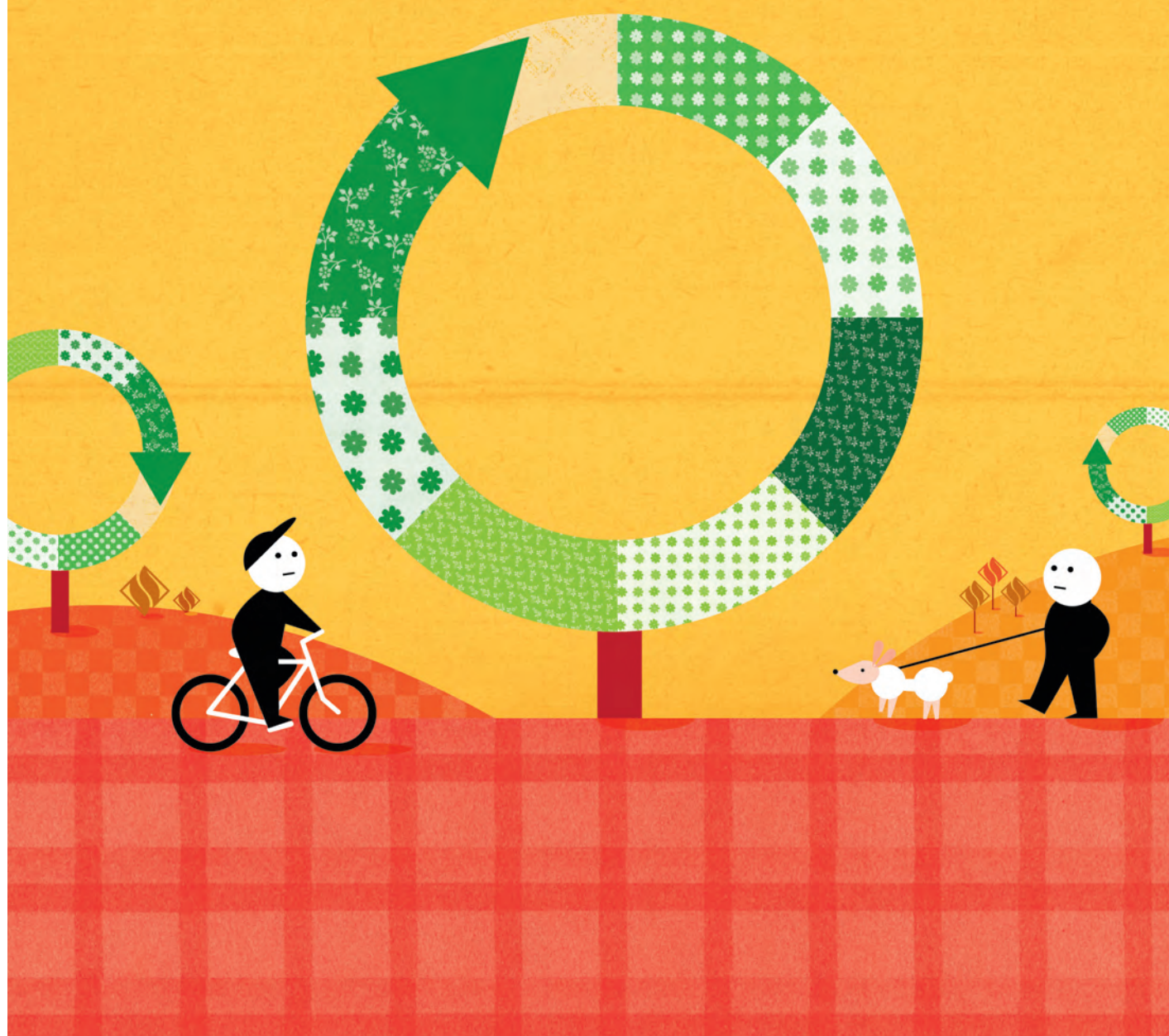
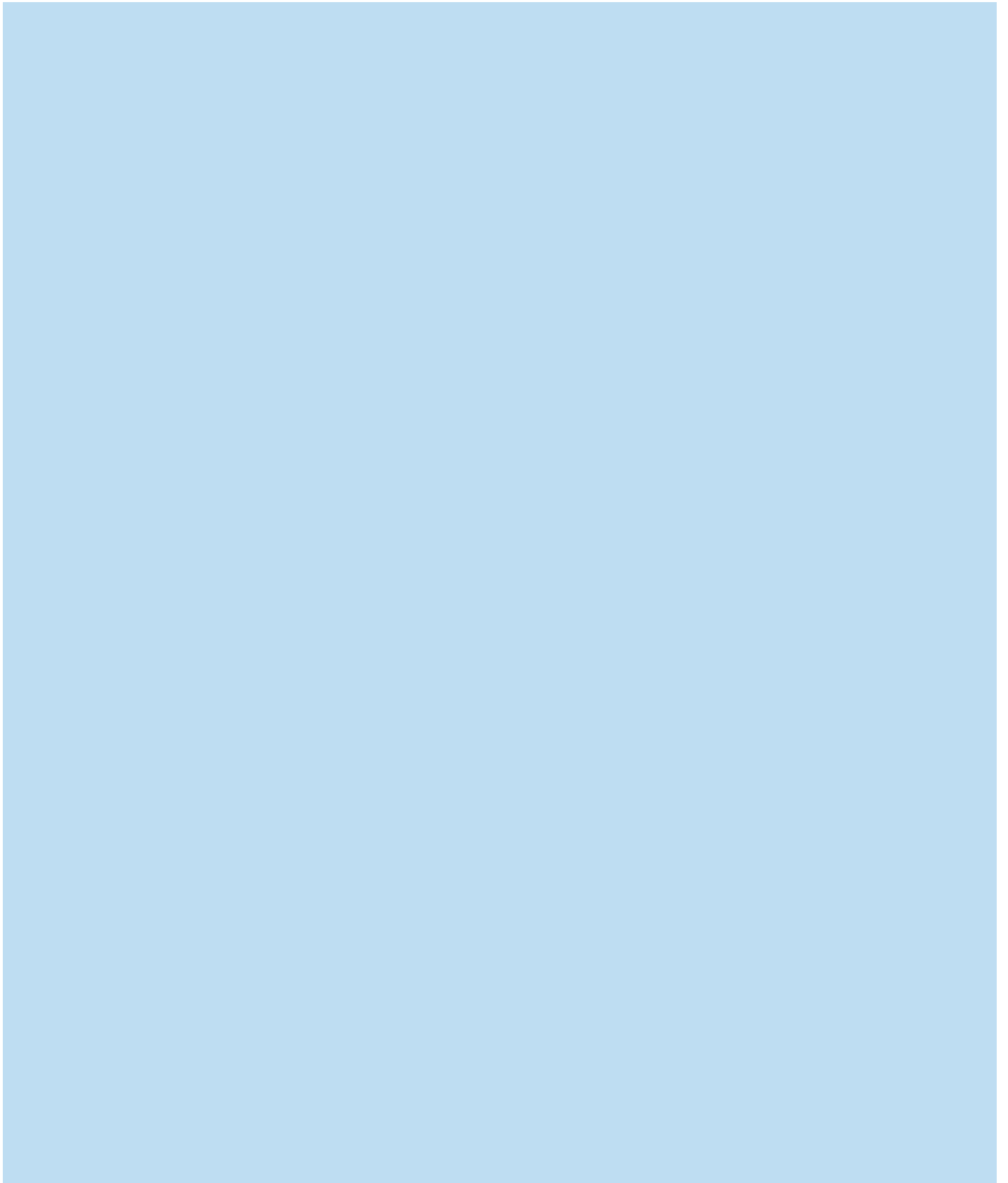


# My energy is sustainable



2011 Sustainability Report





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# Chairwoman's letter



For over fifty years *Gruppo Società Gas Rimini* has grown steadily without ever losing its strong ties with the local community and grass roots origins.

The wealth of experience we have gained from our past is a constant reminder of the need to invest wisely in the future.

This report is a blueprint to highlight our commitment toward sustainable development, and to measure, record and share it in a transparent and accurate manner.

This sustainability report is a means for broadening dialogue and communication with all our stakeholders, clearly setting out our profits and also outlining the routes and efforts taken to achieve them.

At the same time, this document provides an opportunity for an internal reflection to monitor improvements and assess results while checking that our policies are in keeping with our mission statement.

This report looks towards the future promising a way forward, taking on board today's challenges whilst establishing new goals, with the setting up of an open and transparent sustainability dialogue as one of our key priorities.

Behind every successful business lie strategic thinking and an ability to achieve economic and financial goals, but there is also a social environment, made up of local communities, institutions and networks of groups and individuals.

Behind every decision we make, at *Gruppo Società Gas Rimini*, is a process based on forging a shared culture of values and ideas, geared toward meaningful outcomes. Behind our idea of entrepreneurship is a vivid awareness that we can enrich our system of services and also support projects that will bring citizens back into the heart of things.

*Micaela Dionigi*

*Chairwoman*

*Gruppo Società Gas Rimini  
(SGR Group)*

# Methodology note

This document details the sustainability performance of SGR Group in seven sections drafted according to the following guidelines:

- ▶ GRI - Global Reporting Initiative version 3.1
- ▶ AA1000 APS published by AccountAbility
- ▶ GBS – Study Group for the definition of Annual Reports

The sustainability report is a voluntary communication medium published along with the financial statements and based on data provided by such units as General Accounting, Cost Accounting, Management Control and integrated management System for Quality, Safety and the Environment.

In defining content for this report, we took into account the results of all stakeholder involvement initiatives with the aim of applying, to the greatest possible extent, the 'materiality principle', as it is described in the GRI Reporting Framework.

This sustainability report has been completed in compliance with the GRI Application Levels system. There are three levels in the system (C, B and A). For each of the Application Levels, a "+" can be added to the level when a reporting organization has had its report externally assured. In completing this report we have applied the GRI Guidelines to a level consistent with the C application level.

## GRI Application Levels

	2011
Time span covered by the report	One year
Previous reports	None
Reporting perimeter	This document reports on SGR Group and its subsidiaries
GRI application levels	Level C
Reference unit	Sustainability Unit - SGR Group, Via Chiabrera 34d Rimini - Tel. + 39 0541 303241
Report published online	<a href="http://www.gasrimini.it">www.gasrimini.it</a>
E-mail	<a href="mailto:rsi@gasrimini.it">rsi@gasrimini.it</a>
Print and distribution	This document is distributed in electronic format and printed on demand only

## Summary table

The drafting process for the completion of this document has involved the General Management, the Administrative Office, the Quality, Safety, Environment, Sustainability and Reporting Unit, the Communication and Marketing Unit, the Foreign unit.

A working group first defined each project development stage and the methodology to be applied. Then, after establishing short and long term sustainability objectives, it involved the people in charge of the relevant departments throughout the company.

Special attention was paid to defining added value as a measurement scale for wealth produced and distributed to all the stakeholders involved. Income statement data (as conceived by GBS – a Financial Statements working group) were reclassified in accordance with the defining process indicated in the guidelines so as to reflect production and distribution of added value.

Report application level		C	C+	B	B+	A	A+
Standard disclosures	Profile disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9 - 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for level B	
	Disclosures on Management Approach	Not required	Report externally assured	Management Approach Disclosures for each Indicator Category	Report externally assured	Management Approach disclosed for each Indicator Category	Report externally assured
	Performance Indicators & Sector Supplement Performance Indicators	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

# Key figures

**2,681**

km  
gas pipelines in Italy

**521**

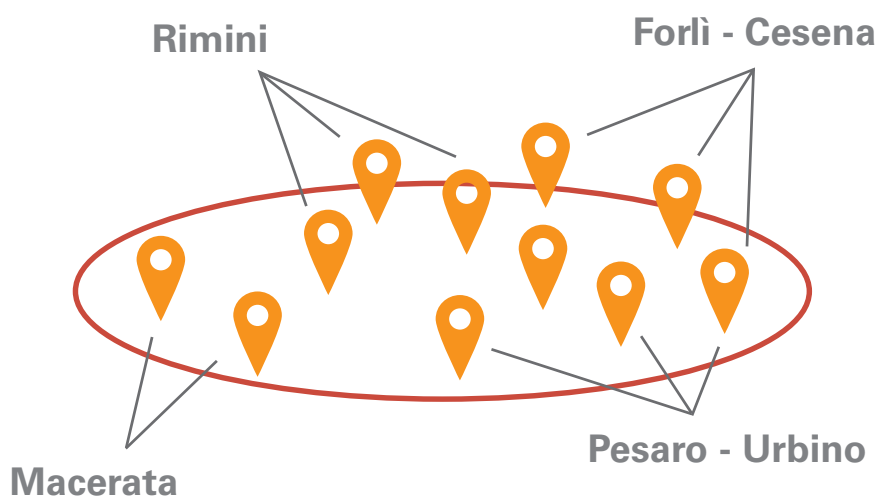
km  
gas pipelines in Bulgaria

**311**

million cubic meters  
gas distributed

**328**

Employees

**43**

Municipalities  
served in Italy

**38**

Municipalities  
served in Bulgaria

**177,596**

Gas  
customers

**295**

million cubic meters  
gas sold

**9,094**

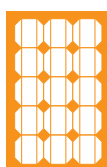
Electricity  
customers

**136**

million kWh  
electricity sold

**20,343**

Customers



Photovoltaic  
and thermal panels



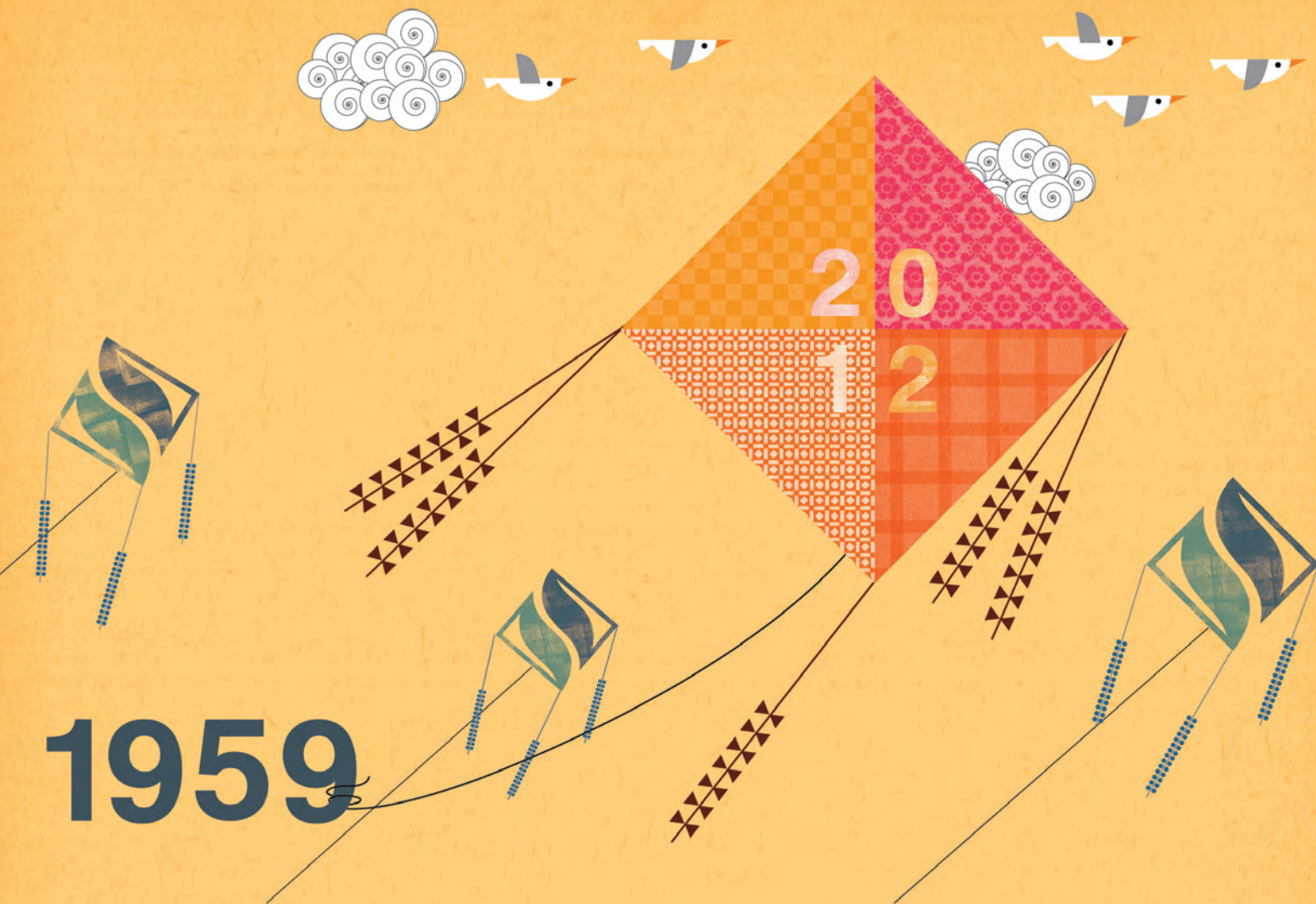
Heating  
systems



Air-conditioning  
systems



Boilers



## Who we are

Our Group has marked the history of distribution and sale of natural gas in the Romagna and Marche regions in Italy. While going through the process of market liberalization, in over fifty years of activities, we have grown exponentially through acquisitions, awards of natural gas supply contracts and diversification strategies aimed at achieving synergy

## Mission

We provide technical solutions and energy supplies in an efficient and safe way throughout our area. We pursue and value strong, sustainable and widespread bonds with the local community. We guarantee quality and expertise at the right price, based on services that we have constantly renewed since our inception, over fifty years ago.

---

## Corporate Values

### **Integrity**

Our activities are grounded on fairness, honesty, and impartiality of behaviours within the company, in our business dealings, and toward the social environment.

### **Transparency**

Being transparent means to us ensuring that expectations are fulfilled as to information release and knowledge dissemination on our part about the economic, social and environmental impacts of our business activities.

### **Consistency**

Being consistent means to each of us pursuing and fulfilling, day by day, the company's mission, values and functioning principles as they are essential pillars for strategic and operational planning.

### **Personal responsibility**

One of our core values is to engage in achieving all our objectives with fairness, efficiency and effectiveness in mind, being fully aware of our duties and responsibilities.

---

## Vision

We renew our commitment to sustainable development every single day by encouraging the use of alternative energy sources and a smart use of natural gas and electricity. We encourage a process based on forging a shared culture of ideas and values in order to enrich our system of services and to support projects that bring citizens back into the heart of things.



