. As part of this training scheme, important topics relating to the personal/professional development of skills related to effective communication, problem solving and self-empowerment were covered.

In addition, a project specifically dedicated to the new intermediate managers of the Information Systems unit, **"IT Leaders"**, was launched. In 2020, it will involve all the team leaders of the unit. The **coaching experience** dedicated to management and executive roles continued and a **specialisation course on organisational efficiency** was launched. The **refresher courses on the Code on Procurement and more**

24.10%

at 31.12.2018

**frequently used applications** (Access, PowerPoint and MS Project) or **content-specific applications** (QGIS e Acca Primus) were geared more towards specialist training. Some managers of the Information Systems and Procurement and Services departments took part in **major international specialist summits**, which were held abroad and were also related to IT innovation.



Two internal training projects, which benefitted from the commitment and contribution of some unit managers acting as teachers, were both appreciated and considered to be very useful.

One of the courses dealt with key **issues related to tariffs and fees**. The other course covered **project management issues** pertaining to individuals holding the "PM Business" position within the Company as part of the process for the implementation

26.16%

at 31.12.2019

and development of strategic IT projects. On that occasion, these individuals were recruited as change agents and champions.

The **training project on conflict of interest and privacy** continued across the territory, bearing out the Group's commitment to strict compliance with the specific legislation in force. Courses were staged for the Human Resources Department on **new selection methods, compensation policies** and some **specific staff management topics**. In addition, an advanced course was held on **accounting and tax issues**.

The course was designed for some of the staff belonging to the Administration, Finance and Control Department of the Verona office.

As for technical and operational training, various important projects were launched and provided, in particular the **project to develop the skills of general-purpose workers employed as maintenance technician-station operator** (which involved 39 Resources) and **Smart Meter specialist** (which involved a further 56 Resources). This project

aims to increase the professional skills of operational staff, above all on fundamental issues and skills for the Company's core business.

Other significant undertakings included **First Response** projects designed for the personnel of the areas acquired in the previous year and endeavours related to a chapter of the broader **"Asset Management"** project intended for about 400 Area technicians, covering the introduction of new operational functions to improve processes relating to works.

**In 2019 there was a significant increase in the number of hours dedicated to technical training:** +7,352.5; with regard to blue-collar workers, there was an increase of 5,569 hours, with the relative number of hours doubling as compared to the previous year, while for white-collar workers the increase over the previous year (when it was 13,374) totalled 2,094 hours.

In collaboration with Quality, Safety and Environment (QSE) and Prevention and Protection Services, a number of **projects** were organised in the **area of safety in the workplace**, while Department and Head-office QSE representatives attended **preparatory courses for new qualifications and refresher courses as internal auditors of Occupational Health and Safety Management Systems (ISO 45001)**, as well as **qualification courses for new internal auditors on Quality in the industry sector**.

**IN 2019, ALMOST ALL THE COMPANY EMPLOYEES WERE INVOLVED IN A TRAINING INITIATIVE**

During the year, a **major team building and training event** called Network Time was held, involving all the heads

of End-User Management and Plant Operation and Maintenance. The event is part of a broader project aimed at creating Working Groups and identifying company innovation champions, and will be staged again in 2020.

The SAP SuccessFactors portal is now used by all employees to access the **My Learning platform for e-learning training**, which integrates traditional classroom courses. In 2019, the **general and specialised course on Health and Safety** continued to be delivered with this method, while a **new course on Italian Legislative Decree no. 231/2001** was launched. The e-learning method has enabled the company to carry out its compulsory training in a timely, modern and interactive manner, with the guarantee of full compliance with all regulatory requirements and with the possibility of learning according to one's own pace and rhythms of understanding.

## People involved in training | including employees exited in the period

1,915

at 31.12.2017

302 1,613

2,133

at 31.12.2018

345 1,788

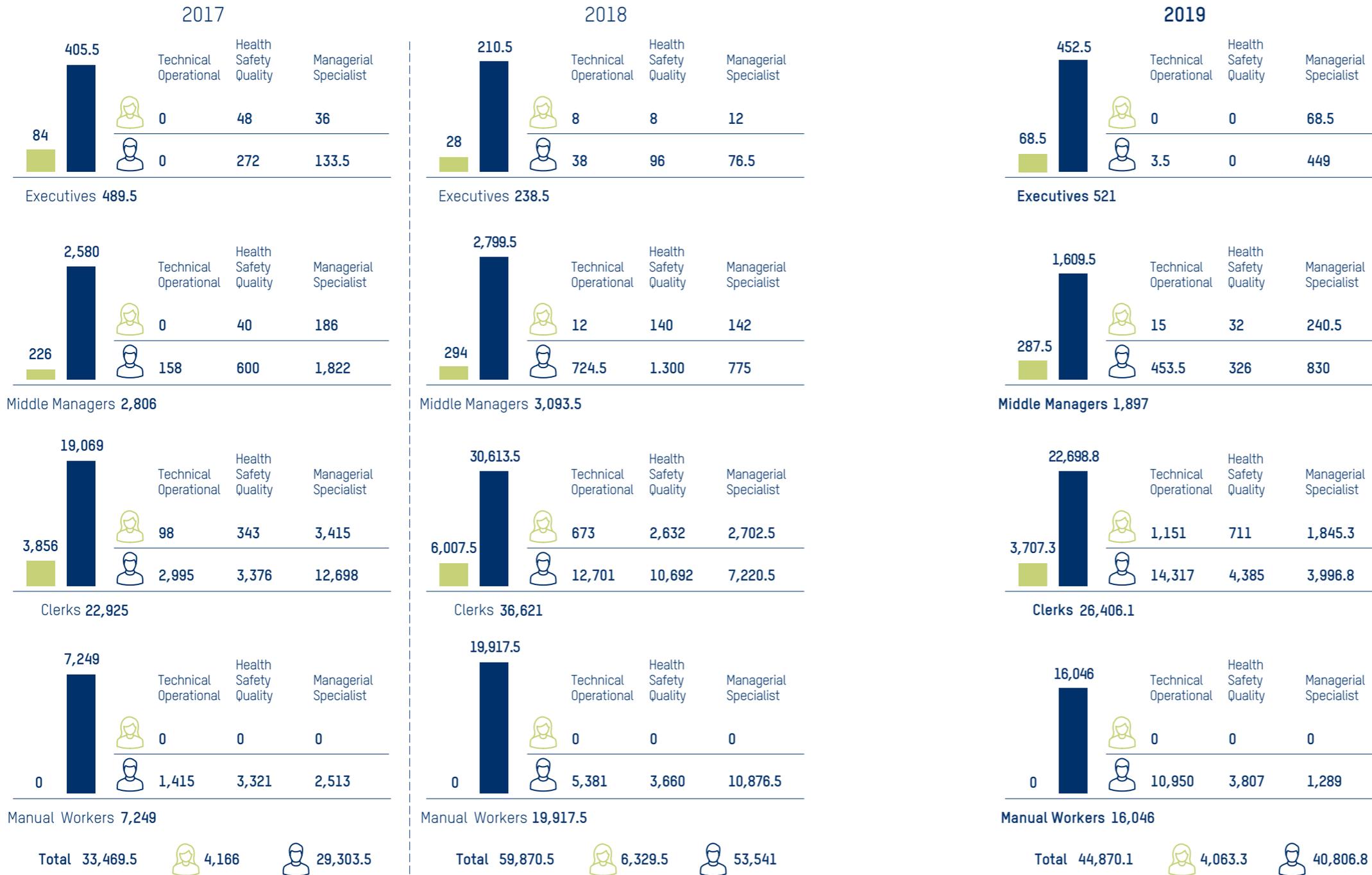
2,065

at 31.12.2019

345 1,720

## Total hours of training by professional category

Totals also include hours of training delivered to exited employees



Training provided in 2018 shows, also as compared to the ordinary trend of the previous year, a peak in terms of overall training hours. This was chiefly due to two projects that involved a large part of the workforce:

- > Integration of the SAP HR system with the WFM system, with ensuing training of all technical/operational personnel;
- > Compulsory e-learning course on office security - "General training on specific risks related to low-risk tasks" - delivered to all clerical staff.

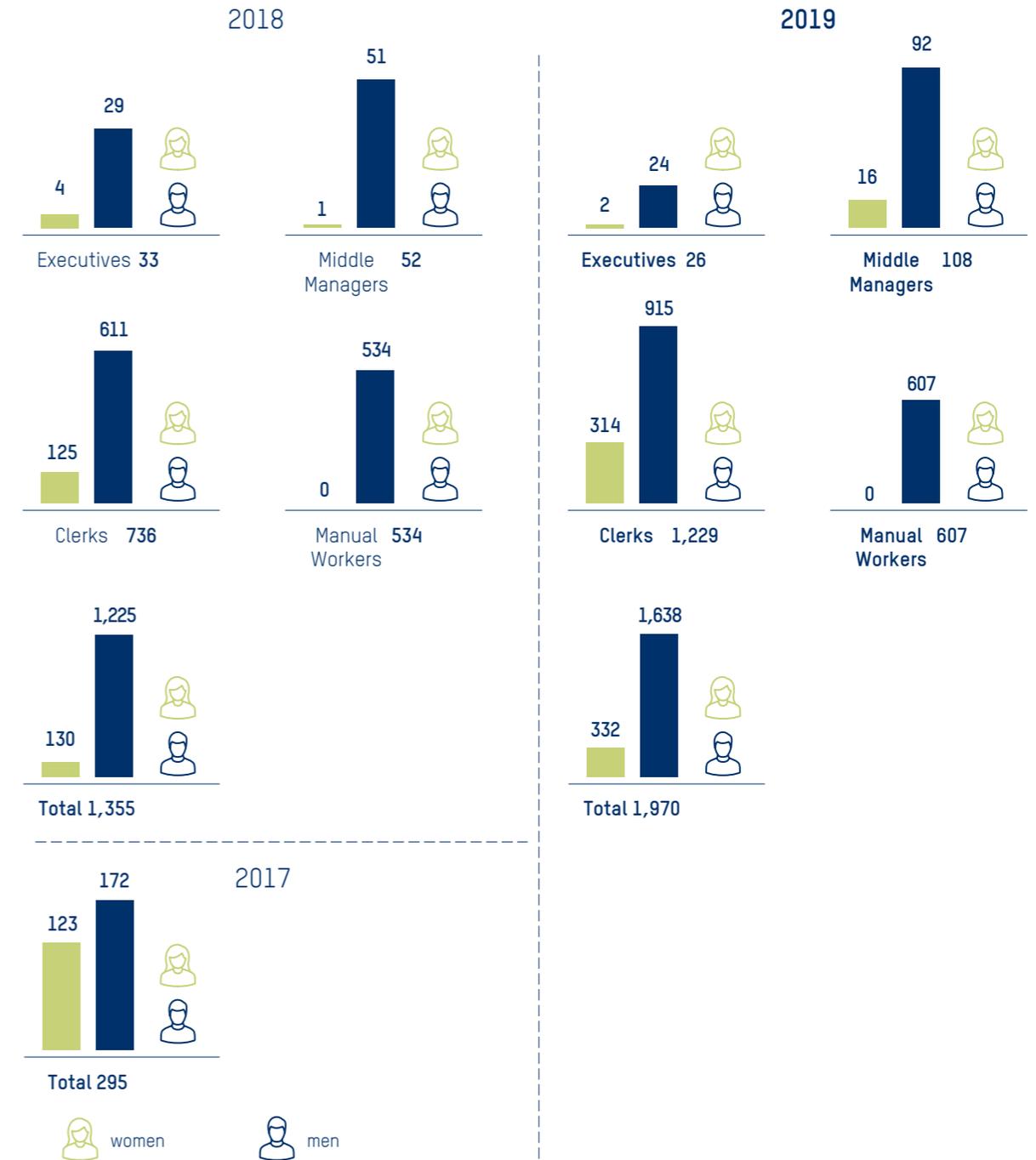
On the other hand, training provided in 2019 shows, in addition to the significant increase in operational technical training (+37.6%), an increase in language training provided.

## Average and total hours of training by professional category



## Total staff involved in anti-corruption training

figure for active staff



## Classroom training

### ADMINISTRATIVE/MANAGERIAL

Training projects that aim to develop soft skills and consolidate the specific individual skills of People involved in the development of a role and/or organisational growth, in order to stimulate the achievement of increasingly higher objectives of personal and professional growth.

#### Projects/courses

- Community of Future IT Leaders
- Soft Skills In Action
- Executive Coaching
- Organisational Efficiency Specialisation Course
- Network Time Project

No. of people 38 | No. of hours 956

### TECHNICAL/OPERATIONAL

Development of technical and operational skills, courses with external teaching on regulation and maintenance, on remote control or on specific equipment (which is flanked by various internal courses related to corporate applications, such as WFM).

#### Projects/courses

- Skill development for general-purpose workers employed as:
  - Maintenance Technician-Station Operator
  - Cathodic Protection Specialist
  - Smart Meter Specialist
- First Response
- Asset Management Part "F" - Transitory
- Adjustment of EMMA devices (pre-heating in station)
- UNI 11632 - UNI PdR 39:2018 - Type III, I and IV (operator responsible for first-installation and integrity checks, operator responsible for maintenance, commissioning and decommissioning)
- Plant Operation and Maintenance Module
- End-User Management Module
- Cartography Management Module
- Second training session for former 2i Rete Gas Impianti S.p.A. personnel

No. of people 1,133 | No. of hours 26,890

### QUALITY AND SAFETY

Courses on Quality and Safety, both in compliance with Decree no. 81/2008 and in order to raise awareness of this issue among staff.

#### Projects/courses

- PES (Persona Esperta, Expert Person) / PAV (Persona Avvertita, Informed Person)
- Procedures for performing low-voltage electrical work (up to 1000 V AC or 1550 V DC)
- Fire prevention, initial training and refresher courses
- First response, initial training and refresher courses
- CSE (Coordinatore per la Sicurezza in fase di Esecuzione, Safety Coordinator in the Execution Phase) training - 40 hours and 120 hours
- Standard ISO 45001

No. of people 865 | No. of hours 9,261

### SPECIALISED/LANGUAGE/INFORMATION TECHNOLOGY COURSES

Specialised courses, activated on the basis of specific needs, and participation in seminars/workshops in the sector.

#### Projects/courses

- New Code on Procurement
- Tax Course
- Building and managing compensation policies
- Diagnostics and personnel selection techniques
- Personnel management specialised course
- QGIS Software
- Company Welfare
- Further training on Decree no. 38 + outline of Decree no. 231
- Enterprise Architecture & Technology Innovation Summit
- Program & Portfolio Management Summit
- IT Infrastructure, Operations & Cloud Strategies Conference
- IT Sourcing, Procurement, Vendor and Asset Management Summit
- PM Business information session
- Tariffs and fees (specialist's follow-up)
- Conflict of interests
- IAS/IFRS Specialisation Course
- Access
- Power Point
- MS Project
- Acca Primus BIM Entry Level
- English language course
- E-learning course on Decree no. 231

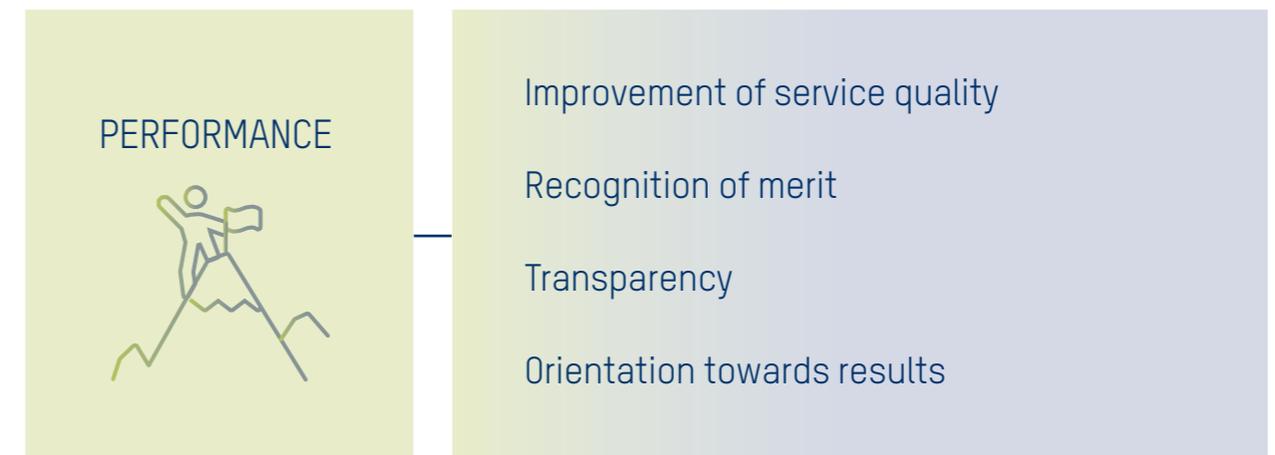
No. of people 2,066 | No. of hours 7,763

## COMPENSATION SYSTEM

The Group sets out to implement compensation policies - consistent with business strategies - that (i) can encourage and guide performance at work, (ii) aim at creating compensation systems that are both fair company-wide and competitive on the market and (iii) are supplemented with adequate management and communication processes that maximise their effectiveness so as to attract and retain highly skilled professional resources within the Group.

The Company's approach to defining the compensation system does not consider purely monetary aspects only, as it is based on a coordinated vision of reward systems that are geared towards ensuring staff satisfaction and engagement with their work and the organisation at large. Recognition is given to merit, consistent discharge of one's duties, performance level, skill improvement and self-development, results achieved and behaviours geared towards the growth of the organisation and its effectiveness/efficiency.

Over the years, an increasingly targeted compensation policy has been progressively implemented, correlated to the different types of professional roles and skills, extending the number of interventions, also due to the growth within the Group and/or the commitment shown. Increasing attention is paid to the technical - operational roles, which demonstrates how important it is for the Group to maintain the entire gas "profession" efficient and competent, while respecting the investment plan.





### COMPENSATION SYSTEM

- Definition of salary and classification target by role and responsibility.
- Evolution of compensation and classification only in the presence of margins of excellence with respect to targets and in the case of evolution/change of role.



### PERFORMANCE ENHANCEMENT SYSTEM

Recognition of one-off bonuses in order to enhance the commitment, dedication and sense of responsibility in every action taken, as well as the ability to adapt to change and evolve by learning and accepting new challenges.



### VARIABLE INCENTIVE SYSTEM BY OBJECTIVES

- MBO system targeting the 1st and 2nd levels of the organisation.
- Key people incentive system, aimed at middle management. The objectives can be measured by type of position and/or transversally to more than one office, and the overall assessment is supplemented by the evaluation of qualitative objectives related to skills and behaviour.
- Incentive system based on specialist's objectives, dedicated to particular profiles (ICT Team Leader, Organisation, Relations with Local Authorities, Technical Sales Reps), including individual operational and specialist's objectives. This incentive system proved to be significant in 2019, as the number of People involved increased.



### REWARD SYSTEM BASED ON PRODUCTIVITY AND QUALITY OBJECTIVES

A performance bonus is provided for all the staff of the Group, which varies in accordance with the achievement of objectives defined for profitability, productivity, efficiency, and operational quality.

# HUMAN CAPITAL ENGAGEMENT

*2i Rete Gas believes that engaging its own People plays a key role in ensuring a virtuous and smooth running of the organisation and reinforcing an increasingly responsible and informed vision of the contributions that each employee can make on a daily basis to improve the quality of life in the working environment and to support, even personally, the Company's development and strategies.*

2i Rete Gas endeavours to make the internal network of information flows increasingly effective, promote the dissemination of information and knowledge and convey the objectives of a complex organisation to its employees in a clearer and more shared fashion by relying, among other things, on a **cascade-like communication** process.

Efforts continued to be made to encourage the use of and access to the **corporate intranet**, as an important internal communication channel and interface for gaining access to a whole range of corporate tools and systems of daily use.

In addition to the tool "**Naviga in 2i Rete Gas**", which allows people to consult the organisational structure and the related areas of activity of the Resources in the company, the Intranet gives access to **software for requesting computer equipment**, to **SAP SuccessFactors**, used both for training and related calls, and for the selection process, facilitating the authorisation steps of the process and, finally, to the **portal Easy Welfare**, where one can convert the performance bonus into goods/services of interest.



**New experiential opportunities and staff engagement pilot projects** were also launched. As each and every employee felt involved or directly engaged (sometimes also proactively participating in working groups), they all showed motivation and commitment in acting as ambassadors and champions of corporate values, objectives and solutions, contributing more generally to improving the climate, the working environment and relations.

An example is to be found in the **assessment of work-related stress** which, following a sample analysis phase carried out in the previous year, resulted in a survey being administered at the beginning of 2019, involving all employees and proving highly successful response (participation rate being 86%). The results of the assessment were shared with the entire company workforce as part of dedicated meetings, which also contributed to raising awareness on the actions to be taken for a gradual and continuous improvement of the work environment, in compliance with the provisions of the Consolidated Law on Safety (Italian Legislative Decree no. 81 of 9 April 2008), and to promote a positive and supportive working environment.

Another significant experience resulted from the **Network Time project** which, as mentioned earlier under "Development and training", was aimed at experimenting new approaches to sharing and at identifying concrete solutions with a view to innovation and increasing efficiency in work processes and practices, as well as strengthening interpersonal relationships.

