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The official ESEF document is published and filed according to the provisions of the law.



Integrated Annual Report 2022

INCLUDING THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO LEGISLATIVE
DECREE 254/2016

VALUES, MISSION AND PURPOSE

Vision:

To be a leading figure in the world of energy, driving its sustainable evolution and innovating each day to improve people's quality of life.

Mission:

We have guaranteed efficient, safe and excellent energy services to the community for over 180 years. We favour the energy transition, creating the networks of the future and promoting innovative, sustainable solutions. We take care of local communities. We fuel positive, productive relationships with all of our stakeholders: individuals, companies, suppliers and shareholders. We enter new markets where we can apply our distinctive expertise. We promote the growth of individuals and develop talent, creating inclusive, stimulating work environments.

Purpose:

Pioneers by passion and builders by calling, we bring all our energy to accelerate the ecological transition. We do it for us. We do it for everyone.

Disclaimer

The Integrated Annual Report contains forward-looking statements, specifically in the "Business Outlook" section, relating to: investment plans, financial structure evolution, future operating performance and project execution. The forward-looking statements, by their nature, involve risks and uncertainties as they depend on the occurrence of future events and developments. The actual results could therefore differ from those announced in relation to various factors, including: actual operating performance, general macroeconomic conditions, geopolitical factors such as international tensions and socio-political instability, the effects of the pandemic, the impact of energy and environmental regulations, the successful development and application of new technologies, changes in stakeholder expectations and other changes in business conditions, action by competitors.

Corporate bodies

BOARD OF DIRECTORS^(a)

Chairwoman

Benedetta Navarra

Chief Executive Officer and General Manager

Paolo Gallo

Directors

Claudio De Marco

Fabiola Mascardi

Gianmarco Montanari

Lorenzo Parola

Manuela Sabbatini

Maria Sferruzza

Qinjing Shen

BOARD OF STATUTORY AUDITORS^(a)

Chairwoman

Giulia Pusterla

Standing auditors

Maurizio di Marcotullio

Paola Maria Maiorana

Alternate auditors

Stefano Fiorini

Barbara Cavalieri

CONTROL AND RISKS AND RELATED-PARTY TRANSACTIONS COMMITTEE^(b)

Gianmarco Montanari (Chairman)

Claudio De Marco

Manuela Sabbatini

APPOINTMENTS AND COMPENSATION COMMITTEE^(c)

Fabiola Mascardi (Chairwoman)^(d)

Claudio De Marco

Manuela Sabbatini

SUSTAINABLE VALUE CREATION COMMITTEE^(e)

Lorenzo Parola (Chairman)^(f)

Maria Sferruzza

Qinjing Shen

SUPERVISORY BODY^(g)

Antonio Gullo (Chairman)

Romina Guglielmetti

Francesco Profumo

INDEPENDENT AUDITING FIRM^(h)

Deloitte & Touche S.p.A.

(a) Appointed by the Shareholders' Meeting of 26 April 2022. In office until the date of the Shareholders' Meeting that will be called for the approval of the financial statements for the year ending 31 December 2024.

(b) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 02 May 2022.

(c) Committee established by the Board of Directors on 23 October 2017. Members appointed by the Board of Directors on 02 May 2022. On 22 February 2023, the Board of Directors appointed Fabiola Mascardi member and Chairwoman of the Appointments and Compensation Committee, an appointment previously held by Lorenzo Parola.

(d) Appointment conferred by the Board of Directors on 22 February 2023.

(e) Committee established by the Board of Directors on 04 August 2016. Members appointed by the Board of Directors on 02 May 2022. On 22 February 2023, the Board of Directors appointed Lorenzo Parola member and Chairman of the Sustainable Value Creation Committee, an appointment previously held by Fabiola Mascardi.

(f) Appointment conferred by the Board of Directors on 22 February 2023.

(g) The Supervisory Body was appointed by the Board of Directors on 25 July 2022. In office until the expiry of the term of the Board of Directors that appointed it, i.e. the date of the Shareholders' Meeting that will be called to approve the financial statements for the year ending 31 December 2024. In accordance with the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, the Supervisory Board continues to perform its functions *ad interim* until such time as the Board of Directors resolves to appoint the new Supervisory Board.

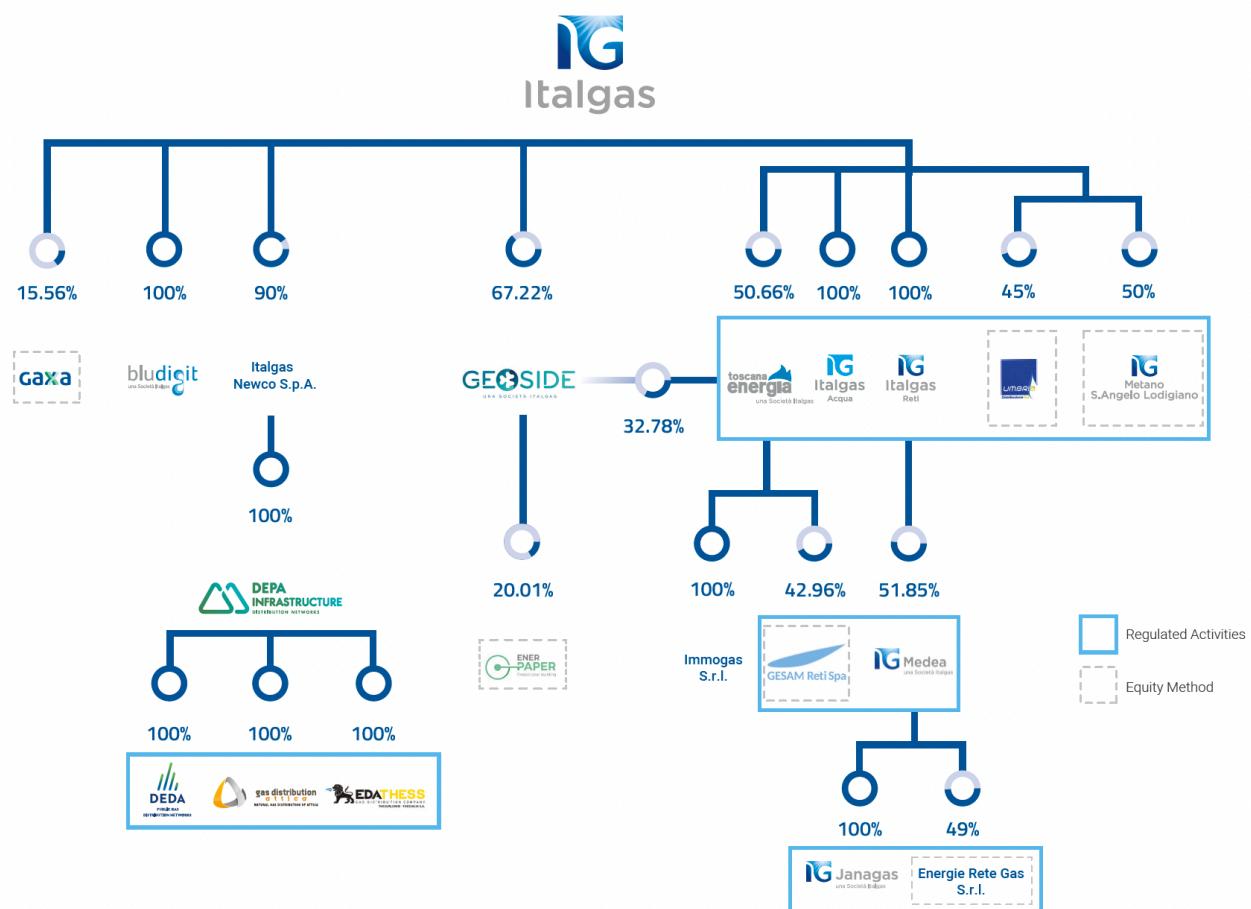
(h) Engagement assigned by the Shareholders' Meeting of 12 May 2020 for the period 2020 - 2028.

Italgas Group structure as at 31 December 2022

NFS

The structure of the Italgas Group as at 31 December 2022 changed, compared to that in place as at 31 December 2021, due to:

- the incorporation on 15 April 2022 of Immagas S.r.l. (a 100%-owned subsidiary of Toscana Energia S.p.A.) as a result of the non-proportional and asymmetrical partial demerger of Valdarno S.r.l.;
- the deconsolidation of Gaxa S.p.A. following the sale of a majority stake to Edison Energia S.p.A. (completed on 4 May 2022);
- the merger by incorporation of Fratelli Ceresa S.p.A. into Geoside S.p.A. (formerly Seaside S.p.A.), whose agreement was signed on 20 July 2022, with accounting and tax effects as at 1 January 2022;
- the acquisition, completed on 1 September 2022 through Italgas Newco S.p.A., of the entire share capital of DEPA Infrastructure Single Member S.A. (DEPA Infrastructure), company which fully controls Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks Single Member S.A. (DEDA);
- the sale of 10% of the share capital of Italgas Newco S.p.A., sole shareholder of DEPA Infrastructure, to Phaeton Holdings Single Member S.A., a financial company of the Greek industrial group Copelouzos;
- Medea's acquisition of the entire share capital of Janagas S.r.l., the company that holds the concessions for the distribution and sale of LPG in 12 Municipalities in Sardinia, on 13 December 2022;
- Medea S.p.A.'s subscription of 49% of the share capital of Energie Rete Gas S.r.l., a company active in gas transmission through a network of regional methane pipelines, which took place on 21 December 2022 through the transfer of Medea's gas transmission business to Energie Rete Gas S.r.l.



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Directors' Report

Letter to Shareholders and Stakeholders NFS

In an energy scenario characterised by a process of profound transformation, gas distributors play a crucial role in achieving the objectives of energy security, diversification of supply and decarbonisation of consumption. A role that, in the aftermath of the outbreak of war on Europe's doorstep, was even more specifically defined by the REPowerEU.

The European Commission document, in fact, in indicating biomethane and hydrogen as sources intended to contribute to the replacement of about 50% of the gas that the EU imported from Russia (155 billion cubic metres in 2021), emphasised the extraordinary role of gas distribution networks both as a carrier of these renewable gases and as a stimulus to their production. This is a logical choice, since we can count on an extremely capillary network that in Europe stretches for about two million kilometres and which, suitably transformed, is capable of favouring the progressive replacement of gas of fossil origin and the achievement of the net-zero economy.

In the changed scenario, the characteristic of capillarity makes these networks not only a driver for distribution, but also and above all a driver for gas collection: a biomethane plant is much more likely to be located close to a distribution network than a transmission network, and feeding it into the grid is also easier due to lower operating pressures.

As Italgas has demonstrated in recent years, working with foresight and vision on the digital transformation of assets and processes, the starting assumption is that digitisation must necessarily precede the energy transition. It is an infrastructural issue: preparing the assets to accommodate and manage multiple commodities at the same time, to recognise in real time the types of gas that are being distributed, thus the amount of energy, to assess the correct network set-up at a given time, and so on.

Already today, it is not only gas of fossil origin that flows through our networks. There is also biomethane produced from the wet fraction of waste and agricultural residues; and in the near future it will also be the turn of hydrogen and synthetic methane. Consequently, the infrastructure must be smart, "alive", flexible and able to react to conditions that are not and will no longer be standard conditions, precisely because of the arrival of different gases. Italgas has been working on this since 2017, accompanying and supporting this transformation with upskilling and reskilling activities to enable its people to manage and anticipate change. A path that by the end of 2023 will lead us to provide the country with an almost entirely digitised network, ready to accommodate renewable gases and thus contribute to the achievement of climate targets.

In this context, biomethane is crucial for encouraging the ecological transition of Italy and Europe.

The potential is such that several studies agree that the amount of biomethane that Italy could produce by building new plants and upgrading existing biogas plants, which cannot be injected into the network due to its composition, is around 8 billion cubic metres. 8 billion cubic metres corresponds to more than 10% of the

country's current needs, roughly the amount that TAP from Azerbaijan or twice as much as GreenStream from Libya brings to Italy today.

At the European level, the calculations are even more significant: the EU Commission estimates a potential annual production of between 25 and 30% of the European Union's current gas consumption. We need only consider that, from 2018 to 2021, installations in Europe almost tripled to 1,023 in nineteen countries, and it is not a coincidence that most of them are connected to distribution networks.

In Italy, there are 54 biomethane plants with a capacity of 479 million cubic metres per year, still far from Italy's potential and that of other countries that are further advanced in the development of the sector, such as France (with 365 plants and 620 million cubic metres produced) and Germany (242 and 1.2 billion cubic metres). The growth margins are extensive, especially in Southern Italy, where, by virtue of its agricultural tradition, estimates point to a production capacity of 2-3 billion cubic metres to be developed by 2030.

Italgas is playing its part with more than € 100 million of investments aimed at facilitating the connection of biomethane production plants to the distribution network and establishing reverse flow technology towards the transmission network, so as to enable the acceptance of quantities that are not consumed locally.

However, there is one fact that needs to be reflected upon: today, in Italy, most of the connection charges fall on the biomethane producer while only 20% are borne by the system. In other EU countries, this relationship is often the opposite, and this has been an important development factor.

On both fronts – reverse flow and connection costs – in line with the objectives set by REPowerEU, it would be desirable for the European legislator and the national regulator to intervene in order to define a framework of rules to promote their effective development, drawing also on the use of NRRP funds, which is something that has a relatively short-time horizon.

As for green hydrogen, our forecast is that its era will not begin for five to seven years: the conditions must be created for its cost to be competitive with other sources. And for this to happen, a large surplus of energy from renewable sources and a lower cost of electrolysis than at present would be required.

In the meantime, however, numerous experiments are underway by industry players, and Italgas is also working to be ready. In Sardinia, we are implementing a pilot project based on Power-To-Gas (P2G) technology for the production of green hydrogen. The project is in partnership with important research institutions such as the Polytechnic University of Turin and the CRS4 Research Centre of the Sardinia Region, and is in the final stages with regard to the administrative authorisations that need to be obtained.

The choice of this island is not accidental: in the only region that did not experience the benefits of methane until 2020, Italgas has created a network of "digital native" networks – the most advanced in the country – that has allowed it to overcome the natural gas challenge within two years and to attract new operators in the sector, reactivating an important economic domain. An energy system, dubbed the "Sardinia model", based

on state-of-the-art networks and cryogenic deposits of liquefied natural gas ("small scale LNG") that made it possible to overcome the shortage of pipeline connectivity. A model that, thanks to P2G technology, can also highlight the contribution of sector coupling to decarbonisation, energy diversification and security.

This solution can be adopted in all those areas where traditional supply is complex or uneconomical, such as in some areas of Greece, where Italgas completed the acquisition of 100% of DEPA Infrastructure as well as its distribution companies EDA Thess, EDA Attikis and DEDA in 2022. A process of sharing technical and technological know-how has already begun with them, in support of the common goal of building an infrastructure of excellence that will contribute to achieving the coal and lignite phase-out targets set by the Greek government in line with EU targets.

It is precisely this capacity for technological innovation, which has made Italgas a global benchmark, that has enabled the company's daily operations and process management to become digitally transformed in recent years, starting with network control and gas leakage prevention activities. In this area, the definitive adoption of Picarro technology, the most cutting-edge in the world in the field of preventive network monitoring, has brought about a Copernican revolution in the control of fugitive methane emissions, to the point of reducing leakage from Italgas networks to less than 0.1%.

Innovation is also at the heart of the Group's presence in the energy efficiency sector, where it offers advanced solutions and products that guarantee systematic energy savings. Those same solutions that are proposed to the market have already been applied in our operations and have enabled us to achieve savings of more than 20% in energy consumption over the past year, in both electricity and gas.

Together with technological innovation, decarbonisation, the circular economy, the sustainability of its supply chain, safety of assets, training, diversity and inclusion are also strategic drivers through which Italgas intends to implement the 2022-2028 Sustainable Value Creation Plan, approved last 14 December by the Italgas' Board of Directors, which is part of the trajectory of the € 8.6 billion investment Strategic Plan. A Plan that has defined three directions - Planet, People and Partnership (for a sustainable future together)- corresponding to lines of action with clear commitments, measurable targets and expected medium- and long-term results.

Thanks to adjusted revenues of € 1,537.3 million (€ 1,555.9 million in the reported configuration) and an adjusted net profit attributable to the Group of € 395.7 million (€ 407.3 million in the reported configuration), the Group's growth trend, which has been constant and uninterrupted since its return to the Stock Exchange in 2016, was also confirmed in 2022. These are results achieved thanks to the contribution of all Italgas people, who have combined change, innovation and improvement, and which allow us to propose the distribution of a dividend of 0.317, an increase of +7.5% compared to 2022, to the satisfaction of our Shareholders.

Pioneers by passion and builders by calling, we bring all our energy to accelerate the ecological transition. We do it for us.

We do it for everyone.

BENEDETTA NAVARRA

Chairwoman & Non-Executive Independent Director

PAOLO GALLO

Chief Executive Officer and General Manager

2022 Highlights¹

Consolidated economic and financial highlights²

- **Adjusted total revenues** € 1,537.3 million, +12.1% compared to 2021;
- **Adjusted EBITDA** € 1,082.7 million, +7.3% compared to the 2021 result;
- **Adjusted EBIT** € 622.8 million, +6.8% compared to the 2021 result;
- **Adjusted net profit attributable to the Group** € 395.7 million, +7.6% compared to the 2021 result;
- **Investments** € 814.3 million (€ 865.1 million in 2021);
- **Cash flow from operating activities³** € 571.7 million (€ 831.9 million in 2021);
- **Net financial debt⁴** € 6,000.1 million (€ 4,985.9 million on 2021);
- **Net financial debt (excluding the effects of IFRS 16)⁵** € 5,928.1 million (€ 4,915.9 million on 2021);
- **Proposed dividend** of € 0.317 per share, an increase of +7.5% compared to the dividend paid in 2022.

Operating highlights⁶

- **413 thousand new smart meters** installed to replace traditional meters;
- **Distribution network in operation** extended by **537 km** for an overall length of approximately 81,309 km;
- **Municipalities with gas distribution service concessions** increased to 2,044 (1,898 as at 31 December 2021), of which 1,950 operating (1,822 as at 31 December 2021).

Sustainability highlights⁷ NFS

Italgas for the future of the planet

- 141.2 10³ tCO₂ eq Scope 1 and 2, -12.1% on 2021;
- 137.5 10³ tCO₂ eq Scope 3 supply chain, -6.6% on 2021;
- Net energy consumption: 472.0 TJ, -21.0% on 2021;
- Volumes of gas distributed: 7,961.3 million Sm3, -10.4% on 2021;
- Energy intensity⁸: 0.06, in line with 2021;
- Gas leakage rate⁹: 0.087%, in line with 2021;
- Fugitive emissions (Sm3/km network): 90.5, -15.2% on 2021;
- Sending 97.6% of waste produced by the Group and 94.5% of waste produced by contractors for recovery;

¹ The consolidated economic and financial highlights and operational highlights reflect the effects of the consolidation of the DEPA Infrastructure Group on 1 September 2022.

² For the economic and financial analyses for the financial year 2022, the company considered it more representative to comment on the adjusted results, i.e. the recurring results, comparing them with the adjusted recurring results for the financial year 2021.

³ Net of the effects deriving from IFRS 15.

⁴ The item does not include liabilities for € 34.8 million consisting of the pro-rata share of the shareholder loan to Italgas Newco S.p.A. subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt. In accordance with Consob Communication no. DEM/60064293 of 28 July 2006, the net financial debt including the effects of this shareholders' loan as well as the effects of IFRS 16 payables is presented in the Notes to the Consolidated Financial Statements and amounts to € 6,034.9 million. See paragraph 5.2.4 Reclassified Statement of Financial Position.

⁵ The item expresses net financial debt excluding the effects of IFRS 16 payables and the Italgas NewCo shareholder loan. See paragraph 5.2.4 Reclassified Statement of Financial Position.

⁶ Considering the affiliates over which Italgas does not exercise control.

⁷ Highlights in reference to the Italian scope.

⁸ Calculated as the ratio of total Group energy consumption and gas distributed.

⁹ Volume of fugitive emissions of natural gas/volume of gas distributed.

Italgas for the future of people

- 24.7% women in positions of responsibility, as compared with 22% in 2021;
- 17.8% women in the company, as compared with 16.4% in 2021;
- 129,700 hours of training delivered (+15.4% on 2021), of which 33,155 for topics relating to digitisation;

Italgas for a sustainable future together

- 286 innovative SMEs and start-ups considered for possible collaborations related to digitisation, technological innovation, energy efficiency, security and sustainability of Group processes;
- About 40% of strategic suppliers for sustainability involved and trained on ESG issues.



NFS

Methodological note - Integrated Annual Report 2022

Objectives of the document

The Italgas Group (hereinafter also referred to as “Ialgas” or the “Group”) has presented the annual financial report in the form of an Integrated Annual Report (hereinafter also referred to as the “Report” or the “Integrated Report”) as a tool for the integrated reporting of financial and non-financial data. It consists of the Directors’ Report (with both financial and non-financial reporting), the Consolidated Financial Statements and the Separate Financial Statements of Italgas S.p.A..

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

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

Having joined the United Nations Global Compact, Italgas also decided to update the annual *Communication on Progress* (CoP)¹⁰ within its Integrated Report, by supplementing its content in order to notify all internal and external stakeholders of the activities undertaken and results achieved when implementing the Ten Principles of the Global Compact.

¹⁰ The United Nations Global Compact (GC), the world's largest voluntary corporate citizenship initiative, requires companies to adhere to principles which encourage the integration of sustainability in business. Companies/organisations joining the initiative are required to inform all internal and external stakeholders of the activities undertaken and results achieved during implementation of the Global Compact principles. Participating companies are in fact required to notify stakeholders on a yearly basis of any progress they have achieved, by publishing an annual reporting document (Communication on Progress, COP) on the GC website.

Reference framework and reporting standards

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

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

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

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

- for reporting of the information required by Italian Legislative Decree 254/16, Italgas has adopted the "Global Reporting Initiative Sustainability Reporting Standards" (hereinafter "GRI Standards") issued by the "Global Reporting Initiative" in 2016, as amended. In particular, according to the provision of the GRI Standard 1: Foundation, requirement 8, the Italgas Group prepared the document in accordance with GRI Standards for the period 01.01.2022 - 31.12.2022. The references to the GRI Standards reported on are contained in both the Integrated Annual Report and the table of indicators;
- the Integrated Annual Report refers to the Guiding Principles and Content Elements required by the International Integrated Reporting Framework (hereinafter also "IIRF" or "IR Framework"), issued by the International Integrated Reporting Council (IIRC) and updated in January 2021.

For the reporting related to the requirements of Legislative Decree 254/2016, a specific reconciliation table has been prepared that shows the issues required by the decree by correlating them to the paragraphs/chapters in which they are addressed in this document, the material topics, capital and, finally, the GRI indicators.

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

In addition, with reference to the requests for information correlated with European Taxonomy, the report is made in compliance with the provisions of the "Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088" as well as with the Delegated Acts applicable to it with reference to the date of publication of this document.

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

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

Reporting scope and period

The data and information reported in this Integrated Annual Report refer to the performance of the Italgas Group¹¹ in the financial year ending 31 December 2022.

Changes in the scope of consolidation are illustrated under the Chapter entitled Italgas Group Structure as at 31 December 2022.

For the non-financial reporting, the quantitative data in this document refer, where possible, to the 2020, 2021 and 2022 financial years. This is to ensure comparison of the information with information from previous financial years, as required by Italian Legislative Decree 254/16, and also to comply with the comparability principle under the GRI Standards.

The reporting boundary of the non-financial data includes:

- Italgas S.p.A., parent company with offices in Milan, Via Carlo Bo 11;
- Italgas Reti S.p.A.¹², with offices in Turin, at Largo Regio Parco 11, whose core business is nationwide gas distribution;
- Italgas Acqua S.p.A.¹³, with offices in Caserta, at Via Falco 31, whose core business is water distribution in five municipalities of the Campania region;
- Medea S.p.A.¹⁴, with offices in Sassari, at Loc. Predda Niedda strada 1 angolo strada 2, whose core business is the distribution of natural gas and propane air in the Sardinia region;
- Toscana Energia S.p.A.¹⁵, with offices in Florence, at Piazza E. Mattei 3, whose core business is gas distribution primarily in the Tuscany region;
- Geoside S.p.A.¹⁶, with offices in Bologna, at Via E. Cristoni 88, an Energy Service Company (ESCo) providing consulting services and technological and financing solutions in the energy efficiency sector;
- Bludigit S.p.A.¹⁷, with registered office in Milan, at Via Carlo Bo 11, whose core business is tied to the management of the Italgas Group business and assets in the IT area and the creation of a commercial offer of IT services;
- DEPA Infrastructure SA¹⁸ with registered office at Mesogeion Avenue 207, Athens, the holding company of a group whose core business is gas distribution in Greece through its subsidiaries Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess)¹⁹, Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis)²⁰ and Public Gas Distribution Networks S.A. (DEDA)²¹.

¹¹ Please note that for the purposes of non-financial reporting in the Integrated Annual Report, the Italgas Group only includes companies over which Italgas exercises control and not also affiliates that are not subsidiaries, for which the operating data is stated. For the list of companies consolidated using the line-by-line method, see the details in point B) "Consolidated Financial Statements" as at 31 December 2022.

¹² <https://www.italgas.it/en/group/companies/italgas-reti/>

¹³ <https://www.italgasacqua.it/>

¹⁴ <https://www.italgas.it/en/group/companies/medea/>

¹⁵ <https://www.toscanaenergia.eu>

¹⁶ <https://www.geoside.com/>

¹⁷ <https://www.italgas.it/en/group/companies/bludigit/>

¹⁸ <https://depanetworks.gr/>

¹⁹ <https://www.edathess.gr/>

²⁰ <https://edaattikis.gr/>

²¹ <https://deda.gr/>

The figures in the Consolidated Non-Financial Statement for DEPA Infrastructure SA and its subsidiaries reflect the effects of consolidation as at 1 September 2022.

Data relating to Janagas S.r.l. is not included in the 2022 non-financial reporting boundary insofar as the completion of acquisition of control took place in December 2022 and has no significantly material effects on the report.

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

Reporting process

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

- identifying the reporting scope for financial and non-financial information;
- preparing and updating the materiality analysis, including through stakeholder engagement;
- collecting the qualitative and quantitative data to be reported, with the direct engagement of the company divisions/units in charge of such data;
- consolidating the data and preparing the draft Integrated Annual Report;
- approval on 9 March 2023 by the Board of Directors of the Integrated Annual Report and the draft financial statements for the year ended 31 December 2022;
- the issuance of reports by the independent auditing firm appointed.

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

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

Materiality analysis

The structure of the NFS contents of the Integrated Annual Report starts from the analysis of the material topics, i.e. those considered to have the highest impact for the Company, taking into account not only the minimum elements indicated by Legislative Decree 254/2016 (Article 3, subsection 1), but also the business model, its own characteristics and the expectations of the Company's stakeholders.

Italgas updates the materiality analysis on an annual basis, taking into account stakeholder requests, changes in the regulatory environment, the Group's strategy and any drivers capable of significantly affecting the

Group's capacity to generate value in the short, medium and long term. For 2022 reporting, the Group has adopted a new approach, in line with the updated standards and frameworks. In particular, the process of adapting to the EU Corporate Sustainability Reporting Directive (CSRD) has begun, approved by the European Parliament on 28 November 2022 (in force from 2024), for which draft standards are already available that address the approach to be followed in carrying out the materiality analysis.

The new Directive proposes a "dual materiality" approach, identifying two directions in which to frame corporate governance, social and environmental issues: namely how these affect a company's financial performance and long-term value (impacts suffered, outside-in perspective) and what effects the company causes on society and the surrounding environment (impacts generated, inside-out perspective).

In this context, an important role is played also by the new sustainability reporting standards of the Global Reporting Initiative (GRI), published in 2021 and effective from January 2023, which require a revision of the materiality analysis path. The objective of the new GRI materiality (Impact Materiality) is to identify what effects (positive and negative) a company causes on society and its environment (generated impacts). It is therefore required to report, as material, on the issues that represent the most significant impacts generated by the Group on the economy, the environment and the people.

Anticipating what will become mandatory starting from 2024, Italgas has approached Financial Materiality through an initial quali-quantitative analysis of issues from a financial point of view, i.e. those issues that generate (or may generate) financial effects on the company (impacts suffered), producing risks and opportunities or influencing its cash flow or value in the short, medium or long term, even if this cannot be detected by financial reporting.

Italgas has implemented its process seeking to update the materiality analysis, assessing the impacts generated (so-called "Impact Materiality") through a set of activities engaging and listening to key qualified, expert interlocutors, as suggested by the reference guidelines (GRI Universal Standards 2021 – GRI 3). An activity that goes beyond the concept of a materiality "matrix" in favour of a prioritised list of material topics and a reporting threshold established on the basis of assessment of the most significant impacts.

The methodology used by the Group consisted of four stages:

1. Identification of impacts generated by Italgas and updating of material topics
2. Evaluation of material topics from the point of view of the impacts generated by the Group and collection of stakeholder expectations
3. Involvement of Top Management to explain the findings, collect further feedback and validate the analysis
4. Evaluation of the impacts suffered by the Group from a Financial Materiality perspective through interviews with Top Management

Phase 1 - Identification of impacts generated by Italgas and updating of material topics

To identify the topics to be submitted for assessment, the starting point was the revision of the relevant topics of the 2021 reports, updated according to changes to the internal and external context, and regulatory evolutions.

In response to the standards and the new Double Materiality approach, the review of the material topics has led to:

- i. the updating of the declarations of the material topics “Innovation” to “Network Digitisation and Innovation” and “Environmental Sustainability” to “Ecosystem and Biodiversity Management” from an “impact-oriented” perspective, in order to enhance the impacts that the Company generates for its stakeholders;
- ii. the integration of the new topics “Network Development”, “Network Cybersecurity” and “Adoption of Circular Economy Principles”, carried out in light of the changed conditions of the reference context and consistent with the objectives set out in the “2022-2028 Sustainable Value Creation Plan”.
- iii. a new clustering of topics in line with the 2022-2028 Sustainable Value Creation Plan: “Planet”, “People”, “Sustainable Future” (see Chapter 6) as well as the “Governance” cluster (“Responsible Governance and Risk Management”, “Economic Value Generation and ESG Finance” and “Compliance, Transparency and Anti-Corruption”), which was defined for some cross-cutting issues in the three Pillars of the Plan.

Phase 2 - Evaluation of material topics from the point of view of the impacts generated by the Group and a compilation of stakeholder expectations

Listening and engagement of external and internal stakeholders has taken place both through the organisation of a Multistakeholder Forum and by asking all external participants and all Group employees (Italy and Greece) to assess, through a survey, the material topics in terms of Generated Impact, Urgency and Perceived Oversight, on a Likert scale (from 1 to 5).

Phase 3 - Involvement of Top Management to explain the evidence, gather further feedback and validate the analysis

The third phase involved the Group's top management, called to assess, through a dedicated survey, the material topics already classified for Impact, Urgency and Oversight and to discuss and approve the results of the activities completed.

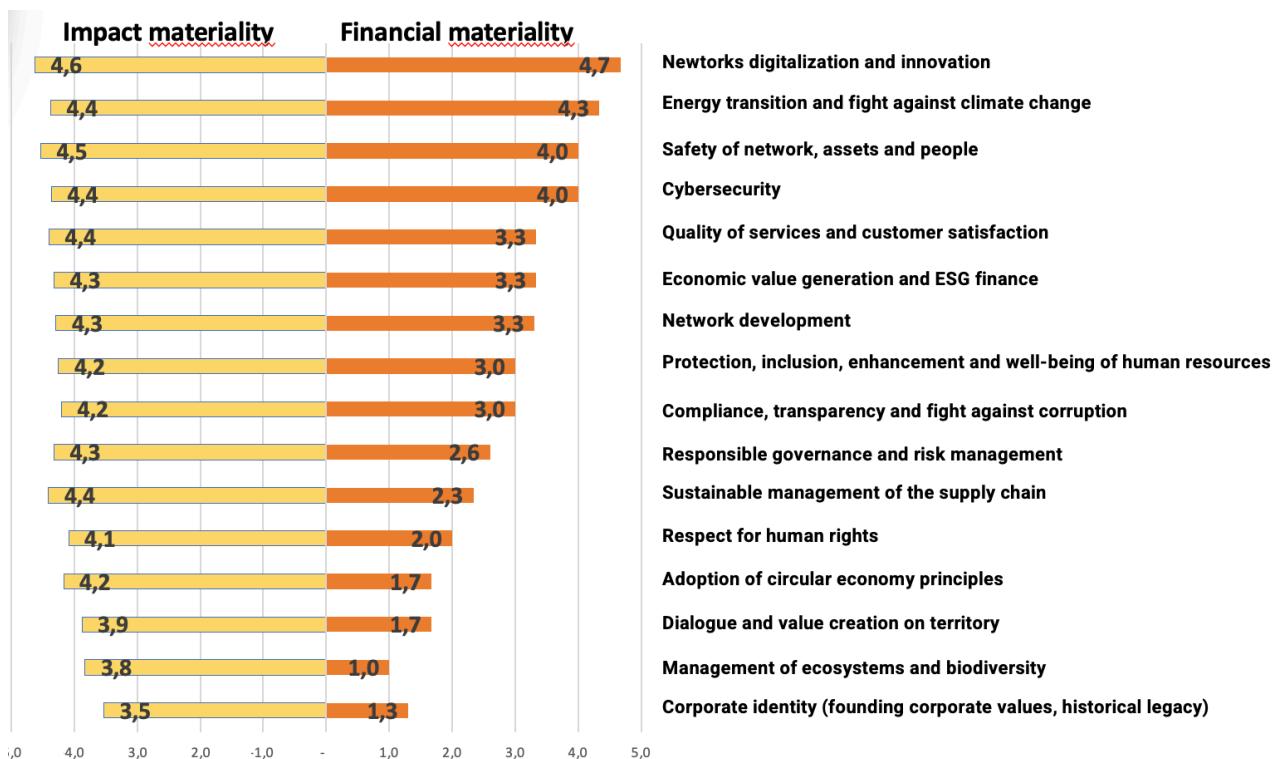
Phase 4 - Evaluation of the impacts suffered by the Group from a Financial Materiality perspective

Anticipating what will become mandatory as of 2024, Italgas also approached Financial Materiality through an initial qualitative-quantitative analysis of the issues from a financial point of view, carried out through an initial voluntary exercise²².

At the end of the entire process to collect and summarise the various contributions made for Impact and Financial Materiality, also involving Top Management, the following summary view was obtained of the main impacts generated and suffered in relation to Italgas' material topics²³:

²² In the lack of definitive standards, the Financial Materiality exercise was not subject to assurance activities

²³ In the topic “Ecosystem and Biodiversity Management”, the aspects relating to the management of water resources and biodiversity are, in their individual meanings, not deemed relevant to Italgas' core business (it should be noted that the Group is not required, for its gas and water distribution activities, to carry



Continuous dialogue with stakeholders is a priority for the Group, allowing it to constantly monitor the level of satisfaction of a company's work. It is also a chance to gather useful insights in order to improve the quality of services and operational and management models. Accordingly, Italgas adopts diversified and flexible dialogue and involvement practices, in response to the various characteristics and needs of its stakeholders.

The stakeholder categories identified and stakeholder engagement activities carried out in 2022 are set out below.

out an environmental impact assessment pursuant to Directive 2011/92/EU). With reference to water resources, since 2018, Italgas carried out an environmental analysis that showed that, considering the size of the volumes of water withdrawn, the type of use made of the water (hygiene-sanitary or fire-fighting uses) and the geographical location of the Italgas Companies, the impacts on the water resource are considered negligible; moreover, the incidence of the business on the total Group revenues of the company Italgas Acqua, whose only activity is the distribution of drinking water, is less than 1%. Despite this, as evidence of the fact that the aspect is in any case monitored and supervised, the above section sets out the withdrawals, discharges and consumptions of the Group, in compliance with the requirements of Italian Legislative Decree no. 254/16. Finally, impacts on biodiversity were also considered negligible, in light of the fact that the Group operates predominantly in an urban environment (from "city gate" to meter, see paragraph "Biodiversity", Chapter 6.1).

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

1. The Italgas Group value creation process

1.1 Corporate identity NFS

Italgas is the leading gas distributor in Italy and Greece and the third in Europe: with its affiliates²⁴ and the work of 4,281 people at the various offices across Italy and Greece, it manages 81,309 kilometres of gas distribution network, through which, in 2022, it distributed more than 8,500 million cubic metres of gas to 7,959 thousand users. In Italy, the Group holds 1,904 distribution concessions, with a historical presence in Italy's main cities, including Turin, Venice, Florence and Rome, and a market share of over 33%. In 2022, the completion of the DEPA Infrastructure transaction enabled Italgas to acquire the distribution licence in 140 municipalities in Greece, of which 105 are already in operation.

With more than 185 years of history, Italgas is unanimously acknowledged as the company that has brought gas into Italian homes, contributing towards the country's social and economic development. It is a contribution that is also renewed today: the most significant example is the methanisation of Sardinia, where since it first started back in 2018, the Group has installed 910 km of new digital native networks and in 2020, the first natural gas was distributed on the island.

Italgas has always had a firm focus on the future, aware of the role its infrastructure plays and will play in supporting the energy transition, guaranteeing the country's energy security. Through the major investment plan announced in June 2022, the 2022-2028 Business Plan, the Group continues its extension and repurposing of the network, not only in order to guarantee its safety and efficiency, but also the capacity to distribute renewable, low-carbon, hydrogen and synthetic gases, which look set to play an increasingly important role over the next few years.

The recent acquisition of DEPA Infrastructure S.A. in Greece will also allow the Group to further strengthen its position in the European gas sector, entering a market that offers significant growth opportunities, making its network digitisation and development capacities available to support Greece's energy transition.

The Group's business

The core business of Italgas is focused on gas distribution, which it carries out as part of the wider national system, involving the distribution of gas on behalf of sales companies authorised to sell the gas to end customers. In addition to the delivery service, carried out using the local pipeline networks from the city-gates (reduction and metering stations interconnected with the transmission networks), the company carries out metering activities, which include the collection, processing, validation and provision of consumption data in order to regulate commercial transactions between operators and users.

The operations for the gas distribution business are managed by:

- Italgas Reti S.p.A. - which operates nationwide
- Toscana Energia S.p.A. - operating in the Tuscany region
- Medea S.p.A. and Janagas S.r.l. - operating in Sardinia

²⁴ The following reported data refer to the Group only: 4,238 employees, 79,406 kilometres of network, 8,223 million cubic metres of gas distributed, 7,806 million users, holders of 1,983 concessions.

- DEPA Infrastructure S.A., through its subsidiaries EDA Attikis S.A., DEDA S.A. and EDA Thess - operating in Greece.

In Italy, Italgas is subject to regulation by the Italian Regulatory Authority for Energy, Networks and Environment (also referred to as the Authority or ARERA), which defines both how to conduct the service and the rates for distribution and metering. The gas distribution business is carried out under concession. A similar regulatory activity is carried out in Greece by the public body appointed for this purpose (RAE).

The Italgas Group also operates:

- in energy efficiency through Geoside SpA, its ESCo (Energy Service Company) specialised in energy consulting and the supply of energy services to both the private residential and industrial sector and the public administration sector.
- in the management of the integrated water service of five Municipalities in Campania, on a concession basis, through Italgas Acqua S.p.A..
- in Information Technology through Bludigit, the company in which all the Group's IT assets are concentrated, offering proprietary cutting-edge digital solutions, making the competences and applications developed in-house available to other operators too, both in the energy sector and other sectors.

1.2 Business model NFS

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

- Governance processes;
- Business processes;
- Support processes;
- Control processes.

Value chain model

DEVELOPMENT ACTIVITIES → OPERATIONAL ACTIVITIES → COMMERCIAL ACTIVITIES



Figure 1 - Representation of the Italgas Group value chain

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

1.3 External context, markets and Italgas stock

NFS COVID-19 pandemic

The COVID-19 pandemic and the consequences caused first by the price shock on the energy markets, and then by the war on Europe's doorstep, have accelerated a series of evolutions in the companies' vision and way of operating, forcing them to adapt rapidly to change and to streamline their production processes in order to reduce consumption. In this scenario, Italgas showed exceptional resilience by guaranteeing service continuity for all the customers it serves, also thanks to the digital transformation of processes, assets and people, launched back in 2017. Since the beginning of the pandemic, investments in digitisation have enabled work to be reorganised and activities to be carried out remotely in smart working mode. Thanks to the application of innovative technologies, such as “ShareView” and “WorkOnSite”, developed in the Italgas Digital Factory, it has been possible to manage construction sites and network interventions remotely and efficiently, reducing the number of people travelling on site and, consequently, reducing fuel consumption and CO₂ emissions. With 24 consecutive quarters of growth since its return to the stock exchange, Italgas has shown itself capable of continuing its development and transformation even during the health emergency, supporting

the country's economic fabric, contributing to the economic recovery thanks to important investments and playing a lead role in the energy transition.

Rising energy prices

The gradual increase in energy prices, which began in late 2021 and continued with the outbreak of war in Ukraine, was caused by a combination of factors – first and foremost geopolitical factors – which has generated further instability in Europe. This situation, which continues to challenge numerous industrial segments in Italy, has led to reflection on the investments necessary to achieve energy independence for the country. In this context, renewable gases – first and foremost biomethane – have been recognised as having a very significant potential, not only in terms of the decarbonisation of consumption but also to guarantee greater security of procurement. The gas distribution networks are a strategic asset also for renewable gases, as long as they are entirely digitised and flexible, i.e. able to transmit data, receive and execute instructions, be managed from a remote position. Thanks to the digital transformation process undertaken in 2017, Italgas is on its way to becoming the first gas distribution company in the world with a fully digitised network.

The key role in the energy transition

The net-zero target by 2050, set by the European Union as part of the Green Deal, has made it urgent for the individual Member States to decarbonise consumptions and reduce the carbon footprint of all manufacturing activities to zero. Gas is expected to play a major role in the European energy transition process, supporting the imminent exit from coal. Gas will continue to account for approximately 20% of European energy consumption in 2050, but with a renewed composition that will reflect the increasing weight of renewal gases such as hydrogen, biomethane and synthetic methane (e-gas). In this scenario, the role of gas distribution networks will remain central due to their widespread coverage and extension, as also recognised by the European Commission with the inclusion amongst activities included in the European taxonomy of sustainable investments. In fact, the networks that distribute natural gas today will soon be able to host low-carbon content renewable gases and subsequently synthetic gases and hydrogen, as long as they are digitised. As part of its commitment to decarbonisation, Italgas has adopted practices and developed proprietary technologies that can pave the way for a more sustainable future for other operators too and not just in the energy sector.

1.3.1 Macroeconomic scenario and market trends

As a function of the economic recovery that started in 2021, as well as the subsequent supply tensions following the conflict in Ukraine and the sanctions imposed on Russia, 2022 saw a sharp rise in average energy commodity prices with a consequent impact on inflationary dynamics, central bank policies, bond yields and share prices.

Despite the significant drop from the historical peak of € 311/MWh in August 2022, the price of European gas on the TTF platform averaged € 132/MWh during the same year, tripling the average level of the previous year (€ 47/MWh) and generating an almost comparable rise in electricity prices in Europe. Wholesale electricity prices in Germany (1 month forward) increased from an average level of € 109/MWh in 2021 to € 285/MWh in

2022. Similarly, average coal prices (delivery Amsterdam/Rotterdam/Antwerp) rose from \$ 108 to \$ 267/tonne (+147%) and average oil prices rose from \$ 70 to \$ 100/b (+42%), against the backdrop of an average depreciation of the euro against the dollar of 11%, which further aggravated the cost expressed in euro.

The rise in commodity prices has been reflected in inflation. In October, the eurozone CPI (Consumer Price Index) peaked at +10.6% compared to the same month in 2021, at the highest level since the introduction of the euro, before falling back marginally in the following months (9.2% in December) due to the easing of energy commodity prices, in particular natural gas: these levels are well above the ECB's target (2%) even net of the more volatile food and energy components.

In order to limit the rise in inflation, central banks initiated restrictive monetary policies, aimed at increasing the cost of money and slowing down the level of economic activity and consequently the level of aggregate demand. As of July, the ECB raised rates by 250 bps. The policy move by the FED, which had already started in March, was even more far-reaching, with a cumulative interest rate hike of 425 bps, together with the start of the sale of government and mortgage bonds held in the portfolio as a result of previous QE (Quantitative Easing). As a reflection of monetary tightening, EU economic growth decelerated over the course of the year, from 5.6% y/y real GDP growth in Q1 to 2.5% in Q3; similarly, in the US, GDP growth fell from +3.7% y/y in Q1 to +1.9% in Q3.

Inflationary tensions and monetary tightening had significant impacts on bond markets. The German 10-year sovereign yield advanced 275 bps to 2.57%, the highest since July 2011, and the US 10-year yield advanced 236 bps to 3.87%, close to the highest since June 2008. Peripheral spreads also showed substantial increases, with the BTP-Bund spread on ten-year maturities rising from 135 bps to 214 bps (+79 bps). At the end of 2022, the yield curve remains largely inverted, both in the case of the US Treasury and the Bund, as a result of expectations of recession/economic slowdown induced by monetary tightening.

1.3.2 2022 Trend and Italgas stock

2022 recorded a downturn to global equity markets, due to expectations of an economic deceleration/recession induced by monetary tightening and the consequent rise in bond yields. However, after the lows reached in the third quarter as a result of the October spike in eurozone CPI, the stock markets showed a consistent recovery due to moderating inflationary expectations and the consequent mitigation of central bank rate hike expectations due to the overall moderation of energy commodity prices, especially natural gas.

With prices adjusted for dividend payments and reinvestments (total shareholder return), the Euro Stoxx share index contracted by 11.5%. The US S&P 500 index fell 18.1%, however, this was against a depreciation of the EUR/USD of around 6% (end-2022 vs. end-2021 values), which equals the performance between the two benchmarks in currency-adjusted terms. The difference in performance between the various eurozone national stock indices was mainly due to exposure to energy supplies from Russia. Down 12.4%, the DAX index was the worst performer, with Germany reporting the largest disruptions in the supply of Russian gas. Conversely, Madrid's Ibex 35 was the best index with a drop of 2.0%, Spain being predominantly exposed to gas supplies from Algeria and through LNG. Italy and France were in between, with the FTSE Mib and the CAC 40 at -9.4% and -6.7% respectively.

On a sectoral level, the Euro Stoxx Utilities fell by 7.1%, with the operators with the greatest exposure to marketing (due to rapidly rising electricity and gas prices not readily passed on to end users) and renewables underperforming overall. Renewable operators were affected by fears of increased taxation and the introduction of price-caps, measures aimed at limiting and passing on part of the higher profits made as a result of higher commodity and electricity prices to end consumers.

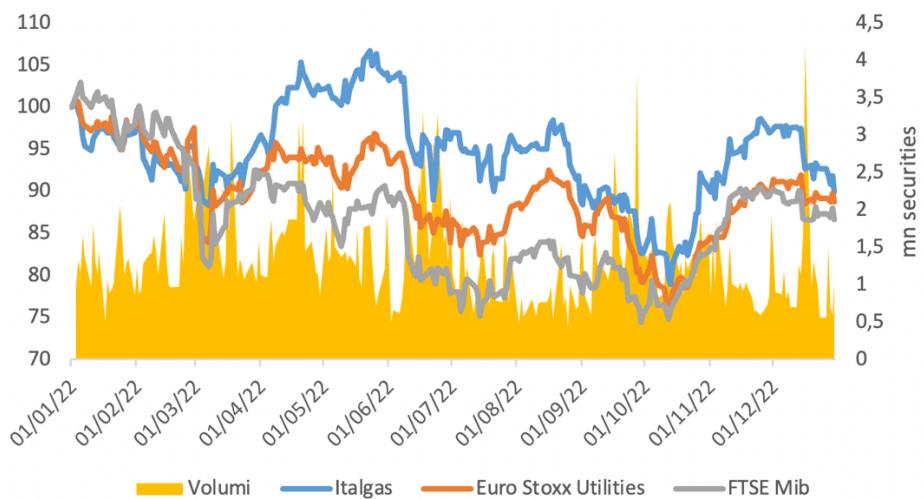
Regulated operators, on the other hand, were generally supported by the need to upgrade infrastructure as a result of the REPowerEU programme, aimed at accelerating the energy transition towards electricity and renewable fuels, including hydrogen, as well as increasing the diversification of gas supplies in order to reduce dependence on Russia.

Turning to the rest of the eurozone market, the aforementioned scenario, characterised by rising energy commodity prices, inflation and bond yields at multi-year highs, declining real disposable income and increasing consumer focus on spending levels, resulted in underperformance for the real estate, retail and technology sectors, while oil & gas and financials (banking and insurance) were best performers.

The Italgas share closed 2022 at € 5.19. Considering the per-share dividend of € 0.295 and a price at the end of 2021 of € 6.052, the total shareholder return at the end of 2022 was -10.1%. From the date on which it was listed in November 2016 to 31 December 2022, the total shareholder return is 71.8%. On 20 May, the stock updated its all-time highs (€ 6.39) in the non-dividend-adjusted version, while on 23 May, the stock updated its all-time highs in the dividend-adjusted version (€ 6.16).

During the year, the average daily trading volume of the Italgas stock on the Italian Stock Exchange electronic market was about 1.4 million shares, with a greater concentration of trades around the announcement of quarterly results, the ex-dividend date and updating of the 2022-2028 Strategic Plan, presented mid-June.

Comparison of the quotes Italgas, FTSE MIB and EURO STOXX Utilities (1 January 2022 - 31 December 2022, figures adjusted for dividends)



1.4 Ownership structure

The share capital of the Company as at 31 December 2022 consisted of 810,245,718 shares without par value, giving a share capital value of € 1,002,608,186.28.

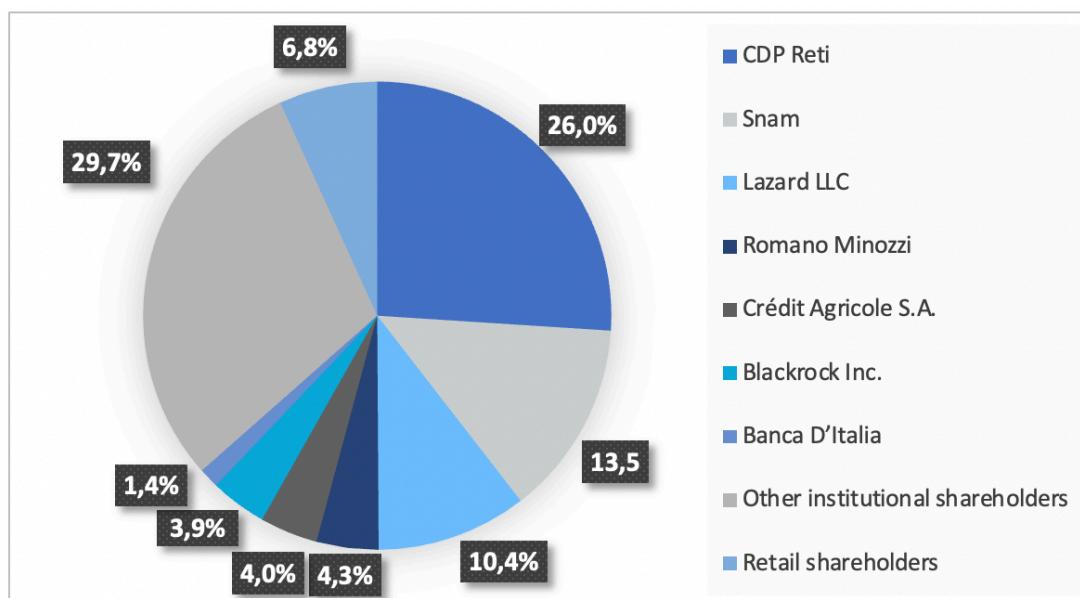
As at 31 December 2022, based on the shareholders' list, the information available and the notices received pursuant to Article 120 of the Consolidated Finance Act, the owners of significant equity investments are represented below.

CONSOLIDATING COMPANY	SHAREHOLDERS	% OWNERSHIP
	CDP Reti S.p.A (*) (**) 26.01	26.01
	Snam S.p.A. 13.48	13.48
	Lazard LLC 10.4	10.4
	Romano Minozzi 4.28	4.28
Italgas S.p.A.	Crédit Agricole S.A. 4.0	4.0
	Blackrock Inc. 3.9	3.9
	Banca D'Italia 1.4	1.4
	Other institutional shareholders 29.7	29.7
	Retail shareholders 6.8	6.8

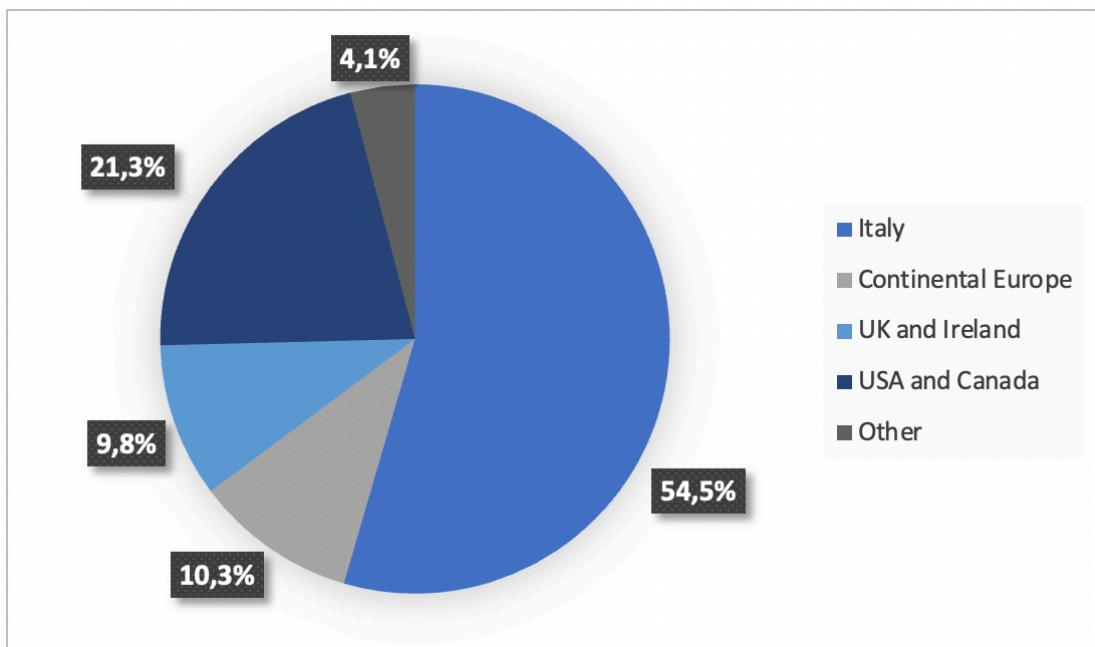
(*) On 1 August 2019 the Board of Directors of CDP S.p.A., also with a view to considering the control guidelines contained in Consob Communication no. 0106341 of 13 September 2017, reclassified its equity investment in Italgas as *de facto* control pursuant to Article 2359, subsection 1, no. 2) of the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

(**) A shareholders' agreement between Snam, CDP Reti and CDP Gas was signed on 20 October 2016, effective from the date of the demerger of Italgas S.p.A. on 07 November 2016. With effect from 1 May 2017, CDP Gas was merged into CDP. Subsequently, on 19 May 2017, CDP sold to CDP Reti, *inter alia*, its equity investment in Italgas S.p.A., equal to 0.969% of Italgas S.p.A.'s share capital. CDP Reti is 59.1% owned by CDP, 35% by State Grid Europe Limited - SGEL, a company of the State Grid Corporation of China group, and 5.9% by a number of Italian institutional investors. On 1 August 2019, the shareholders' agreement was further updated to take account of the aforementioned re-qualification of the shareholding. The shareholders' agreement is for three years and is automatically renewed for further three-year periods, unless one of the parties gives 12 months' notice. Given such forecast, in November 2019 and November 2022 the shareholders' agreement was renewed.

Italgas Shareholders by type of investor



Italgas Shareholders by geographical area



1.5 SRI indexes and ratings²⁵ NFS

In 2022, the sustainability ratings of Italgas were further improved and its stock was included in a growing number of leading SRI stock indexes, in recognition of the sustainable approach of the company's strategies and activities, the presence of challenging targets as well as the transparent, capillary information it provides to all stakeholders.



As of December 2022, Italgas was confirmed for the second consecutive year in the Dow Jones Sustainability Index Europe and for the fourth consecutive year in the Dow Jones Sustainability Index World.

The two indexes comprise the world and European leaders of sustainability selected by S&P Global every year, on the basis of the score achieved on the Corporate Sustainability Assessment (CSA). With a score of 91 points out of 100 (score date 18 November 2022), Italgas ranked first out of 47 companies in the Gas Utilities Industry.

Based on the result achieved in CSA 2022, in February 2023 Italgas was also reconfirmed in the Sustainability Yearbook and included in the “Top 1% S&P Global ESG Score” category.



Since 2017, CDP (Carbon Disclosure Project) has recognised Italgas as an international leader for the strategies and actions implemented to combat climate change. In 2022, the Italgas Group was included for the first time in the “A-list” of leaders in the fight against climate change. This result is based on data acquired through the “Climate Change 2022” questionnaire and marks the second consecutive year of improvement for Italgas.

²⁵ Socially Responsible Investing (SRI).



Since 2017, Italgas stock has been included in the FTSE4Good index series.

FTSE4Good gave a positive review of the Group's responses to the rigorous criteria of the independent FTSE methodology in relation to environmental, social and governance (ESG) issues.



As of October 2021, Italgas' stock was included in the MIB ESG Index, the first blue-chip index for Italy dedicated to Environmental, Social and Governance (ESG) best practices of Borsa Italiana, part of the Euronext group. The MIB ESG Index was made operational by Euronext in collaboration with Vigeo Eiris. The inclusion was reconfirmed in September 2022.



Italgas shares are included in several MSCI indices.

In August 2022, Italgas received an AA rating in the annual MSCI ESG Ratings, an improvement over the previous year. The MSCI Global Sustainability indices include companies with a high sustainability rating among those in the reference sector.



In October 2022, the rating agency ISS (Institutional Shareholder Services) confirmed the A- rating and Prime rating status to Italgas within the ISS ESG Corporate Rating.

The analysis focuses on companies' management of ESG issues, based on various criteria, most of which are specific to their sector; Italgas achieved the "Prime" rating, demonstrating that it is an industry leader in terms of sustainability performance.

Moody's | ESG Solutions

In July 2022, Moody's ESG Solutions recognised Italgas' commitment to sustainability with an "Advanced" rating, thanks to an overall improvement of 10 points over the previous year's rating. Progress was mainly driven by the actions taken and the additional commitments made by the Group in the environmental, social and governance spheres.

 SUSTAINALYTICS

In September 2022, Italgas received an ESG Risk Rating of 15.08 from Sustainalytics and was rated Low Risk of suffering material financial impacts from ESG factors.

 ECPI Sense in sustainability

In December 2022, Italgas stock was confirmed in the ECPI Euro ESG Equity and included in the ECPI World ESG Equity indices.

Italgas shares are also included in the Stoxx and EuroStoxx indices, as well as in the indices of other operators.

2. Strategy and forward-looking vision

NFS 2.1 Reference scenario: the key role of gas in the energy transition

The Net-Zero 2050 target, set by the European Union as part of the Green Deal, and the further impetus on combating climate change, reducing climate-changing gas emissions and diversifying energy sources – brought about by the European Commission's REPowerEU plan and, before that, by the Fit-for55 package – now place individual Member States under an urgent obligation to act.

The Russian-Ukrainian conflict has further boosted the need to reduce dependence on Russian fossil fuels and has prompted the European Union to define urgent measures for security of procurement, diversification of sources, use of renewable energy and energy efficiency. The REPowerEU Plan (2022), approved in response to the conflict, updated and increased the previously set targets on the penetration of renewable gases in the European energy mix. The new target is 35 billion cubic metres of biomethane and 20 million tonnes of hydrogen in energy supplies by 2030, respectively two and four times the target set in the “Fit-for-55” package (2021).

Moreover, the transformation of networks from “analogue” to digital, smart and flexible, has made it possible to anticipate change and to start implementing in good time the path mapped out by the REPowerEU, identifying gas distribution networks as the main enablers of source diversification and the progressive replacement of fossil-derived methane.

In the long-term too, gas is expected to play a key role in supporting the phase-out from carbon and energy security. Gas will continue to account for approximately 27% of European energy consumption in 2050 (of which 20% natural gas)²⁶, but with a renewed composition reflecting the increasing weight of renewal gases such as hydrogen, biomethane and synthetic methane. In this scenario, the role played by gas distribution networks, if digitised, remains key.

At the same time, energy efficiency is seen as a driver in the fight against climate change and for achieving the targets set in the Paris Agreements, both under European and Italian policies.

In this context, the Italgas Group has decided to play a leading role in the decarbonisation of the economy and consumption, through strategic decisions that have in fact anticipated the approach of national and EU institutions, embodied in Fit for 55 and REPowerEU.

NFS 2.2 The strategy map

Italgas' 2022-2028 Strategic Plan calls for investments amounting to € 8.6 billion, which will be allocated to the digital transformation of the gas distribution network, the awarding of future tenders for the management of ATEMs, the development of portfolio businesses through internal growth and M&A initiatives, the acquisition

²⁶ ENTSOG TYNDP 2022 Visualization Platform - Global Ambition Scenario data

and future expansion of the Greek distribution network, with the aim of continuing to play a leadership role in the achievement of climate targets set by the European Union.

The strategy is structured along the following lines:

- Consolidation and development of the gas infrastructure through:
 - digital transformation geared towards a new generation of smart grids to achieve the highest standards of security and operational efficiency and to facilitate the progressive decarbonisation of the managed network;
 - promoting the development of green gases, biomethane, hydrogen, synthetic methane, accelerating their injection into the grid and distribution to end users;
 - expansion of the reference scope through a combination of organic growth, ATEM tenders, M&A and international developments;
- New opportunities, diversifying the business and evaluating adjacent sectors to gas distribution, such as:
 - energy efficiency, with the aim of creating one of the main national players in the sector;
 - the water sector, in synergy with the competences of the Group developed for the innovation and digitisation of the natural gas distribution infrastructure;
 - digital services.
- Development of the gas distribution infrastructure in Greece

The Strategic Plan hinges on ESG principles and responds to the challenges of sustainability by setting targets for 2028 and 2030, in terms of reducing Group and supply-chain emissions, reducing energy consumption, developing the skills of its people and harnessing resources to drive change and promote the values of diversity and inclusion.

Digital transformation of networks and emission reduction

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

For this reason, in its 2022-2028 Strategic Plan, Italgas has earmarked € 4.5 billion to the upgrade/repurposing of Italian distribution networks, the digitisation of assets/processes, the development of low-carbon gas integration initiatives, and the methanisation process in Sardinia, with the completion of digital native networks. The repurposing of the network aims to guarantee network efficiency and security, also through the renewal of materials, based on predictive maintenance.

The ongoing digitisation (about € 1.5 billion envisaged in Plan 22-28), aims to collect as much information as possible, enable remote control, transport renewable gases and develop predictive maintenance programmes. Amongst the main related activities, the following are still ongoing: the replacement of all traditional reduction units (GRF); the installation of solenoid valves, sensors, actuators, digital gas chromatographs, and the gradual replacement of existing GPRS-based smart meters with NB-IOT meters are being carried out. The replacement of smart meters enables greater operational efficiency, with a direct impact on the consumer. It also increases the capacity to provide sales companies with reliable and timely consumption data, enabling accurate billing. Italgas is developing its very own smart meter, designed to be able to manage different gas types (fossil and renewable), developed entirely using recycled and recyclable materials, which will combine the latest communication technologies with an environmentally sustainable design. A first prototype is expected by the end of 2023, to be field-tested in the following year and installed at scale from 2025, to replace today's communicating meters with GPRS technology.

Different portions of the Italgas network are already fully digitised, monitored and remotely managed in terms of flow rates, pressures, odourisation levels, and pre-heating. In 2021, the Group launched its centralised command and control system: DANA – Digital Advanced Network Automation. Today, DANA manages 80 plants in the Italgas network and will cover the entire network (more than 700 plants) by 2024. By harnessing the digitisation of assets, the system enables 24/7 remote control and management, recording and analysing the field data. The information collected is processed with innovative analytics and predictive maintenance algorithms to predict and anticipate potential network failures.

In addition to digitisation, the Group is active in the development of new biomethane connections, to which the 2022-2028 Strategic Plan dedicates around € 100 million in investments. Biomethane is a flexible and programmable resource and represents the most viable option for the carbon neutrality of gas distribution networks to date. The technology is mature and biomethane could become carbon negative if its production were integrated with carbon capture systems (CCS-CCUS). Italgas and biomethane producers are working together to find the best technical solution to reduce costs and improve the efficiency of connections to the network. Italgas is also developing two reverse-flow pilot projects to allow the re-injection of excess biomethane into the transmission network.

In the long term, hydrogen can unlock the full potential of renewables due to its production programmability, storage potential and use of existing infrastructure. Italgas' Power-To-Gas pilot project in Sardinia, near Cagliari, is the first project in the European Union to test the entire green hydrogen value chain, from production to distribution in networks and end uses, such as mobility, industrial applications and residential uses (more details in section 6.1.1 "The integration of green gases in the networks").

The Group is committed to minimising fugitive emissions, using and promoting the adoption of the most advanced detection solutions. From 2018, Italgas has introduced the CRDS technology (Cavity Ring-Down Spectroscopy) – conceived and developed by the US company Picarro Inc.: a sophisticated sensing technology that, compared to traditional technologies, offers significant advantages in terms of speed of execution of inspection and the size of the areas to be inspected (more details in section 6.1.1).

Several initiatives and investments included in the 2022-2028 Strategic Plan are also aimed at reducing energy consumption for civil and industrial uses and lowering related emissions, thanks to energy efficiency measures on the industrial processes, the use of technological innovations as well as digital monitoring and control systems, the renewal of the fleet and the Group's real estate assets.

New opportunities

- **Energy efficiency**

In the 2022-2028 Strategic Plan, Italgas envisages investments for € 340 million, effectively more than tripling the commitment to the energy efficiency sector compared with the previous Plan. The merger of the three companies acquired in recent years – Seaside (2018), Toscana Energia Green (2019) and Ceresa (2021) – has led to the creation of Geoside, the Group's ESCo, whose aims include:

- to help achieve the Group's sustainability targets, applying its competences and technologies to reduce consumption;
- to expand the Company's customer base by offering digital and innovative services, and new technologies to improve energy efficiency;
- to complement the offer of digital products and innovative services through specific acquisitions.

Recently, the European Investment Bank (EIB) has granted Italgas a framework loan for interventions to be carried out in Italy through Geoside. The loan, called the “Climate Action Framework Loan”, is for interventions to achieve greater energy efficiency throughout national territory, mainly involving the renovation of residential buildings. Such interventions must aim to reduce atmospheric pollution and benefit health, in line with the directives of the European Green Deal and the Renovation Wave.

- **Water sector**

The 2022-2028 Strategic Plan sets out € 160 million of investments in the water sector, dedicated to improving the quality and efficiency of the managed networks, making use of the skills developed for the innovation and digitisation of the natural gas distribution infrastructure. The demand for investment in the water sector is high. In Italy, according to market estimates, an average of 42% of the water distributed is dispersed along the

network, with peaks of 70% in some areas of Southern Italy²⁷. Since 2018, Italgas Acqua has started a programme to digitise the 279 km of its network, with the application of widespread sensor technology, so that all network operating parameters can be kept under control at all times, any faults can be detected quickly and accurately, and rapid action can be taken in the event of leaks. At the same time, Italgas Acqua is proceeding with the installation of “water smart meters” (the latest generation of smart meters) to replace the traditional meters installed among the 30,000 users served.

- **Digital services**

The digital transformation undertaken by Italgas does not only concern its assets, but also its processes. The driving force behind this great change is the Digital Factory, within which physical and virtual rooms work in Agile mode to digitise business processes, creating software and applications that have enabled further improvements in operational efficiency. Bludigit, the Italgas Group digital services company, with the capacities developed in the Digital Factory and through the partnerships with technological suppliers globally, offers innovative solutions to third parties in support of the energy transition process. Bludigit signed a strategic agreement with Salesforce, a global leader in Customer Relationship Management (CRM), with the aim of maximising the productivity of the investment cycle (capital deployment) through the use of advanced digital solutions. The aim of this collaboration is to reduce the overall time taken to implement infrastructure investments, from planning to execution, by giving full visibility of the end-to-end process to all the departments involved and fostering their effective collaboration. A first step was the creation of PASS (Permit Authorization Smart System), an application for managing internal authorisation requests within the Italgas Group, with a view to structuring a more linear, transparent process with as few actors involved as possible.

As for the people, all Italgas employees have now been provided with at least one mobile device and are involved in training, refresher and digital reskilling programmes. This approach is proving to be ever more effective, making the skills and tools available to people to be able to interpret and use the numerous data items sent each and every day by the IoT sensors distributed throughout the infrastructure. In addition, the re-design has been launched of the digital experience of employees, through the optimisation of the HR (Human Resources) processes and the related support systems and evolution of the collaboration and communication tools.

- **International developments**

On 1 September, Italgas completed the acquisition of 100% of DEPA Infrastructure, the leading Greek gas distribution operator. To date, DEPA Infrastructure fully owns Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks S.A. (DEDA), the three players in gas distribution in Greece, which together manage around 7,500 kilometres of network and around 600,000 active re-delivery points.

²⁷ <https://www.istat.it/files/2021/03/Report-Giornata-mondiale-acqua.pdf>

The 2022-2028 Strategic Plan envisages investments of € 1.8 billion for the acquisition of DEPA Infrastructure and development of smart, digital, and flexible networks. Italgas provides its experience and technological know-how to equip Greece with an infrastructure of excellence and contribute to the country's energy transition.

From 2021, Italgas, in partnership with Picarro, has been supporting DSOs in adopting Picarro technology to effectively counter fugitive emissions. In doing so, it confirms its strong commitment to accelerating the reduction of greenhouse gas emissions and promoting the diffusion of cutting-edge technology.

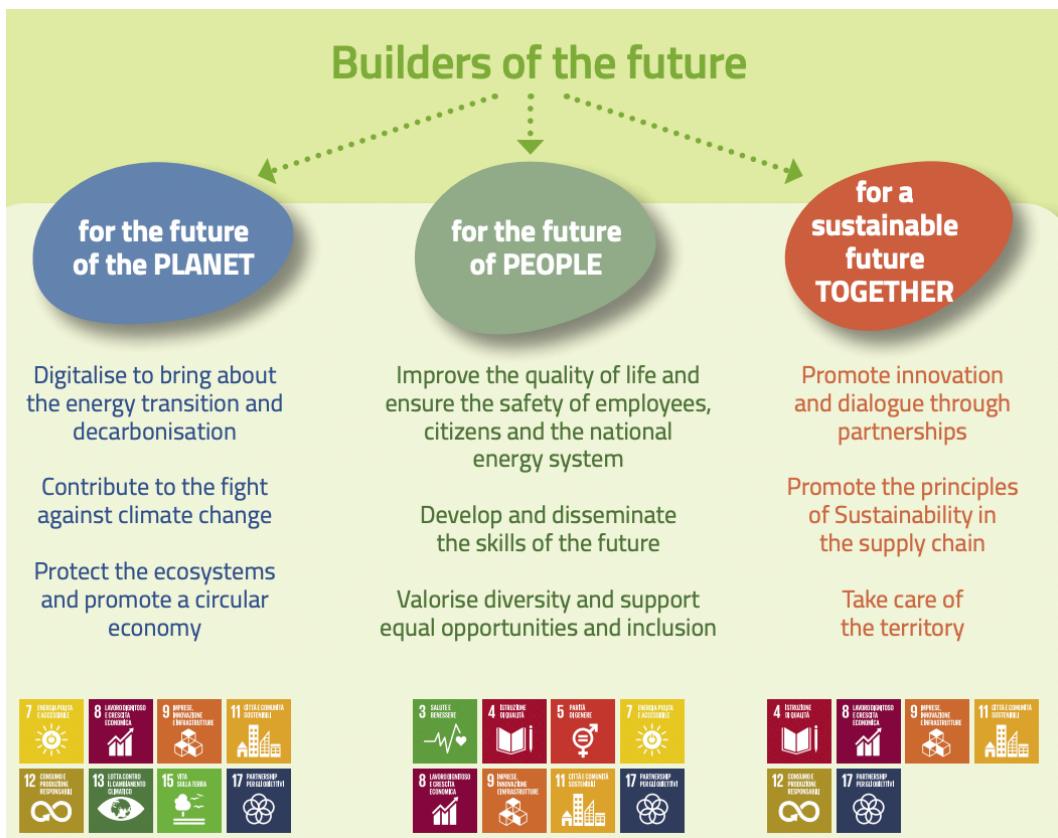
NFS **2.3 2022-2028 Sustainable Value Creation Plan**

In order to implement real economic, financial, environmental and social sustainability and to be able to create shared value, the Group has adopted an integrated business model, capable of employing all the capital it uses in its production processes (input capital) to achieve its strategic objectives and create value for all its stakeholders in the short, medium and long term. By doing so, it is able to develop a virtuous circle, capable of using such capital to generate positive impacts and preserve not only the future of Italgas, but also that of the communities and territories in which it operates.

With this objective in mind, Italgas structured its 2022-2028 Sustainable Value Creation Plan²⁸, "Builders of the Future", based on three pillars: Planet, People, Partnership (for a sustainable future together), corresponding to precise lines of action with clear commitments and measurable targets.

²⁸ <https://www.italgas.it/wp-content/uploads/sites/2/2022/10/Piano-di-Creazione-di-Valore-Sostenibile.pdf>

The 2022-2028 Sustainable Value Creation Plan was approved by Italgas' Board of Directors on 14 December 2022²⁹ and presented to stakeholders on 19 January 2023.

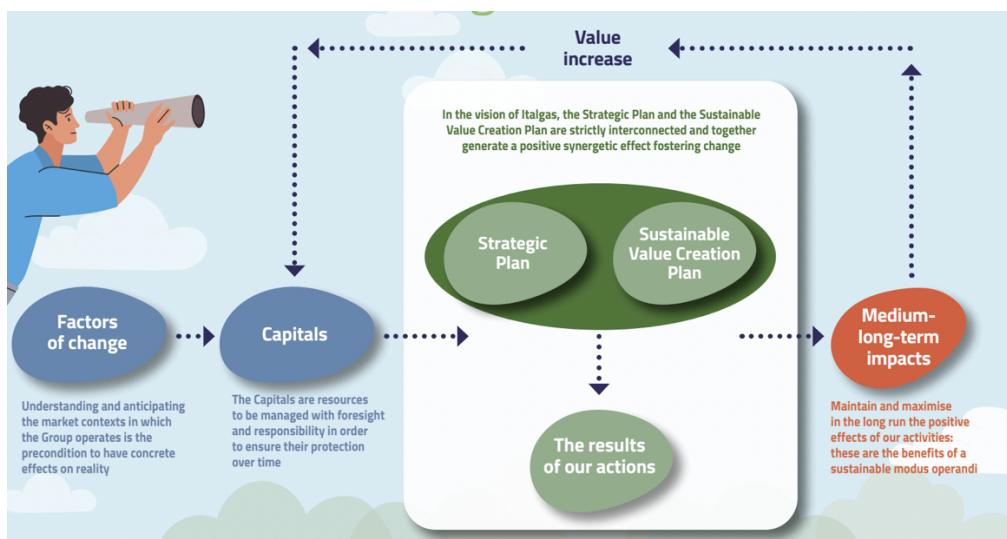


There are three main dimensions of the Plan:

- **protecting the planet**, to enable energy transition, promoting decarbonisation and ensuring care for ecosystems;
- **the well-being of the people**, to respond to changing social concerns and demands to which increasing attention needs to be paid;
- **virtuous collaboration with partners**, to promote innovation and positive interaction between stakeholders, from start-ups, SMEs, regional actors to national and international associations.

²⁹ <https://www.italgas.it/comunicato/italgas-il-cda-approva-il-piano-di-creazione-di-valore-sostenibile-2022-2028/>

Our idea of sustainability



Anticipating the market conditions in which the Group operates and understanding the drivers of change are prerequisites for making a real impact.

The increasing focus on renewable gases, the EU Green Deal decarbonisation plan, the REPowerEU Energy Independence Plan, the EU Circular Economy Action Plan are just some of the main regulatory and normative drivers that need to be considered when defining the sustainability and value creation strategy. In addition to these, there are socio-economic factors such as, for example, the increased concern for equal opportunities and the appreciation of diversity, the changing expectations of young workers, the changing demand for specialised know-how, and the expansion of responsibility across organisational boundaries throughout the supply chain.

Factors of change and external context influence the capital the Group uses to create value in how it does business.



Italgas' aim is to ensure that the activities, addressed by the Strategic Plan and the Sustainable Value Creation Plan, not only create economic value, but also generate virtuous short and medium-to-long-term impacts on tangible and intangible capital used in production processes.

The Group's commitment is therefore to ensure that actions have positive impacts on a wide range of issues that contribute to developing a "sustainable" society.

The results of our actions

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



Medium- long-term impacts

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



The actions that the Group carried out during 2022 and that have contributed to the achievement of the objectives of the 2022-2028 Sustainable Value Creation Plan are recounted in the following chapters:

- 6.1 Italgas for the future of the Planet;
- 6.2 Italgas for the future of People;
- 6.3 Italgas for a sustainable future together.

2.4 TCFD Report 2021 - Driving innovation for energy transition

On 14 December 2022, on the occasion of the approval of the Sustainable Creation Plan, the TCFD Report "2021- Driving innovation for energy transition" was presented to the Board of Directors. This report examines the relationship between the Italgas Group's business and climate change impacts in line with the recommendations set by the Task Force on Climate-Related Financial Disclosure (TCFD³⁰). In the document, the Group tells its stakeholders not only about the new opportunities identified in the climate transition and the potential risks, but also about the adequacy of its climate strategy in that regard. This Integrated Annual Report contains information on the main recommendations of the TCFD; however, for more details please refer to the TCFD Report "2021- Driving innovation for energy transition"³¹.

³⁰ <https://www.fsb-tcfd.org/>

³¹ <https://www.italgas.it/wp-content/uploads/sites/2/2022/10/2021-Driving-innovation-for-energy-transition.pdf>



NFS 2.5 Commitment to Sustainable Development

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

The Group's strategic direction, in terms of commitment and lines of action, outlined in the 2022-2028 Sustainable Value Creation Plan in short- and medium-to-long-term objectives and actions, are developed in line with the United Nations Sustainable Development Goals and are formalised in the following main policies:

- **Sustainability and Stakeholder Engagement Policy**³², which defines its vision on social, environmental and governance topics relevant to the corporate identity and the desire to create lasting value for all its stakeholders, through continuous dialogue, the sharing of objectives and the strengthening of collaborative, transparent and professional relations;
- **Corporate Citizenship Policy**³³, to further consolidate the support to the local communities in line with its strategic growth and sustainable development plans;
- **Diversity and Inclusion Policy**³⁴, to promote matters of diversity and encourage progress and innovation;

³² https://www.italgas.it/wp-content/uploads/sites/2/2022/04/Politica-di-sostenibilita-e-SH-engagement_ITA.pdf

³³ <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Italgas-Politica-Corporate-Citizenship.pdf>

³⁴ <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Italgas-Politica-Diversita-e-Inclusione.pdf>

- **Human Rights Policy³⁵**, which outlines the reference principles and actions taken to safeguard human rights in the conduct of its business and, in general, in any context in which Italgas' people and business partners operate;
- **Policy for the prevention of discrimination and protection of dignity³⁶**, by which the company undertakes to prevent discrimination, protect the dignity of its personnel and maintain the best conditions of well-being at work;
- The **HSEQE Policy³⁷**, to promote full compliance with the standards protecting health, safety, the environment and energy performance;
- **Policy for managing dialogue with all shareholders³⁸**, to promote, with a view to active and constructive communication, an open and constant dialogue with shareholders.
- **Policy for the Prevention and Combating of Corruption³⁹**, to promote the conduct of business according to the principles of fairness, correctness, transparency, honesty and integrity, in compliance with laws, regulations, international standards and guidelines.
- **Code of Ethics⁴⁰**, is a collection of the values that the Italgas Group recognises, accepts and shares and the responsibilities it assumes within and outside of its organisation.
- **Policy on Integrated Security, Resilience and Crisis Management**, which establishes the Group's objectives in terms of proactive protection of the assets comprising employees, physical and digital infrastructures and the distinctive know-how of the Italgas Group

These policies are periodically updated and integrated, constantly adhering to the evolution of the Group's strategies and position by taking into account the guidelines that have emerged from sustainability indexes and ratings, as well as the main international ESG trends.

³⁵ https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Politica-Diritti-umani_ITA.pdf

³⁶ https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Politica-Dignita%CC%80-Personale_ITA.pdf

³⁷ https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Politica-HSEQE_ITA.pdf

³⁸ https://www.italgas.it/wp-content/uploads/sites/2/2021/06/Italgas_-Politica-gestione-dialogo-azionisti.pdf

³⁹ <https://www.italgas.it/wp-content/uploads/sites/7/2021/12/Politica-per-la-Prevenzione-ed-il-Contrasto-della-Corruzione.pdf>

⁴⁰ https://www.italgas.it/wp-content/uploads/sites/2/2021/07/ItalGas_CodiceEtico.pdf



3. Governance, risks and opportunities

3.1 Governance NFS

Italgas has adopted the so-called traditional administration and control system, which envisages the presence of the Board of Directors (BoD) and Board of Statutory Auditors, in office for three financial years, as well as the Shareholders' Meeting and the Independent auditing firm. The corporate governance system is defined by the Board of Directors in compliance with the provisions of the Italian Civil Code and the unbundling regulations, using national and international best practices as a reference, in compliance with the legislation to which the Company is subject as listed Issuer as well as with the Corporate Governance Code published by the Corporate Governance Committee on 31 January 2020 (the "Corporate Governance Code"), which applies as at 1 January 2021 and to which the Company adhered.

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

For more information please refer to the Report on the Corporate Governance and Ownership Structure of Italgas for the 2022 financial year ("Corporate Governance and Ownership Structure Report"), drawn up pursuant to Article 123-bis of Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Finance Act").

Shareholders' Meeting

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

For more information on the functions of the Shareholders' meeting, please refer to the Corporate Governance and Ownership Structure Report.

Board of Directors

Italgas' Board of Directors is tasked with the ordinary and extraordinary management of the Company and has the faculty to carry out all the acts deemed appropriate for the implementation and achievement of the corporate purpose, with the exclusion of the acts which, pursuant to applicable legislation and the Bylaws, are reserved for the Shareholders' meeting.

In accordance with the provisions of its Bylaws, the Company is administered by a Board of Directors made up of 9 members. All the Italgas director possess the integrity requirements laid down by current legislation, and an executive director, seven non-executive directors and a chairman without management powers is appointed from among the same. The composition of the Board of Directors respects the company policies with regard to diversity in relation to aspects such as age, gender composition as well as training and professional background. Demonstrating the importance of this issue, in 2018, the Group prepared a "Diversity of corporate bodies policy", a specific document summarising these policies (as well as their objectives and methods of implementation). This was approved by the company's Board of Directors on 24 January 2019 and has been updated at the proposal of the Appointments and Compensation Committee, with Board of Directors' resolution of 25 January 2021, in order to bring it into line with the Corporate Governance Code.

In particular, it should be noted that the Shareholders' Meeting of 26 April 2022 appointed Italgas' current Board of Directors, which will remain in office for three financial years, expiring on the date of the Shareholders' Meeting to be called to approve the financial statements for the year ending 31 December 2024.

With regard to the financial year 2022, the Board of Directors, in office until 26 April 2022, was composed as follows:

- three Directors of the less represented gender, equal to one third of the total composition, in compliance with gender balance requirements ⁴¹;
- six directors, including the Chairman, qualified as independent on the basis of both the requirements of independence of the CLF (Article 147-ter, subsection 4 and 148, subsection 3 of the CLF), and of the Corporate Governance Code (Article 2).

The Board of Directors in its previous composition was characterised by the age diversity of its members, considering the age of the Board members ranged from 43 to 67 years, and by diversity of geographical origin, as well as their experience, including international experience.

The educational and professional backgrounds of the Board members (lawyers, engineers, economists, university professors) ensured during their term of office a balanced combination of profiles and experiences within the administrative body suitable to ensure the proper performance of their duties.

On 9 March 2022, a check was carried out on whether the independence requirements set forth in the CLF and the Corporate Governance Code had been met, considering also the qualitative and quantitative criteria

⁴¹ In the Board of Directors, which remained in office until 26 April 2022, there were 3 Directors of the less represented gender, representing one third of the total composition. The composition of the Board of Directors therefore complied with the legislation on gender balance, which was already being applied in advance on a voluntary basis at the time the company was listed and to a greater extent than legally required for the first renewal following listing (1/3 instead of 1/5 as required for the first renewal). Budget law no. 160/2019, in force since 1 January 2020, established that the least represented gender must constitute at least two-fifths of the elected members, instead of the previous quota of one-third. The new allocation criterion of at least two-fifths was applied as of the first renewal of the administrative body following the date of entry into force of the law and, therefore, on the occasion of the renewal of the Board of Directors (and the Board of Statutory Auditors) resolved by the Shareholders' Meeting of 26 April 2022.

for the assessment of independence approved by the Board of Directors on 24 February 2021, as a result of which 6 Directors, including the Chairman, were found to be independent.

GRI 405-1 Breakdown of the 2022 Governance Bodies (Italgas S.p.A. Board of Directors up to 26 April 2022) by gender and age group

Men			Women		
<30	30-50	>50	<30	30-50	>50
0	3	3	0	1	2

The current Board of Directors, appointed on 26 April 2022, is composed as follows:

- 4 Directors, including the Chairwoman, belonging to the less represented gender, equal to two-fifths of the total composition, in compliance with gender balance criteria⁴²;
- four directors, including the Chairwoman, qualified as independent on the basis of both the requirements of independence of the CLF (Article 147-ter, subsection 4 and 148, subsection 3 of the CLF), and of the Corporate Governance Code (Article 2);
- one independent director on the basis of the independence requirements of the CLF (Article 147-ter, subsection 4 and 148, subsection 3 of the CLF)⁴³.

The current Board is characterised by the age structure diversity of its members, considering that the Board Directors are aged between 44 and 65, and by diversity of geographical origin and experiences, including those abroad. The educational and professional profiles of the Board directors in office (lawyers, engineers, economists) guarantee a balanced distribution of experience and expertise within the corporate body suitable to ensure that the functions are performed correctly.

Lastly, the verification of the existence of the independence requirements set forth in the CLF and in the Corporate Governance Code was carried out on 9 March 2023, taking also into account the qualitative and quantitative criteria for the assessment of independence updated by the Board of Directors on 22 February 2023, as a result of which four directors, including the Chairwoman – under both the independence requirements of the CLF and the Corporate Governance Code – and one independent director – under the requirements of the CLF – were found to be independent.

⁴² Budget law no. 160/2019, in force since 1 January 2020, established that the least represented gender must constitute at least two-fifths of the elected members, instead of the previous quota of one-third. The new allocation criterion of at least two-fifths was applied as of the first renewal of the administrative body following the date of entry into force of the law and, therefore, on the occasion of the renewal of the Board of Directors (and the Board of Statutory Auditors) resolved by the Shareholders' Meeting of 26 April 2022.

⁴³On 26 April 2022, the existence of the independence requirements set forth in the CLF and the Corporate Governance Code was ascertained on the basis of declarations issued by the interested parties, taking also into account the qualitative and quantitative criteria for the assessment of independence approved by the Board of Directors on 24 February 2021.

GRI 405-1 Breakdown of the 2022 Governance Bodies (Italgas S.p.A. Board of Directors as at 26 April 2022) by gender and age group

Men			Women		
<30	30-50	>50	<30	30-50	>50
0	1	4	0	0	4

During the financial year 2022, the Board of Directors met fourteen times, with a participation rate of over 99%. Given the relevance of sustainability issues for the Group, the Board of Directors examined ESG issues in about 86% of its meetings. The Chairman of the Sustainable Value Creation Committee reported to the Board of Directors on the Committee's activities carried out in 50% of the Board meetings.

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

In compliance with the company Bylaws, the Board of Directors set up three internal committees: (i) the **Control, Risk and Related Party Transactions Committee**, established on 4 August 2016, (ii) the **Sustainability Committee**, established on 4 August 2016, then subsequently named, by resolution dated 14 December 2022, the **Sustainable Value Creation Committee** and (iii) the **Appointments and Compensation Committee**, established on 23 October 2017 following the merger of the Appointments Committee and the Compensation Committee established on 4 August 2016.

Set out below is the composition of the Board Committees up to 26 April 2022:

Control, Risk and Related Party Appointments and Compensation Transactions Committee	Appointments and Compensation Committee	Sustainability Committee
Composed of 3 non-executive and independent directors pursuant to the CLF and the Corporate Governance Code.	Composed of 3 non-executive directors, 2 of whom are independent pursuant to the CLF and the Corporate Governance Code.	Composed of 3 non-executive directors, 2 of whom are independent pursuant to the CLF and the Corporate Governance Code (including the Chairwoman) ⁴⁴ .
It played a proactive and advisory role to the Board of Directors with regard to the Internal Control System, risk management, including regard to the appointment of directors, their remuneration, which periodic financial and non-financial reports.	It played a proactive and advisory role to the Board of Directors with regard to the appointment of directors, their remuneration, which also includes sustainability targets, aimed at pursuing sustainable development along the value chain, and the remuneration of general and for periodic non-financial reports.	It played a proactive and advisory role to the Board of Directors regarding the processes and activities which contribute to the company's sustainable development along the value chain, and the remuneration of general and for periodic non-financial reports.

⁴⁴ Following the resignation of Mr Yunpeng He, the Board of Directors also appointed Mr Qinjing Shen as a member of the Sustainability Committee on 27 January 2022

managers, auditors and executives coordinating with the Control, Risk and with strategic responsibilities.

Related Party Transactions Committee for evaluation by this committee of the suitability of the periodic, financial and non-financial reporting.

