



2i Rete  
Gas

2017 | **CONSOLIDATED  
NON-FINANCIAL  
DISCLOSURE**

A decorative graphic of yellow gas pipes with valves, running horizontally and vertically across the page. The pipes are stylized with rounded corners and small valve symbols.

**2i Rete  
Gas**

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# LETTER TO STAKEHOLDERS

*Dear readers,*

***This is the first time that 2i Rete Gas, together with the draft financial statements, has prepared a non-financial report of its work, aimed at all the Group's stakeholders, to share, together with the economic and financial results achieved, also our social and environmental results as well as the sustainability goals that we intend to pursue as part of our future strategy.***

The following pages, therefore, set out the fundamental variables in relation to the various key issues for the Group, such as workplace safety, the quality of the services provided, the environment, investments and the related ancillary industry, the improvement of skills, the training and development of our human resources, and the growth of economic value.

Drawing up this document also represented an opportunity to make ourselves more self-aware, to orient ourselves and to strive to be better.

As for our identity, that awareness shapes the ethics and the principles that guide us and which are expressed in our "Charter of Values", on which we base our strategic choices and which underpin material issues, both for our Group and for stakeholders, as set out below.

The "Consolidated non-financial disclosure" is also the document in which we share out short-term goals and longer-term reflections on the directions to take, with the aim of continuously improving our performance in terms of environmental, social and economic sustainability.

In this regard, we also commit to an increasingly open approach to involve stakeholders who, each in their own way, can contribute to making our work even more focussed on creating sustainable value, both inside and outside the Group.

I hope that you find the information interesting and a stimulus to create constructive and supportive dialogue for our growth. Enjoy the read,

Michele De Censi  
Chief Executive Officer



# METHODOLOGICAL NOTE

## OBJECTIVE AND REFERENCE STANDARDS

**This Consolidated non-financial disclosure** (hereafter also the “Disclosure”) **of the 2i Rete Gas Group has been drawn up pursuant to Italian Legislative Decree 254 of 30 December 2016** (hereafter “Decree 254”).

To draw up the Disclosure, the reference methods used were the Sustainability Reporting Standards of the Global Reporting Initiative (hereafter the “GRI”) at Core level. In particular, the following reporting standards were taken into consideration: **Stakeholder Inclusiveness; Sustainability Context; Materiality; Completeness; Balance; Comparability; Accuracy; Timeliness; Clarity and Reliability**, as envisaged by the GRI Standards. The Disclosure highlights the outcomes of the Group’s analyses on the thematic areas that were selected as relevant for the purposes of drawing up the Disclosure on the basis of Decree 254 and of the characteristics of the Group and the business undertaken, providing, where appropriate also in light of best practice in the sector, a comment on the results presented. The degree of analysis and the level of reporting on the issues, in compliance with Decree 254 and the GRI guidelines, reflect the materiality analysis undertaken by the Group.

## SCOPE

**The scope of consolidation for the Disclosure consists of 2i Rete Gas S.p.A. and the companies it controls and which are consolidated on a line-by-line basis** (hereafter the Group) **at 31.12.2017. Group companies mainly operate in gas distribution, which is regulated by the Autorità di Regolazione per Energia Reti e Ambiente** (the Regulatory Authority for Energy, Networks and the Environment, ARERA), **through the management of 1,944 municipalities held under concession with a network of over 58 thousand km and 3.9 million redelivery points.** The Group also undertakes the management of services relating to the Integrated Water System as a residual activity, both in terms of economic value and in terms of the customers served. These services, which are marginal compared to the core business and currently being disposed of as stated in the 2017 prospectus of the Parent Company’s EMTN Programme, are not covered by this Disclosure.

**The indicators given take as a reference the reporting year from 1 January to 31 December 2017; where possible and to improve comparability, the data and information for 2016 have also been reported.**

Any elements such as changes in the scope of consolidation between the two years, and other elements that can help understand the performance over the two years, have been included in specific notes in the document. On 1 February 2018, the Group completed the acquisition from the Spanish Group, Gas Natural Fenosa, of 100% of the share capital of Nedgia S.p.A. and Gas Natural Italia S.p.A., which are active in gas distribution and services, respectively. Thus, the Group strengthened its presence in Central and Southern Italy. The information relating to this transaction is not included in the scope of 2017 reporting for this Disclosure.

### PROCESS TO IDENTIFY STAKEHOLDERS, DEFINE TOPIC BOUNDARIES AND MATERIAL TOPICS

According to the standards adopted, the Disclosure must contain the information which was considered material for the Group, given the stakeholders identified and the topics to which the Group is most exposed. The process to identify the stakeholders, the definition of material topics, and the structuring of the report were prepared by the “Sustainability and Transparency” Working Group and finally approved by a Steering Committee consisting of heads of department and the Chief Executive Officer. For the purposes of identifying key topics, the Working Group prepared and submitted a survey to the company managers selected as being in charge of the relations with the stakeholders identified and, at the same time, of the 2i Rete Gas Group’s vision.

The results were analysed by the Steering Committee: the related outcomes were set out in a **materiality matrix**, which helped highlight **the connection of key topics with the Group’s strategy** and reference **stakeholders**. To collect the information relating to material topics, which are reported in this Disclosure, the Working Group decided to use data collection forms which were delivered to the heads of the corporate departments involved. The data was processed and verified by the various department heads. Finally, the economic data set out in the Disclosure has been taken from the Group’s Consolidated Financial Statements. The process started this year with this document will continue in the years to come, through a gradual and structured stakeholder engagement programme.

The Group will therefore carry out the customer satisfaction analysis on a yearly basis which, as set out hereafter, measures the level of quality perceived by different types of customers in regard to specific aspects of the service supplied. In addition, an analysis of work-related stress will be carried out in 2018 and repeated periodically at least on a three-yearly basis to monitor the corporate climate.

The Group will adopt a series of **commitments for the next three years**, based on **increasingly challenging parameters**, on both the **protection of people’s physical health** and on the **optimization of the supply chain and the natural resources used**.

On 23 March 2018, the Directors of 2i Rete Gas S.p.A. approved this document. This Consolidated non-financial disclosure is subject to limited assurance in accordance with ISAE 3000 by PricewaterhouseCoopers S.p.A.

In order to facilitate dialogue with stakeholders, 2i Rete Gas has set up the email address [sostenibilita@ziretegas.it](mailto:sostenibilita@ziretegas.it) which can be used to request further details.

### KEY STAKEHOLDERS FOR THE GROUP



### KEY TOPICS IN THE MATERIALITY MATRIX



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Objective and reference standards  
Scope

Process to identify stakeholders  
define topic boundaries and material topics

PROFILE AND MISSION  
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Business model

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Risk management model

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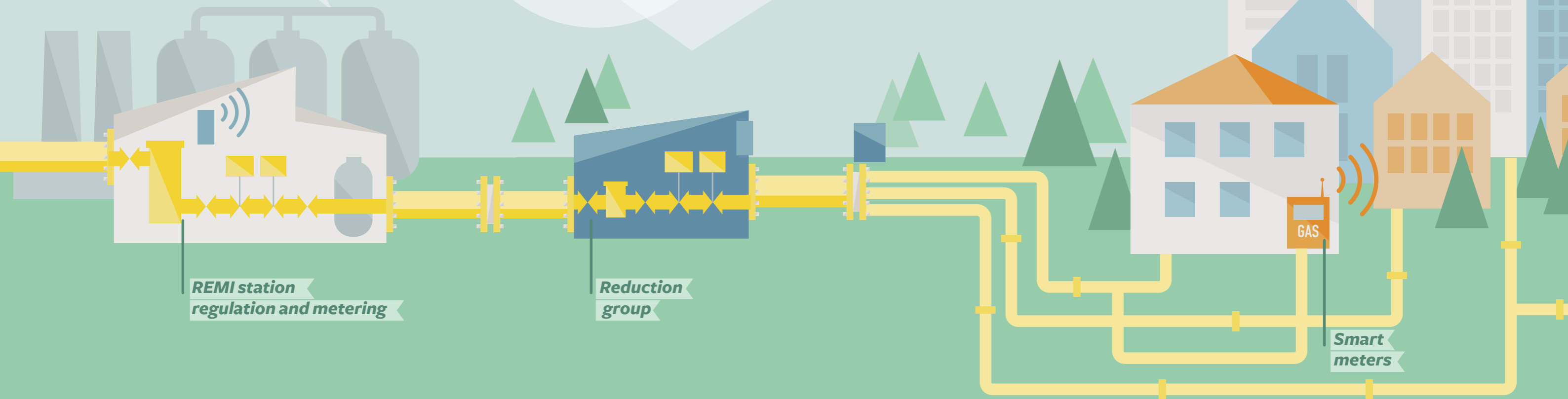
GRI CONTENT INDEX  
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LIMITED ASSURANCE  
**pag.99**

...  
**we distribute  
natural gas  
and LPG**  
...

...  
**throughout  
Italy**  
...

...  
**6 billion m<sup>3</sup>  
of gas  
distributed**  
...



...  
*over 3.9 m  
users  
managed*  
...

...  
***our  
commitment  
is to network***  
...

*Emergency  
service*

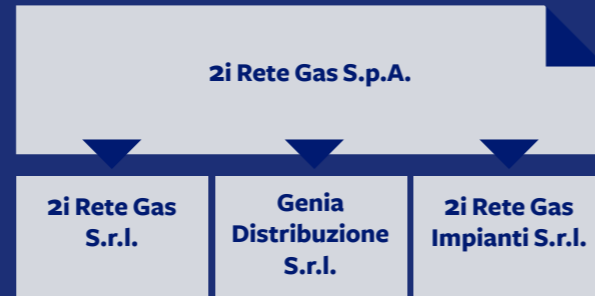




The current Group is the result of a process of acquisitions which, over time, has seen the company integrate and consolidate a total of 120 businesses in the sector.

In 2011, the Parent Company, which was acquired by F2i and Ardian from the Enel Group in 2009, acquired and subsequently successfully integrated the distribution networks of the German Group E.ON and the French Group GDF Suez.

#### THE GROUP AT 31.12.2017



## PROFILE AND MISSION OF THE GROUP

THE GROUP'S MISSION IS TO MANAGE AND DEVELOP GAS DISTRIBUTION NETWORKS AND INFRASTRUCTURE, SEEKING CONTINUOUS IMPROVEMENT AND OPERATIONAL EXCELLENCE, INVESTING IN SAFETY AND SERVICE QUALITY, DEVELOPING NEW TECHNOLOGIES WHICH RESPECT THE ENVIRONMENT, CONSTANTLY INCREASING THE KNOW-HOW OF ITS HUMAN RESOURCES, AND CREATING VALUE FOR THE COUNTRY.



#### OUR DEPARTMENTS

- NORTH**  
BIELLA  
COMO-VALTELLINA  
COSTA MASNAGA  
TRADATE
- NORTH EAST**  
BERGAMO  
MIRA  
ROVIGO
- NORTH WEST**  
CASTELLAZZO  
BORMIDA  
LANDRIANO  
PIACENZA  
ALBENGA
- CENTRE**  
MASSA  
PERUGIA  
L'AQUILA  
VITERBO  
CHIETI
- SOUTH WEST**  
FROSINONE  
CASERTA  
SICILIA E CALABRIA
- SOUTH EAST**  
FOGGIA BARI  
TARANTO  
LECCE-BRINDISI



F2i and Ardian acquire 80% of the current 2i Rete Gas from the Enel group

Acquisition of G6 Rete Gas S.p.A. and E.ON Rete Gas S.p.A.

Acquisition of the residual equity investment from the Enel group

Completion of the integration of the companies acquired over the years

3.9 MILLION  
redelivery points

1,944  
municipalities  
under concession

OVER 58 THOUSAND  
km of network managed  
by the Group

18  
regions

5.7 BILLION  
m<sup>3</sup> managed

1,929  
employees

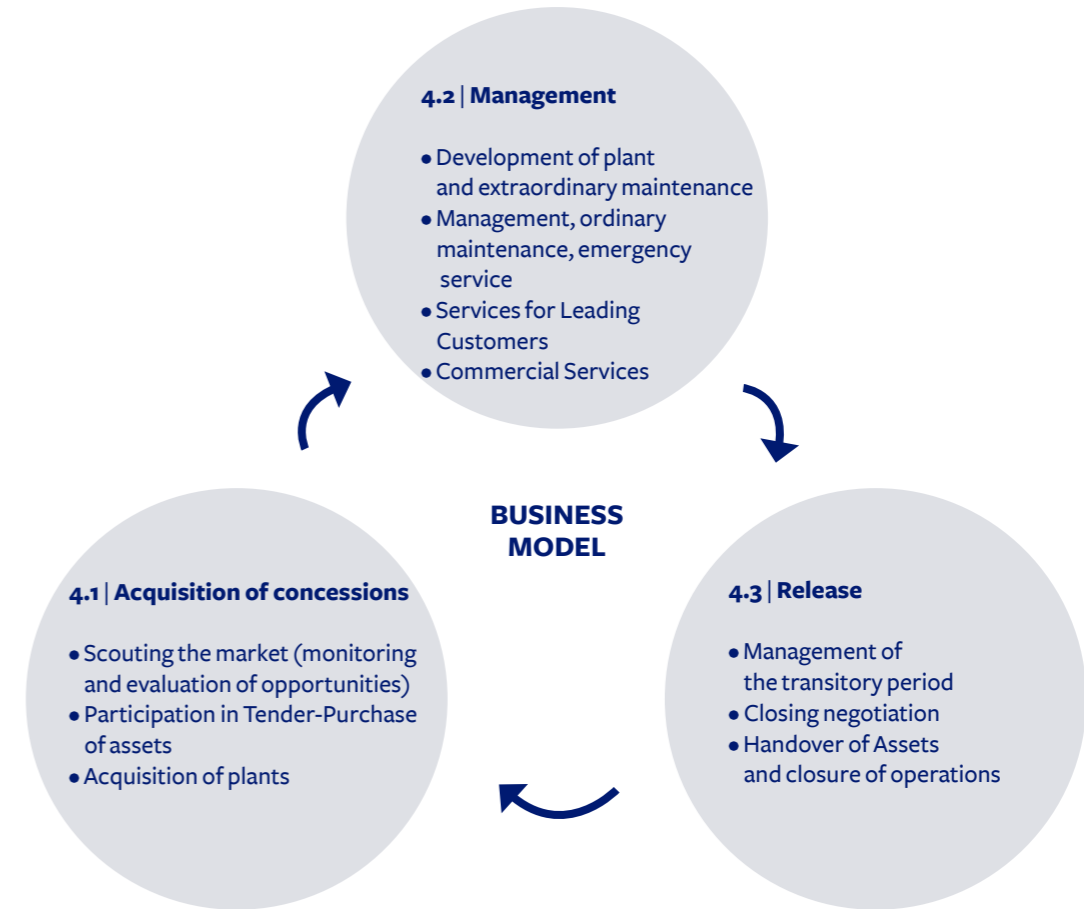
# BUSINESS MODEL

*2i Rete Gas operates in the natural gas sector as a distributor and using public concessions. The business model seeks to efficiently manage the distribution infrastructure up to the expiry of the concession, ensuring the continuity and quality of the service provided.*

The business model implemented in the Group is supported by the Integrated Quality Safety and Environment Management System (hereafter “QSE”), which is implemented to guarantee the Group’s ability to provide regular and continuous “Management and Conduct of the natural gas distribution service”, in compliance with the relevant applicable requirements. The QSE applies to all the company’s business units. The field of application of the QSE is “Distribution of

methane gas and LPG (conduct, maintenance and assistance for methane gas and LPG distribution systems and networks). Design, construction, and installation of methane gas and LPG distribution systems and networks”. The field of application has been identified in the activities needed to guarantee the business process “Management and Conduct of the natural gas distribution service” which occurs in three different moments (macro primary process flows):

- **Acquisition of concessions** through ATEM tenders and M&A;
- **Management** of the service (conduct and maintenance of the plants, supply of the service to the parties concerned);
- **Release** of the plants at the end of the contract. This division allows the activation of the management system and, to this end, allows the analysis, identification of the owners of the individual activities, the risks and opportunities as well as analysis of the work performed.



# SHARED VALUES

*Collaboration and Sharing, Know-how and Excellence, Innovation and Change, Responsibility and Respect are the fundamental principles on which the Group bases its identity, in both its strategic choices and its day-to-day operations and represent, together with its Mission and Code of Ethics, a guide to the concrete conduct to be aimed at and are values which each Person in the Group can identify in and relate to.*

**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  
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  
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.

**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.

# POLICIES AND CERTIFICATIONS

*The management system adopted by the 2i Rete Gas Group has a set of policies which are integrated, formalised and approved by top management and which set out the key themes in regard to the three standards to which they refer, i.e. quality, safety and the environment and, at the same time, enshrine the organisation's attention towards all its internal and external stakeholders, respect for Human Rights and social commitment, also through respect for diversity and combatting corruption in its business activities.*

The Group's Management System for Quality, the Environment and Workplace Health and Safety covers all the business units and facilities in the organisation. Compliance with the reference standards is guaranteed by the certification body Certiquality, which periodically assesses the integrated system in accordance and keeping with the reference standards and regulations of the accreditation body ACCREDIA.

**In 2017, Certiquality certified the Management System for Quality, the Environment and Workplace Health and Safety as "compliant" with the relevant regulations:**

- **UNI EN ISO 9001-2008,**
- **UNI EN ISO 14001-2004,**
- **OHSAS 18001-2007.**

For the sector EA 26, 28 – Design, construction and installation of methane gas and LPG plants and distribution networks. LPG and methane gas distribution activities (management, maintenance and assistance for LPG and methane gas plant and distribution networks).

2i Rete Gas considers its integrated system as a fundamental stimulus to involve staff and to continuously improve its business activities.



**UNI EN ISO  
9001-2008**

**UNI EN ISO  
14001-2004**

**OHSAS  
18001-2007**

# INTEGRATED POLICY FOR QUALITY, SAFETY AND THE ENVIRONMENT

**2i Rete Gas is a reference point in Italy in the gas distribution sector, thanks to the development of an excellence model for carrying out its business, also in terms of quality, protecting health and safety and safeguarding the environment.**

Aware of this role, 2i Rete Gas intends to continue increasing its value, to guarantee and offer the best possible services to its customers, to the local areas where it operates, and to its own staff and suppliers, in a collaborative spirit aimed at mutual growth, which holds as fundamental the principle of protecting its people and the environment.

In order to guarantee all of this, 2i Rete Gas undertakes to:

**Develop at the same time the know-how of its human capital** and ensure continuous attention to its in-house resources by facilitating the valorisation of excellence while respecting gender and age, guaranteeing training and growth programs, promoting at the same time the culture of health and safety and respect and protection of the environment;

**Maintain its operational excellence through continuous performance improvement** in managing plants and infrastructure by focussing on key pillars such as:

- **Safety**, both internally in regard to its staff, and externally in regard to customers, the community, the environment and suppliers;
- **Efficiency**, with a view to technological innovation in the design, construction and management of distribution networks, enabling improvement in the service quality, continuity and safety standards and minimising the environmental impact;
- **Continuous focus** on all stakeholders;

• **Optimization** of the use of natural and energy resources, promoting the safeguarding of the environment;

**Guarantee compliance with the laws applicable in our sector**, taking their principles as the starting-point to seek and achieve ever higher safety standards, maintaining and developing at the same time a proactive and flexible approach to regulatory changes;

**Seek economically sustainable optimization of the process for managing and conducting the natural gas distribution service**, also by weighing the risks and the opportunities offered.

2i Rete Gas considers its Management System for Quality, Health and Safety and the Environment as a fundamental tool to support its staff and to continuously improve its business activities, in keeping with the principles approved in the Code of Ethics and the Organisational Model. 2i Rete Gas guarantees constant commitment in working actively to protect Human Rights and Ethics in its sphere of influence, with continuous attention paid also to the impact that its business activities have on the parties concerned.

