



CONSOLIDATED
NON-FINANCIAL
DISCLOSURE



2018



CONSOLIDATED NON-FINANCIAL DISCLOSURE

2018

LETTER to STAKEHOLDERS

Dear readers,

I am pleased to bring to your attention the second non-financial report of the 2i Rete Gas Group, which aims to present the progress and results of the Group in terms of corporate responsibility to all our stakeholders, from our shareholders to employees, and from the municipalities served to our suppliers.



As we understood even from the first approach to these topics, the drafting of a document of this type should not be limited to a mere presentation of data, as it opens up an opportunity for a calm reflection on what we have done so far and what we still have to do and want to do in order to pursue a balanced and sustainable development, keeping in mind the interests of all stakeholders.

The valorisation of non-economic parameters, corresponding to factors such as plant and work safety, efficiency and quality of service, respect for human rights, development of resources, fight against corruption, environmental protection, allows us to share the results achieved, but at the same time it becomes a commitment to maintain the level reached and even improve it.

While we have confirmed that sustainability is already an intrinsic element of our values and activities, the awareness that derives from monitoring our performance over time requires actions of greater responsibility and more stringent and forward-looking objectives.

In 2018, the Group acquired 100% of the shares in Compagnia Generale Metanodotti S.r.l. and completed the acquisition of 100% of the share capital of the companies Nedgia S.p.A. (now 2i Rete Gas Impianti S.p.A.) and Gas Natural Italia S.p.A. (2i Rete Gas Servizi S.p.A) from the Spanish multinational Naturgy thus consolidating our presence in Central and Southern Italy.

In only a few months, we completed the process of integration for the two companies we acquired, placing around 250 resources in 2i Rete Gas, unifying the technical and commercial activities, implementing the same operating and management model, and redefining the territorial and organisational structures.

This rapid integration was only possible due to the active, responsible, and cohesive participation of all the resources involved. The scope of consolidation with this Disclosure therefore includes 2i Rete Gas S.p.A. and their subsidiaries and consolidated companies as of 31.12.2018.

In 2018, the company also made significant investments in the professional and personal development of their human capital, with specialist training courses for future managers and with a significant increase in the number of hours of training provided to technical and operational staff.

The valorisation of performance and the system of target-based incentives was further implemented.

Another important innovation was the introduction of corporate welfare, which allows employees to convert part of the production bonuses into services.

In 2018 we laid the foundations to give a new boost to the gas distribution works in 31 municipalities in Cilento, an important project which confirms our contribution to the development of the region

and the constant dialogue with local communities, as well as our ability to make considerable investments for the growth of the Group.

In full agreement with the objectives of progressive decarbonisation and fight against climate change, 2i Rete Gas supports promoting the use of gas as an economic and low-emission energy source, together with the main operators in the sector.

Our commitment to protecting the environment is being further materialised with the "Energy Efficiency" project, aimed at Public Administrations that intend to improve the energy performance of their buildings and public lighting systems.

Also in 2018, contact with biomethane manufacturers increased significantly. We are aware that, with regard to these issues, our commitment must continue to grow in order for us to be an active player in the upcoming energy market.

We want to increase stakeholder involvement as a key factor in guiding our strategies along the environmental, social and economic sustainability dimensions, and we aim to maintain our position of leadership as a solid, reliable and responsible Group.

We thank all our partners in dialogue for their attention and contributions.

Enjoy the read!

Michele De Censi
Chief Executive Officer

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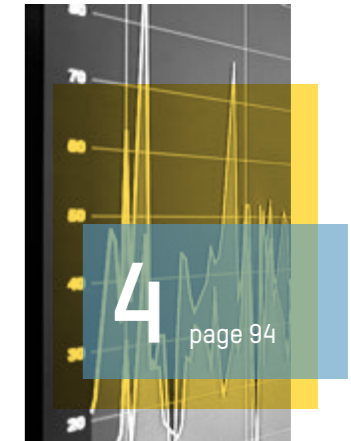
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METHODOLOGICAL FRAMEWORK

OBJECTIVE AND REFERENCE STANDARDS

For its second edition, the “Consolidated non-financial disclosure” (hereinafter also referred to as the “Disclosure”) of the Group 2i Rete Gas has also been drawn up pursuant to **Legislative Decree no. 254 of 30 December 2016** (hereinafter referred to as the “Decree 254”) and envisaged, as a methodological framework, the use of the principles defined by the “**Sustainability Reporting Standards**” of the **Global Reporting Initiative** (hereinafter referred to as “GRI”), with a “**Core**” approach. In particular, the following reporting principles have been taken into account: **Stakeholder Inclusiveness; Sustainability Context; Materiality; Completeness; Balance; Comparability; Accuracy; Timeliness; Clarity and Reliability**, as required by the GRI Standards.

The Disclosure highlights the results of the in-depth analyses carried out in relation to the thematic areas selected as relevant in editorial terms, based on Decree no. 254/2016, the characteristics of the Group and the activity carried out, and, where appropriate, and also with a view to the best practices in the industry, commenting on the results presented. The level of detail and of reporting on the topics, in compliance with Decree no. 254/2016 and the guidelines of the GRI, reflect an updating of the materiality analyses carried out.

SCOPE

The scope of the consolidation as per the Disclosure consists of 2i Rete Gas S.p.A. (hereinafter the Parent Company) and their subsidiaries and fully consolidated companies (hereinafter the Group) as of 31.12.2018. The Group companies mainly carry out gas distribution activities regulated by the Regulatory Authority for Energy, Networks and the Environment (ARERA), through the management of 2,150 concessions with over 66 thousand km of network and 4.4 million redelivery points.

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



+460 thousand end clients of the networks managed with the acquisition of Nedgia S.p.A..



+7,300 km of distribution networks with the acquisition of Nedgia S.p.A.

With this operation, the Group has added an additional **460 thousand end clients to their distribution portfolio, managed on more than 7,300 km of distribution network, and another 223 methane concessions with municipalities**, consolidating their presence in Central and Southern Italy and increasing the number of Minimum Territorial Areas (or ATEMs) in Italy where they are present.

The transaction was submitted to the approval of the Antitrust Authority on 29 January 2018. The measure provided for both structural measures, i.e. the deployment of certain assets in two ATEMs, and for a set of diversified behavioural commitments, which 2i Rete Gas S.p.A. proposed after an intense discussion with the Antitrust Authority, capable of having a positive impact on the competitive situation of the tenders in six territorial areas concerned.

Also as a result of this operation, throughout the year the Group also provided staff services to Edison Energie S.p.A. (formerly known as Gas Natural Vendita Italia S.p.A. - acquired by the Edison Group in the same operation) through their subsidiary 2i Rete Gas Servizi S.p.A., and the further management of certain services relating to the Integrated Water System through their subsidiary 2i Rete Gas Impianti S.p.A..

In May 2018, the Parent Company acquired 100% of the share capital in Compagnia Generale Metanodotti S.r.l., a company operating in the gas distribution sector in the Municipality of Cadeo (PC), with a managed network of approximately 60 km and a total of 2,700 redelivery points in concession.

Regarding the water services provided in general, the marginality of these services is confirmed in relation to the main business, both from the economic point of view and in terms of activities directed to clients, as is the reaffirmation of their gradual discontinuing, as confirmed in the 2018 prospectus of the EMTN Programme of the Parent Company. For this reason, these services are not covered by this Disclosure.

The following indicators are taken as reference for the reporting year considered between 1 January and 31 December 2018; in order to ensure comparability, the data and information for the years 2016 and 2017 have also been reported as required by GRI.

The change in the scope of the consolidation between the three financial years and the other elements deemed necessary for understanding the performance of the three-year period have been included in specific explanatory notes in the document; the information concerning the companies acquired is included in the scope of the consolidation 2018 of this Disclosure, while the comparative data relating to 2016 and 2017 do not include information on the companies acquired in 2018.



+2,700 redelivery points in concession with the acquisition of Compagnia Generale Metanodotti S.r.l.

PROCESS FOR THE IDENTIFICATION OF STAKEHOLDERS, DEFINITION OF THE THEMATIC AREAS AND OF THEIR MATERIALITY

The process for identifying stakeholders, defining relevant topics, and structuring the report was managed by the “Sustainability and Transparency” Work Group and submitted for final approval to the Steering Committee made up of the directors and the CEO. In order to update the relevant themes and based on the activities carried out in the previous year, the Work Group prepared and submitted an evaluation questionnaire to the company management in charge of the relations with the identified stakeholders and, at the same time, to define the vision of the Group.

The critical review of the relevant themes performed by management, also in light of the integration with a new corporate scope, led to the inclusion of three additional subjects: the Commercial development of the network (due to the business opportunities throughout the year), Innovation (due to the current drive to digitize the entire supply chain), and Corporate Welfare and Diversity (in relation to the start of the new Corporate Welfare plan).

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

In order to collect information on the relevant topics covered by this Disclosure, the Work Group used data collection sheets, which were handed over to the contact persons from the company departments involved. The data was processed and verified by the various department managers.



sostenibilita@2iretegas.it

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

The process of continuous review of relevance will continue in the years to come, also through a process of stakeholder engagement. As part of this process, in 2018 both a customer satisfaction analysis to measure the quality level perceived by different types of clients on specific aspects of the service provided, and the project definition of all the preparatory activities for the work-related stress assessment, were carried out in order to identify any critical issues relating to factors of work contents and context, or to implement an adequate risk management strategy that helps improve working conditions and health and safety protection levels of People.

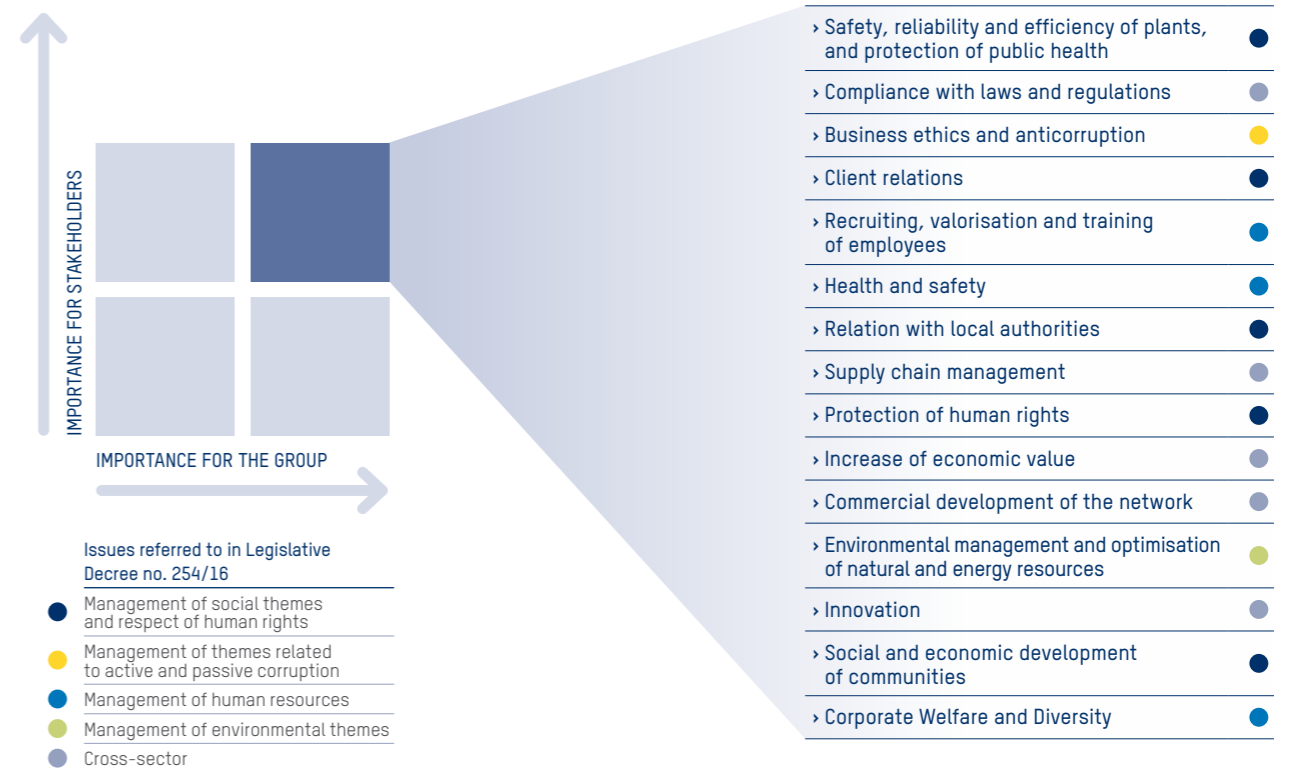
The Board of Directors of 2i Rete Gas S.p.A. approved this document on 25 March 2019. This consolidated non-financial disclosure is subject to limited assurance in accordance with ISAE 3000 by PricewaterhouseCoopers S.p.A..

An e-mail address for further requests for information is available in order to facilitate dialogue with stakeholders.

Key Stakeholders for the Group



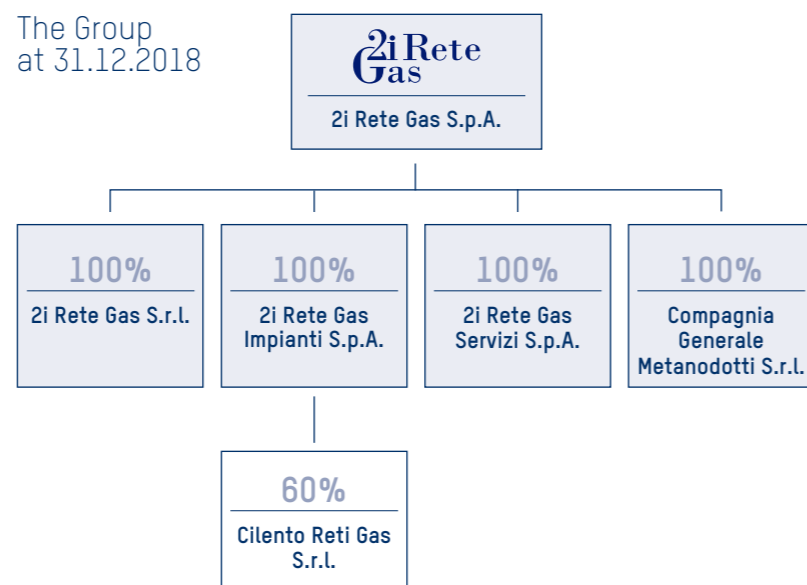
Key Topics in the Materiality Matrix



PROFILE and MISSION of the GROUP

Our Group is the result of a process of acquisitions that over time has led us to being committed to integrating and consolidating multiple realities in the industry.

In 2018 we acquired the entire shareholding of 2i Rete Gas Impianti S.p.A., which in turn controls 60% of Cilento Reti Gas S.r.l.; of 2i Rete Gas Servizi S.p.A., and of Compagnia Generale Metanodotti S.r.l..



The mission of the Group is to manage and develop gas distribution networks and infrastructures, pursuing constant improvement and operational excellence, investing in safety and quality of service, innovating technologies while respecting the environment, constantly developing the skills of its human capital, creating value for the Country.

4.4 million
Redelivery points

2,150
Concessions managed

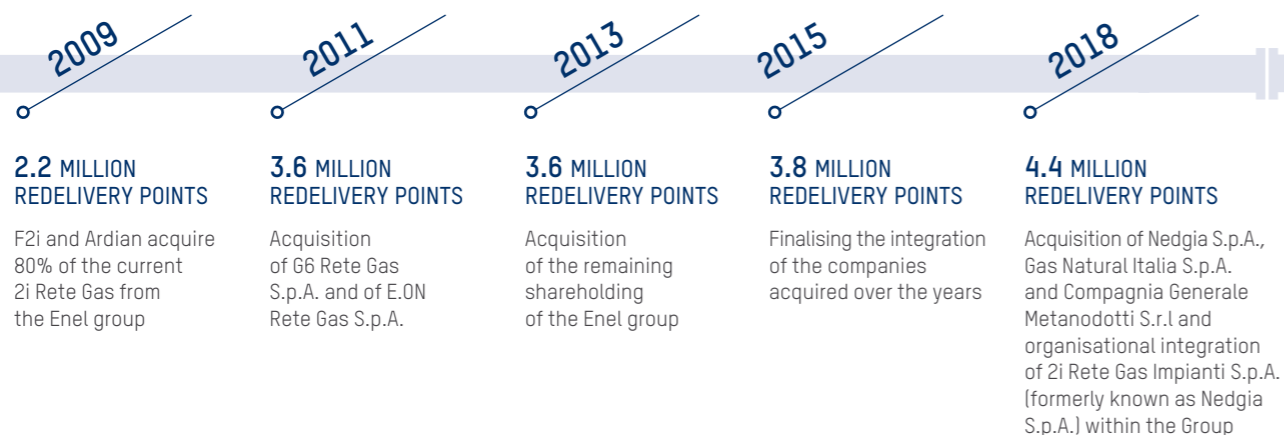
66 thousand
km of network managed

18
Regions

6 billion
m³ of gas transported

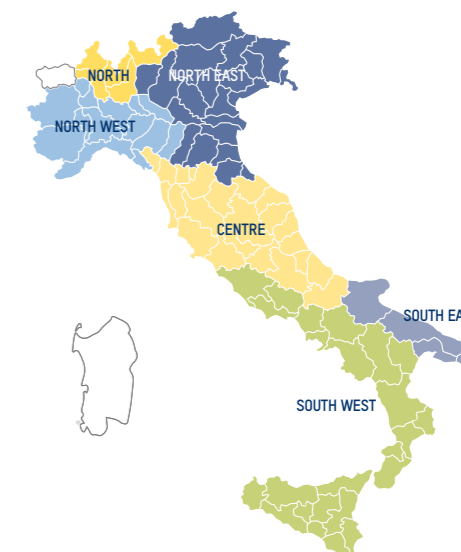
2,114
Employees

Main stages in our history



Territorial Departments

- NORTH**
Biella
Como-Valtellina
Costa Masnaga
Tradate
- NORTH EAST**
Bergamo
Mira
Rovigo
- NORTH WEST**
Castellazzo-Bormida
Milano Sud
Piacenza
Albenga
- CENTRE**
Massa
Perugia
L'Aquila
Viterbo
Chieti
- SOUTH WEST**
Frosinone
Napoli
Catania
Palermo
- SOUTH EAST**
Foggia
Bari
Taranto
Lecce-Brindisi



BUSINESS MODEL

We operate in the natural gas supply chain as distributor, under public concession.

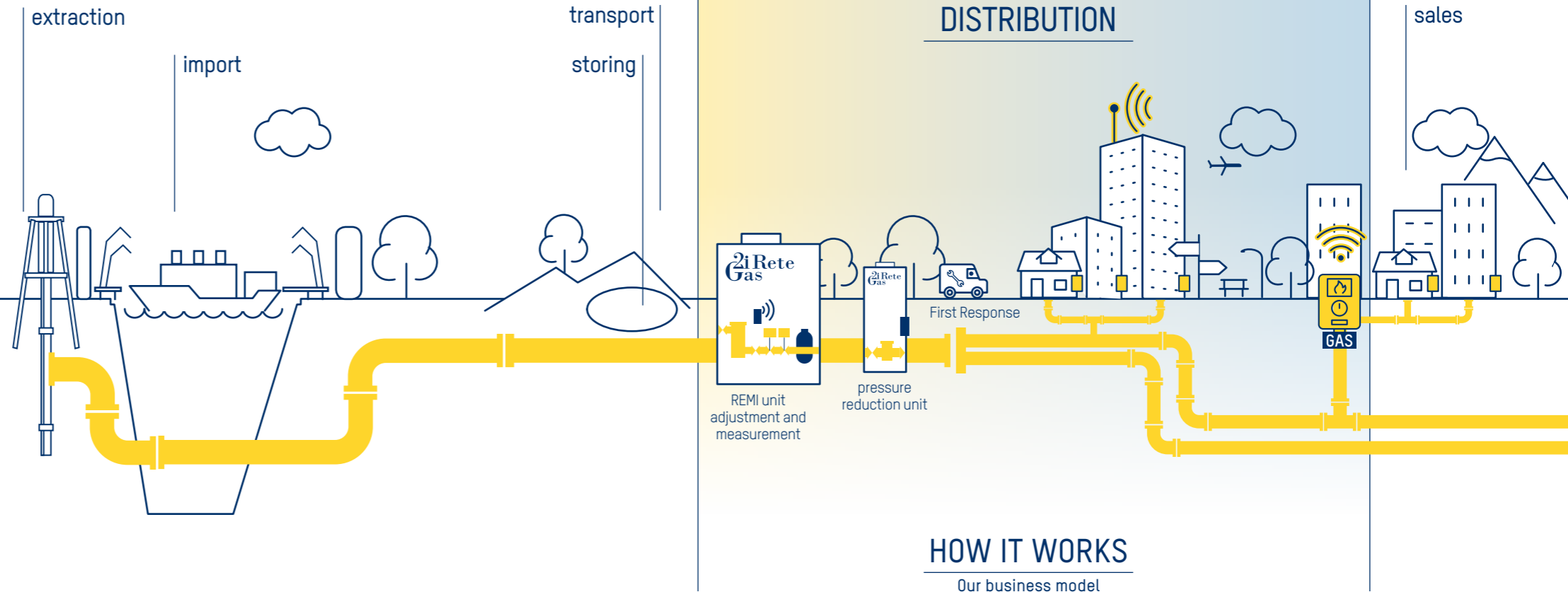
The business model used by the Group is based on the Integrated Management System of Quality, Safety, and Environment (hereinafter "IMS"), implemented by 2i Rete Gas S.p.A. in order to ensure the company's ability to regularly and continuously supply the "Management and Operation of the Natural Gas Distribution Service", in compliance with the applicable mandatory requirements.

The IMS of 2i Rete Gas S.p.A. is certified by the Certification Institute Certiquality and maintained in compliance with standards UNI EN ISO 9001:2015, UNI EN ISO 14001:2015, and BS OHSAS 18001:2007. The IMS applies to all company production units.

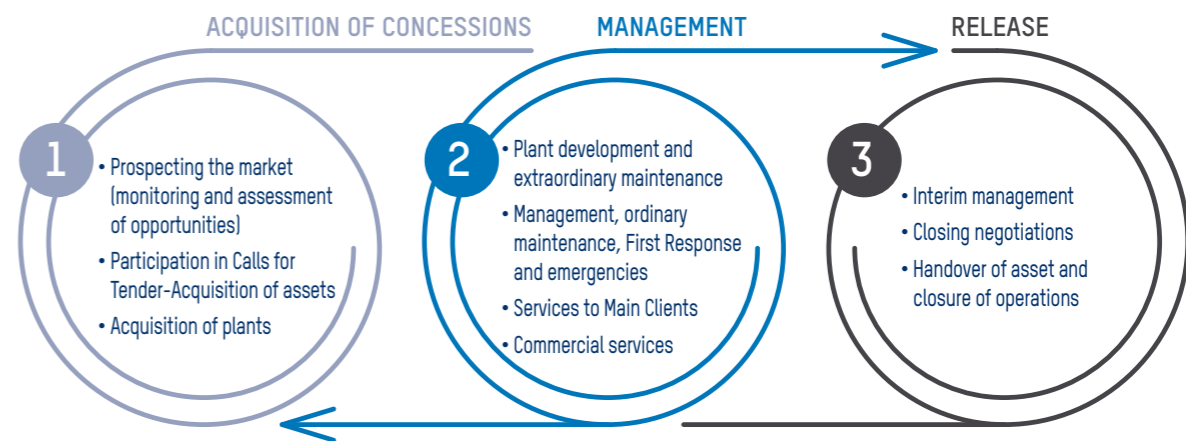
The scope of the IMS is "Activities of distribution of methane gas and LPG (operation, maintenance, and assistance of plants and networks of distribution of methane gas and LPG). Design, construction, and installation of plants and networks for the distribution of methane and LPG gas".

The framework where this scope is identified consists of the activities necessary to ensure the business process "Management and Administration of the Natural Gas Distribution Service" which develops in three different time phases (primary process macro-flows):

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



Our business model is designed to manage efficiently the distribution infrastructure until the next renewal of the concession, ensuring the continuity and quality of the service we provide.



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

SHARED VALUES

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

*Our **VALUES**, together with our **MISSION** and our **CODE OF ETHICS**, represent the guidelines in which we can all recognise and find ourselves.*

2i Rete Gas

NOLSIAMO COLLABORAZIONE E CONDIVISIONE

Promuoviamo la cultura della partecipazione, del confronto e della condivisione. Chiunque può contribuire con idee e impegno a trovare soluzioni per semplificare il lavoro.

