

Report of the Board of Directors on the proposals  
concerning the items on the agenda of the Shareholders' meeting

**SNAM S.p.A.**

**EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING OF 23**

**OCTOBER 2019**

**ON SINGLE CALL**

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

**EXTRAORDINARY SESSION**

**Item 1**

**Amendment of articles 13 and 20 and introduction of article 24 of the Company Bylaws.**

**Related and consequent resolutions**

Dear Shareholders,

you are convened to an extraordinary session to discuss and pass resolution on some proposals to amend articles 13 and 20 and to introduce art. 24 of the Company Bylaws, concerning gender balance in the composition of the Board of Directors and the Board of Statutory Auditors.

The reason for these proposed amendments, as will be described in more detail below, lies in the Company's desire to maintain its corporate governance standards, voluntarily implementing, within its Bylaws, the most recent recommendations of the Corporate Governance Code for listed companies regarding "gender balance" – approved in July 2018 – as well as national and international best practices.

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As you will recall, the current provisions of articles 13 and 20 of the Bylaws regarding gender balance in the composition of the Board of Directors and the Board of Statutory Auditors respectively were first added to the Bylaws of Snam S.p.A. by the Shareholders' Meeting of 26 April 2012, in order to

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implement the changes made to articles 147-*ter* and 148 of Legislative Decree no. 58 of 24 February 1998 (known as the “Testo Unico della Finanza” [Consolidated Law on Finance] or “TUF”) by Law no. 120 of 12 July 2011, known as the “Golfo-Mosca” Law.

In particular, article 147-*ter*, paragraph 1-*ter*, and article 148, paragraph 1-*bis*, of the TUF, read together with the transitional provisions contained in article 2 of Law 120/2011, required – and still require – listed companies, within the time limit stated below, to include a requirement in their Bylaws that, for three consecutive terms of office from the first renewal of the company bodies held a year after the entry into force of the aforementioned law (i.e. subsequent to 12 August 2012), the distribution of members of the Board of Directors and the Board of Statutory Auditors respectively ensures that the “least represented” gender be assigned: (i) for the first term of office, a share equal to one fifth of the directors and statutory auditors elected and (ii) for the subsequent two terms of office, a share equal to one third of the directors and statutory auditors elected, rounded up to the next whole unit in both cases.

In order to ensure compliance with the aforementioned gender distribution criteria, article 144-*undecies*.1 of the Issuers’ Regulation adopted by Consob Resolution no. 11971 of 14 May 1999 (the “Issuers’ Regulation”) – implementing the provisions of the aforementioned articles of the CLF – establishes that, also for the aforementioned three consecutive terms of office, the Bylaws must regulate, inter alia (i) the way in which the slates are drawn up and the additional criteria for identifying the individual members of the bodies to ensure that the gender balance is respected in the result of the voting, on the understanding that the gender distribution criterion cannot be imposed on slates that contain fewer than three candidates; and (ii) the way in which any members of these bodies who cease to serve during the term of office are replaced, taking into account the gender distribution criterion.

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In accordance with the foregoing, Articles 13 and 20 of the Bylaws provide, respectively, that Snam's Board of Directors and Board of Statutory Auditors must be appointed by the ordinary shareholders' meeting *"in compliance with the regulations in force at the time on gender balance"*. The same articles also contain detailed rules governing the procedures for the formation of the slates, dictating the appropriate "scrolling" mechanisms used if, as a result of the ordinary voting procedure, the minimum number of directors and statutory auditors belonging to the less represented gender required by law is not elected, and regulating the procedures for replacement during the term of office.

More specifically, the existing article 13.3, paragraph 10, of the Bylaws provides that *"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"*.

With regard to the "scrolling" mechanism, letter c-bis) of the subsequent article 13.5 establishes that if the application of the ordinary appointment procedure with the slate voting system *"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*

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d). [i.e. by the shareholders' meeting with the majorities required by law]. *In cases in which candidates from different slates have obtained the same minimum quotient, the candidate to be replaced shall be 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*", again with the majorities required by law.

With regard to replacement, article 13.8 provides that, if one or more directors cease to hold office during the financial year, action will be taken according to article 2386 of the civil code, in compliance with "*current regulations concerning gender balance*".

