



**REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**

Pursuant to Article 123-bis of Legislative Decree no. 58 of 24 February 1998

(traditional administration and control model)

Issuer: Italgas S.p.A.

Website: <http://www.italgas.it/>

Financial year to which the Report refers: 2019

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## GLOSSARY

<b>Director in charge:</b>	the director in charge of the Internal Control and Risk Management System of Italgas pursuant to Article 7 of the Corporate Governance Code.
<b>Shareholders' Meeting:</b>	the meeting of Italgas shareholders.
<b>Shares:</b>	the ordinary shares issued by Italgas.
<b>Borsa Italiana:</b>	Borsa Italiana S.p.A.
<b>CDP:</b>	Cassa Depositi e Prestiti S.p.A.
<b>CDP Reti:</b>	CDP Reti S.p.A., a company subject to direction and coordination by CDP.
<b>Antitrust Code:</b>	the Antitrust Code of Conduct adopted by the Board of Directors on 18 October 2016.
<b>Corporate Governance Code:</b>	the latest edition of the Corporate Governance Code for listed companies, most recently amended in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the ABI, Ania, Assogestioni, Assonime and Confindustria.
<b>Italian Civil Code/ c.c.:</b>	the Italian Civil Code, approved through Royal Decree no. 262 of 16 March 1942 (as later amended).
<b>Associates/Associate Companies:</b>	the following associate companies of Italgas pursuant to the applicable regulations: <ul style="list-style-type: none"><li>• Metano Sant'Angelo Lodigiano S.p.A.;</li><li>• Umbria Distribuzione Gas S.p.A..</li></ul>
<b>Committees:</b>	the Committees set up within the Board of Directors pursuant to Article 13.8 of the By-Laws.
<b>Board/Board of Directors:</b>	the Board of Directors of Italgas.
<b>Subsidiaries/Subsidiary Companies:</b>	the following subsidiaries of Italgas pursuant to the applicable regulations: <ul style="list-style-type: none"><li>• Italgas Reti S.p.A.;</li><li>• Italgas Acqua S.p.A.;</li><li>• Seaside S.r.l.;</li><li>• Medea S.p.A.;</li><li>• Gaxa S.p.A.;</li><li>• Toscana Energia S.p.A.;</li><li>• Toscana Energia Green S.p.A..</li></ul>
<b>Officer responsible:</b>	the Officer responsible for the preparation of financial reports pursuant to Article 154- <i>bis</i> of the CLF.

<b>Issuer or the Company or Italgas:</b>	Italgas S.p.A..
<b>Financial year:</b>	the Italgas financial year ended 31 December 2019 to which the Report refers.
<b>Group/Italgas Group:</b>	the group pertaining to Italgas, which, in addition to Italgas, includes Italgas Reti S.p.A., Italgas Acqua S.p.A., Seaside S.r.l., Medea S.p.A., Gaxa S.p.A., Toscana Energia S.p.A. and its subsidiary, Toscana Energia Green S.p.A.
<b>Model 231:</b>	the organisational and management model adopted by the Company pursuant to Legislative Decree no. 231 of 8 June 2001 (Rules governing administrative responsibility of legal entities, companies and associations, including those without legal personality).
<b>Unbundling Regulation:</b>	<p>the legal provisions on functional, ownership and accounting unbundling that apply to all Italian businesses in the electricity and gas sectors, including (merely by way of example):</p> <ul style="list-style-type: none"> <li>• Directive 2009/73/EC;</li> <li>• Legislative Decree no. 93 of 1 June 2011;</li> <li>• Prime Ministerial Decree of 25 May 2012 concerning “Criteria, terms and conditions for the adoption by Snam S.p.A. of the ownership unbundling model pursuant to Article 15 of Law no. 27 of 24 March 2012”;</li> <li>• resolution of 22 May 2014 (231/2014/R/com) of the Electricity, Gas and Water System Authority;</li> <li>• Consolidated Law on Functional Unbundling (“TIUF”), annexed to resolution 296/2015/R/com of the Regulatory Authority for Energy, Networks and the Environment.</li> </ul>
<b>Italgas Separation Transaction:</b>	the entire transaction of the industrial and corporate reorganisation of Snam, executed on 7 November 2016, aimed at separating the gas distribution business in Italy, carried out by Italgas, from the LNG, transportation, dispatching and storage businesses in Italy and abroad.
<b>Supervisory Body:</b>	the body called upon to supervise the operation of and compliance with Model 231 and to deal with its updating.
<b>Italgas Shareholders' Agreement:</b>	the shareholders' agreement signed on 20 October 2016 by Snam, CDP Reti and CDP Gas, as later amended.
<b>SGEL Shareholders' Agreement:</b>	the shareholders' agreement signed on 27 November 2014 by CDP, on the one hand, and State Grid Europe Limited and State Grid International Development Limited, on the other, amended and supplemented on 7 November 2016, with effect from such date.

<b>Market Abuse Procedure:</b>	the market abuse procedure approved by the Board of Directors on 5 September 2016 and subsequently updated on 30 May 2017 and replaced on 13 December 2018 by the inside information, Insider List and internal dealing procedures.
<b>Italgas Related-Party Transactions Procedure:</b>	the procedure on transactions involving the interests of directors and statutory auditors and related-party transactions approved by the Board of Directors on 18 October 2016 and updated on 14 December 2017.
<b>Whistleblowing Procedure:</b>	the procedure that establishes a codified system for the collection, analysis, verification and reporting of notifications, anonymous or otherwise, received by Italgas and its subsidiaries, respectively approved and updated by the Board of Directors on 18 October 2016 and 17 December 2019.
<b>Shareholders' Meeting Regulation:</b>	the Regulation of the Shareholders' Meetings adopted by the Ordinary Shareholders' Meeting on 4 August 2016.
<b>Issuer's Regulations:</b>	the Regulation issued by Consob through Resolution no. 11971 of 1999 (as later amended) on the subject of issuers.
<b>Market Regulation:</b>	the Regulation issued by Consob through Resolution no. 20249 of 2017 (as later amended) on the subject of markets.
<b>Consob Related-Party Regulation:</b>	the Regulation issued by Consob through Resolution no. 17221 of 12 March 2010 (as later amended) on related-party transactions, implementing Article 2391-bis of the Italian Civil Code.
<b>Report:</b>	the report on corporate governance and the ownership structure of Italgas pursuant to Article 123-bis of the CLF.
<b>SGEL:</b>	State Grid Europe Limited.
<b>SGID:</b>	State Grid International Development Limited.
<b>Internal Control and Risk Management System:</b>	the internal control and risk management system adopted by Italgas pursuant to Article 7 of the Corporate Governance Code.
<b>Corporate Reporting Internal Control System/SCIS:</b>	the internal control and risk management system in relation to the financial reporting process of the Italgas Group.
<b>Snam:</b>	Snam S.p.A..
<b>By-Laws:</b>	the by-laws of Italgas S.p.A..
<b>Consolidated Law on Finance/CLF:</b>	Legislative Decree no. 58 of 24 February 1998 (as later amended).

## 1. PROFILE OF THE ISSUER

### 1.1 Introduction

On 7 November 2016 Italgas, after 13 years of absence, returned to the Italian share market through listing on the Borsa Italiana FTSE MIB index.

The new listing process went through a structured and complex journey which led to the equity holdings in the operating companies focused on the gas distribution business moving from the previous parent company Snam to a new independent entity which became known as Italgas S.p.A.. This new entity was established on 1 June 2016 with the name of ITG Holding S.p.A. and its registered office is currently in Milan, Via Carlo Bo, 11, VAT registration and Milan Business Register number 09540420966; it is part of the “Italgas VAT Group” under number 10538260968.

Taking into consideration the specific nature of the businesses and the various development opportunities in the respective market contexts, Snam and Italgas chose to separate in order to strengthen both companies and create further value for shareholders and stakeholders.

The Group which has been created currently includes<sup>1</sup>, in addition to the parent company Italgas, (i) Italgas Reti S.p.A. (previously called Italgas), Italgas Acqua S.p.A.<sup>2</sup>, Seaside S.r.l.<sup>3</sup>, which in turn holds 10% of the share capital of Enerpaper S.r.l., Gaxa S.p.A.<sup>4</sup> and Toscana Energia S.p.A.<sup>5</sup> (which in turn holds 100% of Toscana Energia Green S.p.A.), controlled directly by Italgas and (ii) Medea

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<sup>1</sup>During the financial year the following companies belonging to the Group were merged by incorporation:

(i) on 12 March 2019, with legal effect as of 1 April 2019, (A) the companies Grecanica Gas S.r.l., Progas Metano S.r.l., BaranoGas Reti S.r.l., FavaraGas Reti S.r.l., SiculianaGas Reti S.r.l., Ischia Reti Gas S.r.l. and Naturgas S.r.l. were merged by incorporation into Italgas Reti and (B) the companies Fontenergia S.r.l., Fontenergia 4 S.r.l., Fontenergia 6 S.r.l., Fontenergia 7 S.r.l., Fontenergia 9 S.r.l., Fontenergia 10 S.r.l., Fontenergia 11 S.r.l., Fontenergia 15 S.r.l., Fontenergia 19 S.r.l., Fontenergia 26 S.r.l., Fontenergia 27 S.r.l., Fontenergia 35 S.r.l. and Fontenergia 37 S.r.l. were merged by incorporation into Medea S.p.A.;

(ii) the company Mediterranea S.r.l. was merged by incorporation into Italgas Reti on 21 October 2019, with legal effect as of 1 November 2019;

(iii) the company European Gas Network S.r.l. and its subsidiaries were merged by incorporation into Italgas Reti on 29 July 2019, with legal effect as of 1 August 2019.

<sup>2</sup> Incorporated on 1 January 2018 after the partial and proportional demerger of the water company branch of Italgas Reti S.p.A..

<sup>3</sup> Acquired on 13 March 2018 together with its 100% subsidiary White 1 S.r.l., subsequently merged by incorporation into Seaside on 16 October 2018, with legal effect as of 18 October 2018.

<sup>4</sup> Gaxa S.p.A. (formerly Gaxa S.r.l. and before that, Medea Newco S.r.l.) was set up on 7 May 2019 and was the beneficiary company in the partial demerger of the sales business unit by Medea S.p.A., with effect as of 1 December 2019. On 15 November 2019, the Shareholders' Meeting of Medea Newco S.r.l. resolved to change its name to Gaxa S.r.l. and on 18 December 2019, resolved to change the company to a joint-stock company with consequent change of company name and increase of the share capital. On the same date the Luxembourg fund Marguerite Gas IV S.à r.l. purchased 48.15% of the share capital.

<sup>5</sup>As a result of the purchase of 0.58% of the share capital of Toscana Energia S.p.A. from Banca Monte Paschi Siena S.p.A. and of 1.98% from five Tuscan municipalities, respectively completed on 20 May 2019 and 1 October 2019, Italgas S.p.A. came to hold a stake of 50.66% in the company.



S.p.A.<sup>6</sup>, controlled by Italgas through Italgas Reti S.p.A., which in turn holds 10% of the share capital of Isgastrentatrè S.p.A..

The companies not included in the scope of consolidation also include the 50% stake in Metano Sant'Angelo Lodigiano S.p.A., the 45% stake in Umbria Distribuzione Gas S.p.A. as well as Gesam Reti S.p.A. and Valdarno S.r.l. in which Toscana Energia S.p.A. holds respective stakes of 42.96% and 30.045%.

The Italgas Group, including its own investee companies, as at 31 December 2019, managed over 70 thousand km of network and more than 7.5 million gas re-delivery points, served in 1,816 municipalities under licenses, and its market share in the gas distribution business in terms of redelivery points was approximately 35%.

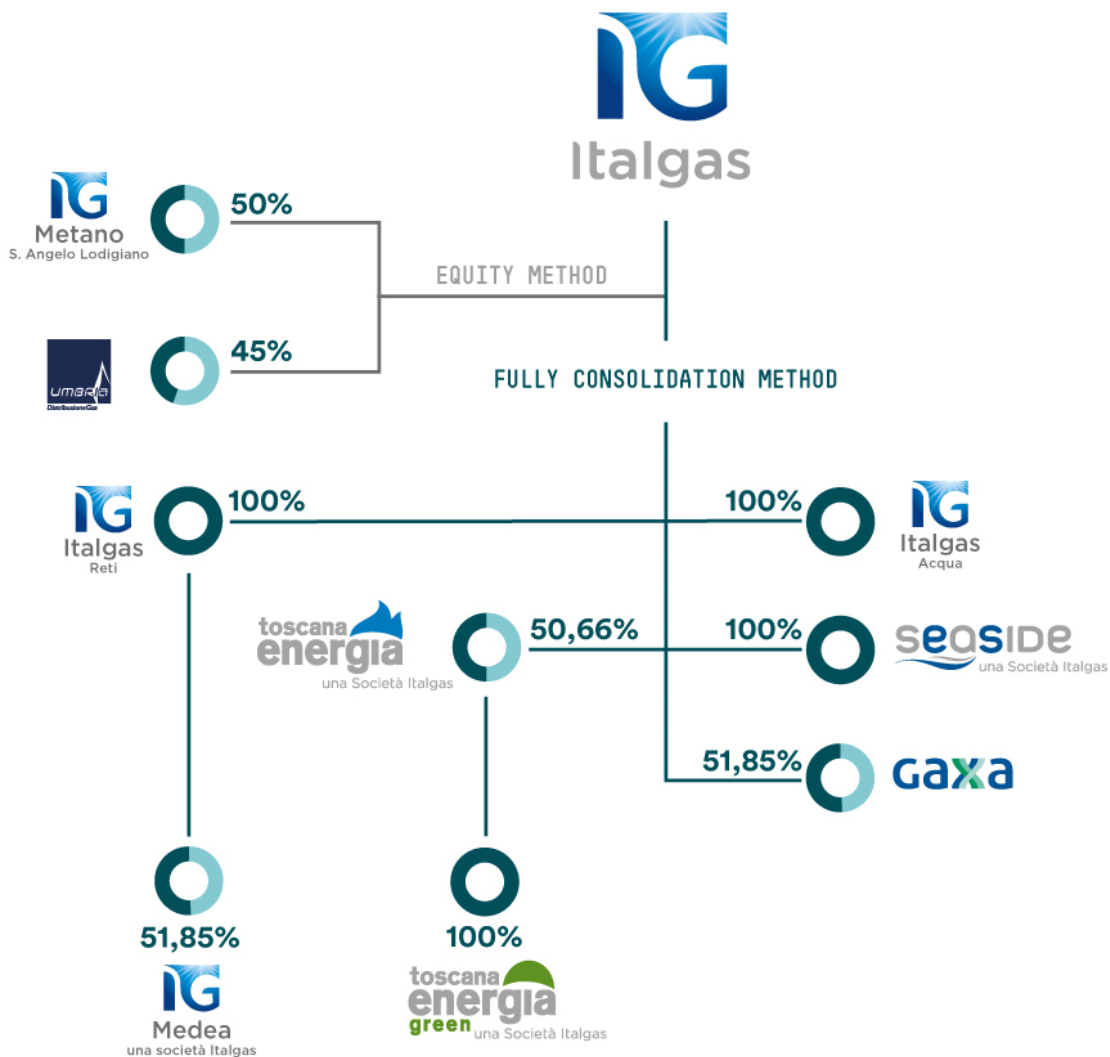
For more information, see the 2019 Financial Report approved by the Italgas Board of Directors on 11 March 2020.

A description of the Italgas Group and Italgas S.p.A associate companies is given below:

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<sup>6</sup> Purchased on 6 April 2018, company participating in the partial demerger operation of the sales business unit to Gaxa S.p.A. (See note 4), in compliance with Unbundling Legislation.

On 18 December 2019, Marguerite Gas III S.à r.l. purchased 48.15% of the share capital of Medea S.p.A.



## 1.2 Values and mission

The Italgas Group has defined a system of values recognised by all and based on know-how, innovation, reliability, approachability, efficiency, ensuring of service quality, defence of the environment and safety at work.

These values form the foundation of the ethical culture of all the Group companies and which guide the conduct of corporate activities according to principles of sustainability and corporate responsibility and which are considered an integral part of their business management model. Ethics is a guiding element in defining the Company's strategic and operational decisions as well as a form of leverage to guarantee a corporate social responsibility approach that combines business objectives with respect for environmental, social and governance issues and which recognizes the central importance of stakeholders and their needs in order to create social as well as economic value, even with a push towards innovation.

Italgas always accompanies the economic and social development of the country by promoting sustainable growth. It is currently the leading natural gas distributor in Italy and number three in Europe.

On the strength of these foundations, the Italgas Group is currently tackling a significant phase and new chapter in its long history. The Company's 2018-2024 strategic plan includes important investments aimed at expansion and consolidation, digitisation of the network and processes and development and improvement of the network.

In particular, Italgas has for some time now been implementing a series of initiatives as part of an extensive technological innovation plan, in the belief that digital transformation, extended to all areas of natural gas distribution, is the enabling element for a service characterised by the highest standards of quality and safety.

To facilitate the digitisation of processes, in November 2018 the Digital Factory was created, a structure that now houses multifunctional teams who work using agile methodology and design thinking. Its laboratories are working on 4.0 projects and technologies, crucial for maintaining the leadership conquered over time, including in the context of the "fourth industrial revolution".

The significant digital transformation plan under way in Italgas has been made possible not only by the launch of the Digital Factory in November 2018, but also thanks to the evolution of the IT architecture to a cloud-based model, highlighting in particular the cultural change required and encouraged by the introduction of new technologies and new ways of working, as well as the addition of new personnel with new digital skills and know-how.

The digital transformation commenced in Italgas is reflected by the many projects launched on the network and the introduction of new technologies for digitisation of the network (new Smart Meters with Narrow Band technology - Internet of Things), for leak detection (Cavity Ring technology - Picarro Down Spectroscopy ), for the improvement of scheduling, dispatching and customer engagement and for the Integrated Supervision Centre.

### 1.3 History

1837 - Founding:

The history of Italgas relates to the history of the gas industry in Italy which began in Turin in 1837 with the establishment of the Società Anonima Compagnia di Illuminazione a Gaz della Città di Torino.

In 1851, when the Turin stock exchange opened, the Company was among the 7 "Private Funds" admitted for listing.

In 1863, straight after the Italian unification, the Company changed its company name and became known as Società Italiana per il Gaz.

1900 - Expansion:

In 1900 it joined the Milan stock exchange.

The growth of electricity replacing gas for public lighting drove the Company to seek new commercial outlets for domestic uses, starting with cooking food and then heating and then the production of hot water.

In the Twenties an extensive buyout programme of gas companies operating in several Italian cities was launched,

including Venice (1924), Rome (1929) and Florence (1929), with the goal of creating a large industrial group.

1967 - Joining Eni:

The block of shares that ensured control of Italgas was purchased by Eni, already at that time one of the major global energy groups.

With the progressive affirmation of natural gas and the development of gas pipeline transportation networks from the 1970s, the Company focused on the construction of new networks for urban distribution and the modernisation of existing ones, taking on the leading role in Italy's growth of methanisation.