2i Rete Gas is constantly committed to rooting out unethical practices on the part of human resources which result in corruption and implements its own policies in order to prevent other people or organisation using similar practices on its own staff.

The employees of 2i Rete Gas share these principles, in the firm belief that their work is essential to meet objectives and to keep the company at the highest possible level in terms of professional skills and social responsibility.

# GOVERNANCE AND REGULATORY COMPLIANCE

*The governance model of the 2i Rete Gas Group is based on the principles of integrity, correctness and ethical business. The company organisation, through dedicated divisions, carefully and constantly monitors the compliance of its activities to the primary and secondary laws applicable to the Group as well as to the specific sector of natural gas distribution.*

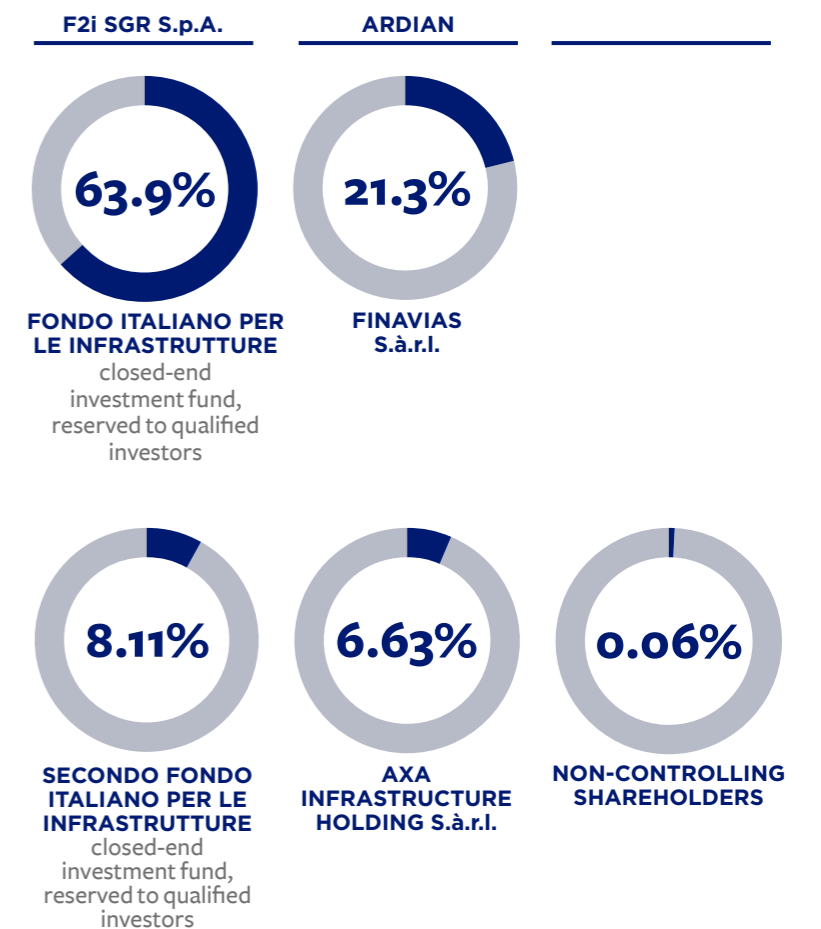
*The corporate governance system and decision-making processes guide the Group in creating value for shareholders, protecting the interests of stakeholders and being transparent with them, as well as controlling business risks.*



# OWNERSHIP STRUCTURE AND LEGAL FORM

**2i Rete Gas S.p.A. is a joint-stock company controlled by infrastructure investment funds which are reserved to institutional investors and managed by F2i SGR S.p.A.** (Italian Infrastructure Funds) and **Ardian**. The former is an asset management company dedicated to raising and managing funds for investment in the infrastructure sector. The latter is an independent international investment firm which manages private equity investments in the infrastructure sector in Europe, North America and Asia.

## SHAREHOLDING STRUCTURE OF 2i RETE GAS S.P.A.



# GOVERNANCE STRUCTURE, SYSTEM OF DELEGATED POWERS AND COMMITTEES

**2i Rete Gas S.p.A. has adopted a so-called traditional administration and control system pursuant to the applicable regulatory provisions, which envisage:**

- **the Shareholders' Meeting**
- **the Board of Directors**
- **the Board of Statutory Auditors**

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

The functions and activities of these corporate boards are governed by **the law and by the company's Articles of Association**. The subsidiaries are limited liability companies wholly owned by the Parent Company and subject to its management and coordination, under the control of a Sole Director.

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

## BOARD OF DIRECTORS

**Paola Muratorio** - 1949  
Chairwoman of the B.o.D.  
.....

**Carlo Michelini** - 1968  
Deputy Chairman of the B.o.D.  
Member of Tender Executive Committee  
.....

**Michele Enrico De Censi** - 1966  
Director  
Chief Executive Officer and General Manager  
Chairman of the Tender Executive Committee  
.....

**Matteo Ambroggio** - 1972  
Director  
Member of the Tender Executive Committee  
.....

**Rosario Mazza** - 1983  
Director  
Member of the Tender Executive Committee  
.....

**Giuseppe Rogantini Picco** - 1955  
Director  
.....

**Matias Sebastian Burghardt** - 1965  
Director  
.....

**Luca Galli** - 1969  
Director  
.....

**Rita Ciccone** - 1960  
Director  
.....

**Stephan Fedrigo** - 1965  
Director  
.....

**Rosaria Calabrese** - 1978  
Director  
.....

In charge on March 23<sup>rd</sup> 2018

**The Board of Directors is charged with the ordinary and extraordinary management of the Company and has the power to undertake all the acts aimed at implementing and achieving the corporate purpose, except for the acts which, pursuant to the applicable law and the Articles of Association, are reserved to the Shareholders' Meeting.**

The Board of Directors consists of 11 members, 3 of whom are female. The Board consists of outstanding managers and professionals from the senior management of both F2i SGR and Ardian, and from the decision-making bodies of the infrastructure fund sponsors, identified by the Shareholders so as to represent an adequate combination of professional experience and individual know-how. 2i Rete Gas S.p.A., whose share capital is not listed on a regulated market, upon the appointment of Directors, checks that they have the necessary integrity requirements and do not have any conflicts of interest with the Company. **The Board appointed as Chief Executive Officer Michele Enrico De Censi**, a manager with proven experience in the energy and infrastructure sector, giving him the powers to manage 2i Rete Gas S.p.A. The Board of Directors of 2i Rete Gas S.p.A. has also set up a **Tender Executive Committee** which supports the Company in assessing and deciding its participation in significant territorial tenders. It consists of 4 members of the Board of Directors and is chaired by the Chief Executive Officer.

The system of powers and the distribution of delegated powers implemented by the Group takes the form of a system of general proxies and delegated powers by division pursuant to Italian Legislative Decrees 81/2008, 231/2001 and 196/2003, aimed at ensuring the Company's operations in terms of effectiveness and efficiency and the correct allocation of responsibilities in regulatory and operational terms.

## BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors oversees compliance with the law, the certificate of incorporation and the Articles of Association, carrying out control functions over compliance with the principles of proper administration in the exercise of corporate activities. In addition, it verifies the adequacy of the organisational, administrative and accounting arrangements adopted by the Company and their actual operation.

The Board of Statutory Auditors consists of 3 standing auditors and 2 alternate auditors who serve for three years, with their mandate expiring on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their appointment (31 December 2017) and they can be reappointed. The Board of Statutory Auditors, in compliance with the provisions of art. 19 of Italian Legislative Decree 39/2010 for supervisory boards in public-interest bodies, also acts as the **Internal Control and Audit Committee**, and oversees the process of financial disclosure; the effectiveness of the internal control and risk management systems; the independence of the audit firm or of the independent auditor, in particular as regards the provision of non-audit services to the body being audited.

## SUPERVISORY BODY

The Supervisory Body has the duty of overseeing the functioning and compliance of the Organisation, Management and Control Model and updating it.

2i Rete Gas S.p.A. and the Group companies have set up a Supervisory Body (SB) pursuant to Italian Legislative Decree 231/01, which has 3 members, 1 of whom is from the Company. **The Supervisory Bodies of the three subsidiaries, instead, consist of two members, one of whom is from the respective company, represented by the Chair and by the in-house member from the Parent Company's Body.**

The 2i Rete Gas Group believes that transparency with the market and with investors is an essential value which must be protected. Since the Company has issued bonds which were admitted for listing on the regulated market managed by the Irish Stock Exchange, as part of the EMTN Programme which was last updated on 18 January 2017, the Parent Company has implemented governance measures to guarantee compliance with the obligations on market abuse (most recently introduced by Regulation (EU) no. 596/2014) and, to the extent applicable, on transparency. 2i Rete Gas S.p.A. has, therefore, set up a Register of people with access to inside information and has created a system for the Register's maintenance and periodic updating in compliance with the applicable specific and secondary law. In addition, it has adopted a Procedural Code on Internal Dealing, which governs disclosure requirements concerning operations carried out by or on behalf of those who have administrative, control or executive functions in the Group, as well of people closely associated with them, concerning the bonds issued by 2i Rete Gas S.p.A.

## BOARD OF STATUTORY AUDITORS

**Marco Antonio Modesto**

**Dell'Acqua** - 1966

Chairman of the Board of Statutory Auditors

**Gianluigi Gola** - 1964

Standing Auditor

**Marco Giuliani** - 1959

Standing Auditor

**Andrea Cioccarelli** - 1964

Alternative Auditor

**Giuseppe Panagia** - 1968

Alternative Auditor

## SUPERVISORY BODY

**Daniela Mainini** - 1960

Chairman of the Supervisory Body

**Marco Antonio Modesto**

**Dell'Acqua** - 1966

External Member of the SB

**Maria Cristina**

**Fortunati** - 1961

Internal Member of the SB

## BUSINESS ETHICS AND ANTI-CORRUPTION

The current Organisation, Management and Control Model (hereafter the "Model") of 2i Rete Gas S.p.A., which was approved in 2011 and is subject to constant updates, **aims at tracking sensitive or risky corporate processes and the related existing organisational, precautionary and audit measures which seek to eliminate the so-called "risk of offence" and the Group's administrative responsibility pursuant to Italian Legislative Decree 231/2001.**

The Model intends to ensure that management of the Group takes place in compliance with the **principles of legality, honesty, transparency and traceability and in accordance with working practices that are efficient and conform to the law.**

During 2017, the Model was updated by resolution of the Board of Directors on 20 June 2017, while the version currently in force was updated on 12 January 2018. The Code of Ethics, which is part of the Model, defines in detail the ethical and conduct principles which 2i Rete Gas and its subsidiaries and the respective employees and staff (as well as all the other people who are the addressees of the Code of Ethics) must take inspiration from and comply with in carrying out their work.

**The Group operates to serve local communities, while respecting the environment and people's safety, with the commitment to guarantee a better world for future generations.** The Group prevents the risks of active and passive corruption by implementing and applying its Charter of Values, the Model, its Code of Ethics, the Quality Policy and the Planning Document on safety pursuant to Italian Legislative Decree 196/2003. The arrangement, values and principles of all of these are set out in specific organisational documents (orders, procedures, operational instructions, the quality manual) which regulate the activities of the corporate departments, as well as through continuous staff training. The Organisation, Management and Control Model and the Code of Ethics are disseminated through the Company's website and Intranet. The activities with the highest risk of corruption involve dealings with institutions and public entities, banks, credit institutions, suppliers (including

their selection) and customers, and activities leading up to the recruitment of staff.

In particular reference to the most sensitive areas, especially dealings with the public administration, the Group has approved and implemented specific procedures which envisage:

- specific and prior authorisation of employees' activities by department heads;
- disclosing and monitoring of all activities;
- reporting the above on a regular basis to the Supervisory Body.

As envisaged by the Code of Ethics, the Company makes available to stakeholders two email addresses (2iReteGas.CodiceEtico@ziretegas.it, Odv231@ziretegas.it) which enable them to notify any breach or suspected breach of the Code of Ethics.

The Supervisory Body collects, examines and keeps all the reports and information received, assesses them carefully and impartially, establishing their truth and legitimacy, while ensuring anonymity to the whistle-blower. To this end, it adopts provisions to guarantee the confidentiality of the whistle-blower's identity and, consequently, to avoid any reprisal or discrimination. Each corporate department sends the Supervisory Body a report every four months.

As for 2016 and 2017, the reports received (3 in total) did not reveal any significant elements pursuant to Decree 231, since they covered discussions regarding ordinary business activities and were promptly answered by the competent departments.

The Code of Discipline (defined in the Italian collective bargaining agreement for the Gas and Water sector) includes the disciplinary measures adopted by the company in the case of breaches by employees.

# RISK MANAGEMENT MODEL

*The internal governance and risk management system consists of the set of tools necessary or useful to direct, manage and assess business activities. The purpose is to ensure compliance with the 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 performs its work in a regulated business, and is therefore subject not only to legal provisions but also to specific resolutions of the relevant authority, i.e. the Regulatory Authority for Energy, Networks and the Environment.

**2i Rete Gas has implemented an approach to govern all the risks that might impact on the conditions underpinning the creation of value, adopting a model to identify, assess, manage and control risks.**

The internal control and risk management system of 2i Rete Gas is based on an integrated control model, which identifies the duties of each body and division involved and concrete ways to coordinate them.

• **The Board of Directors**, also through the delegated power assigned to the Chief Executive Officer **designs, implements and manages the internal control and risk management system**, also by calling on the support of the Internal Audit division, and periodically verifies the adequacy and the effective functioning of the system, ensuring that the main corporate risks are identified and managed.

• **The Board of Statutory Auditors**, also known as the “Internal control and audit committee”, **oversees the effectiveness of the system.**

• **The Independent auditors** in their turn, perform the **audit of the accounts**, expressing their judgment in a specific report on the separate financial statements and on the consolidated financial statements and setting out the results of the audit; in addition, during the year, they verify the **regular keeping of the accounting records and the correct recording of events in the accounts.**

• **The Supervisory Body** in its turn, performs **periodic controls and specific checks on significant corporate processes** in order to assess compliance with the Organisational Model and the Code of Ethics.





• **The Internal Audit division** supports, if necessary, the checks made by management and by the Supervisory Body and independently carries out, on the basis of a specific programme agreed with the Board of Directors, **inspections and checks aimed at verifying the correctness of the means of performing the various corporate activities and any need to adopt measures to reduce their risks.**

Each body and division exercises its control duties in continuous coordination, also through the drafting and sharing of annual reports presented to the Board of Directors on approval of the annual report. Finally, the verification of the application of corporate rules in the course of the business is entrusted primarily to management, since the control activities are an integral part of the processes which the individual operating units must implement.

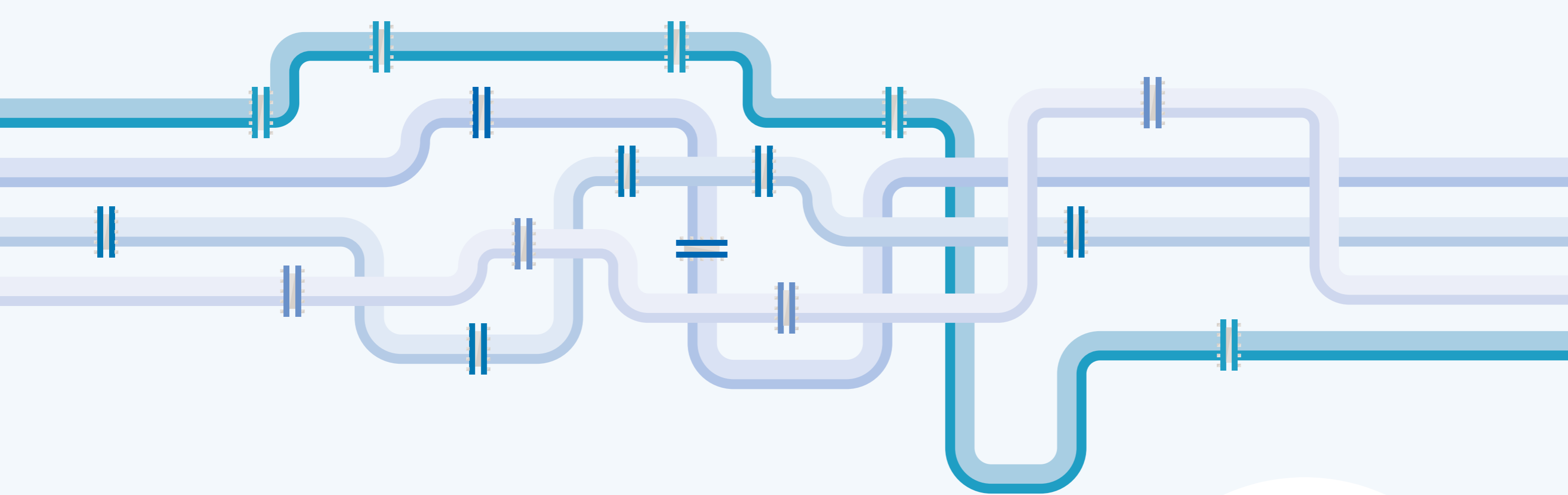
• The Group has also created a Quality, Safety and Environment division which, in order to ensure compliance with the key relevant standards, undertakes internal verifications and compliance checks in regard to the Consolidated Law on Safety, Italian Legislative Decree 81/08.

The Risk Management Model is described in paragraph 15 of the 2017 Annual financial report.

## MAJOR RISKS REGARDING KEY TOPICS

AREA	ASSOCIATED RISKS	STAKEHOLDERS INVOLVED	ACTION TAKEN
 ENVIRONMENTAL MANAGEMENT	Leaks and inefficiency of the gas distribution network	Environment and local community	Thorough check of whole network with specific equipment and structured checks on the differences between gas inputs and outputs at substations
	Non-optimal consumption of environmental resources	Environment and local community	Energy saving projects in relation to the gas used for preheating
 MANAGEMENT OF HUMAN RESOURCES	Failure to create value from skills	Human capital and unions	Individual performance assessment plan Training projects
	Failure to provide adequate and timely training on the law to manage distribution networks	Human capital and unions	Initiatives for continuous updating through training plans
	Health and safety	Human capital and unions	Healthcare monitoring, policy to cover accidents outside the workplace Training and awareness-raising on “zero injuries”
 MANAGEMENT OF SOCIAL TOPICS AND RESPECT OF HUMAN RIGHTS	Service interruption	Municipalities and local authorities Local community Human capital	Intervention according to the regulation’s standard Informing the competent authorities of the reasons for the breakdown and the action taken
	Delayed handling of requests from contracting authorities	Municipalities and local authorities Local community Human Capital	Program to handle document requests Monitoring of responses within the envisaged timeframes
	Unsatisfactory service quality	Sales companies and End users	Call centre, customer satisfaction survey, meetings with sales companies, dispute settlement protocol
	Use of supplier that does not meet the minimum selection requirements of the Group	Suppliers and Contractors	List of suppliers, selection process, procurement portal Code of Ethics
	Failure to provide precise control over corporate governance issues	Shareholders and Lenders	Governance model
 MANAGEMENT OF TOPICS RELATING TO ACTIVE AND PASSIVE CORRUPTION	Health and safety	Municipalities and local authorities Environment and local community Suppliers and contractors End users	Inspections on the distribution network and focus on service quality Supply chain management during the selection stage Onsite visits
	Ineffective involvement in relevant decisions	Authorities and public institutions	Transmission of opinions and documents Participation in institutional meetings Meetings and seminars Collaboration projects
	Lack of transparency in the management of dealings with local authorities	Municipalities and local authorities Human Capital	231 Model Charter of Values Code of Ethics Procedures with engagement rules and notifications to SB
	Selection of suppliers that do not meet legal requirements	Suppliers and Contractors	List of suppliers, selection process, procurement portal 231 Model Code of Ethics





**1**  
***know-how  
and excellence***

# 01 WE ARE PROUD OF OUR KNOW-HOW

---

BECAUSE NATURAL GAS DISTRIBUTION IS  
A SERVICE FOR THE COMMUNITY

## 1.1 CREATION OF VALUE

We aim at **excellence** and growth. We work day after day to create sustainable value inside and outside our organisation.