Our corporate headquarters is located in Via Chiabrera 34, Rimini, Italy. SGR Group is active throughout Italy and Bulgaria on the following markets:

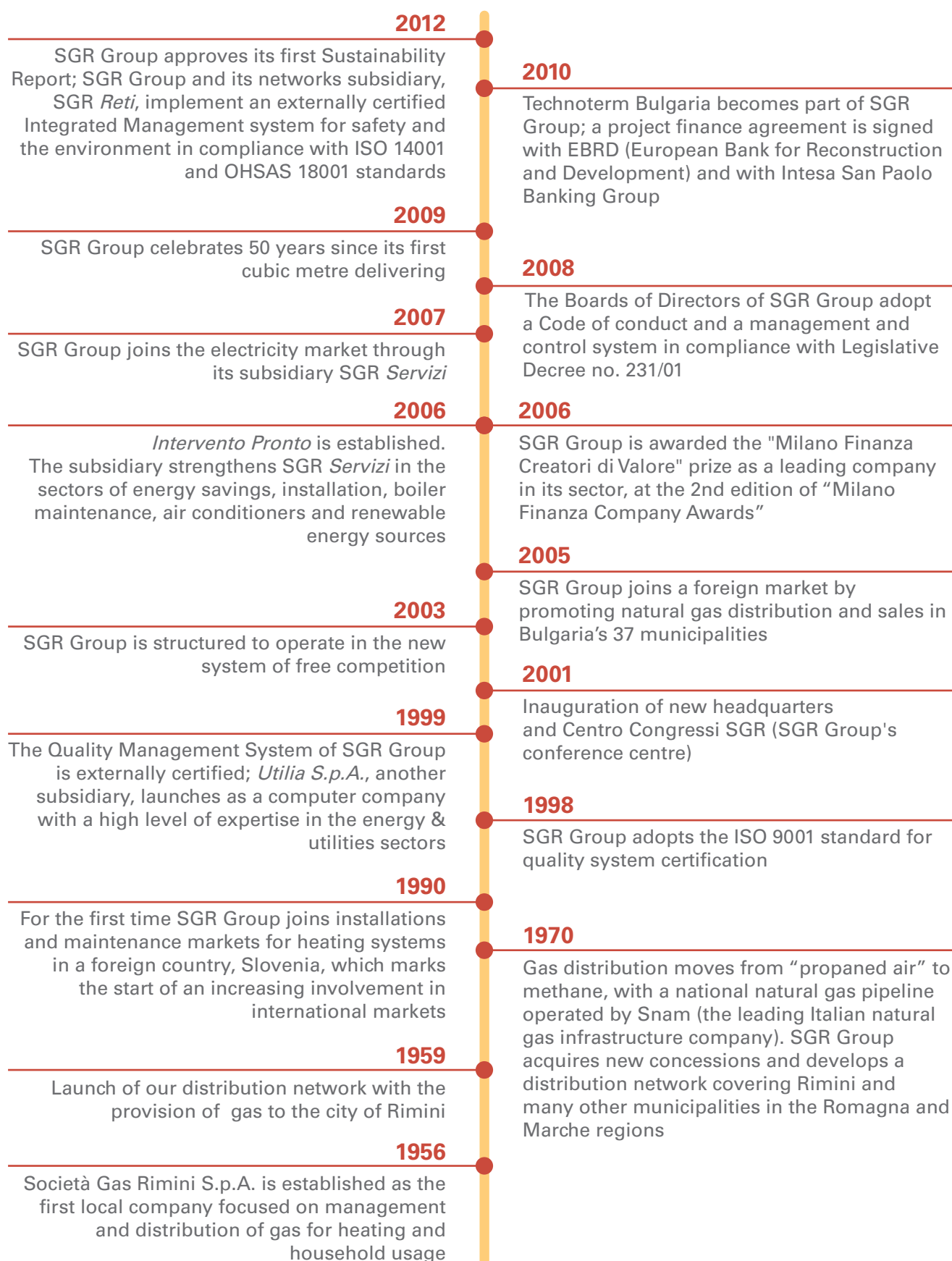
- ▶ Natural gas distribution
- ▶ Sales of natural gas and electricity
- ▶ Design, construction, management and maintenance of central heating systems with centralised heating management for apartment blocks
- ▶ Distance heating
- ▶ Installation of photovoltaic systems and other renewable energy heating systems
- ▶ Installation and maintenance of heating and air conditioning systems
- ▶ Home repair and emergencies 24/7 on any system (plumbing, electrical, etc.)
- ▶ Computerized systems for utilities and energy issues
- ▶ Logistics and communication services for corporate meetings, conferences, training courses, etc. to be held at our Centro Congressi SGR in Rimini

#### Minority shareholders





## Company history: an overview on key developments



## Our governance system

Each of the Group's companies has adopted a conventional corporate management and control system. The Board of Directors is responsible for management, and the Board of Statutory Auditors for control.

In addition, since 2008 a Supervisory Body has been entrusted with ensuring the application and functioning of an organizational, management and control model to prevent certain crimes, pursuant to Legislative Decree no. 231/2001.

### Board of Directors

*Gruppo Società Gas Rimini S.p.A.* is governed by Gasrimini Holding S.p.A. pursuant to article no. 2497 of the Italian Civil Code and its Board of Directors is in charge of ordinary and extraordinary decisions, including the exclusive right to:

- ▶ set the strategic plans and goals and sustainability policies of SGR Group under its CEO's direction
- ▶ approve the strategic industrial and financial plans for SGR Group, along with its infrastructure development and other strategic partnerships, in compliance with the “unbundling” law (resolution no. 11/2007 of the Italian Authority for gas and electricity)
- ▶ review interim reports by the companies of SGR Group, along with reviewing and approving annual consolidated financial statements
- ▶ review and approve the sustainability report
- ▶ establish provisions and rules concerning the corporate governance of the companies of SGR Group

### Board of Statutory Auditors

The Board of Statutory Auditors is in charge of supervising, pursuant to current Italian law, fair governance and, particularly, the operations of organizational, administrative and accounting structures.

### Auditing companies

The financial statements of SGR Group are audited by Deloitte & Touche S.p.A., while their statutory audit is mandated to the Board of Statutory Auditors, in compliance with Legislative Decree no. 3/2010.

**Micaela Dionigi**  
Chairwoman  
**Bruno Tani**  
Vice Chairman and  
Chief Executive Officer  
**Demis Diotallevi**  
Managing Director  
**Andrea Gambacorta**  
Director  
**Sandro Mambelli**  
Director

**Giuliano Ioni**  
Chairman  
**Luigi Scoponi**  
Statutory Auditor  
**Giuseppe Spada**  
Statutory Auditor

**The Supervisory Board is in charge of overseeing compliance with “the model” and the operation and effective application thereof. The Supervisory Board implements information and training programs designed to prevent crimes and malpractices. In 2008, the Board of Directors of SGR Group appointed a Supervisory Board for each of the companies of SGR Group.**

The Sustainability and Corporate Social Responsibility policy of SGR Group has given rise to a number of other instruments that have become part of company procedures and protocols used to support, inside and outside the company, our commitment to reviewing and redefining our performance indicators, in order to ensure a sustainable balance for individuals, business productivity and the environment.

### **Organization Model under Legislative Decree 231/2001**

Italy's Legislative Decree no. 231/2001 of 8 June 2001 has introduced direct liability of legal entities for certain crimes committed in their interest or to their advantage by persons holding representative, administrative or managerial positions in the organization or by persons working under their control.

In accordance with the above mentioned decree, all the companies in SGR Group have adopted an organisation, management and control model that is aimed at ensuring fairness and transparency in conducting business activities, along with protection of corporate image and identity and safeguard of both stockholders' expectations and employee jobs. This goal is pursued through a structurally coherent system of procedures and by defining control activities that are mostly based on preventive measures.

### **Code of Conduct**

Approved in 2008 by the Boards of Directors of the Group's companies, our Code of conduct covers ethical principles and behavioural norms that apply to any individual who is involved in any capacity in the activities of SGR Group (executives, employees, regular contributors, suppliers, business partners) in order to ensure a responsible management environment and a working method that is fair and respectful of all stakeholder interests.

## Management system for quality, safety and the environment

Our Group has put in place an externally certified integrated system for quality, safety and the environment in compliance with the requirements set out in the UNI EN ISO 9001:2008, UNI EN ISO 14001:2004 and OHSAS 18001:2007 international standards respectively.

This management system is designed to monitor the entire operational process while improving both the quality of business procedures and customer service, and also supporting health and safety with respect to each company's employee, in order to prevent accidents and occupational diseases and to respect the environment.

### Our quality, safety and environment policy

As a Group, we have always combined our drive for quality in delivering customer services with respect for the environment and with health and safety protection for employees, customers and anybody involved in business operations (suppliers, contributors, stakeholders, etc.). The adoption of a Code of conduct and an Organization, Management and Control system, along with the introduction of a Supervisory Board, has improved the general attitude towards compliance with current law and regulations.

The implementation of an Integrated Management system is also helping to improve the quality of our business procedures, the safety of our activities, a wider protection for the environment and preventive measures as regards accidents and occupational diseases.

To this end the Group is committed to:

- ▶ complying with all legal provisions, particularly those on quality, health, safety and the environment
- ▶ defining its goals through measurable process indicators
- ▶ ensuring satisfaction and loyalty of its customers through dedicated services and ongoing customer satisfaction reviews
- ▶ ensuring satisfaction of its employees by monitoring their needs and expectations at regular intervals
- ▶ providing an efficient management of natural and energy resources through environmental protection policies
- ▶ involving its stakeholders in business policies and goals by fostering greater corporate responsibility for the environment and ongoing activities aimed at promoting energy conservation
- ▶ managing and reducing any health and safety risks affecting employees by providing appropriate working places and providing training, information and health monitoring programs
- ▶ promoting its values and mission among its suppliers concerning health, safety and the environment

The Group is also committed to updating its quality, safety and environmental policy as well as its integrated management system. Its commitment encompasses regular improvement of the outcomes as to quality, safety and the environment.

#### SGR Group certification program

##### *Gruppo Società Gas Rimini*

UNI EN ISO 9001:2008

UNI EN ISO 14001:2004

BS OHSAS 18001:2007

##### *SGR Reti*

UNI EN ISO 9001:2008

UNI EN ISO 14001:2004

BS OHSAS 18001:2007

##### *SGR Servizi*

UNI EN ISO 9001:2008

##### *Intervento Pronto*

UNI EN ISO 9001:2008

##### *CityGas Bulgaria*

UNI EN ISO 9001:2008

UNI EN ISO 14001:2005

BS OHSAS 18001:2007

##### *Technoterm Engineering*

UNI EN ISO 9001:2008

UNI EN ISO 14001:2005

BS OHSAS 18001:2007

## SGR stakeholder structure

Listening and dialogue are key to building long-lasting relations with all those who are either involved in or can otherwise influence a company's financial, social and environmental performance. The broader network that revolves around SGR Group requires prompt replies and great care in addressing a variety of goals and interests.

We started off with a detailed mapping of our stakeholders, in order to produce a clearer framework that included all actors and to develop a plan to outline their own expectations in a structured and codified way, based on the AA1000 APS principles published by AccountAbility. This analysis has led to important insights as to our responsibility in providing certain services to a broad community and how we can best improve dialogue dynamics that we have deployed over the past fifty years of activity.

To this end, we have taken several steps to develop an ongoing communication process with bi-directional and interactive features. Some of these steps include reports on internal issues, regular meetings among our Chairwoman, CEO and employees, customer satisfaction reviews, internal dissemination of our first sustainability report and plans to disseminate subsequent ones on a regular basis.

From energy to relational  
assets: meet our  
stakeholders



## Dialogue and collaborative initiatives

	Our stakeholders	What they expect from us	The things we do
Employees	Employees and their families. Union representatives.	Health and safety, listening, bonus giving, development, training, life-job balance, communication, equal opportunities, involvement.	Annual surveys on personnel satisfaction. Annual meetings among President, CEO and employees. A new internal publication ( <i>"La mia voce in azienda"</i> , "My voice within the Company").
Customers	Families and companies. Serviced residents. Consumer associations.	Competitive fares; transparent communication; service quality, safety and reliability.	Annual survey on customer satisfaction involving both private and business customers. Application of an alternative dispute resolution protocol.
Suppliers	Suppliers of products and services. Local suppliers – Partners. Core suppliers.	Continuity and transparency in relationships, timely payments.	Advocacy campaigning to enlist suppliers as partners above all.
Stockholders and funders	Stakeholders. Business banks. International banks. Co-operative Banks.	Long-term financial strength, relationship continuity, investment returns.	Regular meetings and reports.
Supervisory Bodies	Board of Statutory Auditors. Auditing companies. Supervisory Board	Loyalty, fairness, transparency.	Regular meetings and reports.
Public Administration	Local government entities: City, Province, Region, Central Government, either individually or in association as represented at community level. Industry-specific authority (AEEG).	Transparent communication, respect for local areas, abiding by the law, fair management, innovation, partnerships.	Regular meetings with local mayors and other authorities, immediate transmission of AEEG data, consulting involvement with AEEG.
Local Community	Civil society associations at community level, Trade associations, Schools and universities, the Media.	Paying attention to the Community, supporting local initiatives and investing at community level, transparent communication, adopting corporate social responsibility.	Regular meetings with local associations. Local events.
Future generations and the environment	The environment. Future generations. Environmental associations.	Energy savings, reduction of greenhouse gas, separate waste collection, awareness campaigns.	Educational initiative in local schools (Rimini Province) and other local initiatives to promote energy savings, renewable sources and energy efficiency. Energy savings and waste reduction promotion initiatives within the company.

## Governing sustainable development

As a socially responsible Group we pursue a business model which is capable of achieving a balance between financial goals and economic growth along with community development and the fulfilment of our interest bearers' rightful expectations. This model is based on three main dimensions of sustainable development:

- ▶ **financial responsibility:** the application of an advanced model of corporate governance enables our business choices to increase the company value in the short term while also providing business continuity in the long term. In the industrial management of the services our Group provides, the financial dimension includes the ability to produce income, revenues and jobs, which makes achieving a sound economic balance a primary need
- ▶ **social responsibility:** we promote an ethical approach in our business activities and strive to fulfil the expectations of different kinds of interest bearers. Social sustainability means guaranteeing equal welfare and growth opportunities throughout the community, while respecting human values and workers' rights. This kind of social sustainability requires of us a great deal of care and attention, an approach that naturally permeates the activities of a group engaged in providing public utility services day after day
- ▶ **environmental responsibility:** we engage in the production and distribution of utilities while striving to minimize our environmental impacts, both direct and indirect, with the aim to preserve the natural habitat for future generations. In our industrial production process, we regard the environmental dimension of sustainable development as the ability to preserve the quality of natural resources and their regeneration potential

**For SGR Group social responsibility translates into sustainable management practices backed by the monitoring of key indicators that are economic, social and environmental in character.**

98.5%	customer satisfaction regarding our Call Centre
328	employees, 246 men and 82 women
96%	long-term employees
61	interns from 2009 through 2011
- 46%	accident rate decrease with respect to previous year's figure
72%	added value produced and distributed
58%	revenues from area served
+ 51%	customers from countries outside Italy



# Financial responsibility

251

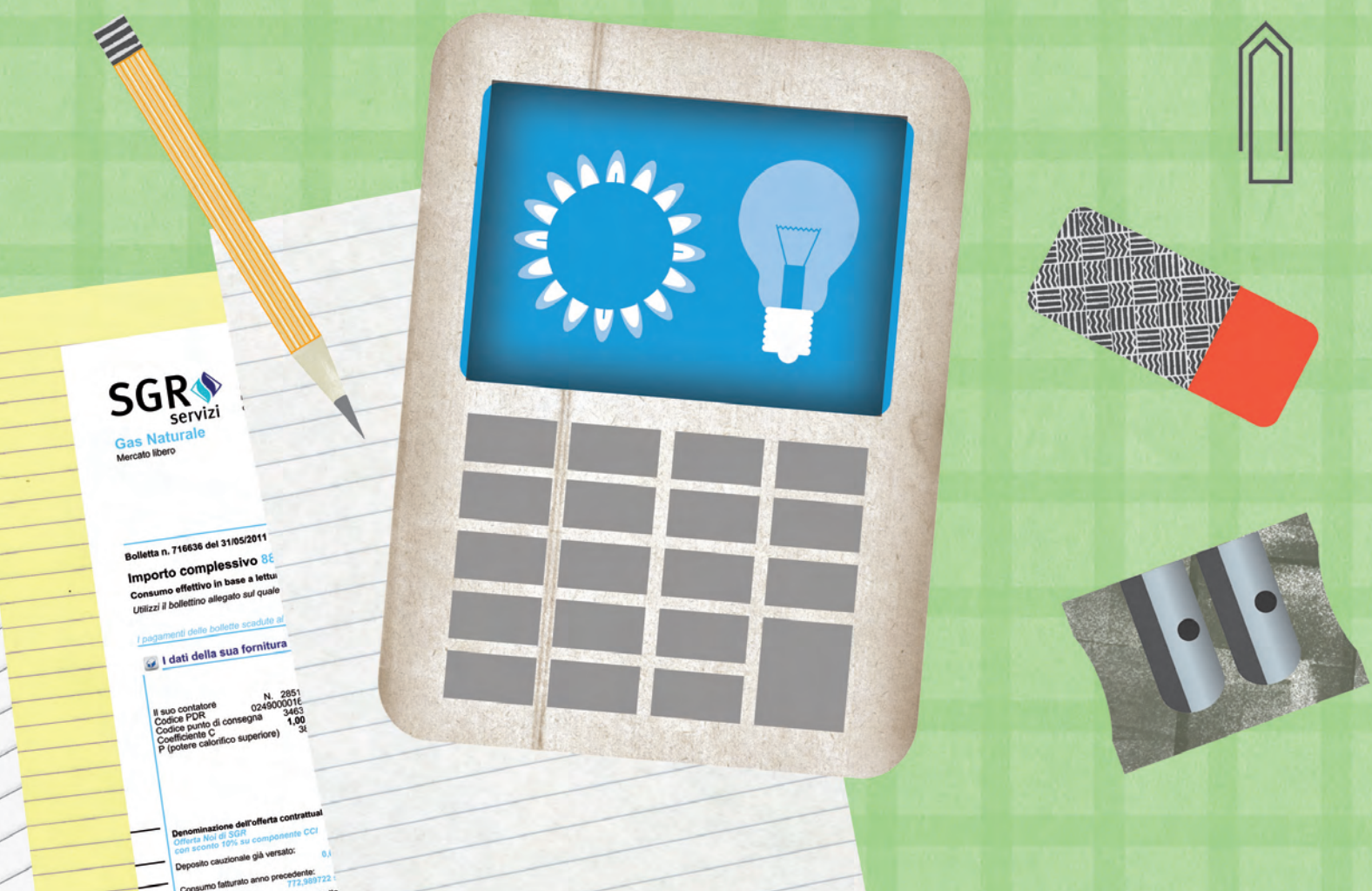
million in turnover

72%

added value distributed in area served

58%

turnover for supply in area served





## Operating results

The results for the period ending 31 December 2011 can be summarized as follows:

- ▶ increase in gas turnover connected to tariff increases due to both the change in distribution tariffs and, mainly, the trend of the raw material component; the overall increase in the gas turnover is linked to the development of operations in Bulgaria
- ▶ a significant margin in the sales of natural gas activities which, in Bulgaria, is attributable to the specific tariff structure, whilst, in Italy, it is almost entirely due to shrewd pricing policies for the supply of the raw material

2009	2010	2011	Value Added (Income Statement)
211,373,547	246,889,241	251,495,319	Income from sales
-173,623,452	-192,092,131	-196,281,094	Cost of external factors of production
37,750,095	54,797,109	55,214,225	<b>Added Value</b>
-9,958,777	-11,679,670	-13,095,608	Personnel Costs
27,791,318	43,117,439	42,118,617	<b>Gross Operating Margin (EBITDA)</b>
-4,331,361	-4,952,152	-5,060,094	Amortisation and Depreciation
-922,269	-2,055,633	-2,083,273	Provisions and Impairments
22,537,688	36,109,654	34,975,250	<b>Operating Income</b>
6,867,007	1,794,721	2,095,313	Additional Operating Profit
29,404,695	37,904,375	37,070,562	<b>Business Operating Income</b>
-470,892	-288,958	-147,569	Profit from financial management
28,933,803	37,615,417	36,922,993	<b>Gross profit</b>
-9,950,095	-12,963,023	-15,342,002	Taxes
18,983,708	24,652,394	21,580,991	<b>Net profit</b>
13.48%	15.14%	12.13%	Return on Equity
9.46%	13.75%	11.60%	Return on Investments
13.34%	18.27%	16.78%	Return on Sales

\* Excise duty on consumption of electricity and gas has been included which derives from the activity the company carries out in its capacity as withholding agent on behalf of users. An industry standard stipulates that such excise duty must be entered with "+" (duty) and "-" (recovery) in item B14 – Other operating charges on income statement according to the classification stipulated by EEC Directive IV.