In 2003, under the scope of a reorganisation process, Eni delisted Italgas shares from the stock exchange.

2009 - Italgas acquired by Snam:

Snam took over the entire Italgas block of shares from Eni under the scope of a transaction aimed at creating an integrated group overseeing all regulated natural gas transportation, distribution, storage and regasification activities.

2016 - Separation from Snam and return to the stock exchange:

On 7 November 2016, with the completion of the industrial reorganisation of the Snam Group, the Italgas stock went back to being listed on the Borsa Italiana FTSE MIB index.

#### **1.4 Separation of the gas distribution activity from Snam and Italgas' admission to Mercato Telematico Azionario (electronic share market) organised and managed by Borsa Italiana**

On 7 November 2016, the separation of Italgas Reti from Snam took effect and, at the same time, the shares of Italgas (previously ITG Holding S.p.A.) were listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana (the "**Italgas Separation Transaction**").

As a result of the transaction, the entire equity investment held by Snam in Italgas Reti, equal to 100% of the share capital of Italgas Reti, was transferred to Italgas.

#### **1.5 Italgas corporate governance system**

Italgas' corporate governance system is a collection of rules and planning, management and control processes necessary for the operation of the Company and was outlined by the Board of Directors on 4 August 2016 in accordance with the provisions of the Italian Civil Code and the Consolidated Law on Finance and the Unbundling Regulation, in compliance with the application principles and criteria of the Corporate Governance Code and with reference to national and international best practices.

This system is based on certain key principles, such as proper, transparent business management implemented through the identification of information flows between corporate bodies and an efficient definition of the internal control and risk management system (for more information, see Chapter 10 of this Report).

Italgas has adopted the so-called traditional administration and control system pursuant to the applicable regulatory provisions and the By-Laws, which involves:

- a Board of Directors, in charge of the routine and extraordinary management of the Company and with the right to carry out all acts it deems appropriate for the implementation and achievement of the corporate purpose, with the exception of acts which pursuant to applicable regulations and the By-Laws are reserved to the Shareholders' Meeting;
- the Board of Statutory Auditors, with supervisory tasks, specifically (i) compliance with the law and the By-Laws; (ii) respect for the principles of proper administration in carrying out corporate activities; (iii) the adequacy of the Company's organisational structure in relation to its remit, the internal control system and the administrative-accounting systems, as well as the reliability of the latter in properly representing operational events; (iv) the methods for specific implementation of the rules of corporate governance provided for by the Corporate Governance Code, that the Company adheres to. Additionally, pursuant to Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also performs supervisory functions in its capacity as "*committee for internal control and account auditing*";
- the Shareholders' Meeting, the competent body for discussion tasked with, among other things, in both ordinary and extraordinary sessions: (i) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors and the establishment of their compensation, as well as resolving on any responsibilities; (ii) the approval of the financial statements, including the allocation of the profits for the period; (iii) resolving with regard to the purchase of treasury shares, amendments to the By-Laws and the issuing of convertible bonds.

The Board of Directors appoints the Chairman, if the Shareholders' Meeting has not already done so, delegates its duties to one or more of its members and may set up Committees for providing advice and recommendations on specific issues. Specifically, the Board of Directors has created the following Committees, in compliance with the Corporate Governance Code and the By-Laws:

- Appointments and Compensation Committee, created on 23 October 2017 following the grouping of the Appointments Committee and the Compensation Committee created on 4 August 2016;
- Control, Risk and Related Party Transactions Committee, created on 4 August 2016;
- Sustainability Committee, created on 4 August 2016.

## 1.6 Sustainability of Italgas

Sustainability is a principle through which Italgas values its business strategies. In fact, the Company intends to pursue its long-term objectives by integrating industrial processes with the ESG dimensions with a view to encouraging sustainable development throughout the value chain.

In this regard, Italgas wants to be a company that is able to promote the connection between networks, the local area and people, by participating in an open ecosystem, in which the central role played by stakeholders and their needs is acknowledged, to create, also by boosting innovation, both social, environmental and economic value.

Since its foundation Italgas has established its own Sustainability Committee and CSR department for monitoring all the sustainability and non-financial accounting aspects of the Group.

The Sustainability Plan - approved for the first time by the Board of Directors in December 2017 and updated annually - guides this vision and it integrates with the business and organisational plan drawn up by top management. In fact, it establishes harmonised strategic guidelines, objectives and action plans, which give substance to the vision in the short, medium and long term.

The responsible conduct of people and relations with stakeholders are the foundations of this approach. This conduct is defined and regulated by the Code of Ethics of Group companies and by the Internal system of regulations. More specifically, Italgas' operations are planned and conducted in compliance with the rules that safeguard competition, according to the principles of transparency, honesty, correctness and good faith. The processes and business activities are overseen by specific, certified management systems, which guarantee the health and safety of workers, environmental protection and the quality of services provided.

Italgas reports on the environmental and social dimensions, on personnel, on the respect of human rights, on the active and passive fight against corruption in the Non-Financial Statement, a document drawn up in accordance with Legislative Decree no. 254 of 30 December 2016, which introduces the obligation to publish non-financial information that is significant to the Company. The GRI Standards of the Global Reporting Initiative were used to measure results.

In 2019 the Italgas stock was included in the leading international SRI indices, adding further to acknowledgement of the company's sustainable strategies and business as well as its information to stakeholders. More specifically, Italgas (i) was included in the series of FTSE4Good indexes for the third year running; (ii) was included for the first time in the Dow Jones Sustainability Index (DJSI) World by RobecoSAM; (iii) had its ESG rating confirmed as AA by MSCI and was included in the MSCI Italy Small Cap Index; (iv) confirmed its position in the ECPI Euro ESG Equity and ECPI World ESG Equity indexes; (v) has, since 2017, been selected by the CDP (Carbon Disclosure Project) as one of the best companies at an international level for the strategies and actions implemented to fight climate change. In 2019 it remained in the "Climate change B List"; (vi) received the E+ sustainability rating with a stable outlook from the non-financial rating agency, Standard Ethics.

It should also be noted how Italgas regards the matter of human rights, as reported in the Code of Ethics, as a crucially important and recognised theme, related primarily to the broader, practical subject of "Employment and the protection of labour rights". Italgas is particularly attentive to acknowledging and safeguarding the dignity, freedom and equality of human beings, the protection of labour and trade union rights, health, safety and the environment. In this regard, the Group operates within the reference framework of the United Nations Universal Declaration of Human Rights, the fundamental conventions of the ILO - International Labour Organization - and the OECD Guidelines for Multinational Enterprises.

To further strengthen compliance with the aforementioned principles, Italgas has issued a specific "Human Rights Policy" which describes the reference principles and actions taken to safeguard human rights in the conduct of business and, in general, in any context in which Italgas people and its business partners operate.

For more information on the issues dealt with, refer to the Consolidated Non-Financial Statement at the website <https://www.italgas.it/en/our-commitment/documents-and-reports/>.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE

### 2.1 Structure of the share capital

At the date of the approval of this Report, the share capital of Italgas stood at 1,001,231,518.44 euros and is divided into 809,135,502 registered ordinary shares (ISIN: IT0005211237), with no par value, as also indicated in the table below. The Italgas stock is listed on the FTSE MIB index of the Italian Stock Exchange. Free-float shares amount to 60.5%.

STRUCTURE OF THE SHARE CAPITAL				
	No. of shares	% compared with share capital	Listing market	Rights and obligations
Ordinary shares	809,135,502	100	Mercato Telematico Azionario of Borsa Italiana S.p.A.	Owners of shares can exercise their ownership and dividend rights pursuant to the By-Laws and applicable regulations. Each share is indivisible and gives the right to one vote.

On 19 April 2018 the Extraordinary Shareholders' Meeting resolved to increase the share capital by a nominal maximum amount of 4,960,000 euros, through allocation - pursuant to Article 2349 of the Italian Civil Code - of a corresponding amount withdrawn from reserves of retained profits, with the issuance of no more than 4,000,000 ordinary shares, to be assigned free of charge to the beneficiaries of the incentive plan approved by the same Ordinary Shareholders' Meeting of 19 April 2018 and to be carried out by the final deadline of 30 June 2023.

In this regard, reference should be made to the information notice relating to the "2018 - 2020 co-investment plan" prepared pursuant to Article 84-bis of the Issuers' Regulations and available on the Company's website: [https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_it/07-governance/01-sistema-di-corporate-governance/01-assemblea-degli-azionisti/9-bis-Italgas-Documento-Informativo-Piano-di-coinvestimento.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/07-governance/01-sistema-di-corporate-governance/01-assemblea-degli-azionisti/9-bis-Italgas-Documento-Informativo-Piano-di-coinvestimento.pdf)

The Company has not issued special categories of shares, shares with multiple votes, shares with the right to a limited vote or without voting rights, financial instruments which give the right to subscribe new issue shares (such as convertible bonds and warrants).

### 2.2 Restrictions on the transfer of shares and voting rights

The By-Laws do not include any restrictions on the transfer of Company shares and/or limits on the ownership of shares or any restrictions on exercising voting rights.

### 2.3 Significant shareholdings

The table below lists the owners of significant shareholdings in the share capital of Italgas higher than the level laid down by Article 120 of the CLF (i.e., 3%) at 31 December 2019 and the date of the approval

of this Report, in accordance with the information disclosed to the Company pursuant to said Article 120 of the CLF or in any event available to the Company<sup>7</sup>.

<b>SIGNIFICANT SHAREHOLDINGS</b>			
<b>Declarant</b>	<b>Direct shareholder</b>	<b>Proportion of ordinary capital (%)</b>	<b>Proportion of voting share capital (%)</b>
<b>CDP</b>	CDP Reti (*) (**)	26.05	26.05
	<b>Snam</b>	<b>13.50</b>	<b>13.50</b>
	<b>Total</b>	<b>39.55</b>	<b>39.55</b>
<b>Lazard Asset Management Llc</b>	<b>Lazard Asset Management Llc</b>	<b>8.4</b>	<b>8.4</b>
<b>Romano Minozzi</b>	Granitifiandre S.p.A.	0.025	0.025
	Finanziaria Ceramica Castellarano S.p.A.	0.23	0.23
	Iris Ceramica Group S.p.A.	1.893	1.893
	Romano Minozzi	2.146	2.146
	<b>Total</b>	<b>4.29</b>	<b>4.29</b>
<b>Blackrock Inc.</b>	<b>Blackrock Inc.</b>	<b>4.7</b>	<b>4.7</b>

(\*) On 20 October 2016 a shareholders' agreement was entered into by Snam, CDP Reti and CDP Gas, effective as of the demerger date, in relation to Italgas S.p.A. With effect as of 1 May 2017, CDP Gas was merged by incorporation into CDP. Subsequently, on 19 May 2017, CDP sold the equity investment held in Italgas S.p.A., amounting to 0.969 % of the share capital of the same, to CDP Reti, among others.

(\*\*) CDP Reti is owned 59.1% by CDP, 35% by State Grid Europe Limited - SGEL, company belonging to the State Grid Corporation of China, and 5.9% by Italian institutional investors.

## **2.4 Shares which confer special rights**

The Company has not issued shares which confer special controlling rights.

<sup>7</sup> For information on shareholdings disclosed on the basis of Consob resolution no. 21304 of 17 March 2020 on the "Reduction of the initial percentage threshold pursuant to Article 120, subsection 2-bis, of Legislative Decree 58/1998 for holdings of the capital of listed issuers with Italy as home Member State with a high current market value and particularly extensive shareholding structure" see the website <http://www.consob.it/>, "Significant shareholdings".



## 2.5 Employee share ownership system: mechanism for exercising voting rights

There are no plans for an employee share ownership system in which voting rights are not directly exercised by the employees.

## 2.6 Shareholder agreements

As far as agreements between shareholders are concerned, pursuant to Article 122 of the CLF, as far as Italgas is aware, the following is noted.

### a) Italgas Shareholders' Agreement

On 20 October 2016, Snam, CDP Reti and CDP Gas signed a shareholders' agreement (the “**Italgas Shareholders' Agreement**”) in order to ensure a stable and transparent ownership structure of Italgas. The Italgas Shareholders' Agreement took effect on the completion date of the Italgas Separation Transaction and the simultaneous admission to listing of Italgas shares on 7 November 2016 and involves all the shares owned by parties in the Company.

On 1 May 2017, the merger by incorporation of CDP Gas into CDP took effect and therefore, from said date, CDP replaced CDP Gas in the Italgas Shareholders' Agreement. On 19 May 2017, CDP transferred the entire investment held by the same in Italgas to CDP Reti and, by virtue of said transfer, CDP ceased to be a party to the Agreement, which continues to be in place and is fully effective between just CDP Reti and SNAM.

The Shareholders' Agreement is for three years and is automatically renewed for further three-year periods, unless one of the parties gives 12 months' notice. Given such forecast, in November 2019 the Italgas Shareholders' Agreement was renewed.

It governs, inter alia:

- the exercising of voting rights associated with shares covered by the shareholders' agreement, with the establishment of an advisory committee;
- the obligations and methods for submitting a joint slate for the appointment of members of the Company's Board of Directors, with the rights of each party with regard to the designation of candidates;
- restrictions on the transfer of shares covered by the shareholders' agreement and the purchase of further shares.

On 1 August 2019 the Italgas Shareholders' Agreement was further updated to take account of the re-qualification of CDP's shareholding in Italgas as de facto control pursuant to Article 2359, subsection 1, no.2) of the Italian Civil Code and Article 93 of the Consolidated Law on Finance (see chapter 2.9 below of this Report).

A copy of the Italgas Shareholders' Agreement was filed at the Milan Business Register on 11 November 2016 and the relative basic information, as last updated on 1 August 2019 pursuant to Article 131, subsection one, of the Issuer's Regulations, may be consulted on the Company's website: <https://www.italgas.it/en/investors/shares-and-ownership-structure/shareholders-agreements>

### b) SGEL Shareholders' Agreement

On 27 November 2014, CDP, on the one side, and State Grid Europe Limited (“**SGEL**”) and State Grid International Development Limited (“**SGID**”), on the other side, signed a shareholders' agreement (the “**SGEL Shareholders' Agreement**”) under the scope of the sales agreement

concluded between these parties on 31 July 2014, pursuant to which on 27 November 2014 SGEL bought a stake of 35% of the share capital of CDP Reti from CDP.

On 23 December 2014 the parties amended the SGEL Shareholders' Agreement to reflect the changes that had taken place in the meantime to CDP's equity investment in Snam.

Consistent with the effectiveness of the Italgas Separation Transaction and at the same time as the listing of Italgas shares on 7 November 2016, SGEL, SGID and CDP changed and supplemented the SGEL Shareholders' Agreement further, also extending the application with regard to the stake held by CDP Reti in Italgas, making provision, among other things, for SGEL rights with regard to the designation of one of the members of the advisory committee set out by the Italgas Shareholders' Agreement to be expressed by CDP Reti and the designation of a candidate to be included in the slate of candidates for the office of Italgas director to be submitted by CDP Reti at the time of the appointment of the Board pursuant to the Italgas Shareholders' Agreement.

Pursuant to the SGEL Shareholders' Agreement, SGEL has undertaken to ensure that the director appointed by it to the Company's Board of Directors if and to the extent that said director is not independent pursuant to Article 148 of the CLF shall abstain, to the maximum extent permitted by law, from receiving information and/or documentation from Italgas in relation to matters on which there is a conflict of interest for SGEL and/or any affiliated party, in relation to business opportunities in which Italgas, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition. Furthermore, said director may not take part in the discussions of Italgas' Board of Directors concerning these issues.

The SGEL Shareholders' Agreement is for three years from the initial signing (i.e., from 27 November 2014) and is automatically renewed for further three-year periods, unless one of the parties gives 6 months' notice.

A copy of the SGEL Shareholders' Agreement was filed at the Milan Business Register on 11 November 2016 and the relative basic information may be consulted on the Company's website: <https://www.italgas.it/en/investors/shares-and-ownership-structure/shareholders-agreements>

## **2.7 Change of control clauses and statutory provisions on takeover bids**

### **a) Change of control clauses**

Italgas is party to important agreements which come into effect, are amended or cancelled in the event of the acquisition of control over the Company by an entity or entities, acting jointly, other than the Italian Republic or CDP, or in the case in which Italgas ceases to own a stake defined in Italgas Reti.

Specifically, this involves loan agreements which include the right of the counterparty to cancel the agreement early following either the acquisition of control over Italgas by an entity or entities acting jointly, other than the Italian Republic or CDP, or if the Italian Republic ceases, directly or indirectly (also via CDP) to own a portion of the share capital of Italgas equal to a certain level, and if Italgas ceases to be the majority shareholder of the share capital of Italgas Reti. In some of these agreements, the above-mentioned early extinguishment can be requested if the change of control of Italgas follows a downgrading of its credit rating.

### **b) Statutory provisions on takeover bids**

With regard to takeover bids, the Italgas By-Laws do not make any provision for exceptions to the passivity rule provisions of Article 104, subsections 1 and 1-bis of the CLF nor do they involve the adoption of the neutralisation rule pursuant to Article 104-bis, subsections 2 and 3 of the CLF.

## **2.8 Power to increase the share capital and authorisation to buy treasury shares**

The Board of Directors was not given the power to increase the share capital pursuant to Article 2443 of the Italian Civil Code. The Shareholders' Meeting did not authorise the purchase of treasury shares pursuant to Article 2357 et seq. of the Italian Civil Code.

## **2.9 Direction and coordination activities**

On 1 August 2019 CDP, given the stake indirectly held by the same in Italgas, through CDP Reti and Snam, and the provisions of the Italgas Shareholders' Agreement, also to implement the control guidance contained in Consob Decision no. 0106341 of 13 September 2017, re-qualified its controlling shareholding in Italgas as de facto control pursuant to Article 2359, subsection 1, no. 2 of the Italian Civil Code and Article 93 of the Consolidated Law on Finance. Even after such requalification, there are no shareholders exercising the direction and coordination activities referred to in Articles 2497 et seq. of the Italian Civil Code over Italgas.

Italgas is the parent company of the Italgas Group and exercises direction and coordination activities over Subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

## **2.10 Additional information**

The information relating to the agreements between the Company and directors that provide for indemnification (in the event of dismissal or termination of employment without just cause or if their employment is terminated following a takeover bid) can be found in the Remuneration Report that will be submitted by the Board of Directors to the Shareholders' Meeting pursuant to Article 123-ter of the CLF under the terms established by the applicable regulations.

The information required pursuant to Article 123-bis, subsection 1, letter l) of the CLF (the rules applicable to the appointment and replacement of directors and to the amendment of the By-Laws, if different from the legislative and regulatory provisions that are additionally applicable) can be found in the section of this Report dedicated to the Board of Directors (see Chapter 4 of this Report).

### 3. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

On 4 August 2016 the Board of Directors of Italgas resolved for the first time to comply with the Corporate Governance Code in the version in force at the time.

At the date of this Report, the Issuer complies with the Corporate Governance Code which can be viewed on the Corporate Governance Committee website, <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>

Moreover, the Issuer will adapt to the new corporate governance code published on 31 January 2020 within the terms provided for therein<sup>8</sup>.

