

Italgas S.p.A.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 19 APRIL 2018

SINGLE CALL

**Report by the Board of Directors on the proposals concerning the items on the agenda of the
Shareholders' Meeting**

Item 2 of the extraordinary session

“Proposed amendment to article 13 of the company’s Bylaws. Required and consequent resolutions.”

Dear Shareholders,

This report is intended to illustrate the proposed amendment to article 13 of the Bylaws concerning the methods for electing members of the Board of Directors by means of the slate voting system.

In particular, article 13.1 of the Bylaws provides that the Board of Directors shall consist of 9 members, appointed according to the "slate voting" mechanism, governed by the subsequent articles 13.3 and 13.5 and aimed at ensuring the presence, within the management body, of members representing the minority shareholders.

In short, the current slate voting system of Italgas S.p.A. provides that:

- a) the names of the first seven directors will be selected from the slate that has obtained the majority of shareholder votes, in the order in which they are listed on the slate;
- b) the remaining two directors will be selected from the other slates that are in no way, whether directly or indirectly, connected to shareholders who have submitted or voted for the slate that received the majority of votes; to this end, votes obtained in the slates will be subsequently divided by one and two. The quotients thus obtained shall be progressively assigned to the candidates on each slate in the order specified thereon. On the basis of the quotients assigned, the candidates on the various slates shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected. If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected any director or that has elected the smallest number of directors shall be elected. If none of such slates has yet elected a director or all of them have elected the same number of directors, the candidate from the slate that obtained the largest number of

votes shall be elected. If the different slates have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.

c) if, following the application of the procedure described above, it is not possible to appoint the minimum number of independent directors required by the Articles of Association, then the quotient of the votes to attribute to each candidate on the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each one of the aforementioned candidates; candidates who do not meet the requirements of independence and have the lowest quotients among candidates from all slates are replaced, starting with the last candidate, by independent candidates listed on the same slate of the replaced candidate (following the order in which they are listed), or, alternatively by individuals meeting the requirements of independence, who have been appointed by the Shareholders' Meeting with the majorities required by the law and in compliance with the law and the Bylaws regarding the composition of the Board of Directors. In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes from the Shareholders' Meeting in a specific voting round;

C-bis) if the application of the procedure described under letters a) and b) does not permit compliance with the regulations on gender balance, the quotient of votes to be attributed to each candidate from the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each candidate; the candidate of the most represented gender who has the lowest quotient among the candidates from all the slates is replaced, without prejudice to the minimum number of independent directors, by the candidate representing the less represented gender (with the subsequent higher number of order) on the same slate as the replaced candidates, or, alternatively, by the individual appointed by the Shareholders' Meeting with the majorities required by the law and in compliance with the law and the Bylaws regarding the composition of the Board of Directors. In cases in which candidates from different slates have obtained the same minimum quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes by the Shareholders' Meeting in a specific voting round.

d) for the appointment of directors, who, for any reason, are not appointed in accordance with the procedures described above, the Shareholders' Meeting resolves by legal majority, in order to ensure that the composition of the Board of Directors is compliant with the law and the Articles of Association.

Further provisions guarantee the presence on the Board of Directors of members who meet the requirements of independence and integrity under current legislation, as well as respect for gender balance.

Article 13, which currently regulates the slate voting system, is therefore worded in such a way as to ensure respect for the principles of protecting minorities enshrined in the Legislative Decree of 24 February 1998, no. 58.

However, during the voting that took place at the latest shareholders' meetings of some issuers, an evolving trend in shareholding structures came to light which is specifically resulting in a proportional increase in the capital shares held by institutional investors and their more active participation in shareholders' meetings.

As a consequence, the main shareholder, despite presenting a slate of candidates sufficient to fill the majority of places to be occupied on the Board, failed to obtain a majority of the votes when voting took place in the shareholders' meeting. Conversely, the slate presented by a group of institutional investors, containing a smaller number of candidates than reserved under the Bylaws for the first slate in terms of the number of votes received, obtained the majority of the votes in the shareholders' meeting.

Since the slate voting procedure did not allow for the election of the entire board of directors, on the

aforementioned occasions, further voting had to take place during the shareholders' meeting in order to appoint the missing directors on the basis of proposals made by the shareholders directly at the meeting.