# DIVERSITY and WELFARE

*2i Rete Gas rejects discrimination in all its forms with a keen eye to People's well-being, helping ensure a work-life balance.*

The Group has adopted a Code of Ethics, a Charter of Values and a Management Model whereby corporate conduct is geared towards full and absolute **respect for the**

**dignity of the individual and for diversity.**

Policies, procedures and solutions have been introduced to further promote processes **designed to drive inclusive approaches and value diversity**; agreements with Provincial Authorities have been considered and, consistent with the applicable legislation, a **multiannual**

**plan for employing staff belonging to protected categories** has been implemented. The Group endeavours to empower these resources by having them hold specialist positions and key roles, where possible.

As at 31 December 2019, **138 Resources belonging to protected categories** were working for 2i Rete Gas.

This project enabled the representatives of Operation and Maintenance and End-User Management - with voluntary participation in the discussions of relevant issues - to create Working Groups focused on the following subjects:

- 1) knowledge sharing:** dedicated to searching and recommending tools, methods and processes to improve the exchange of information and knowledge;
- 2) efficacy at work:** dedicated to analysing and identifying one or more areas for system input rationalisation to avoid, where possible, redundancy in the entry and management of data and system misalignment;
- 3) contractor training:** dedicated to mapping the lack of technical and management-related expertise of contractors' staff and to identifying the areas for which further training is required in order to harmonise and develop knowledge and, therefore, increase quality and performance levels;

**4) analysis of operational assignments:** aimed at identifying any activities and action items that may be assigned to Operation and Maintenance and End-User Management area representatives, consistent with the Company's organisation and procedures;

**5) streamlining of business processes and budgeting activities;**

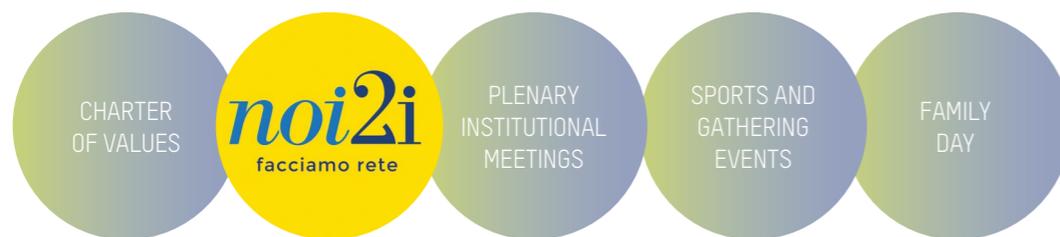
**6) streamlining of the plant maintenance plan.**

Each Working Group will rely on the aid of an internal tutor, i.e. a Head of Department who in 2020 will have the task of launching and directing activities towards effective and practical solutions, while supporting and encouraging the team's internal work.

The completion of university courses by some employees was also facilitated and valued, authorising **research papers on core areas and subjects relating to the distribution business**, with a corporate tutor being selected to provide content-related support.

In 2019, the Group continued to implement meeting initiatives, including informal ones, between employees, organised under the motto **"Noi2i facciamo rete"** and aimed at consolidating corporate identity and team spirit, as well as at creating shared value. Once again, this year was hallmarked by sports events, a family day organised across all territories, and company conventions attended by an increasing number of young people in addition to the first line organisation reports, the underlying goal being to further facilitate generational integration. In addition, a considerable number of territory-wide plenary meetings were held (Department meetings), with an increasingly larger turnout.

The increasing participation of employees in company events is a clear sign of appreciation of the time spent together, even outside the work environment, and of pride in feeling part of the Group.



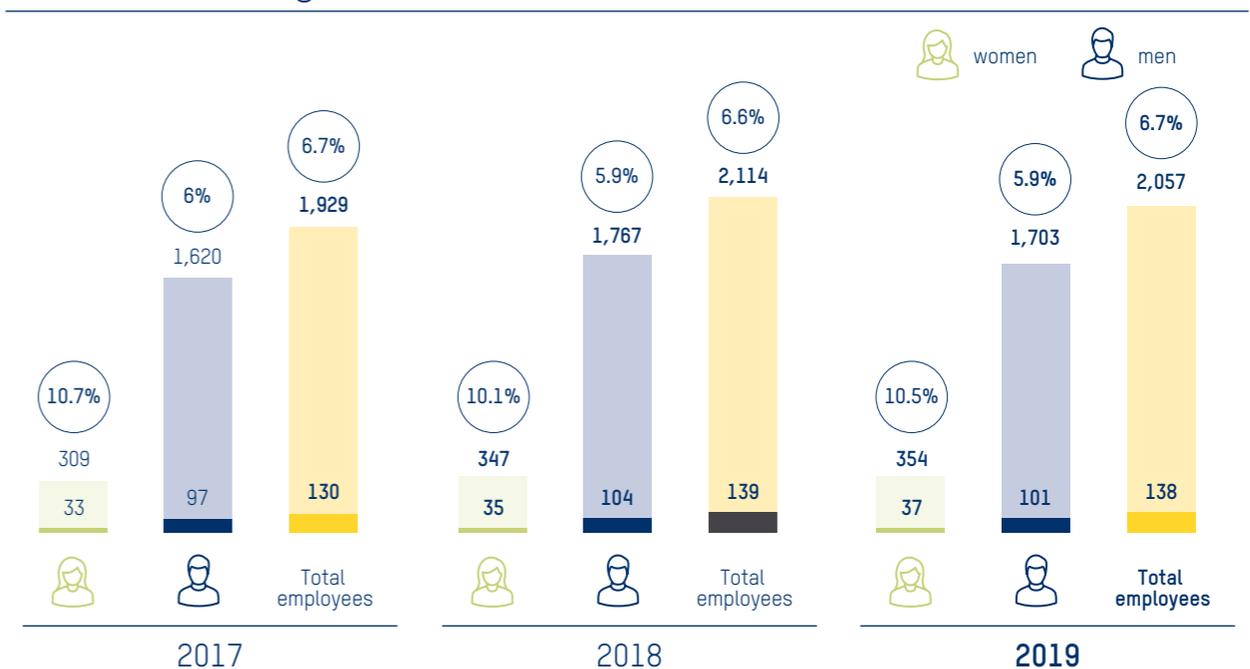
**25.2%**

**FEMALE STAFF**  
(excluding manual workers)

**138**

**RESOURCES**  
(protected categories)

## Protected categories



## Return to work rate after parental leave | seen as compulsory + optional maternity leave

	31.12.2017			31.12.2018			31.12.2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees that took parental leave	21	6	27	43	3	46	50	7	57
Number of employees that returned to work after parental leave ended	13	6	19	30	3	33	35	7	42
Number of employees that were still on parental leave during the year	8	0	8	15	-	15	15	-	15
Number of employees on parental leave in the previous year that returned to work in the reference year	1	3	4	9	-	9	14	-	14
Number of employees retained 12 months after returning to work following a period of parental leave	22	4	26	12	6	18	29	3	32
Return to work rate after parental leave	62%	100%	70%	70%	100%	72%	70%	100%	74%
Retention rate after parental leave	100%	80%	96%	92%	100%	95%	97%	100%	97%

The female staff of the Group accounts for 25.2% of all the employees (excluding manual workers). In the last 6 years, 102 women were hired out of 274 new employees, while in 2019 21 women were hired out of 65 new employees, accounting for 32.3% of total new hires. The proportion of women holding increasingly senior roles has grown over the years. Currently, women holding executive and management positions account for 13.8% of the total number of executives and managers. In addition, new responsibilities entrusted to female staff have been formally reflected in the top management organisation chart.

In recent years, the percentage of women with more specialist skills has also increased considerably. Proving this trend is the employment of 68 young female graduates over the past 6 years, including in technical and engineering areas (i.e., 42.7% of graduates hired). Activities focusing on plant engineering and mechanical technology, with a high degree of manual skill, do not seem to be attractive for female staff at this moment. The percentage difference in wages between men and women (such difference showing at any rate a downtrend over the previous year) is to be considered normal and

is due to a lower average length of service for women, as well as to a lower level of technical specialisation, without prejudice to the fact that there is an increase in the number of women with technical qualifications, covering specialised positions. With regard to parental leave, it should be noted that in 2019, one year after the end of the leave, almost all the Resources (with the exception of one resource who resigned) were still in service, resuming previous activities or in any case activities of similar professional scope, and sometimes accessing, upon request, part-time solutions.

Schemes are in place to help new mothers return to work, including granting them one-year part-time contracts, which may be extended based on the workers' needs, if compatible with those of the Company. Female employees retain company benefits throughout their maternity leave, while the maternity allowance during (compulsory) maternity leave is paid to the extent of 100% of their salary instead of 80% as required by law. In addition, with a view to improving the work-life balance, time off may be taken by making use of time bank hours and leaves may be granted to undergo medical examinations. Moreover, paid leaves may be granted for needs related to the treatment of serious health conditions. The Group has undertaken to consider expanding and introducing new forms of flexible working schedules, with special reference to people who may have greater difficulties in managing family routines and personal problems (e.g. new mothers, Law no. 104 beneficiaries). Since 2018, 2i Rete Gas has been relying on a welfare system capable of responding to the various needs of the employees, with the Unions also being involved in this process. In this connection, in 2019 an agreement was again entered into with the latter confirming the possibility for the employees to choose to exchange part of the

performance bonus for services and goods for themselves and their family members. The welfare plan features a number of services related to: family, education, mortgages, supplementary pension, culture, leisure and wellness, transport and mobility, as well as reduced tariffs, contributions and deferred payment for the purchase of local public transport season tickets.

  
Part-time flexible working schedules for working mothers (out of 77 part-time staff, 72 are women)

  
Welfare agreement

  
Health care and insurance for non-occupational accidents

  
Car-sharing

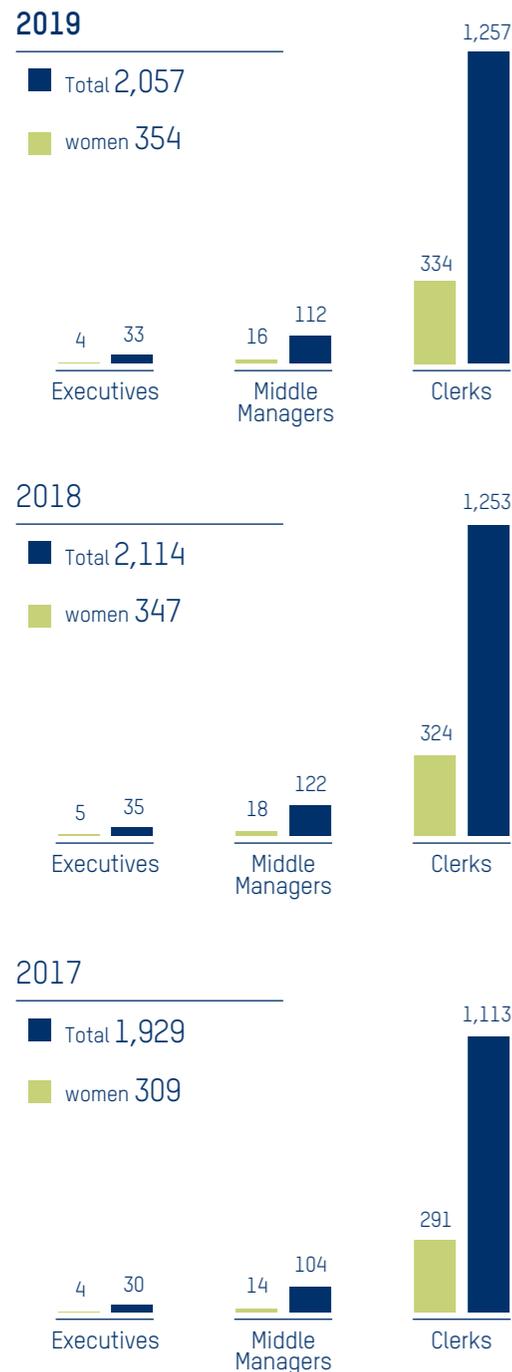
  
Corporate benefits

Participation in the plan is voluntary and offers the possibility of receiving the performance bonus in a net form and without tax. In the belief that welfare is a tool with great potential and capable of generating many benefits pertaining to both the work-life balance and the quality of the working environment, in 2019 the Group decided once again to provide employees participating in the plan with an additional incentive of 15% of the converted bonus share. Employees who benefited from the plan were, therefore, afforded greater spending capacity for the purchase of services and goods of interest.

  
268 employees joined the plan in 2019

The most requested services are once again those in the areas of: welfare, transport and mobility, and family. Through the My Welfare portal, all employees, irrespective of the decision to convert the obtained bonuses, can access an important network of benefits related to wellness, health, family, education, leisure and transport.

## Female presence in personnel



## Equal pay between men and women



# RELATIONS WITH THE UNIONS

*The Group is focused on keeping profitable and fair industrial relations at all levels while respecting the role of each party. To this end, it endeavours to establish a transparent and meaningful dialogue with, and ensure the constant involvement of, social organisations.*

In 2019, a number of efforts launched in the previous year were completed by involving and engaging union organisations at a national, local and company level. In this respect, emphasis is placed on an innovation introduced during the year, i.e. the execution of an **Industrial Relations Protocol** governing ongoing relations between the Company and national, local and internal unions, guaranteeing full compliance with contract regulations and the scope of union activities.

The year also saw the execution of the **Agreement on the Company Performance Bonus for the 2019-2021 Three-year Period**, which incorporates, among other things, the latest regulatory innovations on welfare and tax benefits.

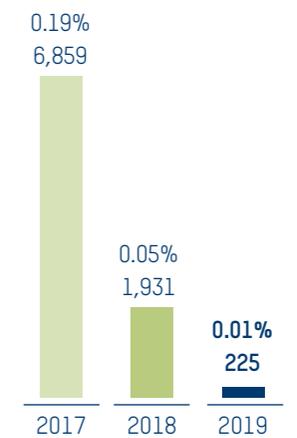
A number of union agreements were entered into, making it possible to finance - through Fondimpresa - many **corporate, technical and specialist training programmes and opportunities**, which were promoted with a view to encouraging a target-oriented involvement of resources and staff refresher training to meet the changing needs of the industry.

Local bargaining proved crucial for the logistic management of local offices as a tool for improving and increasing the effectiveness of workspace.

In 2019, an **agreement** was signed for the **renewal of the three-year national collective bargaining agreement applicable to the (Gas-Water) industry** with company representatives proactively participating in negotiations and contract text execution.

In 2019, there were 225 hours of strike, amounting to 0.01% of the total workable hours.

## Hours of strike on workable hours



**All employees of the Company are covered under collective bargaining agreements.**

# HEALTH AND SAFETY

*2i Rete Gas aims to achieve the "zero accidents" target and, with a sense of responsibility, it fosters a culture of safety inside and outside its organisation, succeeding in reaching even higher standards than those provided for by the relevant legislation.*

For this reason, the Group, in addition to pursuing the improvement of health and safety in the workplace and towards internal resources, invests in the safety of the community and the environment in which it operates, sharing this commitment also with its collaborators and external contractors.



The **safety organisation model** of the Group is based on 8 production units for the Parent Company, in which 8 Employers have been identified who, in turn, have defined an adequate number of delegated persons with powers and qualifications.

For all the Group companies, safety is organised through the **Prevention and Protection Service (Servizio di prevenzione e protezione, SPP)**, which is uniformly distributed and consists of a Prevention and Protection Service Manager identified by the Employers for the 8 production units of the Parent Company, with whom 12 Employees work. All Employees are appointed by the individual Employers.

The Employers carried out the **risk assessment** by dividing the resources of the company into two homogeneous activity groups, namely those dedicated to clerical activities, and those dedicated to operational activities. The **health protocol** was derived from the risk assessment.

**Healthcare supervision** is provided by the competent medical staff and by the SPP and the results of suitability or unfitness for particular tasks are promptly made available to those responsible for the management of temporary, partial or total disabilities.

**The situation in terms of accidents is constantly monitored** by keeping top management informed in real time, while a Group report on the situation which includes quantitative developments and accident rates is distributed monthly to the members of the safety organisation.

Similarly, the Group also monitors the **accident situation of its suppliers** on a quarterly basis **in relation to the activities carried out and worksites managed for the Group; the trend in the number of near-miss incidents/accidents** is also monitored.

For the year 2019 there were no cases of acknowledged work-related illness.

# Indices and training

In order to achieve the "zero accidents" target, the Group **internally verifies occupational health and safety at local units and carries out checks during works at open sites run by contractors.** Moreover, it constantly analyses the results of controls and defines actions and measures to improve health and safety performance.

In 2019, **the total number of accidents at Group level was 25** (as in 2018), for a total of 646 workdays lost (965 in 2018). One accident that had occurred in the previous year rolled over to 2019, resulting in a total of 13 workdays being lost, to which a further 9 days must be added due to the reopening of accident cases closed, causing a rise, albeit slight, in overall workdays lost.

In 2019 there were 4 accidents with more than 60 days (with non-consecutive certificates) as compared to 3 recorded in 2018. This did not, however, lead to a significant increase in the lost workday rate of the individual injured parties, which was in any case down on the previous year due to the lower average number of days of absence from work.

Again in terms of safety, the Group monitors the control of health and safety issues in order to ensure **prevention**, also with an **inclusive approach to the activities carried out by suppliers of works and services.**

In order to increase the awareness of suppliers on the observance of high standards of health and safety, the Group continues its efforts **through a daily supervision of worksites**, aimed at ascertaining the correct working practices of suppliers.

In 2019, this activity was also extended to subsidiary Cilento Reti Gas S.r.l., in relation to which control procedures applicable to construction sites subject to Title IV of Italian Legislative Decree 81/2008 are guaranteed by the Safety Coordinators retained by the construction partner and are, as is the case with the Parent Company, performed on a daily basis in respect of contractors and their subcontractors.

The results of the controls and the issues found are made known by sending two-monthly reports to all the parties in the construction site safety chain: Clients and Project Managers.

During the period, 5,120 inspections were carried out for a total of 5,813 minutes by the Safety Coordinators in the Execution Phase (CSEs), and 4,393 checks were also carried out during works by the Site Control Officers, which are associated with 717 technical tests.

The Group monitors the status of its suppliers in terms of accidents by recording the incidental/accidental events that occurred on its sites and involved its employees.

In 2019, there were no incidents that led to the imposition of financial penalties or warnings.

**5,120**

**INSPECTIONS**  
by Safety Coordinators in the Execution Phase



**4,393**

**CHECKS DURING WORKS**  
by the Site Control Officers

In order to improve the monitoring of health and safety performance, the Group decided to use three indicators, the first two of which are for regular statistical use, including by the National Health Service, and are covered by the UNI 7249 standard.

The indicators in use to measure effectiveness in achieving the objective are the improvement in performance as compared to the past, valued by means of **indicators of frequency and severity of the accidents occurred** and, as a preventive measure, the **evaluation of "near-miss accidents" recorded during the year.**

In this context, **reports of traffic accidents, both active and passive,** were also acquired, in consideration of the fact that traffic accidents have become of greater interest in the recent period, also in relation to the number of kilometres travelled in the course of the activity.



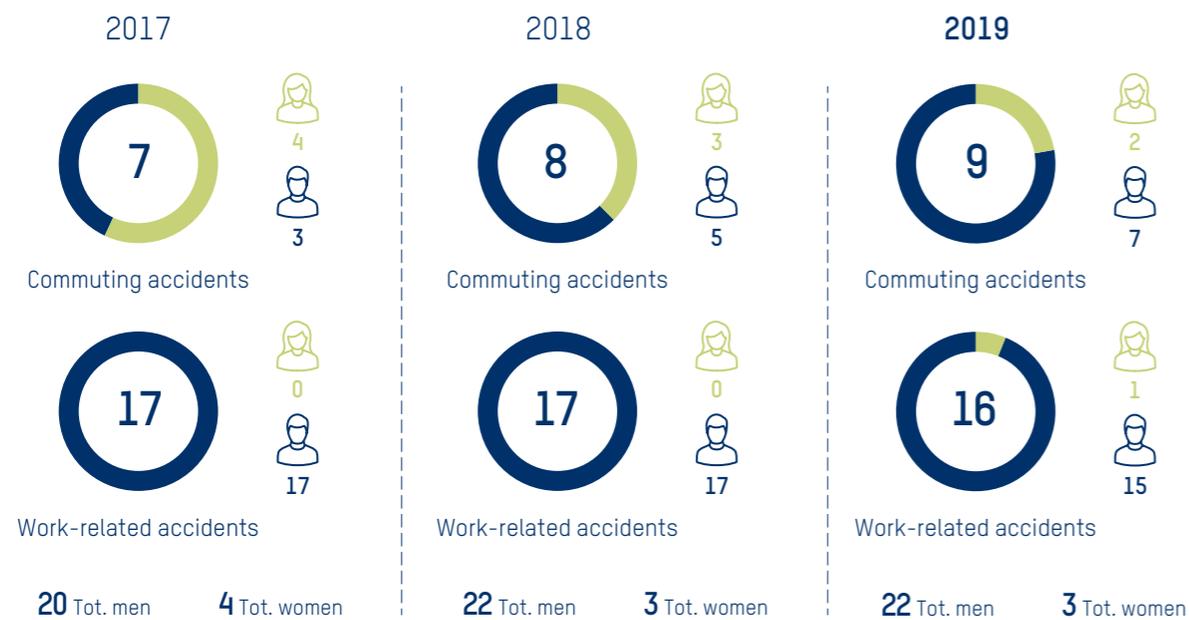
In 2019, the accident rates recorded by the Group were as follows: Accident Frequency Rate stood at 4.78, as benchmarked against a target of 4.80 (set in relation to a 4.86

Accident Frequency Rate reported in 2018), while Accident Severity Rate stood at 0.13, as benchmarked against a 0.20 target in 2018.