Below are the current members of the Board Committees as resolved on 2 May 2022 by the Board of Directors and amended on 22 February 2023 :

Control, Risk and Related Party Appointments and Compensation Transactions Committee	Sustainable Committee	Value Committee	Creation
Composed of 3 non-executive directors, 2 of whom are independent pursuant to the CLF and the Corporate Governance Code (including the Chairman).	Composed of 3 non-executive directors, 2 of whom are independent pursuant to the CLF and the Corporate Governance Code (including the Chairwoman) ⁴⁵ .	It consists of 3 non-executive directors, one of whom is independent pursuant to the CLF, and acts as Chairman ⁴⁶ .	

Control, Risk and Related Party Transactions Committee

The Control, Risk and Related Party Transactions Committee plays a proactive and advisory role to the Board of Directors with regard to the Internal Control System, risk management, including risks related to climate change, and periodic financial and non-financial reports. The tasks and duties assigned to the Committee, in compliance with the provisions of the Corporate Governance Code, are detailed in the related Regulation, to be referred to⁴⁷.

Appointments and Compensation Committee

The Appointments and Compensation Committee provides proposals and advice to the BoD on the appointment of Directors and BoD self-assessment and on the remuneration of Directors, General Managers, Auditors and key managers, also including sustainability targets. The tasks and functions assigned to the Committee, in accordance with the Corporate Governance Code, are detailed in the relevant Regulation, to be referred to⁴⁸.

⁴⁵ On February 22, 2023, the Board of Directors resolved to appoint Dr. Fabiola Mascardi as a member and Chairwoman of the Nomination and Remuneration Committee. The position was previously held by Avv. Lorenzo Parola

⁴⁶ On February 22, 2023, the Board of Directors resolved to appoint Mr. Lorenzo Parola as a member and Chairman of the Sustainable Value Creation Committee. The position was previously held by Dr. Fabiola Mascardi.

⁴⁷ The Regulation of the Control, Risk and Related Party Transactions Committee can be consulted on the Company's website (https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Controllo-e-Rischi-e-Operazioni-con-Parti-Correlate.pdf).

⁴⁸ The Appointments and Compensation Committee Regulations can be consulted on the Company's website (https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Nomine-e-Remunerazione.pdf).

Sustainable Value Creation Committee

On 14 December 2022, the Italgas' Board of Directors approved the change of name of the Sustainability Committee to the Sustainable Value Creation Committee and amended its regulations. The Sustainable Value Creation Committee provides proposals and advice to the Board of Directors regarding the processes and activities which contribute to the company's sustainable development along the value chain, aimed at pursuing sustainable success and for periodic non-financial reports, coordinating with the Control, Risk and Related Party Transactions Committee for evaluation by this committee of the suitability of the periodic, financial and non-financial reporting. The tasks and functions attributed to the Committee, in accordance with Corporate Governance Code, are detailed in the relevant Regulation, to be referred to⁴⁹.

Furthermore, within the External Relations and Sustainability Department, Italgas has set up the Sustainability Unit, which oversees the definition of the sustainability model and, through the coordination of the contribution of each corporate department involved in the various issues, it ensures the definition of operational plans and tools to ensure its implementation and development, and also involves the Group's stakeholders. For more information on board committees, please refer to the Corporate Governance and Ownership Structure Report.

The Board of Statutory Auditors

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

The Board of Statutory Auditors, appointed by the Shareholders' Meeting of 4 April 2019 for a term of three financial years, remained in office until 26 April 2022, i.e. until the Shareholders' Meeting that approved the financial statements for the financial year 2021. The Board of Statutory Auditors was made up of five members, three of whom standing auditors and two alternate, in connection with whom, it is specified that: (i) one Standing Auditor and one Alternate Auditor belong to the least represented gender (female gender); (ii) without prejudice to the professional requirements provided for by law, the training and professional background of the members of the Board of Statutory Auditors has guaranteed the appropriate skills to ensure the proper performance of their duties.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 26 April 2022 for a term of three financial years, i.e. expiring on the date of the Shareholders' Meeting to be convened to approve the financial statements for the year ending 31 December 2024. The Board of Statutory Auditors is made up of five members, three of whom standing auditors and two alternate, in connection with whom, it is specified that: (i) one Standing Auditor and one Alternate Auditor belong to the least represented gender (male gender);

⁴⁹ The Regulation of the Sustainable Value Creation Committee is available on the Company's website (<https://www.italgas.it/wp-content/uploads/sites/2/2023/01/Regulation-of-Sustainable-Value-Creation-Committee-.pdf>).

⁵⁰(ii) without prejudice to the professional requirements provided for by law, the training and professional background of the members of the Board of Statutory Auditors currently in office guarantees the appropriate skills to ensure the proper performance of their duties.

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

Sustainability Governance

The Corporate Governance Code gives the administrative body the responsibility of integrating sustainability objectives into the definition of the strategies and business plan, the internal control and risk management system and remuneration policies.

The Company's Board of Directors, at the instructions of the Chief Executive Officer, is responsible for defining the strategic guidelines and objectives for the Italgas Group, also with regard to the strategy in respect of sustainability objectives and impacts and those linked to climate change. Annually, the Board is called upon to approve Italgas' seven-year Strategic Plan as well as updates to the Sustainable Value Creation Plan, ensuring the creation of value in the short- and medium-to-long-term for shareholders and stakeholders. The approval process for the aforementioned plans includes meetings for the presentation and approval of scenarios, including climate scenarios, ESG objectives, including environmental and climate change objectives, as well as approval of the financial data of the plan, including investments. With regard to the sustainability reporting process, the Board of Directors is responsible for reviewing and approving the disclosure of non-financial information.

During 2022, the Directors and Statutory Auditors were able to gain a better understanding of the area of operations of the Company and of the Group by taking part in off-site inspections and induction sessions, with a focus also on sustainability topics, including Italgas' strategy to create sustainable value in the future, digitisation to allow for the energy transition and decarbonisation, the fight against climate change, the protection of ecosystems and support of the circular economy.

For more information, please refer to the Corporate Governance and Ownership Structure Report.

Top management

The Chief Executive Officer is responsible for the administration of the Group and the internal approval of key strategic objectives and sustainability initiatives, which are then submitted to the BoD for approval.

The Chief Executive Officer annually proposes the Strategic Plan and the Sustainable Value Creation Plan for review by the Sustainable Value Creation Committee and, subsequently, for approval by the Board of

⁵⁰ Budget law no. 160/2019, in force since 1 January 2020, established that the least represented gender must constitute at least two-fifths of the elected members, instead of the previous quota of one-third. Article 144 -undecies.1, subsection 3, of the Issuers' Regulations provides that wherever the application of the gender division criteria does not result in an integer number of members of the administrative and control bodies belonging to the less represented gender, such number is rounded up, except for corporate bodies formed of three members, where the number will be rounded down. The new allocation criterion of at least two-fifths was applied as of the first renewal of the administrative and control body after the date of entry into force of the law and, therefore, on the occasion of the renewal of the Board of Statutory Auditors (and of the Board of Directors) resolved by the Shareholders' Meeting of 26 April 2022.

Directors. These plans include the definition of strategies, actions and related sustainability objectives, including those related to climate (e.g. relating to energy consumption and emission reduction) and the establishment of Italgas' vision for energy transition, with a specific focus on the digitisation of infrastructures, the development of biomethane and new renewable gases in distribution networks, such as hydrogen.

The Chief Executive Officer chairs the Sustainability Business Review, established in 2021 and held monthly, in which a detailed assessment of the main environmental KPIs is carried out and the progress of related initiatives is discussed; this meeting is attended by the top management of each of the Group's companies and the process owners and managers of the activities that have the main sustainability impacts.

The CEO also chairs the Innovation Committee to evaluate initiatives to streamline Group operations, including those with a focus on reducing emissions and/or increasing energy efficiency.

The Chief Executive Officer is assisted in his/her tasks mainly by the executive team which, in Italgas, includes the Chief Financial Officer, the General Counsel, the Heads of Human Resources & Organization, Procurement and Material Management, Institutional and Regulatory Affairs, External Relations and Sustainability, the Head of Bludigit, the Heads of Group Security, Internal Audit and Corporate Strategy. These executives, as members of the Executive Committee (an internal management committee consisting of the CEO and Top Management), are also responsible for sustainability initiatives that fall within their remit.

Remuneration

The Group's Remuneration Policy and Compensation paid⁵¹ is designed to promote sustainable success through the pursuit of the objectives of the Strategic Plan and the improvement of long-term financial and non-financial results, while pursuing and promoting the creation of value for the various corporate stakeholders: employees, shareholders, local communities, suppliers. The Policy is also aimed at attracting, retaining and motivating people with high professional skills and fostering the commitment of key resources in relation to the Company's objectives, stimulating actions and behaviours in line with the Company's values and culture, in compliance with the principles of meritocracy, inclusion and plurality, equal opportunities, enhancement of people's knowledge and professionalism, fairness, non-discrimination and integrity as laid down in the Code of Ethics.

The Group's Remuneration Policy and variable incentive plans are closely linked to the Strategic Plan and Sustainable Value Creation Plan with pre-determined, measurable objectives that are consistent with the interests of the various stakeholders, in order to allow an assessment of corporate performance in both absolute and relative terms, presenting a balanced pay-mix, aimed at aligning remuneration to the performance actually achieved with a significant incidence of medium-to-long -term variable components (including equity instruments) for Top Management. The policy also provides for the adoption of claw-back mechanisms in cases of error, wilful misconduct and serious or intentional violations of laws and/or regulations, as well as a structured engagement plan to collect shareholder expectations and feedback.

⁵¹

https://www.italgas.it/wp-content/uploads/sites/2/2022/04/Italgas_Rem_IT_2022_web.pdf

<https://www.italgas.it/wp-content/uploads/sites/2/2023/03/Politica-sulla-Remunerazione-2023-e-Compensi-corrisposti-2022.pdf>

The management of sustainability impacts is fully integrated within the definition of the targets set in the Short-Term Incentive (STI) and Long-Term Monetary Incentive (LTMI) Plan. Specifically, in 2022 the value of the CEO's STI and LTMI are 25%⁵² and 15%⁵³ respectively upon achieving specific sustainability targets.

For further details, please refer to the Report on the 2022 Remuneration Policy and the 2021 Compensation Paid⁵⁴ and the 2023 Remuneration Policy and 2022 Compensation Paid⁵⁵.

Independent Auditors

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

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

Shareholders' agreements

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

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

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

On 1 May 2017, CDP Gas was merged into CDP, to which the Italgas shares held by CDP Gas were transferred. On 19 May 2017 these same shares were transferred to CDP Reti, already party to the Italgas Shareholders' Agreement. On 1 August 2019, the Italgas Shareholders' Agreement was further updated to take into account the reclassification of the equity investment of CDP in Italgas as a de facto controlling interest, pursuant to Article 2359, subsections 1) and 2) of the Italian Civil Code and Article 93 of the CLF. The shareholders' agreement is for three years and is automatically renewed for further three-year periods, unless one of the parties gives 12 months' notice. Given such forecast, in November 2019 and November 2022 the shareholders' agreement was renewed.

⁵² 5% relative to the Accident Frequency Index, 10% relative to the Gas Leakage Rate, 5% relative to the percentage of female candidates, 5% relative to the percentage of women in "Head of Business Unit" positions

⁵³ Defined based on two parameters: 1) inclusions, in the three-year period, within the DJSI, FTSE4GOOD and CDP Climate Change sustainability indices and ratings; and 2) emissions reduction, measured as a decrease in the amount of gas emitted into the atmosphere through leakage.

⁵⁴ https://www.italgas.it/wp-content/uploads/sites/2/2022/04/Italgas_Rem_IT_2022_web.pdf

⁵⁵ <https://www.italgas.it/wp-content/uploads/sites/2/2023/03/Politica-sulla-Remunerazione-2023-e-Compensi-corrisposti-2022.pdf>

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

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

3.2 Risks Management DNF

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

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

The ERM methodology adopted by the Italgas Group is in line with the reference models and the existing international best practices (in particular, the 2017 COSO framework relative to the Enterprise Risk Management, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and ISO 31000:2018). The process for the identification, assessment, measurement and management of the risks is carried out periodically, at least once a year, on the basis of the importance of the risk and any changes in context.

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

With reference to strategic risks, the Enterprise Risk Management Department, in coordination with all relevant departments, carries out a specific in-depth analysis of risks, opportunities and uncertainties related to the Strategic Plan. The analysis allows estimation of the overall volatility of the defined economic and financial targets and evaluation of the level of resilience of the Strategic Plan. The "Strategic Plan" document, which has been approved by Italgas S.p.A.'s Board of Directors, contains the output of this analysis.

The risks are updated once a quarter, half-year or year, depending on their relevance. The results found in relation to the main risks and related management plans are presented to the Control, Risk and Related Party Transactions Committee at each updating. Moreover, the mapping of risks and the relative management strategies are presented periodically to the Board of Statutory Auditors and the Supervisory Body of Italgas and to the Boards of Statutory Auditors and the Supervisory Bodies of the Subsidiaries.

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

The reconciliation table below shows the main risks mapped in the ERM process being monitored, the main management methods and the material topics identified.

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

Category	Risk	Description	Main methods of management	Connected material topics
Strategic/business-related	Changes in Regulation and legislation	<p>Risk of changes in the regulatory and institutional context in Europe or nationally affecting the natural gas sector.</p> <p>Risk of a penalising update of the rate of return on net invested capital recognised by the Regulator.</p> <p>Focus on Greece: Risk of review by the Greek Regulator of the investment and tariff plans submitted for approval.</p>	<ul style="list-style-type: none"> - Structures dedicated to the oversight of regulations, legislation and their future plans for evolution including at European level - Active participation in the consultations called by the Regulator, sharing corporate positions and/or proposals for defining, updating and implementing clear and transparent regulation criteria - Active participation in consultations called by the Italian Government or by European Community organisations on relevant topics, including the Taxonomy - Guidance to define the associative sector positions 	Generation of economic value and ESG finance
Strategic/business-related	Climate Change	<p>Physical Risk: increased frequency of extremely intense natural events in the places where Italgas operates (more or less prolonged unavailability of assets and infrastructure, increase in repair and insurance costs, service interruption, etc.) with a negative impact on costs, revenues and level of service</p> <p>EMERGING RISK:⁵⁶</p> <p>Physical Risk: an increase</p>	<ul style="list-style-type: none"> - Operational countermeasures as described in the "Service continuity: malfunctioning, accidents or extraordinary events" risk - Targets for reducing net greenhouse gas emissions⁵⁷: <ul style="list-style-type: none"> i) by 2030: reduction of Scope 1 & 2 emissions by 42% and reduction of Scope 3 emissions by 33%, compared to 2020 values ii) by 2050, the target of Net Carbon Zero - Target to reduce net energy consumption by 33% by 2030, compared to 2020 values - Use of Picarro Surveyor technology, currently the most advanced technology in 	<p>Energy transition and the fight against climate change</p> <p>Generation of economic value and ESG finance</p> <p>Safety of the networks, assets and people</p>

⁵⁶ Risk for which the potential effects for the company and/or sector refer to a medium to long-term time frame.

⁵⁷ With the same scope, excluding any changes following M&As, Depa Infrastructure and ATEM (Minimum Territorial Area) tenders.

Category	Risk	Description	Main methods of management	Connected material topics
		<p>in average temperatures in the areas where Italgas operates with a possible negative impact on the number of active re-delivery points served and, consequently, on revenues</p> <p>EMERGING RISK: Transition Risk: changes in the legislative and regulatory context in terms of greenhouse gas, with the objective of limiting emissions, for instance by introducing measures that require natural gas distributors to acquire certificates to cover emissions, with a negative impact on costs.</p> <p>EMERGING RISK: Transition risk: technological evolution that may have a negative impact on the number of active re-delivery points served with a negative impact on revenues and the level of expected investments</p> <p>EMERGING RISK: Transition Risk: uncertainty of the role of natural gas in the future energy mix with a negative impact on costs, revenues and level of expected investments</p>	<p>the field of gas network monitoring activities, with significant benefits in terms of speed of execution, extent of the areas being controlled and three times greater sensitivity of detection of gas in the air than those currently used by sector operators (parts per billion versus parts per million)</p> <ul style="list-style-type: none"> - Adoption of internal leakage repair SLAs stricter than those defined by the Regulator - Process of converting the network into digital infrastructure to enable the distribution of gas other than methane, such as hydrogen, biomethane and e-gas - Development, implementation and adoption of digital applications for the remote control of network and facility construction, development and maintenance worksites - Conversion to methane of the distribution networks supplied by LPG, with resulting reduction in emissions compared to the current configuration - Actions to modernise the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, clean up upright columns and brackets) - Promotion of responsible business practices, by joining the UN Global Compact and the OGMP 2.0 of the UNEP - Guidance to define the associative sector positions - Active participation in consultations called by the government or by European community organisations on relevant topics - Active participation in the activities of sector associations to oversee technological changes - Carrying out energy efficiency projects through the subsidiary Geoside - Investments intended to increase the Group's presence in the water and energy efficiency sectors - Promotion of sustainable mobility - Development of power-to-gas technology powered by renewable energy in order to produce renewable gases that can be used in the existing networks - Network and facility analysis initiatives for the evaluation of their adequacy and of interventions intended to enable the distribution of gas other than methane, such as hydrogen, biomethane and e-gas. 	<p>Service quality and customer satisfaction</p> <p>Network innovation and digitisation</p> <p>Corporate identity</p> <p>Adoption of circular economy principles</p> <p>Management of ecosystems and biodiversity</p>
Strategic/business-related	Risks associated with the development and awarding of area tenders for the gas distribution service	<p>Risk of not being awarded concessions in the planned areas, or being awarded concessions with less favourable conditions than previously.</p> <p>Risk of higher management costs borne by the Group with respect to its operating standards in case of concessions awarded in ATEMs (Minimum Territorial Areas) previously managed entirely or partially by other operators.</p> <p>Risk of legal and/or arbitration disputes with possible negative effects on the business and the equity, economic and financial position of the Italgas Group deriving from the complexity</p>	<ul style="list-style-type: none"> - The existing legislation states that, in the event of failure to be awarded concessions previously managed, the outgoing operator is entitled to the redemption value for the networks it owns. - Specific procedures that govern the pre-tender activities, including calculation of the redemption value, and participation in area tenders - Monitoring of legislative changes (national, regional, local) and evaluation of the potential impacts on the tender process - Planning of the Tender calendar and the bidding strategy integrated into the Group's Strategic Plan. - Critical analysis of the quality of the tender bid and implementation of improvement measures, including through use of external experts, organisations and universities 	<p>Corporate identity</p> <p>Generation of economic value and ESG finance</p> <p>Network development</p>

Category	Risk	Description	Main methods of management	Connected material topics
Strategic/business-related	Risks related to energy efficiency certificates	<p>of the legislation that governs the expiry of the concessions held by Italgas.</p> <p>Risk that the redemption value of the concessions for which, following the assignment process, a third party is an assignee is lower than the value of the RAB, with possible negative effects on the business and on the equity, economic and financial position of Italgas</p>	<ul style="list-style-type: none"> - Established a specific provision to cover the liabilities associated with the Energy Efficiency Certificates - Process for the acquisition of Energy Efficiency Certificates and the management of related obligations - Monitoring of legislative changes - Active participation in working groups and development of sector position papers with proposals for guidelines for reviewing the rules of the EEC system - Optimised purchasing strategy through access to the market, evaluation and development of any reports for bilateral agreements, periodic reporting to company management - Presence in energy efficiency sectors through the development of projects with partial reduction of the EEC short position 	<p>Energy transition and the fight against climate change</p> <p>Generation of economic value and ESG finance</p>
Financial	Credit Risk	<p>Risk of potential losses arising from counterparties failing to fulfil their obligations or delayed payment of amounts owed with negative effects on the financial results and financial position of the Italgas Group</p>	<ul style="list-style-type: none"> - Rules for user access to the gas distribution service established by the Regulator and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services, and lay down contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request - Analysis and monitoring of the credit portfolio - Assessments of initiatives for outsourcing to external companies specialised in credit recovery. Monthly monitoring of the activities and performance of the appointed companies <p>- In Italy, as at 31 December 2022 there were no significant credit risks. Note that on average, 98.4% of trade receivables relating to gas distribution are settled by the due date and over 99.7% within the following 4 days, confirming the strong reliability of the customers</p> <p>- In Greece, as at 31 December 2022 there were no significant credit risks. Note that on average, 83.2% of trade receivables relating to gas distribution are settled by the due date and over 90.8% within the following 4 days, confirming the strong reliability of the customers.</p>	Generation of economic value and ESG finance

Category	Risk	Description	Main methods of management	Connected material topics
Financial	Changes in interest rates, inflation and deflation	<p>Risk of fluctuations in interest rates, impacting the market value of the Company's financial assets and liabilities and its net financial expense. The risk that an extended period of inflation lower than the Group's forecasts could have adverse effects in the long-term on the RAB value and expected regulated revenues. Risk of an unexpected increase in the inflation rate with possible adverse effects on expected costs</p>	<ul style="list-style-type: none"> - Process for the preparation and monitoring of the financial and management plan, control and reporting of Financial Risks - Financial planning activities with a time frame of 7 years, carried out annually - Maintenance of a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates (as at 31 December 2022, 90.8% of the gross financial debt was at fixed rate and 9.2% at floating rate) - Use of a diverse mix of external financial resources (bonds subscribed by institutional investors, syndicated loans with banks and other financial institutions, in the form of medium-to-long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate [Euribor]) - Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) 	Generation of economic value and ESG finance
Financial	Liquidity Risk	<p>Risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern</p>	<ul style="list-style-type: none"> - Process for the preparation and monitoring of the financial and management plan, control and reporting of financial risks - Financial planning activities with a time frame of 7 years, carried out annually - Adequate level of cash held in current accounts and fixed-term deposits with leading banks - The EMTN programme, in addition to funding from the banking system, which presently allows issue of the remaining bonds worth a nominal € 2.0 billion to be placed with institutional investors - Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) 	Corporate identity
Financial	Credit rating risk	<p>Risk of a downgrade in Italgas' credit rating due to worsening in the economic and financial parameters or due to a downgrade of the rating of the Italian Republic, which, based on the methodologies adopted by the rating agencies, could trigger a downward adjustment in Italgas' rating</p>	<ul style="list-style-type: none"> - Process for the preparation and monitoring of the financial and management plan, control and reporting of financial risks - Financial planning activities with a time frame of 7 years and carried out annually - Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) - Constant dialogue with rating agencies 	Corporate identity
Financial	Debt covenant and default risk	<p>Risk of failure to comply with financial covenants for existing loans (in some cases only when this non-</p>	<ul style="list-style-type: none"> - Absence of financial covenants and/or collateral in the loan agreements (as at 31 December 2022, there were no loan agreements with these characteristics, 	Corporate identity

Category	Risk	Description	Main methods of management	Connected material topics
		<p>compliance is not remedied within a set time period, and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values), which could result in Italgas' failure to comply and could trigger the early repayment of the relative loan</p>	<p>except for the EIB loan taken out by Toscana Energia, for an original nominal amount of € 90 million and loans taken out by several subsidiaries of DEPA Infrastructure, which require compliance with certain financial covenants)</p> <ul style="list-style-type: none"> - The issue of bonds as part of the Euro Medium Term Notes programme, requiring compliance with covenants that reflect international market practices regarding, <i>inter alia</i>, negative pledge and <i>pari passu</i> clauses - Monitoring of compliance with the following types of contractual clauses: (i) negative pledge undertakings, pursuant to which Italgas and its subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) <i>pari passu</i> and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out (as at 31 December 2022, these commitments appear to have been respected) 	Generation of economic value and ESG finance
Operational	Anomalies in smart meter performance	<p>Risk of increased levels of malfunctioning of smart meters with lost/failed reading of the use and/or requiring replacement or regeneration</p>	<ul style="list-style-type: none"> - Maintenance of an adequate provision to cover the liabilities generated by the costs arising from malfunctioning - Issue of adequate guarantees by the suppliers of materials - "SmartTracker" Digital Factory application for the tracking and management of smart meters throughout the entire life cycle - Plan to replace and/or repair meters with function anomalies - Operating centres for the regeneration of Smart Meters with anomalies - Audits on suppliers and supply tests - Update of technical specifications, including in consideration of technology changes - Adoption in the field of smart meters equipped with NB-IoT communication technology - Project for the development of latest generation smart meters, also compatible with renewable gas like biomethane and hydrogen and patented by Italgas 	<p>Corporate identity</p> <p>Service quality and customer satisfaction</p> <p>Adoption of circular economy principles</p> <p>Generation of economic value and ESG finance</p> <p>Safety of the networks, assets and people</p> <p>Sustainable supply chain management</p> <p>Network innovation and digitisation</p>
Operational	Service continuity: malfunctioning, accidents or extraordinary events	<p>Risks of malfunctioning and unforeseeable distribution service disruptions from unintended events, such as accidents, breakdowns or malfunctioning of equipment or control systems, the underperformance of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control</p>	<ul style="list-style-type: none"> - Third Party Liability Insurance and Asset Protection coverage - Procedures and systems for emergency management, emergency plans with measures defined to make facilities safe and guarantee service continuity - Health and safety procedures, communication campaigns, training and meetings to raise awareness of and analyse the prevention of accidents, initiatives that also involve suppliers/contractors - Integrated Centre for Supervision (ICS) active 24/7 which makes it possible to monitor the status of the network remotely using remote monitoring systems, manage requests for prompt intervention, identify the places that require intervention and monitor the progress of making conditions safe - Facility and asset safety and network 	<p>Corporate identity</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Safety of the networks, assets and people</p> <p>Network innovation and digitisation</p> <p>Service quality and customer satisfaction</p>

Category	Risk	Description	Main methods of management	Connected material topics
			<p>monitoring systems</p> <ul style="list-style-type: none"> - Introduction of DANA – Digital Advanced Network Automation – the network command and control system with 3 main advantages: a) To ensure the monitoring of a distributed system in which physical variables are interdependent; b) To enable remote management with commands on the main processes of the network and facilities and to increase the efficiency of the governed processes and the flexibility of the network; c) To enable the management of renewable gases (e.g. biomethane, hydrogen). - Smart Maintenance initiative: development and gradual adoption of a GIS model for asset management used to plan smart maintenance of the Italgas networks. - Planned search for leaks using the best systems and technologies (Picarro Surveyor) and with higher levels of annual coverage of the network inspected than the standards defined by the Regulator - Adoption of internal leakage repair SLAs stricter than those defined by the Regulator - Continuous modernisation of the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, plans to clean up upright columns and brackets) - Prevention of potential damage to pipes caused by third parties (e.g. other sub-services) - Qualification procedures for third-party construction, engineering and works supervision companies, contractor monitoring - Digital Factory for the development of innovative solutions intended to digitise processes and improve the network operating and management activities and the quality of service 	<p>Sustainable supply chain management</p> <p>Management of ecosystems and biodiversity</p> <p>Dialogue and creation of value on the territory</p> <p>Energy transition and the fight against climate change</p> <p>Generation of economic value and ESG finance</p>
Operational	Cyber attacks	Risks of cyber attacks on the IT (Information Technology), OT (Operational Technology) and IoT (Internet of Things) sectors	<ul style="list-style-type: none"> - Specific insurance coverage of the risks related to cybersecurity - Cybersecurity organisational and operational model - Group Policy on Integrated Security, Resilience and Crisis Management - Models and procedures for business continuity, network and information security, and emergency and crisis management - Monitoring of the Group's Bitsight cyber risk rating, currently positioned in an advanced range that corresponds to a high level of maturity of the cybersecurity frameworks - Adoption of conditional access solutions on the basis of certain risk factors (illegitimate accesses, accesses from unusual locations, etc.) and Multi-Factor-Authentication for the Group's employees and most critical IT suppliers - Adoption of security measures to protect endpoints (antimalware) and e-mail through the implementation of antispam solutions (protection of mail from spam), anti spoofing solutions (protection from attacks that impersonate the address of the sender of a communication), advanced hunting (advanced analysis to proactively verify possible threats), safe link/safe attachment (protection from harmful links and attachments present in e-mails through 	<p>Network cybersecurity</p> <p>Compliance, transparency and fight against corruption</p> <p>Sustainable supply chain management</p> <p>Service quality and customer satisfaction</p> <p>Safety of the networks, assets and people</p> <p>Generation of economic value and ESG finance</p> <p>Network innovation and digitisation</p>

Category	Risk	Description	Main methods of management	Connected material topics
			<p>simulation in a test environment, sandbox)</p> <ul style="list-style-type: none"> - Specific training for Group employees on cyber risks, common vulnerabilities, phishing and spam - Possibility for Group employees to report suspected phishing e-mails (phishing alarm) to a team specifically appointed to analyse and manage these e-mails - Phishing simulations for Group employees intended to test and strengthen their ability to recognise malicious emails - Secure Product Development Lifecycle process which defines an operational and project approach in which the considerations and measures to prevent and mitigate cybersecurity risks are integrated from the very start of the procurement process and/or the development of hardware and software - Security measures to protect the network infrastructure from unauthorised alteration, disservices, incorrect applications and unauthorised data disclosure through firewall solutions, intrusion prevention systems, web application firewalls, anti DDoS (Distributed Denial of Service) systems, protection of Internet browsing (proxy) and network segmentation - Continuous real time monitoring, through Security Information and Event Management (SIEM) solutions, of IT and OT systems aimed at identifying and correlating events on monitored devices and acting accordingly where necessary - Periodic IT and OT vulnerability assessments and penetration tests performed by third parties - Definition and periodic updating of contract technical specifications, including in relation to cybersecurity - Leading sector suppliers that guarantee maximum levels of security and performance, the service levels of which are defined by contract and monitored - "Cybersecurity Awareness for third parties", with which the suppliers of the Italgas Group must formally comply. It promotes the application of appropriate cybersecurity processes by third parties - Adoption of Cyber Threat Intelligence services aimed at proactively identifying new techniques used for attacks, monitoring the main players in threats and verifying any company data available outside the Group scope 	
Operational	<p>Risks associated with the health and safety of people and environmental protection</p> <p>Risk that Italgas may incur costs or liability, including to a significant extent, arising from any environmental damage, including in consideration of changes in legislation on protecting the environment and the possible occurrence of disputes.</p>		<ul style="list-style-type: none"> - Specific insurance policies for "individuals", which cover both cases of professional and non-professional accidents, and death by illness - HSEQ system in compliance with the reference standards, certified according to international legislation for aspects of health, safety, environment, quality and energy efficiency, which envisages compliance audits carried out by the certification body - Research and technological innovation and actions and projects for the energy efficiency of processes, the improvement of plant safety conditions and the environmental recovery of former manufactured gas production sites - Monitoring of HSE legislation, formation and dissemination of applicable legislative 	<p>Corporate identity</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Safety of the networks, assets and people</p> <p>Adoption of circular economy principles</p>

Category	Risk	Description	Main methods of management	Connected material topics
			<p>oversight</p> <ul style="list-style-type: none"> - Training on HSE issues and digital management system for courses (Learning Management System) - Digital applications for reporting and recording "near misses" and for waste management - Communication campaigns and meetings to raise awareness about safety and other HSE topics Reward systems for virtuous operating structures in terms of health and safety - Establishment of the Partners HSE Lab with training, information and workshop events with suppliers/contractors intended to raise awareness/create alignment on HSE topics - Internal procedures that involve specific measures with regard to suppliers/contractors in case of HSE non-compliance and reward system for virtuous behaviour (Contractor Safety Trophy) - Compliance audits on the HSEQ and ISO 37001 integrated system and technical audits on suppliers and contractors during qualification and normal activities <p>With particular reference to reclamation activities:</p> <ul style="list-style-type: none"> - Established a specific provision to cover the estimated liabilities in relation to the formalities required by the law in effect - Reclamation process of contaminated sites, which defines the tasks, operating procedures and indications in operations of waste removal, land analysis, establishing safe conditions and/or reclamation of sites contaminated by previous activities - Structure dedicated to monitoring the design and construction phases. Audits on sites being reclaimed, carried out internally and by third parties, both during the works and for the final inspection 	<p>Management of ecosystems and biodiversity</p> <p>Sustainable supply chain management</p> <p>Dialogue and creation of value on the territory</p> <p>Compliance, transparency and fight against corruption</p> <p>Generation of economic value and ESG finance</p>

Category	Risk	Description	Main methods of management	Connected material topics
Operational	Risks associated with human resources	Risks associated with the development of human resources, including risk of resources in key roles leaving, lack of technical and specialist know-how, increase in the age of company personnel, drop in the level of satisfaction and/or increase in workplace disputes	<ul style="list-style-type: none"> - Knowledge transfer system developed in the Italgas Digital Factory, which involves the video coding of operating activities and real-time instructions available via wearable devices - Refining of training processes, with a multimedia platform for planning, managing and accessing the various managerial, technical, HSEQ and digital training activities - Initiatives for the dissemination of the culture and digital knowledge (mapping of digital skills, creation of Digital Ambassadors and training on digital topics) - Personnel scouting and recruitment process, performance management system and development plans for resources with a role-specific training programme - I-Grow Programme, Italgas' graduate programme aimed at strengthening internal know-how in accordance with the principles of meritocracy and transparency, which provides for the acceleration of the development of transversal skills through induction paths, training programmes and structured job rotation paths - Succession plan for senior roles - Collaborations with Italian universities intended to anticipate talent acquisition - Organisational structures dedicated to diversity and inclusion and to HR sustainability - Periodic survey on the corporate climate extended to all Group employees - System of services and welfare under constant expansion in order to intercept new requirements and expectations - Italgas Human Rights Policy - Italgas Diversity and Inclusion Policy - Adoption of the Mac ecosystem, capable of ensuring ease of approach to new digital solutions, promoting the sharing and collaboration and improvement of the everyday experience - Smart Rotation system, the internal Italgas job posting, to foster the exchange of skills within the Group, enhancing its people and facilitating upskilling and reskilling - System for the classification and protection of information according to criteria of Confidentiality, Integrity and Secrecy 	<p>Corporate identity</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Respect for human rights</p> <p>Generation of economic value and ESG finance</p> <p>Network innovation and digitisation</p>
Operational	Risks associated with the quality and level of service	Risk of non-compliance of the commercial levels of service for services to sales companies and/or risk of delayed or partial compliance with the obligations assumed, such as execution of the investments plan related to concessions involving obligations borne by the concession holder	<ul style="list-style-type: none"> - Continuous monitoring of Key Performance Indicators on commercial processes, alerts and communication to Territorial Hubs for activation/acceleration of territorial interventions - Ad hoc analysis of commercial processes and development of improvement measures - Operating procedures and instructions for Commercial Management of the Service - Acceleration in improvements to the level of service driven by the digitisation of assets and processes - Surveys at sales companies - Italgas digital portal dedicated to Gas2Be sales companies, developed to strengthen the partnership, facilitate the accreditation process of the network and allow the sales companies direct and immediate access to information and news about Italgas such as the most recent promotions launched in the 	<p>Corporate identity</p> <p>Service quality and customer satisfaction</p> <p>Network development</p> <p>Dialogue and creation of value on the territory</p> <p>Generation of economic value and ESG finance</p> <p>Network innovation and digitisation</p>

Category	Risk	Description	Main methods of management	Connected material topics
			<p>territory, or about the upcoming webinars designed specifically to increase and improve the exchange of know-how between Italgas and the sales companies</p> <ul style="list-style-type: none"> - Allocation to a specific business unit of the responsibility for mapping the existing concession obligations, monitoring and activating the network technical units for prompt interventions - Monitoring of the works progress on the basis of the obligations assumed - Constant dialogue with contracting parties, including in order to understand and satisfy update requirements - CRM to support people working at the Italgas Contact Centre in carrying out front-end activities (Customer Service) 	
Operational	Supply chain risks	<p>Risks associated with the availability and cost of materials, services and supplies, the operating capacity and scalability and the reputational and compliance reliability (including respect for human rights) of the suppliers and contractors of the Group</p>	<ul style="list-style-type: none"> - Planning of procurement, analysis and monitoring of department KPIs - Supplier qualification process which provides for specific reputational checks, including regarding ESG - Anti-mafia audits in tender procedures relating to special sectors pursuant to Article 80 of Legislative Decree 50/2016, to the Reclamation sector and to works under Title IV of Legislative Decree 81/2008 - New digital IT4Buy platform, which improves i) the speed and simplicity of the supplier registration and qualification process; ii) the tender process; iii) contract management - ESG reward criteria during the tender phase on Legality topics, possession of specific ISO certifications, environmental impact (e.g. CO2 emissions) - Verification of sustainability and economic-financial requirements through recognised external providers, as early as during the supplier registration stage - Standardised tender processes and regulations - Weekly tender committee with analysis of the activities performed, vendor list, tender time frames. - Supplier performance evaluation, including in terms of sustainability, integrated into the vendor management module - Management of unforeseeable events: risk assessment to suppliers; procurement diversification; scouting for alternative raw materials - On-site technical and ESG checks for the Qualification purposes of Suppliers deemed Critical/Strategic - Scouting activities for innovative assets, produced with alternative materials and/or different technologies, functional to asset management/maintenance - Technical specifications being continuously updated including in consideration of the technological changes and contractual clauses that govern cases of goods and services exposed to cyber risk - "Supplier Code of Ethics", requiring a commitment from suppliers. The code is inspired, among other things, by the information set out internationally in the UN Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Conventions issued by the International Labour Organization 	<p>Corporate identity</p> <p>Compliance, transparency and fight against corruption</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Sustainable supply chain management</p> <p>Adoption of circular economy principles</p> <p>Management of ecosystems and biodiversity</p> <p>Respect for human rights</p> <p>Energy transition and the fight against climate change</p> <p>Generation of economic value and ESG finance</p> <p>Network innovation and digitisation</p>

Category	Risk	Description	Main methods of management	Connected material topics
Operational	COVID-19, pandemics and new diseases	<p>Risks associated with the health crisis arising from COVID-19 and/or the spread of new pandemics or new diseases that have repercussions on health and safety, on the operating context and on the resulting economic and financial framework of reference of Italgas</p>	<p>(ILO) and the Ten Principles of the UN Global Compact, in addition to the contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises</p> <ul style="list-style-type: none"> - Anti-Bribery Policy Awareness for third parties – request for anti-bribery and/or ISO 37001 declaration from suppliers - “Cybersecurity Awareness for third parties”, with which the Italgas Group's suppliers must comply - Renewed logistics model with Warehouse Centralisation and management of Withdrawal Points in the territories (UT) and consequent digitisation of monitoring materials in stock/transit 	<p>Corporate identity</p> <p>Protection, inclusion, development and well-being of human resources</p>
			<p>Safety of the networks, assets and people</p> <p>Dialogue and creation of value on the territory</p> <p>Generation of economic value and ESG finance</p>	<p>Corporate identity</p> <p>Compliance, transparency and fight against corruption</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Adoption of circular economy principles</p> <p>Management of ecosystems and biodiversity</p>

Category	Risk	Description	Main methods of management	Connected material topics
			Energy transition and the fight against climate change	Energy transition and the fight against climate change
			Sustainable supply chain management	Sustainable supply chain management
			Service quality and customer satisfaction	Service quality and customer satisfaction
			Respect for human rights	Respect for human rights
			Generation of economic value and ESG finance	Generation of economic value and ESG finance

3.3 Internal control system NFS

In order to ensure the correctness⁵⁸, accuracy⁵⁹, reliability⁶⁰ and timeliness of the information communicated to shareholders and the market, Italgas is committed to promoting and maintaining an adequate Corporate Reporting Internal Control System (hereinafter also referred to as the “SCIS”) and should be seen as the set of all instruments necessary or useful to guiding, managing and verifying the corporate business.

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

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

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

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

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

The controls, both at the entity level and process level, are subject to regular evaluation (monitoring) to verify the adequacy of the design and actual operability over time. For that purpose, there is provision for ongoing monitoring activities, assigned to the management responsible for the relevant procedures/ activities, as well

⁵⁸Reporting correctness: reporting that is correct, complies with generally accepted accounting standards and fulfils the requirements of the applicable laws and regulations.

⁵⁹Disclosure accuracy: error-free information.

⁶⁰Reporting reliability: reporting that is clear and complete that would enable investors to make conscious investment decisions.

as independent monitoring assigned to Internal Audit, which operates according to an annual plan agreed with the Executive responsible for preparing the corporate accounting documents (DP), which aims to define the scope and objectives of its actions through concerted audit procedures.

During 2022, all 11 audits provided for in the Audit Plan were carried out and 19 monitoring reports were prepared: 15 relating to the monitoring in a single session in 2021, which was concluded during the early months of 2022 and 4 relative to the first session of 2022, which was concluded late 2022. During the year, the Internal Audit Department issued 19 separate evaluation reports.

To allow for the assessment of the efficacy of the Internal Control and Risk Management System with respect to Italgas' specifications and the risk profile accepted, the Internal Audit Department carried out 11 audits envisaged by the Audit Plan approved by the BoD on 16 December 2021. The results of the audits have been presented to the Control, Risk and Related Party Transactions Committee.

For the Control, Risk and Related Party Transactions Committee, on the basis of the controls performed and taking into account the areas for improvement identified and the related actions taken or being taken by the management, it has been possible to conclude that the Internal Control System is fit for the purpose and the Internal Audit Department meets the necessary requirements of autonomy, adequacy, efficiency and effectiveness to go about its activities.

The Company has adopted a whistleblowing procedure – approved by the Board of Directors – in line with the best practices on the subject. This regulates the process of receiving, analysing and processing reports sent or forwarded by anyone, even in confidential or anonymous form, about any irregularities or breaches of applicable regulations and internal procedures (so-called whistleblowing). It also covers the management of so-called qualified reports concerning members of the Board of Directors or Control Bodies (Board of Statutory Auditors and Supervisory Bodies).

Each notification is analysed by the Notifications Committee, composed of the Head of Human Resources & Organisation, the General Counsel and the Head of Internal Audit. It is the responsibility of the latter department to promptly inform the senior management of the Company concerned and to forward notifications to the Company's Supervisory Body for the relevant evaluations and actions.

The whistleblowing report is prepared twice a year and sent by the Internal Audit department to the following Company bodies and departments: Chairman, Chief Executive Officer, General Manager, Board of Statutory Auditors, Control, Risk and Related Party Transactions Committee, Supervisory Body, Auditing Company, Legal and Anti-Corruption departments. With reference to the reports relating to the subsidiaries, the statements, insofar as relevant, are sent to the Chief Executive Officers of each subsidiary concerned, as well as to the related Control and Supervisory Bodies.

The widest circulation of information about the Procedure is ensured, both internally (through publication on the corporate intranet and postings on notice boards, as well as in the context of internal training activities, particularly with regard to newly appointed employees) and externally (<https://www.italgas.it/it/governance/etica-dimpresa/procedura-segnalazioni/>).

During 2022, 9 reports were received, of which 8 concerned the internal control system and 1 related to other matters. As at 31 December 2022, all reports received during the year had been properly investigated, processed and archived. In particular, 5 reports were dismissed for lack of evidence or untruthfulness, including that relating to other matters, while 4 reports, all relating to the Internal Control System, were referred to the Judicial Authority. In the period between September and December 2022, the Greek Subsidiaries did not receive any reports

	Unit measurement	of	2020	2021	2022
Total reports received	no.		13	15	9
<i>of which relating to the internal control system</i>	no.		12	12	8
<i>of which relating to other matters (Code of Ethics, mobbing, thefts, security, etc.)</i>	no.		0	1	1
<i>of which relating to administrative liability pursuant to Legislative Decree 231/2001</i>	no.		1	2	0
Reports closed	no.		12	15	9
Reports pending	no.		1	0	0

Italgas regulatory system

The Regulatory System is characterised by a tiered structure, corresponding to different types of regulatory instruments. Each regulatory instrument is applied with reference to the defined Group processes

The Bylaws, the Code of Ethics, the Corporate Governance Code, Model 231 and the Internal Control System on Corporate Information are placed in the general framework of the Regulatory System, as, although specific tools, the principles that inspire them are recognised as the founding principles of the conduct of the Italgas Group and, therefore, part of the general framework of the entire regulatory system. These regulatory tools are part of the efficient handling of the Management and Coordination activities performed by Italgas concerning Subsidiaries, and they are subject to regular delivery to, and/or formal adoption by, the Boards of Directors of the Subsidiaries.

The regulatory system also includes as an integral part thereof, the documents belonging to the certified management systems for health, safety, environment, quality, energy and, lastly, anticorruption in accordance with international ISO standard.

Regulatory instruments are drafted and updated in accordance and in compliance with the legislation applicable in each case. The elements of the Group's Regulatory System are as follows:

Italgas Enterprise System (IES) - constitutes the guide and reference for the Group's organisation and operation;

Policies - regulatory instruments drawn up for specific issues that contain declarations of intent, define reference principles and identify behaviours that each Group company must adopt, share and promote;

Quality Manuals and Plans - regulatory instruments drawn up, where necessary, in accordance with the requirements of the specific reference standard and that describe the processes, activities, reference structure, departments involved and related responsibilities with which the Certified Management Systems achieve their objective and direct their work processes.

Regulations – regulatory instruments that, depending on their specificity, can:

- define regulatory rules across several business processes in order to implement provisions issued, for instance, by the Legislator, independent authorities or Certification Bodies;
- define, with a more or less operational level of detail, the roles, responsibilities and activities of the various Departments involved in the individual business processes;

Regulatory circulars - regulatory instruments that regulate or expand on specific issues, including those of temporary significance.

The day-to-day implementation of policies is ensured through the general rules dictated by the Italgas Enterprise System and by organisational and regulatory instruments that specify the responsibilities and operating methods to be followed by each process owner. In particular, the responsibility for the implementation of the commitments is set out within the missions of the individual organisational structures of each Group Company, whereas, the process aspects are incorporated within the individual company procedures on the basis of an intricate map of Group processes.



NFS

3.4 Ethics and compliance

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

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

The Code of Ethics

On 14 December 2022, the Italgas S.p.A. Board of Directors approved the update of the Code of Ethics (general essential principle of the 231 Model adopted by Italgas and by the Group companies in accordance with Italian Legislative Decree no. 231/2001) in order to optimise the Italgas Group commitment to protecting cultural and landscape heritage.

The Code of Ethics, available on the Company's website, is a collection of the values that the Group recognises, accepts and shares and the responsibilities it assumes within and outside of its organisation.

The Code of Ethics recalls the principles of corporate responsibility that must be respected, *inter alia*, in the areas of sustainability, the prevention and fight against corruption, health and safety in the workplace, relations with stakeholders and suppliers, and personal data protection.

The Code of Ethics applies with regard to all "Italgas people", i.e. directors, statutory auditors, management and employees of the Group, as well as all of those who work to achieve its objectives, each within the scope of their functions and responsibilities.

The Supervisory Bodies of each Group company, reporting on a half-yearly basis to the Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors on the implementation and need for update of the Code of Ethics, are assigned the tasks of "Guarantors" of the Code of Ethics.

With reference to the Greek companies of the DEPA Infrastructure Group, which have become part of the Italgas Group as at 1 September 2022, it should be noted that both EDA Thess and EDA Attikis have adopted their own Code of Ethics containing the set of values that each company recognises and respects in the conduct of its activities and in its relations with its stakeholders. However, a project has been initiated to have the Italgas Group's Code of Ethics also implemented by all Greek companies by March 2023.

Organisational and management model pursuant to Legislative Decree 231/2001

In accordance with Legislative Decree 231/2001, Italgas has adopted its own Model 231 aimed at mitigating the risks of committing the offences referred to in the aforementioned Legislative Decree 231/2001. Model 231, periodically updated in line with regulatory and/or organisational changes, is intended for members of the corporate bodies, management and employees of Italgas, as well as for all those operating to achieve Italgas' objectives.

The most recently updated version was approved by the Company's Board of Directors on 14 December 2022. In application of its Model 231, Italgas appoints a Supervisory Body consisting of three external members, one of whom, acting as Chairman, was chosen from scholars and professionals with proven expertise and experience on legal, corporate and economic issues and corporate organisation.

The term of office of members of the Supervisory Body is aligned with that of the Board of Directors which appointed them. The term of office of the members expires on the date of the Shareholders' Meeting called for the approval of the financial statements for the last year of their office, although they continue to carry out their functions over the ad interim period, until new members of the Supervisory Body are appointed.

Each subsidiary adopts and updates its own 231 Model (available for consultation on the website), taking into account the indications and implementing methods defined by Italgas S.p.A..

Certified management systems and accreditations

For Group companies, Italgas assures the adoption of both the Integrated management system for health and safety at work, the environment, quality and energy (HSEQE) and the Management system for the prevention of and fight against corruption.

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

- UNI ISO 37001:2016 "Anti-bribery management systems"
- UNI EN ISO 9001:2015 "Quality management systems"
- UNI EN ISO 14001:2015 "Environmental management systems"
- UNI ISO 45001:2018 "Occupational health and safety management systems"
- UNI CEI EN ISO 50001:2018 "Energy management system"

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

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

To verify compliance of the Management systems with the requirements set by the standards, Italgas uses the DNV Certification Body, which, in 2022, carried out the relevant audits and issued the relevant certificates, or the relevant maintenance.

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

According to their corporate purpose and business, as at 2022, the Italgas Group companies have the following certifications and accreditations.

CERTIFICATIONS OF ITALGAS SPA

Degree of certification coverage	Reference standard	Year of first certification
Company/Group	UNI ISO 37001	2018

CERTIFICATIONS AND ACCREDITATIONS OF ITALGAS RETI SPA

Degree of certification/accreditation coverage	Reference standard	Year of first certification/accreditation
Company	UNICEI EN ISO 50001	2012
	UNIEN ISO 14001	2001
	UNI ISO 45001	2019*
	UNIEN ISO 9001	1996
	UNI ISO 37001	2018
Calibration laboratory	UNI CEI EN ISO/IEC 17025	2009

Test laboratory	UNI CEI EN ISO/IEC 170251994
Type C Inspection Body	UNI CEI EN ISO/IEC 170202014

* Since 2001 for the former reference standard OHSAS 18001

CERTIFICATIONS AND ACCREDITATIONS OF TOSCANA ENERGIA SPA

Degree of certification/accreditation coverage	Reference standard	Year of first certification/accreditation
Company	UNICEI EN ISO 50001	2017
	UNIEN ISO 14001	2003
	UNI ISO 45001	2019*
	UNIEN ISO 9001	1998
	UNI ISO 37001	2020
Type C Inspection Body	UNI CEI EN ISO/IEC 170202016	

* Since 2003 for the former reference standard OHSAS 18001

CERTIFICATIONS OF MEDEA SPA

Degree of certification coverage	Reference standard	Year of first certification
Company	UNICEI EN ISO 50001	2021
	UNIEN ISO 14001	2021
	UNI ISO 45001	2021
	UNIEN ISO 9001	2021*
	UNI ISO 37001	2020

* Since 2014 for the Sassari site only

CERTIFICATIONS OF ITALGAS ACQUA SPA

Degree of certification coverage	Reference standard	Year of first certification
Company	UNICEI EN ISO 50001	2021
	UNIEN ISO 14001	2021
	UNI ISO 45001	2020
	UNIEN ISO 9001	2020
	UNI ISO 37001	2020

CERTIFICATIONS OF GEOSIDE SPA

Degree of certification coverage	Reference standard	Year of first certification
	UNIEN ISO 14001	2021
	UNI ISO 45001	2021
	UNIEN ISO 9001	2021*
	UNI ISO 37001	2020
	UNICEI 11352	2015

FGAS (Italian Presidential2013
 Decree 43/12)
 SA8000 2007

Company

* Since 2014 for the Bologna site only

CERTIFICATIONS OF BLUDIGIT SPA

Degree of certification coverage

Reference standard	Year of first certification
UNI ISO 45001	2022
UNIEN ISO 9001	2022
UNI ISO 37001	2022

Company

In addition to the above, the Greek companies EDA Thesis and EDA Attikis hold the following certifications: ISO 45001:2018, ISO 9001:2015, ISO 14001:2015, ISO 50001:2018, ISO 27001:2013, ISO 39001:2012. In addition, EDA Thesis holds ISO 22301:2019 and ISO 37001 certifications.

Anti-corruption

The Italgas Group prohibits and actively cooperates in preventing and opposing, without exception, any form of corruption, public or private, active or passive, direct or indirect, both nationally and internationally.

In this context, Italgas adopts and effectively implements multiple regulatory and organisational measures, which can be consulted on the Italgas' website, aimed at preventing and countering corruption risks that could potentially be associated with corporate activities:

- the Model 231;
- the management System for preventing and combating corruption which constitutes one of the elements of the internal control and risk management system;
- the Policy for the prevention and fighting of corruption, which defines objectives and principles of the Anti-Bribery Management System;
- The Anti-Corruption Compliance Standard that provides a systemic overview of reference of the regulatory tools adopted by Italgas to prevent and fight corruption, incorporating the measures Italgas has taken to prevent all forms of corruption.

Adherence to and compliance with the anti-corruption measures adopted by Italgas is required of all stakeholders with whom the Group has relations, including but not limited to employees, suppliers, intermediaries, etc.

During 2022, no incidents of corruption were recorded⁶¹.

⁶¹ The figure also includes the new Greek companies

Standard GRI 205-3 Confirmed incidents of corruption and actions taken	U.o.m.	2020	2021	2022
Total confirmed incidents of corruption	no.	0	0	0
Confirmed incidents of corruption with dismissal/disciplinary measure of employees		0	0	0
Confirmed incidents of corruption with termination/non-renewal of contracts with business partners		0	0	0

Standard GRI 205-2 Disclosure and training on anti-corruption policies and procedures ⁶²	U.o.m.	2020	2021	2022
Anti-corruption training*	hours	3,849	1,950	4,132
Participations	no.	2,914	1,686	4,239

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

ISO 37001

In May 2022, the maintenance audits were held aimed at confirming the certification obtained for the first time in 2018 and thereafter confirmed in 2021, for the three years 2021-2024, ensuring compliance with the requirements laid down by Standard ISO 37001 by the Anti-Bribery Management Systems adopted by Italgas and by the subsidiary Italgas Reti S.p.A.. The maintenance audits were also held of the management systems for preventing and fighting corruption, adopted by the subsidiaries Italgas Acqua S.p.A., Geoside S.p.A., Medea S.p.A. and Toscana Energia S.p.A., which led to the confirmation of the related 2020-2023 three-year certifications in accordance with Standard 37001.

The certification body verified the commitment and cooperation of the corporate officers and departments, supervised by the Compliance Department for preventing and combating corruption, in the implementation of and compliance with the adopted anti-corruption measures, as well as the commitment shown in ensuring the adequacy and suitability of the management systems for preventing and combating corruption to the requirements of Standard 37001.

Finally, in 2022, activities were also carried out for the certification of the management system for preventing and combating corruption adopted by Bludigit S.p.A. in accordance with Standard 37001.

At the conclusion of the procedure for the privatisation of DEPA Infrastructure S.A., EDA Thess became part of the Italgas Group. In 2021, with Standard 37001, EDA Thess obtained a three-year certification for the compliance of its management system concerning the prevention and combating of corruption. In addition, the first maintenance audit of the aforementioned management system took place in 2022, leading to the re-issuance of its certification according to Standard 37001.

Conflict of Interest

The Board of Directors periodically assesses the independence and integrity of the Directors and verifies that there are no grounds for ineligibility and incompatibility.

On 14 June 2021 the Italgas' Board of Directors updated a procedure which establishes the principles and rules which Italgas and its Subsidiaries should adhere to in order to ensure the transparency and essential and procedural correctness of transactions conducted by Italgas Group companies with related parties or "parties of interest" (the "Italgas Related-Party Transactions Procedure"). For further details on this matter,

⁶² During Sep-Dec 2022, the new Greek companies delivered 30 hours of training on anti-corruption policies and procedures related to 27 participations

see Italgas' Corporate Governance and Ownership Structure Report, which contains information on, among other things, the existence of controlling shareholders and shareholders' agreements, parties that hold significant equity investments pursuant to applicable regulations, as well as the offices held by Italgas' Directors in other administrative or control bodies.

Antitrust

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

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

Due to the evolution of the Italgas Group, on 27 July 2020, the Board of Directors approved the update of the "Antitrust" Compliance Standard.

This update was preceded by an assessment aimed at verifying the level of adequacy with respect to the criteria established by the guidelines of the Italian Competition Authority, of the "Antitrust" Compliance Standard already in force for Group companies.

An Antitrust and Consumer Protection Manual is attached to the Antitrust and Consumer Protection Code of Conduct, which describes the main antitrust and consumer protection provisions and provides an overview of the most important decision-making practices of the Italian Competition Authority.

Integrated security

In 2022, Italgas evolved its security system from a reactive-type approach to an active protection model that can involve and correlate all corporate events from different domains and areas, with the aim of preventing, acknowledging and mitigating potential security incidents, starting out from simple signs and evidence.

Resilience as the key value guiding the organisation does not only regard the prevention of risks and the correct restoration of operations, but actually represents the capacity to anticipate, respond and adapt to sudden changes and crisis situations, including cybernetic issues.

The Group therefore developed an approach that enables for the integrated management of different information levels and, in particular:

- the level of digital data and IT infrastructures (the "Logical Domain") relative to all technical-organisational measures that, by means of the Cyber Security services and tools, aim to safeguard the confidentiality, integrity and availability of information, with reference to systems, applications, platforms, IT networks, data and processes necessary to manage it;
- the level of material assets and staff (the "Physical Domain") or rather the set of measures, controls and solutions whose aim, through the integrated management of the alarms from the various systems present on the territory, is to guarantee suitable protection of the Group's people and infrastructures (offices and operative sites);

- the level of information (the “Information Domain”) relative to all measures that, through early warning services, intelligence activities and social-environmental analyses seek to collect, manage and distribution information and instructions for the protection of the organisation’s reputation, assets and for personal safety.

One concrete example of this vision of security is our new Italgas centre called the ISC³ (Integrated Security Cloud Command Centre) hosted at the Turin offices, headquarters of Italgas Reti.

Cybersecurity

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

The Group Security and Cybersecurity departments work together, implementing corporate security policies and procedures; the respective roles and responsibilities are defined through a shared RACI matrix⁶³, which allows for the harmonisation of efforts to protect the company’s information assets.

The principles of cybersecurity adopted by Italgas include:

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

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

⁶³ The RACI matrix (responsibility assignment matrix) specifies the type of relationship between the resource and the asset: Responsible, Accountable, Consulted, Informed. This instrument is used to indicate “who does what” within an organisation.

cybersecurity and the corporate policies on technical-organisational measures able to manage risks and prevent cyber incidents. In addition, business continuity tests and cybersecurity assessments are performed once every six months.

Relative to the working conditions deriving from the pandemic crisis, Italgas implements technical procedures and controls aimed at allowing internal and external staff to securely connect from a remote position to the company network. Remote connections take place through a private network (VPN), enabling secure communications. Access to the systems is only enabled after passing specific security posture checks of the asset.

Furthermore, in order to increase the level of security and protection of access and identities, Italgas has adopted Multi-Factor Authentication (MFA) technology for all its employees. This type of protection was then extended to all Group suppliers.

The Group ensures 24-hour monitoring of IT and OT security incidents through a Next Generation Security Operation Centre (Next Generation-SOC): this facility provides managed security services and ongoing activities related to incident monitoring, detection and response.

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

In the last three years (2020-2022), there were no cybersecurity incidents that generated data breach events or compromised corporate systems. As a means of greater protection, Italgas has an insurance policy that can be activated in the event of cyber incidents.

Italgas adopts cyber threat intelligence processes and tools, which allow for the preventive identification of cyber threats and attacks that could impact the organisation, with the aim of proactively implementing security measures and actions aimed at risk reduction and continuous management. These activities are in support of the security measures in place in the company and are a tool to facilitate preventive operations to detect security incidents. Through its Cyber Threat Intelligence capability, Italgas proactively protects the company's logical assets, IT assets, reputation and sensitive data.

In order to analyse and assess the security of its IT systems, Vulnerability Assessment and Penetration Test activities are planned and carried out periodically. They enable the definition and identification of possible vulnerabilities in the infrastructure, applications and devices, and classify the risk arising from the potential impact of the threat detected. At the end of this analysis, mitigation plans are drawn up and executed if necessary.

The maturity level of its information security is also constantly verified and monitored using synthetic indicators (ratings), prepared by external international companies, which, in 2021, saw Italgas positioned in the group of the most advanced organisations at global level and at the top of the energy sector in Italy.

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

At the same time, the alerting system has also been strengthened, with the mass dispatch of reporting e-mails, in the case of malicious or phishing campaigns.

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

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

One very important initiative in which Italgas participates as a corporate partner is the 'CyberXcelerator' programme, an accelerator aimed at start-ups operating in the world of Cybersecurity and Artificial Intelligence.

Information and personal data security

The Italgas Group approach to information security and personal data protection, in line with the principles of Corporate Social Responsibility, envisages, in the first instance, the voluntary adoption of virtuous behaviours that go beyond mere compliance with regulatory provisions: a specific paragraph of the Code of Ethics calls for a strong commitment from employees and the Supply Chain with regard to the protection of information and personal data.

In 2018, Italgas adopted the Data Protection Organisational Model defined in compliance with the provisions of Regulation (EU) 2016/679 (GDPR). Through this Model, the roles and responsibilities have been formalised with regard to the protection of personal data processed in the context of company activities. Italgas also contractually obliges its suppliers to comply with the requirements of the Data Protection regulations, in particular with reference to the provisions of Article 28 of the GDPR. All contractual agreements with suppliers processing personal data on behalf of Italgas include a specific “Data Protection Agreement”.

Over the last two years, the principles and best practices on information security, personal data and cybersecurity have been further extended to the supplier chain, starting from the application phase for inclusion in the Group Vendor List through the creation of a special Cyber criticality classification.

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

Italgas has established its own Data Protection policy in the form of a compliance standard, aimed at outlining the principles applicable to the processing of personal data and defining specific tasks and functions related to the processing of personal data, assigned within the corporate organisational structure, to ensure their correct processing.

In order to ensure the governance and implementation of the process for managing possible breaches of personal data (so-called "data breaches") Italgas has adopted a compliance standard on Data Breach Management.

Compliance standards relating to the protection of personal data are published on the company's website.

Italgas has also issued and updated the "Information Security Standard" and the "Information Classification Standard".

The Group has kept a register of the processing activities which contains all the information referred to in art. 30.1 of the Regulation.

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

The Group has also issued the 'Digital Storage Manual' that defines the storage process implemented by Italgas and all the requirements put in place in order to comply with legal obligations and reference standards.

It is worth noting, in the context of the changing regulatory framework linked to the COVID-19 pandemic, the commitment shown in 2022 by all corporate structures, supported by the DPO and the Data Protection Team, in ensuring full compliance with personal data protection regulations.

Throughout the course of the year, Italgas updated the process of mapping and classifying information, which aims to categorise data according to their level of criticality; Italgas' classification model is described within the "Classification of Information" Standard, which defines clear guidelines for the classification of information for

the entire Italgas Group, aimed at protecting its information assets, as well as rules of conduct and security measures for managing classified information.

The Group Security and Cyber Security Departments have also defined processes, finalised the sale transaction and adopted Data Loss Prevention tools that enable them to protect and prevent the loss of critical data by detecting the sensitive elements present in any information, document or communication, including on the basis of the origin, access and use of the data.

This approach protects the main communication channels and the data that users exchange via the main business collaboration tools.

All the Subsidiaries also defined and formally approved a Data Protection Model consistent with the standards which inspired the Italgas Data Protection Model albeit designed in accordance with their specific requirements and their organisational structure. In implementing its Model, each subsidiary has adopted policies and procedures, appointed a DPO, kept its processing register up-to-date, defined appropriate security measures and carried out training activities.

With reference to all Italgas Group companies, in the three-year period 2020-2022:

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

In order to verify the implementation and effectiveness of the Data Protection Organisational Model and of the policies adopted in the field of privacy, the Italgas Group not only carries out Internal Audit activities, within the scope of which a specific focus on privacy issues is developed, but also from 2021 it has undergone third-party audits. In this regard, the process adopted by the Group companies for drafting and updating the information to data subjects pursuant to Articles 13 and 14 of the GDPR was subject to a third-party audit in 2022; the audit did not reveal any significant gaps.

4. Summary figures and information

4.1 Main events

Extraordinary and M&A transactions

- On 9 September 2021, Italgas was declared the 'preferred bidder' by the Greek privatisation fund (HRADF), and on 10 December 2021 a preliminary purchase and sale contract was signed, in the context of the public tender called by the Greek government for privatisation of the distribution operator DEPA Infrastructure S.A.

Following the fulfilment of the conditions precedent provided for in the purchase and sale agreement, on 1 September 2022 the transaction for the acquisition by Italgas Newco S.p.A. of 100% of DEPA Infrastructure Single Member S.A. was completed, a company that fully controls Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks S.A. (DEDA), the three main players in gas distribution in Greece, which together manage approximately 7,500 kilometres of network and approximately 600,000 active re-delivery points.

- On 2 March 2022, with an outlay of \$ 15 million, Italgas strengthened its partnership with Picarro Inc. through the acquisition of a minority *share* in the capital of the US technological start-up company and world leader in sensors applied to gas distribution network monitoring as well as technologies for sectors characterised by the need to have extremely sensitive detection, such as environmental measurements of the concentration of dangerous atmospheric pollutants and the electronics industry to identify impurities in the environments dedicated to semiconductor production.
- On 4 May 2022, the closing of the operation by which Edison Energia S.p.A. acquired a majority stake in Gaxa, a company which markets and sells natural gas, LPG and propane air for civil use in Sardinia, was finalised. The new shareholding structure of Gaxa is therefore composed of Edison Energia S.p.A. (70%), Italgas (15.56%) and Marguerite Gas IV S.à.r.l. (14.44%). The partnership with a leading operator specialising in retail activities strengthens Gaxa's commercial presence and outlook for development, with positive impacts on the investment plan for Sardinia promoted by Italgas.
- The merger by incorporation of Fratelli Ceresa S.p.A. into Geoside S.p.A. (formerly Seaside S.p.A.) was completed on 20 July 2022, with effect for accounting and tax purposes as at 1 January 2022.
- On 26 July 2022, Medea S.p.A. entered into an investment agreement with Energetica S.p.A. to acquire capital of Energie Rete Gas S.r.l., a gas transmission company of the Energetica Group, with around 142 km of regional gas pipelines.

On 21 December 2021, the closing of the transaction through which Medea S.p.A. acquired 49% of the share capital of Energie Rete Gas S.r.l. was finalised. This was achieved in part through the transfer of Medea's gas transmission assets and activities to Energie Rete Gas S.r.l.: 63 cryogenic liquefied natural gas (LNG) plants, for a total capacity of 2,350 cubic metres of LNG, and related equipment to serve the distribution networks in the municipalities under concession to Medea.

- On 2 August 2022, Italgas signed a binding agreement for the acquisition from Fiamma 2000 Group of the LPG distribution and sales business, with related networks and plants, managed in 12 municipalities in Sardinia.

Following the fulfilment of the conditions precedent set out in the purchase and sale contract, on 13 December 2022 the purchase from the Fiamma 2000 Group of the entire share capital of Janagas S.r.l. by Medea S.p.A. was finalised. Janagas S.r.l. is the corporate vehicle to which the Fiamma 2000 Group transferred the LPG distribution and sales networks in Sardinia, which will subsequently be converted to natural gas.

- On 22 December 2022, Italgas finalised the transaction for the sale of 10% of the share capital of Italgas Newco S.p.A., the sole shareholder of DEPA Infrastructure S.A., to Phaeton Holding Single Member S.A., a company belonging to the Greek industrial group Copelouzos. The sale of the stake took place at the same implicit valuation of the DEPA Infrastructure share package offered by Italgas in the privatisation.

Anticorruption Certification

On 1 June 2022, Italgas S.p.A. and Italgas Reti S.p.A. successfully passed the audit necessary to maintain the **UNI ISO 37001:2016** "Management systems for preventing and combating corruption" **certification** obtained in 2021 for the second consecutive three-year period, valid until 2024, once again confirming their commitment to the fight against corruption in all areas of their activity. The anti-bribery management system, adopted on a voluntary basis, was audited by the independent certification body DNV GL - Business Assurance.

Rating and optimization of the debt structure

- On 23 May 2022 Italgas took out a floating-rate **bank loan** with a leading bank, linked to the achievement of ESG targets. The loan was for a total amount of € 250 million and for a duration of three years.
- On 9 August, Moody's rating agency confirmed Italgas' long-term credit rating as Baa2, revising the Outlook from stable to negative, reflecting Italgas' exposure to sovereign credit quality, in consideration of the fact that its activities are mainly concentrated in Italy.
- This rating action follows the change in the outlook from stable to negative of the Baa3 rating of Italian government debt, carried out by Moody's on 5 August 2022, and reflects Italgas' exposure to the pressure accompanying a deterioration of the quality of sovereign credit, considering the fact that its operations are essentially concentrated in Italy. Nonetheless, as stated by the agency, the confirmation of the rating affirms Italgas' strategic position and leadership in the gas distribution sector in Italy and its fully regulated profile.
- On 15 September 2022, the Board of Directors resolved on the renewal of the **EMTN Programme** launched in 2016, confirming the maximum **nominal amount of € 6.5 billion**, which was subscribed on 26 October 2022.
- On 20 September 2022, the European Investment Bank (EIB) granted Italgas a € 150 million **framework loan** for energy efficiency projects to be implemented in Italy through its subsidiary Geoside (formerly Seaside), the Group's Energy Service Company. That loan, called a Climate Action Framework Loan, marks the EIB's return to cooperation with the Italgas Group by activating the Bank's investments in energy companies capable of contributing to the ecological transition towards net zero. Subsequently, on 15 December 2022, the European Investment Bank (EIB) loan was disbursed, providing for the payment by Italgas of fixed-rate six-monthly coupons.

- On 23 September 2022, the rating agency Moody's Investors service (Moody's) confirmed the long-term credit rating of Italgas, as **Baa2, Negative Outlook**. The rating decision is based on Italgas' positioning within a sector characterised by a stable regulatory framework and its demonstrated ability to generate operating efficiency and meet the investment commitments set out in the Strategic Plan; the outlook reflects Italgas' exposure to the level of Italian sovereign credit.
- On 30 September 2022, DEPA Infrastructure signed a **loan package** (in the form of a bond loan) with a leading Greek bank for a total nominal amount of € 580 million, divided into 3 tranches with maturities of 5, 7 and 12 years respectively. The loan will primarily be used to finance investments envisaged in the infrastructure development plan of DEPA Infrastructure and its subsidiaries in Greece. On 13 December 2022, the provision was released for tranche A of the bond loan necessary to finance the purchase of the remaining 49% of the capital of EDA Thess on 19 December 2022.
- On 29 November 2022, Fitch Ratings (Fitch) confirmed the long-term credit rating of Italgas, as **BBB+ with Stable outlook**.

Capital transactions

On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of the Plan itself (so-called second cycle of the Plan) and executed the second tranche of the capital increase resolved by the aforementioned Shareholders' Meeting, for a nominal amount of € 591,931.36 taken from retained earnings reserves.

Winning of area tenders⁶⁴

On 29 November 2022, the **Municipality of La Spezia** contracting authority **officially awarded** Italgas Reti the tender for the management of the natural gas distribution service in the Territorial Area of "La Spezia", which includes the provincial capital and 32 Municipalities in the province. The awarding of the ATEM, with approximately 110 thousand customers served, allows Italgas to provide continuity in the management of the service and to actively contribute to the efficiency and decarbonisation of consumption through investments amounting to approximately € 230 million.

Legal and Regulatory Framework⁶⁵

- The Council of State, in a ruling of November 2022, in line with the previous ruling of the Regional Administrative Court of Lombardy, rejected the Authority's appeal for the annulment of **Resolutions no. 163/2020/R/gas** and **no. 567/2020/R/gas**. With these Resolutions, the Authority had, in fact, cancelled the premiums due to the company for safety recoveries concerning 21 distribution plants for odour measurements and for the reduction of natural gas leakage for the years 2016 and 2017.

⁶⁴ For more details, see the paragraph on "Municipal territories under concession and tenders for territorial areas".

⁶⁵ Further information is provided in Note 26 "Disputes and other measures" to the Notes to the Consolidated Financial Statements.

- The Regional Administrative Court of Lombardy, in its ruling of January 2023, upheld the appeal brought by Italgas Reti for the annulment of **Resolutions no. 603/2021/R/com** and **no. 604/2021/R/com**, with which the Authority had imposed communication obligations on distribution companies regarding the two-yearly prescription of electricity and gas consumption.
- In July 2022, the Municipality of Chiavari appealed before the Council of State against the sentence by which the Regional Administrative Court of Liguria, upholding the appeal brought by Italgas Reti, annulled the call for tenders for the assignment of the gas distribution service in the GENOVA 2 Territorial Area. The ruling is currently pending. On 15 February 2023, the Regional Administrative Court of Lombardy issued its ruling on the appeal by which Italgas Reti challenged **Resolution no. 570/2019/R/gas**. In particular, the Regional Administrative Court upheld the claims relating to:
 - determination of the initial level of operating costs (and, consequently, of the x-factor);
 - alignment of the Beta coefficient for distribution and metering services;
 - non-recognition of interest on the IRMA paid for the early decommissioning of conventional meters;
 - the non-publication of the regulatory impact analysis (RIA) report.
- On 6 June 2022, Italgas Reti appealed before the Regional Administrative Court of Lombardy **Resolution no. 154/2022/R/gas**, with which ARERA determined the final reference tariffs for gas distribution and metering services for 2021. The setting of a date for the hearing is currently pending.
- Italgas Reti challenged **Resolution no. 383/2022/R/gas** of 2 August 2022 before the Regional Administrative Court of Lombardy, by which the Authority determined the premiums and penalties relating to the safety recoveries of the natural gas distribution service for the year 2019. In particular, for subsidiaries and associates companies of Italgas, the overall net amount due for the odourisation and dispersion components is: i) € 13.6 million for Italgas Reti, ii) € 1.4 million for Toscana Energia, iii) € 90.0 thousand for Umbria Distribuzione Gas and iv) € 9.9 thousand for Metano Sant'Angelo Lodigiano.

On conclusion of the checks and inspections conducted at the time, the Authority confirmed the reduction in the premiums due to Italgas Reti, referring to the Castelnuovo Magra distribution plant, in relation to which the company allegedly failed to comply with several regulatory provisions on emergency response. The setting of a date for the hearing is currently pending.

The Authority also postponed to a subsequent measure the determination of the premiums and penalties for 2019, in line with that carried out for 2018, for the Ravanusa plant, in order to conduct the necessary analyses regarding the incident in December 2021.
- On 22 September 2022, Italgas Reti appealed **Resolution no. 269/2022/R/gas**, with which ARERA defined the expected outputs and performance of the metering service provided via gas smart meters (commissioning, reading frequency and granularity of the metering data over time, frequency of provision of metering data and compensation to end customers and sellers), as well as alignment with billing obligations. Specifically, the contested resolution, *inter alia*, assigns the distribution companies new obligations to pay compensation to sellers for metering equipment to be used for large users, starting from the metering data pertaining to October 2022, as well as additional obligations to pay compensation to end customers for small calibre metering equipment, starting from the metering data pertaining to April 2023. The setting of a date for the hearing is currently pending.

- On 11 November 2022, the Council of State rejected ARERA's precautionary application relating to the appeal filed by the latter against the rulings with which, on 26 July 2022, the Regional Administrative Court of Lombardy upheld the appeals brought by Italgas Reti and Toscana Energia, thereby declaring illegitimate the silence of ARERA regarding the claims dated 28 December 2020 submitted by the two companies for recognition of TEL (smart metering/remote management) and CON (concentrators) costs for the years 2017 and 2018. The hearing on the merits is set for 18 April 2023. At the same time, with an independent appeal dated 10 February 2023, Italgas Reti and Toscana Energia appealed against the notices received from ARERA whereby the latter confirmed the previous measures implicitly denying the TEL (smart metering/remote management) and CON (concentrators) costs relating to the years 2017 and 2018. The setting of a date for the hearing is currently pending.
- In December 2022, Italgas Reti challenged before the Regional Administrative Court of Lombardy **Resolution no. 525/2022/R/gas** containing the "*Provision on the application of the cap on the tariff recognition of investments in start-up locations*" and **Resolution no. 528/2022/R/gas** containing the "*Criteria for the formulation of observations to the calls for tenders for the award of the natural gas distribution service in the locations identified by Article 114-ter of Decree-Law no. 34 of 19 May 2020*". At present, the next hearing is scheduled for 19 April 2023.
- In December 2022, another operator filed an appeal with the Regional Administrative Court of Liguria requesting the annulment of all tender acts and the order of the Municipality of La Spezia to award and grant the concession in its favour, or, alternatively, compensation for the damage suffered, as well as the declaration of ineffectiveness of the service contract that may have been entered into with Italgas Reti, the current winning bidder.
- With its ruling published on 28 December 2022, the Council of State rejected the appeal brought by another operator against the Municipality of Belluno for the annulment of the provisions awarding Italgas Reti the tender in the BELLUNO Area, thus confirming its full legitimacy.
- In 2022, Italgas Reti challenged, by means of an appeal on additional grounds within the appeal already pending before the Regional Administrative Court of Lombardy against Resolution no. 620/2021/R/gas, **Resolution no. 736/2022/R/gas** on "*the updating of tariffs for gas distribution and metering services for the year 2023*" and **Resolution no. 737/2022/R/gas** on "*the infra-period update of the tariff regulation for gas distribution and metering services, for the three-year period 2023-2025. Approval of the RTDG for the three-year period from 2023 to 2025 and amendments to the model network code for the gas distribution service*". The setting of a date for the hearing on the merits is currently pending.
- In December 2022, Italgas Reti brought an action for preventive technical assessment before the Court of Naples, in order to request the admission of a technical expert's report for the purpose of redetermining the amount owed to Italgas Reti by the operator who was awarded the ATEM Naples 1 contract by way of redemption value. At present, we are awaiting the Judge's lifting of the reservation set at the hearing on 10 January 2023.

Other events

- On 15 April 2022, the company **Immogas S.r.l.** was established, 100% owned by Toscana Energia S.p.A., as a result of the non-proportional and asymmetrical partial demerger of Valdarno S.r.l.

- On 19 September 2022, the Extraordinary Shareholders' Meeting of Seaside S.p.A. resolved to change the company name to **Geoside S.p.A.**.
- On 27 December 2022, Italgas, Toscana Energia S.p.A. and Alia Servizi Ambientali S.p.A. signed an agreement relating to the shares already held by the Municipality of Florence in Toscana Energia S.p.A. and transferred to Alia Servizi Ambientali S.p.A.. The agreement provides that Italgas may exercise a call option on the aforementioned shares if certain conditions governed by the contract are met.

4.2 Key figures

In order to allow for a better assessment of economic and financial performance, the Directors' Report includes the reclassified financial statements and certain alternative performance indicators, including EBITDA, EBIT and net financial debt, in addition to the financial statements and conventional indicators laid out in IAS/IFRS. These figures are presented in the tables below, the relative notes and the reclassified financial statements. For the definition of the terms used, when not directly specified, please refer to the chapter "Financial results, Non-GAAP Measures".

Key share figures

		31.12.2021	31.12.2022
Number of shares of share capital	(million)	809,768,354	810,245,718
Closing price at the end of period	(€)	6.1	5.2
Average closing price in the period (a)	(€)	5.4921	5.5632
Market capitalisation (b)	(€ million)	4,447	4,508
Exact market capitalisation (c)	(€ million)	4,901	4,205

(a) Non-adjusted for dividends paid.

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

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

Key financial figures

(€ million)	2021	2022
Total revenues (*)	1,370.8	1,555.9
Adjusted total revenues (*)	1,370.8	1,537.3
EBITDA	1,008.9	1,101.3
Adjusted gross operating margin	1,008.9	1,082.7
Operating profit	583.2	641.4
Adjusted operating profit	583.2	622.8
Gross profit	525.3	588.5
Adjusted gross profit	531.7	567.2
Net profit	383.4	436.1
Net profit attributable to the Group	362.8	407.3
Adjusted net profit	388.3	416.3
Adjusted net profit attributable to the Group	367.7	395.7

Adjusted Earnings per share (**)	0.454	0.488
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(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 772.0 and € 727.8 million respectively in 2021 and 2022), connection contributions (€ 19.6 and € 19.2 million respectively in 2021 and 2022), repayments from third parties and other residual components (€ 0.8 and € 9.6 million respectively in 2021 and 2022).

(**) The indicator is calculated as a ratio between the adjusted net profit attributable to the Group and the total number of shares, which is 809,768,354 at 31 December 2021 and 810,245,718 at 31 December 2022.

(€ million)	31.12.2021	31.12.2022
Net invested capital at the end of the end of period	7,128.4	8,390.7
Shareholders' equity	2,142.5	2,390.6
Net financial debt (*)	4,985.9	6,000.1
Finance lease payables - IFRS 16	70.0	72.0
Net financial debt (*)	4,915.9	5,928.1

(*) See paragraph 5.2.4 Reclassified Statement of Financial Position

4.3 Operating performance

Infrastructure NFS

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

Collection cabins are equipment that link local distribution networks to the national gas pipeline network. They are complex systems that must perform different functions, including the measurement of the gas collected and a first reduction of the pressure to allow routing through the urban network. Currently Italgas has collection cabins equipped with advanced remote control and smart metering systems. Remote control allows the fastest possible intervention in case of anomalies; smart metering allows the continuous detection of a series of parameters relative to the management of gas flows as well as the detection of the quantity of gas entering the networks.

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

Investments*

In 2022, technical investments were made for € 814.3 million (2021: € 865.1 million), of which € 26.0 million relating to investments accounted for in accordance with IFRS 16.

(€ million)	2021	2022	Abs. change	Change %
Distribution	718.3	712.8	(5.5)	(0.8)
Network maintenance and development	604.4	664.4	60.0	9.9
- <i>of which digitisation</i>	146.7	190.9	44.2	30.2
New networks	113.9	48.4	(65.5)	(57.5)
- <i>of which Sardinia</i>	95.0	31.1	(63.9)	(67.4)
Metering	76.5	43.3	(33.2)	(43.4)
<i>of which Depa Infrastructure</i>	-	1.9	1.9	-

Other investments	70.3	58.2	(12.2)	(17.3)
- of which Real Estate	24.0	6.8	(17.2)	(71.7)
- of which ICT	27.5	18.2	(9.4)	(34.0)
- of which due to the effect of IFRS 16	14.9	26.0	11.1	74.2
	865.1	814.3	(50.8)	(5.9)

*In the consolidation period, the DEPA Infrastructure Group made total investments of € 38.9 million (€ 84.3 million for the entire year of 2022).

Gas distribution investments (€ 712.8 million, -0.8% compared to 2021), which recorded the installation of an additional 532 km of pipeline (2021: 732 km) were largely driven by network development, maintenance and repurposing initiatives. The reduction compared to 2021, partially offset by the inclusion of the Greek companies in the consolidation scope, is caused by less construction of new gas distribution networks, mainly due to the gradual completion of the methanisation project in Sardinia, where an additional 12 km of new network was built, bringing the total of networks laid to 909 km; in addition, 13 LNG storage plants were installed, with a total of 66 in service. DEPA Infrastructure's subsidiaries made investments of € 26.9 million, of which € 3.7 million went into the construction of new gas distribution networks.

Investments in digitisation (€ 190.9 million, up +30.2%) mainly relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.

Metering investments (€ 43.3 million, -43.4% compared to 2021, of which 1.9 was made in Greece for 7 thousand units) were affected by the substantial completion of the plan to replace traditional meters in Italy pursuant to ARERA Resolution no. 631/2013/R/gas as amended. In 2022, the Company installed 372 thousand new meters in Italy, of which 89 thousand to replace traditional G4/G6 meters, 269 thousand for the repair of digital meters with anomalies and 14 thousand to replace large-caliber meters. At 31 December 2022⁶⁶, a total of 7.6 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (93.0% of the total number of meters and practically all active meters). As at 31 December 2022, the digital meter stock installed by the DEPA Infrastructure Group amounted to 41 thousand units.

Summary of the key operating figures

Key operating figures – Italgas Group

	2021	2022	Abs. change	Change %
Active meters (millions)*	7,604	7,806	0.202	2.7
Installed meters (millions)	8,563	8,769	0.206	2.4
Municipalities with gas distribution concessions (no.)**	1,837	1,983	146	7.9
Municipalities with gas distribution concessions in operation (no.)**	1,761	1,889	128	7.3
Distribution network (kilometres)**	72,503.1	79,406.1	6,903.0	9.5
Gas distributed (million cubic metres)	8,886.7	8,233.1	(653.6)	(7.4)

* The figure for the financial year 2022 includes the effect of the sale to another operator, winner of the tender, of the ATEM Naples 1 re-delivery points (-372,658) and the inclusion in the consolidation scope of the DEPA Infrastructure Group re-delivery points (+581,649).

** The figure for the financial year 2022 includes the effect of the inclusion in the scope of consolidation of the Municipalities with a distribution licence belonging to the DEPA Infrastructure Group (140 Municipalities, of which 105 are in operation).

*** The figure for the financial year 2022 includes the effect of the transfer of the distribution network of ATEM Naples 1 (-1,668 km) to another operator, winner of the tender, and the inclusion of the distribution networks of the DEPA Infrastructure Group (+7,491 km) in the scope of consolidation.

Key operating figures – Italgas Group and affiliates

	2021	2022	Abs. change	Change %
Active meters (millions)*	7,757	7,959	0.202	2.6
Installed meters (millions)	8,733	8,940	0.207	2.4
Municipalities with gas distribution concessions (no.)**	1,898	2,044	146	7.7

⁶⁶ Also taking into account the affiliates, over which Italgas does not exercise control, 406 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 31 December 2022 to 7.7 million (92.5% of the total number of meters and practically all active meters).

Municipalities with gas distribution concessions in operation (no.)**	1,822	1,950	128	7.0
Distribution network (kilometres)**	74,396.6	81,309.3	6,912.7	9.3
Gas distributed (million cubic metres)	9,194.1	8,500.3	(693.8)	(7.5)

* The figure for the financial year 2022 includes the effect of the sale to another operator, winner of the tender, of the ATEM Naples 1 re-delivery points (-372,658) and the inclusion in the consolidation scope of the DEPA Infrastructure Group re-delivery points (+581,649).

** The figure for the financial year 2022 includes the effect of the inclusion in the scope of consolidation of the Municipalities with a distribution licence belonging to the DEPA Infrastructure Group (140 Municipalities, of which 105 are in operation).

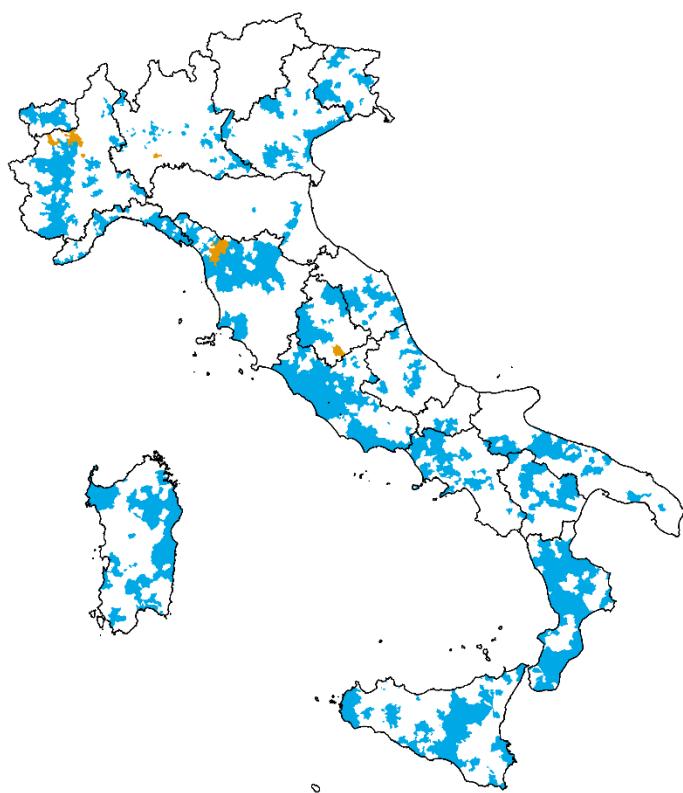
*** The figure for the financial year 2022 includes the effect of the transfer of the distribution network of ATEM Naples 1 (-1,668 km) to another operator, winner of the tender, and the inclusion of the distribution networks of the DEPA Infrastructure Group (+7,491 km) in the scope of consolidation.

Municipalities in concession and local tender areas⁶⁷

Situation at year end on tenders and contracts awarded

The following figure shows the presence of the Italgas Group in Italy⁶⁸. As at 31 December 2022, as a result of the regulatory framework envisaging the award of gas distribution services through local tenders (and not by individual municipality), 39 tender notices have been published, of which 30 sent to the Authority, as envisaged in Ministerial Decree no. 226/2011.

Of the 39 tender notices published to date:



authorities;

- TURIN 3 – South West, MASSA CARRARA, CREMONA 2 – Centre and CREMONA 3 – South aggregates, COMO 1 – Lariano Triangle and Brianza Comasca, BERGAMO 3 – Suburbs West of Bergamo, BRESCIA 1 – North/West and BERGAMO 2 – North/East, MILANO 4 – North-Eastern Province, MILANO 3 – Southern Province, VERONA 2 – Veronese Flatlands and VICENZA 3 – Astico, Leogra and Timonchio Valleys have been suspended by the Contracting Authorities;
- VENICE 1 – Laguna Veneta, ALESSANDRIA 2 – Centre and GENOVA 2 – Province were respectively annulled by the State Council, the Regional Administrative Court (TAR) of Piedmont and the Regional Administrative Court (TAR) of Liguria;
- MONZA and BRIANZA 2 – West, LUCCA, TRIESTE, and MONZA and BRIANZA 1 – East were withdrawn by their respective contracting

⁶⁷ For more information on the regulation concerning the assignments of gas distribution service and the related call for tenders, please see the specific paragraph in the chapter "Legislative and regulatory framework".

⁶⁸ The territorial presence where Italgas exercises control is shown in blue, the presence through affiliates over which it does not exercise control is shown in orange.

- TURIN 2 – Turin plant, VALLE D'AOSTA, BELLUNO, TURIN 1 – City of Turin and LA SPEZIA were officially awarded to Italgas Reti.

The finalisation of the DEPA Infrastructure transaction enabled Italgas to acquire the licence to distribute natural gas in 140 Municipalities on the Greek peninsula, of which 105 are already in operation. In particular:



- EDA Attikis, holder of the distribution licence in the Attica region, and therefore including the city of Athens, has 58 Municipalities of which 52 are in operation;
- EDA Thess holds the distribution licence in 39 Municipalities in the Thessaloniki area and the region of Thessaly, of which 32 are in operation;
- DEDA, an entity dedicated to the methanisation of regions of Greece not covered by the previous two operators, holds the licence to distribute 43 Municipalities, 21 of which are in operation.