- ▶ increase in electricity turnover (31%) which was, however, accompanied by a proportionate increase in the cost of supplying electricity
- ▶ increase in fixed structural costs and in particular personnel costs as a result of the increase in size and therefore the increased complexity of managing SGR Group, in addition to the unique and complex features of the sector
- ▶ significant increase in tax pressure following the issue of Legislative Decree no. 138 of 13 August 2011 which classified the natural gas distribution sector as one of those to which the IRES tax for the energy sector (the so called Robin Hood Tax) is applicable and increased the applicable tax rate from 6.5% to 10.5% for tax years 2011, 2012 and 2013.

2009	2010	2011	Balance Sheet
175,150,832	193,707,229	236,208,077	<b>Uses</b>
15,709,031	10,997,776	43,046,957	Cash, Banks, Securities and Loans
(5,304,131)	5,389,025	6,232,169	Net working capital
164,745,932	177,320,428	186,928,951	Net capital equipment
175,150,833	193,707,229	236,208,077	<b>Sources</b>
29,345,473	25,722,634	52,469,294	Loans
4,947,850	5,119,371	5,847,811	Severance indemnity and risk funds
140,857,510	162,865,225	177,890,973	Net equity
1.69	1.61	1.69	Level of indebtedness (Financial leverage)
13,832,000	14,919,000	9,618,000	Net financial position

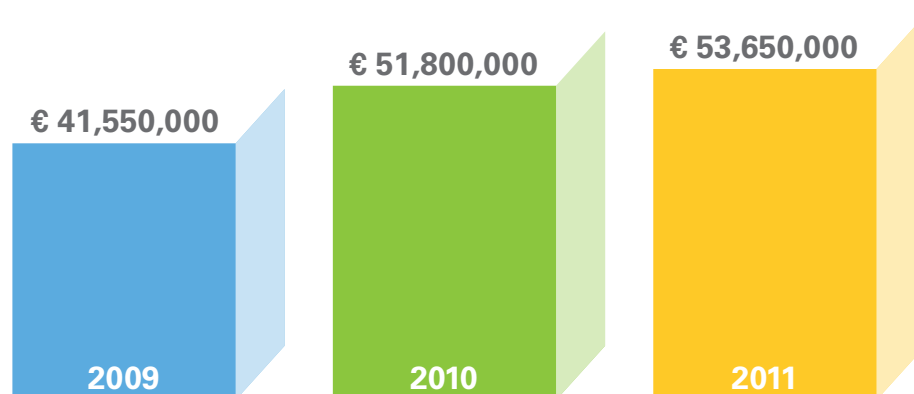
## Production and distribution of added value

The indicator which highlights our Group's ability to produce value in the area and to satisfy the financial interests of our own main stakeholders is represented by the added value. This parameter allows us to measure both the financial trend of the management and the company's ability to create the right conditions so that wealth is distributed in the stakeholders' favour.

The calculation process entails reclassifying the financial statement sheet figures, in particular those from the income statement, in order to highlight production of added value and the distribution thereof.

In the 2011 financial year, as a Group, we generated an overall net added value of approximately €53.6 million; an increase of 3.6% on 2010.

### Net added value produced



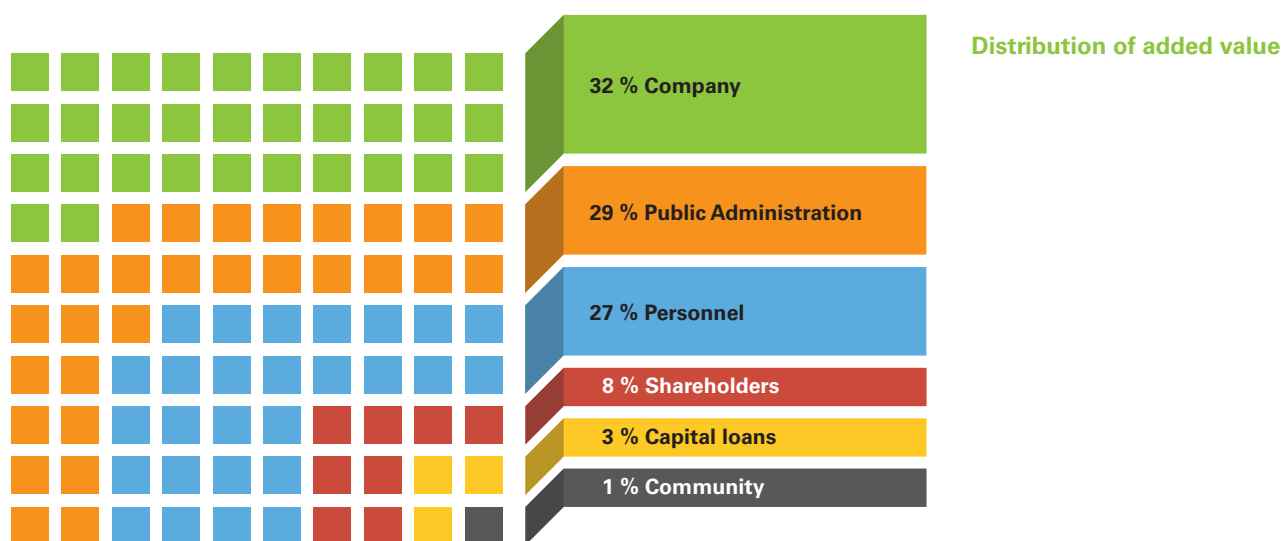
In 2011, the added value distributed to Public Administration amounted to € 15.6 million.

If we take into consideration that the company acts as a withholding agent towards users with regard to excise duties on the consumption of electricity and gas, such added value amounts to € 58.6 million.

For more detailed information on how this was calculated, please refer to appendices 1 and 2.

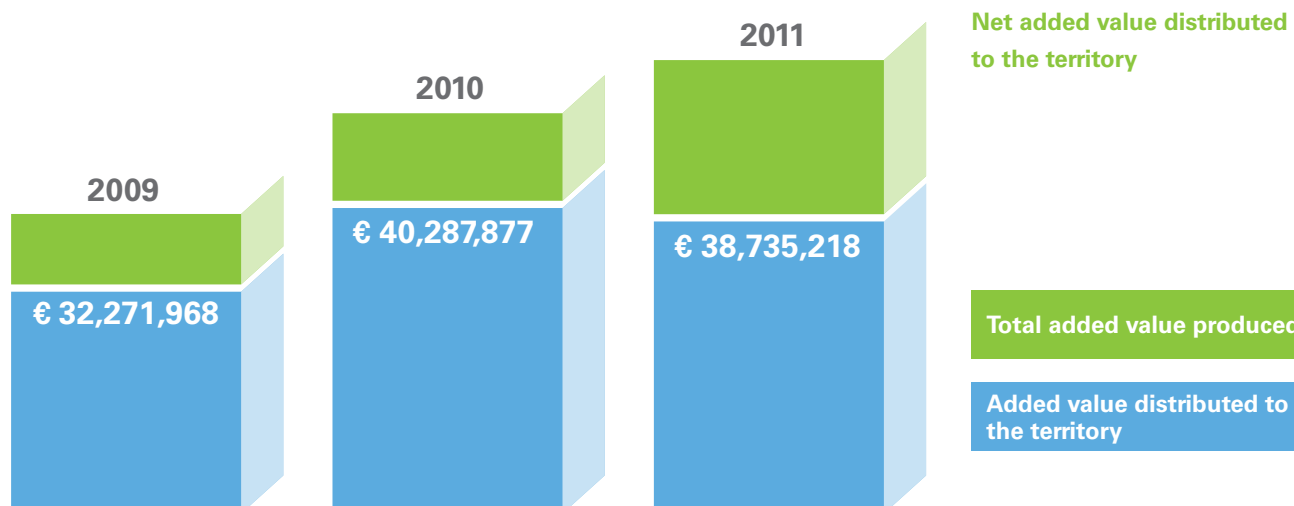
In the 2011 financial year, added value was distributed as follows:

- ▶ 32% to the company. This is the portion of wealth retained by the Group. This includes the profit for the year which is not distributed to shareholders or the amortisation of the investments made
- ▶ 29% to Public Administration. This portion, which is paid as direct and indirect taxes, amounts to €15.6 million for 2011, net of grants received
- ▶ 27% to personnel. This is the portion of added value made up of salaries and wages, charges and other personnel costs. This portion amounts to €14.3 million
- ▶ 8% to shareholders. This is the portion allocated to shareholders and paid as dividends
- ▶ 3% to banks. This represents the payments made for short- and long-term capital loans
- ▶ 1% to the community. This is the portion donated as a contribution to local communities through support for organising social, cultural and sporting events. The figure is high both where the number of events supported is concerned and for the absolute financial value of the donations: in 2011 €530 thousand was donated, 48.4% more than in 2010



### Value created and distributed for the territory served

In 2011 net added value distributed to stakeholders in the territory amounted to € 38.7 million, which is 72.2% of the total added value created and distributed by the Group.



The value created for the territory is broken down as follows:

- ▶ €14,335,762 wages to workers
- ▶ €4,629,000 dividends to shareholders
- ▶ €2,289,575 levies, taxes and fees to local Authorities
- ▶ €528,843 donations and sponsorships
- ▶ €16,952,037 resources reinvested in the company

Furthermore, if we consider the financial value of supplies from local companies, the overall wealth distributed to the territory amounted to € 57.7 million.

**2010 joint social responsibility report of Confindustria Rimini's associated businesses**

In 2011, for the first time, SGR Group took part in the preparation of a Joint Social Responsibility Report of *Confindustria Rimini*, the Rimini chapter of Italy's main representative association of industrialists. The 30 associated companies recorded a total added value of €336 million, with a 14.92% increase with respect to 2009 figures. The portion allocated to human resources in 2010 amounted to € 245 million or 73% (71% in 2009).

## Investments

During the year 2011, investments (€ 4,654,425) mainly included gas distribution network construction and extension works on the area served. These works, which were all carried out by SGR's subsidiary SGR *Reti*, comprise investments in gas connection works as well as gas meter installation works and equipment.

A significant portion (€ 4,090,675) of such investments were made by our Bulgarian subsidiary, Citygas Bulgaria, which continued building the gas transmission and distribution infrastructure needed for bringing natural gas to the Trakia region.

Another remarkable share of investments (€ 1,333,615) is represented by the photovoltaic systems installed on the roof of our Rimini warehouse building and on other buildings owned by third parties, which we are entitled to use on a leasehold basis.

### Investments

€	2009	2010	2011
Land	29,067	-	898
Household dwellings	86,589	5,492	5,342
Office premises	4,337,586	421,198	117,395
Industrial premises	-	8,266	881
Gas piping	10,897,014	5,224,648	2,925,858
Gas systems	1,335,277	1,115,808	5,213,395
Photovoltaic systems	-	-	1,333,615
Gas systems in office premises	-	-	44,459
Gas meters	354,672	579,610	483,204
Machines	413,598	86,381	128,470
Equipment	1,567,800	19,351	46,926
<b>Total investment</b>	<b>19,021,603</b>	<b>7,460,754</b>	<b>10,300,443</b>

## Shareholders and Lenders

### Financial risk management policy

On the basis of the provisions of article 2428, paragraph 2, point 6 bis of the Italian Civil Code, the analysis of the financial risk the company is exposed to is presented according to the types of risk identified by the OIC 3 [official Italian accounting board], as well as the company's risk management policy.

#### Credit risk

*"This refers to the risk of potential losses caused by failure of third parties to fulfil their obligations, both commercial and financial".*

SGR Group does not appear to be significantly exposed, in as much as receivables are equally distributed across a number of users. Nevertheless, in light of continuing tensions with regard to income receivable, SGR Group has established a more cautious procedure for checking credit, with changes to company procedures and analysis of individual positions. Preventative measures have also been introduced to contain insolvency situations of differing severity.

#### Liquidity risk

*"This refers to the risk that an organisation may have difficulty fulfilling the obligations linked to financial and commercial liabilities in the pre-established terms and time frame".*

SGR Group protects itself by means of a thorough future cash flows plan, with the aim of optimising financial resources, repaying debts due and supporting the Group's development.

#### Market risks

*"This refers to the risk that the fair value or future financial flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk is subdivided into currency risk, interest rate risk and price risk."*

SGR Group does not use hedging instruments for risks linked to interest rate changes on short-term loans. With regard to hedging the risk of change in interest rates on medium- and long-term loans, IRS (Interest Rate Swap) contracts are used which include the exchange of a fixed flow for a variable flow.

With regard to exchange rate risk there are no significant credit/debit relations in foreign currencies. Should the extent of any such relations become more onerous (e.g. loans in foreign currencies), the hedging possibilities offered by the market will be considered.

With regard to price risk, SGR Group is subject to a specific but not significant market risk.

#### Shareholders' historical standing

Aldo Domeniconi, the founder of SGR Group, secured financial resources for his business idea mainly from private investors. The current shareholders are the descendants of those original shareholders.

#### Dividend Policy

Over the years SGR Group has stood out for its rather careful dividend policy, which has the aim of maximising the value of the company, before providing for the short term income of shareholders. The company is currently well capitalised and shows considerable financial strength which is highly appreciated by the credit system.

### Volumes and uses of debt

The development of financial needs is monitored using a careful financial plan which allows us to forecast the need for fresh financial resources, bearing in mind the existing loans, change in level of debt as a result of the investment plan, the trend of working capital and the balance between the short- and long-term sources.

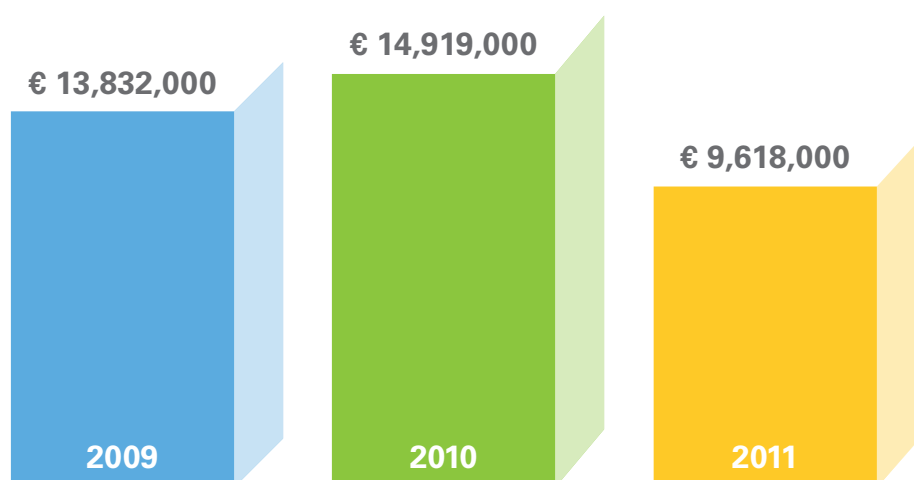
To optimise financial management in the Group's companies the organisational model involves centralising at *Gruppo Società Gas Rimini* treasury operations, medium- and long-term loan operations and financial risk monitoring and management.

*Gruppo Società Gas Rimini* maintains relations with the main Italian banks and large international banks in order to find the most suitable forms of finance for its needs and the best market conditions.