Given the decreasing value of the overall Accident Frequency Rate, which also takes into account the accidents recorded by the subsidiary 2i Rete Gas Impianti S.p.A., later incorporated by merger into the Parent Company, the Group has set the objective of maintaining the Accident Frequency Rate in 2020 (calculated as the number of accidents excluding while commuting divided by the number of hours worked).

**For 2020, the target is therefore again 4.80.**

## Accidents by type



## Health and Safety indices

	31.12.2017			31.12.2018*			31.12.2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Accident Severity Rate including while commuting	0.51	0.26	0.30	0.15	0.30	0.28	0.05	0.22	0.19
Accident Frequency Rate including while commuting	8.44	7.28	7.45	5.69	7.33	7.14	5.89	7.76	7.48
Accident Severity Rate EXCLUDING while commuting			0.19	-	0.16	0.14	0.01	0.15	0.13
Accident Frequency Rate EXCLUDING while commuting			5.28	-	5.67	4.86	1.96	5.29	4.78

\* Figures include the month of January 2018 also for subsidiaries 2i Rete Gas Impianti S.p.A. and 2i Rete Gas Servizi S.p.A.

With the aim of monitoring the seriousness of accidents and implementing all the preventive measures, the Group supervises the **Accident Severity Rate** (calculated as the number of days not worked as a result of an accident excluding while commuting divided by the number of hours worked).



**For 2020, the target is 0.15.**

In order to promote the development of corporate culture on **reporting the number of near-miss accidents,** the Group had set as a minimum objective for 2019 to maintain 24 spontaneous reports in relation to potential accidental events without damage to persons or property. This objective, established in relation to the assessment of risks on operational activities carried out in 2019 by Group employees, was achieved because the spontaneous reports collected during the year were summarised in **29 events.** Since

it cannot be ruled out that this type of incident will not be reported, and in order to increase the awareness of all Group resources of the importance of spontaneous reporting of such events, **a further awareness campaign will be organised in 2020, with additional enquiry channels also being activated.**

The Group is also involved in **employee training activities on health and safety issues.**

During 2019, 9,261 hours of training on the subject were provided.



## COMMITMENT

2i Rete Gas is committed to managing its **assets** by endeavouring on a daily basis to **guarantee the best possible service to its clients** by achieving **incremental standards of technical and commercial quality**, while pursuing **operation efficiency and cost-effectiveness** criteria by:

## IMPLEMENTATION PRINCIPLES

- constantly improving the **supervision of the infrastructure management and of service performance** also relying on the **digital development** of networks and processes.
- ensuring proper **monitoring of safety conditions and timely action** in potentially dangerous situations.
- **monitoring strict compliance** with regulations governing its commercial performance.
- fostering **technological innovation** as a key enabler for enhancing the metering service.



ENSURE  
EFFICIENCY,  
QUALITY and  
SAFETY

# BUSINESS MODEL

*The business model adopted by 2i Rete Gas is designed to manage efficiently the distribution infrastructure until the next renewal of the concession, ensuring the continuity and quality of the service provided.*

The business model adopted by the Group is based, as set out in the section "Policies and certifications", on the IMS implemented by 2i Rete Gas S.p.A. to ensure the Company's ability to provide the "Management and Operation of the Natural Gas Distribution Service" on a regular

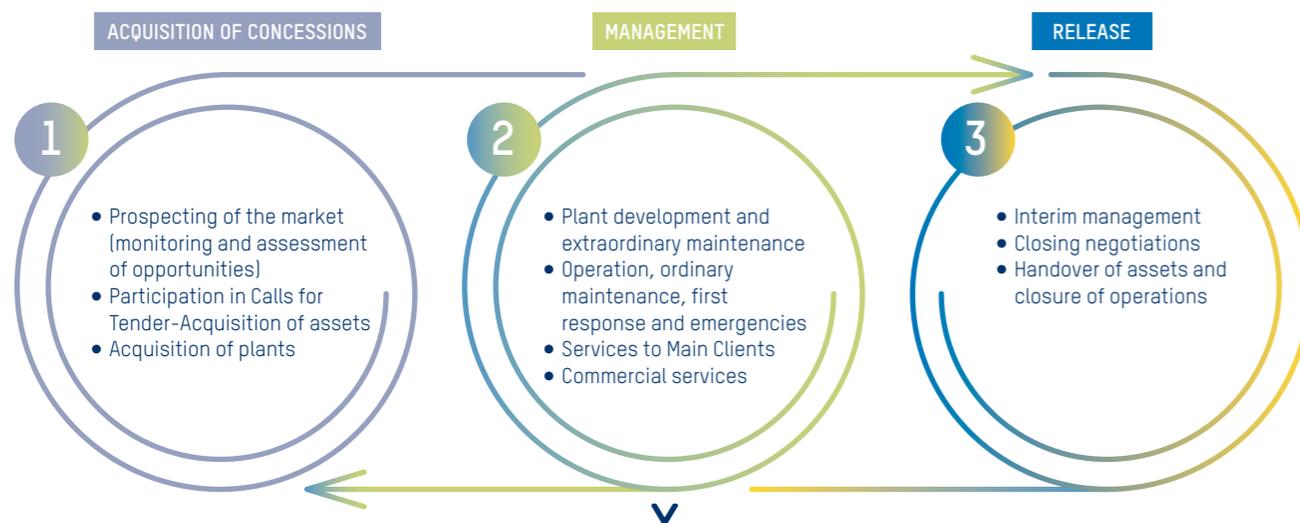
and continuous basis in compliance with the applicable mandatory requirements and in accordance with the reference certification standards. The scope of the IMS is "Activities related to the distribution of methane gas and LPG (operation, maintenance and assistance of plants and networks for the distribution of methane gas and LPG). Design, construction and installation of plants and networks for the distribution of methane gas and LPG".

The framework where this scope is identified consists of the activities

necessary to ensure the business process "Management and Operation of the Natural Gas Distribution Service" which develops in three different time phases (primary process macro-flows):

- **ACQUISITION OF CONCESSIONS** through calls for tender at Minimum Territorial Area (*Ambito Territoriale Minimo* - ATEM) level and performance of corporate acquisitions;
- **SERVICE MANAGEMENT** (operation and maintenance of facilities, provision of service to interested parties);
- **RELEASE OF FACILITIES** at the end of the contract.

## How the business model works



This division makes it possible to activate the management system and, for this purpose, to allow the analysis and identification of the Owners of individual activities, risks and opportunities, as well as the analysis of interventions.

# RELIABILITY AND EFFICIENCY OF PLANTS

*The underlying goal of maintaining an IMS is to ensure a regular, reliable and efficient service supply, while respecting the environment and protecting the health and safety of all stakeholders.*

The IMS is structured according to the principles set by the **Integrated Quality, Health and Safety and Environmental Policy**. The IMS is operated according to **Risk Management principles** whereby the most effective control actions are identified with a view to continuous improvement; IMS operations include periodic and scheduled monitoring of the Organisation's ability to ensure the management and operation of the natural gas distribution service in compliance with the applicable mandatory requirements and, consequently, the control of the activities ensured by the operational staff, in relation to the operation and maintenance of the gas network infrastructure and the supervision of service providers and suppliers of materials. For this reason, with the aim of continuous innovation and improvement of the safety, reliability and efficiency of the plants, every year audit programmes and specific controls related to it are implemented.

As required by the reference standards, **monitoring is ensured by carrying out checks aimed at verifying compliance with various parameters** which, when not complied with, could lead to a criticality in the system.

The annual results measured by the IMS are submitted to senior management for its perusal. Senior management will, at planned intervals, then review performance indicators and objectives to ensure their continued suitability, adequacy and effectiveness, as well as alignment with the organisation's strategic guidelines.

Once indicators and objectives have been established, an annual **Internal Audit programme** is defined to establish the IMS' compliance with the requirements of the organisation and with those laid down by certification standards.



Internal Audits are performed by personnel holding specific qualifications in line with each of the three relevant regulatory frameworks. These audits are designed to monitor activities pertaining to plants design, operation and maintenance, and supervision of (insourced and

outsourced) works regarding infrastructure facilities and technological buildings under the control of Departments, Territorial Areas and secondary offices. Internal Audits are also planned for the main head-office units responsible for defining and coordinating service operation and maintenance processes (e.g. Operations, Network Commercial Services, Engineering, Human Resources, Procurement and Services). This allows a significant sampling to be made on corporate processes falling within the scope of the IMS.

To the extent that non-compliance issues were detected, these were handled and resolved within the timeframes and according to the procedures set out by the System rules. Where areas showed room for improvement, practices were reviewed and/or staff training courses were planned. Audit results will also be evaluated for the purposes of Top Management Review, resulting in Risk Analysis re-validation and confirmation or revision of the related processes, as appropriate.

Internal Audits will, of course, also be the subject of a planning effort in 2020, pursuing similar objectives.

In addition to the standard audit process, IMS tasks also include **scheduled audits covering control processes considered as strategic for managing risk on the certified perimeter** in relation to:

- Asset and resource management (VISORV, material testing);
- The service provided to end clients of the network (audits performed on a test basis on service safety and continuity events and commercial quality service).

More specifically, trends are monitored in relation to:



- **Surveillance visits by internal operative personnel** (VISORV) to establish, and where necessary raise awareness in respect of, compliance with the appropriate procedures for carrying out work activities in accordance with the established rules and adopting the required health and safety precautions, including through the appropriate handling and use of the devices and equipment provided, in accordance with company guidance. This activity was reviewed and amended in 2019 and will be further enhanced in 2020, highlighting the need for a dialogue between controllers and controlled parties with a view to encouraging the submission of recommendations

or concerns that - if properly evaluated - could provide insights and opportunities for improving work organisation.



- **Inspections aimed at checking the correct performance of material testing operations** carried out by suppliers before sending the main products used in the construction of gas distribution systems to the warehouses, in order to ensure compliance with the Company's technical specifications that were adopted by the supplier during the tendering phase and confirmed to the contractual approval of the product. In 2019, the Organisation ensured the maintenance of supervision of material testing, with its own Quality, Safety and Environment unit, through the systematic control of the documentary evidence attesting to the tests performed and the maintenance of the quality of the equipment used, with a direct presence at the production plants of more than 20% of the testing convocations. This activity made it possible to gather, in the appropriate form and consistent with the relevant standards, the documentation certifying product conformity and testing. By conducting visits on a test basis at the production sites of suppliers manufacturing strategic

products (pipelines, meters, pressure reduction systems, valves), reliability of the certified tests was also verified, based on the knowledge and availability of procedures, equipment and instruments kept under metrological control.

The same activity will also be insured for 2020.



- **Performances describing the Company's ability**, in its capacity as a distribution company, **to intervene promptly in situations of potential danger** (time of arrival on site and management of the first response service) or to **organise and carry out preventive inspections to ensure a proper maintenance of safety conditions** (percentage of network subject to inspection, degree of odourisation of the gas, percentage of cathodically protected network), also in compliance with the controls relating to data regarding the processes of Safety and Continuity of service as per RQDG Regulations. The process of operating the gas infrastructure is guaranteed by the Operations unit, which establishes the guidance on the activities to be undertaken; by the Engineering unit in terms of the relevant regulatory framework; and by the territorial organisation (Department and Area)

in terms of operational aspects. The activities of operation and ordinary maintenance (network management) and extraordinary maintenance (emergency management and first response) are provided by the staff in the Territorial Areas; the monitoring of compliance with standards and objectives is ensured by the Department units which inform the head office, that operates as a body of guidance and control.



- **Audits performed on a test basis on the methods used to handle and record service safety and continuity events and commercial quality service - which are required to be notified to ARERA on a yearly basis** - for the purpose of establishing whether documentary evidence reflects the information recorded in the system and is consistent with the procedures set forth in the ARERA document governing the quality of gas distribution and metering services ("RQDG"), which regulates the different regulatory periods. **For 2019, the Group ensured a higher number of checks than those provided for in the Plan.** The results and the related assessment of the risk of penalties being inflicted as a result of inaccuracies or inconsistencies detected,

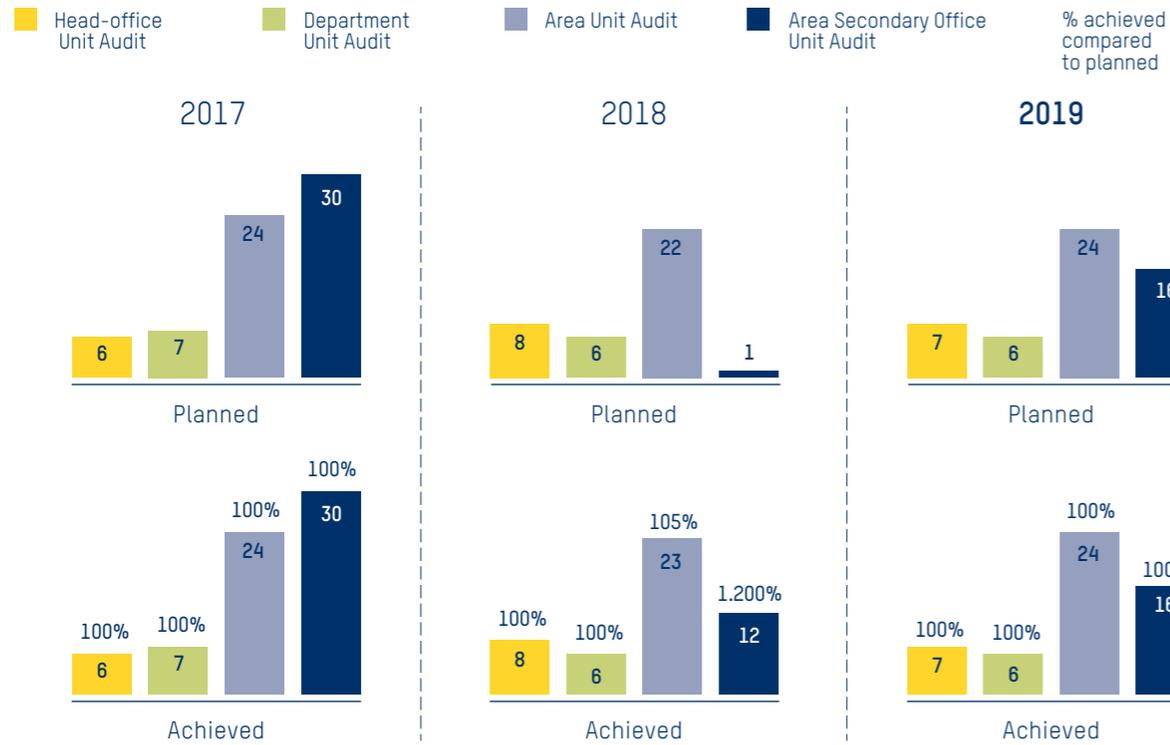
were reflected in specific minutes provided to the Territorial Area units that were visited as well as Department and Head-office units coordinating the processes reviewed. This allowed specific or process-wide realignment to be achieved in order to seize opportunities for resource training and improvement as well as drills to be performed ahead of any external inspection visits. **The same objective will also be pursued in 2020, consistent with the introduction of the new version of the RQDG Regulation in effect as of 1 December 2020.**

All the activities in the control process described above are regulated by system documents which, for various reasons, identify the responsibility, the operating methods, and the frequency with which they must be repeated over time. All system documents are consistent and in accordance with the applicable and mandatory regulations on the maintenance and operation of the gas network. For some significant parts of the network operation activities "concerning the safety and continuity of the distribution service", 2i Rete Gas operates in compliance with the rules defined by ARERA (TUDG). For these activities, every year the Authority is informed of the data relating to the Safety parameters with reference to the previous year. The monitoring and frequencies are recorded and stored on the SIRGAS and SAP PM

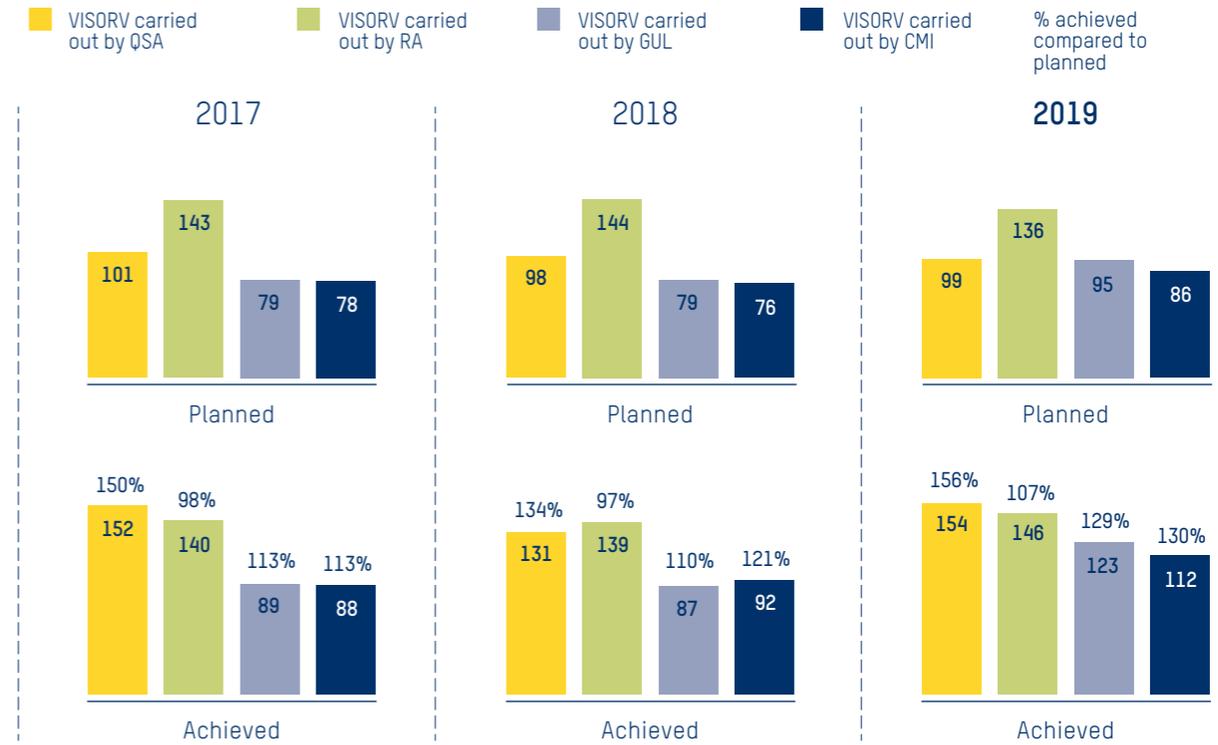
information systems. The last available parameters are the data relating to the communication to ARERA in 2019, referring to the final figures for services carried out as at 31 December 2018.

With a view to a constant attention to the safety of the plants and the end clients of the network, **campaigns** have been carried out **to pre-emptively search for dispersions and to verify on-site the degree of odourisation of the gas distributed.** With regard to the management of new technologies, it appears that the **smart meter installation, commissioning and management activities** continued in accordance with the established investment plan and in compliance with the regulation obligations established by ARERA. In addition, as an incentive to increase energy efficiency, implementation activities continued with regard to regulation of the preheating systems installed in city gates.

## No. of internal system audits

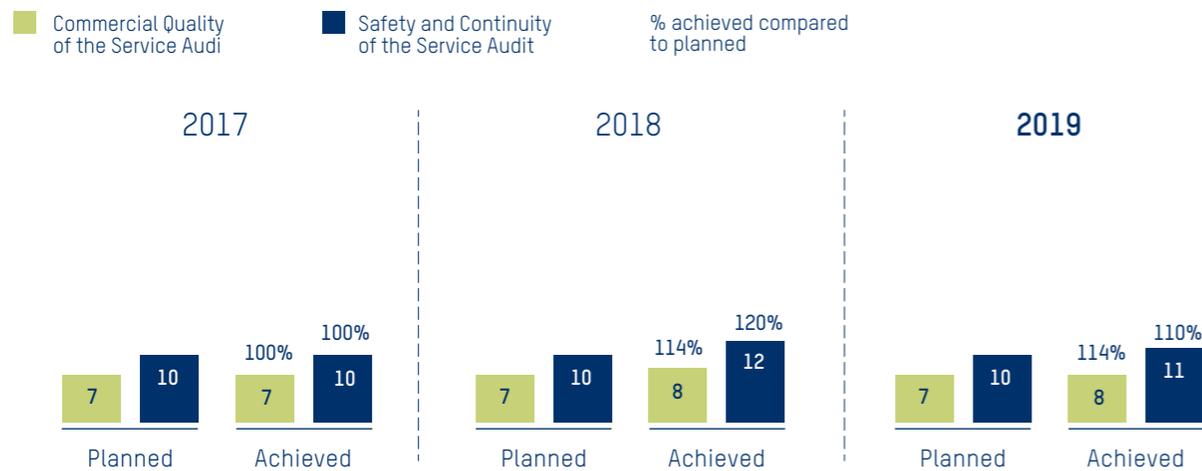


## No. of VISORV surveillance checks



QSA stands for: Department Quality, Safety and Environment  
 RA stands for: Area Manager  
 GUL stands for: End-User Management  
 CMI stands for: Plant Operation and Maintenance

## No. of audit 574/2013 Safety and continuity and Commercial quality of the service



# DIGITAL DEVELOPMENT

*As part of the Industry 4.0 initiative, 2i Rete Gas is developing solutions designed to improve monitoring and control of operational processes to ensure the highest safety standards of its systems and a higher efficiency in their operational management.*

## Advanced analytics to boost safety and operational efficiency

The Group has long been engaged in a **process of digital transformation** through **network automation and process digitalisation** endeavours: from remote monitoring of cathodic protection to remote control of pressure reduction units and city gates; from support provided to field staff through mobility and workforce management solutions to mass installation of smart meters.