The Issuer and the Subsidiaries are not subject to non-Italian legislative provisions that influence the corporate governance structure of said Issuer.

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<sup>8</sup> The companies adopting the Code are invited to apply it from the first financial year starting after 31 December 2020, advising the market of the fact in the Corporate Governance and Ownership Structure Report to be published in 2022.

## 4. BOARD OF DIRECTORS

### 4.1 Appointment, replacement and succession plans for executive directors

#### a) Appointment and replacement

Pursuant to the By-Laws, the Company is run by a Board of Directors composed of 9 members appointed by the Shareholders' Meeting in compliance with the pro tempore regulations in force governing gender equality, which establishes the term of office for no more than three financial years. Each office ends on the date of the Shareholders' Meeting called for the approval of the financial statements for the last year of the office. Directors can be re-elected.

As laid down in the By-Laws:

- at least three directors must meet the independence requirements established by the CLF (i.e., pursuant to Article 147-ter, subsection 4 of the CLF, the independence requirements established for statutory auditors of listed companies pursuant to Article 148, subsection 3 of the CLF);
- all directors must possess the requirements of honourableness prescribed by current legislation (i.e., pursuant to Article 147-quinquies, subsection 1, of the CLF, the integrity requirements prescribed for the statutory auditors of companies with listed shares);
- the directors of Italgas cannot hold any office in the management or control body, nor can they hold any management functions at Eni S.p.A. or its subsidiaries, nor have any relations, direct or indirect, of a professional or financial nature with these companies, as also laid down by the Prime Ministerial Decree of 25 May 2012 concerning "*Criteria, terms and conditions for the adoption by Snam of the ownership unbundling model pursuant to Article 15 of Law no. 27 of 24 March 2012*".

If, during the financial year, the office of one or more directors should be vacated, the provisions of Article 2386 of the Italian Civil Code will apply. During the renewal of the entire Board of Directors, directors are appointed on the basis of the slate voting mechanism.

The statutory provisions governing slate voting for the appointment of the Board of Directors were modified during the Extraordinary Shareholders' Meeting of 19 April 2018. These amendments have retained the existing system under the By-Laws and the slate voting system provided for therein, but have supplemented it with further provisions; specifically, Article 13.5 has been supplemented with letter b-bis).

This chapter later describes the mechanism for appointing the members of the administrative body as provided for in the current provisions of the By-Laws.

With specific reference to gender balance regulations, it should be noted that the regulatory framework referred to has recently been amended as a result of two legislative acts:

a) conversion law no. 157/2019 of Italian decree law 124/2019 (article 58-sexies) amended - with effect as of 25 December 2019 - article 147-ter, subsection 1-ter and article 148 of the CLF, extending from three to six consecutive terms of office, the period of application of the gender balance regulation;

(b) budget law no. 160/2019, in force since 1 January 2020, confirmed the validity of the legislation in question for six consecutive terms and established that the least represented gender must constitute at least two-fifths of the elected members, instead of the previous quota of one-third.

The new distribution criterion of at least two-fifths applies from the first renewal of the administrative body following the date of entry into force of the law and, therefore, on the occasion

of the next renewal of the Board of Directors (and the Board of Statutory Auditors), scheduled for the Shareholders' Meeting to approve the financial statements at 31 December 2021.

#### Slate voting for the appointment of the Board of Directors (Article 13 of the By-Laws)

Slates are filed at the registered office by the twenty-fifth day prior to the date of the Shareholders' Meeting called to decide on the appointment of the members of the Board of Directors and made available to the public by the methods provided for by law and by Consob regulations, at least twenty-one days prior to the date of the Shareholders' Meeting.

Each shareholder may submit or be involved in submitting only one slate and may vote on only one slate, according to the terms provided for by the above-mentioned legal and regulatory provisions.

Each candidate may feature on only one slate; otherwise their candidacy is declared void.

Only shareholders who alone or together with other shareholders represent 2% or are the owners overall of another percentage of shares stipulated by Consob regulations shall be entitled to submit slates<sup>9</sup>. The ownership of the minimum percentage necessary for the submission of slates is determined considering the shares registered in the shareholder's favour on the date on which the slates are filed at the Company.

For purposes of corroborating ownership of the number of shares necessary for the submission of slates, shareholders must produce the respective certification issued in accordance with the law by authorised intermediaries by the deadline provided for publication of the slates by the Company.

At least three directors must possess the requirements of independence established for statutory auditors of listed companies.

Candidates meeting the aforesaid independence requirements must be specifically identified on the slates.

Pursuant to the Decree of the President of the Council of Ministers of 25 May 2012, on "Criteria, terms and conditions for the adoption by Snam S.p.A. of the ownership unbundling model pursuant to Article 15 of Law no. 27 of 24 March 2012", Italgas directors cannot hold any office in the management or control body, nor can they hold any management functions, at Eni S.p.A. or its subsidiaries, nor have any relations, direct or indirect, of a professional or financial nature with these companies.

All candidates must also meet the integrity requirements provided for by applicable legislation.

Slates with three or more candidates must contain candidates of each gender, in accordance with the call notice for the Shareholders' Meeting, in order to comply with applicable laws on gender equality. When the number of representatives of the less represented gender must, by law, be at least three, slates for the appointment of the majority of members of the Board should include at least two candidates of the less represented gender on the slate.

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<sup>9</sup> Consob - through its Managerial Resolution of the Manager of the Corporate Governance Division no. 28 of 30 January 2020 - decided, pursuant to Article 147-ter, subsection 1 and Article 148, subsection 2 of the CLF and Article 144-septies, subsection 1, of the Issuers' Regulations, that the minimum level of investment required for the presentation of slates of candidates for the election of Italgas administrative and control bodies was 1%.

Together with each slate, subject to its inadmissibility, a curriculum vitae must be filed for each candidate and the candidates' statements accepting their candidacy and certifying, under their own cognisance, the lack of grounds for ineligibility or conflict of interest, as well as the fact that they satisfy the integrity and possible independence requirements.

The appointed directors must inform the Company of any loss of the independence and integrity requirements, as well as the occurrence of causes of ineligibility or conflict of interest.

The Board shall periodically evaluate the independence and integrity of the Directors, as well as the lack of grounds for ineligibility or incompatibility. If one of the directors does not fulfil or no longer fulfils the established independence or integrity requirements imposed by law, or if there are grounds for ineligibility or incompatibility, the Board will dismiss the director and arrange for him or her to be replaced or will ask that the grounds of incompatibility be removed within an established period of time, otherwise he or she must forfeit the post.

Directors are elected as follows:

- a) seven directors will be taken from the slate that obtains a majority vote of the shareholders (the "Majority Slate"), in the consecutive order that they appear on said slate;
- b) the remaining two directors shall be taken from other slates that are not linked in any way, even indirectly, to the shareholders that presented or voted for the slate coming first by number of votes (the "Minority Slates"). To this end, the votes received by the slates will be successively divided by one and two. The quotients thus obtained will be assigned progressively to candidates from each of these slates, according to the order shown therein. The quotients thus assigned to candidates from the different slates will be arranged in a single decreasing gradation. Those obtaining the highest quotients will be elected. If several candidates obtain the same quotient, the candidate from the slate that has not yet elected any director or that has elected the smallest number of directors will be elected. If none of these slates has yet elected a director or if all have elected the same number of directors, the candidate from the slate obtaining the greatest number of votes will be elected. If the voting on slates is a tie and the quotient is also a tie, the entire Shareholders' Meeting will be asked to vote again, and the candidate winning a simple majority of votes will be elected;
- b-bis) in the case that the Majority Slate does not present a sufficient number of candidates to ensure the number of directors to be elected pursuant to the previous letter a), all the candidates listed therein are drawn from the slate, according to the progressive order indicated in that slate; after having then proceeded to draw the other two directors from the Minority Slates, pursuant to the preceding letter b), the remaining directors are drawn - for positions not covered by the Majority Slate - from the Minority Slate that has obtained the greatest number of votes amongst the Minority Slates (the "First Minority Slate") and in relation to the capacity of this slate. In case of insufficient capacity, it will draw the remaining directors - with the same modalities - 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. Finally, if the total number of candidates included in the slates that are presented - both in the Majority Slate and in the Minority Slates - is lower than that of the directors to be elected, the remaining directors are elected by the Shareholders' Meeting with a resolution adopted pursuant to the subsequent letter d);
- c) if, after applying the procedure described above, the minimum number of independent directors required by the By-laws is not appointed, the quotient of votes to be attributed to each candidate taken from the slates is calculated by dividing the number of votes for each slate by the consecutive number of each of these candidates; non-independent

candidates with the lowest quotients among the candidates taken from all the slates shall be replaced, starting from the lowest, by the independent candidates taken from the same slate as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by persons who meet the independence criteria and appointed in accordance with the procedure mentioned under d). If candidates taken from different slates have obtained the same quotient, the candidate from the slate from which the highest number of directors has been taken shall be replaced, or, alternatively, the candidate taken from the slate with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;

c-bis) if the application of the procedure described in points a) and b) and b-bis) does not allow for compliance with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the slates shall be calculated by dividing the number of votes for each slate by the consecutive number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the slates shall be replaced, notwithstanding compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same slate as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned under d). If candidates from different slates have obtained the same lowest quotient, the candidate from the slate from which the greater number of directors has been taken shall be replaced, or, alternatively, the candidate taken from the slate with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;

d) for the appointment of directors not appointed for any reason by the above procedures, the Shareholders' Meeting shall resolve by statutory majority to ensure that the composition of the Board of Directors is consistent both with the law and with the By-Laws.

Additional binding legal provisions, including regulatory rules, remain unchanged in any case.

If the majority of the directors should vacate their offices, the entire Board shall be understood to have resigned, and a Shareholders' Meeting must be called without delay by the Board of Directors in order to replace it.

The appointed directors must inform the Company of any loss of the independence and integrity requirements, as well as the occurrence of causes of ineligibility or conflict of interest. The Board shall periodically evaluate the independence and integrity of the Directors, as well as the lack of grounds for ineligibility or incompatibility. If one of the directors does not fulfil or no longer fulfils the established independence or integrity requirements imposed by law, or if there are grounds for ineligibility or incompatibility, the Board will dismiss the director and arrange for him or her to be replaced or will ask that the grounds of incompatibility be removed within an established period of time, otherwise he or she must forfeit the post.

#### b) Succession plans

On 10 April 2020 the Company's Board of Directors reassessed whether to adopt a succession plan for executive directors and, given the Company's current share ownership structure, it decided that



said adoption was not necessary at this time. The Board of Directors will reassess the situation taking into account what was discussed at the meeting of the Appointments and Compensation Committee on 3 March 2020 and any further important circumstances that may arise.

On 24 January 2019 the Company's Board of Directors discussed the management succession plan and, at the meeting on 10 April 2020, took note of the analysis of the update to said plan carried out by the Appointments and Compensation Committee, postponing the in-depth examination of the update to a later meeting.

## 4.2 Composition, curriculum vitae, guidelines on the maximum number of offices and induction programme

### a) Composition

The Italgas Board of Directors in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2018, namely until 4 April 2019, was appointed by the Ordinary Shareholders' Meeting of 4 August 2016 on the recommendation of the sole shareholder at the time, Snam, and in compliance with the provisions of the Italian Civil Code.

The table below lists the directors in office until 4 April 2019, the offices held on the Board of Directors and directors qualified as independent pursuant to the provisions of the CLF and the Corporate Governance Code.

Name	Office	Independent in accordance with the CLF and the Corporate Governance Code
Lorenzo Bini Smaghi	Non-executive chairman	No
Paolo Gallo	Chief Executive Officer	No
Nicola Bedin	Non-executive director	Yes
Maurizio Dainelli	Non-executive director	No
Cinzia Farisè	Non-executive director	Yes
Yunpeng He	Non-executive director	No
Federica Lolli <sup>10</sup>	Non-executive director	Yes
Paolo Mosa	Non-executive director	No
Paola Annamaria Petrone	Non-executive director	Yes

The ordinary Shareholders' Meeting of 4 April 2019 thus appointed the Board of Directors in office at the end of the financial year. Seven of the nine directors appointed were taken from the slate

<sup>10</sup>Appointed by co-optation by the Board of Directors on 27 July 2017, following the resignation - for personal reasons - of Director Barbara Borra, and subsequently confirmed by the Ordinary Shareholders' Meeting on 19 April 2018.

presented by CDP Reti and Snam (expression of 39.545% of the share capital)<sup>11</sup>, while the remaining two were taken from the slate presented by institutional investors (all together holding 1.366% of the share capital)<sup>12</sup>.

At the Shareholders' Meeting of 4 April 2019 the term of office was set at three financial years, expiring on the date of the Shareholders' Meeting that will be called for the approval of the financial statements for the year ending 31 December 2021. The Board of Directors appointed in this way is composed of nine directors, of whom:

- one sole executive director, seven non-executive directors and a chairman without managerial powers;
- five directors qualified as independent on the basis of both the requirements of independence of the CLF (Article 147-ter, subsection 4 and 148, subsection 3 of the CLF), and of the Corporate Governance Code (Article 3) and a Chairman, independent pursuant to the CLF;
- three female members, in compliance with the regulations in force on gender equality<sup>13</sup>;
- five directors at their first appointment.

The table below lists the directors in office at the end of the Financial Year, the offices held on the Board of Directors and directors classed as independent pursuant to the provisions of the CLF and the Corporate Governance Code.

Name	Office	Independent in accordance with the CLF and the Corporate Governance Code
Alberto Dell'Acqua	Non-executive chairman	Independent pursuant to the CLF
Paolo Gallo	Chief Executive Officer	No
Yunpeng He	Non-executive director	No
Paola Annamaria Petrone	Non-executive director	Yes
Maurizio Dainelli	Non-executive director	No
Giandomenico Magliano	Non-executive director	Yes
Veronica Vecchi	Non-executive director	Yes
Andrea Mascetti	Non-executive director	Yes

<sup>11</sup> Alberto dell'Acqua, Paolo Gallo, Yunpeng He, Paola Annamaria Petrone, Maurizio Dainelli, Giandomenico Magliano and Veronica Vecchi.

<sup>12</sup> Andrea Mascetti and Silvia Stefini.

<sup>13</sup> Moreover, it should be noted that also with regard to the previous Board of Directors, in office until 4 April 2019, the Company had voluntarily applied the gender balance regulations (see art. 147-ter, subsection 1-ter, CLF) before admission to listing. In fact, Consob Communication DIE no. 0061499 of 18 July 2013, establishes that said gender equality obligation takes effect from the first renewal of the corporate bodies following listing and, therefore, in the case of Italgas, from the renewal of the corporate bodies by the Shareholders' Meeting of 4 April 2019.

Silvia Stefini	Non-executive director	Yes
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From the end of the Financial Year until the date of the approval of this Report there were no changes to the composition of the Board of Directors.

With regard to the description of corporate policies on diversity (Article 123-bis, letter d-bis, CLF), it should be noted that, on 24 January 2019, the Issuer's Board of Directors - after receiving the opinion of the Appointment and Compensation Committee on 24 January 2019 - approved the "Diversity of Company Bodies Policy", namely a special document that summarizes such policies (as well as the relative objectives and methods of implementation) and which - in accordance with criterion 1.C.1. lett. h) of the Corporate Governance Code - also included useful specifications for shareholders for the renewal of corporate bodies by the Shareholders' Meeting called to approve the financial statements as at 31 December 2018. The "Diversity of Company Bodies Policy" can be consulted on the Company's website: <https://www.italgas.it/en/governance/corporate-governance-system/board-of-directors/>.

Furthermore, it should be noted that the Board, again in compliance with the aforementioned criterion 1.C.1. lett. h) of the Corporate Governance Code, and in view of the renewal of the corporate bodies that took place during the Financial Year, has also drafted certain guidelines on managerial and professional figures whose presence in the administrative body was considered necessary (also considering the diversity criteria), and which are to be included in the explanatory report on the appointment of the Board of Directors available on the Company's website: [https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_En/07-governance/01-Corporate-governance-system/01-Shareholders-Meeting/OR0090-0148-Orientamenti-del-CdA-agli-Azionisti-V2-CL\\_EN\\_REVOK.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_En/07-governance/01-Corporate-governance-system/01-Shareholders-Meeting/OR0090-0148-Orientamenti-del-CdA-agli-Azionisti-V2-CL_EN_REVOK.pdf)

As regards the composition of the Board of Directors in office in relation to age, gender composition, and educational and professional background, including for the purposes of disclosure of the results of the "Diversity of Company Bodies policy", the following is specified:

- the Board includes three Directors of the less represented gender, equal to one third of the total composition. The composition of the Board of Directors (as well as of the Board of Statutory Auditors, see chapter 14) complies therefore with the legislation on gender balance<sup>14</sup>;
- the Board is characterised by the age structure diversity of its members, considering that the Board directors are aged between 40 and 65;
- the educational and professional profiles of the Board directors currently in office (lawyers, engineers, economists) guarantee a balanced distribution of experience and expertise within the corporate body suitable to ensure that the functions the same is tasked with are performed correctly;
- the current Board of Directors also has members from different geographic origins, as well as some with international experience.

In this regard, it should be noted that, as a result of the board evaluation activity carried out in January and February 2020, the Board considered that the size of the Board and the level of diversity in terms of gender, background, tenure and age are more than adequate for the complexities to be faced and allow for a sufficiently correct composition of the current Board Committees (for the results of the board evaluation activity see par. 4.3).

Lastly, it should be noted that on 17 December 2019, the Issuer's Board of Directors, after hearing

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<sup>14</sup> See note 12.

the opinion of the Appointments and Compensation Committee of 29 October 2019, approved the "diversity and inclusion policy", which outlines a more detailed programme on these aspects, including those relating to processes within the organisation, starting with recruitment processes.

b) *Curricula vitae*

Below is a summary of the *curricula vitae* of each member of the Board of Directors in office at the end of the Financial Year and at the date of approval of this Report.

**Alberto Dell'Acqua (Chairman)**

Born in Milan in 1976, he graduated in Economics at the "Bocconi" University in Milan. Subsequently he took a PhD in Corporate Finance at the University of Trieste, carrying out a period of research as a visiting research fellow at the School of Finance and Economics of the University of Technology in Sydney. Since 2015 he has been the Director of the Master's course in Corporate Finance at the SDA Bocconi School of Management. From 2014 to 2016 he was co-director of the Executive Masters course in Corporate Finance & Banking at the same institution. He also teaches Financial Management & Corporate Banking at Bocconi University. In the academic field he is the author of numerous publications in peer-reviewed national and international scientific journals and monographs on corporate finance and corporate governance. He has carried out research projects commissioned by some of the most authoritative Italian economic associations and institutions. In 2015 he coordinated the official research project on the economic impact of Expo 2015 in Milan. In 2007 he co-founded Madison Corporate Finance, a financial advisory company, where he acquired a vast international and national experience as advisor in M&A transactions and stock exchange listings with a particular focus on multilateral trading facilities such as AIM and Euronext. He is also Vice Chairman of Madison Capital, an investment club specializing in small and medium sized, high-growth companies and is a member of the Advisory Board of Brightside Capital, a multi-family international office. He has held non-executive directorships in commercial and service companies and high-tech start-ups. He is a member of the impartiality committee of Q-Aid, an independent Italian certification body.