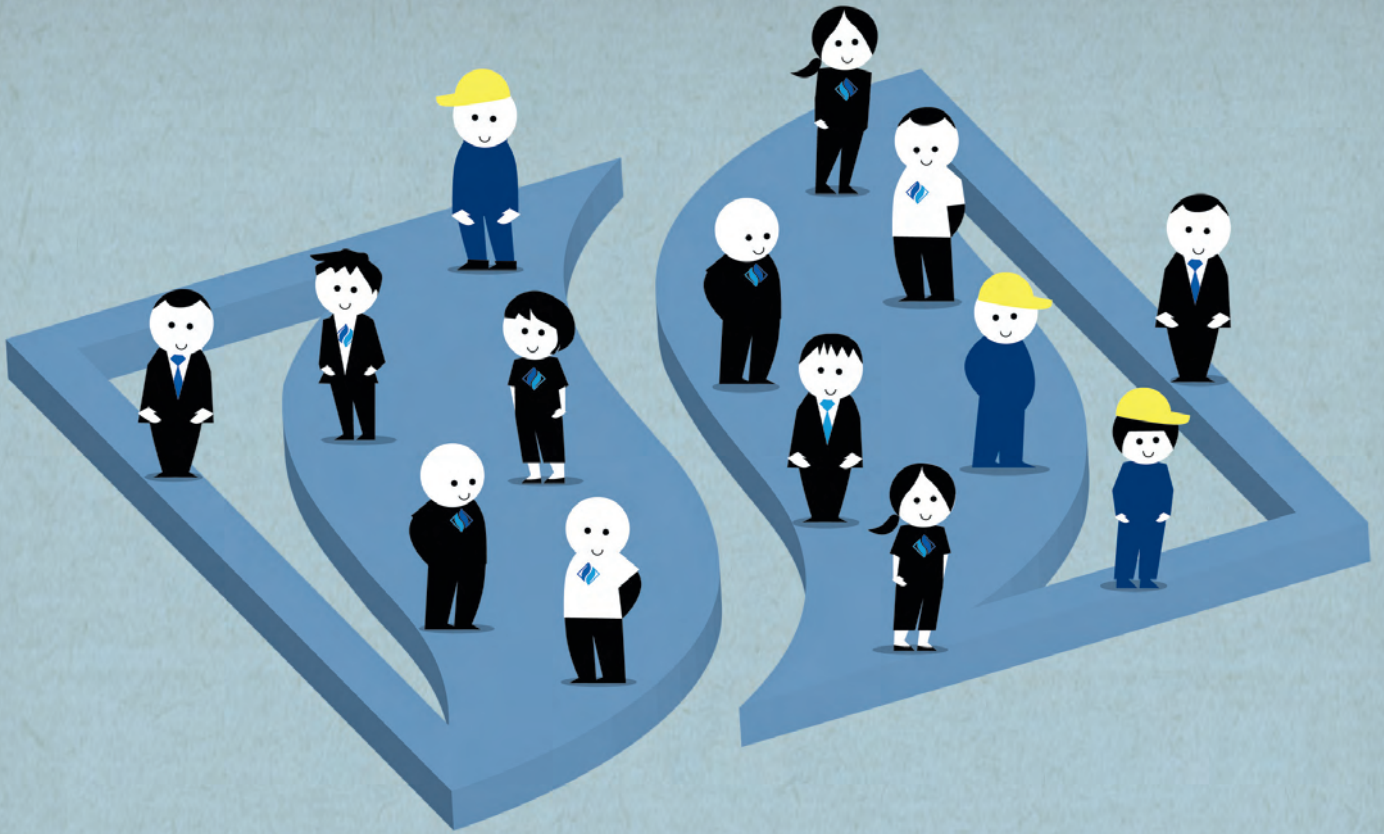
With specific regard to financial operations in 2011, of particular note is the use of 75% of the direct credit line of €30 million, with a duration of 12 years, previously granted by the European Investment Bank at the end of 2008; the remaining share of €7.5 million is still available for use, with the same 12-year duration.

New loans were granted in support of the investment plan and allow the Group to maintain a suitable balance between short- and long-term financial exposure.

### Net financial position







# The people

All along our entrepreneurial journey, our chief priority in managing human resources has been to ensure reciprocal respect and dialogue as a means to enhance our people's personal aptitudes and professionalism



## Company identity

We promote a flexible working environment to foster communication, knowledge sharing, creativity, interchange and innovation. In this collaborative climate all employees are truly aware that the quality standards of our services and the very reliability of our company stems from the way they work and ultimately rests with their attitude toward their fellow employees.

As of 31 December 2011, SGR Group counted 328 employees. Ninety per cent of them hold a full-time permanent contract.

Personnel			
2009	2010	2011	Qualification
7	10	9	Executives
146	181	198	Employees
97	125	121	General Workers
250	316	328	Total
2009	2010	2011	Areas covered
164	177	186	Within Rimini's district
86	139	142	Outside Rimini's district
250	316	328	Total
2009	2010	2011	Gender
190	242	246	Men
60	74	82	Women
250	316	328	Total
2009	2010	2011	Type of contract
230	280	297	Full time permanent contract
5	16	15	Full time limited contract
15	19	16	Part time permanent contract
-	1	-	Part time limited contract
250	316	328	Total

## Keeping focused on what matters to our employees

Each year we carry out an internal survey covering employee satisfaction and the atmosphere within the company. Its overall results are shared in a plenary meeting of all employees and the executive board. This survey, which is made up of three main sections for a total of 76 questions, provides a rough measurement of people's satisfaction and their commitment to the company's mission and policies. Some of the issues dealt with include: employee independence and supervisor support, quality of personal relationships, pressure on the workplace, etc. The survey is submitted via computer and in anonymous form. It enables the management to initiate improvement where needed and make useful comparison with other companies.



SGR Group's employees

**The Annual survey comprises three types of questionnaires:**

**IMPC - Inductive Measurement of Psychological Climate**

**QCE (Questionnaire de climat d'Entreprise), a survey on the atmosphere within the company**

**WES - Work Environment Scale**

## Internal communication

In 2011 we introduced a multi-channel communication strategy to increase employees' overall involvement beside their specific roles and jobs. This strategy includes:

- ▶ a company-wide Intranet
- ▶ an electronic newsletter ("Notizie SGR")
- ▶ several notice boards spread throughout our headquarters and other business units
- ▶ regular plenary meetings and department meetings
- ▶ payroll slips

Our electronic newsletter provides everybody with information about the company's endeavours (business projects, training sessions, social events, partnerships, employee-related initiatives, etc.)

As a service to employees without computer access, the newsletter is also printed and posted on various billboards.

A project called "*La mia voce in Azienda*" ("My voice within the company") was also launched in early 2011 to provide simple and informal news about different working issues.

A 'dialogue wall' initiative has been set up whereby the company's executives bring up specific items for discussion and employees post comments using "post it" slips included in their monthly payroll. A selection of these "post it" slips, along with replies by the management, are then published on the internal Intranet and notice boards. The following chart shows issues covered during 2011.

#### My voice within the company

June	Working schedule! Do you like it...or better change it?...and how?
July	Beside your monthly pay, how can you feel satisfied within our company?
August	...what is your idea of sustainability and what do you expect from SGR?
September	Every year SGR organizes a traditional Christmas dinner: would you prefer a different event for the season greetings?
October	Did you enjoy events outside the working schedule (grape harvest, tennis tournament, English & photography classes) or was it hard to attend them?
November	The economic crisis: signs of distress are emerging in our industry. Do you have any suggestions for keeping SGR Group strong?
December	Our internal policy is to assign each employee the job he/she is best suited for: are you satisfied with your situation?

## Training

We regard training and the upgrade of human resource skills as the key to achieving success. Acquiring technical skills and operational expertise promotes quality development in the production process and enhances relationship dynamics between management and employees thus improving the company's overall atmosphere.

2009	2010	2011	Total training hours in each sector
4,150	4,124	5,696	Technical Dpt.
1,010	1,455	1,228	Health and Safety
<b>5,160</b>	<b>6,578</b>	<b>6,924</b>	<b>Total</b>

2009	2010	2011	Average training hours per individual
15	17	22	Employees
41	46	41	General Workers
<b>28</b>	<b>31.5</b>	<b>31.5</b>	<b>Average</b>

In 2011 we devoted 6,924 hours to training and upgrade sessions, with an average of 31.5 hours per employee.

Comparative analysis shows that SGR Group is the top multi-utility company in Italy to provide such level of personnel training.

### Training hours

### Executive Education Course

With the scientific collaboration of *SDA Bocconi School of Management*, a training course was organised to develop a Customer Satisfaction Model and to implement a reliable system for result measurement. The course involved 33 of our employees, including executives, officials and operators of both front-office and back-office departments.

## Health and safety in the workplace: Certification process for Health and Safety Management System

In accordance with the OHSAS 18001 standard (2009-2012), *Gruppo Società Gas Rimini* and *SGR Reti* pursued a mandatory legislative process in order to improve their internal working conditions.

As shown in the charts below, our injury trend is constantly improving thanks to a decrease in the frequency index. However, current data is not so positive for *SGR Servizi*, given an increase in commuting accidents (home-working place).

With the implementation of the TomTom WebFleet system, SGR Group strengthened its commitment to safety procedures. Further details on this project will be provided in our next report.

Incidence index	2009	2010	2011	<b>Gruppo Società Gas Rimini</b>
	1	1	1	Total accidents
	0	1	1	Total commuting accidents
	15.57	13.07	11.72	Frequency index
	0.11	1.21	0.12	Accident severity index
	2.56	2.17	2.00	Incidence index
	2009	2010	2011	<b>SGR Reti</b>
	4	5	3	Total accidents
	2	2	0	Total commuting accidents
	35.39	44.42	26.81	Frequency index
	0.67	1.34	0.42	Accident severity index
	5.88	7.35	4.41	Incidence index
	2009	2010	2011	<b>SGR Servizi</b>
	2	1	2	Total accidents
	2	1	2	Total commuting accidents
	32.01	14.90	28.06	Frequency index
	0.29	0.45	0.56	Accident severity index
	5.41	2.50	4.76	Incidence index
	2009	2010	2011	<b>Intervento Pronto</b>
	6	5	1	Total accidents
	2	1	0	Total commuting accidents
	60.10	38.34	8.11	Frequency index
	0.56	0.41	0.12	Accident severity index
	9.52	6.33	1.30	Incidence index
	2009	2010	2011	<b>Utilia and Utilia Service</b>
	0	1	0	Total accidents
	0	1	0	Total commuting accidents
	0.00	16.27	0.00	Frequency index
	0.00	0.53	0.00	Accident severity index
	0.00	2.70	0.00	Incidence index

Frequency index =  
( number of accidents/hours worked) \* 1,000,000

Accident severity index =  
(time off because of injury / hours worked) \* 1000

Percentage =  
(number of accidents / number of employees) \* 100

## Reconciling work and personal life

In order to expand free and family time, the working schedule has been reduced to 25 hours along five days in July and August.

This summer schedule, obtained by slightly reducing the lunch break in winter time and previously agreed upon with union representatives, has now been adopted for the forth time running.

In addition, two plans have been put forth having personal life-work reconciliation in mind: one is designed to enable employees' children to join summer centres and/or recreational and educational week events at reduced rates and the other provides for the introduction of a "company facilitator" in charge of running errands on behalf of employees during working hours.

## Classes and other initiatives outside the working schedule

Promoting personal interests and other initiatives outside the working environment encourages a more open and genuine relationship. In 2011 we hosted English and photography classes, along with other convivial events such as a Christmas dinner, an Easter lottery and the Working Mother's and Father's Day.

Two days were also devoted to team-building practices, focused on sport and farming activities.

### Sodalitas Social Award

Since 2002 this annual award has targeted companies, entrepreneurs, industrial districts and organizations involved in sustainability projects. In 2011 SGR took part in an award contest regarding projects supporting personal and working values and best practices for local communities.

The communication campaign SGR submitted on this occasion included a storyline revolving around a company very close to its citizen-customers, locally rooted and managed by reliable people.

20 may 2011

"Oggi lavoro anch'io" event  
Working Mother's  
and Father's Day

### ISO 26000: our guide to Social Responsibility

The international ISO 26000 standard has been recommended by the European Commission to support companies in their efforts toward sustainable development and to encourage them to do more than just abide by the law.

The tenets of Corporate Social Responsibility were promoted to all employees gathered in the plenary meeting held in April 2011. On this occasion the executive board presented the provisions contained in the standard.



### Other 2012 initiatives and events

24 september 2011

### "È tempo di Vendemmia" ("Grape harvesting time" event)

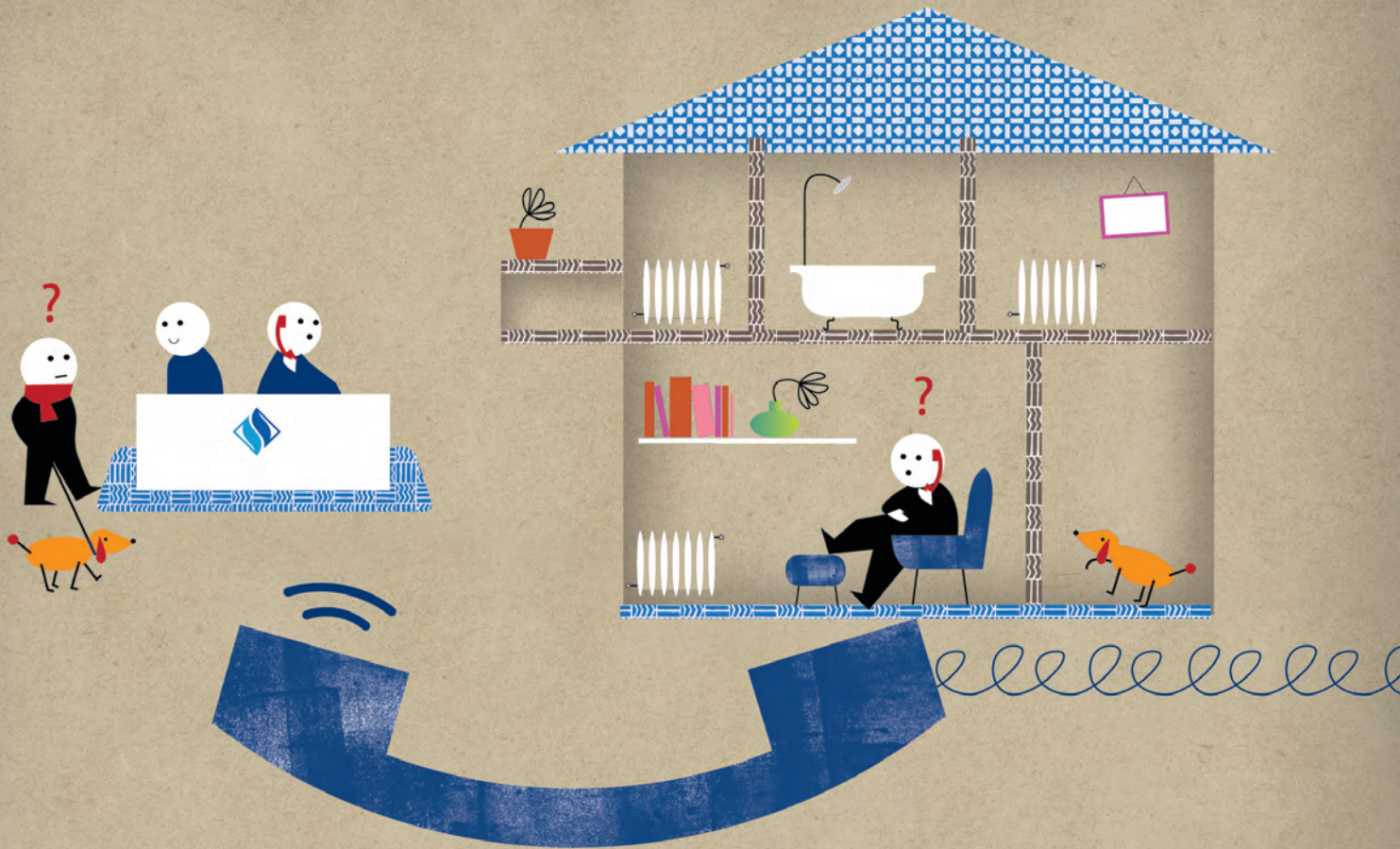


- ▶ Safe driving classes for employees that drive company vehicles
- ▶ Training investment to exceed the minimal requirements about health and safety for employees, executives and workers
- ▶ Collection and analysis of actual and near-miss accidents, pilot project in partnership with health and safety prevention services carried out by Rimini's Local Health Authority (ASL)
- ▶ Upgrade of the "La mia voce in Azienda" ("My voice within the Company") project
- ▶ Reassessment of the company-wide Intranet
- ▶ Individual meetings between management and employees to monitor satisfaction on the workplace and address any career advancement
- ▶ Planning of an internal communication strategy covering sustainability culture and environment protection
- ▶ Initiatives to support employee income by improving current company conventions
- ▶ A *Farmers' Market* to support local production, promote sustainable development and strengthen community ties. The fair-market is hosted on the SGR Group main campus and is open to the public at large

### Farmers' Market







# The market

Throughout the history of our relationship with the market, we have developed strong local ties capable of forging solid and long-lasting relations. Our service model has been developed around high standards of innovation, safety, quality and sustainability and is based on trust and transparency



## Gas and electricity commercial policy

*Intervento Pronto*, our Heating and Cooling, Repair, Service and Installation Company, which also deals in systems producing energy from photovoltaic sources covers an area which includes the provinces of Rimini, Forlì-Cesena and Ravenna, serving over 20,000 customers (80% domestic and the remaining 20% made up of businesses). Energy saving, quality and safety are the cornerstones of the company policy and of how we manage relations with the customer.

*"My energy only makes promises it can keep", one of our slogans, best represents the characteristics of clarity and transparency which form the basis of SGR Group's relationship philosophy with its customers. Daily contact at help desks and through telephone and internet services is essential to build a relationship of reciprocity with customers and responsibly manage their requirements and expectations.*

### One supplier: Diversification and broadening of the commercial offering

The policy of a multi-service and customizable offering allows the customer to manage the energy requirements of their own home and/or business with just one supplier.

The sale of natural gas and electricity, for example, can be paired with the central heating system maintenance service with the option to make payment in installments with the utility bill. The offering is complemented by the activities of installation and maintenance of photovoltaic systems and solar thermal energy systems, due to energy reclassification for buildings, and the heating management service for apartment blocks.

### Clarity and transparency of bill

The utility bills for natural gas and electricity are written in compliance with the provisions of the Italian Authority for Electricity and Gas which, with Decision 202/09, introduced the principle of transparency of billing documents and issued precise instructions as to how this document should be structured.

#### Customer breakdown

2009	2010	2011	
182,860	180,399	177,596	Gas customers
3,442	6,089	9,094	Electricity customers
24,000	22,000	20,343	Boiler, heating and air-condition systems and photovoltaic and thermal panels customers
594	919	1,476	Heat management customers
1,226	1,314	1,592	Distance heating customers
352	507	726	Gas sales customers in Bulgaria

For ease of reading, the bill is made up of a summary box and a box containing a breakdown. The summary box contains the key information: type of commercial offering agreed upon, meter readings, supply characteristics, summary of consumption for the period and the sum, broken down into provision and network services, date due, telephone numbers for complaints and interrupted service.

The second box details the expenses for consumption, breaking it down into the individual tariff components which make up the cost of the energy.

The letter accompanying the bill and how clear it is feature amongst the most important issues for customers. Events in town squares and the newsletter “SGR Informa” have facilitated the development of a significant educational campaign on understanding the document.