The mechanism described could result in multiple difficulties: slower and less efficient operation of shareholders' meetings in the first place, but also the impossibility for shareholders to give precise instructions for the purpose of voting by proxy.

Therefore, in order to facilitate the work of the Shareholders' Meeting, ensuring the rapid completion and, at the same time, the successful outcome of the procedure for appointing the Board of Directors, today we intend to submit a proposal to amend Article 13 of the Bylaws of Italgas S.p.A.

In particular, the aforementioned proposal retains the existing system under the Bylaws and the slate voting system as described above, supplementing it with further provisions to remedy the situations identified.

More precisely, the proposal is to supplement the existing article 13.5, letter b-bis), with a provision stating that, in the event of the slate receiving the greatest number of votes - i.e. the one which, following this amendment, shall be defined as the "Majority Slate" - not containing a sufficient number of candidates to ensure that the number of directors to be elected pursuant to letter a) of article 13.5 is reached (i.e. 7 directors), the procedure shall be (i) to draw from the slate all the candidates listed therein, in the order stated on that slate, (ii) to draw the other two directors from the Minority Slates, pursuant to letter b) of article 13.5, and (iii) to draw the remaining directors, for positions not covered by the Majority Slate, from the Minority Slate which has obtained the highest number of votes among the Minority Slates (the "First Minority Slate") according to the capacity of that slate. In case of insufficient capacity of this slate, (iv) to draw the remaining directors, by the same procedure, from the following slate ("Second Minority Slate") or possibly from the subsequent ones, depending on the number of votes and the capacity of the lists themselves. Finally, if the total number of candidates included in all the slates presented, both in the Majority Slate and in the Minority Slates, is less than that of the directors to be elected, (v) the remaining directors should be elected by resolution adopted pursuant to letter d) of Article 13.5, that is, appointed by the Shareholders' Meeting with the majorities required by law and in compliance with the law and the Bylaws regarding the composition of the Board of Directors.

Finally, as regards Article 13.5 of the Bylaws, the following amendments of a primarily formal nature are proposed to the provisions of letters a), b) and c-bis) to ensure they are more consistent with the general structure of Article 13.5 resulting from the introduction of the new letter b-bis).

In light of the foregoing, the Board of Directors deems it appropriate to propose to the Shareholders' Meeting to amend the aforementioned Article 13.5 of the Company Bylaws which, therefore, will result in the following content (the additions are highlighted in bold):

"13.5 The directors will be elected as follows:

*a) the names of the first seven directors will be selected from the slate that has obtained the majority of shareholder votes (**the "Majority Slate"**), in the order in which they are listed on the slate;*

b-bis) if the Majority Slate does not contain a sufficient number of candidates to ensure that the number of directors to be elected pursuant to letter a) above can be reached, all the candidates listed on that slate shall be drawn, in the order stated on that slate; after a further two directors have then been drawn from the Minority Slates, pursuant to letter b), the remaining directors shall be drawn, for positions not covered by the Majority Slate, from the Minority Slate which has obtained the highest number of votes among the Minority Slates (the "First Minority Slate") according to the capacity of that slate. In case of insufficient capacity, the remaining directors shall be drawn, by the same procedure, from the following slate ("Second Minority Slate") or possibly from the subsequent ones, depending on the number of votes and the capacity of the slates themselves. Lastly, if the total number of candidates on the slates presented, on both the

Majority Slate and Minority Slates, is lower than the number of the directors to be elected, the remaining directors shall be elected by the shareholders' meeting with a resolution approved in accordance with letter d) below;

c) if, following the application of the procedure described above, it is not possible to appoint the minimum number of independent directors required by the Articles of Association, then the quotient of the votes to attribute to each candidate on the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each one of the aforementioned candidates; candidates who do not meet the requirements of independence and have the lowest quotients among candidates from all slates are replaced, starting with the last candidate, by independent candidates listed on the same slate of the replaced candidate (following the order in which they are listed), or, alternatively by individuals meeting the requirements of independence, who have been appointed in accordance with the procedure described under letter d). In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes from the Shareholders' Meeting in a specific voting round;

c-bis) if the application of the procedure described under letters a), b) **and b-bis)** does not permit compliance with the regulations on gender balance, the quotient of votes to be attributed to each candidate from the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each candidate; the candidate of the most represented gender who has the lowest quotient among the candidates from all the slates is replaced, without prejudice to the minimum number of independent directors, by the candidate representing the less represented gender (with the subsequent higher number of order) on the same slate as the replaced candidates, or, alternatively, by the individual appointed in accordance with the procedure described under letter d). In cases in which candidates from different slates have obtained the same minimum quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes by the Shareholders' Meeting in a specific voting round.