Reliance on **advanced analytics technologies** on the data collected during the execution of operational processes, through both sensors and equipment installed on the systems under management and mobility tools supporting workforce management activities, allows significant results to be achieved in terms of awareness regarding the operation and maintenance of the systems under management. On the one hand, this allows potentially

anomalous situations to be detected proactively and, on the other hand, field response activity to be carried out effectively, in compliance with the highest standards of technical quality.

The Group has been applying the new technologies supporting the mass replacement project for the installation and management of gas smart meters for some years now. This has enabled it to efficiently pinpoint issues related to mobile and RF 169 MHz coverage for communication between the meters and the central system, identifying critical areas, supporting the effective analysis of the causes and directing field actions and checks selectively, thereby streamlining the meter commissioning process. The Group also correlated all the information available and collected in the corporate Big Data, implementing

user-friendly dashboards and graphic applications that provide support to specialists and technical staff in supervising, monitoring and identifying areas of focus with relative ease.

During the course of this year, 2i Rete Gas extended the experience gained and technologies implemented also to other operational process areas where systems are fitted with sensors and devices, the underlying goal being to improve and increase the efficiency of operation and maintenance processes with a view to ensuring that high technical quality levels are kept. In particular, the logics of analysis and correlation of the operating variables of the systems under management were extended with regard to the operation of cathodic protection systems and the operation of city gates and pressure reduction units.

## Remote monitoring of cathodic protection

The cathodic protection of steel pipes is achieved by causing direct current to circulate between an electrode (anode) placed in the ground and the surface of the pipe (cathode). The current so circulated decreases the potential of the metal material and reduces the corrosion rate until it stops.

The cathodic protection remote monitoring system allows the protection level of steel pipelines to be monitored remotely through a series of sensors installed on the pipelines, which check the potential differential between the pipeline and the ground and detect whether potential hazards

exist, such as anomalies on the power supplies that feed the electric potential into the pipelines.

To optimise the monitoring process and identify top priority field actions to be taken, supervised algorithms have been applied to analyse the information detected during the operation of the remote monitoring system. This allows a distinction to be made with absolute accuracy regarding issues pertaining to the remote monitoring equipment and, within such issues, problems related to the power supply, so as to ensure interaction with the workforce

management systems for a timely management of field operations while supporting the most efficient scheduling thereof. The algorithms being implemented analyse and learn the behaviour of thousands of field sensors, defining behavioural patterns that accurately identify potentially problematic situations in respect of which - through automatic interaction with the cathodic protection remote monitoring system - the details of daily measurements are requested remotely to aid the technical control room in validating the anomaly.

## Remote alarm system of pressure reduction units and city gates

The remote alarm system monitors the main and most important operating parameters of plant components and ensures automatic and remote interaction with the central system, allowing any anomalous behaviour to be intercepted. This makes it possible for automatic decisions to be made as to whether staff need to be sent on site to deal with first response management

The remote alarm system performs analyses on all the parameters

detected by the remote-control units and requested daily by the central system or sent automatically from the field unit to the central system when the warning thresholds of one of the sensors installed on the reduction units or city gates and connected to the control system are exceeded.

To maximise the level of effectiveness of connectivity between field equipment and the central system,

analysis statistic algorithms have been deployed. They check communication errors, correlate them to incidents connected to general connectivity issues and to the operation of the communication system, triggering automatic changes in query schedules and return mechanisms with the aim of increasing effectiveness and, therefore, the level of safety during plant operation.

# Smart meter project

2i Rete Gas continued with the **installation and activation of gas smart meters**, considering this activity to be the most tangible expression of its capacity for innovation in its industry.

The **installation of smart meters and the infrastructure for collecting consumption metered data** continued in 2019. The plan to replace the meters is confirmed as one of the most important projects of the Group, both from the point of view of innovative and technological content, and with reference to the terms of investment.

The installation and use of new generation smart meters ensures greater accuracy in metering and prompt recording of the current consumption while improving the effectiveness of the corporate management and monitoring processes underlying the metering system, also thanks to remote equipment management capabilities.

The implementation of digitised and automated logics has resulted in a more extensive monitoring of the measurement system, ensuring an increasingly efficient service delivered to end clients, with a role being played to this end by the deployment of a

cutting-edge network that makes it possible to intercept and process any anomalies relating to the data collected.

The project also offers end clients the possibility of being better informed on their consumption and gives an effective reduction of the CO<sub>2</sub> produced, thus meeting the EU objectives set out in the plan "20-20-20 climate & energy package".

**The Group's objective for 2019**, in compliance with the Authority's resolutions, **was achieved with 3.4 million smart meters, equal to approximately 76% of the Group's total number of meters** (63% in 2018).

# Infrastructure for the collection of data from smart meters

In addition to the installation of meters using a **point-to-point technology** (where data are transmitted via a SIM card across the mobile network), the project includes the deployment of a

concentrator-based data transmission infrastructure in major cities and in highly urbanised areas or areas where telephone network coverage is poor. Such an infrastructure will

allow signals from smart meters to be collected using a **point-to-multipoint technology** while affording a **concrete opportunity for operating a multi-service network**.

**3,800**  
CONCENTRATORS  
INSTALLED

**3.4 million**  
SMART METERS INSTALLED  
76% of the Group's total meters

**4 million**  
SMART METERS  
2020 OBJECTIVE



*Smart meter that transfers data via mobile connection (point-to-point technology)*

*Concentrator that aggregates the radio signals of multiple meters (point-to-multipoint technology)*



# CYBERSECURITY

*2i Rete Gas believes that the technological evolutions and the potential offered by the gradual spread of the Internet of Things (IoT) can be a lever for the improvement of the services provided, opening up cutting-edge prospects also in the gas*

*distribution industry. The Group is also aware of the fact that cybercrime has been growing in the past years at a high rate and that infrastructure managers are required to take appropriate countermeasures to ensure the security and*

*continuity of the service offered. Therefore, in parallel with the progressive digitisation of the network, the Group is investing in cybersecurity solutions aimed at strengthening and protecting its infrastructure.*

## Privacy and data security

The Group has long since supported the ongoing digital transformation process with a **parallel and continuous increase of cybersecurity initiatives** aimed at ensuring the quality and safety of the service offered, protecting all tangible and intangible assets that may be put at risk by cybercrime attacks.

The digitisation of processes and infrastructures inevitably brings a greater risk of cyber attacks, so it is increasingly important to have solutions that allow a real-time visibility on environments, resources and threats, in order to identify any anomalies in advance and promptly manage them. To this end, as early as in the previous financial year, the

Group devised a detailed programme of activities consisting of four main macro focus areas:

**ENDPOINT:** protection of the devices – computers, tablets, connected devices – within the Group's operational sites;

**DATA CENTER:** protection of "server" systems hosted by the IT infrastructure provider;

**NETWORKING/TLC:** strengthening of security measures to ensure the protection of connectivity networks;

**FIELD EQUIPMENT:** activation of protection tools related to the business systems used throughout the territory.

Since last year, special attention has been paid to GDPR and service security issues as part of these focus areas. Endeavours launched in 2018 were completed during the year. They covered the following areas:

- **Data Loss Prevention:** identification and implementation of solutions capable of detecting and preventing the loss of significant and intellectual property data and deployment of control indexes with a view to identifying data loss from a GDPR perspective, with metrics for early detection of related risks.

- **Data Base Protection:** implementation of solutions to trace in real time the activities recorded in company databases, with the aim of identifying and preventing behaviours - from any source - considered as potentially illegal, fraudulent or, more generally, undesired. Again, reference to key GDPR-related issues is crucial in order to prevent data breaches that are potentially harmful to the public at large and the People working in the Group.

- **Next Generation End-Point Protection:** implementation of advanced endpoint protection solutions - typically company computers or tablets - so as to ensure dynamic detection of known attacks, exploits and malware; deployment of automatic policies to mitigate threats and, if necessary, restore endpoints to the latest reliable state, minimising data loss.

- **Security Awareness:** constant training and awareness-raising activities continued to be carried out during the year, with the aim of increasing the level of user knowledge and awareness of targeted threats, including by sending email containing warnings and explaining how to behave with regard to currently widespread threats.

- **SCADA Security:** the security of field devices and Supervisory Control and Data Acquisition systems against cyber attacks, as the meter reading communications network expands, becomes an increasingly important issue. The Company also proactively sits on the boards of industry research bodies (Italian Gas Committee) to share its own experience in this area but also to keep abreast of best practices.

From an infrastructural perspective, the level of resilience to possible cyber attacks continued to be monitored. To this end, Disaster Recovery and Vulnerability Assessment & Penetration tests were carried out by the Group on a regular basis. No substantiated complaints concerning breaches of client privacy were received during the year.

## COMMITMENT

Zi Rete Gas is committed to promoting and implementing initiatives designed to ensure a sustainable evolution of gas infrastructure in the medium to long term and compliance with principles of environmental protection and safeguard, the aim being to provide its support in establishing a new energy paradigm for a future with reduced impact on the environment by:

## IMPLEMENTATION PRINCIPLES

- promoting and rolling out the transition process based on endeavours launched in several areas, such as the promotion of gas as a resource for transition to a cleaner future, the pursuit of advanced asset uses with a view to green objectives, the expansion of its scope of operations in support of decarbonisation by submitting energy efficiency proposals.
- minimising the impact of its business operations on the surrounding environment.



DISTRIBUTE  
ENERGY FOR A  
CLEANER FUTURE

# SUPPORTING ENERGY TRANSITION

*2i Rete Gas believes that the establishment of a new energy paradigm for a sustainable future with reduced carbon dioxide emissions and the achievement of the objectives set by the European Union may result in gas playing a key role as the ideal fossil source to structurally accompany renewable sources, also increasing their flexibility of use while guaranteeing the security of the Country's energy system.*

Supporting this view is (i) the extensive reach of the existing infrastructure, which is also primed to respond to other future challenges in new scenarios, (ii) use programmability and safety, (iii) its reduced environmental impact as it is free of particulate matter and has low CO<sub>2</sub> emissions, (iv) its flexibility of use and (v) its full integration with electricity produced from renewable sources, also as regards the storage and accumulation of energy obtained from such sources (through "power-to-gas" solutions).

On the basis of these beliefs, the Group launched a number of initiatives in several areas with a view to providing its contribution to **ensuring a sustainable development of gas infrastructure in the medium to long term.**

WITH PARTICULAR REFERENCE TO THE ENVIRONMENTAL IMPACT, FOR THE SAME AMOUNT OF ENERGY PRODUCED, NATURAL GAS EMITS BETWEEN 25% AND 40% LESS CARBON DIOXIDE (CO<sub>2</sub>) THAN OTHER FUELS FROM FOSSIL SOURCE.

# Promotion of gas as resource for transition to a cleaner future

The consolidation of the Company's **commercial development model**, which is geared towards the replacement of more polluting fuels and the supporting of **gas advocacy initiatives** designed to lend further value to gas as an indispensable fossil source to sustain the development of renewable sources, guaranteeing supply flexibility and safety across the system as well as the possible transport of alternative and renewable gas, are among the key drivers 2i Rete Gas relies on to provide its contribution to the promotion of gas as key resource in an evolving energy setup.

## COMMERCIAL DEVELOPMENT MODEL

In 2019, the commercial model introduced in 2018 was consolidated with the aim of expanding the network, acquiring and activating new redelivery points and, more generally, promoting the adoption of gas, with

target-oriented actions being taken to support its penetration in areas that have no access to methane. **Switching to methane gas from more polluting and less efficient carriers** (e.g. diesel, LPG, coal and pellets) is, **among other things, a tangible contribution to decarbonisation.**

To this end, advertising and direct marketing campaigns were launched, especially on the occasion of operating new methane pipelines or network extensions, with information events being held and promotional material being distributed. Endeavours were also launched or extended to encourage the use of methane gas in areas with greater potential in terms of unserved users, offering discounts for connection/activation requests.

These endeavours were extended to 453 municipalities, mainly in central-southern Italy, where reductions were granted on connection installation fees, while in municipalities showing a high potential in terms of

redelivery points installed but never activated, promotional campaigns were launched on activation and documentary control fees.

Promotions were offered directly to end users through a dedicated toll-free number but also through the efforts of sales companies (pull activities) and installers operating in the local areas (push activities).

The commercial model provides for the management of requests for quotations for the realisation of new connections, coming from clients (also through installation firms) that are operating on behalf of the company; these Installers, acting on the basis of a specific agreement, look for new potential end clients to whom illustrate the **advantages of the use of natural gas**, to propose the connection to the network, and they play a facilitating role until the activation of the supply. In 2019, the Group relied on the support of 59 installation firms.



DOMESTIC USE

INDUSTRIAL USE

TRANSPORT USE



### GAS ADVOCACY INITIATIVES

To make the general public aware of **gas benefits** from both a **cost savings** and **environmental impact** perspective (reduction of CO<sub>2</sub> and other emissions of pollutants such as SO<sub>x</sub>, NO<sub>x</sub>, volatile compounds, particulate matter), especially in comparison with other carriers (e.g. LPG, diesel, pellets, wood...), as well as in terms of **safety** when it comes, in particular, to L<sub>2</sub> supplied in cylinders or stored in tanks, in

addition to the aforesaid initiatives, the Group supports communication campaigns launched by industry associations, whereby they **explain the reasons why gas is viewed as a key resource in order to deal with the energy transition process that the Country intends to address**. For example, the Parent Company, together with other companies operating in the gas industry, supported the communication campaign that the main trade

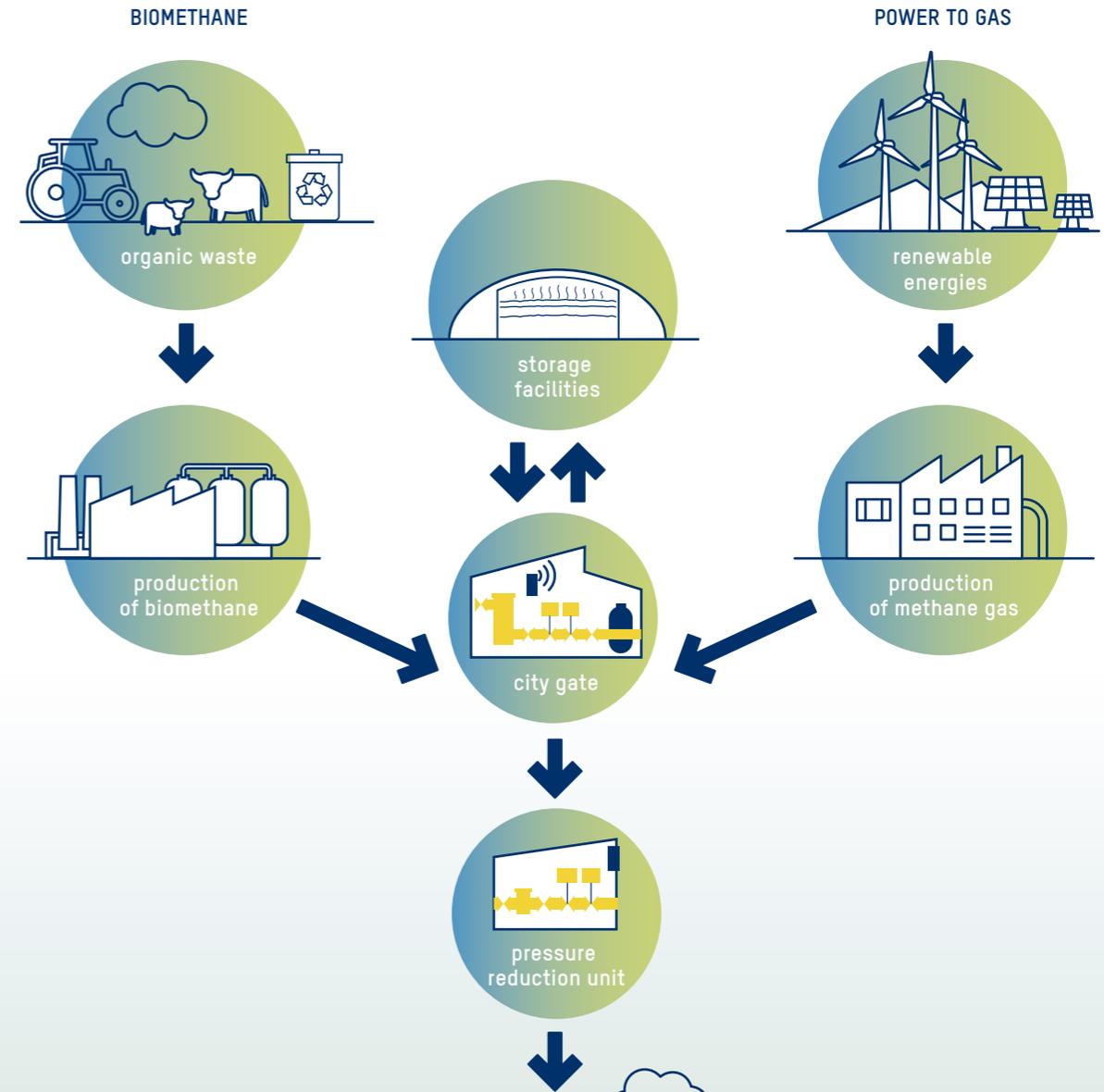
associations have been developing together with AgiFactory since the end of 2018 to illustrate - through digital tools (i.e., social networks and the dedicated magazine at [www.naturalmentegas.com](http://www.naturalmentegas.com)) - the properties of this energy resource and, therefore, raise new awareness of natural gas as a possibility to be exploited.

## Pursuit of advanced asset uses with a view to green objectives

Promoting and implementing initiatives to ensure a sustainable development of gas infrastructure in the medium to long term also means **enabling the future use of distribution assets in a low-carbon scenario**, including the distribution of "renewable gas" and affording flexibility to the energy system. As a result, increasing **contacts with**

**companies producing biomethane and looking into viable solutions to address technical limitations and encourage experimental endeavours for feeding synthesis gas into the network** (power-to-gas) are other drivers 2i Rete Gas relies on in an attempt to outline the evolutionary role played by the gas infrastructure while enhancing its potential, considering

that although technologies underlying the connection of biomethane plants and the integration of power-to-gas systems are currently available, the level of maturity of solutions designed to integrate distribution networks with renewable and synthetic gas is yet to be consolidated from a business model, regulatory framework and operating process perspective.



## BIOMETHANE

Biomethane is a renewable and programmable source. It is obtained from anaerobic digestion of agricultural and agro-industrial by-products, as well as from organic waste, and can be used on site or supplied to the existing transmission and distribution networks. Its use makes it possible to meet decarbonisation objectives, promote a significant increase in national gas production and implement a concrete model of circular economy by integrating the agro-food and the environmental services industries with the energy chain.



However, since biomethane production plants have limited output modulation capacity, the network's ability to absorb the gas being produced becomes critical. Indeed, in case of connection to the distribution network, consumption volumes allowing its full absorption by the network may not be available under certain conditions (e.g. summer period), posing constraints on the technical feasibility of the operation. In such situations, in order to make the operation sustainable and avoid technically burdensome and expensive solutions, feeding excess gas into the transmission network (reverse flow) should be made possible by relying on ad hoc plant-engineering solutions (bidirectional city gates).

While plant-engineering technology has been developed, solution implementations are not yet operational, nor has the reference regulatory framework been regulated yet.

### Zi Rete Gas can act as a facilitator of a "system" approach by:

- Starting experimentation endeavours aimed at testing technology (reverse flow) and process;
- Supporting the finalisation of the regulatory framework to define practices, constraints for operators and return on investment assumptions.

Also to this end, **in 2019 the Group increased contacts with biomethane producers interested in considering cost estimates for connection to the methane gas distribution network.**

In response to 64 requests received, following technical feasibility analyses the Parent Company prepared 14 cost estimates, one of which was accepted.

## POWER TO GAS

The possibility of integrating the gas network with the electricity network (power-to-gas) identifies an innovative solution to accumulate and use excess electricity production from renewable sources and optimise the use of existing networks. Hydrogen, obtained through an electrolysis

process, can be injected into the network, in combination with natural gas, or subsequently combined with CO<sub>2</sub>, obtaining synthetic methane. The energy produced from non-programmable renewable sources (i.e. wind and photovoltaic plants) and not used is converted into synthesis gas, subtracting CO<sub>2</sub> from the environment and solving the problem of the accumulation of excess electricity when there is no demand. The gas thus produced (hydrogen and/or synthesis gas) can potentially be used in all sectors: domestic, electricity generation and transport. This avoids the costs of investing in new infrastructure for the transmission, distribution and storage of electricity, while continuing to make full use of functional and efficient infrastructure such as that already in place for the transmission, distribution and storage of natural gas.



In this respect, several system-related benefits are identified:

- Immediate use or storage of excess electricity production from non-programmable renewable sources;
- Use of the gas transmission, storage and distribution infrastructure in a low-carbon scenario, exploiting its power deliver capacity to cover winter consumption peaks, avoiding large

electric infrastructure upgrading investments;

- Load balancing of the power grid.