**Paolo Gallo (CEO and General Manager)**

Born in Turin in 1961, he gained a degree in Aeronautical Engineering at the Polytechnic of Turin. He later gained an MBA from the Scuola di Amministrazione Aziendale (SAA -Università degli Studi di Torino). From 2014 to 2016 he was CEO of Grandi Stazioni, where he finalised the privatisation. Previously (2011 - 2014) he was firstly General Manager and then CEO of Acea S.p.A. one of the leading Italian multi-utility companies, listed on the Milan stock exchange. From 2002 to 2011 he was part of the Edison Group, first as Director of Strategy and Innovation and later (2003 - 2011) as General Manager and then CEO of Edipower.

He began his career at Fiat Avio S.p.A. in 1988 where he held various positions of responsibility for 13 years. In 1997 he began to get involved in the energy sector developing new initiatives in Italy, India and Brazil and later combined all the electricity generation activities for the Fiat Group at Fiat Energia (where he was CEO until 2002), the vehicle through which the Fiat Group acquired control of Montedison in July 2001.

Between 1992 and 1993 he was Director of the MBA course at the School of Business Management of the University of Turin, teaching "The economic-financial evaluation of industrial investments" until 2002, and he was the co-author of important publications in the industry. Since 2018 he has been Professor of the Re-engineering Operational Processes (Master in Digital Ecosystem) and Energy Management (Master in Energy Industry) courses at the Luiss Business School.

**Maurizio Dainelli (Director)**

Born in Rome in 1977, he gained a degree in Jurisprudence from the University of Rome and is qualified to practice professional law. He works at CDP Legal Services, where he is currently head of the Finance and Equity Investments Legal Division. Before that, he practised professional law at BonelliErede, and was seconded for a period to the London office of the investment bank J.P. Morgan, as Visiting Foreign Lawyer. He began his career in 2000 at Andersen Legal.

**Yunpeng He (Director)**

Born in Batou (Inner Mongolia, China) in 1965. He gained a degree in Electrical Systems and Automation from the University of Tianjin. He gained a Master's Degree in Technology Management from the Rensselaer Polytechnic Institute (RPI). He is currently on the Board of Directors of CDP Reti S.p.A., SNAM S.p.A., Terna S.p.A. and IPTO S.A. (network operator for the transmission of electricity in Greece). He held the office of Deputy Director General of the European Representative Office of the State Grid Corporation of China from January 2013 until December 2014. He has held the following offices at the State Grid Tianjin Electric Power Company: Vice Chief Technical Officer from December 2008 to September 2012, Director of the Economic and Legal Department from June 2011 to September 2012, Director of the Planning and Development Department from October 2005 to December 2008, Director of the Planning and Design Department from January 2002 to October 2005. Lastly, he was Head of the Tianjin Binhai Power Company from December 2008 to March 2010 and Chairman of the Tianjin Electric Power Design Institute from June 2000 to January 2002.

**Paola Annamaria Petrone (Director)**

Born in Milan in 1967, she gained a degree in Modern Languages and Literature from the IULM University of Milan. She later gained an MBA from the SDA Bocconi School of Management, Milan. She is lead independent Director in Biancamano SpA, until July 2019 she was General Manager of AAMPS S.p.A. and previously General Manager of AMSA (A2A group). Previously, she worked for the FCA Group, firstly as Global Director Outbound Logistics and CEO of I-Fast Automotive Logistics and later on, from 2010, as Global Senior Vice President Supply Chain Management of FCA and Chair of I Fast Container Logistics. Between 2003 and 2008 she worked at Trenitalia, holding various posts, most recently as Director of Regional Transport for Lombardy. From 2000 to 2002 she worked as a Manager at Roland Berger Strategy Consultants. She started out on her career at the Siemens Group, firstly in Italy and then in the German HQ.

**Giandomenico Magliano (Director)**

Born in Naples on 12 February 1955. His diplomatic career began in May 1978 (he came first in the competition's written tests, and second in the oral exams), and has been an *Ambasciatore di grado* [highest ranking Ambassador] since February 2010. He currently works for the Ministry of Foreign Affairs (Coordinator for the study of Italy's ranking in international indexes) and was Italian ambassador to France from January 2013 to January 2018. His previous senior management appointments include: in 2011-2012, Director General for the Directorate General for Global Affairs (multilateral/transversal economic issues as well as bilateral relations with Asia, Sub-Saharan Africa and Latin America); from 2003 to 2010, Director General for Multilateral Economic and Financial Cooperation, with expertise in both relevant international organisations and forums and the internationalisation of the Italian system, in particular energy/environment, technology and support for Made in Italy (in this period he was a member of the Board of Directors of SACE, the Management Committee for SIMEST concessions, the ICE Advisory Committee and the Advisory Board of Sviluppo-Italia as well as, internationally, Italian representative to the Governing Board of the International Energy Agency/IEA, the Board of the OECD in the Special Session and a member of the Italian Delegation to the Annual and Spring Meetings of the Monetary Fund and of the World Bank); from 2000 to 2003, he headed the Italian Development Cooperation as Director General (he was also head of the Italian delegation to the EU Council of Ministers for Development, and in 2001

he was Chairman of the G-8 Task Force on Education for Development and Italian representative to the Board of Directors of the Global Fund to Fight AIDS, Tuberculosis and Malaria).

In terms of education, in June 1973 he obtained the Certificat d'Études Politiques a SciencesPo/Paris; in June 1976 he graduated with a Degree in Business and Economics from "La Sapienza" University in Rome (score of 110/110 with honours, thesis on foreign direct investments with Prof. Federico Caffè); in June 1977 he obtained a Master's in Business Administration-MBA at the INSEAD of Fontainebleau; in June 1981 he obtained a mid-career Master's in Public Administration-MPA at the Harvard Kennedy School of Government (Course Director Prof. Thomas Schelling, who received a Nobel Prize for economics in 2005). He is the author of articles and papers on international economics, theories and practises of globalisation and European issues, and is a lecturer and professor in Rome at the Scuola Nazionale dell'Amministrazione [National School of Administration] and at the "Tor Vergata", "La Sapienza" and "Link Campus" Universities; he was the Italian representative on the Board of Directors of the European University Institute of Florence (1998-2003) and of the European Public Law Organisation of Athens (2000-2003).

### **Veronica Vecchi (Director)**

Veronica Vecchi is Associate Professor of Practice of Government, Health and Not for Profit at SDA Bocconi School of Management. She is Adjunct Professor of Long Term Investment&PPP and Financial Management at Bocconi University.

At SDA Bocconi, since 2017 she has been Chair of the Advisory Board and researcher of the Masan Observatory on procurement in Healthcare; since 2015 she has been Director of the Specialization Course in Management of Procurement and Contracts in Healthcare, since 2014 Director of Executive Training at SDA Bocconi Asia Center and since 2015 of the International Executive Master in Business (IEMB), since 2013 she has been Director of the Impact Investing Lab and, since 2005, Professor responsible for courses (open market, custom, masters) on public private partnership, public procurement, public-private relations, local development, public finance, local public services. She has created executive training, research and consulting programmes for numerous public institutions and private companies.

Her research regards public management; public-private partnerships for infrastructure and economic development; project finance; PA-enterprise relations; impact investing and social innovation; public policies for the development of entrepreneurship and territorial competitiveness; financing strategies and evaluation of public investment and infrastructure.

She is the author of more than ninety publications, including three international edited volumes and articles on the topics she has dealt with. Her work has been published in important journals such as Health Policy, Public Management Review, Economia & Management, Journal of Comparative Policy Analysis, Public Money Management, Journal of small business management. She is an external faculty affiliate at Cornell University and a member of the editorial board of OCAP (Observatory on Change in Public Administration) and the International Journal of Competitiveness. She is also a reviewer for many journals such as Academy of Management, Public Management Review, Economia & Management, European Journal of Operational Research and Health Policy.

In 2016-2017 she was Chair of the Best Book Award of the Public and Non Profit Division of the Academy of Management. From 2015 to 2018 she was a member of the Investment Evaluation Board of the Ministry of Health; she was a consultant to the African Development Bank, Asian Development Bank, World Bank, Interamerican Development Bank. In addition, since 2012 she has actively participated in institutional working groups at ANAC, Ministry of Economy, State General Accounting Department on public private partnership matters. Since 2005, she has worked with local authorities, healthcare companies and regional administrations to structure and evaluate PPP infrastructure projects.

Veronica has a degree in Public Administration Economics and International Relations from Bocconi University and a Doctorate in Public Administration Economics from the University of Parma.

### **Andrea Mascetti (Director)**

Born in Varese (Italy) on 10/8/1971, he graduated in Law from the University of Milan. He passed the bar exam at the Milan Court of Appeal; he is a member of the Milan Bar Association and is qualified to act as lawyer before the Court of Cassation.

After work experience at SALT (Studio Associato Legale Tributario), a law firm associated with Ernst&Young, in 2004 he founded a professional firm dealing with criminal, administrative and civil matters, with offices in Milan and Varese.

His professional work mainly focuses on civil and administrative law, in addition to the applications of Legislative Decree 231/01. He has acquired many years of experience in civil matters, and in particular in commercial and corporate law and in matters pertaining to real rights, both as a consultant and as a procedural law expert.

In administrative law matters, he acts as a counsel for the defence at Regional Administrative Courts and at the Council of State, and provides out-of-court advice for public bodies and commercial companies with regard to procurement and public contracts, concessions, and public-private partnerships.

In relation to Legislative Decree 231/01, he has provided and provides legal consultancy on the preparation, drafting and implementation of Organisation, Management and Control Models for leading Italian companies.

He is the Chairman and a member of supervisory bodies (Legislative Decree 231/01) and boards of statutory auditors; he is also the Chairman and a member of the board of directors of Italian companies and foreign banking institutes. He is a member of the Central Charity Commission of the Fondazione Cariplo, where he acts as coordinator of the Culture Commission.

### **Silvia Stefini (Director)**

Born in Varese in 1964, she earned her degree in Political Economy from the "Bocconi" University in Milan. She then obtained an MBA in Finance from the CASS Business School in London.

She worked for the General Electric Group for 21 years, the last 14 of which were spent in the GE Power Services division dealing with the commercial department and Enterprise Risk Management with regard to maintenance services for electricity plants powered by natural gas. Previously, she dealt with structured finance and project financing for GE Oil & Gas and Mergers & Acquisition for GE Capital.

Before General Electric, she worked for 5 years at McKinsey in Milan, New York and Amsterdam focusing on Strategy and Corporate Finance for industrial companies, and for 2 years at the Standard & Poor's/DRI-McGrawHill group as an international finance market analyst.

#### c) Maximum number of offices held at other companies

On 17 December 2019 the Italgas Board of Directors, on the suggestion of the Appointments and Compensation Committee, confirmed its guidelines, adopted on 29 January 2019, on the maximum number of offices a director or auditor can hold in other "significant companies" not belonging to the Italgas Group, in compliance with the provisions of the Corporate Governance Code. Specifically, the Board of Directors has set the following limits and prohibitions.

For the CEO (and any other executive directors) of the Company:

- no other office as executive director;
- a maximum of one other appointment as a non-executive director and/or statutory auditor (and/or member of another control body), with the possibility of an exception being made, for up to three appointments overall, with the favourable opinion of the Board of Directors;

- as regards the Chief Executive Officer only, consistently with the so-called interlocking directorate ban laid down by criterion 2.C.6 of the Corporate Governance Code, no office as member of the Board of Directors of another issuer company not belonging to the Italgas Group of which another member of the Board of Directors of Italgas is the CEO.

For non-executive directors of the company the limit of an additional four offices (weighting executive appointments or appointments as non-executive chairman as double).

For the purposes of the maximum number of office held, a "significant company" is any company, Italian or foreign, where at least one of the following qualifications exists:

- issuer company (in Italian or foreign regulated markets);
- company operating in the insurance, banking or financial sectors (e.g., asset management company, brokerage company);
- company with shareholders' equity of more than €1 billion.

If the above limits indicated are exceeded, the director involved should promptly inform the Board of Directors, which shall evaluate the situation in light of the Company's interest and ask the director to take the resulting decisions.

Consistent with the prohibition of interlocking directorate, laid down by criterion 2.C.6 of the Corporate Governance Code, the CEO of Italgas cannot take on the position of member of the Board of Directors of another issuer company not belonging to the Italgas Group, if another member of the Board of Directors of Italgas is the CEO.

The directors in office at the date of the approval of this Report comply with the guidelines approved by the Board of Directors on the issue of the maximum number of offices.

The table below shows - on the basis of the declarations made by the directors - the other significant offices pursuant to the Corporate Governance Code and the prevailing view adopted by the Board of Directors in relation to the maximum number of offices currently held by the Company's directors.

Director	Other important positions held
Yunpeng He	<ul style="list-style-type: none"> <li>• Director of Terna S.p.A, Snam S.p.A., CDP Reti S.p.A. and IPTO S.A.</li> </ul>
Andrea Mascetti	<ul style="list-style-type: none"> <li>• Director of Banca Intesa Russia - Moscow and Intesa Sanpaolo Private Bank (Suisse) SA - Lugano - Geneva</li> </ul>

#### d) *Induction Programme*

During the Year, the characteristics of the board information have enabled the Directors to obtain an adequate understanding of the business sphere in which the Issuer operates, the Company dynamics and their changes, as well as the relative legislative and self-regulatory framework in place.

In addition, the directors and statutory auditors were able to gain a better understanding of the area of operations of the Company and of the Group by taking part in: (i) a board induction meeting held on 9 April 2019 following the establishment of the new corporate bodies, aimed at an in-depth analysis of Italgas Group's operating sector and the main strategic aspects; (ii) board meetings held on 13 May and 11 June 2019, during which the 2019-2025 business plan was discussed and approved; (iii) a site visit in June 2019; (iv) a safety walk on 14 May 2019.



In addition, in the current financial year, the directors and statutory auditors attended a board induction meeting on 26 February, 2020 on corporate governance aspects relevant to the company and, in particular, on the roles and responsibilities of the Board of Directors, the Chairman, the Committees and the Board of Statutory Auditors, as well as on the proper functioning of the corporate bodies. During the day, the directors and statutory auditors also made a site visit to the registered office of Italgas Reti S.p.A. and the emergency response centre in Turin.

### 4.3 Role of the Board of Directors

#### a) Operation of the Board of Directors

During the Financial Year, the Board of Directors met ten times, with each meeting lasting an average of 178 minutes.

The table in Annex 1 lists the attendance of each member at the Board of Directors' meetings during the Financial Year.

For the current business year eight meetings of the Board of Directors are scheduled, including one which has already been held at the date of the approval of this Report. The Financial Calendar which can be consulted on the Company's website (<https://www.italgas.it/en/investors/financial-calendar/>) indicates the corporate events and dates of disclosure to the public of the economic-financial results which will be examined by the Board of Directors in 2020.

At the Board of Directors' meetings held during the Year, the members of the Board of Statutory Auditors attended frequently as well as the competent heads of company departments where the items on the agenda were relevant to them. In particular, among others, Mr Antonio Paccioretti, General Manager of Finance and Services, Mr Alessio Minutoli, Head of Legal, Corporate Affairs and Compliance, Mr Bruno Burigana, Head of Human Resources and Organization, Mr Pier Lorenzo Dell'Orco, Head of Commercial Development, Mr Gianfranco Amoroso, Head of Finance, Planning and Control, Mr Giovanni Mercante, Officer responsible for the preparation of the company's financial reports, Mr Agostino Limonta and Mr Paolo Bosato, who took over from him as Internal Audit Manager during the Financial Year (on this point see below) attended the meetings and provided suitable in-depth analyses on the matters within their remit.

Board of Directors meetings are called by the Chairman or, if they are absent or unable to do so, by the Chief Executive Officer or, if they are absent or unable to do so, by the most senior director in age, when they deem it necessary or when requested in writing by at least two directors. The Board can meet through tele- or video conferencing, under the conditions set out in the By-Laws.

The meetings of the Board of Directors are presided over by the Chairman or, if they are absent or unable to do so, by the CEO, or, finally, if they are absent or unable to do so, by the eldest Board member.

The Chairman of the Board of Directors also ensures that directors have all the necessary information on the individual items on the agenda.

On 4 August 2016 the Board of Directors approved its own regulations (the "**Board Regulation**"), which governs the operation and organisation of Board meetings. This regulation also requires, among other things, at least five days' notice for calling meetings, except in urgent cases, and that the documentation on the agenda items is made available to directors and standing auditors within the same period - except in exceptional circumstances (e.g., if the documents contain price sensitive information). This documentation is usually made available to directors in a reserved area of the web which can be accessed remotely. During the Year, the minimum notice for calling meetings and sending important documentation was generally complied with.

Pursuant to the provisions of the SGEL Shareholders' Agreement, the Board Regulation requires that the director appointed by SGEL, if and to the extent that said director is not independent pursuant to Article 148 of the CLF shall abstain, to the maximum extent permitted by law, from receiving information and/or documentation from Italgas in relation to matters on which there is a conflict of interest for SGEL and/or any affiliated party, in relation to business opportunities in which Italgas, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition. In such an event, this director should promptly give written notice to the secretary to the Board and they cannot take part in the discussions of the Italgas Board of Directors concerning these matters. On the Board in office at the date of the approval of this Report there is one director appointed by SGEL who is not independent pursuant to Article 148 of the CLF.

#### b) Tasks of the Board of Directors

Pursuant to the By-Laws, the Board of Directors is vested with the widest-ranging powers for the routine and extraordinary management of the Company and has the right to carry out all acts it deems appropriate for the implementation and achievement of the corporate purpose, with the sole exception of acts reserved by law or the By-Laws to the Shareholders' Meeting.

Additionally, pursuant to the By-Laws, the Board of Directors is responsible for deliberating on the following matters:

- merger by incorporation of wholly-owned companies or at least 90%-owned and demerger in the same scenarios;
- institution, modification and elimination of secondary offices;
- the decrease of the corporate share capital when a shareholder withdraws;
- compliance of the By-Laws with regulatory provisions;
- the transfer of the registered office within Italy.

The Board of Directors can delegate its duties to one or more of its members while determining the limits of the delegation pursuant to Article 2381 of the Italian Civil Code and appointing the CEO. At the proposal of the Chairman, the Board of Directors, in agreement with the CEO, can confer powers for individual acts or categories of acts on other members of the Board of Directors.

The Board of Directors can always give directives to the CEO and recall transactions coming under its jurisdiction, in the same way as it can, at any time, revoke the proxies conferred, proceeding, in the case of the revocation of proxies conferred on the CEO, at the same time to appoint another CEO.