5. Comment on the economic and financial results and other information

5.1 Legislative and regulatory framework

Tariff regulation

The distribution and metering of natural gas is regulated by the Regulatory Authority for Energy, Networks and Environment (ARERA). Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructure and for the delivery of the related services.

The rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital. Three cost categories are recognised:

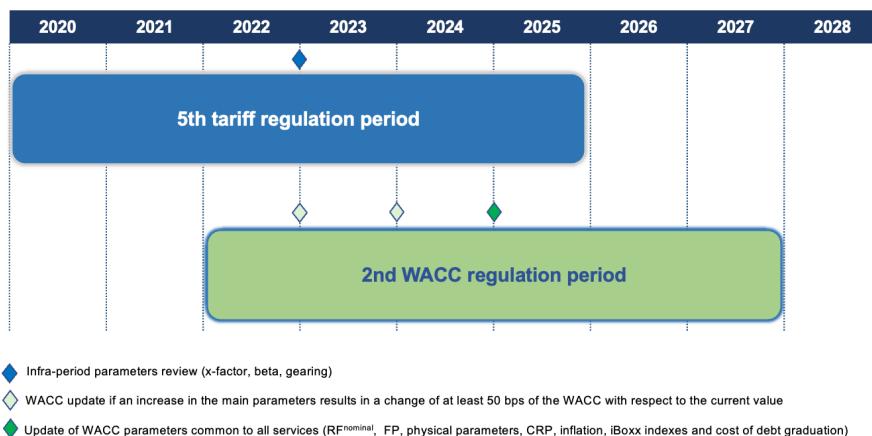
- the cost of net invested capital for RAB (Regulatory Asset Base) purposes through the application of a rate of return of the same;
- economic-technical amortisation/depreciation, hedging investment costs;
- operating costs, hedging operational costs.

The main rate elements are reported below on the basis of the regulatory framework (Resolution no. 570/2019/R/gas as amended):

HIGHLIGHTS FIFTH REGULATION PERIOD (1/1/2020 TO 31/12/2025)

End of regulation period (TARIFFS)	31 December 2025
Calculation of net invested capital recognised for regulatory purposes	Historical cost revalued Centralised Asset Parametric Method
Remuneration of equity for regulatory purposes (WACC _{pre-tax})	Distribution and metering: • 6.3%: 2020 and 2021 • 5.6%: 2022 and 2023
Incentives for new investments	Remuneration of t-1 investments to compensate for regulatory time lag since 2013
Efficiency factor	Distribution operating costs: • 3.5% for large enterprises • 4.79% for medium-sized enterprises • 6.59% for small enterprises Metering operating costs: 0% Marketing operating costs: 1.57%

(*) The RAB of the companies currently included in the scope of consolidation, calculated by applying the criteria adopted by the Authority, with reference to investments made up to 31 December 2022, in the definition of the reference tariffs, is equal to € 8.2 billion.



With **Resolution 570/2019/R/gas**, the regulation of tariffs for gas distribution and metering services for the period 2020-2025 was approved.

In particular:

- the Authority confirmed the six-year duration of the tariff regulation period, as well as the division into two half-periods of three years each;
- with regard to the recognition of operating costs, the Authority provided that:
 - a) the initial level for 2020 of recognised operating costs be fixed by applying equal weight to the actual and recognised costs of the reference year 2018;
 - b) the rate of annual reduction of unit costs recognised to cover operating costs be set at:
 - for the distribution service:
 - 3.53%, for large companies (> 300,000 re-delivery points);
 - 4.79%, for medium-sized enterprises (> 50,000 re-delivery points);
 - 6.59%, for small businesses (< 50,000 re-delivery points);
 - 0% for the metering service;
 - 1.57% for the marketing service;
 - c) the level of the recognised standard cost for each switch reading be confirmed, for the first half of the regulation period, at € 5;
- with regard to the recognition of capital costs, the Authority provided that:
 - a) the adoption of a ceiling to tariff recognition for investments in distribution networks applied to locations with year of first supply after 2017 be confirmed for the fifth regulation period, to the extent set out in Resolution no. 704/2016/R/gas;
 - b) the weights to be applied for the recognition of smart meter investments made in the two-year period 2020-2021 be revised to 30% (from 40%) for the standard cost and to 70% (from 60%) for the actual cost;
 - c) a time horizon be adopted for the full recovery of "frozen" contributions aligned with the time horizon for the reimbursement of contributions subject to depreciation (about 34 years);
 - d) following the equalisation of the β asset parameter for distribution (0.439) and metering services (from 0.502 to 0.439), the rate of return on invested capital WACC be set at 6.3% until 2021, including for metering activities;

- with regard to the methanisation of Sardinia, the Authority has established a specific tariff framework providing, for a period of three years, for a transitional equalisation mechanism that allows the tariff of the Sardinian sector to be equalised with that of the southern Italy sector;
- with regard to the application of the tariff regulation to isolated LNG networks and isolated networks supplied by gas supply trucks, the Authority has introduced transitional rules, providing that these networks may be assimilated to interconnected distribution networks for a period of five years, subject to submission of an application by the distribution company concerned.

With ruling no. 407/2023 published on 15 February 2023, the Regional Administrative Court of Lombardy partially upheld the petition submitted by Italgas Reti to have **Resolution no. 570/2019/R/gas** of 29 December 2019, setting out the tariff regulation of gas distribution and metering services (RTDG) for the fifth regulatory period (2020-2025), cancelled.

Of the various aspects concerned by the appeal, the Regional Administrative Court upheld the one relative to the recognition of the initial level of 2020 of operating costs for distribution and metering for large companies, confirming the incorrect determination of the starting value for 2018 and ordering ARERA to increase the value of the cost recognised for 2020 and reduce that of the x-factor. Another reason upheld is that relating to the reduction of the Beta coefficient for the metering service and its alignment with that relating to distribution, given that the solution adopted is allegedly flawed by major analysis shortcomings and contradicted by the assessments contained in the very studies commissioned by ARERA, which excluded the presence of grounds for an alignment of the Beta coefficient.

The Regional Administrative Court also upheld the Company's objection on the recognition of the residual depreciation value of traditional metering units of class G5 or below, replaced by electronic meters, acknowledging the payment of legal interest on the extension of recoveries. Finally, the Regional Administrative Court upheld the grounds relating to the failure to prepare the regulation impact analysis (AIR) and the lack of investigation and grounds of the resolutions challenged.

Resolution no. 287/2021/R/gas amended Article 57, subsection 1 of the RTDG, in order to standardise the criteria for decommissioning, for regulatory purposes, the traditional meters replaced in accordance with the Directives for gas metering unit commissioning set out by Resolution no. 631/2013/R/gas, as amended and supplemented. The Resolution establishes that, regardless of the class of the traditional meter replaced, the decommissioning carried out in accordance with the smart meter directives be conventionally deducted from the stratification of the historical gross values using the values of the gross fixed assets related to the assets installed earliest (so-called *regulatory FIFO*).

Resolution no. 559/2021/R/gas determined the amounts for the recovery of non-depreciation (so-called IRMA) for the G4 and G6 traditional metering units replaced with gas smart meters in accordance with the *smart meter* directives.

Resolution no. 614/2021/R/com approved the criteria for determining and updating the rate of return on invested capital for the infrastructural services of the electricity and gas sectors for the 2022-2027 period (TIWACC 2022-2027). The 2PWACC is split into two sub-periods, each lasting three years. Albeit maintaining a three-year update frequency of the parameters relating to the macroeconomic and fiscal context, the Authority introduced an annual update mechanism (at least for the first three-year period) for the

macroeconomic variables, if the cumulative effect of the update of the parameters leads to a change in the WACC above a threshold of 50 bps (basis point spread). For gas distribution and metering service, the value of the WACC as at 2022 is set at 5.6%, in pre-tax real terms.

Resolution no. 634/2021/R/gas postponed until 30 April of year t the publication of the provisional reference tariffs relating to year t and until 31 March of year t+1 the publication of the final reference tariffs relating to year t.

Resolution no. 154/2022/R/gas determined the final reference tariffs for gas distribution and metering services for 2021, calculated on the basis of the actual balance sheet figures for 2020.

Resolution no. 194/2022/R/gas determined the provisional reference tariffs for gas distribution and metering services for 2022, based on the preliminary balance sheet data for 2021 pursuant to Art. 3, subsection 2, of the RTDG.

Resolution no. 525/2022/R/gas governed the operating procedures for application of the cap on the tariff recognition of capital costs in locations in the start-up phase, confirming the application of the cap in all locations with year of first supply (YFS) after 2017 and defining the application methods of a three-stage mechanism set out by Article 33 of the RTDG:

- first stage, lasting three years, starting from the reference tariffs from tariff year YFS+1;
- second stage, lasting two years, applicable to the reference tariffs in tariff years YFS+4 and YFS+5;
- third stage, starting from the reference tariffs from tariff year YFS+6.

Resolution no. 654/2022/R/com confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors shown in Table 1 of the TIWACC 2022-2027. Following application of the so-called trigger mechanism, envisaged by Article 8 of the TIWACC 2022-2027 for the update to the WACC for the sub-period 2022-2024, the calculation of the WACC deriving from the update to the relevant financial parameters shows a variation in the WACC, for each service, below 50 bps compared to the current value.

Resolution no. 679/2022/R/gas re-determined the reference tariffs for natural gas distribution and metering services for the years 2009 to 2021, taking into account the requests for adjustment of physical and asset data submitted by operators during the periods 1-15 February and 1-15 September 2022. In particular, the Resolution:

- has updated the definitive reference tariffs for the 2020 tariff year for ATEM Turin 2, on the recommendation of Italgas, in order to take into account the changes made to Article 22 of the RTDG concerning the treatment of the stock of contributions existing in 2011, introduced by Resolution no. 154/2022/R/gas;
- partly updated the recovery of depreciation of traditional meters > G6 replaced in implementation of the Gas Smart Meters Directives, postponing the implementation of the requests with effects in favour of businesses to a later stage.

Resolution no. 736/2022/R/gas approved, for the year 2023, the mandatory tariffs for the natural gas distribution, metering and marketing services.

Resolution no. 737/2022/R/gas approved the infra-period update of the tariff regulation of gas distribution and metering services, for the second half-period 2023-2025 of the current regulatory period.

In particular, among its other provisions, the Resolution:

- in relation to efficiency gains (x-factor), has not changed the productivity recovery targets already set for the first 2020-2022 three-year period of the regulation period;
- in relation to the recognition of the capital costs envisaged for the installation of smart meters from 2023, has defined a decrease in the new levels of standard cost for the 2023-2025 three-year period with reference to meters up to class G25 and confirmed the pre-existing levels of standard cost, appropriately revalued, with reference to meters higher than class G25;
- with reference to the recognition of the residual value of the smart meters installed in the first stage of roll-out of the Directives for the commissioning of gas metering units, it has provided for the recognition of the residual value for smart meters decommissioned early up to 2018;
- in relation to the definition of the parameter component to cover the operating and capital costs of smart metering/remote management, it has provided for the activation of a single regulation component, set at € 1.59/smart re-delivery point for the tariff year 2023;
- with reference to the definition of the level of the standard cost recognised for switch readings to be applied in the three-year period 2023-2025, the Authority has established a value of € 0.50 to be applied to switch readings relating to re-delivery points equipped with a smart meter and it confirms the current value of € 5 for each switch reading in the case of re-delivery points equipped with a conventional meter.

Tariff regulation – Greece

The concessions held by the three distributors of the DEPA Infrastructure Group cover the entire Greek territory; in particular, EDA Thess operates in Thessaly and the Thessaloniki area, EDA Attikis in Attica (including the city of Athens) and DEDA in the remaining Greek territory.

The expiry and renewal of the gas distribution concession in Greece are governed by the Greek Energy Law, partially amended (i.e. Articles 2, 80Γ and 88) by Law no. 4812/2021, enacted on 30 June 2021. According to this amendment, the duration of the licence is set at a minimum of 20 years and may be extended to a further 30 years upon expiry of the original licence, following an application by the licence holder. In this case, the licence holder must apply for an extension one year before the expiry date (31 December 2043). The renewal takes place through an “act with declaratory effect” issued by the Regulatory Authority for Energy (RAE), the Greek Regulator, in accordance with Articles 5-9-13-16 of the Regulation of Natural Gas Permits (Decision of the Minister no. 178065/2018, published in Journal 3430/2018). Law no. 4951-2022 (Article 134) also introduced a possible repayment, for the outgoing operator, for the residual value of their assets, equal to the value of the RAB⁶⁹ at the end of the licence, plus a premium of at least 15%.

⁶⁹ Net fixed asset value of assets net of contributions, capitalised interest, revenues from connection contributions and/or user fees and all costs related to planning. To increase the RAB, a percentage of Working Capital calculated parametrically.

The activity of natural gas distribution and metering in Greece is regulated by the RAE: its responsibilities include the setting and updating of tariffs, as well as the establishment of rules for access to infrastructure and the provision of related services (e.g. Distribution Code- Decisione RAE 589/2016).

The duration of a tariff adjustment period is set at four years: the current adjustment period at the end of the financial year is the period from 2019 to 2022. In particular, the Greek regulation provides that, prior to the beginning of each regulatory period, the operator shall submit to the RAE, for approval, the Development Plan and the Business Plan for the following regulatory period on the basis of which the operator's distribution tariffs and regulated revenues for the relevant period are determined.

In the event that there are differences between the assumptions made in the Development Plan and the Business Plan and the actual data for the reference period, a deviation of the actual revenues from the regulated revenues will be generated: this deviation (defined as a "recoverable difference"), whether positive or negative, is considered in the definition of the regulated revenues of the following regulatory period and will therefore be recovered or returned as part of the tariffs for the following four years. To satisfy the need not to assign (only) to end customers in disadvantaged areas with limited infrastructural developments the costs of the distribution and metering service, the RAE, with Decision no. 485/22 Article 20 envisaged the possibility of socialising any potential recoverable difference between all distribution companies of a single corporate group.

The rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital. In particular, the following tariff components are identified:

- the cost of net invested capital for regulatory purposes RAB (Regulatory Asset Base) through the application of a rate of return (WACC); the WACC is nominal pre-tax and is defined *ex ante* for the regulatory period;
- economic-technical amortisation/depreciation, hedging investment costs;
- the operating costs, which are defined for the following regulatory period, are not re-estimated at the end of the regulatory period; thus the operator can retain the efficiency achieved during the regulatory period;
- the additional revenues obtained from activities other than gas distribution are separated;
- the recoverable difference defined by the difference between the regulated revenues (calculated based on the final balance) and the revenues obtained from invoicing;
- connection fees may be borne by the distribution operator and, in that case, taken into account in determining the RAB if the operator's penetration rate is low (letter K) point XIII Decision RAE 328/2016 - Approval of the pricing regulation).

Required Revenues =	RAB x Reg. WACC	+ Depreciation	+ Opex	- Additional Revenues	± Recoverable Difference
Evaluated for each year in the Tariff Calculation Period	Return on RAB calculated by multiplying the RAB of the Operator with the Weighted Average Cost of Capital (WACC)	Fixed Assets are depreciated based on the accounting method provided by law with no strict obligation to set a specific period of depreciation. Existing DSOs have chosen different approaches regarding duration of depreciation for each category of assets	The reasonable expenses of the DSO for the operation of the Key Activity of Natural Gas Distribution	The DSO may undertake other activities: Auxiliary services (e.g. installation and maintenance of smart meters) and Optional services (e.g. energy efficiency services). For these services, the DSO submits to RAE a tariff proposal for approval	The difference between the Required Revenues and the Actual Revenues (which includes the revenues from the application of the Distribution tariffs according to the billed quantities)

The main elements of tariff regulation are as follows:

HIGHLIGHTS 2019-2022 REGULATION PERIOD	
End of regulation period (TARIFFS)	31 December 2022
Calculation of net invested capital recognised for regulatory purposes (RAB)	Historical cost
Remuneration of net invested capital recognised for regulatory purposes (WACC)	Distribution and metering: 8.18% for 2019 - 7.45% for 2020 and 7.03% for 2021 and 2022
Incentives for new investments	Extra WACC of 1.5% for 4 years on new investments if in line with the KPIs defined by the Authority

(*) The RAB of the Greek distribution companies, calculated by applying the criteria adopted by the local regulatory Authority, with reference to investments made up to 31 December 2022, is equal to € 0.7 billion.

and the relevant reference timetable:



Natural gas balancing service – Settlement

On 8 November 2022, by way of **Resolution no. 555/2022/R/gas**, the Authority instituted, starting in 2024, a functional incentive mechanism for Settlement procedures, aimed at encouraging the utmost timeliness on the

part of distribution companies to rectify the metering data that generated a withdrawal of the re-delivery point that was deemed anomalous, failing to positively pass the consistency check in the balancing or adjustment session, determining, as a consequence, the activation of the "sterilisation" mechanism for the inconsistent withdrawal with the attribution of a resulting penalty.

To this end, each distribution company must pay, with reference to each re-delivery point connected to the distribution network for which the above occurs, a unit fee (€ 35 for class of meter unit below or equal to G6, € 70 for class of meter unit between G10 and G25, € 140 for class of meter unit greater than or equal to G40) multiplied by the progressive number of sterilisations per re-delivery point, discounted by a session for which, albeit in the presence of sterilisation, no penalty is assigned.

Energy efficiency

On 28 June 2022, the Authority approved **Resolution no. 292/2022/R/efr**, which determines, pursuant to **Resolution no. 270/2020/R/efr**, the contribution to tariffs to be paid to distributors that meet their energy saving targets as part of the EEC mechanism for the 2021 mandatory year, which began on 17 July 2021 and ended on 31 May 2022.

Taking into account the relevant parameters of quantity and price the of EEC traded on the market and through bilateral transactions, and the amount of certificates available to operators in relation to the targets of obliged parties, the contribution to tariffs is set at € 253.44/EEC (equal to the sum of the cap of € 250/EEC and the additional unitary contribution of € 3.44/EEC).

On 31 May 2022, the Italgas Group cancelled a total of 239,199 EECs and additionally purchased 148,532 EECs from the GSE at a price of € 10.00/EEC.

In Resolution no. 7/2022 of 12 October 2022, the Authority defined the energy efficiency obligations for 2022 of distributors with more than 50 thousand end users connected to its distribution network as at 31 December 2020. For subsidiaries and investees of Italgas S.p.A., the quantitative obligation for 2022, expressed as a number of White Certificates, is: i) 247,838 for Italgas Reti; ii) 35,987 for Toscana Energia and iii) 1,979 for Umbria Distribuzione Gas.

In the November 2022 interim cancellation session, relating to the 2022 mandatory year (1 June 2022 – 31 May 2023), the Italgas Group cancelled a total of 406,875 EECs against an advance payment from the CSEA of € 200.00/EEC, for a total of € 81.4 million.

5.2 Comment on the economic and financial results⁷⁰

5.2.1 Reclassified income statement

(€ million)	2021	2022	Abs. change	Change %
Gas Distribution regulated revenues	1,294.5	1,313.5	19.0	1.5
of which distribution revenues	1,200.1	1,225.8	25.7	2.1
of which Other distribution revenues	94.4	87.7	(6.7)	(7.1)
Other revenues	76.3	242.4	166.1	-
of which special items	-	18.6	18.6	-
Total revenues (*)	1,370.8	1,555.9	185.1	13.5
Adjusted total revenues	1,370.8	1,537.3	166.5	12.1
Operating costs	(361.9)	(454.6)	(92.7)	25.6
EBITDA	1,008.9	1,101.3	92.4	9.2
Adjusted EBITDA	1,008.9	1,082.7	73.8	7.3
Amortisation, depreciation and impairment	(425.7)	(459.9)	(34.2)	8.0
EBIT	583.2	641.4	58.2	10.0
Adjusted EBIT	583.2	622.8	39.6	6.8
Net financial expense	(60.4)	(56.3)	4.1	(6.8)
of which special items	(6.4)	-	6.4	-
Adjusted net financial expense	(54.0)	(56.3)	(2.3)	4.3
Net income from equity investments	2.5	3.4	0.9	36.0
of which special items	-	2.7	2.7	-
Gross profit	525.3	588.5	63.2	12.0
Adjusted gross profit	531.7	567.2	35.5	6.7
Income taxes	(141.9)	(152.4)	(10.5)	7.4
taxation related to special items	1.5	(1.5)	(3.0)	-
Adjusted income taxes	(143.4)	(150.9)	(7.5)	5.2
Net profit	383.4	436.1	52.7	13.7
Net profit attributable to the Group	362.8	407.3	44.5	12.3
Net profit attributable to minority shareholders	20.6	28.8	8.2	39.8
Adjusted net profit	388.3	416.3	28.0	7.2
Adjusted net profit attributable to the Group	367.7	395.7	28.0	7.6
Adjusted net profit attributable to minority interests	20.6	20.6	-	-

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 772.0 and € 727.8 million respectively in 2021 and 2022), connection contributions (€ 19.6 and € 19.2 million respectively in 2021 and 2022), repayments from third parties and other residual components (€ 0.8 and € 9.6 million respectively in 2021 and 2022).

Adjusted operating profit (adjusted EBIT), net of non-recurring items, achieved in financial year 2022, amounted to € 622.8 million, with an increase of € 39.6 million compared to 31 December 2021 (+6.8%) as a result of higher adjusted total revenues (€ 166.5 million; +12.1%), operating costs (€ 92.7 million; +25.6%) and amortisation, depreciation and impairment (€ 34.2 million; +8.0%). The DEPA Infrastructure Group, which is included in the scope of consolidation as at 1 September 2022, contributed € 21.4 million to the EBIT for the financial year.

Adjusted net profit for FY 2022 amounted to € 416.3 million, an increase of € 28.0 million compared to the financial year 2021, or +7.2%.

Adjusted net profit attributable to the Group came to € 395.7 million and has increased on FY 2021 (€ 28.0 million; +7.6%).

⁷⁰ The paragraph "Comment on the economic and financial results" refers to the Italgas Group, which comprises: Italgas S.p.A., Italgas Reti S.p.A., Medea S.p.A., Janagas S.r.l., Italgas Acqua S.p.A., Toscana Energia S.p.A., Immogas S.r.l., Geaside S.p.A., Bludit S.p.A., Italgas Newco S.p.A., DEPA Infrastructure S.A., Public Gas Distribution Networks S.A., Attiki Natural Gas Distribution Single Member Company S.A. and Thessaloniki – Thessalia Gas Distribution S.A.

5.2.2 Reconciliation of reported EBIT and net profit with adjusted EBIT and net profit

Italgas' management assesses Group performance on the basis of alternative performance indicators⁷¹ not envisaged by IFRS, obtained by excluding special items from EBIT and net profit.

The income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. These performance metrics allow for analysis of the business trends, making it easier to compare results. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IFRS.

The income components classed among special items in 2022, amounting to € 21.3 million, referred to:

- the capital gain on the sale of the controlling interest in Gaxa to Edison (€ 2.7 million);
- the capital gain from the transfer of Medea's transmission assets to Energie Reti Gas (€ 5.1 million);
- the recognition at fair value (€ 13.5 million), in application of IFRS 3, of the Janagas' assets, a company acquired by Fiamma 2000.

The income components classified under special items for the year 2021 concern the higher costs (€ 6.4 million) resulting from the bond buyback transaction finalised in February 2021.

(€ million)	2021	2022
Total revenues	1,370.8	1,555.9
<i>Excluding special items</i>	-	(18.6)
- capital gain from the transfer and sale of Medea's transport assets to ERG	-	(5.1)
- recognition of Janagas' assets at fair value	-	(13.5)
Adjusted total revenues	1,370.8	1,537.3
Total operating costs	(361.9)	(454.6)
EBITDA	1,008.9	1,101.3
<i>Excluding special items</i>	-	(18.6)
Adjusted EBITDA	1,008.9	1,082.7
EBIT	583.2	641.4
<i>Excluding special items</i>	-	(18.6)
Adjusted EBIT	583.2	622.8
Net financial expense	(60.4)	(56.3)
<i>Excluding special items</i>	6.4	-
- financial expense from bond buyback	6.4	-
Adjusted net financial expense	(54.0)	(56.3)
Net income from equity investments	2.5	3.4
<i>Excluding special items</i>	-	(2.7)
- capital gain from the sale of the controlling interest in Gaxa	-	(2.7)
Adjusted net income from equity investments	2.5	0.7
Gross profit	525.3	588.5
<i>Excluding special items</i>	6.4	(21.3)
Adjusted gross profit	531.7	567.2
Income taxes	(141.9)	(152.4)

⁷¹ For the definition of alternative performance indicators, reference should be made to the chapter "Non-GAAP Measures" in this report.

<i>Excluding special items</i>	(1.5)	1.5
Net profit (loss)	383.4	436.1
<i>Net profit (loss) attributable to minority interests</i>	20.6	28.8
<i>Net profit (loss) attributable to the Group</i>	362.8	407.3
Adjusted net profit (loss)	388.3	416.3
<i>Adjusted net profit (loss) attributable to minority interests</i>	20.6	20.6
Adjusted net profit (loss) attributable to the Group	367.7	395.7

5.2.3 Analysis of the Reclassified Income Statement items

TOTAL REVENUES

(€ million)	2021	2022	Abs. change	Change %
Distribution revenues	1,200.1	1,225.8	25.7	2.1
Other distribution revenues	94.4	87.7	(6.7)	(7.1)
Total gas distribution regulated revenues	1,294.5	1,313.5	19.0	1.5
Other revenues	76.3	242.4	166.1	217.7
<i>of which special items</i>	-	18.6	18.6	-
Adjusted total revenues	1,370.8	1,537.3	166.5	12.1
Total revenues	1,370.8	1,555.9	185.1	13.5

Adjusted total revenues of the first quarter of 2022 amount to € 1,537.3 million, up by € 166.5 million compared to 2021 (+12.1%), and refer to natural gas distribution regulated revenues (€ 1,313.5 million) and other adjusted revenues (€ 223.8 million). Total revenues from the inclusion of the DEPA Infrastructure Group in the scope of consolidation amounted to € 51.4 million.

Gas distribution regulated revenues increased by € 19.0 million compared to 2021 due to an increase in revenues from transmission (€ 25.7 million) partially offset by a reduction in other regulated gas distribution revenues (€ -6.7 million).

The increase in **distribution revenues** (€ 25.7 million) is mainly attributable to the effect of the consolidation of the DEPA Infrastructure Group (€ 50.3 million), the increase in the specific RAB (€ 27.8 million), the deflator (€ 5.9 million) and the contribution of the Sardinian networks (€ 6.7 million), partially offset by the reduction in the WACC envisaged by Resolution no. 614/2021/R/com (€ -54.4 million), the change in the X-factor (€ -8.4 million) pursuant to Resolution no. 570/2019/R/gas as well as the effect of the sale of the plants of ATEM Naples 1 to another operator (€ -4.2 million).

The reduction of **other distribution revenues** (€ 6.7 million) is mainly linked to the effect of the lesser contribution pursuant to Article 57 of ARERA Resolution no. 367/14, as subsequently amended and supplemented, relating to the replacement of traditional meters with electronic ones (€ 2.0 million as at 31 December 2022 and € 13.9 million as at 31 December 2021), and lower customer service revenues partly offset by greater incentives for leak detection (€ 4.1 million) and revenues from gas supply interruption activities due to arrears (€ 1.4 million).

Adjusted other revenues (€ 223.8 million) increased by € 147.5 million compared to 2021, mainly due to the increase in energy efficiency activities.

OPERATING COSTS

(€ million)	2021	2022	Abs. change	Change %
Fixed gas distribution costs	237.2	244.8	7.6	3.2

- net personnel cost	137.9	148.8	10.9	7.9
- net external costs	99.3	96.0	(3.3)	(3.3)
Other assets	53.5	143.6	90.1	168.4
- net personnel cost	5.3	6.9	1.6	30.2
- net external costs	48.2	136.7	88.5	183.6
Other costs and provisions	3.8	(1.0)	(4.8)	(126.3)
EEC	(2.2)	1.8	4.0	(181.8)
Concession-related expenses	69.6	65.4	(4.2)	(6.0)
Operating costs	361.9	454.6	92.7	25.6

Operating costs amounted to € 454.6 million, an increase of € 92.7 million over 2021 (of which € 20.8 million was due to the inclusion of the DEPA Infrastructure Group in the scope of consolidation), mainly as a result of higher net external costs of € 85.2 million (essentially driven by energy efficiency activities) and net labour costs of € 12.5 million, offset by lower allocations to provisions for risks, other charges and Energy Efficiency Certificates of € 0.8 million as well as lower concession charges of € 4.2 million.

AMORTISATION, DEPRECIATION AND IMPAIRMENT

(€ million)	2021	2022	Abs. change	Change %
Amortisation and depreciation	424.8	459.0	34.2	8.1
Intangible assets IFRIC 12	344.8	375.1	30.3	8.8
Other Intangible Assets	40.9	41.9	1.0	2.4
Property, plant and equipment	39.1	42.0	2.9	7.4
- of which amortisation of Right of Use	22.9	24.6	1.7	7.4
Impairment	0.9	0.9	-	-
Amortisation, depreciation and impairment	425.7	459.9	34.2	8.0

Amortisation, depreciation and impairment (€ 459.9 million) increased by € 34.2 million (+8.0%) on 2021, mainly due to the investments made and the change in the scope of consolidation connected with the DEPA Infrastructure Group (€ 9.2 million) and the acceleration related to the replacement plan for medium- and large-calibre meters (€ 4.7 million).

NET FINANCIAL EXPENSE

(€ million)	2021	2022	Abs. change	Change %
Expense (income) on short-term and long-term financial debt	56.1	52.7	(3.4)	(6.1)
of which special items	6.4	-	(6.4)	-
Upfront fee	6.3	6.7	0.4	6.3
Other net financial expense (income)	(0.1)	(1.5)	(1.4)	-
- Expenses (income) related to the discounting of environmental provisions and provisions for employee benefits	1.1	0.6	(0.5)	(45.5)
- Other net financial expense (income)	(1.2)	(2.1)	(0.9)	75.0
Financial expense capitalised	(1.9)	(1.6)	0.3	(15.8)
Adjusted net financial expense	54.0	56.3	2.3	4.3
Net financial expense	60.4	56.3	(4.1)	(6.8)

Adjusted net financial expense amounted to € 56.3 million as at 31 December 2022, up by € 2.3 million compared to the same period last year. The increase is mainly attributable to the increase in average gross financial debt, partially offset by the slightly decreasing average cost of debt.

Other net financial expense (income) amounted to € 2.1 million and mainly related to interest on tax receivables (€ 1.2 million) and financial income from discounting "Super/Ecobonus" receivables (€ 0.6 million).

The special items in 2021 included the accounting effects of the bond buyback (€ 6.4 million) finalised in February 2021.

NET INCOME FROM EQUITY INVESTMENTS

Adjusted net income from equity investments as at 31 December 2022 amounted to € 0.7 million.

INCOME TAXES

(€ million)	2021	2022	Abs. change	Change %
Current taxes	154.6	160.8	6.2	4.0
Net deferred taxes	(12.7)	(8.4)	4.3	(33.9)
Income taxes	141.9	152.4	10.5	7.4
<i>taxation related to special items</i>	1.5	(1.5)	(3.0)	-
Adjusted income taxes	143.4	150.9	7.5	5.2
Effective tax rate (%)	27.0%	25.9%	(0.0)	(4.1)
Adjusted effective tax rate (%)	27.0%	26.6%	(0.0)	(1.5)

Income taxes came to € 152.4 million, up € 10.5 million compared to the same value of the previous year, essentially as a consequence of the higher period result.

The **tax rate** was 25.9% (27.0% in 2021). The **adjusted tax rate** was 26.6%.

The reconciliation of the theoretical tax rate with the effective tax rate is described in the note "Income taxes" in the Notes to the consolidated financial statements.

5.2.4 Reclassified Statement of Financial Position

The Reclassified Statement of Financial Position combines the assets and liabilities of the mandatory format included in the consolidated financial statements based on the criterion of how the business operates, conventionally split into the three basic functions of investment, operations and financing.

The statement provided represents useful information for the investor because it makes it possible to identify the sources of financial resources (own and third-party funds) and uses of financial resources in fixed and working capital.

The Italgas' Reclassified Statement of Financial Position as at 31 December 2022, compared with that as at 31 December 2021, is summarised below:

(€ million)	31.12.2021	31.12.2022	Abs. change
Fixed capital (*)	7,106.2	8,120.6	1,014.4
Property, plant and equipment	372.1	379.0	6.9
Intangible assets	6,938.1	7,975.5	1,037.4
Equity investments	35.1	66.2	31.1
Financial receivables and securities instrumental to operations	2.8	3.4	0.6
Net payables for investments	(241.9)	(303.5)	(61.6)
Net working capital	115.6	340.0	224.4
Provisions for employee benefits	(95.6)	(69.9)	25.7
Assets held for sale and directly related liabilities	2.2	-	(2.2)
NET INVESTED CAPITAL	7,128.4	8,390.7	1,262.3
Shareholders' equity	2,142.5	2,390.6	248.1
- <i>attributable to the Italgas Group</i>	1,891.4	2,108.3	216.9
- <i>attributable to minority shareholders</i>	251.1	282.3	31.2
Net financial debt (**)	4,985.9	6,000.1	1,014.2
HEDGING	7,128.4	8,390.7	1,262.3

(*) Net of the effects deriving from the application of IFRS 15.

(**) As at 31 December 2022, the item: i) includes the effects of applying IFRS 16 amounting to € 72.0 million; ii) does not include liabilities amounting to € 34.8 million consisting of the pro-rata share of the shareholder's loan, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, and deemed not to be financial debt. Net financial debt including the effects of this shareholders' loan amounted to € 6,034.9 million. In accordance with Consob Communication no. DEM/6064293 of 28 July 2006, the Notes to the Consolidated Financial Statements show net financial debt including the effects of IFRS 16 and the debt to Phaeton Holding SA.

The **net invested capital** at 31 December 2022 amounted to € 8,390.7 million and consists of the items outlined below.

Fixed capital (€ 8,120.6 million) increased by € 1,014.4 million compared to 31 December 2021 and reflects the effect of the inclusion of the DEPA Infrastructure Group and Janagas in the scope of consolidation, net of the deconsolidation of Gaxa and the sale of the ATEM Naples 1 plants.

Below is an analysis of the change in **Property, plant and equipment** and **Intangible assets**:

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2021	372.1	6,732.0	206.1	7,310.2
Investments	37.0	730.0	47.3	814.3
- <i>of which IFRS 16</i>	26.4	-	-	26.4
Amortisation, depreciation and impairment	(42.0)	(378.0)	(39.9)	(459.9)
- <i>of which D&A pursuant to IFRS 16</i>	(24.6)	-	-	(24.6)
Change in the scope of consolidation	17.1	883.3	116.6	1,017.0
Subsidies	-	(21.9)	-	(21.9)
Disposals and sales	(5.8)	(300.9)	(0.1)	(306.8)
Other changes	0.6	3.0	(2.0)	1.6

Balance at 31 December 2022	379.0	7,647.5	328.0	8,354.5
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Intangible fixed assets (€ 7,975.5 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 7,647.5 million). Net of the effect caused by the sale of fixed assets relating to the Municipalities of ATEM Naples 1, the increase of € 1,037.4 million is mainly attributable to the acquisition of the DEPA Infrastructure Group, which resulted in the recognition of assets pursuant to IFRIC 12 in the amount of € 824.9 million and goodwill in the amount of € 115.8 million.

Tangible fixed assets (€ 379.0 million), which mainly relate to plant, buildings and industrial and commercial equipment, increased by € 6.9 million primarily as a result of investments for the period of € 29.2 million (of which € 18.6 million related to the application of IFRS 16) and the first-time consolidation of the DEPA Infrastructure Group in the amount of € 11.5 million, net of amortisation and depreciation of € 42.0 million (of which € 24.6 million related to the right of use under IFRS 16).

Equity investments (€ 66.2 million) increased by € 31.1 million due mainly to the subscription of 49% of the share capital of Energie Rete Gas (€ 23.1 million) and the acquisition of a minority share in the capital of Picarro Inc. (€ 14.1 million), net of the company reorganisation relating to the affiliate Valdarno, valued at 31 December 2021 using the equity method (€ -5.5 million).

Consolidated **net working capital** at 31 December 2022 amounts to € 340.0 million and is broken down as follows:

(€ million)	31.12.2021	31.12.2022	Abs. change
Trade receivables	388.6	315.7	(72.9)
Inventories	105.3	120.5	15.2
Tax receivables	71.6	116.7	45.1
Accruals and deferrals from regulated activities	115.8	188.6	72.8
Other assets	185.7	815.1	629.4
Trade payables	(300.9)	(709.4)	(408.5)
Provisions for risks and charges	(159.5)	(144.3)	15.2
Deferred tax liabilities	(50.8)	(91.6)	(40.8)
Tax payables	(12.1)	(28.2)	(16.1)
Other liabilities	(228.1)	(243.1)	(15.0)
	115.6	340.0	224.4

Compared to 31 December 2021, net working capital increased by € 224.4 million due to: (i) lower trade receivables (€ -72.9 million) mainly due to the reduction in receivables from sales companies (€ -232.8 million), from customers (€ -31.9 million) and due to the deconsolidation of Gaxa (€ -16.1 million) partially offset by higher receivables relating to the "Super/Ecobonus" (€ 114.5 million), from the CSEA mainly relating to the equalisation balance (€ 61.5 million) and the first-time consolidation of the DEPA Infrastructure Group (€ 28.1 million); ii) increase in inventories (€ 15.2 million) mainly relating to digitisation and odourising equipment, as well as to the contribution of the DEPA Infrastructure Group (€ 11.4 million); iii) increase in net tax liabilities (€ -11.8 million) mainly due to the change in taxation for the period (€ -25.6 million) net of the effect of accrued tax credits for "Super/Ecobonus" (€ 37.5 million), as well as the contribution of the DEPA Infrastructure Group and Janagas (€ -31.2 million); iv) increase in other assets (€ 629.4 million) mainly relating to accessory billing components of distribution subject to reimbursement by the CSEA (including "Bonus gas" and UG2 in the amount of € 658.9 million) offset by lower receivables from the CSEA for incentives (€ 41.3 million); v) increase

in trade payables (€ 408.5 million) due to the debt position with sales companies (€ 445.9 million) mainly for "Bonus gas" and UG2 offset by the reduction in payables to suppliers (€ 29.3 million) and the equalisation balance with the CSEA (€ 8.0 million); vi) reduction in provisions for risks and charges (€ 15.2 million); vii) increase in other liabilities for the period (€ 15.0 million).

The consolidation of the DEPA Infrastructure Group resulted in an overall increase in working capital of € 50.5 million.

During the last quarter, the Company finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and to its subsidiaries can be factored without recourse. In particular, the assignment of VAT receivables in the amount of € 30.0 million was finalised (2021: assignment of receivables totalling € 306.2 million).

Net financial debt

(€ million)	31.12.2021	31.12.2022	Abs. change
Financial and bond debt	6,376.9	6,510.8	133.9
Short-term financial debt (*)	571.6	121.1	(450.5)
Long-term financial debt (**)	5,735.3	6,317.7	582.4
Finance lease payables - IFRS 16	70.0	72.0	2.0
Hedging derivative contracts Cash flow Hedge	5.9	(52.5)	(58.4)
Short-term contracts	0.3	(17.1)	(17.4)
Long-term contracts	5.6	(35.4)	(41.0)
Financial receivables and cash and cash equivalents	(1,396.9)	(458.2)	938.7
Cash and cash equivalents	(1,391.8)	(451.9)	939.9
Financial receivables	(5.0)	(5.6)	(0.6)
Securities not instrumental to operations	(0.1)	(0.7)	(0.6)
Net financial debt (**)	4,985.9	6,000.1	1,014.2
Finance lease payables - IFRS 16	70.0	72.0	2.0
Net financial debt (excluding the effects pursuant to IFRS 16) (**)	4,915.9	5,928.1	1,012.2

(*) These include the short-term portions of long-term financial debt.

(**) As at 31 December 2022, the net financial debt shown in the Directors' Report does not include liabilities for € 34.8 million consisting of the pro-rata share of the shareholders' loan to Italgas Newco, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt. The Notes to the Consolidated Financial Statements, in compliance with Consob Communication no. DEM/6064293 of 28 July 2006, show the net financial debt including the debt to Phaeton Holding SA.

As at 31 December 2022, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 72.0 million (€ 70.0 million in the corresponding period of 2021) and from the Italgas Newco shareholders' loan share, amounted to € 5,928.1 million, up by € 1,012.2 million from 31 December 2021 (€ 4,915.9 million). Including the effects resulting from application of IFRS 16 and the Italgas Newco shareholders' loan share, the net financial debt came to € 6,034.9 million (€ 4,985.9 million at the end of 2021). In compliance with Consob Communication no. DEM/6064293 of 28 July 2006, the Notes to the Consolidated Financial Statements report the composition of financial debt including the effects of IFRS 16 and the above shareholders' loan.

Financial and bond debt as at 31 December 2022 totalled € 6,510.8 million (€ 6,376.9 million as at 31 December 2021) and refer to: bonds (€ 4,483.7 million), loan agreements with the European Investment Bank (EIB) (€ 953.6 million), payables to banks (€ 1,001.5 million) and financial liabilities pursuant to IFRS 16 (€ 72.0 million).

Cash, amounting to € 451.9 million, decreased by € 939.9 million compared to 31 December 2021, due to use in M&A transactions during the period.

The breakdown of gross financial debt by type of interest rate as at 31 December 2022 is as follows:

(€ million)	31.12.2021	%	31.12.2022	%
Fixed rate	5,910.9	92.7	5,905.8	90.7%
Floating rate	466.0	7.3	605.0	9.3%
Gross financial debt	6,376.9	100.0	6,510.8	100.0%

Fixed-rate financial liabilities amounted to € 5,905.8 million and mainly refer to bonds (€ 4,483.7 million), four EIB loans (€ 846.1 million), bank loans (€ 504.0 million) and financial liabilities pursuant to IFRS 16 (€ 72.0 million).

Floating-rate financial liabilities amounted to € 605.0 million, up by € 139.0 million compared to 31 December 2021 as a result of the consolidation of bank loans subscribed by DEPA Infrastructure Group companies (€ 245.0 million), partially offset by a decrease in the use of bank lines by Italgas S.p.A.

With the exception of an EIB loan with a nominal value of € 90 million signed by Toscana Energia and certain loans taken out by DEPA Infrastructure's pre-acquisition subsidiaries, as at 31 December 2022 there were no loan agreements containing financial covenants and/or that were secured by collateral.

Some of these contracts provide, *inter alia*, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 December 2022, these commitments were respected.

Statement of comprehensive income

(€ million)	2021	2022
Net profit	383.4	436.1
Other comprehensive income		
<i>Components reclassifiable to the income statement:</i>		
Change in fair value of cash flow hedge derivatives (Effective portion)	14.8	56.6
Tax effect	(3.6)	(13.6)
	11.2	43.0
<i>Components not reclassifiable to the income statement:</i>		
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	1.9	11.7
Change in fair value of investments measured at fair value with effects on OCI	-	0.8
Tax effect	(0.5)	(3.5)
	1.4	9.0
Total other components of comprehensive income, net of tax effect	12.6	52.0
Total comprehensive income for the year	396	488.1
Attributable to:		
- Italgas	375.3	458.8
- Minority interests	20.7	29.3
	396.0	488.1

Shareholders' equity

(€ million)	
Shareholders' equity as at 31 December 2021	2,142.5
of which:	
- <i>Group shareholders' equity</i>	1,891.4
- <i>Shareholders' equity of minority shareholders</i>	251.1
Increase for:	
- 2022 profit for the year	436.1
<i>of which:</i>	
<i>Profit attributable to the Group</i>	407.3
<i>Profit attributable to minority shareholders</i>	28.8
- Stock grant reserve	0.5
- IAS 19 valuation reserve	8.4
- Cash Flow Hedge valuation reserve	45.1
- Fair value valuation reserve for equity investments	0.5
- Payment of share capital by minority shareholders	-
Decrease for:	
- Italgas 2021 dividend distribution	(238.9)
- 2021 dividend distributed to minority shareholders (*)	(14.2)
- Change in scope of consolidation	(73.7)
- Other changes	
<i>of which:</i>	
<i>- Attributable to the Group</i>	67.1
<i>- Attributable to minority shareholders</i>	17.2
Group shareholders' equity	2,108.3
Shareholders' equity of minority shareholders	282.3
Shareholders' equity as at 31 December 2022	2,390.6

(*) This is the extraordinary dividend paid by Toscana Energia.

5.2.5 Reclassified Statement of Cash Flows

The reclassified statement of cash flows provided below is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash equivalents at the start and end of the period with the change in net financial debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow⁷², i.e. the cash surplus or deficit remaining after the financing of investments.

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million)	2021	2022
Net profit	383.4	436.1
Correction:		
- Amortisation and depreciation and other non-monetary components	426.6	469.9
- Net capital losses (capital gains) on asset sales and eliminations	3.6	(30.8)
- Interest and income taxes	203.6	208.7
Change in working capital due to operating activities	76.5	(311.5)
Dividends, interest and income taxes collected (paid)	(261.8)	(200.7)
Cash flow from operations (*)	831.9	571.7
Technical investments	(809.3)	(766.1)
Other changes related to investment activities	14.6	47.8
Divestments and other changes	12.5	325.4
Free cash flow before M&A transactions	49.7	178.8
Companies included in the scope of consolidation	(22.1)	(958.7)
Acquisition of business units, plant and financial assets	(1.7)	(23.1)
Free cash flow	25.9	(803.0)
Change in short- and long-term financial debt and financial receivables	955.7	132.1
Reimbursements of financial liabilities for leased assets	(21.5)	(27.9)
Capital contribution from third parties	11.3	12.3
Equity cash flow	(243.1)	(253.3)
Net cash flow for the year	728.3	(939.8)

(*) Net of the effects deriving from the application of IFRS 15.

CHANGE IN NET FINANCIAL DEBT

(€ million)	2021	2022
Free cash flow before M&A transactions	49.7	178.8
Change due to acquisitions of equity investments, business units and assets	(42.2)	(981.9)
Increase in finance lease payables	(15.2)	(29.9)
Equity cash flow	(243.1)	(253.3)
Capital contribution from third parties	11.3	12.3
Other changes (Difference between interest accounted for, and paid fair value of derivatives)	(4.0)	59.8
Change in net financial debt	(243.5)	(1,014.2)

The cash flow from operations as at 31 December 2022, amounting € 571.7 million, was partially absorbed by the flow from net investments, totalling € 392.9 million, generating a free cash flow before M&A transactions of € 178.8 million. As at 31 December 2022, the cash outflow from M&A transactions amounted to € 981.8 million, bringing the free cash flow to € -803.0 million.

Taking into account payment of the dividend for € 253.3 million, net financial debt increased by € 1,014.2 million.

⁷² The free cash flow alternatively closed: (i) the change in cash for the period, after the addition/subtraction of cash flows relating to financial payables/receivables (usage/repayment of financial receivables/payables) and equity (payment of dividends/capital contributions); (ii) the change in net financial debt for the period, after the addition/subtraction of flows of debt relating to equity (payment of dividends/capital contributions).

5.3 Comment on the economic and financial results of Italgas S.p.A.

Italgas S.p.A. was incorporated on 1 June 2016 and listed on the Milan Stock Exchange from 7 November 2016.

5.3.1 Reclassified income statement

In view of Italgas S.p.A.'s nature as an industrial investment holding, the following reclassified Income Statement has been prepared, which inverts the order of the income statement items under Leg. Decree 127/91, presenting first those which relate to the financial operations, as this is the most significant income component for those companies⁷³.

(€ million)	2021	2022	Abs. change	Change %
Income from investments	264.1	270.1	6.0	2.3
<i>of which special items</i>	-	1.9	1.9	-
Interest income	38.4	52.9	14.5	37.8
<i>of which special items</i>	2.9	-	(2.9)	-
Interest expenses and other financial expenses	(61.5)	(57.2)	4.3	(7.0)
<i>of which special items</i>	(5.2)	-	5.2	-
Financial income and expenses	241.0	265.8	24.8	10.3
Adjusted financial income and expenses	249.1	263.9	14.8	5.9
Income from services	102.2	83.8	(18.4)	(18.0)
Other operating income	102.2	83.8	(18.4)	(18.0)
Other operating costs				
For staff	(48.8)	(48.7)	0.1	0.2
For performance of non-financial services and other costs	(52.2)	(37.7)	14.5	27.8
Amortisation and depreciation	(5.3)	(2.2)	3.1	58.5
Total of other operating costs	(106.3)	(88.6)	17.7	16.7
Gross profit	236.9	261.0	24.1	10.2
Adjusted gross profit	245.0	259.1	14.1	5.8
Income taxes	2.7	(1.2)	(3.9)	-
<i>taxation related to special items</i>	(1.9)	-	1.9	-
Adjusted income taxes	0.8	(1.2)	(2.0)	-
Net profit	239.6	259.8	20.2	8.4
Adjusted net profit	245.8	257.9	12.1	4.9

The **net profit** achieved in 2022 amounted to € 259.8 million, up by € 20.2 million from the corresponding value for 2021. **Adjusted net profit** amounted to € 257.9 million.

The income component classified in special items in 2022 relates to the capital gain on the sale of the controlling interest in Gaxa to Edison (€ 1.9 million), net of the related taxation.

The income components classified as special items in 2021 regard i) lesser income (€ 2.9 million) supported for the renegotiation of a loan in respect of the subsidiary Medea, with effect as at 1 July 2021, net of the related taxation (€ 0.7 million) and ii) greater expense (€ 5.2 million) deriving from the bond buyback completed in February 2021, net of the related taxation (€ 1.3 million).

⁷³ See Consob Communication 94001437 of 23 February 1994.

5.3.2 Analysis of the Reclassified Income Statement items

FINANCIAL INCOME AND EXPENSES

(€ million)	2021	2022	Abs. change	Change %
Income from investments	264.1	270.1	6.0	2.3
<i>of which special items</i>	-	1.9	1.9	-
Interest income	38.4	52.9	14.5	37.8
<i>of which special items</i>	2.9	-	(2.9)	-
Interest expenses and other financial expenses	(61.5)	(57.2)	4.3	(7.0)
<i>of which special items</i>	(5.2)	-	5.2	-
Adjusted financial income and expenses	249.1	263.9	14.8	5.9
Total financial income and expenses	241.0	265.8	26.7	33.0

Income from equity investments (€ 270.1 million) essentially includes the dividends distributed by Italgas Reti subsidiaries (€ 253.7 million) and Toscana Energia (€ 14.4 million).

Interest income (€ 52.9 million) essentially relates to income from the intragroup loans granted by Italgas to its subsidiaries.

Interest expense and other financial expense (€ 57.2 million) refers to the costs relating to financial debt, and essentially concerns bond loan expense⁷⁴ (€ 47.9 million) and loans from banks (€ 4.3 million).

OTHER OPERATING INCOME

(€ million)	2021	2022	Abs. change	Change %
Income from services	102.2	83.8	(18.4)	(18.0)
Other operating income	102.2	83.8	(18.4)	(18.0)

Other operating income (€ 83.8 million) refers mainly to chargebacks to subsidiaries of the costs incurred for the provision of services centrally managed by Italgas S.p.A.. These services are regulated through agreements signed between Italgas S.p.A. and its subsidiaries and refer to the following areas: ICT, personnel and organisation, planning, administration, finance and control, procurement, general services, property and security services, legal and corporate affairs and compliance, health, safety and environment, institutional relations and regulation, external relations and communication, internal audit and Enterprise Risk Management (ERM).

OTHER OPERATING EXPENSES

(€ million)	2021	2022	Abs. change	Change %
For staff	(48.8)	(48.7)	0.1	0.2
For performance of non-financial services and other costs	(52.2)	(37.7)	14.5	27.8
Amortisation and depreciation	(5.3)	(2.2)	3.1	58.5
Total of other operating costs	(106.3)	(88.6)	17.8	16.7

Other operating expenses (€ 88.6 million) refer to personnel costs (€ 48.7 million), and to costs for non-financial services and other costs (€ 37.7 million), depreciation and amortisation (€ 2.2 million). Costs for non-financial services and other costs include consulting and professional services (€ 16.8 million), costs for service

⁷⁴ The details of bond issues during the year and related terms are provided in the note "Short-term financial liabilities, long-term financial liabilities and short-term portions of long-term financial liabilities" in the Notes to the separate financial statements.

contracts within the Group mainly related to ICT services provided by Bludigit and technical services provided by Italgas Reti (€ 11.7 million), costs for insurance and banking services (€ 1.7 million), and other costs for miscellaneous services (€ 7.5 million).

5.3.3 Reclassified Statement of Financial Position

(€ million)	31.12.2021	31.12.2022	Abs. change
Fixed capital	6,709.8	7,350.2	953.2
Property, plant and equipment	12.3	10.7	(1.6)
Intangible assets	0.4	1.2	0.8
Equity investments	3,010.4	3,107.8	97.4
Financial receivables and securities instrumental to operations	3,687.8	4,544.3	856.5
Net payables (receivables) relating to investment activities	(1.1)	(1.0)	0.1
Net working capital	(4.9)	(7.8)	(2.9)
Provisions for employee benefits	(12.3)	(9.0)	3.3
NET INVESTED CAPITAL	6,692.6	7,646.2	953.6
Shareholders' equity	1,737.7	1,806.6	68.9
Net financial debt	4,954.9	5,839.6	884.7
HEDGING	6,692.6	7,646.2	953.6

Net invested capital amounted to € 7,646.2 million and rose by € 959.5 million compared to 31 December 2021, mainly as a result of the greater financial receivables instrumental to operations (€ 856.5 million).

Equity investments amounting to € 3,107.8 million relate to the subsidiaries Italgas Reti, Italgas Acqua, Toscana Energia, Geoside, Italgas NewCo and Bludigit (€ 3,092.3 million), to the jointly controlled companies Umbria Distribuzione Gas and Metano S. Angelo Lodigiano (€ 1.0 million) and to associates and other companies (€ 14.5 million).

Net working capital

(€ million)	31.12.2021	31.12.2022	Abs. change
Trade receivables	37.2	42.9	5.7
Tax receivables	17.3	32.1	13.6
Deferred tax assets	4.7	-	(4.7)
Other assets	3.0	3.7	0.7
Trade payables	(17.1)	(18.6)	(1.5)
Provisions for risks and charges	(8.0)	(6.8)	1.2
Deferred tax liabilities	-	(9.7)	(9.7)
Tax payables	(31.2)	(34.9)	(3.7)
Other liabilities	(10.8)	(16.5)	(5.7)
	(4.9)	(7.8)	(2.9)

Net working capital (€ -7.8 million) increased by € 2.9 million compared to 31 December 2021 mainly due to the increase in (i) trade receivables (€ 5.7 million), (ii) trade payables (€ 1.5 million), (iii) other liabilities (€ 5.7 million) and (iv) other assets (€ 0.7 million), partially offset by (v) the decrease in net tax items (€ 4.5 million) and (vi) provisions for risks and charges (€ 1.2 million).

Net financial debt

(€ million)	31.12.2021	31.12.2022	Abs. change
Financial and bond debt	6,547.8	6,494.2	(53.6)
Short-term financial debt (*)	875.8	475.9	(399.9)
Long-term financial debt	5,662.5	6,010.1	347.6

Finance lease payables - IFRS 16	9.5	8.2	(1.3)
Hedging derivative contracts Cash flow Hedge	5.9	(50.9)	(56.8)
Short-term contracts	0.3	(17.1)	(17.4)
Long-term contracts	5.6	(33.8)	(39.4)
Financial receivables and cash and cash equivalents	(1,598.8)	(603.7)	995.1
Cash and cash equivalents	(1,384.6)	(355.8)	1,028.8
Financial receivables non-instrumental to operations	(214.2)	(247.9)	(33.7)
Net financial debt	4,954.9	5,839.6	884.7
Finance lease payables - IFRS 16	9.5	8.2	(1.3)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,945.4	5,831.4	886.0

(*) Includes the short-term portion of long-term financial debt and financial debt to subsidiaries.

As at 31 December 2022, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 8.2 million (€ 9.5 million in the corresponding period of 2021), amounted to € 5,831.4 million, up by € 886.0 million from 31 December 2021 (€ 4,945.4 million). Including the effects deriving from the application of IFRS 16, the net financial debt came to € 5,839.6 million (€ 4,954.9 million as at 31 December 2021).

Financial and bond debt as at 31 December 2022 amounted to € 6,494.2 million (€ 6,547.8 million as at 31 December 2021) and primarily related to: bonds (€ 4,483.6 million), loan agreements on funding from the European Investment Bank/EIB (€ 867.2 million), bank loans (€ 751.4 million), liabilities to subsidiaries (€ 383.8 million) and financial payables under IFRS 16 (€ 8.2 million).

As at 31 December 2022, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2021	%	31.12.2022	%
Fixed rate	6,082.1	92.9	6,135.4	94.5
Floating rate	465.7	7.1	358.8	5.5
Gross financial debt	6,547.8	100.0	6,494.2	100.0

Fixed-rate financial liabilities amounted to € 6,135.4 million and consisted of bonds (€ 4,483.6 million), three EIB loans (€ 759.7 million), bank loans (€ 500.1 million), liabilities to subsidiaries (€ 383.8 million) and financial liabilities pursuant to IFRS 16 (€ 8.2 million).

Fixed-rate financial liabilities increased by € 53.3 million compared to 31 December 2021, mainly due to the conclusion of a new EIB loan, partly offset by the reduction of bonds due to the repayment made in January 2022.

Floating-rate financial liabilities decreased by € 106.9 million due to the lower utilisation of bank credit lines (€ 350.0 million), partially offset by the stipulation of a new term loan (€ 250.0 million).

As at 31 December 2022, there are no loan contracts in place containing financial covenants and/or backed by real guarantees. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 31 December 2022, these commitments were respected.

5.3.4 Reclassified Statement of Cash Flows

(€ million)	2021	2022
Net profit	239.6	259.8
<i>Correction:</i>		
- <i>Amortisation and depreciation and other non-monetary components</i>	4.1	8.8
- <i>Interest and income taxes</i>	(240.9)	(262.7)
Change in working capital due to operating activities	(9.5)	(20.2)
Dividends, interest and income taxes collected (paid)	244.1	274.8
Cash flow from operating activities	237.4	260.4
Technical investments	(8.7)	(1.0)
Equity investments	(0.7)	(105.2)
Net financial investments instrumental to operations	(506.8)	(856.6)
Other changes related to investments activities	(2.6)	-
Divestments and other changes	4.6	24.4
Free cash flow	(276.8)	(677.7)
Change in financial receivables not related to operations	48.3	(33.7)
Change in current and non-current financial debt	1,181.8	(76.6)
Reimbursements of financial liabilities for leased assets	(2.2)	(1.8)
Equity cash flow	(223.6)	(239.0)
Cash flow for the year	727.5	(1,028.8)

Change in net financial debt

(€ million)	2021	2022
Free cash flow	(276.8)	(677.7)
Equity cash flow	(223.6)	(239.0)
Other changes (Difference between interest accounted for, and paid fair value of derivatives)	(3.9)	32.5
Increase in finance lease payables	1.1	(0.5)
Change in net financial debt	(503.2)	(884.7)

5.4 Non-GAAP Measures

Alternative performance indicators

On 5 October 2015, the ESMA (European Security and Markets Authority) published its guidance (ESMA/2015/1415) on the presentation criteria for alternative performance indicators (API or APM), which replaces the CESR/05-178b recommendations from 3 July 2016. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS – IFRS.

The alternative performance indicator adopted in this report are illustrated below.

Main alternative performance indicators

Alternative economic performance indicators	Description
Gas Distribution regulated revenues	Operating performance indicator representing revenues from regulated gas distribution activities, calculated by subtracting Other revenue from the Total revenue. Other revenue is revenue from unregulated activities, revenue for construction and enhancement of infrastructures recognised pursuant to IFRIC 12, the release of connection contributions relating to the financial year and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
Reclassified operating costs	Operating performance indicator representing the legally-required operating costs minus costs for construction and enhancement of the infrastructure recognised pursuant to IFRIC 12 and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
EBITDA	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment.
Adjusted EBITDA	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBITDA.
EBIT	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments and net financial expense.
Adjusted EBIT	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBIT.
Adjusted Earnings per Share	Indicator of the profitability of the company's shares, calculated as the ratio between the adjusted net profit attributable to the Group and the total number of shares.
Alternative capital performance indicators	Description
Net working capital	A capital indicator that expresses the capital employed in current and non-financial assets and liabilities. This is defined as the sum of the values relating to trade receivables and payables, inventories, tax receivables and payables, provisions for risks and charges, deferred tax assets, deferred tax liabilities and other assets and liabilities.
Fixed capital	A capital indicator that expresses the total fixed assets. It is defined as the sum of the values relating to items of Property, plant and equipment, Intangible assets net of Other liabilities relating to connection contributions, Equity investments and Net debt relating to investment activities.
Net invested capital	A capital indicator that expresses the investments made by the company in operations. This is defined as the sum of the values related to fixed capital, net working capital, provisions for employee benefits and assets held for sale and directly related liabilities.
Alternative financial performance indicators	Description

Cash flow from operating activities	It represents the net cash flow from the operating activity of the mandatory schemes, excluding the effects deriving from the application of the IFRS 15 accounting standard (Other liabilities relating to connection contributions).
Free cash flow before M&A transactions	It represents the cash surplus or deficit remaining after the financing of investments, excluding the flow deriving from Merger and Acquisition transactions.
<i>Free cash flow</i>	It represents the cash surplus or deficit remaining after financing of the investments.
Net financial debt	Determined as the sum of short and long-term financial debt, net of cash and cash equivalents and current financial assets, such as, for example, securities held for trading (note 18). As at 31 December 2022, the net financial debt reported in the Directors' Report does not include liabilities for € 34.8 million consisting of the pro-rata share of the shareholders' loan to Italgas Newco, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt. The Notes to the Consolidated Financial Statements, in compliance with Consob Communication no. DEM/6064293 of 28 July 2006, show the net financial debt including the debt to Phaeton Holding SA.

5.4.1 Reconciliation of the reclassified Income Statement, Statement of Financial Position and Statement of Cash Flows

In line with ESM/2015/1415 guidance, the reconciliation of the Income Statements, Statements of Financial Position and Statements of Cash Flows of the Italgas Group and Italgas S.p.A., commented in the Directors' Report is provided below with the related legally required statements.

In compliance with the ESMA provisions for the taxonomy of ESEF (European Single Electronic Format) annual financial statements, a number of items in the balance sheet and income statement were reclassified, also readjusting the values as at 31 December 2022.

For more details, see the "Financial Statements" section of the notes to the consolidated financial statements and separate financial statements.

Reconciliation between reclassified consolidated financial statements and the legally required financial statements

RECLASSIFIED INCOME STATEMENT

(€ million)	Reference to the explanatory notes of the consolidated financial statements	2021		2022	
		Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements	Figures from mandatory statements
Revenues (from mandatory statements)		2,163.2		2,312.5	
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 27)		(772.0)		(727.8)
- Release of connection contributions relating to the financial year	(note 27)		(19.6)		(19.2)
- Reimbursement of faulty meters	(note 27)		(0.8)		(2.3)
- Repayments from third parties	(note 27)		-		(7.3)
Total revenue (from reclassified statements)			1,370.8		1,555.9
Operating costs (from mandatory statements)		(1,134.7)		(1,192.0)	
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 27)		772.0		727.8
- Reimbursement of faulty meters	(note 27)		0.8		2.3
- Repayments from third parties	(note 27)		-		7.3
Operating costs (from reclassified statements)			(361.9)		(454.6)
EBITDA			1,008.9		1,101.3
Amortisation, depreciation and impairment (from mandatory statements)		(445.3)		(479.1)	
- Release of connection contributions relating to the financial year	(note 27)		19.6		19.2
Amortisation, depreciation and impairment (from reclassified statements)			(425.7)		(456.9)
EBIT		583.2	583.2	641.4	641.4
Net financial expense		(60.4)	(60.4)	(56.3)	(56.3)
Net income from equity investments		2.5	2.5	3.4	3.4
Gross profit		525.3	525.3	588.5	588.5
Income taxes		(141.9)	(141.9)	(152.4)	(152.4)
Net profit (loss)		383.4	383.4	436.1	436.1

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€ million)	Reference to the explanatory notes of the consolidated financial statements	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
				31.12.2021	31.12.2022
(Where not expressly indicated, the item is obtained directly from the legally-required statement)					
Fixed capital					
Property, plant and equipment			372.1		379.0
Intangible assets, of which:			6,938.1		7,975.5
- Intangible assets	(note 14)	7,469.8		8,509.3	
from which to deduct Connection contributions	(note 21)	(531.7)		(510.7)	
From which to deduct Contributions collected in advance	(note 21)	-		(23.1)	
Equity investments			35.1		66.2
Financial receivables and securities instrumental to operations			2.8		3.4
Net payables relating to investment activities, composed of:			(241.9)		(303.5)
- Payables for investment activities	(note 19)	(241.6)		(308.8)	
- Payables due to Conscoop shareholders	(note 18)	(5.6)		-	
- Receivables from investment/divestment activities	(note 9)	5.3		5.3	
Total fixed capital (from reclassified statements)			7,106.2		8,120.6
Net working capital					
Trade receivables			388.6		315.7
Inventories			105.3		120.5
Tax assets, composed of:			71.6		116.7
- Current and non-current income tax assets	(note 11)	44.6		63.6	
- Other current tax assets	(note 12)	10.7		36.6	
- IRES receivables for National Tax Consolidation Scheme	(note 9)	16.3		16.5	
Accruals and deferrals from regulated activities			115.8		188.6
Other assets, composed of:			186.4		815.1
- Other receivables	(note 9)	177.9		805.4	
- Other assets	(note 12)	7.9		9.7	
Trade payables			(300.9)		(709.4)
Provisions for risks and charges			(159.5)		(144.3)
Deferred tax liabilities			(50.8)		(91.6)
Tax payables, composed of:			(12.1)		(28.2)
- Current income tax liabilities	(note 11)	(3.4)		(16.1)	
- Other tax liabilities	(note 21)	(8.7)		(12.1)	
- Parent company's payables for liquidation of Group VAT		-		-	
Other liabilities, composed of:			(234.7)		(243.1)
- Other payables	(note 19)	(220.9)		(248.6)	
- Third-party share of Italgas Newco shareholders' loan	(note 18)	-		34.8	
- Other liabilities	(note 21)	(7.2)		(29.3)	
- Contributions collected in advance	(note 21)	-		(23.1)	
Total net working capital (from reclassified statements)			109.7		340.0
Provisions for employee benefits			(95.6)		(69.9)
Assets held for sale and directly related liabilities, composed of:			2.2		-
- Assets held for sale	(note 17)	2.2		-	
NET INVESTED CAPITAL			7,122.5		8,390.7
Shareholders' equity including minority interests			(2,142.5)		(2,390.6)
Net financial debt					
Financial and bond debt, composed of:			(6,376.9)		(6,510.8)
- Long-term financial liabilities	(note 18)	(5,735.3)		(6,352.5)	
- Third-party share of Italgas Newco shareholders' loan	(note 18)	-		34.8	
Short-term financial liabilities, composed of:					
- Short-term portions of long-term financial debt	(note 18)	(208.0)		(117.8)	
Short-term financial liabilities:					
- Short-term financial liabilities	(note 18)	(363.6)		(3.3)	
- Financial liabilities pursuant to IFRS 16	(note 18)	(70.0)		(72.0)	
Hedging derivative contracts Cash flow Hedge, consisting of:			(5.9)		52.5
Short-term contracts	(note 20)	(0.3)		17.1	
Long-term contracts	(note 20)	(5.6)		35.4	
Financial receivables and cash and cash equivalents, composed of:			1,396.9		458.2
Cash and cash equivalents			1,391.8		451.9
Current financial assets, composed of:			5.1		6.3
Financial receivables non-instrumental to operations	(note 8)	5.0		5.6	
- Other financial assets held for trading or available for sale	(note 8)	0.1		0.7	
Total net financial debt (from reclassified statements)			(4,980.0)		(6,000.1)
HEDGING			(7,122.5)		(8,390.7)

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million)	2021	2022		
Reclassified Statement of Cash Flows items and intersection of legally required statement items	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Net profit	383.4			436.1
<i>Correction:</i>				
Amortisation, depreciation and other non-monetary components:	426.6			469.9
- Amortisation and depreciation	444.4			478.1
- Net impairment of property, plant and equipment and intangible assets	0.9			0.9
- Contributions for connections - uses	(19.6)			(19.1)
- Effect of valuation using equity method	(2.5)			(0.6)
- Other income on equity investments	-			2.7
- Non-monetary items (stock grants)	3.4			7.9
Net capital losses (capital gains) on asset sales and eliminations	3.6			(30.8)
Interest, income taxes and other changes:	203.6			208.7
- Interest income	(3.6)			(5.1)
- Interest expense	65.3			61.4
- Income taxes	141.9			152.4
Change in working capital due to operating activities:	76.5			(311.5)
- Inventories	(3.5)			(4.8)
- Trade and other receivables	35.1			64.4
- Trade and other payables	(50.4)			397.9
- Change to provisions for risks and charges	(43.5)			(38.6)
- Other assets and liabilities	148.4			(678.1)
- Third-party share of Italgas Newco shareholders' loan				(34.8)
<i>from which to deduct Deferrals for connection contributions - increases</i>	7.7			11.0
<i>from which to deduct Deferrals for connection contributions - uses</i>	(19.6)			(19.1)
<i>from which to deduct effects of transactions to municipalities</i>	-			-
- <i>Change in provisions for employee benefits</i>	(9.6)			(17.6)
Dividends, interest and income taxes collected (paid):	(261.8)			(200.7)
- Dividends collected	1.3			1.4
- Interest income	3.6			4.0
- Interest paid	(59.8)			(53.7)
- Income taxes (paid) refunded	(206.9)			(152.4)
Cash flow from operating activities	831.9			571.7
Technical investments:	(809.3)			(766.1)
- Property, plant and equipment	(30.8)			(10.7)
- Intangible assets	(786.2)			(766.5)
- Contributions for connections - increases	7.7			11.0
Other changes relating to investment activities:	14.6			47.8
Disinvestments:	12.5			325.4
- Assets available for sale	-			5.1
- Property, plant and equipment	1.3			2.5
- Intangible assets	-			293.2
- Companies outside the consolidation area	-			19.6
- Change in receivables relating to investment activities	11.2			-
- Disposal of minority shares	-			5.0
Free cash flow before M&A transactions	49.7			178.8
Newly consolidated companies	(22.1)			(958.7)
- Price paid for equity	(22.1)			(851.5)
- Cash and cash equivalents from companies entered into the consolidation area	-			(107.2)
Business units and assets	(1.7)			(23.1)
Free cash flow	25.9			(803.0)
Change in financial debt:	955.0			132.1
- Change in short- and long-term financial debt	955.0			(8.8)
- Third-party share of Italgas Newco shareholders' loan	-			34.8
- Cash and cash equivalents from companies entered into the consolidation area	-			107.2
- Medium- to long-term financial receivables	-			(1.1)
Reimbursements of financial liabilities for leased assets	(21.5)			(27.9)

Capital contribution from third parties	11.3	12.3
Equity cash flow	(243.1)	(253.3)
Net cash flow for the year	728.2	(939.8)

Reconciliation between reclassified financial statements of Italgas S.p.A. and the legally required financial statements

RECLASSIFIED INCOME STATEMENT

(€ million)	Reference to the explanatory notes of the financial statements	2021		2022		
		Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements
Revenues (from mandatory statements)		104.5		86.8		
- Income for seconded personnel	(note 25)		(2.3)			(3.0)
Total revenue (from reclassified statements)			102.2			83.8
Operating costs (from mandatory statements)		(103.4)		(89.4)		
- Income for seconded personnel	(note 25)		2.3			3.0
Operating costs (from reclassified statements)			(101.1)			(86.4)
EBITDA			1.1			(2.6)
Amortisation, depreciation and impairment	(5.3)		(5.3)	(2.2)		(2.2)
EBIT	(4.2)		(4.2)	(4.8)		(4.8)
Net financial expense	(23.1)		(23.1)	(4.2)		(4.2)
Net income from equity investments	264.1		264.1	270.1		270.1
Gross profit	236.9		236.9	261.0		261.0
Income taxes	2.7		2.7	(1.2)		(1.2)
Net profit (loss)	239.6		239.6	259.8		259.8

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€ million)	Reference to the explanatory notes of the financial statements	31.12.2021		31.12.2022	
		Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
(Where not expressly indicated, the item is obtained directly from the legally-required statement)					
Fixed capital					
Property, plant and equipment			12.3		10.7
Intangible assets			0.4		1.2
Equity investments			3,010.4		3,107.8
Net payables for investments			(1.1)		(1.0)
Financial receivables and securities instrumental to operations			3,687.8		4,544.3
Total fixed capital (from reclassified statements)			6,709.8		7,663.0
Net working capital					
Trade receivables			37.2		42.9
Tax assets, composed of:			17.3		32.1
- Income tax assets	(note 11)	12.6		5.8	
- Other current tax assets	(note 12)	4.7		20.5	
- Group VAT receivables	(note 9)	0.0		5.8	
Deferred tax assets			4.7		-
Other assets			4.4		3.7
- Other current and non-current assets	(note 12 and 20)	4.4			
Trade payables			(17.1)		(18.6)
Provisions for risks and charges			(8.0)		(6.8)
Deferred tax liabilities			-		(9.7)
Tax payables, composed of:			(31.2)		(34.9)
- Income tax liabilities	(note 11)	(11.5)		(4.7)	
- Other current tax liabilities	(note 21)	(1.4)		(1.9)	
- Group VAT payables	(note 19)	(18.3)		(32.9)	
Other liabilities			(10.8)		(16.5)
Total net working capital (from reclassified statements)			(10.8)		(7.8)
Provisions for employee benefits			(12.3)		(9.0)
NET INVESTED CAPITAL			6,686.7		7,646.2
Shareholders' equity including minority interests			(1,737.7)		(1,806.6)
Net financial debt					

Financial and bond debt, composed of:		(6,547.8)		(6,494.2)
- Long-term financial liabilities	(note 18)	(5,662.5)		(6,010.1)
- Short-term portions of long-term financial debt	(note 18)	(179.4)		(383.7)
- Short-term financial liabilities	(note 18)	(696.4)		(92.2)
- Financial liabilities pursuant to IFRS 16	(note 18)	(9.5)		(8.2)
Hedging derivative contracts Cash flow Hedge, consisting of:		(5.9)		50.9
Short-term contracts		(0.3)		16.0
Long-term contracts		(5.6)		34.9
Financial receivables and cash and cash equivalents, composed of:		1,598.8		603.7
- Financial receivables non-instrumental to operations	(note 9)	214.2		247.9
- Cash and cash equivalents	(note 7)	1,384.6		355.8
Total net financial debt (from reclassified statements)		(4,954.9)		(5,839.6)
HEDGING		(6,686.7)		(7,646.2)

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million)		2021	2022
Reclassified Statement of Cash Flows items and intersection of legally-required statement items	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements
Net profit		239.6	259.8
<i>Correction:</i>			
Amortisation, depreciation and other non-monetary components:		4.8	8.8
- Amortisation and depreciation	5.3		2.2
- Impairment of equity investments	(2.0)		-
- Non-monetary items (stock grants)	1.5		6.6
Interest, income taxes and other changes:		(240.9)	(262.7)
- Dividends and other income from equity investments	(261.4)		(268.2)
- Interest income	(38.4)		(52.9)
- Interest expense	61.5		57.2
- Income taxes	(2.6)		1.2
Change in working capital due to operating activities:		(10.2)	(20.2)
- Inventories	-		-
- Trade and other receivables	36.5		(10.7)
- Trade and other payables	(34.3)		4.3
- Change to provisions for risks and charges	(0.4)		(1.3)
- Other assets and liabilities	(10.6)		(11.1)
Change in provisions for employee benefits	(1.4)		(1.4)
Dividends, interest and income taxes collected (paid):		244.1	274.8
- Dividends and other income collected from equity investments	261.4		268.2
- Interest income	38.4		51.9
- Interest paid	(57.3)		(49.7)
- Income taxes (paid) refunded	1.6		4.4
Cash flow from operating activities		237.4	260.4
Technical investments:		(516.2)	(1.0)
Property, plant and equipment	(1.3)		(1.0)
Intangible assets	(7.4)		-
Equity investments		(0.7)	(105.2)
Financial receivables instrumental to operations		(506.8)	(856.6)
Change in receivables relating to disinvestment activities		(2.6)	-
Disinvestments:		4.6	24.4
- Equity investments and operating activities sold	4.6		24.4
Free cash flow		(276.8)	(677.7)
- Change in financial receivables not related to operations		48.3	(76.6)
- Change in short- and long-term financial debt		1,181.8	(33.7)
Change in financial liabilities for leased assets		(2.2)	(1.8)
Equity cash flow		(223.6)	(239.0)
Other changes relating to non-monetary components		-	-
Cash flow for the year		727.5	(1,028.8)

5.5 Business Outlook

In line with that set out in the 2022-2028 Strategic Plan, Italgas will continue to pursue its objectives, mainly aimed at (i) continuing the digital transformation programme, repurposing and extending the network to equip the country with cutting edge infrastructure capable of receiving and distributing renewable gas such as biomethane and green hydrogen; (ii) consolidating actions in the energy efficiency sector, with the goal of positioning itself among the leading sector operators; and (iii) capturing new external growth opportunities through ATEM tenders, M&A in the gas distribution, water and energy efficiency sectors, as well as, following the finalisation of the purchase of the DEPA Infrastructure Group and developing the Greek market.

Russia - Ukraine conflict

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

In particular, following a survey of a significant portion of our suppliers, conducted in the months following the start of the conflict, it was found that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent the effects of any cyber attacks. Monitoring in the following months did not show any critical issues arising as a result of the conflict. It is also noted that most of the processes managed by the suppliers surveyed can be classified as energy-intensive.

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability. The subsequent increase in utilities costs is creating tensions on prices. Currently there are no significant critical issues in production on the energy materials/commodities markets.

With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) more than 90% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no

refinancing requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 December 2022, of € 451.9 million, which, including in light of the existing investment plans and the operations planned in the short term, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the commodity that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service in Italy are established by ARERA and regulated in the Network Code, which also defines the system for existing financial guarantees to protect the distributor.

With reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

Lastly, examining the natural gas distribution service in Greece, and in light of the scenarios illustrated above, the Group has not noted and does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

5.6 Other information

Treasury shares

The company did not own any treasury shares as at 31 December 2022.

Related party transactions

Based on Italgas' current ownership structure, Italgas related parties include, in addition to directors, statutory auditors, executives with strategic responsibilities, companies associated with the Group or under its joint control, also the subsidiaries directly or indirectly controlled by CDP, therefore including the shareholder Snam, and the Ministry of Economy and Finance (MEF). Transactions with these entities relate to the exchange of assets, the provision of services and, in the case of CDP, the provision of financial resources.

These transactions are part of ordinary business operations and are generally settled at arm's length, i.e. the conditions which would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the Company intends to carry out and in which they have an interest.

CDP and CDP Reti consolidate Italgas pursuant to IFRS 10. In addition, through the Board of Directors' decision of 1 August 2019, CDP reclassified its investment in Italgas S.p.A. as a controlling interest pursuant to Article 2359, paragraph 1.2) of the Italian Civil Code and Article 93 of the CLF. Italgas is not subject to management and coordination activities by CDP.

As at 31 December 2022, Italgas manages and coordinates its subsidiaries, pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the balance sheet, income statement and cash flows, are provided in the paragraph "Related-party transactions" of the Notes to the consolidated and annual financial statements.

Relations with Key Managers are shown in the paragraph "Operating costs" of the Notes to the consolidated financial statements.

Operating performance of subsidiaries

For information on the outlook of areas where Italgas operates in whole or in part through subsidiaries, please refer to "Operating performance" and "Comment on the economic and financial results" of this Report.

Branch offices

In compliance with Art. 2428, fourth paragraph of the Italian Civil Code, note that the Italgas does not have secondary offices.

Research and development

Research and development activities carried out by Italgas are not of a considerable amount. For more details, see the notes to the Consolidated Financial Statements.

Significant events after year end

The significant transactions carried out after 31 December 2022 are summarised below. The Integrated Annual Report has been submitted to the examination of the Company's Board of Directors and its publication was authorised on 24 March 2023. Therefore, this document does not note any events that occurred subsequent to that date.

Capital transactions

On 9 March 2023, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of

a total of 499,502 new ordinary shares of the Company to the beneficiaries of said Plan (third cycle of the Plan) and executed the third tranche of the share capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 619,382.48 taken from retained earnings reserves.

Legal and Regulatory Framework

- In February 2023, Italgas Reti challenged **Resolution no. 654/2022/R/com**, by which the Authority confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of the TIWACC 2022-2027. Following the application of the so-called trigger mechanism, provided for in Article 8 of the TIWACC 2022-2027 for the updating of the WACC for the sub-period 2022-2024, the calculation of the WACC resulting from the updating of the relevant financial parameters results in a change of the WACC, for each service, of less than 50 bps (basis point spread) compared to the value in force. The setting of a date for the hearing is currently pending.
- In February 2023, Italgas Reti challenged **Resolution no. 679/2022/R/gas**, by which the Authority redetermined the reference tariffs for natural gas distribution and metering services for the years 2009 to 2021. The setting of a date for the hearing is currently pending.

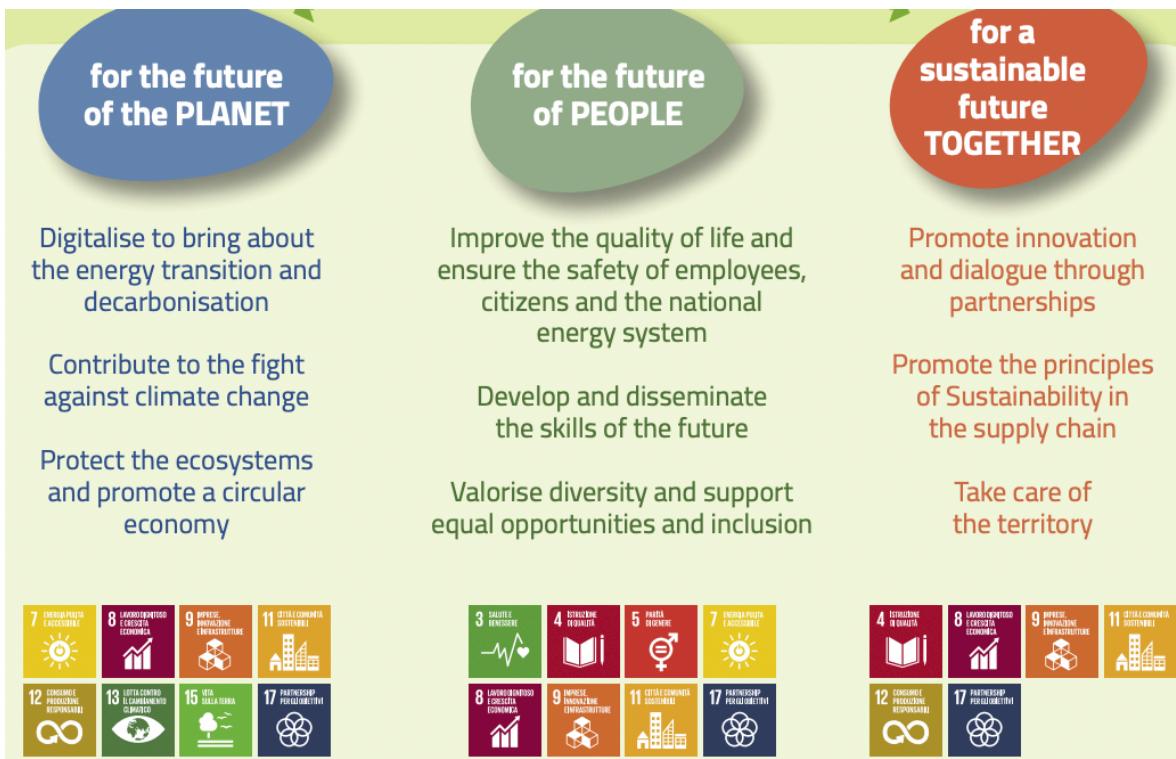
Other events

- On 19 January 2023, Italgas presented its 2022-2028 Sustainable Value Creation Plan, "Builders of the Future", to its stakeholders, which was approved by the Company's Board of Directors on 14 December 2022. This Plan sets out specific actions and ambitious targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates; the document is part of the trajectory already outlined in the 2022-2028 Strategic Plan, which provides for € 8.6 billion in investments.
- On 7 February 2023, Italgas was included for the fourth consecutive year in the S&P Global Sustainability Yearbook, S&P Global's annual publication that collects best practices, experiences and success stories of the world's leading companies on sustainability issues.

Italgas has also confirmed its leadership position with inclusion in the "Top 1% S&P Global ESG Score" category, reflecting its excellent performance.

This was achieved following the Corporate Sustainability Assessment (CSA) conducted in 2022: 708 companies, out of the 7,800 assessed, were included in the 2023 Sustainability Yearbook based on their ESG scores.

6. Builders of the future



In each of the following chapters, the main short- and medium-to-long-term impacts associated with the three pillars of the 2022-2028 Sustainable Value Creation Plan are reported, with an indication of the capitals on which these impacts have the most significant effect: each action envisaged by the Plan generates multiple short- and medium-to-long-term effects which, in turn, may impact more than one type of capital.

6.1 Italgas for the future of the planet

DNF



SDG



GRI

302, 303, 305, 306

The Group's commitment to environmental protection and decarbonisation issues runs through all its business components:

- In the distribution of natural gas, the company is called upon to meet the energy needs of its eight million users in a sustainable manner. That is why it is committed to continuously improving its infrastructure as well as extending it, with the aim of making it fully digital and increasingly secure, as well as more accessible. Through digitisation, networks are adapted to accommodate and distribute different and renewable gases such as biomethane, biogas and hydrogen.
- In the water sector, in which Italgas operates, the modernisation of the infrastructure in technological and digital terms enables a more efficient management of such a precious resource, while at the same time improving the quality of the service offered.
- By enhancing the activities of the ESCo Geoside and reducing the Group's energy consumption and emissions, Italgas continues to strengthen its role as an active player in the fight against climate change.

Moreover, Italgas' commitment is reflected in the protection of the ecosystems in which it operates and in the promotion of the circular economy.

Specific material topics: Network digitalization and innovation, Energy transition and fight against climate change, Adoption of circular economy principles, Management of ecosystem and biodiversity

Transversal material topics: Compliance, transparency and fight against corruption, Responsible governance and risk management, Economic value generation and ESG finance

Medium-to-long-term impacts of our activities



Macro-targets	Actions	Target ⁷⁵	2022 Performance
We count on digitalisation to bring about the energy transition and the decarbonization	Repurposing the network to increase its flexibility and ensure the necessary connections for the distribution of biomethane and hydrogen	<ul style="list-style-type: none"> 100% network ready to accommodate hydrogen by 2028 100% digitised network by 2024 	-95% of the network is already compatible with a 20% H ₂ , in blend H ₂ NG (plants currently compatible up to 2%) -At the end of 2022, DANA operated 80 of the 767 plants in the Italgas Group's network. There are 2,091 digitised sub-networks, out of the Italgas Group's total of 5,550 sub-networks (total figure as at 31 December 2022)
	Extending the network to non-methanised territories	100,000 new users connected to the extensions of Group's natural gas distribution networks by 2028, in areas currently not methanised, thus replacing more polluting sources, allowing sector coupling and reducing costs for customers	About 6,000 new users connected to the Group's natural gas distribution network expansions in Italy
We contribute to the fight against climate change	Enhancing the activities of ESCo Geoside	280,000 MWh saved by ESCo customers, corresponding to about 62,000 tons of CO ₂ , thanks to energy efficiency interventions implemented between 2022 and 2028	9,530 tCO ₂ eq
	Reducing the Group's energy consumption and greenhouse gas emissions	<ul style="list-style-type: none"> -34% of Scope 1 and 2⁷⁶ emissions by 2028, -42% by 2030 (baseline 2020), Net Zero Carbon by 2050 -27% of net energy consumption by 2028, -30% by 2030 (baseline 2020) -25% Gas leakage rate⁷⁷ by 2028 (baseline 2020) 	-18.5% of Scope 1 and 2 emissions -20.3% of net energy consumption -13.0% gas leakage rate
	Reducing the GHG emissions from the Group's value chain	-30% Scope 3 emissions by 2028 (baseline 2020)	-25.0% of Scope 3 emissions
We protect ecosystems and promote a circular economy	Introducing ecodesign principles in smart meters production	50% of all active smart meters designed according to «Design for environment» criteria in lieu of GPRS meters by 2028	In 2022, the first prototype was produced and manufactured, and around 20,000 pre-series pieces are scheduled for production towards the end of 2023
	Reducing the amount of waste sent on for disposal	<ul style="list-style-type: none"> 100% of waste produced annually by the Group sent on for recovery by 2028 93% of waste produced annually by the contractors of the Group sent on for recovery by 2028 	97.6% of annual waste produced by the Group sent for recovery

⁷⁵ The targets refer to the scope of Group companies consolidated on a line-by-line basis as at 2021, thus not including any changes as a result of ATEM tenders, M&A transactions and DEPA Infrastructure.

⁷⁶ Market based

⁷⁷Volume of fugitive emissions of natural gas/volume of gas distributed

			94.5% of annual waste produced by the Group's contractors sent for recovery
	Managing and mitigating the impact of the Group on the ecosystems	Realisation by 2024 of an integrated model for the evaluation, management and monitoring of the impacts of Group activities on the ecosystems	Issuance of Guidelines for Biodiversity and Ecosystem Services (BES) Management and Ecological Sensitivity Mapping for the Biodiversity of Italgas Assets

6.1.1 Network innovation and digitisation to enable energy transition and decarbonisation

The innovation is the main driver of the Italgas development strategy. The Company's capacity to consolidate its leadership position in Italy and Europe by being at the forefront, also at a global level, in the gas distribution segment, is driven by technological innovation.

The 2022-2028 Strategic Plan has recorded an increase in investments, mainly driven by digitisation. With the aim of completing the digital transformation of assets and making Italgas to all intents and purposes a leader in the energy transition, the Group has allocated more than € 1.5 billion (+100 million on the previous Plan) to the digitisation of the networks; a plan in line with the European decarbonisation objectives and the development of renewable gases such as biomethane, synthetic methane and green hydrogen.