As regards the appointment of members of the board of statutory auditors, article 20.3 provides that "*The slates that, considering both sections, contain a number of candidates equal to or greater than three and compete for appointment to the majority of the members of the Board of Statutory Auditors, must include, in the standing auditor section, candidates of different gender, in accordance with the provisions set forth in the call notice for the Shareholders' Meeting, in order to comply with current regulations concerning gender balance. If the alternate auditor section of the aforementioned slates lists two candidates, they must belong to different genders*".

In the event that, as a result of applying the ordinary procedure for appointing standing auditors with the slate voting system, the distribution criterion established by current legislation on gender balance is not respected, the subsequent paragraph 11 of article 20.3 provides that "*the quotient of votes to be attributed to each candidate from the standing auditor sections of the different slates, shall be calculated by dividing the number of votes obtained in each slate by the number of the order of each of the aforementioned candidates*" and that "*the candidate of the most represented gender who has the lowest quotient among candidates from all slates*" must be "*replaced by the candidate belonging*

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*to the least represented gender listed, with the subsequent highest order number, in the same standing auditor section of the slate of the replaced candidate, or, subordinately, in the alternate auditor section of the same slate of the replaced candidate (who, in this case, shall take over the position of the alternate candidate he/she replaces); otherwise, if this operation does not allow compliance with regulations on gender balance, [...] by the individual appointed by the Shareholders' Meeting with a legal majority, so that a Board of Statutory Auditors compliant with the law and the Bylaws can be constituted. In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced shall be the candidate of the slate from which the greatest number of auditors 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.*

With regard to the replacement of any statutory auditors who cease to serve during their period of office, the third to last paragraph of the same article 20.3 provides that *“In the case of replacement of a statutory auditor selected from the slate that obtained the majority of votes, the office shall be held by the alternate auditor from the same slate; in the case of replacement of a statutory auditor selected from other slates, the office shall be held by the alternate auditor selected from such slates. If the replacement does not allow compliance with the regulations on gender balance, the Shareholders' Meeting must be convened in a timely fashion to ensure compliance with the aforementioned regulations”*.

\* \* \* \* \*

That said, in view of the aforementioned transitional rules established by Law no. 120/2011, under which the legal obligations regarding gender balance are only applicable to the (first) three

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consecutive periods of office after 12 August 2012, the aforementioned requirements of the bylaws have ceased to apply at Snam.

The first appointment following the enactment of Law no. 120/2011 was in fact made, both for the Board of Directors and the Board of Statutory Auditors, by the Shareholders' Meeting of 26 March 2013, with reference to the financial years 2013-2015. The second appointment was made, again for both bodies, by the Shareholders' Meeting of 27 April 2016, with reference to the financial years 2016-2018. The third and last appointment was made, in this case too, for both the administrative body and the control body, by the ordinary Shareholders' Meeting held last 2 April.

At this last Shareholders' Meeting the current bylaw provisions on gender balance were therefore applicable, for the third and last consecutive term of office, in accordance with the provisions of Law no. 120/2011. Therefore, unless new regulatory provisions on gender balance are issued that replace or in any case extend the period of application of the Golfo-Mosca law, the aforementioned clauses of the Bylaws – as currently worded (i.e. by making reference to the gender distribution criterion provided for in the current regulations) – have automatically ceased to apply given that, after the end of the third consecutive period of office, there will no longer be any legal obligation upon Snam – or upon any of the other listed companies for which the three consecutive periods of office have expired – regarding gender balance.

Considering the temporary applicability of Law no. 120/2011, in July 2018, the Corporate Governance Committee approved some amendments to the Corporate Governance Code of listed companies (the “Corporate Governance Code”), aimed at introducing – as a so-called “soft law” – the principle of gender balance in the composition of the governing bodies.

In particular, article 2.P.4 urges issuers to apply *“diversity criteria, even regarding gender, in the composition of the Board of Directors, in compliance with the priority objective of ensuring that its*

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*members have the appropriate expertise and professionalism” recommending that “at least one third of the Board of Directors” should consist of directors from the least represented gender” (article 2.C.3.).*

Similar recommendations are made with reference to the composition of the Board of Statutory Auditors and the criteria for the distribution of standing auditors and alternate auditors (see article 8.P.2 and article 8.C.3).

For the purposes of the above, the Corporate Governance Committee therefore urges issuers, *“also considering their ownership structures”*, to apply the *“instrument deemed most appropriate to pursue this objective, adopting clauses in their bylaws and/or diversity policies and/or guidelines for shareholders [...]*” (see Comment to articles 2 and 8).