2i Rete Gas

NOLSIAMO COMPETENZA ED ECCELLENZA

Manteniamo elevata la nostra competenza, in un'ottica di miglioramento continuo. Perché la distribuzione di gas naturale è un servizio reso alla collettività. E ne siamo orgogliosi.

2i Rete Gas

NOLSIAMO INNOVAZIONE E CAMBIAMENTO

Crediamo nell'innovazione e nella rivoluzione digitale per garantire sicurezza, efficienza, efficacia e semplificazione nei processi operativi e per sviluppare nuovi ambiti di attività e nuove opportunità di business.

2i Rete Gas

NOLSIAMO RESPONSABILITÀ E RISPETTO

Perseguiamo uno sviluppo sostenibile costruito nel pieno rispetto della persona. Le nostre strategie sono in armonia con lo sviluppo sociale, culturale e ambientale delle comunità in cui operiamo. Promuoviamo comportamenti responsabili fondati su lealtà, correttezza e integrità e nel rispetto della salute e della sicurezza, grazie a una conoscenza dei rischi e a un controllo sulle attività svolte.

Policies and certifications

We have adopted an IMS that includes the integrated policy of 2i Rete Gas S.p.A., which sets out the relevant themes with respect to the three standards to which it refers, namely quality, safety, and the environment. At the same time, this integrated policy underlines our organisation's attention towards all internal and external stakeholders, the respect for Human Rights and social commitment, also through respect for diversity, as well as the fight against corruption in the context of business activities.

The Parent Company operates in accordance with the provisions of its own **certified IMS**, which covers **all the production units and facilities managed directly or through a service contract**. Compliance with the reference standards is guaranteed by the Certification Institute "Certiquality", which periodically evaluates the integrated system in accordance with the reference standards and the regulations of the accreditation body ACCREDIA.

In 2018, "Certiquality" assessed the **IMS of the Parent Company** for the sector EA 26, 28 - Design, construction and installation of plants and networks for the distribution of methane gas and LPG - Activities for the distribution of methane gas and LPG (operation, maintenance and assistance of plants and networks for the distribution of methane gas and LPG) as **"compliant"** with the reference standards, also validating the transition process to the new standards UNI EN ISO 9001-2015 and UNI EN ISO 14001-2015.

The certification has also been renewed for the standard OHSAS 18001-2007, which is to be transferred to the latest UNI ISO 45001-2015 by March 2021. The process of adapting to the new reference standard has already been assessed as effective and shall be



The Integrated Management System of 2i Rete Gas S.p.A., in compliance with standards UNI EN ISO 9001-2015, UNI EN ISO 14001-2015, and OHSAS 18001-2007

submitted for certification during the periodic audit scheduled for 2019.

In addition to the system certificates of the Parent Company, in 2018 the following were **maintained and certified**:

- the **quality management system of 2i Rete Gas S.r.l.**, compliant with reference standard **UNI EN ISO 9001:2015**;
 - the **quality, environment, health, and safety management system of 2i Rete Gas Impianti S.p.A.**, compliant with reference standards **UNI EN ISO 9001:2015, UNI EN ISO 14001:2015, OHSAS 18001:2007**.
- Following the acquisition of the company, the certificates for the IMS were first "transferred" from the former Spanish certification institute AENOR to the Italian "Certiquality" Institute, and then subjected to confirmation and maintenance audits with the result **compliant**.

The Group considers its integrated system as a fundamental stimulus for staff involvement and for the continuous improvement of its business activities.

INTEGRATED POLICY FOR QUALITY, SAFETY, AND THE ENVIRONMENT

2i Rete Gas represents a national reference in the gas distribution sector due to the development of a model of excellence for performing their activities, as well as in terms of quality, health and safety, and environmental protection.

Fully aware of this role, 2i Rete Gas intends to continue to increase its value, in order to guarantee and offer the best possible service to its customers, to the local areas where it operates, and to its own staff and suppliers, in a fully collaborative spirit aimed at mutual growth, where protecting human and environmental resources is fundamental.

To ensure all this, 2i Rete Gas is committed to:

- **Develop the skills of its human capital** and at the same time pay constant attention to its internal resources, promoting the valorisation of excellence fully respecting gender and age ensuring training and growth programme while promoting an expanded culture of health and safety and respect and protection of the environment;
- **Pursue operational excellence through the continuous improvement of its performance** in managing plants and infrastructures, by focusing on

milestones such as:

- **Safety**, both internally for its employees and externally for clients, the community, the environment, and suppliers;
- **Efficiency**, with a view to technological innovation in the design, construction, and management of distribution networks, enabling the improvement of quality standards, continuity and security of service, and minimising environmental impact;
- **Attention** paid constantly to all stakeholders;
- **Optimisation** of the use of natural and energy resources, promoting the protection of the environment.

Ensure compliance with the rules applicable to our industry, valuing these principles as a minimum basis for searching and achieving ever higher safety standards, while maintaining and developing proactivity and being ready to adapt to regulatory changes;

Seek an economically sustainable optimisation of the process of managing and operating the natural gas distribution service, including by weighing up the risks and opportunities offered.

2i Rete Gas considers its Management System for Quality, Health and Safety, and Environment to be a fundamental tool in supporting its employees and in the continuous improvement of their business activities, in line with the principles set forth in the Code of Ethics and the Organisational Model. 2i Rete Gas is constantly committed to being an active player in the protection of Human Rights and Ethics in its sphere of influence, paying constant attention also to the impact of its business activities on stakeholders.

2i Rete Gas is committed to the eradication of unethical practices by its human resources which could result in corruption events and implements its own policies in order to prevent other people or entities from using similar practices on its own employees.

The staff of 2i Rete Gas shares these principles, in the deep-rooted belief that its work is paramount for achieving the objectives set and maintaining the company at the highest levels of professionalism and social responsibility.

Governance and regulatory compliance

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

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

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

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

OWNERSHIP STRUCTURE AND LEGAL FORM

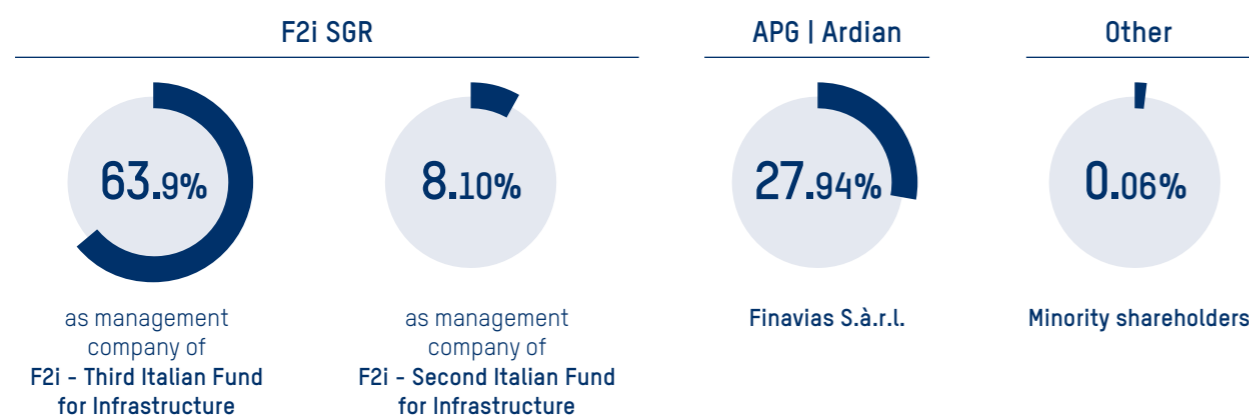
2i Rete Gas S.p.A. is a joint-stock company controlled by infrastructure investment funds reserved for institutional investors and managed by F2i SGR S.p.A. (Italian Infrastructure Funds) and participated, through the shareholder Finavias S.a.r.l., by APG and Ardian.

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

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

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

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



GOVERNANCE STRUCTURE, APPOINTMENT SYSTEM AND BODIES

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

- The General Shareholders' Meeting
- The Board of Directors
- The Board of Statutory Auditors

with the statutory audit of the Group entrusted to the independent auditors PricewaterhouseCoopers S.p.A..

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

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

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



The Board of Directors is composed of 9 members, 3 of which are women. The Board of Directors includes high-profile managers and professionals from the management of F2i SGR, APG, and Ardian, as well as from the decision-making bodies of the infrastructure funds sponsors identified by the Shareholders in order to represent an adequate combination of professional experience and individual skills.

2i Rete Gas S.p.A., whose share capital is not listed on a regulated market, at the time of appointment, verifies that the Directors meet the necessary requirements of integrity and that there are no conflicts of interest with the Company.

The **Board appointed Michele Enrico De Censi as Chief Executive Officer**, a manager with a high level of experience in the energy and infrastructure sector, granting him the powers necessary for the management of the company 2i Rete Gas S.p.A.. The Board of Directors of 2i Rete Gas S.p.A. has also set up an **Executive Tender Committee** composed of 4 members of the Board of Directors and chaired by the Chief Executive Officer, the purpose of

which is to support the Company in evaluating and deciding on its participation in major calls for tender.

The companies that are directly controlled are wholly owned by the Parent Company and are subject to its management and coordination, with a Sole Director at the top. Cilento Reti Gas S.r.l., the company that manages the concession and the gas distribution project in the Cilento area, is the only one controlled indirectly through 2i Rete Gas Impianti S.p.A. that holds 60% of the shares; the remaining 40% is owned by the construction company Bonatti S.p.A., and as such the company is administered by a Board of Directors with directors representing both shareholders.

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

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

| | | |
|---|---|--|
| Paola Muratorio - 1949 Chairman of the Board of Directors | Carlo Michelini - 1968 Deputy Chairman and Member of the Tender Executive Committee | Michele Enrico De Censi - 1966 Director Chief Executive Officer and Managing Director Chairman of the Tender Executive Committee |
| Matteo Ambroggio - 1972 Director and Member of the Tender Executive Committee | Rita Ciccone - 1960 Director | Rosaria Calabrese - 1978 Director |
| Rosario Mazza - 1983 Director and Member of the Tender Executive Committee | Carlo Maddalena - 1987 Director | Jans-Willem Ruisbroek - 1982 Director |

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

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

BOARD OF STATUTORY AUDITORS

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

The Board of Statutory Auditors consists of 3 standing auditors and 2 substitute auditors who remain in office for three financial years; their term expires on the date of the General Shareholders' Meeting called to approve the financial statements for the last financial year of their term in office (31 December 2020), at which point they may be re-elected. In accordance with the provisions of article 19 of Legislative Decree no. 39/2010 on control bodies in Public Interest Entities, the Board of Statutory Auditors is also qualified as **Internal Control and Audit Committee**. They shall also oversee the financial reporting process, the effectiveness of the internal control and risk management systems, and also the independence of the statutory auditor or of the statutory audit firm, in particular with regard to the provision of non-audit services to the audited entity.

SUPERVISORY BOARD

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

2i Rete Gas S.p.A. and the companies of the Group have appointed a Supervisory Body (hereinafter referred to as the "Supervisory Body") in accordance with Legislative Decree no. 231/01; in the case of the Parent Company, this Body consists of 3 members, of which 1 is internal.

PROCEDURAL CODE ON INTERNAL DEALING

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

Since within the framework of the EMTN Programme, last updated on 25 July 2018, the Parent Company is an issuer of bonds approved for listing on the regulated market managed by the Irish Stock Exchange, 2i Rete Gas S.p.A. has implemented governance measures to ensure compliance with the applicable requirements in terms

of "market abuse" (last imposed by Regulation (EU) no. 596/2014) and, to the extent applicable, to ensure transparency.

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

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



Adoption of a Procedural code on internal dealing

BUSINESS ETHICS AND ANTICORRUPTION

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

The Model aims to ensure that the management of the Group is carried out in compliance with the principles of legality, correctness, transparency, and traceability, in line with the efficient work practices and in compliance with the provisions of the law.

The current version of the Model was updated by the Parent Company on 12 January 2018 and subsequently adopted by all the companies in the Group.

The Code of Ethics, which is part of the Model, defines in detail the ethical and behavioural principles to which 2i Rete Gas S.p.A. and its subsidiaries and the respective employees and collaborators (as well as all other addressees of the Code of Ethics) are required to observe and comply with in the performance of their work.

The Group operates to serve local communities, while respecting the environment and people's safety, with the commitment to ensure a better world for future generations.

The Group prevents risks of active and passive corruption through the implementation and application of its Charter of Values, Model, Code of Ethics and Quality Policy, the system, values and principles of which are detailed in specific organisational documents (provisions, procedures, operating instructions, quality manual) that regulate the activities of corporate departments as well as through a continuous training of staff.

The Model and the Code of Ethics are published on the Group's Internet and Intranet sites.

The activities with the highest risk of corruption concern relations with public institutions and bodies, banks, credit institutions, suppliers (including their selection) and clients, as well as the activities preceding the hiring of new staff.

With particular reference to the most sensitive areas, and especially to the relations with the public administration, the Group has approved and implemented specific procedures that require:

- prior and detailed authorisation of employees' activities by the department managers;
- disclosing and collecting evidence on all activities;

- reporting the above on a regular basis to the Supervisory Body.

As required by the Code of Ethics, the Parent Company and its subsidiaries provide stakeholders with contact addresses where they can directly report to the Supervisory Bodies of the individual companies any violations or suspected violations of the Code of Ethics.

The Supervisory Body collects, examines, and stores all the reports and information received, evaluates them carefully and impartially, ruling on their truthfulness and validity and ensuring anonymity with regard to the name of the person submitting the report.

To this end, it adopts appropriate measures to ensure the confidentiality of the identity of the person submitting the report and, consequently, to avoid any form of reprisal or discrimination.

Each department sends a periodic report to the Supervisory Body on a quarterly basis.

For breaches perpetrated by employees, 2i Rete Gas S.p.A. adheres to the measures provided for in the Disciplinary Code (defined in the C.C.N.L. Gas Acqua).

With reference to the year 2018, the Supervisory Body received a total of 9 reports, in relation to which the Parent Company has taken, from time to time, the necessary measures, for example by ordering an audit to conduct the necessary checks and investigations; by objecting through disciplinary measures; by submitting requests for information received by the Company to the processing of judicial police bodies; by verifications conducted on contractors. These measures have been reported to the Supervisory Body. None of these reports revealed any confirmed incidents of corruption.

In case of updates or amendments to the regulations that govern criminal offences applicable to 2i Rete Gas and its activities, or in case of the introduction of new important criminal offences, the Supervisory

Body submits to the attention of the Board of Directors the need to approve an updated version of the Organisation and Management Model. On this occasion, the members of the Board of Directors receive appropriate and in-depth information and training on the issues that require updating, directly from the members of the Supervisory Board.

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

The employees of the Company receive, and have received throughout the financial year 2018, periodic updates and/or training on anticorruption regulations and policies and on the liability incurred under Legislative Decree no. 231, by means of in-house courses organised and planned by the Human Resources Department and delivered by the Legal and Corporate Affairs unit of the General Affairs Department.

On 25 May 2018, with the entry into force of Regulation (EU) 2016/679 on the protection of individuals with regard to the processing of personal data, the Group implemented a series of measures to adapt the organisational structure to this legislation. Details about this activity can be found in the Privacy Protection section.



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

| | Supervisory Body | Code of ethics |
|--|--------------------------------|---|
| 2i Rete Gas S.p.A. | Odv231@2iretegas.it | 2iReteGas.CodiceEtico@2iretegas.it |
| 2i Rete Gas S.r.l. | Odv231@2iretegas.it | 2iReteGas.CodiceEtico@2iretegas.it |
| 2i Rete Gas Impianti S.p.A. | Odv2iRGImpianti@2iretegas.it | 2iReteGas.CodiceEtico@2iretegas.it |
| 2i Rete Gas Servizi S.p.A. | Odv2iRGServizi@2iretegas.it | 2iReteGas.CodiceEtico@2iretegas.it |
| Cilento Reti Gas S.r.l. | CilentoRetiGasOdv@2iretegas.it | CilentoRetiGas.CodiceEtico@2iretegas.it |
| Compagnia Generale Metanodotti S.r.l. | Odv231@2iretegas.it | 2iReteGas.CodiceEtico@2iretegas.it |

Risk Management Model

Our internal governance and risk management system consists of the set of tools necessary or useful for directing, managing, and monitoring business activities. Its purpose is to ensure compliance with laws and corporate procedures; to protect company assets; to manage activities optimally and efficiently; and to provide accurate and complete accounting and financial information.

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

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

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

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

and on the correct recording of the management activities in the accounting records.

- **THE SUPERVISORY BOARD**, in turn, carries out **periodic checks and specific verifications on relevant business processes** in order to determine the compliance with the Model and the Code of Ethics.
- **THE INTERNAL AUDIT DEPARTMENT** complements, where necessary, the checks carried out by management and by the Supervisory Body, and **carries out** independently, on the basis of a specific programme shared with the Board of Directors, **inspections and checks aimed at assessing whether the methods of carrying out various company activities are correct and whether there is a need to implement preemptive measures to mitigate risks.**

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

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

THE DATA PROTECTION OFFICER is responsible for **informing and advising** the Data Processor and Controllers (and employees that process personal data) **on the obligations arising from Regulation (EU) 2016/679** and for monitoring compliance.

When asked, it must give its opinion and assess possible impacts on data protection, as well as monitor the process in accordance with article 35 of the Regulation. It must also cooperate with the Data Protection Authority and act as a point of contact on matters relating to the processing of personal data.



The Group has adjusted its IMS to the most recent standards, based on High Level Structure (HLS) and Risk Based Thinking management, and obtained in 2018 the compliance certifications with standard UNI EN ISO 9001:2015 for the Quality Management system and with standard UNI EN ISO 14001:2015 for the Environmental Management system.

In order to guarantee compliance with the standards mentioned above, **THE QUALITY, SAFETY AND ENVIRONMENT DEPARTMENT** carries out internal verifications extended also to ensuring compliance with respect to the Consolidated Safety Act (Legislative Decree no. 81/08), the Consolidated Environmental Act (Legislative Decree no. 152/06) and Part I of the Consolidated Law on the regulation of quality and tariffs of gas distribution and metering services for the regulatory period 2014-2019 (Resolution no. 574/13 of ARERA).



The Risk Management Model is described in paragraph 15 of the Annual Financial Report 2018

Major risks regarding key topics

| AREA | ASSOCIATED RISKS | STAKEHOLDERS INVOLVED | RISK MANAGEMENT METHOD |
|--|---|--|---|
| MANAGEMENT OF ENVIRONMENTAL TOPICS | Dispersion and inefficiency of the gas distribution network | Environment and communities | Close monitoring of the entire network with ad hoc means to search for leaks and planned verifications on the differences between input and output of gas in the unit |
| | Non-optimal consumption of natural resources | Environment and communities | Energy saving projects concerning the gas used for preheating |
| | No valorisation of skills | People and unions | Plan to assess individual performance Training programmes |
| MANAGEMENT OF HUMAN RESOURCES | Failure to provide adequate and timely technical training on the distribution networks management | People and unions | Initiatives for continuous updating through training plans |
| | Health and safety | People and unions | Health monitoring, extra-professional accident insurance, life insurance policy Training and awareness |
| MANAGEMENT OF TOPICS RELATED TO ACTIVE AND PASSIVE CORRUPTION | Non-transparency in the management of relations with local authorities | Municipalities and local authorities People | 231 Model Charter of Values Code of Ethics Procedures with rules of engagement and reporting to the Supervisory Board |
| | Selection of suppliers in compliance with the provisions of the law | Suppliers and Contractors | Register of suppliers, selection process, purchasing portal 231 Model Code of Ethics |

| AREA | ASSOCIATED RISKS | STAKEHOLDERS INVOLVED | RISK MANAGEMENT METHOD |
|--|---|--|---|
| MANAGEMENT OF SOCIAL TOPICS AND RESPECT OF HUMAN RIGHTS | Service interruption | Municipalities and local authorities Community People | Intervention within the standard required by the regulation Informing the competent authorities of the reasons for the gas incident and of the measures taken |
| | Delayed handling of requests from contracting authorities | Municipalities and local authorities Community People | Program to handle document requests Monitoring of responses within the set deadlines |
| | Unsatisfactory quality of service | Sales companies and End clients | Performance monitoring, Call centre, customer satisfaction survey, meetings with sales companies, conciliation protocol |
| | Use of suppliers that do not meet the minimum selection requirements of the Group | Suppliers and Contractors | Register of suppliers, selection process, purchasing portal Code of Ethics |
| | Failure to provide precise end on time control over corporate governance issues | Shareholders and Lenders | Governance Model |
| | Health and safety | Municipalities and local authorities Environment and communities Suppliers and contractors End clients | Inspection of the distribution network and attention paid to the quality of service Supply chain management in the selection phase On site visits |
| | Uneffective participation in the sector decision making | Public institutions and authorities | Communication of opinions and documents Participation in institutional meetings Conferences and seminars Collaborative projects |
| | Protection of personal data | People End clients of the network Municipalities and local authorities Environment and communities Suppliers and contractors | Information initiatives and for raising awareness, also conducted through meetings with employees, on the activities carried out in compliance with the relevant legislation, including: Nominating the Data Protection Officer Nominating the persons responsible with the processing of personal data Establishment of a data processing register Adjustment of contractual clauses Adaptation of information systems Updating of the security measures |

1

KNOW-HOW AND EXCELLENCE

1.1
CREATING VALUE
Market share
Economic performance

1.2
PEOPLE
Sizing
Model for the Management
and Valorisation
of Human Resources

1.3
CLIENTS
Municipalities and local authorities
Sales companies
End clients of the network

1.1 CREATING VALUE

Our Group strives for growth and excellence, and we work every day to create sustainable value inside and outside our organisation. Operational and economic data are clearly improving compared to the previous year, with significant and continuous investments in new infrastructures for both gas distribution and metering.

THE GROUP IS THE SECOND LARGEST NATIONAL OPERATOR IN THE NATURAL GAS DISTRIBUTION SECTOR.

4.4 million
REDELIVERY POINTS ON THE ITALIAN MARKET



66 thousand
KM OF NETWORK MANAGED



For the Group 2i Rete Gas, 2018 represented a further important stage in its development: in fact, an important acquisition was completed this year, which made it possible to further expand the Group's scope of action. For this reason, the numbers presented in this section are not immediately comparable with the same values from 2017.

Market share

Following the acquisition of the companies 2i Rete Gas Impianti S.p.A. (formerly known as Nedgia S.p.A.) and Compagnia Generale Metanodotti S.r.l., the Group has elevated its position on the national market in terms of redelivery points and kilometres of managed network.

The operational data of the Group improved in 2018 as compared to the same data for 2017, with further recovery in volumes sold and a significant increase in the number of Redelivery Points managed as a result of the acquisitions made; from an economic point of view, the figures also show a significant increase in results in terms of Gross Operating Margin.

Financial charges in the previous year had increased significantly

due solely to the effect of the repurchase and reissue of part of the existing bond loan (operations of "liability management") successfully completed by the Parent Company; these operations made it possible to extend the average duration of the debt of the Group by improving their financial structure.

On the other hand, this item was not affected by such an impact this year, as only the financial charges resulting from the higher debt that came from

the acquisition were taken into account in the economic result.

As a result, net income amounted to 155.4 million euros, a significant improvement compared with the previous year.

The increase in the net financial position is therefore exclusively due to the price paid for the acquisition in February 2018.

461.2
million €
EBITDA AT THE END OF 2018

155.4
million €
NET PROFIT OF THE FINANCIAL YEAR
AT THE END OF 2018

Economic performance

MAIN ECONOMIC AND EQUITY INDICATORS OF THE GROUP

| | 31.12.2016 | 31.12.2017 | 31.12.2018 |
|------------------------|------------|------------|------------|
| REVENUE | 839.7 | 867.3 | 985.6 |
| EBITDA | 399.6 | 408.3 | 461.2 |
| EBIT | 243.6 | 247.1 | 271.4 |
| NET PROFIT | 129.5 | 121.6 | 155.4 |
| NET FINANCIAL POSITION | 1,984.0 | 2,009.2 | 2,640.5 |
| SHAREHOLDERS' EQUITY | 720.4 | 759.9 | 825.7 |
| NET INVESTED CAPITAL | 2,704.4 | 2,769.3 | 3,440.5 |
| TOTAL NET FIXED ASSETS | 2,663.2 | 2,739.2 | 3,474.3 |

1.2 PEOPLE

We believe that People are a fundamental strategic resource and we place them at the core of our organisation: enhancing their specificity and developing their skills and competences; facilitating the framework where their personal aspirations and motivations converge with the evolution of their professional skills; recognising their merits and favouring a balance between their private and professional life.