Scheduled Gas Leakage Detection

For leak detection activities, since 2018 Italgas has been implementing CRDS technology (Cavity Ring-Down Spectroscopy) – developed by the US company Picarro Inc.: this is a sophisticated sensing technology that, compared to traditional technologies, offers significant advantages in terms of speed of execution and the size of the areas subject to inspection and the accuracy of readings; in fact, it is equipped for:

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

This makes Italgas one of the first, very few, gas distributors in Italy and Europe to carry out scheduled gas leakage detection, also extended to all the underground and overhead connections, albeit this activity is not prescribed by current legislation and regulations. Right from the first applications, the technology – which is now a full part of the management of the distribution network – has made it possible to inspect the whole of the Group's network on an annual basis, i.e. respectively three (for high-/medium-pressure pipes) and four (for low-pressure pipes) times the annual requirement laid down by ARERA.

This technology, coupled with the subsequent localisation and elimination of leaks, puts Italgas in a cutting-edge position, also in terms of the work it does to limit leaks, a topic to which the European Commission pays close attention.

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

In addition, to improve the efficiency and safety of its networks, in 2022 Italgas adopted GIS4WARD, an application developed as a team by the Asset Performance & Technology Departments of Italgas Reti and Bludigit, in partnership with the Polytechnic University of Turin, which will project the Group towards increasingly smarter and more proactive network maintenance. This technology, in fact, enables one of the world's most advanced approaches to predictive maintenance applied to gas networks, based on a virtual ecosystem that, through the creation of "behavioural maps" of pipelines, obtained by combining data collected from digital networks and surveys carried out with the CRDS Picarro technology, allows targeted investments to be planned in order to further reduce network leakage and the Company's carbon footprint.

Digitisation of the reduction units

Thanks to new digital technologies, Italgas Reti has started completion of the digitisation and remote supervision of network infrastructures and systems, through the installation of sensors and actuators, directly connected to RTUs (Remote Terminal Units) for two-way communication between the field and the control and command centre. During 2022, the project continued – within the Digital Factory – to develop and integrate into the application map the new tool that would allow the greatest possible benefit to be derived from the digitisation and remote supervision project. This application, one-of-a-kind worldwide and developed entirely by Italgas and Bludigit, is called DANA (Digital Advanced Network Automation) and has an in-built GIS (Geographical Information System) and a SCADA-type supervision system, which benefits from the support of dedicated HMIs (Human Machine Interfaces), precisely with the aim of managing and controlling the network as a whole from a single operating room, including renewable gas injections such as connections with biomethane production plants. In 2022, DANA's roll-out began on the Group's distribution plants: at the end of the year, 21 Italgas Reti plants and 63 Medea plants were remotely controlled by means of DANA. It is expected that by the end of 2024, the whole of the Group's plants will be remotely controlled on DANA.

Other significant activities

In Italgas Reti's Device and Material Testing (LAB) laboratories, within the centre of technological excellence in Asti that operates according to the standard ISO 17025 for the tests and calibrations indicated on the accreditation certificates on the Accredia website, test and calibration methods are developed and updated in connection with innovative systems and products for each individual production process and the various specialised activities connected with gas distribution are monitored. In 2022, activities continued in relation to

instrumental tests on gas odourisation, the calibration of gas meters and other instrumentation supporting gas distribution activities, as well as mechanical tests on network materials.

The possibility of improving performance in terms of technical and commercial quality also depends on the technological component made available to the customer. In this respect, Italgas has substantially completed the replacement of traditional meters with new generation digital smart meters with new functions. See paragraph 4.3 "Operating performance" for further details.

BOX - THE INTEGRATION OF GREEN GASES IN THE NETWORKS

The transformation of the networks involves digitisation, but not only this. Over the period 2022-2028, Italgas planned around € 100 million of investments related to new biomethane connections. The main green gas development initiatives include:

- the Power-to-Gas pilot project in Sardinia, near Cagliari, the very first application in the UE, aimed at verifying the whole green hydrogen chain, from the production of hydrogen from electricity produced by photovoltaic panels, to the distribution in the networks and the end uses, such as mobility, industrial applications and residential uses, which is scheduled to be launched in 2024. Italgas believes that Power-to-Gas technology is another way in which gas and electricity sectors are merging, able to offer a reliable solution to the problem of the reduced programmability of renewable resources. The plant will be connected to the new "digital native" networks that Italgas, through the associate Medea, has developed in Sardinia. The region, which was once the only one in Italy not reached by natural gas, can, in fact, today boast the country's most modern infrastructure; a network that guarantees greater efficiency and quality of gas distribution service, and which, thanks also to this project, will allow renewable gas to be received and distributed to end customers, making the achievement of decarbonisation targets ever more concrete;
- the design and development of a new generation, hydrogen ready Italgas smart meter, which integrates green gas metering and management functions. In 2022, the first prototype was produced and manufactured, and around 20,000 pre-series pieces are scheduled for production and field installation towards the end of 2023, followed by the subsequent commercial launch expected for end 2024;
- the Italgas laboratory revamping plan, through the revision of the mission, the activities and their organisation, pursuing the aim of transforming them into a real centre of European excellence on the natural gas front and new renewable gases in support of the energy transition;
- The development of a reverse flow project in support of the Italian biomethane chain development, consisting of the design of innovative two-way distribution plants that enable the reversal of gas flow (from the local distribution network to the national transmission network) in the presence of an introduction of biomethane that cannot be completely absorbed by the distribution network during periods of low user demand. More specifically, through the development of bi-REMI cabins, the distribution network can be evolved from a mere infrastructure for taking energy to end customers to an evolved tool for the collection of gas and the relaunch onto the transmission network of renewable and non-renewable gas.

Bludigit and digital network transformation

The optimal trade-off of innovative drive and safety, resilience and sustainability of solutions is the aim of Italgas' digital transformation, which in 2022 took another important step forward in terms of evolution of the business capability and way of working.

Lastly, new machine learning solutions have been developed, capable of expanding predictive maintenance to other assets in the digitised network, as well as optimising the use and set-up of those assets.

As part of the innovation and digital transformation process pursued by Italgas, Bludigit, the Group's new company, was established in 2021 with the aim of offering the market new proprietary technology solutions through an ecosystem of technology partners. Through the Digital Factory, i.e. the Group's innovation hub, Bludigit has been helping to digitise processes and improve operations as well as assisting in network management and service quality since 2018.

In 2022 Bludigit continued to effectively support the achievement of the Group sustainability targets, thanks to the numerous initiatives aimed at optimising the digital solutions and the use of the cloud resources needed, redesigning processes taking a paperless approach and contributing to the ecological transition through all projects striving to achieve complete network digitisation. Some examples are: the new AMPER-billing solution, the GIS4WARD Smart Maintenance solution, the digitisation of the odouriser replenishment processes, the digitisation of health surveillance processes, the new facility management platform.

In 2022, Bludigit consolidated its business engagement and performance and investment control model, which ensured further scale-up of the digital transformation plan along with the value it will bring to the business.

Finally, Bludigit will assure the IT integration and digital transformation of the companies within the DEPA Infrastructure Group scope.

6.1.2 Attention to the environment

The challenges contained in the Sustainable Value Creation Plan, already included in the 2022-2028 Strategic Plan, have led to a review of the specific targets in terms of further reductions in emissions and energy consumption, in line with the climate targets, also long-term, set by the European Union.

The sustainability targets set for 2028 aim to reduce CO₂ emissions and energy consumption, allowing the Group to stay ahead of the EU's 2030 targets. Thanks to network digitisation and technological innovations, Italgas expects to have reduced climate-changing emissions (Scope 1 and Scope 2) by 34% and net energy consumption by 27% by 2028, both compared to 2020 levels⁷⁸. Furthermore, the Italgas Group has set itself targets in line with the main timelines defined by the Green Deal: -42% in climate-altering emissions and -33% net in energy consumption by 2030 (with the same baseline and scope as defined for the previous targets) and a "Net Zero Carbon Target" by 2050, based on the above initiatives and carbon removal activities from 2030 onwards.

⁷⁸With the same scope, excluding any changes following M&As, DEPA Infrastructure and ATEM (Minimum Territorial Area) tenders.

Lastly, the Group has also set specific targets on Scope 3 greenhouse gas emissions related to its supply chain, planning a 30% reduction by 2028 and a 33% reduction by 2030 compared to 2020⁷⁹, through increased engagement with its suppliers. The Group has also set itself a “Net Zero Carbon Target” for Scope 3 emissions by 2050, also based on carbon removal activities from 2030 onwards.

Italgas plans to make significant contributions to the achievement of the sustainability targets thanks to various initiatives developed with Geoside, the Group's ESCo, aimed at energy efficiency of the Group's assets in both the industrial and civil sectors, training activities for employees on energy efficiency issues, as well as the development of a predictive maintenance plan on gas networks, aiming to drastically reduce dispersion in the atmosphere.

With regard to civil consumption, the restructuring of several important company offices already completed, already under way or planned, will help further reduce the energy demand and, as a result, related emissions. Lastly, net industrial electricity consumption is also expected to be cut significantly, due to the commissioning of innovative cogeneration and turbo-expansion plants at some Italgas Reti citygates, which will allow self-generated electricity to be used to satisfy the Group's needs (the four plants installed during 2022 at Pantano (RM), Riva at Chieri (TO), Rosta (TO) and Caselette (TO) will be fully operational starting from the early months of 2023).

Policies and commitments

All Italgas' business is carried out paying close attention to the environment, natural resources and public and personal safety, considering all these as key factors to the sustainable development of the business and the territory.

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

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

- to guarantee, using suitable management and organisational procedural tools, the Customer's right to the accessibility and use of services;
- to optimise company processes in order to reach maximum efficiency and effectiveness levels, in compliance with the health and safety of workers and maximum attention for the environment;

⁷⁹With the same scope, excluding any changes following M&As, DEPA Infrastructure and ATEM (Minimum Territorial Area) tenders.

- to design, implement, manage and dispose of facilities, constructions and assets, to protect worker health and safety, the environment, energy savings, while aligning with the best technologies available and sustainable economically;
- to conduct and manage activities in order to prevent incidents, accidents and occupational diseases;
- to ensure the information, training, and awareness of personnel for an active and responsible participation in the implementation of the principles and the achievement of the objectives;
- to implement sustainable use of natural resources, prevent pollution and protect ecosystems and biodiversity;
- to implement operational and management actions to reduce greenhouse gas emissions, with a climate change mitigation approach;
- to manage waste to reduce its production and promote recovery in its final destination.

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

The effective implementation of the policy in relation to issues of health, safety and the environment is guaranteed and monitored by the department responsible for the direction, management and control of HSE activities. In 2022, 43,007 hours of training on HSE aspects were delivered. In addition, more than 400 awareness-raising/information meetings have been held for employees and approximately 40 for contractors, involving more than 160 companies.

During 2022, the Italgas Group did not receive any significant sanctions for breaching environmental laws and regulations, just like in the two previous years.

Due to the short period of consolidation of the Greek companies (September-December 2022), the data and information reported in this chapter refer to the Italian perimeter (referred to as "Group") and, where available, also to the Greek perimeter, which is presented separately. The detailed analyses, for the reasons set out above, therefore refer to the Italian perimeter.

Consumption

The energy source used the most in the Group's activities is natural gas, in both civil and industrial uses, and for vehicles. Since 2016, Italgas has been monitoring its consumption with the aim of reducing its environmental impact over time according to a continuous improvement process in line with the objectives identified in its 2022-2028 Strategic Plan.

Energy consumption totalled 472,0 TJ in 2022. The figure shows a marked improvement over 2021 (-125.2 TJ, corresponding to a reduction of -21.0%).

Italy

NET ENERGY CONSUMPTION (TJ) ⁸⁰	2020	2021	2022 ⁸¹	% Change 2021-2022
Fuel energy consumption for industrial use	322.5	319.3	242.6	-24.0%
Fuel energy consumption for civil use	45.5	46.7	32.4	-30.6%
Fuel energy consumption for vehicles	123.0	137.2	111.5 ⁸²	-18.7%
Net electricity consumption for industrial use	56.8	56.6	51.7	-8.7%
Net electricity consumption for civil use	44.0	37.1	33.5	-9.7%
Thermal energy consumption for civil use	0.3	0.3	0.3	0.0%
Total	592.1	597.2	472.0	-21.0%

Greece

NET ENERGY CONSUMPTION (TJ)	September - December 2022
Fuel energy consumption for industrial use	1.2
Fuel energy consumption for civil use	0.5
Fuel energy consumption for vehicles	4.5
Net electricity consumption for industrial use	0.4
Net electricity consumption for civil use	2.1
Total	8.7

⁸⁰ This refers to total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted. Geoside's consumption related to heat management and energy service contracts is not counted. These contracts provide for the registration of gas and district heating supplies to Geoside in order to provide the heating service to the managed buildings. For 2022, consumption is as follows: 9,561.160 MWh (equivalent to 34.4 TJ) for "district heating energy/heat management services", 2,984,971 sm³ of methane (equivalent to 117.6 TJ) for "energy/heat management services".

⁸¹ The 2022 consumption values have been calculated using the ISPRA 2022 conversion factors - Table of national standard parameters: standard parameters - fuels/materials.

⁸² In 2022, we were able to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account. The reduction in private use mileage means a reduction of about 3 million km on an annual basis, which corresponds to a decrease in fuel consumption of 8.5 TJ (from 120.0 to 111.5) and emissions of 1.4 10³ tonnes CO₂ (from 5.9 to 4.5).

FUEL ENERGY CONSUMPTION FOR INDUSTRIAL USE

In 2022, fuel energy consumption for industrial use recorded a decrease of 76.7 TJ, falling from 319.3 TJ to 242.6 TJ (-24.0% compared to 2021).

Thanks to the efficiency initiatives implemented, a decrease was recorded in industrial self-consumption of natural gas for the gas preheating process: over the year, at Italgas Reti, 392 preheating optimisation systems were installed, while Toscana Energia completed the efficiency campaign on its plants.

These interventions, alongside operational and maintenance initiatives, contributed to:

- an overall saving of approximately $1,370 \cdot 10^3 \text{ Sm}^3$ compared to 2021⁸³, 1,085 for Italgas Reti and 285 for Toscana Energia (corresponding to a total of 2,728 tCO₂ of emissions avoided);
- a reduction in the specific consumption⁸⁴ of the plants of Italgas Reti and Toscana Energia, which decreased from 1.18 in 2021 to 1.01 in 2022, a change of -14.4%.

In December, Toscana Energia completed the installation of the equi-distributors, which will already guarantee further savings during the 2022-2023 heating season. Also considering the work carried out in past years, Italgas Reti's Reduction and Measurement Collection Plants (IPRMs) equipped with pre-heating systems that use consumption optimisation technology will total 620 at the end of 2022; by 2023, moreover, the plan to install such systems at all IPRMs is expected to be completed.

For Italgas Reti, an innovative preheating management system entirely developed by the Company, called IPS (Integrated Pre-Heated System), has been installed at an IPRM site located in Abbadia (NO); this will see greater use in 2023 to further reduce natural gas consumption for preheating. This solution is mounted inside a container, and provides for a phase change thermal storage with two distinct thermal sources, operating in parallel: a micro-cogenerator and an air-water heat pump unit powered mainly by self-generated electricity (solar thermal and/or photovoltaic).

LPG consumption can be traced to Medea: in 2022, thanks to the conversion of the smaller and less efficient LPG plants to latest-generation LNG, this consumption reduced by approximately 21%; in addition to the positive results obtained to date, for 2023, various other optimisation activities and action to increase energy efficiency have been planned, to further reduce the Company's energy impact.

FUEL ENERGY CONSUMPTION FOR CIVIL USE

The Italgas Group also pursues sustainability goals through constant renovation of its real estate assets, management and continuous monitoring of consumption and by introducing digital technologies.

⁸³ The calculation considers the comparison with consumption that would have been obtained in the absence of optimisation (with reference to the formula used for the reporting of the savings to ENEA pursuant to Article 7, subsection 8 of Legislative Decree 102/2014).

⁸⁴ Specific consumption, i.e. consumption of natural gas for preheating per $1,000 \text{ Sm}^3$ of gas injected into the network, expressed in $\text{Sm}^3 \text{ preheating}/10^3 \text{ Sm}^3$ gas injected into the network.

In 2022, numerous actions were implemented to reduce methane gas consumption (-30.6% on 2021), including, for example: optimal management of heating and/or air conditioning plants and the related set-points, delayed switch-on of such according to external climate conditions, greater segmentation of plants in the main sites so as to allow for their switch-off when no staff are in the premises and prolonged closure of the sites during the Christmas holidays.

The virtuous reduction of civil consumption, now an integral part of real estate management, will continue during 2023 along the following lines:

- the process to renew building stock;
- installation of photovoltaic systems to increase the amount of electricity self-produced and consumed on site;
- extension to all the Group's operating sites of the ability to monitor consumption in real time and analyse it using the proprietary platform developed by Geoside, thanks to introduction of smart sensors.

FUEL ENERGY CONSUMPTION FOR VEHICLES

The entire vehicle fleet was renewed on the basis of the following strategic drivers:

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

During 2022, lines of action were pursued mainly to reduce emissions and make the vehicle fleet more efficient. In particular, the actions included:

- training of more than 300 employees in safe, sustainable driving courses;
- the introduction of digital solutions for carrying out operational activities such as the applications released by the Digital Factory, which allow employees to optimise travel necessary in the territory.

The 2022 distances travelled by all car types decreased, with a total of almost 8.7 million fewer kilometres driven than in 2021 (-20.4%). In terms of energy consumption, there is also a reduction of 18.7% TJ in 2022 compared to 2021.

Italy

(millions of KM)	2020	2021	2022
Diesel	4.5	4.9	1.7
Petrol	7.1	6.1	10.1
Methane	26.2	31.8	22.2
total	37.8	42.8	34.0

Greece

(millions of KM)	September - December 2022
Diesel	0.6
Petrol	0.3
Methane	0.6
total	1.6

NET ELECTRICITY CONSUMPTION FOR INDUSTRIAL USE

Net electricity consumption for industrial use dropped by 8.7% compared to the previous financial year, despite the fact that various new users (PODs) were activated in 2022 connected with the installation of the Final Digitised Reduction Groups (GRFDs), which generated additional consumption of 120 MWh for Italgas Reti and 20 MWh for Toscana Energia.

Experimental installation continued of:

- direct-drive meters inserted into the electrical panels, at IPRMs, which allow for the monitoring of the general consumption and secondary utilities (cathode or light protection), enabling more detailed analysis, also with a view to certification in accordance with ISO 50001: 2018;
- innovative systems enabling energy to be recovered by means of microturbines at GRFDs. These systems harness the energy otherwise dissipated by the gas pressure reduction process, turning it into electricity available for use on site (energy harvesting systems).

In Toscana Energia, a saving in electricity consumption of 6.5% in 2022 was observed. The reasons for this trend are mainly to be found in the optimised operation of electro-circulators on upgraded preheating systems.

In 2023, Italgas Reti plans to replace traditional circulators with inverter-driven electro-circulators inside thermal power plants for preheating, revamp existing photovoltaic plants with more efficient modules, as well as new

installations of photovoltaic plants on both IPRMs and GRFDs, to ensure the self-production of the electricity needed to satisfy the needs of the new digitised plants.

Medea saw an increase in electricity consumption of 31.9% in 2022. This increase, in line with the company's expansion and development, is essentially due to the start-up of the new LNG plants: between 2021 and 2022, the number of LNG plants tripled to an impressive 68 units. These new systems meet the highest safety and quality requirements with low power consumption.

Italgas Acqua's electricity consumption, which represents the company's entire industrial consumption, also decreased by 17.6% compared to the previous year. Continuing on from the work carried out in the last months of 2021, further pressure regulation actions were implemented in 2022 to optimise the operation of the pumping plants. The installation of pumps with brushless motors, which are state-of-the-art in terms of energy efficiency, was also tested and gradually implemented. The installation started with the most energy-intensive pumping systems, and in particular those that required the replacement of the pump and motor that had reached the end of their useful life, which resulted in a significant improvement in electricity consumption.

NET ELECTRICITY CONSUMPTION FOR CIVIL USE

In 2022, in-depth analyses were performed of electricity consumption, starting from the main properties used by the Group. This activity made it possible to identify actions to reduce this consumption, for example through a structured, national programme to replace lighting fixtures with LED technology, the optimal configuration, modulated over the course of the year, of the operating logics of lighting outside buildings, the reduction of so-called "baseload" consumption of building operations (e.g. mechanical ventilation, internal lighting, consumption of network equipment and air conditioning of rooms used to house them) and even greater system regulation accuracy during the summer season. All the above, together with adoption of smart working (working from home) for the entire period and the closure of some offices during the Christmas holidays, resulted in a 9.7% decrease in electricity consumed for civil use compared to 2021.

On the basis of the interventions implemented to reduce fuel and electricity, in 2022, over all the Group's buildings, a reduction was recorded of 20.5% in energy consumed per square metre for the operation of the company sites, compared with 2021: 0.66 GJ/m² in 2022 compared to 0.83 GJ/m² in 2021.

PHOTOVOLTAIC

Through its subsidiary, Geoside, the Group manages 18 photovoltaic plants, which it took over possession following the acquisition of a subsidiary of Toscana Energia (Toscana Energia Green, now merged into Geoside); below is their electricity production transferred to the GSE (Energy Services Manager) insofar as not self-consumed by the Group, and the related emissions avoided by third parties using it.

PHOTOVOLTAIC	2020		2021		2022	
	kWh	TJ	kWh	TJ	kWh	TJ
Dedicated collection by GSE	8,876,626	31.96	9,284,818	33.43	8,640,476	31.11

Emissions avoided for self-produced energy, transferred to the GSE and used by third parties (tCO ₂ eq)	2,337.8	2,419.0	2,270.2
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Lastly, please refer to the table “Consumption and emissions avoided for the Group” for the values of Group self-consumed electricity and the related emissions avoided.

Greenhouse gas emissions

Fully in line with what was done in relation to consumption, for years Italgas has also monitored its greenhouse gas emissions, with the objective of reducing its carbon footprint according to a continuous improvement process in line with the objectives identified in its 2022-2028 Strategic Plan.

Italgas has recorded the following emissions:

- Direct emissions (Scope 1): deriving from the civil consumption of gas, from industrial consumption of gas for preheating, from fuel consumptions for vehicles and grid losses (“fugitive emissions”);
- Indirect emissions (Scope 2): deriving from the consumption of electricity and heating purchased;
- Other Indirect Emissions (Scope 3): arising from travel (business travel), outsourced activities (supply chain) and emissions related to purchased energy production.

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

Italy

Scope 1 and Scope 2 ⁸⁵ (10 ³ tCO ₂ eq)	2020	2021	2022 ⁸⁶	Change % 2021-2022
Fugitive gas emissions ⁸⁷	146.6	133.4	120.0	-10.0%
Emissions from gas consumption for industrial use	18.2	18.1	13.8	-23.8%
Emissions from gas consumption for civil use	2.6	2.6	1.8	-30.8%
Emissions from fuel consumption for vehicles	5.7	6.4	5.4 ⁸⁸	-15.6%
Emissions from thermal energy for civil use	0.0	0.0	0.0	0%

⁸⁵ Scope 2 market-based

⁸⁶ The 2022 emission values were calculated using the ISPRA 2022 Emission Factors – Table of national standard parameters: standard parameters – fuels/materials

⁸⁷ Thanks to the collaboration with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system, the values for 2022 also include the estimate of emissions from permeation, operational, due to maintenance on reduction units and for meter replacements (about 0.97% of total fugitive emissions).

⁸⁸ In 2022, we were able to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account. The reduction in private use mileage means a reduction of about 3 million km on an annual basis, which corresponds to a decrease in fuel consumption of 8.5 TJ (from 120.0 to 111.5) and emissions of 1.4 10³ tonnes CO₂ (from 5.9 to 4.5).

Emissions from electricity consumption for industrial use	0.2	0.0	0.0	0%
Emissions from electricity consumption for civil use		0.2	0.2	0%
Total	173.3	160.7	141.2	-12.1%

2022 saw a drop in total Scope 1 and Scope 2 emissions of 12.1% compared to the previous financial year. The main components that contributed to this decrease are fugitive emissions and emissions from gas consumption for industrial use, which in total make up about 95% of the total Scope 1 and Scope 2 emissions.

Gas emissions for civil and industrial use are in line with the consumption trend described in the “Consumption” section, while emissions from transport fuel consumption decreased by 15.6%, in line with the aforementioned trend. The initiatives implemented resulted in an overall reduction of more than 42% in NO_x emissions on 2021 (0.085 gNO_x/km). Another significant parameter is the value of Particulates (0.0005 gPart/km). The savings obtained, if the same number of kilometres had been travelled using a non-bifuel and older fleet of operations vehicles, is quantified as ranging between 50 and 55% of nitrogen oxides and 1500% of particulate; CO₂savings amounted to 1.5 thousand tonnes. These indicators provide further representation of the capacity to reduce emissions levels, brought about by the fleet transformation project.

Greece

Scope 1 and Scope 2 ⁸⁹ (10 ³ tCO ₂ eq)	September - December 2022
Fugitive gas emissions ⁹⁰	6.29
Emissions from gas consumption for industrial use	0.07
Emissions from gas consumption for civil use	0.03
Emissions from fuel consumption for vehicles	0.20
Emissions from electricity consumption for industrial use	0.05
Emissions from electricity consumption for civil use	0.26
Total	6.90

FUGITIVE EMISSIONS

⁸⁹ Scope 2 market-based

⁹⁰ The calculation of fugitive emissions for DEPA Infrastructure for the four months of consolidation was carried out using the Picarro 4BINS approach on the EDA Attikis networks inspected with Picarro in 2022 (approximately 410 km), similar to Italgas, and the use of EF derived from the Marcogaz study, for the networks not inspected with Picarro in 2022. In the course of 2023, network inspection with Picarro technology will be implemented on the entire Greek network, similar to what has been done on the Italian networks.

The Italgas Group's fugitive emissions for 2022 decreased considerably, equal to -10.1% compared to 2021. The result achieved becomes even more significant since, for the first time, some portions of Italgas Reti's network were inspected for planned gas leakage searches more than once during the year.

A more specific analysis of the characteristic KPIs of the process shows substantial parity on the indicator of the fugitive emissions to transported gas ratio and a clear decrease (-15.2%) for the indicator of the ratio of emissions to km of the network.

The prompt inspection, localisation and repair of leaks also produced an important result in terms of savings of fugitive emissions into the atmosphere. In 2022, thanks to the operational effort in the prompt elimination of leaks, emissions avoided made up around 33% of total emissions⁹¹.

A number of important partnerships and initiatives were confirmed in the year 2022, with a view to continuous improvement and development of fugitive emission research and evaluation:

- 1) The use of an innovative approach, developed in collaboration with Picarro, in the assessment of measurement uncertainty, which uses Bayes' theorem and statistical analysis of data samples.
- 2) The continued collaboration with the Polytechnic University of Turin to estimate fugitive emissions that cannot be quantified using the CRDS system, which are typically operational emissions or emissions related to the permeability of certain materials.
- 3) The development of the Smart Maintenance GIS4WARD platform.

The work carried out by the Italgas Group, thanks to its partnership with the Polytechnic University of Turin, made it possible to confirm the prestigious 'Gold Standard' in the OGMP 2.0 voluntary partnership in 2022. This important recognition rewards not only the absolute reduction of fugitive emissions into the atmosphere, but also the effort and commitment of the Italgas Group in promoting best practices within the industry.

Italy

	u.o.m.	2020	2021	2022
Total natural gas fugitive emissions	10 ⁶ Sm ³	8.5	7.7	6.9
Total fugitive emissions in CO ₂ eq	10 ³ tCO ₂	146.6	133.4	120.0
Gas distributed	10 ⁶ Sm ³	8,477.0	8,886.7	7,961.3
Gas Leakage Rate (natural gas fugitive emissions / gas distributed)	Sm ³ / Sm ³	0.100%	0.087%	0.087%

⁹¹ Total emissions that would be obtained considering the maximum emission time, i.e. one year.

Network inspected ⁹²	km	71,184.5	72,145.2	76,491.0
Fugitive emissions of natural gas / network inspected	Sm ³ / km	118.9	106.7	90.5

SCOPE 2 EMISSIONS

Italy

	u.o.m.	2020	2021	2022
Location-based Scope 2 emissions	10 ³ tCO ₂	7.3	6.4	6.2
Market-based ⁹³ Scope 2 emissions	10 ³ tCO ₂	0.2	0.2	0.2

Market-based indirect Scope 2 emissions are substantially in line with 2021, as a result of purchasing electricity produced from certified renewable sources, as certified by the Guarantees of Origin (GO) management system.

SCOPE 3 EMISSIONS

Italy

10 ³ tCO ₂	2020	2021	2022
Capital goods	106.0	94.5	88.2
Purchased goods and services	63.3	47.3	43.2
Upstream transportation and distribution	6.2	3.6	4.0
Waste generated in operations	7.0	1.4	1.5
Upstream leased assets	0.8	0.4	0.5
Total Scope 3 – Supply chain	183.3	147.2	137.5

⁹²Note that the km of network used for this KPIs are related to the ARERA consistency declared in the previous year (i.e. for 2022 as at 31/12/2021). In addition, for 2022 the network kilometres investigated in a second phase were also accounted for. For the other gas network consistency of Medea, an average consistency for the previous year was considered, given the variability due to multiple conversions of the networks to natural gas during the year.

⁹³The calculation of market-based Scope 2 emissions requires that the emission quota related to renewable sources be null and that the residual mix type emission factor be used for the quota not covered by such contracts. (Source used – https://www.aib-net.org/sites/default/files/assets/facts/residual-mix/2021/AIB_2021_Residual_Mix_Results_1_1.pdf).

Fuel-and-energy-related activities (not included in Scope 1 or 2)	4.0	4.1	3.3
Business travel	0.6	0.8	1.2
Total Scope 3	187.9	152.1	142.0

In 2022, the Group adopted a new calculation model for Scope 3 emissions related to the supply chain. It was possible to move from a spend-based approach to a more specific approach using emission factors requested directly from suppliers (more details in the Section "Supply-chain emission analysis"). The 2020 and 2021 Scope 3 GHG emissions - Supply-chain emissions were recalculated using the new methodology.

Scope 3 - Supply-chain emissions in 2022 are 137.5 10³ tonnes CO₂, down by 6.6% compared to the previous year.

The plan for achieving the supply-chain emission reduction targets includes:

- involvement of the supply-chain - awareness and training to achieve more supplier engagement;
- inclusion of reward criteria in supplier tenders, according to the level of adoption of best practices in relation to GHG emission reduction;

CONSUMPTION AND EMISSIONS AVOIDED FOR THE GROUP

Italy

GRI 302-4 Reduction of energy consumption	2020		2021		2022	
	TJ	tCO ₂ eq	TJ	tCO ₂ eq	TJ	tCO ₂ eq
GRI 305-5 Reduction of GHG emissions ⁹⁴						
Network conversion from LPG to natural gas	23.1	217.0	69.4	669.5	97.3	938.2
Renovation of the site at Largo Regio Parco 11 and 9 in Turin ¹¹¹	6.47	382.0	12.0	771.9	19.9	1,268.9
Management interventions and optimisation of the use of civil buildings	-	-	-	-	11.9	698.0

⁹⁴ Values for consumption and emission reductions are based on the year 2019 as a baseline.

Management interventions and optimisation of the use of preheating plants	-	-	-	-	30.4	1,712.2
Installation of smart meters	2.6	192.0	5.2	379.8	5.2	382.1
Replacement of lighting with LED bulbs	-	-	0.5	36.9	0.5	36.9
Photovoltaic - Self-consumption	0.5	33.4	0.5	33.4	0.5	33.4
Total emissions avoided	32.7	824.4	87.6	1,891.5	165.7	5,069.7

THIRD-PARTY EMISSIONS AVOIDED BY ESCO GEOSIDE ACTIVITIES

Geoside is the ESCO of the Italgas Group. Among other activities, it proposes and performs energy efficiency interventions for its public and private customers in a residential and industrial context.

Specifically, the EPCs – Energy Performance Contracts – in place require that the savings generated following interventions be guaranteed and suitably measured.

In the public sector, the main tool used is funding via third parties envisaged by Italian Legislative Decree 115/2008, often combined with the project financing, governed by the Tenders Code (Italian Legislative Decree 50/2016). The proposals are characterised by the assumption of risk, against the standards offered, at the full expense of the proposing party and the contracts provide for an economic rebalancing mechanism to the benefit of the Administration, if the minimum objectives are not successfully guaranteed.

The remuneration mainly derives from the saving levels achieved, which must be able to generate the necessary cash flows to repay the investments.

The EPCs predominantly concern interventions

- on the air conditioning systems, generally powered by methane gas;
- on the public lighting systems, powered by electricity;
- to construct photovoltaic plants, which reduce withdrawals of electricity from the network.

In 2022, these interventions made it possible to achieve the following results, calculated using historical consumption figures:

Energy carrier	U.o.m.	2021 Saving	2021 Saving (GJ)	2021 Saving (tCO ₂ e)	2022 Saving	2022 Saving (GJ)	2022 Saving (tCO ₂ e)
Electricity	MWh	8,746.0	31,485.6	2,148.9	9,326.0	33.6	2.3
Methane gas	Sm ³	200,471.4	6,928.3	397.5	200,348	7.1	0.4

FV Plants	U.o.m.	2021	2021 Saving (tCO ₂ e)	2022	2022 Saving (tCO ₂ e)
EPC plant production	MWh	2,311.8	602.3	2,309	601.6

Waste production and disposal⁹⁵

As required by the environmental management system, the company carries out an assessment of environmental aspects and impacts, in which processes and activities that generate or could generate waste are analysed; the analysis is performed both on waste generated directly by the Group as well as that which is generated by its contractors.

Both processes and activities are periodically analysed in order to prevent waste generation; furthermore, in order to put waste into more effective recovery and reuse circuits at the expense of waste disposal, transporters and destination plants are selected that manage the waste produced by the organisation at the end of its life in a more sustainable manner.

As of 2021, the Atlantide IT application has fully replaced the use of the traditional paper Loading and Unloading Register, making it possible to speed up and facilitate its completion and to standardise data collection for the Integrated Financial Statements. Data collection, monitoring and analysis are carried out on a monthly basis.

With the same frequency, data concerning waste produced by contractors on behalf of Italgas are collected, monitored and analysed; in addition, contractual clauses concerning waste management are updated in order to achieve recovery and reuse targets.

In 2022, waste from the Group's production activities amounted to 162.4 tonnes; the total value of waste sent for recovery or disposal for the same year amounted to 247.7 tonnes (value including inventories from 2021), 97.9% of which was non-hazardous. This type of waste is mainly made up of mechanical meters, which have been subject to a huge replacement campaign. 97.6% of the waste produced by the Group was managed for recovery.

In 2022, waste produced by contractors' activity on behalf of Italgas totalled 648,576.5 tonnes; through the growing engagement, 94.5% of waste produced by contractors was assigned for recovery. To further raise awareness, a web application was developed for the timely monitoring of the waste produced and to monitor the way in which it is managed, which has been in use since January 2023.

The same types of monitoring were extended to the Greek companies in order to ensure continuity of commitment; waste generated and reported by contractors to the companies was, for the last four months of 2022, 192,452 tonnes, managed 100% for recovery.

⁹⁵ The waste management strategy is part of the Group's broader sustainability strategy, through specific KPIs of the Sustainable Value Creation Plan including a commitment to increase the percentage of the Group's and contractors' waste going to recovery.

Activities carried out on the reclamation sites in 2022

Italgas carries out environmental reclamation and redevelopment activities that include not only the remediation of environmental matrices related to the site, but also the removal of waste from past industrial activities and the possible demolition of plant structures and buildings.

Except in special cases, the sites to be reclaimed are former gas works, where industrial activities such as gas distillation from fossil carbon, cracking or reforming of light oil derivatives to produce the city's gas were carried out in the past.

During 2022, Italgas Reti continued to carry out design, safety, characterisation, monitoring, reclamation and environmental restoration activities on a total of 29 sites (forming part of those already identified in 2021), based on national environmental regulations for the reclamation of polluted sites, represented by Legislative Decree no. 152/06 "Environmental Standards", which superseded the previous legislative reference consisting of Ministerial Decree no. 471/99.

The sites in which an environmental procedure is operative in accordance with Italian Legislative Decree no. 152/06 Part Four Title V "Reclamation of contaminated sites" are distributed throughout national territory and are geographically located as follows:

- 5 in Piedmont
- 8 in Liguria
- 8 in Veneto
- 1 in Tuscany
- 3 in Lazio
- 2 in Campania
- 1 in Molise
- 1 in Calabria

From an administrative point of view, only the "via Brin" site of Naples comes under the competence of the Ministry of the Environment and Energy Security (MASE), as it falls within the scope of the Site of National Interest (SNI) of Eastern Naples, whilst the remaining sites come under the competence of Regional or Municipal authorities.

According to the "state of business", the 29 sites can be grouped together into four clusters:

- 5 have active construction sites and operating groundwater pumping sites - *Venezia Mestre v. Altobello, Venezia Isola di Murano, Cairo Montenotte Parco 3, Lucca, Napoli v. Brin*;

- 7 have active safety or groundwater reclamation systems - *Turin C.so Regina Margherita University Area, Civitavecchia, Venice San Francesco IGR Area, Castellammare di Stabia, Ventimiglia, Venice Santa Marta*⁹⁶, *Campobasso*⁹⁷;
- 7 have completed operational sites and/or active monitoring - *Bassano del Grappa, Legnago, Sanremo*⁹⁸, *Turin v. Trofarello, Venice San Francesco Area ex Veritas, Cuneo*⁹⁹, *Turin Basse di Stura*;
- 10 are undergoing planning activities or are close to starting operations - *Cairo Montenotte Parchi 1 and 2, Cairo Montenotte Terreni C.so Stalingrado, Catanzaro, Chiavari Loc. Caperana, Ciampino, Este, Rapallo, Rome, Savona, Turin C.so Unione Sovietica*.

There are no reclamation activities taking place in Greece.

Industrial water

In 2018, with the update in 2020, Italgas carried out an environmental analysis which showed that the use of water resources is not a significant environmental aspect because it is mostly related to use for hygiene-sanitary or fire-fighting purposes. The Italgas production process does not involve the use of water for industrial purposes, with the exception of the quantities used to top up the gas preheating systems, inserted inside the cabins used to reduce the pressure of gas collected from the high pressure gas pipe system, without the presence of industrial drains. With specific reference to the management of the Medea distribution networks, the water used is heated to vaporise the LPG into a liquid phase when leaving the tanks. This water, which is also released into the fire-fighting system, is collected from the aqueduct or groundwater via wells. At the Sassari plant, the washing water is released to the ground, after treatment, in compliance with the authorisation.

For 2022, lastly, as part of the reclamation work, 191,277 cubic metres of water were taken from the contaminated groundwater; this was treated to take the concentrations of pollutants back to the limits permitted for discharge in public drains, in compliance with current legislation and authorisations.

Water for civil uses

The Group companies' environmental analyses, prepared in accordance with standard UNI EN ISO 14001, showed that use of water resources is not a significant environmental aspect. However, the safeguarding of resources and their rational use is envisaged by the HSEQ Policy and this is why the Group is committed to

⁹⁶ As at 24/08/2022, active soil reclamation work was temporarily suspended following the overturning of a heavy vehicle used to transport soil for backfilling, while passing over the weighbridge at the site.

⁹⁷ Non-automated Safety Interventions.

⁹⁸ On 01/06/2022, the Provincial Administration of Imperia certified the reclamation of the former gasworks area located in via Goethe no. 171 – Sanremo (IM).

⁹⁹ On 11/11/2022, the Province of Cuneo certified the completion of the Permanent Safety Measures.

reducing limited water consumption. The withdrawal of fresh water from the aqueduct, used for hygiene/sanitary purposes in the changing rooms and offices and for the fire-fighting system, came to 67,390 cubic metres (-11.4%): the reduction is mainly attributable to the closure of the changing rooms (and showers) at the operations offices and the greater use of smart working. As regard civil drains, most waste water is conveyed, considering its nature, to the drains without any treatment.

This differs for Italgas Acqua, the Group company that manages the distribution of water under concession in five municipalities of Campania. For this company, managing water consumption means collecting the water, making it suitable for drinking and distributing it to the city, guaranteeing quality standards and continuity and regularity of service.

Main Key Performance Indicators NFS

Standard GRI 302-1 Energy consumption within the organisation

Energy consumed within the organization	U.o.m.	2020	2021	2022
FUEL ENERGY CONSUMPTION				
Fuel energy consumption from non-renewable sources				
Fuel energy consumption for civil and industrial use	TJ	368.0	366.0	275.0
- <i>of which natural gas for civil use</i>	TJ	45.3	46.4	32.2
- <i>of which natural gas for industrial use</i>	TJ	310.1	306.4	232.5
- <i>LPG and propane air for civil and industrial use</i>	TJ	12.6	13.2	10.3
Fuel energy consumption for vehicles¹⁰⁰	TJ	123.0	137.2	111.5
- <i>of which diesel</i>	TJ	11.0	12.1	4.3
- <i>of which petrol</i>	TJ	18.1	16.2	32.1
- <i>of which natural gas</i>	TJ	93.9 ¹⁰¹	108.9	75.1
Fuel energy consumption from renewable sources				
Fuel energy consumption from renewable sources	TJ	0	0	0
Total fuel energy consumption				
Total fuel energy consumption	TJ	491.0	503.2	386.5
CONSUMPTION OF PURCHASED ENERGY				
Consumption of purchased energy from non-renewable sources				
Electricity	TJ	1.5	1.9	1.6
Heating energy	TJ	0.3	0.3	0.3
Consumption of purchased energy from renewable sources				
Consumption of purchased energy from renewable sources	TJ	99.3	91.8	83.6
Total consumption of purchased energy				
Total consumption of purchased energy	TJ	101.1	94.0	85.5
TOTAL ENERGY CONSUMED WITHIN THE ORGANISATION				

¹⁰⁰ For more details on the trend of consumption linked to vehicles, refer to the specific graphs and the information given in the section "Emissions and action taken to reduce them" of this document.

¹⁰¹ The trend of energy consumption is consistent with the change in the fuel mix used by the vehicle fleet. For more details on the trend of consumption linked to vehicles, refer to the specific graphs and the information given in the section "Emissions and action taken to reduce them" of this document.

Total energy consumed within the organization	TJ	592.1	597.2	472.0
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Standard GRI 302-3 Energy intensity (Italy)

Below are some energy intensity values in respect of different reference parameters:

1) Energy intensity calculated by comparing the total Group energy consumption with the gas distributed.

Energy intensity	U.o.m.	2020	2021	2022
Global energy intensity	TJ/10 ⁶ Sm ³	0.07	0.06	0.06
Total energy consumed within the organization	TJ	592.1	597.2	472.0
Gas distributed	10 ⁶ Sm ³	8,477	8,887	7,961

2) Energy intensity calculated by comparing the Group's total energy consumption for gas distribution (excluding the activities of Italgas Acqua and Geoside), with the gas distributed. This parameter offers an indication of the quantity of energy used to supply 10⁶Sm³ of gas.

Energy intensity	U.o.m.	2020	2021	2022
Global energy intensity	TJ/10 ⁶ Sm ³	0.052	0.049	0.042
Total energy consumed within the organisation for gas distribution	TJ	441.2	433.3	338.0
Gas distributed	10 ⁶ Sm ³	8,477	8,887	7,961

2) Energy intensity calculated by comparing the Group's total energy consumption for gas distribution (excluding Italgas Acqua and Geoside activities), with the kilometres of network. This parameter offers an indication of the quantity of energy used to supply the service per km of network.

Energy intensity	U.o.m.	2020	2021	2022
Energy intensity per km of network	GJ/km	6.20	5.98	4.73
Total energy consumed within the organisation for gas distribution	GJ	441,200	433,300	338,000
km of network	km	71,185	72,503	71,481

3) Energy intensity calculated by comparing the Group's total energy consumption for gas distribution (excluding Italgas Acqua and Geoside activities) with the number of active re-delivery points. This parameter offers an indication of the quantity of energy used to supply the service per delivery point.

Energy intensity	U.o.m.	2020	2021	2022
Energy intensity per delivery point	GJ/unit	0.058	0.057	0.047
Total energy consumed within the organisation for gas distribution	GJ	441,200	433,300	338,000
Active delivery points	unit	7.595 · 10 ⁶	7.604 · 10 ⁶	7.213 · 10 ⁶

Standard GRI 303-3 Water withdrawals

Italy

Water withdrawals	U.o.m.	2020	2021	2022
Quarry water, collected from quarries	ML	0	0	0
Sea water		0	0	0
Rainwater collected		0	0	0
Water withdrawn from the aqueduct (municipal drinking water)		98.04	75.77	67.13
Surface water		0	0	0
Underground water		0.15	0.26	0.26
External waste water		0	0	0
Total water withdrawn		99.51	76.03	67.39

Greece

Water withdrawals	U.o.m.	2022
Quarry water, collected from quarries	ML	0
Sea water		0
Rainwater collected		0
Water withdrawn from the aqueduct (municipal drinking water)		1.68
Surface water		0
Underground water		0
External waste water		0
Total water withdrawn		1.68

Standard GRI 303-4 Water discharge

Italy

Water discharge	U.o.m.	2020	2021	2022
Discharged in underground water ¹⁰²	ML	1.40	0	0
Discharge to sewers		98.01	74.19	66.53
Discharged in seawater		0	0	0
Discharged in surface water		0	1.56	0.48
Benefit/other use		0	0.28	0
Sent to other treatment plants		0.11	0	0.38
Total discharges		99.51	76.03	67.39

Greece

Water discharge	U.o.m.	2022
Discharged in underground water ¹⁰³	ML	0
Discharge to sewers		1.65
Discharged in seawater		0
Discharged in surface water		0
Benefit/other use		0
Sent to other treatment plants		0.03
Total discharges		1.68

For the Italgas Group, the water drains correspond to the collections; consequently, water consumption is zero (**GRI 303-5 Water consumption**).

Standard GRI 305-1 Direct (Scope 1) GHG emissions
Standard GRI 305-2 Indirect (Scope 2) GHG emissions from energy consumption
GRI 305-3 Other indirect (Scope 3) GHG emissions
Standard GRI 305-4 Intensity of GHG emissions

Direct and indirect emissions and other GHG emissions (Italy)	GRI Standard	U.o.m.	2020	2021	2022
Total Scope 1	305-1	10 ³ t CO ₂ eq	173.1	160.5	123.0
Total Scope 2 ¹⁰⁴	305-2		0.2	0.2	0.2
Total Scope 1 and Scope 2			163.8	173.3	160.7
Total Scope 3 – Supply chain	305-3		183.3	147.2	137.5
Total Scope 1, Scope 2 and Scope 3			300.1	356.6	298.2
Carbon intensity ¹⁰⁵	305-4	tCO ₂ eq/10 ⁶ Sm ³	20.4	18.1	17.7

¹⁰² Please note that water is drained in the soil after treatment.

¹⁰³ Please note that water is drained in the soil after treatment.

¹⁰⁴ Scope 2 market-based.

¹⁰⁵ Calculated as Scope 1 and Scope 2 emissions / gas distributed.

GRI 305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions (Italy)

tNO _x emissions	2020	2021	2022
Civil	1.26	1.29	0.9
Industrial	17.28	16.41	12.46
Vehicles	3.11	3.36	1.98
Total	21.7	21.1	15.9

Standard GRI 306-4 Waste not for disposal (Italy)

Waste by type and disposal method	U.o. m.	2020		2021		2022	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Recovery/Recycling	t	31.5	527.9	12.04	329.18	7.20	234.22
<i>Of which ferrous material</i>	t	1.00	424.5	0.00	287.5	0.00	141.30
<i>of which other material</i>	t	30.5	103.4	12.04	41.69	7.20	92.92

Standard GRI 306-5 Waste for disposal (Italy)

Waste by type and disposal method	U.o. m.	2020		2021		2022	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Incineration	t	0	0.1	0	0.39	0.02	1.35
<i>Of which ferrous material</i>	t	0	0	0	0	0	0
<i>of which other material</i>	t	0	0.1	0	0.39	0.02	1.35
Waste sent directly to landfill	t	0	0	0	0	0	0
<i>Of which ferrous material</i>	t	0	0	0	0	0	0
<i>of which other material</i>	t	0	0	0	0	0	0
Other disposal plant	t	3.3	67	1.56	9.68	1.16	3.43
<i>Of which ferrous material</i>	t	0.8	0	0	0	0	0
<i>of which other material</i>	t	2.45	67	1.56	9.68	1.16	3.43
Total	t	3.25	67.07	1.56	10.08	1.18	4.78

Standard GRI 306-3 Waste generated (Italy)

Waste by type	U.o.m.	2020	2021	2022
Non-hazardous	t	526.7	318.4	159.0
Hazardous	t	45	16.07	3.4

Main data on reclamation (Italy)	2020		2021		2022	
	n	m ²	n	m ²	n	m ²
Sites involved by reclamation works or to be reclaimed	32	1,265,551	30	1,206,677	29	1,161,962
Certified reclamation works	0	0	0	0	2	10,659
Approved characterisation plans	28	1,208,348	26	1,143,810	26	1,143,810
Approved risk analysis (152/2006) or approved preliminary reclamation projects (pursuant to 471/99)	23	1,109,240	21	1,049,533	22	1,051,820
Approved operative reclamation projects (152/2006) or approved final reclamation projects (pursuant to 471/99)	19	1,094,760	18	1,036,482	20	1,041,161
Operative safety measures	1	257	1	257	1	257
Soil emergency safety measures	0	0	0	0	0	0
Groundwater safety measures	10	0	11	0	12	0

Biodiversity

Italgas mainly operates in the urban environment (from 'city gates' to meters): about 95% of our network's kilometres are installed in an urban or street context. Italgas also assumes the role of gas distributor: it is not a mining company and does not produce basic materials.

Through its policies, the Group is committed to assessing environmental protection issues and to the responsible management of the significant environmental impacts associated with its activities, pursuing the protection and care of the natural environment, avoiding deforestation, ensuring the restoration and maintaining the balance of the ecosystem and biodiversity, based on the principles of pollution prevention and emission reduction and in line with international standards, pursuing the sustainable management of natural resources and the efficient use of energy required to carry out its business activities. Finally, as the concession holder of the gas distribution service, and in line with the principles of sustainable development, Italgas operates by following the guidelines provided by the Municipalities through work authorisations. In particular, in activities involving excavations, Italgas complies with specific environmental requirements and carries out work to restore the prior ecological situation. At each stage of this process, Italgas employs qualified staff and organises training courses aimed at increasing awareness of environmental issues.

As far as Greek companies are concerned, the Group contributes to the preservation of local biodiversity through restoration and development projects of natural parks that are located within urban areas. In 2022, 8 green spaces were redeveloped in the urban areas of Thessaloniki, Larissa and Karditsa.

6.2 Italgas for the future of people



SDG



GRI

2-7, 401, 402, 403, 404, 405, 406, 416

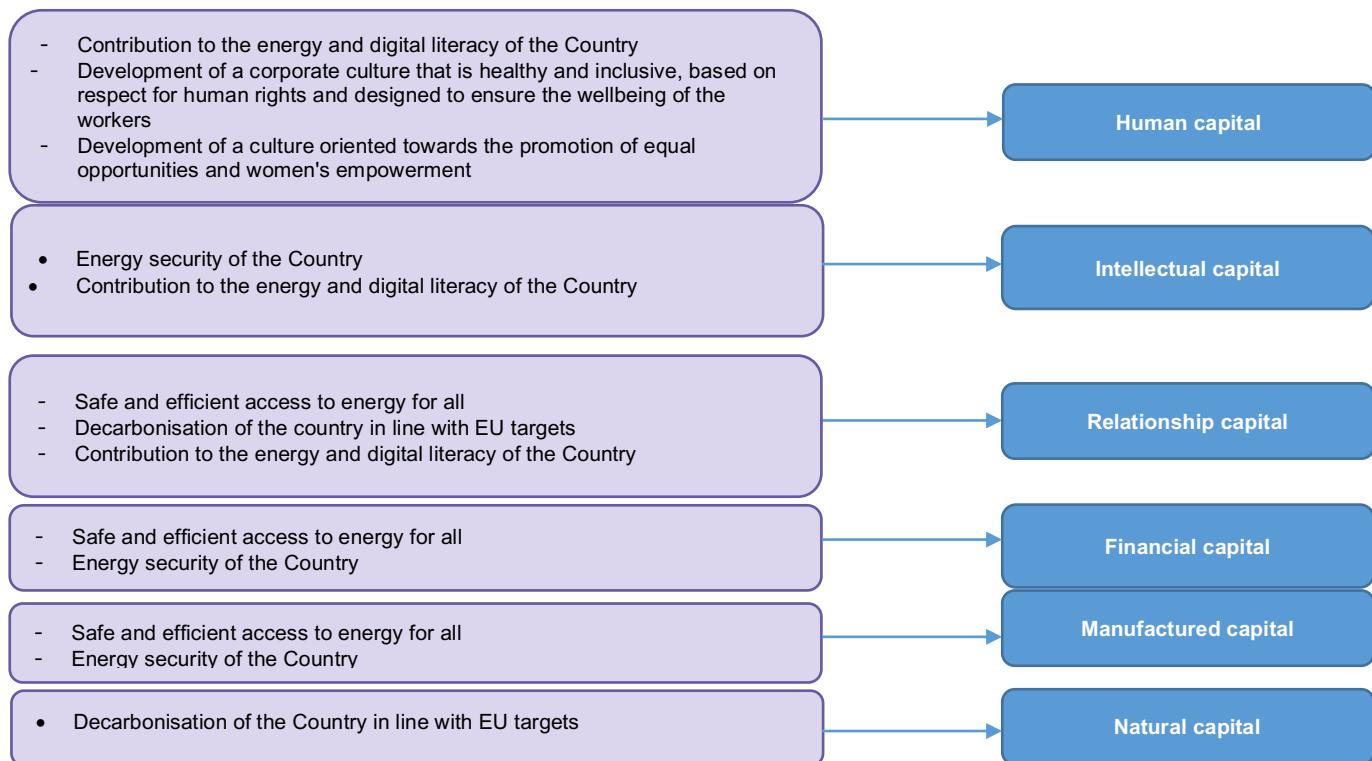
People are our most valuable asset, which is why Italgas is actively committed, on a day-to-day basis, to improving the quality of life of its citizens, through the provision of a safe and reliable service, including for its employees and collaborators, through the promotion of rigorous policies for health, safety and wellbeing, protecting human rights, and valuing and supporting diversity, inclusion and equal opportunities.

Italgas works continuously to increase the country's energy security and help reduce energy dependence from abroad. We continue to develop digital skills within the Group and to promote and disseminate them within the territories in which we operate.

Specific material topics: Security of networks, assets and people, Network development, Service quality and customer satisfaction, Network cybersecurity, Protection, inclusion, enhancement and welfare of Human Resources, Corporate identity (founding corporate values, historical legacy), Respect for human rights

Transversal material topics: Compliance, transparency and anti-corruption, Responsible governance and risk management, Economic value generation and ESG finance

Medium-to-long-term impacts of our activities



Macro-targets	Actions	Target ¹⁰⁶	2022 Performance
We improve the quality of life and ensure the safety of employees, citizens and the national energy system	Providing the citizens with high quality, dependable and safe services	<ul style="list-style-type: none"> 90% compliance within 10-days and 100% compliance within 20-day time limit to complete procedures within Italgas' remit, from request for a quotation to activation of the supply to the end-customer by 2028¹⁰⁷ More than 100% of the networks undergoing annual inspections under the gas dispersion search programme (target value for each year) and 200% by 2028¹⁰⁸ 98% of interventions with Emergency Response arrival at site within 60 minutes (target value for each year)¹⁰⁹ 	<ul style="list-style-type: none"> 16% of 10-day compliance and 80% of 20-day compliance 104% of networks subjected to annual planned inspection for gas leaks 99.4% of interventions carried out on site, with emergency intervention performed within 60 minutes
	Promoting the health, safety and well-being of employees and collaborators	<ul style="list-style-type: none"> Maintain the work-related accident rate¹¹⁰ of employees and contractor workers below 2 (target value for each year) >90% of employees benefiting from corporate welfare services by 2028 >85% net promoter score for employee engagement (degree of satisfaction with working for the Group) by 2028 	<ul style="list-style-type: none"> Employee and contractor accident frequency index: 1.76 68% of employees using corporate welfare services 71% net promoter score for employee engagement
	Promoting the diversification of national energy supply	<ul style="list-style-type: none"> 400 biomethane production plants, built by third parties, connected to the distribution network by 2028 200 tons of green hydrogen produced and distributed in the Group's P2G pilot plant in Sardinia by 2028, demonstrating the validity of the solution for industrial and residential transport and use 	<ul style="list-style-type: none"> The first biomethane plant whose connection to the Italgas distribution network was completed in December 2022, guarantees maximum daily production of 10,000 m³ for a maximum annual total of 2.5 million m³. Reference is made to the information given in the section on "The integration of green gases in the networks"
We develop the skills of the future	Promoting the dissemination of digital skills for the energy sector outside the organization	<ul style="list-style-type: none"> 18,000 persons engaged in external training activities dedicated to energy transition by 2028 	4,600 people involved in external training activities
	Developing digital skills and repositioning skills towards higher value-added activities	<ul style="list-style-type: none"> 48 hours of training per year per employee, with a focus on digital training, by 2028 Creation of an Academy that can promote upskilling and long-life learning by 2023 	<ul style="list-style-type: none"> 35 hours of training per employee per year The Academy is operational and will start delivering courses in 2023
We valorise diversity and support equal opportunities and inclusion	Promoting female leadership and ensuring a workplace that offers equal opportunities, also in terms of remuneration	<ul style="list-style-type: none"> 27% of women in managerial roles by 2028 Annual implementation of projects and involvement of the employees on diversity and inclusion issues 	<ul style="list-style-type: none"> 24.7% women in positions of responsibility The Diversity and Inclusion project continued in 2022. More details are given

¹⁰⁶ The targets refer to the scope of Group companies consolidated on a line-by-line basis as at 2021, thus not including any changes as a result of ATEM tenders, M&A transactions and DEPA Infrastructure.

¹⁰⁷ Target applies solely to interventions to be performed by the distributor that do not call for network extensions

¹⁰⁸ ARERA Target: the distributor company is required to comply with the service obligations undertaken in terms of inspection frequency, corresponding to 100% in the 3 mobile years for high and medium pressure networks and 100% in the 4 mobile years for low pressure networks

¹⁰⁹ ARERA targets: > 90 %

¹¹⁰ Number of accidents recorded/million hours worked

			in Section 6.2.3, in the paragraph on "Diversity"
	Investing in the future of women, also by supporting the dissemination of STEM skills among the female population	Organisation of annual recruiting activities dedicated to women who have undertaken a STEM education pathway	A recruiting project dedicated to women who have undertaken training in STEM subjects was implemented, raising awareness about digital transformation initiatives and combating gender stereotypes.
	Monitoring respect for human rights	Annual due diligence audits on respect for human rights, applied to the Group's operational activities and suppliers	The annual review of the due diligence process on the protection of human rights was carried out.

6.2.1 Improving the quality of life and ensuring the safety of citizens

For Italgas, quality of service goes well beyond simple business objectives: continuity, security, accessibility, emergency intervention and comprehensive efficiency of the system are a real assumption of responsibility in regard to the territories served and the end customers. In this context, the Group pays special attention to strengthening the relationship with the sales company, aiming to standardise processes and update the tools and procedures that allow access to services. The operating and commercial activities are carried out with increasingly sophisticated computer systems that allow for a rapid flow of information in contract management. These systems are regularly updated also according to the regulations issued by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA)¹¹¹, which regulates the services provided by the Italgas Group companies.

Network security

The security of the service provided to end customers is the main cornerstone of Italgas' business and mission: starting from the careful choice of routes for its infrastructures, to use of increasingly innovative and suitable materials, to the construction of networks and lastly through specific network operation and maintenance plans, thanks to which the quality and performance expected along the lines of continuous technological and performance improvement can be maintained over time.

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

Systematic site control

In order to carry out a systematic and real-time control of the various operational phases involved in the implementation of a network or a simple utility connection, Italgas has conceived and developed in its Digital Factory the innovative WorkOnSite application that, supported by artificial intelligence systems, makes it possible to:

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

The WorkOnSite application is used by all contractors.

¹¹¹ Regulatory Authority for Energy (RAE) in Greece.

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

The new natural gas distribution networks have been equipped with multi-ducts and related accessories prepared for the insertion of optic fibre cables for the mass transmission of data recorded by the Digital Reduction Units, by the network and smart meters installed at the re-delivery points to users and by the sensors installed at the terminal points of the network. The multi-ducts are positioned at the same time as the pipes and within the same excavation. The new distribution networks are also equipped with Rfid markers (markers with passive, battery-free antennae containing an electronic chip, which can be identified by means of common radio-frequency locators), which are also placed inside the excavation in order to allow the traceability and localisation of the pipelines directly from the road surface without the need for invasive underground work and consequent interference with the road network.

Network monitoring

Every year, the Italgas Group carries out extensive monitoring of its infrastructure to ensure the efficiency and safety of its networks.

With regard to the verification of “electrical protection” conditions of the underground steel pipes, the cathodic protection remote monitoring system was again used by Italgas Reti in 2022 at 12,863 significant points on the network. Approximately 29,600 cathodic protection measurements were also carried out, with a qualified operator, on non-remote controlled points.

An additional preventive control on the reliability of the distribution system, an important source of information for the choice of interventions to be carried out, was the search for gas leaks into the atmosphere. In 2022, in compliance with the provisions of the Authority Resolution no. 569/2019/R/gas, the entire managed network was subjected to planned research into leaks, recording quality standards that were significantly higher than those established by the Authority. To carry out this activity, the Group has for many years now been extensively adopting the leak detection methodology based on Picarro Inc.'s CRDS (Cavity Ring-Down Spectroscopy) method. In addition to identifying leaks on aerial parts, which are normally impossible to access using the traditional method, this technology also performs much better at detecting leaks on underground parts of distribution plants, including utility derivations. The accuracy and solidity of the instrumental method are guaranteed by the possibility of:

- localising, classifying and precisely quantifying both the most significant and influential gas emission sources (super emitters) and the smaller ones;
- quantifying the expected benefits/improvements, in view of targeted grid maintenance initiatives;
- prioritising grid renewal interventions with a view to reducing the effects of gas leaks and ensuring an appropriate cost/benefits balance.

At the gas delivery points - city gate - measurement and odorisation takes place (with systems equipped with innovative automatic injection systems that can dispense just the right quantity of odoriser, according to the volumes of gas distributed) and the transit gas pressure is reduced, set to be transported through to the re-delivery points at the individual end customers' premises (domestic or industrial consumers) where the gas is once again measured. In 2022, a further 115 gas chromatographs were installed, making for a total of 272 operative instruments on the network. These tools enable the continuous monitoring of the odorisation level at reduction plants considered to be significant. In addition, in compliance with ARERA provisions, 11,504 checks were carried out on the degree of odourisation at significant points on the network, corresponding to more than three times the annual requirement laid down by standards, using gas chromatographic laboratory analysis (ACCREDIA certificate).

At 31 December 2022, Italgas Reti SpA and Toscana Energia managed respectively 808 and 71 Reduction and Measurement Collection Plants (IPRM); all the IPRMs managed are equipped with a remote control system to guarantee prompt intervention both in the event of an anomaly and of limits or interruptions to the regional service, as well as a continuous smart metering system that measures the gas entering the network.

To reduce the gas pressure before delivering to individual end customers, Italgas Reti S.p.A. operates 952 Intermediate Reduction Plants (IRIs), 9915 Final Reduction Units (GRFs) and 7106 Industrial Reduction Units (GRIs) at the end customers gas re-delivery point. Added to these are the 222 IRIs, 963 GRFs and 685 GRIs operated by Toscana Energia.

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

Standard GRI 416-1 Assessment of the health and safety impacts of product and service categories

Quality standards established by ARERA ¹¹² (ARERA obligation 569/19 subsection 14.2) - Italgas Reti	u.o.m.	Target ARERA	2020	2021	2022 ¹¹³
High and medium pressure network inspected	%	33% (100% in three mobile years)	95.2	98.3	99.5
Low pressure network inspected		25% (100% in four mobile years)	95.5	98.2	99.9
Respect for maximum arrival time at the place of the call for emergency intervention		>90	99.3	99.5	99.7
Quality standards established by ARERA – Italgas Reti	u.o.m.		2020	2021	2022

¹¹² In accordance with Annex A to Resolution 569/2019 (RQDG), the distributor is required to comply with service obligations relating to the frequency of network inspection, equal respectively to 100% in the 3 mobile years for high and medium pressure networks and 100% in the 4 mobile years for low pressure networks (subsection 14.2, letters a) and b) of the RQDG).

¹¹³ The amount represents the best estimate at the closing date of the document and is subject to adjustment upon declaration to the Authority

Respect for maximum time set for the performance of services subject to specific standards	%	98.4	98.6	97.2
Respect for punctuality in appointments made with customers		98.9	99.0	99.5

Quality standards established by ARERA (ARERA obligation 569/19 subsection 14.2) - Toscana Energia	u.o.m.	Target ARERA	2020	2021	2022
High and medium pressure network inspected	%	33% (100% in three mobile years)	91.6	95.8	96.2
Low pressure network inspected		25% (100% in four mobile years)	94.2	98.0	98.8
Respect for maximum arrival time at the place of the call for emergency intervention		>90	98.0	98.0	98.9

Quality standards established by ARERA - Toscana Energia	u.o.m.	2020	2021	2022
Respect for maximum time set for the performance of services subject to specific standards	%	99.2	99.7	99.8
Respect for punctuality in appointments made with customers		99.6	99.7	99.8

Quality standard established by ARERA (ARERA obligation 569/19 subsection 14.11) - Medea	u.o.m.	Target ARERA	2020	2021	2022
High, medium and low pressure network inspected- Other Gases	%	25% (100% in four mobile years)	47.9	59.7	76.8
High and medium pressure network inspected - Natural gas ¹¹⁴		33% (100% in three mobile years)	-	100	99.1
Low pressure network inspected - Natural gas ⁹⁰		25% (100% in four mobile years)	-	100	100
Respect for maximum arrival time at the place of the call for emergency intervention		>90	99.0	99.5	99.8

¹¹⁴Data for 2020 are not available as the first natural gas network was activated in early 2021.

Citizen and customer support services in Italy

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

Gas emergency intervention freephone number - 800 900 999

The service is operative 24 hours a day, 7 days a week. There is one Freephone Number for the whole of Italy for all the Municipalities where the distribution companies of the Italgas Group operate and is shown separately on the gas bill of the sales companies, on the websites of Italgas and the Group companies and in the telephone directories of the municipalities served. The service is subject to control by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA). Anyone contacting the Emergency Intervention service is put in direct contact with an operator of the Integrated Supervision Centre and not transferred to another number. Upon receipt of a report, operators provide initial indications on how to deal with gas shortages, flow irregularities, leaks. At the same time, the technical emergency intervention units are activated in order to conduct the necessary checks and appropriate activities aimed at protecting citizens, securing the installations and restoring normal service conditions as quickly as possible. Both the call and the technical intervention are free of charge.

Contact Center freephone number – 800 915 150

There is a single freephone number used for the whole of national territory, for all municipalities in which Italgas Reti operates and it is highlighted on the Italgas website. The service is not subject to any obligations imposed by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA). The Contact Centre provides information on a variety of technical and commercial activities initially via IVR (Interactive Voice Response) which allows, depending on the nature of the information requested, a transfer to an operator. The freephone number 800 915 150 is active on weekdays from 8 a.m. to 8 p.m. and the service is operated using in-house resources based in Italy. Requests from telephone and e-mail channels are handled through the Salesforce and Genesys applications. In addition, Help Online and social media channels are available to customers.

In particular, operators offer answers and support on:

- scheduled replacement of malfunctioning meters and displays providing information, appointment management, inefficiency reports and complaints to the relevant departments;
- information on metrology verification, quotations and 40/14 plant safety documentation;
- problems and support with registration on the portal.

The Italgas Contact Centre service also handles requests for information from the areas served by the company Medea S.p.A.

Online help

In order to provide end customers with an immediate and direct access to information on the Group and on activities relating to gas distribution, Italgas has made the “Help Online” web portal (faq.italgas.it) available: a self- search tool consisting of more than 100 digital pages of browsable support, accessible from the Italgas website or directly from the main search engines to quickly find answers to frequently asked questions or, if the answer is not satisfactory, the possibility of forwarding a request directly to the relevant services.

Help Online also includes pages on the topics of decommissioning, activation and reactivation, forms 40/14 on plant safety, and a description of the “ClickToGas” digital estimation service. In 2022, the portal was enhanced with new content to provide an even broader user support service.

Customer portal

In 2022, the “MyItalgas” customer portal further evolved to become a unique touch point dedicated to end customers, and offers an even more effective service and experience through its digital channel. In addition to the functions already present, i.e. those of consulting utility data (re-delivery point, meter serial number, etc.), verification of readings and consumptions, monitoring of cases and appointments, requests for quotations for works, submission of requests for information or complaints, the function was also integrated into MyItalgas, allowing for the management of document assessment for reactivations, which could previously be managed only through the Accertatemi Online portal.

In addition to MyItalgas, the MyMedea and MyToscanaEnergia customer portals are active, and the service has also been extended to users served by the company Metano S. Angelo Lodigiano, through the launch of the MySantangelo portal. Updates and integration of information to support the user in the various portals continued throughout 2022.

ClickToGas

As of 2021, Italgas has introduced a digital inspection method to improve the end-customer experience, to accelerate the time it takes to issue estimates and, at the same time, to make the entire process more sustainable. Thanks to some additional information, requested on-line on the customer portals when entering the estimate for the construction works or works to modify or remove the supply system, the customer can inspect the site with the Italgas technician digitally, scheduling a virtual appointment or, if the characteristics of the request allow, perform a self site inspection, which can be managed independently.

ClickToGas As A Service includes the following set of services:

- **ClickToGas Selfy:** The service to receive an estimate faster thanks to a digital inspection. Depending on the details of the user's request, the digital inspection can take place in either Self or Virtual mode.
 - Self inspection: this is the digital inspection that can be managed completely autonomously by the customer by uploading photos and detailed information on the facility.

Virtual Inspection: this is the digital inspection for consulting with our technician via video call, without the need to wait for an on-site appointment.

- **ClickToGas Doc:** The service for uploading and signing the necessary work documents online. The user will be able to monitor their own activity and check the outcome of the verification.
- **ClickToGas AllInOne:** Introduced in 2022, the service allows gas connection and activation in a single appointment. The user can request the ClickToGas All-In-One service from the Sales Company for estimates for new, modification or restoration of the installation.

ClickToGas and use of the Virtual or Self site inspection not only guarantee a quicker, more effective estimation service but also, in 2021 and 2022, helped reduce staff movements on the territory to further protect the safety of end customers, employees and suppliers. Each use of ClickToGas services corresponds to an average of 45 car kilometres saved by Italgas technicians when carrying out the inspection and 5.7 kg of CO₂ is saved for each digital estimate carried out.

With the aim of contributing to increasingly greener cities, in 2022 Italgas launched the **Click To Be Green** a sustainability initiative dedicated to safeguarding the environment.

Based on the use of ClickToGas services and the related CO₂ savings, Italgas will create cyclical projects of social value, such as interventions in Urban Public Green Areas, planting as many new trees on public land as necessary to guarantee a CO₂ absorption equal to the amount saved thanks to ClickToGas services. Through an Eco Counter, the user can monitor the environmental benefits of digital estimates. Thanks to the use of ClickToGas, 65,465 kg of CO₂ were saved in 2022, corresponding to 11,286 ClickToGas Digital Services used.

Consumer Associations

For several years now, Italgas has been cooperating and dialoguing in a structured and continuous manner with the world of consumer associations, on the basis of an equal relationship and mutual trust. The programme, officially launched with the signing of a Memorandum of Understanding in 2018, sees the stable involvement of around 20 Consumer Associations recognised by the CNCU (Italian National Council of Consumers and Users) and aims, on the one hand, to improve the relationship with the end user and the quality of the service provided by Italgas; on the other hand, it aims to increase consumer awareness of the quality of natural gas and how it should be used.

During the first implementation period, the protocol focused on the programme for replacing traditional gas meters with smart meters, in order to better understand the contribution: greater operative efficiency, supply of reliable, timely data on consumption to the sales companies, thereby limiting incorrect billing or based on estimated readings. At the same time, the smart meter provides the customer with a tool to encourage responsible consumption.

The targeted cooperation between associations and company has also made it possible to handle user reports of any disservices more quickly and, ultimately, through a comparison with the requests made by the

association, to study and implement interventions specifically aiming to limit the number of inefficiencies that are likely to give rise to complaints.

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

In 2022, the collaboration focused on several topics: the subject of Sardinia's methanisation was once again addressed, continuing to highlight the advantages – both economic and environmental – of using natural gas instead of other fuels that have a greater impact on the environment, and organising inspections at the main operational installations, such as the storage tanks upstream of the distribution networks. The commercial plans to encourage new connections in the region were also shared.

During the course of the year, Italgas organised a meeting at its Turin headquarters with some national and local Consumer Association managers, during which the Company's commitment to digitisation in support of the introduction of renewable gas into the networks was illustrated through a dedicated visit, as well as the commitment to digitising archive and archaeological heritage through the Heritage Lab, and Italgas' most recent installations aimed at guaranteeing the supervision and security of the managed networks, such as the Integrated Supervision Centre.

Transparent relations and collaboration with sales companies

In Italy, natural gas consumers are already today free to choose their supplier on the free market. Also, with the end of the "protected market", scheduled to become effective in January 2024, consumers using this service will also have to switch to the free market and choose their own supplier.

To this end, the distribution companies are obliged to grant access to their networks for all those so requesting. More specifically, with Resolution no. 138/04, the Authority issued orders to promote the development of competition in the sale of natural gas and, at the same time, to ensure, in respect of consumer rights, the correct transmission of information between distributors and sellers.

With the objective of improving dialogue between the parties and fostering increasingly constructive debate and exchange, Italgas continues to pursue its training and information programme dedicated entirely to the sales companies.

Dialogue and constant collaboration with sales companies are also a priority for the Greek companies recently acquired by Italgas. Among these, DEPA Infrastructure organises meetings, online meetings, and webinars throughout different periods of the year on topics related to the services that it offers. This includes relevant and impactful regulatory changes for the industry, as well as addressing how to use new and recently released information tools that may affect the activities of sales companies, and the joint management of end customers.

DEPA Infrastructure also has digital platforms for sales companies enabling the input of services and requests on behalf of end customers. Support channels include dedicated web portals for end customers that allow them to make service requests, monitor the status of their requests, upload documentation, make payments, etc. For EDA Attikis, there are also physical service points where customers can go to receive support for their queries.

Gas2Be

In line with Italgas' broader digitisation process, the Gas2Be communication portal, designed and created in Italgas' Digital Factory, has been online since February 2021. This innovative platform aims to optimise and support the partnership with the sales companies ever more quickly, with simple, user-friendly processes in a bid to continue the digitisation of Italgas' processes and improve the services offered.

Sales Support

As regards the systems in place to collect sales companies reports and complaints, Italgas has enriched the "Sales Support" function with new sections through which to obtain data and information. With the new "DIY" section, "Sales Support" provides quick assistance with requests for information with no need to make an actual, formal report. It also makes available a series of "Self Tools", which can immediately provide the data requested, including more than 160 "FAQs", through which full information can be found to answer customers' questions. In addition, Italgas has improved the formal process for creating a report by making it simple and intuitive, enabling a timely and digital response to vendor requests, guaranteeing the certification of the data provided and greater efficiency, thanks also to the new "Complex Complaints" feature through which sales companies can request virtual meetings dedicated to resolving complex cases. In 2022, Italgas digitally handled more than 25 thousand reports made by the sales companies through "Sales Support".

Customer Satisfaction Survey

The listening activities intended for sales companies include, in November 2022, Italgas' proposal for the third year of its Customer Satisfaction Survey, used to collect valuable feedback to continue to improve the partnership. The on-line survey measured the degree of satisfaction of the sales companies through 52 questions divided up into 9 areas relating to the main businesses and processes; more than 120 users of the same sales companies took part. The results of the survey highlight a considerable improvement in general satisfaction levels: in fact, there is a 7% increase compared to the 2021 edition and a 20% increase compared to the first edition in 2020.

Starting from the results obtained, Italgas undertakes to organise focus groups in the current year, as it did in 2022, to listen and implement improvements, with a view to assuring even greater collaboration, engagement and improvement in the quality of service.

6.2.2 Guaranteeing health and safety in the workplace

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

Some of the explicit commitments on which the Policy is based concern activities such as:

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

The safety awareness and discussion meetings, in which the contractors are also involved, represent some of the actions implemented by the Company to achieve its goals of minimising the number of accidents for both its employees and contractors.

During the year, various initiatives were implemented with the priority objective of strengthening the company's "commitment" to safety. This included, for example, meetings between management and employees, where organisational and operational aspects were examined with a particular focus on safety. During the year, recurring activities are also carried out on safety issues and, in particular, issues regarding the prevention of accidents attributable to the activities of operational staff. These include, for example, the "Italgas Safety Trophy", an initiative aimed at awarding recognition to all staff, categorised by homogeneous groups, who have distinguished themselves in achieving a result considered to be of the highest importance: the absence of accidents. Among the other reporting elements defined by the Trophy rules, are a number of additional parameters that are also considered, in addition to accident events, such as near-miss reports, non-conformities detected and remedied during the management system and/or site audits, information meetings, etc.

With regard to aspects related to the containment of Sars COV-2, since the start of the pandemic, all Group staff have received periodic briefings on the prevention measures adopted, as well as shared protocols to limit the spread of the virus in the workplace.

With reference to 2022, compared with the previous year, for employees, an increase is recorded in incidents that occurred at work. We have gone from 4 events in 2021 to 9 in 2022, aligning with the trend seen in the last five years (8 events in 2018 – 6 in 2019 – 7 in 2020). The majority of the events that occurred in 2022 were attributable to situations that occurred at work during vehicle journeys (6 events out of a total of 9), of which as many as 4 were road traffic accident, caused by the behaviour of external parties. All events were subjected to systemic analyses in order to define further corrective actions that were promptly activated to avoid the recurrence of similar accidents. The frequency index (FI), calculated using only employee accidents that occurred at work, is therefore up from 0.61 in 2021 to 1.47 in 2022.

The number of contractor accidents, 9 in 2022, is in line with recent years (in the last three years there have been 8 accidents per year). The Frequency Index of 2.20, on the other hand, shows an increase compared to the values of the previous three years, mainly due to the decrease in the number of hours worked.

Standard GRI 403-9 Work-related injuries Employees* - Italy	U.o.m.	2020	2021	2022
Workplace accidents (LTI) ¹¹⁵	no.	7	4	9
of which with serious consequences (absence of more than 6 months)	no.	0	0	0
Fatalities	no.	0	0	0
Employee accident rates **				
Frequency Rate (LTIFR) ¹¹⁶	-	1.07	0.61	1.47
Accident frequency rate with serious consequences	-	0	0	0
Fatality index	-	0	0	0
Severity index	-	0.01	0.01	0.05

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

** The injury indices have been calculated as follows:

Fatality index: number of Fatalities / million hours worked

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

Frequency index: number of injuries recorded / million hours worked

Standard GRI 403-9 Work-related injuries Non-employed workers (contractors¹¹⁷)* - Italy	U.o.m.	2020	2021	2022
Workplace accidents (LTI)	no.	8	8	9
of which with serious consequences (absence of more than 6 months)	no.	0	0	0
Fatalities	no.	0	0	0
Accident indices (contractors) **				
Frequency Index (LTIFR)	-	1.94	1.71	2.20
Accident frequency rate with serious consequences	-	0	0	0
Fatality index	-	0	0	0
Severity index	-	0.10	0.07	0.11

Employee + contractor accident frequency index - Italy	-	1.41	1.07	1.76
Near misses - Italy	no.	5	9	18

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

** The injury indices have been calculated as follows:

Fatality index: number of Fatalities / million hours worked

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

Frequency index: number of injuries recorded / million hours worked

Finally, at the newly acquired Greek companies DEDA, EDA Thess and EDA Attikis, in the last four months of 2022 (consolidation period in the Italgas Group), 4 accidents occurred to employees, resulting in an LTIFR of

¹¹⁵ LTI: Lost Time Injury

¹¹⁶ LTIFR: Lost Time Injury Frequency Rate

¹¹⁷Workers of companies with a service or work contract with Italgas (e.g. construction companies, cleaning companies, etc.).

11.92 and a severity index of 0.06. The combined employee and contractor Frequency Index aggregated for Greek companies in the same period was 5.91.

6.2.3 Developing and promoting future skills, valuing diversity and supporting equal opportunities and inclusion

Attention to people and skills

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

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

With the awareness that the main challenges presented by digital transformation involve people, the Group has planned to continue investing in upskilling and reskilling activities as part of its 2022-2028 Sustainable Value Creation Plan, reaching a target, at the end of the Plan, of 48 hours of training per year per employee, with a specific focus on digital learning. Furthermore, with the Italgas Academy, the Group will ensure continuous managerial and cultural growth, conveying a single corporate purpose among the various businesses and managers.

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

To this end, a change management programme was launched dedicated to Diversity & Inclusion through widespread awareness-raising initiatives, which in 2022 culminated in the identification of over 40 Diversity & Inclusion Ambassadors, key figures of change who are engaged in specific work areas such as Age & Culture, Disability and Gender. In line with the Code of Ethics, Italgas considers diversity a corporate asset: it respects the dignity of every individual and guarantees equal opportunities in all aspects of the employment relationship, preventing any form of discrimination deriving from differences in sex, age, health, ethnicity, nationality, political or religious opinions.

The targets Italgas has set itself for 2028 are challenging: increase in gender representation, with specific reference to managerial positions (27% of women in positions of responsibility by 2028).



Italgas has always considered its people as its most valuable assets and has defined a series of actions within the 2022-2028 Strategic Plan, aimed at their development and growth. In addition, the insourcing of the

Group's main core activities is envisaged, in line with the approach taken in recent years, and the inclusion of new resources aged under 30.

In compliance with Italian national legislation, the national collective labour agreement for gas and water and the trade union agreements established on a corporate level, the whole of the company population can benefit from flexible working solutions, such as part-time, study permits for certain types of workers (such as working students) or smart working solutions.

Finally, it should be noted that the data and information reported in this chapter refer to the Italian scope and, where available, to the Greek scope. Therefore, given the short period of consolidation of the Greek companies, the detailed analyses refer to the Italian scope.

Personnel

As at 31 December 2022, the Italgas Group had 3,677 employees in Italy (compared to 3,904 in 2021) and 561 in Greece.

Italy

Employees (headcount) GRI 2-7	U.o. m.	2020			2021			2022		
		Men	Wom en	Total	Men	Wom en	Total	Men	Wom en	Total
Part time	no.	7	37	44	7	36	43	5	33	38
Temporary	no.	0	0	0	0	0	0	0	0	0
Permanent	no.	7	37	44	7	36	43	5	33	38
Apprenticeships	no.	0	0	0	0	0	0	0	0	0
Full time	no.	3,378	563	3,941	3,257	604	3,861	3,019	620	3,639
Temporary	no.	1	0	1	0	1	1	4	1	5
Permanent	no.	3,187	504	3,691	3,049	537	3,586	2,832	566	3,398
Apprenticeships	no.	190	59	249	208	66	274	183	53	236
Total	no.	3,385	600	3,985	3,264	640	3,904	3,024	653	3,677

Greece

Employees (headcount) GRI 2-7	U.o. m.	2022		
		Men	Wome n	Total
Part time	no.	0	0	0
Temporary	no.	0	0	0
Permanent	no.	0	0	0
Apprenticeships	no.	0	0	0
Full time	no.	379	182	561

Temporary	no.	9	3	12
Permanent	no.	370	179	549
Apprenticeships	no.	0	0	0
Total	no.	379	182	561

Specifically, in Italy, 93% of the company population is hired on permanent contracts, while apprenticeship contracts account for the remaining 7%. In Greece, on the other hand, 98% of the company population consists of permanent contracts and 2% consists of temporary contracts.

Italy

		2020	2021	2022
Temporary contract		0%	0%	0%
Permanent contract		94%	93%	93%
Apprenticeship (direct employees)		6%	7%	7%

Employees (headcount) GRI 2-7	U.o.m.	2020			2021			2022		
		men	wome n	Total	men	wome n	Total	men	wome n	Total
Temporary contract	no.	1	0	1	0	1	1	4	1	5
North Italy	no.	1	0	1	0	1	1	2	1	3
Central Italy	no.	0	0	0	0	0	0	2	0	2
South Italy and islands	no.	0	0	0	0	0	0	0	0	0
Permanent contract*	no.	3,194	541	3,735	3,056	573	3,629	2,837	599	3,436
North Italy	no.	1,170	272	1,442	1,127	303	1,430	1,123	347	1,470
Central Italy	no.	1,055	146	1,201	997	147	1,144	986	152	1,138
South Italy and islands	no.	969	123	1,092	932	123	1,055	728	100	828
Apprenticeship (direct employees)	no.	190	59	249	208	66	274	183	53	236
North Italy	no.	49	27	76	57	26	83	54	20	74
Central Italy	no.	86	13	99	94	13	107	84	15	99
South Italy and islands	no.	55	19	74	57	27	84	45	18	63
Total	no.	3,385	600	3,985	3,264	640	3,904	3,024	653	3,677

*Permanent contracts also include part-time contracts.

Greece

	2022
Temporary contract	2%

Permanent contract	98%
Apprenticeship	0%

Employees (headcount) GRI 2-7	U.o.m.	2022		
		men	women	Total
Temporary contract	no.	9	3	12
Permanent contract*	no.	370	179	549
Apprenticeship	no.	0	0	0
Total	no.	379	182	561

*Including part time.

Italy

Employees by average seniority	U.o.m.	2020			2021			2022		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Average age of employees (age)	no.	51	48	50.5	50	47	49.5	49	45	48
Average seniority of service (years)	no.	25	21	24.5	24	19	23.2	22	16	21

Greece

Employees by average seniority	U.o.m.	2022		
		Men	Women	Total
Average age of employees (age)	no.	47	44	46
Average seniority of service (years)	no.	15	13	15

During 2022, 342 people joined the group companies in Italy, of whom 327 were hired from the market, 10 were hired through the incorporation of Janagas and 5 returned from voluntary leave.

Italy

New recruits* GRI 401-1	U.o.m.	2020			2021			2022		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	no.	41	26	67	68	50	118	117	58	175
under 30 years	no.	30	16	46	29	22	51	57	21	78
between 30 and 50 years	no.	9	10	19	38	27	65	59	34	93
over 50 years	no.	2	0	2	1	1	2	1	3	4
Central Italy	no.	40	12	52	45	10	55	68	17	85
under 30 years	no.	36	9	45	40	8	48	50	12	62
between 30 and 50 years	no.	4	3	7	5	2	7	17	5	22
over 50 years	no.	0	0	0	0	0	0	1	0	1
South Italy and islands	no.	21	19	40	30	14	44	53	14	67
under 30 years	no.	17	13	30	20	8	28	40	7	47
between 30 and 50 years	no.	3	6	9	10	6	16	13	7	20
over 50 years	no.	1	0	1	0	0	0	0	0	0
Total	no.	102	57	159	143	74	217	238	89	327
under 30 years	no.	83	38	121	89	38	127	147	40	187
between 30 and 50 years	no.	16	19	35	53	35	88	89	46	135
over 50 years	no.	3	0	3	1	1	2	2	3	5

*Only market entries are considered.

Greece

New recruits* GRI 401-1	U.o.m.	2022		
		Men	Women	Total
under 30 years	no.	1	0	1
between 30 and 50 years	no.	1	3	4
over 50 years	no.	0	0	0
Total	no.	2	3	5

* Only market entries are considered.

Italy

Inbound turnover rate* GRI 401-1	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	3%	9%	4%	6%	15%	8%	10%	16%	11%
under 30 years	25%	38%	29%	24%	51%	31%	38%	42%	39%
between 30 and 50 years	3%	9%	4%	11%	19%	14%	16%	19%	17%
over 50 years	0%	0%	0%	0%	1%	0%	0%	2%	1%
Central Italy	4%	8%	4%	4%	6%	4%	6%	10%	7%
under 30 years	24%	60%	28%	26%	47%	28%	29%	60%	32%
between 30 and 50 years	2%	6%	3%	2%	4%	2%	7%	11%	7%
over 50 years	0%	0%	0%	0%	0%	0%	0%	0%	0%
South Italy and islands	2%	13%	3%	3%	9%	4%	7%	12%	8%
under 30 years	20%	62%	29%	22%	35%	25%	37%	39%	37%
between 30 and 50 years	2%	15%	5%	6%	14%	8%	8%	16%	10%
over 50 years	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	3%	10%	4%	4%	12%	6%	8%	14%	9%
under 30 years	24%	49%	28%	25%	46%	28%	34%	45%	36%
between 30 and 50 years	2%	9%	4%	7%	15%	9%	11%	17%	13%
over 50 years	0%	0%	0%	0%	0%	0%	0%	1%	0%

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

Greece

Inbound turnover rate* GRI 401-1	U.o.m.	2022		
		Men	Women	Total
under 30 years	%	20%	0%	8%
between 30 and 50 years	%	0%	2%	1%
over 50 years	%	0%	0%	0%
Total	%	1%	2%	9%

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

Italy

New hires by level*	2020	2021	2022
Executives	4	5	4
Managers	11	13	16
Office Workers	82	146	221
Field Workers	62	53	86
Total	159	217	327

*Only market entries are considered

Greece

New hires by level*	2022
Executives	0
Managers	0
Office Workers	5
Field Workers	0
Total	5

*Only market entries are considered

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

Italy

Employees by level of education	U.o.m	2020			2021			2022		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
University graduates	no.	405	255	660	455	308	763	528	359	887
Secondary school graduates	no.	1,727	268	1,995	1,671	263	1,934	1,560	247	1,807
Other (below secondary school diploma)	no.	1,253	77	1,330	1,138	69	1,207	936	47	983
Total	no.	3,385	600	3,985	3,264	640	3,904	3,024	653	3,677

Greece

Employees by level of education	U.o.m.	2022		
		Men	Women	Total
University graduates	no.	73	46	119
Secondary school graduates	no.	132	88	220
Other (below secondary school diploma)	no.	174	48	222
Total	no.	379	182	561

In 2022, 57% of new hires in Italy were resources aged under 30 years old: this figure is consistent with the trend recorded in the three-year period 2020-2022 and shows constant growth.