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In light of the above, Snam’s Board of Directors decided to make a proposal to the Company’s extraordinary Shareholders’ Meeting for the following amendments to be made to the Bylaws. The Board of Directors of Snam agreed with the considerations made by the aforementioned Corporate Governance Committee on the positive effects of Law no. 120/2011, the introduction of which: (i) led to an increase in the percentage of women, respectively, of 36% in the administrative bodies and 38% in the control bodies of listed companies<sup>1</sup>, (ii) helped to reduce the average age of the Board Directors, and, as an indirect effect, (iii) increased diversity in the composition of the Boards in terms of age and professional backgrounds. Snam’s Board of Directors takes the view that the principle of gender balance must continue to be applied to the Company’s governance, regardless of whether there is a legal obligation to do so.

The proposal submitted to the extraordinary Shareholders' Meeting called for 23 October 2019, is therefore essentially to ensure, in the absence of regulatory provisions directly applicable to Snam,

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<sup>1</sup> 2018 Consob Report on corporate governance of Italian listed companies.

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that the principle of gender balance is in any case recognized in the Bylaws, establishing that the Board of Directors is appointed by the Shareholders' Meeting also “*with the aim of ensuring gender balance in the composition of the Board itself*” and incorporating into the Bylaws the current gender division criterion of at least one third of the total number of members of the Board of Directors and of the Board of Statutory Auditors (including both Standing Auditors and Alternate Auditors).

With regard to the latter, in order to make it easier, in the event of the replacement of the Statutory Auditors during the term of office, to comply with the provisions on gender balance in the composition of the Board of Statutory Auditors, the Board of Directors proposes (i) that there be three Alternate Auditors instead of two and (ii) that the slates which, considering both sections, have three or more candidates must contain one candidate for the office of standing auditor and one candidate for the office of alternate auditor belonging to the least represented gender (according to any indications given in the call notice).

That said, as the Shareholders' Meeting held on 2 April 2019, as you will recall, appointed two Alternate Auditors, in line with the current bylaw provisions, and the need has not arisen to immediately supplement the number of alternate auditors, the Board of Directors proposes including a Transitional Clause in the Bylaws to establish that the amendments relating to the supplementation of the number of alternate auditors shall apply as of the first renewal of the control body after that appointed by the Shareholders' Meeting on 2 April 2019.

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All amendments to the Bylaws are duly highlighted in the text as shown below for quick reference. It should be noted that the proposed amendments to the Bylaws do not grant the right of withdrawal to shareholders who do not participate in the respective approval, not supplementing the details of any of the instances of withdrawal laid down in Article 2437 of the Italian Civil Code.



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Dear Shareholders,

you are invited to:

- approve the proposed amendments and additions to the Bylaws of Snam S.p.A. in relation to Articles 13.3, 13.5, 13.8, 20.1, 20.3 and 24 (Transitional Clause) of the Bylaws in the text set out below, together with the current regulations.

**BYLAWS**

**SNAM S.p.A.**

Current text	Amended text
<b>SNAM BYLAWS</b>	
<b><u>Section IV - BOARD OF DIRECTORS</u></b>	
<p>13.1 The Company shall be managed by a Board of Directors numbering no fewer than five and no more than nine members, with their number and term of office being established by the Shareholders' Meeting at the time of appointment.</p> <p>13.2 The Directors may be appointed for a period not exceeding three fiscal years, their term in office shall expire 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 may be re-elected</p> <p>13.3 The Board of Directors shall be 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.</p> <p>The slates shall be deposited at the Company's registered offices no later than the twenty-fifth day preceding the date in which the Shareholders' Meeting shall convene to discuss the appointment of the members of the Board of Directors, and shall be made available to the public at least twenty-one days prior to the Shareholders' Meeting, in accordance</p>	<p>13.1 The Company shall be managed by a Board of Directors numbering no fewer than five and no more than nine members, with their number and term of office being established by the Shareholders' Meeting at the time of appointment.</p> <p>13.2 The Directors may be appointed for a period not exceeding three fiscal years, their term in office shall expire 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 may be re-elected</p> <p>13.3 The Board of Directors shall be appointed by the Shareholders' Meeting in compliance with <del>the regulations in force at the time on gender balance,</del> <b>the provisions of these Bylaws and with the aim of ensuring gender balance in the composition of the Board itself.</b> <b>The Board of Directors shall be appointed</b> on the basis of slates submitted by the shareholders, on which candidates must be listed by means of a progressive number.</p> <p>The slates shall be deposited at the Company's registered offices no later than the twenty-fifth day preceding the date in which the Shareholders' Meeting shall convene to discuss the appointment of the members of the Board of Directors, and shall be made available to the public at least twenty-one days prior to the Shareholders' Meeting, in accordance</p>