2,114
CURRENT STAFF



256
PEOPLE EMPLOYED WITHIN THE LAST 6 YEARS



The Group is committed to **valuing** People and promoting a business culture that fosters an environment of **collaboration, participation, interchange, and sharing**, consolidating a sense of **belonging**, so each employee can feel **motivated** to contribute responsibly and proudly to **the continuous improvement of the organisation**.

The business objective of integrating every process and method, and therefore the related know-how helps People to always find a stimulus to increase their **competences** and to express their **potential** in ongoing and in best possible way, thus achieving an increasingly broad company vision.

2,108
PERMANENT CONTRACTS

2,038
FULL-TIME STAFF

Sizing

The Group owes its current positioning to the constant orientation towards **growth** and evolution of its business. In 2018, the Group also carried out significant operations of **corporate integration** - including those relating to the Italian companies acquired by Naturgy - which led to the definition of an organisational structure capable of capturing the **synergies** in terms of market presence, costs and efficiency, thus safeguarding skills and valuing People. The success of these operations was possible due to the adaptive capacity to change as an opportunity to **expand and exchange know-how**. This also helped to value the existing best practices and professional skills in order to consolidate teamwork and continue to cultivate a positive and proactive environment, oriented towards the achievement of future goals.

After a period that lasted several months, in February 2018 we completed the acquisition of the assets and the distribution activities of Nedgia S.p.A. and Gas Natural Italia S.p.A., which led to the entry into the Group of two companies and their staff: **2i Rete Gas Impianti S.p.A.**

(for distribution activities) and **2i Rete Gas Servizi S.p.A.** (dedicated to staff activities). At the beginning of July 2018, only five months after the closing, a business unit of 2i Rete Gas Impianti was demerged and subsequently transferred to the Parent Company, in order to integrate the operational staff of 2i Rete Gas Impianti S.p.A., approximately 200 people, into the Parent Company, thus unifying the technical and commercial activities.

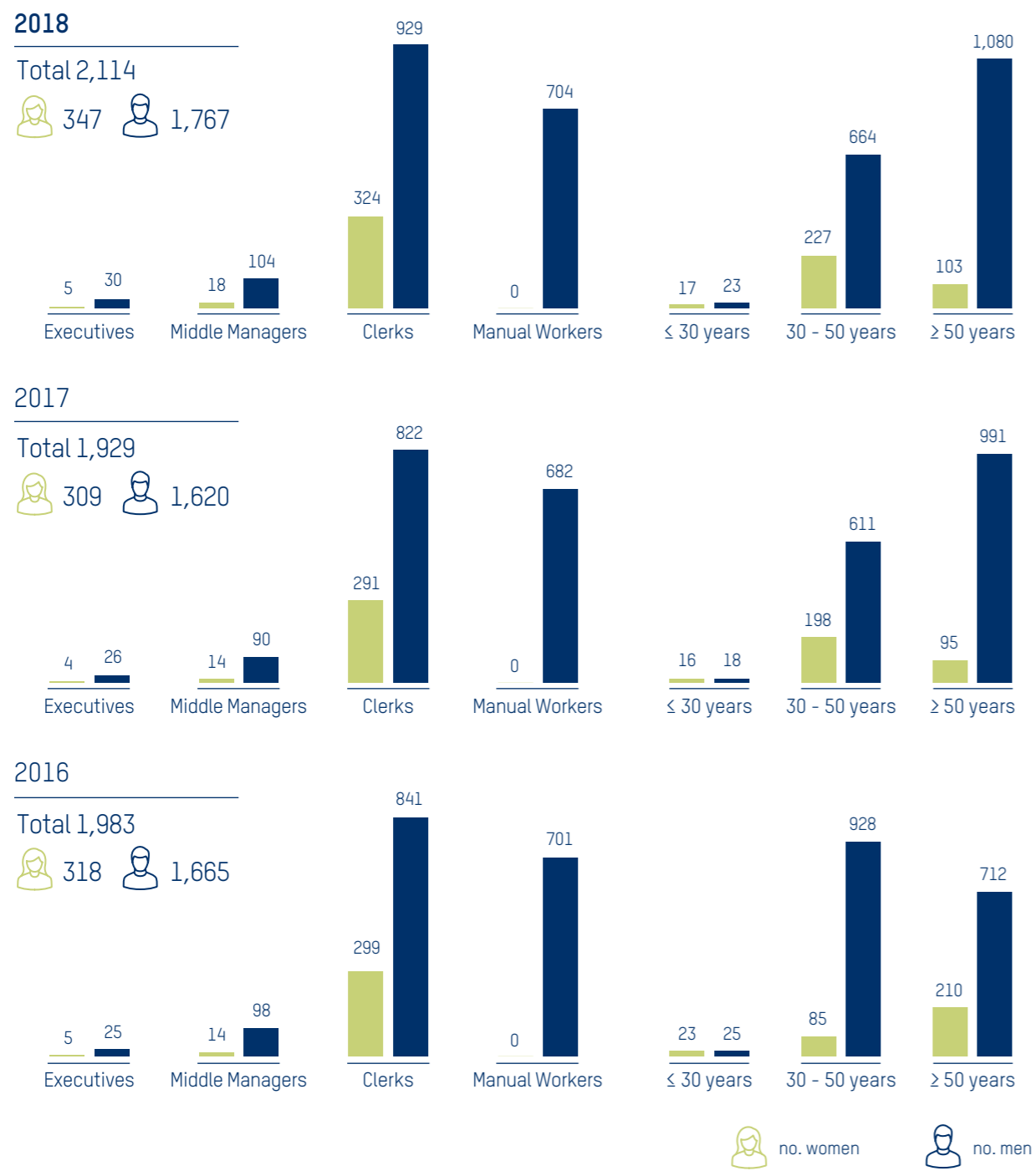
As a result of the application of the operational and management model of the Parent Company, **the territorial and organisational structure** of the South-East and South-West departments was redefined throughout the year and the corresponding assignment of staff from 2i Rete Gas Impianti S.p.A. was carried out. The organisational structures of Engineering, Operations, and Network Commercial Services have also been updated. In addition, in preparation for the merger of 2i Rete Gas Servizi S.p.A., defined as from 1 January 2019, organisational solutions for the optimisation of support processes were analysed and designed.

At the end of 2018, the Group had 2,114 employees.

Since its establishment 2i Rete Gas has undertaken an important **multiannual recruiting plan** as part of a project to renew and increase the skills that are crucial for the development of the company's strategy, that in 2018 led to the hiring of 27 new Resources.

In the last six years, 256 people have been hired, including 150 young graduates. In 2018, 98 people left the company, 64 of whom were retired or terminated by mutual agreement, with the aim of coaching people close to retirement. The Group continues to consider it strategic to consolidate internally the skills that cannot be delegated, offering permanent contracts to 99.7% of the staff, after establishing an adequate relationship with the resources, which can initially be brought in on internship contracts. There were 32 staff leasing contracts in place at 31.12.2018.

Current staff



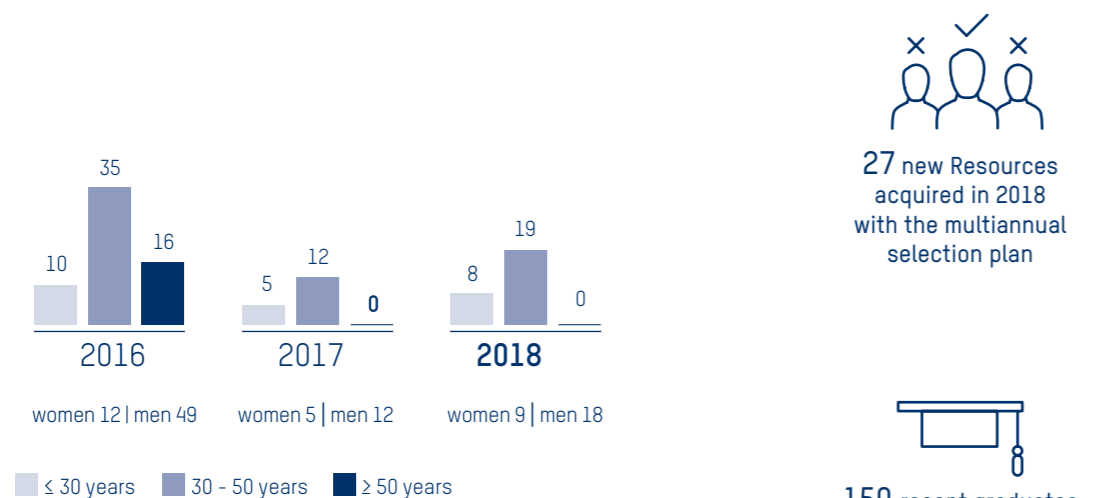
Type of contract



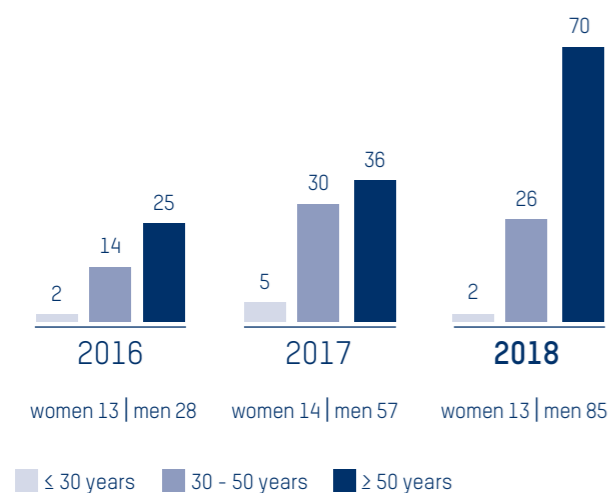
Absenteeism rate | illness, accidents and leave for serious reasons



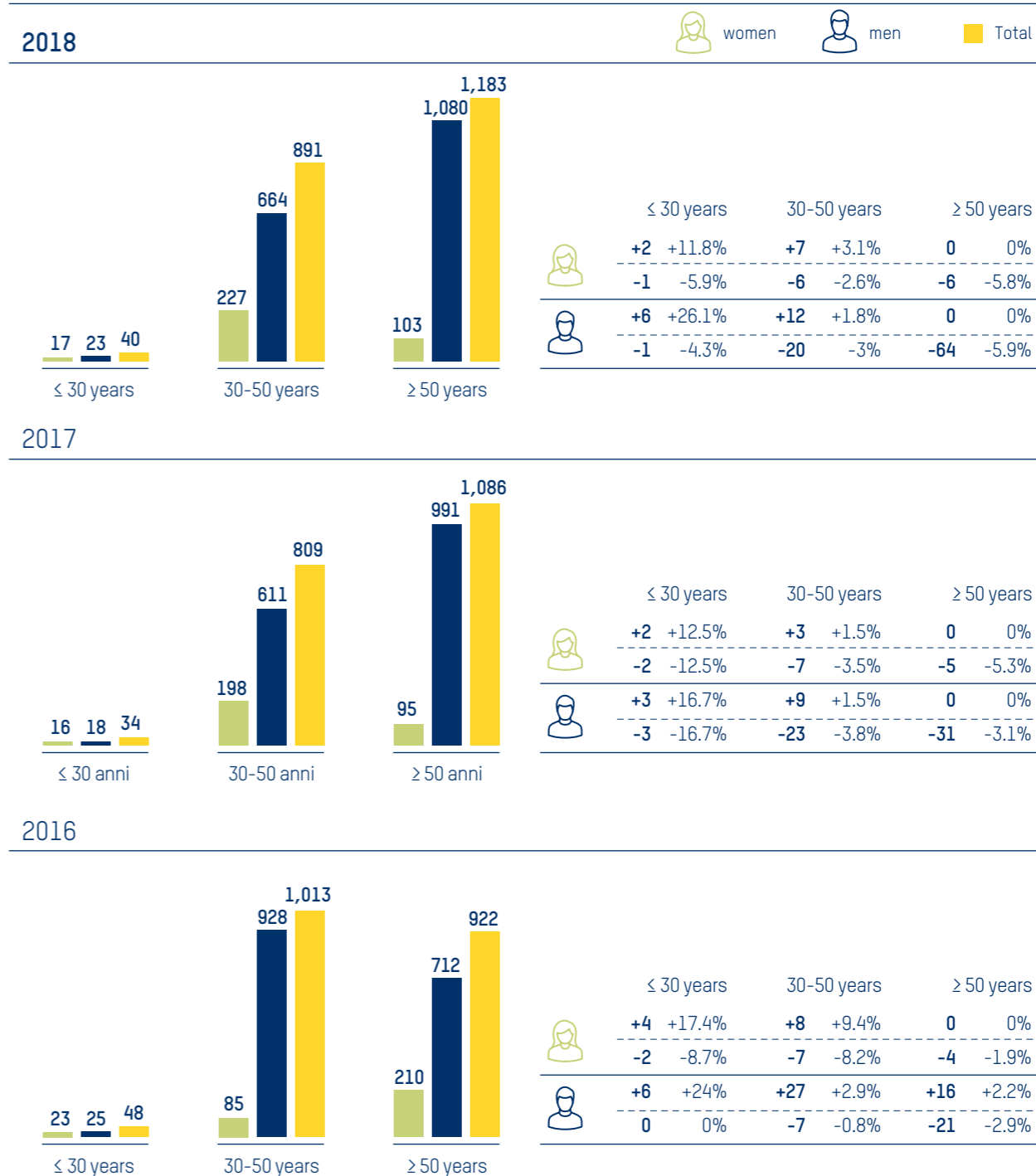
Incoming



Outgoing



Incoming-outgoing turnover



Model for the management and valorisation of Human Resources

The Group values People and cultivates talent, creating a work environment favourable to their personal and professional growth, promoting an ever-increasing sharing and exchange of knowledge; it recognises individual merits in terms of behaviour, results, skills, and commitment, with respect for People and equal opportunities, without discrimination of any kind.

The Group recognises the importance of a continuous development of skills and works to identify strengths and potential to be developed, outlining the most appropriate training path for the People, including through e-learning solutions.

Learning and improvement are supported and encouraged by:

- a **performance evaluation** aimed at stimulating awareness and self-empowerment;
- targeted **training plans**;
- **compensation and incentive systems** that guarantee transparency and impartiality based on merit and the measurement of results and behaviour.

RECRUITMENT

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



38 selection procedures derived from external research

The month of November 2018 marked a moment of important change in terms of the staff selection management instrument due to the implementation in the portal **SAP SuccessFactors** of the new IT tool

that contains and tracks every phase of the process, from displaying open positions and uploading of resumes by candidates, to their screening, the convening of candidates of major interest, the management and evaluation of interviews, and up to the final recruitment.

A total of 38 selection procedures were completed in 2018 coming from **external research**, aimed both at recruiting staff directly and activating staff leasing contracts. The integration of the staff recruited following the company acquisitions allowed the coverage of available positions and the implementation of new strategic units. The new hires were dictated, in most cases, by the need to replace staff due to retirement, change of position following internal job posting or maternity leave.

The selection plan has so far responded to the needs of **consolidating the staff and operational structures** in which, over the years, an important course of internalisation has been implemented; of **supplementing skills in territorial poles** (the Departments); of **consolidating highly specialised structures**, such as Electronic Meters, Operating Processes, Engineering, and **developing Commercial Network Services**.

“ DRIVING SELECTION PRINCIPLES

- protection of human rights
- dignity of people
- impartiality and transparency
- equal opportunities ”

As far as the **internal selection** is concerned, 2i Rete Gas recognises the value of the experience gained in the past few years and has continued to support the promotion of open positions through job posting. "Job rotation" is therefore a concrete and effective tool to **expand the opportunities for professional development** of the resources and talents present in the Company, to create **opportunities for exchange of skills and knowledge** and to consolidate the **collaboration network** between the different structures and departments of the Company. The growth of each individual Person is the foundation for the continuous creation of value for the entire Group.



DEVELOPMENT AND TRAINING

The Group continues to eagerly invest in the professional **development** of its People as an essential ingredient to achieve ever greater quality and efficiency in its performance and, as such, to ensure the success of its choices and actions. The importance of **assessing** individual behaviours, seen as qualifying factors of performance, is therefore recognised, encouraging those that adhere to the business strategy and Values, and promoting the development of the skills and potential of each Person. The evaluation process also favours the consolidation of a behavioural culture increasingly based on **constructive interchange** between managers and their collaborators as a **fundamental opportunity and tool for achieving and sharing more awareness** on the business objectives; the performance levels and the results expected and achieved; the margin of development of the individual skills; the additional training needs and the related pathways for the professional growth of resources within the organisation, with job rotation also on a transversal level, in response to the new business requirements and technological innovation.

Due to the **Performance Assessment System**, which already in 2015 (the year in which it was implemented) allowed the definition of **quality standards** for the performance of each role, it was possible to also identify in 2018 the **technical and managerial skills** of the resources evaluated, and as such a **training and development plan** was defined for each of them.

The performance assessment plan, initially launched for specialist roles and for the coordination of functional and technical processes, is now addressed to all staff in the main offices and departmental structures, as well as to regional technical staff with a grade above the 6th level. In the last three years, 42.14% of the staff were involved in the assessment process (24.11% in 2018), not considering those who are already involved in other incentive plans.

The aim for the coming years is to gradually extend the assessment process to all the resources in the company.

42.14%

staff involved in the assessment process within the last three years

Employees that underwent an annual assessment

26.2%

on 31.12.2016

In this context of **continuous improvement**, training plays a fundamental role as a development engine and value generator. In 2018, as on previous occasions, important results were gradually collected on the growth in role and organisation of many young people who over the years have followed a training course aimed at consolidating soft skills and strengthening the specific individual skills, effectively in congruence with taking on new business tasks and new responsibilities.

Numerous training courses have been planned and launched this year, both on managerial and on specialist issues, as well as on technical and Health and Safety ones. In terms of **managerial and specialist training**, numerous advanced courses were organised, the most relevant of which were a **relational course** on certain dynamics in communication and collaboration, a course on **public speaking** to provide the tools for structuring an effective and

15.94%

on 31.12.2017

convincing presentation, courses on **negotiation** and **company assessment**, and two follow-ups to supplement the projects launched in 2017 on **coaching** and **self-empowerment**. The refresher courses on the **Code on Procurement** and on **Company Welfare** were more specialised.

Of particular importance were also the courses on **prevention of corruption**, on the **New Privacy Regulation**, as well as the project that included trainings on conflicts of interest and on the Group's commitment to always be compliant with current legislation.

In the context of the corporate integration process, a training project aimed at **change management** was also launched, attended by all the staff members at 2i Rete Gas Impianti S.p.A..

24.1%

on 31.12.2018

In 2018 there was a significant increase in the number of hours dedicated to **technical/operational training**; in terms of the operational workers, there was an increase of 3,966 hours as compared to the previous year. For same year, the increase in training hours for employees was 10,281 hours. The two most important projects of the period were the **Ready for Action** initiative, which followed that of 2016 for operational workers, and which this year was addressed to about 350 technical employees, and the training packs organised and delivered internally to about 700 people in relation to **CIG Guideline 14**, preparatory to the qualification of staff involved in the monitoring of distribution systems, in accordance with UNI 11632. In addition, training courses on **cathodic protection** have been organised, concerning, on the one hand, the renewal of the current licences and, on the other, the use of the Webprocat app by the staff at 2i Rete Gas Impianti S.p.A..

Average and total hours of training by professional category

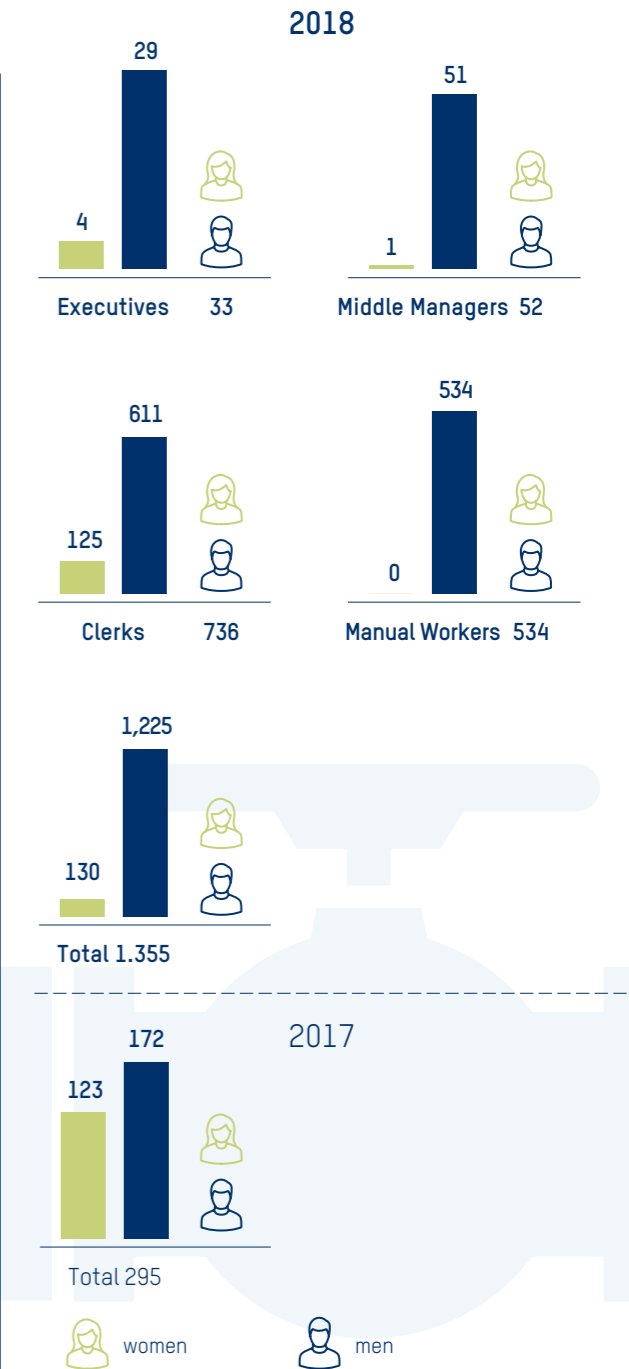


Total hours of training by professional category



Total staff involved in anticorruption training

offered to active staff



In collaboration with Quality, Safety, Environment, and Protection and Prevention Services, a number of initiatives have been organised in the context of **workplace safety** and preparatory courses for qualifications as **internal auditors** in relation to Quality (ISO 9001), Safety (ISO 18001), and the Environment (ISO14001) have been provided to the QSE of the Department and of the Main Office.

“
IN 2018, ALMOST ALL THE COMPANY EMPLOYEES WERE INVOLVED IN A TRAINING INITIATIVE”

With regard to training management, the portal **SAP SuccessFactors** has been launched, including the recently implemented online training platform (**My Learning**), which integrates traditional classroom courses. In this way, the general and specialised course on Health and Safety continued in 2018, and it was completed by approximately 1,200 employees. The e-learning module has enabled the company to carry out their compulsory training in a timely, modern and interactive manner, with the guarantee of full compliance with all regulatory requirements and with the possibility of learning according to one's own pace and rhythms of understanding.

People involved in training | also with terminated agreements

1,718

on 31.12.2016

 248  1,470

1,915

on 31.12.2017

 302  1,613

2,133

on 31.12.2018

 345  1,788

Classroom training

ADMINISTRATIVE/MANAGERIAL

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

Projects/courses

- Follow-up of the coaching initiatives from 2017
- Follow-up of the self-empowerment initiatives from 2017
- Relational Course - How to collaborate efficiently
- Community of future IT leaders
- Master in Tax Law
- Public speaking
- Company assessment

No. of people 85 | No. of hours 1,538

TECHNICAL/OPERATIONAL

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

Projects/courses

- Verification bodies
- Webprocat App
- Management of land and rock excavation in light of new regulations
- CIG guideline 14
- Injection system maintenance
- First Response
- Cathodic protection
- Steel welds
- Webinar - How to use the platform Sintel

No. of people 1,354 | No. of hours 19,537.5

QUALITY AND SAFETY

Courses on Quality and Safety, both in compliance with Decree no. 81/08, and in order to raise awareness of this issue among staff.