At the meeting of 4 April 2019, the Board of Directors reserved specific duties pursuant to Article 2381 of the Italian Civil Code for its exclusive area of responsibility, as well as those which cannot legally be delegated and those required by the Corporate Governance Code. The list of these assignments reserved exclusively to the Board of Directors can be consulted on the Company's website: [https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_it/07-governance/01-sistema-di-corporate-governance/02-consiglio-di-amministrazione/Attribuzioni-riservate\\_CdA.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/07-governance/01-sistema-di-corporate-governance/02-consiglio-di-amministrazione/Attribuzioni-riservate_CdA.pdf). Under the scope of these exclusive duties, the Board of Directors, among other things, is expected:

- to define strategic guidelines and objectives for the Company and the Italgas Group, including sustainability policies, at the recommendation of the CEO. In compliance with the Unbundling Regulation, the Board examines and approves the strategic, business and financial plans of the Company and the Italgas Group, monitoring their implementation on an annual basis, as well as the Company's strategic agreements;
- to review and approve the budget of the Company and the group;

- to define the system and rules of corporate governance of the Company and of the Italgas Group;
- on the recommendation of the CEO, to resolve on the transactions of the Company and its Subsidiaries, in terms of the exercise of direction and coordination activities, that have a significant strategic, economic, capital and financial importance for the Company and the Italgas Group. This is without prejudice, in each case, to compliance with the confidentiality obligations relating to the commercial relations between the Subsidiary and the Company or third parties. Additionally, the activities and processes carried out by the Subsidiary Italgas Reti in relation to identifying natural gas distribution tenders in which to participate, and in relation to preparing the technical and financial bids for these tenders, are not discussed or subject to prior approval by Italgas' Board of Directors;
- to approve, upon proposal of the Sustainability Committee, the Consolidated Non-Financial Statement.

Pursuant to the resolution of the Board of Directors of 4 April 2019, the following are considered transactions of strategic, economic, capital and financial importance:

- acquisitions, disposals, sales, transfers of companies or business units (including rent and usufruct), real estate and/or equity investments worth more than 100 million euros;
- contracts for the sale of goods and/or services used for commercial and administration purposes by the Company and its Subsidiaries for amounts greater than 1 billion euros and/or for a term of more than 15 years;
- contracts relating directly to the activities indicated in the corporate objective and/or relating to the day-to-day management of corporate activities worth over 100 million euros and/or with a duration of over 15 years;
- the stipulation, modification and termination of credit contracts for sums exceeding 2 billion euros and/or with a duration of over 15 years;
- the disbursement by the Company and its subsidiaries of loans to third parties other than Italgas and its Subsidiaries;
- sureties and other forms of personal guarantee, as well as letters of patronage, in relation to commitments assumed or to be assumed by companies in which the Company directly or indirectly holds an equity investment, for amounts greater than 100 million euros and in any event if the amount is not proportional to the investment held therein;
- sureties guaranteeing obligations assumed or to be assumed by the Company with third parties, worth over 100 million euros;
- the Company's brokerage contracts.

Following the decision to adhere to the Corporate Governance Code on 4 August 2016, at the same meeting and at subsequent meetings the Board adopted provisions aimed at adapting the corporate governance system, including the Internal Control and Risk Management System, to the executive principles and criteria of the Corporate Governance Code (see Chapter 3 of this Report).

During the Financial Year, the Board evaluated (i) the general performance of operations, on the basis of the regular information from the CEO (see Chapter 4.4c) of this Report with regard to reporting to the Board); (ii) the adequacy of the organisational, administrative and general accounting structure of the Issuer and of the strategically important Subsidiaries, drawn up by the CEO.

On 17 December 2019, at the recommendation of the Appointments and Compensation Committee, the Board of Directors of Italgas resolved to confer a mandate for the three-year period 2019 - 2021 on an independent external consultant, Crisci & Partners, for the so-called board evaluation activity. The external consultant, who does not provide any other services to the Company or to the Subsidiaries, was appointed through a competitive procedure handled by the Legal & Corporate Affairs and Compliance Department. In particular, the Appointments and Compensation Committee formulated its proposal to the Board at the end of the meeting held on 02 December 2019, during which Crisci & Partners presented and described the modalities and performance of the activity.

In the months of January and February 2020, the board evaluation activities were directed at the size, operation and composition of the Board and its Committees with regard to the Financial Year. The Board evaluation was conducted on the basis of questionnaires and individual interviews, which took place between 3 February and 7 February 2020, following further preliminary interviews with the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary of the Board of Directors and the Chairman of the Board of Statutory Auditors.

As a result of the board evaluation, the Board, which was extensively renewed at the Shareholders' Meeting held on 4 April 2019, considered that:

- the size of the Board and the level of diversity of gender, background, tenure and age are more than adequate for the complexities to be faced and allow for a sufficiently appropriate composition of the existing Board committees;
- the functioning of the Board of Directors has guaranteed the Body an ideal performance of the functions assigned to it by current regulations and adequate compliance with the management and operational requirements of Italgas SpA;
- the onboarding of the five directors at their first appointment and induction for the entire Board was more than adequate in terms of understanding the sector in which Italgas operates, the lines of the existing Business Plan, the key economic-financial factors and the company's risk model;
- the scheduling of meetings, the frequency of the same, the articulation of the Agendas and the quality and timeliness of the documents presented are more than adequate for the needs and complex functioning of the Administrative Body and allow its members to act upon accurate information;
- the Board, as a whole, and all the individual Directors show a strong commitment to the Company and to performing their duties. There is, individually, a pride in belonging and ambition to participate in a project that makes Italgas a best practice company;
- the Chairman make a recognised effort to stimulate dialogue and proposals which he then brings to the Board meetings. The Chief Executive Officer performs governance of the Company with authority, in a transparent and successful manner;
- reporting by the management to the Board of Directors and the Committees is detailed, transparent and qualified;
- thanks to the sessions, also off-site, describing the progress of the Business Plan, its strategic and operational guidelines are adequately understood by the Directors;
- the composition and role played by the Committees, especially in a largely renewed Board, are to be appreciated.

The Shareholders' Meeting has not authorised, in general or as a preventive measure, any exemptions from the prohibition on competition pursuant to Article 2390 of the Italian Civil Code.

#### **4.4 Chief Executive Officer, Chairman and reporting to the Board**

##### **a) Chief Executive Officer**

On 4 April 2019, the Italgas Board of Directors appointed Paolo Gallo as CEO, conferring on him all duties and powers, with the exclusion of those provided for otherwise by law and in the By-Laws and not reserved to the Board of Directors or the Chairman (see Chapter 4.3 of this Report).

From the effectiveness of the completion of the Italgas Separation Transaction, Paolo Gallo took up the office of General Manager of Italgas, while on the same date Antonio Paccioretti took up the office of General Manager of Finance and Services.

There is no interlocking directorate in place, as defined in criterion 2.C.5 of the Corporate Governance Code, in relation to the CEO.

The CEO also has the role of Director in Charge pursuant to the Corporate Governance Code (see Chapter 11.2 of this Report).

Pursuant to the By-Laws, the CEO, as well as the Chairman, represents the Company to any judicial or administrative authority and with regard to third parties, as well as having signing authority.

##### **b) Chairman of the Board of Directors**

The Italgas Ordinary Shareholders' Meeting of 4 April 2019 appointed Alberto Dell'Acqua as Chairman of the Company's Board of Directors.

The Chairman is responsible for the tasks pursuant to the Italian Civil Code, the By-Laws and the Corporate Governance Code. Specifically, pursuant to Article 14.2 of the By-Laws, the Chairman:

- chairs Shareholders' Meetings, performing the duties provided for by law and by the Shareholders' Meeting Regulation;
- calls and presides over the Board of Directors' meetings and sets their agendas and coordinates the proceedings;
- ensures the directors are provided with adequate information on the items on the agenda.

The Chairman does not have executive powers and does not have a specific role in the development of corporate strategies.

The Chairman as well as the CEO, represents the Company to any judicial or administrative authority and with regard to third parties, as well as having signing authority.

##### **c) Reporting to the Board**

In compliance with the By-Laws, during the Financial Year, the CEO informed the Board of Directors and the Board of Statutory Auditors at Board meetings on the general performance, outlook, transactions of economic, financial and capital significance to the Company and its Subsidiaries.

The By-Laws also require that, at the meetings and at least on a quarterly basis, the Board of Directors and the Board of Statutory Auditors are informed, by the Chairman or any directors who are delegated the necessary duties, also with regard to transactions in which directors have an interest on their own account or that of third parties or are affected by a party that exercises direction and coordination activities (where applicable).

#### **4.5 Other executive directors**

With the exception of the CEO and General Manager, Paolo Gallo, there are no other members of the Board of Directors who qualify as executive directors pursuant to the Corporate Governance Code.

#### **4.6 Independent directors**

The Board of Directors in office at the end of the financial year and at the date of this Report is composed of nine members, including a non-executive Chairman, Alberto dell'Acqua, independent pursuant to the Consolidated Law on Finance (Article 147-ter, subsection 4 and Article 148, subsection 3 of the CLF) and 5 independent members pursuant to both the Consolidated Law on Finance (Article 147-ter, subsection 4 and Article 148, subsection 3 of the CLF ) and the Corporate Governance Code (Article 3), and specifically:

- Paola Annamaria Petrone, who holds the office of Chairman of the Control, Risk and Related Party Transactions Committee.
- Giandomenico Magliano, who holds the offices of Chairman of the Sustainability Committee and member of the Control, Risk and Related Party Transactions Committee.
- Veronica Vecchi, who is a member of the Sustainability Committee.
- Andrea Mascetti, who holds the office of Chairman of the Appointments and Compensation Committee.
- Silvia Stefini, who is a member of the Appointments and Compensation Committee and a member of the Control, Risk and Related Party Transactions Committee.

The existence of the independence requirements set out in the Consolidated Law on Finance and the Corporate Governance Code was ascertained by the Board of Directors on the basis of statements issued by the parties concerned, following the appointment on 4 April 2019 (as communicated to the market on the same date) and on 26 February 2020. Moreover, the correct application of the assessment criteria and procedures adopted by the Board to assess the independence of its members was verified, with positive results, by the Board of Statutory Auditors, following its appointment on 4 April 2019 and on 5 March 2020. The existence of the requirements of independence is also scrutinised regularly by the Board of Directors or when specific circumstances that could result in the loss of the requirements of independence of one or more directors occur.

The presence of a reasonable number of non-executive and independent directors is aimed at ensuring that suitably reasoned decisions are taken, (also) subject to examination by directors to define matters extraneous to the operational management of Italgas and, among other things, remote from significant relations with both management and shareholders.

Considering the recent appointment and the numerous meetings of the board committees held during the financial year, the independent directors of the Company in office at the date of this Report met for the first time on 10 March 2020, in accordance with the provisions of Criterion 3.C.6 of the Corporate Governance Code.

#### **4.7 Lead independent director**

The Board of Directors of Italgas has not designated one of the independent directors as the lead independent director, not resorting to the pre-conditions which require this appointment to be mandatory pursuant to the Corporate Governance Code.

#### **4.8 Remuneration of directors (references)**

The Remuneration Report pursuant to Article 123-ter of the CLF, which was approved by the Board of Directors and will be made available to the public at the same time as the publication of this Report, describes the Company's policies with regard to the remuneration of members of the Board of Directors, General Managers and Executives with strategic responsibilities, gives the pay of members of the Board of Directors and Board of Statutory Auditors, General Managers and Senior Managers with strategic responsibilities and information on any agreements between the Company and members of the Board of Directors that provide for indemnification in the event of dismissal or termination of employment without just cause or if their employment is terminated following a takeover bid.

## 5. HANDLING OF COMPANY INFORMATION AND PUBLICATION OF QUARTERLY FINANCIAL INFORMATION

### 5.1 Market Abuse Procedure

On 5 September 2016 the Board of Directors adopted a "market abuse procedure" ("**Market Abuse Procedure**"), based on a recommendation from the CEO. The Market Abuse Procedure was then updated on 30 May 2017. The Market Abuse Procedure described the rules on the prevention of market abuse, pursuant to and in accordance with Regulation (EU) 596/2014 ("**MAR**") and relative implementing regulations, which the Company and its related parties must comply with.

### 5.2 Inside information, insider list and internal dealing procedures

The Board of Directors' meeting of 13 December 2018 - following a procedure for the verification and updating of the Market Abuse Procedure initiated after the adoption of Consob Guidelines no. 1/2017 in relation to the "*Management of Inside Information*" (the "**Guidelines**"), as well as the publication of new and/or updated ESMA Q & A and the changes made by Legislative Decree no. 107/2018 to the CLF - resolved to adopt three separate procedures for the management of inside information, the insider list and internal dealing in place of the Market Abuse Procedure; such procedures were implemented in order to regulate in more detail the procedures for the fulfilment of the obligations established by applicable regulations.

More specifically, the Board of Directors adopted the following procedures:

- (i) **Procedure for the public disclosure of Inside Information** pursuant to Article 17 of the MAR as well as the relative rules for execution and implementation of the European Commission and the Guidelines; it regulates the procedures relative to both internal management and the external communication of Inside Information (as defined in Article 7 of the MAR) and Confidential Information (as defined by the procedure) concerning the Issuer and the Subsidiaries;
- (ii) **Procedure for the management of the List of persons having access to Inside Information** in compliance with Article 18 of the MAR and the related norms for execution and implementation of the European Commission as well as the Guidelines;
- (iii) **Procedure for the fulfilment of obligations regarding Internal Dealing**, in compliance with Article 19 of the MAR, the relative rules for execution and implementation of the European Commission as well as the relevant provisions of the CLF and the Issuers' Regulations which regulates the disclosure obligations related to transactions on financial instruments performed by Relevant Parties (as defined in the procedure).

These procedures can be consulted within the website of Italgas: <https://www.italgas.it/en/governance/internal-control-and-compliance/market-abuse-procedure/>

### 5.3 Publication of quarterly financial information

Italgas has disclosed its intention to voluntarily publish financial information in addition to the Annual and Half-Year Financial Reports, consistent with the development of the reference regulatory framework and taking into account the requirements of stakeholders.

Specifically, during the Financial Year, the Board of Directors approved quarterly information with regard to at least the following indicators and published it in a press release in accordance with the times scheduled in the financial calendar:

- key operating figures;



- total revenue;
- gross operating income for the period;
- operating income for the period;
- net result for the period;
- investments;
- free cash flow and change in the net financial debt.

The press release contains further qualitative and quantitative information needed to explain the development of the business properly. The financial calendar in force at the date of the approval of this Report can be consulted on the Company's website: <https://www.italgas.it/en/investors/financial-calendar/>

## 6. INTERNAL BOARD COMMITTEES

Pursuant to Article 13.8 of the By-Laws the Board of Directors can set up internal committees for providing advice and recommendations on specific issues, appointing and, if necessary, removing members and the Chairman.

On 4 August 2016 the Board of Directors set up the following committees pursuant to the Corporate Governance Code and approved the regulations governing the composition, tasks and operating methods:

- Appointments Committee and Compensation Committee, the tasks of which were allocated to a single committee (Appointments and Compensation Committee) on 23 October 2017;
- Control, Risk and Related Party Transactions Committee;
- Sustainability Committee.

The members of the Committees in office until the Shareholders' Meeting of 4 April 2019 were appointed by the Board of Directors on 5 September 2016 and, as regards the Appointments and Compensation Committee, on 23 October 2017.

The members of the Committees in office at the date of this Report were appointed by the Board of Directors on 13 May 2019, in accordance with the applicable regulations and the recommendations of the Corporate Governance Code.

As governed by the respective regulations, the Chairman of each committee calls and oversees the meetings and the meetings are quorate if the majority of members in office are present and the absolute majority of those present can take decisions, with the Chairman having the casting vote in the case of a tie. If the Chairman is absent or unable to do so, the most senior member of the committee present in terms of age chairs the meeting.

The committees have the right to access information and the necessary company functions to carry out their duties.

The Committees are also given the necessary financial resources by the Board of Directors to fulfil their tasks and, under the terms established from time to time by the Board of Directors, they can seek recourse to external consultants not in a position to compromise the independence of the opinion.

## 7. APPOINTMENTS AND COMPENSATION COMMITTEE

The Board of Directors' meeting held on 23 October 2017 resolved to allocate the functions regarding the remuneration of board directors and of executives with strategic responsibilities, as well as the appointment of board directors to a single Committee (the Appointments and Compensation Committee). This grouping, in line with that recommended by the Corporate Governance Code, meets the composition requirements envisaged by said Code for both committees and ensure the correct performance of the related duties in an effective and efficient manner.

### 7.1 Composition and operation

The Appointments and Compensation Committee in office until the Shareholders' Meeting of 4 April 2019 was composed of three non-executive members, two of whom met the independence requirements of the CLF and the Corporate Governance Code, namely:

Member	Position
Cinzia Farisè - Chairman	Independent non-executive(1)
Maurizio Dainelli	Non-executive
Federica Lolli	Independent non-executive(1)

(1) Independent pursuant to the CLF and the Corporate Governance Code.

The Appointments and Compensation Committee in office at the date of this Report was appointed on 13 May 2019 and is composed of three non-executive members, two of whom meet the independence requirements of the CLF and the Corporate Governance Code.

The following table describes the members of the Appointments and Compensation Committee, as appointed by the Board of Directors on 13 May 2019 and in office at the date of approval of this Report.

Member	Position
Andrea Mascetti - Chairman	Independent non-executive(1)
Maurizio Dainelli	Non-executive
Silvia Stefini	Independent non-executive(1)

(1) Independent pursuant to the CLF and the Corporate Governance Code.

At the meeting held on 13 May 2019, the Board of Directors acknowledged, on the basis of an analysis of the professional profiles of the Directors who are members of the Committee, that the requirement of the Corporate Governance Code is met, since they all have specific expertise in financial or remuneration policy matters.

The Head of Human Resources and Organisation takes part in meetings of the Appointments and Compensation Committee relating to the proposal to the Board of candidates for the office of director and candidates for the corporate bodies of subsidiaries.

The Chairman of the Board of Statutory Auditors or a standing auditor designated by the latter can attend meetings of the Appointments and Compensation Committee. Other parties can also attend

meetings, at the invitation of the Committee, to provide information and express an opinion on individual agenda items.

No director takes part in the meetings of the Appointments and Compensation Committee at which proposals to the Board are submitted in relation to their own remuneration.

Depending on the items discussed on each occasion, the Head of the Legal and Corporate Affairs and Compliance department or the Head of Human Resources and Organisation act as Committee Secretary and assist the Chairman in performing his duties.

## 7.2 Tasks

In accordance with the relative regulations, the Committee has consulting and advisory functions with respect to the Board of Directors on matters concerning the remuneration of board directors and of executives with strategic responsibilities, as well as the appointment of board directors.