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<p>with the terms and conditions provided for in the law and Consob's own regulations.</p> <p>Each shareholder may submit or participate in the submission of and vote on a single slate in accordance with the terms set forth in the aforementioned legislative and regulatory provisions.</p> <p>Each candidate may only submit his/her candidacy on one slate, under penalty of ineligibility.</p> <p>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 shall be defined by taking account of shares that are registered to the shareholder on the day on which the slates are deposited with the Company.</p> <p>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.</p> <p>At least one director, if the Board is made up of no more than seven members, or at least three directors, if the Board is made up of more than seven members, must meet the requirements of independence laid down for statutory auditors of listed companies.</p> <p>The slates shall expressly bear the names of candidates who meet the aforementioned requirement of independence.</p>	<p>with the terms and conditions provided for in the law and Consob's own regulations.</p> <p>Each shareholder may submit or participate in the submission of and vote on a single slate in accordance with the terms set forth in the aforementioned legislative and regulatory provisions.</p> <p>Each candidate may only submit his/her candidacy on one slate, under penalty of ineligibility.</p> <p>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 shall be defined by taking account of shares that are registered to the shareholder on the day on which the slates are deposited with the Company.</p> <p>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.</p> <p>At least one director, if the Board is made up of no more than seven members, or at least three directors, if the Board is made up of more than seven members, must meet the requirements of independence laid down for statutory auditors of listed companies.</p> <p>The slates shall expressly bear the names of candidates who meet the aforementioned requirement of independence.</p> <p><b>At least one third (rounding up in the case of a decimal number) of the members of the Board of Directors must belong to the less represented gender.</b></p>
<p>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 may not be appointed to offices in administrative or control bodies or in managerial positions at ENI S.p.A. and its subsidiaries, nor may they entertain any direct or indirect, professional or financial relationship with the aforementioned companies.</p> <p>Furthermore, all candidates must meet the requirements of integrity laid down in current legislation.</p> <p>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</p>	<p>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 may not be appointed to offices in administrative or control bodies or in managerial positions at ENI S.p.A. and its subsidiaries, nor may they entertain any direct or indirect, professional or financial relationship with the aforementioned companies.</p> <p>Furthermore, all candidates must meet the requirements of integrity laid down in current legislation.</p> <p><b>In the slates that present three or more candidates, must include at least one third of the candidates of a different gender (rounded up, in the case of a</b></p>