---

## 1.2 PEOPLE

We guarantee a high quality public service thanks to the **know-how** of our people, built up through continuous training and enhanced by recognising merit, skills and appropriate conduct.

---

## 1.3 CUSTOMERS

We deal with municipalities, local authorities, sales companies and end users of the network, monitoring their level of satisfaction, in the belief that the continuous improvement of the services offered to them must be based not only on solid **know-how** but also on listening, dialogue and trust.



- We aim at **excellence** by comparing ourselves with the best on the market
- We share our **experiences** in order to offer an increasingly high level of **know-how**
- We create value from **people's talent** and we promote development and training

# 1.1 CREATION OF VALUE

*Both operating and economic data clearly improved compared to the previous year, with significant and ongoing investments in new gas distribution and metering infrastructure.*

**For 2017, the 2i Rete Gas Group disclosed better operating data that** in 2016, with further recovery in transported volumes and a slight increase in the number of Redelivery Points supplied; from the financial viewpoint, there was an increase in terms of EBITDA, net of the change in the provisions for risks and charges. Financial expenses in the year rose significantly, entirely due to the repurchase and reissue of the existing debenture loan (the so-called liability management exercise), which was successfully completed by the Parent Company; these transactions enabled the duration of the Group's debt to be extended, thus improving the financial structure. In the year, two new debenture loans were issued for a total of 1.2 billion euro, partially replacing the existing debt (for 0.4 billion euro) and a credit line negotiated the previous year with the European Investment Bank was used (0.2 billion euro).

Net income was, therefore, 121.6 million euro, down on the previous year due to the impact of one-off financial expenses for the aforementioned liability management exercise.

The increase in the net financial position was mainly due to the significant investment in the year and the liability management exercise.

**408.3**  
MILLION €

EBITDA for the year  
ended 31.12.2017

**121.6**  
MILLION €

net income for the year  
ended 31.12.2017

## FINANCIAL PERFORMANCE

### MAIN ECONOMIC AND EQUITY INDICATORS OF THE GROUP IN MILLIONS OF EURO

	31.12.2017	31.12.2016
TOTAL NET FIXED ASSETS	2,739.2	2,663.2
NET INVESTED CAPITA	2,769.3	2,704.4
EQUITY	759.9	720.4
NET FINANCIAL POSITION	2,009.2	1,984.0
REVENUE	1,028.8	930.5
EBITDA	408.3	399.6
EBIT	247.1	243.6
NET INCOME FOR THE YEAR	121.6	129.5

## MARKET SHARE

**THE GROUP IS THE SECOND BIGGEST  
INDEPENDENT OPERATOR IN ITALY IN  
THE NATURAL GAS DISTRIBUTION SECTOR.**

2i Rete Gas, with 3.9 million Redelivery Points, represents 16% of the Italian market while, in terms of kilometres of network managed, it stands at 22% of the Italian total, with 58.6 million kilometres. The data set out in this section is taken from the most recent "Annual Report of the Authority", which reports the data updated to 2016, which the aforementioned values therefore refer to.

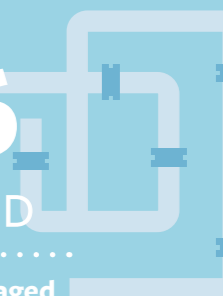
**3.9**  
MILLION



redelivery points on  
the Italian market  
(16% of total in Italy)

**58.6**  
THOUSAND

km of network managed  
(22% of total in Italy)



# 1.2 PEOPLE

*The 2i Rete Gas Group puts People at the heart of the organisation, facilitating their involvement and development and paying continuous attention to the reconciliation and balance of personal and professional life.*

The Group's aim is to promote a **culture based on participation, discussion and sharing**, where everyone can continue to develop their own skills and best express their potential, **thus making a responsible and proud contribution to the Group's continuous improvement in offering an outstanding public service to the local community.**

## SIZE

The composition of 2i Rete Gas and the current leading position of the Group are the result of an important process of acquisitions, mergers and corporate integration which have made it possible to streamline and define an **organisational set-up that can bring together all the positive synergies in terms of market presence, costs and efficiency, know-how and the value of Human Capital.** From the date the new Group was established, as part of a project to renew and develop key professional skills for the development of the corporate strategy, there has been a significant long-term recruitment plan; in 5 years, 229 people have been recruited (including 132 young graduates), 17 of whom in 2017. In the same year, 71 people left the company, of whom 35 retired or terminated the employment relationship by mutual agreement for early retirement. The Group considers it essential to consolidate internally the skills which cannot be outsourced, offering **permanent employment contracts for 99% of staff**, subject to getting to know the staff who initially may also be taken on under internship contracts. There were 14 people on staff lease contracts at 31/12/2017.

# 1,929

employees  
at 31.12.2017

# 1,921

permanent contracts  
at 12.2017

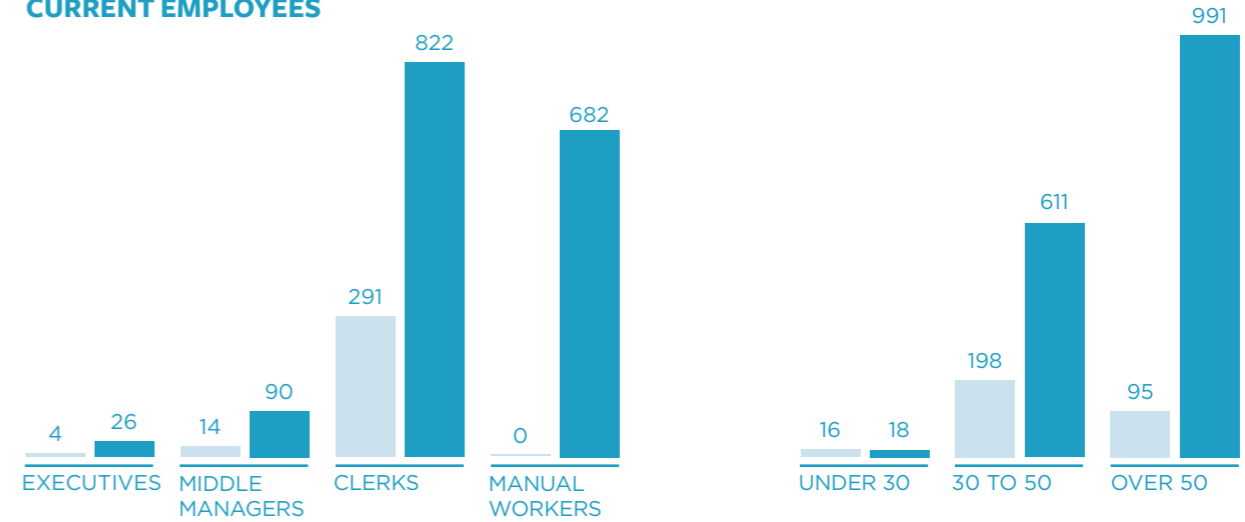
# 1,862

full-time contracts  
at 31.12.2017

# 229

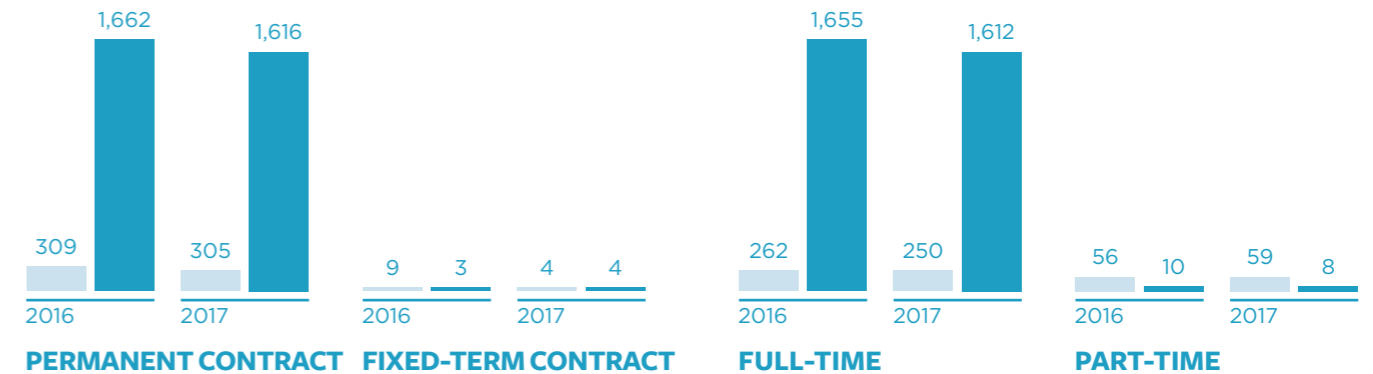
staff recruited  
in the last 5 years

## CURRENT EMPLOYEES



data relating to 31.12.2017 | women - total 309 | men - total 1,620

## TYPE OF CONTRACT



current employees | women | men

## ABSENTEE RATE | illness, injury and compassionate leave

# 3.09%

figure at 31.12.2017  
women - 3.09%  
men - 3.09%

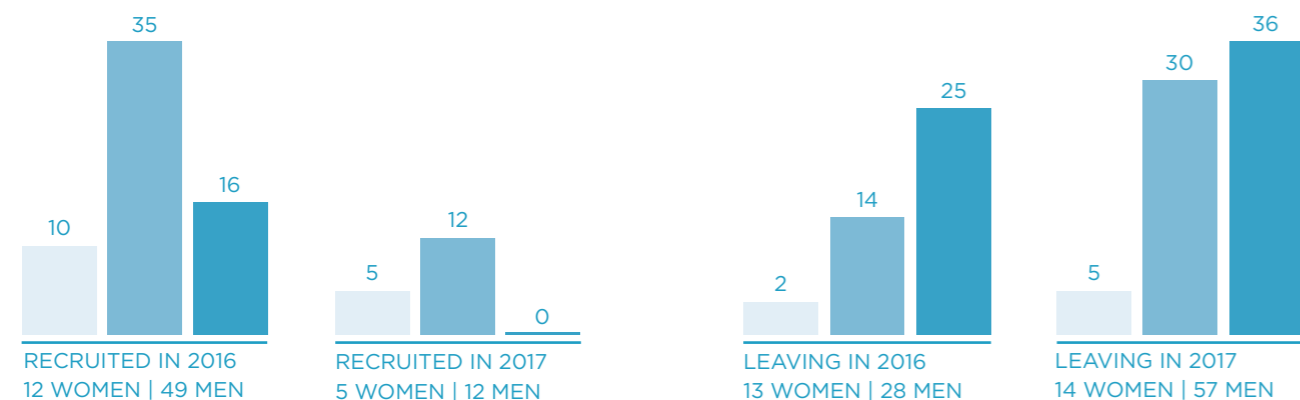
# 3.25%

figure at 31.12.2017  
women - 3.13%  
men - 3.28%

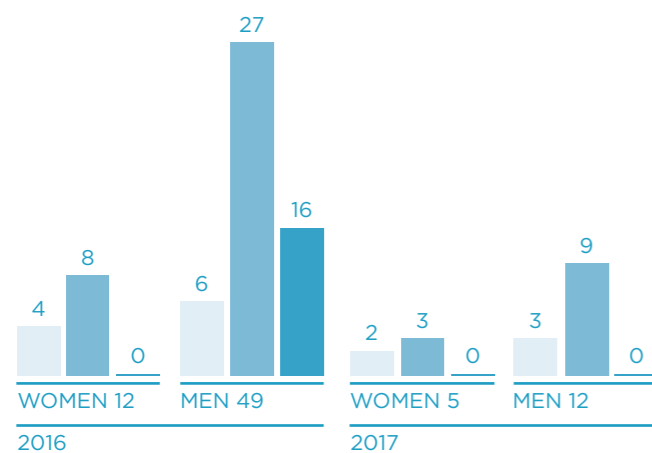


under 30 30 to 50 over 50

### STAFF TURNOVER



### STAFF RECRUITED



	2016			2017		
	WOMEN	MEN	TOTAL*	WOMEN	MEN	TOTAL*
< 30	17%	24%	21%	13%	17%	15%
30-50	9%	3%	3%	2%	1%	1%
> 50	0%	2%	2%	0%	0%	0%
TOTAL**	4%	3%	3%	2%	1%	1%

\* total turnover by age \*\* total turnover by gender

## MODEL FOR THE MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

*The Group promotes management and development policies aimed at promoting internal resources, the recruitment of young talent, the increased sharing and exchange of existing know-how and the constant updating of skills.*

*With a view to the continuous enhancement of the company's skills, 2i Rete Gas facilitates learning and improvement through various initiatives:*

- targeted training programs, performance assessment that can rise awareness of self-improvement plans,
- pay and incentive systems based on merit and on the assessment of results and conduct, ensuring transparency and impartiality, respect of the Individual and diversity.

### RECRUITMENT

The process of staff recruitment takes the form of all the activities needed to identify suitable staff to cover the positions needed for business continuity and the development of the corporate strategy. This process is regulated by a **specific procedure** and, in compliance with the Code of Ethics, Italian Legislative Decree 231/2001 and the "Integrated policy for Quality, Safety and the Environment", is based on the **respect of fundamental Human Rights**, on the **dignity of the Individual**

and on the **principles of impartiality, fairness and transparency**. In addition, the recruitment process offers **equal opportunities** and is free of any form of discrimination.

The selection plan has so far responded to the needs to strengthen the operational and staff structures in which, over the years, an important process of insourcing has been implemented, and to the needs to complete the skills available at local offices (the Departments) and to **consolidate highly specialist divisions**, such as those for **Smart Meters, Tariffs and Operational Processes**.

Since 2017, the Group has been significantly favouring internal recruitment through the introduction of the **Job Posting** system and process with the **goal of involving, motivating and developing People, increasing the opportunities for professional development to express personal potential and promoting the exchange of skills and know-how**.

Job rotation has also enabled the consolidation of a solid and effective collaborative network among the various corporate structures and divisions, ever more aware that, by promoting the development of the Individual, it is possible to drive the continuous creation of value for the Company.

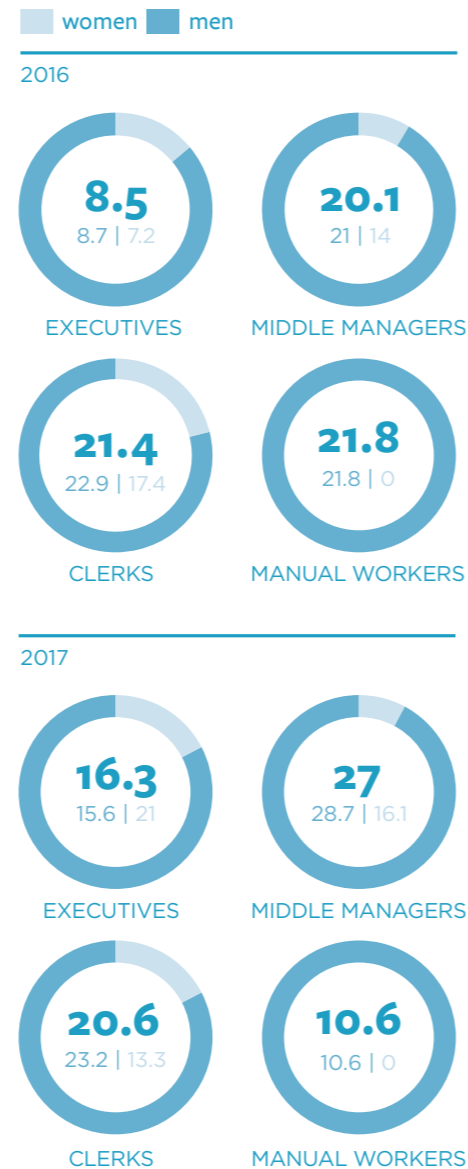
- respect of Human Rights
- dignity of the Individual
- impartiality and transparency
- equal opportunities

## DEVELOPMENT AND TRAINING

The Group believes that the contribution of the individual is often the most important ingredient for success, therefore it recognises the importance of assessing and encouraging individual conduct as a factor that drives performance. The introduction of the new Performance Assessment System has enabled the definition and formalisation of performance quality standards for each position, has made it possible to take stock of existing technical and managerial skills and to define a training and development plan for each Person being assessed; it has also favoured the dissemination of a company culture that is increasingly focussed on discussion between the “head” and the “staff”.

The performance assessment plan, which was started in 2015, initially for specialist roles and roles that coordinate all the divisional and technical processes, is now extended to all the staff at the head office and departmental structures and to technical staff above the 6th level (in 2016-2017 the percentage of those assessed reached 42%). The Group’s goal is to extend in coming years, gradually and responsibly, the assessment process to all the company’s staff. In this light, training has a fundamental role as a driver for growth and generator of value. In 2016, an exceptional training program was started for operational staff involved in the emergency service, aimed at updating the skills which have already become consolidated over the years through field work, thus enabling this group to confirm their specific knowledge on modern methods and approaches to service management. In 2017, the new e-learning platform (My Learning) was created, which supplements classroom training. As regards preventing active and passive corruption, training plans are periodically prepared for all staff: most recently, that relating to the introduction of and change in types of crime regarding corruption in the private sector pursuant to Italian Legislative Decree 38/2017.

## AVERAGE HOURS OF TRAINING



1,915

people involved

33,470

training hours supplied

17.4

average training hours per employee of which 18.1 for men and 13.5 for women

## CLASSROOM TRAINING

### OPERATIONAL/MANAGERIAL

Targeted training projects for middle managers who have stood out at the Company, i.e. those who, in the previous two years, have shown exceptional commitment, high-quality work, energy and a proactive approach to achieving ever higher goals in terms of personal and professional growth.

#### projects/courses:

- Leadership and Assertiveness
- Soft Skills
- Focus on results and effective skills
- Self Empowerment
- Teamworking
- Management of cross-sector complexity
- Coaching programs
- Staff management
- Project Management

No. of people 144 | No. of hours 3,458

### TECHNICAL/OPERATIONAL

Development of technical and operational skills, courses on regulation and maintenance, remote control, and specific equipment.

#### projects/courses:

- New entry course: aimed at new recruits, in order to increase skills on corporate processes and structures, on technical and operational management of the territory and on the gas distribution work, with the contribution of all the company’s managers.
- Specific training for new professional figures (“ACO” – Operational Control Staff and “CSE” – Safety Coordinator during project Execution)
- Legal Metrology
- Welding and coordination of welding

No. of people 354 | No. of hours 4,666

### SAFETY

Safety courses both in compliance with Decree 81/08 and with the goal of staff awareness-raising in regard to this issue.

#### projects/courses:

- Fire prevention
- First aid
- Safety executives and managers
- Safety of Workers and Office Risk

No. of people 725 | No. of hours 8,000

### SPECIALIST COURSES

Specialist courses on the basis of specific needs and participation in relevant seminars/workshops.

#### projects/courses:

- Public Contracts Code
- Taxation system
- Business assessment
- Power Point
- Pay packets and law on trade unions
- Decree 38
- Conflict of interests

No. of people 1,888 | No. of hours 17,345.5

## PERFORMANCE

- improvement of the quality of services
- valorisation of merit
- transparency
- focus on results

## THE COMPENSATION SYSTEM

The Group bases its Compensation and Bonus systems on the **recognition of merit, know-how and conduct which lead to the growth of the organisation.**

The Group's compensation policy aims to **develop employees** on the basis of their responsibilities and the levels of performance, know-how and results achieved.



### PAY SYSTEM

- Definition of pay and promotion targets by role and responsibilities.
- Pay increases and promotion only given when meeting targets and in the case of development/change in the role.