## Local presence and relations with customers

SGR *Servizi* help desks have been historically present in the provinces of Rimini, Pesaro-Urbino, Forlì-Cesena and Macerata. Operating methods and the quality of the service are standardized through training and updating sessions for help desk staff to ensure strategies are respected and company goals met.

The process of refreshing the layout of the help desks was inspired by new ways of communicating with and relating to customers which suggest physical proximity, involvement and participation, as well as clear access routes and more modern greeting solutions. Investments have been made in technology for the Rimini headquarters to manage the queues. The initiative has two goals and will allow:

- ▶ customer waiting times to be reduced by having different queues for different services and facilitating guiding customers to the most suitable help desk
- ▶ to reduce the overall time for managing cases and transferring files between different departments

The progress of this new management system will be reported in the next Sustainability Report.

### Welfare bonus

This is a scheme introduced by the government and put into action by the Italian Authority for Electricity and Gas, with the help of local councils, to provide families in difficult financial circumstances with savings on gas and electricity bills. The bonus is valid exclusively for natural gas which is distributed via the network (and not for gas bottles or LPG) and for consumption in primary dwellings. The 2011 gas bonus applied to 5,767 SGR *Servizi* customers for a total of €631 thousand, whilst the electricity bonus was awarded to 176 customers for a value of €4,600.

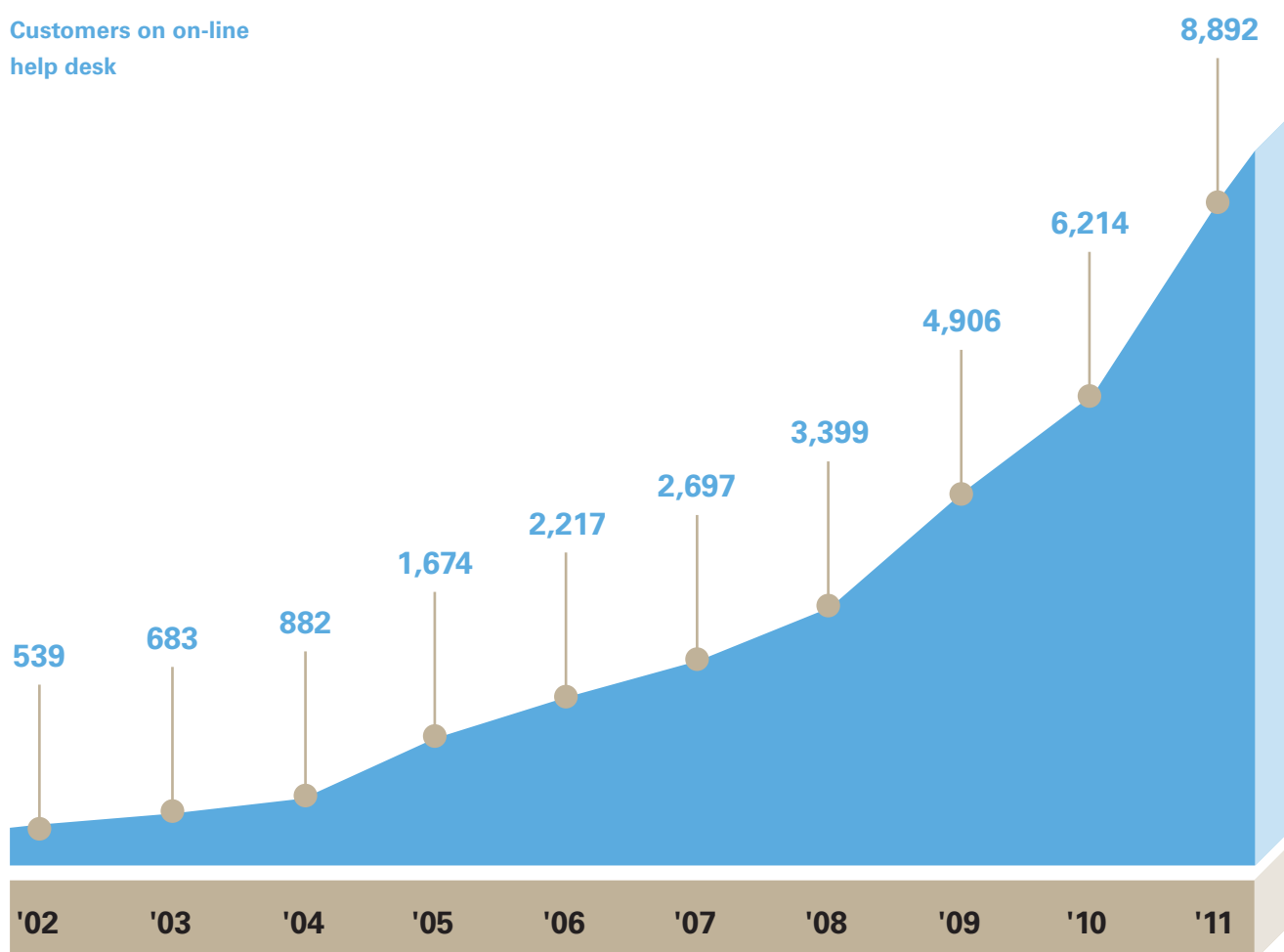
The on-line help desk is a customer-only free area which can be accessed from most mobile devices, where customers can see bill history, make payments, record meter readings they have taken, check historical consumption and access the "bolletta@click" service.

The call centre of SGR *Servizi* is unusual in that it is within the company and managed by the help desk operators themselves. This has proven to be a winning policy in terms of promoting loyalty and proximity to the customer.

In 2011, the average waiting time on the telephone, according to calculations set out by the Italian Authority for Electricity and Gas, was 39 seconds, significantly lower than the threshold of 240 seconds set by the Authority.

Operator training and improvements to the IT systems have also facilitated other significant results with regard to the Group's ability to resolve customer requests and the quality of answers provided.

Customers on on-line help desk



The website tries to respond to the need for simplicity, clarity and transparency of information and to facilitate relations with customers through more in-depth sections on understanding the bill, saving energy, and the rights the consumer can exercise to protect themselves. The site hosted the forum dedicated to dialogue with students who participated in the educational project on the theme of sustainable development.

## Listening to the customer through customer satisfaction and claims management

In the second half of 2011, a system for periodically monitoring customer satisfaction was introduced. The analysis identifies the determining elements when it comes to choosing a gas and electricity provider and measures satisfaction, also checking the perception and positioning of SGR *Servizi* and SGR Group compared to competitors.

A data gathering stage was integrated into the customer management processes and established as a six-month exercise with comparable data. At the same time, monthly activities were introduced to measure customer satisfaction and loyalty using the “Net Promoter Score” (NPS) index.

A recurrent programme to measure customer satisfaction based on the same methodology was also introduced for *Intervento Pronto*, the Group company which operates in the comprehensive service sector and carries out each year over 36,000 technical interventions on heating and air conditioning systems and systems producing energy from photovoltaic sources.

### SGR Group satisfaction surveys

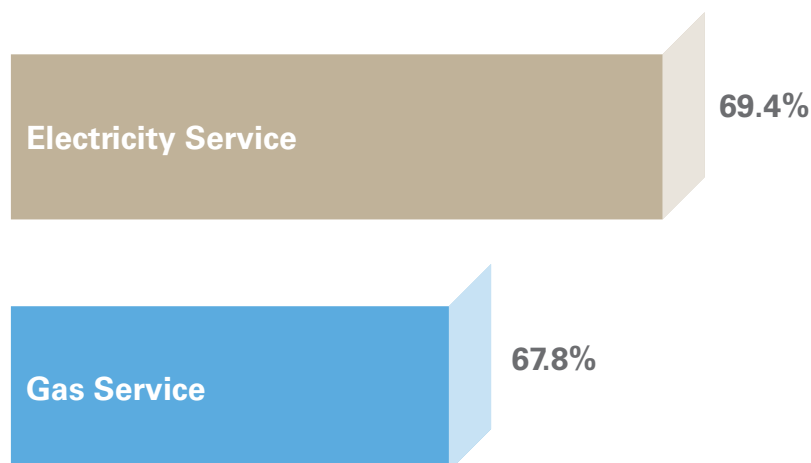
A market survey was undertaken in collaboration with SDA Bocconi School of Management on the positioning of SGR *Servizi* and the level of customer satisfaction, with the aim of identifying priority areas to improve and comparing the strong and weak points of the service with those of the Group's main competitors. The study had three strands:

- ▶ scenario and reference market analysis
- ▶ preparation of a questionnaire to measure customer satisfaction
- ▶ implementation of control instruments and checking the results which emerged from the customer satisfaction questionnaire

The satisfaction index was calculated on the provision of both natural gas and electricity. In 2011, SGR *Servizi* attained an ICS [total satisfaction rating] of 69.4% for electricity and 67.8% for natural gas.

The measurement survey on the satisfaction and loyalty of customers was combined with the Net Promoter Score (NPS) index, which measures the likelihood of customers to recommend SGR *Servizi* as an energy provider, with a rating of 29.1% for gas and 14.4% for electricity.

#### Satisfaction rating (ICS)

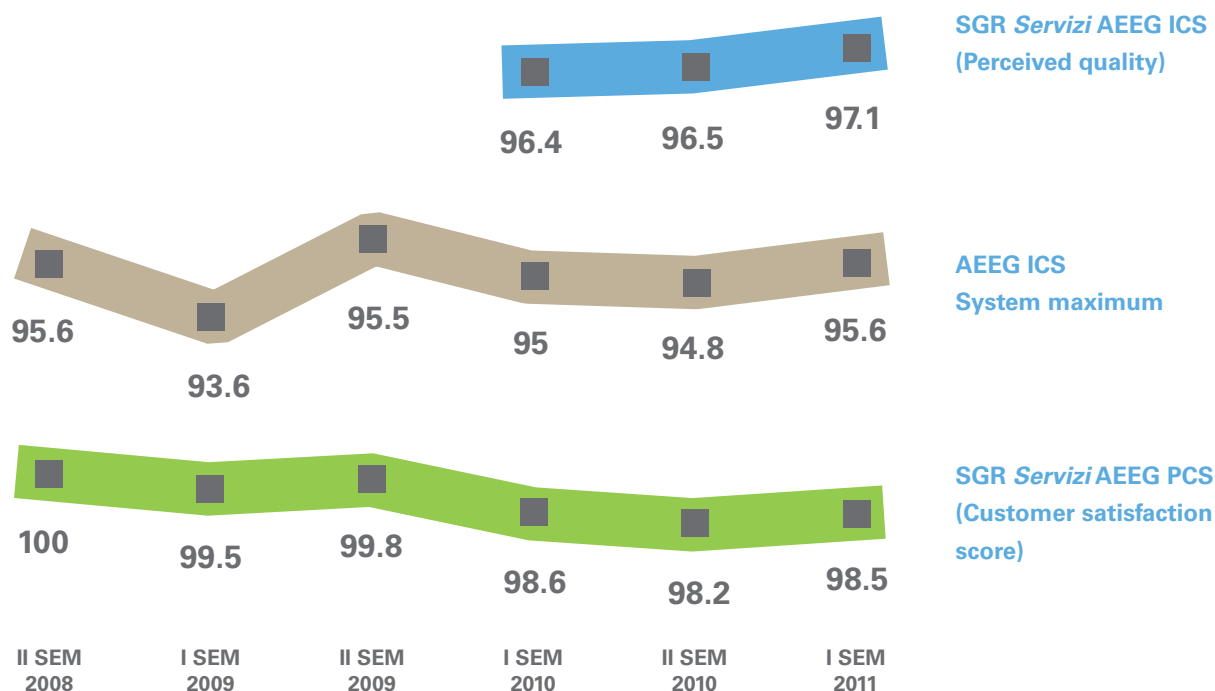


The ranking of call centres for 32 Electricity and gas provider companies with more than 50,000 customers is the result of the monthly verification the providers are subject to by the AEEG.

#### Italian Authority for Electricity and Gas satisfaction survey

According to the survey conducted by the AEEG [Italian Authority for Electricity and Gas] in the first half of 2011 on the Level of Service (LS), Average waiting time (TMA) and Customer satisfaction score (PSC), SGR *Servizi* is in eleventh place in the general ranking of "Quality of telephone services of electricity and gas providers"; the analysis shows an ICS customer Satisfaction Rating of 7 points over the sector average. For the first half of 2011, the diagrams show an ICS very close to the maximum and a customer satisfaction score with regard to the call centre (PSC) of 98.5%, with over 99% of customers satisfied with the use of the service (average of last six AEEG measurements).

From the second half of 2011, customers were able to communicate meter readings to the call centre. Managing it this way could allow us, possibly even from the next measurement, to achieve a better total score and a position higher than eighth place in the general ranking.



### Complaints and requests for information

The Integrated Text of the Regulation on the Quality of the Provision of Electricity and Natural Gas (TIQV), in effect from 1st July 2009, publishes all the new provisions the AEEG decision no. 164/2008 has introduced with regard to managing complaints, amongst which are new ways of managing requests for information and requests for bill corrections for which a written response is stipulated.

The new definition of complaint has caused an increase in cases and, consequently, an increase in appeals.

The improvement of management procedures has made the registration activity more efficient, so much so that in 2011, 257 complaints were made compared to 76 in 2010. For SGR *Servizi*, each complaint represents an opportunity to improve. In fact, the higher number of complaints has not affected the efficiency of its back-office services, nor the response times stipulated by the AEEG.

The goal is to reduce the complaint response time to 20 days, a much shorter time than the 40 days set by the Authority.

Both complaints and requests for information revolve around the issue of billing, in particular the amounts pending and outstanding.

In order to provide effective protection of customer rights, relations with consumer associations have facilitated the creation, within SGR *Servizi*, of a Resolution Centre, similar to those already successfully tried and tested in various sectors in Italy and the rest of Europe. The resolution process conforms to European recommendations and is based on regulations which highlight ease of access, simple procedures and data confidentiality. It is free for citizens and caters for the most disadvantaged social categories. No resolution cases were opened in 2011.



## Safety and continuity of the gas distribution service

Distributing natural gas requires great attention to safety, by which we mean protecting people and things from physical damage caused by various events (e.g. explosions, fires and blasts caused by uncontrolled gas leaks). The sector regulations currently in force (Decision 120/2008 of the Italian Protection Authority for Electricity and Gas) defines obligations and markers relating to the safety and continuity of the service. The safety and continuity of the service provided by SGR *Reti* are assessed and monitored on different criteria:

- ▶ speed of answering and responding to calls for gas leaks or interrupted service
- ▶ quantity of pipes inspected each year to identify gas leaks in the distribution system
- ▶ adequacy of the amount of odouriser mixed into the gas which is distributed
- ▶ renovation and maintenance of the existing network

The Italian Authority for Electricity and Gas prescribes, in relation to time frames, that a technical response must be made in under 60 minutes for at least 90% of requests from customers.

Telephone calls to the free phone gas emergency call-out line, open 24 hours all year round, came to a total 1,986 in 2011, of which only one third necessitated emergency action.



Maintenance workers

For technical reasons, it is not possible to completely stop gas leaks within the systems, but only to reduce them in number and extent.

With regard to scheduled inspections of gas leaks in the distribution system, SGR *Reti* fully meets the service requirements set by the Regulator which requires annual inspection of at least 30% of the medium pressure network and 20% of the low pressure network. Specifically, the network inspected in 2011 exceeded the minimum standard required.

2009	2010	2011		Emergency call-out – distribution system
1,804	1,891	1,986	Emergency call-out telephone calls	
29'	31'	31'	Average time to arrive at place of call	
99.61%	99.49%	98.89%	Calls with arrival at place of call in under 60 minutes	
2009	2010	2011		Emergency call-out – customer system
270	285	347	Emergency call-out telephone calls	
31'	28'	31'	Average time to arrive at place of call	
2009	2010	2011		Gas Network Leaks
998	1,062	1,197	Number of leaks in the network located because of indication from third parties or following scheduled network inspection	
40.40%	73.91%	42.86%	Total high and medium pressure network inspected	
41.49%	66.53%	52.84%	Total low pressure network inspected	

## Suppliers

Supplier selection is rigorous and is done using research, evaluation and monitoring processes which take into account the principles expressed in the Code of Conduct and the requirements stipulated by the Integrated System for Quality, Environment and Safety.

The selection criteria are fair, impartial and independent.

### Effect on area served

The choice to work with local suppliers has given a significant boost to local industry, both from a percentage and an absolute value point of view. The amounts relating to the items of the companies belonging to SGR Group and the amounts for the provision of gas and electricity have been deducted from the supply figure.

Local suppliers	€	2009	%	2010	%	2011	%
	Annual purchases within the area served	11,226,494	28.15	4,024,407	14.32	18,995,149	57.45
	Annual purchases outside the area served	28,654,361	71.85	24,086,640	85.68	14,070,215	42.55
	Total purchases	39,880,854	100	28,111,047	100	33,065,364	100





# The environment

Health care and environment protection are key issues in the sustainability policy of our Group. We are constantly promoting goals and programs to minimize our major impacts on the environment and to keep our safety standards high in compliance with quality certification systems.

## Introduction

As part of an integrated management system, our environmental approach aims at exceeding the current regulation standards by:

- ▶ deploying new low-emission technologies and devices to reduce pollutant emissions
- ▶ promoting a culture of energy saving and efficiency through the implementation of distance heating and co-generation plants
- ▶ monitoring the structural strength of gas pipelines to ensure higher standards for public safety and environmental protection
- ▶ promoting renewable energy strategies through the development of solar thermal and photovoltaic systems

## Environmental management system

Certified in 2012 as UNI EN ISO 14001, our environmental management system is fully integrated within each SGR Group company's quality and safety management system. Our environmental policy is based on codified and controlled procedures in addition to targeted audits. The process measurement system enables ongoing environmental performance monitoring. The resulting figure analysis will define the enhancing goals for SGR Group.

## Energy and raw material consumption

### Primary energy

SGR Group is committed to monitoring its primary energy consumption such as methane, electricity and fuel to cover the company's needs about heating, lightening, power plant and machinery and company's car fleet fueling.

Energy consumption	2009	2010	2011	
Data computed according to conversion standards as defined in the GRI G3 Guideline.	3,633	5,483	5,799	Electricity (GJ)
	119,026	133,469	151,098	Natural Gas (GJ)
	5,386	7,191	6,776	Fuel (GJ)



## Raw materials

Natural gas and gas odorisers are typical raw materials of our distribution chain. In 2011 SGR *Reti* delivered 311 million cubic metres of natural gas through its own pipeline network, against 336 million cubic meters delivered in 2010.