Projects/courses

- Internal Auditor ISO 9001
- Standard ISO 14001
- The qualification of Internal Auditor of Environmental Management Systems
- Updates for Persons Responsible of Workplace Safety
- Fire prevention
- Safety Manager in the Execution phase
- E-learning Safety
- Trainer of trainers in Safety
- The role of Safety Manager
- First aid
- Manager Prevention and Protection Service

No. of people 1,718 | No. of hours 18,528

SPECIALISED COURSES

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

Projects/courses

- Autocad
- Big Data
- Legislative Decree no. 38/Privacy/Basic elements 231
- Excel
- Management of workplace sites and buildings
- Negotiations: strategies and tactics
- The New Code on Procurement - Legislative Decree no. 50/2016
- New Corporate Welfare
- SAP HR
- Seminar - Hydroelectricity creates value for Italy
- Negotiation techniques

No. of people 1,916 | No. of hours 20,267

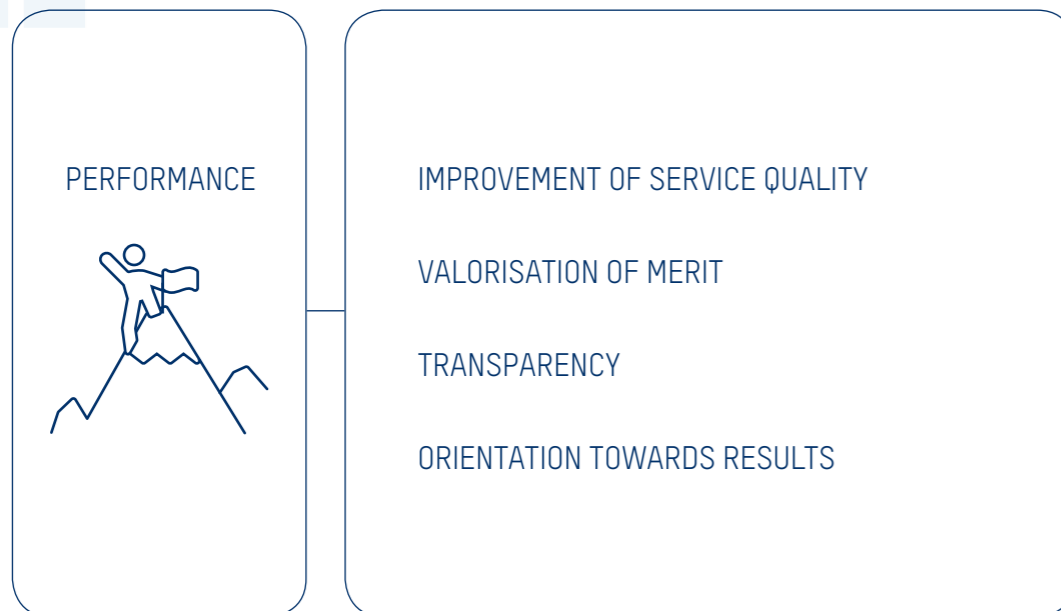
THE COMPENSATION SYSTEM

The **Compensation and Incentives** Policy adopted by the Group, in addition to attracting and retaining highly professional resources in the company, is aimed at acknowledging merit, in line with an adequate exercise of **responsibility**, the level of **performance**, the **improvement and self-development** of skills,

the **results** achieved, and the **behaviours** oriented towards the **growth** of the organisation and its effectiveness/efficiency.

Over the years, an increasingly targeted remuneration policy has been progressively implemented, correlated to the different types of professional roles and skills, **extending the number of**

interventions, which also derives from the growth within the company and/or the oftentimes extraordinary commitment shown in relation to the integration project. Increasing attention is paid to the **technical - operational roles**, which demonstrates how important it is for the Group to maintain the entire gas "profession" efficient and competent, thus respecting the investment plan.



REMUNERATION SYSTEM

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



PERFORMANCE ENHANCEMENT SYSTEM

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



VARIABLE BONUS SYSTEM BY OBJECTIVES

- The MBO system is targeting the 1st and 2nd levels of the organisation.
- Key people incentive system aimed at middle management. The objectives can be measured by type of position and/or transversally to more than one office, and the overall assessment is supplemented by the evaluation of qualitative objectives related to skills and behaviour.



REWARD SYSTEM BASED ON PRODUCTIVITY AND QUALITY OBJECTIVES

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

1.3 CLIENTS

In our Group we interact with different types of clients and we monitor their level of satisfaction with a belief that the continuous improvement of services offered to them is based not only on solid skills, but also on listening and dialogue.

THE CLIENTS WITH WHICH THE GROUP INTERACTS DUE TO THE NATURE OF ITS BUSINESS ARE TYPICALLY PART OF THREE CATEGORIES:



MUNICIPALITIES and LOCAL AUTHORITIES

under concession agreements/contracts for carrying out gas distribution services



SALES COMPANIES

in relation to the distribution service provided to the network user



STAFF SERVICES CLIENTS

for the first response service concerning problems with the gas distribution service, for quotations in response to requests for new connections and/or modifications to existing plants, and for the maintenance and replacement of meters.

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

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

In 2018, the Group has entered into contact with a new category of clients: **Staff Services Clients** with the acquisition of Gas Natural Italia S.p.A. (now 2i Rete Gas Servizi S.p.A.). In this context, staff services were provided to Group companies, and business services to Edison Energie S.p.A. (formerly Gas Natural Vendita Italia S.p.A.). The contracts with this category of third party clients were terminated in December 2018 by virtue of the contractual agreements signed on the occasion of the acquisition.



Each year the Parent Company carries out a customer satisfaction survey

Municipalities and local authorities

The Parent Company carries out an annual customer satisfaction survey aimed at measuring the **quality level perceived by municipalities with respect to specific aspects of the service**, organised in compliance with the provisions on concession documents. The results of this analysis allow a comparison of the parameters under evaluation and, as such, are shared with first line management in order to develop possible approaches for improvement.

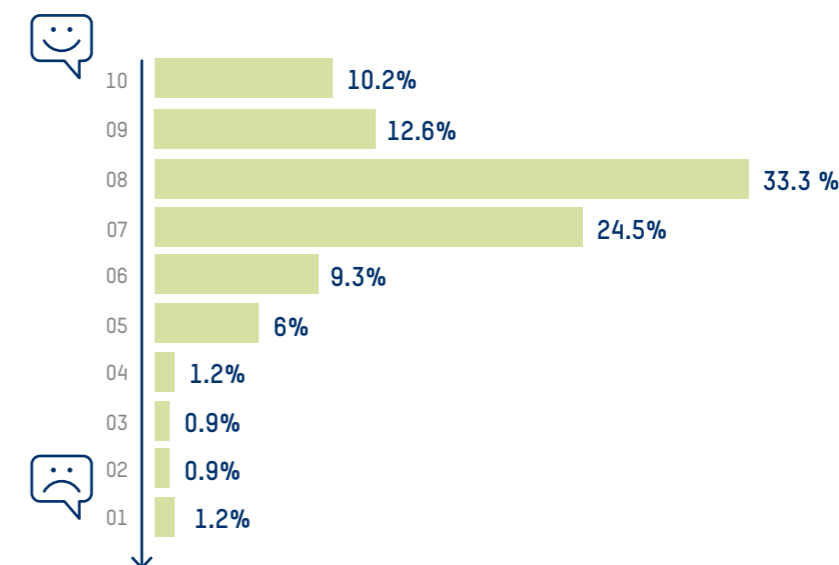
The most up to date data on customer satisfaction are those from the survey completed in 2018 in reference to the

year 2017, when 756 municipalities were surveyed (452 in the previous year), obtaining an indication of the overall assessment of satisfaction with the relationship with 2i Rete Gas S.p.A., as shown below.

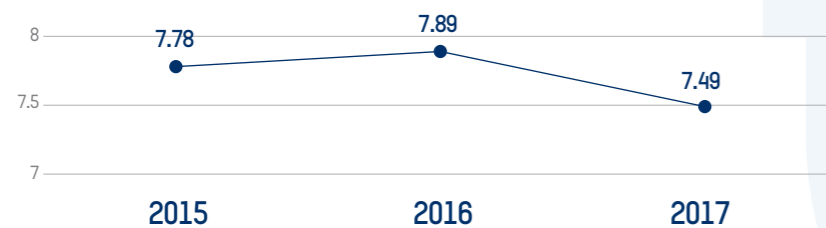
To increase municipality involvement, in addition to extending the sample of respondents to all the municipalities managed by 2i Rete Gas S.p.A. as at 31 December 2017 by using CAWI (computer assisted web interviewing), the Parent Company has chosen to monitor even more closely the topics of interest already covered

by the customer satisfaction survey in previous years, expanding the audience of respondents within each municipality. Therefore, unlike in the previous years when only one subject per municipality was interviewed, the edition of the survey carried out in 2018 in reference to 2017 was extended to three roles: the Mayor or the Municipal Secretary; the Head of the Technical Office for the public works sector; the Head of the Accounting Office. Each of these persons has been called upon to respond to topics within their competence.

“ OVERALL, HOW SATISFIED ARE YOU WITH 2i RETE GAS? ”
 surveyed: 756
 10 = fully satisfied
 1 = not at all satisfied



Average annual overall satisfaction of Municipalities

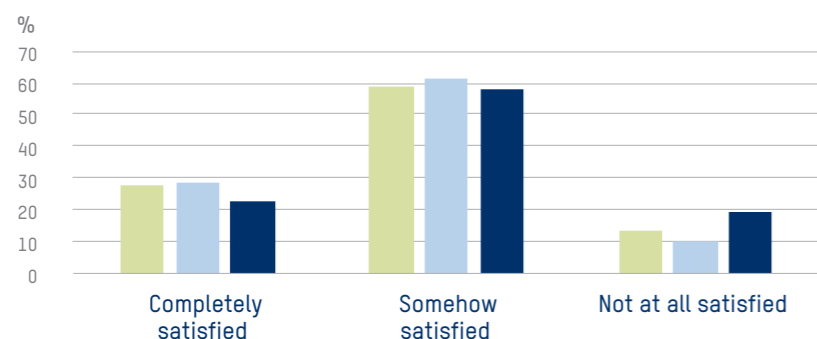


10 = fully satisfied
1 = not at all satisfied

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

The following graph shows the distribution of the sample of municipalities surveyed by satisfaction level.

Ranges of satisfaction Municipalities 2015-2016-2017



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

■ 2015 ■ 2016 ■ 2017

Due to the increased number of subjects interviewed on the topics of interest already covered by the survey, ideas for improvement have emerged, including with regards to:

- explaining specific needs and contact times through communication channels;
- optimisation of the timing for execution of works.

The customer satisfaction survey will also be organised in 2019, further extending the sample to the municipalities managed by the acquired 2i Rete Gas Impianti S.p.A..

The relationship with municipalities is managed in accordance with the provisions on concession documents.

Each request from Municipalities and each investment is evaluated with due consideration, taking into account both the provisions on concession contracts and the profitability criteria of the Group and the industry; in line with these parameters, there may also be received investment requests that Municipalities select based on their priorities and social needs (i.e. request for connection to social housing or health and social facilities, etc.).

In terms of the definition of the residual industrial value, where applicable, the valorisation and interchange with the Municipality takes place in compliance with the ministerial guidelines, as well as with what is laid out in the individual concession contracts.

In the context of participation in tenders, the Group is constantly working to prepare a technical offer that best meets the requirements of the Contracting Authority in terms of quality of service, safety at work, and plant investments.

Sales companies

With the aforementioned customer satisfaction survey, 2i Rete Gas S.p.A. also monitors annually the **satisfaction perceived by the sales companies with regard to the service provided**, which consists of processing the requests sent by them on behalf of the end clients of the network, in compliance with the regulatory obligations on Commercial Quality. In this matter, the survey is carried out according to two different methodologies: one of a qualitative type, aimed at surveying the perception of the efficiency of the service offered to top clients; the other of a quantitative type, carried out on a sample selected from the list of small and mid-sized clients.

The most up to date data are those relating to the survey carried out in 2018 in reference to 2017, where

the top clients were represented by 5 companies active in the sale of natural gas (ENI, EDISON, E.ON, ENEL, ENGIE), which supply gas for 78% of the active redelivery points managed by the Group companies. Detailed individual interviews were conducted with these sales companies. The quantitative survey carried out in CAWI mode was addressed to the remaining 273 sales companies (264 in the previous year's survey), obtaining feedback from 71 sales companies (50 in the previous year's survey), which together supply a further 7% of the active redelivery points managed by the Group companies. The results of the survey expressed a **fully positive perception** with respect to the work of 2i Rete Gas S.p.A., which is based on relational and operational factors.

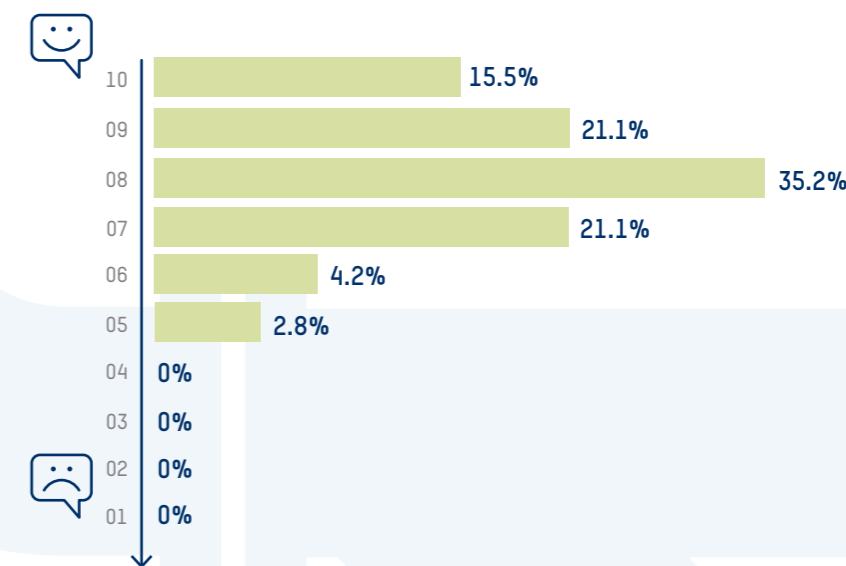
In relation to the results that are useful and necessary to validate the perceived level in terms of the service supplied, the following is an indication of the overall assessment of satisfaction regarding the relationship with 2i Rete Gas S.p.A. for both samples.

The direct relationship with sales companies, which takes the form of meeting the requests they send on behalf of end clients, is closely monitored in compliance with the regulatory obligations of Commercial Quality and of safety and continuity of the gas distribution service.

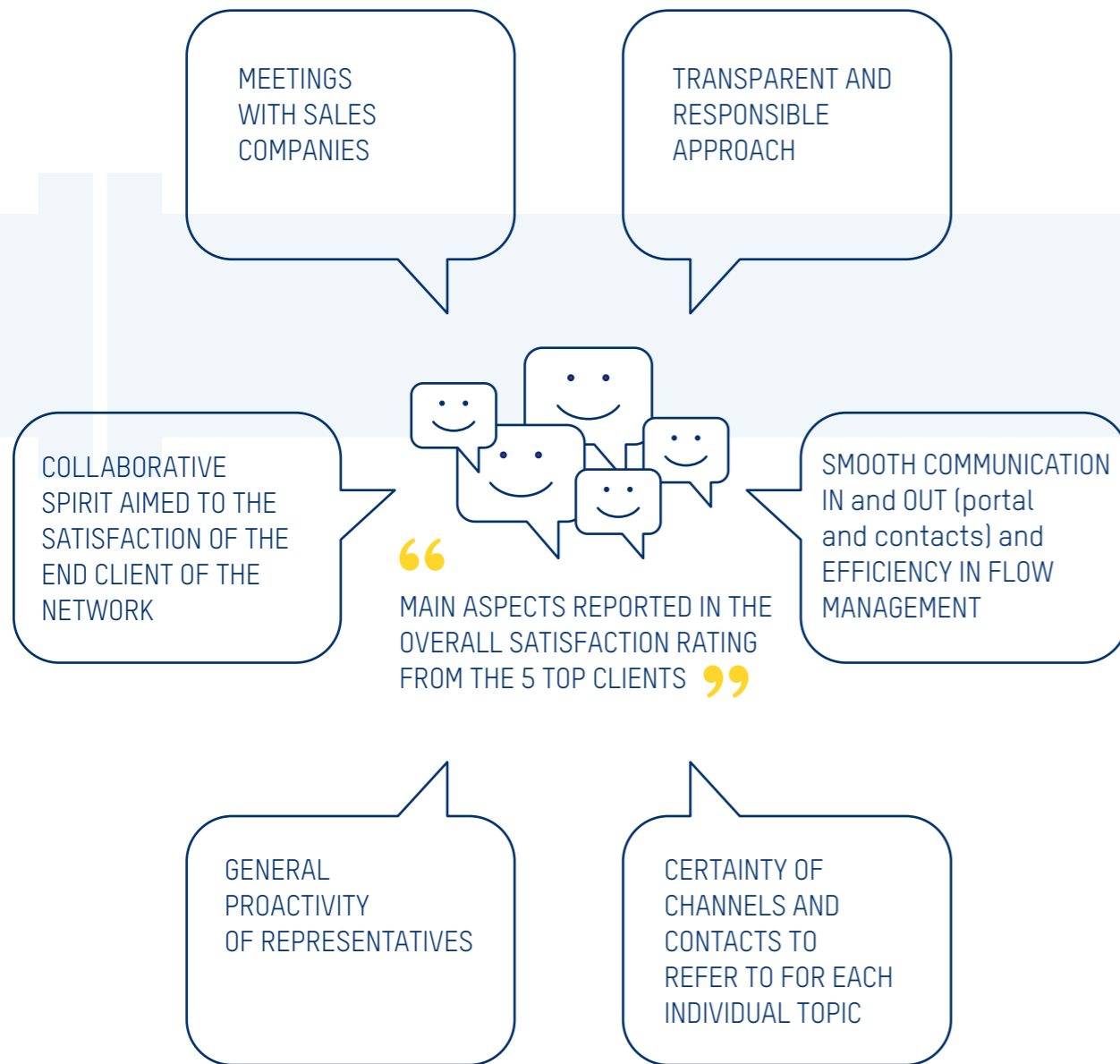
“**OVERALL, HOW SATISFIED ARE YOU WITH 2i RETE GAS?**”

surveyed: 71

10 = fully satisfied
1 = not at all satisfied



Main aspects reported in the overall satisfaction rating from the 5 Top Clients



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

- **the growth shown in recent years continues** - The NSS, calculated as the difference between the percentage of satisfied people

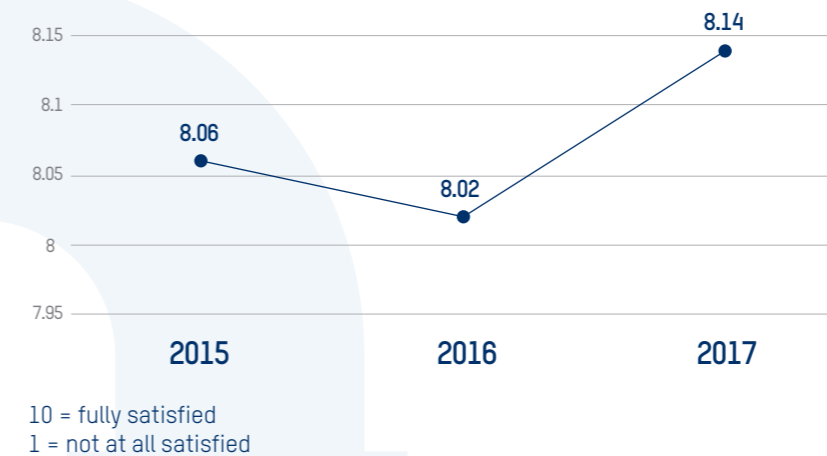
(vote 10-9) and the percentage of dissatisfied people (vote 6-1), increased by approximately 4 points when compared to the survey for 2016 (29.6 vs 26),

- the average survey results for the three-year period, represented in

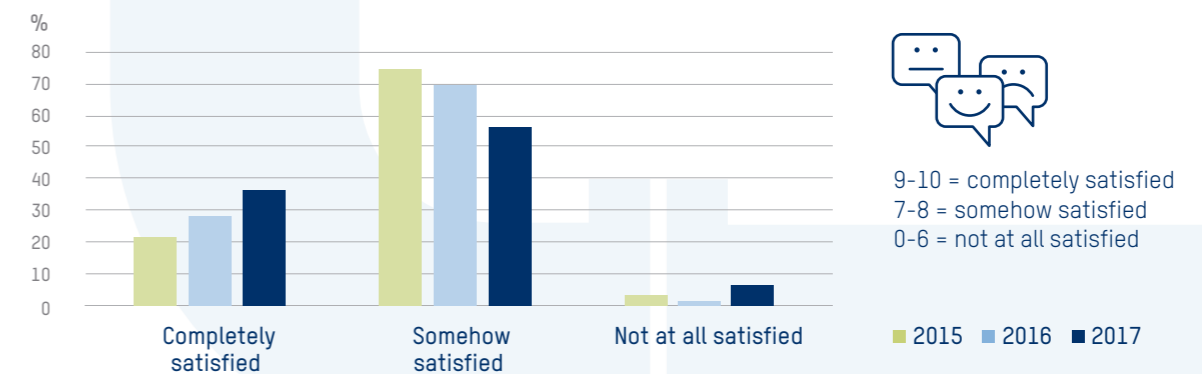
the graph below, still showed a **positive average satisfaction level**, higher than in previous years.

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

Average annual satisfaction of Sales company



Ranges of satisfaction Sales companies 2015-2016-2017



End clients of the network

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

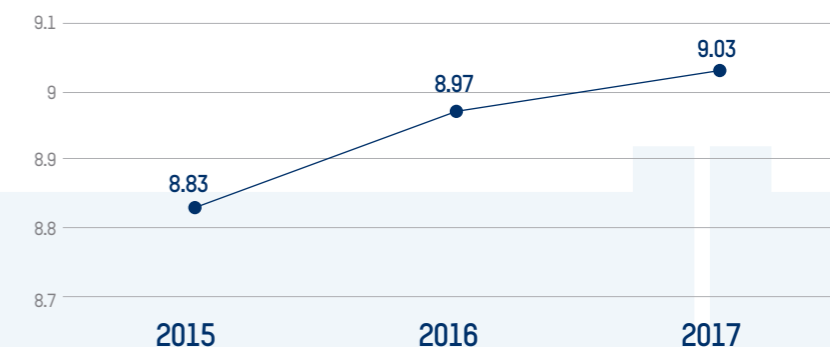
The most recent data are those relating to the survey carried out in 2018 with reference to 2017, with respect to which the assessment was carried out through CATI telephone interviews (Computer Aided Telephone Interviewing) addressed to 2,265 citizens (2,239 in the 2017 survey) who have contacted the

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

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

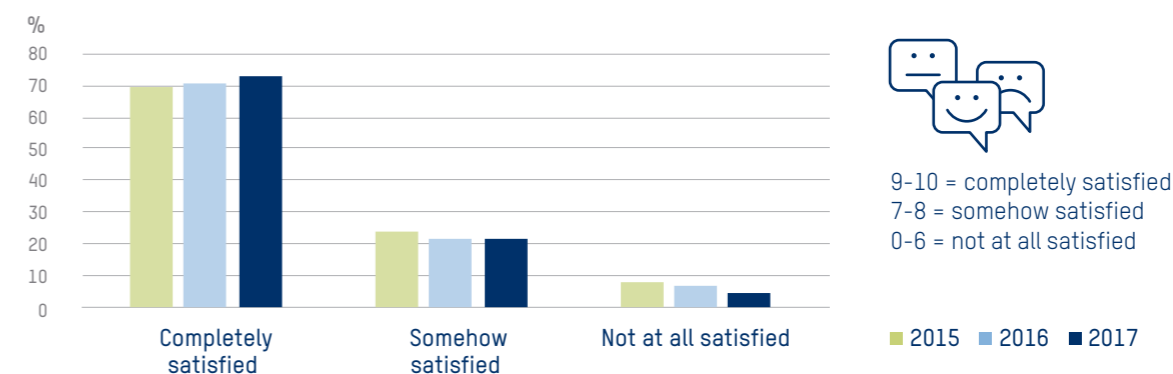
Finally, the graph below shows the same type of results, **still positive** and increasing over the years, also segmenting end clients according to the level of satisfaction expressed.