### PERFORMANCE ENHANCEMENT SYSTEM

One-off bonuses in order to enhance commitment and constant dedication to achieve excellence in work, a sense of responsibility in every initiative taken, the ability to adapt to change and to evolve through learning and trying out new experiences every day.



### VARIABLE BONUS SYSTEM BY OBJECTIVES

- MBO system aimed at the 1st and 2nd levels of the organisation.
  - Key people incentive system aimed at middle managers.
- The objectives can be measured by type of position and/or across a number of offices. In addition, there is the assessment of qualitative objectives linked to skills and conduct.



### REWARD SYSTEM BASED ON PRODUCTION AND QUALITY TARGETS

For all the Group's staff a bonus for the 2017 result is envisaged, which varies depending on the achievement of set goals in terms of profits, production, efficiency and operational quality.



# 1.3 CUSTOMERS

*The 2i Rete Gas Group deals with different types of customers. In order to drive continuous improvement in such relations and the service supplied to them, it monitors their level of satisfaction.*

The Group, owing to the nature of its business, deals with three groups of customers:

- **municipalities and local authorities**  
contracting authorities by virtue of concession agreements/ contracts to provide the gas distribution service;
- **sales companies**  
with which there are dealings in relation to the distribution service provided to the network user;
- **end users of the network**  
for the emergency service for problems in the gas distribution service, for quotations in response to requests for new connections and/or changes to existing systems and for maintenance work and replacement of meters.

As for “sales companies” and “end users of the network”, the services which the Group offers them are all within the context of the market regulated by ARERA, while for “public administrations” the monitoring takes place in regard to contractual obligations.

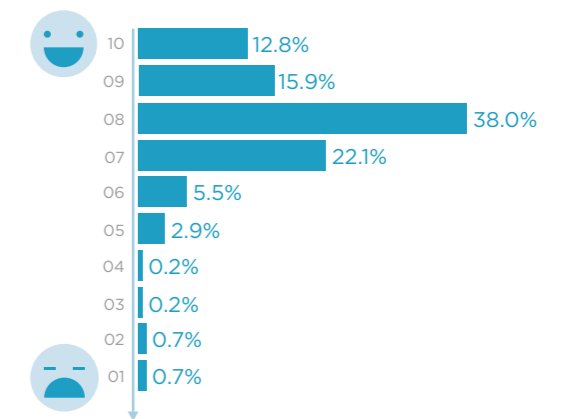


## MUNICIPALITIES AND LOCAL AUTHORITIES

Each year, the Group carries out a customer satisfaction survey which provides a fixed comparison on the parameters covered by the survey; this analysis is shared with the first and second level of management in order to plan possible ways to improve. The most up to date data relating to customer satisfaction relates to 2016, when 452 Municipalities were identified and interviewed. In relation to the results used to assess the perceived quality level of the service supplied, the graphic indicates the **assessment of overall satisfaction on the relationship with 2i Rete Gas**. The outcome of the survey showed that respondents that in the previous survey had a neutral or not fully satisfactory judgment, thanks to the initiatives taken in 2016, now declared complete satisfaction. The relationship with the Municipalities is handled in compliance with the provisions of the concession agreements and, as for the definition of the residual industrial value, if applicable, in accordance with the ministerial guidelines. The data regarding the improvement of the plants owned by local authorities is sent to the Manager in charge of the Project (Responsabile Unico di Processo, RUP) via certified email and, as for the management of this data within the company, it is stored in a database with segregated access and made available only to the departments in charge of its processing. For participating in tenders, the Group works constantly to prepare technical offers that meet as fully as possible the requests of the Contracting Authority in terms of service quality, workplace safety and investments in plant. **Every request and every investment is assessed with due care, taking into account both the provisions of the concession contract and the Group’s and the sector’s profit criteria;** provided that they are in keeping with these parameters, investment requests which the Municipality selects on the basis of priorities and social needs can also be met (for example, the request to connect social housing or social and healthcare structures, etc.).

**“Overall, how satisfied are you with 2i Rete Gas?”**  
(respondents: 452)

10 = fully satisfied  
1 = not at all satisfied





## SALES COMPANIES

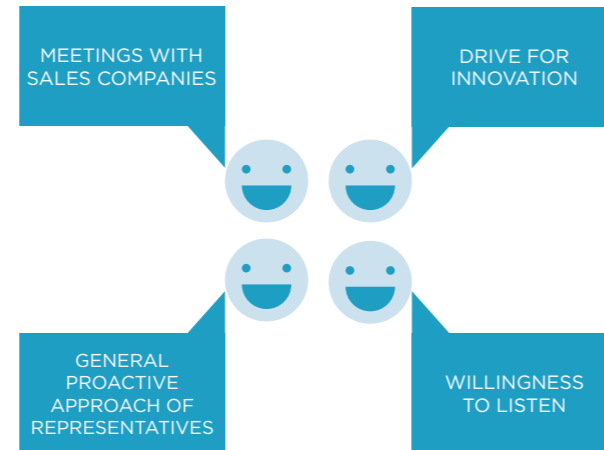
Each year, the Group monitors the satisfaction of sales companies through a customer satisfaction survey.

Two different survey methods have been used on this target: a qualitative one, aimed at exploring the **perception of the efficiency of the service offered to top customers**; a quantitative one, carried out on a sample selected from the group of 264 small and mid-sized customers. The top customers of 2i Rete Gas are represented by 5 methane gas sales companies (ENI, EDISON, E.ON, ENEL, ENGIE), with which in-depth individual interviews were held. The quantitative survey, instead, involved a sample of 50 sales companies which manage 24% of total redelivery points, contacted through phone interviews.

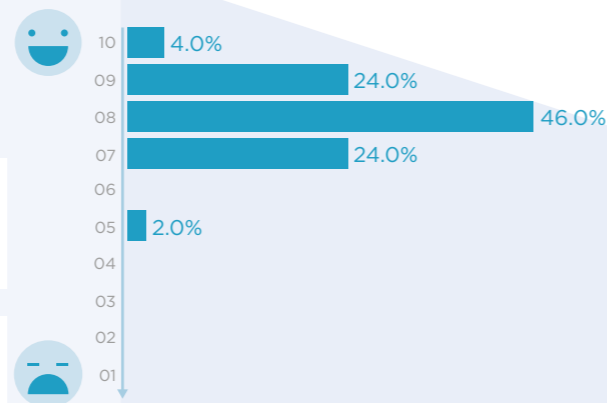
The results of the survey express a **fully positive judgment** in regard to the work of 2i Rete Gas, which is based on relational and operational elements.

In relation to the results used to assess the perceived quality level of the service supplied, the graphic indicates the assessment of overall satisfaction on the relationship with 2i Rete Gas for both sample groups. The direct relationship with sales companies, which takes the form of meeting the requests they send on behalf of end users, is closely monitored in compliance with the regulatory obligations of Commercial Quality and safety and continuity of the gas distribution service.

### MAIN ASPECTS RAISED IN THE ASSESSMENT OF OVERALL SATISFACTION OF THE TOP 5 CUSTOMERS



### “Overall, how satisfied are you with 2i Rete Gas?” (respondents: 50)

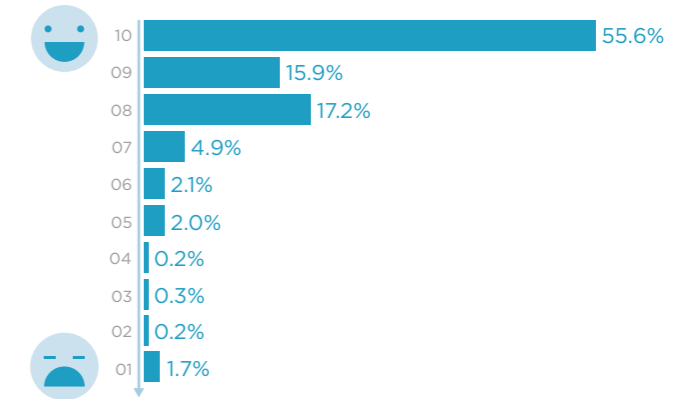


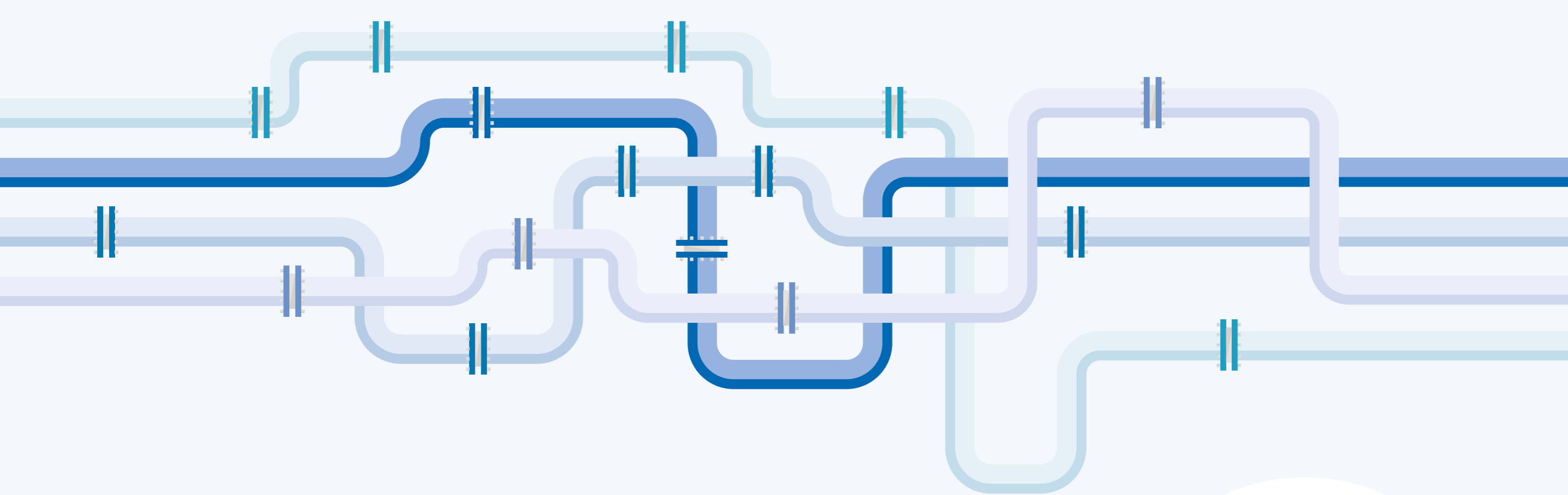
## END USERS OF THE NETWORK

Each year, the Group also monitors the satisfaction of end users of the network through a customer satisfaction survey which measures the **perception of end users of the network in regard to the emergency service**.

The assessment was carried out through Computer Aided Telephone Interviewing (CATI) targeted at 2,239 citizens who contacted the emergency service. As in previous years, the service proved to be particularly effective in 2016, and therefore protective for the Company. The Group, with a view to the continuous improvement of its performance with customers, is gradually trying to raise its standards compared to those set by the standard-setting body.

### “Overall, how satisfied are you with 2i Rete Gas?” (respondents: 2,239)





**2**  
***collaboration  
and sharing***

## 2.1 COMPANY CULTURE AND INTERNAL COMMUNICATION

Our company culture bases the consolidation of the spirit of **collaboration** and the sense of belonging on dialogue, interaction and discussion.

## 2.2 WELFARE AND EQUAL OPPORTUNITIES

The focus on people, in our Group, is expressed by recognising the value of **collaboration** while respecting equal opportunities, promoting diversity and facilitating the reconciliation of the personal and professional life.

## 2.3 RELATIONSHIPS WITH SUPPLIERS

The relationship with our suppliers is transparent thanks to the selection and approval process, which envisages a structured process in which dialogue and **collaboration** must always be undertaken in complete transparency.

## 2.4 MAPPING OF SUPPLIERS

Synergy and **collaboration** underpin the trust we have built with our suppliers, creating a relationship regulated by shared principles such as integrity and independence.

## 2.5 RELATIONSHIPS WITH THE UNIONS

Historically, **we share** our challenges and our objectives, involving the unions in the most important decisions, scheduling meetings and creating the grounds for continuous dialogue.

# 02 WE PROMOTE THE CULTURE OF PARTICIPATION AND DIALOGUE

BECAUSE SHARING IDEAS HELPS TO FIND THE BEST SOLUTIONS



- We want to be **open to dialogue and listening**, collaborating with all the in-house and external people involved in the work
- We undertake to **communicate directly and simply for positive and effective dialogue**
- We work **in teams** and we share **the tools, experiences, solutions and benefits** of the results obtained

## 2.1 COMPANY CULTURE AND INTERNAL COMMUNICATION

*Internal communication is an asset and an increasingly strategic tool to spread a positive cultural attitude, to support corporate developments and strategies as well as to calmly accompany change. An attitude that penetrates all levels of the organisation, able to eliminate the distance between Human Resources and the company, consolidate the sense of belonging, recognising diversity as an opportunity for personal growth and corporate Value.*

The Group, supported by innovative methods implemented to undertake the project to assess the risk of work-related stress and by the results of specific analyses, defined a two-year internal communication plan, adopting a series of initiatives, marked out by the motto

**“Noi2i facciamo rete” aimed at consolidating the corporate identity and team spirit.**

Initiatives have been introduced to involve all employees in **plenary meetings** at which objectives, results, procedures, working methods are shared, increasing the awareness and motivation of the participants.

**Social events** have been organised to help network and get to know each other.

Numerous improvements have been made on the Intranet for more effective use of the portal, as the main internal communication channel and as the access interface for a series of **company tools and systems** which are used daily, such as instructions for the use of the email. The Intranet has recently been enhanced with the **“Naviga in 2iRG”** function, which allows to explore the organisational structure and the related work areas. It is, therefore, possible to search for people in charge of the corporate divisions and the members of each team, helping employees get to know each other as well as the activities and processes.



### EMAIL: INSTRUCTIONS FOR USE

**UNO STRUMENTO UTILE (SE UTILIZZATO AL MEGLIO)**

La posta elettronica rappresenta ormai uno strumento irrinunciabile nel lavoro di tutti i giorni (e non solo). Se utilizzato al meglio, presenta vantaggi evidenti come l'immediatezza, la possibilità di far giungere a più persone lo stesso messaggio contemporaneamente, il risparmio economico e di tempo, l'efficacia e la trasparenza della comunicazione.

Spesso, però, questo importante strumento non è utilizzato al meglio, con il rischio di vanificare i potenziali benefici: messaggi indirizzati alle persone sbagliate, oppure scritti in maniera poco chiara possono infatti far perdere tempo prezioso a chi li riceve.

Per un utilizzo virtuoso di questo strumento, ti suggeriamo quindi una serie di consigli che ti aiuteranno a non commettere errori.

- 1** PRIMA DI SCRIVERE UNA EMAIL
- 2** SCEGLI ATTENTAMENTE I DESTINATARI
- 3** SELEZIONA CON CURA L'OGGETTO
- 4** PRESTA ATTENZIONE AL CONTENUTO
- 5** RISPONDI CON RIGUARDO
- 6** ALLEGA I DOCUMENTI CORRETTAMENTE
- 7** FIRMA NELLA MANIERA CORRETTA
- 8** UTILIZZA L'ACRONIMO EOM (END OF MAIL)
- 9** PIANIFICA LA LETTURA DELLA POSTA

## 2.2 WELFARE AND EQUAL OPPORTUNITIES

*The Group pays attention to the needs of its People, favouring initiatives aimed at reconciling home and work, the balance between professional and personal life.*

The Group, in keeping with its Code of Ethics, guarantees respect of Human Rights, protection of the dignity of the Individual, respect of equal opportunities while combatting discrimination, at every stage and in every process of its Resource management. Following the company agreement on the welfare service, for 2018, the Group set the goal of introducing an online platform to manage and provide tailored welfare plans to support employees. **2i Rete Gas identifies diversity as a source of value** and, in compliance with the law in force, signed agreements with the Provinces to establish a long-term plan to hire Resources under sheltered employment programmes. The Group promotes these Resources by assigning them, where possible, to specialist and key positions for the Company. At 31/12/2017, 130 people work at 2i Rete Gas in the context of sheltered employment programmes.

The percentage of women in the Group compared to the total number of employees (excluding manual workers) is 25%; **in recent years, there has been a marked increase in the percentage of women also in more specialist positions** (in the last 5 years, out of 229 new recruits, 97 were women). Activities focussing on plant management and mechanical technology, with a high degree of manual input, are not currently popular with female staff.

The percentage difference in pay levels between men and women is to be considered physiological and, in any case, is the result of an average shorter period of service for women and their lower level of technical specialisation, without prejudice to the fact that, over the years, an increasing number of women with technical and/or specialist qualifications have been recruited and hold specialist positions.

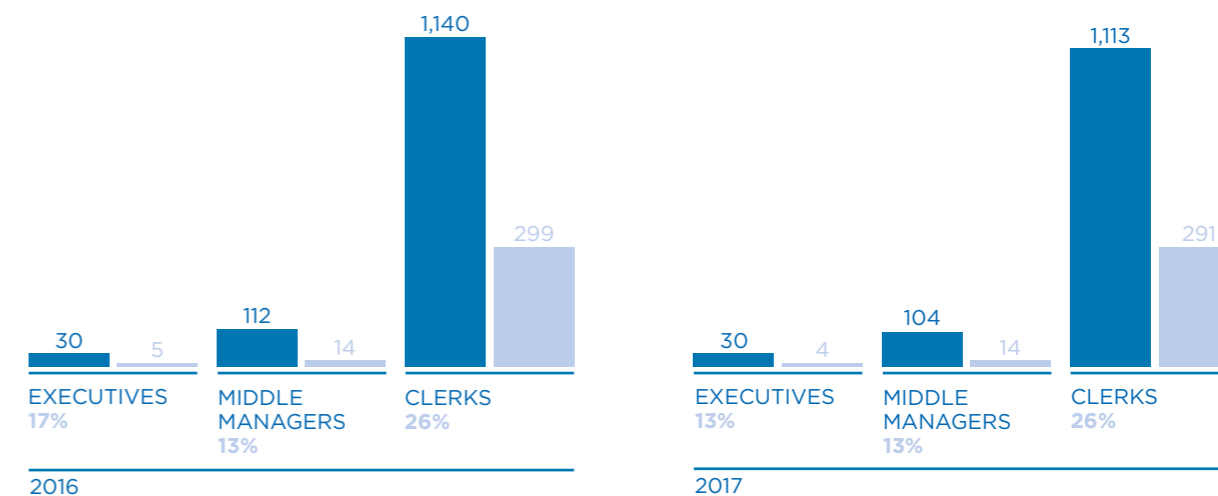
In relation to parental leave, all applicants for such leave returned to their previous work or positions with a similar professional content, sometimes also preferring part-time solutions. In 2017, in addition, almost all the People who had returned to work were still in service one year on from the end of their parental leave.