2009	2010	2011	
4,160	4,911	4,903	Gas odoriser delivered (kg)
305,322,010	335,790,382	331,561,583	Natural gas delivered (Stm <sup>3</sup> )

### Natural gas and gas odoriser

## Paper consumption for administrative purposes

While each bill document amounts to an average of three sheets of paper, all bills and envelopes are printed on Forest Stewardship Council certified paper, an International system that ensures the production of raw material according to stringent environmental, social and economic standards.

To save paper, we encourage customers to use our "bolletta@click" service that delivers automatic e-bills. In 2011 we had 9,878 customers registered on our website, with 2,125 opting for the e-bill delivering and allowing us to reduce the number of printed documents by 15,000 units.

In 2011 we issued  
1.2 million invoices,  
for a total of 3.7 million  
paper sheets.

## Water consumption

Water consumption mostly relates to restrooms and to the sanitation needs of our offices. The discharges are routed into the public sewer.

The following charts detail our overall water consumption:

2009	2010	2011	cubic metres
19,261	19,376	17,838	

### Water consumption



## Programs to promote energy efficiency

### Distance heating and co-generation

#### Distance heating plants: installation and management

**Marecchiese:** Located in Rimini (*Via Aldo Moro*) this distance heating plant serves 500 households. We have managed it for over twenty years and upgraded it in 1995.

**Viserba:** This plant was constructed in 2004 and became operational in 2005. Up to the present day it has served the 'PEEP' housing development in Viserba (Rimini area), which is made up of 830 households.

**Gaiofana:** Located at Gaiofana (a hamlet within the municipality of Rimini) and planned to serve 480 households, this plant is still under construction.

Distance heating is a form of heating used for houses and sanitary facilities that is provided through a network of insulated and buried pipelines directly linked to a central co-generation station designed to produce electricity and heat. When compared to traditional heating systems, a co-generation system ensures a higher level of efficiency and a reduction of pollutant emissions. The advantages of a co-generation system fall into the following categories:

- ▶ **Safety:** the main combustion process is kept out of the home - the natural gas stove being the only appliance left which involves combustion in the home - as the heating energy is provided by the distant heating system all year round
- ▶ **Environment:** pollutant emissions are released a long way from residential areas. Emissions are also drastically reduced thanks to an innovative equipment that produces effects comparable to those of renewable sources production
- ▶ **Maintenance:** the cost of routine maintenance and boiler combustion inspection, along with any expenses related to boiler replacement, are removed
- ▶ **Chimney flues:** in addition to the advantage of not having to fix or replace chimney flues, the need for them being removed, building exteriors are enhanced and functional spaces regained in the home

#### Distance heating: summary of figures

2009	2010	2011	
1,226	1,314	1,592	Distance heating customers connected
6,852,696	7,998,124	10,542,774	Heating power distributed (kW/h)
4,020,689	4,194,532	4,039,536	Electricity produced (kW/h)

#### Distance heating "Marecchiese" plant

Built by the local government in the early 1980s, this distance heating plant is known as "Marecchiese". The plant features gas-fired conventional boilers. SGR Group took charge of its management in 1995 and restructured the entire system by installing two co-generators capable of producing both electricity and heating energy.

In 2012 a new restructuring project will improve the energy and environmental performance of the system, thus enhancing its overall services. This step includes the installation of two new boilers of 2,000 kW and 3,000 kW, with a total heating power of 515 kW, and two high-performance co-generators fuelled by natural gas, for another 515 kW heating power.

### Distance heating “PEEP Viserba” plant

Completed and launched in 1995, this distance heating plant features a co-generation system hosting an internal co-generator powered by an endothermic engine and a micro turbine, which are both fuelled by natural gas.

An upgrade scheduled in late 2012 will consist in the implementation of a system for ongoing monitoring of pollutant emissions. The system will serve the endothermic engine and the micro turbine structure and will improve the overall management of the thermal power plant.

In particular, this system will regularly monitor the values of:

- ▶ oxygen (O<sub>2</sub>)
- ▶ carbon monoxide (CO)
- ▶ nitrogen oxides (NO<sub>2</sub>)
- ▶ carbon dioxide (CO<sub>2</sub>)
- ▶ flue gas temperature

The monitoring of these values will provide a more effective approach to controlling pollutant emissions and energy performance levels.

In particular, the IRE parameter (established by the Italian Authority for Gas and Electricity with Act no. 42/02 of 13/03/2002 and later modifications) details the energy efficiency of a co-generation plant and related savings when compared to traditional heating systems that produce electricity and thermal energy in separate channels.

While the IRE parameter is between 0.1 and 0.4, the actual value for the “Marechiese” plant is 0.283 and for the Viserba plant it is 0.332. Both plants reach an IRE saving value of 0.3.

## Heat Management System

### I Cedri apartment block

The upgrading of the central heating system serving this apartment block (the building dates back to the Seventies) has allowed a significant reduction in energy consumption and lowered pollutant emissions in the atmosphere to 18,200 Kg of carbon dioxide per year.

A centralized management system enables improved usage of energy sources resulting in decreased environmental impact. The economic gains of this technical improvement include:

- ▶ maximum fuel efficiency and low emissions as a result of the installation of a new condensing boiler
- ▶ independent temperature control in each room (time of ignition, temperature level, etc....)
- ▶ distribution of heating consumption in each apartment for a self-management strategy

Current regulations provide tax incentives for these systems, coupled with a cost-sharing plan for individual house billing.

### Heating management system figures in short

2009	2010	2011	
37	61	80	Apartment blocks managed
594	919	1,476	Customers connected
630,270	769,810	930,790	Gas consumed (Stm <sup>3</sup> )
5,108	6,239	7,543	Thermal energy sold (MWh)

## Photovoltaic systems

### Warehouse facility

Located on the roof of our headquarters, a company warehouse hosts 279 modules in polycrystalline silicon with an overall production of 64.17 kW. From its launch in May 2011 to 31 December 2011, the system generated about 53,000 kWh of electricity.

### Verucchio "Solar City" plant

In 2010 we installed photovoltaic systems on eight public buildings within the Verucchio municipality that produced a year worth of electricity for about 150 families. This project will enable a broad reduction of energy costs in favour of the municipal district involved: while the income from the relevant 25-year rental contract with SGR may be used by local authorities to fund other public interest activities, a 52% discount will be granted on the electricity tariff applied.

### Stella Sport Centre Plant

The roof of the “Stella” sport centre hosts 300 modules in polycrystalline silicon that produce 69 kW. Launched in June 2011, the plant has produced about 46,600 kWh so far.

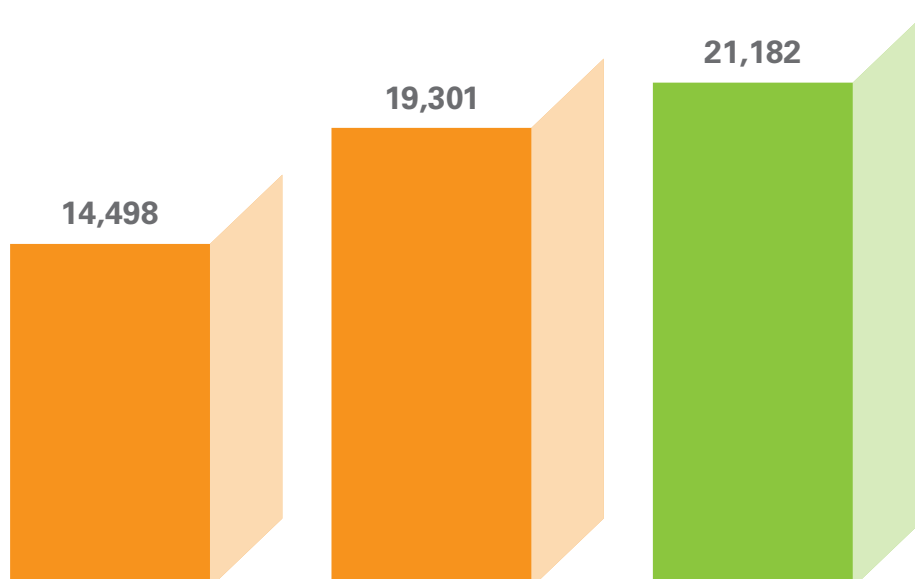
As regards pollutant emissions, it is important to note that each kWh produced by a photovoltaic system has zero emission, while producing 1 kWh of electricity using traditional means implies an emission of about 0.6 kg of carbon monoxide.

	Power installed (kW)	Power produced in 2011 (kW/h)	Reduction in CO <sub>2</sub> emissions (kg)
Company warehouse	64.17	52,213.5	27,725.37
Verucchio plant	309.62	232,965	123,704.42
Polisportiva Stella	69.00	46,435	24,656.99
<b>TOTAL</b>	<b>442.79</b>	<b>331,613.5</b>	<b>176,089.77</b>

#### Photovoltaic systems

### White certificates

White certificates, also known as “Energy efficiency credits”, measure the energy savings gained through the implementation of efficient technologies and reliable systems. They are issued by the electric market officials on the basis of savings certifications released by the Italian Authority for Gas and Electricity. One EEC (energy efficiency credit) equals a saving of one tonne of oil (tonne of oil equivalent, TOE), a unit of energy measuring the heating power of energy sources and commonly used in energy balances.



#### SGR Reti: Energy efficiency targets

Results achieved (TOE)

Objective set (TOE)

The promotion of energy saving through white certificates was established by a series of Law Decrees in July 2004. Relevant technical and economic regulations have been defined by the Italian Authority for Gas and Electricity, which is also in charge of setting national objectives for electricity and gas distributors on a yearly basis. More objectives are added each year and, in order to achieve them, technical improvements are needed, such as the installation of high-efficiency boilers and other energy efficient appliances, building insulation systems, plans to improve the energy savings of industrial processes, and efficient light bulbs. Each year distributors are expected to submit a certain quantity of credits equalling the level required by the Authority in order to prove their energy saving obligations have been fulfilled.

In 2011, the target of SGR *Reti* was 21,182 TEP and so far more than 40% has been covered; the remaining 60% will be completed by May 2013, in accordance with the Authority's schedule.

#### Green certificates

Green Certificates are tradable shares issued by the Electricity Service Authority in proportion to the electricity produced by a plant certified as fuelled by renewable sources (IAFR). The number of certificates issued depends on the specific plant and renewable source used.

Producers and importers of electricity from non renewable sources are required to put onto the domestic electricity market a minimum share per year of electricity from plants powered by renewable sources. Alternatively, this requirement can be met by purchasing green certificates issued by "green energy" producers. After a plant has been qualified as fuelled by renewable sources (IAFR qualification), each green certificate states an agreed-upon production of 1 MW h of renewable energy and is valid for three years.

Year	MWh
2009	1,550
2010	1,719
2011	1,536
1 green certificates = 1 MWh	

The Electricity Service Authority loads the first set of green certificates on a producer account, while keeping track of subsequent deposits and related transactions through a database that is open to account holders, after a special ID code has been provided by the Authority.

The co-generation system associated with the “PEEP Viserba” distance heating plant has been certified as fuelled by renewable sources (IAFR) and thus authorised to issue green certificates.

## Pollutant emissions

The sources of pollutant emissions produced by SGR Group include:

- ▶ thermal plants
- ▶ systems for capturing welding and painting fumes
- ▶ gas leaks from equipment
- ▶ distance heating plants
- ▶ printing facilities used for bill printing
- ▶ company vehicle fleet

Up to date, we have managed to measure only carbon dioxide emissions related to the co-generation system associated with the distance heating “PEEP Viserba” plant and to part of the company vehicle fleet. Our upcoming goal is to calculate the pollutant emissions produced by the entire company.

2009	2010	2011	
N/D	14.4	13.8	NO <sub>2</sub> Nitrogen oxide
N/D	0.6	0.6	SO <sub>2</sub> Sulfur dioxide
N/D	0.1	0.1	Dusts
N/D	9.8	9.9	CO Carbon monoxide
N/D	3,977.8	3,868.7	CO <sub>2</sub> Carbon dioxide

Pollutant emissions (t)



### Distance heating plants

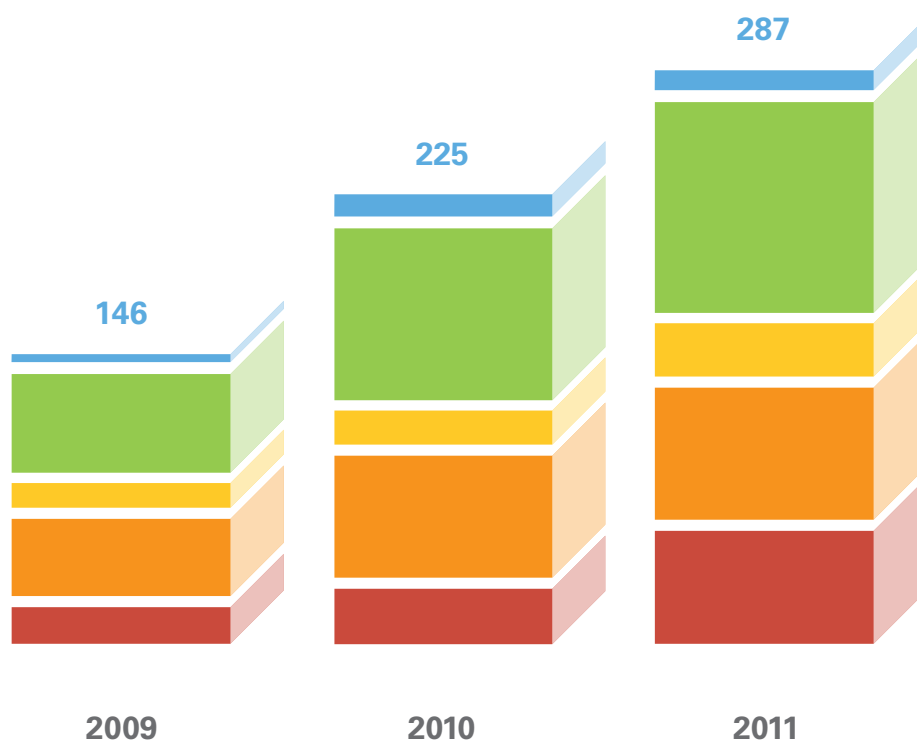
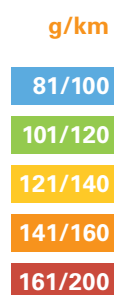
The amount of pollutant emissions produced by the co-generation and distance heating "PEEP Viserba" plant are directly monitored by SGR Group.

### Company vehicle fleet

Carbon dioxide emission levels from SGR Group's vehicle fleet are calculated on the cars and trucks that are under a long-term lease only, excluding those owned by the company.

The reference scale for emission measurement in year 2011 is the eco-label developed by the French Agency for Environment and Energy (Adème). Fifty-three per cent of SGR Group's vehicle fleet (including the most polluting trucks) range between 121 and 140 g/km of carbon dioxide emissions.

Estimated carbon dioxide emission (t) from the company's vehicle fleet, and calculated on current mileage



## Employee commuting and environmental impact

In 2011 a study on the commuting habits of SGR Group's employees provided an estimate of vehicle pollutant emissions and prompted new initiatives to reduce its environmental impact. On average, each employee drives a car for about 23 km daily, producing an annual emission level of 327t of carbon dioxide. Only some employees live close enough to reach the working place by walking or biking.

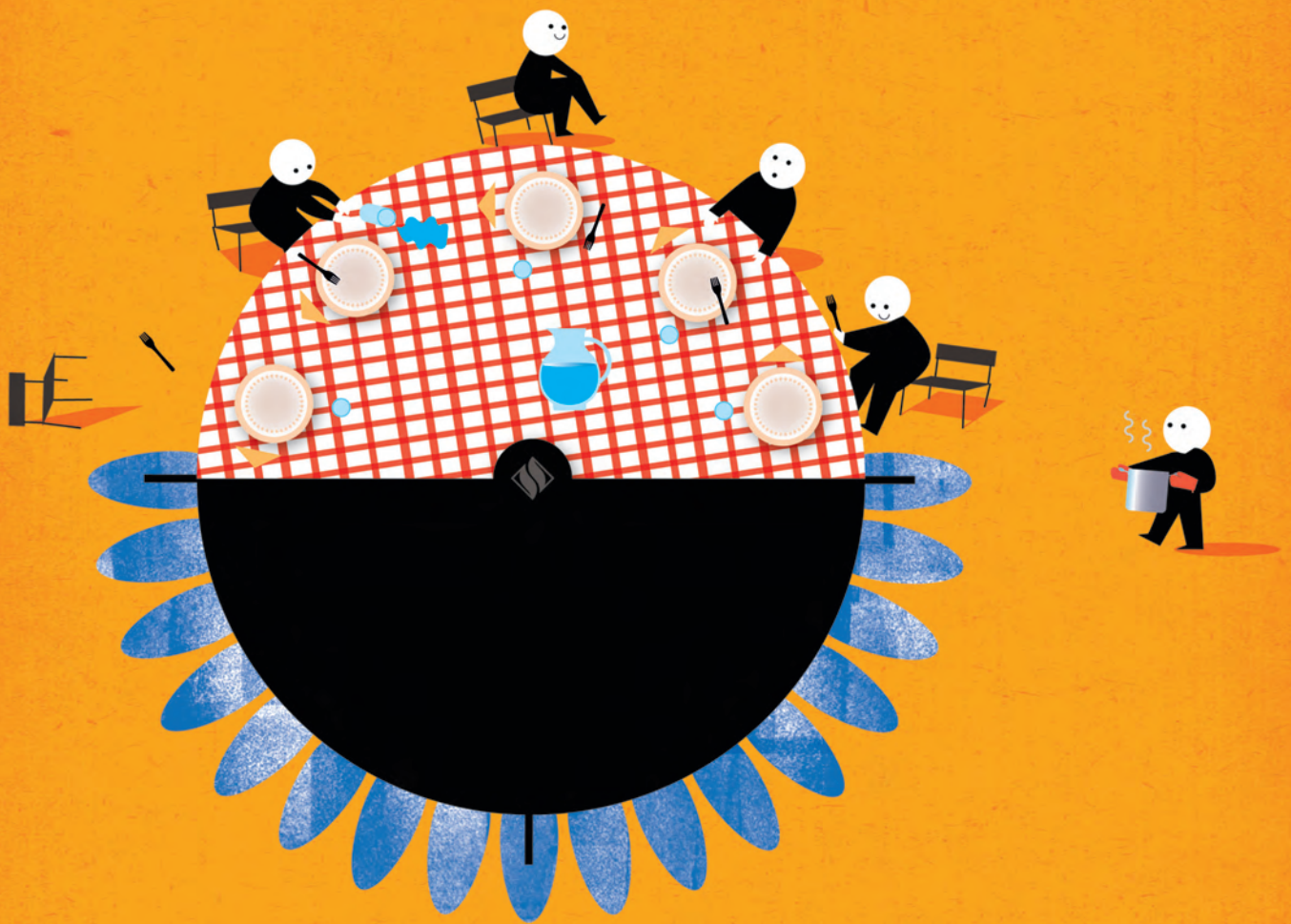
## Waste management at SGR Group

Art. 1 (a) of Council Directive 75/442/EEC of 15 July 1975 on Waste provides that "waste" shall mean any substance or object [...] which the holder discards or intends or is required to discard.