Italy

% employees by age bracket out of total employees	U.o.m.	2020	2021	2022
Under 30 years	%	10.7	11.4	14.2
Between 30 and 50 years	%	22.4	24.8	28.9
Over 50 years	%	66.9	63.8	56.9

Greece

% employees by age bracket out of total employees	U.o.m.	2022
Under 30 years	%	2
Between 30 and 50 years	%	73
Over 50 years	%	25

On the other hand, 335 people left the Group, of whom 308 resigned either through retirement or voluntarily, and the remaining 27 for other reasons (such as dismissal, death, due to the end of a temporary contract, etc.).

Italy

Outgoing workers* GRI 401-1	U.o.m.	2020			2021			2022		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	no.	78	21	99	96	18	114	142	36	178
under 30 years	no.	3	3	6	2	6	8	13	4	17
between 30 and 50 years	no.	3	2	5	9	2	11	35	10	45
over 50 years	no.	72	16	88	85	10	95	94	22	116
Central Italy	no.	98	8	106	93	10	103	82	8	90
under 30 years	no.	1	0	1	3	2	5	6	2	8
between 30 and 50 years	no.	2	0	2	2	0	2	3	3	6
over 50 years	no.	95	8	103	88	8	96	73	3	76
South Italy and islands	no.	62	6	68	74	7	81	60	7	67
under 30 years	no.	0	1	1	1	1	2	2	3	5
between 30 and 50 years	no.	1	1	2	2	0	2	2	0	2
over 50 years	no.	61	4	65	71	6	77	56	4	60
Total	no.	238	35	273	263	35	298	284	51	335
under 30 years	no.	4	4	8	6	9	15	21	9	30
between 30 and 50 years	no.	6	3	9	13	2	15	40	13	53
over 50 years	no.	228	28	256	244	24	268	223	29	252

*Termination by mutual agreement and other outgoings.

Greece

Outgoing workers* GRI 401-1	U.o.m.	2022		
		Men	Women	Total
under 30 years	no.	5	2	7
between 30 and 50 years	no.	11	7	18
over 50 years	no.	0	0	0
Total	no.	16	9	25

* Termination by mutual agreement and other outgoings.

The Group's turnover has remained largely stable over the years; the slight increase recorded is mainly related to the company's demographic curve leading to a higher number of retirements in recent years.

Italy

Outgoing turnover rate* GRI 401-1	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
North Italy	6%	7%	7%	8%	5%	8%	12%	10%	12%
under 30 years	3%	7%	4%	2%	14%	5%	9%	8%	8%
between 30 and 50 years	1%	2%	1%	3%	1%	2%	10%	5%	8%
over 50 years	9%	11%	9%	12%	7%	11%	14%	16%	15%
Central Italy	9%	5%	8%	9%	6%	8%	8%	5%	7%
under 30 years	1%	0%	1%	2%	12%	3%	3%	10%	4%
between 30 and 50 years	1%	0%	1%	1%	0%	1%	1%	6%	2%
over 50 years	12%	9%	12%	12%	9%	12%	11%	3%	10%
South Italy and islands	6%	4%	6%	7%	5%	7%	8%	6%	8%
under 30 years	0%	5%	1%	1%	4%	2%	2%	17%	4%
between 30 and 50 years	1%	3%	1%	1%	0%	1%	1%	0%	1%
over 50 years	8%	5%	7%	10%	7%	9%	11%	7%	11%
Total	7%	6%	7%	8%	5%	8%	9%	8%	9%
under 30 years	1%	5%	2%	2%	11%	3%	5%	10%	6%
between 30 and 50 years	1%	1%	1%	2%	1%	2%	5%	5%	5%
over 50 years	10%	9%	10%	11%	7%	11%	12%	10%	12%

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

Greece

Outgoing turnover rate* GRI 401-1	U.o.m.	2022		
		Men	Women	Total
under 30 years	%	100	29	64
between 30 and 50 years	%	4	5	4.5
over 50 years	%	0	0	0
Total	%	4	5	4.5

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

	2020	2021	2022
Voluntary outgoing turnover rate - Italy	0.35%	0.74%	2.10%
Voluntary outgoing turnover rate - Greece	-	-	0.35%

Italy

Turnover rate* GRI 401-1	u.o.m.	2020	2021	2022
Men	%	9.9	12.4	16.6
Women		15.6	17	21.4
North		10.8	15.3	23.4
Centre		11.9	12.1	14.4
South		9.2	11	12.2
Total		10.7	13.2	17.4

*Calculated as the number of incoming workers plus the number of outgoing workers on the average workforce

* 100 for each cluster.

Greece

Turnover rate* GRI 401-1	u.o.m.	2022
Men	%	4.8
Women		6.6
Total		5.4

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

Training and Development

In the year of Italgas' 185th anniversary, the Company's Leadership Team has decided to adopt a new identity system (Purpose, Vision, Mission, Leadership Model) that builds upon the substance of the storytelling values that inspire and guide the behaviour of all the Group's people, towards the profound transformation that the Company is undergoing in order to play an increasingly central role in the energy transition towards the Net-Zero objective and for the creation of sustainable value for all its stakeholders.

The project led to the joint construction, together with the Company's first and second lines, of the Italgas Group's Purpose, Vision, Mission and Leadership Model.

The Leadership Model is the basis on which the new Performance Management system (**IGrid Performance Evaluation**) has been built in 2022 and on which the Training Academy (**IG Academy**), to be launched in 2023, has been structured.

The Communication Plan for all Change Management initiatives began in 2022, starting with "Leave your mark", the programme open to the entire population aimed at contributing to the new Italgas identity (Purpose, Vision and Mission).

Development programmes

The management development plan's logic and pillars are the management of performance through the continuous feedback culture, the development of staff potential through an assessment and empowerment programme and the consequent development and career plans.

For graduates who had recently joined the Training and Development Programme (formerly Italgas School, now **WeGrow**), it combines classroom-based training activities over several modules with activities for developing potential. 620 training hours were delivered in 2022.

During 2022, the **WeLead** programme continued, aimed at supporting newly appointed managers in taking on their roles and acquiring key skills, techniques and tools for managing and developing their teams and the business, with a focus on delegation, feedback and the development of emotional intelligence. More than 1,100 training hours were delivered in 2022; the course will continue in 2023 for all new managers.

The mapping of the managerial potential among first-line managers (13 people) continued during 2022, including for the purpose of updating Succession Planning, and individual Coaching courses for managers and middle managers who acquired roles of greater responsibility during the year.

Box: IGrid

IGrid-Performance Evaluation is the Italgas Group's evaluation tool based on the Italgas' Leadership Model and the Performance expressed during the year, it replaces the 9Box Mapping, used from 2018 to 2021.

IGrid represents a process for line managers and HR managers to share their observations on people and is the compass by which to guide development, role growth, total reward and resource management actions.

The IGrid process is managed entirely through the MYHR platform: the management system, customised in the Italgas Digital Factory by an HR/line manager team, released in June 2022.

In 2022, managers, middle managers and employees of all Group companies (approximately 2,400 people) were assessed;

In addition to training and sharing the new management process with the entire population through webinars attended by about 1,700 employees, for a total of almost 2,000, training hours, all Group managers (about 330) were involved in the IGrid Training Workshops, dedicated to managerial development in the area of evaluation, annual performance feedback and training on the use of the new platform, totalling 40 classes and more than 1,900 training hours.

BOX: Smart Rotation

With a view to strengthening the exchange of skills within the Group, optimising resources and fostering the development of in-house talent and professionalism, in 2022 the in-house Job Posting project continued, allowing employees to view vacancies within the Group.

	2020	2021	2022
Percentage of new positions held by in-house candidates - Italy	90.6%	87.6%	80.8%
Percentage of new positions held by in-house candidates - Greece	-	-	0

Training programmes

Training at Italgas aims to empower employees to achieve the strategic business objectives. In 2022 this objective was achieved by relaunching the technical/specialised training in 2 different areas: distinctive corporate skills on the one hand, and the new skills required to guide the digital and sustainable transformation on the other.

As for historical and distinctive skills at Italgas, a call to action was launched in July 2022 to relaunch and create the new internal teaching body. In 2023, its objective will be to redesign the historical courses using the hybrid methods tested in recent years. More than 500 Italgas Reti employees, experts on the 10 identified topics, were involved in the call to action, and the 44 teachers who make up the new in-house faculty were chosen through a selection process. A training/empowering course for trainers called "WeTrain" was designed for these teachers.

In line with the digital upskilling objectives of the entire company population, the training campaign continued with over 30,000 hours of training, delivered through a wide training offer accessible from our multimedia platform MyLearning, with various topics of digital literacy, digital transformation and cybersecurity and with specific subjects such as the Internet of Things, business tools, digital & customer mindset, big data & blockchain, etc..

Moreover, to foster the knowledge transfer and professional updates on technical systems and the deployment activities of the Digital Factory, digital training was delivered using train-the-trainer procedures and in-depth sessions through shadowing on new digital systems, with the help of expert employees. In line with the digital transformation initiatives contained in the strategic plan and by virtue of the growing importance of information and data management, in addition to defining adequate security policies, training on cyber risk, data protection and classification and information security has been extended to all personnel, through a series of interactive courses and specific awareness-raising campaigns.

In 2022, a total of over 129,700 hours of training were provided and every employee on average received over 35 hours of training.

Italy

Training	U.o.m.	2020	2021	2022
Total hours of training provided	hours	75,948	112,379	129,700
<i>of which women</i>	hours	11,899	17,571	20,687
<i>of which men</i>	hours	64,049	94,808	109,013

Greece

Training¹¹⁸	U.o.m.	2022
Total hours of training provided	hours	2,695.50
<i>of which women</i>	hours	734
<i>of which men</i>	hours	1,961.50

Italy

Breakdown of training hours delivered by subject and type	U.o.m.	2020	2021	2022
Training on HSEQ topics	hours	19,040	41,921	43,037
<i>Participations</i>	<i>n</i>	4,038	6,715	8,910
Training on the Code of Ethics - Model 231 - Anti-corruption – Antitrust	hours	3,849	1,950	4,131
<i>Participations</i>	<i>n</i>	2,914	1,686	4,329
Managerial training	hours	16,071	14,908	20,941
<i>Participations</i>	<i>n</i>	6,418	5,959	8,079
Technical/specialised training	hours	16,852	28,768	28,436
<i>Participations</i>	<i>n</i>	2,423	3,252	3,760
Training on digitisation topics	hours	20,137	24,832	33,155
<i>Participations</i>	<i>n</i>	17122	18,449	59,119

Greece

Breakdown of training hours delivered by subject and type¹¹⁹	U.o.m.	2022
Training on HSEQ topics	hours	940
<i>Participations</i>	<i>n</i>	207
Training on the Code of Ethics - Model 231 - Anti-corruption - Antitrust	hours	33
<i>Participations</i>	<i>n</i>	27
Managerial training	hours	64.50
<i>Participations</i>	<i>n</i>	4
Technical/specialised training	hours	1,001
<i>Participations</i>	<i>n</i>	64
Training on digitisation topics	hours	657
<i>Participations</i>	<i>n</i>	232

Italy

Standard GRI 404-1	U.o.m.	2020	2021	2022

¹¹⁸ The figures shown are pro-rata values for the September-December consolidation period of total annual training

¹¹⁹ The figures shown are pro-rata values for the September-December consolidation period of total annual training

Average hours of training per year per employee*		Men	Women	Total	Men	Women	Total	Men	Women	Total
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	hours/no.	19	20	19	29	28	29	36	32	35
Executives	hours/no.	26	30	26	24	28	25	30	29	30
Managers	hours/no.	26	21	25	27	27	27	36	44	38
Office Workers	hours/no.	20	20	20	25	27	26	34	30	33
Field Workers	hours/no.	16	5	16	34	56	34	39	64	39

Greece

Standard GRI 404-1 Average hours of training per year per employee ⁹¹	U.o. m.	2022		
		Men	Women	Total
Total employees	hours/no.	5	4	5
Executives	hours /no.	3	4	3
Managers	hours /no.	9	13	10
Office Workers	hours /no.	4	3	4
Field Workers	hours /no.	5	4	5

In addition to this, please note the following training initiatives delivered in 2022:

- Language courses: with over 6,000 hours provided, the training programme to develop and consolidate English language skills continued.
- Area conventions: again in 2022, great emphasis was placed on management sharing corporate goals and challenges through area conventions. Over the years, these have become important moments for discussion for the leadership team and the entire Italgas population; in 2022 around 10,000 hours were delivered.
- Supply chain engagement: Italgas also continued to organise various initiatives in 2022 for the engagement of the entire supply chain. "HSE Partners Lab" and "Communication management in emergency situations" are two examples of activities that aimed to raise awareness amongst partners on paying closer attention to improve prevention, increase safety levels, reduce the environmental impacts, stimulate a more efficient use

of resources and, at the same time, increase communication skills and awareness in the various situations, so as to be able to offer a better service to the community.

- Training course on Safe and Environmentally Sustainable Driving: with a view to constant attention to the issues of Safety and Sustainability, the preventive, defensive and environmentally sustainable safe driving course on circuits continued. About 400 participants were involved in these initiatives for over 2,600 hours, with the aim of achieving the best driving safety standards and optimising vehicle management in terms of consumption and maintenance costs.

- Training course on Picasso: in support of the Scheduled Search for Leaks, various training initiatives were organised on the technology, use of Surveyor vehicles and portable backpack analysers. There were about 170 participants for a total of about 650 hours. Thanks to the training, it was possible to extend the service for Scheduled Search for Leaks beyond company and national borders by involving other companies in the sector such as UnaReti, Reti Distribuzione, Floene (Portugal) and DEPA Infrastructure (Greece).

- Training course on plants: with around 8,000 hours and over 400 people involved, the training and qualification process of personnel involved in the surveillance of the natural gas distribution plants also continued in 2022, in application of UNI - E01129160;

- Training course on emergency assistance: in 2022, in addition to delivering around 2,000 hours of internal training on technical/procedural topics of emergency assistance, the content and methods were redesigned to make the theoretical and practical training even more engaging and effective;

In 2022, around 130,000 hours of total training were delivered, corresponding to around 35 hours per capita.

The average hours of training, 35 hours, have clearly increased on the previous year (+25%).

Even in economic terms, the average investment in external costs for each person, equal to around € 350 in 2022, was much higher than 2021 (+60%).

BOX – PEOPLE ANALYTICS

In continuity with 2021 HR Analytics activities, the Digital HR team was expanded in 2022 with the creation of an *ad hoc* People Analytics Unit. The unit intends to provide quantitative methods and tools to support better talent management, continuous improvement of HR processes and employee experience.

During 2022, an advanced reporting system for managers and HR was developed that provides analytical information on employees (e.g. key demographic trends, analysis of the distribution of annual performance appraisal results, monitoring of training hours, etc.) and with definition of a roadmap for development of predictive algorithms to improve HR process management.

Compensation system

Italgas is committed to ensuring a remuneration policy that is in line with national and international best practices, that supports and encourages business development, is consistent with the Strategic Plan and responds to the Company's values and culture.

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

- the responsibilities assigned;
- the results achieved;
- the quality of the professional contribution;
- the leadership model and values;
- people's development potential.

The Italgas Group Remuneration Policy is described in full in the annual Report on the Remuneration Policy and Compensation Paid, the latest approved version of which, in 2022, was much appreciated by stakeholders and shareholders with 97.5% voting in favour of the first section on the 2022 policy and 97.9% voting in favour of the second section, on the compensation paid in 2021.

Italgas adopts a structured process of analysis and recurring reviews, typically on an annual basis, of employees' fixed remuneration in order to recognise merit and the growth of individuals, establishing remuneration policies with the aim of ensuring consistency and balance within the organisational structure. All this is borne out by a balanced pay ratio, with the ratio of fixed remuneration paid in 2022 to the CEO and the average fixed remuneration of Italgas employees in 2022 being 1:21, a ratio that remains substantially constant compared to the previous year.

Moreover, in order to ensure the implementation of the Strategic Plan and the achievement of business objectives, Italgas provides Management with incentive systems with a short- and medium-to-long-term time horizon and which are both monetary instruments and shares. In addition, assignment is envisaged, for all middle managers, of an individual target card, to which 50% of the corporate premium is linked, in a bid to further strengthen the focus on results and assign increasing importance to merit.

In 2022, performance assessment involved 60 executives (11 of whom were women) and 385 non-executives (93 of whom were women), coming to a total of 445 people, divided among the various Italgas Group companies as follows:

- Italgas S.p.A. (31.7%): 134 people, 31 of whom were executives (8 of whom was woman) and 103 of which were non-executives (37 of whom were women);
- Italgas Reti (8.3%): 217 people, 14 of whom were executives (1 of whom was woman) and 203 of which were non-executives (36 of whom were women);
- Medea (12.9%): 8 people, 1 of whom was a female executive;
- Toscana Energia (7.0%): 26 people, 5 of whom were executives;

- Geoside (21.2%): 18 people, 3 of whom were executives (1 of whom was woman) and 15 of which were non-executives (6 of whom were women);
- Italgas Acqua (20.0%): 4 people, 1 of whom were executives;
- Bludigit (38.8%): 38 people, 5 of whom were executives and 6 women.

For further details, please refer to the Report on the 2022 Remuneration Policy and the 2021 Compensation Paid and the 2023 Remuneration Policy and 2022 Compensation Paid.

Relations with trade unions

In 2022, relations between the Italgas Group and the Trade Unions (TUs) saw the involvement and participation of structures at national, local and company levels. During the year, relations with the trade unions were particularly intense and focused on the start of relations with the newly elected Group Trade Union Representatives (RSU), as well as on the signing of a new Group Industrial Relations Protocol (agreement of 8 April 2022), which provided, among other changes, for the establishment of an RSU Coordination Committee (CCRSU), made up of 26 RSU members and 6 members of the regional departments, in order to assign, to this new body, the management of transversal issues of national interest at trade union level. The Joint Institution (IPA) for Training was also established to jointly govern the topic of financed and non-financed training.

Following the national and CCRSU meeting, in particular, significant agreements were reached on the following issues: structural smart working (monthly model of 10 days/month for clerical staff and weekly model of 1 day/week for technicians), starting for work from home and out-of-office service for operating staff, employment, final calculation of the Results Bonus for 2021 and setting productivity and profitability targets for 2022, with reiteration of the agreement on the productivity of middle management, already shared in 2021.

During 2022, in Italy, a total of 109 meetings were held with Trade Unions, of which 37 were held at national/CCRSU level and 72 were held at local level (data already inclusive of the meetings – 9 in all – held in Toscana Energia). These meetings were joined by a further 6 meetings in the context of the Training IPA. Furthermore, during the last four months of 2022, Italgas participated in five meetings with trade unions in Greece.

The figure confirms the constant involvement of representatives at all levels.

At the end of 2022, the total number of Group employees in Italy was 3,677 and the total number of employees registered with a trade union was 1,563 (including Toscana Energia); therefore, the percentage of employees registered with a trade union organisation was 42.51% (including Toscana Energia). At the end of 2022, in Greece, 488 out of a total of 561 employees were members of trade unions (87%).

Legal disputes with employees and former employees of the Italgas Group in 2022 remained substantially in line with the trend of previous years, albeit with a slight decrease.

Disputes with employees

Italy

Employee disputes	U.o.m.	2020	2021	2022
Disputes started during the year	no.	35	19	20
Disputes closed during the year	no.	16	36	27
Total disputes pending as at 31/12 (employees and former employees)	no.	41	24	17

Greece

Employee disputes¹²⁰	U.o.m.	2022
Disputes open from September 2022	no.	2
Disputes closed from September 2022	no.	0
Total disputes pending as at 31/12 (employees and former employees)	no.	5

In Italy, a total of 20 new appeals were brought during 2022, while 27 cases were closed. At 31 December 2022, a total of 17 court cases were pending, two of which were brought by groups of workers and both related to claims for holiday pay. In Greece, 2 litigations were opened during the last 4 months of 2022, with a total of 5 litigations pending at the end of the year.

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

Finally, it should be noted that no incidents of discrimination occurred during 2022.

Employee experience

ChangeBot

During 2022, Italgas promoted a ChangeBot, a creative challenge in collaboration with Microsoft Italia and Fondazione Mondo digitale.

ChangeBot is a Creathot (creative hackathon) involving 24 female STEM and non-STEM students organised into six teams. The teams tried their hand at designing a chatbot free of gender bias and stereotypes with the support of industry experts and managers from the companies involved in the project.

At the end of the collaboration, the groups presented their projects to the panel of judges with an elevator pitch. The winning team was offered an internship at Italgas.

¹²⁰ The figures shown refer to September-December values

Gas Data Champion

In order to support the operational Departments in the management of data generated with the digitisation of assets, the staff of the so-called Gas Data Translators was created and trained to promoting a "data-driven" culture, increasing the ability to analyse data with a view to continuous improvement, while also providing support for innovation and sustainability projects.

Technician 2.0

With the aim of following up on the major transformation and innovation in progress in terms of the work tools and processes of our business, the need has arisen for a continuous reflection on the core activities and competences of the Group and in which Operations & Maintenance should invest and strive to continue to be a point of reference within the sector.

Employee journey

During 2022, the digital room continued in the Digital Factory with a twofold objective:

- to make the employee experience on the digital channels made available to them easy and innovative;
- to adopt best-in-class tools to identify, involve and enhance the best talents.

Among the new services developed, were:

- Knowledge transfer portal (Italshare): portal to collect and manage the technical know-how of the Group's staff;
- Learning portal (MyLearning): the Company's Learning Management System has been redesigned;
- Performance management portal (I-Grid): system for managing performance, digital peer feedback and feedback;
- Administrative back-office processes portal (HR4U): employee portal to handle requests made to HR and optimise the administrative back-office processes;
- People analytics dashboard: dashboards integrated into the HR management system that enable real-time monitoring of staff data as well as forecasting algorithms developed in the people field.

Welfare

The Welfare Plan, dedicated to all Group employees, stems precisely from the initiatives taken in a bid to **improve the quality of life of its people**, helping them strike a fair balance between their personal and working lives, creating a lively, active community.

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

In April 2022, in continuity with previous years, a survey was given out to all Group employees (in both Italy and Greece), aimed at analysing needs and requirements, with the goal of outlining an increasingly cutting-edge, comprehensive and inclusive Welfare Plan in which nearly 1,400 colleagues participated and contributed.

On the basis of the main evidence that emerged, **new initiatives** have been identified, which started being implemented in 2022, including but not limited to:

- **IG Awards, IG Out of Office, IG I-Care:** programmes aimed at spreading the culture of kindness, outdoor workouts and free check-ups at the Group's main sites.
- **Mindfulness course and informative webinars to raise awareness** on specific topics (psychophysical well-being, mental health, nutrition)
- **Fuel Bonus:** the possibility of spending the welfare credit - resulting from the conversion of the bonus – in fuel vouchers was introduced within the limits set by the 2022 Energy Decree.
- **New Smart Working agreement:** the new Smart Working (or SW) model was defined, introducing positive changes in terms of the well-being of the Group's people, the quality of our performance and the value of our relationships. As a sign of the Group's commitment to responding to the specific needs of all colleagues, the possibility was introduced of requesting up to 40 additional days per year – which can be taken on a continuous or staggered basis – for those experiencing particularly challenging family and personal conditions: pregnancy, parenthood, adoption or fostering, delicate subjects, returning after a period of illness, gender-based violence, caring for children with learning disorders or for relatives suffering from serious or long-term illnesses.

BOX – Digital transformation in HR processes

The development of the pandemic with its variants and the conclusion of the "emergency smart working" mode led Italgas to redefine its working methods by introducing flexible forms of work that simultaneously have contributed to improving the work life balance of employees. Being able to rely on digital solutions and ecosystems, tailored to the employee and working patterns, has proven over the years to be a key factor in ensuring organisational resilience. In operation since 2018, the Digital Factory has continued to work in 2022, effectively adapting the Agile model to the hybrid on-site and online working method imposed by the new ways of working.

In addition to the new services introduced during the year, the **Welfare Plan continued in line** with previous years, offering income and leisure support services (e.g. microcredit, dedicated agreements, supplementary

pension), family support services (e.g. reimbursement of nursery schools, summer camps, agreements with assistance for caregivers), health and well-being support services (e.g. LILT cancer prevention protocol, anti-flu campaign), mobility support services and the flexible benefit plan for conversion of the Participation Bonus.

Welfare Days were also organised, days organised at the Group's main sites and webinars open to all employees, dedicated to explaining the current welfare programme, an opportunity for obtaining answers to requests for clarification and dedicated analyses. The initiatives put in place during 2022 have generated strong support, involvement and enthusiasm from all the Group's people: more than 3,500 employees registered on the portal as at 31.12.2022 and over 9,000 requests for services were made by users (+35% compared to 2021).

In 2022, the number of active users (corporate population that has used at least one service) is 68% of the total corporate population, a 3% increase compared to 2021.

Italy

Standard GRI 401-3 Parental leave*	U.o.m.	2020			2021			2022		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Total open positions	no.	225	53	278	229	73	302	212	60	272
Positions opened during the year	no.	17	15	32	41	21	62	15	10	25
Positions closed during the year	no.	208	38	246	188	52	240	197	50	247
for return	no.	202	36	238	179	49	228	175	44	219
for contract end	no.	6	2	8	9	3	12	22	6	28

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

Greece

Standard GRI 401-3 Parental leave	U.o.m.	2022		
		Men	Women	Total
Total open positions	no.	0	3	3
Positions opened during the year	no.	0	3	3
Positions closed during the year	no.	4	0	4
for return	no.	4	0	4
for contract end	no.	0	0	0

BOX – CLIMATE SURVEY

With a view to listening and engaging its people, and in continuity with previous years, during 2022 Italgas carried out the climate survey *“La tua voce conta”* (Your voice matters), dedicated to all Group employees (in Italy and Greece), who were thus able to express their opinion on various themed areas: listening, training, workload, inclusion and diversity, remuneration and recognition, performance, innovation, health and safety and much more besides. The survey recorded an 86% participation rate, in line with last year's participation and higher than the reference benchmark.

BOX – TOP EMPLOYER

In January 2023, the Italgas Group is among the companies certified Top Employers Italy 2023. Top Employers certification is the official recognition of the company's excellences in **HR strategies and policies** and their implementation to help ensure the well-being of people, improve the workplace and the world of work. It is issued to companies that achieve and satisfy the high standards demanded by the **HR Best Practices Survey**, covering **6 HR macro-areas**, which examines and analyses 20 different topics in-depth and the respective best practices, including People Strategy, Work Environment, Talent Acquisition, Learning, Well-being, Diversity & Inclusion and many others.

Diversity

In 2022, the presence of women in companies also improved significantly in terms of women in positions of responsibility¹²¹. In particular, in Italy 24.7% of Group managers are women, a clear rise on the previous year (22% in 2021), whilst in all, a total of 17.8% of the company workforce are women (16.4% in 2021), also taking into account the traditional male presence in the technical operative areas of the company. In Greece, the aforesaid percentages were 25.9% and 32.4% respectively.

Italy

% women of all employees, by professional category ¹²²	U.o.m.	2020	2021	2022
Executives	%	13.8	17.2	19.7
Managers	%	17.2	19.7	22.6
Office Workers	%	24.4	26.0	27.1
Field Workers	%	0.3	0.4	0.7
Total	%	15.1	16.4	17.8

Greece

¹²¹ “Head of operating unit” position.

¹²² Positions of responsibility are included in the categories of “Manager” and “Office worker”.

% women of all employees, by professional category	U.o.m.	2022
Executives	%	12.5
Managers	%	29.2
Office Workers	%	47.9
Field Workers	%	0.7
Total	%	32.44

Italy

DIVERSITY INDICATORS - Italy	2021	2022	Notes
% women of total workforce	16.4	17.8	% total workforce
% women in positions of responsibility	22.2	24.7	% of all positions of responsibility
% women in junior positions of responsibility	23.1	25.7	% of all positions of junior responsibility (first level)
% women in top management positions	17.2	19.7	% of all top management positions (two levels from CEO)
% women in positions of responsibility in revenue-generating departments	18.0	20.8	% of this type of position
% women in STEM positions	35.8	35.9	% of this type of position

Greece

DIVERSITY INDICATORS - Greece	2022	Notes
% women of total workforce	32.4	% total workforce
% of all positions of responsibility	25.9	% of all positions of responsibility
% women in junior positions of responsibility	29.2	% of all positions of junior responsibility (first level)
% women in top management positions	12.5	% of all top management positions (two levels from CEO)
% women in positions of responsibility in revenue-generating departments	25.1	% of this type of position

% women in STEM positions	29.4	% of this type of position
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BREAKDOWN OF THE WORKFORCE BY NATIONALITY ¹²³		
2020 - Nationality	% of total workforce	% managerial positions
Italian	99.2	99.7
Greek	0.0	0.0
Switzerland	0.2	0.0
Other nationalities	0.6	0.3
2021 - Nationality	% of total workforce	% managerial positions
Italian	99.2	99.7
Greek	0.0	0.0
Switzerland	0.2	0.0
Other nationalities	0.6	0.3
2022 - Nationality	% of total workforce	% managerial positions
Italian	86.0	82.1
Greek	13.1	17.6
Switzerland	0.2	0.7
Other nationalities	0.7	0.3

Italy

Standard GRI 405-1 Diversity amongst employees (headcount)	U.o.m.	2020			2021			2022		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	no.	50	8	58	53	11	64	49	12	61
under 30 years	no.	0	0	0	0	0	0	0	0	0
between 30 and 50 years	no.	16	6	22	23	8	31	24	7	31
over 50 years	no.	34	2	36	30	3	33	25	5	30
Managers	no.	250	52	302	248	61	309	240	70	310
under 30 years	no.	1	0	1	0	0	0	0	0	0

¹²³ The figures also consider the employee breakdown of the Greek companies as of 2022, the year they were acquired.

between 30 and 50 years	no.	73	23	96	87	33	120	89	42	131
over 50 years	no.	176	29	205	161	28	189	151	28	179
Office Workers	no.	1,659	536	2,195	1,599	563	2,162	1,514	563	2,077
under 30 years	no.	153	76	229	147	80	227	184	83	267
between 30 and 50 years	no.	355	171	526	386	194	580	458	223	681
over 50 years	no.	1,151	289	1,440	1,066	289	1,355	872	257	1,129
Field workers	no.	1,426	4	1,430	1,364	5	1,369	1,221	8	1,229
under 30 years	no.	195	2	197	216	3	219	249	5	254
between 30 and 50 years	no.	247	1	248	238	0	238	217	1	218
over 50 years	no.	984	1	985	910	2	912	755	2	757
Total	no.	3,385	600	3,985	3,264	640	3,904	3,024	653	3,677

Greece

Standard GRI 405-1	Diversity amongst employees (headcount)	U.o.m.	2022		
			Men	Women	Total
Executives		no.	14	2	16
under 30 years		no.	0	0	0
between 30 and 50 years		no.	6	0	6
over 50 years		no.	8	2	10
Managers		no.	46	19	65
under 30 years		no.	0	0	0
between 30 and 50 years		no.	20	11	31
over 50 years		no.	26	8	34
Office Workers		no.	175	160	335
under 30 years		no.	4	7	11
between 30 and 50 years		no.	114	126	240
over 50 years		no.	57	27	84
Field workers		no.	144	1	145
under 30 years		no.	1	0	1
between 30 and 50 years		no.	116	1	117
over 50 years		no.	27	0	27
Total		no.	379	182	561

The 2022 activities were based on an engagement approach and on co-constructing courses alongside all Group people. Therefore, starting in February 2022 a community of 42 D&I Ambassadors was created to implement numerous activities with the aim of developing and including all types of diversity. The Ambassadors

are divided into five working group, which prepare proposals based on three main working streams: Age & Culture (territorial, background and generational differences), Gender and Disability.

The following events were held with a view to Ambassador growth:

- Meeting with a famous Paralympic athlete, who shared some crucial considerations with the group on her personal and professional journey;
- Discussion about gender equality in the world of work and sport: several colleagues met with an Italian ski champion, who shared her development as a top-level athlete and as a woman;
- Volunteering with an international no-profit organisation committed to ending world hunger.

Initiatives implemented on the proposal of the D&I Ambassadors include:

- Adoption of fonts suitable for visually impaired people when using Outlook.
- Two surveys, in December 2022, the first on people development within their cultural and generational diversity (more than 1700 participants) and the second, for managers, dedicated to the topic of disability (120 participants);
- WeInspire Project.

The first edition of WeInspire kicked off in 2022, the Group's Mentoring and Reverse Mentoring course, aimed at fostering the development and growth of people, in a logic of exchange between different experiences. The WeInspire course involved 15 pairs of Mentors and Mentees, made up of people belonging to different situations at organisational level (different Companies, Departments, etc.).

The following collaborations also continued:

- Valore D, with Italgas as Supporting Partner – the leading association of businesses in Italy which, for over 10 years, has been promoting gender balance and an inclusive culture within our country. The association offers the possibility, grasped by Italgas, to have manager colleagues participate in intercompany mentorship programmes, strategic skills development courses for exercising inclusive leadership and programmes for female executives (C-Level course).
- STEM By Women, an association of businesses, organisations and people that promotes and encourages women's careers and studies in the STEM (Science, Technology, Engineering and Mathematics) area. In 2022, Italgas sponsored a new Master's degree developed by the association, in collaboration with the Turin Polytechnic, to create a new professional figure with a humanities university education and specialisation in Artificial Intelligence.

In addition, the Group participated in the new edition of "Grow Data Girls", a project that aims to promote, support and improve the personal and professional growth of the female students at the LUISS Business School, paying particularly close attention to inclusion in the world of work and promotion of the professional career.

Lastly, it should be noted that in the second half of 2022, preparatory work for Gender Certification according to the new UNI/PdR 125:2022 standard was started for the first Group company, Italgas S.p.A.

Italy

GRI 405-2 - Ratio of basic salary and remuneration of women to men			
Ratio of remuneration¹²⁴	2020	2021	2022
Executives	80.5	88.6	94.6
Managers	91.2	91.3	93.6
Office Workers	91.3	92.5	92.0
Field Workers	74.0	71.1	67.0

Ratio of basic salary¹²⁵	2020	2021	2022
Executives	91.6	96.1	110.4
Managers	93.8	95.6	96.4
Office Workers	97.2	97.7	98.4
Field Workers	75.7	73.6	73.3

Greece

Ratio of remuneration⁹⁵	2022
Executives	117.7
Managers	96
Office Workers	93.2
Field Workers	101.5

Ratio of basic salary	2022
Executives	119
Managers	88.3
Office Workers	95.6
Field Workers	83.4

Italy

¹²⁴ Ratio of the average fixed + variable remuneration and the total amount paid to employees between women and men.

¹²⁵ Ratio of average fixed remuneration between women and men

Employees belonging to protected categories	U.o. m.	2020			2021			2022		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees belonging to protected categories	no.	148	32	180	145	34	179	125	33	158

Greece

Employees belonging to protected categories	U.o. m.	2022		
		Men	Women	Total
Employees belonging to protected categories	no.	0	0	0

Italy

% employees pertaining to protected categories out of total employees	U.o.m.	2020	2021	2022
Employees belonging to protected categories	%	4.5	4.6	4.3

Greece

% employees pertaining to protected categories out of total employees	U.o.m.	2022
Employees belonging to protected categories	%	0

Accessibility of the applications developed

In 2022, the focus was kept on the degree of accessibility of the applications developed by Italgas, considering all phases of the process.

DeSI is a shared tool for creating usable, accessible and brand-consistent digital interfaces.

In compliance with the Stanca Act, Law no. 4. of 9 January 2004, containing provisions to facilitate access to digital tools for people with disabilities, Italgas issued its Declaration of Accessibility, in November 2022, in which it declared its state of compliance with the Act on its institutional website, FAQ Help Online portal, MyItalgas Customer Portal and Carriere.it Portal:

- Italgas website: <https://www.italgas.it/accessibilita/>
- HelpOnline website: <https://www.italgas.it/accessibilita-help-online/>
- MyItalgas Customer website: <https://faq.italgas.it/s/>
- Carriere.it: https://carriere.italgas.it/content/Accessibilita/?locale=it_IT

The Italgas Group has made feedback mechanisms available for users to use to notify cases of non-compliance and to request information and content that falls outside the scope of the Directive. For this purpose, any reports can be sent by mail to accessibilità@italgas.it.

Respect for human rights

The Italgas' Code of Ethics, the Supplier Code of Ethics and the Human Rights Policy outline the reference principles and actions taken to protect human rights in the performance of the Group's activities and, in general, in any context in which Italgas people and business partners operate. These principles are in line with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights and Core Conventions of the ILO – International Labour Organisation. The Policy for the Prevention of Discrimination and Protection of the Dignity of Group Personnel and the Diversity and Inclusion Policy reinforce the Group's commitments to the protection of Human Rights.

Specifically, Italgas' policies include the Group's commitment to combating the phenomena of forced or child labour, human trafficking and discrimination, as well as a commitment to pursuing workers' rights, including the right to freedom of association, collective bargaining and fair remuneration.

Italgas and its investee companies have adopted Organisation, Management and Control Models (Models 231), aimed at preventing the perpetration of offences, as well as Internal Control and Risk Management systems that guarantee compliance with minimum safeguards. In this context, the Italgas Group has developed a due diligence process to identify and assess potential human rights impacts and risks. The process provides for the identification of such risks within the Group's operations and business relationships.

The risk assessment activity includes:

- the as-is analysis for the identification of processes and activities most at risk;
- the self-assessment relating to the aforementioned risks and the control system;
- the identification and improvement plan in relation to any risks identified.

All suppliers are also required to guarantee respect for human and labour rights through the acceptance of Group policies, including those concerning, for example, human rights, health and safety, and environmental protection.

6.3 Italgas for a sustainable future together



SDG



GRI

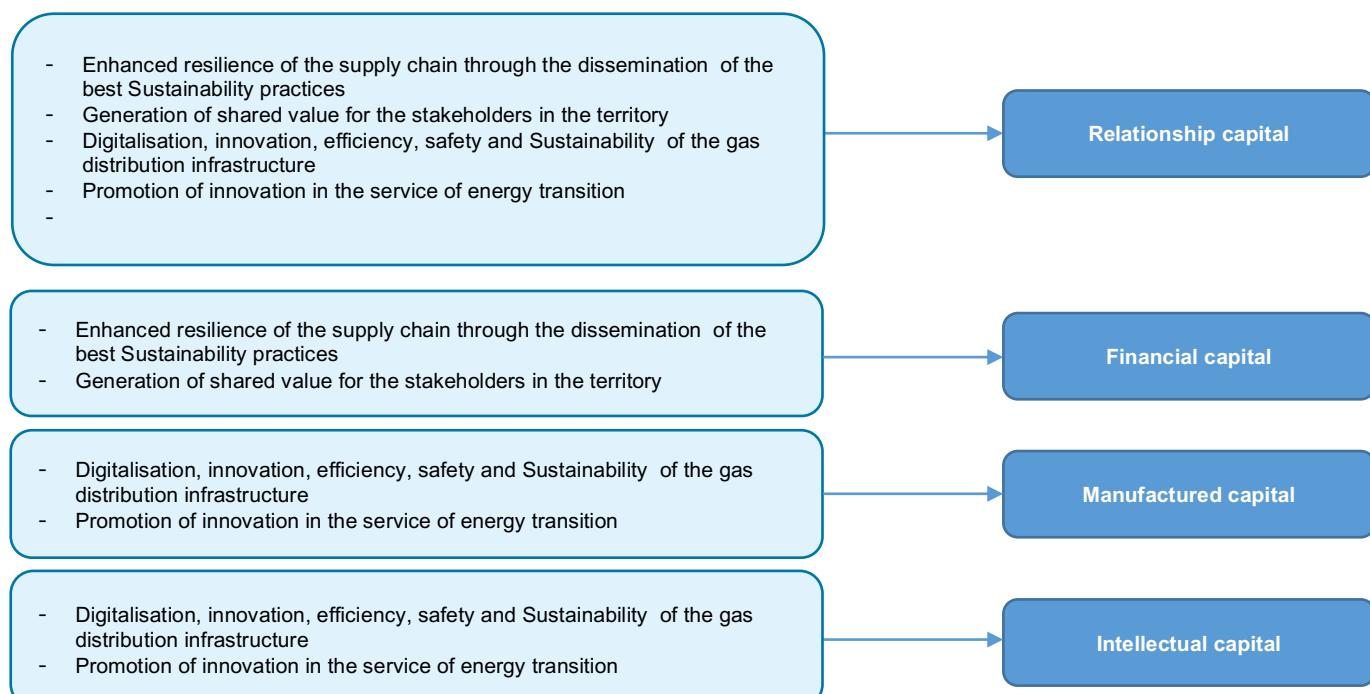
2-28, 201, 204, 308,
413, 414, 415

Italgas adopts a Partnership for the Goal (SDG 17) approach, promoting continuous research into innovative solutions for the energy transition and, in general, a culture of innovation both inside and outside the Group. Good practices are disseminated throughout the supply chain to ensure that sustainability principles are respected. Caring for the local environment, supporting employment and the local economy, and developing and supporting projects that reflect the Group's identity and values are a fundamental part of Italgas' commitment to the territories in which it operates.

Specific material topics: Sustainable supply chain management, Dialogue and value creation in the local area, Respect for human rights

Transversal material topics: Compliance, transparency and anti-corruption, Responsible governance and risk management, Economic value generation and ESG finance

Medium-to-long-term impacts of our activities



Macro-targets	Actions	Target¹²⁶	2022 Performance
We promote innovation and dialogue through partnerships	Promoting the culture of innovation	3,000 innovative MSEs and start-ups evaluated for collaboration by 2028, also through advisors, incubators and university scouting in Europe, USA and Asia	286 Innovative SMEs and start-ups evaluated for collaboration projects
	Developing innovative solutions that will promote the energy transition	<ul style="list-style-type: none"> - 45 solutions to support the energy transition adopted or developed with innovative start-ups or MSEs by 2028 - 75% of the digital projects realised for the Group and the market having a major impact on Sustainability in 2028 - Transformation of the measurement laboratory into a centre of excellence in the search for applications that can promote the energy transition by 2024 	<ul style="list-style-type: none"> • 14 energy transition support solutions adopted or developed with innovative start-ups or SMEs • 70% of digital projects, created for the Group and the market, with a high impact on Sustainability • The mission, activities and organisation of the new laboratories are currently being reviewed with the aim of becoming a centre of competence and innovation on natural gas distribution and new renewable gases to facilitate the energy transition.
	Contributing to the debate on the role of gas in the energy transition	Active participation in national and international associations for gas advocacy and the energy transition	<p>Specific contribution to the work of the Eurogas Strategic Committee and DIST Committee and the GD4S Executive Committee. Through participation in Italy in the work of the Distribution Committee and Proxigas Working Groups, addressing, among others, the following topics:</p> <ul style="list-style-type: none"> • Gas distribution networks supporting the development of biomethane and green hydrogen • Commitment of the distribution sector to the containment and monitoring of methane emissions • Digitisation and innovation as preconditions for the energy transition of the gas system
We encourage the adoption of Sustainability principles in the supply chain	Disseminating the culture of Sustainability along the supply chain	100% of the suppliers posing high Sustainability risks ¹²⁷ involved and trained in ESG issues by 2024	About 40% of strategic suppliers for sustainability involved and trained on ESG topics
	Integrating Sustainability criteria in supplier qualification, evaluation and selection processes	<ul style="list-style-type: none"> - 100% of the suppliers posing high Sustainability risks subject to ESG audits (including respect for human rights) by 2028 • Introduction of additional Sustainability criteria rewarding the suppliers at the tendering stage by 2023 	<p>1 audit carried out in 2022, the others are planned for 2023</p> <p>2 new criteria were introduced in 2022</p>
We take care of the territory	Supporting employment levels and the economy of the municipalities where we operate	+40% network works suppliers in the territory selected from among the MSEs by 2028 (base 2022) • Consolidating a growth path for SME suppliers through training, joint technological development, access to new geographical areas by 2023	<ul style="list-style-type: none"> • +12.5% of network providers of work in the local area selected from SMEs • Guidelines have been drawn up for the start of the project.
	Developing projects associated with the identity and business model of the Group that can valorise the territories	60% of the mayors of municipalities with service contracts or concessions met annually, for: monitoring commitments made, network extension requests, payment of fees and presentation of new initiatives and technologies • Definition of an evaluation model for the impacts of company activities by 2024	<ul style="list-style-type: none"> • 62% of Mayors of Municipalities with service contracts or concessions met • Recognition of available impact assessment models underway

6.3.1 Promoting dialogue through partnerships

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

Collaboration with industry associations

As the top Italian operator in the distribution of gas and the third most important in Europe, the Italgas Group plays an active part in the work of the Italian and international industry associations, confirming its commitment towards the protection, optimisation and development of the segment in which it operates.

In addition, Italgas takes part in the work of the associations through the oversight of corporate bodies and the participation in working groups or formal or informal parties established by these associations, which discuss and define the organisation's position on operative and policy matters, including those related to energy transition¹²⁸.

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

- Proxigas – formerly known as ANIGAS. This industry Association, a member of Confindustria, represents firms operating along the entire natural gas supply chain with a particular focus on the following sectors: distribution, transportation, sale of natural gas on the end market and wholesale market, trading and methane for motor vehicle use. The association aims to support the role of natural gas and LNG as an energy source with lower environmental impact compared to other fossil sources, particularly as a fuel for mobility, as well as the gradual development of renewable gas. The participation in Proxigas also grants access to the CIG - Italian Gas Committee - a regulatory entity federated with the UNI, competent to define technical and safety standards in relation to gas infrastructures and gas-powered equipment.
- Assonime - association of Italian joint stock companies, particularly those listed on the stock exchange. It studies and handles problems that directly or indirectly concern the interests and development of the Italian economy, focussing specifically on themes of corporate governance, corporate finance and legal tax matters.

Internationally, Italgas takes part in:

¹²⁶ The targets refer to the scope of Group companies consolidated on a line-by-line basis as at 2021, thus not including any changes as a result of ATEM tenders, M&A transactions and DEPA Infrastructure.

¹²⁷ Suppliers of strategic importance to the core business of the Group at risk of non-compliance with their contractual obligations concerning Sustainability-related issues

¹²⁸ Italgas' participation as an active member in these organisations allows the Group to monitor and help define the positions taken and guarantee an alignment with the Group's commitments and strategy on such topics, including those that impact the capacity to achieve the objectives set forth in the Paris Agreements.

- GD4S¹²⁹ - Organisation representing the voices of the largest natural gas and renewable gas distributors in Europe. The entity is a non-profit association under Belgian law that unites the major operators in the natural gas distribution sector in 8 European Member States: France, Greece, Ireland, Italy, the Netherlands, Portugal, Romania and Spain. The association's mission is to represent the views of the gas distribution sector at European institutions, specifically concerning the role that such infrastructures can play in the energy transition process towards a low carbon economy. In particular, the association supports gas and LNG as fuels for the transport sector, biomethane development, the study and implementation of Power to Gas technologies for the production of "green" hydrogen and its use as energy carrier able to carry and store renewable energy, taking advantage of the existing infrastructure now used for natural gas. In 2022, GD4S worked intensely on defining a Sustainable Charter to give shape to a collective approach to sustainability for all association members. In short, the Charter sets out nine shared commitments - in line with the United Nations SDGs - to achieve shared objectives on the three dimensions of sustainability: Environmental, Social and Governance. The Sustainable Charter was formally unveiled during a dedicated event held on 15 March 2022.
- Eurogas¹³⁰ - Eurogas is an association of 69 companies and associations belonging to the gas wholesale and retail market and the natural gas, biomethane and hydrogen distribution sector. The entity also works with companies active on gases for vehicles, and on value-chain methane emissions management. Eurogas supports the transition to carbon neutrality through dialogue and advocacy about optimising the use of gases. The association is very active on the issues of security of supply, energy transition and more generally on the definition of a market design that ensures the proper operation of the market, with a view also to the development of renewable gases such as biomethane and hydrogen. Eurogas is also especially committed to the implementation of the just transition, with specific regard to the role of workers and labour skills needed to support the transition to an energy system consistent with the climate objectives identified by the European Union and the Paris Agreement. Italgas actively participates in working groups and task forces set up within the association, in particular on the DIST Committee, which deals with issues related to the world of gas distribution, and on the Gas Advocacy Group, which organises and manages communication and events aimed at disseminating the association's viewpoints. Italgas also has its own representatives on the Steering Committee and on the Eurogas Board. In the course of 2022, Eurogas contributed in various ways, through targeted meetings with European Commission officials, the signing of joint statements with other organisations, the preparation and dissemination of position papers and direct meetings with members of the European Parliament, to the process of shaping various legislative projects, such as the Gas Package, the Methane Emissions Regulation, the EPBD and others, all with the aim of fostering the development of renewable gases by highlighting the contribution of the distribution sector.

¹²⁹ <https://gd4s.eu/>

¹³⁰ <https://www.eurogas.org/>

The main topics covered in 2022 in the working groups of the associations indicated above were:

- the security of energy supplies in relation to the Ukrainian crisis;
- energy transition and the role of infrastructure in the decarbonisation process; the development of biomethane and hydrogen as essential elements of the energy transition and part of the REPowerEU plan to limit European energy dependence on third countries;
- the control and reduction of methane emissions (Methane Regulation);
- the definition of the market structure and related regulatory aspects in view of the development of renewable gases and hydrogen (the “Gas Package”).

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

“BOX”



United Nations Global Compact

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

“BOX”

OIL AND GAS METHANE PARTNERSHIP INITIATIVE - OGMP 2.0

During 2022, Italgas continued its commitment to the Oil and Gas Methane Partnership Initiative (OGMP 2.0), the voluntary initiative aimed at helping companies reduce methane emissions in the Oil&Gas sector created by the Climate and Clean Air Coalition (CCAC) and the United Nations Environmental Programme (UNEP), which was first launched in 2014 during the United Nations (UN) Secretary General's Climate Summit.

It aims to push member companies to adopt increasingly effective and incisive methodologies for controlling, measuring and reducing emissions. To this end, the OGMP requires participating companies to establish increasingly accurate corporate protocols that will lead, in five years, to a 45% reduction in emissions by 2025, taking 2015 values as a basis, in line with the climate change emission reduction targets set by the COP21 conference in Paris. Participating companies are required to report emissions data with an increasing degree of accuracy on five different levels, starting with the overall data on plants managed, calculated based on standard emission factors, right up to, at the end of the final year, accurate information measured at site-level, for each specific type of plant and material used by the company when carrying out its operations. This important effort is aligned with the continuous improvement objectives that Italgas has undertaken in recent years, as evidenced by the recognition for the second consecutive year of the OGMP "gold standard", an award granted to member companies on the basis of their actual progress towards their stated reduction targets.

Also in 2022, Italgas reported the required information, confirming a reduction of methane emissions deriving from the management of its business, measured in absolute value, of 83% by 2025 as compared with 2015. The IMEO (International Methane Emissions Observatory) publication "An Eye on Methane International Methane Emissions Observatory 2022 Report" states that Italgas has been awarded the Gold Standard, with data quality deemed "excellent" for operated assets and about 50% of non-operated assets (it was deemed "very good" for the remaining 5%). The report also acknowledges Italgas' commitment to promoting this initiative to other companies in the sector and its experience in making reliable measurements at both the local and site levels.

BOX – READY4H₂

Italgas joined "Ready4H₂" (Ready for Hydrogen) in 2021, an international initiative that now brings together the experience and expertise of more than 90 DSOs from 13 European countries to promote consumer access to hydrogen through distribution networks, while also encouraging new producers to enter the market.

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

"Ready4Hydrogen" is open to all organisations and companies that wish to join and produced three specific studies in early 2022:

- The know-how of DSOs regarding hydrogen. A collection of experience and knowledge that European DSOs have accrued during projects and in developing hydrogen infrastructures.

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

The second phase of the project was launched in 2022, which aims to compare the national hydrogen strategies developed by different countries, to propose benchmarks that can be used as a reference and inspiration by less advanced countries, as well as to analyse in more detail and identify possible solutions to the technical bottlenecks limiting market development, both on the supply and demand side. The second phase is completed by a compilation of all ongoing projects and initiatives at the distribution network level, which can serve as a platform to identify supplementary solutions to those already in use by certain operators and to draw together the results of experiences gained in other operational contexts.

BOX - Other collaborations

Italgas actively collaborates with various other contexts:

Confindustria - Italy's most important organisation representing entrepreneurs, grouping more than 153,000 manufacturing and service companies, with a total of more than 5 million employees. The association aims to support the role of business as an engine for the economic, social and civil growth of the country. In this perspective, it defines common paths and – while respecting the areas of autonomy and influence – shares objectives and initiatives with the world of economics and finance, national, European and international institutions, PA, social partners, culture and research, science and technology, politics, information and civil society.

CISPEL Toscana - A representative business organisation that exclusively groups together public service companies that operate in the Tuscan region and that manage services of economic importance such as water services, environmental hygiene, gas, public road transport and other services such as municipal pharmacies, public housing, culture, institutes for personal assistance, health and hospital establishments. Cispel represents its interests in terms of institutional and social relations as well as in terms of promoting its development and growth.

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

FSR – Florence School of Regulation - Independent advanced training and research institute on international regulation and policies in the electrical, water and gas sectors, sponsored by the European Commission. Each year, it presents a vast programme of courses, seminars and workshops. It provides the European Commission with opinions and expertise in view of the adoption of legislative and regulatory proposals. In joining the "supporters" of the FSR, Italgas gained the opportunity of taking part in the formation network and research initiatives, cooperating with the organisation of events and making its own contribution to the debate of a complex matter. In addition, by taking part in the FSR Energy area Policy Advisory Council, Italgas has the chance to promote its vision of energy policy topics, the challenges that development prospects in the industry raise, also in terms of the evolution of regulation and training projects offered by the FSR to regulators and managers.

IGI - A study centre, founded and participated in by the major public works constructors, with the aim of investigating issues relating to the award and management of public contracts, drawing up studies and providing contributions to public decision-makers to facilitate the design, construction and management of major infrastructures.

CNA - Association of entrepreneurial representation focused on small and medium-sized enterprises and artisan companies. It provides services, customised advice and information on how to promote the success of this category of companies, mainly operating in manufacturing, construction, services, transport, trade and tourism.

AMICI della LUISS (Friends of LUISS) - An association that aims to support the development and transformation of the original "Por Deo" University into the modern Luiss project for university and post-graduate education. The project is based on managerial and entrepreneurial culture, in particular the pooling together of resources to both facilitate the entry into the University of students with high potential but that lack financial means, and to enable the best Luiss graduates to devote themselves to scientific research (through PhDs) in order to enter teaching or advanced professions.

MIP – Polytechnic University of Milan Graduate School of Business, University training institute in technical and managerial matters, potential basin of competences also to draw on to identify possible high-potential candidates. It offers a particularly extensive curriculum of studies, apart from training and masters programmes customised for the needs of the institutions and Public Administration, and enjoys a particularly good international reputation. The direct collaboration with the MIP and the network of associated businesses allows Italgas to promote and develop, with projects focused on business needs, specific initiatives in management, digital transformation and continuous improvement.

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

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

Foundation for Digital Sustainability - The first recognised research foundation in Italy dedicated to investigating issues of digital sustainability, consisting of independent experts, institutions, companies and universities whose representatives are members of the steering and scientific committees. Their purpose is to pursue the statutory objectives by defining the Foundation's programme of activities and providing the necessary resources for their realisation.

Below is a summary of the expenses incurred in 2022 for joining trade associations. In order to guarantee the possibility of comparison, data for previous years has also been reported. As of 2022, the values of the company Toscana Energia are also included

GRI 2-28 Membership of associations

GRI 415-1 Political contributions

MEMBERSHIP FEES AND FOR REPRESENTATION OF INTERESTS - ITALY (€)		2020	2021	2022
Representation of interests through third parties		77,990	92,990	111,094
Support to political parties or candidates on a local, regional or national level		0	0	0
Confindustria and industry associations ¹³¹		415,688	421,946	519,397
Scholars and think tanks		73,200	101,700	172,600
Technical associations		47,085	49,599	45,913
Total		613,963	664,635	849,004
<i>Data coverage (percentage coverage with respect to Italian business scope)</i>	<i>of which</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>
CONTRIBUTIONS TO INDUSTRIAL AND TRADE ASSOCIATIONS (€)	CORPORATE POSITION			
Proxigas (formerly Anigas) ¹³²	Support	353,420	362,529	420,000
Confindustria ⁹⁵	Support	59,768	59,267	69,247
CISPEL	Support	0	0	30,000
CNA		0	150	150
Anie	Support	2,500	0	0
OTHER SIGNIFICANT EXPENSES (€) ¹³³	TYPE	2020	2021	2022
Eurogas	Representation of interests	0	0	50,000
GD4S	Representation of interests	53,000	53,000	35,900
FSR – Florence School of Regulation	Academic	0	35,000	35,000
IGI	Think Tank	0	0	30,000
Assonime	Representation of interests	24,990	24,990	24,990
MIP - Politecnico di Milano Graduate School of Business	Academic	20,000	20,000	20,000
Foundation for Digital Sustainability	Think Tank	0	0	20,000
Friends of LUISS	Think Tank	0	0	20,000
Valore D	Think Tank	15,000	15,000	15,000
CCE	Representation of interests	0	0	0

¹³¹ Confindustria 2020 and 2021 data restated following the UI Rome agreement

¹³² Proxigas 2021 data revised because the association is calculating the final values after the publication of the Financial Statements

¹³³ Details of expenses for membership fees for all associations not belonging to the cluster "Confindustria and trade associations" equal to or exceeding € 15 thousand.

MEMBERSHIP FEES AND FOR REPRESENTATION OF INTERESTS - GREECE (€) ¹³⁴		2022
Representation of interests through third parties		11,025
Support to political parties or candidates on a local, regional or national level		0
Confindustria and trade associations		1,201
Scholars and think tanks		4,667
Technical associations		0
Total		16,903
<i>Data coverage (percentage coverage with respect to Greek business scope)</i>		100%
<i>of which</i>		
CONTRIBUTIONS TO INDUSTRIAL AND TRADE ASSOCIATIONS (€)	CORPORATE POSITION	
SBE - Federation of industries of Greece	Support	501
SBTHSE - Association of industries of Thessalia and Central Greece	Support	200
STHEB - Association of Thessalian business and industries	Support	167
HABIO - Hellenic association of biomass producers	Support	167
Hellenic Italian Chamber of Commerce	Support	167
OTHER SIGNIFICANT EXPENSES (€)¹³⁵	TYPE	2022
GD4S	Representation of interests	8,750

6.3.2 Innovation partnerships

The innovation is the main driver of the Italgas development strategy. For this reason, the Group promotes an ongoing dialogue with universities, start-ups and innovative SMEs, both national and international, with the aim of pursuing technological innovation to consolidate Italgas' leadership in Italy and Europe in the gas distribution sector.

OPEN INNOVATION

Over time, Italgas has stepped up its search for technologies to support the transformation and sustainability of gas distribution networks through the continuous and permanent scouting of start-ups and innovative national and international SMEs, as well as through the opening of branches in Silicon Valley and Tel Aviv, with the aim of actively presiding over two of the world's largest innovative technology hubs.

Italgas has also launched the Ideas4Italgas platform, a brand of the Open Innovation initiative, a tool to accelerate corporate innovation and strategic positioning along the international innovation chain, gathering

¹³⁴ The figures shown refer to the pro-rata values for the Sept-Dec consolidation period of the total annual expenses

¹³⁵ The details of expenses for membership fees for all associations that are not part of the cluster "Confindustria and trade associations" refer only to the association GD4S as this is the only association to which total annual contributions exceeding € 15 thousand were made (€ 8,750 pro-rata for the consolidation period Sep-Dec 2022).

the best ideas from both outside and inside the Company and developing them in a collaborative manner. 2022 was also the year of the first internal innovation call with the aim of bringing out employees' talent and creativity, gathering proposals and solutions on various topics.

BOX: Innovation Antenna

In September 2022, Italgas opened an Innovation Antenna in Silicon Valley, as part of the "Mind the Bridge Innovation Center" in San Francisco. The initiative targets the best American start-ups with the aim of enhancing research activities and strengthening the contribution of innovation to the continuous improvement of the Group's performance.

The collaboration with Mind the Bridge, an international company that provides innovation consultancy and support to companies and governmental organisations, aims to create ideal conditions under which Italgas can connect with the most interesting start-ups in the US, detecting emerging technology trends in specific areas of interest, further enhancing its positioning and scouting capabilities both in Silicon Valley and internationally.

PARTNERSHIP WITH POLYTECHNIC UNIVERSITY OF TURIN

The partnership signed in July 2020 continues between Italgas and the Polytechnic University of Turin, initiated with the aim of developing joint research, innovation and training activities in support of the energy transition, sustainable mobility and the circular economy. The collaboration includes research projects on general themes – such as digital innovation, the optimisation of energy consumption, improvement of network efficiency and recovery of resources – to more specific actions. These actions will be aimed at developing innovative technologies for feeding renewable gases into existing networks, developing "Power-to-Gas" systems to recover surplus energy production. The Polytechnic and Italgas will also be working on several educational fronts, with joint projects aimed at developing university Master's courses, courses for recent graduates, events and dissemination activities through national and international networks.



6.3.3 Promoting the principles of sustainability in the supply chain

The growing attention towards sustainability issues and the need to measure, manage and mitigate ESG (Environmental, Social and Governance) risks are driving Italgas to promote and incentivise a sustainable approach not only for the Group, but for its suppliers as well.

To become part of the Italgas supply chain, it is necessary to read and accept the **Group's Code of Ethics**, as well as the **Supplier Code of Ethics** and the **Ethics and Integrity Agreement**. In addition, suppliers must accept all the Policies adopted by Group companies, for example: the Sustainability and Stakeholder Engagement Policy, the Corporate Citizenship Policy, the Policy for the Prevention and Combating of Corruption, the Diversity and Inclusion Policy and the Policy for the Prevention of Discrimination and Protection of Dignity.

It is also required to meet important criteria in terms of human and labour rights by accepting and signing the Human Rights Policy and the HSEQE Policy.

Suppliers involved in Italgas Group processes also play an active and important role in **Cyber Security & Data Protection** risk management. To promote and guarantee the protection of information assets and mitigate cyber risks and threats, suppliers formally undertake to respect the general principles by signing the "Cybersecurity Awareness for Third Parties" notice, while, for the proper handling of personal data, the Group guarantees the regulatory requirements and the protection of the rights of those concerned through a specific contract that regulates reciprocal relations regarding personal data processing activities.

For Italgas, **responsible supply-chain management** is strategic to ensure the high quality of its services and contributes to safeguarding and enhancing its reputation. In 2022, Italgas' Vendor List consisted of 2,128 qualified suppliers (to which a further 159 qualified suppliers were added by the acquisition, in September 2022, of DEPA Infrastructure), an increasing trend also this year (+18%) due to the new acquisitions and the concessions of the Relaunch Decree.

In terms of economic value, in 2022 Italgas issued contracts and work orders amounting to **€ 1,270 million** for goods, works and services for all Group companies¹³⁶. Contracts were mainly concluded with national suppliers (99%). Only about 13 million (1%) refer to agreements made with suppliers from other European (France and Spain) and non-European (USA) countries. The background of the Russia-Ukraine conflict has

¹³⁶ The economic value does not include Greek contracts, which amount to approximately € 245 million, relating to goods, works and services for the three Greek companies: DEDA, EDA Thess, EDA Attikis. This value is calculated using the total annual value and taking the pro-rata value of the September-December period as a reference.

also prompted the Group to further control and monitor the supply chain, confirming that the Italgas Group has no first- or second-tier suppliers involved, nor does it have any Russian or Ukrainian suppliers.

The Italgas purchasing process

To ensure that all suppliers comply with strict standards aligned with its policies, the Group uses several tools at different stages of procurement. The obligation of suppliers of Greek companies to sign the Supplier Code of Ethics will be extended to all suppliers in the course of 2023, also following a joint review of this document.

The main stages of the purchasing process in Italgas are shown below:



Figure 2 The main phases of the purchasing process in Italgas

1. Supplier qualification and management

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

BOX - SUPPLIER SECTION AND QUALIFICATION PROCESS ON THE ITALGAS WEBSITE:

The sustainability of the Supply Chain is monitored from the first phases of qualification and for the full duration of the process. In order to qualify, suppliers have to pass several evaluation stages, which include, specifically:

- Preliminary analysis of the documentary and technical requirements, differentiated according to the complexity of the goods category of reference;
- Analysis of the sustainability requirements;
- Analysis of the health, safety and quality requirements;
- Analysis of the economic-financial requirements.

The Suppliers section of the website has been redefined and re-designed, and a new, state-of-the-art platform called "IT4Buy" has been adopted to manage all stages of the process with absolute transparency, traceability and completeness of information: from supplier qualification and management, including the management of tenders, contracts and sub-contracts, and stocks of materials. In a complete spirit of partnership and collaboration, suppliers have been actively involved in updating the public contents of the suppliers section of the institutional Italgas website (<https://www.italgas.it/en/suppliers/>) and in testing it, providing valuable feedback that has enabled the improvement of certain functions and the guidance of certain topics of greater interest and usefulness.

The Qualification process consists of three stages: Application, Registration and Qualification.

As early as in the Application stage, through information providers, Italgas analyses the economic-financial and sustainability data of each supplier. In the Registration, the minimum qualification and specific requirements are analysed, associated with a specific product category¹³⁷. In the Qualification, depending on the complexity of the requirements indicated, the supplier can access three different paths: 1. Smart (low complexity), 2. Medium (medium complexity), 3. Strong (high complexity). For each level of complexity, the minimum Quality, Environment, Health and Safety requirements must be satisfied, as well as the technical, economic-financial and Cybersecurity requirements.

Suppliers identified as "critical" are characterised as having a high impact on the Group's business in terms of complexity, strategic nature, high volumes and "technological" impact for what they procure for the Group. For these suppliers, Italgas requires not only document controls but also an on-site audit, certified by a third party auditor¹³⁸.

¹³⁷Depending on the financial relevance and technological complexity, the products and services purchased are divided into three macro product categories: Goods, Works, Services

¹³⁸A part of its critical suppliers (strategic for the Group's core business) are also considered "critical and strategic for sustainability", considering the risk of non-compliance with obligations agreed at the qualification and/or contract execution stage on sustainability issues (climate, anti-corruption, unfair competition, labour practices, human rights, health and safety, working conditions).

Given the nature of the Group's activities, critical suppliers in the "Strategic Works and Materials" product categories are also considered to be strategic for sustainability. For this category of suppliers, in addition to the on-site qualification audit, further investigations are carried out through specific ESG audits, either desk or on-site.

All sub-suppliers (so-called indirect suppliers or sub-contractors), regardless of their level of risk in terms of business and sustainability, are in any case subjected to a reputational check.

Finally, for some specific categories of suppliers (Start-ups & innovative SMEs), the Group adopts a simplified qualification process which involves filling in a questionnaire and accepting the Italgas Group essential conditions. In 2022, the innovative start-ups emerging from the Open Innovation Projects launched by the Group were qualified using the smart process.

Suppliers who pass the qualification process become part of the Group's Vendor List and may, from time to time, be selected and invited to tender procedures.

Although qualification lasts for 3 years for Strong and Medium level, and 5 years for Smart level, all suppliers are asked to be proactive in updating the documentation and communicating any changes to their corporate structure, the achievement of additional certifications and any situations with a potential reputational impact. The Group verifies the economic and financial stability of its suppliers and carries out timely and recurring reputational checks.

2. Strategic planning

In the strategic planning phase, procurement plans are defined that identify future needs and determine any strategic interventions and economies of scale necessary to ensure a high value-added service in terms of efficiency, innovation, quality, cost optimisation and ESG content.

3. Tender strategy

The best awarding procedures are defined in compliance with current procedures and regulations (tender processes both in the "Procurement Code" and in the private sector), which always include minimum participation requirements or technical scoring, confirming a strong focus on both ESG content and technical specificities related to individual tender procedures. The tender process ends with the awarding and signing of the contract.

4. Management of contracts

The management of contracts with periodic progress reports are monitored in respect of the agreements reached with the signing of contracts, the quality of execution, compliance with technical specifications and timing, respect for regulations and commitments made including in regard to ESG matters.

5. Material Management and stock management

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

Performance monitoring

The supplier assessment monitoring and management model, made official in 2019 through the definition of a series of indices (Supplier Scores), was realised through the work of the "**Digital Supplier Journey**" team, **activated in Digital Factory**, which aimed to find innovative and digitised solutions to monitor the technical, organisational and management capacity, as well as the ethical, economic-financial reliability and adherence to compliance aspects of Italgas Group suppliers.

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

1. **Operational vendor rating:** supplier assessment system based on a questionnaire focussing on aspects of quality (compliance with technical requirements), conduct (relationship with the contracting authority for the entire contract period) and punctuality (observing arranged delivery times), and consequently assigns an overall score (0-100) to each supplier. During the year, 677 feedback items were collected regarding the services of 130 suppliers. A Vendor rating of less than 60 results in measures taken towards the supplier, which, depending on severity, may be:
 - o Warning (timely monitoring of the supplier): in 2022 8 suppliers have received warnings
 - o Temporary suspension of qualification (preventing participation in tenders for the entire period of suspension); 3 suppliers were suspended in 2022
 - o Revocation of qualification (deletion from the supplier register): in 2022, no supplier was revoked.

In addition to monitoring suppliers through the contract manager giving feedback, the Italgas Group constantly monitors activities in situ through **audits on sites** where the contractors work. During 2022, 528 audits were carried out on contractors (379 audits were performed by an external company specialised in carrying out audits on construction sites and 149 audits were carried out directly by the HSE Technical Audit department), of which 195 related to safety areas on construction sites. 90 suppliers with Strong qualification were audited focusing on quality, environment, health and safety aspects, as well as on the regular execution of works.

The company evaluation standard breaks down the critical issues detected during the verification phase into three levels: Minor, Serious and Critical.

2. **Reputational check:** the Italgas Group has developed a risk-based approach for the companies intending to gain accreditation on the Vendor List, through the verification of any circumstances that may determine the failure of a supplier to comply with the requirements laid down by Italgas. Access to information is guaranteed by the Fraud Management Team by means of due diligence with an analysis of "open sources" to monitor subjects involved in the Group's activities. For 2022, the Assessment Team examined 1,664 cases.

3. **Sustainability index:** As of 2021, every year suppliers have been asked to complete a sustainability questionnaire through the supplier portal when applying for the qualification process, which is assessed and certified by a third party (CRIF Synesgy). This Platform provides suppliers with a rating or "Sustainability Index", which certifies its ranking and allows it to obtain an action and improvement plan. Finally, the rating allows access to the Italgas Supplier Portal. Average-low ratings will be subject to development plans, and an on-site audit will be carried out, to identify the areas of improvement and monitor performances in the short and long term. From 2022 onwards, systematic monitoring will be carried out to analyse rating trends, through regular reports with a special focus on certain issues, such as, for instance, air emissions or respect for human rights and gender equality. In addition to qualification requirements, the sustainability score is also required as a minimum criterion for participation in tenders.
4. **Financial soundness index:** From 2021 onwards, the "financial solidity index" has also become part of the total supplier rating: in the event of a rating below the predetermined threshold, the supplier will not be admitted to the next steps of the qualification process.
5. **Accident index:** 2022 saw the consolidation of the indices that make up the Vendor Rating. Accident severity matrices and subsequent measures to be taken have been outlined. The Group has published the 'Italgas Supplier Regulations', which details the measures that the company will implement in the event of an accident, according to a scale of priorities, which can go as far as revoking the qualification itself, demonstrating the close attention paid to occupational health and safety.

BOX – IT4BUY – THE NEW PURCHASING PLATFORM & DIGITAL SUPPLIER JOURNEY

From the end of 2021 a digital room has been active with the aim of reviewing and digitising all procurement processes, involving suppliers in the analysis, as well as the Procurement practitioners themselves. Through development of 4 MPVs, the common goal was the digitisation, optimisation and simplification of the entire purchasing process. The project will be completed by the first half of 2023 with a new platform that allows innovative and fully digitised management, leading to greater traceability and monitoring of information, and facilitating navigation even for those interfacing with the Italgas Group for the first time. The Group has started a process of constant engagement of its suppliers and new ones to promote a continuous, correct use of the new platform, through periodic and recurring workshops.

BOX – GREEN PROCUREMENT: SUSTAINABILITY CRITERIA IN TENDER PROCEDURES

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

Procurement regarding the pursuit of activities linked to the core business of Italgas mainly include work tenders for the development and maintenance of the network and supplies of materials and services (meters

of various calibres and services of various types). In all tenders, both those managed in the Contracts Code and otherwise, the Italgas group applies sustainability criteria.

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

To ensure transparency and access for all, Italgas prefers to manage procurement activities electronically using the Purchasing Portal. In 2022, the Purchasing Department conducted 98% of tenders on-line (similarly to the trend seen in 2021), for both public and invitation-only procedures.

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

In addition to the existing criteria – legality index (AGCM), accident rate (accident severity and frequency index), direct and indirect CO₂ emissions, sustainability balance – in 2022 additional evaluation criteria were added to the bids, focussed on indirect emission factors (Scope 3) and waste management.

For 2023, the aim is to include further criteria in the social sphere (especially to raise awareness and monitor the growth of gender diversity within the supply chain) and the circular economy, both in the area of material reuse and waste recovery.

BOX – SUPPLIER TRAINING

In order to increasingly strengthen partnerships, Italgas launched the "HSE Partners Lab" in 2021, an active laboratory with workshops and targeted training courses that focus on ESG issues. (in addition to the technical ones, already extensively addressed in previous years). The “PARTNERS HSE LAB” project involved a significant number of suppliers on various topics of their interest. Among the workshops with the highest attendance were: "The Person in Charge and Near Misses" (with 109 participants, a total of 93 network companies and engineering suppliers), two meetings for engineering companies involved in construction site activities (26 suppliers involved, 56 participants), "Waste Management" (with 41 suppliers involved, mostly from network works and excavations), "Scope 3 - Supply Chain Sustainability and GHG Emission Data Collection" (3 meetings attended by 48 direct and indirect suppliers).

In addition, on ethical and anti-corruption issues, monthly online courses to new suppliers continue, organised in cooperation with the Italgas Legal Department.

For 2023, the Italgas Group's goal is to set up supplier training on a single digitalised platform, accessible through the supplier portal, where a series of courses on ESG issues can be offered and where the presence and participation of suppliers in the courses provided can be monitored.

BOX – INSURANCE PROJECT FOR CONTRACTORS

The project, launched in 2020 and now consolidated, allows the companies to fulfil their insurance obligations in a smart manner, through a digital platform and by adhering to a specific agreement stipulated by the Group on the insurance market. This makes it possible to obtain optimal guarantees at competitive rates and allows business processes that used to be time-consuming and paper-intensive to be updated, and which today see the approval of the Policy document and its immediate availability to the contractor within a few hours.

Companies that have contracts relating to the construction and maintenance of networks and plants (gas and water), to activities related to building and plant construction involving construction sites, as well as to remediation work, can enter a special electronic portal and, in just a few minutes, fulfil the required insurance obligations, obtaining adequate levels of cover for the risks related to their activities.

To date, 391 policies have been issued for a total of more than 94 contracts signed.

BOX – SME (SMALL AND MEDIUM-SIZED ENTERPRISES) PROJECT

The project, which began in 2020 with the creation of two new Qualification Systems, one for gas networks, the other for water networks, aims to promote the development of the Group's supply chain, supporting initiatives to qualify, empower and grow Small and Medium-Sized Enterprises, in line with the guidelines set out in the 2022-2028 Sustainable Value Creation Plan.

The objectives of the project are: to grow SMEs dimensionally, economically and structurally, accompanying them with "targeted growth" paths and through the constant monitoring of their performance (e.g. % annual growth or % increase in turnover): % annual growth of new qualified SMEs or % increase in turnover).

During the year, 16 small and medium enterprises were qualified, which took part in tenders below threshold in accordance with Italian Legislative Decree no. 50/2016 (Tenders Code). Orders were assigned to 9 suppliers, who are carrying out the activities and whose performance is monitored through the operational Vendor Rating. In 2022, Italgas defined guidelines for the "guided" growth of small and medium-sized enterprises, not only for network operations but also for innovative start-ups and SMEs.

New Projects

The Italgas Group always promotes new sustainable development activities along the entire supply chain. To this end, for 2022, we would point out the following projects:

Supply-chain emission analysis

In the early months of 2022, work began to define the methodology used by the Italgas Group to report Scope 3 emissions, and the Scope 3 target for 2030 was defined. By filling out the CRIF Synesgy questionnaires, the Scope 1 and 2 data of the Group's suppliers that already render structured reports were made available, while for those suppliers that do not yet report Scope 1 and 2 data, an awareness-raising and training project was initiated to support them in the collection of data and related analysis aimed at scope composition. This made it possible to switch from the use of emission factors according to product class to the use of specific emission data from the suppliers involved, thereby achieving a *modus operandi* identical to what Italgas is doing in its reporting.

The Group's Greek companies and their most important suppliers were also involved in the project, which, among its various phases, includes a fundamental phase dedicated to training.

Waste management

In 2022, Italgas started a special project to optimise and redefine the processes for monitoring its own waste and the waste of its suppliers. Some of the most important activities include: (a) digitisation of the internal and external process for collecting the data required for monitoring purposes, (b) inclusion of contractual clauses aimed at promoting and rewarding waste management using waste recovery methods, (c) definition of technical specifications favouring, where possible, the re-use of excavated soil and rocks at gas pipe-laying sites.

With regard to the circular economy, a special project has been launched for 2023 to promote initiatives in this area.

SUBCONTRACTOR SUSTAINABILITY CRITERIA

As Tier II suppliers are an integral part of the process, Italgas has extended the verification of the reputational requirements and from 2020, they have been qualified and included on the Group Vendor List for activities that fall under road repair and cathodic protection, as well as for material supplies.

The checks on subsuppliers involve, in particular:

- compliance with the provisions of the tender specifications, in terms of performing commissioned work within the time frames, with the planned materials and with performance of the required tests;

- compliance with the provisions relating to occupational health and safety (Italian Legislative Decree 81/08) and the environment (Legislative Decree 152/06).

BOX – ISO CERTIFICATIONS

In order to maintain a constant and high level of quality, we require specific **ISO certifications** from our suppliers that confirm the creation, application and maintenance of a management and work organisation system consistent with specific reference standards recognised internationally.

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

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

Their mandatory nature is a requirement of product classes with a high level of complexity, but it may represent a bonus requirement for qualification and participation in tender procedures. As well as the certifications mentioned above, as rewarding criteria in tender participation, we also ask for certifications that are not currently compulsory, but are fundamental for the Group for the purposes of environmental, social and governance impact on the entire supply chain, including:

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

The Group's goal is to increase the percentage of suppliers holding each ISO certification by 5% each year, in addition to those already required in the minimum qualification requirements.

BOX – TECHNICAL QUALIFICATION AUDITS AND ESG AUDITS

The on-site audit procedure is mandatory for “Strong” Level Goods Categories, both during the qualification and renewal phases.

Further specific audits are conducted on the processes of the production sites of suppliers of goods and strategic suppliers for sustainability.

For the on-site Audits, Italgas makes use of a third party appointed and instructed to carry out the inspection at the supplier's premises. In 2022, 27 third-party audits were planned and carried out. The trend increased significantly in 2022 (about 80% more than in 2021) as a result of the favourable post-pandemic situation and more effective and structured planning.

Generally, the visit includes a visit to the supplier's premises and analysis of the documentation found there. During the audit, the assessment will be made using specific check-lists intended to check the references and/or requirements declared when filling out the qualification questionnaire. At the end of the inspection a suitability report is drawn up. The final assessment is formalised with an indication of any areas of improvement and inclusion on the Italgas Vendor List.

In 2022, a partner was identified to be entrusted with the list of suppliers that are subject to ESG audits, planned to start in 2023. The purpose of the audit is to check and verify the statements made by the supplier when completing the sustainability questionnaire at the qualification phase.

Main Key Performance Indicators NFS

PROCUREMENT BY PRODUCT TYPE

CATEGORY	2022	2021	2020
ASSETS	293	272	212
WORKS	674	733	549
SERVICES	303	427	302
TOT	1,270	1,432	1,063

TOTALS QUALIFIED SUPPLIERS

CATEGORY	SUBCATEGORY	2022	2021	2020
ASSETS	CRITICAL	79	78	63
	NOT CRITICAL	427	396	378
WORKS	CRITICAL	124	99	105
	NOT CRITICAL	410	376	232
SERVICES	CRITICAL	278	261	259
	NOT CRITICAL	1,349	1,141	927

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

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

TOTAL QUALIFIED SUPPLIERS FOR THE YEAR

CATEGORY	2022	2021	2020
ASSETS	87	114	105
WORKS	120	201	115
SERVICES	287	459	310

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

On the other hand, for new suppliers in 2022 assessed using environmental criteria, the percentage is 31% for the "Goods" category, 58% for the "Works" category and 32% for the "Services" category.

With regard to the total number of qualified suppliers that received an environmental rating, the update of the criteria for defining the "criticality" of suppliers (from an A-B-C-D rating to a "Smart-Medium-Strong" rating) carried out in 2022 involved a revision of the information requirements concerning environmental impacts, especially with regard to suppliers of works and services.

TOTAL QUALIFIED SUPPLIERS (ENVIRONMENTAL IMPACT)

CATEGORY	2022	2021	2020
ASSETS	152	139	126
WORKS	350	155	150
SERVICES	372	487	458

6.3.4 Create value for the territory and communities NFS

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

The Company is constantly committed to assuring direct, continuous dialogue with the communities in which it works and, to contribute to their social and cultural development. The Groups collaborates with bodies, associations and foundations, no-profit organisations and other parties in the area to give rise to events, projects and ventures in favour of the protection of the environment, the spread of culture, technological and scientific innovation, research and training.

In order to better manage its relations with the territory and its activities of dialogue and listening to stakeholders, the Group has defined its own "Corporate Citizenship Policy" based on the general principles of the Code of Ethics – transparency, honesty, fairness and good faith – assigns clear responsibilities regarding the management of donations, sponsorships and territorial projects.

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

- Sensitisation towards topics relating to the energy segment and responsible use of resources;
- Preparation of training and education initiatives;
- Artistic-cultural support;
- Inclusion and health lifestyles through sport

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

In 2022, Group donations amounted to € 771 thousand, broken down as follows: Italgas, € 391 thousand; Toscana Energia, € 90 thousand; the Greek companies, altogether, € 290 thousand.

Initiatives include:

- Fondazione Teatro Regio of Turin, the city's main opera house, one of the most important theatres in Europe and internationally for opera and ballet;
- Consulta Torino for the promotion of artistic and cultural heritage, created with the purpose of contributing to developing and improving the availability of Turin's historical and artistic heritage;
- Giorgio Cini Foundation of Venice, an important centre of cultural activities and place of preservation, optimisation and research, recognised internationally. In the latter context, in particular, is the prestigious collaboration between Italgas' Heritage Lab, the place for the conservation, enhancement and digitisation of the company's historical heritage, and the various institutes of the Fondazione Cini, including the centre for ARCHiVe Analysis and Recording of Cultural Heritage in Venice.

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

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

In 2022, the Italgas Group activated sponsorship initiatives worth € 1,443,000 mainly aimed at art, culture and sport.

Sponsorships and donations are managed in application of a formalised process governed by specific internal procedures that regulate all stages of the activity from the initial proposal and assessment through to contract management, monitoring and reporting.

All sponsorship requests received, after assessment by the competent corporate departments, in accordance with the procedures, are submitted to the Chief Executive Officer of the company concerned for authorisation before the relevant contract is drawn up.

Donations initiatives are subject to periodic reporting (every six months) to the Board of Directors of the company involved in the initiative, overseen by the Head of the External Relations and Sustainability Department supported by the Human Resources Department (in case of initiatives directed at employees);

Italy

SPONSORSHIPS AND DONATIONS	u.o.m.	2020	2021	2022
Sponsorships	k€	1,086	970	1,319
Liberal donations	k€	2,029	324	481
Total	k€	3,115	1,294	1,800

Greece

SPONSORSHIPS AND DONATIONS ¹³⁹	u.o.m.	2022
Sponsorships	k€	124
Liberal donations	k€	290
Total	k€	414

BOX – Toscana Energia: “Disegna la tua energia!” [Draw your energy!]

¹³⁹The figures in the Consolidated Non-Financial Statement for DEPA Infrastructure SA and its subsidiaries reflect the effects of consolidation as at 1 September 2022.

The project involved 500 students from 21 primary school classes in the provinces of Florence, Pistoia and Prato and was carried out with the aim of encouraging children, in a simple and fun way, to respect the environment and its resources. Four Energy Superheroes accompanied the students on this journey of discovery and insight: Dottino, Soffio, Scintillo and Goccia, experts in energy sources, gave good advice on how to avoid waste. These four protagonists animated the educational material distributed for the children to learn, play and receive the "Energy Superhero" certificate.

BOX – Italgas/Medea: "LaNuova@Scuola"

Italgas and Medea also participated in 2022 in the LaNuova@Scuola project, promoted by the newspaper La Nuova Sardegna, to develop opportunities for information and training in the field dedicated to students and teachers from Sardinian schools.

The meetings were attended by more than 500 students from 60 high schools who met the top managers of Italgas and Medea. The project had multiple objectives, including: sharing information on the energy and gas distribution sector, to develop relations between the company and schools, to promote the development of talent and to support guidance around decisions about transitioning to university or looking for a job.

BOX - Digitisation and education: Italgas donates 1,000 computers to schools in Sardinia

In February 2022, the Company donated 1,000 computers to the Regional School Office of Sardinia, thanks to which 45 new computer rooms were set up in as many schools across the island. The support of the digitisation of schools in the Region has strengthened the bond with the territory and Sardinian communities, coming under the broader scope of activities that the Italgas Group carries out in the communities in which it is present and operates. In the case of Sardinia, support in training the new generations is part of the Group's comprehensive commitment to help assure the territory's social and economic development; a commitment that in terms of the development of energy infrastructures, is taking the form of major investments aiming to equip the municipalities of the 18 basins under concession with more modern, cutting-edge gas distribution networks.

HERITAGE LAB - Two hundred years of energy memory

What it is

The Italgas Museum and Historical Archive converged, optimising, into the Italgas Heritage Lab, a physical and virtual museum-laboratory, designed with the experts of the Giorgio Cini Foundation of Venice and the ARCHiVe ("Analysis and Recording of Cultural Heritage in Venice") centre, which aims to explain the very process of digital transformation of the major assets of Italgas, to share its day-to-day activities, method and technologies used in the digital acquisition of documents, with the public. The digitisation offices are therefore an integral part of the tour experience, completed by the Data Square in which the scans produced can be used. Heritage Lab is a workshop of knowledge, experiments and digital innovation, sharing with the community and territory, in a place, the site of Largo Regio Parco 11, Turin, which is the result of a recent renovation and requalification.

Mission

Digitise assets of 3 linear km of documentation, dating back from 1288 to 1990 and make it available to historians and researchers the world over: this is the Heritage Lab objective. With innovative technologies, automated processes and expertise, the Italgas museum laboratory aims to hold the position of reference cultural player for the optimisation and digitisation of industrial heritage, guiding the digital evolution with continuous research and feeding into positive relations with institutions, universities and research centres.

Acquire

The document route starts in the Historical Archive, where a team of professional archivists identifies the valuable nuclei: documents of particular importance to the history of Italgas or the country. The selected nuclei reach the Heritage Lab where, on the basis of the format and storage conditions, digitisation is started, with specific sets and scanners: Replica, the rotary scanner designed by Factum Arte for photographic positives and small formats; Piano Aspirato for large format glossies and designs; Stativo, the zenith option for fragile materials and details; and Vscanner for bound printed materials. Once the acquisition has been completed, the automatic post-production algorithms and optical font reading are applied.

Share

Record, report, digitise and meta-date are the actions carried out every day in the Heritage Lab to share the archive knowledge. This knowledge is today shared and used in a portal: heritagelab.italgas.it, on-line since October 2022. Sharing, however, does not mean simply publishing. Sharing is above all making available for reuse, by users, researchers, scholars and new meaning creators: with extensive use of Linked Open Data, data is interoperable, completely open and machine readable. The management of digital annexes is then delegated to a Digital Library inspired by the International Image Interoperability Framework (IIIF), a set of standards for displaying high quality digital objects in various areas of the web.

Partnership

Heritage Lab is open and functional to the creation of collaborations with other national and international realities, like the Time Machine Consortium, a network of more than 14,000 institutions and more than 100,000 professionals in the sector, busy analysing the past with the aim of mapping the European geographic, social and cultural evolution. The optimisation projects with research centres include collaboration with the Contemporary Jewish Documentation Centre Foundation of Milan, which researchers through the respective archives, historical information on the second world war.

Martini

In October 2022, collaboration officially started between Heritage Lab and Martini & Rossi. For the first time ever, the Heritage Lab technologies and staff have been made available to another Italian company. The shared aim is to digitise thousands of photographs that make up one of the most iconic funds of the historic archive of Martini & Rossi and which include pictures collected from 1957 to 1990: Italian and foreign great cinema directors and actors and protagonists of the world of art are the essence of a space, the Martini terrace in Milan, which has welcomed memorable guests of the level of Monica Vitti, Marcello Mastroianni, Pier Paolo Pasolini, Michelangelo Antonioni, Vittorio De Sica, Herbert von Karajan, Alberto Moravia, Rudolf Nureyev, Jeanne Moreau and hundreds of other artists, associating their fame with the great evocative setting that is the historic Martini Terrace.

The inclusion project

Three new resources were added to the staff of Heritage Lab as library, newspaper library and museum collection officers of Italgas. The resources were selected jointly by Italgas and the social cooperative "Il Margine B" as part of the project to reintegrate vulnerable people into the labour market in accordance with Article 14 of the "Biagi Law", Legislative Decree no. 276/2003, based on an integrated approach to targeted employment, with positive effects for all parties involved: the Company, the social cooperative and the vulnerable people who are able to exercise and improve their employability in a work environment that listens to their needs.

One year of work

During the first year of activity, the project provided the staff involved with the opportunity to measure and increase their employability with specific objectives, functional to the growth of Heritage Lab, such as the filing of more than three thousand volumes, the digitisation of Italgas Group magazines and the *Gazzetta della Repubblica Sociale Italiana*, acquiring specific professional skills in the field of digital humanities. Not only that: the enthusiasm and involvement of the staff themselves gave new impetus to the work, making it possible to identify new narratives regarding the Company's heritage, with proposals for the development of documents that proved useful and productive.