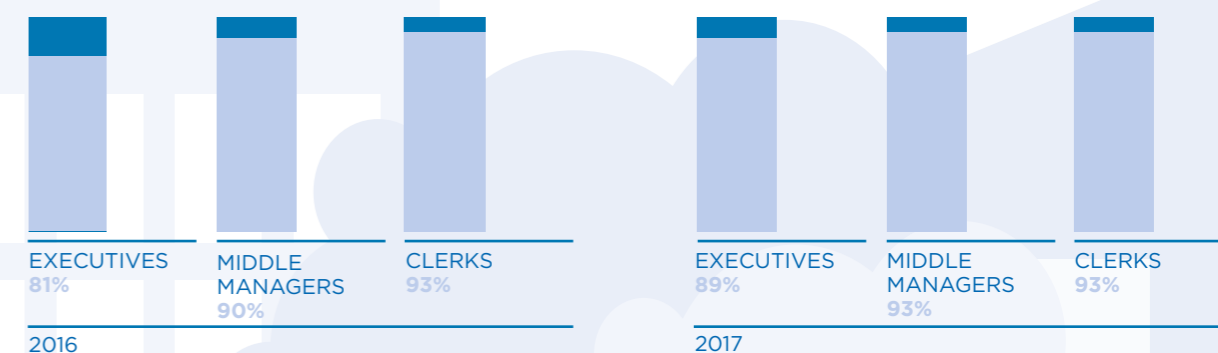
- COMPANY AGREEMENTS
- HEALTHCARE AND INSURANCE ASSISTANCE FOR ACCIDENTS OUTSIDE THE WORKPLACE
- FLEXIBLE AND PART-TIME WORKING HOURS FOR WORKING MOTHERS (OUT OF 66 PART-TIME STAFF, 56 ARE WOMEN)
- CAR SHARING
- WELFARE AGREEMENT

### FEMALE STAFF

■ number of women ■ total



### PAY EQUALITY BETWEEN MEN AND WOMEN\*



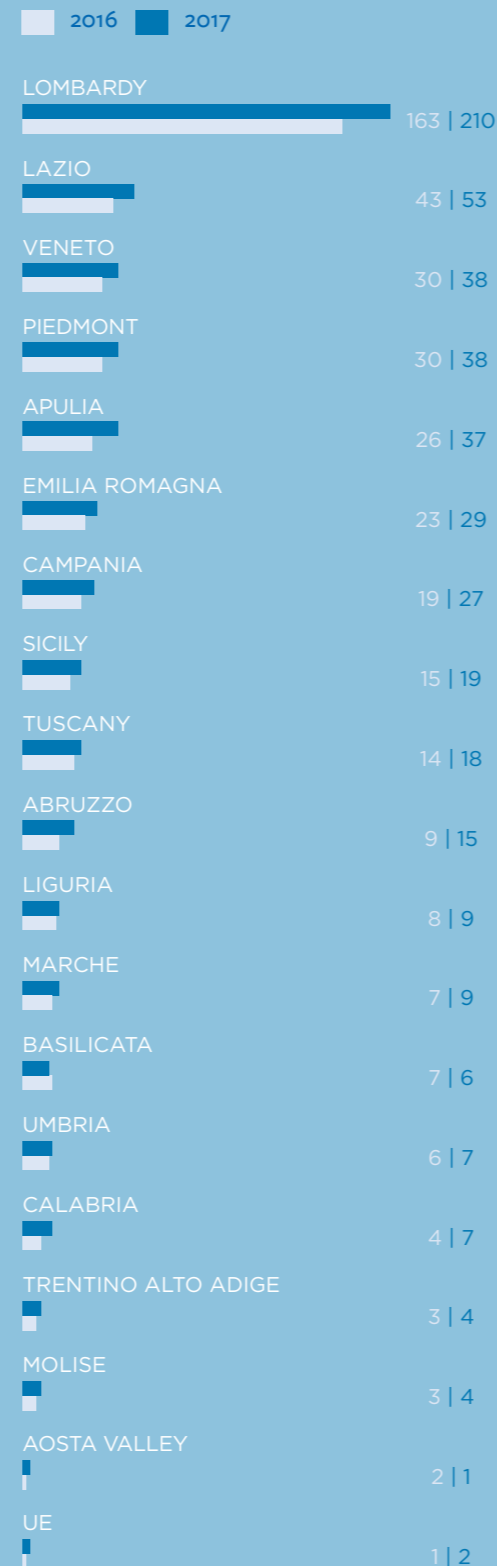
\*indicated as the percentage ratio between the average salary of women and the average salary of men

## 2.3 RELATIONSHIPS WITH SUPPLIERS

*In order to ensure the greatest possible information sharing and participation, each year, the Parent company publishes the Qualification Notice, highlighting the product categories for which each operator can apply for and undertake an assessment process on the basis of general and technical/economic requirements envisaged by the Qualification Regulation.*

Each operator can submit their candidacy at any time for any product category of interest. Having successfully completed this process, the supplier can be invited to the tender procedures for the subsequent assignment which, typically, is awarded by placing great importance also on the quality of the technical offer. The Group reserves the possibility of undertaking inspections, both during the approval process and during the execution of contracts. In addition, a centralised procurement process has been established for supplies and services which cover all Italy, although for some types of contract, such as those regarding the realisation and maintenance of gas distribution plants, local companies are also used. These companies are subject to further steps of the qualification process, which is specific for the product category they belong to: among the prerequisites, proof of **adequate experience in the sector, technical competence, company know-how, and operational capacity, i.e. the possession of suitable equipment and specialist labour**, is required.

### BREAKDOWN OF QUALIFIED SUPPLIERS BY REGION



## SELECTION PROCESS AND PREREQUISITES FOR APPROVAL

As part of the approval process and, in particular, compared to the general prerequisites, **specific obligations**, are requested **regarding reputational aspects** related to **environmental protection, corporate responsibility, Italian Legislative Decree 231/2001** as well as **the protection of Human Rights**, such as:

- statements on the absence of conflicts of interest and on the shareholding structure as regards corruption;
- adoption of organisational models;
- relationships with the Public Administration;
- possession of the Code of Ethics;
- disclosure of Corporate Social Responsibility SA 8000 certification;
- compliance with the law on the environment, workplace health and safety - OHSAS 18001 and ISO 14001 certifications.

Zi Rete Gas and the Group companies use almost exclusively qualified “suppliers” of goods and services; those excluded from the current qualification process are related to the lease of property or the purchase of energy efficiency certificates. In the latter case, there is in any case a formal approval process carried out by Gestore dei Servizi Energetici (a publicly-owned company promoting and supporting renewable energy sources in Italy) as regards purchase contracts which transit on the electronic platform.

**There are no other qualification processes.**

Should a supplier no longer hold the prerequisites also in relation to the ethical issues as set out in Italian Legislative Decree 231/2001, in compliance with the Qualification Regulation, the Procurement Division may take action, depending on the seriousness of the findings, to suspend or remove them from the List of Suppliers. Such action may entail the termination of current contracts.

- **social and environmental topics**
- **compliance with Italian Legislative Decree 231/2001**
- **protection of Human Rights**

## 2.4 MAPPING OF SUPPLIERS

*Suppliers and contractors are among the stakeholders with which 2i Rete Gas is committed to maintaining and developing a stable and strong, trust-based relationship. For this reason, within the Group, in keeping with the principles and criteria of conduct approved by the Code of Ethics, relationships with suppliers are regulated by shared principles focussed on integrity and independence and are subject to constant monitoring.*

For some product categories, the 2i Rete Gas Group has a List of Suppliers whose qualification criteria are not a barrier to access. This List, which is managed through an online platform, enables the assessment and selection of potential suppliers.

At 31/12/2017, the 2i Rete Gas Group S.p.A. had 533 qualified Suppliers in its List of Suppliers, corresponding to a total of 757 qualifications in one or more Product Categories on the basis of the Qualification System as described above.

87.25% of the value of the contracts signed in 2017 was assigned to suppliers who had undergone a formal qualification process through an online platform. **For 2018, the target is set at 89%.**

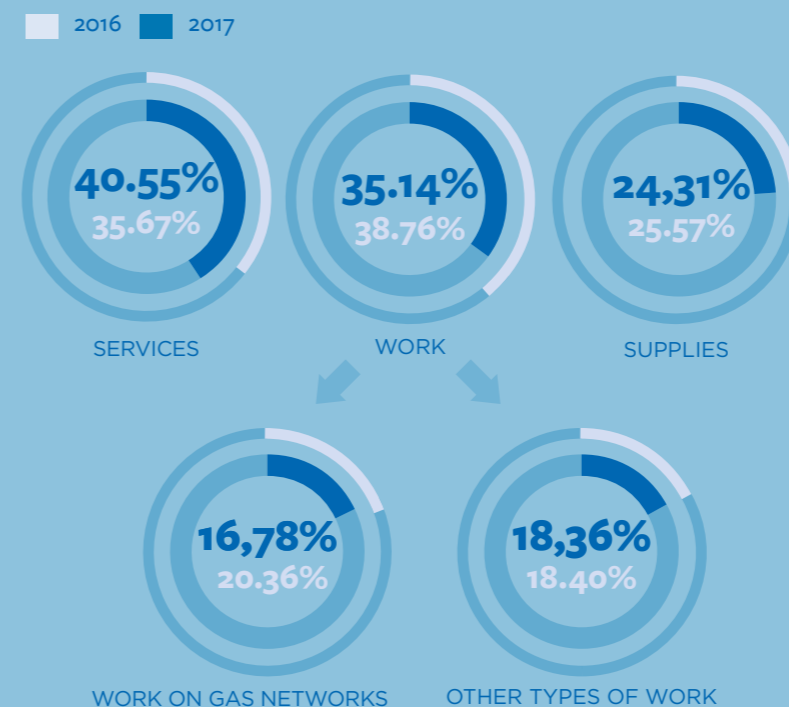
2i Rete Gas ensures to its suppliers fair remuneration and compliance with the payment terms agreed which, in 76% of cases, is 60 days.



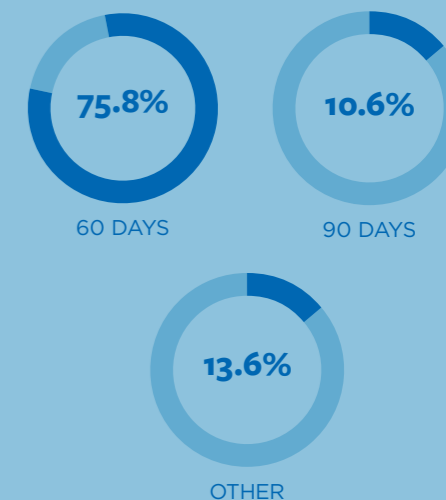
# 87.25%

of the value of **contracts** signed in **2017** was assigned to **suppliers who had undergone a formal qualification process** through an online platform

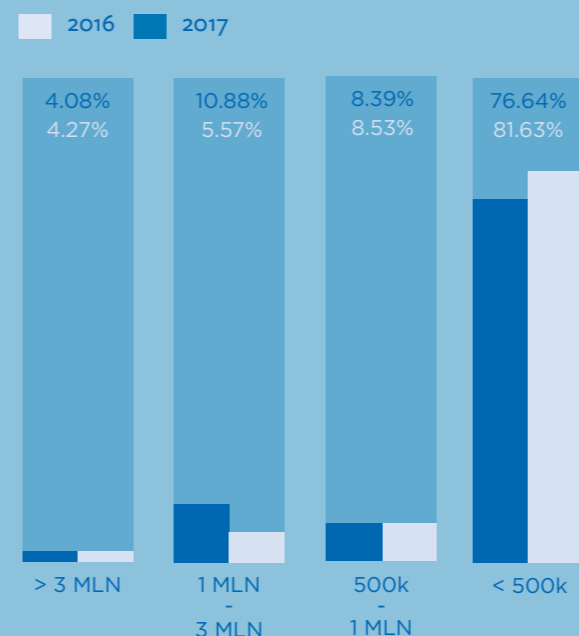
### 757 QUALIFICATIONS BROKEN DOWN BY MACRO-CATEGORIES



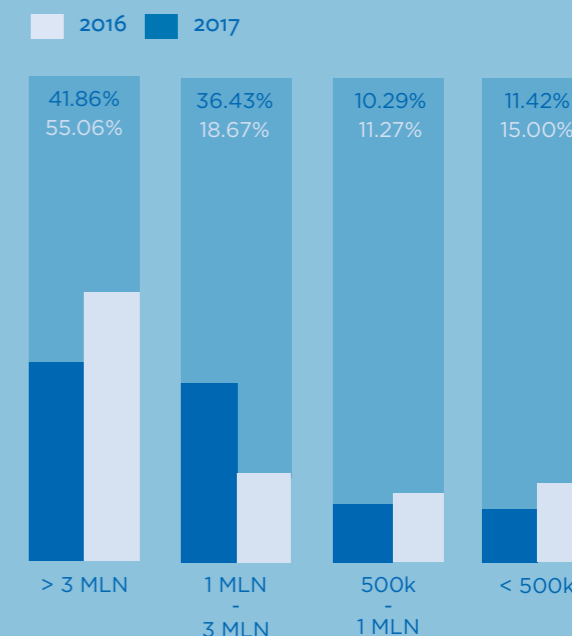
### PAYMENT TERMS OF CONTRACTS SIGNED IN 2017



### NUMBER OF CONTRACTS SIGNED BROKEN DOWN BY VALUE RANGE



### VALUE OF CONTRACTS SIGNED BROKEN DOWN BY VALUE RANGE



## IDENTIFICATION AND MITIGATION OF RISKS LINKED TO THE SUPPLY CHAIN

As regards the most serious risks linked to supply chain management, **particular attention is paid to the issue of active and passive corruption and the protection of Human Rights.**

The Group includes in each individual contract specific clauses on ethical issues and anti-corruption, as well as the issues already described in the qualification process.

**The Group has adopted procedures and certifications which ensure compliance with the principles of anti-corruption, protection of Human Rights and compliance with environmental and social policies (ISO Certifications, Code of Ethics) and, likewise, has asked all the qualified suppliers to comply with and maintain the same principles both in the approval stage and, subsequently, in the contractual stage.**

As for the impacts on the ancillary industry and on communities, the 2i Rete Gas Group S.p.A., although being careful to use local suppliers, has no formal evidence of these impacts. In regard to the risks highlighted, there were no monetary or other sanctions.

## 2.5 RELATIONSHIPS WITH THE UNIONS

*The Group builds complex and responsible industrial relations at all levels, with a view to involving the unions in the most important decisions, with consequent increased sharing of challenges and common goals.*

2017 was characterised by **numerous discussions with the unions**; the renewal of the **Italian collective bargaining agreement** for the Gas and Water sector **was also signed**; and 2i Rete Gas participated in the negotiations; **an agreement on the results-based bonus and corporate welfare was reached at the national level**; in addition, **the foundations to define a new protocol for industrial relations were laid.**

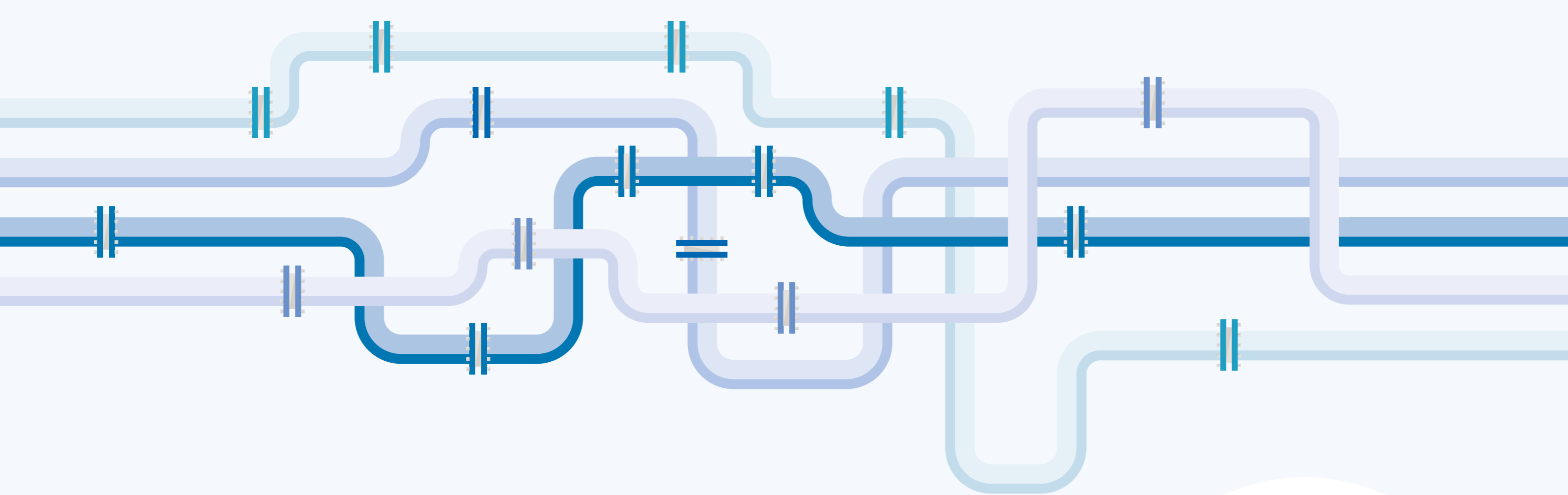
Following the development of a series of projects for local reorganisation and the disposal of facilities, numerous meetings were held with the competent trade unions, aimed at finding the best solutions to manage the impacts for the people involved in the operation and in office transfers.

In 2017, strikes totalled 6,859 hours, equal to 0.19% of total working hours.

100% of employees are covered by collective bargaining agreements.







**3**  
*responsibility  
and respect*

### 3.1 HEALTH AND SAFETY

We aim at “zero injuries” and we **responsibly** promote the culture of safety inside and outside our organisation, setting even more stringent targets than those envisaged in the relevant law.

### 3.2 ENVIRONMENTAL MANAGEMENT AND OPTIMISATION OF NATURAL AND ENERGY RESOURCES

Our commitment to environmental protection takes the form of monitoring the impacts from the performance of our activities and implementing initiatives and projects aimed at the **responsible** limitation of such impacts.

### 3.3 DIALOGUE WITH CUSTOMERS

We make contact channels and opportunities available to the various types of customers with whom we interact, in order to respond to their requests in an increasingly effective, exhaustive and **responsible** way.

### 3.4 PROTECTING PRIVACY

We guarantee **respect** of people by ensuring protection of the right to safeguard the individual’s personal data.

### 3.5 SOCIAL AND ECONOMIC DEVELOPMENT OF THE COMMUNITY

We interact with public institutions, authorities and category associations **responsibly**, offering our know-how in order to provide the best possible service in the areas where we operate.

## 03 WE WORK FOR A SUSTAINABLE FUTURE

BECAUSE WE WORK IN HARMONY WITH THE SOCIAL, CULTURAL AND ENVIRONMENTAL DEVELOPMENT OF THE COMMUNITY



- We promote **responsible conduct** based on **loyalty, fairness and integrity**
- We guarantee **clarity, truthfulness, accuracy and completeness of information** in our work
- We guarantee **responsible management of risks** thanks to increasingly high quality standards

# 3.1 HEALTH AND SAFETY

*2i Rete Gas considers investing in the health and safety of its workers, suppliers, customers, community and environment as a value and sets as a goal not only respecting what is envisaged by the law, but also improving safety in the workplace and disseminating the culture of safety among its own staff and external contractors.*

**The Group breaks down its own safety organisation model into 7 production units, in which it has identified 7 employers who, in their turn, have established a suitable number of qualified people with delegated powers.**

**The organisation of safety takes the form of the Prevention and Protection Service which is distributed in the same way across all 7 production units, consisting of 10 dedicated staff and one manager, all appointed by the individual employers. The employers have assessed the risks by dividing**

**company resources into two similar work groups: the staff dedicated to administrative tasks and the staff dedicated to operations. The healthcare protocol came into being following the risk assessment.**

**Healthcare supervision is guaranteed by competent medical staff and by the Prevention and Protection Service** and the outcomes of tests on people's suitability or otherwise for particular tasks are made available promptly to managers who arrange to manage temporary, partial or total situations of incapacity.

**The situation of injuries is constantly monitored, informing senior management in real time, while each month members of the safety organisation are given a report on the situation in terms of the number of accidents and the relevant indices.**

In the same way, **on a quarterly basis the 2i Rete Gas Group also monitors the situation of accidents at its suppliers in relation to the activities and worksites being run for the Group;** in addition, the trend in the non-occurrence of accidents/injuries is monitored. In 2017, in the 2i Rete Gas Group there were no cases of acknowledged work-related illness.