d) for the appointment of directors, who, for any reason, are not appointed in accordance with the procedures described above, the Shareholders' Meeting resolves by legal majority, in order to ensure that the composition of the Board of Directors is compliant with the law and the Articles of Association.

Current peremptory legislative and regulatory provisions constitute, in any case, an exception to these policies.”

Below is the proposal for a resolution to be submitted to the Shareholders' Meeting with a comparison between the current version of the relevant article in the Bylaws and the version that includes all the aforementioned proposed amendments, highlighting the insertions in bold and the deletions in struck-out text.

CURRENT TEXT

PROPOSED TEXT

Title IV – BOARD OF DIRECTORS

Title IV – BOARD OF DIRECTORS

ARTICLE 13

ARTICLE 13

13.1 The Company is managed by a Board of Directors comprising 9 (nine) members; their term in office is defined by the Shareholders' Meeting

13.1 – *Unchanged*

CURRENT TEXT

at the time of their appointment.

13.2 The Directors can be appointed for a period not exceeding three fiscal years, their term in office expires on the date of the Shareholders' Meeting convened to approve the financial statements relating to the last fiscal year in which the Directors hold office, and can be re-elected.

13.3 The Board of Directors is appointed by the Shareholders' Meeting in compliance with the regulations in force at the time on gender balance, on the basis of slates submitted by the shareholders, on which candidates must be listed by means of a progressive number.

The slates are deposited at the Company's registered offices no later than the twenty-fifth day preceding the date in which the Shareholders' Meeting will convene to discuss the appointment of the members of the Board of Directors, and are made available to the public at least twenty-one days prior to the Shareholders' Meeting, in accordance with the terms and conditions provided for in the law and Consob's own regulations.

Each shareholder can submit or participate in the submission of and vote a single slate in accordance with the terms set forth in the aforementioned legislative and regulatory provisions.

Each candidate must submit his/her candidacy on a single slate, under penalty of ineligibility.

Slates may only be presented by Shareholders who, alone or together with other Shareholders, represent at least 2% or are together the owners of such other stake in the capital as Consob may set in its regulations. Ownership of the minimum share necessary to submit slates is defined by taking account of shares that are registered to the shareholder on the day on which the slates are deposited with the Company.

In order to prove ownership of the number of shares necessary to submit slates, shareholders must produce the relevant certification issued in accordance with the law by qualified intermediaries within the deadline set for the publication of slates by the Company.

No less than three directors must meet the requirements of independence set forth for the statutory auditors of listed companies.

PROPOSED TEXT

13.2 – *Unchanged*

13.3 – *Unchanged*

CURRENT TEXT

The slates must expressly bear the names of candidates who meet the aforementioned requirement of independence.

Pursuant to the Decree of the President of the Council of Ministers of 25 May, 2012, containing the “Criteria, conditions and terms for the adoption of the model for the demerger of Snam S.p.A., in accordance with Article 15, of Law no. 27 of 24 March, 2012”, the directors cannot be appointed to offices in administrative or control bodies or in managerial positions at ENI S.p.A. and its subsidiaries, nor can they entertain any direct or indirect, professional or financial relationship with the aforementioned companies.

Furthermore, all candidates must meet the requirements of integrity laid down in current legislation.

The slates that present three or more candidates must include candidates of different gender, as specified in the call notice for the Shareholders’ Meeting, in order to respect the legal provisions on gender equality. When the number of representatives of the least represented gender must be, by law, no less than three, the slates that compete for the appointment of the majority of the members of Board of Directors must include at least two candidates of the gender that is least represented on the slate.