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<p>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.</p> <p>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.</p> <p>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.</p> <p>13.4 The Board of Directors shall periodically evaluate the independence and integrity of directors, and verify 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 Directors shall remove the director from office and replace him/her, or invite him/her to remedy the causes of incompatibility within a specified deadline, under penalty of removal from office.</p> <p>13.5 The directors shall be elected as follows:</p> <p>a) seven tenths of the directors to be elected shall be selected from the slate that obtains the majority of votes expressed by the shareholders (the “Majority Slate”), in the order in which they are listed on the slate, rounding down in the case of decimal number;</p> <p>b) the remaining directors shall be selected from the other slates (the “Minority Slates”) that are in no way – 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 by the slates shall be subsequently divided by one or two or three, depending on the progressive</p>	<p><b>decimal figure, to the next whole number) must belong to the less represented gender, as also specified in the call notice for the Shareholders’ Meeting, in order to respect the legal provision 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.</b></p> <p>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.</p> <p>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.</p> <p>13.4 The Board of Directors shall periodically evaluate the independence and integrity of directors, and verify 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 Directors shall remove the director from office and replace him/her, or invite him/her to remedy the causes of incompatibility within a specified deadline, under penalty of removal from office.</p> <p>13.5 The directors shall be elected as follows:</p> <p>a) seven tenths of the directors to be elected shall be selected from the slate that obtains the majority of votes expressed by the shareholders (the “Majority Slate”), in the order in which they are listed on the slate, rounding down in the case of decimal number;</p> <p>b) the remaining directors shall be selected from the other slates (the “Minority Slates”) that are in no way – 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 by the slates shall be subsequently divided by one or two or three, depending on the progressive</p>
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<p>number of directors to be elected. 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;</p> <p>b-bis) in the event that the Majority Slate does not contain a sufficient number of candidates to reach the number of directors to be elected pursuant to letter a) above, all candidates listed in said slate shall be appointed, based on their progressive order in said slate; in turn, after appointing the other directors from the Minority Slates, pursuant to letter b) above, for the number of positions established for these minority slates, which is three tenths of the total, the remaining directors shall be appointed, for the positions not covered by the Majority Slate, from the minority slate that obtains the greatest number of votes among the Minority Slates (the "First Minority Slate") in relation to the capacity of said slate. In the event of insufficient capacity of said slate, the remaining directors shall be appointed, with the same procedures, from the following slate ("Second Minority Slate") or any subsequent slates, based on the number of votes and capacity of the slates themselves. Lastly, if the total number of candidates on the slates presented – in 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 the resolution approved in accordance with letter d) below;</p> <p>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 Bylaws, 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</p>	<p>number of directors to be elected. 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;</p> <p>b-bis) in the event that the Majority Slate does not contain a sufficient number of candidates to reach the number of directors to be elected pursuant to letter a) above, all candidates listed in said slate shall be appointed, based on their progressive order in said slate; in turn, after appointing the other directors from the Minority Slates, pursuant to letter b) above, for the number of positions established for these minority slates, which is three tenths of the total, the remaining directors shall be appointed, for the positions not covered by the Majority Slate, from the minority slate that obtains the greatest number of votes among the Minority Slates (the "First Minority Slate") in relation to the capacity of said slate. In the event of insufficient capacity of said slate, the remaining directors shall be appointed, with the same procedures, from the following slate ("Second Minority Slate") or any subsequent slates, based on the number of votes and capacity of the slates themselves. Lastly, if the total number of candidates on the slates presented – in 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 the resolution approved in accordance with letter d) below;</p> <p>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 Bylaws, 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</p>
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<p>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).</p> <p>In cases in which candidates from different slates have obtained the same minimum quotient, the candidate to be replaced shall be 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;</p> <p>d) for the appointment of directors, who, for any reason, are not appointed in accordance with the procedures described above, the Shareholders' Meeting shall resolve by legal majority, in order to ensure that the composition of the Board of Directors is compliant with the law and the Bylaws.</p> <p>Current peremptory legislative and regulatory provisions shall constitute, in any case, an exception to these policies.</p>	<p>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 <del>with the Bylaw regulations</del> <b>with the regulation</b> 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).</p> <p>In cases in which candidates from different slates have obtained the same minimum quotient, the candidate to be replaced shall be 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;</p> <p>d) for the appointment of directors, who, for any reason, are not appointed in accordance with the procedures described above, the Shareholders' Meeting shall resolve by legal majority, in order to ensure that the composition of the Board of Directors is compliant with the law and the Bylaws.</p> <p>Current peremptory legislative and regulatory provisions shall constitute, in any case, an exception to these policies.</p>
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Report of the Board of Directors on the proposals concerning the items on the agenda of the Shareholders' meeting