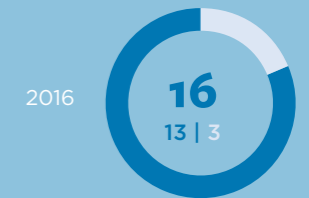
## INDICES AND TRAINING

**In order to achieve the goal of “zero injuries”, the Group internally verifies Occupational Health and Safety at local structures and carries out checks during works at open sites run by its contractors.** It analyses the results of the checks and establishes actions and initiatives aimed at improving health and safety performance. In 2017, there were 24 injuries (27 in 2016) for a total of 958 days off work (743 in 2016). In 2017, three injuries from the previous year continued, of which 1 was for over 60 days. In 2017, there were 6 injuries of over 60 days.

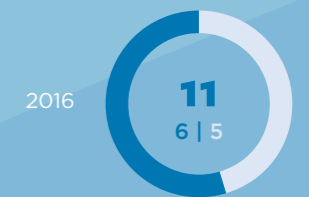
Again, in terms of safety, the 2i Rete Gas Group monitors the control over health and safety issues so as to **guarantee prevention, also including the activities undertaken by the suppliers of work and services.** The Group, in order to increase its suppliers' awareness in regard to complying with high health and safety standards, is continuing with its intention to have continuous and daily supervision of worksites aimed at confirming correct working practices on the part of suppliers. In 2016, 268 controls were carried out together with 191 technical tests. The Group monitors the situation of injuries with its suppliers by recording accidents/injuries at its worksites that happen to suppliers' employees.

### INJURIES BY TYPE

■ women  
■ men



INJURIES AT WORK



COMMUTING INJURIES

In 2017, there were no accidents that entailed the imposition of financial fines or warnings.

In order to complete the control over health and safety performance, the Group uses three indicators, the first two of which are regular statistics also used by the national health service and contemplated by UNI 7249. The indicators used to measure effectiveness in achieving the target take the form of an improvement in performance compared to the past. This is calculated through injury frequency and seriousness indicators and, as a form of prevention, by evaluating “near misses” recorded in the year, in the context of which reports of active and passive road accidents were also acquired, given that injuries as a result of road accidents have recently become more important also in relation to the number of kilometres driven to work.

**For 2018 the Group has the goal of reducing the injury frequency rate, calculated as the number of injuries, other than commuting injuries, in working hours, which for 2017 was 5.28.** With the aim of monitoring the seriousness of the injuries and putting in place all the due preventative measures, the Group monitors the injury seriousness index (calculated as the number of working days missed due to non-commuting injuries out of the total hours worked); **for 2017, this index was 0.19, for 2018, the goal is set at 0.2 in consideration of the injuries from 2017 that continued into 2018 and are still currently open.**

In order to promote the growth of the company culture in regard to reporting on the number of near misses, the Group has decided to set the minimum target of **receiving 43 spontaneous reports** in regard to potential accidents and injuries that did not cause damage to people or things. These targets are set in relation to the assessment of operational risks carried out in 2017 by employees of the Group and taken as unchanged for 2018. In addition, the Group is engaged in targeted communication and training for staff on health and safety issues. During 2017, **8,000 hours of relevant training** were provided.

20

injuries at companies  
at 31.12.2017

17

injuries at companies  
at 31.12.2016

8,000

training hours  
in 2017

## 3.2 ENVIRONMENTAL MANAGEMENT

*As part of its policy of respecting the environment and impacts caused by its business, the Group assesses environmental impacts in order to identify key direct and indirect factors.*

**The Group implements its own environmental policy in conformity with the indications of senior management and with the key standard UNI EN ISO 14001 under which it has certified its integrated system since 2007.**

The main direct impacts which the organisation monitors are: the **production of waste; atmospheric emissions of greenhouse gases and noise pollution from its plants.** In addition, it monitors **energy consumption as well as the fuel consumption of its vehicle fleet and internal technological consumption** (preheating of gas for decompression systems, electricity for cathodic protection systems). No indicators are provided regarding water consumption since it is not significant in the gas distribution process.

The indirect impacts, i.e. those produced by work assigned to suppliers, are instead identified and governed through contractual obligations and orders. For these the Group uses on site checks which are carried out by local offices. The Group monitors and controls its internal consumption in terms of primary energy.

### Indicators monitored

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

## DIRECT ENERGY CONSUMPTION ON VEHICLES

DIRECT ENERGY CONSUMPTION (VEHICLES)	2016		2017		
	t	MWh	t	MWh	
DIESEL	1,989	23,585	1,895	22,478	Consumption of vehicle fleet
PETROL	11	144	7	90	Consumption of vehicle fleet

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

In 2017, the quantity of energy consumed to guarantee the operation of the company vehicle fleet fell by 4.98%; the reduction was due not only to the gradual containment during 2017 of size of the fleet, but also to the greater efficiency of the vehicles which were replaced with technologically more advanced models.

The estimate of the energy recovery per vehicle calculated in relation to the reduction in total energy consumption in MWh was 0.02% by individual vehicle. For 2017, the Group did not indicate the consumption of gas for heating offices/warehouses, since it was of little relevance compared to methane gas used for technological purposes; for 2018, the target is to precisely monitor such consumption too.

## DIRECT ENERGY CONSUMPTION (TECHNOLOGICAL PLANTS)

DIRECT ENERGY CONSUMPTION (ENERGY CONSUMED BY THE COMPANY'S TECHNOLOGICAL CYCLE)	2016		2017		
	m³	MWh	m³	MWh	
ENERGY CONSUMED	5,628,138	54,001	5,993,931	57,510	Heat production by pressure regulating and metering (REMI) stations

Conversion Factor: ENEA

In 2017, the quantity of energy consumed to guarantee the operation of the technological systems at the REMI stations (gas preheating in the decompression process) was almost stable, since the ratio between the energy consumed to operate the decompression systems and the gas transited in these systems was constant at 0.0010 Stm³ consumed/Stm³ transited as in 2016.

## INDIRECT ENERGY CONSUMPTION (ACQUIRED FROM NETWORK AND TECHNOLOGICAL SYSTEMS)

INDIRECT ENERGY CONSUMPTION		2016	2017	
ELECTRICITY ACQUIRED FROM THE NETWORK	MWh	10,887	11,279	Energy consumption from buildings and technological systems

Conversion Factor Source: ISPRA 2015

In 2017, the quantity of total energy acquired from the network was higher than in 2016 by 3.6%. The figure covers the consumption to run buildings and for technological systems. As regards the consumption for buildings, the increase of 5.1% was due to the weather. For technological consumption, the higher consumption stood at +3.1% compared to 2016, maintaining, however, a level of consumption efficiency of 0.180 MWh per km of network (figure for 2016: 0.176 MWh/Km network). The difference was due to an increase in the network combined with the ageing of the systems.

## DIRECT EMISSIONS (DIESEL, PETROL FOR FLEET AND NATURAL GAS)

DIRECT EMISSIONS (SCOPE 1)		2016	2017	
DIESEL	t CO2e	6,235	5,942	Vehicle fleet
PETROL	t CO2e	35	22	Vehicle fleet
NATURAL GAS	t CO2e	11,003	11,718	Technological systems

Conversion Factor Source: UK Government GHG Conversion Factor for Company Reporting, UNFCCC 2016

For the quantity of CO2 emitted following energy consumption, overall 2017 ended positively. As regards the energy used to run the company vehicle fleet, the reduction in consumption helped lower the total quantity of emissions.

For the methane gas consumed in the technological systems, the figure was higher overall, since the quantity of gas transited by the systems in which the energy was used, rose by 6.8%, however maintaining the level of system efficiency with a ratio of emissions from combustion to the gas transited of - 0.3%.

## INDIRECT EMISSIONS (ENERGY ACQUIRED FROM THE NETWORK)

DIRECT EMISSIONS (SCOPE 2)		2016	2017	
ELECTRICITY ACQUIRED FROM THE NETWORK	t CO2e	5,847	6,136	Technological systems and offices/warehouses

Conversion Factor Source: ISPRA 2015

The considerations made for consumption set out in the table "INDIRECT ENERGY CONSUMPTION (ACQUIRED FROM THE NETWORK AND TECHNOLOGICAL SYSTEMS)" are valid.

For the electricity acquired by the Group, it is not possible to reconstruct whether it was produced from renewable sources or not, and therefore we use the ISPRA emission factor of tons of CO2 for energy produced which does not consider that from renewable sources. Water draw-off is not monitored since it is not relevant in the main operations.

## MONITORING OF INDICATORS AND KPIS

Each year the Key Performance Indicators collected by the head office are analysed and set out in the system document "Review by management" and brought to the attention of the Chief Executive Officer. In the same document the company's senior management identifies and sets the KPIs for the following year. For 2018, in order to reduce the consumption of raw materials and natural resources, the following targets have been established:

### • Reduction of primary energy consumption for technological purposes

The parameters defined aim to verify the ability to optimise the energy needed to guarantee the preheating of gas in the decompression process and in managing the process of cathodic protection of steel piping. Two indicators are prepared: - the first in reference to the ratio of the quantity of energy consumed in the reference period and the volume of gas transited in the REMI stations (to measure the efficiency of the preheating process), for 2017 the index was 0.10.

**For 2018 the target is to bring the index below 0.10;**

- the second, in reference to the ratio between the quantity of electricity consumed in the reference period and the km of network in steel used in the reference year (to measure the efficiency of the cathodic protection process), for 2017 the index was 18.1. **For 2018 the target is to bring it below 18.**

The interventions made by the Group to minimise the environmental impact aim to reduce:

- electric energy to operate the cathodic protection systems and remote-control systems;
- the methane gas consumed to operate the preheating systems at the REMI stations.

### • Precise monitoring of natural gas consumption for the heating of buildings (offices and warehouses)

During 2016 and 2017 there were no events or surveys conducted by third parties which revealed cases of non-compliance due to failure to respect the laws in force and which are applicable in regard to environmental issues.



**99.58%**

complaints/information requests handled in 2017 out of a total of 5,638



**2,472**

requests for technical data that can be acquired by reading the meter handled in 2017



**0.14%**

complaints/requests out of redelivery points managed

## 3.3 DIALOGUE WITH CUSTOMERS

*The 2i Rete Gas Group, as part of the normal management of relationships with its customers, has implemented the use of the communication channels envisaged by the Regulator. In addition, it set up a commercial call centre in order to further streamline administrative practices.*

*The Group organises meetings dedicated to Sales companies, in order to hear their needs for the continuous improvement of the service in regard to the seller and the end user of the network.*

## HANDLING OF COMPLAINTS

**The Group manages complaints received from end users of the network in accordance with the rules of ARERA and within the timeframes and in the means established in its own internal documents.** The main issues for which information requests and/or complaints are received from end users of the network regard the verification of meter reading and the reconstruction of consumption, with particular reference to replacing traditional meters with new smart meters as envisaged by Resolution 631/2013/R/gas of 27/12/2013.

During 2017, the 2i Rete Gas Group received and handled 5,638 written requests (5,286 in 2016), of which 3,916 referred to cases involving complaints made in writing and written information requests (3,271 in 2016) which are subject to compliance with the general standard of commercial quality envisaged by Art. 50 of Resolution ARERA 574/2013/R/gas. The law envisages respect of a minimum annual percentage of cases handled by region of 95%. During 2017, despite the increase in the number of cases received compared to the previous year (+16%), this percentage was above the minimum percentage established by ARERA and stood at 99.58%, a result broadly in line with 2016 (99.73%). The target for 2018 is to maintain the company's standards in terms of handling complaints made in writing and written information requests in line with the trend of this year. Replies were formulated to 25 requests from "ARERA - Sportello per il consumatore" (330 in 2016), for complaints directly received by this body, which was set up in 2009, to assess requests and notifications from end users of the network. The end users of the network who choose to make use of the online arbitration tool to settle disputes with operators in regulated sectors, the new "second level decision-making" mechanism defined by ARERA, are constantly growing in number; starting as from 01/01/2017 the opening of an online arbitration session with the handling of 308 cases has de facto replaced the opening of a written complaint at the "Sportello per il consumatore", which is now used only for cases relating to the so-called gas bonus.

Finally, 2,472 requests for technical data which can be acquired by reading the meter were handled (so-called Mo1, equal to 2,552 in 2016) and 6,231 requests for other technical data (so-called Mo2, equal to 5,748 in 2016).

## COMMERCIAL CALL CENTRE

The 2i Rete Gas Group makes available for free a call centre service which is open on work days, through two freephone numbers dedicated to end users of the network.

This service, which is a supplement to what is envisaged by the law in force, is an extra option for end users of the network and lets them ask for more information relating to:

- **commercial aspects**, with a freephone number dedicated to activation requests pursuant to resolution 40/2014, commercial estimates, reactivation of supply following suspension due to possible danger, last resort services and the end user portal,
- **smart meters**, with a freephone number dedicated to information requests on the mass replacement plan and to set up a personal appointment to replace a traditional meter with a smart meter, should it not be possible to carry out the replacement during the scheduled work.

During 2017, the commercial call centre of 2i Rete Gas received 333,177 calls (243,030 in 2016), of which 307,489 were handled (209,867 in 2016). The service contract envisages the respect of a minimum monthly percentage for calls handled of 90%. During 2017, despite the clear increase in the number of calls to be handled compared to the previous year (+37%), this percentage was maintained, with a clear improvement in the level of service offered compared to 2016. The target for 2018 is to maintain the company standards for call handling at the level of service in line with this year's trend.



92%

calls handled  
in 2017 out of a total  
of 333,177 calls received

## END USER PORTAL

In May, the Group made available an Internet Portal to end customers and the installers working on their behalf: these can access a reserved area to submit activation documents pursuant to Resolution 40/2014 as well as check the progress on their case. **The main goal is dematerialising paper documents, thus reducing the time it takes for the end customer to submit/receive documentation and for the supply to be activated.**

In the 2<sup>nd</sup> half of 2017, the portal was enhanced with **an additional function: the end user of the network can delegate their own preferred installer or sale company chosen to sign the contract to operate on their behalf on the portal.**

The undertaking of these operations by people with more technical and operational experience in the activation process has enabled a further benefit in terms of reducing the timeframes to activate supplies.

## MEETING WITH SALES COMPANIES

For a number of years 2i Rete Gas has organised an annual and well-received meeting with the Sales companies. In November 2017, the **Network Commercial Services department met the representatives of the Sales companies operating on the gas distribution networks of the companies in the 2i Rete Gas Group, at two separate meetings held in Rome and Milan.**

The main issues addressed concerned areas of common interest relating to the **development of the regulatory framework in the gas distribution sector and the main innovations in terms of processes and systems developed by the Network Commercial Services department**, with a view to:

- transposing the laws that come into force and raising the efficiency of corporate processes managed by the Front Office,
- invoicing of gas transport,
- invoicing of services,
- settlement and metering,
- commercial development projects started in 2018.

The discussion also aimed to illustrate corporate developments at 2i Rete Gas S.p.A. in 2017 and to communicate the related projects approved to start as from 01/01/2018.

**The meetings saw the participation of 99 Sales companies with their respective 211 representatives.**



## 3.4 PROTECTION OF PRIVACY

*The 2i Rete Gas Group has equipped itself with and adopted, in regard to all stakeholders, the Security Planning Document which regulates activities and guarantees implemented to protect the right to protection of an individual's personal data in accordance with the Code on the protection of personal data (Legislative Decree no. 196 of 20 June 2003, and, as from 25 May 2018, EU Regulation 679), as well as various orders from the Authority for the Protection of personal data.*

The Group guarantees that all the activities which entail the processing of personal data are carried out in conformity with the law in force (collection of the concerned parties' consent where necessary, specific notices, reports to the Data Protection Authority and, where necessary, requests for prior verification) and has implemented a system of delegated powers to clearly and effectively divide responsibility for the area (appointment of data processors, persons in charge of the processing and system administrator), as defined and described in the Security Planning Document approved by the data controller.

During the last three years **there were no cases which can be considered as theft of information and/or violations of the law on privacy** regarding data managed by the Group.



## 3.5

# SOCIAL AND ECONOMIC DEVELOPMENT OF THE COMMUNITY

*2i Rete Gas, in carrying out its Mission, has dealings with public administrations, authorities and category associations, in line with the conduct principles and criteria approved by its Code of Ethics, making available its know-how to serve the community, as well as adopting conduct marked out by transparency, correctness and traceability.*

## RELATIONSHIP WITH PUBLIC INSTITUTIONS AND AUTHORITIES

**The relationships with the regulatory bodies and the control authorities are managed through specific structures and corporate figures who deal with managing communication in their regard, whether directly or coordinating with the other departments from time to time involved depending on the issue.**

In relation to the issue concerned, requests are monitored and redirected internally by area of responsibility to the various company divisions, with which the corresponding feedback is established. As for the regulatory bodies and the control authorities, risks and opportunities

are managed through **constant monitoring of the orders they issue and by taking part in the processes to form the orders themselves, through consultations preceding their issue.**

## CATEGORY ASSOCIATIONS AND COMPANY INITIATIVES RELATING TO THE INVOLVEMENT OF THE LOCAL AREA

**The Parent company 2i Rete Gas S.p.A. is a member of Anigas (the National Association of Gas Companies which is part of Confindustria) and of Assogasliquidi (Association of Federchimica which represents companies in the liquefied gas/LPG distribution sector).**

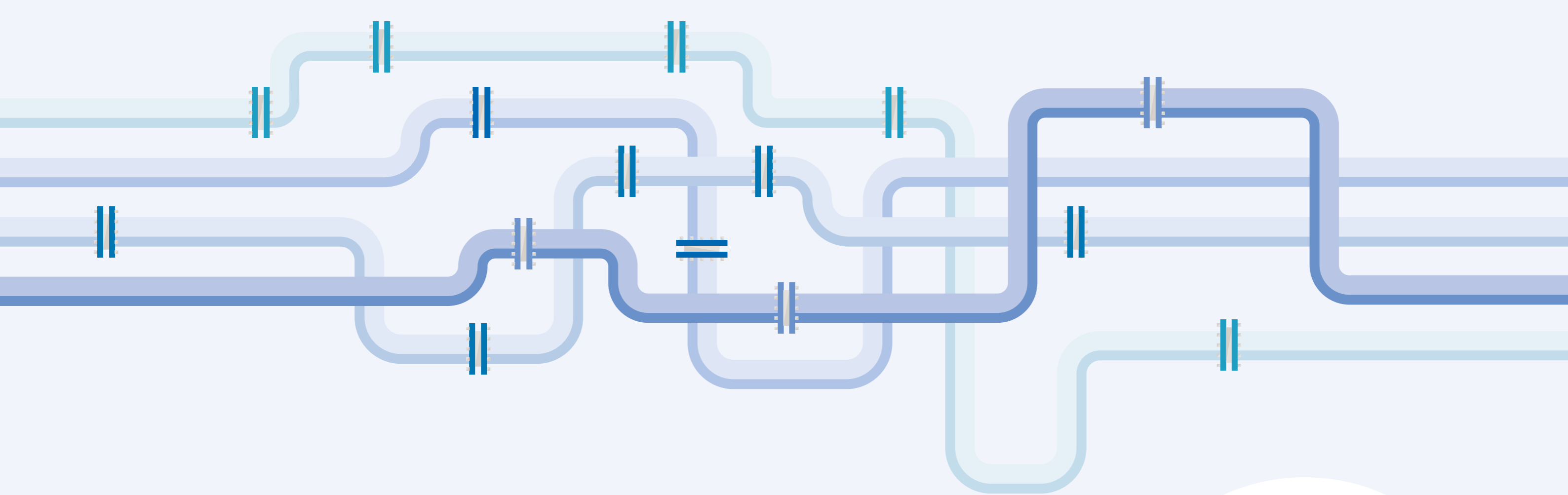
The participation in category associations, in addition to protecting the interests of the associate companies, enables **the promotion of innovative uses of gas** not only as an important energy source and vector, but also with a view to environmental sustainability and enhances the perception of the company as a leader and reference point in the sector on the part of stakeholders.