### Duties of the Committee in terms of appointing board directors

- a) it proposes candidates to the Board of Directors for the office of director, if one or more directors during the year cease to serve in office (Article 2386, subsection one, Italian Civil Code), ensuring compliance with the minimum number of independent directors and the quotas for the least represented category;
- b) on the proposal of the Chief Executive Officer and in agreement with the Chairman, it submits to the Board of Directors candidates for membership of the corporate boards (i) of direct subsidiaries; (ii) and of indirect subsidiaries, included in the scope of consolidation, whose turnover is individually equal to or above 30 million euros. The proposal made by the Committee is necessary;
- c) it prepares / proposes:
  - procedures for the annual self-assessment of the Board and its Committees;
  - opinions regarding the maximum number of directorships and statutory auditor offices held in other companies listed in Italy or in other foreign regulated markets, in financial companies, banks, insurance firms or other large companies, which may be considered compatible with the effective performance of the office of director of the Company or of the Subsidiaries, also taking into account the membership of the directors of committees established within the Board of Directors;
  - criteria for assessing both the requirements of professionalism and independence of the board directors of the Company and its Subsidiaries;
  - opinions to support the assessment of the Board of Directors of specific circumstances or issues in the presence of a general and preventive authorisation for exemption from the prohibition on competition envisaged by Article 2390 of the Italian Civil Code;
  - opinions addressed to the Board of Directors regarding the size and composition of the same and makes recommendations regarding the professional and managerial figures whose presence on the Board is considered appropriate.

The Head of Legal and Corporate Affairs and Compliance is responsible for investigations relating to the annual self-assessment procedures of the Board and Committees and directives on the limits and prohibitions on the number of offices that can be held by directors of Italgas and its Subsidiaries.

Duties of the Committee in terms of remuneration of board directors and executives with strategic responsibilities

- d) it submits the Remuneration Report to the Board of Directors for approval and, specifically, the Policy for the remuneration of directors and of executives with strategic responsibilities (“**Policy**”), for presentation to the Shareholders' Meeting called to approve the annual financial statements within the time frame established by law;
- e) it assesses the vote cast by the Shareholders' Meeting on the Remuneration Report in the previous financial year and gives an opinion to the Board of Directors;
- f) it prepares proposals regarding the remuneration of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;
- g) it makes proposals or expresses opinions relating to the remuneration of members of the Committees of Directors established by the Board;
- h) it examines opinions, also on the basis of instructions received from the Chief Executive Officer regarding:
  - the general criteria for the remuneration of executives with strategic responsibilities;
  - general guidelines for the remuneration of other managers of the Company and its Subsidiaries;
  - annual and long-term incentive plans, including share-based plans;
- i) it examines opinions, also on the basis of the proposals of the CEO, regarding the definition of performance targets, the aggregation of company results; it proposes the definition of claw-back clauses related to the implementation of incentive plans and the determination of the variable remuneration of Directors with proxies;
- j) it proposes the definition, in relation to directors with powers, of: i) the indemnification to be paid in the event of termination of their employment; ii) non-compete agreements;
- k) it monitors the implementation of the decisions made by the Board; it periodically assesses the adequacy, overall consistency and practical application of the Policy adopted, using, in this regard, the information provided by the CEO, submitting proposals to the Board on the subject;
- l) it performs any duties that may be required by the procedure concerning related-party transactions carried out by the Company;
- m) it reports on the exercising of its functions to the Shareholders' Meeting called for the approval of the annual financial statements, through the Chairman of the Committee or another member delegated by the same.

### **7.3 Activities during the Financial Year**

During the Financial Year, the Appointments and Compensation Committee met fourteen times, with each meeting lasting, on average, 82 minutes and minutes of the meetings were regularly taken. The table in Annex 1 shows the attendance of each member at the meeting of the Appointments and Compensation Committee. The Chairman of the Board of Statutory Auditors attended the meeting of the Appointments and Compensation Committee.

Eight meetings of the Appointments and Compensation Committee are scheduled for the current financial year, three of which had already been held at the date of this Report , on 17 January, 17 February and 3 March.

In particular, on 17 February and 3 March the Appointments and Compensation Committee met, among other things, to formulate the proposal to be submitted to the Board of Directors regarding the Policy, in order to adapt it to the changes introduced by Italian Legislative Decree no. 49 of 10 May 2019, transposing the Directive (EU) 2017/828 of 17 May 2017 (so-called Shareholders' Rights Directive II).

Pursuant to the regulation, the Appointments and Compensation Committee meets with the necessary frequency to carry out its activities, on the dates envisaged by the annual calendar of meetings approved by the same Committee and, in any event, whenever a meeting is deemed necessary or appropriate, when called by the Chairman of the Committee, or also on the request of one or more members.

Committee discussions and debate were coordinated by the Chairman of the Committee; at the first meeting of following each Committee meeting, the same reported to the Board with regard to subjects dealt with and the observations, recommendations and opinions formulated. Minutes of the meetings were always taken.

The Appointments and Compensation Committee Regulations can be consulted on the Company's website: [https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_En/07-governance/01-Corporate-governance-system/04-Committees/Regulation-of-the-Appointments-and-Compensation-Committee.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_En/07-governance/01-Corporate-governance-system/04-Committees/Regulation-of-the-Appointments-and-Compensation-Committee.pdf)

## 8. CONTROL, RISK AND RELATED PARTY TRANSACTIONS COMMITTEE

### 8.1 Composition and operation

Pursuant to the regulation, the Control, Risk and Related Party Transactions Committee is composed of three non-executive members, all of whom must be independent as required by the Corporate Governance Code. At least one member of the Control, Risk and Related Party Transactions Committee must have adequate experience in accounting and financial matters or risk management, assessed by the Board of Directors at the time of appointment.

The table below describes the members of the Control, Risk and Related Party Transactions Committee in office until the Shareholders' Meeting of 4 April 2019.

Member	Position
Paola Annamaria Petrone - Chairman	Independent non-executive(1)
Nicola Bedin	Independent non-executive(1)
Federica Lolli	Independent non-executive(1)

(1) Independent pursuant to the CLF and the Corporate Governance Code.

The table below describes the members of the Control, Risk and Related Party Transactions Committee, as appointed by the Board of Directors on 13 May 2019 in office until the date of the approval of this Report.

Member	Position
Paola Annamaria Petrone - Chairman	Independent non-executive(1)
Giandomenico Magliano	Independent non-executive(1)
Silvia Stefini	Independent non-executive(1)

(2) Independent pursuant to the CLF and the Corporate Governance Code.

At the meeting held on 13 May 2019, the Board of Directors verified, based on an analysis of the professional profiles of the Directors composing the Committee, that the requirement of the Corporate Governance Code was met, since they all possess specific accounting and financial or risk management skills.

Written minutes of the meeting are taken by the Internal Audit Manager who acts as secretary and assists the Chairman in carrying out his/her duties.

In addition to members of the Board of Statutory Auditors, the following can attend meetings of the Control, Risk and Related Party Transactions Committee at its invitation:

- the Chairman and the Director in Charge;
- other parties in order to provide information and express opinions with regard to individual items on the agenda.

## 8.2 Tasks

The Control, Risk and Related Party Transactions Committee makes proposals and provides advice to the Board to support decisions concerning the Internal Control and Risk Management System, as well those relating to the approval of financial reports. In particular, the Committee has the following functions:

- it evaluates, together with the Officer responsible for the preparation of financial reports and having consulted the Independent Auditors and the Board of Statutory Auditors, the proper use of accounting standards and their consistency for the purpose of preparing the consolidated financial statements;
- it expresses opinions on specific aspects involving the identification of the main risks to the Company;
- it carries out further tasks assigned to it pursuant to the Italgas Related-Party Transactions Procedure;
- it examines the periodic reports relating to the evaluation of the Internal Control and Risk Management System, as well as those of particular importance prepared by the Internal Audit Manager;
- it monitors the independence, suitability, effectiveness and efficiency of the Internal Audit Department;
- it may ask the Internal Audit Manager to carry out inspections of specific operational areas, giving notice thereof to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the Director in Charge;
- it expresses a binding opinion on the proposals made by the Director in Charge, in agreement with the Chairman, to the Board of Directors regarding the appointment, dismissal and remuneration of the Internal Audit Manager, aimed at ensuring that this individual has the appropriate resources;
- it supports, making suitable enquiries, the assessments and decisions of the Board of Directors regarding the management of risks resulting from prejudicial events that have come to the knowledge of the Board of Directors or which the Committee has brought to the attention of the Board of Directors.

The Control, Risk and Related Party Transactions Committee expresses its opinion to the Board of Directors for the purpose of:

- defining the guidelines of the Internal Control and Risk Management System;
- periodically evaluating, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the characteristics of the Company and the risk profile it has adopted;
- periodically approving, at least once a year, the audit schedule prepared by the Internal Audit Manager;
- describing, in the Report the main features of the Internal Control and Risk Management System as well as evaluating the adequacy of the system;
- evaluating the conclusions presented by the Independent Auditors in any suggestion letters and in the report on key matters arising from the external audit.

The Control, Risk and Related Party Transactions Committee reports to the Board of Directors:



- at the first meeting of the Board after each of its own meetings, with regard to subjects dealt with and the observations, recommendations and opinions formulated;
- at least every six months and by the deadline for approval of the annual and half-year financial report, at the meeting indicated by the Chairman of the Board of Directors, on the activities carried out and the adequacy of the internal control and risk management system.

The Control, Risk and Related Party Transactions Committee constitutes part of an integrated system of internal controls and risk management for Italgas. In this sense, the regulation establishes specific information flows between the committee and other bodies and functions with specific tasks with regard to internal controls and risk management.

### 8.3 Activities during the Financial Year

During the Financial Year, the Control, Risk and Related Party Transactions Committee carried out the following activities:

- it regularly examined the activity of the Officer responsible for the preparation of financial reports and the adequacy of the SCIS model;
- it made a detailed analysis of the management system as regards occupational health and safety;
- it analysed the periodic report on the activities conducted by the Supervisory Body;
- it examined changes in the law as regards market abuse regulation and analysed the report on legal compliance;
- it analysed the Enterprise Risk Management system (ERM) applied by the Company;
- it examined activities involving the Internal Audit Manager and the Internal Audit department, specifically:
  - examination of the *“Board of Directors' guidelines on internal audit activities”*;
  - examination prior to the appointment of the Internal Audit Manager and the definition of the fixed and variable components of remuneration by the Board of Directors;
  - analysis of the activities conducted by Internal Audit, the methods used and the information flows consistent with the indications in the *“Board of Directors' guidelines on internal audit activities”*;
  - analysis of the proposed audit plan for 2020 prepared by Internal Audit.

During the Financial Year, the Control, Risk and Related Party Transactions Committee met nine times, of which one in joint session with the Sustainability Committee, with each meeting lasting, on average, 150 minutes and the meetings regularly minuted. The table in Annex 1 lists the attendance of each member at the meetings of the Control, Risk and Related Party Transactions Committee during the Financial Year. During the Financial Year, external parties attended meetings of the Control, Risk and Related Party Transactions Committee at the invitation of the committee, in order to provide information and explanations, as well as the Chairman of the Board of Statutory Auditors and/or other statutory auditors who routinely attended.

Pursuant to the regulation, the Control, Risk and Related Party Transactions Committee meets with the necessary frequency to carry out its activities, at least quarterly. Ten meetings of the Control, Risk and Related Party Transactions Committee are scheduled for the current business year, three of which had already been held at the date of the approval of this Report, on 14 January, 21 February and 5 March 2020.

Committee discussions and debate were coordinated by the Chairman of the Committee. The Committee Chairman, or another member in his/her place, reports regularly on its activities to the Board of Directors at the first appropriate meeting, as required by the Corporate Governance Code.

In carrying out its functions, the Committee had the opportunity to access information and the necessary company functions needed to carry out its duties.

The Regulation of the Control, Risk and Related Party Transactions Committee can be consulted on the Company's website:

<https://www.italgas.it/en/governance/corporate-governance-system/committees/>

## 9. SUSTAINABILITY COMMITTEE

### 9.1 Composition and operation

Pursuant to the regulation, the Sustainability Committee is composed of three non-executive members.

The table below describes the members of the Sustainability Committee in office until the Shareholders' Meeting of 4 April 2019.

Member	Position
Nicola Bedin - Chairman	Independent non-executive(1)
Yunpeng He	Non-executive
Paolo Mosa	Non-executive

(1) Independent pursuant to the CLF and the Corporate Governance Code.

The table below describes the members of the committee, as appointed by the Board of Directors on 13 May 2019 and in office until the date of the approval of this Report.

Member	Position
Giandomenico Magliano - Chairman	Independent non-executive(1)
Yunpeng He	Non-executive
Veronica Vecchi	Independent non-executive(1)

(1) Independent pursuant to the CLF and the Corporate Governance Code.

Written minutes of the meeting are taken by the Head of the Corporate Affairs and Governance Department, who acts as secretary and assists the Chairman in carrying out his/her duties.

The Chairman of the Company, the CEO, the Chairman of the Board of Statutory Auditors or a Standing Auditor designated by the latter are invited to attend meetings of the Sustainability Committee. Other parties who are not members of the committee can attend meetings, at the invitation of the Committee, to provide information and express an opinion on individual agenda items. Additionally, preliminary investigation activities for sustainability issues that the Committee is responsible for are taken care of by the head of the competent department for sustainability, which attends the Committee meetings.

### 9.2 Tasks

The Committee carries out proposal and consultation functions with regard to the Board of Directors on matters of sustainability, understood as the processes, initiatives and activities intended to oversee the commitment of the Company to sustainable development along the value chain. Specifically, the Committee:

- examines and evaluates:

- the sustainability policies aimed at ensuring the creation of value over time for shareholders and for all other stakeholders in the medium-/long-term with regard to the principles of sustainable development;
- the guidelines, objectives and consequent processes, of sustainability and the sustainability reporting submitted annually to the Board of Directors;
- examines and submits to the Board of Directors the document containing the non-financial statement (“NFS”) in compliance with Article 4 of Legislative Decree 254/2016, prepared by the relevant departments;
- monitors the positioning of the Company with regard to financial markets involving sustainability, with special reference to the placement of the Company on the ethical sustainability indices;
- monitors national and international initiatives with regard to sustainability and the participation of the Company in them, aimed at consolidating corporate reputation internationally;
- examines any sustainability initiatives in agreements submitted to the Board of Directors, also with regard to the subject of climate change;
- examines the profit and non-profit strategy, as well as the gas advocacy of the Company;
- expresses, at the request of the Board, an opinion on other matters regarding sustainability.

The Committee reports to the Board of Directors:

- at the first meeting of the Board after each of its own meetings, with regard to subjects dealt with and the observations, recommendations and opinions formulated;
- at least every six months and before the deadline for approval of the annual and half-year financial report, at the meeting indicated by the Chairman of the Board of Directors, on the activities carried out.

### 9.3 Activities during the Financial Year

During the Financial year, the Sustainability Committee met nine times, one of which in joint session with the Control, Risk and Related Party Transactions Committee, with each meeting lasting an average of 118 minutes.

Pursuant to the regulation, the Control, Risk and Related Party Transactions Committee meets with the necessary frequency to carry out its activities, at least quarterly. Nine meetings of the Sustainability Committee are scheduled for the current financial year and three meetings had already been held at the date of approval of this Report, on 23 January, 21 February<sup>15</sup> and 10 March 2020.

During the Financial Year, the advisory services of an external were used.

The Sustainability Committee Regulations can be consulted on the Company’s website:

<https://www.italgas.it/en/governance/corporate-governance-system/committees/>

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<sup>15</sup> At the meeting on 21 February 2020, the Sustainability Committee, *inter alia*, examined the changes introduced by the new corporate governance code (see chapter 3 of this Report), focusing, in particular, on the growing attention to sustainability and the concept of “sustainable success” (see the chapter “*The new Corporate Governance Code*” of the 2019 Non-Financial Statement).



## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### 10.1 Internal Control and Risk Management System

#### a) Adoption of the Internal Control and Risk Management System

Following the decision to adhere to the Corporate Governance Code on 4 August 2016 the Board of Directors, with the support of the Control, Risk and Related Party Transactions Committee, adopted its own Internal Control and Risk Management System, understood as a set of rules, procedures and organisation structures for Italgas aimed at allowing the identification, measurement, management and monitoring of the main risks. In this context, and also in order to fully implement the provisions of the Corporate Governance Code, on 1 December 2016 Italgas adopted an Enterprise Risk Management department ("ERM"), reporting directly to the General Manager for Finance and Services and with the task of developing a homogeneous methodology for the identification, measurement, management and monitoring of primary business risks.

The Internal Control and Risk Management System involves:

- the Board of Directors, which performs a guiding role and (having heard the opinion of the Control, Risk and Related Party Transactions Committee) evaluates, at least once a year, the adequacy and effectiveness of the internal control and risk management system with regard to the characteristics of the Company and the Group and the risk profile adopted;
- the CEO identified by the Board as the "*director in charge of the internal control and risk management system*", pursuant to the Corporate Governance Code, who is required to establish and maintain an effective internal control and risk management system, in accordance with the corporate and procedural objectives, and is also responsible for ensuring that the risk management procedures correspond to the containment plans defined;
- the Control, Risk and Related Party Transactions Committee, established within the Board with the task of making suitable enquiries to support assessments and decisions made by the Board of Directors concerning the Internal Control and Risk Management System, as well as those relating to the approval of financial reports;
- the Board of Statutory Auditors, also in its capacity as the "*Internal Control and Audit Committee*" pursuant to Legislative Decree no. 39 of 27 January 2010, which oversees the effectiveness of the internal control and risk management system.
- the Internal Audit Manager, responsible for ensuring the functionality and adequacy of the internal control and risk management system;
- the other corporate functions and roles with specific duties regarding internal control and risk management, structured according to the size, complexity and risk profile of the Company;

The guiding principles on which the Internal Control and Risk Management System is based, as defined by the Board of Directors in the Code of Ethics approved on 18 October 2016, are:

- the separation of activities between persons responsible for authorisation, executive or control procedures;

- the existence of company regulations that can provide general benchmark principles for governing corporate processes and activities (specifically a Regulatory System);
- the existence of formal rules for the exercise of signatory powers and internal powers of authorisation;
- traceability (guaranteed through the adoption of information systems that can identify and reconstruct sources, information and checks carried out in support of the formation and implementation of the Company's decisions and financial resources management procedures).

The Internal Control and Risk Management System is updated regularly by the Director in Charge and the Board of Directors, with the support of the Control, Risk and Related Party Transactions Committee, under their respective spheres of responsibility, in order to guarantee constant suitability to oversee the main risk areas of business activities.

#### b) Structure of the Internal Control and Risk Management System

The Italgas Internal Control and Risk Management System is based on an integrated control model with the identification of the tasks of each body and department involved and concrete coordination procedures between them, as specifically governed in the precise rules and procedures that are part of the Internal Control and Risk Management System.

Management is primarily responsible for applying the Control and Risk Management System since control activities are an integral part of managerial processes. Management must therefore foster an atmosphere that is actively orientated towards control and, in particular, oversee "line controls", which are all the control activities that the individual operating units or companies carry out on their processes. Specifically, Italgas' risk management system comprises the following three levels of internal control:

**Level One:** identification, evaluation and monitoring of risks inherent to the individual Group processes.

The Italgas Group departments that bear the individual risks, and are responsible for identifying, measuring and managing them as well as for implementing the necessary controls, are located at this level.

**Level Two:** monitoring of the main risks to ensure that they are effectively and efficiently managed and processed, and monitoring of the adequacy and functioning of the controls put in place to protect against these risks; support for Level One in defining and implementing adequate management systems for the main risks and related controls.