At the time of deposit, each slate, under penalty of its inadmissibility, must be accompanied by the professional CV of each candidate, along with the declarations by which candidates accept their candidacy and, under their own responsibility, declare the non-existence of reasons for ineligibility and incompatibility, in addition to their ownership of the aforementioned requirements of integrity and independence.

The appointed directors must notify to the Company of their loss of the aforementioned requirements of independence and integrity, as well as the occurrence of causes for ineligibility and incompatibility, if any.

13.4 The Board of Directors periodically evaluates the independence and integrity of directors, and verifies the non-existence of reasons for ineligibility and incompatibility. In the event that a director does not own or loses the declared and legally prescribed requirements of independence or integrity, or if reasons for ineligibility and incompatibility have materialized, the Board of

PROPOSED TEXT

13.4 – *Unchanged*

CURRENT TEXT

Directors removes and replaces the director from office, or invites him/her to remedy the causes of incompatibility within a specified deadline, under penalty of removal from office.

13.5 The directors will be elected as follows:

a) the names of the first seven directors will be selected from the slate that has obtained the majority of shareholder votes , in the order in which they are listed on the slate;

b) the remaining two directors will be selected from the other slates that are in no way, whether directly or indirectly, connected to shareholders who have submitted or voted for the slate that received the majority of votes; to this end, votes obtained in the slates will be subsequently divided by one and two. The quotients thus obtained shall be progressively assigned to the candidates on each slate in the order specified thereon. On the basis of the quotients assigned, the candidates on the various slates shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected. If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected any director or that has elected the smallest number of directors shall be elected. If none of such slates has yet elected a director or all of them have elected the same number of directors, the candidate from the slate that obtained the largest number of votes shall be elected. If the different slates have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.

PROPOSED TEXT

13.5 The directors will be elected as follows:

a) the names of the first seven directors will be selected from the slate that has obtained the majority of shareholder votes (**the "Majority Slate"**), in the order in which they are listed on the slate;

b) the remaining two directors will be selected from the other slates that are in no way, whether directly or indirectly, connected to shareholders who have submitted or voted for the slate that received the majority of votes (**the "Minority Slates"**); to this end, votes obtained in the slates will be subsequently divided by one and two. The quotients thus obtained shall be progressively assigned to the candidates on each slate in the order specified thereon. On the basis of the quotients assigned, the candidates on the various slates shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected. If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected any director or that has elected the smallest number of directors shall be elected. If none of such slates has yet elected a director or all of them have elected the same number of directors, the candidate from the slate that obtained the largest number of votes shall be elected. If the different slates have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.

b-bis) if the Majority Slate does not contain a sufficient number of candidates to ensure that the number of directors to be elected pursuant to letter a) above can be reached, all the candidates listed on that slate shall be drawn, in the order stated on that slate; after a further two directors have then been drawn from the Minority Slates, pursuant to letter b), the remaining directors shall be drawn, for positions not covered by the Majority Slate, from the Minority Slate which has obtained the highest number of votes among the Minority Slates (the "First Minority Slate") according to

CURRENT TEXT

c) if, following the application of the procedure described above, it is not possible to appoint the minimum number of independent directors required by the Articles of Association, then the quotient of the votes to attribute to each candidate on the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each one of the aforementioned candidates; candidates who do not meet the requirements of independence and have the lowest quotients among candidates from all slates are replaced, starting with the last candidate, by independent candidates listed on the same slate of the replaced candidate (following the order in which they are listed), or, alternatively by individuals meeting the requirements of independence, who have been appointed in accordance with the procedure described under letter d). In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes from the Shareholders' Meeting in a specific voting round;

c-bis) if the application of the procedure described under letters a) ~~and~~ b) does not permit compliance with the regulations on gender balance, the quotient of votes to be attributed to each candidate from the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each candidate; the candidate of the most represented gender who has the lowest quotient among the candidates from all the slates is replaced, without prejudice to the minimum number of independent directors, by the candidate representing the less represented gender