Based on Italy's Environmental Decree no. 152/06, our waste management policy covers the entire process from waste production to disposal. This Decree includes administrative and criminal sanctions for pollution practices specifically related to air, soil and landscape.

Since August 2011, waste management crimes have been included in Act no 231/2001 which prescribes monetary sanctions of up to 1,240,000 Euro, and even proscription where the offense a company is found guilty of falls into the most serious classification. Therefore, SGR Group must keep track of its waste cycle through a series of timely procedures carried out along its waste management system. The table below shows the data included in its Environmental Declaration Form.

Waste product	Classification	2009 (kg)	2010 (kg)	2011 (kg)
Motor oil	Special dangerous waste	1,590	1,985	1,805
Iron and Steel	Special waste	18,540	14,530	17,480
Aluminium	Special waste	10,960	7,290	5,280
Paint	Special dangerous waste	520	400	525
Toner	Special waste	250	700	1.213
Packaging with residues of dangerous substances	Special dangerous waste	210	80	85
Absorbents, contaminated filter materials	Special dangerous waste	170	200	351
Oil filter	Special dangerous waste	99	1,985	128
Anodic water wells	Special waste	8,280	2,980	7,600
Waste contaminated with dangerous substances	Special dangerous waste	100	0	500
Alkaline batteries	Special waste	0	120	170
Nickel-cadmium batteries	Special dangerous waste	N/D	N/D	40
Lead batteries	Special dangerous waste	N/D	N/D	100
Discarded equipment with dangerous components	Special dangerous waste	N/D	N/D	772
Discarded equipment	Special waste	N/D	N/D	1,040
Metal packaging with dangerous materials	Special dangerous waste	N/D	N/D	280
Ferrous metal filing and scraps	Special waste	N/D	N/D	80
Mixed metals	Special waste	N/D	N/D	230
Laboratory waste	Special waste	N/D	N/D	20



# Local community

Our corporate culture is the expression of a value system that has constantly been nurtured by the very nature of the services we are engaged in providing: public utility services. It is a value system that naturally permeates our activities guiding us toward social responsibility and sustainability.

## Introduction

Our service culture as a Group is deeply rooted in our pioneering past, i.e. in the relation network we started to build when we undertook the process of bringing methane to the local communities. Our commitment to the sustainability issues advanced by local communities relies on listening, participation, communication and other projects of social, cultural and environmental character directly linked to the future of local areas and new generations.

## Communication initiatives

### 2011 Communication campaigns

SGR Group has chosen to link its communication strategy to its idea of strong commitment to its long standing set of core values, those values that have long been a source of strength. The group's communication campaign for 2011 tells the story of a corporation always close to its citizen-customers, rooted in local areas and managed by reliable people. As a locally-based corporation, our attention is placed on tomorrow's energy and the need to keep it positive, affordable, and citizen-centred. What our 2011 communication essentially does is represent our customers' confidence. We value the people we service and therefore we strive to get their confident response, based on loyalty, transparency, innovation. In a sector usually subject to harsh judgment, this is a milestone for each of us and for our corporate identity.

### Events in town squares

Events in town squares are a direct way to engage with citizens and create opportunities for open discussion to keep our ties with local communities alive. We now use a "smart cube" as a dynamic and large space for such events. Some of the most interesting local events we attended in 2011 include St. Andrew's neighbourhood festival, St Martin's Day street festival and a local artisan bread fair, all of which held in the Rimini area.

### 'SGR Informa' magazine

This is a magazine we publish and distribute twice a year in about 180,000 copies focused on energy issues, along with information on gas and electricity services, on corporate culture and social responsibility initiatives.

**'SGR Informa'**  
October 2011 edition







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commessa  
residente a Cattolica

trasparente

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aiuto cucina  
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Giorgio,  
fornaio  
residente a Rimini

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tennista  
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## Educational activities



### BAA Bocconi Alumni Association – Rimini chapter

SGR Group's conference centre is host to the activities of the Rimini chapter of BAA Bocconi Alumni Association. The Rimini chapter joined a network of 26 in Italy and 48 more worldwide. The Bocconi Alumni Association organizes events, research and other projects on a variety of economic issues, including cultural exchanges targeting locally-based professional categories.

We support and pursue a closer dialogue with local institutions (industry and professional organizations, schools and universities, the Municipality and the Province of Rimini, foundations and local banks, cultural and other associations, etc.) in order to advance a shared strategy to implement educational opportunities and events in communities other than large metropolitan areas.

### Research Studies

Several research projects have been undertaken over time which analyze the history and business development of SGR Group, including:

- ▶ Decision, organizational and strategic procedures leading to the first sustainability report at SGR Group. Thesis for Master of Science in cooperation and NPO enterprise economics. Department of Economics, Forlì, Alma Mater Studiorum, Bologna University.
- ▶ Implementation process for sustainability development at SGR Group: accountability tools and organizational procedures. Working Paper, Alma Mater Studiorum, Bologna University and Urbino's Carlo Bo University
- ▶ Customer relationship management for information exchange between customers and SGR *Servizi*. Master Thesis for EMCA (European Master in Consumer Affairs) Alma Mater Studiorum, Rimini, Alma Mater Studiorum, Bologna University.

### High schools

Education, specialization and improvement of human resources are part of our comprehensive work experience-training strategy. In 2011 we hosted 22 interns from high schools selected both at local level and across Italy (Gela, Naples, Palermo, etc.).

SGR Group took part in the Career Day organised by Rimini University Campus together with 20 other companies and trade associations. 150 newly graduated students attended the event.

## Promoting a sustainable development culture

### Sustainability: a path to the future. SGR Group's education projects in Rimini

2012 marks the UN International year for sustainable energy and the 20th anniversary of Rio de Janeiro's Earth Conference. In September 2011 we organized a series of sustainable development educational sessions involving 12 local high schools, for a total of 550 students. The project comprised three steps:

- ▶ education sessions about eco-sustainability hosted at the SGR headquarters
- ▶ exhibition "*La nostra eredità: una terra vivibile per i nostri figli*" ("Our legacy: a viable earth for our children"), hosted at Rimini's Sala dell'Arengo (9 March – 1 April 2012)
- ▶ *Trofeo SGR*, a student-only competition with a final award equivalent to 10,000 Euros

## Sponsorship projects

### Health-related services

Our company is an active partner of ONG Rimini Solidale in activities aimed at improving the health situation locally. We provide support for technologically advanced diagnostic equipment and for programs to promote the initiatives of the Romagna's Cancer Institute and Rimini's Heart Project (the distribution of life saving tools among others).

Kind of sponsorship					
Cultural	Political	Social	Sport	Other	Total 2011
€ 49,805	€ 14,000	€ 44,604	€ 114,946	€ 39,908	€ 263,264

Total sponsorships	
2009	€ 191,415
2010	€ 215,797
2011	€ 263,264

### Culture and the community

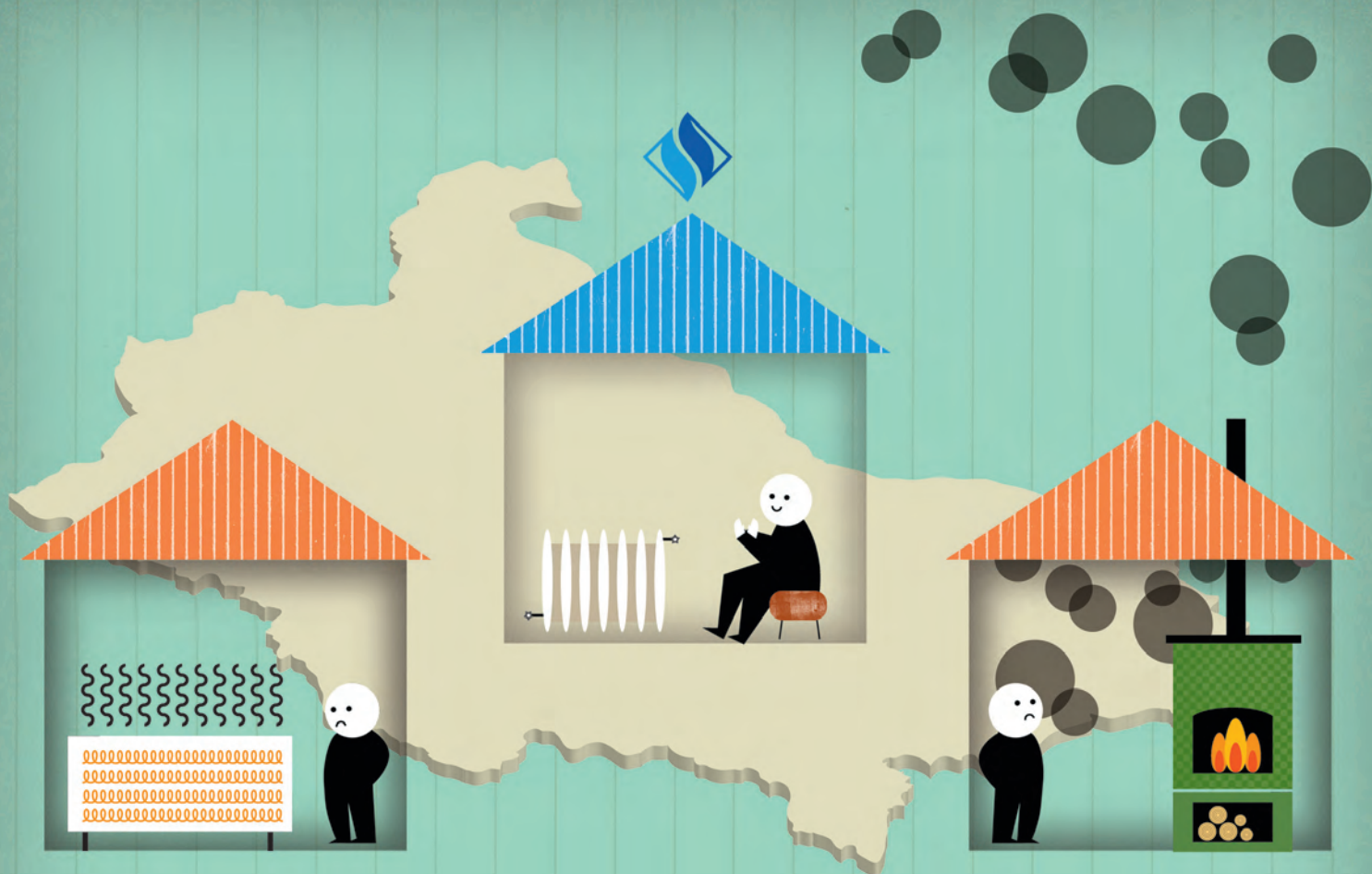
In accordance with its own values and mission, SGR Group support several projects that promote local development and social growth. Among various cultural, sports and community initiatives, we backed the following in particular: a conference organized by the International research center Pio Manzu in Paris; an exhibition of impressionist painters' works, the "Plautus" Festival in the hemlet of Sarsina - the birthplace of the Roman playwright - and an International Piano Festival.

We also contributed to a variety of other projects hosted by local entities, such as a theatre renovation project, Rimini's Basketball club's and Football club's tournaments, and a Triathlon/Duathlon event in Rimini.

**VII edition - Per il sorriso di un bambino ("To see a child smiling")**

*This charity dinner organized by SGR has become an annual summer event attended with interest and responsiveness by local people. The final outcome (59,000 Euros) has been donated to three charity organizations: the Catholic missionaries in Kuhlina (Bangladesh), Guandumehhy (Tanzania) and Crescere Insieme Association, a Rimini-based ONG supporting parents of children with Down syndrome.*

*In 2001 the dinner was attended by 400 donor participants*



# The market abroad

In 2006, through its subsidiary Citygas Bulgaria, SGR Group won an exclusive 35-year contract for the construction of approximately 2,000 kilometres of gas distribution network in the region of Trakia

## Bulgaria

### Ground-breaking: class action against pollution

The citizens of Plovdiv are taking the Council to court over the very poor quality of air.

This is the first time in Bulgarian history that the people have organised themselves into a class action against a local council to press charges about the quality of air in the city.

This has been driven by a publication by the Italian Statistics Institution on the quality of air in European cities, according to which Plovdiv is amongst the 30 most polluted cities on the continent. In addition to a pollution index rating 2.6 times more than normal and the serious circumstance of the levels of fine dust, other research seems to show that the poor air quality is mainly due to oil-fired heating, traffic, construction activities and inadequate cleaning of the streets.

Citygas Bulgaria is a member of the Bulgarian Natural Gas Association and currently 100% of the company shares is owned by SGR Group. The Board of Directors of Citygas Bulgaria has six members with a three-year period in office expiring next in 2013.

In 2010, the General Assembly of Shareholders, on the recommendation of the BoD, nominated a Supervisory Board which meets at six-month intervals. In 2010, SGR Group acquired Technoterm Engineering, a company which installs and maintains heating systems and which completes, from the point of view of the range of services, the presence of SGR Group in Bulgaria.

Citygas Bulgaria has offices in the cities of Sofia, Plovdiv, Kazanlak and Haskovo and will shortly be opening new offices in Dimitrovgrad and Radnevo.

### Customers of natural gas and education

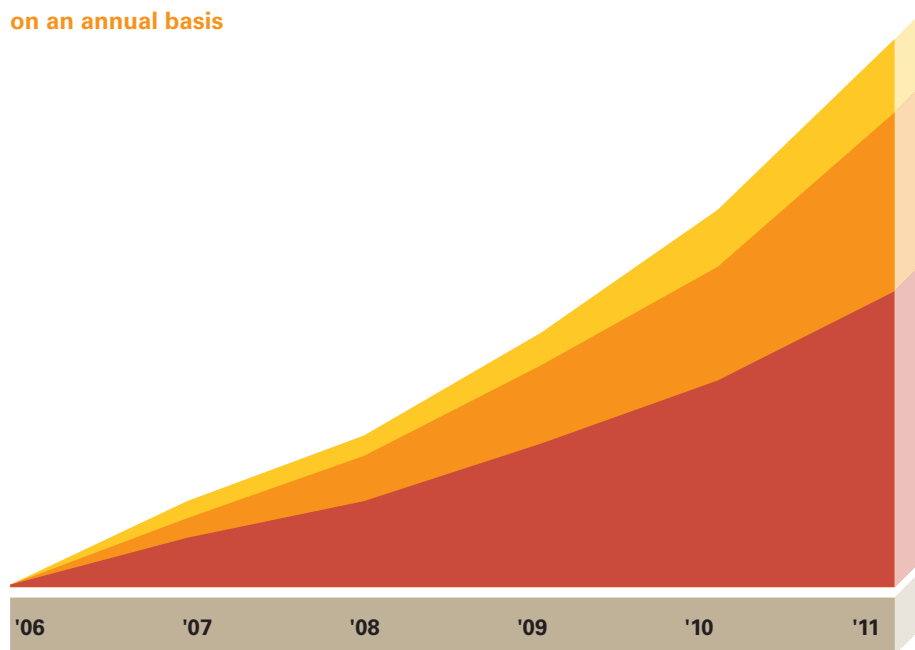
The company's objective is to educate the public about natural gas in a country where the average per capita consumption of gas is 2.5 times lower than the European average. Only 2.5% of Bulgarian families use gas, compared to 55% of European families.

For the latter, electricity consumption is no higher than 11% compared to other energy sources, whilst for Bulgarian families, the percentage increases to 40%. In 2012, the Bulgarian parliament approved the Energy Strategy to 2020, a document which sets the country's priorities in the field of energy and sets the goal of bringing methane to at least 30% of homes by 2020. It is estimated that an increase in use of natural gas could lead to savings of €2 billion per year and a 13% reduction in CO2 emissions into the atmosphere. The aim is to connect 800,000 homes to the gas distribution network by 2020, with a mid-way goal of 300,000 by 2013.

### Commercial and technical data

	2009	2010	2011
Total number of active users	352	507	726
Residential Customers	192	279	439
Commercial and municipal Customers	80	140	180
Industrial Customers	80	88	107
Km of pipelines laid during year	139	55	87
Km of network pipelines in use	369	424	521
Cubic metres of gas sold	33,396,218	53,013,770	63,511,207

### Evolution of customers on an annual basis

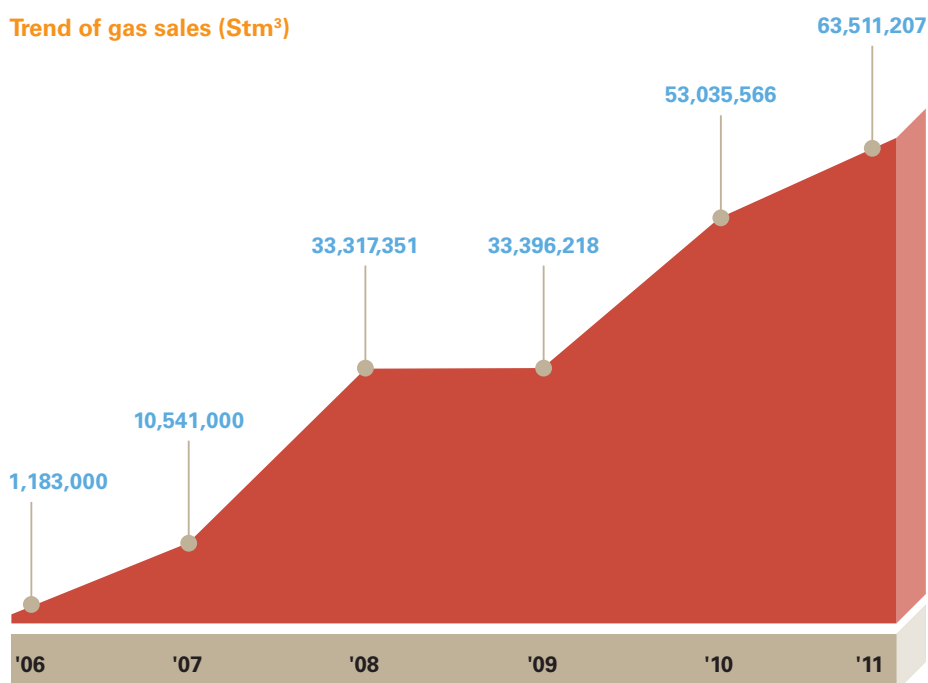


	2006	2007	2008	2009	2010	2011
Residential	0	48	111	192	279	439
Commercial	0	42	50	80	140	180
Industrial	6	32	50	80	88	107

### Safety

Each year, in line with implementing the network construction plan, theory and practical training days are organised in collaboration with the Civil Protection department to encourage people to develop specific skills, in the event of emergency related to the gas distribution network. Similar initiatives have been held in Kazanlak and Dimitrovgrad, several times in Plovdiv and in Stambolijsky, Sedinenie, Rakovsky, Maritza, Kricim and Radnevo.