Average annual overall satisfaction of end clients of the network



10 = fully satisfied
1 = not at all satisfied

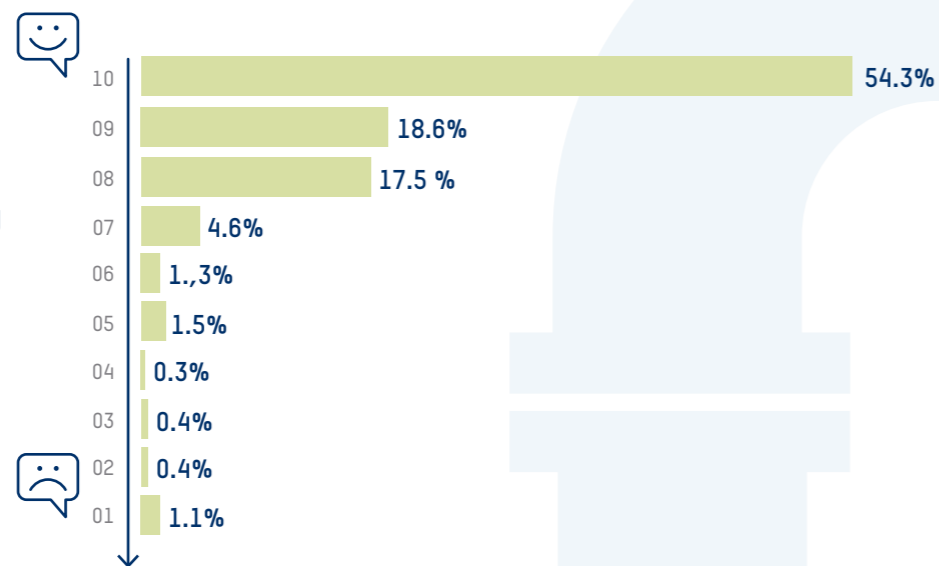
Ranges of satisfaction end clients of the network 2015-2016-2017



“ OVERALL, HOW SATISFIED ARE YOU WITH 2i RETE GAS? ”

surveyed: 2,265

10 = fully satisfied
1 = not at all satisfied



2

COLLABORATION AND SHARING

2.1
COMPANY CULTURE
AND INTERNAL
COMMUNICATION

2.2
WELFARE AND EQUAL
OPPORTUNITIES

2.3
RELATIONS
WITH SUPPLIERS
Eligibility requirements
and selection process

2.4
MAPPING
OF SUPPLIERS
Identification and
mitigation of risks linked
to the supply chain

2.5
RELATIONS WITH
THE UNIONS

2.1 COMPANY CULTURE and INTERNAL COMMUNICATION

We believe that internal communication is a crucial and fundamental tool for facilitating the dissemination of a positive environment and the consolidation of corporate identity, in order to encourage and support corporate developments and strategies and to accompany changes.

COMMUNICATION, PERMEATING ALL LEVELS OF THE ORGANISATION, FACILITATES THE MEETING BETWEEN THE PERSON AND THE COMPANY, CONSOLIDATING THE SPIRIT OF COLLABORATION AND THE SENSE OF BELONGING.

CONSOLIDATION OF CORPORATE IDENTITY, TEAM SPIRIT AND CREATION OF SHARED VALUE.



In 2018, the Group continued to implement its communication plan aimed at improving the company environment and simplifying and clarifying processes, implementing **meeting** initiatives between employees, including informal ones, organised under the motto “**Noi2i facciamo rete**” and aimed at consolidating corporate identity and team spirit, as well as at the creation of shared value.

There were moments when all employees, at all levels, were involved in **plenary meetings**, during which objectives, results, procedures, and working methods were shared, thus increasing the awareness and motivation of attendants. In addition, **aggregation events** were organised, where it was possible to “create interconnections” and extend mutual knowledge. The high number of participants from among employees was a clear demonstration of the success of the initiatives put in place.

The development of the company’s **Intranet** continued, as the main internal communication channel and access interface for a series of tools and systems of daily use. In addition to instructions for the correct use of e-mail and of the tool “**Naviga in 2i Rete Gas**”, which allows people to consult in real time the organisational structure and the related areas of activity of the Resources in the company, the Intranet gives access to software for requesting computer equipment, to **SAP SuccessFactors**, used both for training and related calls, and for the recruitment process, facilitating the authorisation steps of the process and, finally, to the portal **Easy Welfare**, where one can choose goods/services of interest.



New phase of the work-related stress analysis project

Following the experience gained with the previous assessment of work-related stress, conducted in 2015 and which contributed to raising awareness on the actions to be taken for a gradual and continuous improvement of the work environment, in November 2018 the **first phase** of the new analysis project of **work-related stress** was launched, in compliance with the provisions of the Consolidated Law on Safety (Legislative Decree no. 81 of 9 April 2008).

The new survey aims to assess both the progress of the action plan implemented and the opportunity for new solutions and initiatives capable of conveying an ever greater well-being in the performance of work, with the main objective of preserving the health of all workers, as well as continuously improving safety. During this first phase, the survey was forwarded to a relevant sample of workers, in accordance with the statistical criteria of better representativeness.

The second phase of the project will be implemented in January 2019 and will involve the entire corporate population through the completion of an online survey.



2.2 WELFARE AND EQUAL OPPORTUNITIES

In our Group, we pay attention to the well-being of our People, seeing this as a key element for the achievement of our business objectives. We therefore support more and more initiatives in favour of a balance between professional and personal/family life.

In accordance with our Code of Ethics, the Group guarantees the protection of the dignity of the individual and the respect for equal opportunities, and does not allow discriminatory behaviour at any stage or process of its Resources management, ensuring respect for **Human Rights** and also fighting any form of corruption.

No reports of discriminatory corporate conduct were received in 2018 in relation to the Charter of Values, the Code of Ethics or the freedom of association.

The Group sees **diversity** as a source of value, as well as an opportunity for growth, and as such has implemented a multiannual plan for employing staff belonging to less-advantaged categories, through agreements with the Regions and in compliance with current legislation. The Group valorises such resources by assigning them, where possible, in **specialist positions** and reference positions.

139 resources belonging to less-advantaged categories were working for 2i Rete Gas at 31.12.2018.

The **female population** of the Group represents 24.6% of all the employees (excluding manual workers); in recent years, the percentage of women with more specialist skills has increased considerably (in the last 5 years 81 women were hired out of 215 new employees, while 9 women were hired out of 27 new employees in 2018). Activities focussing on plant engineering and mechanical technology, with a high degree of manual skill, do not seem to be attractive for female staff at this moment.

The percentage difference between **wage levels** in men and women is to be considered physiological and is due to a lower average length of service for women, as well as to a lower level of technical specialisation, without prejudice to the fact that there is an increase in the number of women with technical qualifications, covering specialised positions.

With regard to **parental leave**, it should be noted that in 2018, one year after the end of the leave, with the exception of one resource who resigned, all the resources were still in service, resuming previous activities or in any case activities of similar professional scope, and sometimes accessing upon request part-time solutions. The related table is available on the next page.

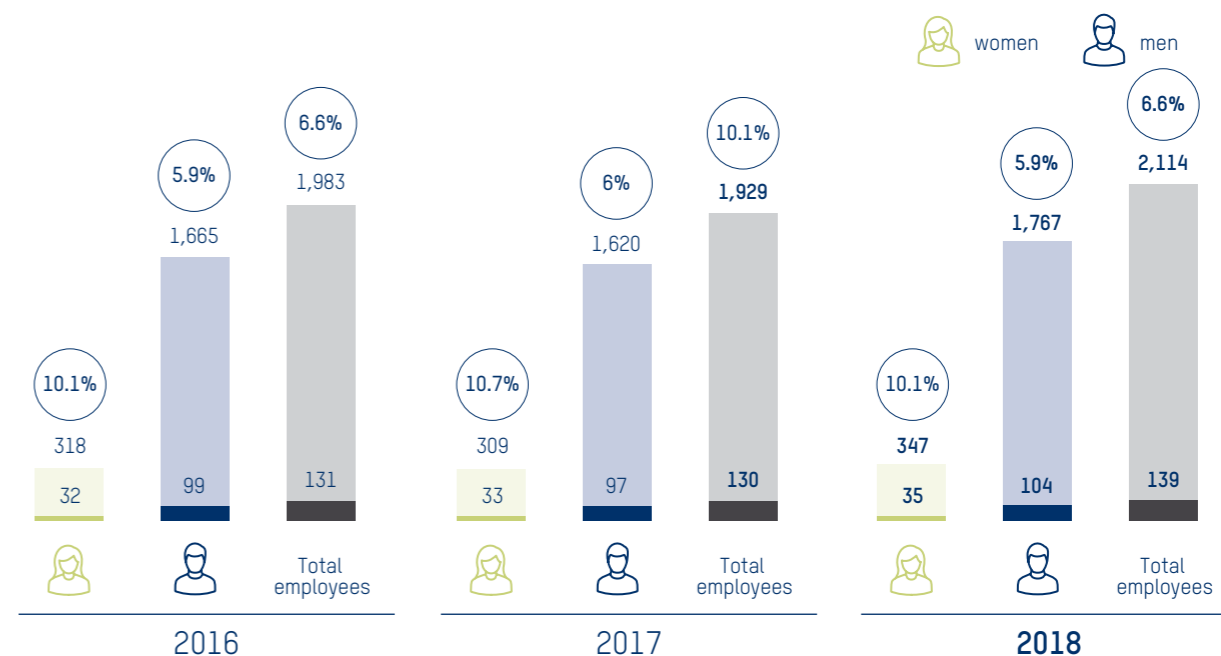
CORPORATE WELFARE IS PART OF THE GLOBAL STRATEGY OF THE GROUP, AS A VALID TOOL FOR DEVELOPING HUMAN, SOCIAL, AND RELATIONAL CAPITAL.

24.6%
FEMALE STAFF
(excluding manual workers)



- Company agreements
- Health care and insurance assistance for non-occupational accidents
- Hourly and part-time flexibility for working mothers (out of 76 part-time staff, 67 are women)
- Car-sharing
- Welfare agreement

Protected categories



Rate of return after parental leave | seen as compulsory + optional maternity leave

| | 31.12.2016 | | | 31.12.2017 | | | 31.12.2018 | | |
|--|------------|-----|-------|------------|------|-------|------------|------|-------|
| | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| Number of employees that benefitted from the right to parental leave | 26 | 8 | 34 | 21 | 6 | 27 | 43 | 3 | 46 |
| Number of employees returning to work after benefitting from the right to parental leave | 22 | 5 | 27 | 13 | 6 | 19 | 30 | 3 | 33 |
| Number of employees that were still on parental leave during the year | 4 | 3 | 7 | 8 | 0 | 8 | 15 | - | 15 |
| Number of employees on parental leave in the previous year that returned in the reference year | 11 | 0 | 11 | 1 | 3 | 4 | 9 | - | 9 |
| Number of employees returning to work for 12 months after benefitting from the right to parental leave | 12 | 3 | 15 | 22 | 4 | 26 | 12 | 6 | 18 |
| Return rate after parental leave | 85% | 63% | 79% | 62% | 100% | 70% | 70% | 100% | 72% |
| Rate of maintaining the work position after returning from parental leave | n/a | n/a | n/a | 100% | 80% | 96% | 92% | 100% | 95% |

Following the **union agreement on welfare services**, in July 2018 the Group launched the **welfare plan for employees** who opted to convert part of the performance bonus into services for themselves and their families, and implemented the portal **My Welfare**.

Participation in the plan is voluntary and offers the possibility of receiving the performance bonus in a net form and without tax.

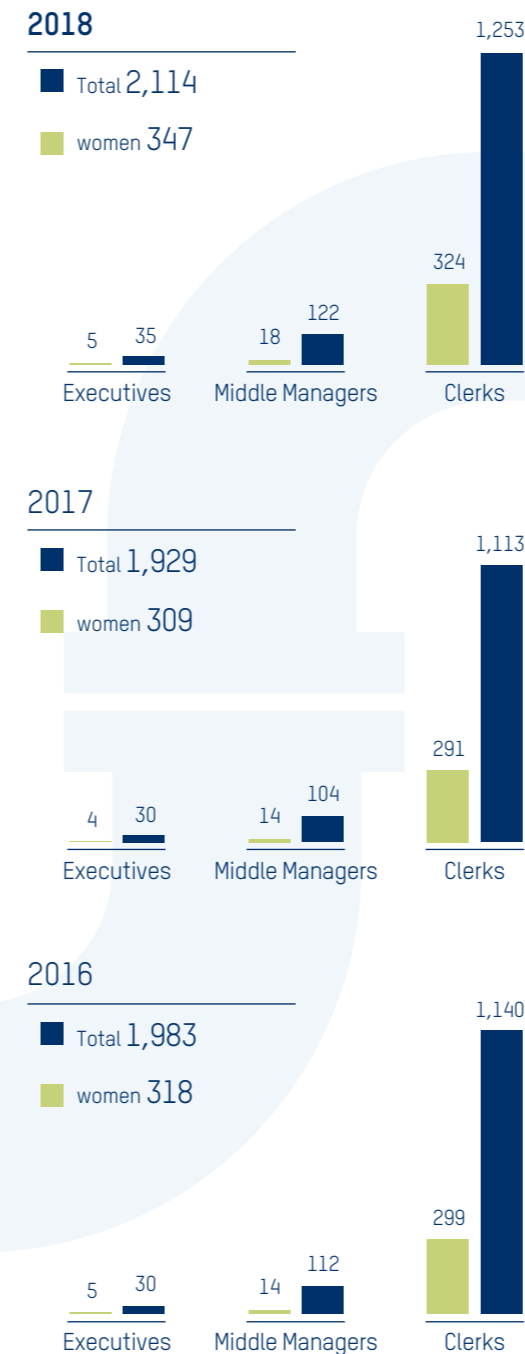
The Company is also convinced that welfare is an tool with great potential and capable of generating many benefits, including the improvement of the quality of the company

environment, and has decided to provide employees participating in the plan with an additional incentive of 15% of the converted bonus share. As such, the user may have a greater availability of expenditure for the purchase of services and goods, for the management and care of the family, for welfare and leisure, or a refund for transport costs or interest on loans, as well as the possibility to make additional payments to the collective pension scheme. In 2018, 303 employees joined the plan, that is 16.4% of the company population eligible for welfare, a percentage in line with the average for the gas-water sector (16%).

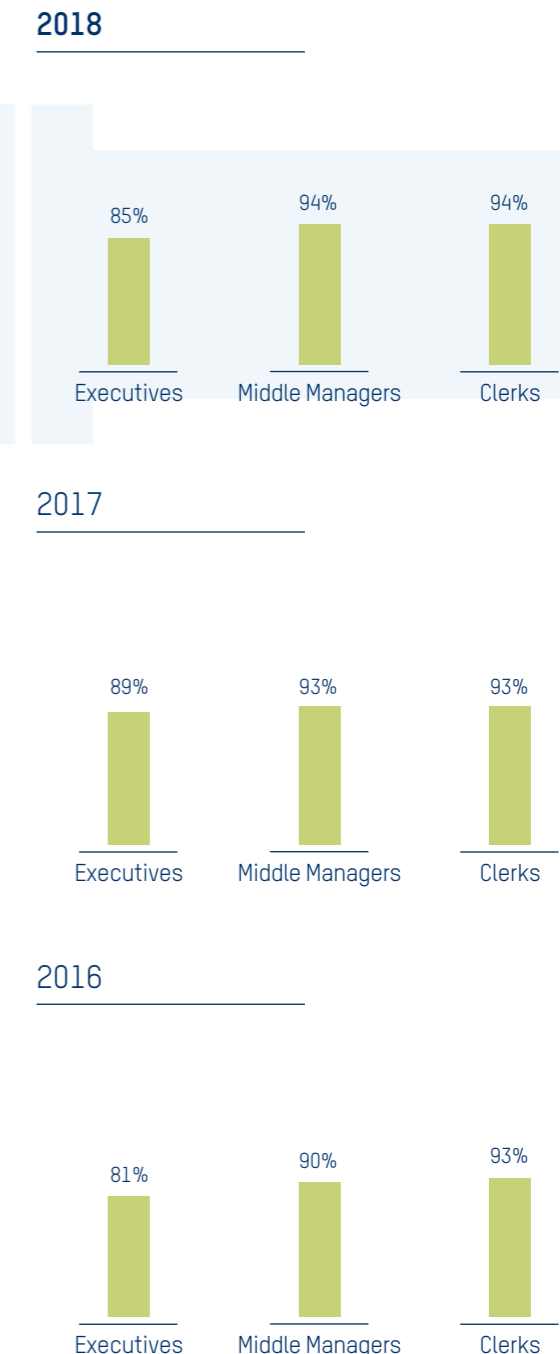
The most requested services are those in the area of welfare, transport and mobility, and family area.

Due to the implementation of the My Welfare portal, all employees, irrespective of the decision to convert the obtained bonuses, can also access an important network of **benefits**, obtaining discounted prices throughout Italy in a multitude of establishments related to wellness, health, family, education, leisure and transport.

Women presence in personnel



Pay comparison among men and women



2.3 RELATIONS WITH SUPPLIERS

We benefit from the collaboration of different types of suppliers and contractors, committing ourselves to entertain, in accordance with a transparent and structured process, synergic relations based on the achievement of high performance levels and, therefore, the mutual creation of value.

THE GROUP HAS DEFINED A SET OF PROCEDURES AND TOOLS THAT GOVERN THE WAY IN WHICH THEY INTERACT WITH THIS CATEGORY OF STAKEHOLDERS AT EACH STAGE OF THE PROCUREMENT PROCESS, IN FULL COMPLIANCE WITH CURRENT LEGISLATION ON THIS MATTER AND WITH A VIEW TO MITIGATING THE RISKS ASSOCIATED WITH SUPPLY CHAIN MANAGEMENT.



SUPPLIERS, CONTRACTORS and INDUSTRIAL PARTNERS



488

Total qualified suppliers in 2018

533

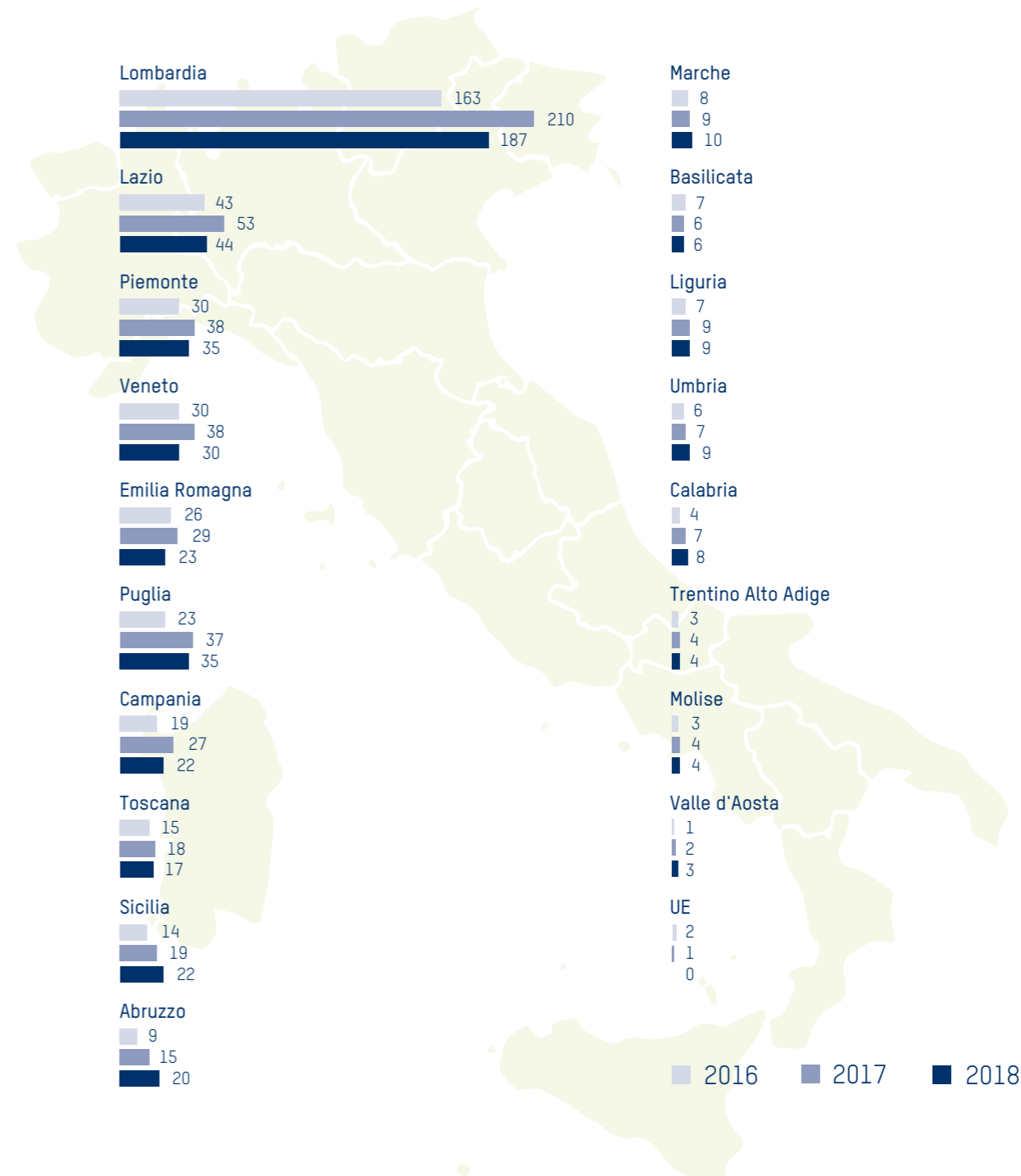
Total qualified suppliers in 2017

413

Total qualified suppliers in 2016

- “ GUIDELINES FOR SUPPLIER QUALIFICATION
- social and environmental topics
 - compliance with Legislative Decree 231/2001
 - protection of Human Rights”

Qualified suppliers by geographical area



Eligibility requirements and selection process

The Group's qualification process requires, with respect to the general prerequisites, **specific criteria regarding reputation, environmental protection, social responsibility**, compliance with **Law no. 231/2001**, and protection of **human rights**, such as:

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

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

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

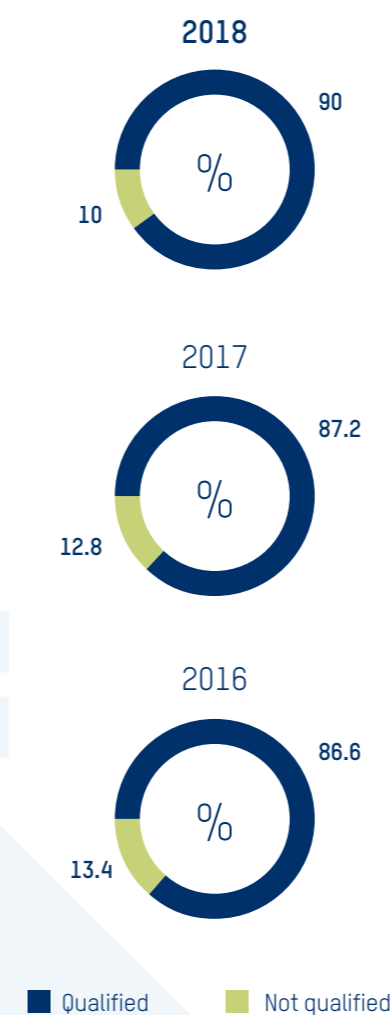
A centralised procurement process has also been defined for supplies and services covering the entire

Group and the entire national territory, although for certain types of contracts concerning, for example, the construction and maintenance of gas distribution plants, local companies are also used.

Companies that apply for certain types of contracts categorised as *"core"* (typically the construction and maintenance of gas distribution systems) undertake further steps in the qualification process, specific to the product category to which they belong; among the basic requirements are: proof of **adequate experience in the industry, technical competence, business know-how, operational capacity seen as having adequate means and skilled labour**.

The Group reserves the right to carry out inspection visits, already during the qualification process, as well as during the execution phase of contracts.

Qualified and non-qualified suppliers



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

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

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

Following the acquisition of the new company perimeter, the qualification process was started for suppliers who were not already included in the Parent Company's Register.

There are no different qualification processes.

In terms of the selection process, once qualified, suppliers may participate in tenders for supplies which, for core activities, are carried out in compliance with the Code on Procurement (Legislative Decree no. 50/2016).

The tenders of the Group are carried out through an e-procurement portal that guarantees transparency, fairness, and equal treatment for all participating suppliers; as a rule, the selection process involves not only the evaluation of purely economic parameters, but also of technical offer parameters.

2.4 MAPPING OF SUPPLIERS

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

90%

THE VALUE OF THE CONTRACTS SIGNED IN 2018 WAS ENTRUSTED TO SUPPLIERS WHO UNDERWENT A FORMAL QUALIFICATION PROCESS THROUGH THE PORTAL OF THE REGISTER OF SUPPLIERS OF THE COMPANY.