PROPOSED TEXT

the capacity of that slate. In case of insufficient capacity, the remaining directors shall be drawn, by the same procedure, from the following slate ("Second Minority Slate") or possibly from the subsequent ones, depending on the number of votes and the capacity of the slates themselves. Lastly, if the total number of candidates on the slates presented, on both the Majority Slate and Minority Slates, is lower than the number of the directors to be elected, the remaining directors shall be elected by the shareholders' meeting with a resolution approved in accordance with letter d) below;

c) if, following the application of the procedure described above, it is not possible to appoint the minimum number of independent directors required by the Articles of Association, then the quotient of the votes to attribute to each candidate on the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each one of the aforementioned candidates; candidates who do not meet the requirements of independence and have the lowest quotients among candidates from all slates are replaced, starting with the last candidate, by independent candidates listed on the same slate of the replaced candidate (following the order in which they are listed), or, alternatively by individuals meeting the requirements of independence, who have been appointed in accordance with the procedure described under letter d). In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes from the Shareholders' Meeting in a specific voting round;

c-bis) if the application of the procedure described under letters a), b) **and b-bis)** does not permit compliance with the regulations on gender balance, the quotient of votes to be attributed to each candidate from the slates is calculated by dividing the number of votes obtained by each slate by the number of the order of each candidate; the candidate of the most represented gender who has the lowest quotient among the candidates from all the slates is replaced, without prejudice to the minimum number of independent directors, by the candidate representing the less represented gender

CURRENT TEXT

(with the subsequent higher number of order) on the same slate as the replaced candidates, or, alternatively, by the individual appointed in accordance with the procedure described under letter d). In cases in which candidates from different slates have obtained the same minimum quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes by the Shareholders' Meeting in a specific voting round.

d) for the appointment of directors, who, for any reason, are not appointed in accordance with the procedures described above, the Shareholders' Meeting resolves by legal majority, in order to ensure that the composition of the Board of Directors is compliant with the law and the Articles of Association.

Current peremptory legislative and regulatory provisions constitute, in any case, an exception to these policies.

13.6 The slate voting procedure is applied only in case of renewal of the entire Board of Directors.

13.7 If in the course of the financial year one or more vacancies occur on the Board, the procedure specified in Art. 2386 of the Italian Civil Code shall be followed.

In any case, it is necessary to appoint the minimum number of independent directors and to comply with current regulations concerning gender balance.

If there is no longer a majority of directors, the entire Board of Directors will resign, and a Shareholders' Meeting shall be convened in a timely manner by the Board of Directors for the reconstitution of the latter.

13.8 The Board of Directors may set up Committees from among its members having advisory and proposal-making functions on specific issues.

PROPOSED TEXT

(with the subsequent higher number of order) on the same slate as the replaced candidates, or, alternatively, by the individual appointed in accordance with the procedure described under letter d). In cases in which candidates from different slates have obtained the same minimum quotient, the candidate to be replaced is the candidate of the slate from which the greatest number of directors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes by the Shareholders' Meeting in a specific voting round.

d) for the appointment of directors, who, for any reason, are not appointed in accordance with the procedures described above, the Shareholders' Meeting resolves by legal majority, in order to ensure that the composition of the Board of Directors is compliant with the law and the Articles of Association.

Current peremptory legislative and regulatory provisions constitute, in any case, an exception to these policies.

13.6 – *Unchanged*

13.7 – *Unchanged*

13.8 – *Unchanged*

Note that the proposed amendments to the Bylaws do not attribute the right of withdrawal to Shareholders who do not contribute to their approval, as they do not fulfil any of the grounds for withdrawal provided for in article 2437 of the Italian Civil Code.

Given the above, the following is proposed.

Dear Shareholders,

Having heard the reasons given and pursuant to current regulations, you are therefore invited to approve the following proposed resolution

“The extraordinary Shareholders’ Meeting of Italgas S.p.A., having taken note of the Explanatory Report of the Board of Directors on the item on the agenda, and made available to the Shareholders within the period of time and according to the arrangements specified by law

RESOLVES

- *to approve the proposal to amend article 13 of the Company Bylaws, according to the reformulation contained in the Explanatory Report of the Board of Directors on the second item of the agenda for the extraordinary part of this Shareholders’ Meeting;*
- *to grant a separate mandate to the Chairman of the Board of Directors and to the Chief Executive Officer to accept and make amendments, deletions and insertions in the resolution adopted as above that may be necessary for the purposes of registration and publication pursuant to the law”.*

Milan, 12 March 2018

The Chairman of the Board of Directors

Mr Lorenzo Bini Smaghi