Dealings with category associations are managed through specific corporate structures which coordinate and manage information flows and the risks and opportunities that arise from them. In particular, the dealings with Anigas are managed through active participation, via the company's own representatives, in committees, working groups and associate bodies to establish the positions put forward to authorities, institutions and stakeholders.

As for local initiatives, since 2017 a project has been in operation called "**Energy Efficiency**". The working group responsible for the project aims to support the Public administration in the process of obtaining energy certification for its buildings, proposing and developing projects aimed at increasing the energy efficiency of the systems used collectively,

including also the public lighting system, and with a simultaneous reduction in consumption.

The working group undertakes, also through the support of external professionals, **feasibility and cost studies of possible interventions**; it realises **engineering analyses and energy diagnoses**, aimed at assessing the current state of sites, the margin for development and optimisation of their energy performance, also through the possible introduction of new innovative technological solutions. In addition, the economic impact and the possibility of financing the investments are assessed through the preparation of business plan models, as well as the potential direct generation of energy efficiency certificates.



**4**  
*innovation  
and change*

## 04 WE BELIEVE IN DEVELOPMENT AND IN THE VALUE OF CHANGE

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TO IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF OUR SERVICE AND TO DEVELOP NEW BUSINESS OPPORTUNITIES

### 4.1 SAFETY, RELIABILITY, EFFICIENCY

Every year we **innovate** audit plans and specific controls under our Integrated Management System with the aim of continuous improvement in the safety, reliability and efficiency of plants.

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### 4.2 SMART METERING PROJECT

The installation of smart gas meters is the most tangible expression of the capacity for **innovation** in our sector.

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### 4.3 LONG-TERM SUSTAINABILITY OF GAS

Over time we have developed resilience that can ride the wave of **change** which is affecting energy production worldwide, awareness of the extent to which gas has a reduced environmental impact and is flexible when used in combination with other renewable sources.



- We facilitate the **development of new ideas, methods and projects** which create opportunities
- We promote **technological progress** to optimise processes and develop new areas of business
- We believe in **digital innovation** as an instrument for simplification and reassurance

# 4.1 SAFETY, RELIABILITY, EFFICIENCY

*The Integrated Quality Safety and Environment Management System envisages precise monitoring of activities guaranteed by operational staff, in relation to the management and maintenance of gas network infrastructure and in the supervision of suppliers of services and materials.*

This system is developed through the carrying out of targeted controls to verify conformity with the various parameters which, if not met, could cause problems for the system. Each year a plan is defined of:

- **Internal Audit of the integrated system** aimed at **controlling work and worksites (insourced and outsourced), the infrastructure and buildings under the control of departmental or local area structures, and of secondary sites**, so as to enable a significant sampling of the corporate processes envisaged in the scope of certification of the QSE system. **For 2017, the Group carried out 100% of the planned checks and the same target is proposed for 2018;**
- **Supervisory visits** aimed at **compliant conduct that is in keeping with the company indications** (“VISORV”);
- **Inspections aimed at controlling correctness in compliance with the rules set by ARERA** in its Resolution 574/2013 in relation to **Safety and Continuity** and the **Commercial Quality** of the service, in the stage of managing and recording

the activities which are subject to annual communication and periodic reporting by the Authority.

**For 2017 the Group undertook 100% of the planned checks and the same target is proposed for 2018;**

- **Inspections aimed at controlling the correct undertaking of operations for final testing of materials** by suppliers before sending materials to warehouses which will be used in constructing the gas distribution plants, **in order to guarantee correspondence to the company’s technical specifications** which are accepted by the supplier during the tender and confirmed on contractual approval of the product. **In 2018 the Group has set as the target maintaining supervision of materials for final testing with 20% or more of the calls for final testing.**

*The Group is equipped with a Quality Management System implemented in conformity with the regulatory standard UNI EN ISO 9001:2008*

**The Group monitors the service provided which shows the distribution company’s ability to intervene promptly in situations of potential danger** (emergency response and response time) **or to organise and carry out preventative checks to ensure correct monitoring of safety conditions** (percentage of network subject to inspection, level of odourisation of gas, percentage of network protected with cathodic treatment), also in compliance with the controls relating to data regarding the processes for **service safety and continuity as set out in Resolution 574/2013/R/gas.**

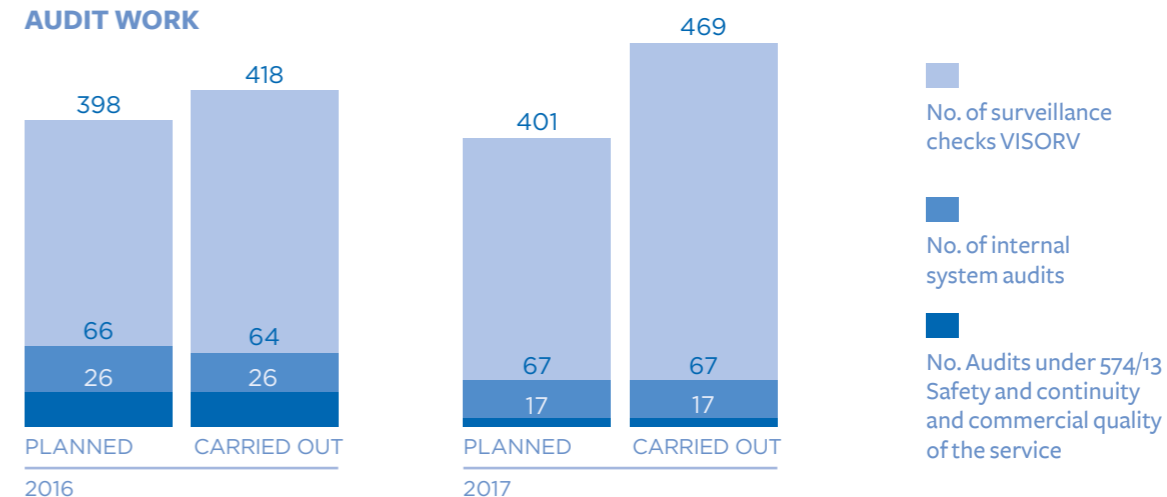
The process of managing gas infrastructure (network and plants right up to the end user) is guaranteed by the central division which establishes the management activities; by the engineering division as regards the relevant regulatory framework and by the local organisation (Departments and Area Offices) for the operational aspects. The management and ordinary maintenance (network management) and extraordinary maintenance (emergency management and emergency response) are provided by staff of the local area divisions; the monitoring of respect of the standards and objectives is guaranteed by the departments which inform the head office which operates as the management and control body.

All the activities of the aforementioned process are regulated by system documents which, in various ways, identify responsibilities, means of operating

and the frequency with which these activities must be repeated. All the system documents are coherent and in accordance with the applicable law in force on maintenance and management of the gas network. For some important parts of the network management activities “which regard 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 data is communicated to the Authority regarding the safety parameters with reference to the previous year. **The monitoring and the frequencies are recorded and archived on the IT systems SIRGAS and SAP PM.** The most recent parameters available are the data from the communication to ARERA in 2017, referring to the final figures for 2016.

With a view to constant attention to the safety of plants and end users, preventative campaigns are carried out for leaks and on-site checks on the level of odourisation of the gas distributed. **In relation to the management of new technologies, the work continued to install, put into service and manage smart meters** in compliance with the established investment plan and in compliance with the obligations for installation and putting into service under art.10 of Resolution 631/13; in addition, given research into energy efficiency, **solutions were implemented on the regulation of preheating systems installed in REMI stations** (the EMMA project).

## AUDIT WORK



## 4.2 SMART METER PROJECT

*The installation and use of new generation smart meters enable greater accuracy in metering, prompt recording of actual consumption with consequent improved awareness of consumption, as well as improvement in the effectiveness of company processes thanks to the remote management of the equipment.*

The “Gas Smart Meter” project is part of the scope of the European Mandates M/441 and M/490 relating to issues of **energy efficiency, awareness of consumption and smart networks**. The smart meter is, therefore, one of the Group’s main projects, both from the viewpoint of innovative and technological content and in reference to the investment terms.

The installation and use of new generation smart meters enable greater accuracy in metering, prompt recording of actual consumption with a consequent reduction in the same, as well as improving the effectiveness of company processes thanks to the remote management of the equipment. **In addition, the project offers end users the possibility of greater awareness of their consumption and effective reduction in the CO<sub>2</sub> produced, therefore also meeting the EU targets envisaged by the “20-20-20 climate-energy package”.**

The Group’s aim, in compliance also with the resolutions of the Authority which transposed the aforementioned Mandates, is to install **by the end of 2018, 2.5 million smart meters and at the same time to realise one of the biggest telecommunication networks for the collection and subsequent analysis of the data from the meters**. In this regard, at the end of 2017, over 1.9 million smart meters were installed, equal to 51% of all the Group’s meters.

Besides the installation of the meters with point-to-point technology (data transmission via a SIM card), the project envisages, in the most important cities and in highly urbanised areas, the implementation of data transmission infrastructure through concentrators, which enable the collection of signals from smart meters using point-to-point technology. In 2017, the figure was reached of 1,850 installed concentrators; on the same date 1.4 million meters were in service. This result exceeds the target envisaged by ARERA for 2017, equal to 33% of the company’s installed meters.

In reference to major customers and industrial users, the Group has already arranged to complete the installation of smart gas meters using integrated solutions in over 80% of meters and adopting modular solutions with traditional meters for the remaining 20%. Over the 3 years from 2018 to 2020 the Group will replace all the industrial meters which use the modular solution, and so around 7 thousand meters out of a total number of industrial meters of around 80 thousand.

1,850

concentrators installed  
in 2017

1,9

MILLION

smart meters installed,  
51% of total  
(2017)

2,5

MILLION

target for 2018  
smart meters



## 4.3 LONG-TERM SUSTAINABILITY OF GAS

*The company firmly believes that the affirmation of a new energy model for a future with reduced carbon dioxide emissions and achievement of the objectives set by the European Union is based on the use of gas, due to the security and continuity of supply, the widespread nature of the infrastructure, its reduced environmental impact, its flexible use and the possibility of its full integration with electricity produced from renewable sources.*

Natural gas is the **ideal fossil fuel to accompany renewable sources in a structured way**, increasing also the flexible use of the latter and at the same time guaranteeing the security of the energy system.

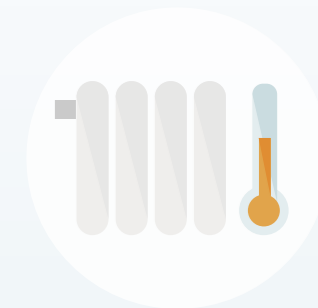
**Natural gas is the most used primary energy source for Italians: it has gradually replaced fuel oil in the generation of electricity and diesel in heating buildings; it has found space for use in transport and is a confirmed source for industrial uses.**

**Gas powered heating is among the most economic ways of reducing CO<sub>2</sub> emissions and particulates,**

with PM emissions of almost zero, lower than diesel powered systems or the best pellet stoves and, above all, allows flexibility in integrating with systems which use renewable energy, such as thermal systems. This is due also to the very high efficiency levels reached by modern technologies for natural gas heating (e.g. natural gas heat pumps and micro-cogenerators).

Considering the ability to generate and stimulate **technological innovation**, from the 1990s in Italy a significant number of combined cycle electricity plants have been built powered with natural gas and characterised by a low unit cost of investment, fast realisation timeframes, low polluting emissions, and limited size. A combined cycle turbogas plant (CCGT) is a plant that can produce electricity both through turbogas technology and through the use of the thermal energy from steam, with efficiency levels of around 60%.

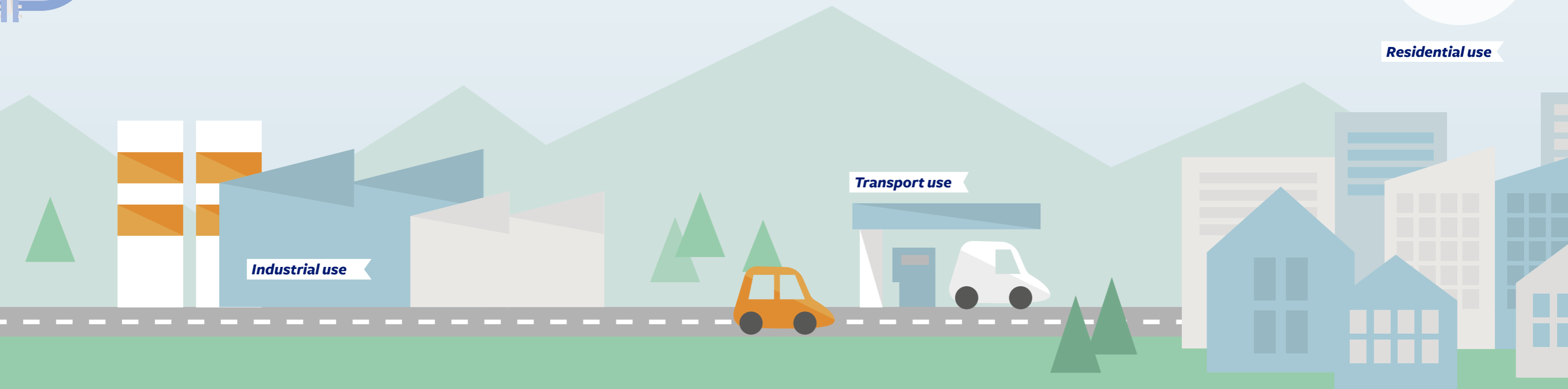
**In particular reference to the environmental impact, on an equal energy production basis, natural gas emits between 25% and 40% less carbon dioxide (CO<sub>2</sub>) compared to other fossil fuels.** Since it does not produce particulates it is the source which, together with renewables, can guarantee a route to decarbonisation in line with the global climate change agreements, without the need for new investment in plant and infrastructure.



**Residential use**

**Industrial use**

**Transport use**



In addition, in terms of flexibility, natural gas generation plants are able to modulate production, programming the quantity of energy and quickly coming up to full operation; they can, therefore, meet peaks in consumption and can be better integrated with generation plant powered by renewables when sun or wind is limited.

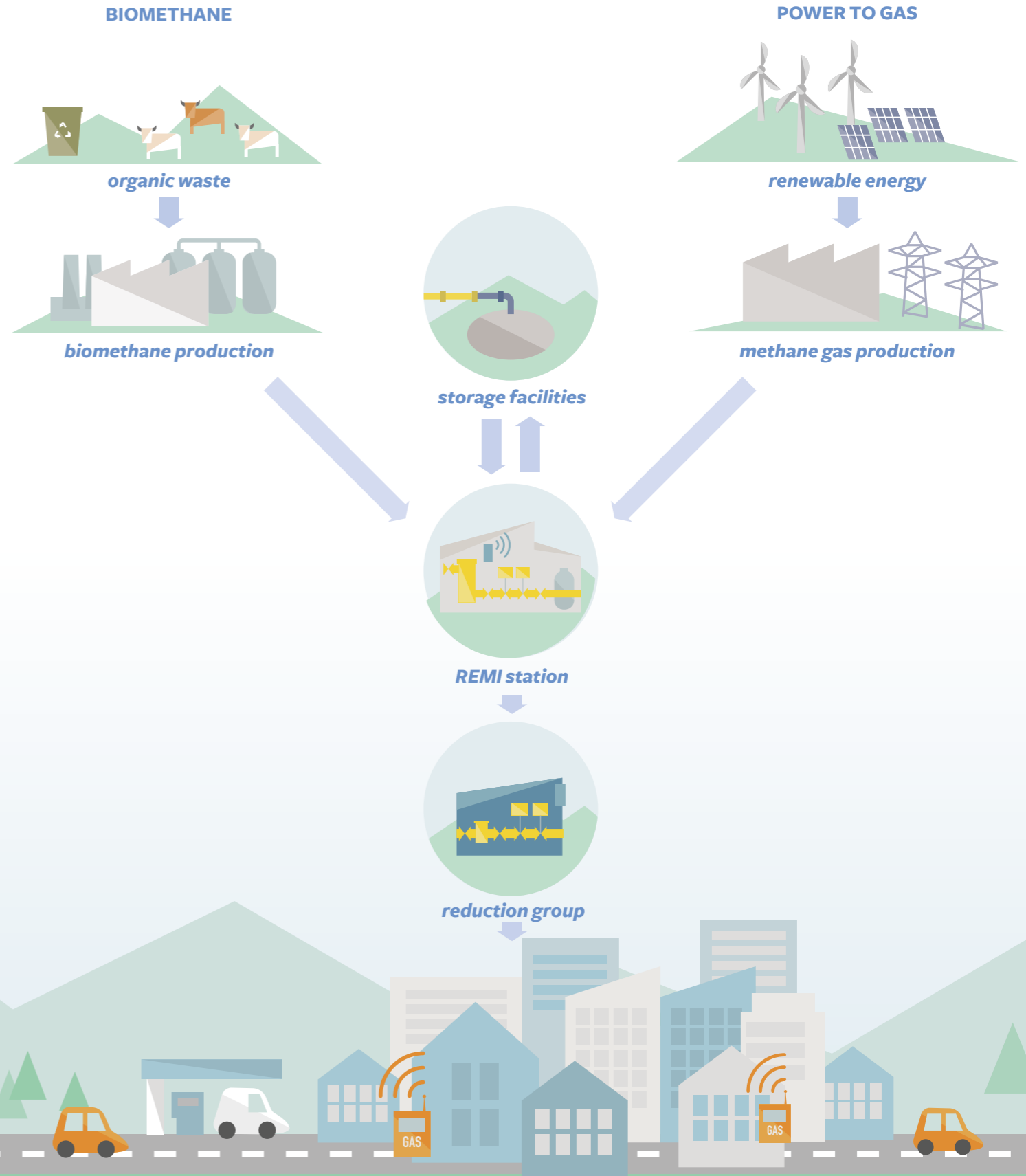
Of great significance is also the prospect of increasing penetration in the **transport and mobility sector**, where thanks to the abundance of natural gas, its lower price compared to other fuels and high performance in terms of average mileage, there has been a marked increase in the dissemination of vehicles powered with compressed natural gas (CNG). In the transport sector, in addition, the dissemination of biomethane will be a great opportunity for the energy sector and for farmers, while liquefied natural gas (LNG) – which occupies a very minor volume compared to methane in its gaseous state – represents an economic and efficient solution to reduce emissions produced by road transport and in the maritime sector, as well as to convert large and small isolated centres to methane which are not currently reached by the network.