488

QUALIFIED SUPPLIERS



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

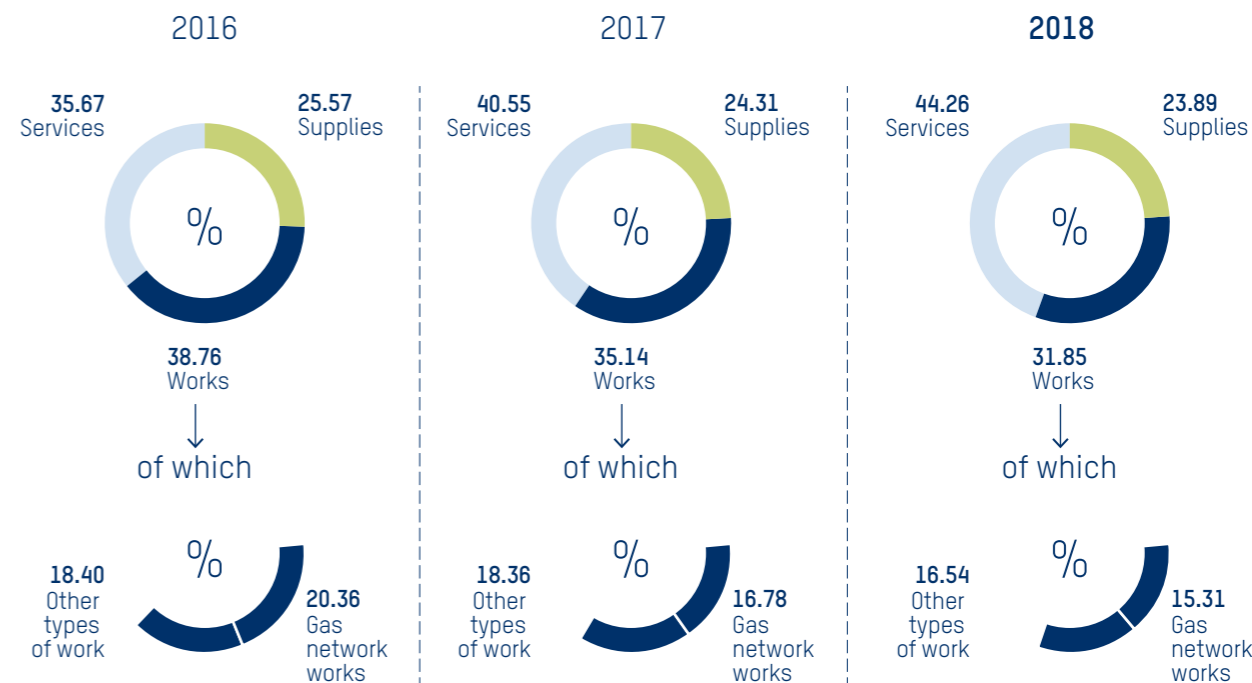
90.04% of the value of contracts signed in 2018 was entrusted to suppliers who underwent a formal qualification process through this platform, thus exceeding the target of 89% that the Group had set for 2018.

As at 31.12.2018, the Group had 488 qualified suppliers in its Register of Suppliers, corresponding to a total of 653 qualifications in one or more Product Categories based on the Qualification System as described above.

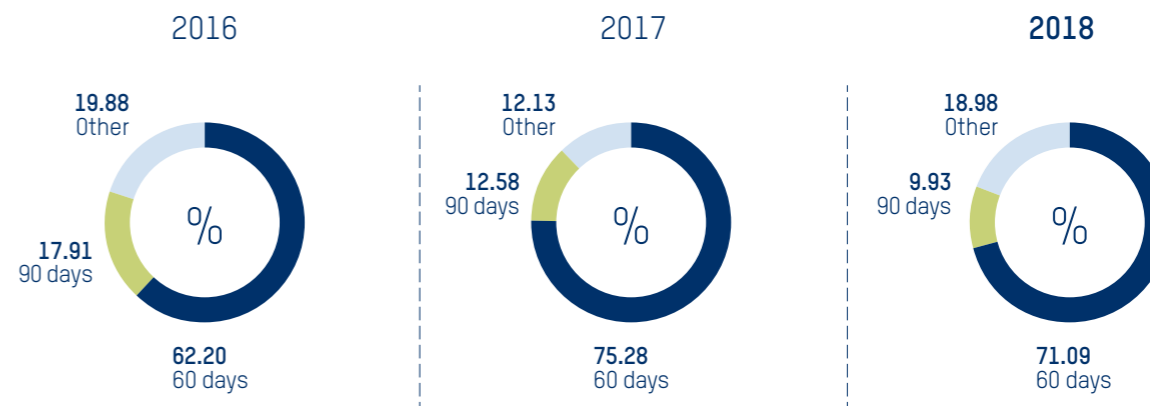
The Group works to guarantee its suppliers not only a fair remuneration, but also substantial compliance with the agreed payment terms, which in 2018 was at 60 days in 71% of cases.

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

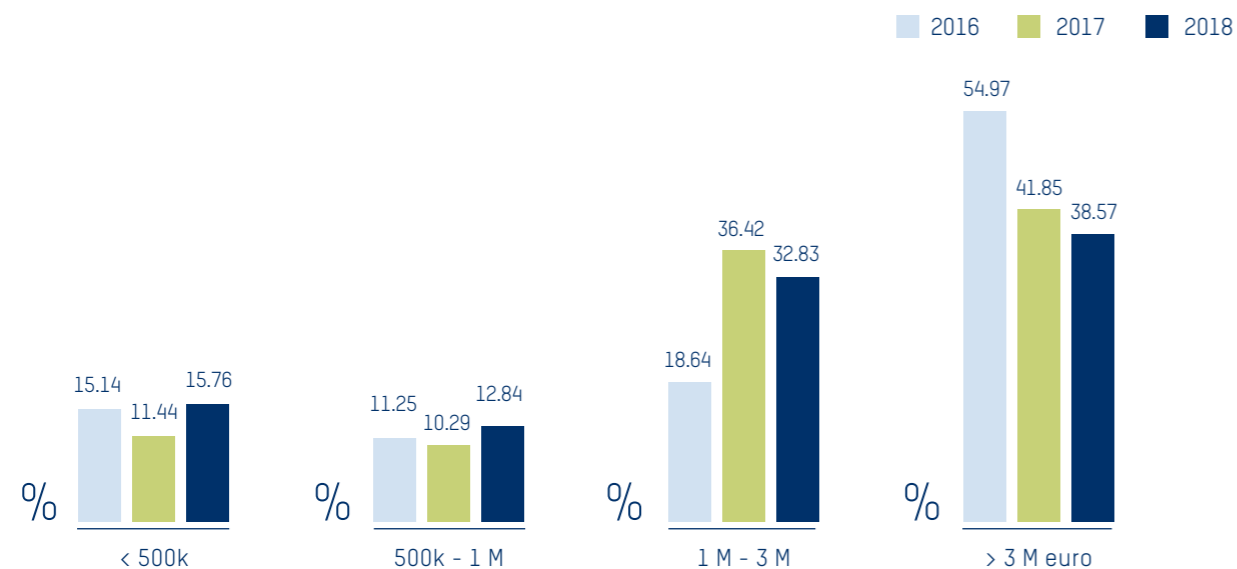
Number of qualifications by type



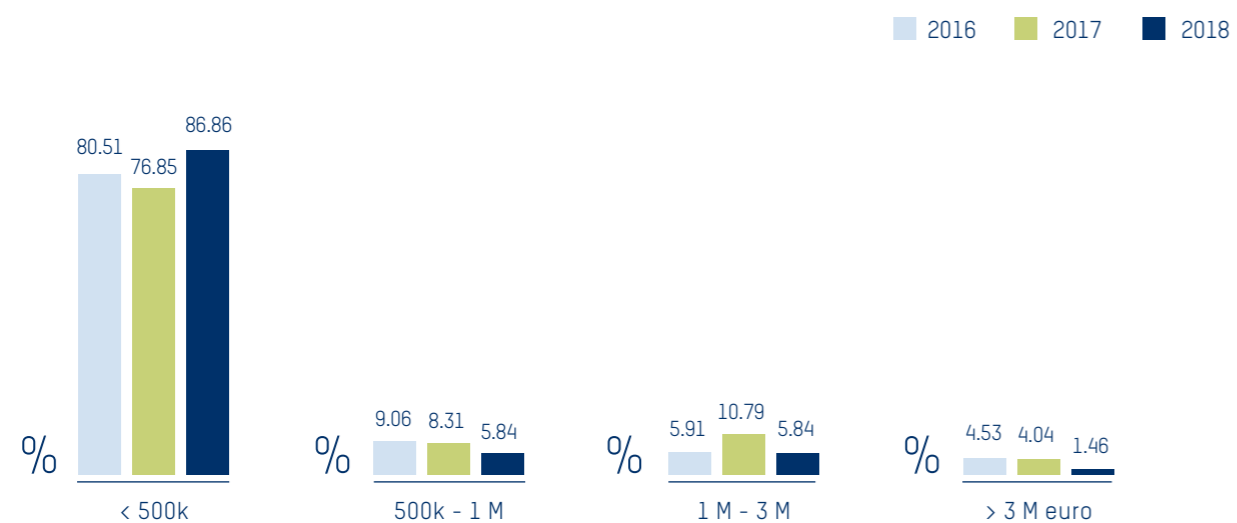
Payment terms for contracts signed during the year



Value of contracts signed by amount



Number of contracts signed by amount



Identification and mitigation of risks linked to the supply chain

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

From a formal point of view, the Group provides for specific clauses on ethical and anti-corruption topics in each individual contract,

in addition to what has already been mentioned in relation to the qualification process.

From a substantive point of view, the Group has also adopted procedures and certifications that guarantee compliance with the principles on anticorruption, protection of Human Rights and respect for environmental and social policies (ISO Certifications,

Code of Ethics) and has required, in the same way, all the qualified suppliers to comply with and maintain the same principles both during the qualification phase and subsequently during the contractual phase.

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



2.5 RELATIONS WITH THE UNIONS

We aim to cultivate profitable and correct industrial relations at all levels, with a view to the continuous involvement of the social partners in the management of major organisational changes, for the implementation of appropriate solutions through a transparent and concrete dialogue, while respecting each other's roles.

The year 2018 was characterised by various interchanges with the union. Following the development of a series of projects for the territorial reorganisation and divestment of some sites, as well as within the process of **integration** of 2i Rete Gas Impianti S.p.A. and 2i Rete Gas Servizi S.p.A., numerous meetings were held with the competent unions, aimed at finding the best solutions for managing the impacts on the People involved in the operation and in the transfers, where provided.

Union relations during the year were characterised by a series of consultation meetings at regional and national level with union representatives, aimed at concluding national agreements concerning the operations of integration and harmonisation of 2i Rete Gas Impianti S.p.A. and 2i Rete Gas Servizi S.p.A. within the Group. During the year, an implementation agreement was also signed on **company welfare**, linked to the performance bonus paid in 2018.

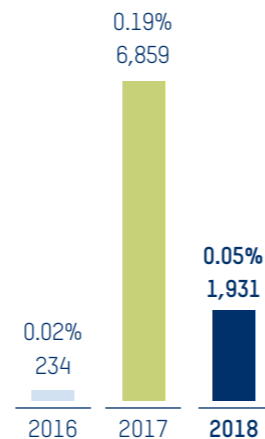
Meetings were also organised in order to define the criteria for renewing union representation, as well as the protocol on relations.

In 2018, there were 1,931 hours of strike, attributable to national strikes that involved even more industrial sectors and not the Company specifically, amounting to 0.05% of the total workable hours.

The significant decrease in figures as compared to 2017 is due to the fact that in 2018 there was only one national strike (while in 2017 there were two), with a lower participation compared to the previous ones.

100% of employees are covered by collective bargaining agreements.

Hours on strike of workable hours



3

RESPONSIBILITY AND RESPECT

3.1

HEALTH AND SAFETY

Indices and training

3.2

ENVIRONMENTAL MANAGEMENT AND OPTIMISATION OF NATURAL AND ENERGY RESOURCES

3.3

DIALOGUE WITH CLIENTS

Complaint management
Commercial Call Center
End client portal
Meeting with sales companies

3.4

PRIVACY PROTECTION

3.5

SOCIAL AND ECONOMIC DEVELOPMENT OF COMMUNITIES

Relations with Public
Institutions and Authorities
Category associations and company
initiatives dedicated to the
involvement of the local areas

2i Rete
Gas

3.1 HEALTH AND SAFETY

We aim to achieve the “zero accidents” objective and, with a sense of responsibility, we foster a culture of safety inside and outside our organisation, attesting to the observance of even higher standards than those provided for by the relevant legislation. For this reason, in our Group, in addition to pursuing the improvement of health and safety in the workplace and towards internal resources, we invest in the safety of the community and the environment in which we operate, sharing this commitment also with our collaborators and external contractors.

18,500
HOURS OF TRAINING
in health and safety

4,443
CONTROLS DURING WORKS
by the Site Control Officers

The safety organisation model of the Group is based on 7 production units for the Parent Company, in which 7 Employers have been identified who, in turn, have defined an adequate number of delegated persons with powers and qualifications.

Similarly, the subsidiaries have also defined their own safety organisation model, divided into individual production units for which their respective Boards have identified an Employer.

For all the Group companies, safety is organised through the Prevention and Protection Service (SPP), which is uniformly distributed and consists of a Prevention and Protection Service Manager identified by Employers for the 7 production units of the Parent Company, with whom 12 Employees work.

Similarly, for the subsidiary 2i Rete Gas Servizi S.p.A., a Prevention and Protection Service Manager and a Service Employee have been appointed, while for Cilento Reti Gas S.r.l., given the configuration that provides for the management of only 2 resources seconded from the Parent Company, the role of Service Employee is performed directly by the Prevention and Protection Service Manager.

All Employees are appointed by the individual Employers.

The Employers carried out the risk assessment by dividing the resources of the company into two homogeneous activity groups, namely

those dedicated to clerical activities, and those dedicated to operations. The health protocol was derived from the risk assessment.

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

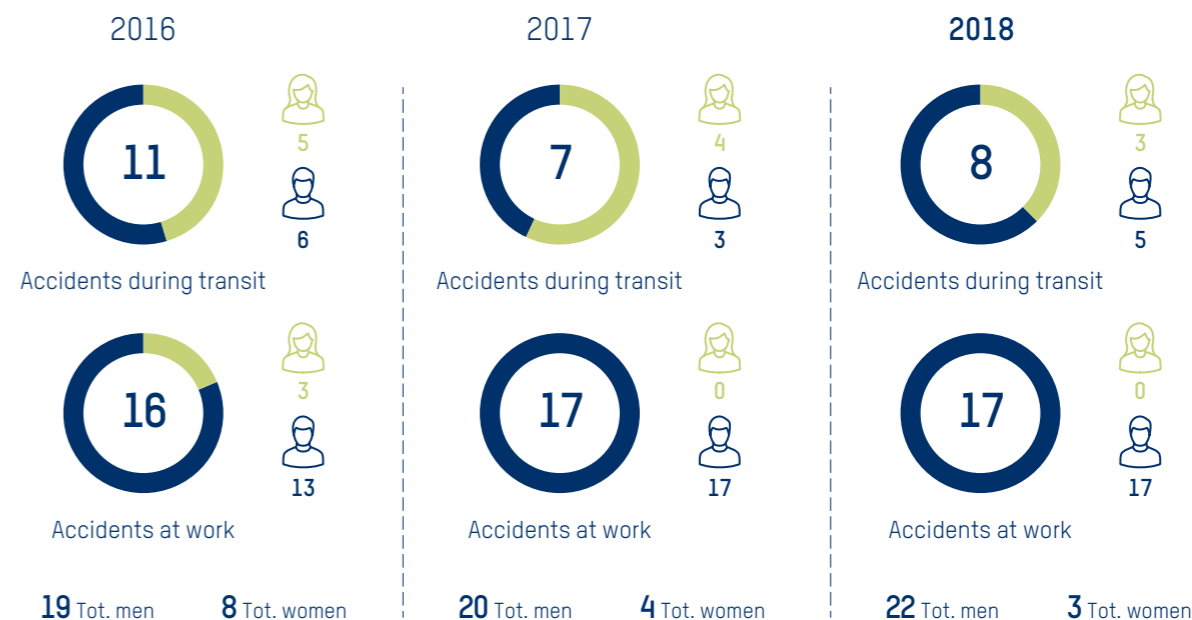


Quarterly monitoring of the accident situation, also of suppliers

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

Similarly, the Group also monitors the accident situation of their suppliers on a quarterly basis in relation to the activities carried out and worksites managed for the Group; the trend in the non-occurrence of incidents/accidents is also monitored. For the year 2018 there were no cases of acknowledged work-related illnesses in the Group.

Accidents by type



“ZERO ACCIDENTS” TARGET



Indices and training

In order to achieve the “zero accidents” objective, the Group internally verifies occupational health and safety at local structures and carries out checks during works at open sites run by contractors.

It analyses the results of controls and define actions and measures to improve health and safety performance. In 2018, the total number of accidents at Group level was 25 (24 in 2017), for a total of 965 days off work (958 in 2017). In 2018, as in 2017, 3 accidents continued generating a total of 263 day off work to which must be added a further 40 days due to the reopening of positions closed due to accidents, which increase to 303 days off works the overall total.

In 2018, 3 accidents with more than 60 days occurred, compared to 6 recorded in 2017 (bringing the damage index of individual injured parties down compared to the previous year).

Again in terms of safety, the Group monitors the control of health and safety issues in order to ensure prevention, also with an inclusive approach to the activities carried out by suppliers of works and services. In order to increase the awareness of suppliers on the observance of high standards of health and safety,

the Group continues its efforts through a daily supervision of worksites aimed at ascertaining the correct working practices of suppliers.

In 2018, the control process of the sites subject to Title IV of Legislative Decree no. 81/08 was also consolidated for the subsidiaries 2i Rete Gas Impianti S.p.A. and Cilento Reti Gas S.r.l. through the supervision of the Safety Coordinators, ensuring, as for the Parent Company, a daily level of supervision over the contractors and their sub-contractors.

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

During the period, 4,620 inspections were carried out for a total of 5,252 minutes by the Safety Managers in the Execution phase, and 4,443 checks



In 2018 there were 3 accidents with more than 60 days as compared to 6 recorded in 2017

were also carried out during works by the Site Control Officers, which are associated with 751 technical tests. The Group monitors the status of its suppliers in terms of accidents by recording the incidental/accidental events that occurred on its sites and involved their employees.

In 2018, there were no incidents that led to the imposition of financial penalties or warnings.

In order to improve the monitoring of health and safety performance, the Group uses three indicators, the first two of which are for regular statistics also used by the national health service and contemplated by the UNI 7249 standard. The indicators in use to measure effectiveness in achieving the objective are the improvement in performance as compared to the past, valued by means of indicators of frequency and severity of the accidents that occurred and, as a preventive measure, the evaluation of “near-miss accidents” recorded during the year. In this context, reports of traffic accidents, both active and passive, were also acquired, in consideration of the fact that traffic accidents have become of greater interest in the recent period, also in relation to the number of kilometres travelled in the course of the activity.

In 2018, the accident indices recorded by the Group were as follows: Frequency Index 4.86 compared to the target of 5.28 (which was the value of the final Frequency Index for the year 2017) and Severity Index of 0.14 compared to the target of 0.20, set against the value of 0.19 (which was the value of the final Severity Index for the year 2017).

Given the decreasing value of the overall Frequency Index, which also takes into account the accidents recorded by the subsidiary 2i Rete Gas Impianti S.p.A., the Group has set the objective of reducing the Accident Frequency Index in 2019 (calculated as the number of accidents that occur outside commuting by hours worked). For 2019, the target is therefore 4.80.

With the aim of monitoring the seriousness of accidents and implementing all the preventive measures, the Group supervises the Accident Severity Index (calculated as the number of days not worked as a result of an accident that occurred outside commuting by hours worked). **For 2019 the target is reconfirmed at 0.20, also taking into account the reopening of positions closed due to accidents that occurred in 2017.**

In order to promote the growth of the company culture on reporting the number of near misses accidents, the Group had set as a minimum objective for 2018 to **maintain 43 spontaneous reports** in relation to potential accidental events without damage to persons or property. This objective, established in relation

to the assessment of risks on operational activities carried out in 2018 by Group employees, was not achieved because the spontaneous reports collected during the year were summarised in 24 events. Since it cannot be ruled out that this type of incident will not be reported, and in order to increase the awareness of all Group resources of the importance of spontaneous reporting of such events, an extensive awareness campaign will be organised in 2019. The Group is also involved in employee communication and training activities on health and safety issues. During 2018, **18,500 hours of training on the subject** were provided.

Health and Safety Indices

| | 31.12.2016 | | | 31.12.2017 | | | 31.12.2018 | | |
|--|------------|------|-------------|------------|------|-------------|------------|-------|-------------|
| | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| Index of gravity including while commuting | 0,18 | 0,24 | 0.23 | 0,51 | 0,26 | 0.30 | 0,15* | 0,30* | 0.28 |
| Index of frequency including while commuting | 17,15 | 6,85 | 8.33 | 8,44 | 7,28 | 7.45 | 5,69* | 7,33* | 7.14 |
| Index of gravity NOT while commuting | | | | | | 0.19 | - | 0,16* | 0.14 |
| Index of frequency NOT while commuting | | | | | | 5.28 | - | 5,67* | 4.86 |

* Above data also include January 2018 figures even for 2i Rete Gas Impianti S.p.A. and 2i Rete Gas Servizi S.p.A. subsidiaries.

3.2 ENVIRONMENTAL MANAGEMENT

Our commitment to environmental protection translates into the monitoring and evaluation of the impacts arising from the performance of our activities, in order to identify the relevant factors, both direct and indirect, and to implement initiatives and projects aimed at a responsible mitigation of such impact.

THE GROUP IMPLEMENTS ITS ENVIRONMENTAL POLICY IN ACCORDANCE WITH THE INSTRUCTIONS FROM TOP MANAGEMENT AND THE REFERENCE STANDARD UNI EN ISO 14001 UNDER WHICH IT HAS CERTIFIED ITS INTEGRATED SYSTEM IN 2007.

MONITORED INDICATORS

(data referring to the perimeter for the entire year 2018)

- waste production
- gas emissions
- noise emissions
- energy consumption



2.6 MJ/km
in 2018

almost equal to 2017 even with the increase of the vehicle fleet

The main direct impact that the organisation monitors is: **waste production; greenhouse gas emissions into the atmosphere, and noise emissions from plants.** It also monitors energy consumption such as **consumption of the vehicle fleet** and **technological internal consumption** (gas preheating

decompression systems, electricity cathodic protection systems). No indicators are given on water consumption as it is not relevant in the gas distribution process.

Indirect impact, namely that produced by the activities entrusted to suppliers, are instead identified

and governed by contractual obligations and provisions. The Group monitors these by means of field inspections carried out by local units. The Group monitors and controls its internal consumption in terms of primary energy.

Direct energy consumption on vehicles

Direct energy consumption (vehicles)

| | 2016 | | 2017 | | 2018 | | |
|----------------|-------|--------|-------|--------|--------|---------------|------------------------------|
| | t | GJ | t | GJ | t | GJ | |
| DIESEL | 1,989 | 84,906 | 1,895 | 80,921 | 1,986 | 84,802 | Consumption of vehicle fleet |
| PETROL | 11 | 518 | 7 | 324 | 26 | 1,131 | Consumption of vehicle fleet |
| METHANE | | | | | 19,976 | 690 | Consumption of vehicle fleet |

Source Conversion Factor: UK Government GHG Conversion Factor for Company Reporting 2018

In 2018, the total amount of energy consumed to ensure the operation of the vehicle fleet of the company was 7% higher than in the previous year. An analysis of the data shows the causes of the increase is correlated to the incorporation of the vehicle fleet of the acquired companies, 2i Rete Gas Impianti S.p.A. and 2i Rete Gas Servizi S.p.A..

A further analysis in order to assess the maintenance of the trend of consumption, however, confirms an average ratio of 2.6 MJ/Km that is almost equal to that of 2017, confirming the optimisation of consumption despite the increase in the vehicle fleet.

Furthermore, as a result of the acquisition of the company 2i Rete Gas Impianti S.p.A., in 2018 a punctual consumption deriving from the use of low-emission fuels could be recorded in the second half of the year, as the operating vehicle fleet of the acquired company is partially fuelled by methane; in 2019 the impact will also be evaluated in terms of emission values.