At the same time, power-to-gas solutions involve points of attention:

- Technology success prospects:
  - Economic viability (process yields, electricity prices);
  - Competition with other storage systems (batteries, pumping);
  - Competitor technologies for electrolysis and methanation with different levels of efficiency and maturity.
- Effective integration with the gas network:
  - Defining maximum limits for inputting hydrogen into natural gas transmission and distribution networks;
  - Defining the role of the distributor.

Being aware that the process for integrating power-to-gas solutions with the (Italian and European) energy system is still in an experimental phase and that the industry's development requires the implementation of pilot projects involving several players (e.g. electricity producers, gas distributors and transporters, technological partners), in conjunction with the finalisation of a regulatory framework, **Zi Rete Gas is ready to provide its contribution by encouraging the necessary experimentation.**

## RESEARCH AND COLLABORATIONS

As a contribution to the pursuit of **advanced asset uses with a view to green objectives**, in 2019 Zi Rete Gas started collaboration schemes with RSE (Ricerca sul Sistema Energetico S.p.A.) to explore technical solutions for feeding into the network gas from renewable sources.



The subjects covered by the two-year collaboration agreement entered into between Zi Rete Gas and RSE (Ricerca sul Sistema Energetico S.p.A.) include the analysis of the methods of feeding biomethane (produced from biomass) or synthesis gas (produced by power-to-gas plants) into the natural gas distribution networks and the study of possible solutions to increase continuity of use of these gases.

The collaboration scheme is based on the parties sharing mutual knowledge, skills and resources useful for carrying out joint research efforts leading to the:

- Definition of a **method for analysing** gas distribution networks in respect of which injection and withdrawal profiles derived from real measurements are known, which can provide guidance as to **whether injecting gas** from renewable sources **is compatible**;

- Simulation of plant structure **evolving scenarios** that can **solve possible limitations or non-compatibility** related to injection, for subsequent **technical validation** of the identified scenario and economic sustainability analysis.

In addition to being part of the development of research endeavours of general public interest for the national energy system and, as such, being in line with RSE's mission, this collaboration agreement reflects Zi Rete Gas' commitment to a sustainable development of natural gas distribution infrastructure by identifying solutions that support their use in the medium to long term.

# Energy efficiency

Again, with a view to supporting energy transition, 2i Rete Gas pursues the development of value-added services, enhancing its relations with stakeholders (Municipalities, Sales Companies, service providers) by deploying energy efficiency initiatives intended for public entities (to be also extended to the private sector) with regard to buildings, heating and lighting systems.

In 2017, the Pilot Project known as "Energy Efficiency" was launched. The dedicated working group supported the Public Administration in the process of obtaining the energy certification of its buildings, proposing and developing projects aimed at increasing the efficiency of the energy performance of the systems in the municipal heritage and the simultaneous reduction of consumption.

The work plan preliminarily concerned the perimeter of the Municipalities in which the Group currently operates the gas distribution system, taking into account both the size (small/medium/large) and the geographical location (north/centre/south).

From the initial perimeter of 180 selected municipalities, 28 Public Administrations were identified, where energy audits were carried out for a total of 121 sites owned by the municipality such as schools, town halls or gyms.

In 9 of these Municipalities an energy audit was carried out also on the public lighting system.

As part of the **initiatives supporting decarbonisation**, this Pilot Project resulted in a partnership with Tekne Esco S.r.l. for the submission of energy efficiency final proposals by relying on Project Financing (under Article 183 of Italian Legislative Decree no. 50/2016).

In July 2019, this partnership led to the establishment of a new company, "2i Servizi Energetici S.r.l.", consisting of 2i Rete Gas S.p.A. (60% interest) and Tekne Esco S.r.l. (40% interest).

To date, final proposals for energy efficiency through project financing have been presented in 11 municipalities: 2 final proposals for building efficiency and 9 proposals for public lighting systems.

2i Servizi Energetici S.r.l. carries out **studies for the feasibility and financing of possible interventions**; it carries out **engineering analysis, energy diagnoses, final and technical design projects**, aimed at assessing the current state of sites, the margin for development and optimisation of their energy performance, including through the possible introduction of new innovative technological solutions.

In addition, the **economic impact and financing of investments** is assessed through the preparation of **ad hoc business plan models**, as well as the **potential direct generation of Energy Efficiency Certificates**.

2i Servizi Energetici S.r.l., therefore, acts as the sole point of contact with and promoter for Public Administration, in its capacity as external Energy Manager, performing detailed energy diagnostics, recommending efficiency solutions, designing, financing, implementing and managing them according to best practices for the entire duration of the concession.

# ENVIRONMENTAL MANAGEMENT AND OPTIMISATION OF NATURAL AND ENERGY RESOURCES

*2i Rete Gas monitors and evaluates the impact arising from the performance of its activities, in order to identify the relevant factors, both direct and indirect, and to implement initiatives and projects aimed at a responsible mitigation of such impact.*

The main **direct impact** that the organisation monitors is: greenhouse gas emissions into the atmosphere, noise emissions from plants, and waste production. It also monitors **energy consumption** such as consumption related to the vehicle fleet and technological internal consumption (gas for preheating in decompression systems, electricity for cathodic protection systems). No indicators are given on water consumption as it is not relevant in the gas distribution process.



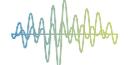
**Indirect impact**, namely that produced by the activities entrusted to suppliers, is instead identified and governed by contractual obligations and provisions. The Group monitors indirect impact by means of field inspections carried out by local units. Finally, the Group monitors and controls its internal consumption in terms of primary energy.

## MONITORED INDICATORS

(data referring to the perimeter for the entire year 2019)



energy consumption



noise emissions



waste production



gas emissions

# Energy consumption

In 2019, the **total amount of energy consumed to ensure the operation of the corporate vehicle fleet was approximately 4% lower** than in the previous year. The data comparison analysis shows a 1.14% (about 381,000 km) reduction in total km travelled compared to 2018, in connection with a decrease of about 2% in energy used.

A further analysis in order to assess the maintenance of the trend of consumption, however, confirms an average ratio of 2.61 MJ/Km, slightly lower than in 2018, confirming the trend in optimisation of consumption due to the upgrade of the vehicle fleet.

In its constant pursuit of efficiency and respect for the environment, with special reference to the reduction of its carbon footprint, and following assessments of consumption and impact measured on the operating fleet of the merged company 2i Rete Gas Impianti S.p.A., in 2019 2i Rete Gas also launched a **project aimed at increasing the number of low emission vehicles in the company car fleet**. In this connection, starting in 2020, in some areas to be identified in relation to requirements such as availability of supply points, the current vehicles powered using traditional fuel (diesel oil) will be gradually replaced with

methane-powered vehicles, the goal being to gradually **upgrade the entire operative fleet by the year 2023**.

In the light of the foregoing steps regarding the gradual upgrading of the operating fleet and process-related actions aimed at optimising routes and mileage, it was decided to **set the consumption optimisation indicator for the year 2020 on an average ratio of 2.60 MJ/Km for the whole operative fleet**.

## Direct energy consumption on vehicles

Direct energy consumption (vehicles)

	2017		2018		2019		
	t	GJ	t	GJ	t	GJ	
DIESEL	1,895	80,921	1,986	84,802	1,957	<b>83,564</b>	Consumption of the vehicle fleet
PETROL	7	324	26	1,131	15	<b>668</b>	Consumption of the vehicle fleet
METHANE*					52	<b>2,347</b>	Consumption of the vehicle fleet

Conversion Factor Source: UK Government GHG Conversion Factor for Company Reporting 2019.

\* In 2019, the indicator calculation technique was honed, as a result of which these figures are not comparable with 2018.

In 2019 the amount of energy consumed to ensure the operation of the technological systems at the City gates (gas preheating in the decompression process) was almost stable, as the ratio between the energy consumed for the operation of the decompression systems and the gas passed through these systems is constant and equal to 0.0010 Stm<sup>3</sup> consumed/ Stm<sup>3</sup> passed, confirming the same ratio as the one resulting previously for the years 2018 and 2017.

On the other hand, in 2019 the reporting of the volumes of gas passed was further segmented, separating internal consumption pertaining only to the City gate systems in which the preheating equipment is in operation. As a result of this new segmentation, the energy consumed/gas passed ratio stood at 0.0013.

In line with decisions made in 2018, 2i Rete Gas S.p.A. measured **consumption of methane gas used**

for heating office and warehouse buildings during 2019 as required.

The figures resulting from 2019 consumption made it possible to assess plant efficiency (according to the criterion Stm<sup>3</sup>/dd (degree days) year on m<sup>2</sup> heated surface of the buildings). Ratio is represented by a weighted average of 0.0039.

In 2019, the total amount of energy purchased from the grid was 8% lower than in 2018.

The figure includes consumption for the operation of buildings and technological systems.

The most significant decrease (22.5%) was recorded on building consumption and was attributable to the change in scope for the year 2019 following the gradual implementation of the office replacement plan, where preference is given to buildings featuring more advanced installations and belonging to higher energy efficient classes. In terms

of technological consumption, an overall similar decrease (3%) was observed on the total of the plants under management, compared to 2018.

The level of efficiency of consumption, however, stabilised at a value of 0.685 GJ per km of network (2018 figure: 0.700 GJ/Km of network). The deviation was due to a 1.3% decrease in the steel network managed as at 31 December 2019, combined with the progressive plant upgrading and efficiency-boosting operations.

On the other hand, the reporting of energy consumption related to cathodic protection systems was further segmented in 2019, resulting in the separation of consumption of those plants where only one system is in place for city gates and cathodic protection. As a result of this new segmentation, the energy consumed/km of protected steel network ratio stood at 0.059.

## Direct energy consumption (technological systems and buildings)

Direct energy consumption (Energy consumed for the business technological cycle)

	2017		2018		2019		
	m <sup>3</sup>	GJ	m <sup>3</sup>	GJ	m <sup>3</sup>	GJ	
ENERGY USED (methane gas)	5,993,931	207,037	6,425,084	221,929	6,623,694	<b>228,790</b>	Heat production for City gates
			247,043	8,533	250,139	<b>8,640</b>	Heating of Buildings (Offices and Warehouses)

Conversion Factor Source: ENEA.

## Indirect energy consumption (purchased from the grid for buildings and technological systems)

	2017	2018	2019	
	GJ	GJ	GJ	
<b>ENERGY PURCHASED FROM THE GRID</b>	9,523	11,899	<b>9,212</b>	Energy consumption of buildings
	31,079	36,845	<b>35,576</b>	Technological systems

Conversion Factor Source: ISPRA 2017.

## Noise emissions

With regard to noise emissions deriving from the technological infrastructure, **2i Rete Gas monitors the emission values of its plants through targeted measurement campaigns.** The data collected make

it possible to ensure conformity of emission values in compliance with the relevant acoustic zoning set for each individual plant. If values are exceeded or the community reports emission values that are

considered to exceed thresholds, then measuring will be performed immediately and actions will be taken accordingly to bring emissions back in line with regulatory and acceptable standards.

## Waste

Once their service life cycle ends, the products and materials used in the Group's core business processes are treated as special waste, in accordance with the provisions of mandatory regulations.

With regard to waste management, special attention is paid to waste collection, transport and treatment methods, ensuring that priority is given to the purposes of recovery, reducing waste transfer to landfill

to a minimum, thereby minimising negative impact on the environment.

The Group pursues its recycling management targets of 95% for special non-hazardous waste produced and 70% for special hazardous waste.

The main tools relied upon to pursue these objectives include:

- Optimising the recovery process of special waste generated during

plant operation and maintenance activities, selecting products having a life cycle with a lower environmental impact;

- Executing contracts with waste collection, transport and management service providers that rely on advanced technologies (best practices) for material sorting and recovery, reducing waste to a minimum.

Waste production management is such a priority for the Group, that it ensures that best practices are also adopted in respect of special waste produced by third-party companies during plant construction and maintenance operations, as it endeavours to play a follow-my-lead role inducing suppliers to behave responsibly with regard to recovery.

In 2019, **the total amount of special waste generated and managed by the Group totalled about 936 tonnes, with**

**a percentage of waste transferred to recovery installations (R12 and R13) standing at 99.87%** (99.94% in 2018).

This quantity was subsequently treated at the waste management plant with recovery operations, resulting in a recovery rate of about 87%, with the remaining 13% being disposed of in landfills.

With reference to the total quantity of waste produced on an annual basis, an ad hoc measurement indicator was also introduced, known as the "Waste Index" (*Indice Rifiuti - I.R.*). It is represented by the ratio between the quantity of special non-hazardous and hazardous waste produced in the reporting year and the number of active users as at 31 December of the reporting year.

## Emissions into the atmosphere

**As regards the total amount of CO<sub>2</sub> emitted as a function of energy consumption, 2019 showed a 2.4% reduction** compared to 2018.

When analysing each energy carrier individually, it becomes apparent:

- a positive balance regarding the CO<sub>2</sub> produced by the use of energy for the operation of the corporate vehicle fleet. Indeed, overall CO<sub>2</sub> generated dropped by 3.5% as benchmarked against a 2% reduction in consumption, thanks to the efficiency gains resulting

from the replacement of the vehicle fleet with more advanced energy class vehicles.

However, the average figure of emissions per km travelled is improving, with grCO<sub>2</sub> per km standing at 189 in 2019, below the 200 grCO<sub>2</sub> per km recorded in previous years.

- regarding the CO<sub>2</sub> produced in relation to the consumption of methane gas used in technological systems, the figure is higher overall, since the

quantity of gas passed through the plants in which the energy was used is over +2% while maintaining the degree of plant efficiency, with a percentage of emissions from combustion in relation to the gas passed of 2 kgCO<sub>2</sub>/Stm<sup>3</sup>.

For the consumption deriving from the use of gas for heating purposes in offices and warehouses, **the 2020 emission figure, as mentioned above, will be compared in terms of efficiency and emissions with the 2019 figure.**

## Direct emissions (diesel, petrol for the vehicle fleet and natural gas)

### Direct emissions (Scope 1)

	2017	2018	2019	
	t CO <sub>2</sub> e	t CO <sub>2</sub> e	t CO <sub>2</sub> e	
<b>DIESEL</b>	5,942	6,263	<b>6,095</b>	Vehicle fleet
<b>PETROL</b>	22	77	<b>46</b>	Vehicle fleet
<b>NATURAL GAS</b>	-	41	<b>133</b>	Vehicle fleet
	11,718	12,561	<b>12,956</b>	Technological systems
	-	483	<b>489</b>	Energy consumption of buildings

Conversion Factor Source: UK Government GHG Conversion Factor for Company Reporting, UNFCCC 2019

## Indirect emissions (energy purchased from the grid)

### Indirect emissions (Scope 2)

	2017	2018	2019	
	t CO <sub>2</sub> e	t CO <sub>2</sub> e	t CO <sub>2</sub> e	
<b>ELECTRICITY PURCHASED FROM THE GRID</b>	3,589	4,308	<b>3,543</b>	Technological systems and offices/ warehouses

Conversion Factor Source: ISPRA 2018 (Report ISPRA 303/2019). The data for 2017 have been adjusted and recalculated on the basis of the updated emission factor (ISPRA Report 280/2018 "Atmospheric emission factors of greenhouse gases and other pollutants from power sector").

The remarks made concerning the consumption shown in the table "Indirect energy consumption (purchased from the network and technological systems)" apply. The electricity purchased by the Group

was produced with a component from renewable resources which the selling company stated to be 17%; prudentially, however, the emission factor ISPRA in tonnes of CO<sub>2</sub> is considered for the energy

produced, which does not consider the component from renewable resources. Water extraction is not tracked, as it is not relevant to the core operational activity.

# Monitoring indicators and KPIs

Each year, the IMS' Key Performance Indicators collected by the head office are analysed and presented in the "Management Review" system document and brought to the attention of the Chief Executive Officer; in the same document, top management identifies and sets the KPI objectives for the following year. For 2019, in order to reduce the consumption of raw materials and natural resources, the following objectives have been defined:

- **Reduction of primary energy consumption for technological purposes.**

The defined parameters are aimed at verifying the ability to optimise the energy necessary to ensure the preheating of gas in the decompression process and in the management of the cathodic protection process of the steel pipelines.

Two indicators are processed:

- > The first refers to the **ratio between the amount of energy consumed in the reporting period and the volume of gas passed through the city gates** (for the measurement of efficiency of the preheating process).

For 2019 the objective was to maintain the ratio at 0.0010: **the result confirmed a value of 0.0010, substantially in break-even.**

As illustrated earlier in the "ENERGY CONSUMPTION" chapter,

gas volume reporting was further segmented in 2019 by including gas injected only for plants where gas is used for preheating. The energy consumed/gas passed ratio came in at 0.0013, a figure higher than the ratio set for 2019 but certainly more accurate. As a result, consistent with the principle of maintaining efficiency in relation to consumption, **the 2020 ratio for assessing plant efficiency was set at 0.0013** (Stm<sup>3</sup> gas consumed/ Stm<sup>3</sup> gas passed).

- > The second refers to the **ratio between the amount of electricity consumed in the reporting period and the km of steel network operated in the same year** (for the measurement of efficiency of the cathodic protection process).

In 2018, the non-consolidated indicator (0.65 GJ/km) showed a 7% increase in consumption. The goal set for 2019 was to "limit the natural increase in consumption to a figure that would not exceed 7% as compared to the previous year".

Analyses show that **with regard to 2019, the indicator stabilised at 0.68 GJ/km, as benchmarked against a decrease in steel pipelines compared to 2018 (-1.3%) and a 3% drop in consumption.**

This was certainly due to a decrease in km of cathodically protected network following

the campaign launched for the replacement of old pipelines and, at the same time, to greater sensitivity in controlling the efficiency of cathodic protection systems to ensure that the plants are maintained within the parameters established by ARERA.

As illustrated earlier in the "ENERGY CONSUMPTION" chapter, energy consumption reporting for cathodic protection systems was further segmented in 2019. As a result of this new segmentation, the energy consumed/km of protected steel network ratio came in at 0.059. Therefore, **the new 2020 ratio for assessing plant efficiency was set at 0.060** (GJ/km of protected steel network).

- **Precise monitoring of the consumption of natural gas for heating buildings (offices and warehouses).**

During the course of 2019, the **monitoring of this type of direct energy consumption continued and was further consolidated**, as illustrated earlier in the "ENERGY CONSUMPTION" chapter.

In 2019, there were no events or investigations carried out by third parties that resulted in non-conformities with applicable mandatory regulations in relation to environmental issues.

## COMMITMENT

In its relations with **stakeholders**, 2i Rete Gas intends to act as a competent, reliable and focused partner. A partner who places at the core of its management practices the pursuit of **operational excellence** and the **ability to pick up and carry through the challenges faced by the industry**, providing practical answers to specific needs as a way to contribute to the development of the local areas in which it operates, and is driven by a fully supportive spirit and an approach geared towards the creation of long-term shared value, by:



## IMPLEMENTATION PRINCIPLES

- making its know-how available to Public Institutions and Authorities by **participating in public consultation procedures designed to outline future energy industry governance strategies** having an increasingly effective and efficient impact on the territory.
- developing initiatives in conjunction with Institutions and partners aimed at carrying out activities that **contribute to creating a positive impact on the communities served by the network.**
- further developing the ongoing **stakeholder engagement process.**
- managing the **supply chain** based on **ethics, transparency** and the **creation of mutual value.**

# CREATE SHARED VALUE

# RELATIONS WITH INSTITUTIONS AND AUTHORITIES

*Consistently with the principles and conduct criteria enshrined in the Code of Ethics and by committing to transparency, fairness and traceability, the Group deals with Public Institutions, Authorities and Trade Associations, bringing its know-how at the service of the Community in order to provide the best possible service in the regions in which it operates.*

Relations with regulatory bodies and control authorities are managed through **specific corporate units and roles** that deal with the management of communications with them, either directly or by coordinating with other departments that may be involved from time to time, depending on the issues.



The Group brings its know-how at the service of the Community

In relation to the subject dealt with, the requests are monitored and addressed internally by area of responsibility to the various corporate departments, with which the corresponding findings are defined. With regard to regulatory bodies and control authorities, risks and opportunities are managed through constant monitoring of the measures issued by them and through participation in the processes of designing said measures, by responding to consultation procedures prior to their issuance.

Notably, as Parent Company, in 2019 2i Rete Gas S.p.A. actively participated, among others, in the three consultation processes that took place prior to issuing the measures governing the new regulatory period (2020-2025) concerning tariff and quality of natural gas distribution and metering service, submitting its observations and proposals through memorandums sent to the Authority.

In 2019, moreover, the Parent Company 2i Rete Gas S.p.A. was member of **Anigas** (National Association of the Gas Industry headed by Confindustria) and **Assogasliquidi** (Federchimica Association representing companies in the liquefied gas/LPG distribution sector). Participation in trade associations, in addition to protecting the interests of member companies, makes it possible to promote the innovative use of gas, not only as an important source and carrier of energy, but also in a perspective of environmental sustainability, and it consolidates the stakeholders' perception of the Company as a leader and reference in the industry.

Relations with trade associations are managed through specific corporate functions that coordinate and manage information flows and the risks and opportunities arising from them. In particular, relations with Anigas are managed through active participation, through representatives, in Commissions, Working Groups and associative bodies for the definition of the positions represented towards Authorities, Institutions and stakeholders.