Economic value generated and distributed

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

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

In 2022, the value generated by the Group was € 2.327,3 million (+3.6% on 2021), divided up between Italy, € 2,271.8 million and Greece, € 55.5 million.

Of this, € 612.4 million have been kept in the company and € 1,714.9 million have been distributed to stakeholders. Specifically, of the total value distributed, 50.7% went to suppliers (€ 869.0 million), 16.3% to employees (€ 278.9 million), more than 15.7% to the shareholders (€ 269.8 million), approximately 13.6% to the Public Administration Authorities (€ 233.1 million) and 3.6% to lenders (€ 61.9 million). € 2.2 million was allocated to the community, a 70.2% increase compared to 2021.

Standard GRI 201-1 Direct economic value generated and distributed¹⁴⁰				
€ Million	2020	2021	2022	Change % 2021-2022
<i>Distributed</i>				
Suppliers	756.4	867.5	869.0	0.1
Personnel	266.9	267.4	278.9	4.3
Lenders	56.4	59.5	61.9	4.0
Shareholders	243.6	252.9	269.8	6.7
Public Administration	229.8	232.5	233.1	0.3
Community	3.1	1.3	2.2	70.2
<i>Withheld</i>				
Company	550.5	566.1	612.4	8.2
Total value generated	2,106.7	2,247.2	2,327.3	3.6

¹⁴⁰ This value includes all companies within the scope of consolidation, thus including the contribution of the DEPA Infrastructure Group for the period Sept-Dec 2022.

Approach to taxation

– GRI 207

The Italgas Group has adopted a **Tax Strategy**¹⁴¹, intended as a set of **principles and guidelines** inspired by the values of the **Italgas Code of Ethics**, transparency and legality, which guide not only fiscal choices, but also those related to the core business of the Group as a whole.

The tax strategy of the entire Group aims to

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

The core principles of the Tax Strategy, i.e. the **principle of legality, dissemination at all levels of the Company**, according to a Tone-at-the-Top approach, and **cooperation and transparency with the Tax Authorities**, are set out in the following guidelines:

- **compliance with the laws and principles of the tax system;**
- **non implementation of aggressive tax planning**, intended to achieve conduct and transactions that result in purely artificial arrangements, aimed at obtaining an undue tax advantage;
- **management and control of economic, financial, reputational and criminal risks related to taxation**, with due professional diligence, ensuring the adequacy of resources, organisation and internal rules to oversee taxation.
- commitment to ensure, in all circumstances, **honesty, cooperation, fairness and transparency** in its relations with the **Tax Authorities** in order to foster the development of constructive and professional relationships.
- **raising awareness of tax risk**, promoting adequate training on tax issues, in order to effectively monitor the tax risk associated with business activities and to foster the creation of a corporate culture aimed at compliance with tax regulations and controlling the risk of non-compliance with the same.

Tax governance, risk control and management

In order to ensure adequate **control of the tax variable** and to strengthen its Internal Control and Risk Management System, the Italgas Group has adopted a system to control and monitor tax compliance, the so-called Tax Control Framework (hereinafter also TCF).

The TCF ensures the control of the tax variable **with regard to risk concerning**:

¹⁴¹ The Strategy, approved by the Board of Directors of Italgas S.p.A., is published on the website <https://www.italgas.it/en/governance/business-ethics/tax-strategy-and-tax-control-framework/>

- **the correct fulfilment** of tax obligations, by identifying potential tax risks and oversight measures implemented to mitigate them;
- **the grounded interpretation of tax regulations**, through a specific internal procedure that assures the analysis of all tax uncertainties, internal decision-making escalation and discussions with the financial administration;
- **tax fraud** - The theoretical tax risks mapped and any fraudulent conduct are assessed, taking into account: (i) the tax crimes coming under the scope of the predicate offences; (ii) the fraud schemes identified by the Association of Certified Fraud Examination ACFE and/or identified in the 262 Model.

The TCF is designed according to the **three lines of defence model**:

1. management responsible for implementing control measures on risks involving their area;
2. the Tax Risk Manager – who oversees the process of identifying, assessing, managing and controlling tax risk – and, as competent, the other Compliance Departments (SCIS, ERM, etc.);
3. Internal Audit, responsible for providing assurance on the design and function of the Internal Control and Risk Management System.

In order to ensure the effective operation of the TCF, **periodic tax risk assessment activities** are carried out, involving all corporate departments responsible for business processes on which tax risks exist.

The results of the TCF monitoring are formalised in the **Annual Report** and submitted for examination of the Administrative Bodies, Corporate control and Financial Administration.

Approach to the relationship with the tax authorities

With the aim of guaranteeing conditions for the implementation of the Tax Strategy, in 2019, a process was launched aimed at the gradual admission of Group companies to the Cooperative Compliance regime referred to in Legislative Decree no. 128/2015, aimed at reducing the level of uncertainty on tax issues and preventing the emergence of tax disputes through continuous and preventive forms of dialogue on situations likely to generate tax risks.

Currently, the **companies under the Co-operative Compliance regime** are: **Italgas S.p.A., Italgas Reti S.p.A., Toscana Energia S.p.A., Medea S.p.A. and BluDigit S.p.A.**

Remaining in the regime allows for continuous and preventive dialogue with the Revenue Agency, and is an indicator of the **constant application** of those **principles of fairness, transparency** and awareness of the fulfilment of tax obligations that characterise the Company's behavioural policy in relation to the tax.

Country by Country reporting

In order to provide maximum transparency on how it manages taxation, Italgas discloses its financial, economic and tax information for each jurisdiction in which it operates.

This reporting, referring to the year 2021, provides an indication of the extent of the Group's activities and the contribution it makes, through taxes, in these jurisdictions.

For the purposes of this Report, it is specified that, the scope of the disclosure and the data reported were prepared according to the "Country-by-Country" reporting provided for by Article 1, subsections 145 and 146, of Law no. 208 of 28 December 2015.

	Description of the organisation's main activities	Employees (n) [A]	Revenues from sales to third parties [B]	Revenues from intra-group transactions [C]	Profit/loss before tax [D]	Tangible assets other than cash and cash equivalents [E]	Income taxes paid [F]	Corporate Income Taxes Accrued on Profits/Losses [G]
ITALY	The Italgas Group operates mainly in the gas distribution sector through the companies Italgas Reti S.p.A., Toscana Energia S.p.A. and Medea S.p.A.. The Group is also active in the energy efficiency sector through the companies Geoside S.p.A. and Fratelli Ceresa S.p.A. (the latter merged into Geoside S.p.A. in 2022) and manages the integrated water service concession in 5 municipalities in Italy through Italgas Acqua S.p.A.. In 2021, the company Bludit S.p.A. was established, where all the Group's information technology activities were concentrated.	16	27.375.419	548.669	- 2.618.998	470.092	1.077	- 579.223

The data summarised below refer to Italgas S.p.A., Italgas Reti S.p.A., Medea S.p.A., Gaxa S.p.A., Geoside S.p.A., Italgas Acqua S.p.A., Italgas NewCo S.p.A. and Fratelli Ceresa S.p.A.

A methodological note explaining how each item is determined is provided below:

- [A] The number of employees is calculated using the Full Time Equivalent (FTE) methodology.
- [B] [C] The items "*Revenues from sales to third parties*" and "*Revenues from intra-group transactions*" include not only the positive items relating to routine operations but also extraordinary and financial income. Instead, dividends received from other Group entities are not included.
- [D] [E] The items "*Profit/loss before tax*" and "*Tangible assets other than cash and cash equivalents before tax*" are represented on an integrated basis and include transactions implemented with other Group entities.
- [F] The item "*Income taxes paid*" on the basis of the cash criterion includes tax paid by each Group entity during the reporting period, net of any income tax rebates collected during the same period, regardless of the tax period to which such tax and rebates refer, does not include tax paid on dividends received from other Group entities.
- [G] The item "*Corporate income taxes accrued on profits/losses*" includes for all Group entities the current tax expense accrued and recorded on the income statement, in connection with taxable profit or loss recorded in the reporting year; contingencies are not included for tax relating to previous years, prepaid/deferred tax and provisions for tax risks. Insofar as of interest herein, it is specified that the tax accrued and paid suffers the application of tax rules, such as use by the companies adhering to the Italgas S.p.A. tax consolidation of tax losses, interest expense, and period and previous ACE, according to the Group taxation mechanisms.

NFS Table of GRI indicators and table linking to the areas of Italian Legislative Decree no. 254/2016

Below is the table of GRI indicators reported.

Table of GRI indicators **NFS**

Declaration of use	The Italgas Group submitted a report in compliance with the GRI Standards for the period 01.01.2022-31.12.2022
Use of GRI 1	GRI 1 - Fundamental Principles - 2021 Version
Relevant GRI industry standards	GRI 11: Oil and Gas Sector 2021

GRI STANDARD	INDICATOR	PAGE/ DISCLOSURE	OMISSIONS			GRI SECTOR REFERENCE STANDARD
General Disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational Details					
	2-2 Entities included in the organisation's sustainability reporting					
	2-3 Reporting period, frequency and contact point	xxx This document was published on xx. For any information regarding this document you can write to: sustainability@italgas.it				
	2-4 Restatements of information	2020 and 2021 Scope 3 GHG - Supply chain emissions were recalculated using a new and more specific methodology that uses emission factors requested directly from suppliers. More details on p. xx (sec. "Scope 3 emissions" in Sec. 6.1.2 and box "Supply-chain emissions analysis" in 6.3.3)				
	2-5 External assurance					
	2-6 Activities, value chain and other business relationships					
	2-7 Employees					
	2-8 Workers who are not employees	As at 31 December, the Group had 9 interns and 4 temporary workers in Italy and 198 subcontractors in Greece.				
	2-9 Governance structure and composition	Page xx For further information, please refer to the Report on Corporate Governance and Ownership Structure				
	2-10 Nomination and selection of the highest governance body	Page xx				

2-11 Chair of the highest governance body	For further information, please refer to the Report on Corporate Governance and Ownership Structure			
2-12 Role of the highest governance body in overseeing the management of impacts	Page xx			
2-13 Delegation of responsibility for managing impacts	Page xx			
2-14 Role of the highest governance body in sustainability reporting	For further information, please refer to the Report on Corporate Governance and Ownership Structure			
2-15 Conflicts of Interest	Page xx			
2-16 Communication of critical concerns	For further information, please refer to the Report on Corporate Governance and Ownership Structure			
2-17 Collective knowledge of the highest governance body	Page xx			
2-18 Evaluation of the performance of the highest governance body	For further information, please refer to the Report on Corporate Governance and Ownership Structure			
2-19 Remuneration policies	Please refer to the Report on the 2023 Remuneration Policy and 2022 Compensation Paid			
2-20 Process to determine remuneration	Please refer to the Report on the 2023 Remuneration Policy and 2022 Compensation Paid			
2-21 Annual total compensation ratio	Page xx For further information please refer to "Report on the 2023 Remuneration Policy and 2022 Compensation Paid" ¹⁴² on page xx, where an in-depth description of the calculation methodologies of the indicator is also included. These values are defined according to Consob Table in column 1 "Fixed compensation" and column 6 "Total" of Table 1 "Compensation paid to directors, statutory auditors and key management personnel"	Information not available		
2-22 Statement on sustainable development strategy				
2-23 Policy commitments				
2-24 Embedding policy commitments				
2-25 Processes to remediate negative impacts				
2-26 Mechanisms for seeking advice and raising concerns				

¹⁴² <https://www.italgas.it/wp-content/uploads/sites/2/2023/03/Politica-sulla-Remunerazione-2023-e-Compensi-corrisposti-2022.pdf>

2-27 Compliance with laws and regulations	The monetary value of significant ¹⁴³ penalties for instances of non-compliance with laws and regulations that were paid during 2022 amounted to approximately 276,000 euros. This value refers to a total of 8 cases, all of which occurred during the current reporting period. During 2022, there was no case of non-monetary penalties.				
2-28 Membership associations					
2-29 Approach to stakeholder engagement					
2-30 Collective bargaining agreements	100% of employees in Italy and 91.1% of employees in Greece are covered by collective labour agreements. This implies that 98.8% of employees at 31.12.2022 were covered by collective labour agreements.				
Material Topics					
GRI 3: 2021 material topics	3-1 Process to determine material topics				
	3-2 List of material topics				
Economic Performance					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed				11.14.2, 11.21.2
	201-4 Financial assistance received from government	Please refer to the table "Public grants received" in section "b - Consolidated Financial Statements". In addition, during 2022 Italgas benefited from the following tax reliefs and tax deductions: energy and gas tax credit for € 0.6 million, investment credits for € 3.2 million, art bonus for € 0.1 million, energy savings deduction for € 0.1 million ¹⁴⁴			11.21.3
Anti-corruption					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	During 2022, all company activities were analysed and 56% of these (40 out of 71) were considered as possible areas of corruption risk			11.20.2

¹⁴³ Penalties, fines and sanctions with a value of € 10 thousand or more. The sanctions mainly refer to penalties for late payment of taxes related to government concessions

¹⁴⁴ The values for energy and gas tax credits and investment credits (not used) refer to the estimated values of the tax benefit for the Group in 2022.

	205-2 Communication and training on anti-corruption policies and procedures				11.20.3
	205-3 Confirmed incidents of corruption and actions taken	No incidents of corruption were recorded during the three-year period between 2020 and 2022			11.20.4
GRI 207: Tax	207-1 Approach to tax				11.21.4
	207-2 Tax governance, control and risk management				11.21.5
	207-3 – Stakeholder engagement and management of concerns related to tax				11.21.6
	207-4 Country-by-country reporting				11.21.7
Energy					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 302: Energy	302-1 Energy consumption within the organization				11.1.2
	302-2 Energy consumption outside of the organisation		Information not available		11.1.3
	302-3 Energy intensity				11.1.4
	302-4 Reduction of energy consumption				
Water withdrawals and discharges					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 303: Water and Effluents	303-1 Interactions with water as a shared resource				11.6.2
	303-2 Management of water discharge-related impacts				11.6.3
	303-3 Water withdrawals				11.6.4
	303-4 Water discharge				11.6.5
	303-5 Water consumption				11.6.6
Emissions					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 305: Emissions	305-1: Direct (Scope 1) GHG emissions	Losses from venting can be considered residual, while there are no pneumatic or unburned material losses.			11.1.5
	305-2: Energy indirect (Scope 2) GHG emissions				11.1.6
	305-3: Other indirect (Scope 3) GHG emissions				11.1.7
	305-4 GHG emissions intensity				11.1.8
	305-5 Reduction of GHG emissions				11.2.3

	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	SOx and COV emissions are not considered significant				11.3.2
Waste						
GRI 3: 2021 material topics	3-3 Management of material topics					
GRI 306: Waste	306-1 Waste generation and significant waste-related impacts					11.5.2
	306-2 Management of significant waste-related impacts					11.5.3
	306-3 Waste generated					11.5.4
	306-4 Waste diverted from disposal					11.5.5
	306-5 Waste directed to disposal					11.5.6
Supplier environmental assessment						
GRI 3: 2021 material topics	3-3 Management of material topics					
GRI 308-1: Supplier environmental assessment	308-1 – New suppliers that were screened using environmental criteria					
Employment						
GRI 3: 2021 material topics	3-3 Management of material topics					
GRI 401: Employment	401-1 New employee hires and employee turnover					11.10.2
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Standard benefits that are provided to full-time employees of the organisation are also provided to part-time or temporary employees				11.10.3
	401-3 Parental leave					11.10.4
Health and safety in the workplace						
GRI 3: 2021 material topics	3-3 Management of material topics					
GRI 403: Health and Safety	403-1 Occupational Health and Safety Management System					11.9.2
	403-2 Hazard identification, risk assessment, and incident investigation					11.9.3
	403-3 Occupational health services					11.9.4
	403-4 Worker participation, consultation, and communication on occupational health and safety					11.9.5
	403-5 Worker training on occupational health and safety					11.9.6

	403-6 Promotion of worker health				11.9.7
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships				11.9.8
	403-8 Workers covered by an occupational health and safety management system	All Italgas Group employees, regardless of the type of contract, are covered by occupational health and safety management systems			11.9.9
	403-9 Work-related injuries				11 September 2010
	403-10 Work-related ill health	In the last three years, only one case of work-related illness occurred in 2021			11 September 2011
Training and Education					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 404: Training and Education	404-1 Average hours of training per year per employee				1.10.6, 11.11.4
	404-2 Programmes for upgrading employee skills and transition assistance programmes				11.10.7
Diversity and equal opportunities					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 405: Diversity and equal opportunities	405-1 Diversity of governance bodies and employees				11.11.5
	405-2 Ratio of basic salary and remuneration of women to men				11.11.6
Non-Discrimination					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 406: Non-Discrimination	406-1 Incidents of discrimination and corrective actions taken				1.11.7
Child Labour					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labor	To become part of the Italgas Group supply chain it is necessary to accept the principles of the Group's Code of Ethics, as well as the Code of Ethics of the Italgas Suppliers and the Ethics and Integrity Agreement, in compliance with our Organisational Model 231. All			

		suppliers are required to meet important criteria in terms of human and labour rights through the acceptance of all policies, including the Italgas' Human Rights Policy. No supplier has been identified as having significant risk for incidents of child labour.			
Forced or Compulsory Labour					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 409: Forced or Compulsory Labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	To become part of the Italgas Group supply chain it is necessary to accept the principles of the Group's Code of Ethics, as well as the Code of Ethics of the Italgas Suppliers and the Ethics and Integrity Agreement, in compliance with our Organisational Model 231. All suppliers are required to meet important criteria in terms of human and labour rights through the acceptance of all policies, including the Italgas' Human Rights Policy. No supplier has been identified as having significant risk for incidents of forced or compulsory labour.			11.12.2
Supplier Social Assessment					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria				11.12.3, 11.10.8
	414-2 Negative social impacts in the supply chain and actions taken				11.10.9
Public Policy					
GRI 3: 2021 material topics	3-3 Management of material topics				
GRI 415: Public Policy	415-1 Political contributions	Page xx As envisaged by the Code of Ethics, Italgas does not make any direct or indirect contribution in any form to political parties, movements, committees, political organisations or trade unions, nor to their representatives and candidates, except for those specifically mandated by applicable laws and regulations.			11.22.2

Customer Health and Safety						
GRI 3: 2021 material topics	3-3 Management of material topics					
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories					11.3.3
Customer Privacy						
GRI 3: 2021 material topics	3-3 Management of material topics					
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data					
Additional topics required by the GRI Sector standard						
Climate adaptation, resilience and transition						
GRI 201: Economic performance	201-2 Financial implications and other risks and opportunities due to climate change	Refer to the TCFD Report 2021 - Driving innovation for energy transition ¹⁴⁵				11.2.2
Employment practices						
GRI 402: Labour/Management Relations	402-1 Minimum notice periods regarding operational changes	The applicable laws, contracts and company agreements provide for notice periods in the event of intra-group staff transfers as a result of operational and organisational changes. The Group complies with these provisions				11.10.5
Market Presence						
GRI 202: Market Presence	202-2 Proportion of senior management hired from the local community	100% of senior managers working in Italy are Italian, while 94% of senior managers working in Greek offices are Greek.				11.11.2, 11.14.3
Freedom of Association and Collective Bargaining						
GRI 407: Freedom of Association	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Given the geographic perimeter in which the Italgas Group operates, there are no company activities where the right to				11.13.2

¹⁴⁵<https://www.italgas.it/wp-content/uploads/sites/2/2022/10/2021-Driving-innovation-for-energy-transition.pdf>

and Collective Bargaining		freedom of association and collective bargaining could be at risk				
Economic impacts						
	203-1 Infrastructure investments and services supported					11.14.4
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	Through its infrastructure investments, the Group generates a positive impact on the region in terms of indirect economic impacts. Furthermore, the Sustainable Value Creation Plan is structured so that its actions generate positive medium- to long-term capital impacts.				11.14.5
GRI 204: Practices of procurement	204-1 Proportion of spending on local suppliers					11.14.6
Local communities						
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments, and development programmes	For its gas and water distribution activities, the Group is not required, to conduct environmental impact assessments pursuant to Directive 2011/92/EU. This reflects the substantial non-relevance of potential negative environmental impacts related to Italgas' operations on local communities. This assessment can also be extended to social aspects, even more so in light of the mainly urban contexts in which the Group operates. However, Italgas has a policy of stakeholder engagement, which is articulated in the identification of stakeholders and their continuous involvement through the most appropriate forms of dialogue, including stakeholders from local communities. Italgas, moreover, has approved a Sustainable Value Creation Plan in which it has identified the main medium- to long-term impacts generated by its activities, also with reference to local communities, with the aim of increasing and preserving the capital used (e.g. natural and relational capital). Finally, in that Plan, the Group has provided for the "Definition of a model for assessing business impacts by 2024"				11.15.2
	413-2 Operations with significant actual and potential negative impacts on local communities					11.15.3

Anti-competitive Behaviour						
	206-1 Legal actions for anti-competitive behaviour, anti-trust activities and monopoly practices	During the year, there were no actions related to anti-trust issues or pertaining to anti-competitive behaviour				11.19.2

Issues in relevant GRI Industry Standards established as non-material	
Issue	Explanation
GRI 11: Oil and Gas Sector 2021	
Biodiversity	See the section on "Materiality Analysis" under "Methodological Note".
Closure and rehabilitation	Gas distribution activities are managed through concessions.
Asset integrity and critical incident management	Refer to Section "5.2.1 Improving the quality of life and ensuring the safety of citizens". Based on the Group's activities, no risks and events related to significant spills have been identified.
Land and resource rights	The Italgas Group's activities take place in urbanised areas with limited impact on the exploitation of natural resources related to the land occupied.
Rights of indigenous peoples	The Group operates in areas where there are no indigenous populations ¹⁴⁶ .
Conflict and security	The Group does not operate in geographical areas identified as "at risk of conflict".

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

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

Reconciliation table			
Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/paragraphs	Capital and material topics	Indicators
Corporate management model and organisation of the business activities	<ul style="list-style-type: none"> • Methodological note • 1. Value creation process in the Italgas Group (paragraphs 1.1 Corporate identity, 1.2 Business model and 1.3 External context, markets and Italgas share) • 3. Governance, risks and opportunities (paragraphs 3.1 Governance, 3.3 The internal control system and 3.4 Ethics and compliance) • 4. Summary data and information (paragraph 4.3 Operating performance) 	<p>Responsible governance and risk management</p> <p>Corporate identity</p> <p>Compliance, transparency and fight against corruption</p> <p><i>Relationship capital</i></p> <p><i>Human capital</i></p>	<ul style="list-style-type: none"> • 405-1 – Diversity of governance bodies and employees

¹⁴⁶ Considering the definition contained in GRI Standard 11: Oil and Gas Sector 2021, indigenous peoples are "tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations; or peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonisation or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions"

Reconciliation table

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/paragraphs	Capital and material topics	Indicators
Policies practised by the company	<ul style="list-style-type: none"> 2. Strategy and forward-looking vision 5. Builders of the future (sections 5.1 Italgas for the future of the planet 5.2 Italgas for the future of people 5.3 Italgas for a sustainable future together) 		
Risk management	<ul style="list-style-type: none"> Methodological note (paragraph "Materiality analysis") 3. Governance, risks and opportunities (paragraph 3.2 Risk management) • 	Responsible governance and risk management	
Use of energy resources Greenhouse gas emissions and polluting emissions into the atmosphere Impact on the environment or other relevant environmental risk factors	<ul style="list-style-type: none"> 5. Builders of the future (section 1 Italgas for the future of the planet) 	Network innovation and digitisation Adoption of circular economy principles Management of ecosystems and biodiversity Energy transition and fight against climate change <i>Natural capital</i>	<ul style="list-style-type: none"> 302-1 – Energy consumed within the organization 302-3 – Energy intensity 302-4 – Reduction of energy consumption 303-1 - Interactions with water as a shared resource 303-2 - Management of water discharge-related impacts 303-3 – Water withdrawals 303-4 – Water discharge 303-5 – Water consumption 305-1 – Direct (Scope 1) GHG emissions 305-2 – Indirect (Scope 2) GHG emissions from energy consumption 305-3 – Other indirect (Scope 3) GHG emissions 305-4 – GHG emissions intensity 305-5 – Reduction in GHG emissions 305-7 – Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant emissions 306-1 – Waste generation and significant waste-related impacts 306-2 – Management of significant waste-related impacts 306-3 – Waste generated 306-4 – Waste sent for recovery 306-5 – Waste for disposal
Impact on health and safety or other relevant health risk factors Personnel management Action taken to prevent discriminatory action or behaviour	<ul style="list-style-type: none"> 5. Builders of the future (Section 5.2 Italgas for the future of people) 	Protection, inclusion, development and well-being of human resources <i>Human capital</i>	<ul style="list-style-type: none"> 202-2 – Proportion of senior management hired from the local community 401-1 – New hires and turnover 401-2 – Benefits provided to full-time employees that are not provided to temporary or part-time employees 402-1 – Minimum notice periods regarding operational changes 403-9 – Work-related injuries 403-10 – Work-related ill health 405-1 – Diversity of governance bodies and employees

Reconciliation table

Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/paragraphs	Capital and material topics	Indicators
			<ul style="list-style-type: none"> 405-2 – Ratio of basic salary and remuneration of women to men 401-3 – Parental leave 404-1 – Average hours of training per year per employee 404-2 – Programmes for upgrading employee skills and transition assistance programmes 406-1 – Incidents of discrimination and corrective actions taken
Social (including those relating to the supply chain and subcontracting and respect for human rights)	<ul style="list-style-type: none"> 3. Governance, risks and opportunities (paragraph 3.4 Ethics and compliance) 4. Summary data and information (paragraph 4.2 Key data) 5. Builders of the future (Sections 5.2 Italgas for the future of people, 5.3 Italgas for a sustainable future together, 5.4 Business outlook (economic-financial)) 6. Comment on the economic and financial results and other information (paragraph 6.2 Comment on the economic and financial results) 	Network development Network innovation and digitisation Safety of the networks, assets and people Sustainable supply chain management Service quality and customer satisfaction Network cybersecurity Dialogue and creation of value on the territory Generation of economic value and ESG finance <i>Intellectual capital</i> <i>Manufactured capital</i> <i>Relationship capital</i> <i>Financial capital</i>	<ul style="list-style-type: none"> 308-1 – New suppliers that were screened using environmental criteria 414-1 – New suppliers that were screened using social criteria 414-2 – Negative social impacts in the supply chain and actions taken 416-1 – Assessment of the health and safety impacts of product and service categories 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data 201-1 – Direct economic value generated and distributed 201-4 – Financial assistance received from government Non-GRI indicator – Value of sponsorships and donations 207-1 – Approach to tax 207-2 – Tax governance, control and risk management 207-3 – Stakeholder engagement and management of concerns related to tax 207-4 – Country-by-country reporting 2-6 Activities, value chain and other business relationships
Respect for human rights	<ul style="list-style-type: none"> 2. Strategy and forward-looking vision 5. Builders of the future (Sections 5.2 Italgas for the future of people, 5.3 Italgas for a sustainable future together) 	Protection, inclusion, development and well-being of human resources Sustainable supply chain management Respect for human rights <i>Relationship capital</i> <i>Human capital</i>	<ul style="list-style-type: none"> 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk 408-1 Operations and suppliers at significant risk for incidents of child labor 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor 414-1 – New suppliers that were screened using social criteria 414-2 Negative social impacts in the supply chain and actions taken

Reconciliation table			
Minimum elements envisaged by Italian Legislative Decree no. 254/2016	Document chapters/paragraphs	Capital and material topics	Indicators
Fight against both active and passive corruption	<ul style="list-style-type: none"> 3. Governance, risks and opportunities (paragraph 3.4 Ethics and compliance) 	Compliance, transparency and fight against corruption <i>Relationship capital</i>	<ul style="list-style-type: none"> 205-1 Operations assessed for risks related to corruption 205-2 – Communication and training on anti-corruption policies and procedures 205-3 – Confirmed incidents of corruption and actions taken

NFS Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments

EUROPEAN TAXONOMY

The European taxonomy for sustainable activities was instituted with EU Regulation 2020/852 in order to define a unique criterion for the classification of sustainable economic activities from an environmental viewpoint. The European Union aims to provide companies, investors and policy managers with appropriate definitions for environmentally-sustainable activities, useful on the one hand to achieve the objectives set out in the Green Deal, directing their investments, and on the other to offer greater security to investors and companies in their green investment choices. With its investments in the gas networks aimed at making them carriers of renewable gases, in electronic meters, in energy efficiency and the ever greater reduction of potential grid losses, Italgas helps pursue that energy transition process necessary to achieve the European Green Deal objectives, while at the same time ensuring the stability of energy systems.

EU Regulation 2020/852 defines an activity as environmentally-sustainable if it makes a substantial contribution to achieving one of the following six objectives:

- climate change mitigation,
- climate change adaptation,
- the sustainable use and protection of water and marine resources,
- the transition to a circular economy,
- pollution prevention and control,
- the protection and restoration of biodiversity and ecosystems.

In particular, the Taxonomy, as it is defined today, establishes that an activity shall be:

- **eligible**, if it comes under the list envisaged by the Delegated Regulation EU 2021/2139
- **aligned**, if in addition to making a significant contribution towards the adaptation and mitigation of climate change, in compliance with the technical examination criteria defined by the Commission, it also does not have negative effects on the remaining objectives (Do No Significant Harm - DNSH) in respect of the minimum guarantees of safeguarding the protection of employment and human rights.

To date, the European Union has published delegated acts relating only to i) climate change mitigation and ii) climate change adaptation.

Starting 2022, and therefore applicable already from the 2021 financial statements, non-financial companies required to publish non-financial information in accordance with Article 19 bis or Article 29 bis of Directive 2013/34/EU reported the share of revenues, capital expenditure and operating expenses considered Taxonomy-eligible and non-eligible. As of the year 2023 and therefore applicable from the 2022 financial statements, the reporting obligation covers the share of revenues, capital expenditure and operating expenditure considered aligned, eligible and ineligible to the Taxonomy broken down by activity. Italgas is subject to this obligation.

At present, the definition of eligible and/or aligned activities is only disclosed in respect of the two objectives of climate change mitigation and climate change adaptation.

The data reported in this section therefore satisfies the reporting obligation.

Main assumptions

To define the share of revenues, operating expenses and capital expenditure deriving from activities that are eligible or aligned with the taxonomy, for lack of a consolidated, shared practice on a sector level and in light of possible different technical interpretations of the EU Delegated Regulations 2021/2139 and 2021/2178 that supplemented Regulation 2020/852, Italgas has defined a standard of internal criteria. It therefore follows that the resulting values, expressing the best assumptions presently available for the Group, could be subject to future updates in view of changes or updates of the reference regulations or the emergence of new shared standards or changes in the scope of some of the activities carried out.

It is also specified that the portion of activities that are non-eligible includes all activities not described in Delegated Regulation EU 2021/2139, as well as defined in Delegated Regulation EU 2021/2178, regardless of whether or not these activities make a significant contribution towards mitigating climate change or adapting to climate change.

Area considered

The mapping of activities considered the scope made up of Italgas S.p.A. and its Italian subsidiaries, going into detail of the individual activities. The NACE code associated with the operating company has not been considered as a restriction for inclusion or exclusion, given that, in the case of Italgas and its subsidiaries, the NACE code in most cases reflects the core business and does not necessarily reflect the details required by

the Taxonomy. For the definition of "eligible activity" or "aligned activity", consistency with the definition of activities included in delegated acts was therefore considered.

With regard to the activities acquired in Greece and consolidated as at 1 September 2022, their contribution to the increase in assets has not been considered either in the denominator or in the numerator of the KPIs related to capital expenditure. This because the assessment of eligibility and alignment or otherwise of the existing assets with the criteria expressed in the Delegated Regulation EU 2021/2139 requires technical analysis, the results of which are not yet available. The acquisition in Greece led to a € 975.2 million increase in assets, plus added investments from 1 September 2022 for € 38.9 million against investments and asset additions to the Italian profile for € 822.5 million. The same principle has been considered on assessing revenues (excluding the € 51.4 million contribution of the activities in Greece) and operating costs.

Materiality

No minimum materiality thresholds were defined for the inclusion/exclusion of individual activities of the scope described above in line with the analysis conducted last year.

Reporting principle

As the operator of a distribution network, Italgas acts to create the best possible conditions to guarantee that its network is "enabled" to the distribution of hydrogen and/or other renewable gases. It is not, however, responsible for the production of such gases nor for the definition of blending thresholds, which are activities carried out by other subjects. In considering the activities, it has been assessed how far the Group can act to facilitate and make possible, during the plan time frame, the distribution of other gases apart from methane. The assessments that led to the definition of the 2022-2028 Strategic Plan include the taxonomy objectives.

Eligible activities

In accordance with Delegated Regulation 2021/2139, which supplements Regulation 2020/852, the analysis carried out by Italgas has led to the identification of eligible activities falling under the following descriptions:

- (4.14) Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business
- (7.5) Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering
- (7.3) Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities
- (3.10) Manufacture of hydrogen
- (4.11) Storage of thermal energy
- (5.1) Construction, expansion and management of water collection, treatment and supply systems
- (5.2) Renewal of water collection, treatment and supply systems in respect of the drinking water sale and distribution companies
- (4.1) Production of electricity by means of solar-photovoltaic technology,
- (4.15) Distribution of district heating/district cooling,
- (7.1) Construction of new buildings

- (7.2) Renovation of existing buildings
- (7.4) Installation, maintenance and repair of electric vehicle charging stations in buildings
- (7.6) Installation, maintenance and repair of renewable energy technologies
- (8.1) Data processing, hosting and connected activities
- (9.3) Professional services related to energy performance of buildings

Calculation method

The procedure continued with the assessment of activities for next steps. If an activity can be considered both in light of climate mitigation and climate adaptation, the main aim was assessed for which this activity was implemented and the main impacts, thereby guaranteeing no duplication of data. In general, it was found that the Italgas activities considered meet the climate mitigation objective. It then proceeded to assess compliance with the technical screening criteria, the DNHS criteria (Do No Significant Harm to the environment criteria) and compliance with the minimum safeguard thresholds to determine which eligible assets were also sold according to the Taxonomy.

The accounting standards underlying the determination of the share of revenues, capital expenditure and operative expense eligible, are the same used to prepare the consolidated financial statements, as explained in the Notes and are consistent with Regulation 2020/852 and the Delegated Regulations of Taxonomy made available by the European Commission.

Revenues aligned or eligible for taxonomy

The share of revenues aligned with or eligible for the taxonomy, in compliance with subsection 1.1.1 of Annex 1 to Delegated Regulation 2021/2178, is calculated as the sum of revenues derived from products or services associated with activities respectively aligned with or eligible for the taxonomy, proportionally to the total net revenues of the Group (of the scope described above) recorded in compliance with International Accounting Standard (IAS) no. 1, subsection (82: (a)), shown in the Notes to the Consolidated Financial Statements in section 27.

Aligned revenues include activities for which technical screening and DNHS criteria are met. More specifically, it includes the part share of the remuneration of the gas metering service, relative to the installation, maintenance and repair of smart meters. For the gas distribution activity, the following has been calculated: i) the part share of the RAB and related revenues connected with investments in the network for the distribution of renewable and low-carbon gases including all requalification of the distribution network and its extensions, carried out with materials suitable for the new renewable gases and ii) the share of revenues relating to activities involving the detection of leaks, the repair of existing gas pipelines and other elements of the network, aimed at reducing methane leaks. Revenues deriving from activities relating to the ESCOs, water service and ICT have also been included, consistently with the taxonomy criteria. Eligible activities are all those that, although included in the list of Delegated Regulation EU 2021/2139, only partially meet the technical screening or DNSH criteria.

The share of revenues, net of the items relative to Service concession agreements, considered ineligible includes all activities not coming under the previous points.

Operating expenses aligned with or eligible for taxonomy

The portion of aligned or eligible operating expenses (OPEX) is calculated as the ratio of operating costs related to activities or processes respectively aligned or eligible for the taxonomy in proportion to the operating expenses incurred (considered as 44% of the total operating expenses, considering the scope previously described), in compliance with the provisions of subsection 1.1.2 of Annex 1 to Delegated Regulation 2021/2178. The operating expenses referred to in subsection 1.1.2 of Annex 1 to Delegated Regulation 2021/2178 are explained in subsection 28 of the Notes to the Consolidated Financial Statements.

The activities to which these expenses refer are those described in the previous section, in addition to the operating expenses related to real estate services.

Capital expenditures aligned with or eligible for taxonomy

The portion of capital expenses (CAPEX) relating to Italian assets, in compliance with paragraph 1.1.2 of Annex 1 to Delegated Regulation 2021/2178, is calculated as the ratio of investments in activities or processes eligible to the taxonomy with respect to the increases in tangible and intangible assets in 2022, considered before amortisation/depreciation, impairment and any value adjustment, including those resulting from the recalculation and reduction in value and excluding changes in fair value. As indicated in Delegated Regulation 2021/2178, the increase in assets also includes the increases in tangible and intangible assets deriving from business combinations. CAPEX is booked in accordance with IAS 16 (73: (e) (i) and (iii)), IAS 38 (118: (e) (i)), and IFRS 16 (53: (h)) and are shown in the Notes to the Consolidated Financial Statements in sections 13 and 14 as well as in the Integrated Annual Report in section 4.3. Capital expenditure is considered gross of contributions.

With regard to the activities acquired in Greece, please refer to the section "Area Considered".

The CAPEX aligned with the taxonomy includes all investments related to the installation, maintenance and repair of digital meters. For the gas distribution activity, the following has been included: i) the investments made in the network for the distribution of renewable and low-carbon gases, including all requalification of the distribution network and its extensions, carried out with materials suitable for the new renewable gases and the portion of investments relating to activities involving the detection of leaks, the repair of existing gas pipelines and other elements of the network, aimed at reducing methane leaks. The CAPEX related to the ESCOs, the water service, real estate and ICT were also included in line with the taxonomy criteria.

Eligible activities are all those that, although included in the list of Delegated Regulation EU 2021/2139, only partially meet the technical screening or DNSH criteria. In particular, the CAPEX eligible for the taxonomy also includes design costs related to Power-to-Gas activities. For that project, which qualifies for the production of green hydrogen from renewables (hence without carbon production), when this analysis was closed, the third-party assessment of the emission level, as required by the technical screening criteria, was not available, and the regional resolution process to approve the Environmental Impact Assessment (so-called EIA) and the

Integrated Environmental Authorisation (IEA) is being finalised¹⁴⁷. Once these authorisations have been obtained and in view of the nature of the activities, it is believed that the project meets the technical and DNSH screening criteria.

The CAPEX considered as not eligible, in continuity with last year, includes all activities not described in Delegated Regulation EU 2021/2139.

Significant harm to environmental goals

Climate change mitigation: the activities considered meet the climate change mitigation objective. Therefore, a significant damage assessment with respect to this objective was not necessary.

Climate change adaptation: the analysis of the physical climate risks affecting Italgas' activities is integrated into the Group's strategic planning process and ERM model. It takes into account the vulnerability of specific activities, the mitigation actions implemented and the adaptation solutions integrated where appropriate. To facilitate the identification of risks related to climate change, the ERM Department carries out a specific analysis based on physical scenarios to identify the main drivers of climate change that could impact Italgas' activities in the short (1 year), medium (2 to 7 years) and long term (more than 7 years) time horizon, and, for each of these drivers, a predefined list of risk/opportunity events applicable to Italgas is provided. The physical risks are assessed as low in consideration of the mitigation actions implemented. The list of risks considered was compared with the list in Appendix A, Annex I of Delegated Regulation EU 2021/2139. From the comparison made, it emerged that the activities do not pose significant harm to the ability to adapt to climate change, i.e. do not lead to a worsening of the negative effects of the current or future climate on humans, nature or assets. Furthermore, in the case of newly constructed physical assets, adaptation solutions that reduce the main climate risks affecting them are incorporated into the design and construction phases. All other activities considered to be aligned were assessed as not posing significant harm to the ability to adapt to climate change, i.e. not leading to a worsening of the negative effects of the current or future climate on humans, nature or assets.

Sustainable use and protection of water and marine resources: Italgas is not required, for its gas and water distribution activities, to carry out an environmental impact assessment pursuant to Directive 2011/92/EU. This absence of such requirement is inherent in the nature of the distribution business. It should be noted, however, that the laying of gas distribution pipes and related items is carried out in compliance with regulations, including those of an environmental and water protection nature, both national and local, and is subject to authorisation by the competent authorities. By way of example, in Italy pipes must be installed

¹⁴⁷ For the Power-to-Gas project (3.10), investments relating to 2022 include only the design activities aimed, *inter alia*, at obtaining the Environmental Impact Assessment (the "EIA") and Integrated Environmental Authorisation ("IEA"), for which the regional resolution of approval is expected for Q2 2023. The EIA and the IEA assess the effects of a project on the environment and on human health and well-being; they also aim to identify the measures that can prevent, eliminate or minimise its negative impacts on the environment, on water resources and on biodiversity and prevent or reduce pollution.

covering at least by 1.00 m (save for derogations), thereby meaning that if diameters are at the upper limit of the range permitted for use, a maximum excavation depth of approximately 1.70 m, which limits interference with the water system. The laying of cathodic protection, which can have impacts at greater depths, is also carried out with prior authorisation and with consideration of the risks associated with groundwater interference. Since the networks transport gas, there is no risk of pollutants leaching into the groundwater. In the case of Italgas Acqua, the actions put in place are aimed at the efficient use of water resources. Italgas Acqua distributes only drinking water and is not involved in wastewater treatment activities. Finally, Italgas' HSEQE Policy commits the Group to the efficient use of water in the conduct of business activities. On the basis of the analyses carried out, the activities are not considered to be detrimental to the good potential status of water bodies or sea waters

Transition towards a circular economy: in its activities, Italgas pursues the reduction and prevention of pollution. Italgas' HSEQE Policy defines and commits the Group to the reduction of waste produced and promotion, where possible, of its recovery. For the aligned activities, the principle of absence of significant damage is respected, in line with the provisions of Delegated Regulation (EU) 2021/2139. Insofar as regards the components and construction materials used, waste management and construction techniques and projects in the activities relating to point 7.1 and 7.2 respect the criteria of Delegated Regulation (EU) 2021/2139.

Pollution prevention and reduction: in its activities, Italgas pursues the reduction and prevention of pollution. Italgas' HSEQE Policy defines and commits the Group to the reduction of waste produced and the promotion, where possible, of its recovery. As regards distribution, the equipment considered as aligned in terms of the taxonomy, falls within the scope of Directive 2009/125/EC, is compliant therewith and represents the best available technology. With regard to building components and materials used in activities related to Section 7.1, 7.2 and 7.3 the criteria in Appendix C, including the related regulations on the treatment and disposal of asbestos, are met.

Protection and restoration of biodiversity and ecosystems: the Italgas' HSEQE Policy commits the Group to the protection of the environment and the responsible management of the significant environmental impacts associated with its activities, pursuing the protection and care of the natural environment and combating climate change, avoiding deforestation, ensuring restoration and maintaining the balance of the ecosystem and biodiversity.

Italgas is not required, for its gas and water distribution activities in Italy, to carry out an environmental impact assessment pursuant to Directive 2011/92/EU. For both networks, the laying of the pipelines, related structures and excavation works are carried out in compliance with environmental regulations, limiting impacts on biodiversity and ecosystems.

Minimum safeguards guarantees

The Italgas Code of Ethics, the Supplier Code of Ethics and the Human Rights Policy outline the reference principles and actions taken to protect human rights in the performance of the Group's activities and, in general, in any context in which Italgas people and business partners operate. These principles are in line with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the International Labour Organisation (ILO) Fundamental Conventions. The Policy for the Prevention of Discrimination and Protection of the Dignity of Group Personnel and the Diversity and Inclusion Policy reinforce the Group's commitments to the protection of Human Rights.

Italgas and its investee companies have adopted Organisation, Management and Control Models (Models 231), aimed at preventing the perpetration of offences that could result in administrative liability to the Company, as well as Internal Control and Risk Management systems that guarantee compliance with minimum safeguards.

All suppliers are also required to meet important criteria in terms of human rights and work by accepting the Italgas Policy on Human Rights, health and safety, environmental protection and the ethical and responsible management of the business. The Group conducts human rights due diligence involving all Group operations and companies, covering all employees, as well as suppliers.

Revenues are reported, along with CAPEX and OPEX associated with the eligible activities. No information is supplied in respect of other KPIs, apart from that required by the Delegated Regulation (EU) 2021/2178.

	Eligible activities	Activities not eligible
	environmentally sustainable activities (aligned with the taxonomy)	activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)
Revenues	33.5%	0.0%
OPEX	83.2%	3.7%
CAPEX	87.3%	0.3%

Share of revenues from products or services associated with economic activities aligned with the taxonomy

	NACE Code	€M	Absolute revenues	%	Revenue Share	%	Criteria for the substantial contribution		Criteria for "Do No Significant Harm" - DNHS						Share of revenues aligned with the taxonomy	A	Category (enabling activity)	A	Category (transition activity)					
							Climate change mitigation	Climate change adaptation	Y/N	Climate change mitigation	Y/N	Climate change adaptation	Y/N	Sustainable use and protection of water and marine resources	Y/N	Transition to a circular economy	Y/N	Pollution prevention and control	Y/N	Protection and restoration of biodiversity and ecosystems	Y/N	Minimum safeguards guarantees		
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY																								
A.1 environmentally sustainable activities (aligned with the taxonomy)																								
4.1 Production of electricity by means of solar-photovoltaic technology;		4.2		0.3%	100%				Y		Y		Y		Y		Y	0.8%						
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	189.3		12.6%	100%				Y	Y	Y	Y	Y	Y	Y	Y	Y	37.6%						
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	8.9		0.6%	100%				Y	Y			Y	Y	Y	Y	Y	1.8%						
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		144.8		9.6%	100%				Y				Y		Y	Y	Y	28.8%	A					
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		154.1		10.2%	100%				Y						Y		Y	30.6%	A					
7.6 Installation, maintenance and repair of renewable energy technologies;		0.3		0.0%	100%				Y						Y		Y	0.1%						
9.3 Professional services related to energy performance of buildings.		1.8		0.1%	100%				Y						Y		Y	0.4%	A					
Revenues from environmentally sustainable activities (aligned with the taxonomy) (A.1)		503.5		33.5%	100%																			
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)																								
4.15 Distribution of district heating/district cooling		0.1		0.0%	100%																			
Revenues from activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		0.1		0.0%	100%																			
Total A.1 + A.2		503.6		33.5%	100%																			

B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY

Income from activities not eligible for the taxonomy (B) 1,001.0 66.5%

TOTAL A+B 1,504.5

Share of operating expenses from products or services associated with economic activities aligned with the taxonomy

	NACE Code	€M	Absolute operating expenses	Share of operating expenses	Criteria for the substantial contribution		Criteria for "Do No Significant Harm" - DNHS						Share of operating expenses aligned with the Taxonomy	Category (enabling activity)	Category (transition activity)						
					%	%	Climate change mitigation	%	Climate change adaptation	Y/N	Climate change mitigation	Y/N	Sustainable use and protection of water and marine resources	Y/N	Transition to a circular economy	Y/N	Pollution prevention and control	Y/N	Protection and restoration of biodiversity and ecosystems	Y/N	Minimum safeguards guarantees
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY																					
A.1 environmentally sustainable activities (aligned with the taxonomy)																					
4.1 Production of electricity by means of solar-photovoltaic technology;		0.6	0.3%	100%						Y		Y		Y		Y	0.4%				
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	28.7	15.1%	100%						Y	Y	Y	Y	Y	Y	Y	18.1%				
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	0.4	0.2%	100%													0.3%				
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		114.1	59.8%	100%						Y		Y		Y	71.9%	A					
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		13.4	7.0%	100%						Y				Y	8.4%	A					
7.6 Installation, maintenance and repair of renewable energy technologies;		0.2	0.1%	100%						Y				Y	0.1%						
9.3 Professional services related to energy performance of buildings.		1.1	0.6%	100%						Y				Y	0.7%	A					
Operating expenses from environmentally sustainable activities (aligned with taxonomy) (A.1)		158.6	83.2%	100%																	
A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)																					
4.15 Distribution of district heating/district cooling		0.1	0.0%	100%																	
8.1 Data processing, hosting and connected activities;		6.9	3.6%																		
Operating expenses from activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		7.0	3.7%	100%																	
Total A.1 + A.2		165.6	86.8%	100%																	

B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY

Operating expenses from activities not eligible for the taxonomy (B) 25.1 13.2%

TOTAL A+B 190.7

Share of capital expenditure from products or services associated with economic activities aligned with the taxonomy

	NACE Code	€M	Absolute capital expenditure	Share of capital expenditure %	Criteria for the substantial contribution		Criteria for "Do No Significant Harm" - DNHS							Share of capital expenditure aligned with the Taxonomy %	Category (enabling activity) A	Category (transition activity) A					
					% Climate change mitigation	% Climate change adaptation	Y/N	Climate change mitigation	Y/N	Sustainable use and protection of water and marine resources	Y/N	Transition to a circular economy	Y/N	Pollution prevention and control	Y/N						
A. ACTIVITIES ELIGIBLE FOR THE TAXONOMY																					
A.1 environmentally sustainable activities (aligned with the taxonomy)																					
4.1 Production of electricity by means of solar-photovoltaic technology;		0.1	0.0%	100%			Y		Y		Y		Y		Y	0.0%					
4.11 Storage of thermal energy;		0.3	0.0%	100%			Y	Y	Y		Y	Y	Y	Y	Y	0.0%	A				
4.14 Renewable gas and low carbon emission gas distribution and transmission networks in respect of the gas distribution business;	D35.22	663.3	80.6%	100%			Y	Y		Y	Y	Y	Y	Y	92.7%		T				
5.1 Construction, expansion and management of water collection, treatment and supply systems;	E36.00	0.3	0.0%	100%			Y	Y				Y	Y	Y	Y	0.0%					
5.2 Renewal of water collection, treatment and supply systems in respect of the drinking water sale and distribution companies;	E36.00	3.1	0.4%	100%			Y	Y				Y	Y	Y	Y	0.4%					
7.1 Construction of new buildings		0.6	0.1%	100%			Y	Y	Y	Y	Y	Y	Y	Y	Y	0.1%					
7.2 Renovation of existing buildings		1.6	0.2%	100%			Y	Y	Y	Y	Y	Y	Y	Y	Y	0.2%					
7.3 Installation, maintenance and repair of energy efficiency devices for all energy efficiency activities;		3.4	0.4%	100%			Y			Y		Y		Y	Y	0.5%	A				
7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings		0.6	0.1%	100%			Y									0.1%					
7.5 Installation, maintenance and repair of metering, regulation and energy performance control devices and instruments of buildings in respect of metering;		41.6	5.1%	100%			Y						Y		Y	5.8%	A				
7.6 Installation, maintenance and repair of renewable energy technologies;		0.2	0.0%	100%			Y						Y		Y	0.0%					
9.3 Professional services related to energy performance of buildings.		0.1	0.0%	100%			Y						Y		Y	0.0%	A				
Capital expenditure of environmentally sustainable activities (aligned to the taxonomy) (A.1)		715.4	87.0%	100%																	

A.2 activities eligible for the taxonomy but not environmentally sustainable (not aligned with the taxonomy)

3.10 Manufacture of hydrogen;	0.9	0.1%	100%
8.1 Data processing, hosting and connected activities;	0.3	0.0%	100%
Capital expenditure of activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)	1.2	0.1%	100%
Total A.1 + A.2	716.6	87.1%	100%

B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY

Capital expenditure for activities not eligible for the taxonomy (B)	105.9	12.9%
TOTAL A+B	822.5	100.0%

Independent Auditors' Report on the Consolidated Non-Financial Statement

Deloitte.

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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018**

To the Board of Directors of
Italgas S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Italgas S.p.A. and its subsidiaries (hereinafter "Italgas Group" or "Group") as of December 31, 2022 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 9, 2023 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the NFS.

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and Global Reporting Initiative Sustainability Reporting Standards established by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

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The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Italgas Group;

4. understanding of the following matters:

- business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
- policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
- main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Italgas S.p.A. and with the employees of the main legal entities of the Group and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at group level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries Italgas S.p.A., Italgas Reti S.p.A., Toscana Energia S.p.A., Medea S.p.A. and DEPA Infrastructure Group, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits and remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

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Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Italgas Group as of December 31, 2022 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and GRI Standards.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the NFS.

DELOITTE & TOUCHE S.p.A.

Signed by
Franco Amelio
Partner

Milan, Italy
March 24, 2023

This report has been translated into the English language solely for the convenience of international readers.

Glossary

A glossary of financial, commercial and technical terms, as well as units of measurement, is available online at www.italgas.it.

Economic-financial terms

Non-current assets

Balance sheet item which shows long-lasting assets, net of relative amortisation, depreciation and impairment losses. They are divided into the following categories: "Property, plant and equipment", "Compulsory inventories", "Intangible assets", "Equity investments", "Financial assets" and "Other non-current assets".

Cash flow

Net cash flow from operating activities is represented by the cash generated by a company over a certain period of time. Specifically, the difference between current inflows (mainly cash revenues) and current cash outflows (costs in the period that generated cash outflows).

Controllable fixed costs

Fixed operating costs of regulated activities, represented by the sum of "Total recurring personnel costs" and "Recurring external operating costs".

Covenants

A covenant is an undertaking within a loan agreement whereby certain activities can or cannot be carried out by the borrower. Specifically, a covenant is defined as "financial" when it imposes a limit relating to the possibility of taking out a further loan, while in covenants relating to property, the clauses are aimed, *inter alia*, at limiting the use of financial leverage by the company, involving the obligation of maintaining a given ratio between balance sheet debt and capitalisation.

These commitments are imposed by financial subjects to prevent the financial conditions of the borrower from deteriorating and, where this does happen, to be able to request the early repayment of the loan.

Credit rating

Represents the opinion of the rating agency with respect to a debtor's general credit or the debtor's creditworthiness with specific reference to a particular debt instrument or another form of financial obligation, based on the relevant risk factors; the classification of various risk levels is made using letters of the alphabet and with essentially the same procedures by the various agencies.

Dividend pay-out

Ratio between the dividend and net profit for the period, and equal to the percentage of profits paid out to shareholders in the form of dividends.

Outlook

The outlook indicates the future rating prospects over a long period of time, usually two years. When it is "negative" it means that the rating is weak and that the rating agency has detected some critical elements. If the weakness factors persist or worsen, the rating may be downgraded.

Notch

Risk level assigned by the rating agency, as part of the process of assigning the credit rating, which corresponds to a probability of default, i.e. of the issuer.

R.O.E. (Return on equity)

Ratio between the net profit and shareholders' equity at the end of the period, able to express the return on own capital.

R.O.I. Core (Return on investment)

Ratio of EBIT and net invested capital at period end, net of equity investments, capable of expressing operating profitability, indicating the company's capacity to remunerate invested capital from the results of its core business activities.

Consolidated Finance Act (TUF)

Legislative Decree No. 58 of 24 February 1998, as amended.

Comprehensive income

Includes both net income for the period and changes in shareholders' equity, which are recognised in shareholders' equity in accordance with international accounting standards (Other components of comprehensive income).

Commercial and technical terms

Thermal year

Time period into which the regulatory period is divided. Starting from the third regulatory period, the thermal year coincides with the calendar year.

ARERA

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) is an independent body set up by Law no. 481 of 14 November 1995 to protect the interests of consumers and promote competition, efficiency and dissemination of services with adequate levels of quality, through regulation and control activities. The Authority's action, initially limited to the electricity and natural gas sectors, was later extended through a number of regulatory measures, in particular through Law Decree 201/11, converted to Law 214/11, to assign responsibility also for water services.

ATEM

Minimum Geographical Areas (ATEMs) for conducting tenders and assigning the gas distribution service, calculated as 177 pursuant to the definition of Article 1 of the Ministerial Decree of 19 January 2011. The Municipalities belonging to each area are listed in the Ministerial Decree of 18 October 2011.

Energy and Environmental Services Fund - CSEA

Public economic institution that operates in the fields of electricity, gas and water. Its primary mission is the collection of certain regulation components by operators; these components are collected in dedicated management accounts and subsequently disbursed to businesses according to the rules issued by the Authority. The CSEA is supervised by the Authority and the Ministry of Economy and Finance. The CSEA also, in relation to the entities administered, performs inspection activities aimed at administrative, technical, accounting and management assessments, consisting in hearing and comparing the entities involved, with recognition of locations and systems, research, testing and comparison of documents.

White certificates

White Certificates, or Energy Efficiency Certificates (TEE), are negotiable titles that certify energetic savings achieved in the final use of energy, realising interventions for the increase of energy efficiency. The White Certificate system is an incentive mechanism based on a mandatory primary energy saving regime for electric power and natural gas distributors. All entities eligible for the mechanism are entered in the Electronic Register of Energy Efficiency Certificates with the GME.

End user

The consumer who buys gas for their own use.

Network code

The document governing the rights and obligations of the parties involved in providing the gas distribution service.

Gas distribution concession

The deed by which a local authority entrusts to a company the management of a natural gas distribution service which falls within the remit of said authority, and for which said company assumes the operational risk.

Local tender

The local tender is the sole tender process for the provision of gas distribution services held in each of the 177 minimum geographical areas (ATEM) identified pursuant to Articles 1 and 2 of the Decree of the Ministry of Economic Development of 19 January 2011.

Gas distributed or circulated

Amount of gas delivered to users of the distribution network at the delivery points.

Italian Power Exchange (GME)

A joint stock company established by the GSE to which business management of the Electrical Energy Market was assigned according to criteria of transparency and objectiveness, with a view to promoting competition between producers and ensuring the availability of an adequate power reserve level. Previously known as the Italian Power Exchange, it changed its name on 19 November 2009. In particular, the GME manages the day-ahead energy market (MGP), the intraday market (MI), the daily product market (MPEG), the dispatching services market (MSD), the electric forward market (MTE) and the Platform for the physical delivery of financial contracts concluded on the Index (CDE). The GME also manages the Environment Markets (energy efficiency certificates market and the origin guarantees market) and the spot and futures markets for natural gas, as part of the natural gas market (MGAS). In the context of regasification, it organises and manages the PAR platform.

Energy Services Manager (GSE)

Public company limited by shares with wholly public capital, with a central role in the promotion, incentive and development of renewable sources in Italy. The sole shareholder of the GSE is the Ministry of Economy and Finance, which exercises shareholder rights with the Ministry of Economic Development. The GSE controls three companies: the Acquirente Unico (AU; Single Buyer), Gestore dei Mercati Energetici (GME; Energy Markets Operator) and Ricerca sul Sistema Energetico (RSE; Energy System Research).

Equalisation

Difference between revenues for the period (annual TRL) and those invoiced to retail companies. The net position with the CSEA is established at the end of the thermal year and settled over the course of the year on the basis of advance payments.

Regulatory period

This is the time period for which criteria are defined for setting tariffs for gas distribution services. The fourth regulatory period ended on 31 December 2019. The fifth regulatory period is now in progress, beginning on 1 January 2020 and ending on 31 December 2025.

Delivery point

This is the point of demarcation between the gas distribution plant and the plant owned or managed by the end user at which the distribution company redelivers gas transported for supply to the end user, and at which metering occurs.

Gas distribution service

Service of transporting natural gas through networks of local methane pipelines from one or more delivery points to redelivery points, generally at low pressure and in urban areas, for delivery to end users.

Retail Company or Relco (Retail Company)

Company which, by way of a contract giving it access to the networks managed by a distributor, sells the gas.

Regulatory Asset Base (RAB)

The term RAB (Regulatory Asset Base) refers to the value of net invested capital for regulatory purposes, calculated on the basis of the rules defined by the Regulatory Authority for Energy, Networks and Environment (ARERA), for determining the reference tariff.

Centralised RAB

The Centralised Regulatory Asset Base is made up of tangible fixed assets other than those included under local tangible fixed assets and intangible fixed assets (in other words non-industrial buildings and property, other tangible fixed assets and intangible fixed assets, such as, for example, remote management and remote-control systems, equipment, vehicles, IT systems, furniture and furnishings, software licenses).

Local RAB

The Local Regulatory Asset Base for the distribution service consists of the following types of tangible fixed assets: land on which industrial buildings, manufacturing buildings, major and minor plants, road and pipeline installations (connections) are located. Local Regulatory Asset Base relating to the metering service is made up of the following types of tangible fixed assets: traditional metering equipment and electronic metering equipment.

Reimbursement value

The Reimbursement Value is the amount owed to outgoing operators on the termination of the service pursuant to Article 5 of the Decree of the Ministry of Economic Development No. 226 of 12 November 2011 in the absence of specific different calculation method forecasts contained in the documents of the individual concessions stipulated before 11 February 2012 (the date when Ministerial Decree No. 226/2011 came into force).

RIV or Residual Industrial Value

The residual industrial value of the part of the plant owned by the outgoing operator. It is equal to the cost that should be incurred for its reconstruction as new, reduced by the value of the physical degradation and also including non-current assets under construction as indicated from the accounting records (Article 5(5) of Ministerial Decree No. 226/2011).

TRL (Total Revenue Limit)

Total revenues allowed for distribution companies by the regulatory body to cover costs for providing distribution and metering services.

WACC

Weighted Average Cost of Capital. Rate of return on net invested capital.



CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position

(€ thousands)	Notes	31.12.2021		31.12.2022		
		Total	<i>of which, related parties</i>	Total	<i>of which, related parties</i>	
ASSETS						
Current assets						
Cash and cash equivalents	(7)	1,391,763		451,946		
Current financial assets	(8)	5,120		5,770	2,246	
Trade and other receivables	(9)	588,098	225,831	1,142,950	28,586	
Inventories	(10)	105,294		120,486		
Current income tax assets	(11)	21,625		8,703		
Other current financial assets	(20)	-		17,455	-	
Other current non-financial assets	(12)	54,079	4	80,775	4	
		2,165,979		1,828,085		
Non-current assets						
Property, plant and equipment	(13)	372,108		379,026		
Intangible assets	(14)	7,469,805		8,509,368		
Investments valued using the equity method	(15)	30,108		47,243		
Non-current financial assets	(16)	7,855		22,945	612	
Deferred tax assets	(24)	-		-		
Non-current income tax assets	(11)	22,936		54,862		
Other non-current financial assets	(20)	670		35,442	-	
Other non-current non-financial assets	(12)	80,366	668	153,575	232	
		7,983,848		9,202,461		
Non-current assets held for sale	(17)	2,180		11	-	
TOTAL ASSETS		10,152,007		11,030,557		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	(18)	591,188	464	142,437	118	
Trade and other payables	(19)	769,137	36,683	1,197,117	444,040	
Current income tax liabilities	(11)	3,430	-	16,105	-	
Other current financial liabilities	(20)	290	-	290	-	
Other current non-financial liabilities	(21)	13,111	175	30,072	194	
		1,377,156		1,386,021		
Non-current liabilities						
Long-term financial liabilities	(18)	5,785,707	1,351	6,402,913	(2,048)	
Provisions for risks and charges	(22)	159,506	-	144,277	-	
Provisions for employee benefits	(23)	95,648	-	69,917	-	
Non-current income tax liabilities	(11)	-	-	-	-	
Deferred tax liabilities	(24)	50,791	-	91,633	-	
Other non-current financial liabilities	(20)	6,283	-	34	-	
Other non-current non-financial liabilities	(21)	534,425	-	545,192	-	
		6,632,360		7,253,966		
Liabilities directly associated with non-current assets		-	-	-	-	
TOTAL LIABILITIES		8,009,516		8,639,987	-	

SHAREHOLDERS' EQUITY	(25)	
Share capital	1,002,016	1,002,608
Reserves	154,510	202,360
Profit (loss) carried forward	372,075	496,006
Profit (loss) for the year	362,813	407,288
Treasury shares		
Total Italgas shareholders' equity	1,891,414	2,108,262
Minority interests	251,077	282,308
TOTAL SHAREHOLDERS' EQUITY	2,142,491	2,390,570
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,152,007	11,030,557

Income Statement

(€ thousands)	Notes	2021		2022	
		Total	of which, related parties	Total	of which, related parties
REVENUES	(27)				
Revenues		2,098,463	806,219	2,182,712	(229,456)
Other revenues and income		64,769	5,726	129,764	17,863
		2,163,232		2,312,476	
OPERATING COSTS	(28)				
Costs for raw materials, consumables, supplies and goods		(150,932)	(11,096)	(154,746)	(9,325)
Costs for services		(614,223)	(2,926)	(654,094)	(6,853)
Costs for leased assets		(90,780)	(1,142)	(102,319)	(1,021)
Personnel cost		(254,580)		(257,492)	
Allocations to/releases from provision for risks and charges		1,868		1,797	
Allocations to/releases from provisions for doubtful debt		(320)		342	
Other expenses		(25,783)	(99,170)	(25,440)	(155,131)
		(1,134,750)		(1,191,952)	
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(29)	(445,251)		(479,186)	
EBIT		583,231		641,338	
FINANCIAL INCOME (EXPENSE)	(30)				
Financial expense		(64,645)	(914)	(61,367)	-
Financial income		3,630		4,043	1
Derivative financial instruments		636		1,049	
		(60,379)		(56,275)	
INCOME (EXPENSE) FROM EQUITY INVESTMENTS	(31)				
Effect of valuation using the equity method		2,011	2,011	662	662
Dividends		50	50	48	48
Other income (expense) from equity investments		391		2,722	
		2,452		3,432	
Gross profit		525,304		588,495	
Income taxes	(32)	141,884		152,369	
Net profit (loss) for the year		383,420		436,126	
Attributable to Italgas		362,813		407,288	
Minority interests		20,607		28,838	
Net profit (loss) per share attributable to Italgas (€ per share)	(33)				
- basic and diluted from continuing operations		0.45		0.50	

- basic and diluted from discontinued operations	-	-
- total basic and diluted	0.45	0.50

Consolidated Statement of Comprehensive Income: attributable to the parent company and to minority interests

(€ thousands)	2021			2022		
	Attributable to the parent company	Attributable to minority interests	Total	Attributable to the parent company	Attributable to minority interests	Total
Net profit (loss) for the year	362,813	20,607	383,420	407,288	28,838	436,126
Other comprehensive income						
<i>Components reclassifiable to the income statement:</i>						
Change in fair value of financial assets, other than equity investments, measured at fair value with effects on OCI						
Change in fair value of cash flow hedge derivatives (Effective portion)	14,753		14,753	56,593		56,593
Change in fair value of the time value of options						
Share of "other comprehensive income" of investments valued using the equity method						
Tax effect	(3,541)		(3,541)	(13,582)		(13,582)
	11,212		11,212	43,011		43,011
<i>Components not reclassifiable to the income statement:</i>						
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	1,761	168	1,929	11,035	624	11,659
Change in fair value of investments measured at fair value with effects on OCI				802		802
Share of "other comprehensive income" of investments valued using the equity method						
Tax effect	(493)	(47)	(540)	(3,283)	(175)	(3,458)
	1,268	121	1,389	8,554	449	9,003
Total other components of comprehensive income, net of tax effect	12,480	121	12,601	51,565	449	52,014
Total comprehensive income for the year	375,293	20,728	396,021	458,853	29,287	488,140

Statement of changes in shareholders' equity

	Share capital	Consolidation reserve	Share premium reserve	Legal reserve	Reserve for defined benefit plans for employees, net of tax effect	Fair value reserve for cash flow hedge derivatives, net of tax effect	Reserve for business combinations under common control	Stock grant reserve	Fair value valuation reserve for equity investments	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
(€ thousands)															
Balance as at 31 December 2020 (e=a+b+c+d) (Note 25)	1,001,232	(323,907)	620,130	200,246	(16,408)	(15,962)	(349,839)	5,635		19,926	211,755	384,626	1,737,434	239,989	1,977,423
2021 profit for the year												362,813	362,813	20,607	383,420
Other components of comprehensive Components reclassifiable to the income statement:															
- change in fair value of cash flow hedge derivatives						11,212							11,212		11,212
Components not reclassifiable to the															
- Actuarial gains on remeasurement of defined-benefit plans for employees					1,268							1,268	121	1,389	
- Share-based payments															
Total comprehensive income 2021 (b)					1,268	11,212						362,813	375,293	20,728	396,021
Transactions with shareholders:															
- Allocation of 2020 profit for the year												384,626	(384,626)		
- Allocation of Italgas SpA dividend for 2020 (€ 0.277 per share)												(224,306)	(224,306)	(224,306)	
- Payment of share capital by minority shareholders														11,267	11,267
- Allocation of dividends to minority														(19,500)	(19,500)
- Stock grant reserve							2,214						2,214		2,214
- Change in scope of consolidation															
Total transactions with shareholders (c)							2,214			-	160,320	(384,626)	(222,092)	(8,233)	(230,325)
Other changes in shareholders' equity (d)	784		2,247				(2,247)		(5)			779	(1,407)	(628)	

ITALGAS CONSOLIDATED FINANCIAL REPORT AS AT 31 DECEMBER 2022 - FINANCIAL STATEMENTS

Balance as at 31 December 2021 (e=a+b+c+d) (Note 25)	1,002,016	(323,907)	622,377	200,246	(15,140)	(4,750)	(349,839)	5,602		19,921	372,075	362,813	1,891,414	251,077	2,142,491
<hr/>															
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(€ thousands)															
Balance as at 31.12.2021	1,002,016	(323,907)	622,377	200,246	(15,140)	(4,750)	(349,839)	5,602	-	19,921	372,075	362,813	1,891,414	251,077	2,142,491
2022 profit for the year												407,288	407,288	28,838	436,126
Other components of comprehensive income:															
Components reclassifiable to the income statement:															
- change in fair value of cash flow hedge derivatives						43,011							43,011		43,011
Components not reclassifiable to the															
- Actuarial gains on remeasurement of defined-benefit plans for employees					7,945							7,945	449	8,394	
- Valuations of equity investments measured at fair value								609					609		609
- Share-based payments															
Total comprehensive income 2022 (b)					7,945	43,011		609				407,288	458,853	29,287	488,140
Transactions with shareholders:															
- Allocation of 2021 profit for the year											362,813	(362,813)			
- Allocation of Italgas SpA dividend for 2021											(238,882)	(238,882)		(238,882)	
'- Payment of share capital by minority															
- Allocation of dividends to minority													(14,244)	(14,244)	
- Stock grant reserve							451						451		451
- Change in scope of consolidation	-	-	-	-	-	-	-	-	-	(1,964)	-	-	(1,964)	(1,065)	(3,029)
Total transactions with shareholders (c)	-	-	-	-	-	-	-	451	-	(1,964)	123,931	(362,813)	(240,395)	(15,309)	(255,704)
Other changes in shareholders' equity	592	-	2,072	-			-	1,149		(5,423)			(1,610)	17,253	15,643

ITALGAS CONSOLIDATED FINANCIAL REPORT AS AT 31 DECEMBER 2022 - FINANCIAL STATEMENTS

Balance as at 31.12.2022 (e=a+b+c+d) (Note 24)	1,002,608	(323,907)	624,449	200,246	(7,195)	38,261	(349,839)	7,202	609	12,534	496,006	407,288	2,108,262	282,308	2,390,570
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Cash flow statement

(€ thousands)	2021	2022
Profit (loss) for the year	383,420	436,126
Adjustments to reclassify net profit to cash flow from operating activities:		
Amortisation and depreciation	444,387	478,290
Net impairment of assets	864	895
Effect of valuation using the equity method	(2,011)	(662)
Other income from equity investments	(391)	(2,722)
Non-monetary items	3,375	7,958
Net capital losses (capital gains) on asset sales, cancellations and eliminations	3,553	(25,357)
Dividends	(50)	(48)
Financial income	(3,630)	(5,092)
Financial expense	65,281	61,413
Income taxes	141,884	152,369
Change in provisions for employee benefits	(9,581)	(17,574)
Changes in working capital:		
- Inventories	(3,518)	(4,751)
- Trade receivables	73,560	65,399
- Trade payables	(2,115)	400,375
- Provisions for risks and charges	(43,507)	(38,584)
- Other assets and liabilities	49,935	(759,189)
Cash flow from working capital	74,355	(336,750)
Dividends collected	1,254	1,372
Financial income collected	3,630	4,043
Financial expense paid	(59,783)	(53,720)
Income taxes paid, net of tax credits reimbursed	(206,923)	(152,372)
Net cash flow from operating activities	839,634	548,169
<i>of which, related parties</i>	731,289	565,060
Investments:		
- Property, plant and equipment	(30,836)	(10,645)
- Intangible assets	(788,747)	(766,585)
- Change in scope of consolidation, business units and equity investments	(21,264)	(874,741)
- Change in payables and receivables for investments	14,605	47,733
Disinvestments:		
- Assets available for sale		5,050
- Property, plant and equipment	961	2,502
- Intangible assets	296	293,213
- Disposals of assets and business units		19,647
- Change in receivables relating to disinvestment activities	11,244	
Net cash flow from investment activities	(813,741)	(1,283,826)
<i>of which, related parties</i>	-807	(12,128)
Assumptions of long-term financial debt	1,492,298	602,660
Repayment of long-term financial debt	(313,514)	(194,717)
Increase (decrease) in short-term financial debt	(223,535)	(347,117)
Capital contributions from third parties	11,267	12,254
Sale of non-controlling interests		5,008

Financial receivables non-instrumental to operations		(1,133)
Dividends collected	(243,143)	(253,250)
Reimbursements of financial liabilities for leased assets	(21,529)	(27,865)
Net cash flow from financing activities	701,844	(204,160)
<i>of which, related parties</i>	(89,464)	(98,079)
Net cash flow for the year	727,737	(939,817)
Opening cash and cash equivalents	664,026	1,391,763
Closing cash and cash equivalents	1,391,763	451,946

Notes to the consolidated financial statements

Company Information

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries (hereinafter referred to as "Italgas", the "Italgas Group" or the "Group"), is at the forefront of the regulated natural gas sector.

Italgas S.p.A. is a joint stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices in Milan at 11 via Carlo Bo.

CDP S.p.A. has "de facto" control over Italgas S.p.A. pursuant to the accounting principle IFRS 10 "Consolidated Financial Statements".

As at 31 December 2022, CDP S.p.A. owns, via CDP Reti S.p.A.¹⁵² 26.01% of the share capital of Italgas S.p.A.

The parent company Italgas S.p.A. is not subject to management and coordination activities. Italgas S.p.A. exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Italian Civil Code.

1) Basis of preparation

The consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) as well as the interpretive documents still in force issued by the IFRS Interpretations Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, before that, by the Standing Interpretations Committee (SIC). For sake of simplicity, all of the aforementioned standards and interpretations will hereafter be referred to as "IFRS" or "International Accounting Standards".

The same consolidation principles and measurement criteria of the previous year are applied in the 2022 consolidated financial statements, except for the international accounting standards that came into force starting from 1 January 2022, which are described in the following section "Accounting principles and interpretations applicable from 2022" of said report.

The consolidated financial statements are prepared on a going-concern basis, using the historical cost method, taking into account value adjustments, where appropriate, with the exception of the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria.

The consolidated Financial Statements as at 31 December 2022, approved by Italgas S.p.A.'s Board of Directors at the meeting of 09 March 2023, were subjected to an audit by Deloitte & Touche S.p.A., which - as the main auditor - is responsible for auditing the separate financial statements of Italgas S.p.A. and its subsidiaries.

The consolidated Financial Statements are presented in Euro. Given their size, amounts in the financial statements and respective notes are expressed in thousands of Euro, unless otherwise specified.

Some information contained in the notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limits may not be reproduced identically with respect to the corresponding information displayable in the consolidated budget in XHTML format.

Accounting standards, amendments and interpretations issued by the IASB (International Accounting Standards Board), approved by the European Union (EU) and in force since 1/1/2022

¹⁵² CDP S.p.A. holds 59.10%.

The following provisions issued by the IASB (International Accounting Standards Board) entered into effect in the European Union on 1 January 2022:

IASB AND IFRS DOCUMENTS	EU effective date	Date of endorsement	Date of publication in the Official Journal
Amendments to IFRS 3 Business Combinations			
IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)	1 January 2022	28 June 2021	2 July 2021

On 14 May 2020, the IASB published the document "**Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)**", with which a very special case was regulated concerning the possibility of deducting, from the costs of assets under construction or not fully operational, the revenues from the sale of products obtained in the meantime from the same assets. The IASB has specified that sales revenues must be recognised in the income statement and must not be deducted from the costs of these assets.

On 14 May 2020, the IASB published the "Annual Improvements to IFRS Standards 2018–2020" document, containing amendments to certain IFRS standards as a result of the IASB's annual improvement project. In particular, the changes concerned:

- paragraph 16 of IFRS 1 "First-time Adoption of International Financial Reporting Standards", which essentially allows a subsidiary, which adopts IFRS for the first time after its parent company, to measure its assets and liabilities at the carrying amounts recorded in the consolidated financial statements of the parent company at the date of transition to IFRS by said parent company. In such a case, the permissible change consists in allowing the subsidiary in the transition phase to IFRS to assume the values defined by its parent company on a cumulative basis;
- paragraph B3.3.6 of IFRS 9 "Financial instruments", which indicates which paid or received fees are to be considered in the "10 per cent" test carried out to establish whether an issuer reacquiring its own financial instrument, for example for the purposes of re-issuing it later on, can consider that instrument derecognised; In this regard, the fees to be considered are only those paid or received between the borrowing company and the lending company;
- illustrative Example 13 accompanying IFRS 16 "Leasing", from which references to repayments made by the lessor to the lessee have been removed, in the event that the latter has made improvements to third-party assets, as such repayments are not to be considered incentives for leasing pursuant to IFRS 16.

On 14 May 2020, the IASB published the "**Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)**" document, amending the standard by detailing which contractual costs a company has to consider for the purposes of provisions under IAS 37, which governs Provisions for risks and charges. In the case of termination of a contract with charges to be borne by the company, the provision to be made must include "costs that relate directly to the contract" such as direct costs (e.g., labour, materials) or an allocation of other costs that nonetheless relate to the performance of contracts (an example might be the allocation of depreciation for an item of property, plant and equipment used in the performance of the contract).

The adoption of these amendments had no effect on the Consolidated Financial Statements of the Group.

New accounting standards, amendments and interpretations issued previously and approved by the European Union but not yet in force

On 12 February 2021, the IASB published the "**Definition of Accounting Estimates (Amendments to IAS 8)**" document to help entities distinguish between changes in accounting policies and changes in accounting estimates. Specifically, changes in accounting policies must be applied retroactively, while changes in accounting estimates must be accounted for prospectively. The amendments to IAS 8 focus on accounting estimates, clarifying that such estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". A change in the accounting estimate that results from new information or new developments is therefore not the correction of an error and may affect only the current period's profit or loss, and/or the profit or loss of future periods. The changes are effective for financial years starting on or after 1 January 2023.

On 12 February 2021, the IASB issued the "Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)" document, containing amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. IAS 1 states that "an entity shall disclose its significant accounting policies", but no definition is provided for the term "significant" (material). Therefore, the IASB amended/supplemented the standard with information that an entity can use to identify material accounting policy information. For example, it is clarified that a policy is material if changing it has a significant impact on disclosures in the financial statements or if its application requires significant estimates. The amendments also clarify that the accounting policy information may be: (i) material because of its nature, even if the related amounts are immaterial; (ii) material if users of an entity's financial statements would need it to understand other material information in the financial statements; (iii) extended to immaterial information, as long as this does not obscure material information. In addition, the IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the "materiality process". The changes to the IAS 1 are effective for financial years starting on or after 1 January 2023.

The adoption of such amendments is not expected to have effects on the Consolidated Financial Statements of the Group.

Accounting standards, amendments and interpretations not yet approved by the European Union as at the date of reference of 31 December 2022

On 22 September 2022, the IASB issued the document "**Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)**" with amendments that clarify how a seller of an asset, subsequently a lessee of the same asset, should measure sale and leaseback transactions pursuant to IFRS 15.

The Board established that the seller-lessee must measure the Liabilities arising from the leaseback in a way that does not recognise any gain or loss connected to the right to continue to use the asset.

The amendments are effective for financial years beginning on or after 1 January 2024. Early application is permitted.

On 31 October 2022, the IASB issued "**Non-current Liabilities with Covenants (Amendments to IAS 1)**" to clarify that, for the purposes of classification of financial liabilities as current or non-current, reference is only made to the covenants with which an entity must comply on or before the reporting date. The amendments to IAS 1 specify that the covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. In any case, an entity shall disclose information in the notes that enables users of the financial statements to understand the risk that non-current liabilities subject to covenants may be repaid within 12 months.

The amendments are effective for financial years beginning on or after 1 January 2024.

The adoption of such amendments is not expected to have effects on the Consolidated Financial Statements of the Group.

2) Consolidation principles

The consolidated financial statements comprise the financial statements of Italgas S.p.A. and of the companies over which the Company has the right to exercise direct or indirect control, as defined by IFRS 10 – “Consolidated Financial Statements”. Specifically, control exists where the controlling entity simultaneously:

- has the power to make decisions concerning the affiliate;
- is entitled to receive a share of or is exposed to the variable profits and losses of the affiliate;
- is able to exercise power over the affiliate in such a way as to affect the amount of its economic returns.

The proof of control must be verified on an ongoing basis by the Company, with a view to identifying all the facts or circumstances that may imply a change in one or more of the elements on which the existence of control over an affiliate depends.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix “Subsidiaries, associates and equity investments of Italgas S.p.A. as at 31 December 2022”, which is an integral part of these notes.

All financial statements of consolidated companies close at 31 December and are presented in Euro.

Companies included in the scope of consolidation

Figures relating to subsidiaries are included in the consolidated financial statements from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist. The assets, liabilities, income and expenses of the consolidated companies are consolidated line-by-line in the consolidated financial statements (full consolidation); the book value of the equity investments in each of the subsidiaries is derecognised against the corresponding portion of shareholders' equity of each of the participated entities, inclusive of any adjustments to the fair value of the assets and liabilities on the date of acquisition of control.

The portions of equity and profit or loss attributable to minority interests are recorded separately in the appropriate items of shareholders' equity, the income statement and the statement of comprehensive income. Changes in the equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded as equity transactions. The book value of the shareholders' equity pertaining to shareholders of the parent company and minority interests are adjusted to reflect the change in the equity investment. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under shareholders' equity pertaining to shareholders of the parent company.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of consolidated shareholders' equity transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the former subsidiary which will be reversed to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new book value of the equity investment, and therefore the reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

Equity investments in associates and joint ventures

An associate is a participated company in relation to which the investor holds significant influence or the power to participate in determining financial and operating policies but does not have control or joint control¹⁵³. It is assumed that the investor has significant influence (unless there is proof to the contrary) if it holds, directly or indirectly through subsidiaries, at least 20% of the exercisable voting rights.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

Business combinations

Business combinations are recorded using the acquisition method in accordance with IFRS 3 - “Business Combinations”. Based on this standard, the consideration transferred in a business combination is determined at the date on which control is assumed, and equals the fair value of the assets transferred, the liabilities incurred or assumed, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are posted to the income statement when they are incurred.

¹⁵³ Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

The shareholders' equity of these participated companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the acquisition or transfer cost is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.

Where total control is not acquired, the share of shareholders' equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the "full goodwill method"). In this case, minority interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill ("Partial goodwill method" or "Full goodwill method") is made based on each individual business combination transaction.

If control is assumed in successive stages, the acquisition cost is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid for the remaining portion. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of comprehensive income are posted to the income statement or to another item of shareholders' equity, if no provisions are made for reversal to the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

Business combinations involving entities under joint control

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as "business combinations of entities under common control". Such transactions do not fall within the scope of application of IFRS 3 and are not governed by any other IFRS. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which dictates that the principle of continuity be applied to the values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired predating the transaction or, where available, at the values from the consolidated financial statements of the common ultimate parent. With regard to business transfers under common control, the transferee entity should record the business transferred at its historical book value increasing its shareholders' equity by this amount; the transferring entity will record the equity investment in the transferee entity for the same amount as the increase in the shareholders' equity of the latter.

This accounting treatment is based on the Preliminary Guidelines on IFRS (OPI 1 Revised) - "Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements" issued by Assirevi in October 2016.

Intragroup transactions that are eliminated in the consolidation process

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they effectively represent impairment of the asset transferred.

3) Measurement criteria

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

Property, plant and equipment

Property, plant and equipment is recognised at the cost of purchase or production, including directly allocable ancillary costs needed to make the assets available for use.

Property, plant and equipment may not be revalued, even through the application of specific laws.

The costs of incremental improvements, upgrades and transformations to/value of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to

the income statement. Ordinary maintenance and repair expenses are posted to the income statement in the period when they are incurred.

If impairment indicators are present, the book value of property, plant and equipment is verified to identify any impairment (see the paragraph "Impairment of property, plant and equipment and intangible assets with a finite useful life" for more details).

Rights of use

A contract is, or contains, a lease if it attributes to an undertaking the right to control the use of an identified asset for a certain period of time in exchange for consideration.

For leases with a duration of over 12 months, (i) an asset, within the item "Property, plant and equipment", which is representative of the right of use of the assets, and (ii) a financial liability representative of the obligation to make the payments envisaged by the contract, are posted to the financial statements at the effective date, i.e. when the asset is made available for use.

The cost of the asset consisting of right of use comprises:

- a) the amount of the initial measurement of the liability of the lease;
- b) the payments due for the lease made on the date or before the starting date, net of lease incentives received;
- c) the initial direct costs incurred;
- d) the costs for dismantling and restoring the site.

The liabilities of the leases include the following payments for the right of use of the underlying asset along the duration of the lease unpaid as at the starting date:

- a) the fixed payments, net of any lease incentives receivable;
- b) the variable payments due for the lease that depend on an index or rate;
- c) the amounts payable by way of warranties of the residual value;
- d) the price for exercising the right to purchase where there is the reasonable certainty of exercising the option;
- e) the payments of lease termination penalties where lease termination is provided for.

The discount rate used is the embedded interest rate of the lease for the remaining duration of the lease, if such rate is not easy to determine, the marginal loan interest rate of the Group as at the recalculations date is used.

In determining the duration of the lease, the Group considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both.

As the standard allows, the short-term leases and the leases for assets of a modest amount were excluded.

The duration of the lease is calculated by taking into account the non-voidable lease period, together with any periods covered by an option to extend the agreement if it is reasonably certain that this option will be exercised, or any period covered by an option to terminate the lease contract, if the Group deems it reasonably certain that such option will not be exercised.

In the event of any significant changes in events and circumstances under the Group's control that make it appropriate to change the assessment of the reasonable certainty of exercising the options, the Group will redetermine the duration of the lease.

After initial recognition, the right-of-use asset is adjusted to take into account (i) the amortisation portions, (ii) any impairment losses and (iii) the related effects and any restatements of the leasing liability.

Depreciation of property, plant and equipment

Property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. Depreciation starts when the asset is available and ready for use.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

Annual amortisation rate (%)	
Land and building	
- Industrial buildings	2%
- Civil buildings	3%
Plant and equipment	
- Other plant and equipment	4% - 6.6%
Industrial and commercial equipment	
- Office furniture and machinery	12% - 33.3%
- Transportation vehicles	20% - 25%
Rights of use	
duration of the lease agreement	

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately.

Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale (see the "Non-current assets held for sale" section).

Depreciation rates are reviewed each year and are altered if they do not adequately reflect the future benefits expected. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.

Freely transferable assets are depreciated during the period of the concession or of the useful life of the asset, if lower.

Intangible assets

Intangible assets are those assets without identifiable physical form which are controlled by the company and capable of producing future economic benefits, as well as goodwill, when purchased for consideration. Intangible assets are reported at the cost of purchase or internal production, when their use is likely to generate future benefits and the relative cost can be reliably determined.

They may not be revalued, even through the application of specific laws.

Development costs are only recognised as intangible assets when the Group can prove the technical feasibility of completing the intangible asset and can demonstrate that it has the ability, intention and available resources to complete the asset for use or sale. Research costs are recognised in the income statement.

Intangible fixed assets with a finite useful life are measured at cost, net of amortisation and accumulated impairment losses. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation, but are tested at each reporting date, as provided for by IAS standard 36, to check for impairment losses to be reflected in the financial statements.

Intangible assets are eliminated at the time they are decommissioned, or when no future economic benefit is expected from their use; the related profit or loss is posted in the income statement.

Service concession arrangements

Intangible assets include service concession agreements between the public and private sectors for the development, financing, management and maintenance of infrastructures under concession in which: (i) the grantor controls or regulates the services provided by the operator through the infrastructure and the related price to be applied; and (ii) the grantor controls any significant remaining interest in the infrastructure at the

end of the concession by owning or holding benefits, or in some other way. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service distributor of natural gas and other gases, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution service at the tariff established by the ARERA, in Italy, and the Regulatory Authority for Energy (RAE or PAE from Ρυθμιστική Αρχή Ενέργειας) (each separately or jointly "Authority"), in Greece, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service. These provisions also apply to the integrated water service agreements.

The Group applies the intangible asset model as provided for by IFRIC 12 for the accounting of service concession agreements. The intangible asset is accounted for at the cost both on initial recognition and for subsequent recognition. Network construction activities and other services are recognised and measured applying IFRS 15. Construction services and improvements carried out on behalf of the grantor are accounted for as changes to work in progress on order.

Amortisation of intangible assets

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset. Amortisation starts when the asset is ready for use.

The amount to be amortised is the book value, reduced by the projected net realisable value at the end of the asset's useful life if this is significant and can be reasonably determined.

The table below shows the annual amortisation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

Annual amortisation rate (%)	
Patent rights and intellectual property rights	20% - 33.3%
Concession expenses	Depending on the duration of the agreement
Land and buildings (concession agreements)	
- Industrial buildings	1.67% - 5%
- Light constructions	9% - 10%
Plant and equipment (concession agreements)	
- Gas distribution network	1.67% - 5%
- Principal and secondary facilities	4% - 6%
- Gas derivation plants	2% - 10%
Industrial and commercial equipment (concession agreements)	
- Metering and control equipment	6.7% - 20%

Subsidies

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase, transfer or production cost of the related assets.

Operating grants are recognised in the income statement on an accrual basis, consistent with the relative costs incurred.

Impairment of non-financial fixed assets

Impairment of property, plant and equipment and intangible assets with a finite useful life

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related

recoverable value, which is the fair value adjusted for disposal costs (see "Fair value measurement") or the value in use, whichever is greater.