This level contains Italgas Group personnel charged with coordinating and managing the main control systems (corporate administrative responsibility, disclosure, anti-corruption, anti-trust).

**Level Three:** independent and objective verification of the operating effectiveness and adequacy of Levels One and Two, and in general of the overall risk management methods.

This is carried out by the Internal Audit department, whose activities are directed and guided by the Guidelines approved by the Board of Directors.

### c) Italgas Enterprise Risk Management

The ERM system adopted by Italgas uses existing international best practices as a benchmark (specifically the COSO framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and ISO 31000) and makes it possible to identify, measure, manage and monitor the main risks starting from the analysis of company processes as governed by the Italgas Enterprise System.

The methodology adopted involves an integrated, transverse and dynamic evaluation of enterprise risks, in tune with the existing specific risk assessment systems (health and safety, financial, corporate information, etc.). Specifically, risk measurement is aimed, through scales for classifying probabilities and impacts concerning both quantitative aspects (e.g. economic and financial impacts) and more qualitative and intangible aspects (e.g., impacts relating to reputation). Management strategies are identified for all risks, as well as any mitigation measures and a time frame for their implementation.

The risk assessment is dynamic and regularly reviewed according to the prioritisation of the risks and it is at least once a year for low-priority risks.

The mapping of the risks and management interventions is regularly presented to the Control, Risk and Related Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Body of Italgas and its subsidiaries for the assessments they are responsible for.

The third level of control (i.e. the Internal Audit department), which also makes use of the assessments of the ERM risks for the preparation of the annual audit plan and for risk-based planning of audit interventions.

### d) Principal characteristics of the existing risk management and internal control systems in the financial reporting process

The internal control and risk management system and the corporate reporting process of the Italgas Group are elements of the same "System" (the "**Corporate Reporting Internal Control System**" or "SCIS"), which aims to ensure the reliability, accuracy, dependability and timeliness of corporate disclosure with regard to financial reporting and the ability of the relevant business processes to produce this information in keeping with generally accepted accounting standards.

The reporting in question consists of all data and information contained in the periodic accounting documents, including consolidated, required by applicable regulations (the annual financial report, the half-year financial report, as well as the interim report on operations) as well as in any other accounting document or external communication (such as press releases and prospectuses prepared for specific transactions) covered by the statements provided for by Article 154-bis of the CLF. This reporting includes both financial and non-financial data and information, where the latter aims to describe significant aspects of the business, comment on the financial results for the year and/or describe future prospects.

Italgas has adopted a body of rules that defines the regulations, methodologies, roles and responsibilities for designing, establishing, maintaining and assessing the effectiveness of the Group's Corporate Reporting Internal Control System which applies to Italgas and its subsidiaries.

The internal control and risk management model adopted by Italgas and its subsidiaries with regard to corporate reporting was defined in accordance with the provisions of the above-mentioned Article



154-bis of the CLF and is based, in methodological terms, on the “COSO Framework” (“*Internal Control – Integrated Framework*”), the international reference model for the establishment, updating, analysis and assessment of the internal control system, for which an update was published in May 2013.

The planning, institution and maintenance of the Corporate Reporting Internal Control System are achieved through the activities of scoping, identifying and assessing the risks and controls (at the business level and process level through the activities of risk assessment and monitoring) and the related information flows (reporting).

The control system structure provides for entity-level controls (Company Entity Level Controls) which apply across the entire entity in question (group/individual company), and process-level controls. The latter are subdivided into:

- specific controls aimed at preventing, identifying and correcting errors or irregularities occurring during the execution of operative activities (process-level controls);
- pervasive controls to define a general context that promotes the correct execution and control of operating activities. Pervasive controls include those related to the segregation of duties and IT General Controls.

The controls, both at the entity level and process level, are subject to regular evaluation (monitoring) to verify the adequacy of the design and actual operability over time. To this end, ongoing monitoring activities have been entrusted to the management responsible for significant processes/activities, and separate evaluations have been entrusted to the Internal Audit Manager, who operates in accordance with a plan agreed with the Officer responsible for the preparation of financial reports that aims to define the scope and objectives of their actions via agreed audit procedures.

Italgas also appointed independent auditors PricewaterhouseCoopers S.p.A. to examine the adequacy of the internal control system in relation to the preparation of financial information for the production of the separate and consolidated financial statements of Italgas S.p.A., by conducting independent checks on the effectiveness of the design and functionality of the control system.

The results of the monitoring activities, the checks made on the controls and any other information or situations relevant to the Corporate Reporting Internal Control System are subject to periodic reporting on the state of the control system, which involves all levels of the organisational structure of Italgas and its major subsidiaries, including operational business managers, heads of department, administrative managers and chief executive officers.

The assessments of all controls instituted within Italgas and its Subsidiaries are brought to the attention of the Officer responsible for the preparation of financial reports, who, on the basis of this information, draws up half-year and annual reports on the adequacy and effective application of the Corporate Reporting Internal Control System. These are shared with the Chief Executive Officer and communicated to the Board of Directors, after informing the Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors, when the separate and consolidated financial statements, and the consolidated half-year financial report, are approved, to allow the Board of Directors to perform its supervisory functions and to conduct the assessments that fall to its responsibility with regard to the Corporate Reporting Internal Control System.

## 10.2 Director in Charge

On 4 April 2019, the Italgas Board of Directors identified the Chief Executive Officer as the "director in charge of the internal control and risk management system", pursuant to the Corporate Governance Code. In this context, the CEO is assigned the tasks and powers pursuant to the Corporate Governance Code.

More specifically, during the Financial Year, in addition to that indicated in point 10.1 above, the Director in Charge carried out the following activities:

- proposed the appointment of the Internal Audit Manager;
- he verified the identification of the main company risks, taking into account the characteristics of the business activities that Italgas and its Subsidiaries are engaged in, periodically subject to the examination of the Control, Risk and Related Party Transactions Committee, the Board of Statutory Auditors and the Board of Directors;
- he implemented the "*Board of Directors' guidelines on internal audit activities*" approved by the Board of Directors on 20 December 2016;
- he received the reports prepared by the Internal Audit department, containing the results of audits;
- he approved the audit plan of Italgas and of its Subsidiaries, as well as on the budget for audit activities in 2019.

The Director in Charge reports any issues and problems arising during the performance of his/her duties or brought to his/her attention to the Control, Risk and Related Party Transactions Committee in good time; during the Financial Year, no circumstances arose that required the formal exercise of said duty.

## 10.3 Internal Audit Manager

During the financial year, Agostino Limonta held the position of Internal Audit Manager until 7 November 2019. On the same date, the Board of Directors, in compliance with the procedure indicated below, appointed Paolo Bosato as Internal Audit Manager; previously Mr Bosato held the position of Head of Market Management in the Commercial Development Division of Italgas Reti from October 2017 until November 2019, and earlier yet held various roles of responsibility in the Internal Audit department of Italgas S.p.A. and Snam S.p.A.

The Internal Audit Manager is appointed and removed by the Board of Directors, following the favourable opinion of the Control, Risk and Related Party Transactions Committee and having consulted with the Board of Statutory Auditors, on the recommendation of the Director in Charge, in agreement with the Chairman of the Board of Director. The appointment of the Internal Audit Manager is open-ended. At least once during the term of office determined by the Shareholders' Meeting, the Board of Directors assesses whether the Internal Audit Manager should be confirmed in the role, based inter alia on rotation criteria.

The role, duties and responsibilities of the Internal Audit Manager are defined and formalised by the Board of Directors within the "*Guidelines on internal audit activities*" (or "Guidelines") approved at the meeting on 20 December 2016. At a meeting held on 17 December 2019, the Board of Directors, after consultation with the Director in Charge and with the approval of the Control, Risk and Related Party Transactions Committee and of the Board of Statutory Auditors, approved the audit plan of Italgas and its Subsidiaries. During the Financial year, the audit operations envisaged in the internal audit plan for Italgas and the Italgas Group, approved by the Italgas Board of Directors on 14 December 2018, were performed.

The remuneration of the Internal Audit Manager is approved by the Board of Directors, at the proposal of the Director in Charge, in agreement with the Chairman of the Board of Directors, in line with corporate policies and following a favourable opinion from the Control, Risk and Related Party Transactions Committee. The proposal is also subject to examination by the Compensation Committee as it comes under its area of responsibility.

The Internal Audit Manager, within the organisational structure that reports to the CEO, carries out audit activities both with regard to the Company and its subsidiaries, totally independently, in accordance with the instructions of the Board of Directors and consistent with the application criteria of the Corporate Governance Code. The Control, Risk and Related Party Transactions Committee supervises the activities of the Internal Audit Manager.

The Internal Audit Manager performs his activities while maintaining the necessary independence and due objectivity, competence and professional diligence, as laid down in the International Standards for the Professional Practice of Internal Auditing and in the Code of Ethics issued by the Institute of Internal Auditors, and in compliance with the principles laid down in the Italgas Code of Ethics<sup>16</sup>.

As part of the process of approving the audit plan, once a year the Board of Directors approves the budget required for the Internal Audit department to fulfil its responsibilities. The Guidelines stipulate that the Internal Audit Manager shall have autonomous spending powers in order to scrutinise, analyse and assess the internal control and risk management system and/or perform related activities, and that the Internal Audit Manager, in exceptional and urgent situations that require the availability of funds exceeding the budget, may propose that the Board of Directors approve the extra budget of the Internal Audit department so that it may carry out the duties assigned to it.

The Internal Audit Manager:

- verifies, both on a continual basis and in relation to specific requirements, in compliance with international standards, the functioning and suitability of the internal control and risk management system via an audit plan, approved by the Board of Directors;
- is not responsible for any particular operational area, and has direct access to all information that is useful for carrying out his duties;
- prepares regular reports containing adequate information on its activity, the methods through which risk management is conducted, as well as the compliance of the plans made for their containment; the regular reports contain an evaluation of the suitability of the internal control and risk management system;
- prepares timely reports on events of particular importance;
- submits regular reports to the Chairmen of the Board of Statutory Auditors, the Control, Risk and Related Party Transactions Committee and the Board of Directors, as well as to the Director in Charge;
- verifies, in the context of the audit plan, the reliability of the IT systems used, including the accounting systems.

The Director in Charge may request that the Internal Audit Manager perform checks on specific operational areas and on compliance with internal rules and procedures in the execution of

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<sup>16</sup> The international standards for the professional practice of the Internal Audit are available at the following address: [http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/IOS/temp/IPPF\\_Standards%20ENG.pdf](http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/IOS/temp/IPPF_Standards%20ENG.pdf).

corporate transactions, informing the Chairmen of the Board of Directors, the Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors of said request; during the Financial Year, no circumstances arose that required the formal exercise of this power.

In accordance with the Guidelines, the Internal Audit Manager implements other audit measures not in the audit plan based on requests also coming from:

- the Board of Directors;
- the Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors, with reciprocal notification;
- the Chairman of the Board of Directors and the Director in Charge, with notification to the Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors;
- the Supervisory Body.

Additionally, Internal Audit performs other tasks assigned to it pursuant to the procedures adopted by Italgas, including the activities laid down by Model 231 in order to ensure the necessary support for the Supervisory Body, the independent monitoring activities required by the Corporate Reporting Internal Control System, supporting the Officer responsible for the preparation of financial reports, organising and overseeing the management of the channels for reporting notifications (including anonymously), pursuant to the Whistleblowing Procedure (see Chapter 16 of this Report).

During the Financial Year, the Internal Audit department performed its scheduled activities relating to the Italgas Group, as expected. Specifically, these were:

- the preparation of the proposed 2020 audit plan for Italgas and its subsidiaries based, in compliance with international audit standards and the "Guidelines of the Board of Directors on Internal Audit activities", on the measurement and prioritisation of the main corporate risks carried out by the ERM unit and other relevant elements such as the degree of coverage of the audit activities carried out in previous years for the purposes of applying the principle of rotation of audit objects, the objectives set out in the 2019 - 2025 Strategic Plan, any indications provided by the Control and Supervisory Bodies and the examination of further information available to Internal Audit;
- executing the audit interventions in the 2019 audit plan;
- performing the independent monitoring programme drawn up with the Officer responsible for the preparation of financial reports as part of Italgas' Corporate Reporting Control System;
- managing the channels used to provide notification, anonymous or otherwise, of problems relating to the Internal Control and Risk Management System;
- activities involving relations with the independent auditors, with special reference to overseeing the process for the allocation of appointments and ensuring there are no grounds for incompatibility.

#### 10.4 Italgas' Regulatory System

The Italgas Group has adopted its own "Regulatory System", which is structured into three hierarchical levels:

- level one: Italgas Enterprise System;
- level two: Process standards and Compliance standards;
- level three: operating instructions.

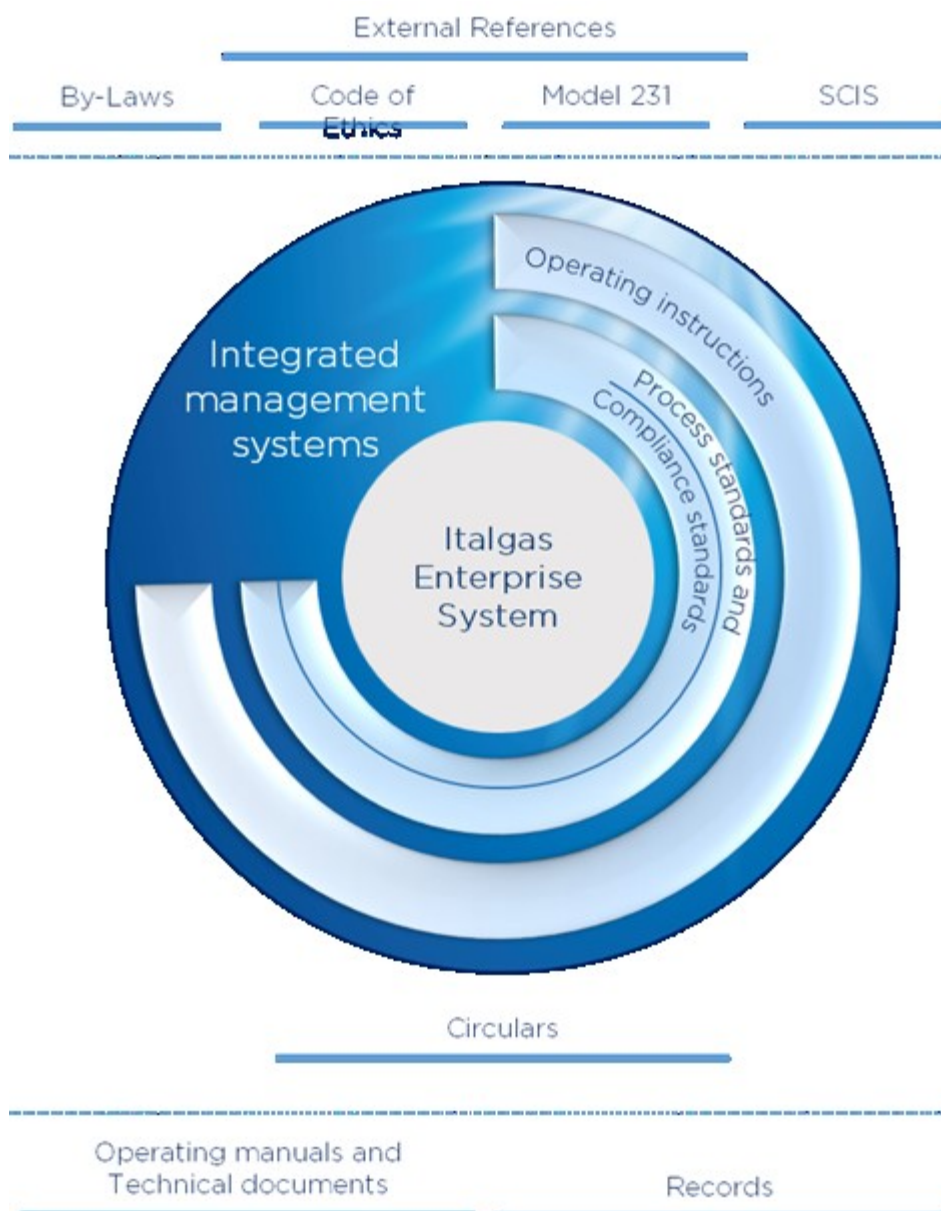
The Regulatory System also includes, as an integral part, the documents from the certified management systems regarding health, safety, the environment and quality (HSEQ):

- policies and manuals (level one);
- process/compliance standards and operating instructions.

Lastly, there are circulars governing specific subjects.

The By-Laws, Code of Ethics, Corporate Governance Code, Model 231 and the Corporate Reporting Internal Control System (or SCIS) are within the general reference framework of the Regulatory System, because, as they are specific instruments, the inspiring principles are recognised as the underlying principles of the behaviour of the Italgas Group and, therefore, part of the general reference framework of the entire Regulatory System. Additionally, the Code of Ethics and Model 231 specifically constitute references of the *Italgas Enterprise System*, which describes the organisational and governance model, the corporate management system and the operation of Italgas and its Subsidiaries.

The Anti-Trust Code, the Anti-Corruption Procedure and the Whistleblowing Procedure adopted by the Company constitute part of the "Regulatory System" (see Chapter 16 of this Report).



## 10.5 Independent auditors

The regulatory auditing activity is entrusted under the law to an independent auditing firm registered in a special register appointed by the Shareholders' Meeting on the basis of a justified proposal by the Board of Statutory Auditors.

In compliance with applicable regulations, on 28 April 2017, the Ordinary Shareholders' Meeting, based on a reasoned proposal from the Board of Statutory Auditors, subject to the consensual termination of the assignment for the external auditing of the accounts with EY S.p.A., awarded by the Shareholders' Meeting on 4 August 2016 for 2016-2024, awarded PricewaterhouseCoopers S.p.A. the assignment to carry out the statutory audit for 2017-2025, establishing their fees.

The majority shareholder Cassa Depositi e Prestiti S.p.A., together with the companies it has consolidated, including Italgas S.p.A. and its subsidiaries, launched a public call for tenders for the identification of a group auditor to which a mandate should be issued starting from the year 2020. CDP awarded the tender to Deloitte & Touche S.p.A. The Board of Statutory Auditors in office has therefore - in its capacity as Internal Control and Audit Committee - carried out the activities for which it is responsible pursuant to Italian Legislative Decree 39/2010 and Regulation (EU) no.

537/2014 as Internal Control and Audit Committee, also at the meeting on 3 December 2019 with the representatives of Deloitte & Touche S.p.A. for an in-depth examination of the contents and characteristics of the offer, so as to draw up the Opinion on the consensual termination of the appointment for the external audit the accounts granted by Italgas to PricewaterhouseCoopers S.p.A. and the motivated Proposal to grant the new appointment for the external audit of the accounts for the period 2020-2028 for submission to the Italgas Shareholders' Meeting.

#### **10.6 Officer responsible for the preparation of financial reports**

The Board of Directors appoints the Officer responsible for the preparation of financial reports, on the recommendation of the CEO, in agreement with the Chairman, following the favourable opinion of the Board of Statutory Auditors.

