

Methodological note Integrated Annual Report 2022



Objectives of the document

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

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

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

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

10. Il Global Compact (GC) delle Nazioni Unite, l'iniziativa volontaria di cittadinanza d'impresa più ampia al mondo, prevede per le aziende l'adesione a dei principi che promuovono l'integrazione della sostenibilità nel business. Le Società/Organizzazioni che aderiscono all'iniziativa sono tenute a comunicare a tutti gli stakeholder interni ed

Reference framework and reporting standards

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

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

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

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

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

esterni le attività intraprese e i risultati raggiunti nell'implementazione dei principi del Global Compact. Alle Società aderenti è, infatti, richiesto di comunicare annualmente agli stakeholder il progresso raggiunto attraverso la pubblicazione sul sito del GC di un documento di rendicontazione annuale (*Communication on Progress*, COP).

ternational Integrated Reporting Council (IIRC) and updated in January 2021.

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

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

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

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

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

Reporting scope and period

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

Changes in the scope of consolidation are illustrated under the Chapter entitled Italgas Group Structure as at 31 December 2022 (page 5).

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

The reporting boundary of the non-financial data includes:

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

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

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

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

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

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

13. <https://www.italgasacqua.it/>

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

15. <https://www.toscanaenergia.eu/>

16. <https://www.geoside.com/>

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

18. <https://depanetworks.gr/>

19. <https://www.edathess.gr/>

20. <https://edaattikis.gr/>

21. <https://deda.gr/>

Reporting process

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

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

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

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

Materiality analysis

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

Italgas updates the materiality analysis on an annual basis, taking into account stakeholder requests, changes in the regulatory environment, the Group's strategy and any drivers capable of significantly affecting the Group's capacity to generate value in the short, medium and long term. For 2022 reporting, the Group has adopted a new approach, in line with the updated standards and frameworks. In particular, the process of adapting to the EU Corporate Sustainability Reporting Directive (CSRD) has begun, approved by the European Parliament on 28 November 2022 (in force from 2024), for which draft standards are already available that address the approach to be followed in carrying out the materiality analysis.

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

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

Anticipating what will become mandatory starting from 2024, Italgas has approached Financial Materiality following the new regulatory framework proposed by the European Financial Reporting Advisory Group (EFRAG) through an initial quali-quantitative

analysis of issues from a financial point of view, i.e. those issues that generate (or may generate) financial effects on the company (impacts suffered), producing risks and opportunities or influencing its cash flow or value in the short, medium or long term, even if this cannot be detected by financial reporting.

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

The methodology used by the Group consisted of four stages:

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

Phase 1

Identification of impacts generated by Italgas and updating of material topics

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

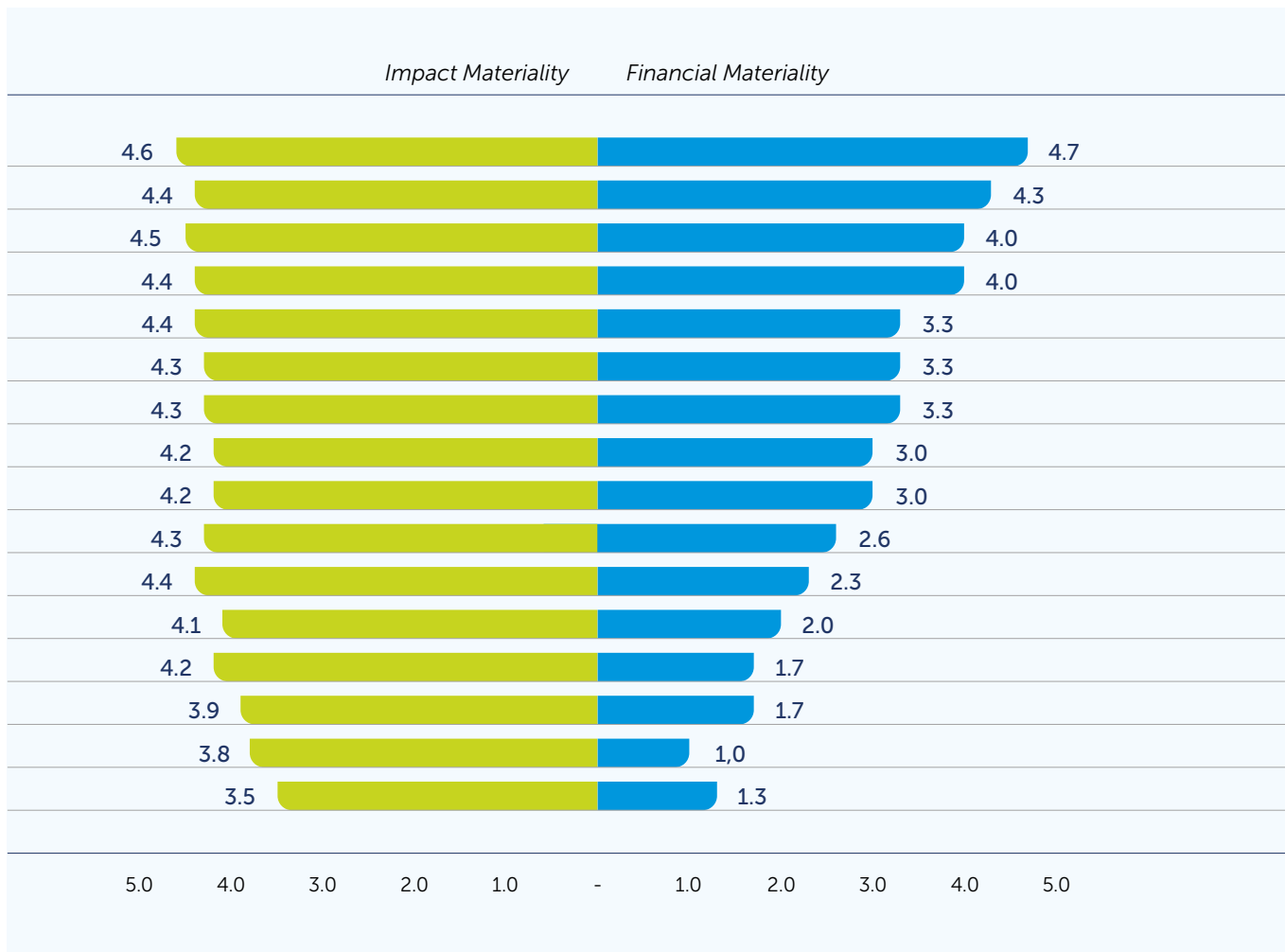
In response to the standards and the new Double Materiality approach, the review of the material topics has led to:

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

Phase 2

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

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



Phase 3

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

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

Phase 4

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

Although Financial Materiality is not required for the year 2022, Italgas has nevertheless begun an initial exercise to assess the impacts suffered by the Company by taking as a reference the standards – still in draft – of the EFRAG (mandatory from 2024), and will follow a gradual and more qualitative approach²².

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

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

23. In the topic “Ecosystem and Biodiversity Management”, the aspects relating to the management of water resources and biodiversity are, in their individual meanings, not deemed relevant to Italgas’ core business (it should be noted that the Group is not required, for its gas and water distribution activities, to carry out an environmental impact assessment pursuant to Directive 2011/92/EU). With reference to water resources, since 2018, Italgas carried out an environmental analysis that showed that, considering the size of the volumes of water withdrawn, the type of use made of the water

(hygiene-sanitary or fire-fighting uses) and the geographical location of the Italgas Companies, the impacts on the water resource are considered negligible; moreover, the incidence of the business on the total Group revenues of the company Italgas Acqua, whose only activity is the distribution of drinking water, is less than 1%. Despite this, as evidence of the fact that the aspect is in any case monitored and supervised, the above section sets out the withdrawals, discharges and consumptions of the Group, in compliance with the requirements of Italian Legislative Decree no. 254/16. Finally, impacts on biodiversity were also considered negligible, in light of the fact that the Group operates predominantly in an urban environment (from “city gate” to meter, see paragraph “Biodiversity”, Chapter 6.1).

Neworks digitalization and innovation
Energy transition and fight against climate change
Safety of network, assets and people
Cybersecurity
Quality of services and customer satisfaction
Economic value generation and ESG finance
Network development
Protection, inclusion, enhancement and well-being of human resources
Compliance, transparency and fight against corruption
Responsible governance and risk management
Sustainable management of the supply chain
Respect for human rights
Adoption of circular economy principles
Dialogue and value creation on territory
Management of ecosystems and biodiversity
Corporate identity (founding corporate values, historical legacy)

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

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

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