Direct energy consumption (technological systems and buildings)

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

| | 2016 | | 2017 | | 2018 | | |
|--------------------|----------------|---------|----------------|---------|----------------|---------|--|
| | m ³ | GJ | m ³ | GJ | m ³ | GJ | |
| ENERGY USED | 5,628,138 | 194,404 | 5,993,931 | 207,037 | 6,425,084 | 221,929 | Heat production by city gates |
| | | | | | 247,043 | 8,533 | Heating of Buildings (Offices and Whorehouses) |

Source Conversion Factor: ENEA

In 2018 the amount of energy consumed to ensure the operation of the technological systems at the REMI cabins (gas preheating in the decompression process) is almost stable, as the ratio between the energy consumed for the operation of the decompression systems and the gas transited in these systems is constant and equal to 0.0010 Stm³ consumed/ Stm³ transited, value already resulting for the years 2017 and 2016.

On the other hand, in 2018 the consumption of methane gas used to heat office and warehouse buildings was duly measured; the value will be compared with the values in 2019 in order to evaluate the plant efficiency (according to the criterion Stm³/day (degree days) year on m² heated surface of the buildings).

0.0010

(Stm³ gas consumed/Stm³ gas transited)

in 2018 the ratio is constant

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

| | 2016 | 2017 | 2018 | |
|--|--------|--------|--------|------------------------------|
| | GJ | GJ | GJ | |
| ELECTRICITY PURCHASED FROM THE GRID | 9,061 | 9,523 | 11,899 | Energy consumption buildings |
| | 30,132 | 31,079 | 36,845 | Technological installations |

Source Conversion Factor: ISPRA 2017

In 2018, the total amount of energy purchased by the network was 16.7% higher than in 2017. The figure includes consumption for the operation of buildings and technological systems. The increase of 25% in property consumption is due to the change in the perimeter

of consolidation as a result of the acquisition of 2i Rete Gas Impianti S.p.A. and 2i Rete Gas Servizi S.p.A.; similarly, for technological consumption, the rise is due to the increase in managed plants, with +19% as compared to 2017.

The level of efficiency of consumption, however, consolidates a value of 0.700 GJ per km of network (data 2017: 0.653 GJ/Km network). The deviation is due to an increase in the network managed with +11%, combined with the progressive degradation of the coverings of underground steel nets.

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

Direct emissions (Scope 1)

| | 2016 | 2017 | 2018 | |
|--------------------|---------------------|---------------------|---------------------|------------------------------|
| | t CO ₂ e | t CO ₂ e | t CO ₂ e | |
| DIESEL | 6,235 | 5,942 | 6,263 | Vehicle fleet |
| PETROL | 35 | 22 | 77 | Vehicle fleet |
| | - | - | 41 | Vehicle fleet |
| NATURAL GAS | 11,003 | 11,718 | 12,561 | Technological installations |
| | - | - | 483 | Energy consumption buildings |

Source Conversion Factor: UK Government GHG Conversion Factor for Company Reporting, UNFCC 2018

For the quantities of CO₂ emitted due to energy consumption, 2018 was closed with an overall of +13%. When analysing each energy vector individually, we notice:

- a positive balance regarding the CO₂ produced by the use of energy for the operation of the vehicle fleet of the company, in fact the increase of +7% at the end of the year is justified by the increase in the number of vehicles making up the vehicle fleet of the

2i Rete Gas Group, which in any case maintains an average value of emissions per km travelled below 0.2 gCO₂, similarly to the values of previous years;

- regarding the CO₂ produced in relation to the consumption of methane gas used in technological plants, the figure is higher overall, since the quantity of gas transited by the plants in which the energy was used is over 7.2% while maintaining the

degree of level efficiency, noting a percentage of emissions from combustion in relation to the gas transited of 2 gCO₂/Stm³;

For the consumption deriving from the use of gas for heating purposes in offices and warehouses, the 2018 emission figure will, as mentioned above, be compared in terms of efficiency and emissions with the 2019 figure.

Indirect emissions (energy purchased from the network)

Indirect emissions (Scope 2)

| | 2016 | 2017 | 2018 | |
|---|---------------------|---------------------|---------------------|--|
| | t CO ₂ e | t CO ₂ e | t CO ₂ e | |
| ELECTRICITY PURCHASED FROM THE NETWORK | 3,464 | 3,589 | 4,308 | Technological installations and offices/warehouses |

Source Conversion Factor: ISPRA 2018. The data for the two-year period 2016-2017 have been adjusted and recalculated on the basis of the new updated emission factor (ISPRA Report 280/2018 "Air emission factors of greenhouse gases and other gases in the electricity industry").

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

For the electricity purchased by the Group it is not possible to trace whether it was produced with a component from renewable resources or not, therefore the emission factor ISPRA in tons of CO₂ is considered for the energy produced, which does not consider the component from renewable resources. Water extraction is not tracked as it is not relevant to the main operational activity.

MONITORING INDICATORS AND KPIS

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

- **Reduction of primary energy consumption for technological purposes.**
The defined parameters are aimed at verifying the ability to optimise the energy necessary to ensure the preheating of gas in the decompression process and in the management of the cathodic protection process of the steel pipelines.

Two indicators are processed:

- > The first one, referring to the ratio between the amount of energy consumed in the reference period and the volume of gas transited in the REMI (for the efficiency measurement of the preheating process). For 2017 the index was 0.10. **For 2018 the objective was to bring the index below 0.10**, the result confirmed a value of 0.10 substantially in break-even. Considering that this value is representative of the perimeter integrated by the plants of the new companies during the second half of 2018, **for 2019 the same target is proposed again.**
- > The second, referring to the ratio between the amount of electricity consumed in the reference period and the km of steel mesh operated in the reference year (for the measurement of efficiency of the cathodic protection process). For 2017 the index was 0.65 GJ/Km.

For 2018 the objective was to lower this index.

The analysis shows that the decrease in steel pipelines carried forward to the perimeter of 2017 (2i Rete Gas S.p.A. and 2i Rete Gas S.r.l.) is in any case due to an increase in consumption of 6%. This is due to a growing deterioration of the insulating coatings of old pipelines and, at the same time, to greater sensitivity in controlling the efficiency of cathodic protection systems to ensure that the plants are maintained within the parameters established by ARERA.

Therefore, the non-consolidated objective of a value of less than 0.65 GJ/Km network is redefined in "containing the natural increase in consumption to a value that is not higher than 7% as compared to the previous year".

The Group's efforts to minimise environmental impact are aimed at reducing:

- the electric energy for the operation of cathodic protection systems and remote control systems;
- the methane gas consumed for the operation of the preheating systems at the REMI stations.

- **Consolidation in 2019 of the precise monitoring of the consumption of natural gas for heating buildings (offices and warehouses).**

In 2018, there were no events or investigations carried out by third parties that resulted in non-conformities with mandatory and applicable regulations in relation to environmental issues.



3.3 DIALOGUE WITH CLIENTS

We provide the different types of clients with which we interact, contact channels and opportunities that are capable of responding to their requests in an increasingly effective, comprehensive and responsible manner. In our Group, in fact, in addition to having implemented the use of the dialogue channels envisaged by the Regulator, we have activated a commercial call centre service dedicated to end clients of the network, in order to provide them with more support in carrying out administrative procedures and to provide information on the installation of electronic meters. Moreover we organise an annual meeting with the sales companies in order to provide shared information on issues of common interest.

Complaint management

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

The main issues for which requests for information and/or complaints are received from end clients of the network concern the verification of the meter reading and reconstruction of consumption, with particular reference to the replacement of traditional meters with electronic meters as provided for by Resolution no. 631/2013/R/gas of 27.12.2013.

Throughout 2018, 2i Rete Gas Group received and handled 6,234 written requests (5,638 in 2017), of which 4,053 refer to written complaints and requests for written information (3,916 in 2017) subject to compliance with the general commercial quality standard provided for in article 50 of ARERA Resolution no. 574/2013/R/gas.

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

During 2018, the number of dossiers managed was almost stable compared to the previous year, and the percentage was higher than the minimum percentage defined by ARERA, being at 99.34%, with a result substantially in line with 2017 (99.58%).

The goal for 2019 is to maintain the standards of the company in terms of handling written complaints and requests for written information, in line with this year's trend.

The complaints formulated by "ARERA - Sportello per il consumatore" (333 in 2017) have been completely replaced by the instrument of "Conciliation", the way in which ARERA has regulated the management of disputes between end clients and operators.

The companies of the 2i Rete Gas Group, in their capacity as natural gas distributors, are called upon to intervene in conciliation either with technical assistance in the event of disputes between the end client and the sales company (in most cases) or directly with the end client, if the latter considers that there is direct responsibility on the part of the distributor. Throughout 2018 this new process was definitively structured in order to measure both quantitative and qualitative aspects, with the management of 399 dossiers.

Finally, 3,401 requests for technical data that can be acquired by reading the meter (so-called M01, equal to 2,472 in 2017) and 10,213 requests for other technical data (so-called M02, equal to 6,231 in 2017) were handled.



99.34%
claim management index
out of a total of 6,234

3,401
request for technical data
acquired by reading the meter

0.14%
complaints/requests
by managed redelivery points

Commercial call centre

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

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

- **commercial aspects**, with a toll-free number dedicated to the activation of requests pursuant to Resolution no. 40/2014, commercial quotations, reactivation of supply following suspension for potential danger, last resort services, and end client portal;

- **electronic meters**, with a toll-free number dedicated to requests for information on the scheduled mass replacement plan and for setting a personal appointment for the replacement of the traditional meter with the electronic meter if it has not been possible to make such a replacement during the scheduled intervention.



96% of calls handled out of a total of 298,185

In 2018, the commercial call centre of 2i Rete Gas received 298,185 calls (333,177 in 2017), of which 285,013 were handled (307,489 in 2017).

The service contract provides for the handling of a minimum monthly percentage of 90% of the calls received. During 2018, this overall percentage was respected, with an improvement in the level of service offered as compared to 2017, going from 92.29% to 96%.

The objective for 2019 is to maintain the company's standards of service, in line with this year's trend.

End client portal

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

of this implementation is the dematerialising paper documentation with a consequent reduction in the time required to send the documentation to/from the end client and with benefits in terms of activate the supplies.

The end client of the network can, in fact, delegate their trusted installer or the sales company chosen for the conclusion of the contract to make

operations on their own behalf on the portal, a situation that has led to a steady increase in its use.

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

Throughout 2018, a number of **new initiatives were also launched to encourage the use of natural gas** in areas with the greatest potential in terms of unserved users; these initiatives involved approximately 90 municipalities, mainly in southern Italy, in which subsidies were introduced on contributions for the creation of simple connections and, in municipalities with high potential in terms of redelivery points implemented but never activated, there were incentive campaigns on contributions for the activation and verification of documents, by making these payments cost free for

users of distribution services, and consequently to end clients.

With the integration of 2i Rete Gas Impianti S.p.A. in the systems and processes of the Parent Company, the acquired company **commercial model** for the management of requests for quotations, for the realisation of new connections, coming from clients through installation companies ("Installers") that are operating on behalf of the company has been implemented; these Installers, acting on the basis of a specific agreement, look for new potential end clients to illustrate the

advantages on the use of natural gas, to propose the connection to the network, and they play a facilitating role, accompanying them until the activation of the supply. This model will be extended to all Group companies.



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

Meeting with sales companies

For many years now, 2i Rete Gas has been organising a reputable annual meeting with sales companies. In November 2018, **the Network Commercial Services Department met with the representatives of the sales companies operating on the gas distribution networks of the Group companies on the occasion of two separate conferences, one held in Rome and one in Milan.**

The main topics concerned issues of common interest, relating to the evolution of the regulatory framework

in the gas distribution industry and the main changes in efficiency in terms of processes and systems developed by the Network Commercial Services Department.

The discussions were also aimed at illustrating the business developments of 2i Rete Gas S.p.A. in 2018 and those scheduled for the beginning of 2019.

The meetings were attended by 99 sales companies and their 201 agents.

99

sales companies

attended the meetings in Rome and Milan in 2018

3.4 PRIVACY PROTECTION

In our Group we guarantee the respect for the individual, also ensuring the respect for the right to the protection of the personal data of individuals.

“ PRIVACY PROTECTION

The Group guarantees respect for the individual and ensures compliance with the right to the protection of personal data of the individual, in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council (GDPR). ”



In order to achieve these objectives, the Company has carried out, among other things, the following activities:

- Formal appointment of the Data Protection Officer and Data Controller.
- Formal appointment of internal and external data processors and their authorised persons.
- Mapping of all the processing operations carried out, of the related databases managed electronically, and of the methods of storage of paper documents, assessing the potential risks and defining the consequent security measures, aimed at preventing potential dangerous situations.
- Drafting of a Privacy Manual which defines the entire process of personal data protection, including the ethical rules and security measures provided for by the new EU Regulation.
- Drafting of suitable procedural guidelines that regulate in detail the behaviour of the subjects involved in the management of the individual processing.
- Drafting of a Processing Register that includes all the contacts and information required by article 32 of the GDPR.



Finally, the data related to the valorisation of the plants of local authorities are sent to the RUP by means of an email sent with a certified email address, while being stored, looking at the internal management in databases with segregated access and made available only to the persons responsible for processing.



Throughout the last three years, there have been no cases that could constitute theft of information and/or violation of privacy regulations regarding data managed by the Group.

3.5 SOCIAL AND ECONOMIC DEVELOPMENT OF COMMUNITIES

Consistently with the principles and conduct criteria enshrined in our Code of Ethics and by applying ourselves through transparency, fairness and traceability, with a sense of responsibility, we deal with public institutions, authorities and trade associations, bringing our know-how at the service of the Community in order to provide the best service in the regions in which we operate.

Relations with Public Institutions and Authorities

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

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

Category association and company initiatives dedicated to the involvement of the local areas

The Parent Company 2i Rete Gas S.p.A. is associated with Anigas (National Association of Gas Industries headed by Confindustria) and Assogasliquidi (Federchimica Association representing companies in the liquefied gas/LPG distribution sector).

Participation in trade associations, in addition to protecting the interests of member companies, makes it possible to promote the innovative use of gas, not only as an important source and vector of energy, but also in a perspective of environmental sustainability, and it consolidates the stakeholders' perception of the company as a leader and reference in the industry.

Relations with trade associations are managed through specific company structures that coordinate and manage information flows and the risks and opportunities arising from them.

In particular, relations with Anigas are managed through the active participation through representatives in Commissions, Working Groups, and also in associative bodies for the definition of the positions represented towards Authorities, Institutions and stakeholders.



Initiatives on the ground: first proposals for energy efficiency in 2018

As far as local initiatives are concerned, a project called **"Energy Efficiency" has been in place since 2017**. One of the objectives of the project is to generate Energy Efficiency Certificates to be offered in the upcoming Atem tenders for gas distribution service.

The working group in charge of the project has the task of supporting the Public Administration in the process of obtaining the energy certification of its buildings, proposing and developing projects aimed at increasing the efficiency of the energy performance of the systems in the municipal heritage, including the system of public lighting, and the simultaneous reduction of consumption.

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

From the initial perimeter of 180 selected municipalities, **28 Public**

Administrations were identified, where energy audits were carried out for a total of 121 sites owned by the municipality such as schools, municipalities or gyms.

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

To date, **definitive proposals for energy efficiency through project financing have been presented (article 183 of Legislative Decree no. 50/2016) in 7 municipalities:** 2 Final proposals for building efficiency and 5 Proposals for building efficiency and public lighting.

In terms of working method, the group in charge carries out, also with the support of external professionals, feasibility studies and financing of possible interventions; they carry out engineering analysis, energy diagnoses, final and enforceable projects, aimed at assessing the current state of sites, the margin for development and optimisation of their energy performance, including through the possible introduction of new innovative technological solutions.

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



4

INNOVATION AND CHANGE

4.1
SAFETY, RELIABILITY,
EFFICIENCY

4.2
SMART METERS PROJECT
Infrastructure for the collection of data
from smart meters

4.3
CYBERSECURITY

4.4
LONG TERM GAS
SUSTAINABILITY

4.1

SAFETY, RELIABILITY, EFFICIENCY

Our IMS provides for a precise monitoring of the Organisation's ability to ensure the management and operation of the natural gas distribution service, in compliance with the applicable mandatory requirements and, consequently, the control of the activities ensured by the operative staff, in relation to the operation and maintenance of the gas network infrastructure and the supervision of service providers and suppliers of materials. For this reason, with the aim of continuous innovation and improvement of the safety, reliability and efficiency of the plants, every year we implement the audit plans and specific controls related to it.

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

An annual plan is defined:

- **Internal Audits to verify the conformity of the certified management system oriented to the control of activities and construction sites** (insource and outsource), **of infrastructures and buildings under the control of Departments, Territorial Areas and Secondary Sites**, so as to allow a significant sampling of corporate processes within the scope of the management system.

For 2018 the Group has planned, through its **Qualified Auditors**, scheduled audits to cover the business perimeters considered strategic for risk control on the certified perimeter.

The same objective is proposed again for 2019;

- **Surveillance visits aimed at observance of behaviour in accordance with company guidelines** ("VISORV");
- **Inspections aimed at checking for an accurate observance of the rules set by ARERA in Resolution no. 574/2013 in relation to Safety and Continuity and Commercial Quality** of the service, in the phase of management and registration of activities subject to annual reporting and periodic inspection by the Authority. For 2018,

the Group has ensured a higher number of checks than those provided for in the Plan. The same objective is proposed again for 2019;

- **Inspections aimed at checking the correct performance of material testing operations** carried out by suppliers before sending the main products used in the construction of gas distribution systems **to the warehouses, in order to ensure compliance with the company's technical specifications** that were adopted by the supplier during the tendering phase and confirmed to the contractual approval of the product.

In 2018, the Group ensured the maintenance of supervision of material testing, with its own Quality, Safety and Environment Department, through the systematic control of the documentary evidence attesting to the tests performed and the maintenance of the quality of the equipment used, with a direct presence at the production plants of more than 20% of the testing convocations. The same activity will also be insured for 2019.



Monitoring of the performance of timely intervention and preventive controls of the safety conditions.

The Group monitors the performances describing their ability, in their capacity as a distribution company, to intervene promptly in situations of potential danger (first response and response time) or to organise and carry out preventive inspections to ensure a proper monitoring of safety conditions (network percentage subject to inspection, degree of odourisation of the gas, percentage of cathodically protected network), also in compliance with the controls relating to data regarding the processes of Safety and Continuity of service as per Resolution no. 574/2013/R/gas.

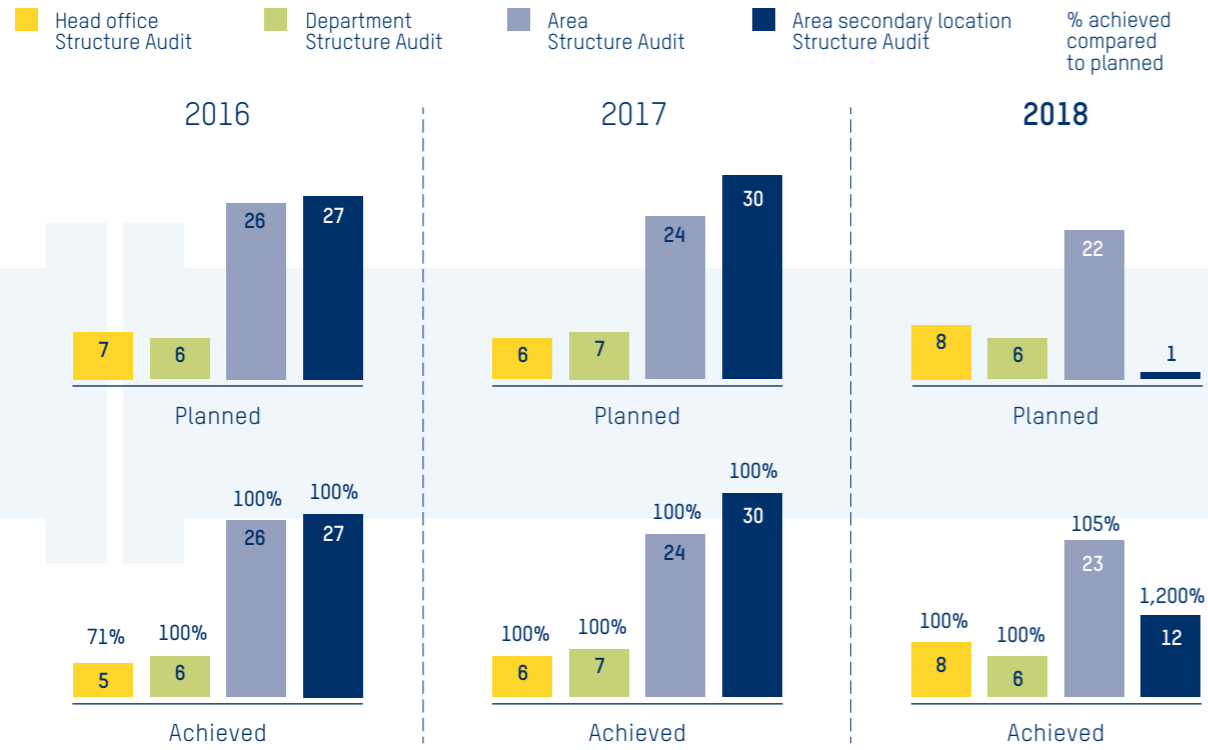
The process of running the gas infrastructure (network and plants up to the end user) is guaranteed by the central structure Exercise that defines the activities there; by the Engineering Department in terms of the relevant regulatory framework and by the territorial organisation (Department and Area) in terms of the operational aspects. The activities of ordinary management and maintenance (network management) and extraordinary maintenance (emergency management and first response) are provided by the staff in the Territorial Areas; the monitoring of compliance with standards and objectives is ensured by the structures of the Department which inform the headquarters, that operates as a body of guidance and control.

All the activities of the aforementioned process are regulated by system documents which, for various reasons, identify the responsibility,

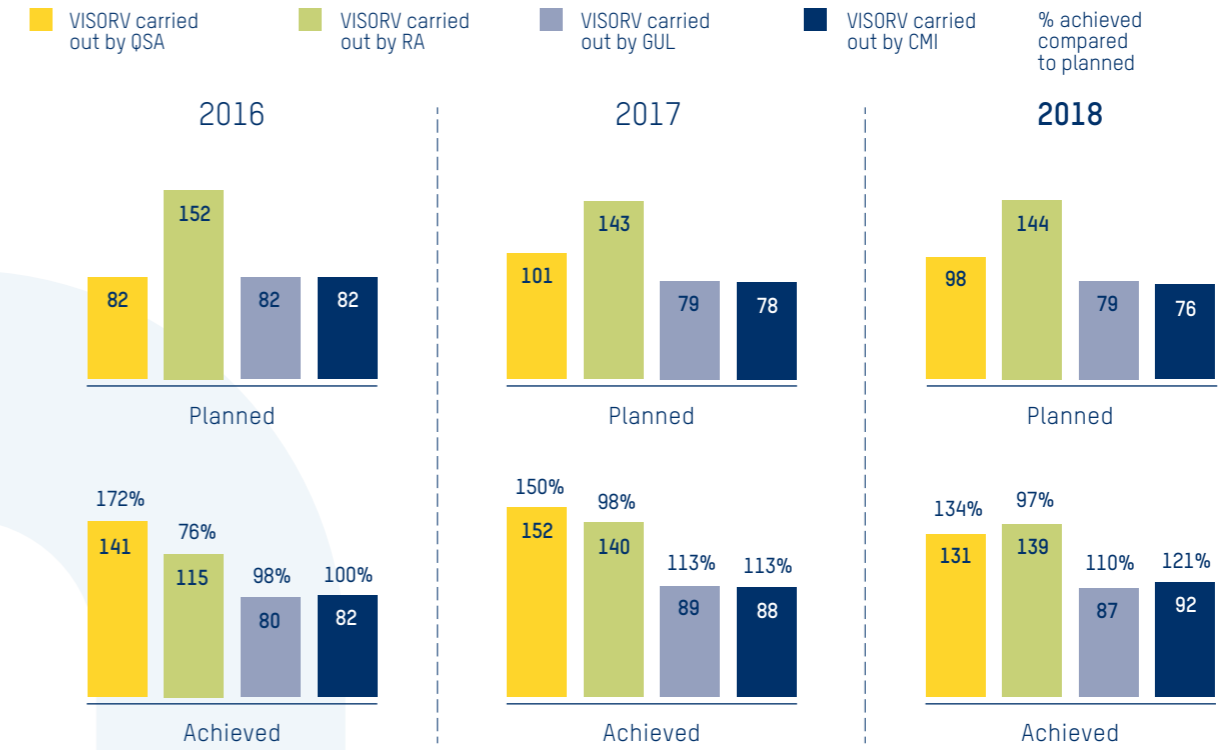
the operating methods, and the frequency with which they must be repeated over time. All system documents are consistent and in accordance with the applicable and mandatory regulations on the maintenance and operation of the gas network. For some significant parts of the network management activities "concerning the safety and continuity of the distribution service", the Group operates in compliance with the rules defined by ARERA (resolution 574/13). For these activities, every year the Authority is informed of the data relating to the Safety parameters with reference to the previous year. The monitoring and frequencies are recorded and stored on the SIRGAS and SAP PM computer systems. The last available parameters are the data relating to the communication to ARERA in 2017, referring to the final figures of 2016.