### Trend of gas sales (Stm<sup>3</sup>)





**Project Nature 2000**

This is a European network of "sites of Community importance", created for the protection and conservation of habitats and species, animal and vegetable, which have been identified as priorities by the countries of the European Union. Construction of the Citygas gas distribution network is being carried out in respect of this project, taking into consideration the regional economic, social and cultural requirements from a point of view of sustainable development.

**DESIREE Project**

Citygas has become the sponsor for the Bulgarian Association for Natural Gas (BANG) of DESIREE - Demand Side Residential Energy Efficiency Financing Facility, of a project which promotes and finances grants for heating system conversion operations systems. The first grant of financing from EBRD - European Bank for Reconstruction and Development, is expected by mid-2012.

**Environmental and social impact**

Citygas has carried out an assessment of the risks and the financial and social impact of the project of switching to methane, highlighting a potentially negative impact particularly during the construction and digging phase with the related risk of polluting agricultural land, the challenge of managing solid waste and an increase in noise pollution. Citygas Bulgaria's first steps have been to obtain the certifications for the quality management system (BDS EN ISO 9001:2008), for environmental management (BDS EN ISO 14001:2005) and for safety at work (OHSAS 18001:2007).

Also key have been overseeing the gas duct planning process, implementing international best practices and other tasks from the Ecological and Social Action Plan.

The Social Engagement Plan (SEP) is a document that Citygas Bulgaria drew up and published to confirm its commitment to various stakeholders:

- ▶ creating new jobs in the region
- ▶ improving the quality of life and increasing the amount of free time the citizens have
- ▶ improving economic-financial conditions in the region following use of a low cost energy source (natural gas)
- ▶ developing more competitive conditions for new investors
- ▶ changing the culture to reposition the value system of the social and political community

**Relations with schools and universities**

In 2011, collaborations with Bulgarian schools and universities were initiated to promote education about natural gas as a "clean" source of energy creating training and working opportunities in the area.

- ▶ Professional high school for the food and technical sector - Plovdiv: programme of internships of eight hours per week over the period 01/10/2011-30/06/2012
- ▶ Technical University for Food Technology - Plovdiv: project for the introduction of a degree course and professional training courses in the field of Energy. Project to support the construction of university teaching spaces.
- ▶ New Bulgarian University and University of National and World Economy - Sofia: a project for placing final year students in jobs at the company headquarters in Sofia

# GRI Content Index

The table below shows where in this report information is provided which fully complies with the GRI indicators. As a result of such compliance, SGR Group's sustainability report fulfills the requirements for application level C.

## Strategy and Analysis

1.1	Statement from the most senior decision-maker in the organization	Chairwoman's letter - p. 9
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## Organization profile

2.1	Name of the organization	Who we are - p. 16
2.2	Primary brands, products and/or services	Who we are - p. 16
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Who we are - p. 16
2.4	Location of organization's headquarters	Who we are - p. 16
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Who we are - p. 16
2.6	Nature of ownership and legal form	Who we are - Our governance system - p. 18
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Who we are - pp. 16, 41
2.8	Scale of reporting organization	Key figures - pp. 12-13 Economic responsibility - pp. 25, 26
2.9	Significant changes during the reporting period regarding size, structure, or ownership	No significant changes have taken place in the reporting period as to scale, structure and nature of ownership and legal form
2.10	Awards received in the reporting period	In the reporting period SGR took part in Sodalitas Social Award, a contest centered on social responsibility. SGR was not given an award on that occasion.

## Report Parameters

3.1	Reporting period for information provided	Methodology note - p. 10
3.2	Date of most recent previous report	Methodology note - p. 10
3.3	Reporting cycle	Methodology note - p. 10
3.4	Contact point for questions regarding the report or its contents.	Methodology note - p. 10
3.5	Process for defining report content.	Methodology note - p. 10 SGR stakeholder structure p. 21 - Dialogue and collaborative initiatives p. 22

### Parametri del report

3.6	Boundary of the report	Methodology note - p. 10 Who we are - p. 16
3.7	State any specific limitations on the scope or boundary of the report.	Information in this report refer to the Group's activities in their entirety, both in Italy and abroad.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	None
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	There are no previous reports
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	There are no previous reports
3.12	Table identifying the location of the Standard Disclosures in the report.	GRI Content Index - pp. 72-75

### Governance, commitments and engagement

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Who we are - Governance system - pp. 18-19
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	Who we are - Governance system - pp. 18-19
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body responsible for specific tasks such as setting strategy or organisational oversight.	Who we are - Governance system - pp. 18-19
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Given the relatively small size of the group, no structural mechanisms are in place for the employees to provide recommendations to the board of directors (as a collegiate body). However, there are a number of occasions on which employees can address some of the board members directly for this purpose.
4.14	List of stakeholder groups engaged by the organization	Who we are - The stakeholders of SGR Group - pp. 21-22
4.15	Basis for identification and selection of stakeholder with whom to engage	Who we are - The stakeholders of SGR Group - pp. 21-22

### Economic Performance indicators

EC1 Core	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Financial responsibility - Production and distribution of added value - pp. 25-28
EC4 Core	Significant financial assistance received from government	None
EC6 Core	Policy, practices and proportion of spending on locally-based suppliers at significant location of operations	The market - Suppliers - p. 49
EC7 Core	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	The people - pp. 33, 60
EC8 Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Local community - Sponsorship projects - pp. 66-67

### Environmental performance Indicators

EN1 Core	Materials used by weight or volume	The environment - Energy and raw material consumption – pp. 51-52
EN3 Core	Direct energy consumption by primary energy source	The environment - Energy and raw material consumption – pp. 51-52
EN6 Add.	Initiatives to provide energy efficient or renewable energy-based products and services and reduction in energy requirements as a result of these initiatives	The environment - Programs to promote energy efficiency - pp. 53-58
EN8 Core	Total water withdrawal by source	The environment - Water consumption - p. 52
EN16 Core	Total direct and indirect greenhouse gas emissions by weight	The environment - Pollutant emissions - pp. 58-59
EN20 Add.	NOx, SOx, and other significant air emissions by type and weight	The environment - Pollutant emissions – p. 58
EN22 Core	Total weight of waste by type of disposal method	The environment - Waste management at SGR Group - pp. 60-61
EN26 Core	Initiatives to mitigate environmental impact of products and services and extent of impact mitigation	The environment - Programs to promote energy efficiency - pp. 53-58
EN28 Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None
EN29 Add.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	The environment - Employee commuting and environmental impact - p. 60

### Labour practices and decent work performance indicators

LA1 Core	Total workforce by employment type, employment contract, region and gender	The people - Company identity – p. 33
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### Labour practices and decent work performance indicators

LA4 Core	Percentage of employees covered by collective bargaining agreements	100%
LA7 Core	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	The people - Health and Safety at work - pp. 36 - 37
LA10 Core	Average hours of training per year per employee by employee category.	The people - Training - p. 36

### Social Performance indicators

SO4 Core	Actions taken in response to incidents of corruption	No corruption cases
SO7 Core	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	In 2011 SGR was not involved in legal actions referring to anti-competitive behaviour/monopoly practices
SO8 Core	Monetary value of significant fines and total number of non-monetary sanctions for non compliance with laws and regulations	None
SO9 Core	Activities with an impact, potential or actual, on local communities	SGR does not carry out any activities which have a negative impact on local communities

### Product responsibility performance indicators

PR5 Add.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	The market - Listening to the customer through customer satisfaction and claims – pp. 44-46
PR7 Add.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	No cases of non compliance with marketing activity regulations were recorded
PR8 Add.	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No complaints have been filed with SGR regarding privacy infringement.
PR9 Core	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No sanctions have been imposed on SGR for non-compliance with laws and regulations concerning the provision and use of products and services.

## Appendix 1

GRI Guidelines include, amongst the indicators provided, the economic value generated and distributed to stakeholders. Below, we have recorded a reconstruction of how the added value was determined and distributed.

ADDED VALUE DETERMINATION STATEMENT	2009	2010	2011
<b>A) PRODUCTION VALUE</b>			
1) Goods and services revenue	165,116,880	189,212,593	200,668,405
(-) Revenue adjustments	0	0	0
2) Variations in work in progress, finished and semi-finished goods	0	57,260	-114,130
3) Variations in work in progress on order	-93,406	0	0
4) Other revenues and incomes	0	0	0
<b>Revenues from core business production</b>	<b>165,023,474</b>	<b>189,269,853</b>	<b>200,554,276</b>
<b>Revenues from atypical business (internal production)</b>	<b>521,097</b>	<b>2,836,999</b>	<b>4,149,423</b>
<b>TOTAL</b>	<b>165,544,571</b>	<b>192,106,852</b>	<b>204,703,699</b>
<b>b) INTERMEDIATE COSTS OF PRODUCTION</b>			
6) Variations in inventories of raw, ancillary and consumable materials and goods (cost of goods sold)	-104,481,638	-103,454,633	-109,274,055
7) Cost of services rendered	-19,373,433	-31,896,386	-36,190,161
8) Costs for use of third party property	-4,925,495	-5,179,654	-5,284,406
9) Provisions for risks	0	-10,000	0
10) Other provisions	0	0	-6,136
11) Other operating expenses	-5,500	-5,500	-5,500
<b>TOTAL</b>	<b>-128,786,066</b>	<b>-140,546,173</b>	<b>-150,760,257</b>
<b>GROSS ADDED VALUE OF CORE BUSINESS PRODUCTION</b>	<b>36,758,505</b>	<b>51,560,679</b>	<b>53,943,442</b>
<b>C) EXCEPTIONAL AND ORDINARY ITEMS</b>			
Exceptional incomes	48,166,503	56,996,260	50,468,940
- Exceptional charges	-42,921,662	-49,798,965	-43,519,845
<b>12) (+/-) Exceptional incomes and charges</b>	<b>5,244,841</b>	<b>7,197,295</b>	<b>6,949,095</b>
Extraordinary incomes	5,282,588	247,734	240,437
- Extraordinary charges	-1,401,530	-2,265,801	-2,441,355
<b>13) (+/-) Extraordinary incomes and charges</b>	<b>3,881,058</b>	<b>-2,018,067</b>	<b>-2,200,918</b>
<b>TOTAL</b>	<b>9,125,899</b>	<b>5,179,228</b>	<b>4,748,177</b>
<b>GROSS GLOBAL ADDED VALUE (A-B+/-C)</b>	<b>45,884,404</b>	<b>56,739,907</b>	<b>58,691,618</b>
Depreciations applied to homogeneous assets	-4,331,361	-4,952,152	-5,060,094
<b>NET GLOBAL ADDED VALUE</b>	<b>41,553,043</b>	<b>51,787,755</b>	<b>53,631,524</b>



## Appendix 2

ADDED VALUE DISTRIBUTION STATEMENT	2009	2010	2011
<b>A) DISTRIBUTED TO PERSONNEL</b>			
To contractors	1,045,199	1,036,094	914,162
To permanent staff	10,161,092	11,964,039	13,421,600
A) Direct compensation	7,276,182	8,612,142	10,432,940
B) Indirect compensation	2,884,910	3,351,897	2,988,660
C) Shares of company's profits awarded to employees	0	0	0
<b>TOTAL</b>	<b>11,206,291</b>	<b>13,000,133</b>	<b>14,335,762</b>
<b>B) DISTRIBUTED TO PUBLIC ADMINISTRATION</b>			
Direct taxes	9,950,095	12,963,023	15,342,002
Indirect taxes	257,846	273,108	253,283
- grants received	0	0	0
<b>TOTAL</b>	<b>10,207,941</b>	<b>13,236,131</b>	<b>15,595,284</b>
<b>C) DISTRIBUTED TO BANKS</b>			
For short-term capital loans	62,498	94,931	1,220,582
For long-term capital loans	604,474	447,830	370,015
<b>TOTAL</b>	<b>666,972</b>	<b>542,761</b>	<b>1,590,597</b>
<b>D) DISTRIBUTED TO SHAREHOLDERS</b>			
Dividends to shareholders	2,694,000	3,426,000	4,629,000
<b>TOTAL</b>	<b>2,694,000</b>	<b>3,426,000</b>	<b>4,629,000</b>
<b>E) ADDED VALUE RETAINED BY THE GROUP</b>			
(+/-) Variations in reserves	16,289,707	21,226,394	16,952,037
Amortisations and Depreciations	4,331,361	4,952,152	5,060,094
<b>TOTAL</b>	<b>20,621,068</b>	<b>26,178,546</b>	<b>22,012,131</b>
<b>F) OUTSIDE DONATIONS</b>	<b>488,132</b>	<b>356,336</b>	<b>528,844</b>
<b>TOTAL</b>	<b>488,132</b>	<b>356,336</b>	<b>528,844</b>
<b>GROSS GLOBAL ADDED VALUE</b>	<b>45,884,404</b>	<b>56,739,907</b>	<b>58,691,618</b>
-Amortisations and Depreciations	-4,331,361	-4,952,152	-5,060,094
<b>NET GLOBAL ADDED VALUE</b>	<b>41,553,043</b>	<b>51,787,755</b>	<b>53,631,524</b>



## Statement GRI Application Level Check

GRI hereby states that **Gruppo Società Gas Rimini S.p.A.** has presented its report "Bilancio di Sostenibilità Gruppo SGR Anno 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 May 2012

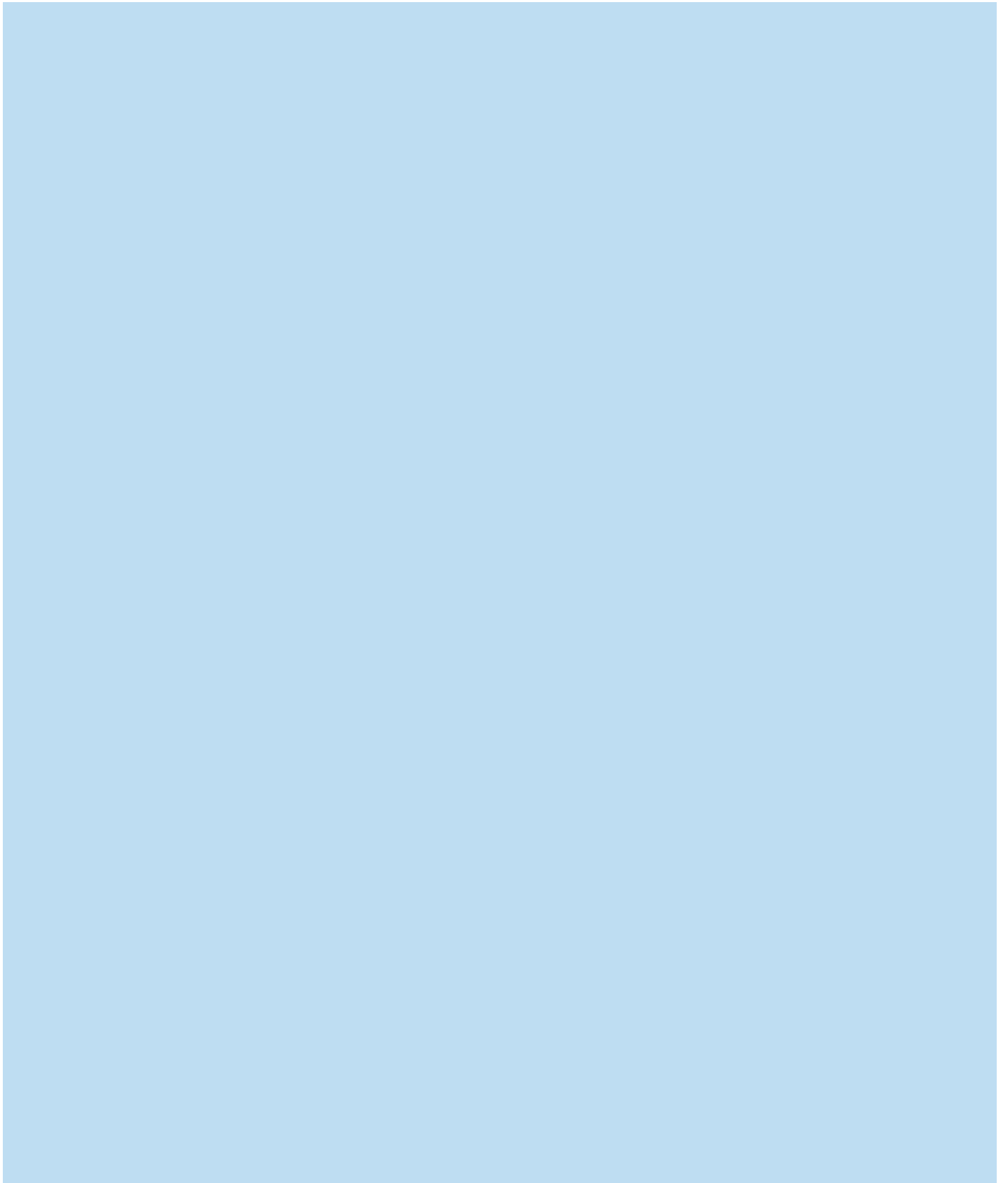
A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large, light-blue watermark of the GRI logo in the background.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 27 April 2012. GRI explicitly excludes the statement being applied to any later changes to such material.



## Colophon

*Art Direction  
and Editorial project*  
Co.Mo.Do.  
Comunicare Moltiplica Doveri

*Editorial design*  
SGR's Graphics Unit

*Editorial Staff*  
SGR's Quality, Safety,  
Environment, Sustainability and  
Reporting Unit  
SGR's Marketing &  
Communications Unit

*Illustrator*  
Laura Bortoloni



**SGR Group**  
Via Chiabrera 34d  
Rimini, Italia

t. +39 0541 303030  
fax +39 0541 380344

[www.gasrimini.it](http://www.gasrimini.it)