<p>13.6 The slate voting procedure shall be applied only in case of renewal of the entire Board of Directors.</p> <p>13.7 The Shareholders' Meeting may change the number of Directors, including during its term, within the limitations laid down in subsection 1 of this Article, and shall make the respective appointments according to the procedures set out in Article 13.5 (d) above. The term of office of Directors appointed in this way shall expire with the term of those currently in office.</p> <p>13.8 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.</p> <p>In any case, it is necessary to appoint the minimum number of independent directors and to comply with current regulations concerning gender balance.</p> <p>If there is no longer a majority of directors, the entire Board of Directors shall resign, and a Shareholders' Meeting shall be convened in a timely manner by the Board of Directors for the reconstitution of the latter.</p> <p>13.9 The Board of Directors may set up Committees from among its members having advisory and proposal-making functions on specific issues.</p>	<p>13.6 The slate voting procedure shall be applied only in case of renewal of the entire Board of Directors.</p> <p>13.7 The Shareholders' Meeting may change the number of Directors, including during its term, within the limitations laid down in subsection 1 of this Article, and shall make the respective appointments according to the procedures set out in Article 13.5 (d) above. The term of office of Directors appointed in this way shall expire with the term of those currently in office.</p> <p>13.8 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.</p> <p>In any case, <del>it is necessary to appoint the minimum number of independent directors and to comply with current regulations concerning gender balance</del> <b>respect for the minimum number of independent directors and the presence of least one third (rounded up in the case of a decimal number, to the next whole number) of the directors belonging to the less represented gender must be ensured.</b></p> <p>If there is no longer a majority of directors, the entire Board of Directors shall resign, and a Shareholders' Meeting shall be convened in a timely manner by the Board of Directors for the reconstitution of the latter.</p> <p>13.9 The Board of Directors may set up Committees from among its members having advisory and proposal-making functions on specific issues.</p>
<p><b><u>Section V - BOARD OF STATUTORY AUDITORS</u></b></p>	
<p>20.1 The Board of Statutory Auditors shall comprise three standing auditors; in addition, two alternate auditors shall be appointed.</p> <p>The Shareholders' Meeting shall appoint the statutory auditors and determine their compensation. Statutory Auditors shall be chosen from those in possession of the requisites of integrity and professionalism laid down by applicable legislation, in particular by Decree no. 162 of 30 March 2000 of the Ministry of Justice.</p> <p>For the purposes of the aforementioned decree, topics strictly under the purview of the Company shall be: commercial law, business administration and corporate finance.</p> <p>For the same purpose, the engineering and geological sectors are under the direct purview of the Company.</p>	<p>20.1 The Board of Statutory Auditors shall comprise three standing auditors; in addition, <del>two</del><b>three</b> alternate auditors shall be appointed.</p> <p>The Shareholders' Meeting shall appoint the statutory auditors and determine their compensation. Statutory Auditors shall be chosen from those in possession of the requisites of integrity and professionalism laid down by applicable legislation, in particular by Decree no. 162 of 30 March 2000 of the Ministry of Justice.</p> <p>For the purposes of the aforementioned decree, topics strictly under the purview of the Company shall be: commercial law, business administration and corporate finance.</p> <p>For the same purpose, the engineering and geological sectors are under the direct purview of the Company.</p>



Report of the Board of Directors on the proposals concerning the items on the agenda of the Shareholders' meeting

<p>20.2 The statutory auditors may be appointed to administrative and control bodies of other companies within the parameters set by Consob through its own regulations, with the exclusion of the offices indicated in Article 13.3 of these Bylaws.</p> <p>20.3 The Board of Statutory Auditors shall be 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 shall be listed by means of a progressive number and in a number that shall not exceed the number of members of the body to be elected.</p> <p>For the deposit, submission and publication of slates, the procedures governed by the provisions of Article 13.3 of these Bylaws shall be applied.</p> <p>Each shareholder may submit or participate in the submission of and vote on a single slate in accordance with the terms set forth in the aforementioned legislative and regulatory provisions.</p> <p>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.</p> <p>Each candidate may only submit his/her candidacy on one slate, under penalty of ineligibility.</p> <p>The slates shall be divided into two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. At least the first candidate in each section must be enrolled in the register of external auditors and have worked on legal audits for a period of not less than three years.</p> <p>The slates that, considering both sections, contain a number of candidates equal to or greater than three and compete for appointment to the majority of the members of the Board of Statutory Auditors, must include, in the standing auditor section, candidates of different gender, in accordance with the provisions set forth in the call notice for the Shareholders' Meeting, in order to comply with current regulations concerning gender balance. If the alternate auditor section of the aforementioned slates lists two candidates, they must belong to different genders.</p>	<p>20.2 The statutory auditors may be appointed to administrative and control bodies of other companies within the parameters set by Consob through its own regulations, with the exclusion of the offices indicated in Article 13.3 of these Bylaws.</p> <p>20.3 The Board of Statutory Auditors shall be appointed by the Shareholders' Meeting <del>in compliance with the regulations in force at the time on gender balance</del>, on the basis of slates submitted by the shareholders, on which candidates shall be listed by means of a progressive number and in a number that shall not exceed the number of members of the body to be elected. <b>One standing auditor and one alternate auditor must belong to the less represented gender.</b></p> <p>For the deposit, submission and publication of slates, the procedures governed by the provisions of Article 13.3 of these Bylaws shall be applied.</p> <p>Each shareholder may submit or participate in the submission of and vote on a single slate in accordance with the terms set forth in the aforementioned legislative and regulatory provisions.</p> <p>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.</p> <p>Each candidate may only submit his/her candidacy on one slate, under penalty of ineligibility.</p> <p>The slates shall be divided into two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. At least the first candidate in each section must be enrolled in the register of external auditors and have worked on legal audits for a period of not less than three years.</p> <p>The slates that, considering both sections, contain a number of candidates equal to or greater than three and compete for appointment to the majority of the members of the Board of Statutory Auditors, must include, in accordance <b>also</b> with the provisions set forth in the call notice for the Shareholders' Meeting, <del>in the standing auditor section, candidates of different gender</del> <b>members of the less represented gender in the number stated in the first paragraph of this art. 20.3., in order to comply with current regulations concerning gender balance. If the alternate auditor section of the aforementioned slates lists two candidates, they must belong to different genders.</b></p>
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Report of the Board of Directors on the proposals concerning the items on the agenda of the Shareholders' meeting