As regards the value of the non-financial fixed assets falling within the scope of the regulated activities, the recoverable value is determined considering: (i) the amount quantified by the Authority based on the rules used to define the tariffs for provision of the services for which they are intended; (ii) any value that the Group expects to recover from their sale or at the end of the concession governing the service for which they are intended; (iii) the cash flows expected from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Similarly to what happens for the quantification of tariffs, also the quantification of the recoverable value of the assets falling within the scope of regulated activities takes place on the basis of current regulatory provisions.

With reference to non-financial fixed assets not falling within the scope of the regulated activities, the value in use is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Cash flows are determined based on reasonable, documentable assumptions representing the best estimate of future economic conditions which will occur during the remaining useful life of the asset, with a greater emphasis on outside information. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.

The valuation is done for individual assets or for the smallest identifiable group of assets which, through ongoing use, generates incoming cash flow that is largely independent of those of other assets or groups of assets ("Cash-Generating Units" or CGUs).

The following are the Group's identified CGUs: Natural and other gas distribution and metering (regulated activity), Natural gas distribution and metering abroad (regulated activity), Sale of natural and other gases, Integrated water service (regulated activity), Various activities (ESCos).

As compared with last year, it is noted that the CGU "Distribution and metering of natural gas abroad" was introduced, by virtue of the business combination relating to the DSOs of the DEPA Infrastructure Group operating in Greece.

If the reasons for impairment losses no longer apply, the assets are revalued, and the adjustment is posted to the income statement as a revaluation (recovery of value). The recovery of value is applied to the lower of the recoverable value and the book value before any impairment losses previously carried out, less any amortisation that would have been recorded if an impairment loss had not been recorded for the asset.

Impairment of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use

The recoverability of the book value of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment. Goodwill is tested at the level of the smallest aggregate, on the basis of which the Company's management directly or indirectly assesses the return on investment, including goodwill. When the book value of the CGU, including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets which constitute the CGU. Goodwill impairment losses cannot be reversed.

Investments valued using the equity method

Equity investments in joint ventures and associates are valued using the equity method.

In applying the equity method, equity investments are initially recognised at cost and subsequently adjusted to take into account: (i) the participant's share of the results of operations of the affiliate after the date of acquisition, and (ii) the share of the other components of comprehensive income of the affiliate. Dividends paid out by the affiliate are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the "Consolidation principles" section).

In the case of assumption of an association (joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the equity investments held prior to assumption of association (or joint control) is posted to the income statement, including any components recognised under other components

of comprehensive income. When the transfer of equity investments entails loss of joint control or significant influence over the affiliate, the following are recognised in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of the booked amount transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the affiliate that will be taken to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new book value, and therefore the reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the recoverability of the amount recognised is tested by comparing the book value with the related recoverable value determined using the criteria indicated in the section "Impairment of non-financial fixed assets".

When the reasons for the impairment losses entered no longer apply, equity investments are revalued up to the amount of the impairment losses entered with the effect posted to the income statement under "Income (expense) from equity investments".

The parent company's share of any losses of the participated company, greater than the equity investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the participated company or, in any event, to covering its losses.

Minority interests

Financial assets representing minority interests, since they are not held for trading, are measured at fair value with the effects recognised in the income statement.

Inventories

Inventories, including meters, are recorded at the lower of purchase or production cost and net realisable value, which is the amount that the company expects to receive from their sale in the normal course of business.

The cost of natural gas inventories is determined using the weighted average cost method.

The value of obsolete and slow-moving inventories is written down in relation to the possibility of use or realisation, through the allocation of a specific obsolescence fund.

Cash and cash equivalents

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial investments with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible.

They are recorded at their nominal value, which corresponds to the fair value.

Financial instruments

Financial instruments are any contracts that give rise to a financial asset for one entity and a financial liability or equity instrument for another entity; they are recognised and measured in accordance with IAS 32 and IFRS 9.

Financial assets - debt instruments

Depending on the characteristics of the instrument and of the business model adopted for its management, financial assets representing debt instruments are classified in the following three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value with the effects recognised in the other comprehensive income components (hereinafter also referred to as OCI); (iii) financial assets measured at fair value with the effects recognised in the income statement.

Initial recognition is at fair value; for those trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.

Following initial recognition, the financial assets that generate contractual cash flows representing only payments of capital and interest are measured at amortised cost if held with the aim of collecting their contractual cash flows (so-called hold to collect business model). Based on the amortised cost method, the initial book value is then adjusted to account for repayments of principal, any impairment losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial book value equal at the time of the initial recording.

The receivables and other financial assets measured at amortised cost are presented in the balance sheet net of their provision for impairment losses.

The financial assets representing debt instruments whose business model includes both the possibility to collect contractual cash flows and the possibility to realise capital gains on transfers (so-called hold to collect and sell business model) are measured at fair value with the effects recorded on OCI (hereinafter also FVTOCI).

In this case the fair value changes in the instrument are recognised in shareholders' equity amongst the other components of comprehensive income. The cumulative amount of the changes in fair value, recognised in the shareholders' equity provision that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognised. The interest income, calculated using the effective interest rate, exchange rate differences and impairment losses, is recognised on the income statement.

A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value with the effects recognised in the income statement (hereinafter referred to as FVTPL). When the purchase or sale of financial assets is made according to a contract requiring that the transaction be regulated and that the asset be delivered within a certain number of days, established by the market control authorities or by market agreements (e.g. purchase of securities on regulated markets), the transaction is recognised on the settlement date.

Disposals of financial assets are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Impairment of financial assets

Recoverability of the financial assets representing debt instruments not measured at fair value with effects on the income statement is measured on the basis of the so-called "expected credit loss model".

In particular, the expected losses are generally determined based on the product between: (i) the exposure to the counterparty net of the relevant mitigants (Exposure At Default, EAD); (ii) the probability that the counterparty does not meet its payment obligation (Probability of Default, PD); (iii) the estimate, in percentage terms, of the amount of credit that will be unable to be recovered in case of default (Loss Given Default, LGD) defined on the basis of prior experiences and possible attemptable recovery actions (e.g. out-of-court actions, legal disputes, etc.).

To this regard, to determine the probability of default of the counterparties the internal ratings already used for the assignment were adopted; the probability of default for the counterparties represented by state entities and in particular for the national oil companies, basically depicted by the probability of a late payment, is determined using the country risk premiums adopted to determine WACCs for the impairment of the non-financial assets as input.

For the retail customers not characterised by internal ratings, measurement of the expected losses is based on a matrix provision built by grouping, if advisable, the receivables in appropriate clusters to which impairment percentages defined on the basis of prior loss experience are applied. If necessary, those percentages are adjusted to take into account forward looking information on the credit risk of the counterparty or of clusters of counterparties.

Financial liabilities

Financial liabilities other than derivative instruments, including financial payables, trade payables, other payables and other liabilities, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting, as demonstrated in "Financial assets" above.

Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when there is the currently exercisable legal right to compensation and there is the intention of settling the transaction on a net basis (i.e. realizing the asset and at the same time extinguishing the liability).

Derivative financial instruments and hedge accounting

Derivative financial instruments, including embedded derivatives, are assets and liabilities recognised at fair value according to the criteria indicated under the following point "Fair value measurement".

As part of the strategy and objectives defined for risk management, defining transactions as hedging requires: (i) checking the existence of an economic ratio between hedged object and hedging instrument such as to achieve the offsetting of the relevant changes in value and that this offsetting ability is not invalidated by the counterparty's level of credit risk; (ii) the definition of a ratio consistent with the risk management objectives within the scope of the defined risk management strategy, taking the appropriate rebalancing actions if necessary. The changes introduced to the risk management objectives, the conditions previously specified for defining transactions as hedging not met, or implementation of rebalancing transactions bring about the total or partial prospective interruption of the hedging.

When the hedge derivatives cover the risk of change in the fair value of the instruments to be hedged (fair value hedge; e.g. hedging the variability of the fair value of fixed rate asset/liability), the derivatives are recognised at fair value with the effects recorded in the income statement; consistently, the hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk in the income statement, regardless of the forecast of a different measurement criterion usually applicable to the type of instrument.

When the derivatives cover the risk of change in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging the variability of the asset/liability cash flows due to fluctuations in interest rates or exchange rates), the changes in fair value of the derivatives considered effective are initially recognised in the shareholders' equity provision pertaining to the other components of comprehensive income and afterwards recorded in the income statement in line with the economic effects generated by the hedged transaction. In the case of hedging future transactions involving the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedge derivatives recognised in the shareholders' equity are recorded to adjust the book value of the asset/liability of the non-financial asset/liability hedged (basis adjustment).

The non-effective portion of the hedge is recognised in the income statement item "Financial (expense)/income".

The changes in the fair value of the derivatives that do not meet the conditions to be defined as hedging, including any ineffective components of the hedge derivatives, are recorded in the income statement. Specifically, the changes in fair value of the non-hedge derivatives on interest rates and currencies are recognised in the income statement item "Financial (expense)/income".

The embedded derivatives incorporated in financial assets are no longer separated in accounting; in this case, the entire hybrid instrument is classified based on the general financial asset classification criteria. The embedded derivatives incorporated in financial liabilities and/or non-financial assets are separated by the main contract and are recognised separately if the embedded instrument: (i) meets the definition of derivative; (ii) as a whole is not measured at fair value with the effects recognised in the income statement (FVTPL); (iii) if the characteristics and risks of the derivative are not closely tied to those of the main contract. The existence of embedded derivatives to separate and measure separately is checked when the company joins the contract and afterwards when there are amendments to the conditions of the contract that bring about significant changes in the cash flows it generates.

Fair value measurement

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its highest and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of the financial instruments is determined considering the credit risk of the counterparty of a financial asset ("Credit Valuation Adjustment" - CVA) and the risk of default by the same entity with reference to a financial liability ("Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of the

reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

- level 1: inputs represented by (unmodified) quoted prices on active markets for assets or liabilities identical to those that can be accessed as at the valuation date;
- level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;
- level 3: inputs that cannot be observed for the asset or liability.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

Non-current assets held for sale

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative book value will be recovered mainly by their sale rather than through their continued use. This condition is regarded as fulfilled when the sale is highly probable, and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that affiliate are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Checking that the conditions required to classify an item as held for sale requires that the Company's management made subjective assessments and formulate reasonable and realistic assumptions based on the information available.

Non-current assets held for sale, current and non-current assets related to disposal groups and directly associated liabilities are recognised in the Statement of Financial Position separately from the Company's other assets and liabilities.

The assets and liabilities falling within a disposal group are measured according to the accounting standards applicable to them right before being classified as held for sale. Afterwards, the non-current assets held for sale and non-current assets in disposal groups are not amortised or depreciated and are measured at the lower between the book value and the related fair value, less any sales costs (please refer to the forgoing point "Fair value measurement").

The classification as "held for sale" of equity investments valued using the equity method implies suspended application of this measurement criterion. Therefore, in this case, the book value is equal to the value resulting from the application of the equity method at the date of reclassification.

Any negative difference between the book value of the non-current assets and the fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

Provisions for risks and charges

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

Provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be reliably determined. Provisions are recorded at a value representing the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits deriving from the contract, and the cost to terminate the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset and posting to the income statement is accomplished through depreciation. The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling

and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

Provisions for employee benefits

Post-employment benefits

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

- **Defined-benefit plans**

The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.

Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Financial income (expense)".

- **Defined-contribution plans**

In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term plans

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

Distribution of dividends

The distribution of dividends to the Company's Shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's Shareholders or, in the case of interim dividends, by the Board of Directors.

Revenues

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the price of the transaction; (iv) allocation of the price of the transactions to the performance obligations identified based on the standalone selling price of each good or service; (v) recognition of the revenue when its performance obligation has been met, or when the promised good or service is transferred to the customer; the transfer is considered completed when the customer gains control of the good or service, which can occur over time or at a specific point in time.

As regards the activities carried out by the Italgas Group, revenues are recognised when the service is provided. The largest share of revenues relates to regulated activities, the income from which is governed by the regulatory framework established in Italy by the Italian Regulatory Authority for Energy, Networks and

Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), in Greece by the Regulatory Authority for Energy (RAE). Therefore, the economic conditions of the services provided are defined in regulatory schemes and not on a negotiation basis.

In reference to the distribution and metering of natural gas in Italy, the difference between revenues recognised by the regulator ("Revenue cap") and actual accrued revenues are posted in the Statement of Financial Position under the item "Trade and other receivables" if positive, and under the item "Trade and other payables", if negative, in that it will be subject to monetary settlement by CSEA.

In reference to the distribution and metering of natural gas in Greece, the differential between revenues recognised by the Regulator and actual accrued revenues are posted, if positive, to the Statement of financial position under the item "Other current and non-current non-financial assets" and, if negative, to the item "Other current and non-current non-financial liabilities", since the operator has satisfied the related performance obligation and holds the title to recover or the obligation to return within subsequent regulation periods or at the end of the concession the amounts not charged or overcharged to customers during the financial year.

With regard to the recognition of revenues relating to the so-called "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit ("cap") to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per re-delivery point, expressed at 2017 prices, determined by Resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years (in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. Resolution no. 525/2022/R/gas subsequently governed the operating procedures for application of the cap on the tariff recognition of capital costs in locations in the start-up phase and the application methods of the mechanism, relating in particular to the determination of the service deployment ratio and the procedures for verifying that the maximum unit expenditure threshold has been exceeded, for the second and third stages of the mechanism. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Allocations of revenues relating to services partially rendered are recognised by the fee accrued, as long as it is possible to reliably determine the stage of completion and there are no significant uncertainties over the amount and the existence of the revenue and the related costs; otherwise they are recognised within the limits of the actual recoverable costs.

Items of property, plant and equipment not used in concession services, transferred from customers (or realised with the cash transferred from customers) and depending on their connection to a network for the provision of supply, are recognised at fair value as a contra-entry to revenues in the income statement. When the agreement stipulates the provision of multiple services (e.g. connection and supply of goods), the service for which the asset was transferred from the customer is checked and, accordingly, the disclosure of the revenue is recognised on connection or for the shorter of the term of the supply and the useful life of the asset. Revenues are recorded net of returns, discounts, allowances and bonuses, as well as directly related taxes. Revenues are reported net of items involving regulation components, in addition to the Italian tariff, applied to cover gas system expenses of a general nature. Amounts received from Italgas are paid in full to the Energy and Environmental Services Fund (CSEA). Gross and net presentation of revenue is described in more detail in the Notes to the consolidated financial statements (see "Revenues" note).

Since they do not represent sales transactions, exchanges between goods or services of a similar nature and value are not recognised in revenues and costs.

Dividends received

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting, unless it is not reasonably certain that the shares will be sold before the ex-dividend date.

Costs

Costs are recognised in the period when they relate to goods and services sold or consumed during the same period or when it is not possible to identify their future use.

Costs sustained for share capital increases are recorded as a reduction of shareholders' equity, net of taxes.

Energy efficiency certificates

The Energy Efficiency Certificates purchased during the year are entered in the income statement at the cost borne. The relevant contribution that CSEA will pay at the time the certificates are cancelled is booked as a reduction of the cost borne and is calculated based on the repayment price scheduled at year-end. A special risk provision is allocated to cover the future expected charges to fulfil the year's objective calculated as the difference between the cost to be borne and its cancellation contribution.

Income taxes

Current income taxes are calculated by estimating the taxable income. Receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/recovered to/from the tax authorities under the prevailing tax regulations and rates or those essentially approved at the reporting date.

Regarding the Italian corporation tax (IRES), Italgas has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up. The projected payable is recognised under "Current income tax liabilities".

The regulations governing Italgas Group companies' participation in the national tax consolidation scheme stipulates that:

- subsidiaries with positive taxable income pay the amount due to Italgas. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;
- subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate financial statements, receive from their shareholders – in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability – or from Italgas in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

The Italian regional production tax (IRAP) is recognised under the item "Current income tax liabilities"/"Current income tax assets".

Some Italian Group companies have adhered to the Italian national consolidation option, which makes it possible to determine current IRES on a taxable base that coincides with the algebraic sum of the positive and negative taxable income of the participating companies. Economic transactions, as well as the reciprocal responsibilities and obligations, are regulated by specific agreements between the parties, according to which, in the event of positive taxable income, the subsidiaries transfer the financial resources corresponding to the higher tax due by them as a result of their participation in the national consolidation scheme to the parent company and, in the event of negative taxable income, receive compensation equal to the relative tax savings achieved by the parent company.

As for Greece, corporate income tax is calculated according to the tax laws in force in the country. Current income tax includes those calculated based on the profits reported in the tax returns, the higher income taxes deriving from special provisions of the law or from tax audits by the Financial Administration and provisions for higher taxes and surcharges for tax periods not verified and are calculated according to the rates in force at the reporting date.

Deferred income tax assets and liabilities are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based on the prevailing tax regulations and rates or those essentially approved for future years. Deferred tax assets are recognised when their recovery is considered probable; specifically, the recoverability of deferred tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset. The balance of the offsetting, if it results in an asset, is recognised under the item "Deferred tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, prepaid and deferred current taxes are also posted to equity.

Income tax assets with elements of uncertainty are recognised when they are regarded as likely to be obtained.

Operating sectors

The Group operates mainly in gas distribution and metering services, and is residually active in gas sales, integrated water service, energy service company (ESCo) business and the IT services business.

With reference to the acquisition of the DEPA Infrastructure Group, the main gas distribution operator in Greece, it is considered that the gas distribution service in Italy and in Greece present similar economic characteristics insofar as the DEPA Infrastructure Group carries out activities similar to those of Italgas in a market with a similar regulatory framework.

In addition, the two activities are similar with respect to:

- a) nature of the products and services, i.e. gas distribution and metering;
- b) the nature of the production processes, i.e. the development and maintenance of assets related to the gas distribution service under concession;
- c) type or class of customers according to their products and services, or sales companies;
- d) methods used to distribute its products or provide its services; i.e. transporting gas through local pipeline networks, and
- e) nature of the regulatory environment, i.e. the operation of a regulated business that is essentially based on the return on invested capital and the coverage of costs incurred by the operator. In fact, both regulatory systems guarantee a return on investment and coverage of the management costs regardless of volumes and the WACC formulas. They are entirely similar and essentially able to neutralise differences in risk between the two countries;

therefore, can be aggregated into a single operational sector.

In light of the above and given the insignificance of the residual activities reported, based on the provisions of subsections 12 and 13 of IFRS 8 governing segment reporting, a single operating segment was identified as Gas Distribution and Metering.

4) Financial Statements

The formats adopted for the preparation of the financial statements are consistent with the provisions of IAS 1 - "Presentation of financial statements" (hereinafter "IAS 1"). In particular:

- the Statement of Financial Position items are broken down into assets and liabilities, and then further into "current or non-current items¹⁵⁴";
- the Income Statement classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with international best practice;
- the Statement of Comprehensive Income shows the profit or loss in addition to the income and expense recognised directly in shareholders' equity as expressly provided for by the IFRS;
- the Statement of Changes in Shareholders' Equity reports the total income (expense) for the financial year, shareholder transactions and the other changes in Shareholders' equity;
- the Statement of Cash Flows is prepared using the "indirect" method, adjusting the profit for the year of non-monetary components.

It is believed that these statements adequately represent the Group's situation with regard to its Statement of Financial Position, Income Statement and Statement of Cash Flows.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in the note "Related party transactions", are shown separately in the financial statements.

¹⁵⁴ The assets and liabilities are classified as current if: (i) their realisation/settlement is expected in the company's normal operating cycle or within twelve months after the financial year-end; (ii) they are composed of cash or cash equivalents which do not have restrictions on their use over the twelve months following the year-end date; (iii) they are mainly held for trading purposes; or (iv) with reference to liabilities, the company does not have the unconditional right to defer settlement of the liability for at least twelve months from the financial year closing date.

5) Use of estimates

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Details are given below about the main accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on results of subsequent years.

Impairment of assets Measurement of tangible and intangible assets, including goodwill, requires recording of these in the financial statements for a value no higher than their recoverable value (so-called Impairment test).

In determining the recoverable amount, the Group applies the higher of the fair value less cost to sell criterion and the value in use criterion. "Fair value less cost to sell" is:

- (i) In Italy, the estimated value of net invested Capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB - Regulatory Asset Base) by the Authority, net of the flat-rate components, employee severance pay and contributions received. RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated from assets¹⁵⁵. The RAB value is defined using the revalued historical cost method for Fixed Capital and on a flat-rate basis for Working Capital and employee severance pay;
- (ii) In Greece, the estimated value of net invested capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB – Regulatory Asset Base) by the Authority, net of the flat-rate components related to working capital and connection costs;
- (iii) the reimbursement value (RV) valid for ATEM (Minimum Territorial Areas) tenders, which is the value to be paid to the operator selling the infrastructure after the tender procedure. In Greece, the reimbursement value is calculated as the value of the RAB at the date of interruption/expiry of the licence, increased by at least 15%;
- (iv) the market value of the asset observable in a recent transaction net of sales costs.

Value in use refers to:

- (v) the present value of the future cash flows expected to be derived from the asset being measured. These flows are determined in line with the most recent business plan approved by management, which is based not only on developments in the regulations, but also on estimates relating to reference market trends and investment and divestment decisions. In the process of determining the recoverable value, flows are discounted at a discount rate that reflects current market conditions, the time value of money and the specific risks of the asset.

More information on the impairment test carried out by the Company's management on property, Plant and equipment and on intangible Assets can be found in the "Impairment of non-financial fixed assets" section.

¹⁵⁵ The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors.

The recoverable value is sensitive to the estimates and assumptions used to determine the total invested capital, cash flows and discount rates applied. Therefore, possible variations in the estimation of the factors on which the calculation of the aforesaid recoverable values is based could result in different measurements.

Analysis of each of the groups of non-financial assets is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.

Business combinations

Recognition of business combination transactions requires determination of the fair value of any assets and liabilities acquired as a result of obtaining control of the business. With the help of independent professionals, the company's management measured the fair value of assets, liabilities and potential liabilities, on the basis of information on facts and circumstances available at the acquisition date.

Determination of the fair value of assets and liabilities acquired is subject to estimates and measurements by the company's management. Possible variations in the estimation of the factors on which determination of the fair value is based could generate different measurements.

Analysis of each business combination transaction is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.

Environmental liabilities

The Italgas Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out.

The measurement of future liabilities in connection with reclamation and restoration obligations in relation to sites and/or land on which the company carries out its business is a complex process based on technical and financial assumptions made by the company's management and supported by independent experts where necessary.

The restoration cost estimate is discounted using a risk-free rate in accordance with IAS 37. The estimate is made using a principle of prudence based on the known market, legislative and technological conditions at the time of measurement.

The estimates are reviewed at each balance sheet date to verify that the amounts recorded are the best reflection of the costs the Group will face. If any significant variations are found, the amounts are adjusted. The key factors for revising cost estimates are the revision of the timeframes for implementing the site reclamation and restoration plan, developments in the technologies and environmental regulations and discount rate trends.

Measurement of environmental liabilities recorded in the financial statements takes into account the environmental legislation currently in force. However, this measurement could be subject to variations, even to a significant extent, in relation to: (i) the possibility of further contamination arising; (ii) the results of current and future refurbishment and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental cleansing; and (v) the possibility of disputes concerning the environmental liability for specific sites and the difficulty of determining the potential consequences of this, including in relation to the liability of other parties and any indemnity.

Provisions for employee benefits

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the

obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.

Differences in the value of net liabilities relating to employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the statement of comprehensive income. Actuarial assumptions are also used to determine other long-term employee benefit obligations; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

Provisions for risks and charges	In addition to the amounts allocated to the provisions for environmental liabilities, Italgas recorded provisions mainly relating to the following in the financial statements: (i) operational restoration of metering instruments; (ii) legal and tax disputes; (iii) staff leaving incentives; (iv) expenses related to meeting the Energy Efficiency Certificates targets (EEC) set by the Authority; (v) provision for contractual risks.
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The provision for operational restoration of metering instruments is determined by the company's management on the basis of assumptions that take into account (i) hypothesised malfunctioning of smart meters currently installed; (ii) the warranties agreed with the meter suppliers; (iii) the estimated costs for replacing the smart meters.

Provisions are made to cover the risk of future outlay for the cases set out above. The value of the provisions recorded in the financial statements for such risks reflects the best estimate made by the company's management with the support of independent professionals at the preparation date of this document. This estimate involves making assumptions based on factors that may vary over time, which could, therefore, produce a significantly different outcome with respect to the current estimates made by the company's management for the preparation of the Group's financial statements.

6) Business combination transactions

During the financial year, the equity investments in DEPA Infrastructure Single Member S.A. (hereinafter DEPA Infrastructure) and Janagas S.r.l. were acquired.

As part of the public tender called by the Greek government for the privatization of the distribution operator DEPA Infrastructure, on 9 September 2021 Italgas was declared the "preferred bidder" by the Greek privatization fund (HRADF); on 10 December 2021 the preliminary purchase and sale contract was signed. At that date DEPA Infrastructure owned 51% of Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), 100% of Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and 100% of Public Gas Distribution Networks S.A. (DED), the three main players in gas distribution in Greece.

Furthermore, on 31 July 2021 DEPA Infrastructure had undertaken to acquire from ENI Plenitude Società Benefit S.p.A. the remaining 49% of the share capital of EDA Thess, upon the occurrence of the same conditions precedent to which the acquisition of DEPA Infrastructure was subject as well as the completion of the acquisition of the same company.

The acquisition transaction was finalized on 1 September 2022, following the occurrence of the conditions precedent set forth in the sales agreements, for a total consideration of € 929,146 thousand.

The signing of the acquisition agreements by Italgas Newco S.p.A. of 100% of DEPA Infrastructure and by DEPA Infrastructure of the remaining share of the share capital of EDA Thess took place respectively on 1

September 2022 for a consideration of € 763,949 thousand and on 19 December 2022 for a consideration of € 165,196 thousand.

The provisional allocation of the purchase price based on the information available led to adjustments to redetermine the net assets acquired at their fair value for € 101,883 thousand, against:

- a) the recognition of Intangible assets relating to the licences for natural gas distribution for € 134,055 thousand and the related deferred tax for € 29,492 thousand;
- b) the recognition of prepaid tax on previous tax losses for € 11,120 thousand;
- c) higher liabilities for provisions for risks and charges for € 13,800 thousand;

The residual value against the purchase cost was posted to the item "Goodwill" for € 115,789 thousand.

On 2 August 2022, Italgas signed a binding agreement for the acquisition from Fiamma 2000 Group of the LPG distribution and sales business, with related networks and plants, managed in 12 municipalities in Sardinia.

Following the fulfilment of the conditions precedent set out in the purchase and sale contract, on 13 December 2022 the purchase from the Fiamma 2000 Group of the entire share capital of Janagas S.r.l. by Medea S.p.A. was finalised. Janagas S.r.l. is the corporate vehicle to which the Fiamma 2000 Group transferred the LPG distribution and sales networks in Sardinia, which will subsequently be converted to natural gas.

The provisional allocation of the purchase price based on the information available led to fair value adjustments of the net assets acquired for € 13,222 thousand, against:

- a) the greater value of Intangible assets relating to the distribution and metering of other gases for € 7,946 thousand;
- b) the development of the customer list, for € 1,070 thousand, and related deferred tax for € 257 thousand;
- c) the recognition of prepaid tax on depreciation and amortisation recoverable through tax, for € 4,462 thousand;

The negative difference between the purchase price and the fair value of the net assets acquired has been posted to the income statement for € 13,558 thousand.

The analysis of the transactions is given below.

Acquisition of companies

(€ thousands)	JANAGAS S.r.l.	DEPA INFRASTRUCTURE Group
Cash and cash equivalents	12	107,118
Trade and other receivables	695	19,876
Inventories	201	10,919
Tax assets	-	1,230
Other current assets	15	6,680
Current assets	923	145,823
Property, plant and equipment	-	11,537
Intangible assets	41,150	873,222
Equity investments	-	-
Financial assets	-	-

Deferred tax assets	4,463	11,120
Other non-current assets	-	43,724
Non-current assets	45,613	939,603
TOTAL ASSETS	46,536	1,085,426
Short-term financial liabilities	45	18,789
Trade and other payables	893	43,747
Tax liabilities	-	8,550
Other current liabilities	196	2,762
Current liabilities	1,134	73,848
Long-term financial liabilities	-	87,690
Provisions for risks and charges	51	22,644
Provisions for employee benefits	396	2,615
Deferred tax liabilities	257	50,591
Other non-current liabilities	239	34,681
Non-current liabilities	943	198,221
TOTAL LIABILITIES	2,077	272,069
NET VALUE OF ACQUIRED ASSETS	44,459	813,357
GOODWILL	(13,558)	115,789
PRICE OF THE ACQUIRED ASSETS	30,901	929,146
of which paid	30,700	929,146
to be paid	201	-

With regard to the acquisition transactions, it should be noted that the values entered are subject to the valuation period referred to in paragraph 45 of IFRS 3 which allows provisional amounts to be recognised in the closing financial statements, pending acquisition within a year. additional information that may derive from any adjustments relating to the assets and liabilities acquired.

7) Cash and cash equivalents

Cash and cash equivalents, equal to € 451,946 thousand (€ 1,391,763 thousand as at 31 December 2021), refer to current account deposits held at banks.

Cash and cash equivalents are not subject to any usage restrictions.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the Statement of Cash Flows.

8) Current financial assets

Current financial assets, amounting to € 5,770 thousand, (€ 5,120 thousand as at 31 December 2021), relate mainly to financial receivables from credit institutions that can be liquidated in the short-term, essentially as guarantee of M&A operations with Conscoop (€ 5,001 thousand), and to the remaining amount of the equity investment of Italgas Reti S.p.A. in Acqua Campania S.p.A. (€ 119 thousand).

9) Trade and other receivables

Trade and other receivables, which amount to € 1,142,950 thousand (€ 588,098 thousand as at 31 December 2021) comprise the following:

(€ thousands)	31.12.2021	31.12.2022
Trade receivables	388,614	315,708
Receivables from investment/divestment activities	5,278	5,278
Other receivables	194,206	821,964
	588,098	1,142,950

Trade receivables (€ 315,708 thousand as at 31 December 2022 and € 388,614 thousand as at 31 December 2021), decreased by € 72,906 thousand mainly due to the reduction in receivables from sales companies (€ -232,800 thousand), from customers (€ -31,900 thousand) and due to the deconsolidation of Gaxa (€ -16,100 thousand) partially offset by higher receivables related to the "Super/Ecobonus" (€ 114,536 thousand), from the CSEA mainly related to the equalisation balance (€ 61,500 thousand) and the first-time consolidation of DEPA Infrastructure (€ 28,148 thousand).

These are reported net of the provision for impairment losses (€ 16,742 thousand at 31 December 2022 and € 15,643 thousand at 31 December 2021). Changes in the provision for impairment losses on receivables during the year are shown below:

(€ thousands)	Provision for impairment at 31.12.2020	Change in scope of consolidation	Provisions	Uses	Other changes	Provision for impairment at 31.12.2021
Trade receivables	14,606	1,213	320	(1,384)	888	15,643
Other receivables	888	-	-	-	(888)	-
	15,494	1,213	320	(1,384)	-	15,643

(€ thousands)	Provision for impairment at 31.12.2021	Change in scope of consolidation	Provisions	Uses	Other changes	Provision for impairment at 31.12.2022
Trade receivables	15,643	183	8	(350)	(108)	15,376
Other receivables	-	405	-	-	961	1,366
	15,643	588	8	(350)	853	16,742

The provision for impairment of receivables reflects estimated losses in connection with the Group's credit portfolio. Provisions are made for expected losses on receivables, estimated both on the basis of past experience with receivables with similar credit risk and on the basis of future expected loss on open positions as at the balance sheet date, as well as careful monitoring of the quality of credit portfolios.

Receivables for investment/divestment activities (€ 5,278 thousand as at 31 December 2022 unchanged compared to 31 December 2021) involve receivables for sales of property, plant and equipment and intangible assets.

Other receivables (€ 821,964 thousand as at 31 December 2022 and € 194,206 thousand as at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	31.12.2022
IRES receivables for the national tax consolidation scheme	16,285	16,516
VAT receivables for liquidation of Group VAT	2	-
Receivables due from CSEA	130,575	744,101
Receivables from the Public administration	5,979	6,654
Advances to suppliers	32,805	45,976
Receivables from personnel	2,258	2,088
Other receivables	6,302	6,629
	194,206	821,964

IRES receivables for the national tax consolidation scheme (€ 16,516 thousand as at 31 December 2022) mainly concern receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2004 to 2007 (pursuant to Article 6 of Decree-Law no. 185 of 28 November 2008, converted by Law no. 2 of 28 January 2009) and to tax years 2007 to 2011 (pursuant to Decree-Law no. 201/2011).

Receivables from the CSEA (€ 744,101 thousand as at 31 December 2022) mainly refer to additional gas distribution tariff components (Safety Incentives, UG2¹⁵⁷ and the Gas Bonus¹⁵⁸) for € 706,024 thousand and for safety incentives for € 38,076 thousand. The change compared to the previous period refers to Resolutions issued by ARERA to address the increase in energy prices and energy bills. For more details, please see item "27) Revenues".

Receivables from public administrations (€ 6,654 thousand at 31 December 2022) relate to receivables from Municipalities, mainly for Cosap.

The market value of trade and other receivables is analysed in the Note "Guarantees, commitments and risks - Other information about financial instruments". All receivables are in Euro.

¹⁵⁷ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

¹⁵⁸ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

The fair value measurement of trade and other receivables has no material impact considering the short period of time from when the receivable arises and its due date and contractual conditions.

The length of time the trade receivables and other receivables have been outstanding is shown below:

(€ thousands)	31.12.2021			31.12.2022		
	Trade receivables	Other receivables	Total	Trade receivables	Other receivable s	Total
Receivables not overdue	364,628	199,484	564,112	227,483	821,964	1,049,447
Receivables overdue:	23,986		23,986	88,225		88,225
- from 0 to 3 months	5,575		5,575	47,713		47,713
- from 3 to 6 months	1,375		1,375	12,314		12,314
- from 6 to 12 months	2,438		2,438	18,768		18,768
- over 12 months	14,598		14,598	9,430		9,430
	388,614	199,484	588,098	315,708	821,964	1,137,672

Receivables overdue, amounting to € 88,225 thousand, mainly relate to receivables from end users for gas and water supply (€ 27,411 thousand) and ESCo service customers (€ 64,373 thousand).

As at 31 December 2022 there were no significant credit risks. Note that on average 98.44% of trade receivables relating to gas distribution are settled by the due date and over 99.67% within the following 4 days, confirming the strong reliability of the customers.

Receivables from related parties are described in the note "Related party transactions".

Specific information on credit risk is provided in the note "Guarantees, commitments and risks - Financial risk management - Credit risk".

10) Inventories

Inventories, which amount to € 120,486 thousand, are analysed in the table below:

(€ thousands)	31.12.2021			31.12.2022		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and supplies	106,013	(719)	105,294	124,733	(4,247)	120,486
	106,013	(719)	105,294	124,733	(4,247)	120,486

Inventories of raw materials, consumables and supplies (€ 120,486 thousand at 31 December 2022) mainly consisted of gas meters.

The provision for impairment losses on inventories of raw materials, consumables and supplies amounts to € 4,247 thousand (€ 719 thousand as at 31 December 2021).

Inventories are not collateralised. Inventories do not secure liabilities, nor are they recognised at net realisation value.

11) Current and non-current income tax assets/liabilities

Current and non-current income tax assets/liabilities break down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Income tax assets	21,625	22,936	44,561	8,703	54,862	63,565
- IRES	18,153	22,936	41,089	4,328	54,862	59,190
- IRAP	3,472		3,472	720		720
- Foreign Taxes				3,655		3,655
Income tax liabilities	3,430	-	3,430	16,105	-	16,105
- IRES	3,162		3,162	6,856	-	6,856
- IRAP	268		268	3,776		3,776
- Foreign Taxes				5,473		5,473

The change in income tax assets of € 19,005 thousand is mainly due to accrued tax credits for energy efficiency works falling under the legislation of Superbonus incentives as provided for in the Relaunch Decree (Decree-Law 34/2020). The tax credits arising from the Superbonus as at 31 December 2022 amount to € 37,209 thousand and can be used in 4 years, as envisaged by legislation. The Superbonus credits are related to the company Geoside S.p.A., which is part of the tax consolidation scheme of Italgas S.p.A., and Management therefore expects recovery through the taxable base of that company and of the tax consolidation scheme.

Taxes pertaining to the year under review are shown in the note "Income taxes".

12) Other current and non-current non-financial assets

Other current non-financial assets, amounting to € 80,775 thousand, and *other non-current non-financial assets*, amounting to € 153,575 thousand, break down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other regulated activities	38,664	77,175	115,839	38,424	73,919	112,343
Other assets	15,415	3,191	18,606	42,351	79,656	122,007
- Other current taxes	10,710	-	10,710	36,645	-	36,645
- Prepayments	4,701	163	4,864	5,706	76,376	82,082
- Security deposits		2,970	2,970		3,221	3,221
- Other	4	58	62	-	59	59
	54,079	80,366	134,445	80,775	153,575	234,350

Other regulated activities (€ 112,343 thousand as at 31 December 2022) essentially relate to the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas and Determination no. 3/2021.

The *other current tax assets*, amounting to € 36,645 thousand (€ 10,710 thousand as at 31 December 2021) refer to VAT receivables for € 23,061 thousand (€ 6,976 thousand as at 31 December 2021) and to other taxes for € 13,584 thousand (€ 3,734 thousand as at 31 December 2021).

It should be noted that the Group has finalised factoring agreements with financial counterparties on the basis of which the Group's receivables can be factored without recourse. In particular, with reference to 31 December 2022, we finalised the assignment of VAT receivables in the amount of € 30.0 million.

Prepayments amounting to € 82,568 thousand increased mainly as a result of the entry into the scope of consolidation of the DEPA Infrastructure Group (€ 76,729 thousand), which recognises in such item the positive difference between the revenues recognised and the revenues effectively accrued in the years between 2017 and 2022, recoverable through the tariffs of the subsequent regulation periods. The residual part of the item is instead related to prepayments of the Single Equity Charge recognised to Municipalities and insurance policies.

13) Property, plant and equipment

Property, plant and equipment, which amounts to € 379,026 thousand as at 31 December 2022 (€ 372,108 thousand at 31 December 2021), breaks down as follows:

	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
(€ thousands)							
Cost at 31.12.2020	13,015	460,922	34,170	162,086	37,872	18,944	727,009
Right of Use as at 1.1.2021		45,627		44,709	25,717	-	116,053
Investments	2	19,349	2,208	3,576		5,705	30,840
Right of Use investments		1,044		4,031	9,829		14,904
Divestments	(183)	(4,040)	(416)	(13,432)	(960)	(216)	(19,247)
Disposals of Right of Use		(1,099)		(3,509)	(18)		(4,626)
Change in scope of consolidation			129	793			922
Change in scope of consolidation right of use				92			92
Other changes	(96)	11,212	211	2,084	484	(16,955)	(3,060)
Other change in rights of use		(169)		(39)	(86)		(294)
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Accumulated depreciation at 31.12.2020	(210,377)	(14,846)	(112,903)	(18,296)			(356,422)
Amortisation of Right of Use as at 1.1.2021		(10,010)		(18,063)	(6,657)		(34,730)
Depreciation	(7,779)	(1,723)		(6,416)	(270)		(16,188)
Amortisation of Right of Use		(6,687)		(10,020)	(6,230)		(22,937)
Divestments	1,986	2		12,576	941		15,505
Disposals of Right of Use		565		3,016	6		3,587
Change in scope of consolidation			(1)	(580)			(581)
Change in scope of consolidation right of use				(4)			(4)
Other change in rights of use		62		77	47		186
Other changes	2,534	4		177	(182)		2,533
Accumulated depreciation at 31.12.2021	-	(219,696)	(16,564)	(114,077)	(23,984)	-	(374,321)
Provision for impairment losses at 31.12.2020				(657)		(31)	(688)
(Write-down)/Value restorations						31	31
Divestments				653			
Other changes				4		(111)	(107)

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Provision for impairment losses at 31.12.2021						(111)	(111)
Net balance at 31.12.2020	13,015	250,545	19,324	48,526	19,576	18,913	369,899
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
- of which Right of Use	-	29,333		20,290	22,608		72,231

31.12.2022							
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
(€ thousands)							
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Right of Use as at 1.1.2022	-	45,403	-	45,284	35,442	-	126,129
Investments	-	2,248	812	3,581	121	3,888	10,650
Right of Use investments	379	11,145		5,633	9,206		26,363
Divestments	(59)	(1,772)	(889)	(1,151)	(2)	(12)	(3,885)
Disposals of Right of Use	(350)	(6,644)		(458)	-		(7,452)
Reclassifications	(149)	696	52	1,661	-	(2,260)	-
Reclassifications of rights of use	2,339						2,339
Change in scope of consolidation	1,949	8,544	2,311	581	15,400	499	29,284
Change in scope of consolidation right of use	-	8,998		2,277	1,889		13,164
Other changes	(1)	3,793	(159)	144	(223)	(610)	2,944
Other change in rights of use	-	(1,432)		(37)	2		(1,467)
Cost at 31.12.2022	16,846	512,795	38,429	167,913	73,514	8,983	818,480
Accumulated depreciation at 31.12.2021	-	(219,696)	(16,564)	(114,077)	(23,984)	-	(374,321)
Amortisation of Right of Use as at 1.1.2022	-	(16,070)	-	(24,994)	(12,834)	-	(53,898)
Depreciation	-	(8,543)	(2,076)	(6,350)	(366)		(17,335)
Amortisation of Right of Use	(99)	(6,789)		(9,763)	(7,974)		(24,625)
Divestments	-	1,192	4	945	-		2,141
Disposals of Right of Use	7	3,121		316			3,444
Change in scope of consolidation	-	(5,975)	(1,422)	(437)	(13,224)		(21,058)
Change in scope of consolidation right of use	-	(4,917)		(1,229)	(1,435)		(7,581)
Other change in rights of use	-	(3)		5	1		3
Other changes	-	(2)	(34)	(443)	468		(11)
Accumulated depreciation at 31.12.2022	(92)	(241,612)	(20,092)	(131,033)	(46,514)	-	(439,343)
Provision for impairment losses at 31.12.2021	-	-	-	-	-	(111)	(111)
Provision for impairment losses at 31.12.2022	-	-	-	-	-	(111)	(111)
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
Net balance at 31.12.2022	16,754	271,183	18,337	36,880	27,000	8,872	379,026
- of which Right of Use	2,276	32,812	-	17,034	24,297	-	76,419

Investments (€ 37,013 thousand) mainly refer to industrial and commercial equipment (€ 3,581 thousand), office buildings (€ 2,248 thousand) and leased goods (€ 26,363 thousand).

The Rights of use are detailed in the following table:

(€ thousands)	01.01.2022	depreciation	Change consolidation area	increases	decreases	reclassificati ons	Other changes	31.12.2022
Land		(99)	-	379	(343)	2,339	-	2,276
Buildings	29,333	(6,789)	4,080	11,145	(3,523)	1	(1,435)	32,812
- operating properties	29,333	(6,789)	4,080	11,145	(3,523)	1	(1,435)	32,812
Industrial and commercial equipment	20,290	(9,763)	1,048	5,633	(142)	-	(32)	17,034
- ICT	5,017	(2,012)		4,330				7,335
- motor vehicles	15,273	(7,751)	1,048	1,303	(142)		(32)	9,699
Other assets	22,608	(7,973)	454	9,206	-	-	2	24,297
	72,231	(24,624)	5,582	26,363	(4,008)	2,340	(1,465)	76,419
Interest expense (included in financial expense)	290							321

Land and buildings, of € 287,935 thousand, mainly include buildings for office use, workshops, warehouses and depots used in the corporate business, of which rights of use of € 35,088 thousand.

Plant and machinery (€ 18,337 thousand) mainly related to photovoltaic plants (€ 14,661 thousand) and charging stations (€ 2,883 thousand).

Industrial and commercial equipment (€ 36,880 thousand) include rights of use for € 17,034 thousand relating to IT infrastructures and leased vehicles.

During the year, there were no changes in the estimated useful life of assets or in the depreciation rates applied and explained by category in the Note - "Measurement criteria - Property, plant and equipment".

Property, plant and equipment are not collateralised and there are no restrictions on ownership and property.

Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in the Note "Guarantees, commitments and risks".

During the year, no impairment indicators were observed, nor any significant variations to the measurement of the recoverability of the value recognised in the financial statements for Property, plant and equipment.

14) Intangible assets

Intangible assets, which amount to € 8,509,368 thousand as at 31 December 2022 (€ 7,469,805 as at 31 December 2021) break down as follows:

	31.12.2021						
	Finite useful life			Indefinite useful life			
	Service concession arrangements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	Total
(€ thousands)							
Cost at 31.12.2020	11,320,032	470,779	315,206	11,661	75,578	67,438	12,260,694
Investments	632,359	6,382	141,394	39,124	15,396	6,501	841,156
Government grants			(33,140)				(33,140)

Change in the scope of consolidation	26,864	217		1,142		28,223
Divestments	(63,653)	(989)	(87)	(1,880)	(290)	(66,899)
Reclassifications	(77,757)				77,757	-
Other changes	106,731	35,261	(105,100)	(36,911)	85	567
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506
Accumulated amortisation at 31.12.2020	(4,749,781)	(381,823)	-	-	(62,639)	-
Amortisation	(364,339)	(37,598)			(3,325)	
Change in the scope of consolidation	(1,666)	(207)			(704)	
Divestments	50,904	288			287	
Reclassifications	76,619				(76,619)	-
Other changes	(752)	11			1,136	
Accumulated amortisation at 31.12.2020	(4,989,015)	(419,329)	-	-	(141,864)	-
Provision for impairment losses at 31.12.2020	(9,276)	-	-	(2,147)	-	(11,423)
(Write-down)/Value restorations	(895)					(895)
Divestments	17			2,095		
Change in the scope of consolidation		(10)			(438)	
Provision for impairment losses at 31.12.2021	(10,154)	(10)	-	(52)	(438)	-
Net balance at 31.12.2020	6,560,975	88,956	315,206	9,514	12,939	67,438
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506

31.12.2022							
€ thousands)	Finite useful life					Indefinite useful life	
	Service concession arrangements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	Total
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506	13,030,667
Investments	630,829	33,518	99,199	13,257	505	-	777,308
Government grants	(48)	-	(10,787)	-	-	-	(10,835)
Change in the scope of consolidation	1,437,696	(2,416)	48,934	(307)	20,206	115,789	1,619,902
Divestments	(594,948)	(22)	(4,141)	(64)	(309)	-	(599,484)
Reclassifications	184,046	9,945	(184,046)	(9,945)	-	-	-
Other changes	(2,408)	12,097	5,261	(214)	(11,789)	168	3,115
Cost at 31.12.2022	13,599,743	564,772	272,693	14,721	178,281	190,463	14,820,673
Accumulated amortisation at 31.12.2021	(4,989,015)	(419,329)	-	-	(141,864)	-	(5,550,208)
Amortisation	(396,361)	(38,092)			(1,878)		(436,331)
Change in the scope of consolidation	(562,062)	450			(17,135)		(578,747)
Divestments	276,639	7			309		276,955
Other changes	8,753	(10,943)			9,411		7,221
Accumulated amortisation at 31.12.2022	(5,662,046)	(467,907)	-	-	(151,157)	-	(6,281,110)
Provision for impairment losses at 31.12.2021	(10,154)	(10)	-	(52)	(438)	-	(10,654)
(Write-down)/Value restorations	-	-	(895)	-	-		(895)
Divestments	8,684	-	147	-	-		8,831

Change in the scope of consolidation	(15,918)	-	-	-	-	-	(15,918)
Other changes	(10,659)	-	(98)	52	(854)	-	(11,559)
Provision for impairment losses at 31.12.2022	(28,047)	(10)	(846)	-	(1,292)	-	(30,195)
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506	7,469,805
Net balance at 31.12.2022	7,909,650	96,855	271,847	14,721	25,832	190,463	8,509,368

Service concession agreements including the related work in progress, amounting to € 8,181,497 thousand (€ 7,263,680 thousand as at 31 December 2021), refer to agreements between the public and private sectors on the development, financing, management and maintenance of infrastructure under concession by a contracting party. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service natural gas distributor in Italy and Greece and in integrated water service management, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution and integrated water service at the tariff established by the Authority, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service.

The item Service concession arrangements also includes for € 134,055 thousand the value of the intangible asset "licences" measured during the purchase price allocation of the DEPA Infrastructure Group relating to the licences for gas distribution in Greece expiring in 2043 and possibility of renewal for another 30 years.

IFRIC 12 Work in progress of € 271,849 thousand (€ 318,273 thousand at 31 December 2021) mainly refers to new networks under construction and digitisation of natural gas distribution networks.

Industrial patent rights and intellectual property rights of € 96,853 thousand (€ 92,311 thousand as at 31 December 2021) mainly concern information systems and applications in support of operating activities.

Other intangible assets of € 25,833 thousand (€ 27,366 thousand as at 31 December 2021) predominately concern the customer lists relating to the acquisition of ESCo and gas sales businesses (€ 14,736 thousand).

Intangible assets with an undefined useful life of € 190,463 thousand (€ 74,506 thousand at 31 December 2021) mainly refer to goodwill arising in previous years in relation to the process of allocation of prices paid for the acquired companies. The increase compared to 31 December 2021 mainly derives from the business combination transaction relating to the DEPA Infrastructure Group (€ 115,789 thousand). For information about the business combination transaction of the DEPA Infrastructure Group, please see subsection "6) Business combination transactions".

IFRIC 12 Work in progress of € 271,849 thousand (€ 318,273 thousand at 31 December 2021) mainly refers to new networks under construction.

Investments for the year mainly relate to concession agreements for the maintenance and development of the smart metering network and the digitisation of networks. In particular:

- gas distribution investments (€ 712.8 million, -0.8% compared to 2021), which recorded the installation of an additional 532 km of pipeline (2021: 732 km), were largely driven by network development, maintenance and repurposing initiatives. The reduction compared to 2021 is caused by less construction of new gas distribution networks, mainly due to the gradual completion of the methanisation project in Sardinia, where an additional 12 km of new network was built, bringing the total of networks laid to 909 km; in addition, 13 LNG storage plants were installed, with a total of 66 in service. DEPA Infrastructure's subsidiaries made € 26.9 million in investments, of which € 3.7 million went into the construction of new gas distribution networks;
- investments in digitisation (€ 190.9 million, up +30.2% compared to 2021) relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.
- metering investments (€ 43.3 million, -43.4% compared to 2021, of which 1.9 was made in Greece for 7 thousand units) were affected by the completion of the plan to replace traditional meters in Italy pursuant to ARERA Resolution no. 631/2013/R/gas as amended. In 2022, the Company installed 372 thousand new meters in Italy, of which 89 thousand to replace traditional G4/G6 meters, 269 thousand for the repair of digital meters with anomalies and 14 thousand to replace large-caliber meters. At 31 December 2022¹⁵⁹, a

¹⁵⁹ Also taking into account the affiliates, over which Italgas does not exercise control, 406 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 31 December 2022 to 7.7 million (92.5% of the total number of meters and practically all active meters).

total of 7.6 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (93.0% of the total number of meters and practically all active meters). As at 31 December 2022, the digital meter stock installed by the DEPA Infrastructure Group amounted to 41 thousand units.

“Service concession arrangements”, net of the effect caused by the sale on 1 December 2022, of fixed assets relating to the Municipalities of ATEM Naples 1, increased by € 941.1 million mainly following the acquisition of the DEPA Infrastructure Group, which resulted in the recognition of assets pursuant to IFRIC 12 in the amount of € 824.9 million and goodwill in the amount of € 115.8 million.

On 21 December 2022, the closing of the transaction through which Medea S.p.A. acquired 49% of the share capital of Energie Rete Gas S.r.l. was finalised through the transfer to the same of assets and activities relating to gas transmission to serve the distribution networks operating in the municipalities under concession.

Amortisation refers to economic and technical amortisation determined on the basis of the finite useful life of the intangible assets or their remaining possible use by the Company.

The provision for impairment, amounting to € 30,195 thousand, mainly relates to service concession arrangements and increased by € 19,541 mainly due to the entry into the scope of consolidation of Janagas (€ 15,918 thousand).

Advanced research and development expenses of the period are not of a considerable amount.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in the Note - “Guarantees, commitments and risks”.

Impairment test

The impairment test is conducted for all CGUs with impairment indicators and/or goodwill allocated to them. In 2022, the test was carried out for all the CGUs, regardless of the presence of impairment indicators and/or goodwill.

The impairment test therefore concerned the following CGUs (Cash Generating Units):

- Distribution and metering of natural and other gases;
- Distribution and metering of natural gas abroad;
- Sale of natural and other gases;
- Integrated water service;
- Other activities (ESCos).

As compared with last year, it is noted that the CGU “Distribution and metering of natural gas abroad” was introduced, by virtue of the business combination relating to the DSOs of the DEPA Infrastructure Group operating in Greece.

As required by the reference accounting standards (IAS 36), impairment testing was conducted on assets and goodwill by determining their recoverable value and comparing this with the net book value of the CGUs to which they belong.

Goodwill posted to the financial statements is allocated to the CGUs as follows:

- Distribution and metering of natural and other gases: € 66.2 million;
- distribution and metering of natural gas abroad: € 115.8 million;
- Other activities (ESCos): € 8.3 million.

With reference to the Natural and other gas distribution and metering CGU and the Integrated water service CGU, the recoverable value was defined in accordance with the estimated value of Net Invested Capital attributed to such assets for tariff purposes (RAB - Regulatory Asset Base) by the Authority.

The “Distribution and metering of natural gas and other gases” CGU includes, as described previously, the “Municipalities in start-up”, mainly concentrated in Sardinia, for which the remuneration mechanism provides for a limit to tariff recognitions for investments in distribution networks for locations with year of first supply after

2017, in the amount of € 5,250 (expressed at 2017 prices) per delivery point set by resolution no. 704/2016/R/gas. The RAB considered is based on the achievement of break-even delivery points.

The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors; reasonable changes in valuation inputs would not result in losses of value in the asset.

With reference to the CGU "Distribution and metering of natural gas abroad", the recoverable value was defined on the basis of the price of a recent market transaction (sale of 10% of the capital of Italgas Newco S.p.A. to a minority shareholder at a price corresponding to an implicit measurement of the equity investment of 100% in DEPA Infrastructure in line with the price offered by Italgas for the purchase during privatisation).

With reference to the "Sale of natural and other gases" CGU, the recoverable amount was defined on the basis of the price of recent market transactions.

With reference to the CGU "Other activities", the recoverable value was determined using the Discounted Cash Flow (DCF) Method based on the flows resulting from the 2022-2028 Business Plan. No impairment was found as a result of the test carried out. A sensitivity analysis was also carried out on the WACC used to determine the recoverable value.

15) Investments valued using the equity method

Equity investments valued using the equity method, which amount to € 47,243 thousand (€ 30,108 thousand at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	Increases for investments	Income (expense) from shareholders' equity	Decrease for dividends	Other changes	31.12.2022
Umbria Distribuzione Gas SpA	1,515		(118)		-	1,397
Sant'Angelo Lodigiano S.p.A.	1,103		43	(113)	-	1,033
Gesam Reti S.p.A.	21,633		708	(1,211)	-	21,130
Valdarno S.r.l.	5,461				(5,461)	-
Enerpaper S.r.l.	396		29		63	488
Gaxa S.p.A.					93	93
Energie Rete Gas S.r.l.		23,102			-	23,102
	30,108	23,102	662	(1,324)	(5,305)	47,243

During the financial year, the following was reported:

- the sale, on 4 May 2022, of 36.29% of Gaxa S.p.A.; the company was deconsolidated and entered into the scope of investments accounted for using the equity method;
- the entry, on 21 December 2022, into 49% of the share capital of Energie Rete Gas S.r.l. through the transfer of a number of gas transmission assets located in Sardinia;
- the non-proportional partial demerger of Valdarno S.p.A., which transferred part of the assets held to the newly formed Immogas S.r.l., fully consolidated.

Income from valuation using the equity method, of € 662 thousand, refers mainly to the company Gesam Reti (€ 708 thousand).

The decrease for dividends, of € 1,324 thousand concerns the company Gesam Reti (€ 1,211 thousand) and Metano Sant'Angelo Lodigiano (€ 113 thousand).

Equity investments are not collateralised.

With regard to the recoverable value of equity investments, for companies operating exclusively in regulated businesses, it is calculated using the adjusted RAB value of the net financial position, while for companies

operating in other businesses, it is estimated based on future cash flows deriving from the business plans. In the light of the positive performance of those companies, the value estimated in this way is higher for all equity investments than the value recorded in the financial statements, and therefore there are no losses in value.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix "Subsidiaries, associates and equity investments of Italgas S.p.A. at 31 December 2022", which is an integral part of these notes.

Other information on equity investments

In accordance with the provisions of IFRS 12 - "Disclosure of interests in other entities", the economic and financial data for joint ventures and associates are provided below.

Equity investments in joint ventures

The IFRS-compliant economic and financial data on equity investments in joint ventures operating in the distribution of natural gas¹⁶⁰ are reported below according to their relevance.

	31.12.2022	31.12.2022
(€ thousands)	Gas distribution companies under joint control	Gas transmission companies under joint control
Current assets	5,971	17,459
- of which Cash and cash equivalents	3,590	4,675
Non-current assets	16,973	95,099
Total assets	22,944	112,558
Current liabilities	(12,618)	(9,885)
- of which Short-term financial liabilities	(1,568)	(2,388)
Non-current liabilities	(5,160)	(61,162)
- of which Long-term financial liabilities	(2,000)	(61,112)
Total liabilities	(17,778)	(71,047)
Shareholders' equity	5,166	41,511
Group interest	2,428	20,340
Other adjustments	2	2,762
Book value	2,430	23,102
Revenues	6,953	12,650
Operating costs	(6,075)	(2,765)
Amortisation, depreciation and impairment	(778)	(2,077)
EBIT	100	7,808
Financial Income (Expense)	(68)	428
Income taxes	(59)	(2,281)
Net profit	(27)	5,955
Total comprehensive income	(27)	5,955

Umbria Distribuzione Gas S.p.A.

¹⁶⁰ Unless otherwise indicated, the financial statement figures for joint ventures, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method.

Umbria Distribuzione Gas S.p.A. operates in the natural gas distribution segment in Umbria.

The share capital of Umbria Distribuzione Gas S.p.A. is held by Italgas S.p.A. (45%), by A.S.M. Terni S.p.A. (40%) and by Acea S.p.A. (15%).

Umbria Distribuzione Gas manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructures, mainly owned by Terni Reti S.r.l., a wholly-owned subsidiary of the Terni municipality, comprising stations for withdrawing gas from the transportation network, pressure reduction plants, the local transportation and distribution network, user derivation plants and redelivery points comprising technical equipment featuring meters at the end users.

The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partners (Italgas S.p.A. and Acea S.p.A.) and the Public Partner (Municipalities).

Metano Sant'Angelo Lodigiano S.p.A.

Metano Sant'Angelo Lodigiano S.p.A. operates in the natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

The share capital of Metano Sant'Angelo Lodigiano S.p.A. is held by Italgas S.p.A. (50%) and by Comune di Sant'Angelo Lodigiano (50%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partner (Italgas S.p.A.) and the Public Partner (Municipalities).

Energie Rete Gas S.r.l.

Energie Rete Gas S.r.l. is a company active in gas transmission through a network of regional methane pipelines located in Valle D'Aosta, Piedmont, Liguria, Tuscany and Sardinia.

The share capital of the company is held by Energetica S.p.A. (51%) and Medea S.p.A. (49%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the partners.

Equity investments in associates

The IFRS-compliant economic and financial data for each significant associate, are reported below:

31.12.2022		
(€ thousands)	Gesam Reti	Enerpaper
Current assets	9,989	1,819
- of which <i>Cash and cash equivalents</i>	1,841	200
Non-current assets	56,781	423
Total assets	66,770	2,242
Current liabilities	(11,159)	(506)
- of which <i>Short-term financial liabilities</i>	(2,533)	(163)
Non-current liabilities	(18,296)	(786)
- of which <i>Long-term financial liabilities</i>	(14,510)	(700)
Total liabilities	(29,455)	(1,292)
Shareholders' equity	37,315	950
Equity investment held by the group %	42.96%	20.01%
Group interest	16,031	190
Other adjustments	5,099	298
Value of the equity investment	21,130	488

Revenues	13,902	5,986
Operating costs	(7,180)	(5,107)
Amortisation, depreciation and impairment	(3,484)	(140)
EBIT	3,238	739
Financial Income (Expense)	(284)	(79)
Income taxes	(950)	(100)
Net profit	2,004	560
Total comprehensive income	2,004	560

Gesam Reti S.p.A.

Gesam Reti S.p.A. operates in the natural gas distribution and network management sector (owned 42.96% by Toscana Energia S.p.A.) in the municipality of Lucca and in another 7 municipalities of the province.

Enerpaper S.r.l.

Enerpaper S.r.l. operates in Turin, is 20.01% owned through Geoside S.p.A., whose activities carried out on its own behalf or on behalf of third parties are mostly focused on energy efficiency, building production in general, development, production, installation and sale of innovative products or services having high technological value.

Gaxa S.p.A.

Gaxa S.p.A. is a company active in the sale of natural gas and other gases in Sardinia, in which Italgas holds a 15.56% stake.

16) Non-current financial assets

Non-current financial assets, amounting to € 22,945 thousand (€ 7,855 thousand as at 31 December 2021), are broken down as follows:

(€ thousands)	31.12.2021	31.12.2022
Financial receivables instrumental to operations	2,848	3,984
Other equity investments	5,007	18,961
	7,855	22,945

The item Other equity investments of € 13,956 thousand relates to the fair value measurement of the investments in Picarro Inc. and Reti Distribuzione S.p.A. The increase in the item, equal to € 13,954 thousand, is mainly due to the acquisition of a stake in Picarro, on 2 March 2022, with an outlay of \$ 15 million.

17) Assets held for sale

Assets held for sale, worth € 11 thousand (€ 2,180 thousand at 31 December 2021) decrease by € 2,169 thousand, mainly due to the sale of the real estate complex in via Avezzana, Milan and the gas distribution plants in certain municipalities of the ATEM Milan 1 to another operator awarded the related area tender.

18) Short-term and long-term financial liabilities

Short-term financial liabilities, amounting to € 142,437 thousand (€ 591,188 thousand as at 31 December 2021) and long-term financial liabilities, totalling € 6,545,350 thousand (€ 5,785,707 thousand as at 31 December 2021), break down as follows:

(€ thousands)	31.12.2021					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	350,470	42,186	392,656	830,429	458,494	1,288,923
Bonds		146,111	146,111	880,791	3,564,619	4,445,410
Financial payables for leased assets (IFRS 16)		19,625	19,625	45,066	5,307	50,373
Other shareholders	32,796		32,796	1.001		1.001
	383,266	207,922	591,188	1,757,287	4,028,420	5,785,707

(€ thousands)	31.12.2022					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	1,060	67,713	68,773	1,040,937	598,203	1,639,140
Bonds		49,993	49,993	933,448	3,745,076	4,678,524
Financial payables for leased assets (IFRS 16)		21,571	21,571	40,415	10,062	50,477
Other shareholders	2,065	35	2,100	22	34,750	34,772
	3,125	139,312	142,437	2,014,822	4,388,091	6,402,913

Loans are initially recognised at cost represented by the fair value of the amount received net of incidental charges for obtaining the loan. After this initial recognition, loans are recognised with the amortised cost criterion calculated using the effective interest rate. All financial liabilities are accounted for using the amortised cost method.

On 15 September 2022, the Board of Directors resolved on the renewal of the EMTN Programme launched in 2016 and already renewed in all prior financial years, confirming the maximum nominal amount of € 6.5 billion, which was subscribed on 26 October 2022.

On 23 May 2022 Italgas took out a floating-rate loan with Banca Intesa Sanpaolo for a total amount of € 250 million and for a duration of three years.

On 20 September 2022 Italgas signed a fixed-rate framework loan with the European Investment Bank (EIB) to support the works to be carried out in Italy through Geoside, the Group's Energy Service Company, for a total amount of € 150 million and a duration of 14 years.

On 30 September 2022, DEPA Infrastructure signed a loan package with a leading Greek bank for a total nominal amount of € 580 million. On 13 December 2022, the provision was released for the first tranche of the bond loan necessary to finance the purchase of the remaining 49% of the capital of EDA Thess on 19 December 2022.

Financial debt to other lenders for € 34,750 thousand refers to a shareholder loan granted by Pheaton S.A. to settle part of the consideration paid for the acquisition of 10% of Italgas Newco S.p.A.

As required by IAS 7 (§44A), below is the statement showing the prospectus containing a reconciliation of the changes in liabilities deriving from financing, distinguishing between changes deriving from cash flow and other non-monetary changes.

(€ thousands)	Values at		Cash flow	Other non-monetary changes			Values at	
	31.12.2021	Conversion differences		Other changes	Business combinations	Total change	31.12.2022	
Bank loans	1,681,579	171,111	-	(156,903)	12,126	26,334	1,707,913	
of which short-term	392,656	(387,891)		63,882	126	(323,883)	68,773	
of which long-term	1,288,923	559,002		(220,785)	12,000	350,217	1,639,140	
Bonds	4,591,521	(156,066)	-	204,916	88,146	136,996	4,728,517	
of which short-term	146,111	(146,111)		33,340	16,653	(96,118)	49,993	
of which long-term	4,445,410	(9,955)		171,576	71,493	233,114	4,678,524	
Financial payables for leased assets (IFRS 16)	69,998	(2,355)	-	(1,475)	5,880	2,050	72,048	
of which short-term	19,625	(50)		-	1,996	1,946	21,571	
of which long-term	50,373	(2,305)		(1,475)	3,884	104	50,477	
Other shareholders	33,797	3,078	-	(48)	45	3,075	36,872	
of which short-term	32,796	(30,671)		(70)	45	(30,696)	2,100	
of which long-term	1,001	33,749		22	-	33,771	34,772	
	6,376,895	15,768	-	46,490	106,197	168,455	6,545,350	

Short-term financial liabilities

Short-term financial liabilities, of € 142,437 thousand (€ 591,188 thousand as at 31 December 2021), including the short-term portions of long-term liabilities, mainly refer to the use of uncommitted credit lines. The reduction of € 448,751 thousand is mainly due to the decreased use of the credit lines.

There are no short-term financial liabilities denominated in currencies other than the Euro.

Long-term financial liabilities

Long-term financial liabilities amount to € 6,402,913 thousand overall (€ 5,785,707 thousand as at 31 December 2021).

Net of financial payables for leased assets, the increase compared to 31 December 2021, of € 166,405 thousand, is primarily due to the consolidation of bank loans subscribed by DEPA Infrastructure Group companies (€ 240,120 thousand), partially offset by a decrease in the use of bank lines by Italgas S.p.A.

The breakdown of the bonds (€ 4,728,517 thousand), with the issuing company, year of issue, currency, average interest rate and due date, is provided in the following table.

(€ thousands)	Issuing company	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2022	Rate (%)	Due date (year)

Euro Medium Term Notes

ITALGAS S.p.A.	2017	€	750,000	7,888	757,888	1.625%	2027
ITALGAS S.p.A.	2017	€	381,326	3,022	384,348	1.125%	2024
ITALGAS S.p.A.	2017	€	750,000	8,755	758,755	1.625%	2029
ITALGAS S.p.A.	2019	€	600,000	(2,443)	597,557	0.875%	2030
ITALGAS S.p.A.	2019	€	500,000	(3,713)	496,287	1.000%	2031
ITALGAS S.p.A.	2020	€	500,000	(2,087)	497,913	0.250%	2025
ITALGAS S.p.A.	2021	€	500,000	(5,469)	494,531	0.000%	2028
ITALGAS S.p.A.	2021	€	500,000	(3,604)	496,396	0.500%	2033
EDA ATTIKIS	2021	€	25,000	(5,575)	19,425	1.90% + 3M Euribor	2027
EDA THESS	2018	€	3,600	(1,200)	2,400	2.30% + 3M Euribor	2023
EDA THESS	2019	€	13,750	(1,250)	12,500	2.17% + 3M Euribor	2027
EDA THESS	2020	€	13,000	(1,000)	12,000	1.90% + 3M Euribor	2028
EDA THESS	2021	€	38,500	(1,069)	37,431	1.85% + 3M Euribor	2031
DEPA INFRASTRUCTURE	2022	€	166,000	(4,914)	161,086	1.70% + 3M Euribor	2029
			4,741,176	(12,659)	4,728,517		

(a)Includes issue discount/premium and interest rate.

The breakdown of bank loans, amounting to € 1,707,913 thousand is provided in the table below.

(€ thousands)

Type	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2022	Rate (%)	Due date (year)
ITALGAS S.p.A. - EIB	2017	€	360,000	(250)	359,750	0.35+Euribor 6M	15.12.2037
ITALGAS S.p.A. - EIB	2015	€	107,467	24	107,491	0.14+Euribor 6M	22.10.2035
ITALGAS S.p.A. - EIB	2016	€	250,000	(291)	249,709	0.47+Euribor 6M	30.11.2032
ITALGAS S.p.A. - EIB	2022	€	150,000	284	150,284	3.180%	15.12.2037
TOSCANA ENERGIA S.p.A - EIB	2016	€	90,000	(16,364)	73,636	1.049%	30.06.2031
ITALGAS S.p.A. - TL MEDIOBANCA	2021	€	200,000		200,000	0.000%	15.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2021	€	300,000		300,000	0.000%	27.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2022	€	250,000	1,346	251,346	0.60+Euribor 3M	20.05.2025
GEOSIDE - FIN LT INTESA SANPAOLO	2021	€	1,342		1,342	0.830%	23.12.2025
DEDA - European Investment Bank (EIB)	2022	€	12,000		12,000	2.772%	2042
Financial payables due to other banks					2,355		
			1,720,809	(15,251)	1,707,913		

(a)Includes issue discount/premium and interest rate.

There are no long-term bank loans denominated in currencies other than the Euro.

There were no breaches of loan agreements as at the reporting date.

There were no breaches of loan agreements as at the reporting date. See the "Financial covenants and negative pledge contractual clauses" paragraph.

Breakdown of total financial liabilities by interest rate type

As at 31 December 2022, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

	31.12.2021		31.12.2022	
(€ million)	Value	%	Value	%
Fixed rate	5,910.9	92.7%	5,940.6	90.8%
Floating rate	466.0	7.3%	605.0	9.2%
	6,376.9	100.0%	6,545.6	100.0%

Financial covenants and negative pledge contractual clauses

As at 31 December 2022, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of the EIB loan taken out by Toscana Energia, and loans taken out by several subsidiaries of DEPA Infrastructure, which require compliance with certain financial covenants¹⁶¹. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 December 2022, these commitments were respected.

The option for the lender to request additional guarantees if Italgas' credit rating is below BBB- (Fitch Ratings Limited) or Baa3 (Moody's) is envisaged only for the EIB loans taken out by Italgas. As at 31 December 2022, these criteria were met (see "Rating risk").

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas and Toscana Energia failure to comply and could trigger the early repayment of the relative loan.

Breakdown of net financial debt

Below is the net financial position in line with the CONSOB provisions of 28 July 2006 and with the provisions of ESMA guideline no. 39 issued on 04 March 2021, applicable from 05 May 2021 and CONSOB's Warning Notice no. 5/21 issued on 29 April 2021, reconciled with the financial debt prepared according to the Italgas Group representation methods.

(€ thousands)	31.12.2021	31.12.2022
A. Cash	1,390,711	450,894
B. Cash equivalents	1,052	1,052
C. Other current financial assets	5,120	23,225
D. Liquidity (A+B+C)	1,396,883	475,171
E. Current financial debt (including debt instruments but excluding the portion of non-current financial debt)	383,556	3,415
F. Current portion of non-current financial debt (*)	207,922	139,312
G. Current financial debt (E+F)	591,478	142,727

¹⁶¹The contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2022 have been respected.

<i>of which, related parties</i>	464	118
H. Net current financial debt (G-D)	(805,405)	(332,444)
I. Non-current financial debt (excluding the current portion and debt instruments) (*)	1,345,910	1,688,981
J. Debt instruments	4,445,410	4,678,525
K. Trade and other non-current payables		
L. Non-current financial debt (I+J+K)	5,791,320	6,367,506
<i>of which, related parties</i>	1,351	(2,048)
M. Total financial debt as per ESMA guideline (H+L)	4,985,915	6,035,062

For a better presentation of the items with reference to the provisions contained in the ESMA Guidelines on reporting obligations pursuant to Regulation (EU) 2017/1129, net financial debt for 2022 considers the value of the assets from derivative financial instruments to hedge financial debt. As a result, the items "E. Current financial debt (including debt instruments but excluding the portion of non-current financial debt)" and "I. Non-current financial debt (excluding the current portion and debt instruments)" relating to 2021 have been recalculated in order to provide a homogeneous comparison.

Net financial debt as at 31 December 2022, including the effects of the application of IFRS 16, of € 72,048 million, amounted to € 6,035,062 thousand, up by € 1,049,147 thousand (€ 4,985,915 thousand as at 31 December 2021). Net of that effect, the net financial debt amounted to € 5,963,014 thousand (€ 4,915,917 thousand as at 31 December 2021, up by € 1,047,097 thousand).

Financial and bond debt as at 31 December 2022 totalled € 6,545,350 thousand (€ 6,376,895 thousand as at 31 December 2021) and mainly refer to: bonds (€ 4,728,517 thousand), loan agreements with the European Investment Bank (EIB) (€ 952,870 thousand), (iii) payables to banks (€ 755,043 thousand) and financial liabilities pursuant to IFRS 16 (€ 72,048 thousand).

Cash, amounting to € 451,946 thousand, is held in current accounts and fixed-term deposits that can be immediately liquidated with leading banks.

Net financial debt does not include payables for dividends resolved and yet to be distributed and payables for investments.

19) Trade and other payables

Trade payables and other payables, which amount to € 1,197,117 thousand (€ 769,137 thousand as at 31 December 2021), comprise the following:

(€ thousands)	31.12.2021	31.12.2022
Trade payables	300,906	709,352
Payments on account and prepayments	2,269	4,173
Payables for investment activities	247,055	308,745
Other payables	218,907	174,847
	769,137	1,197,117

Trade payables of € 709,352 thousand (€ 300,906 thousand as at 31 December 2021) relate to payables to suppliers. The increase of € 408,445 thousand was mainly due to the effect of the debt position with sales companies (€ 445,942 thousand) referring to the Resolutions issued by ARERA to address the increase in energy prices and energy bills; for more details, please see item "27) Revenues".

Payables for investment activities equal to € 308,745 thousand (€ 247,055 thousand as at 31 December 2021) mainly relate to payables to suppliers for technical activities.

The 2021 purchase of the concession of Olevano sul Tusciano is subject to a price adjustment clause according to the ultimate RAB to be approved by ARERA following the upholding of a specific request for

correction of the equity data submitted by the seller on 14 September 2018 as concession-holder, in accordance with the provisions of RTDG 2014-2019, subject to the final tariffs of 2020. The Group has reflected the best estimate available of said value in the financial statements.

Other payables (€ 174,847 thousand at 31 December 2022 and € 218,907 thousand as at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	31.12.2022
Payables - shareholders for dividends		874
Payables to the public administration	75,816	83,591
Payables to CSEA	71,578	34,708
Payables to personnel	29,523	29,300
Payables to social security institutions	15,045	7,947
Payables to consultants and professionals	6,628	8,148
Other payables	20,317	10,279
	218,907	174,847

Payables to the public administration (€ 83,591 thousand; € 75,816 thousand as at 31 December 2021) primarily involve payables to municipalities for concession fees for the gas distribution business.

Payables to the CSEA (€ 34,708 thousand; € 71,578 as at 31 December 2021) relate to safety penalties for € 11,681 thousand (€ 11,694 as at 31 December 2021) and to several ancillary components of tariffs relating to the gas distribution service to be paid to this Fund (RE, RS, UG1 and GS)¹⁶² for the remaining amount.

Payables to related parties are described in the note "Related party transactions".

The book value of trade payables and other payables, considering the limited time interval between the occurrence of the payable and its maturity, is an approximation of the fair value. See the "Guarantees, commitments and risks - Other information on financial instruments" note for the market value of the trade payables and other payables.

20) Other current and non-current financial assets/liabilities

The market value of the derivative financial instruments as at 31 December 2022 is analysed below:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other assets	-	670	670	17,455	35,442	52,897
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	-	-	-	16,809	34,368	51,177
Derivative financial instruments for foreign exchange risk						
- Fair value instruments for foreign exchange risk	-	670	670	646	1,074	1,720

¹⁶² These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.

Other liabilities	(290)	(6,283)	(6,573)	(290)	(34)	(324)
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	(290)	(6,283)	(6,573)	(290)	(34)	(324)

The value of other current and non-current assets for € 52,897 thousand is essentially related to the fair value of derivative financial instruments to hedge the risk of fluctuations in interest rates accounting for according to IFRS 9 in hedge accounting. The item also contains, for a net value of € 1,396 thousand, the fair value of the instrument for foreign exchange risk to hedge future payment flows in USD on Picarro invoices, the total hedged amount for which is \$ 14.9 million. The Group did not apply hedge accounting under IFRS 9 for instruments to hedge payment flows in USD, as it is for operational hedging only.

	Date stipulated	Initial amount as at 15.01.2021 USD hedging	Residual value as at 31.12.2022 USD	Foreign exchange rate on the subscription date	Foreign exchange rate on expiry (*)	Expiry date (last hedge)
Foreign exchange risk derivative	15.01.2021	16,300,000.00	14,980,000.00	1.2131	from 1.2143 to 1.2517	31.10.2024

(*) based on future instalments.

On 28 December 2017 Italgas entered into an EIB loan for an amount of € 360 million, expiring on 15 December 2037. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.355%.

On 15 January 2018 Italgas entered into an Interest Rate Swap, effective from 15 January 2018, expiring in 2024 and with the same coupon frequency as the loans.

On 12 December 2016 Italgas entered into an EIB loan for an amount of € 300 million, expiring on 30 November 2032. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.47%.

On 24 July 2019 Italgas also entered into an Interest Rate Swap, effective from 24 July 2019, expiring in 2029 and with the same coupon frequency as the loans.

The IRS characteristics are summarised below:

	Date stipulated	Amount	ITG rate	Bank rate	Coupon	Expiration date
"Italgas Gas Network Upgrade" EIB loan	28.12.2017	360,000,000	var. EUR 6M + spread 0.355%		half-yearly	15.12.2037
IRS derivative	15.01.2018	360,000,000	0.62%	var EUR 6m	half-yearly	15.12.2024
"Smart Metering" EIB loan	12.12.2016	250,000,000	var. EUR 6M + spread 0.47%		half-yearly	30.11.2032
IRS derivative	24.07.2019	250,000,000	(0.06)%	var EUR 6m	half-yearly	30.11.2029

The derivatives stipulated to hedge the interest rate are booked according to the rules of hedge accounting. The effectiveness testing carried out as at 31 December 2022 did not show any impacts on the income statement in terms of ineffectiveness.

21) Other current and non-current non-financial liabilities

Other current non-financial liabilities, amounting to € 30,072 thousand (€ 13,111 thousand as at 31 December 2021) and *other non-current non-financial liabilities*, amounting to € 545,192 thousand (€ 534,425 thousand as at 31 December 2021), are broken down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other tax liabilities	8,686		8,686	12,073		12,073
Accruals and deferrals connection contributions	-	531,678	531,678		510,760	510,760
Liabilities for security deposits		2,747	2,747		4,683	4,683
Other	4,425		4,425	17,999	29,749	47,748
	13,111	534,425	547,536	30,072	545,192	575,264

Other non-current liabilities of € 545,192 thousand mainly relate to connection contributions of € 510,760 thousand and non-current advances of € 23,137 thousand relating to the DEPA Infrastructure Group. The decrease during the year is mainly related to the sale of the facilities of the ATEM Naples 1 to another operator.

Other current tax liabilities of € 12,073 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees.

22) Provisions for risks and charges

Provisions for risks and charges, which amount to € 144,277 thousand as at 31 December 2022 (€ 159,506 thousand as at 31 December 2021), comprise the following:

(€ thousand)	31.12.2021							
	Openin g balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releas e s	Other changes	Closing balance
Provisions for environmental risks and charges	108,482			774	(13,703)	(6,094)	(5,650)	83,809
Provisions for site decommissioning risks and charges	5,677			(818)	(6)		4	4,857
Risk provision for litigation	12,799		7,667		(5,367)	(1,732)	(1)	13,366
Provisions for other risks - energy efficiency certificates	8,239		3,043		(492)	(4,903)	(1)	5,886
Provision for retirement risks	12,782				(1,124)			11,658
Provision for operational restoration of metering instruments	44,550				(14,130)			30,420
Other personnel risk provisions	3,035		664		(942)	(16)	(7)	2,734
Risk provision for tax disputes	171		152			(41)	1	283
Other provisions	6,882	18	237		(534)		(110)	6,493
	202,617	18	11,763	(44)	(36,298)	(12,786)	(5,764)	159,506

(€ thousand)	31.12.2022							
	Openin g balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releas e s	Other changes	Closing balance
Provisions for environmental risks and charges	83,809	-	-	(176)	(8,525)	(60)	-	75,048
Provisions for site decommissioning risks and charges	4,857	-	-	(4)	(94)	-	(826)	3,933
Risk provision for litigation	13,366	3,740	1,190	-	(1,480)	(4,607)	(959)	11,250

Provisions for other risks - energy efficiency certificates	5,886	-	2,562	-	(4,205)	(822)	-	3,421
Provision for retirement risks	11,658	-	-	-	(1,981)	-	-	9,677
Provision for operational restoration of metering instruments	30,420	-	-	-	(14,715)	-	(2,858)	12,847
Other personnel risk provisions	2,734	-	782	-	(819)	(53)	163	2,807
Risk provision for tax disputes	283	-	-	-	-	-	-	283
Other provisions	6,493	18,954	257	-	(685)	-	(8)	25,011
	159,506	22,694	4,791	(180)	(32,504)	(5,542)	(4,488)	144,277

The provision for environmental risks and charges of € 75,048 thousand (€ 83,809 thousand as at 31 December 2021) mainly included costs for environmental soil reclamation, pursuant to Law no. 471/1999, as subsequently amended, primarily for the disposal of solid waste, in relation to the gas distribution business. The decrease of € 8,761 thousand, is mainly due to uses in view of period expenses (€ 8,525 thousand).

The risk provision for litigation (€ 11,250 thousand) included costs which the Group has estimated it will incur for existing lawsuits. The net decrease of € 2,116 thousand is mainly due to the combined effect of the entry into the scope of consolidation of the DEPA Infrastructure Group, for € 3,690 thousand, and releases for € 4,607 thousand following favourable rulings received during the financial year. For further information, please see subsection "Disputes and other measures".

The Energy Efficiency Certificates risk provision (EEC) of € 3,421 thousand (€ 5,886 thousand as at 31 December 2021) is connected with reaching the targets set by the Authority.

The provision for operational restoration of metering instruments (€ 12,847 thousand as at 31 December 2022 and € 30,420 thousand as at 31 December 2021), was determined by management based on assumptions that take into account (i) the number of meters that have already malfunctioned and assumptions on future occurrences; (ii) the guarantees agreed upon with meter suppliers to resolve faults; (iii) the estimated costs to restore the functionality of smart meters that have operational problems.

The reduction, of € 17,573 thousand, is mainly due to uses in respect of expenses incurred during the year.

The risk provision for early retirement of € 9,677 thousand (€ 11,658 thousand as at 31 December 2021) involves personnel incentive and mobility schemes for the 2021-2023 period.

In accordance with ESMA Recommendation 2015/1608 of 27 October 2015, the effects on provisions of risks and charges arising from a reasonably possible change to the discount rate used at year-end are shown below. The sensitivity analysis on the discounting rates shows the change in value of the actuarial liabilities obtained with the year-end assessment data, by changing the discounting rate, without prejudice to other hypotheses.

(€ thousands)	% change in discounting rates	
Effect on net obligation at 31.12.2022	10% reduction	10% increase
Provision for site decommissioning risks and charges	135	(127)
Provisions for environmental risks and charges	660	(435)

23) Provisions for employee benefits

Provisions for employee benefits, which amount to € 69,917 thousand as at 31 December 2022 (€ 95,648 thousand as at 31 December 2021) comprise the following:

(€ thousands)	31.12.2021	31.12.2022
Employee severance pay (TFR)	62,445	49,824
Supplementary healthcare provision for company executives of Eni (FISDE)	8,868	6,543
Gas Fund	20,479	9,942
Other provisions for employee benefits	3,856	3,608

	95,648	69,917
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The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS.

The supplementary healthcare provision (€ 6,543 thousand as at 31 December 2022) includes the estimate of costs (determined on an actuarial basis) related to contributions benefiting current¹⁶³ and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group¹⁶⁴ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The Gas Fund (€ 9,942 thousand at 31 December 2022) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as at 1 December 2015, of the fund pursuant to Law no. 125 of 6 August 2015. In particular, Articles 9-decies and 9-undecies of the Law stipulate that the employer must cover: (i) an extraordinary contribution to cover expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020¹⁶⁵; and (ii) a contribution in favour of those registered or in voluntary continuation of the contribution, that as at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration in the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated through the employer or the supplementary pension scheme. At present, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The other provisions for employee benefits (€ 3,608 thousand as at 31 December 2022) relate to seniority bonuses and the long-term incentive plans (LTI).

The long-term incentive plans (IAS 19) envisage, after three years of assignment, the disbursement of a variable monetary benefit linked to a corporate performance parameter, not linked to the share price. Obtaining the benefit depends on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the "vesting period"). This benefit is allocated pro rata over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind.

Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are classified as other long-term benefits pursuant to IAS 19.

The composition of and changes in provisions for employee benefits, determined by applying actuarial methods, are as follows¹⁶⁶:

¹⁶³ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

¹⁶⁴ The fund provides the same benefits for Italgas Group executives.

¹⁶⁵ Article 9-quinquiesdecies also stipulates that "... If monitoring shows that the extraordinary contribution pursuant to Article 9-decies is insufficient to cover the relative expenses, a decree issued by the Ministry of Labour and Social Policy, in concert with the Ministry of Economic Development and the Ministry of Economy and Finance, provides for the redetermination of the extraordinary contribution, the criteria for redistribution of the contribution between employers and the time periods and procedures for payment of the extraordinary INPS contribution".

¹⁶⁶ The table also provides a reconciliation of liabilities recorded for provisions for employee benefits.

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(€ thousands)	31.12.2021					31.12.2022				
	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total
Current value of the obligation at the start of the year	67,644	8,621	24,257	4,100	104,622	62,445	8,868	20,479	3,856	95,648
Current cost	185	192		1,615	1,992	146	139		1,427	1,712
Cost for interest	(26)	40	(12)	8	10	209	53	44	23	329
Revaluations / (Impairment):	1,162	199	(613)	(505)	243	(1,389)	(2,517)	(421)	711	(3,616)
- Actuarial (Gains) / Losses resulting from changes in the demographic assumptions	(583)		(25)		-608					0
- Actuarial (Gains) / Losses resulting from changes in the financial assumptions	608	715	(351)		972	(7,036)	(2,063)	(2,431)	(901)	(12,431)
- Effect of past experience	575	(579)	(425)	(575)	(1,004)	2,913	(454)	2,046	1,612	6,117
- Other changes	562	63	188	70	883	2,734		(36)		2,698
Paid benefits	(6,520)	(184)	(3,153)	(1,389)	(11,246)	(11,560)		(10,160)	(2,409)	(24,129)
Effect of transfers				27	27	(27)				(27)
Current value of the obligation at the end of the year	62,445	8,868	20,479	3,856	95,648	49,824	6,543	9,942	3,608	69,917

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below:

	2021				2022			
	Employee severance fund	FISDE	Gas Fund	Other provisions	Employee severance fund	FISDE	Gas Fund	Other provisions
Discount rate (%)	0.37	0.60	0.27	0.99	3.65	3.80	3.63	3.39
Inflation rate (%) (*)	1.50	N/A	N/A	1.50	2.50	N/A	N/A	2.50

(*) With reference to the other provisions, the rate refers only to the seniority bonuses.

The discount rate adopted was determined by considering the yields on corporate bonds issued by Eurozone companies with AA ratings.

The employee benefit plans recognised by Italgas are subject, in particular, to interest rate risk, in the sense that a change in the discount rate could result in a significant change in the liability.

The table below illustrates the effects of a reasonably possible change¹⁶⁷ in the discount rate at the end of the year. The sensitivity of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate by a certain number of basis points, without any change in the other assumptions.

Effect on net obligation at 31.12.2022	Discount rate			
	reduction		increase	
	%	amount	%	amount
Employment severance pay	3.15	1,184	4.15	(1,129)
FISDE	3.30	371	4.30	(338)
Gas Fund	3.13	319	4.13	(306)
Other provisions for employee benefits	2.89	91	3.89	(85)
		1,965		(1,858)

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(\$ thousands)	31.12.2021					31.12.2022				
	Employ ee severan ce fund	FISDE	Gas Fund (*)	Other provisio ns	Total	Employ ee severan ce fund	FISDE	Gas Fund (*)	Other provisio ns	Total
Within the next year	8,998	342	620	1,261	11,221	8,246	335	601	1,866	11,048
Within five years	22,570	1,258	5,163	1,323	30,314	22,651	1,136	5,053	1,742	30,582
Beyond five and up to ten years	21,527	1,394	7,636	878	31,435	17,363	1,044	4,288		22,695
Beyond ten years	9,350	5,874	7,060	394	22,678	1,564	4,028			5,592
	62,445	8,868	20,479	3,856	95,648	49,824	6,543	9,942	3,608	69,917

24) Deferred tax liabilities

Net deferred tax liabilities of € 91,633 thousand (€ 50,791 thousand as at 31 December 2021) are stated net of offsettable prepaid tax assets and are analysed in the tables below:

(\$ thousands)	31.12.2020	Change in scope of	Provisions	Uses	Other changes	31.12.2021
Deferred tax liabilities	323,852	791	166	(20,913)	9,421	313,317
Deferred tax assets	(268,637)	(328)	(24,990)	26,878	4,551	(262,526)
	55,215	463	(24,824)	5,965	13,972	50,791
(\$ thousands)	31.12.2021	Change in scope of	Provisions	Uses	Other changes	31.12.2022
Deferred tax liabilities	313,317	51,436	8,104	(29,836)	15,857	358,878

¹⁶⁷ With regard to FISDE, any changes relating to mortality do not have a significant effect on the liability.