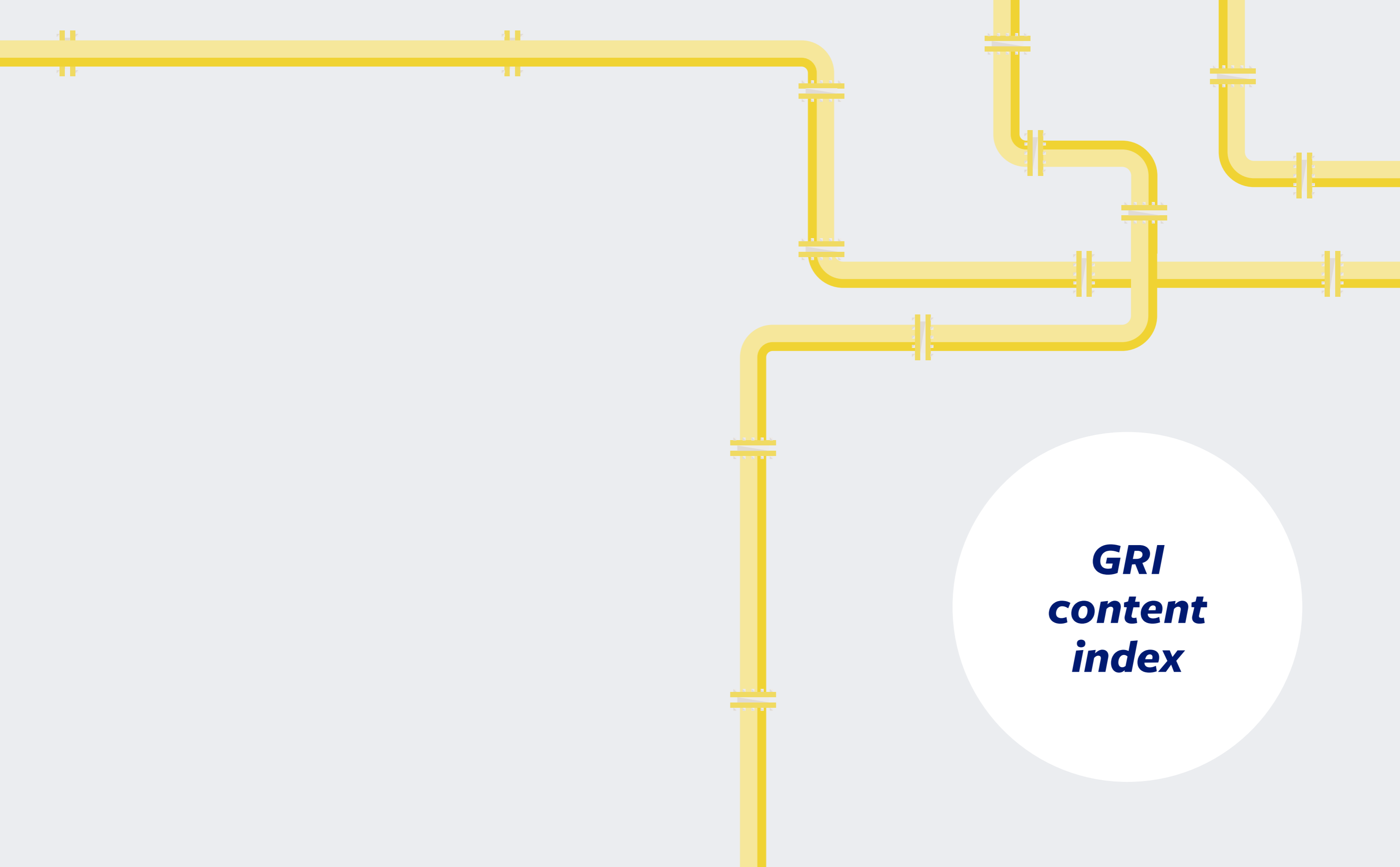
### BIOMETHANE

Biomethane is a renewable and configurable source, which can be easily integrated with solar and wind. It can be used in the transport sector and also has the advantage of being able to be input to existing transport and distribution networks. It is obtained from the anaerobic digestion of agricultural and agro-industry sub-products, as well as from organic waste and can be used on site or be input into distribution networks. Its use makes it possible to respond to decarbonisation goals, to promote a significant increase in national gas production and shows positive effects also in the agri-food sector and in the circular economy model.

### POWER TO GAS

Last but not least, in relation to the possibility of integrating the gas network with the electricity network, so-called “Power to gas” is identified as an innovative solution to accumulate and use excess electricity production from renewables and optimise the use of existing networks. Hydrogen, which is obtained through a process of electrolysis, can be input into the network, in combination with natural gas, or subsequently combined with CO<sub>2</sub>, thus obtaining synthetic methane gas to be input into the network. The energy produced from wind and photovoltaic plants which is not used is converted into synthesis gas, removing CO<sub>2</sub> from the environment and solving the problem of the accumulation of excess electricity from renewable sources when there is no demand. Gas produced in this way (hydrogen and synthesis gas) can be used in all sectors: residential, electricity generation and transport. In this way, it is possible to avoid investment costs in new infrastructure for the transmission, distribution and storage of electricity, continuing instead to make full use of efficient and functional infrastructure, such as that which already exists for the transport, distribution and storage of natural gas.





***GRI  
content  
index***



## General disclosures

GRI ISSUE	INDICATOR	BRIEF DESCRIPTION	COVERAGE	REFERENCE
<b>General disclosures</b>				
<b>PROFILE OF THE ORGANISATION</b>	GRI 102-1	Name of the organisation	Total	Methodological note (pages 5-6)
	GRI 102-2	Activities, brands, products, and services	Total	Profile and mission of the Group (pages 13-27)
	GRI 102-3	Headquarters	Total	page 104
	GRI102-4	Geographic areas where the operations are carried out	Total	Profile and mission of the Group (pages 13-27)
	GRI102-5	Ownership structure and legal form	Total	Ownership structure and legal form (page 21)
	GRI102-6	Markets served	Total	Profile and mission of the Group (pages 13-27)
	GRI102-7	Scale of the organisation	Total	Profile and mission of the Group (pages 13-27)
	GRI102-8	Information on employees and other workers	Total	1.2 People - Size (pages 34-36)
	GRI102-9	Supply chain	Total	2.4 Mapping of suppliers (pages 56-57)
	GRI102-10	Significant changes to the organization and its supply chain	Total	Methodological note (pages 5-6)
	GRI102-11	Precautionary principle	Total	Risk Management Model (pages 26-27)
	GRI102-12	External initiatives	Total	1.3 Customers (pages 42-45) 3.3 Dialogue with customers (pages 71-73) 3.5 Social and economic development of the community – Category associations and company initiatives relating to the involvement of the local area (page 77)
	GRI102-13	Membership of associations and organisations	Total	3.5 Social and economic development of the community – Category associations and company initiatives relating to the involvement of the local area (page 77)
<b>STRATEGY</b>	GRI102-14	Letter from the Chief Executive Officer	Total	Letter to stakeholders (pages 2-3)
	GRI102-15	Key impacts, risks and opportunities	Total	Risk Management Model (pages 26-27)
<b>ETHICS AND INTEGRITY</b>	GRI102-16	Values, principles, standards, and norms of behaviour	Total	Shared values (page 16)

GRI ISSUE	INDICATOR	BRIEF DESCRIPTION	COVERAGE	REFERENCE
<b>ETHICS AND INTEGRITY</b>	GRI102-17	Internal mechanisms to report unethical conduct	Total	Business ethics and anti-corruption (page 25)
<b>GOVERNANCE</b>	GRI102-18	Governance structure	Total	Governance structure, system of delegated powers and committees (pages 22-24)
	GRI102-19	Delegating authority	Total	Governance structure, system of delegated powers and committees (pages 22-24)
<b>STAKEHOLDER ENGAGEMENT</b>	GRI 102-40	List of stakeholder groups	Total	Methodological note (pages 5-6)
	GRI 102-41	Collective bargaining agreements	Total	1.2 People - Size (pages 34-36)
	GRI 102-42	Identifying and selecting stakeholders	Total	Methodological note (pages 5-6)
	GRI 102-43	Approach to stakeholder engagement	Total	Methodological note (pages 5-6)
<b>REPORTING PRACTICES</b>	GRI 102-44	Key themes and requests of stakeholders	Total	Methodological note (pages 5-6)
	GRI 102-45	Entities included in the consolidated financial statements	Total	Methodological note (pages 5-6)
	GRI 102-46	Defining report content and the scope of issues	Total	Methodological note (pages 5-6)
	GRI 102-47	List of material topics	Total	Methodological note (pages 5-6)
	GRI 102-48	Changes in information given in previous reports	N/A	N/A - First year of reporting
	GRI 102-49	Significant changes in reporting	N/A	N/A - First year of reporting
	GRI 102-50	Reporting period	Total	Methodological note (pages 5-6)
	GRI 102-51	Data of the previous report	N/A	N/A - First year of reporting
	GRI 102-52	Reporting cycle	Total	Annual
	GRI 102-53	Contact point for questions regarding the report	Total	Methodological note (pages 5-6)
<b>REPORTING PRACTICES</b>	GRI 102-54	Disclosure of the use of guidelines from GRI Standards for preparing the report	Total	Methodological note (pages 5-6)
	GRI 102-55	GRI Content Index	Total	GRI Content Index (pages 92-97)
	GRI 102-56	Letter of assurance	Total	Independent report on the limited audit of the consolidated non-financial disclosure 2017 (pages 100-103)

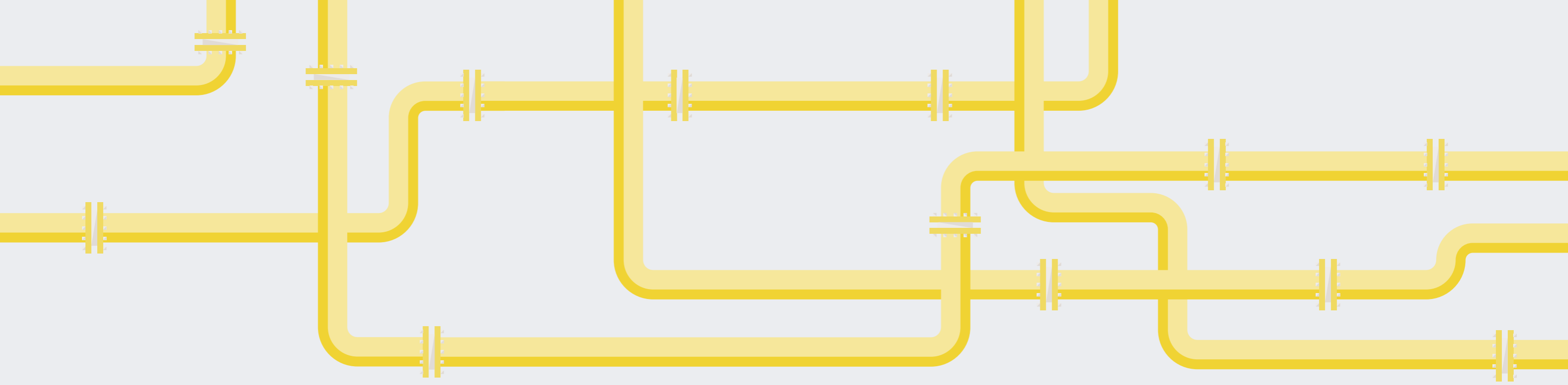
## Specific disclosures

GRI ISSUE	INDICATOR	BRIEF DESCRIPTION	COVERAGE	REFERENCE
<b>Economic</b>				
<i>ANTI-CORRUPTION</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	Ethics of the business and anti-corruption (page 25)
	GRI 103-3	Evaluation of the approach of management	Total	Ethics of the business and anti-corruption (page 25)
	GRI 205-2	Communication and training about anti-corruption policies and procedures	Partial (Data aggregated to other types of course)	1.2 People - Development and training (pages 38-39)
	GRI 205-3	Confirmed incidents of corruption and actions taken	Total	Ethics of the business and anti-corruption (page 25)
<b>Environmental</b>				
<i>ENERGY</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	3.2 Environmental management (pages 67-70)
	GRI 103-3	Evaluation of the approach of management	Total	3.2 Environmental management (pages 67-70)
<b>ENERGY</b>	GRI 302-1	Energy consumption within the organization	Total	3.2 Environmental management (pages 67-70)
	GRI 302-4	Reduction in energy consumption	Partial (Figure reported only qualitatively)	3.2 Environmental management (pages 67-70)
<i>EMISSIONS</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	3.2 Environmental management (pages 67-70)
<b>EMISSIONS</b>	GRI 103-3	Evaluation of the approach of management	Total	3.2 Environmental management (pages 67-70)
	GRI 305-1	Direct emissions of GHG (Scope 1)	Total	3.2 Environmental management (pages 67-70)
	GRI 305-2	Indirect emissions of GHG (Scope 2)	Total	3.2 Environmental management (pages 67-70)
<i>ENVIRONMENTAL CONFORMITY</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)

GRI ISSUE	INDICATOR	BRIEF DESCRIPTION	COVERAGE	REFERENCE
<i>ENVIRONMENTAL CONFORMITY</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-2	General information on the approach of management and related characteristics	Total	3.2 Environmental management (pages 67-70)
	GRI 103-3	Evaluation of the approach of management	Total	3.2 Environmental management (pages 67-70)
<b>ENVIRONMENTAL CONFORMITY</b>	GRI 307-1	Non-conformity with environmental laws and regulations	Total	3.2 Environmental management (pages 67-70)
<i>ENVIRONMENTAL EVALUATION OF SUPPLIERS</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	2.3 Relationships with suppliers - Selection process and requirements for approval (pages 54-55)
	GRI 103-3	Evaluation of the approach of management	Partial	2.3 Relationships with suppliers - Selection process and requirements for approval (pages 54-55)
<b>ENVIRONMENTAL EVALUATION OF SUPPLIERS</b>	GRI 308-1	New suppliers evaluated using environmental criteria	Total	2.4 Mapping of suppliers (pages 56-57)
<b>Social</b>				
<i>EMPLOYMENT</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	1.2 People - Model for the management and development of human resources (page 37)
	GRI 103-3	Evaluation of the approach of management	Total	2.1 Company culture and internal communication (page 50)
<b>EMPLOYMENT</b>	GRI 401-1	Employees recruited and turnover	Total	1.2 People - Size (pages 34-36)
<i>EMPLOYEES' HEALTH AND SAFETY</i>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	3.1 Health and safety (page 64)
	GRI 103-3	Evaluation of the approach of management	Total	3.1 Health and safety (page 64)
<b>EMPLOYEES' HEALTH AND SAFETY</b>	GRI 403-2	Type of injuries, rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities	Total	3.1 Health and safety - Indices and training (pages 65-66)

GRI ISSUE	INDICATOR	BRIEF DESCRIPTION	COVERAGE	REFERENCE
<b>Social</b>				
<b>EDUCATION AND TRAINING</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	1.2 People - Development and training (pages 38-39)
	GRI 103-3	Evaluation of the approach of management	Total	Company culture and internal communication (page 50)
<b>EDUCATION AND TRAINING</b>	GRI 404-1	Average hours of annual training per employee	Total	1.2 People - Development and training (pages 38-39)
	GRI 404-3	Percentage of employees who regularly receive a performance evaluation	Total	1.2 People - Development and training (pages 38-39)
<b>DIVERSITY AND EQUAL OPPORTUNITIES</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	2.2 Welfare and equal opportunities (pages 52-53)
	GRI 103-3	Evaluation of the approach of management	Partial	2.2 Welfare and equal opportunities (pages 52-53)
<b>DIVERSITY AND EQUAL OPPORTUNITIES</b>	GRI 405-1	Diversity of the governance body and of employees	Total	Governance structure, system of delegated powers and committees (pages 22-24)
	GRI 405-2	Ratio of basic salary and remuneration of women compared to men	Total	2.2 Welfare and equal opportunities (pages 52-53)
<b>NON-DISCRIMINATION</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	1.2 People - Model for the management and development of human resources (page 37) 2.2 Welfare and equal opportunities (pages 52-53) Business ethics and anti-corruption (page 25)
	GRI 103-3	Evaluation of the approach of management	Partial	1.2 People - Model for the management and development of human resources (page 37) 2.2 Welfare and equal opportunities (pages 52-53) Business ethics and anti-corruption (page 25)
<b>NON-DISCRIMINATION</b>	GRI 406-1	Incidents of discrimination and corrective action taken	Total	Business ethics and anti-corruption (page 25)
<b>LOCAL COMMUNITIES</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)

GRI ISSUE	INDICATOR	BRIEF DESCRIPTION	COVERAGE	REFERENCE
<b>LOCAL COMMUNITIES</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-2	General information on the approach of management and related characteristics	Total	3.5 Social and economic development of the community (pages 76-77)
	GRI 103-3	Evaluation of the approach of management	Partial	3.5 Social and economic development of the community (pages 76-77)
<b>LOCAL COMMUNITIES</b>	GRI 413-1	Activities with commitment to the local community, impact assessments and development programs	Partial (Figure reported only qualitatively)	3.5 Social and economic development of the community (pages 76-77)
<b>SOCIAL EVALUATION OF SUPPLIERS</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	2.3 Relationships with suppliers - Selection process and requirements for approval (page 55)
	GRI 103-3	Evaluation of the approach of management	Partial	2.3 Relationships with suppliers - Selection process and requirements for approval (page 55)
<b>SOCIAL EVALUATION OF SUPPLIERS</b>	GRI 414-1	New suppliers evaluated using social criteria	Total	2.4 Mapping of suppliers (pages 56-57)
<b>CUSTOMERS' HEALTH AND SAFETY</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	4.1 Safety, reliability, efficiency (pages 82-83)
	GRI 103-3	Evaluation of the approach of management	Total	4.1 Safety, reliability, efficiency (pages 82-83)
<b>CUSTOMERS' HEALTH AND SAFETY</b>	GRI 416-1	Evaluation of the impact on health and safety of the products and services offered	Total	4.1 Safety, reliability, efficiency (pages 82-83)
	GRI 416-2	Incidents of non-conformity relating to impacts on health and safety of products and services	Total	4.1 Safety, reliability, efficiency (pages 82-83) 3.3 Dialogue with customers - Handling of complaints (pages 71)
<b>CUSTOMER PRIVACY</b>				
<b>MANAGEMENT APPROACH</b>	GRI 103-1	Description of material issues and the scope of reference	Total	Methodological note (pages 5-6)
	GRI 103-2	General information on the approach of management and related characteristics	Total	3.4 Protection of Privacy (page 75)
	GRI 103-3	Evaluation of the approach of management	Partial	3.4 Protection of Privacy (page 75)
<b>CUSTOMER PRIVACY</b>	GRI 418-1	Complaints regarding the violation of customer privacy and the loss of data	Total	3.4 Protection of Privacy (page 75)



***Limited  
Assurance***

## 2i Rete Gas SpA

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

pursuant to article 3, paragraph 10 of Legislative Decree 254/2016

for the year ended 31 December 2017

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

pursuant to article 3, paragraph 10 of Legislative Decree 254/2016

To the board of directors of 2i Rete Gas SpA

Pursuant to article 3, paragraph 10 of the Legislative Decree 254 of 30 December 2016 (the Decree), we have performed a limited assurance engagement on the consolidated non-financial disclosure of 2i Rete Gas SpA and its subsidiaries (the 2i Rete Gas group) as of and for the year ended 31 December 2017, in accordance with article 4 of the Decree and approved by the board of directors of 2i Rete Gas SpA on 23 March 2018 (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 the understanding of the group activities, its trends, its results and related impacts. The directors are responsible for defining the business and organisational model of the group and, with reference to the matters identified and reported in the NFD, for the policies adopted by the group and for the identification and management of risks generated or faced by the group.

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

#### Auditors' 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 of Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, privacy and professional behaviour. Our audit firm adopts the International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for the compliance with ethical and professional standard and with applicable laws and regulations.

#### PricewaterhouseCoopers SpA

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### Auditors' responsibility

We are responsible for expressing, on the basis of the work performed, a conclusion regarding the compliance of the NFD with the Decree and with the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB), for limited assurance engagements. The standard requires that we plan and perform procedures to obtain a limited assurance that the NFD does not contain material errors. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised 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 of 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, of the analysis of documents, recalculations and other procedures aimed at obtaining evidence as appropriate.

In particular, we have 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 and with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, to assess the 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:
  - o business and organisational model of the group, with reference to the management of the matters specified in article 3 of the Decree;
  - o policies adopted by the group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - o main risks, generated or faced by the group, with reference to the matters specified in article 3 of the Decree.

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

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

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

- a) with reference to the qualitative information included in the NFD, and in particular 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; we also gathered supporting documentation regarding the compliance with procedures and calculation methods used for the key performance indicators.

### Conclusions

Based on the work performed, nothing has come to our attention that caused us to believe that the NFD of the 2i Rete Gas group as of 31 December 2017 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 Methodological note of the NFD.

### Other aspects

The comparative information presented in the NFD in relation to the financial year ended 31 December 2016 has not been subjected to any audit procedures.

*Milan, 5 April 2018*

*Signed by*

Paolo Caccini  
(Partner)

*Signed by*

Paolo Bersani  
(Partner)

This report has been translated from the original version, which was issued in Italian, solely for the convenience of international readers.



**2i Rete Gas S.p.A.**

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Date: April 2018