<p>Two standing auditors and an alternate auditor shall be selected from the slate that receives the majority of votes. The other standing auditor and the other alternate auditor shall be appointed in accordance with provisions set forth in Article 13.5, letter b), to apply distinctly to each of the sections in which the other slates are articulated.</p> <p>In the event that, <i>mutatis mutandis</i>, a similar situation should occur to that laid down in Article 13.5 b-<i>bis</i>) above, the procedures pursuant to the same letter b-<i>bis</i>) shall apply both for the standing auditors and alternate auditors, insofar as compatible with current regulations and with this Article.</p> <p>The Shareholders' Meeting shall appoint as Chairman of the Board of Statutory Auditors the standing auditor elected in accordance with the provisions set forth in Article 13.5 letter b).</p> <p>If the application of the procedure described above does not allow, as regards standing auditors, compliance with the regulations on gender balance, the quotient of votes to be attributed to each candidate from the standing auditor sections of the different slates, shall be calculated by dividing the number of votes obtained in each slate by the number of the order of each of the aforementioned candidates; the candidate of the most represented gender who has the lowest quotient among candidates from all slates, shall be replaced by the candidate belonging to the least represented gender listed, with the subsequent highest order number, in the same standing auditor section of the slate of the replaced candidate, or, subordinately, in the alternate auditor section of the same slate of the replaced candidate (who, in this case, shall take over the position of the alternate candidate he/she replaces); otherwise, if this operation does not allow compliance with regulations on gender balance, the candidate shall be replaced by the individual appointed by the Shareholders' Meeting with a legal majority, so that a Board of Statutory Auditors compliant with the law and the Bylaws can be constituted. In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced shall be the candidate of the slate from which the greatest number of auditors 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.</p>	<p>Two standing auditors and <b>two alternate auditors</b><del>one alternate auditor</del> are taken from the slate that wins the majority of the votes. The other standing auditor and the other alternate auditor shall be appointed in accordance with provisions set forth in Article 13.5, letter b), to apply distinctly to each of the sections in which the other slates are articulated.</p> <p>In the event that, <i>mutatis mutandis</i>, a similar situation should occur to that laid down in Article 13.5 b-<i>bis</i>) above, the procedures pursuant to the same letter b-<i>bis</i>) shall apply both for the standing auditors and alternate auditors, insofar as compatible with current regulations and with this Article.</p> <p>The Shareholders' Meeting shall appoint as Chairman of the Board of Statutory Auditors the standing auditor elected in accordance with the provisions set forth in Article 13.5 letter b).</p> <p>If the application of the procedure described above does not allow, for standing auditors, compliance with <b>the gender division criterion set out in the first subsection of this art. 20.3</b><del>the regulations on gender balance</del>, the quotient of votes to be attributed to each candidate from the standing auditor sections of the different slates, shall be calculated by dividing the number of votes obtained in each slate by the number of the order of each of the aforementioned candidates; the candidate of the most represented gender who has the lowest quotient among candidates from all slates, shall be replaced by the candidate belonging to the least represented gender listed, with the subsequent highest order number, in the same standing auditor section of the slate of the replaced candidate, or, subordinately, in the alternate auditor section of the same slate of the replaced candidate (who, in this case, shall take over the position of the alternate candidate he/she replaces); otherwise, if this operation does not allow compliance with <b>the gender division criterion set out in the first subsection of this art. 20.3</b><del>regulations on gender balance</del>, the candidate shall be replaced by the individual appointed by the Shareholders' Meeting with a legal majority, so that a Board of Statutory Auditors compliant with the law and the Bylaws can be constituted. In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced shall be the candidate of the slate from which the greatest number of auditors 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.</p>
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Report of the Board of Directors on the proposals concerning the items on the agenda of the Shareholders' meeting