# RELATIONS WITH CLIENTS

*2i Rete Gas deals with different types of clients and monitors their level of satisfaction with a belief that the continuous improvement of services offered to them is based not only on solid skills, but also on listening and dialogue.*

The clients with which the Group interacts due to the nature of its business are typically part of three categories:

- **MUNICIPALITIES AND LOCAL AUTHORITIES:** under concession agreements/contracts for carrying out the gas distribution service;

- **SALES COMPANIES:** in relation to the distribution service provided to the network user;
- **END CLIENTS OF THE NETWORK:** for the first response service concerning problems with the gas distribution service, for quotations in response to requests for new connections and/or modifications to existing plants, and for the maintenance and replacement of meters.

## Dialogue

In addition to implementing the use of the dialogue channels envisaged by the Regulator, 2i Rete Gas enables the different types of clients with which it interacts to gain access to **contact channels and opportunities that can respond to their enquiries in an increasingly effective, comprehensive and responsible manner.**

### RELATIONS WITH LOCAL AUTHORITIES

As part of the General Affairs Department, **the Local Authority Relations unit handles all the tasks that need to be performed to ensure effective oversight over relations with the concession-granting municipalities**, in accordance with the provisions envisaged concession

contracts and in compliance with the applicable regulations, the 231 Model, the Code of Ethics and corporate procedures for tracking and monitoring relations with the Public Administration.

During 2019, approximately 450 meetings held by 2i Rete Gas with Public Administration offices were mapped as part of the processes and operating instructions developed in pursuance of the 231 Model principles and applicable to the management of relations with the Public Administration.

To this end, the unit provides support to local and head-office units with regard to contract interpretation and to ensure that concession obligations are appropriately identified and fulfilled, as

it relies on 8 local area liaison officers deployed across 5 Departments, representing an effective link between the head office and the Departments in the relevant information and operational processes flow.

The unit also coordinates the Group's internal activities, as it interacts with the Contracting Authority and the Local Authorities during the phase of plant payback value identification which is preparatory to call for tender announcements, in compliance with the provisions set forth in Italian Ministerial Decree no. 226/2011 ("Regulations governing tender criteria and bid evaluation for the award of natural gas distribution services, in accordance with Article 46-bis of Law Decree no. 159 dated 1 October 2007, written into

law, as amended, by Law no. 222 dated 29 November 2007, published in ordinary supplement of Official Journal no. 22 dated 27 January 2012”).

In 2019, 557 reports were submitted pursuant to Article 4 of Italian Ministerial Decree no. 226/11 - “Plant physical Conditions” - and 514 reports were submitted pursuant to Article 5 of the aforesaid decree - “Plant payback value”.



At the date of reporting, approximately **800** enhancement reports were shared with the Public Administration

### COMMERCIAL CALL CENTRE

The Group provides a call centre service free of charge, available on business days, through two toll-free numbers dedicated to end clients of the network.

This service, which supplements the provisions of current legislation, is a plus for end clients of the network and allows them to request more information on:

- **commercial aspects**, with a toll-free number dedicated to activation requests pursuant to Resolution 40/2014, commercial offers, reactivation of supply following suspension due to potential danger, last resort services and the portal for end clients;
- **smart meter**, with a toll-free number dedicated to requests for information on the scheduled mass

replacement plan and for setting a personal appointment for the replacement of the traditional meter with the smart meter if it has not been possible to make such a replacement during the scheduled intervention.

In 2019, the commercial call centre of 2i Rete Gas received 362,407 calls (298,185 in 2018), of which 327,732 were handled (285,013 in 2018).

The service contract provides for the handling of a minimum monthly percentage of 90% of the calls received. During 2019, this overall percentage was respected. **The goal for 2020 is, however, to further improve the Company's standards regarding service levels delivered.**

### PORTAL DEDICATED TO END CLIENTS OF THE NETWORK

An **Internet portal** has been operational since 2017, with access to a reserved area **dedicated to end clients of the network and to delegated installers**, through which it is possible to submit the documentation relating to the activation procedures pursuant to Resolution no. 40/2014, as well as to check the progress of the procedures themselves.



Internet portal dedicated to end clients of the network operational since 2017

The main objective of this implementation is the **dematerialisation of paper documentation with a consequent reduction in the time required to send the documentation to/from the end client and to activate the supplies.**

The end client of the network can, in fact, delegate their trusted installer or the sales company chosen for the conclusion of the contract to make operations on their own behalf on the portal, a situation that has led to a steady increase in its use.

The performance of this operation by subjects with greater technical and operational knowledge of the activation process has allowed a further benefit in terms of reducing the time of activation of supplies.

### MEETING WITH SALES COMPANIES

For many years now, 2i Rete Gas has been organising a reputable annual meeting with sales companies. In November and December 2019, the Network Commercial Services department met with the representatives of the sales companies operating on the gas distribution networks of the Group companies on the occasion of two separate meetings, one held in Rome and one in Milan, where views were once again exchanged and shared.

The main topics covered concerned issues of common interest, relating to changes in the regulatory framework applicable to the gas distribution industry, and 2019 commercial development projects scheduled for 2020.

The meetings were attended by 119 sales companies and their 224 representatives.

**119**

sales companies

attended the meetings in Rome and Milan

## Complaint management

**The Group manages complaints received from end clients in accordance with the rules of ARERA and within the timescales and procedures defined in its own internal procedures and guidelines.**

The main issues for which requests for information and/or complaints were received from end clients concern the verification of the meter reading and the reconstruction of consumption, with particular reference to the (i) replacement of

traditional meters with smart meters as provided for by Resolution no. 631/2013/R/gas of 27 December 2013, and (ii) work required to replace faulty smart meters.

Throughout 2019, the Group received and handled 7,293 written requests (6,234 in 2018), of which 4,073 refer to written complaints and written requests for information (4,053 in 2018) subject to compliance with the general commercial quality standard provided for in article 50 of ARERA

Resolution no. 574/2013/R/gas.

The legislation provides for the respect of a minimum annual percentage of dossiers managed per region at 95%.

During 2019, **the number of dossiers managed was almost stable** compared to the previous year, and the percentage was higher than the minimum percentage defined by ARERA, being at 99.83%.



**99.83%**  
complaint management index  
out of a total of 7,293

**0.17%**  
complaints/requests  
on redelivery points

**2,749**  
requests for technical data  
acquirable by reading the meter

**The goal for 2020 is to maintain the standards of the company in terms of handling written complaints and written requests for information, in line with this year's trend.**

During 2019, 511 conciliation procedures were handled (399 in 2018), 488 as technical support (indirect conciliation) and 22 as a party to the conciliation (direct conciliation).

The increase was due, on the one hand, to the fact that the concessions acquired by 2i Rete Gas Impianti S.p.A. were included in the company's scope and, on the other hand, to greater reliance on the conciliation procedure as a means of settling disputes between end clients and electricity and gas operators.

The complaints received from "ARERA - Sportello per il consumatore" are

now exclusively related to the social bonus issue. In 2019, 2,021 requests were received.

Finally, at the date of drafting this disclosure, 2,749 requests for technical data that can be acquired by reading the meter (so-called M01, equal to 3,401 in 2018) and 10,026 requests for other technical data (so-called M02, equal to 10,213 in 2018) were handled.

# Satisfaction

The activities that the Group undertakes and monitors with regard to "municipalities and local authorities" are in line with contractual obligations.

The activities that the Group carries out for "sales companies" and "end clients of the network" are all contextualised in the market regulated by ARERA.

## MUNICIPALITIES AND LOCAL AUTHORITIES

The Parent Company carries out an annual customer satisfaction survey aimed at measuring the **quality level perceived by Municipalities with respect to specific aspects of the service**, managed in compliance with the provisions on concession documents.

The results of this analysis allow a comparison of the parameters under evaluation and, as such, are shared with first line management in order to develop possible approaches for improvement.

The most up-to-date data on customer satisfaction are those referring to the survey completed in 2019 regarding the 2018 reporting period. The survey was administered in two different methodologies: a qualitative format intended for public administrations selected among the most representative ones (Biella, Caltanissetta, Chieti, Isernia, Piacenza, Spinea, Taranto), and a quantitative format, with 683 Municipalities (756 in the previous year) being interviewed and giving their feedback, allowing an insight into the overall level of satisfaction in dealings with 2i Rete Gas S.p.A. as described below.

To increase Municipality involvement, in addition to extending the panel of respondents to all the Municipalities managed by 2i Rete Gas S.p.A. as at 31 December 2018 by using CAWI (computer assisted web interviewing), the Parent Company has chosen to monitor even more closely the topics of interest already covered by

the customer satisfaction survey in previous years, continuing to expand the audience of respondents within each Municipality.

Therefore, as in the previous year, this edition of the survey was extended to three roles: the Mayor or the Municipal Secretary; the Head of the Technical

Office for the public works sector; the Head of the Accounting Office.

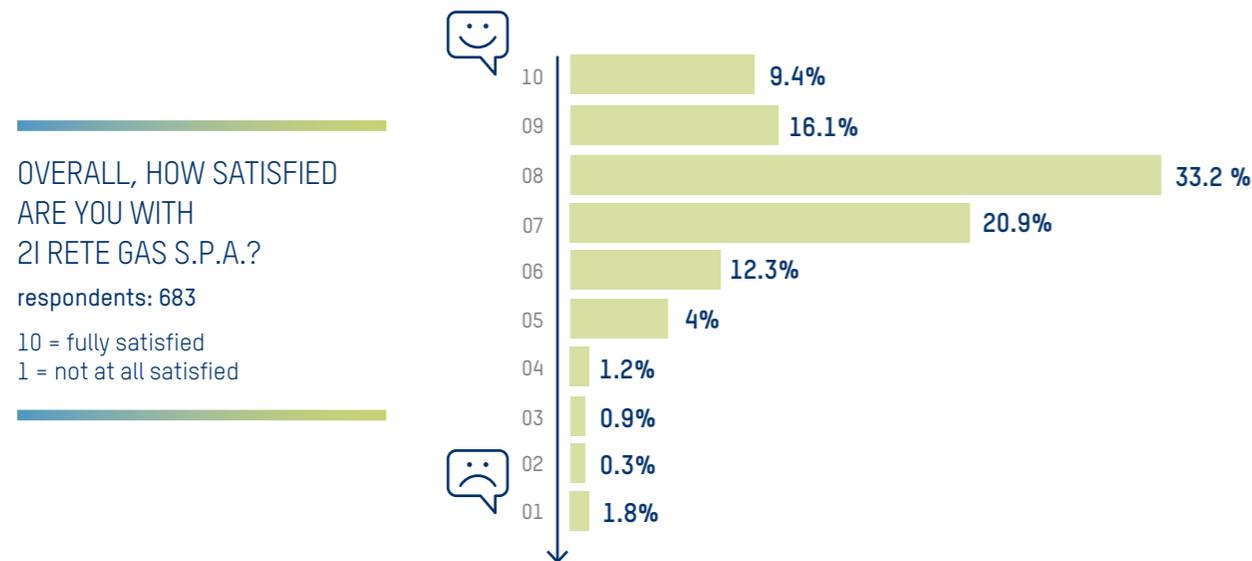
Each of these profiles was asked to respond to the question regarding the overall level of satisfaction as well as to provide answers to topics lying within their own area of expertise.

	Mayor or Municipal Secretary	Head of the Technical Office for the public works sector	Head of the Accounting Office
<b>RESPONDENTS</b>	no. respondents: 147	no. respondents: 335	no. respondents: 201
<b>TOPICS</b>	<ul style="list-style-type: none"> <li>&gt; Relations</li> <li>&gt; Gas distribution service</li> <li>&gt; Satisfaction with other operators</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Work permits</li> <li>&gt; Maintenance and development</li> <li>&gt; First response</li> <li>&gt; Plant management</li> <li>&gt; Plant security</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Invoicing</li> </ul>

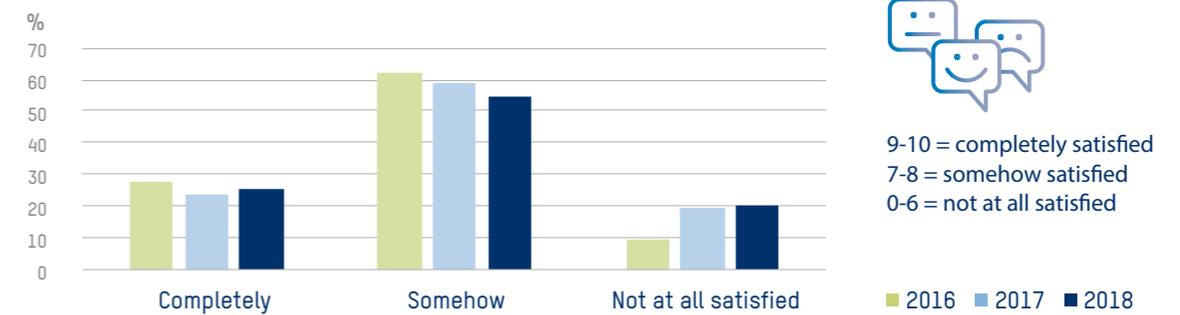
Moreover, with specific reference to the Quality perceived by the Municipalities, this edition of the survey reflected impressions related to the Company's ability to manage environmental and health and safety issues.



Each year the Parent Company carries out a customer satisfaction survey



Ranges of satisfaction of Municipalities 2016-2017-2018



Average annual overall satisfaction of Municipalities



The mean results of the survey for the three-year period, shown in the graph on the left, still showed a **positive average satisfaction level**, slightly lower than in previous years also as a result of the different interview formats.

The following graph shows the distribution of the sample of Municipalities surveyed by ranges of satisfaction.

**SALES COMPANIES**

With the aforementioned customer satisfaction survey, 2i Rete Gas S.p.A. also monitors annually the **satisfaction perceived by the sales companies with regard to the service provided**, which consists of processing the requests sent by them on behalf of the end clients of the network, in compliance with the regulatory obligations on Commercial Quality.

In this matter, the survey is carried out according to two different methodologies: one of a qualitative type, aimed at surveying the perception of the efficiency of the service offered to top clients; the other of a quantitative type, carried out on a sample selected from the list of small and mid-sized clients.

The most up-to-date data are those relating to the survey carried out in 2019 in reference to 2018, where the top clients were represented by 5 companies active in the sale of methane gas (ENEL ENERGIA, ENGIE, E.ON ENERGIA, ENERXENIA, EDISON), which supply gas for 76% of the active redelivery points managed by the Group companies. Detailed individual interviews were conducted with these sales companies.

The quantitative survey carried out in CAWI mode was addressed to the remaining 278 sales companies (273 in the previous year's survey), obtaining feedback from 67 sales companies (71 in the previous year's survey), which together supply a further 24% of the active redelivery points managed by the Group companies.

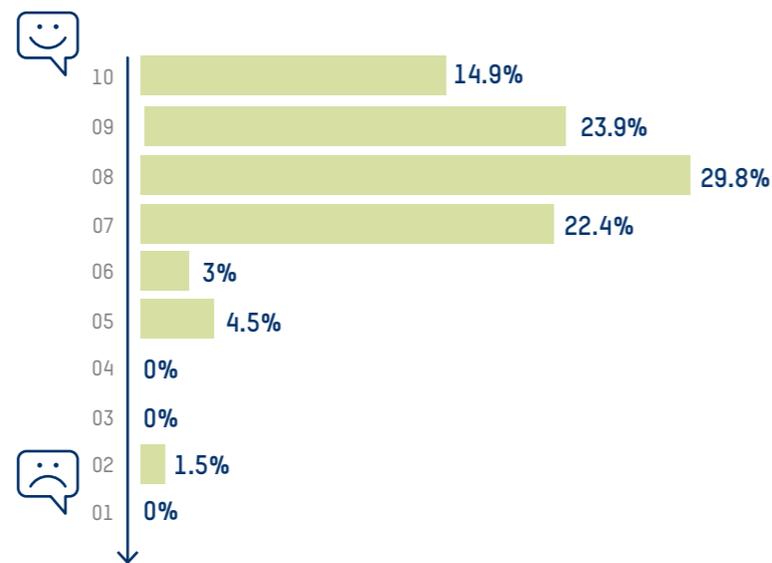
The results of the survey expressed a **fully positive perception** with respect to the work of 2i Rete Gas S.p.A., which is based on operational and relational factors.

In relation to the results that are useful and necessary to validate the perceived level in terms of the service provided, an indication of the overall assessment of satisfaction regarding the relationship with 2i Rete Gas S.p.A. for both samples is shown on the next page.

### OVERALL, HOW SATISFIED ARE YOU WITH 2i RETE GAS S.P.A.?

respondents: 67

10 = fully satisfied  
1 = not at all satisfied



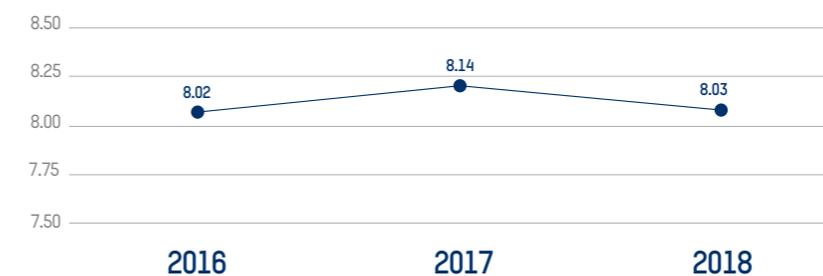
Among sales companies, a **good level of satisfaction** was confirmed for 2i Rete Gas S.p.A.:

- The average value recorded over the past few years dropped by a few points: the NSS, calculated as the difference between the percentage

of satisfied people (vote 10-9) and the percentage of dissatisfied people (vote 6-1), decreased by approximately 0.11 points when compared to the survey for 2017 (8.03 vs 08.14), while the NSS relating to the 5 Top Clients increased from 29.6 to 29.9 in 2018.

- The mean results of the survey for the three-year period, shown in the graph below, still showed a **positive average satisfaction level**, although slightly lower than in the previous year.

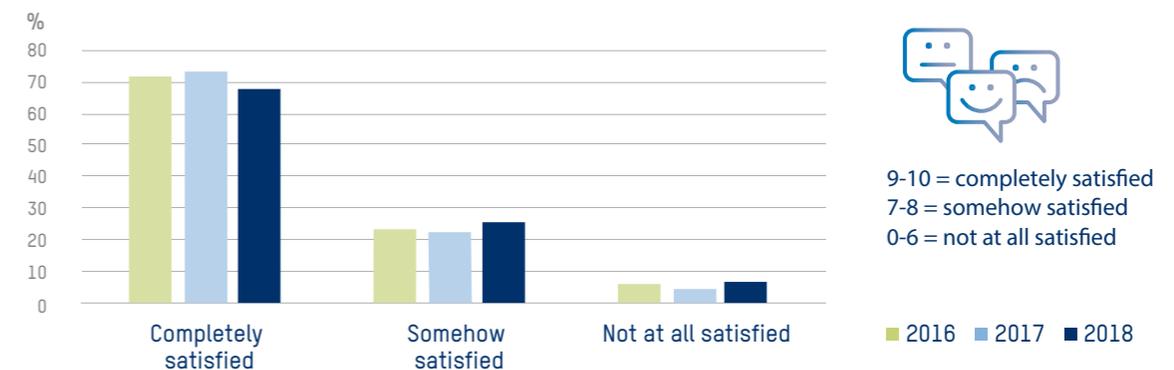
### Average annual satisfaction of Sales companies



10 = fully satisfied  
1 = not at all satisfied

The following graph shows the distribution of the sample of sales companies interviewed, by ranges of satisfaction.

### Ranges of satisfaction of Sales companies 2016-2017-2018



9-10 = completely satisfied  
7-8 = somehow satisfied  
0-6 = not at all satisfied

### MAIN ASPECTS REPORTED IN THE OVERALL SATISFACTION RATING FROM THE 5 TOP CLIENTS

Operational aspects such as:

- **Wide range of contact channels;**
- **Punctuality, accuracy and comprehensiveness** of metered data (schedule improved compared to ARERA standards);
- **Accuracy of content** and **regular invoicing process.**

Relational aspects, i.e. aspects that define the relationship with the Network Commercial Services unit based on values of collaboration/partnership, competence and efficiency, such as:

- **Accessibility**, i.e. ease of contact afforded by the **variety of channels** available and **helpfulness of the contact persons** to turn to for each issue;
- **Supportive spirit**, especially with regard to **proactivity in providing**

**information** about regulatory amendments or organisational changes and aptitude for understanding needs;

- **Problem solving** skills;
- **Timeliness in responding;**
- The traditional **annual meeting**, where 2i Rete Gas meets all sales companies operating in its own networks to discuss regulations, innovation and commercial aspects.

### END CLIENTS OF THE NETWORK

Each year 2i Rete Gas S.p.A. also monitors the satisfaction of the end clients of the network through the customer satisfaction survey, which measures their **perception in regard to the first response service**, in compliance with regulatory obligations on the safety and continuity of the gas distribution service.