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Deferred tax assets	(262,526)	(15,610)	(24,237)	31,463	3,665	(267,245)
	50,791	35,826	(16,133)	1,627	19,522	91,633

There are no prepaid income taxes which cannot be offset.

Deferred tax liabilities and deferred tax assets break down as follows, based on the most significant temporary differences:

	31.12.2021								
	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
(€ thousands)									
Deferred tax liabilities	323,852	791	166	(15,711)	458	3,761	313,317	318,496	(5,179)
Amortisation and depreciation exclusively for tax purposes	192,263		24	(2,824)	-	696	190,159	182,250	7,909
Revaluations of property, plant and equipment	100,888		(32)	(10,758)	-	2,914	93,012	106,448	(13,436)
Capital gains subject to deferred taxation	2,050		31	(592)	-	32	1,521	1,521	-
Employee benefits	12,181		4	-	-	-	12,185	12,185	-
Capitalisation of financial expense	2,459		-	(124)	-	-	2,335	1,987	348
Impairment losses on receivables in excess of tax deductibility and other temporary					-	-	-	-	-
Other temporary differences	14,011	791	139	(1,413)	458	119	14,105	14,105	-
Deferred tax assets	(268,637)	(328)	(24,017)	26,878	3,623	(45)	(262,526)	(241,125)	(21,401)
Provisions for risks and charges and other non-deductible provisions	(55,073)	-	(3,407)	15,776	-	13	(42,691)	(36,731)	(5,960)
Non-repayable and contractual grants	(64,690)	-	-	2,789	-	(576)	(62,477)	(50,728)	(11,749)
Non-deductible amortisation and depreciation	(124,144)	-	(18,542)	5,230	-	830	(136,626)	(135,762)	(864)
Employee benefits	(9,776)	-	(994)	1,161	540	(345)	(9,414)	(7,707)	(1,707)
Other temporary differences	(14,954)	(328)	(1,074)	1,922	3,083	33	(11,318)	(10,197)	(1,121)
Net deferred tax liabilities	55,215	463	(23,851)	11,167	4,081	3,716	50,791	77,371	(26,580)

	31.12.2022								
	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
(€ thousands)									
Deferred tax liabilities	313,317	51,436	8,104	(29,836)	11,835	4,022	358,878	308,303	50,575
Amortisation and depreciation exclusively for tax purposes	190,159		24	(15,142)		(118)	174,923	148,871	26,052
Revaluations of property, plant and equipment	93,012		34	(12,283)		56	80,819	68,782	12,037
Capital gains subject to deferred taxation	1,521		7,250	(2,083)		(1)	6,687	6,687	
Employee benefits	12,185			(6)	18		12,197	12,197	
Capitalisation of financial expense	2,335			(123)			2,212	1,883	329
Impairment losses on receivables in excess of tax deductibility and other	-		495	(180)		1	316	316	
Other temporary differences	14,105	51,436	301	(19)	11,817	4,084	81,724	69,567	12,157
Deferred tax assets	(262,526)	(15,610)	(24,237)	31,463	2,147	1,518	(267,245)	(250,077)	(17,168)
Provisions for risks and charges and other non-deductible provisions	(42,691)		(1,753)	12,785		(170)	(31,829)	(27,210)	(4,619)

Deferred tax assets and deferred tax liabilities are considered to be long term.

It should be noted that there are no deductible temporary differences, tax losses and unused tax credits for which, in the balance sheet, the deferred tax asset is not recognized.

Furthermore, there are no temporary differences relating to investments in subsidiaries, branches and associated companies, and to jointly controlled investments, for which a deferred tax liability has not been recognized.

The Group has deemed it appropriate to set aside prepaid taxes on the timing differences at 31 December 2022, insofar as it believes it is likely they will be recovered. The Company Management assessed for the financial statements as at 31 December 2022, on the basis of the Business Plan, that there was reasonable certainty around the recovery of prepaid tax posted during the Purchase Price Allocation of the DEPA Infrastructure Group and of Janagas.

The note "Income taxes" provides information about taxes for the year.

25) Shareholders' equity

Shareholders' equity, which amounts to € 2,390,570 thousand as at 31 December 2022 (€ 2,142,491 thousand as at 31 December 2021) breaks down as follows:

(€ thousands)	31.12.2021	31.12.2022
Shareholders' equity attributable to Italgas	1,891,414	2,108,262
Share capital	1,002,016	1,002,608
Legal reserve	200,246	200,246
Share premium reserve	622,377	624,449
Reserve Cash Flow Hedge on derivative contracts	(4,750)	38,261
Consolidation reserve	(323,907)	(323,907)
Reserve for business combinations under common control	(349,839)	(349,839)
Stock grant reserve	5,602	7,202
Fair value valuation reserve for equity investments		609
Other reserves	19,921	12,534
Profits relating to previous years	372,075	496,006
Reserve for remeasurement of defined-benefit plans for employees	(15,140)	(7,195)
Net profit (loss)	362,813	407,288
<i>to be deducted</i>		
- Treasury shares	-	-
Shareholders' equity attributable to minority interests	251,077	282,308
	2,142,491	2,390,570

Share capital

On 10 March 2021, as part of the 2018-2020 Co-investment Plan approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from other reserves.

On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and executed the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earning reserves.

As a result of the aforementioned capital increase, the share capital of the Company amounts to € 1,002,608,186.28, made up of 810,245,718 shares.

Moreover, on 20 April 2021, the Italgas Shareholders' Meeting approved the 2021-2023 Co-investment Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Legal reserve

The legal reserve stood at € 200,246 thousand as at 31 December 2022, unchanged compared to the previous year.

Share premium reserve

The share premium reserve, which totalled € 624,449 thousand (€ 622,377 thousand as at 31 December 2021), was created after the equity investment in Italgas Reti S.p.A. was acquired.

Reserve Cash Flow Hedge on derivative contracts

The reserve includes the negative fair value of the IRS derivative net of the related tax effect. The reserve changes with the accounting of cash flows deriving from instruments which, for the purposes of IFRS 9, are designated as "cash flow hedging instruments". The related tax effect is reported in the "tax effect" item of the "Components reclassifiable to the income statement" in the Statement of comprehensive income.

Consolidation reserve

The consolidation reserve, amounting to € -323,907 thousand, was determined during the first consolidation (year 2016) following the sale by Snam S.p.A. to Italgas S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A. (difference between the purchase cost of the equity investment of Italgas Reti and the related shareholders' equity pertaining to the group).

Reserve for business combinations under common control

The reserve for business combinations under common control, amounting to -€ 349,839 thousand, relates to the acquisition by Snam S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A.

To this regard it should be specified that the natural gas distribution activities were acquired through three simultaneous transactions (transfer, sale and demerger) of the equity investment held by Snam S.p.A. in Italgas Reti S.p.A. in favour of Italgas S.p.A. This transaction led to the deconsolidation of the natural gas distribution sector for Snam, and the acquisition of the equity investment in Italgas Reti and, at consolidated level, of the net assets of the gas distribution sector for Italgas S.p.A. The reader is reminded that the shareholder of reference of Snam, CDP, is concomitantly the shareholder of reference of Italgas. The exposure described above reflects an approach based on the continuity of book values (as regards Snam) since the transaction represents an "aggregation of corporate entities or activities under common control" within the scope of the broader group of which Italgas is part. The companies taking part in the business combination (Snam, Italgas and Italgas Reti) remained subject to control because of the transactions and therefore they were fully consolidated by the same subject (CDP) pursuant to the IFRS 10 accounting standard, as Snam

explained in its disclosure document pursuant to Article 70 and Italgas explained in its disclosure document pursuant to Article 57.

Stock grant reserve

The reserve includes valuation according to IFRS 2 of the co-investment plan approved on 19 April 2018 by the Shareholders' Meeting of Italgas S.p.A.

On 19 April 2018 the Italgas' Shareholders' Meeting approved the 2018-2020 Long term share incentive plan, intended for the Chief Executive Officer, General Manager and senior executives identified among those in a position to influence the company's results, with the annual assignment of three-year objectives. At the end of the performance period of three years, if the conditions set out in the Plan have been met, the beneficiary shall be entitled to receive Company shares free of charge. The maximum number of shares that may be allocated through the plan is 4,000,000 shares. In relation to the aforementioned plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2018 Remuneration Policy, rights to receive Italgas shares in the amounts of 341,310 for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unitary fair value of the share, determined by the value of the Italgas share on the grant date, is respectively € 4.79, € 5.58 and € 4.85 per share. The cost related to the Long Term Share Incentive Plan is recorded during the vesting period as a component of the personnel costs, with a contra entry in the shareholders' equity provision.

On 10 March 2021, the Board of Directors resolved on: (i) free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the 2018-2020 Plan; and (ii) execution of the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves.

Moreover, Italgas' Shareholders' Meeting held on 20 April 2021 approved the 2021-2023 Incentive Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Incentive Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares to be assigned free of charge, by means of assignment pursuant to Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group. In connection with this plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2021 Remuneration Policy, rights to receive 254,765 Italgas shares for the 2021-2023 co-investment plan. The unitary fair value per share is € 5.55.

Fair value valuation reserve for equity investments

The fair value valuation reserve (€ 609 thousand) includes the change in fair value, net of tax effects, of minority interests which on initial recognition were designated as valued at FVTOCI (fair value recognised through other comprehensive income). For more details, see the note "Non-current financial assets".

Other reserves

The other reserves relate to the effects deriving from the valuation of equity investments.

Reserve for remeasurement of defined-benefit plans for employees

The reserve for remeasurement of employee benefit plans (€ -7,195 thousand at 31 December 2022) included actuarial losses, net of the relative tax effect, recognised under other components of comprehensive income pursuant to IAS 19. The changes in the reserve during the course of the year are shown below:

(€ thousands)	Gross reserve	Tax effect	Net reserve
Reserve as at 31.12.2020	(22,814)	6,406	(16,408)
Changes of the year 2021	1,761	(493)	1,268
Reserve as at 31.12.2021	(21,053)	5,913	(15,140)
Changes of the year 2022	11,035	(3,090)	7,945
Reserve as at 31.12.2022	(10,018)	2,823	(7,195)

Treasury shares

As at 31 December 2022 Italgas did not have any treasury shares in its portfolio.

Shareholders' equity attributable to minority interests

The Shareholder's equity attributable to minority interests is broken down below:

(€ thousands)	Shareholders' equity attributable to minority interests	Shareholders' equity attributable to minority interests	Net income attributable to minority interests	Net income attributable to minority interests
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Toscana Energia S.p.A.	209,122	201,334	20,411	18,080
Medea S.p.A.	39,672	38,082	723	8,176
Geoside S.p.A.	(1,519)	14,160	589	2,892
Gaxa S.p.A.	300	-	(1,158)	(305)
Italgas Newco S.p.A. sub-consolidated	-	4,486	-	43
Ceresa	3,502	-	42	-
Immogas S.r.l.	-	2,604	-	(79)
Janagas S.r.l.	-	21,642	-	31
	251,077	282,308	20,607	28,838

Dividends

In its meeting of 9 March 2023, the Board of Directors proposed to the Shareholders' Meeting the distribution of an ordinary dividend of € 0.317 per share. The dividend will be paid out as at 24 May 2023, with an ex-coupon date of 22 May 2023 and a record date of 23 May 2023.

Reconciliation statement of the result for the year and of the shareholders' equity of Italgas S.p.A. with the consolidated ones.

(€ thousands)	Profit net 2022	Shareholders' equity 31.12.2022
Financial statements Italgas S.p.A.	259,813	1,806,556
Profit of the companies included in the consolidation	433,743	
Difference between book value of investments consolidated companies and shareholders' equity of the financial statements, including the result		369,505
Adjustments consolidation:		
Dividends net of the tax effect	(268,351)	
Income from valuation of equity investments with the equity method and other income from equity investments	17	(16,416)
Other consolidation adjustments net of the tax effect	10,904	230,925
Net income attributable to minority interests	(28,838)	(282,308)
	147,475	301,706

Consolidated financial statements Group	407,288	2,108,262
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26) Guarantees, commitments and risks

Guarantees, commitments and risks, amounting to € 2,324,782 thousand as at 31 December 2022 comprise:

(€ thousands)	31.12.2021	31.12.2022
Bank guarantees given in the interest of Group companies	460,618	495,565
Financial commitments and risks:	1,730,859	1,829,217
Commitments	1,430,705	1,528,667
Commitments for the purchase of goods and services	1,430,705	1,528,667
Other		
Risks	300,154	300,550
- for compensation and litigation	300,154	300,550
	2,191,477	2,324,782

Guarantees

Guarantees of € 495,565 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

Commitments

At 31 December 2022, commitments with suppliers to purchase property, plant and equipment and provide services relating to the purchase of property, plant and equipment and intangible assets under construction amounted to € 1,528,667 thousand.

Other unvalued commitments

The acquisition of 51% of the share capital of ACAM Gas S.p.A. by the subsidiary Italgas Reti, which took place in 2015, involves mutual commitments by the parties in relation to the first public tender for the awarding of the La Spezia ATEM.

The acquisition of the equity investment of Enerco Distribuzione by the subsidiary Italgas Reti, which took place in 2017, is subject to an ownership price adjustment (so-called "earn-out") clause.

The acquisition of the "Alessandria 4 ATEM" business unit by the subsidiary Italgas Reti, which took place in 2020, is subject to a price adjustment (so-called "earn-out") clause if the Alessandria 4 ATEM tender is awarded within 10 years of the signing date and if the contracting authority in the aforesaid tender procedure recognises a higher reimbursement value than the pro-forma value under the agreement, for the same year of reference.

On 27 December 2022, Italgas S.p.A., Toscana Energia S.p.A. and Alia Servizi Ambientali S.p.A. ("Alia") signed an agreement aimed at defining: (i) the terms and conditions for the approval by the Board of Directors of Toscana Energia in relation to Alia's takeover of the ownership of the Toscana Energia shares held by the Municipality of Florence as a result of the contribution of treasury shares in favour of its subsidiary Alia, (ii) the recognition of an option right in favour of Italgas on the Toscana Energia shares held by the Municipality of Florence at the time the option is exercised.

The price for the purchase of the Shares subject to the option will be equal to the "Fair market value" referring to the date of execution of the option, calculated using a valuation methodology compliant with the best international practice for a regulated business of natural gas distribution (i.e. RAB) and subject to adjustment based on the value of the net financial position of Toscana Energia at the date on which the option is executed.

As part of the investment agreement signed on 26 July 2022 between Medea S.p.A. and Energetica S.p.A. (the "Parties") related to the acquisition by Medea of a 49% stake in the share capital of Energie Rete Gas S.r.l. ("ERG") through a mixed transaction involving the contribution and sale of assets included in a business unit, the Parties mutually agreed to ensure that ERG, in relation to the assets sold, would obtain: (i) recognition, from the competent ministry, among the Company's infrastructure and/or regional transmission services of natural gas ("Transport Authorisation") and (ii) recognition, under the tariff regulatory profile, as regional transport service ("Tariff Recognition").

The Parties also mutually agreed to ensure that, should the aforementioned Transport Authorisation not be recognised by 30 April 2023 or by another date agreed in writing between the Parties, the necessary measures be implemented for restoration of the legal situation in place prior to the date of the agreement for an asset value of €52.9 million.

Pending receipt by ERG of the Transport Authorisation, should a situation occur in which (i) Medea continues to collect the payments envisaged by the General Conditions of Contract for the activities of the business unit while (ii) ERG incurs the costs for those activities, Medea shall transfer as soon as possible to ERG the revenues under point (i) above until they are allocated directly to ERG.

Risks

Risks concerning compensation and litigation (€ 300,550 thousand) relate to possible (but not probable) claims for compensation arising from ongoing litigation, with a low probability that the pertinent economic risk will arise.

FINANCIAL RISK MANAGEMENT

Foreword

Italgas has established the Enterprise Risk Management (ERM) unit, which reports directly to the CFO and oversees the integrated process of managing corporate risk for all Group companies. The main objectives of the ERM are to define a homogeneous and transversal risk assessment model, to identify priority risks and to guarantee the consolidation of mitigation actions and the development of a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and existing international best practices (COSO Framework and ISO 31000).

The ERM unit operates as part of the wider Italgas' Internal Control and Risk Management System.

The main corporate financial risks identified, monitored and, where specified below, managed by Italgas are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments;
- rating risk;
- debt covenant and default risk.

There follows a description of Italgas' policies and principles for the management and control of the risks arising from the financial instruments listed above. In accordance with IFRS 7 - "Financial instruments: Additional information", there are also descriptions of the nature and size of the risks resulting from such instruments.

Information on other risks affecting the business (operational risk and risks specific to the segment in which Italgas operates) can be found in the "Elements of risk and uncertainty" section of the Directors' Report.

Interest rate risk

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

An increase in interest rates, not implemented – in full or in part – in the regulatory WACC, could have negative effects on the assets and on the economic and financial situation of the Italgas Group for the variable component of the debt in place and for future loans.

At full performance, Italgas aims to maintain a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates. As at 31 December 2022 the financial debt at floating rate was 9.2% and at fixed rate was 90.8%. Please refer to the paragraph "Short-term and long-term financial liabilities" for further details.

Below are the impacts on shareholders' equity and the net period result at 31 December 2022 of a hypothetical positive and negative variation of 10 basis points (bps) of the interest rates effectively applied during the year.

(€ thousands)	Result of the income statement		Other items of the statement of comprehensive income	
	interest +10 bps	interest - 10 bps	interest +10 bps	interest - 10 bps
Variable-rate loans not hedged				
Effect of change in interest rate		(600)	600	
Variable-rate loans converted into fixed-rate loans by means of IRSs				
Effect of change in interest rate on the fair value of the hedge derivative contracts - effective portion of hedge			1,482	(1,491)
Impacts gross of the tax effect				
Tax effect	162	(162)	(400)	402
Impacts net of the tax effect				
	(438)	438	1,082	(1,089)

Credit risk

Credit risk is the exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of amounts owed may have a negative impact on the Italgas financial results and financial situation.

The rules for customer access to the gas distribution service are established by the relevant regulatory Authority and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services and contain contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request.

In addition to this, in order to manage credit risk, the Group has established procedures for monitoring and assessing its customer portfolio. The reference markets are the Italian and Greek markets.

As at 31 December 2022 there were no significant credit risks. Note that on average: (i) in Italy, 98.4% of trade receivables relating to gas distribution are settled by the due date and over 99.7% within the following 4 days, (ii) in Greece, 83.2% of trade receivables relating to gas distribution are settled by the due date and over 90.8% within the following 4 days, confirming the strong reliability of the customers.

It cannot be ruled out that Italgas could incur liabilities and/or losses due to its customers' failure to fulfil their payment obligations.

Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern.

Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with primary credit institutions in the amount of € 451.9 million as at 31 December 2022, which, also in light of the investment plans in place and the operations planned in the short term, would allow it to manage, without significantly material effects, any restrictions on access to credit; (ii) the next bond repayment is scheduled for 2024, so there are no refinancing requirements in the short term. (iii) the bonds issued by Italgas as at 31 December 2022 as part of the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement data.

Italgas aims, in financial terms, at establishing a financial structure that, in line with its business objectives, ensures a level adequate for the group in terms of the duration and composition of the debt. The achievement of this financial structure will take place through the monitoring of certain key parameters, such as the ratio between debt and the RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed rate and floating rate debt and the ratio between bank credit granted and bank credit used.

Rating risk

With regard to Italgas' long-term debt, on 9 August 2022 the rating agency Moody's confirmed Italgas' long-term credit rating at Baa2, revising the Outlook from stable to negative, reflecting Italgas' exposure to the pressures accompanying a deterioration in sovereign credit quality, in consideration of the fact that its activities are essentially concentrated in Italy.

On 23 September 2022, the rating agency Moody's confirmed the long-term credit rating of Italgas, as Baa2, Negative Outlook.

On 29 November 2022, Fitch Ratings (Fitch) confirmed the long-term credit rating of Italgas, as BBB+ with Stable outlook.

Based on the methodologies adopted by the rating agencies, the downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating, which in turn could have an impact on the cost of future debt.

Debt covenant and default risk

As at 31 December 2022, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan taken out by Toscana Energia, and loans taken out by several subsidiaries of DEPA Infrastructure, which require compliance with certain financial covenants¹⁶⁸. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 December 2022, these commitments were respected.

The bonds issued by Italgas as at 31 December 2022 as part of the Euro Medium Term Notes programme provide for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas' failure to comply and could trigger the early repayment of the relative loan.

¹⁶⁸The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2022 have been respected.

With reference to the EIB, the relative contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required.

The Group monitors these cases closely in the context of financial management and business performance.

Future payments for financial liabilities

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments not discounted:

(€ thousands)	Balance as at 31.12.2021	Balance as at 31.12.2022	Portion with due date within 12 months	Portion with due date beyond 12 months	Due date				
					2024	2025	2026	2027	Beyond
Financial liabilities									
Bank loans	1,332,110	1,741,660	67,748	1,673,911	566,617	317,967	78,673	77,701	632,953
Bonds	4,591,521	4,728,517	49,993	4,678,525	380,916	497,262	-	55,271	3,745,076
Short-term liabilities	383,266	3,125	3,125	-					
Interest on loans			54,435	276,380	43,382	43,295	38,913	37,575	113,215
Liabilities Right of Use	69,998	72,048	21,571	50,477	16,921	14,557	5,013	3,924	10,062
Interest Right of Use			321	540	214	140	89	53	44
	6,376,895	6,545,350	197,194	6,679,833	1,008,050	873,221	122,688	174,524	4,501,350

With reference to the payment times with regard to trade and other payables, refer to the note "Short-term and long-term liabilities" in the consolidated financial statements.

As for the sensitivity on the interest rate, any changes in interest rates do not lead to significant effects in consideration of the fact that 90.8% of the Group's financial debt is at fixed rate.

Please refer to note "Trade and other receivables" for the breakdown of receivable by due date bracket.

Market value of financial instruments

Below is the classification of financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

- level 1: listed prices (unadjusted) on active markets for identical financial assets or liabilities;
- level 2: measurements made on the basis of inputs differing from the quoted prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
- level 3: inputs not based on observable market data.

In connection with the above, classification of the assets and liabilities measured at fair value in the Statement of Financial Position according to fair value concerned the IRS and exchange rate derivative instruments classified level 2 and recorded under the note "Other current and non-current financial assets" and "Other current and non-current financial liabilities".

Equity investments measured at fair value with effects posted to the income statement and on OCI fall under fair value category level 3.

Other information on financial instruments

With reference to the categories established by IFRS 9 "Financial instruments", the book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(€ thousands)	Book value		Income / expense recognised to income statement		Income / expense recognised to shareholders' equity (a)	
	Balance as at 31.12.2021	Balance as at 31.12.2022	Balance as at 31.12.2021	Balance as at 31.12.2022	Balance as at 31.12.2021	Balance as at 31.12.2022
Financial instruments measured at amortised cost						
- Cash	1,391,763	451,946				
- Current financial assets	5,120	5,770				
- Trade and other receivables	588,098	1,142,950				
- Non-current financial assets	2,848	39,426				
- Other investments	5,007	18,961				
- Other current and non-current non-financial assets	134,445	234,350				
- Trade and other payables	769,137	1,231,867				
- Financial payables (b)	6,376,895	6,510,600	(63,851)	(59,570)		
- Other current and non-current non-financial liabilities	547,536	552,127				
- Financial instruments measured at fair value						
- Financial assets (liabilities) for hedge derivative contracts	(6,573)	52,573				51,524

The table below provides a comparison between the book value of financial assets and liabilities and their respective fair value.

(€ thousands)	Balance as at 31.12.2021		Balance as at 31.12.2022	
	Book value	Market value	Book value	Market value
Financial instruments measured at amortised cost				
- Long-term financial debt	5,734,333	5,939,843	6,317,686	5,568,986

The book value of trade receivables, other receivables and financial payables is close to the related fair value measurement, given the short period of time between when the receivable or the financial payable arises and its due date.

Disputes and other measures

Italgas is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes

that these proceedings and actions will not have material adverse effects on its consolidated financial statements.

Below is a summary of the most significant proceedings; no provisions have been made pursuant to IAS 37 for these proceedings in the financial statements, as the company deems that the risk of an adverse outcome is possible, but not likely, or the amount of the allocation cannot be reliably estimated.

Civil dispute

Italgas Reti S.p.A. / Municipality of Rome – Rome Civil Court

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific Service Contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business plan, charged Italgas Reti, arbitrarily, with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed an appeal with the Lazio Regional Administrative Court on 11 January 2019 for cancellation of the notice with which the Municipality of Rome had starting the procedure to apply default penalties. Subsequently, the Municipality of Rome notified Italgas Reti of a Managerial Resolution in which it quantified the amount allegedly owed by Italgas Reti by way of penalties for the alleged failure to timely implement the Business Plan at € 91,853,392.79, and reserved the right to enforce the bank guarantee issued to guarantee the proper performance of the aforesaid Contract. Italgas appealed to the Regional Administrative Court of Lazio against the above-mentioned Managerial Resolution, submitting a precautionary petition for the suspension of the measure's effectiveness, contesting, in brief, the nullity of the penalty clause due to vagueness. The Board, however, expressed some doubts as to the applicability of its jurisdiction.

In light of these circumstances, the lodging of an appeal before the Court of Cassation was proposed for the prior settlement of jurisdiction. The Court of Cassation declared the Jurisdiction of the Ordinary Court. Therefore, on 11 February 2021, Italgas resumed the proceedings before the Civil Court of Rome.

During the chamber proceedings of 22 April 2020, the Regional Administrative Court with Order no. 4140/2020 acknowledged the proposal for prior settlement of jurisdiction and suspended the proceedings and, considering itself to be without jurisdiction, declared the precautionary application inadmissible. On 13 May 2020, Italgas Reti challenged this order before the Council of State, which upheld the precautionary appeal filed by Italgas Reti, suspending the effectiveness of the first instance order until the definition of the merits.

On 5 June 2020, Italgas lodged an appeal with the Regional Administrative Court of Lazio, by which it requested that the Municipality of Rome be ordered to pay Italgas Reti compensation of the total amount of € 106,290,396.25 resulting from the failure of the Municipality of Rome to comply with the concession contract. Subsequently, consistent with the previous judgement, the Regional Administrative Court declared the jurisdiction of the Ordinary Court and Italgas Reti resumed the judgement before the Ordinary Court of Rome, asking for a joining with the judgement concerning the penalties applied by Municipality of Rome. The hearing for appearance for both proceedings has been scheduled for 21 March 2023.

At the same time, Italgas Reti obtained an order from the Court of Rome suspending the effects of the measure quantifying the penalties and preventing Roma Capitale from enforcing the surety given in relation to the penalty payment claims.

The parties in any case keep dialogue and the related investigations of the respective positions open in order to verify that the conditions for coming to an agreement are met. Also on the basis of an external legal opinion, the Company, at present, does not believe it likely it will lose.

Italgas Reti S.p.A. / Municipality of Andria – Trani Court

With the ruling of 21 February 2023, the Court of Trani declared that the Municipality of Andria was not entitled to obtain the reimbursement from Italgas Reti for the component of the gas distribution tariff referred to as "locational costs" for the year 2019. According to the Court's ruling, this right is non-existent because the Municipality of Andria has not yet acquired the right to become the owner of the facilities.

Municipality of Venice / Italgas Reti S.p.A. – Court of Venice

On 24 April 2019, the Municipality of Venice served, at the Court of Venice, a writ of summons, aimed at the verification and consequent payment of € 59,006,552.03 as a consideration for use of the portion of the network subject to free acquisition for the period 1/6/2010-31/12/2018 as well as the sums due for the same reason for the period after 31/12/2018 and up until the judgement. Italgas Reti contested the quantification of the fee and requested the restitution of the amount unduly paid to the Municipality following the free transfer of Block A. Having carried out the introductory procedural steps, by order dated 26 April 2021, the Judge ordered Italgas Reti to produce relevant documentation and consequently set the hearing for 31 May 2022 for the examination of the documentation. On 31 May 2022, the Municipality requested that Italgas Reti be ordered to supplement the documentation produced. For its part, Italgas Reti opposed the request for supplementation formulated by the Municipality and requested, principally, the postponement of the case for the clarification of the conclusions or, alternatively, the granting of a time limit to possibly counter-respond. At the outcome of the hearing, the Judge requested additional documentation and adjourned the hearing to 17 January 2023. On that date, the Municipality insisted on the admission of a technical expert's report, while Italgas Reti requested that the hearing for clarification of the conclusions be postponed. The Court's decision is currently pending. Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

Municipality of Cavallino Treporti / Italgas Reti S.p.A. – Court of Venice

The Municipality of Cavallino-Treporti, which was established in 1999 by means of the separation of a portion of the territory formerly belonging to the Municipality of Venice, summoned Italgas Reti to appear before the Court of Venice, requesting the payment of € 4,669,129.00 or any other amount as consideration due under the applicable tariff regulations for the use of the plants that make up the so-called "Block A", which became the property of the Municipality of Cavallino-Treporti as a result of the Concession no. 19309/1970 from 1 June 2010 until 31 December 2018. With the appearance before the Court, Italgas Reti requested that the Municipality of Cavallino be ordered to repay the total amount of € 37,313.69 paid in fees for the occupation of public spaces and areas (COSAP) for Block A in the period between 1 January 2013 and 31 December 2018. Following the various legal proceedings, by decision dated 25 June 2022, the Court of Venice, notwithstanding the acknowledgement of the right of ownership of the plants in Block A in favour of the Municipality of Cavallino-Treporti with effect from the date of expiry pursuant to the concession (1 January 2013), ordered the Municipality of Cavallino-Treporti to pay Italgas € 37,313.69 plus interest for the COSAP unduly paid by Italgas for the period between 1 January 2013 and 31 December 2018 and € 40,000 for legal expenses. The Municipality of Cavallino-Treporti notified an appeal against the ruling. The first hearing was held on 24 January 2023 and the Court's decision on the continuation of the proceedings is pending.

Publiservizi S.p.A. / Italgas S.p.A. – Florence Court

Publiservizi, on its own behalf and as agent of other municipalities that are shareholders of Toscana Energia, served Italgas S.p.A. with a writ of summons in which they alleged a breach of a Shareholders' Agreement entered into on 28 June 2018. Publiservizi, therefore, claims that Italgas should be ordered to purchase 3% of the share capital of Toscana Energia S.p.A. (for the price of € 70,000,000.00 indicated in the tender notice of 20 July 2018) or, in any case, to fulfil the aforementioned Shareholders' Agreement and, otherwise, to pay Publiservizi € 59,800,000.00 by way of compensation for damages for breach or, alternatively, by way of unjust enrichment. Following the exchange of introductory documents, by order of 30 April 2021, the Judge ruled that the case could be settled at that stage and therefore scheduled the hearing for specification of the pleadings for 13 September 2023. Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Criminal dispute

The main criminal disputes in which the Group is involved are set out below.

Italgas Reti S.p.A. – Rome/Via Parlatore Event

The Public Prosecutor's Office of Rome opened an investigation in relation to the event that took place on 7 September 2015 during an ordinary intervention in the gas distribution network in the Municipality of Rome. The incident caused a fire that involved three people. Two of them, workers for an Italgas Reti contractor, suffered mild injuries. The third person – an employee of Italgas Reti – died. The preliminary investigation involved three employees of Italgas Reti. At the conclusion of these investigations, the Public Prosecutor's Office asked for all defendants to be dismissed, but the Judge for Preliminary Investigations ordered further investigations, following which the Public Prosecutor again asked for all defendants to be dismissed. On 17 November 2020, the Judge for the Preliminary Investigation, also rejecting the second request for dismissal, ordered the Public Prosecutor to formulate the indictment, without finding Italgas Reti liable under Legislative Decree no. 231/2001. Pursuant to the order by the Judge for Preliminary Investigations, the prosecutor formulated the request for committal for trial of the three Italgas Reti persons under investigation. At the outcome of the preliminary hearing, the Judge ordered the indictment of the defendants. At present, the first instance trial is ongoing. The family members of the deceased employee have joined the proceedings, while the two employees of the contractor who sustained injuries have withdrawn their participation as a result of the award of damages.

Italgas Reti S.p.A. – Cerro Maggiore/Via Risorgimento Event

The public prosecutor opened criminal proceedings against several Italgas Reti executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The accident was caused by a gas leak due to drilling work for laying fibre optic cable carried out by a third-party company, whose employees were also investigated.

The explosion resulted in the collapse of a house and the death of the lady who lived there, a serious injury to an Italgas Reti employee and to two other people who suffered mild injuries.

On 24 April 2017, a notice of conclusion of preliminary investigations was served on the defendants and Italgas Reti for failure to adopt appropriate preventive measures in terms of safety at work pursuant to Legislative Decree no. 231/2001.

The position of one employee of Italgas Reti (employer), was subsequently terminated, while for the other employees an indictment request was submitted.

In the course of the preliminary hearing, it was acknowledged that damages had been awarded to the heirs of the deceased lady and the other injured persons, who therefore waived their right to bring civil proceedings. The Municipality of Cerro Maggiore was allowed to initiate civil proceedings.

At the outcome of the preliminary hearing, on 19 March 2019, the Preliminary Hearing Judge (i) pronounced a verdict of non-suit against two Italgas Reti employees for not having committed the act; (ii) issued a judgment of conviction against certain employees of the third-party contractor for the laying of the fibre optics who had requested the abbreviated trial; and (iii) ordered the committal for trial, at the hearing of 9 December 2019, of Italgas Reti and three of its employees, in addition to the other defendants of the third-party contractor for the laying of the fibre optics.

At the outcome of the trial, the Public Prosecutor requested the acquittal of the Italgas Reti safety manager and two defendants of the contracting company, while it requested two years' imprisonment for the other two defendants of Italgas Reti, with a suspended (and therefore not enforceable) sentence. For Italgas Reti, the Public Prosecutor requested the application of a minimum fine, considering the modest amount of the profit. In a ruling of 4 June 2021, the judge acquitted one of the two remaining Italgas Reti defendants and sentenced the other to one year and six months in prison with suspended and unremitted sentence. A minimum fine was imposed on Italgas Reti.

Italgas Reti and the convicted employee appealed against the sentence, while the Public Prosecutor appealed the acquittal of the other Italgas Reti employee acquitted at first instance. The setting of the first appeal hearing is pending.

Italgas Reti S.p.A. – Rocca di Papa Event

The Public Prosecutor's Office of Velletri opened an investigation relating to the incident on 10 June 2019 in the municipality of Rocca di Papa, caused by the rupture of an Italgas Reti pipe by a company carrying out works for the same Municipality.

The gas leak caused an explosion in which some people were injured, two of which died in the following days.

The Public Prosecutor's Office conducted the preliminary investigation against individuals unrelated to Italgas Reti, who cooperated in the investigation as an aggrieved party in relation to the damage to its conduct and participated in the expert investigation and preliminary investigation through their technical consultants.

The Public Prosecutor's investigation concluded with the filing, on 28 April 2021, of the notice of conclusion of preliminary investigations against the suspects: the geologist appointed by the Municipality, the geologist appointed by the drilling contractor, the owner of the drilling contractor and their Technical Director, and the Project Manager of the Municipality of Rocca di Papa (the latter was subsequently removed).

At the preliminary hearing, Italgas Reti formalised its claim as a civil party.

The defence of some of the injured parties requested the summons of Italgas as civilly liable and supplementary investigations against Italgas Reti, requests that were rejected by the Judge, who instead admitted the summons of the excavation company, the geotechnical company and the Municipality of Rocca di Papa as civilly liable. At present, Italgas Reti remains in the proceedings only as a damaged civil party. At the outcome of the preliminary hearing, the Judge ordered the indictment of the defendants for 4 May 2023.

Other events

Italgas Reti S.p.A. – Ravanusa event

The Public Prosecutor's Office of Agrigento opened an investigation into an explosion that occurred in the town of Ravanusa on 11 December 2021.

At 9:02 p.m., the Fire Brigade requested the Integrated Supervision Centre to deploy the emergency services. Italgas Reti's technical staff arrived on site at 21:20.

The first sectioning of the network, aimed at securing the pipeline, was completed at 2:05 a.m. on 12 December 2021.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 by Siciliana Gas (a company merged by incorporation into Società Italiana per il gas S.p.A. in 2008, which in turn became Italgas Reti from 7 November 2016) and is therefore well within its useful life as per ARERA requirements.

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

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

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

On 31 December 2021, the Public Prosecution issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatable technical assessments. Italgas Reti has acknowledged these provisions, guaranteeing maximum collaboration during activities in support of investigators, just as it has since the outset.

During these technical assessments, a breakage of a steel pipe installed along via Trilussa, was found. This breakage was the subject of further metallurgical investigation, the results of which have not yet been filed. In addition, further laboratory investigations were carried out on odorising gas and soil samples taken near the site of the event in the days following the explosion and the presence of the odorising molecule was confirmed.

An extension of the preliminary investigation was requested and granted in July 2022, and a subsequent extension request for a further six months was notified in February 2023.

It is currently not possible to predict the duration or the outcome of the investigations conducted by the Public Prosecutor's Office in Agrigento, investigations which are ongoing and therefore covered by investigative secrecy.

Following the incident, a precautionary claim has been promptly opened with the insurance companies with which the "civil liability" and "property" policies were taken out, in order to ensure the orderly handling of any claims, the amount of which is not quantified at present.

Italgas Reti has granted its willingness to the Municipality of Ravanusa to carry out a project for the removal of rubble following the explosion, which is currently being finalised.

Informative priorities ESMA 2022

In accordance with what was envisaged for the 2020 and 2021 financial statements, including for the purpose of preparing the 2022 financial statements, the Regulators issued specific recommendations in order to draw attention to the main areas of focus of the current context of reference, characterised by a combination of factors associated with the residual impacts of the COVID-19 pandemic, the impacts of the Russia-Ukraine conflict, the increase in inflation and interest rates and the general worsening of the macroeconomic scenario, geopolitical risks and uncertainties around future developments.

In particular, with Public Statement no. 32-63-1320 of 28 October 2022, "European common enforcement priorities for 2022 annual financial reports", ESMA reinforced the message disseminated in its previous publications 2020 and 2021, regarding the need to provide adequate financial and non-financial disclosure on climate change issues, the impacts of the Russian-Ukrainian conflict and the current macroeconomic scenario.

In light of the recommendations of ESMA and other Regulators, such as the Bank of Italy and Consob, and in accordance with the provisions of the IAS 34 in subsections 15-15C with reference to "significant events" during the year, an update for 2022 to the information already presented in the 2021 Integrated Annual Financial Report is provided below.

In particular, specific thematic areas have been identified and expanded on below which, with reference to the individual IFRS standards, provide a better understanding of the information.

Update information on COVID-19

With reference to the residual impacts of COVID-19, taking into account the activities of the Italgas Group and the impact on the Group of the spread of the pandemic, there are no significant updates with respect to what has already been illustrated in the 2021 Integrated Annual Financial Report and in the Half-Year Financial Report at 30 June 2022.

For a more in-depth analysis of this topic, please refer to the chapter "External context, markets and Italgas share" in the Integrated Annual Report.

Environmental regulations

With respect to environmental risk, although the Group conducts its business in compliance with laws and regulations, it cannot be ruled out with certainty that the Group may incur costs or liabilities, which could be significant.

It is difficult to foresee the repercussions of any environmental damage, partly due to new laws or regulations that may be introduced for environmental protection, the impact of any new technologies for environmental clean-ups, possible litigation and the difficulty in determining the possible consequences, also with respect to other parties' liability and any possible insurance compensation.

The Group closely monitors the various risks and associated financial impacts (which at present could mainly concern matters of impairment and recoverability of the value of assets and provisions under IAS 37) that could ensue from environmental and climate change issues.

As described in the Directors' Report, in recent years, Italgas' corporate strategy has been increasingly influenced by climate change matters and various initiatives have been developed with a view to reducing GHG emissions (e.g. leak detection using Picarro technology, conversion of the corporate fleet to methane gas, green gas initiatives, etc.).

In the short term, the main elements influencing the development of Italgas' strategy are the regulatory aspects of climate change such as European policy objectives, while in the short-to-medium term, the main elements are the efficient procurement of natural gas, aimed at reducing its impacts on climate change.

In the Strategic Plan, Italgas defines a macro-comprehensive scenario that includes contexts and trends of the Energy and Environmental Policies (decarbonisation - Paris Agreement, renewal sources, energy efficiency, sustainable mobility, power to gas and green gas) and presents its own Sustainability Plan. The Group's strategy is developed consistently with the United Nations Sustainable Development Goals.

Italgas' strategy is outlined in the 2022-2028 Strategic Plan, which highlights the digital transformation and technological innovation that will enable Italgas to play a key role in the energy transition, etc.

Topics related to climate change

In consideration of the requirements contained in the European Common Enforcement Priorities of October 2021 on climate-related matters, confirmed as a priority in the Public Statement of 2022, ESMA requires that adequate information be provided on climate-related issues and their effects on business development and performance, together with a description of the main risks and uncertainties to which the Italgas Group is exposed.

With regard to the areas relating to the inclusion of climate risk in the Business Plan, its impact on sustainability objectives and the main significant risks and uncertainties, please refer to the chapters "Strategy and forward-looking vision", "Risk management" and "Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)" in the Directors' Report.

In particular, note the preparation of the 2022-2028 Sustainable Value Creation Plan, which sets concrete actions and ambitious targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates, and the "Driving innovation for energy transition" report, which explores the relationship between the Italgas Group's business and climate change-related impacts, in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

The document not only describes the new opportunities identified in the climate transition and the potential risks, but also the adequacy of the climate strategy implemented by the Group in that regard.

Finally, set out below are the assessments associated with the main risks considered in the development of the estimates, which could result in a significant adjustment to the carrying value of assets and liabilities.

Impairment testing and expected useful life of tangible and intangible assets

With reference to the impact of climate risks in determining the expected useful life of tangible and intangible fixed assets and their estimated residual value, there are no (i) indicators suggesting that assets have reduced in value, (ii) significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and (iii) there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made.

At present, therefore, company management does not reasonably expect climate change to have a significant impact on forecast future cash flows of a given asset or cash generating unit (CGU) and, consequently, on the relevant recoverable value.

IAS 37 - Provisions for risks and potential liabilities

In accordance with IAS 37, the company management believes that there are no provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

Effects of the climate risk on measuring expected credit loss

No significant climate and environmental risks are noted worthy of consideration in assessing the credit risk and therefore worthy of inclusion in calculating the ECL (Expected Credit Loss), as required by IFRS 7.

Information on the Russia-Ukraine conflict

With its Recommendation of October 2022, ESMA confirmed the validity of the requirements contained in the May 2022 Public Statement "Implications of Russia's invasion of Ukraine on half-yearly financial reports", considering the recommendations contained therein also relevant for the preparation of annual financial statements as at 31 December 2022, in order to ensure the right level of transparency in financial reporting.

Therefore, below are the assessments related to the current and, as far as possible, foreseeable impact of the Russian-Ukrainian military conflict, following the invasion by the Russian army of Ukrainian sovereign territory, on Italgas Group's activities, financial performance and cash flows.

The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

In particular, following a survey of a significant portion of our suppliers, conducted in the months following the start of the conflict, it was found that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent the effects of any cyber attacks. Monitoring in the following months did not show any critical issues arising as a result of the conflict. It is also noted that most of the processes managed by the suppliers surveyed can be classified as energy-intensive.

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability. The subsequent increase in utilities costs is creating tensions on prices. Currently there are no significant critical issues in production on the energy materials/commodities markets. With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar. With regard to the availability of sources of financing and the related costs, it is reported that i) more than 90% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 December 2022, of € 451.9 million, which, including in light of the existing investment plans and the operations planned in the short term, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the commodity that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service in Italy are established by ARERA and regulated in the Network Code, which also defines the system for existing financial guarantees to protect the distributor.

With reference to the risk of lower volumes of gas injected into the infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

Lastly, examining the natural gas distribution service in Greece, and in light of the scenarios illustrated above, the Group has not noted and does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

In light of the above, no significant impacts are reported in the following areas:

- Business Continuity;
- Impairment test of non-financial assets;
- Impairment of financial assets;
- Impacts on governance exercised over affiliated companies;

- Assets or groups of assets held for sale;
- Recognition of deferred tax assets;
- Fair value measurement;
- Remeasurement of foreign currency transactions and translation of financial statements in foreign currencies;
- Provisions for contingent liabilities;
- Liabilities arising from insurance contracts.

Macroeconomic scenario

In consideration of the requirements of ESMA's October 2022 recommendation, below are the assessments related to the potential impacts that the current macroeconomic scenario and related uncertainties may have on Italgas Group operations.

Impairment test of non-financial assets

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries, is an integrated group at the forefront of the regulated natural gas sector and a relevant player in terms of invested capital in its regulatory asset base (RAB) in the sector.

The RAB (Regulatory Asset Base) is calculated on the basis of the rules defined by the relevant regulatory authority for the purpose of determining base revenues.

At present, following the impairment tests carried out, there are no effects that would suggest a reduction in the value of assets under concession or of intangible assets with a finite or indefinite useful life (goodwill).

In particular, as regards the value of property, plant and equipment under concession that fall within the scope of regulated activities, their recoverable value is determined by considering: (i) the amount quantified by the Authority on the basis of the rules that define the tariffs for the provision of the services they are intended for; (ii) the value the group expects to recover from the transfer or at the end of the concession that governs the service for which they are intended.

Therefore, for any valuation of regulated assets, reference should be made to the provisions of current regulations, for which see the "Legislative and Regulatory Framework" chapter of the Integrated Annual Report.

In light of the above, no impairment indicators emerged as at 31 December 2022 concerning the recoverability of asset values and goodwill due to the general deterioration of the macroeconomic scenario.

Employee benefits

There was no change in the approach used in determining the actuarial assumptions necessary to calculate the various Employee Benefits liabilities in accordance with IAS 19.

Therefore, there were no methodological amendments or specific changes to the economic, demographic, financial or behavioural assumptions (e.g. turnover).

Please refer to Note 22 "Provisions for employee benefits" for details on the main actuarial assumptions adopted and the sensitivity analyses performed.

Revenues from Contracts with Customers

The most significant portion of the Italgas Group's revenues relates to regulated activities, whose income is governed by the regulatory framework defined by the Regulatory Authority. Thus, the economic conditions of the services provided are defined through regulatory schemes and not on a negotiated basis; there are no significant costs charged to assets incurred in the performance of a contract.

Financial instruments

The impacts deriving from the worsening of the macroeconomic situation did not have significant effects on the Italgas financial instruments.

For information on the Italgas Group's exposure to the risk of changes in interest rates, liquidity risk and credit risk, please refer to Note 26 "Guarantees, commitments and risks – Financial risk management" in which Italgas' policies and principles for managing and controlling risks arising from financial instruments are described.

Information on Article 8 of the Taxonomy Regulation

In connection with the disclosure obligations pursuant to Article 8 of the European Regulation on Taxonomy, the system envisaged for classifying economic activities as environmentally-sustainable on the basis of six environmental objectives for two of which, (i) climate change mitigation and (ii) climate change adaptation, the European Commission has prepared technical criteria, the Group has:

- assessed the degree of alignment of its economic activities with the taxonomy criteria;
- prepared internal reporting systems to comply with the requirements envisaged;
- specifically collected data in order to guarantee a timely and correct application of taxonomy requirements.

For more details, see the chapter on "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the Integrated annual report.

Public funds received

With reference to the new rules introduced by Law no. 124 of 4 August 2017 "Annual competition law", under Article 1, paragraphs 125-129, please note that the following grants from public authorities relating to the construction of gas networks in Italy were collected in 2022.

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	MORRO D'ORO	81000370676	00516370673	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	14,421.08
ITALGAS RETI S.P.A.	TORRE ANNUNZIATA	00581960630	01244431217	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	2,106.94
ITALGAS RETI S.P.A.	ROANA	00256400243	00256400243	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	5,907.24
ITALGAS RETI S.P.A.	MANIAGO	81000530931	00199780933	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	5,774.49
ITALGAS RETI S.P.A.	GAZZO VERONESE	82002770236	01700550237	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	1,923.00
ITALGAS RETI S.P.A.	PINETO	00159200674	00159200674	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	6,475.00

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ITALGAS RETI S.P.A.	MONTESILVANO	00193460680	00193460680	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	11,089.19
ITALGAS RETI S.P.A.	ROSE	80001170788	00427870787	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	2,518.08
ITALGAS RETI S.P.A.	CANOSA DI PUGLIA	81000530725	01091490720	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	234.24
ITALGAS RETI S.P.A.	CARDETO	80009020803	80009020803	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	427,894.79
ITALGAS RETI S.P.A.	MELITO DI PORTO SALVO	00281270801	00281270801	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	415,546.71
ITALGAS RETI S.P.A.	MONTEBELLO JONICO	80003190800	00710360801	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	402,738.85
ITALGAS RETI S.P.A.	PALIZZI	81000970806	00728590803	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	178,866.96
ITALGAS RETI S.P.A.	SAN LORENZO	00283710804	00283710804	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	466,840.37
MEDEA S.P.A.	OZIERI	00247640907	00247640907	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	485,616.97
TOSCANA ENERGIA S.P.A.	MONSUMMANO TERME	81004760476	00363790478	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	6,917.66
TOSCANA ENERGIA S.P.A.	TERRICCIOLA	00286650502	00286650502	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	40,983.61
TOTAL					2,475,855.18

For information purposes only, below please note that the following contributions have been collected via the factor:

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Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	OROSEI	00134670918	00518920913	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,457,649.91
MEDEA S.P.A.	SENRORBI'	80008070924	80008070924	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,108,483.55
MEDEA S.P.A.	DORGALI	00160210910	00160210910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,581,222.21
TOTAL					5,147,355.67

27) Revenues

The breakdown of *revenues* for the year, which totalled € 2,312,476 thousand as at 31 December 2022 (€ 2,163,232 thousand as at 31 December 2021) is shown in the following table.

(€ thousands)	2021	2022
Revenues	2,098,463	2,182,712
Other revenues and income	64,769	129,764
	2,163,232	2,312,476

Group revenues are earned in Italy and Greece, as described below.

Revenues

Revenues, which amount to € 2,182,712 thousand (€ 2,098,463 thousand as at 31 December 2021), are analysed in the table below:

(€ thousands)	2021	2022
Gas distribution	1,213,906	1,228,314
Revenues for infrastructure construction and improvements (IFRIC 12)	772,005	727,755
Technical assistance, engineering, IT and various services	66,643	50,514
Energy efficiency interventions	21,688	138,973
Water distribution and sale	7,715	8,867
Gas sales	16,506	12,924
Sale of other products	-	15,365
	2,098,463	2,182,712

Revenues refer primarily to the consideration for the natural gas distribution service and other regulated revenues (€ 1,228,314 thousand) and revenues deriving from the construction and upgrading of gas distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 727,755 thousand).

Revenues from natural gas distribution correspond to the regulatory revenues allowed and therefore contain the positive differential that was generated during the year against the turnover for € 151,041 thousand.

Gas distribution revenues in Italy are reported net of the following items, involving tariff components in addition to the tariff applied to cover gas system expenses of a general nature. The amounts in question are paid, where positive, charged, where negative, for an equal amount, to the CSEA.

(€ thousands)	2021	2022
RE-RS-UG1 fees	111,093	4,055

UG3 fees	14,501	(1,096)
Gas Bonus and GS fees	(61,206)	(575,977)
UG2 fees	(3,101)	(636,821)
	61,287	(1,209,839)

The fees in addition to the distribution service (€ -1,209,839 thousand) mainly relate to the following fees: (i) RE, to cover the expenses burdening the *Fund for calculating and implementing energy savings and the development of renewable energy sources in the gas sector*; (ii) RS, to cover expenses burdening the *Account for gas services quality*; (iii) UG1, to cover any imbalances in and adjustments to the equalisation system; (iv) UG2, to cover the costs of retail sales marketing; (v) UG3int, to cover expenses connected to the interruption of services; (vi) UG3ui, to cover expenses connected to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider (FDD) as well as the expenses for payment delays incurred by Suppliers of Last Instance (FUI), limited to end customers for which the supply cannot be suspended; (vii) UG3ft, to cover the arrears paid to temporary providers on the transport system; (viii) GS, to cover the tariff compensation system for economically disadvantaged customers.

In 2022, ARERA, given the notable issues of energy prices and higher energy bills, as already envisaged at the end of 2021, wrote off, for all gas sector customers, the components relating to the system charges and introduced supplementary social bonuses (extension of the pre-existing Gas Bonus). Furthermore, from the second quarter of 2022, Resolutions no. 148/2022/R/gas and no. 296/2022/R/gas provided for an update of the UG2 component with the application of a negative component in instalments up to 5,000 Sm³/year), in order to immediately transfer to customers the containment effects of the measures adopted in relation to the exceptional situation of operating tension on the gas markets. The economic effect of such measure for the Group is null since such items are entirely charged back to the CSEA; this therefore led to the increase in receivables from the CSEA posted to item "9) Trade and other receivables" and the emergence of payables to the Sales Companies, posted to item "19) Trade and other payables" for the UG2 and Gas Bonus negative components.

Gas distribution revenues (€ 1,228,314 thousand) refer to natural gas distribution on behalf of all commercial operators requesting access to the networks of the distribution companies based on the Network Code. These revenues include the higher revenues associated with the contribution pursuant to Article 57 of ARERA Resolution no. 570/2019/R/gas relating to the replacement of traditional meters with electronic smart meters and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas, Resolution no. 570/2019/R/gas, Resolution no. 287/2021 and Determination no. 3/2021 in the amount of € 1,951 thousand as at 31 December 2022 (€ 13,930 thousand as at 31 December 2021).

With regard to the recognition of revenues relating to the so-called "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit ("cap") to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per re-delivery point, expressed at 2017 prices, determined by Resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years (in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. Resolution no. 525/2022/R/gas subsequently governed the operating procedures for application of the cap on the tariff recognition of capital costs in locations in the start-up phase and the application methods of the mechanism, relating in particular to the determination of the service deployment ratio and the procedures for verifying that the maximum unit expenditure threshold has been exceeded, for the second and third stages of the mechanism. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Revenues deriving from energy efficiency interventions (€ 138,973 thousand) mainly relate to work carried out during the year, generally referred to as "superbonus", as envisaged by the "Relaunch Decree" (Decree Law 34/2020), which introduced the "Superbonus 110", an incentive to access the tax bonus for work carried out

on houses to improve energy efficiency and/or the “sismabonus” that makes it possible to receive 110% of the expense generated and admissible in 4 years.

Revenues from the sale of gas (€ 12,924 thousand) relate to gases sold in Sardinia by the subsidiary Gaxa S.p.A. until its deconsolidation.

Revenues from the sale of water (€ 8,867 thousand) relate to the water distributed in Campania by Italgas Acqua.

Other revenues and income

Other revenues and income, which amounted to € 129,764 thousand, can be broken down as follows:

(€ thousands)	2021	2022
Income from gas distribution service safety recovery incentives	22,399	27,207
Plant safety assessment pursuant to ARERA Resolution no. 40/04	2,520	2,139
Capital gains from sale of assets	4,458	36,709
Sundry management refunds and chargebacks	399	3,952
Contractual penalties receivable	659	1,340
Revenues from regulated activities	11,110	10,077
Connection contribution uses	19,589	19,233
Income from real estate investments	525	200
Revenues from seconded personnel	283	578
Net revenues from Energy Efficiency Certificates (EEC)	232	-
Other revenues	2,595	28,329
	64,769	129,764

Income from safety recovery incentives, equal to € 27,207 thousand, relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

Revenues from capital gains on the sale of assets amounting to € 36,709 thousand as at 31 December 2022 mainly relate to the sale of the ATEM Naples 1 plants following the awarding of the tender to another operator.

The item Other revenues includes the negative difference arising from the Purchase Price Acquisition of Janagas for € 13,558 thousand.

28) Operating costs

The breakdown of operating costs for the period, which totalled € 1,191,952 thousand, is shown in the following table:

(€ thousands)	2021	2022
Purchase costs for raw materials, consumables, supplies and goods	150,932	154,746
Costs for services	614,831	656,231
Costs for the use of third-party assets	90,780	102,319
Personnel cost	256,808	265,466
Allocations to/(releases from) provision for risks and charges	(1,868)	(1,797)
Allocations to/(releases from) provisions for doubtful debt	320	(342)
Other expenses	25,783	25,440

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To be deducted:

Increases for own work	(2,836)	(10,111)
- of which costs for services	(608)	(2,137)
- of which labour costs	(2,228)	(7,974)
	1,134,750	1,191,952

Operating costs relating to the construction and upgrading of gas distribution and water service infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amount to € 727,755 thousand and are broken down as follows:

(€ thousands)	2021	2022
Purchase costs for raw materials, consumables, supplies and goods	121,277	111,220
<i>of which external</i>	40,622	37,570
<i>of which internal</i>	80,655	73,650
Costs for services	520,816	483,477
<i>of which external</i>	468,576	412,984
<i>of which internal</i>	52,240	70,493
Costs for the use of third-party assets	10,264	24,988
<i>of which external</i>	10,264	24,988
Personnel cost	113,576	104,737
<i>of which internal</i>	113,576	104,737
Other expenses	6,072	3,333
<i>of which external</i>	6,072	3,333
	772,005	727,755

Costs for raw materials, consumables, supplies and goods, amounting to € 154,746 thousand (150,932 as at 31 December 2021), comprise the following:

(€ thousands)	2021	2022
Inventories	115,361	120,178
Purchase of gas	27,107	24,238
Purchase of water	2,194	2,534
Motive power	1,594	2,267
Purchase of fuel	3,298	4,596
Consumables	1,378	933
	150,932	154,746

Inventories refer in particular to the acquisition of meters and gas pipes.

Purchase costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution and water service infrastructure (€ 111,220 thousand), recorded in accordance with IFRIC 12.

Costs for services of € 654,094 thousand relate to:

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	2021	2022
(€ thousands)		
Project management and plant maintenance	485,405	512,015
Consultancy and professional services	56,230	69,219
Costs for personnel services	11,757	15,011
IT and telecommunications services	37,481	38,010
Electricity, water and other (utility) services	6,751	7,208
Insurance	5,508	6,125
Cleaning, security service and guard services	4,871	4,745
Advertising and entertainment	3,896	4,462
Costs for seconded personnel	367	494
Other services	29,863	21,342
Use of risk provision	(27,298)	(22,400)
	614,831	656,231
<i>To be deducted:</i>		
Increases for own work	(608)	(2,137)
	614,223	654,094

Costs for services include costs relating to the construction and upgrading of gas distribution and water distribution infrastructure (€ 483,477 thousand) recognised pursuant to IFRIC 12.

Costs for project management and plant maintenance planning (€ 512,015 thousand) essentially relate to the extension and maintenance of gas distribution plants.

Costs for the use of third-party assets, of € 102,319 thousand, regard:

	2021	2022
(€ thousands)		
Patent, license and concession fees	80,501	77,309
Leases and rentals	10,440	25,282
Use of risk and charges provision	(161)	(272)
	90,780	102,319

Fees, patents and licences (€ 77,309 thousand) refer primarily to fees recognised to contracting parties for the running of natural gas distribution activities under concession.

Costs for use of third-party assets include costs relating to the construction and upgrading of gas distribution infrastructure (€ 24,988 thousand) recognised in accordance with IFRIC 12.

Allocations to/releases from provision for risks and charges, amounting to € -1,797 thousand net of utilisations, refer mainly to the provision for risks and charges relative to legal disputes.

For more details on the changes in provisions for risks and charges, please refer to the note "Provisions for risks and charges".

Personnel cost, totalling € 257,492 thousand, breaks down as follows:

	2021	2022
(€ thousands)		

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Wages and salaries	180,176	186,491
Social charges	54,827	53,996
Employee benefits	16,544	19,634
Other expenses	5,261	5,345
	256,808	265,466
<i>To be deducted:</i>		
Increases for own work	(2,228)	(7,974)
	254,580	257,492

The item includes costs relating to the construction and upgrading of gas distribution infrastructure (€ 104,737 thousand) recognised pursuant to IFRIC 12.

Employee benefits (€ 19,634 million) mainly regard the employee severance pay accrued, to be paid to pension funds or to INPS.

Other expenses of € 5,345 thousand, in particular refer to charges for the incentive plan for senior executives (co-investment plan). For Stock Grant plans for Company employees, the fair value of the option, determined at the time it is granted (calculated on the basis of the "Black-Scholes" economic and actuarial method) is posted to the income statement as a cost throughout the vesting period, with a corresponding balancing item in a reserve under shareholders' equity.

More details are provided in the "Provisions for employee benefits" note.

Average number of employees

The average number of payroll employees of the consolidated entities, broken down by status, is as follows:

Professional qualification	2021	2022
Executives	61	74
Middle Managers	312	378
Employees	2,175	2,488
Manual workers	1,389	1,457
	3,937	4,397

The average number of employees is calculated on the basis of the monthly number of employees for each category. The increase mainly derives from the entry into the scope of consolidation of the DEPA Infrastructure Group companies.

At 31 December 2022, there were 4,390 employees on average.

Remuneration due to key management personnel

The remuneration due to persons with powers and responsibilities for the planning, management and control of the Company, i.e. executive and non-executive directors, general managers and managers with strategic responsibilities ("key management personnel"), in office at 31 December 2022, amounted to € 10,710 thousand and breaks down as follows:

(€ thousands)	2021	2022
Wages and salaries	8,215	7,893
Post-employment benefits	742	725
Other long-term benefits	1,314	1,442

Compensation for termination of employment	650
	10,271

Remuneration due to Directors and Statutory Auditors

Remuneration due to Directors, except for the Chairman and the CEO who form part of the key management personnel as explained in the foregoing paragraph, amounted to € 2,084 thousand and remuneration due to Statutory Auditors amounted to € 604 thousand (Article 2427, no. 16 of the Italian Civil Code). This remuneration includes emoluments and any other amounts relating to pay, pensions and healthcare due for the performance of duties as a director or statutory auditor giving rise to a cost for the Company, even if not subject to personal income taxes.

Other expenses, of € 25,440 thousand, are analysed below:

(€ thousands)	2021	2022
Gas distribution service safety improvement penalties	440	
Other penalties	2,259	1,839
Indirect taxes, local taxes	6,729	8,201
Capital losses from disposal/recovery of property, plant and equipment and intangible assets	8,011	11,377
Other expenses	8,344	4,023
	25,783	25,440

The capital losses from the disposal/recovery of fixed assets (€ 11,377 thousand) mainly relate to the replacement of faulty meters and pipes and connections.

29) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment, totalling € 479,186 thousand, breaks down as follows:

(€ thousands)	2021	2022
Amortisation and depreciation	444,387	478,291
- Property, plant and equipment	16,188	17,335
- Right of use pursuant to IFRS 16	22,937	24,625
- Intangible assets	405,262	436,331
Impairment	864	895
- Write-backs of tangible assets	(31)	-
- Impairment of intangible assets	895	895
	445,251	479,186

Impairment of intangible assets, of € 895 thousand (€ 895 thousand in 2021) relate to the exit from the production process of certain assets.

30) Financial Income (Expense)

Net financial expense, amounting to € 56,275 thousand, comprises:

(€ thousands)	2021	2022
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Financial Income (Expense)	(63,292)	(59,399)
Financial expense	(64,060)	(59,570)
Financial income	768	171
Other financial income (expense)	2,913	3,124
Other financial expenses	(619)	(1,797)
Other financial income	3,532	4,921
	(60,379)	(56,275)

(€ thousands)	2021	2022
Financial Income (Expense)	(63,292)	(59,400)
Borrowing costs:	(64,060)	(59,571)
- Interest expense on bonds	(54,602)	(49,078)
<i>of which the effect of the bond buyback transaction of 5 February 2021</i>	6,433	
- Commission expense on bank loans and credit lines	(8,702)	(5,182)
- Interest expense on credit line and loan expense due to banks and other lenders	(756)	(5,311)
Financial expense capitalised		
Income on financial receivables:	768	171
- Interest income and other income on financial receivables non-held for operations	768	171
Other financial income (expense):	2,913	3,125
- Capitalised financial expense	1,920	1,565
- Financial income (expense) connected with the passing of time (accretion discount) (*)	(839)	(1,618)
- Expense for right of use pursuant to IFRS 16	(290)	(321)
- Other expenses	(1,410)	(1,422)
- Other income	3,532	4,921
	(60,379)	(56,275)

(*) The item relates to the increase in the provisions for risks and charges and employee benefit funds that are specified, at a discounted value, in the notes "Provisions for risks and charges" and "Provisions for employee benefits".

31) Income (expense) from equity investments

Income (expense) from equity investments, totalling € 3,432 thousand, breaks down as follows:

(€ thousands)	2021	2022
Effect of valuation using the equity method	2,011	662
Net income from valuation using the equity method	2,011	662
Other income (expense) from equity investments	441	2,770
Dividends	50	48
Other income from equity investments	391	2,722
	2,452	3,432

The increase of € 980 thousand compared to 2021 derives mainly from the combined effect of the capital gain for the sale of Gaxa S.p.A. (€ 2,587 thousand) and the reduction in income from the measurement at shareholders' equity (€ 1,349 thousand, mainly arising from the lower result of the subsidiary Gesam Reti).

Details of capital gains and capital losses from the valuation of equity investments using the equity method can be found in the note "Equity investments valued using the equity method".

32) Income taxes

Income taxes for the year, amounting to € 152,369 thousand (€ 141,884 thousand as at 31 December 2021) comprise:

31.12.2021				
(€ thousands)	IRES	IRAP	FOREIGN	Total
Current taxes	128,146	26,422	-	154,568
Current taxes for the year	134,322	27,967	-	162,289
Adjustments for current taxes pertaining to previous years	(6,176)	(1,545)		(7,721)
Deferred and prepaid taxes	(13,470)	786	-	(12,684)
Deferred taxes	(14,183)	(1,362)	-	(15,545)
Prepaid taxes	713	2,148		2,861
	114,676	27,208	-	141,884

31.12.2022				
(€ thousands)	IRES	IRAP	FOREIGN	Total
Current taxes	137,190	27,111	(3,524)	160,777
Current taxes for the year	138,800	26,973	(3,524)	162,249
Adjustments for current taxes pertaining to previous years	(1,610)	138		(1,472)
Deferred and prepaid taxes	(16,099)	291	7,400	(8,408)
Deferred taxes	(19,903)	(2,952)	9,006	(13,849)
Prepaid taxes	(3,804)	(3,243)	1,606	(5,441)
	121,091	27,402	3,876	152,369

Income taxes include current taxes of € 160,777 thousand (€ 154,568 thousand as at 31 December 2021) and net deferred taxes of € 8,408 thousand.

The rates applied and provided for by the Italian tax regulations for current taxes are 24% for IRES and 4.2% for IRAP. The rate applied and provided for by the Greek tax regulations for current taxes is 22%.

The reconciliation of the theoretical tax charge, calculated by applying the corporation tax (IRES) rate in force in Italy of 24%, with the actual tax charge for the year can be broken down as follows:

2021	2022
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(€ thousands)	Tax rate	Balance	Tax rate	Balance
IRES and FOREIGN				
Gross profit		525,304		588,496
IRES tax calculated based on the theoretical tax rate	24.00%	126,073	24.00%	141,239
Changes compared to the theoretical rate:				
- Income from equity investments	0.9%	3,209	0.5%	3,220
- Current taxes for previous years	0.0%	(207)	(0.0)%	(139)
- "Super Iper amortisation and depreciation" tax benefit	(2.3)%	(12,111)	(1.7)%	(10,213)
- Other permanent differences	(0.4)%	(2,425)	(1.6)%	(9,140)
IRES taxes for the year through profit or loss	22.2%	114,539	21.2%	124,967

(€ thousands)	2021		2022	
	Tax rate	Balance	Tax rate	Balance
IRAP				
EBIT for IRAP		583,231		619,957
IRAP tax calculated based on the theoretical tax rate	4.2%	24,496	4.2%	26,038
Changes compared to the theoretical rate				
- Taxes for previous years	(0.1)%	(245)	0.0%	116
- Regional IRAP adjustments	0.8%	3,519	0.7%	3,858
- Other permanent differences	(0.1)%	(425)	(0.4)%	(2,610)
IRAP taxes for the year through profit or loss	4.8%	27,345	4.5%	27,402

The lower taxation of the Greek companies totalled € 7,400 thousand.

An analysis of deferred tax assets and liabilities based on the nature of the significant temporary differences that generated them can be found in the note "Deferred tax liabilities".

In Italy, pursuant to Article 157 of Decree-Law no. 34 of 19 May 2020, converted, with amendments, by Law no. 77 of 17 July 2020, amended by Article 22-bis of Decree Law no. 183 of 31 December 2020, converted, with amendments, by Law no. 21 of 26 February 2021, notifications of investigations, disputes, imposition of penalties, recovery of tax credits, settlements and adjustment and settlement, for which the time limits expired between 8 March 2020 and 31 December 2020 - including documents relating to IRES and IRAP declarations for the 2015 tax year - had to be issued by 31 December 2020, but may be filed in the period between 1 March and 28 February 2022.

Taxes related to components of comprehensive income

Current and deferred taxes related to other components of comprehensive income can be broken down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Gross value	Tax impact	Net tax value	Gross value	Tax impact	Net tax value

Remeasurement of defined-benefit plans for employees	1,929	(540)	1,389	11,659	(3,265)	8,394
Change in fair value of investments measured at fair value with effects on OCI			-	802	(193)	609
Change in fair value of cash flow hedge derivative financial instruments	14,753	(3,541)	11,212	56,593	(13,582)	43,011
Other components of comprehensive income	16,682	(4,081)	12,601	69,054	(17,040)	52,014
Deferred tax assets/liabilities		(4,081)				(17,040)

33) Profit (loss) per share

The earnings per basic share, equal to € 0.50, was calculated by dividing the net profit attributable to Italgas (€ 407,288 thousand) by the weighted average number of Italgas shares outstanding during the year (810,245,718 shares).

The diluted earnings per share is calculated by dividing the net profit attributable to Italgas (€ 407,288 thousand) by the weighted average number of shares outstanding during the period, excluding any treasury shares, increased by the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares in the portfolio for stock grant plans. The diluted earnings per share, calculated also considering the co-investment plan, was € 0.50 per share.

34) Information by geographical area

With reference to the provisions of the IFRS 8 accounting standard governing segment reporting, the Italgas Group's segment information provides for a single operating segment represented by Gas Distribution and Metering, as a result of the aggregation of the activities carried out in Italy and Greece, following the acquisition of the DEPA Infrastructure Group finalised in the last months of 2022.

This representation reflects the structure of the reports that are periodically analysed by management for the purpose of managing and planning the Group's business.

In fact, the management considered that the two segments have similar economic characteristics considering that:

- the Italgas Group and the DEPA Infrastructure Group carry out their main activities in the highly regulated gas distribution sector. In both cases the rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital;
- the way in which the rate of return (WACC) is determined is quite similar in both cases, and is therefore essentially able to neutralise differences in risk between the two countries;
- the WACC values provided in the two tariff systems, 7% in Greece expressed in nominal pre-tax terms, and 5.6% in Italy expressed in real pre-tax terms, are fully comparable;
- DEPA Infrastructure Group's access to financial markets will benefit from being part of the Italgas Group, as it will be able to access financing conditions similar to those within the Group and, therefore, a more established and calmer situation than if left to the market alone.

Moreover, the gas distribution service in Italy and Greece has similar economic characteristics in terms of:

- a) nature of the products and services, i.e. gas distribution and metering. DEPA Infrastructure, through its subsidiaries, which are active in gas distribution and metering throughout Greece, operates a total of approximately 7,500 kilometres of network and more than 600,000 active re-delivery points;
- b) the nature of the production processes, i.e. the development and maintenance of assets related to the gas distribution service under concession. The finalisation of the DEPA Infrastructure transaction enabled Italgas to acquire the licence to distribute natural gas in 140 Municipalities on the Greek peninsula, of which 105 are already in operation;
- c) type or class of customer according to their products or services, i.e. sales companies;

- d) methods used to distribute its products or provide its services; i.e. the transport of gas through local pipeline networks, and
- e) nature of the regulatory environment, i.e. the management of a regulated business with a similar risk profile.

In accordance with Subsection 33 of IFRS 8, revenues, non-current assets and investments by geographic area are shown below:

(€ thousands)

2022	Italy	Greece
Revenues	2,230,362	82,114
Non-current assets	8,099,588	1,079,736
Investments in tangible and intangible assets	775,414	38,904

35) Related party transactions

Considering the “de facto” control of CDP S.p.A. over Italgas S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, Italgas' related parties, based on the current ownership structure, are represented by Italgas' associates and joint ventures, as well as by the parent company, CDP S.p.A., and by its subsidiaries and associates and direct or indirect subsidiaries, associates and joint ventures of the Ministry of Economy and Finance (MEF). Members of the Board of Directors, Statutory Auditors and managers with strategic responsibilities of the Italgas Group and their families, are also regarded as related parties.

As explained in detail below, related-party transactions involve the trading of goods and the provision of regulated services in the gas sector. Transactions between Italgas and related parties are part of ordinary business operations and are generally settled at arm's length, i.e. at the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the company and the group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the company intends to carry out and in which they have an interest.

Italgas is not subject to management and coordination activities. Italgas exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Civil Code.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties, are shown below. The nature of the most significant transactions is also stated.

With reference in particular to the balances exposed towards the Eni Group and Enel Group, the underlying relations refer to the natural gas distribution service business, according to the terms of the Network Code, defined by the Regulatory Authorities for Energy, Networks and the Environment. The Network Code regulates the non-discriminatory conditions, including tariffs, applicable to distribution users. These relations shall take the form of ordinary transactions concluded at arm's length conditions insofar as part of the core operating business of the Group, as envisaged by the Italgas Compliance Standard “Transactions involving the interests of the Directors and Statutory Auditors and Related Party Transactions”.

Commercial and other transactions

Commercial and other transactions are analysed below:

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(€ thousands)	31.12.2021			2021			2021	
	Receivable les	Payables	Guarantees and commitments	Costs (a)			Revenues (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		101				81		
		101				81		
Companies under joint control and associates								
- Umbria Distribuzione Gas		690				(5)		
- Metano Sant'Angelo Lodigiano		565				(5)		
- Gesam Reti		147						151
- Valdarno			36			185	14	39
- Enerpaper						54		
	1,402	36				229	14	998
								359
Companies owned or controlled by the State								
- Eni Group		180,121	28,341		2,881	837	2,552	651,409
- Snam Group		743	771			654	39	240
- Enel Group		41,499	5,009			27	760	151,435
- Anas Group		15	841			10	449	37
- Ferrovie dello Stato Group		238	61			1	699	
- GSE Gestore Servizi Group		2,481	-29			15	95,793	2,137
- Poste italiane Group		4	245			200		
- Terna Group								1
- Saipem Group			53			130		
	225,101	35,292				2,881	1,874	100,292
								805,221
								5,366
Other related parties								
- Zecca dello Stato [Italian State Mint]								1
- Eur Group			4				6	
- Gruppo Valitalia			1,286			8,215		
- Trevi			139			742		
	-	1,429	-			8,215	742	6
Total	226,503	36,858	-			11,096	2,926	100,312
								806,219
								5,726

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

(€ thousands)	31.12.2022			2022			2022	
	Receivable les	Payables	Guarantees and commitments	Costs (a)			Revenues (b)	
				Assets	Services	Other	Services	Other

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Parent company

- Cassa Depositi e Prestiti	-	184	-	90	9	-	-
	-	184	-	90	9	-	-

Companies under joint control and associates

- Umbria Distribuzione Gas	2,649	21	-	(14)	-	1,456	318
- Metano Sant'Angelo Lodigiano	489	(2)	-	(2)	-	759	146
- Gesam Reti	61	-	-	-	-	58	6
- Enerpaper	329	1,613	-	4,704	-	-	-
- Energie Rete Gas	2,156	-	-	-	-	-	5,090
	5,684	1,632	-	4,688	-	2,273	5,560

Companies owned or controlled by the State

- Eni Group	13,638	326,501	5,005	762	1,168	(148,369)	4,068
- Snam Group	308	359	-	218	7	241	49
- Enel Group	5,532	112,783	-	74	213	(87,468)	6,817
- Anas Group	20	1,061	-	9	482	-	-
- Ferrovie dello Stato Group	265	33	-	7	534	1	-
- GSE Gestore Servizi Group	2,033	(8)	-	41	153,728	3,866	34
- Poste italiane Group	4	242	-	64	-	-	-
- Leonardo Group	-	265	-	298	-	-	-
- Saipem Group	-	54	-	-	-	-	-
	21,800	441,290	5,005	1,473	156,132	(231,729)	10,968

Other related parties

- Eur Group	-	4	-	-	2	-	-
- Gruppo Valvitalia	-	832	4,318	-	-	-	-
- Oper Fiber	1	-	-	-	-	-	-
- UniCredit Previdenza	-	134	-	-	-	-	-
- Personal protective equipment	1	7	2	12	-	-	-
- E-Distribution	1	-	-	61	1	-	-
- CESI - Giacinto Motta	-	13	-	-	-	-	-
- Assicurazioni Generali	1,335	-	-	-	-	-	1,335
- Valdarno	-	81	-	463	2	-	-
- Trevi	-	66	-	66	-	-	-
	1,338	1,137	4,320	602	11	-	1,335
Total	28,822	444,243	9,325	6,853	156,152	(229,456)	17,863

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

Companies under joint control and associates

The main receivable commercial transactions mostly regarded IT supplies and staff services to Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A.

The main receivable commercial transactions mainly regard IT services.

Companies owned or controlled by the State

The main receivable commercial transactions refer to:

- the distribution of natural gas to the Eni Group;
- the distribution of natural gas to Enel Energia S.p.A.

The main payable commercial transactions refer to:

- the supply of electricity and methane gas for internal consumption by the Eni Group.

The main payable commercial transactions to the GSE refer to:

- acquisition of Energy Efficiency Certificates

Financial transactions

Financial transactions can be broken down as follows:

(€ thousands)	31.12.2021		2021	
	Receivable as	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti	-	-	-	163
	-	-	-	163
Companies under joint control and associates				
- Valdarno	-	1,815	-	-
	-	1,815	-	-
Other companies				
- Sace	-	-	-	751
	-	-	-	751
Total	-	1,815	-	914

(€ thousands)	31.12.2022		2022	
	Receivable as	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti	612	(50)	1	-
	612	(50)	1	-
Companies under joint control and associates				
- Energie Reti Gas	2,126	-	-	-
	2,126	-	-	-
Companies owned or controlled by the State				
- Ferrovie dello Stato Group	-	(124)	-	-
- Anas Group	-	(162)	-	-

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- ENI Group	-	-	-	-
- Snam Group	-	(1,581)	-	-
	-	(1,867)	-	-
Other companies				
- Sace	-	-	-	-
- Acqua Campania	120	-	-	-
- Personal protective equipment	-	(13)	-	-
	120	(13)	-	-
Total	2,858	(1,930)	1	-

Relations with the parent company CDP

The main financial transactions carried out with CDP specifically concern commissions on subscribed loans.

Companies under joint control and associates

The main financial transactions with Energie Reti Gas S.r.l. relate to a shareholder loan agreement.

Other companies

The main financial transactions entertained with Sace Ft S.p.A. relate to financial commission following the transfer of receivables.

Transactions with Directors, Statutory Auditors and key managers, with reference in particular to their remuneration, are described in the note "Operating costs", to which reference is made.

Impact of related-party transactions or positions on the statement of financial position, income statement and statement of cash flows

The impact of related-party transactions or positions on the Statement of Financial Position is summarised in the following table:

(€ thousands)	31.12.2021			31.12.2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Current financial assets	5,120		0.00%	5,770	2,246	38.93%
Trade and other receivables	588,098	225,831	38.40%	1,142,950	28,586	2.50%
Other current financial assets	-	-	#DIV/0!	17,455	-	0.00%
Other current non-financial assets	54,079	4	0.01%	80,775	4	0.00%
Other non-current financial assets	2,848	-	0.00%	22,945	612	2.67%
Other non-current non-financial assets	80,366	668	0.83%	153,575	232	0.15%
Short-term financial liabilities	591,188	464	0.08%	142,437	118	0.08%
Trade and other payables	769,137	36,683	4.77%	1,197,117	444,040	37.09%
Other current financial liabilities	290	-	0.00%	290	-	0.00%
Other current non-financial liabilities	13,111	175	1.33%	30,072	194	0.65%
Long-term financial liabilities	5,785,707	1,351	0.02%	6,402,913	(2,048)	(0.03)%

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Other non-current financial liabilities	6,283	-	0.00%	34	-	0.00%
Other non-current non-financial liabilities	534,425	-	0.00%	545,192	-	0.00%
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The impact of related-party transactions on the income statement is summarised in the following table:

(€ thousands)	2021			2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenues	2,098,463	806,219	38.42%	2,182,712	(229,456)	(10.51)%
Other revenues and income	64,769	5,726	8.84%	129,764	17,863	13.77%
Costs for raw materials, consumables, supplies and goods	150,932	11,096	7.35%	154,746	9,325	6.03%
Costs for services	614,223	2,926	0.48%	654,094	6,853	1.05%
Costs for leased assets	90,780	1,142	1.26%	102,319	1,021	1.00%
Personnel cost	254,580	-	0.00%	257,492	-	0.00%
Other expenses	25,783	99,170	384.63%	25,440	155,131	609.79%
Financial expense	64,645	914	1.41%	61,367	-	0.00%
Financial income	3,630	-	0.00%	4,043	1	0.02%
<hr/>						

Related-party transactions are generally carried out at arm's length, i.e. at the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table:

(€ thousands)	2021	2022
Revenues and income	811,945	(211,593)
Costs and charges	(115,248)	172,330
Change in current financial assets		(121)
Change in trade and other current receivables	27,351	197,245
Change in non-current financial assets		(612)
Change in other assets	7	436
Change in trade and other payables	8,148	407,357
Change in other current liabilities		19
Interest collected (paid)	(914)	(1)
Net cash flow from operating activities	731,289	565,060
Net investments		
- (Purchase) Sale of equity investments	(807)	(12,128)

Net cash flow from investment activities	(807)	(12,128)
Dividends distributed to minority shareholders	(88,646)	(94,334)
Increase (decrease) in financial debt	(818)	(3,745)
Net cash flow from financing activities	(89,464)	(98,079)
Total cash flows to related entities	641,018	454,853

The incidence of cash flows with related parties are shown in the following table:

(€ thousands)	2021			2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	839,634	731,289	87.10%	548,169	565,060	103.08%
Cash flow from investment activities	(813,741)	(807)	0.10%	(1,283,826)	(12,128)	0.94%
Cash flow from financing activities	701,844	(89,464)	(12.70)%	(204,160)	(98,079)	48.04%

36) Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during the course of the year.

37) Positions or transactions arising from atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no atypical and/or unusual positions or transactions took place during the course of the year.

38) Significant events after year end

Further post-balance sheet events are described in the section "Other information" contained in the Directors' Report.

39) Publication of the financial statements

The financial statements were authorised for publication by the Board of Directors of Italgas at its meeting of 09 March 2023. The Board of Directors authorised the Chairman and the Chief Executive Officer to make any changes which might be necessary or appropriate for finalising the form of the document.

Certification of the consolidated financial statements pursuant to Article 154-bis, paragraph 5 of Legislative Decree 58/1998 (Consolidated Finance Act)

1. Pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, the undersigned Paolo Gallo and Giovanni Mercante, as Chief Executive Officer and Director in charge of preparing company accounting documents of Italgas S.p.A. respectively, certify:
 - the adequacy, considering the Company's characteristics, and
 - the effective implementationof the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2022.
2. The administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2022 were defined and their adequacy was assessed using the rules and methods in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a benchmark framework for the internal control system generally accepted at international level.
3. It is also certified that:
 - 3.1 The consolidated financial statements at 31 December 2022:
 - a) were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) are consistent with the accounting books and records;
 - c) are able to provide a true and fair view of the financial position, results of operations and cash flows of the issuer and the consolidated companies.
 - 3.2 The Directors' Report includes a reliable analysis of the operating performance and results, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

9 March 2023

Chief Executive Officer

Paolo Gallo

Executive responsible for preparing
the corporate accounting documents

Giovanni Mercante

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Italgas S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Italgas S.p.A. and its subsidiaries ("Italgas Group" or "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the income statement and the consolidated statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Italgas S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Investments in service concession agreements for the natural gas distribution and metering services and related impairment test

Description of the key audit matter As at December 31, 2022, the Group accounts for intangible assets including the captions "Service concession agreements" and "Work in progress and payments on account IFRIC 12", respectively equal to euro 7,909,650 thousand and euro 271,847 thousand, mainly related to investments made for development and maintenance of the infrastructures related to the service concession agreements for the natural gas distribution and metering services located in Italy and Greece. Investments made in the financial year relating to these items of intangible assets totaled euro 730,028 thousand. The goodwill allocated to the cash-generating units for the "distribution and metering of natural and other gases" and for the "distribution and metering of natural gas abroad" (the business combination, which identified the latter cash-generating unit, is the topic of the next key audit matter) amounts to euro 66,200 thousand and euro 115,789 respectively.

The natural gas distribution and metering activity is regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA") and Greek Regulatory Authority for Energy ("RAE"), which define, among the others, the rules for the remuneration of the natural gas distribution and metering services. In particular, the regulated revenues for the natural gas distribution and metering services provided by the Group are determined by ARERA and by RAE and provide for recognition of a predefined return on net invested capital recognized for regulatory purposes (RAB – Regulatory Asset Base), relative depreciation and certain operating expenses – the so-called "revenue cap". The RAB value is mainly determined through the "revalued historical cost" and the "historical cost" method, respectively by ARERA and by RAE.

At the end of the financial year, the Group's Management assessed the recoverability of non-financial fixed assets related to the natural gas distribution and metering services comparing the carrying amount, represented by the net invested capital of the relative cash-generating unit, with the corresponding recoverable amount. In performing the impairment test, the recoverable amount of the cash-generating unit "distribution and metering of natural and other gases" and the cash-generating unit "distribution and metering of natural gas abroad" were estimated respectively according to the methodology of the RAB updated as at the balance sheet date and the fair value less cost to sell estimated on the basis of a recent market transaction. No impairment loss resulted from the test.

We believe that investments in service concession agreements related to the natural gas distribution and metering services and the related impairment test represent a key audit matter for the Group's consolidated financial statements as at December 31, 2022 due to: (i) The relevance of the intangible assets related to such service concession agreements compared

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to the Group's total assets, (ii) the relevance of the investments made during the year, compared to the amount of the intangible assets for service concession agreements and (iii) their impact in determining the revenue cap for the remuneration of the natural gas distribution and metering services.

Paragraphs "3) Measurement criteria – Intangible assets", "3) Measurement criteria – Impairment of non-financial fixed assets", "5) Use of estimates" and "14) Intangible assets" of the consolidated financial statements include the disclosure on the investments and the relative impairment test.

Audit procedures performed	<p>With reference to investments in service concession agreements for the natural gas distribution and metering services and the relative impairment test, our audit procedures included, among the others, the following:</p> <ul style="list-style-type: none"> • Understand the processes and relevant controls related to the recognition of such investments in the financial statements and assessment of their operating effectiveness. • Understand the processes and relevant controls related to impairment test. • Critical analysis of the composition of the intangible assets caption, including the analysis of any unusual item. • For a sample of investment items accounted within intangible assets for which the amortization process begun during the year, test of the accurate start of depreciation when the asset is available for use and aging analysis of the assets capitalized within work in progress. • With reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards. • Assessment of the consistency between the useful life used for the depreciation of the assets under concession and their regulatory useful life and reperforming of the periodic depreciation. • Discussion meetings with the Group's Management in order to understand the impairment test methodology. • Assessment of the reasonableness of the assumptions underlying the determination of the recoverable amount, also using the work of experts of the Deloitte network.
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Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Recognition of Group DEPA business combination

Description of the key audit matter On September 1, 2022, the Group finalized the acquisition of DEPA Infrastructure Single Member S.A. and its subsidiaries Thessaloniki - Thessalia Gas Distribution S.A., Attiki Natural Gas Distribution Single Member Company S.A. e Public Gas Distribution Networks S.A., the three main players in gas distribution in Greece for a total consideration of euro 929,146 thousand.

The transaction was recognized in the consolidated financial statements as required by the International Accounting Standard IFRS 3 "Business combinations" which provides for an allocation process of the acquisition cost ("Purchase price allocation – PPA") and which required Management to assess the fair value of the assets acquired and liabilities assumed, also through the support of independent experts.

The values allocation process performed as a part of the PPA involved, among other, the recognition of intangible assets related to the licenses for natural gas distribution for euro 134,055 thousand and the related deferred tax, deferred tax asset on tax losses carryforward for euro 11,120 thousand, higher provisions for euro 13,800 thousand and, for the residual amount, goodwill for euro 115,789 thousand. The Directors report that, in accordance with the provisions of the IFRS 3, the values allocation process is not definitive, considering the fact that certain information, already available at the acquisition date, is still under analysis.

Considering the subjectivity and complexity of the valuation matters affecting the process of determining the fair value of net assets acquired, as well as the relevance of the effects of this transaction, we considered the recognition of the business combination of Group DEPA Infrastructure S.A. a key audit matter of the Group's consolidated financial statements.

Paragraphs "2) Consolidation principles – Business combination", "5) Use of estimates" and "6) Business combination transactions" of the consolidated financial statements include the disclosure on the process followed by the Group Management and the effects in the consolidated financial statements.

Audit procedures performed	<p>As part of our audits work, we carried out the following procedures also using the work of experts of the Deloitte network:</p> <ul style="list-style-type: none"> • Analysis of the agreements related to the investments acquisition in order to understand the relevant terms and conditions. • Understand the processes and relevant controls adopted by the Group related to the recognition of business combinations in accordance with the international accounting standard IFRS 3. • Understand the criteria used by Management for the recognition of the transaction.
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- Examination of the reports issued by the independent experts appointed by the Company to support the Management in the purchase price allocation process.
- Assessment of the competence, capacity and objectivity of independent experts.
- Obtain information from Management and independent experts.
- Analysis of the reasonableness of the main assumption adopted by the Management to determine the fair value of the acquired assets and liabilities.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

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Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Italgas S.p.A. has appointed us on May 12, 2020 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Italgas S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the illustrative notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Italgas S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Italgas Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

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We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Italgas Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Italgas Group as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Italgas S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
March 24, 2023

As disclosed by the Directors on page 1, the accompanying consolidated financial statements of Italgas S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.