With a view to a constant attention to the safety of the plants and the end clients of the network, campaigns have been carried out to preemptively search for dispersions and to verify the degree of odourisation of the gas distributed in the field. With regard to the management of new technologies, it appears that the electronic meter installation, putting into service and management activities have been continued in accordance with the established investment plan and in compliance with the installation and commissioning obligations laid out in article 10 of Resolution no. 631/13.

No. of internal system audits

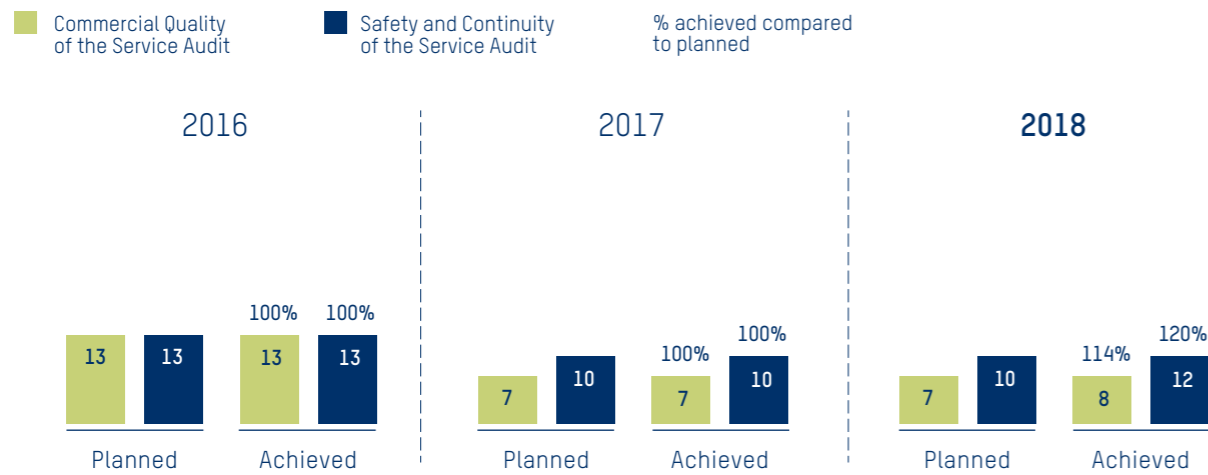


No. of VISORV surveillance checks



QSA: Department Quality, Safety and Environment
 RA: Area Manager
 GUL: Utilities and Works Management
 CMI: Plant Operation and Maintenance

Audit 574/13 Safety and continuity and Commercial quality of the service



4.2 SMART METER PROJECT

We continued with the installation and activation of smart gas meters, considering this activity to be the most tangible expression of our capacity for innovation in our sector.

2.8 million
ELECTRONIC METER INSTALLED
63% of the Group's meter fleet

3.4 million
OBJECTIVE 2019
ELECTRONIC METERS

2,842
CONCENTRATORS INSTALLED

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

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



The installation of **electronic meters and the infrastructure for collecting consumption reading data** continued in 2018. The plan to replace the meters is therefore confirmed as one of the most important projects of the Group, both from the point of view of innovative and technological content, and with reference to the terms of investment.

The installation and use of new generation electronic meters allows greater accuracy in metering, prompt recording of the actual consumption, as well as it improves the effectiveness of business processes due to the remote management of equipment.

The project also offers end clients the possibility of being better informed on their consumption and gives an effective reduction of the CO2 produced, thus meeting the EU objectives set out in the plan "climate-energy package 20-20-20".

The Group's objective in 2018, in compliance with the Authority's resolutions, was achieved with 2.8 million electronic meters, equal to approximately 63% of the Group's total number of meters (51% in 2017).

INFRASTRUCTURE FOR THE COLLECTION OF DATA FROM SMART METERS

In addition to installing meters with **point-to-point technology** (data transmission via SIM), the project provides, in the most important cities and in areas of high urbanisation, for the implementation of a data transmission infrastructure through concentrators, which allow to collect signals from electronic meters with the **point-to-multipoint technology**.

In 2018, the number of concentrators installed was 2,842.

4.3 CYBERSECURITY

We believe that the technological evolutions and the potential offered by the gradual spread of the Internet of Things (IoT) can be a lever for the improvement of the services provided, opening up cutting-edge prospects also in our industry. We are also aware of the fact that cybercrime has been growing in the past years at a high rate and that infrastructure managers are required to take appropriate countermeasures to ensure the security and continuity of the service offered. Therefore, in parallel with the progressive digitisation of the network, we are investing in cybersecurity solutions aimed at strengthening and protecting our infrastructure.

For some time now, the Group has been engaged in a process of digital transformation through initiatives to **automate the network and digitalise processes**: from remote access to control and measurement units, to remote monitoring of cathodic protection; from the massive installation of electronic meters, to support for staff in the field with mobility and workforce management solutions. Since its inception, this path has been and is supported by a **parallel and continuous increase in initiatives in the field of cybersecurity, aimed at ensuring the quality and safety of the service offered**, protecting all tangible and intangible assets that may be put at risk by cybercrime attacks.

The digitisation of processes and infrastructures inevitably brings a greater risks of cyber attacks, so it is increasingly important to have solutions that allow a real-time visibility on environments, resources and threats, in order to identify any anomalies in advance and promptly manage them. To this end, the Group has undertaken an articulated activity programme in 4 macro areas of intervention:

ENDPOINT: protection of the devices within the Group's operational sites;

DATCENTER: activation of existing system protection tools from the IT infrastructure provider;

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

FIELD EQUIPMENT: activation of protection tools related to the systems used on the territory.

With particular attention to the

issues of GDPR and service security, throughout 2018 initiatives were launched specifically in:

- **Data Loss Prevention**: solutions that detect and prevent loss of relevant data and intellectual property;
- **Data Base Protection**: solutions to track in real time the activities recorded on the database, in order to identify and stop fraudulent, illegal or, more generally, unwanted behaviour;
- **Next Generation EndPoint Protection**: advanced endpoint protection solutions (dynamic detection of known attacks, exploits and malware; implementation of automatic policies to mitigate threats and eventually restore endpoints to the latest reliable state);
- **Security Awareness**: constant

training and awareness raising activities to increase the level of user knowledge and awareness of the currently widespread targeted threats;

- **SCADA Security**: solution to guarantee field devices and Supervisory Control and Data Acquisition systems against cyber attacks.

Finally, the monitoring of the level of resilience to possible cyber attacks is carried out by the Group through periodic tests of Disaster Recovery and Vulnerability Assessment & Penetration.

4.4 LONG TERM GAS SUSTAINABILITY

We believe that the affirmation of a new energy paradigm for a future with reduced carbon dioxide emissions and for the achievement of the objectives set by the European Union is based on a change that also provides for the use of gas, because of the security and continuity of supply, the capillarity of the infrastructure, its reduced environmental impact, the flexibility of use and its full integration with the electric vector produced from renewable sources, including for the storage and accumulation of energy derived from them (power-to-gas).

Natural gas is in fact the ideal **fossil source to structurally accompany renewable sources**, also increasing the flexibility of use of the latter, and at the same time guaranteeing the security of the energy system.

Natural gas is the primary energy source used by Italians: it has gradually replaced fuel oil in the generation of electricity, and diesel in the heating of buildings, it has found a role in transport, and has established itself in industrial uses.

Gas heating is one of the most economical ways to reduce CO₂ emissions and particulate matter, with almost no PM emissions, less than diesel fuel systems or the best pellet stoves, and it also gives flexibility for the integration with systems that use renewable energy, such as thermal systems. This is also due to the very high efficiency levels achieved by modern natural gas heating technologies (i.e. natural gas heat pumps and micro-cogenerators).

With a view to the ability to generate and stimulate **technological innovation**, since the 1990s a large number of combined-cycle power plants powered by natural gas have been built in Italy, characterised by low unit investment costs, rapid construction timeframe, low polluting emissions, and small size. A combined cycle turbogas plant (CCGT) is a plant capable of producing electricity both by means of turbogas technology and by exploiting the thermal energy of the steam group, with efficiency levels of approximately 60%.

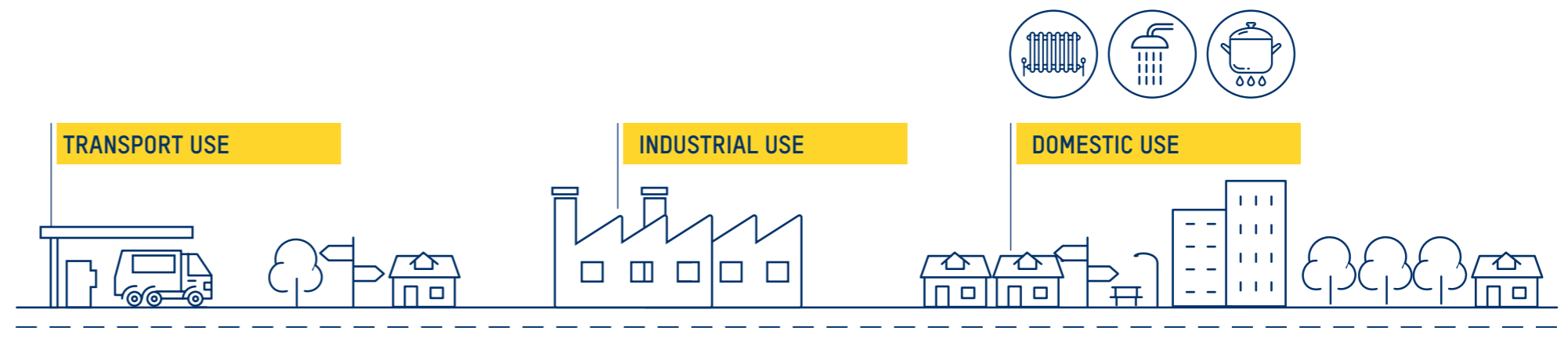
Being particulate free, it is the source that, together with renewables, can guarantee a decarbonisation path in line with global climate agreements, without the need for new investments in plants and infrastructure.

“**WITH PARTICULAR REFERENCE TO THE ENVIRONMENTAL IMPACT, FOR THE SAME AMOUNT OF ENERGY PRODUCED, NATURAL GAS EMITS BETWEEN 25% AND 40% LESS CARBON DIOXIDE (CO₂) THAN OTHER FUELS FROM FOSSIL SOURCES.**”

In terms of flexibility, natural gas generation plants are also able to modulate production, programming the amount of energy and being commissioned quickly, thus meeting the peaks in consumption and better integrating generation plants powered by renewable sources in moments of little sun or wind.

Very important is the prospect of increasing penetration in the transport and mobility sector, where due to the abundance of natural gas, its lower price compared to other fuels, and the high performance in terms of mileage, there has been a significant increase in the spread of vehicles powered by compressed natural gas (CNG).

In the automotive sector, moreover, the spread of biomethane will be a great opportunity for the energy sector and agricultural producers, while Liquefied Natural Gas (LNG) - which occupies a very small volume compared to methane in the gaseous phase - is an economic and efficient solution to reduce emissions from road transport and the maritime sector, as well as to distribute natural gas in large and small isolated centres not currently reached by the network.



BIOMETHANE

Biomethane is a renewable and programmable source that integrates easily with solar and wind power. It can be used in the transport sector and also has the advantage that it can be fed into existing transport and distribution networks. It is obtained from anaerobic digestion of agricultural and agro-industrial by-products, as well as from organic waste, and can be used on site or supplied to the distribution networks. Its use makes it possible to meet the objectives of decarbonisation, to promote a significant increase in national gas production, and it also shows positive effects in the agri-food sector and in the circular economy model.

In 2018, 49 expressions of interest were received to make connections from potential producers of biomethane, although at the moment none of the estimates for connections issued was accepted by the end client and therefore we did not proceed with the installation.

POWER TO GAS

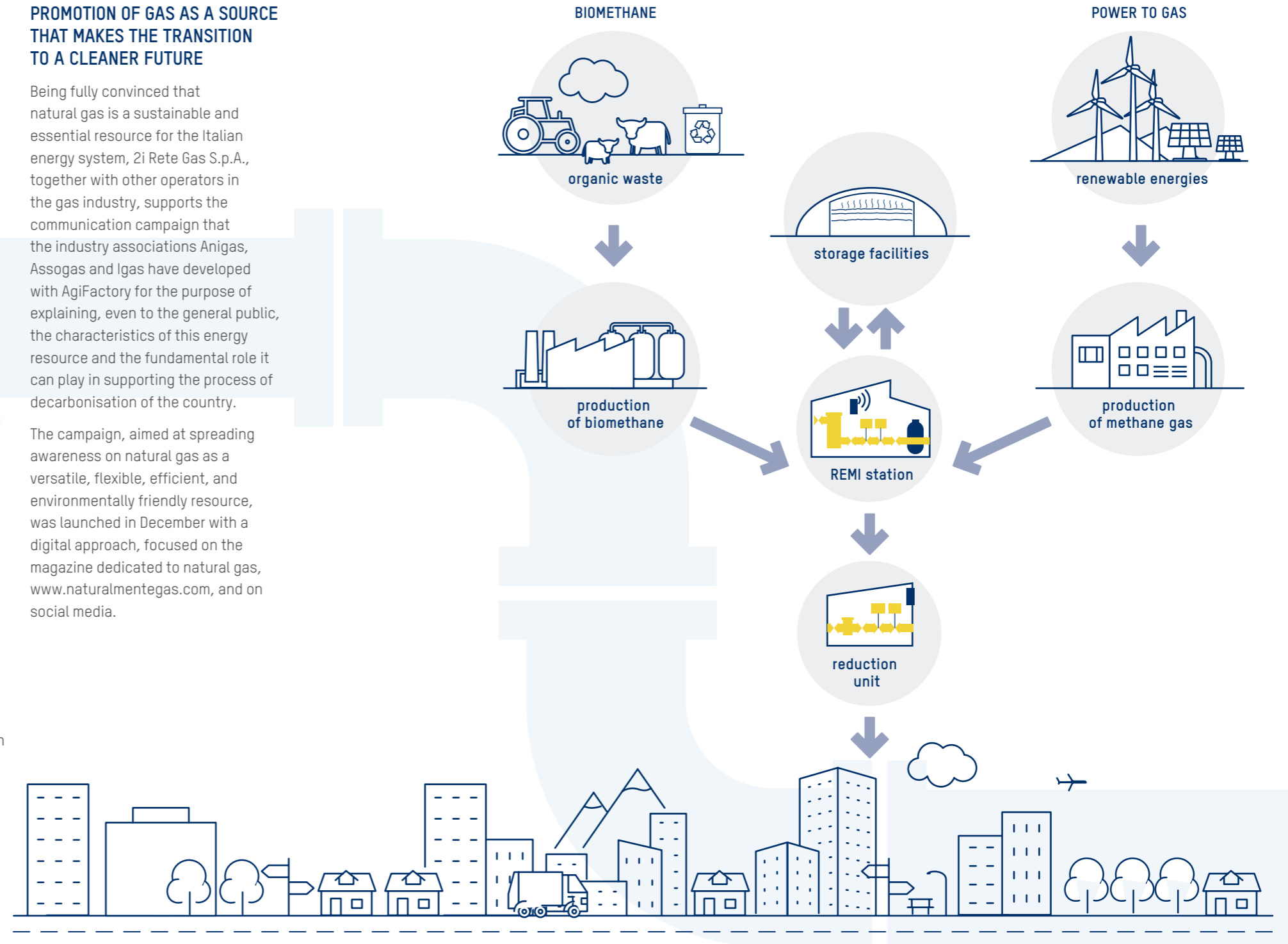
The possibility of integrating the gas network with the electricity network, the so-called "Power to gas" identifies an innovative solution to accumulate and use excess electricity production from renewable sources and optimise the use of existing networks. Hydrogen, obtained through an electrolysis process, can be injected into the network, in combination with natural gas, or subsequently combined with CO₂, obtaining synthetic methane to be injected into the network. The energy produced by wind and photovoltaic plants and not used is converted into synthesis gas by subtracting CO₂ from the environment and solving the problem of the accumulation of excess electricity from renewable sources when there is no demand. The gas thus produced (hydrogen and synthetic gas) can be used in all sectors: domestic, electricity generation and transport.

This avoids the costs of investing in new infrastructure for the transmission, distribution and storage of electricity, while continuing to make full use of functional and efficient infrastructure such as that already in place for the transport, distribution and storage of natural gas.

PROMOTION OF GAS AS A SOURCE THAT MAKES THE TRANSITION TO A CLEANER FUTURE

Being fully convinced that natural gas is a sustainable and essential resource for the Italian energy system, 2i Rete Gas S.p.A., together with other operators in the gas industry, supports the communication campaign that the industry associations Anigas, Assogas and Igas have developed with AgiFactory for the purpose of explaining, even to the general public, the characteristics of this energy resource and the fundamental role it can play in supporting the process of decarbonisation of the country.

The campaign, aimed at spreading awareness on natural gas as a versatile, flexible, efficient, and environmentally friendly resource, was launched in December with a digital approach, focused on the magazine dedicated to natural gas, www.naturalmentegas.com, and on social media.





GRI CONTENT
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General disclosures

| GRI TOPICS | INDICATOR | SHORT DESCRIPTION | COVERAGE | REFERENCE |
|-------------------------------|---|---|--|--|
| GENERAL DISCLOSURES | | | | |
| ORGANISATIONAL PROFILE | GRI 102-1 | Name of the organisation | Total | Methodological framework (page 6-9) |
| | GRI 102-2 | Activities, trademarks, products and services | Total | Profile and mission of the Group (page 10-27) |
| | GRI 102-3 | Registered address | Total | page 124 |
| | GRI102-4 | Geographical areas where activities are developed | Total | Profile and mission of the Group (pages 10-27) |
| | GRI102-5 | Ownership structure and legal form | Total | Ownership structure and legal form (page 18-21) |
| | GRI102-6 | Markets served | Total | Profile and mission of the Group (page 10-27) |
| | GRI102-7 | Size of the organisation | Total | Profile and mission of the Group (page 10-27) |
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| | GRI 102-45 | Entities included in the consolidated financial statements | Total | Methodological framework (page 6-9) |
| | GRI 102-46 | Definition of report content and perimeter of topics | Total | Methodological framework (page 6-9) |
| | GRI 102-47 | List of relevant topics | Total | Methodological framework (page 6-9) |
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| | GRI 102-49 | Significant variations in reporting | N/A | Methodological framework (page 6-9) 3.2 Environmental management - Indirect emissions (page 84) |
| REPORTING PRACTICES | GRI 102-50 | Reporting period | Total | Methodological framework (page 6-9) |
| | GRI 102-51 | Date of the previous report | N/A | Report on 2017 approved on 23 March 2018 |
| | GRI 102-52 | Reporting cycle | Total | Yearly |
| | GRI 102-53 | Contact for questions about the report | Total | Methodological framework (page 6-9) |
| | GRI 102-54 | Statement on the use of GRI Standards guidelines for the preparation of the report | Total | Methodological framework (page 6-9) |
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| | GRI 102-56 | Letter of assurance | Total | Independent report on the limited review of the Consolidated Non-Financial Statement 2017 (pages 120-123) |

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| | GRI 103-3 | Assessment of the approach of management | Total | 3.2 Environmental management (page 80-85) |
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| MANAGERIAL APPROACH | GRI 103-1 | Description of the relevant topics and of the reference area | Total | Methodological framework (page 6-9) |
| | GRI 103-2 | General information on the approach of management and related characteristics | Total | 1.2 People (page 32-47) 2.2 Welfare and equal opportunities (page 60-63) Business ethics and anticorruption (page 22-23) |
| | GRI 103-3 | Assessment of the approach of management | Total | 1.2 People (page 32-47) 2.2 Welfare and equal opportunities (page 60-63) Business ethics and anticorruption (page 22-23) |
| NON-DISCRIMINATION | GRI 406-1 | Incidents of discrimination and corrective measures taken | Total | 2.2 Welfare and equal opportunities (page 60-63) |
| Local communities | | | | |
| MANAGERIAL APPROACH | GRI 103-1 | Description of the relevant topics and of the reference area | Total | Methodological framework (page 6-9) |
| | GRI 103-2 | General information on the approach of management and related characteristics | Total | 3.5 Social and economic development of communities (page 92-93) |
| | GRI 103-3 | Assessment of the approach of management | Partial | 3.5 Social and economic development of communities (page 92-93) |
| LOCAL COMMUNITIES | GRI 413-1 | Community engagement activities, impact assessments and development programs | Partial (Data reported only qualitatively) | 3.5 Social and economic development of communities (page 92-93) |

Specific disclosures (continued)

| GRI TOPICS | INDICATOR | SHORT DESCRIPTION | COVERAGE | REFERENCE |
|---------------------------------------|------------------|---|----------|---|
| Social assessment of suppliers | | | | |
| MANAGERIAL APPROACH | GRI 103-1 | Description of the relevant topics and of the reference area | Total | Methodological framework (page 6-9) |
| | GRI 103-2 | General information on the approach of management and related characteristics | Total | 2.3 Relations with suppliers - Eligibility requirements and selection process (page 64-67) |
| | GRI 103-3 | Assessment of the approach of management | Total | 2.3 Relations with suppliers - Eligibility requirements and selection process (page 64-67) |
| SOCIAL ASSESSMENT OF SUPPLIERS | GRI 414-1 | New suppliers assessed using social criteria | Total | 2.4 Mapping of suppliers (page 68-69) |
| Health and safety of clients | | | | |
| MANAGERIAL APPROACH | GRI 103-1 | Description of the relevant topics and of the reference area | Total | Methodological framework (page 6-8) |
| | GRI 103-2 | General information on the approach of management and related characteristics | Total | 4.1 Safety, reliability, efficiency of installations (page 96-99) |
| | GRI 103-3 | Assessment of the approach of management | Total | 4.1 Safety, reliability, efficiency of installations (page 96-99) |
| HEALTH AND SAFETY OF CLIENTS | GRI 416-1 | Health and safety impact assessment of the products and services offered | Total | 4.1 Safety, reliability, efficiency of installations (page 96-99) |
| | GRI 416-2 | Incidents of non-compliance related to impact on health and safety of products and services | Total | 4.1 Safety, reliability, efficiency of installations (page 96-99) 3.3 Dialogue with clients - Complaint management (page 87) |
| Privacy of the client | | | | |
| MANAGERIAL APPROACH | GRI 103-1 | Description of the relevant topics and of the reference area | Total | Methodological framework (page 6-8) |
| | GRI 103-2 | General information on the approach of management and related characteristics | Total | 3.4 Protection of Privacy (page 90-91) |
| | GRI 103-3 | Assessment of the approach of management | Total | 3.4 Protection of Privacy (page 90-91) |
| HEALTH AND SAFETY OF CLIENTS | GRI 418-1 | Complaints regarding the violation of the client's privacy and loss of data | Total | 3.4 Protection of Privacy (page 90-91) |



LIMITED
ASSURANCE



2I RETE GAS SPA

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

FOR THE YEAR ENDED 31 DECEMBER 2018



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

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

To the board of directors of 2i Rete Gas SpA

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

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

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

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

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

Auditor's independence and quality control

We are independent in accordance with the principles of ethics and independence disclosed in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, privacy and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control



system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

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

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

In particular, we performed the following procedures:

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

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

5. understanding of the processes underlying the preparation, collection and management of the qualitative and quantitative material information included in the NFD.

In particular, we have held meetings and interviews with the management of 2i Rete Gas SpA and we have performed limited analysis and validation procedures, to gather information about the processes and procedures for the collection, consolidation, processing and



submission of the non-financial information to the function responsible for the preparation of the NFD.

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

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

Conclusions

Based on the work performed, nothing has come to our attention that caused us to believe that the NFD of 2i Rete Gas group as of 31 December 2018 and for the year then ended has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, as described in the note Methodological Framework of the NFD.

Milan, 3 April 2019

PricewaterhouseCoopers SpA

Paolo Caccini
(Partner)

Paolo Bersani
(Authorised signatory)

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

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The photographic service has been made possible
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Date

April 2019