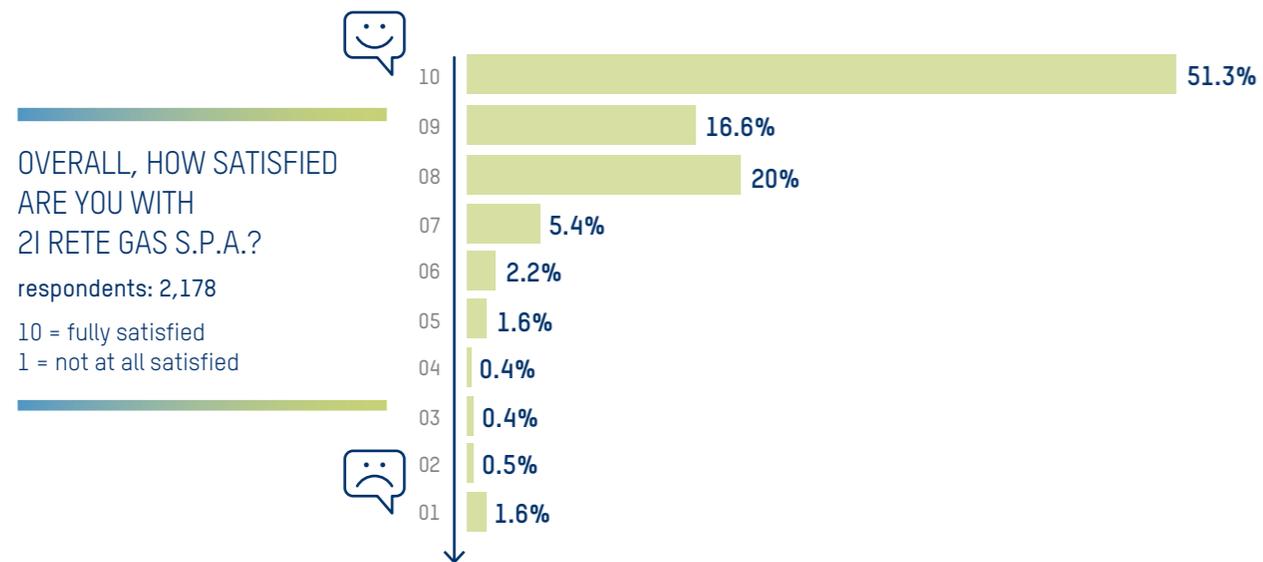
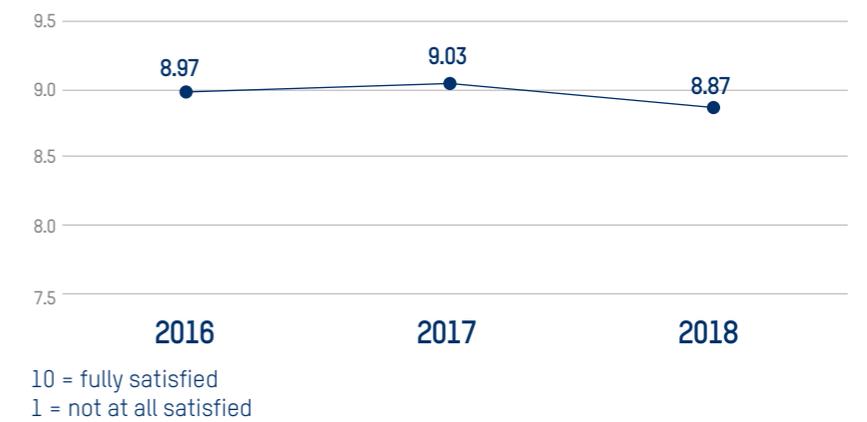
The most up-to-date data are those relating to the survey carried out in 2019 with reference to 2018, with respect to which the assessment was carried out through CATI (Computer Aided Telephone Interviewing) telephone interviews addressed to 2,178 citizens (2,265 in the 2018 survey) who have contacted the first response service. As in previous

years, the service has proved to be particularly performing and therefore protective of the Group which, with a view to continuously improving its performance towards the end clients of the network, is progressively seeking to raise its standards as compared to those established by the Regulator.

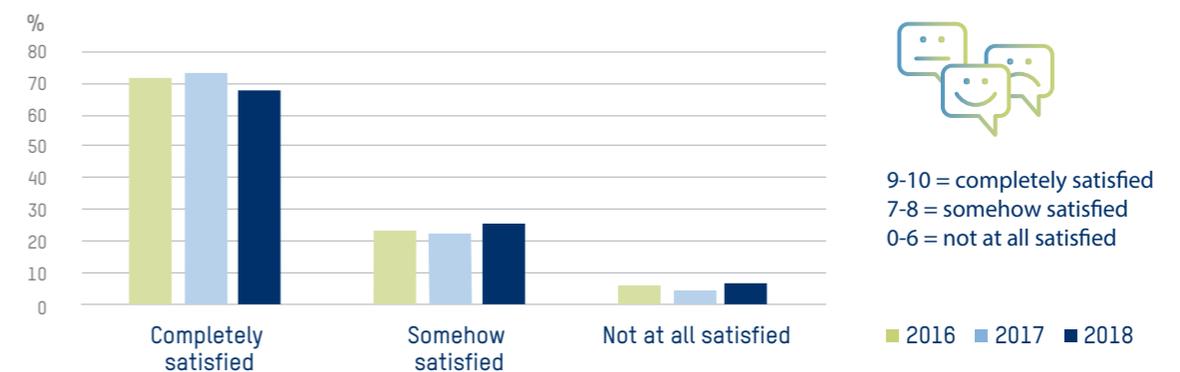
The average survey results for the three-year period, shown in the graph on the right, still showed a **positive average level of satisfaction**, slightly lower than in the previous year.

Finally, the graph below shows the same type of results, **still positive and increasing over the years**, also segmenting end clients according to the level of satisfaction expressed.

Average annual overall satisfaction of End clients of the network



Ranges of satisfaction of End clients of the network 2016-2017-2018



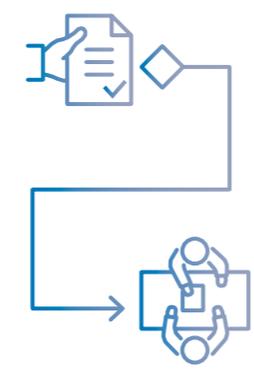
# RESPONSIBLE SUPPLY CHAIN MANAGEMENT

*Zi Rete Gas benefits from the collaboration of different types of suppliers and contractors, committing itself to entertain, in accordance with a transparent and structured process, synergic relations based on the achievement of high performance levels and, therefore, the mutual creation of value.*

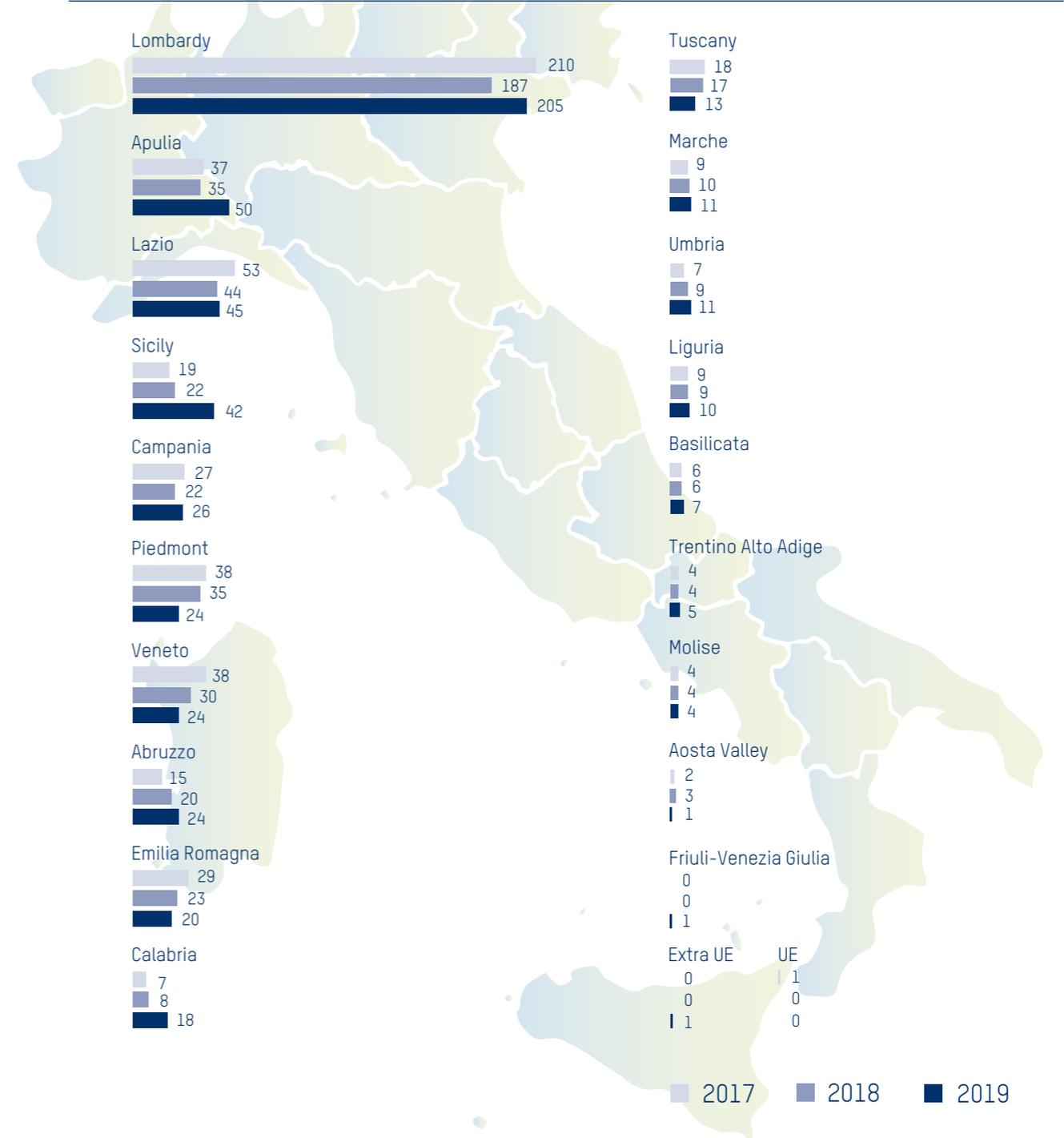
The Group has defined a set of procedures and tools that govern the way in which it interacts with suppliers, contractors and industrial partners at each stage of the procurement process, in full compliance with current legislation on this matter and with a view to mitigating supply chain management risks.



SUPPLIERS, CONTRACTORS and INDUSTRIAL PARTNERS



## Qualified suppliers by geographical area



# Qualification requirements and selection process

The Group's qualification process, with respect to the general requirements, asks suppliers to **meet specific obligations regarding reputation, relating to environmental protection, social responsibility, compliance with Italian Legislative Decree no. 231/2001, and protection of Human Rights**, such as:

- statement of absence of conflict of interest;
- statement on corporate structure;
- adoption of organisational and management models;
- relations with Public Authorities;
- adoption of a Code of Ethics;
- statement on Corporate Social Responsibility - SA 8000 certification;
- compliance with regulations on environment and workplace health and safety - OHSAS 18001 and ISO 14001 certifications.

In order to guarantee transparent disclosure and maximise participation, the Parent Company publishes annually the **Call for Qualification**, emphasising on the product categories for which it is possible to initiate and undergo an assessment process based on the general and technical-economic requirements laid out in the **Qualification Regulation**.

In order to ensure an adequate level of specialisation of the qualification process, the Parent Company groups product categories by "potential level of criticality" (High, Medium, Low). The analysis to establish the level of criticality is carried out through a category segmentation logic and subsequent mapping based on the assessment of certain factors pertaining to the following topics: quality, safety, environment, ethical rating and operations. With regard to categories with a high potential level of criticality, an inspection visit (audit) is imposed before qualification may be obtained. However, this will not prevent the Parent Company from carrying out inspection visits, regardless of the potential level of criticality identified. Inspection visits may also be conducted during contract execution.

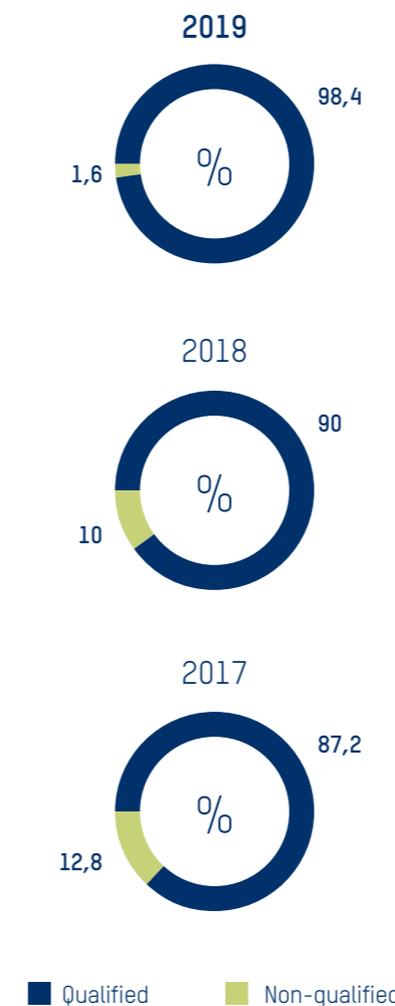
The Audit Team consists of the central Procurement and Services, Engineering and QSE departments. In some cases, local heads also join the Team.

During the audit, key requirements are checked regarding proof of adequate experience in the industry, technical competence, business know-how, operational capacity seen as having adequate means and skilled labour.

**Any economic operator may apply at any time for any product category of interest.** After having successfully completed this process and having been registered into the appropriate Register of Suppliers, the operator can be invited to the tender procedures for the next contract which, typically, is assigned taking into account primarily the quality of the technical offer.

A centralised procurement process has also been defined for supplies and services covering the entire Group and the entire national territory, although for certain types of contracts concerning, for example, the construction and maintenance of gas distribution plants, local companies are also used.

## Qualified and non-qualified suppliers by value of contracts



The Group also checks the **ethical reliability of Suppliers** by collecting information from various sources, such as databases, the web and the press in order to mitigate the risk of initiating/maintaining business relationships with individuals belonging to organisations involved in the commission of violations.

Should a supplier no longer comply with the requirements, including in relation to ethical issues under Italian Legislative Decree no. 231/2001, in accordance with the Qualification Regulation the Procurement Department may act, depending on the seriousness of the information revealed, by suspending or deleting them from the Register of Suppliers. Such actions may involve, where deemed necessary, the termination of all active contracts.

All Group companies use almost exclusively qualified suppliers of goods and services; those excluded from the current qualification process are mostly linked to the lease of property or the purchase of Energy Efficiency Certificates.

In the case of suppliers of Energy Efficiency Certificates, on the other hand, there is a formal qualification process carried out by the Gestore dei Servizi Energetici (GSE) concerning the purchase contracts that pass through the electronic platform managed by the Authority.

**There are no different qualification processes.**

Once qualified, suppliers may participate in tenders, which, for core activities, are carried out in compliance with the Code on Procurement (Italian Legislative Decree no. 50/2016).

The Group's calls for tenders are dealt with through an e-procurement portal where the Qualification and Vendor Management, Sourcing, Electronic Catalogues Management and Contract Management processes are also handled.

A section covering the procurement of distribution network materials is also present.

The portal guarantees transparency, fairness, and equal treatment for all participating suppliers.

# Mapping of suppliers

In the Group, the relations with the suppliers, in addition to being governed by the principles and rules of conduct enshrined in the Code of Ethics, are subject to constant monitoring.

**98.41%**  
OF THE VALUE OF THE CONTRACTS SIGNED IN 2019 WAS ENTRUSTED TO SUPPLIERS WHO UNDERWENT A FORMAL QUALIFICATION PROCESS THROUGH THE PORTAL OF THE REGISTER OF SUPPLIERS OF THE COMPANY.

The online platform through which the Register of Suppliers of the company is managed allows for a constant monitoring of the suppliers to whom contracts are awarded, in addition to supporting the evaluation and selection of potential suppliers.

98.41% of the value of contracts signed in 2019 (90.04% in 2018) was entrusted to suppliers who underwent a formal qualification process through this platform.

As at 31 December 2019, the Group had 542 qualified suppliers (488 in 2018) in its Register of Suppliers, corresponding to a total of 754 qualifications in one or more Product Categories based on the Qualification System as described above (653 in 2018).

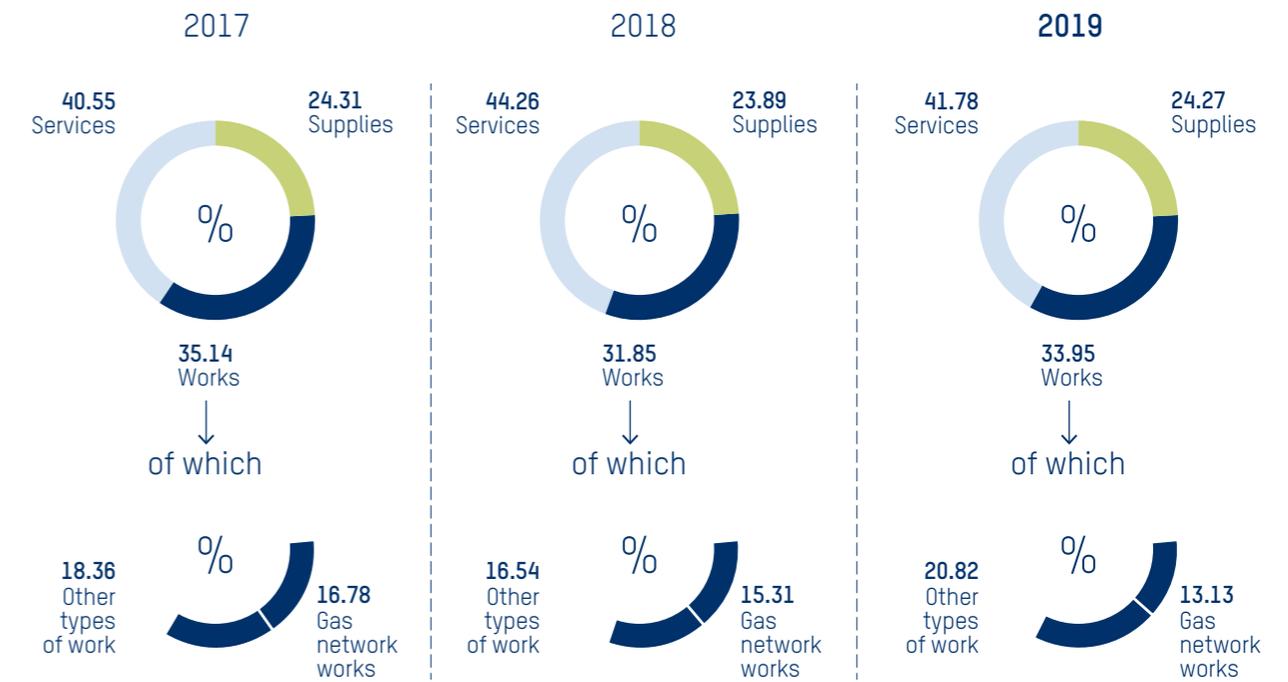
It should be noted that virtually all the tasks to be performed under the individual Works and Supplies product categories pertain to the activity carried out as a gas distributor, while the percentage of services stands at 49%. The remaining portion of services can be attributed to Information Technology activities (16%), services delivered to organisational units (19%) and support services for the management of company property (16%).

99.2% of the contracts entered into in 2019 were executed by the Procurement and Services department, while the remaining 0.8% was finalised by the relevant staff and/or local units.

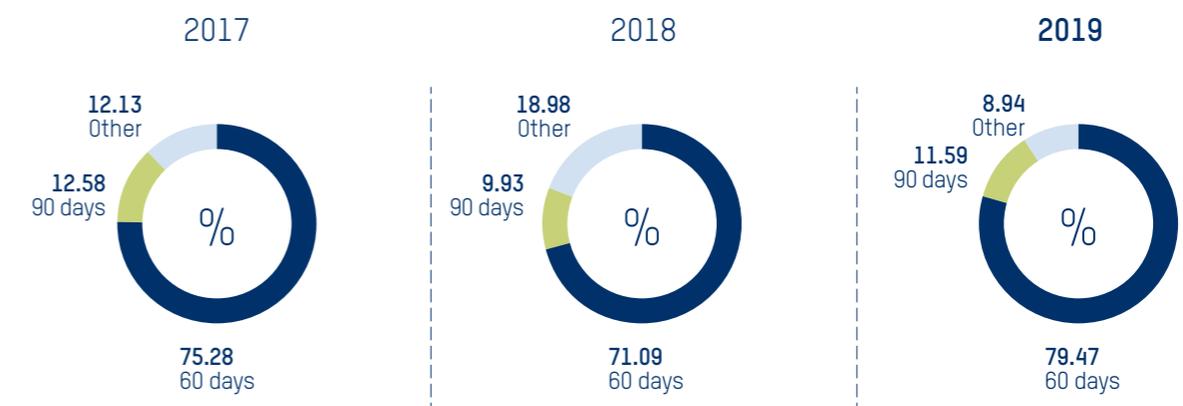
The Group works to guarantee its suppliers not only a fair remuneration, but also substantial compliance with the agreed payment terms, which in 2019 was at 60 days in 79.47% of cases (71.09% in 2018).

With regard to the impact on related industries and communities, the Group, while being attentive to the use of local suppliers, has no formal evidence of such impact.