<p>For the appointment of standing auditors, 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 Statutory Auditors is compliant with the law and the Bylaws.</p> <p>In the case of replacement of a statutory auditor selected from the slate that obtained the majority of votes, the office shall be held by the alternate auditor from the same slate; in the case of replacement of a statutory auditor selected from other slates, the office shall be held by the alternate auditor selected from such slates. If the replacement does not allow compliance with the regulations on gender balance, the Shareholders' Meeting must be convened in a timely fashion to ensure compliance with the aforementioned regulations.</p> <p>The slate voting procedure shall be applied only in case of renewal of the entire Board of Statutory Auditors. Current peremptory legislative and regulatory provisions shall constitute, in any case, an exception to these policies.</p> <p>20.4 Outgoing statutory auditors can be re-elected.</p> <p>20.5 With prior notification to the Chairman of the Board of Directors, the Board of Statutory Auditors may convene a Shareholders' Meeting and meetings of the Board of Directors. The authority to convene meetings of the Board of Directors may be exercised individually by each member of the Board of Statutory Auditors; the authority to convene a Shareholders' Meeting must be exercised by at least two members of the Board of Statutory Auditors.</p> <p>20.6 The Board of Statutory Auditors' meetings may be held also via conference call or video conference, on the condition that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. The meeting shall be considered as having taken place where the Chairman of the Board of Statutory Auditors and Secretary, if appointed, are located.</p>	<p>For the appointment of standing auditors, 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 Statutory Auditors is compliant with the law and the Bylaws.</p> <p>In the case of the replacement of <b>the statutory auditor selected from the minority slates, the office shall be held by the alternate auditor selected from such slates.</b></p> <p><b>In the case of replacement of</b> a statutory auditor selected from the slate that obtained the majority of votes, the office shall be held by the <b>first</b> alternate auditor from the same slate; <del>in the case of replacement of a statutory auditor selected from other slates, the office shall be held by the alternate auditor selected from such slates.</del> <b>If the replacement does not allow compliance with the gender division criterion set out in the first subsection of this art. 20.3, the office shall be held by the second alternate auditor selected from such slate.</b> <del>with the regulations on gender balance, the Shareholders' Meeting must be convened in a timely fashion to ensure compliance with the aforementioned regulations.</del></p> <p>The slate voting procedure shall be applied only in case of renewal of the entire Board of Statutory Auditors. Current peremptory legislative and regulatory provisions shall constitute, in any case, an exception to these policies.</p> <p>20.4 Outgoing statutory auditors can be re-elected.</p> <p>20.5 With prior notification to the Chairman of the Board of Directors, the Board of Statutory Auditors may convene a Shareholders' Meeting and meetings of the Board of Directors. The authority to convene meetings of the Board of Directors may be exercised individually by each member of the Board of Statutory Auditors; the authority to convene a Shareholders' Meeting must be exercised by at least two members of the Board of Statutory Auditors.</p> <p>20.6 The Board of Statutory Auditors' meetings may be held also via conference call or video conference, on the condition that all participants are identifiable and can follow the discussion, examine, receive and transmit documents and participate in real time in the discussions. The meeting shall be considered as having taken place where the Chairman of the Board of Statutory Auditors and Secretary, if appointed, are located.</p>
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Report of the Board of Directors on the proposals  
concerning the items on the agenda of the Shareholders' meeting

	<p style="text-align: center;"><b>****</b></p> <p style="text-align: center;"><b>TRANSITIONAL CLAUSE</b></p> <p style="text-align: center;"><b>ART. 24</b></p> <p><b>24.1. The composition of the Board of Statutory Auditors indicated in art. 20, characterised by the appointment of three standing auditors and three alternate auditors, and the further provisions referring to this composition, shall apply as of the first renewal of the control body after that appointed by the Shareholders' Meeting on 2 April 2019. Until such time the Board of Statutory Auditors shall be made up of three standing auditors and the number of alternate auditors appointed by the Shareholders' Meeting is two.</b></p>
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- to grant the Chief Executive Officer, with sub-delegation powers, all of the broadest powers to implement this resolution, as well as to introduce – where appropriate or necessary – formal additions, amendments and deletions as may be required by the competent Authorities for registration in the Business Register.

The Chairman of the Board of Directors

Mr Luca Dal Fabbro