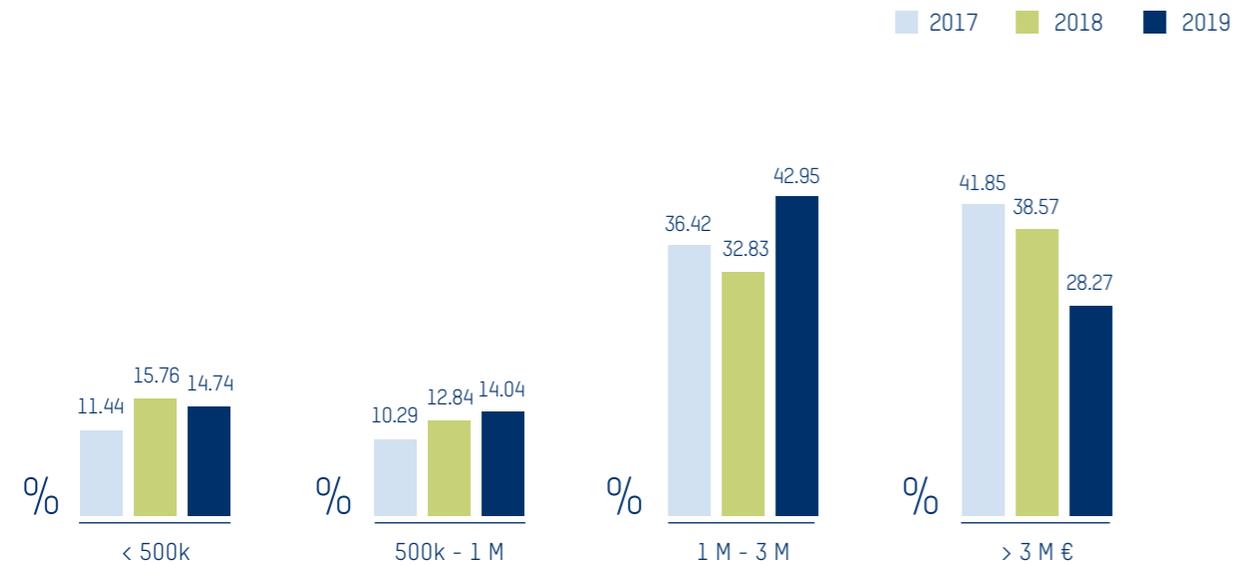
## Number of qualifications by type



## Payment terms for contracts signed during the year



## Value of contracts signed by amount



## Identification and mitigation of supply chain risks

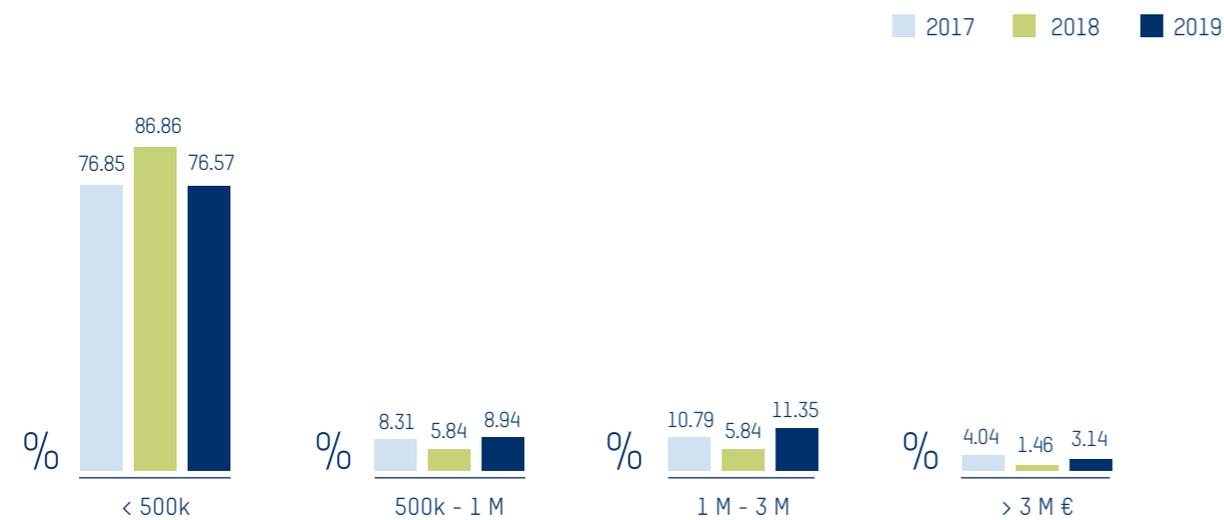
With regard to the most serious risks associated with supply chain management, particular attention is paid to the issue of **active and passive corruption** and the **protection of Human Rights**.

From a formal point of view, the Group provides for specific clauses on ethical and anti-corruption topics in each individual contract, in addition to what has already been mentioned in relation to the qualification process.

From a substantive point of view, the Group has also adopted procedures and certifications that guarantee compliance with the principles on anti-corruption, protection of Human Rights, and respect for environmental and social policies (ISO Certifications, Code of Ethics) and has required, in the same way, all the qualified suppliers to comply with and maintain the same principles both during the qualification phase and subsequently during the contractual phase.

There are no monetary or non-monetary sanctions in relation to the risks identified.

## Number of contracts signed by amount



# TRANSPARENT, CLEAR AND THOROUGH DISCLOSURE

## PROCEDURAL CODE ON INTERNAL DEALING

*The Group believes that transparency towards the market and investors is an essential value to be protected.*

Since within the framework of the EMTN Programme, last updated on 25 July 2018, the Parent Company is an issuer of bonds approved for listing on the regulated market managed by the Irish Stock Exchange, 2i Rete Gas S.p.A. has implemented governance measures to ensure compliance with the applicable requirements in terms of market abuse (last imposed by Regulation (EU) no. 596/2014) and, to the extent applicable, to ensure transparency.

The Parent Company is subject to the supervision obligations of the Central Bank of Ireland which - through the document called "Guidance on Transparency Regulatory Framework" and "Market Abuse Rules" published by the supervisory body itself - provides guidelines on transparency and disclosure required of market participants.

Based on the guidance provided by the Framework and the guidelines under

the applicable Italian legislation, 2i Rete Gas S.p.A. has therefore established a Register of persons with access to inside information and organised procedures for its maintenance and periodic updating, in compliance with the applicable detailed and secondary regulations.

Furthermore, the Parent Company has adopted a Procedural Code on Internal Dealing which regulates the obligations to disclose to the public any transactions carried out by or on behalf of those who exercise administrative, control or executive functions in the Group, as well as by persons closely associated with them, concerning the bonds issued by 2i Rete Gas S.p.A..

The Code also regulates the cases where relevant individuals are not allowed to carry out transactions - or limitations apply to them in this respect - during certain periods of time (aka blackout periods).

# CONTRIBUTION TO THE DEVELOPMENT OF THE REGION

*Aware of the role played in the creation of shared value for all those who interact with the Group or are impacted by it, 2i Rete Gas intends to carry out its activities by applying methods of continuous improvement and efficiency and cost-effectiveness criteria, with an eye to generating positive impact on the communities served by the network.*

With this in mind, 2i Rete Gas is geared towards increasing levels of technical and commercial quality and, at the same time, pursues a constant and progressive reduction of operating costs eligible for cutback, the underlying goal being to **return value to the community and to key stakeholders** (e.g. municipalities and local authorities; sales companies; end clients of the network) both

by ensuring a **safe, uninterrupted, reliable and timely service** and by achieving a **lower incidence of the distribution service cost reflected in the bill according to industry regulations**. Indeed, the Group believes that this approach plays a key role in the creation of widespread value, while providing a practical contribution to improving the quality of life of the communities served.



GRI  
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	<b>GRI 102-2</b>	Activities, brands, products and services	Total	Group profile (pages 10-35)	
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		<b>GRI102-15</b>	Key impacts, risks and opportunities	Total	Risk Management Model (pages 30-33)
	<b>ETHICS AND INTEGRITY</b>	<b>GRI102-16</b>	Values, principles, standards and norms of behaviour	Total	Mission and values (page 15) Policies and certifications (pages 20-21)
		<b>GRI102-17</b>	Internal reporting mechanisms of unethical behaviour	Total	Governance and compliance - Business ethics and anti-corruption (pages 25-29)

GRI TOPICS	INDICATOR	SHORT DESCRIPTION	COVERAGE	REFERENCE
<b>GENERAL DISCLOSURES</b>				
<b>GOVERNANCE</b>	<b>GRI102-18</b>	Governance structure	Total	Governance and compliance - Governance structure, delegation system and bodies (pages 23-25)
	<b>GRI102-19</b>	Delegating authority	Total	Governance and compliance - Governance structure, delegation system and bodies (pages 23-25)
<b>STAKEHOLDER ENGAGEMENT</b>	<b>GRI 102-40</b>	List of stakeholder groups	Total	Methodological framework (pages 6-9)
	<b>GRI 102-41</b>	Collective bargaining agreements	Total	Relations with the unions (page 61)
	<b>GRI 102-42</b>	Identification and selection of stakeholders	Total	Methodological framework (pages 6-9)
	<b>GRI 102-43</b>	Approach to stakeholder engagement	Total	Methodological framework (pages 6-9)
	<b>GRI 102-44</b>	Key topics and concerns raised by stakeholders	Total	Methodological framework (pages 6-9)
	<b>GRI 102-45</b>	Entities included in the consolidated financial statements	Total	Methodological framework (pages 6-9)
	<b>GRI 102-46</b>	Definition of report content and topic boundaries	Total	Methodological framework (pages 6-9)
	<b>GRI 102-47</b>	List of material topics	Total	Methodological framework (pages 6-9)
	<b>GRI 102-48</b>	Restatements of information given in previous reports	Total	Methodological framework - Scope (pages 6-7)
	<b>GRI 102-49</b>	Significant changes in reporting	N/A	Methodological framework (pages 6-9) Environmental management and optimisation of natural and energy resources - Energy consumption (page 90)
<b>REPORTING PRACTICE</b>	<b>GRI 102-50</b>	Reporting period	Total	Methodological framework (pages 6-9)
	<b>GRI 102-51</b>	Date of the previous report	N/A	Report on 2018 approved on 25 March 2019
	<b>GRI 102-52</b>	Reporting cycle	Total	Yearly
	<b>GRI 102-53</b>	Contact point for questions regarding the report	Total	Methodological framework (pages 6-9)
	<b>GRI 102-54</b>	Claims of reporting in accordance with the GRI Standards	Total	Methodological framework (pages 6-9)
	<b>GRI 102-55</b>	GRI Content Index	Total	GRI Content Index (pages 120-128)
	<b>GRI 102-56</b>	Letter of assurance	Total	Independent report on the limited review of the Consolidated non-financial disclosure 2019 (pages 130-135)

## Specific disclosures

GRI TOPICS	INDICATOR	SHORT DESCRIPTION	COVERAGE	REFERENCE
<b>ECONOMIC</b>				
<b>Anti-corruption</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Governance and compliance - Business ethics and anti-corruption (pages 25-27)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Governance and compliance - Business ethics and anti-corruption (pages 25-27)
<b>ANTI-CORRUPTION</b>	<b>GRI 205-2</b>	Communication and training about anti-corruption policies and procedures	Total	Governance and compliance - Business ethics and anti-corruption (pages 25-27) People - Human Resources Management and Valorisation Model - Development and training (pages 45-52)
	<b>GRI 205-3</b>	Confirmed incidents of corruption and actions taken	Total	Governance and compliance - Business ethics and anti-corruption (pages 25-28)
<b>ENVIRONMENTAL</b>				
<b>Energy</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
<b>ENERGY</b>	<b>GRI 302-1</b>	Energy consumption within the organisation	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
	<b>GRI 302-4</b>	Reduction of energy consumption	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
<b>Emissions</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
<b>EMISSIONS</b>	<b>GRI 305-1</b>	Direct (Scope 1) GHG emissions	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
	<b>GRI 305-2</b>	Indirect (Scope 2) GHG emissions	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)

GRI TOPICS	INDICATOR	SHORT DESCRIPTION	COVERAGE	REFERENCE
<b>Waste</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Environmental management and optimisation of natural and energy resources - Waste (pages 92-93)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Environmental management and optimisation of natural and energy resources - Waste (pages 92-93)
<b>WASTE</b>	<b>GRI 306-2</b>	Waste by type and disposal method	Parziale	More details regarding production and destination will be available next year (page 93)
<b>Environmental compliance</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
<b>ENVIRONMENTAL COMPLIANCE</b>	<b>GRI 307-1</b>	Non-compliance with environmental laws and regulations	Total	Environmental management and optimisation of natural and energy resources (pages 89-95)
<b>Supplier environmental assessment</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Responsible supply chain management - Qualification requirements and selection process (pages 112-113)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Responsible supply chain management - Qualification requirements and selection process (pages 112-113)
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>	<b>GRI 308-1</b>	New suppliers that were screened using environmental criteria	Total	Responsible supply chain management - Mapping of suppliers (pages 114-116)

## Specific disclosures (continued)

GRI TOPICS	INDICATOR	SHORT DESCRIPTION	COVERAGE	REFERENCE
<b>SOCIAL</b>				
<b>Employment</b>				
	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-2</b>	General information on the management approach and its components	Total	People - Human Resources Management and Valorisation Model (pages 44-54)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Human capital engagement (pages 55-56)
<b>EMPLOYMENT</b>	<b>GRI 401-1</b>	New employee hires and employee turnover	Total	People - Sizing (pages 39-43)
	<b>GRI 401-3</b>	Parental leave	Total	Diversity and welfare (pages 57-60)
<b>Employee health and safety</b>				
	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Health and safety (pages 62-65)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Health and safety (pages 62-65)
<b>EMPLOYEE HEALTH AND SAFETY</b>	<b>GRI 403-2</b>	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Total	Health and safety - Indices and training (pages 63-65)
<b>Education and training</b>				
	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-2</b>	General information on the management approach and its components	Total	People - Human Resources Management and Valorisation Model - Development and training (pages 45-52)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Human capital engagement (pages 55-56)
<b>EDUCATION AND TRAINING</b>	<b>GRI 404-1</b>	Average hours of training per year per employee	Total	People - Human Resources Management and Valorisation Model - Development and training (pages 45-52)
	<b>GRI 404-3</b>	Percentage of employees receiving regular performance reviews	Total	People - Human Resources Management and Valorisation Model - Development and training (pages 45-52)

GRI TOPICS	INDICATOR	SHORT DESCRIPTION	COVERAGE	REFERENCE
<b>Diversity and equal opportunity</b>				
	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Diversity and welfare (pages 57-60)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Diversity and welfare (pages 57-60)
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>	<b>GRI 405-1</b>	Diversity of governance body and employees	Total	Governance and compliance - Governance structure, delegation system and bodies (pages 23-25) People - Sizing (pages 39-43)
	<b>GRI 405-2</b>	Ratio of basic salary and remuneration of women to men	Total	Diversity and welfare (pages 57-60)
<b>Non-discrimination</b>				
	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-2</b>	General information on the management approach and its components	Total	People (pages 39-54) Diversity and welfare (pages 57-60) Governance and compliance - Business ethics and anti-corruption (pages 25-27)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	People (pages 39-54) Diversity and welfare (pages 57-60) Governance and compliance - Business ethics and anti-corruption (pages 25-27)
<b>NON-DISCRIMINATION</b>	<b>GRI 406-1</b>	Incidents of discrimination and corrective actions taken	Total	Diversity and welfare (pages 57-60)
<b>Local communities</b>				
	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Contribution to the development of the region (page 119)
	<b>GRI 103-3</b>	Evaluation of the management approach	Partial	Contribution to the development of the region (page 119)
<b>LOCAL COMMUNITIES</b>	<b>GRI 413-1</b>	Operations with local community engagement, impact assessments and development programs	Partial (Data reported only qualitatively)	Contribution to the development of the region (page 119) Supporting energy transition (pages 82-88)

## Specific disclosures (continued)

GRI TOPICS	INDICATOR	SHORT DESCRIPTION	COVERAGE	REFERENCE
<b>Supplier social assessment</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Responsible supply chain management - Qualification requirements and selection process (pages 112-113)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Responsible supply chain management - Qualification requirements and selection process (pages 112-113)
<b>SUPPLIER SOCIAL ASSESSMENT</b>	<b>GRI 414-1</b>	New suppliers that were screened using social criteria	Total	Responsible supply chain management - Mapping of suppliers (pages 114-116)
<b>Client health and safety</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Reliability and efficiency of plants (pages 69-73)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Reliability and efficiency of plants (pages 69-73)
<b>CLIENT HEALTH AND SAFETY</b>	<b>GRI 416-1</b>	Assessment of the health and safety impacts of the products and services offered	Total	Reliability and efficiency of plants (pages 69-73)
	<b>GRI 416-2</b>	Incidents of non-compliance concerning the health and safety impacts of products and services	Total	Reliability and efficiency of plants (pages 69-73) Relations with clients - Complaint management (pages 101-102)
<b>Client privacy</b>				
<b>MANAGEMENT APPROACH</b>	<b>GRI 103-1</b>	Description of the material topic and its boundary	Total	Methodological framework (pages 6-9)
	<b>GRI 103-2</b>	General information on the management approach and its components	Total	Cybersecurity - Privacy and data security (pages 78-79)
	<b>GRI 103-3</b>	Evaluation of the management approach	Total	Cybersecurity - Privacy and data security (pages 78-79)
<b>CLIENT PRIVACY</b>	<b>GRI 418-1</b>	Complaints concerning breaches of client privacy and losses of client data	Total	Cybersecurity - Privacy and data security (pages 78-79)



LIMITED  
ASSURANCE



**2I RETEGASSPA**

**INDEPENDENT AUDITOR'S REPORT ON THE  
CONSOLIDATED NON-FINANCIAL DISCLOSURE IN  
ACCORDANCE WITH ARTICLE 3, PARAGRAPH 10  
OF LEGISLATIVE DECREE 254/2016 AND WITH  
ARTICLE 5 OF CONSOB REGULATION 20267 ADOPTED  
BY RESOLUTION OF JANUARY 2018**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

## **Independent auditor's report on the consolidated non-financial disclosure**

In accordance with article 3, paragraph 10 of Legislative Decree 254/2016 and article 5 of Consob Regulation 20267 adopted by resolution of January 2018

To the board of directors of 2i Rete Gas SpA

In accordance with article 3, paragraph 10, of the Legislative Decree 254/2016 (the Decree) and with article 5 of CONSOB Regulation 20267/2018, we have performed a limited assurance engagement on the Consolidated Non-Financial Disclosure of 2i Rete Gas SpA and its subsidiaries (2i Rete Gas group) as of and for the year ended 31 December 2019, prepared in accordance with article 4 of the Decree and approved by the board of directors of 2i Rete Gas SpA on 25 March 2020 (the NFD).

### ***Responsibility of the directors and of the board of statutory auditors for the NFD***

The directors are responsible for the preparation of the NFD in accordance with articles 3 and 4 of the Decree and with the Sustainability Reporting Standards, issued by Global Reporting Initiative in 2016 (GRI Standards).

The directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFD is free from material misstatement, whether due to fraud or unintentional errors. The directors are responsible for identifying the content of the NFD, within the matters mentioned in article 3, paragraph 1 of the Decree, considering the activities and characteristics of the group and to the extent necessary to ensure the understanding of the group activities, its trends, its results and related impacts. The directors are responsible for defining the business and organisational model of the group and, with reference to the matters identified and reported in the NFD, for the policies adopted by the group and for the identification and management of risks generated or faced by the group.

The board of statutory auditors is responsible for overseeing, in accordance with the law, the compliance with the Decree.

### ***Auditor's independence and quality control***

We are independent in accordance with the principles of ethics and independence disclosed in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and

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**PricewaterhouseCoopers SpA**

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professional diligence, privacy and professional behaviour. Our audit firm adopts the International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for the compliance with ethical and professional standard and with applicable laws and regulations.

### **Auditor's responsibilities**

We are responsible for expressing, on the basis of the work performed, a conclusion regarding the compliance of the NFD with the Decree and with the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (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 procedures to obtain a limited assurance that the NFD does not contain material errors. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised (reasonable assurance engagement) and, therefore, do not provide us with a sufficient level of assurance to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFD are based on our professional judgement and consisted of interviews, primarily with company personnel responsible for the preparation of the NFD, in the analysis of documents, recalculations and other procedures aimed at obtaining evidence as appropriate.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFD relating to the activities and characteristics of the group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree, with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, to assess its compliance with the Decree;
3. comparison of the financial information reported in the NFD with the information reported in the group consolidated financial statements;
4. understanding of the following matters:
  - business and organisational model of the group, with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the group with reference to the matters specified by article 3 of the Decree, actual results and related key performance indicators;
  - main risks, generated or faced by the group, with reference to the matters specified in article 3 of the Decree.

With reference to such matters, we have carried out some validation procedures on the information presented in the NFD and other audit procedures as described under point 5 below;



5. understanding of the processes underlying the preparation, collection and management of the qualitative and quantitative material information included in the NFD. In particular, we have held meetings and interviews with the management of 2i Rete Gas SpA and we have performed limited analysis and validation procedures, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFD.

Moreover, for significant information, considering the activities and characteristics of the group:

- a) with reference to the qualitative information included in the NFD, and in particular for the business model, the policies adopted and the main risks, we carried out interviews and obtained supporting documentation to verify its consistency with available evidence;
- b) with reference to quantitative information, we performed analytical procedures and limited tests, to assess, on a sample basis, the proper consolidation of the information.

### **Conclusions**

Based on the work performed, nothing has come to our attention that caused us to believe that the NFD of 2i Rete Gas group as of 31 December 2019 and for the year then ended has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, as described in the note Methodological Framework of the NFD.

Milan, 10 April 2020

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini  
(Partner)

Paolo Bersani  
(Authorised signatory)

This report has been translated into English from the Italian original solely for the convenience of international readers

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**Date**

May 2020