The Officer responsible for the preparation of financial reports may not be a member of the administrative or control bodies, or hold senior management positions, at Eni S.p.A. and its Subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies. Further subjective requirements are set out for the office of Officer responsible for the preparation of financial reports in Article 16.4 of the By-Laws.

The Board of Directors must ensure that the Officer responsible for the preparation of financial reports has the necessary powers and means to perform their duties and that they comply with administrative and accounting procedures.

On 7 May 2018, the Board of Directors of Italgas, at the proposal of the CEO in agreement with the Chairman and having received the favourable opinion of the Board of Statutory Auditors, appointed Giovanni Mercante as Officer responsible.

#### **10.7 Other corporate roles and functions**

In addition to the bodies and functions described previously, the following organisational structures carry out specific tasks with regard to internal control and risk management under the scope of Italgas and Italgas Group Internal Control and Risk Management System:

- a) Legal and Corporate Affairs and Compliance, which, among other things, carries out the following tasks:
  - oversees the adaptation of the system and of the governance rules to legislative and regulatory provisions, to self-assessments codes and to best practices;
  - oversees the operation of corporate bodies, agencies and committees, the corporate secretarial activities and the conferral/revoking of powers;
  - oversees the updating of corporate standards and principles and their compliance with applicable laws, regulations and provisions, as well as connecting, coordinating and controlling compliance activities;
  - oversees the identification, monitoring and analysis of the legislative and regulatory provisions of interest to the Italgas Group, as well as national case-law;
  - promotes, in conjunction with the Human Resources & Organization department, the creation of a corporate culture relating to regulations of corporate interest as well as with regard to compliance, supporting their dissemination;
  - ensures legal support for all corporate functions;

- oversees the definition of the criteria and instruments for recourse to external advice on legal, corporate and compliance issues and the valuation of the contributions provided, conferring the appointments.
- b) Finance and Services, which, among other things, carries out the following tasks:
- promotes and supports the growth of the Italgas Group contributing to the definition and development of corporate strategy, ensuring the necessary support for reaching company targets;
  - oversees the activities of the M&A area, by participating in business development projects, in collaboration with other company departments, and providing proposals and support to evaluate the development options in the portfolio;
  - oversees activities in the Enterprise Risk Management area, defining and updating the Group model and ensuring the correct consolidation, measuring and monitoring of Italgas Group risks;
  - oversees activities in the Administration, Finance and Control area, guaranteeing the budgeting process, planning and control, general accounting, draft and consolidated financial statements, guaranteeing the mandatory communications for listed companies, to Borsa Italiana and Consob, in compliance with the civil and fiscal regulations in force and ensuring the optimum level of debt and composition (type, rate and duration) of financial resources, analysing and planning medium-/long-term interventions that are consistent with the development of the financial and business scenario;
  - oversees the activities of the HSEQ area, ensuring the preparation, updating and application of the Group HSEQ integrated management system, guaranteeing the definition and implementation of quality certification programmes and promoting awareness raising and training initiatives, disseminating the culture of workplace safety, in collaboration with Human Resources & Organization, at all levels of the Company and at suppliers;
  - oversees the activities of the vendor management area, coordinating and guaranteeing the supplier qualification process, the vendor rating system management and updating as well as the continuous monitoring of actual suppliers through audit initiatives.
- c) Corporate Reporting Internal Control System, established within the Finance and Services department, which carries out, among other things, the following tasks:
- draws up rules and methodologies related to the establishment and maintenance of the Corporate Reporting Control System (“SCIS”);
  - manages the risk assessment process related to corporate reporting and the implementation of controls;
  - manages information flows, control assessments, statements and reports on the state of the Corporate Reporting Internal Control System and provides methodological and operational support to the departments involved in implementing it;
  - performs activities related to the examination and assessment of the Corporate Reporting Internal Control System, as well as draws up reports on assessment results and preparing information on the System for the Officer responsible for the preparation of financial reports and the control bodies.



## **10.8 Coordination between the parties involved in the Internal Control and Risk Management System**

The coordination between the parties involved in the Internal Control and Risk Management System is achieved through the information flows and the periodic meetings illustrated in this Report.

More specifically, the Board of Statutory Auditors constantly attends the meetings of the Board of Directors and of all Board Committees. The Board of Statutory Auditors and the Control, Risk and Related Party Transactions Committee receive and collect relevant information, at least quarterly, from the control departments and the Independent Auditors about checks carried out and any weaknesses or critical areas or anomalies discovered.

The Supervisory Body and the Independent Auditors regularly meet with the Control, Risk and Related Party Transactions Committee and with the Board of Statutory Auditors.

The secretary of the Control, Risk and Related Party Transactions Committee is the Internal Audit Manager, who maintains periodic communication flows with the other company bodies and departments, as well as overseeing and monitoring the Internal Control and Risk Management System.

As envisaged by the Guidelines, the results of each audit are illustrated in reports prepared by the Internal Audit department, which are, at the same time, sent to the Director in Charge, to the top management of the departments under audit, to the Officer responsible for the preparation of financial reports, to the Chairman of the Board of Directors, to the Control, Risk and Related Party Transactions Committee, to the Board of Statutory Auditors and, with regard to the areas under its scope, to the Supervisory Body.

On 10 April 2020, in compliance with the provisions of criterion 7.C.1 of the Code, the Board of Directors stated that it deemed the coordination between the parties involved in the Internal Control and Risk Management System to be adequate.

## 11. INTERESTS OF DIRECTORS AND RELATED-PARTY TRANSACTIONS

### a) Italgas Related-Party Transactions Procedure

On 18 October 2016 the Board of Directors approved a procedure which establishes the principles and rules which Italgas and its Subsidiaries should adhere to in order to ensure the transparency and essential and procedural correctness of transactions conducted by Italgas Group companies with related parties or "parties of interest" (the "**Italgas Related-Party Transactions Procedure**").

The Italgas Related-Party Transactions Procedure was updated by a resolution of Italgas' Board of Directors on 14 December 2017, following the approval of the Control, Risk and Related Party Transactions Committee, which met on 13 December 2017.

Subsequently, most recently on 10 April 2020, the Board of Directors - following the annual assessment concerning the need to proceed with a revision of the Italgas Related-Party Transactions Procedure (taking into account, inter alia, any changes in the ownership structure, as well as the proven efficacy of the procedures in practice), concluded that it was not necessary to modify the current text after having received the favourable opinion expressed by the Control, Risk and Related Party Transactions Committee.

The Italgas Related-Party Transactions Procedure implements the provisions of the Consob Related-Parties Regulation and the interpretations of the issue according to Consob, also in accordance with the Unbundling Regulation.

The Italgas Related-Party Transactions Procedure also applies with regard to other Italgas Group companies under the scope of the direction and coordination activities exercised by Italgas.

### b) Transactions with related parties involving transactions of greater importance, transactions of lesser importance and transactions of negligible value.

The Italgas Related-Party Transactions Procedure involves a differentiated arrangement governing related parties, distinguishing between "transactions of greater importance", "transactions of lesser importance" and "transactions of negligible value".

For the purpose of the Italgas Related-Party Transactions Procedure, "large transactions" are transactions with related-parties in which at least one of the following "significance indicators" is above the level of 5% (or 2.5% in the case of transactions with a listed parent company):

- value significance indicator: meaning:
  - the ratio between the value of the transaction and the net equity taken from the most recent consolidated balance sheet published by the Italgas Group;
  - or, if it is greater, the capitalisation of the Company measured at the close of the last day the market is open in the reference period of the most recent periodic accounting document published (annual or half-year financial report, or additional periodic financial disclosures, where drawn up);
- assets significance indicator: meaning the ratio between the total assets of the organisation that is the subject of the transaction and the total assets of the Italgas Group, in accordance with what is indicated in the most recent consolidated balance sheet published by the Italgas Group;

- liabilities significance indicator: meaning the ratio between the total liabilities of the entity purchased and the total assets of the Italgas Group, in accordance with what is indicated in the most recent consolidated balance sheet published by the Italgas Group; where possible, similar data should be used for calculating the total liabilities of the Company or the business unit purchased.

“Transactions of lesser importance” are transactions with related parties other than “transactions of greater importance” and “transactions of negligible value”.

The Italgas Related-Party Transactions Procedure establishes the criteria and levels for identifying “transactions of negligible value”, in other words transactions with related-parties which, in consideration of the size of the Italgas Group, do not involve any appreciable risk to the protection of investors and the integrity of Italgas' capital and which are, therefore, excluded from the scope of application of the Italgas Related-Party Transactions Procedure.

Types of transactions are specified in the Italgas Related-Party Transactions Procedure which, in conformity with the Consob Related-Parties Regulation, are excluded from the scope of application.

#### c) Approval process for related-party transactions

The Italgas Related-Party Transactions Procedure establishes specific information flows prior to the approval of related-party transactions and requires the issuing by the competent committee of a reasoned opinion on the interest of the Company in completing the transaction and its expediency and the essential correctness of the related conditions. This reasoned opinion is binding in the case of “large transactions”. The responsibility for approving “large transactions”, where they do not come under the scope of the Shareholders' Meeting pursuant to the law and By-Laws, is reserved to the Board of Directors.

Similar provisions to those described above apply in the case of related-party transactions which come under the scope of the Shareholders' Meetings.

The Italgas Related-Party Transactions Procedure includes specific obligations of transparency in relation to the public with regard to transactions with related-parties, in compliance with the Consob Related-Parties Regulation.

#### d) Committee responsible for issuing the reasoned opinion

The Committee responsible for issuing the reasoned opinion is usually identified as the Control, Risk and Related Party Transactions Committee. However, in the case of transactions involving the remuneration of directors and executives with strategic responsibilities, this board committee is the Appointments and Compensation Committee, with the Control, Risk and Related Party Transactions Committee being responsible for checking the conformity of the approval process for the Italgas Related-Party Transactions Procedure transaction.

If the Control, Risk and Related Party Transactions Committee is not made up entirely of unrelated directors, the members of the aforementioned committee who are not unrelated are replaced, in the event of the issue of an opinion related to that specific Transaction, the Committee is supplemented by a number of unrelated and independent directors in order of seniority until it is made up entirely by unrelated directors. If said temporary replacement is not possible, the Control, Risk and Related Party Transactions Committee must inform the Board of Directors, which shall engage an independent expert.

Over the course of the year the Control, Risk and Related Party Transactions Committee did not issue reasoned opinions as no transactions occurred that required this.

e) Transactions with “relevant parties”

Also in compliance with Article 2391 of the Italian Civil Code, the Italgas Related-Party Transactions Procedure includes a specific framework applicable to transactions in which a director or a statutory auditor has a personal interest or an interest on behalf of others, and transactions to be conducted with “parties of interest”, defined as parties, other than related parties, such as directors and statutory auditors, in relation to whom there may directly or indirectly be an interest, including a potential one, in relation to the activity carried out by Italgas and its Subsidiaries or in connection with certain transactions.

Under this scope the Italgas Related-Parties Transactions Procedure directors and statutory auditors are required to declare potential interests that they have in relation to the Italgas Group every six months, and when changes in said interests occur; they also inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer’s interests), who in turn informs the other directors and the Board of Statutory Auditors, of individual transactions that the Italgas Group intends to carry out and in which they have an interest.

The Italgas Related-Party Transactions Procedure is available on the Company’s website: <https://www.italgas.it/en/governance/internal-control-and-compliance/related-party-transactions/>

## 12. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to the By-Laws, the Board of Statutory Auditors is composed of three standing auditors and two alternate auditors appointed by the Shareholders' Meeting, which also decides on remuneration in compliance with the pro-tempore regulations in force including gender equality.

Statutory auditors must possess the requirements of integrity and professionalism established by the applicable regulations, specifically Decree no. 162 of 30 March 2000 of the Ministry of Justice. For the purpose of applying this decree and as laid down by Article 20.1 of the By-Laws, issues closely related to the activities of the Company are commercial law, business administration and corporate finance, and the sector closely related to the activities of the Company is the engineering and geology sector.

The limits on the number of offices that statutory auditors can take as members of the administrative and control bodies of other companies are established in the Issuer's Regulations.

Pursuant to the By-Laws and the Decree of the President of the Council of Ministers of 25 May 2012, on "*Criteria, terms and conditions for the adoption by Snam S.p.A. of the ownership unbundling model, pursuant to Article 15 of Law no. 27 of 24 March 2012*", statutory auditors of Italgas cannot hold any office in the management or control body, nor can they hold any management functions, at Eni S.p.A. or its subsidiaries, nor have any relations, direct or indirect, of a professional or financial nature with these companies.

When the entire Board of Statutory Auditors is renewed, auditors are appointed according to the slates submitted by shareholders.

The statutory provisions currently in force governing slate voting for the appointment of the Board of Statutory Auditors are listed below.

As indicated in Chapter 4.1 of this Report, the new rules on gender balance will be applied - also taking into account Communication no. 1/20 of 30 January 2020<sup>17</sup> - at the next renewal of the Board of Statutory Auditors, scheduled for the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021.

In particular, with regard to the amendments introduced by the budget law no. 160/2019, Consob, in the aforesaid Communication no. 1/20 of 30 January 2020, clarified that - pending an adjustment of the regulations - as part of the supervisory activity on the regulations in question it will consider the criterion of rounding up to the next higher unit (provided for by subsection 3 of art. 144-undecies.1 of the Issuers' Regulations) inapplicable, due to arithmetical impossibility, to corporate bodies made up of three members. As a result, with reference to the latter, Consob will consider rounding down to the lower unit to be in line with the new rules.

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<sup>17</sup> See Communication no. 1/20 of 30 January 2020 concerning "*Clarifications on the amendments to the provisions of Articles 147-ter and 148 of Italian Legislative Decree no. 58/98 (CLF) on gender balance in the bodies of listed companies introduced by Italian Law no. 160 of 27 December 2019 ("Budget Law 2020")*".

### Slate voting for the appointment of the Board of Statutory Auditors (Article 20)

The Board of Statutory Auditors is appointed by the Shareholders' Meeting, in compliance with applicable laws regarding balance between genders and based on the slates presented by the shareholders in which the candidates are listed by progressive number, and in a number not to exceed the members of the body to be elected.

Slates are filed at the registered office by the twenty-fifth day prior to the date of the Shareholders' Meeting called to decide on the appointment of the members of the Board of Statutory Auditors and made available to the public by the methods provided for by law and by Consob regulations, at least twenty-one days prior to the date of the Shareholders' Meeting.

Each shareholder may submit or be involved in submitting only one slate and may vote on only one slate, according to the terms provided for by the above-mentioned legal and regulatory provisions.

Only shareholders who alone or together with other shareholders represent 2% or are the owners overall of another percentage of shares stipulated by Consob regulations shall be entitled to submit slates<sup>18</sup>.

The ownership of the minimum percentage necessary for the submission of slates is determined by the shares registered on the date on which the slates are filed at the Company. Shareholders must also produce the certification issued pursuant to the law by authorised intermediaries.

The slates break down into two sections: the first for candidates to the office of standing auditor, and the second for candidates to the office of alternate auditor. At least the first candidate in each section must be included in the Register of Auditors and must have a minimum of three years' experience as an external auditor.

In order to comply with the applicable law on gender representation, slates with candidates for both sections which contain three or more candidates presented for appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of standing auditors, in accordance with the call notice of the Shareholders' Meeting. If the section of alternate auditors on these slates has two candidates, they must be of different genders.

Two standing auditors and one alternate auditor are taken from the slate that wins the majority of the votes. The remaining two auditors shall be taken from other slates that are not linked in any way, even indirectly, to the shareholders that presented or voted for the slate coming first by number of votes. To this end, the votes received by the slates will be successively divided by one and two. The quotients thus obtained will be assigned progressively to candidates from each of

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<sup>18</sup> Consob - through its Managerial Resolution of the Manager of the Corporate Governance Division no. 28 of 30 January 2020 - decided, pursuant to Article 147-ter, subsection 1 and Article 148, subsection 2 of the CLF and Article 144-septies, subsection 1, of the Issuers' Regulations, that the minimum level of investment required for the presentation of slates of candidates for the election of Italgas administrative and control bodies was 1%.

these slates, according to the order shown therein and will be arranged in a single decreasing gradation.

Those obtaining the highest quotients will be elected. If several candidates obtain the same quotient, the candidate from the slate that has not yet elected any director or that has elected the smallest number of directors will be elected. If none of these slates has yet elected a director or if all have elected the same number of directors, the candidate from the slate obtaining the greatest number of votes will be elected. If the voting on slates is a tie and the quotient is also a tie, the entire Shareholders' Meeting will be asked to vote again, and the candidate winning a simple majority of votes will be elected.

Where the application of the above procedure fails to ensure compliance with the law on gender representation for the standing auditors, the quotient of votes to be attributed to each candidate taken from the standing auditor sections of the different slates shall be calculated by dividing the number of votes for each slate by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the slates shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same standing auditor section of the slate of the replaced candidate, or, failing this, from the alternate auditor section of the same slate as the replaced candidate (who, in this case, takes the place of the alternate auditor that they have just been replaced by), if this does not allow compliance with the regulations on gender equality, they are replaced by the person appointed by the Shareholders' Meeting with a legal majority to ensure that the composition of the Board of Statutory Auditors complies with the law and the By-Laws.

Where candidates from different slates have obtained the same quotient, the candidate from the slate from which the greater number of Statutory Auditors has been taken shall be replaced, or the candidate taken from the slate with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced.

In the event of the replacement of a statutory auditor from the slate that wins the majority of the votes, they are replaced by the alternate auditor from the same slate; in the event of replacement of a statutory auditor from other slates, they are succeeded by the alternate auditor from these slates. If the replacement does not allow compliance with the regulation on gender equality, the Shareholders' Meeting should be called as soon as possible to guarantee compliance with this regulation.

### 13. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

#### a) Composition

The Italgas Board of Statutory Auditors in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2018, namely until 4 April 2019, was composed of three standing auditors and two alternate auditors, appointed by the Ordinary Shareholders' Meeting of 4 August 2016, pursuant to the Italian Civil Code on the recommendation of the sole shareholder at the time, Snam<sup>19</sup>.

The table below lists the statutory auditors in office until 4 April 2019.

Name	Office
Gian Piero Balducci	Chairman
Giandomenico Genta	Standing Auditor
Laura Zanetti	Standing Auditor
Barbara Cavalieri	Alternate auditor
Walter Visco	Alternate auditor

The Ordinary Shareholders' Meeting of 4 April 2019 thus appointed the Board of Statutory Auditors consisting of three standing auditors and two alternate auditors. Specifically, the Chairman of the Board of Statutory Auditors and one of the alternate auditors were drawn from the slate submitted by institutional investors holding a total of 1.366% of the share capital<sup>20</sup>, voted by the minority shareholders who attended the Shareholders' Meeting with about 26.23% of the share capital represented at the Shareholders' Meeting. The two standing auditors and one alternate auditor, instead, were drawn from the slate submitted by the shareholder CDP Reti, which holds 26.045% of the share capital<sup>21</sup>, voted by the majority of shareholders who attended the meeting with approximately 72.26% of the share capital represented at the meeting. The Board of Statutory Auditors appointed in this way will remain in offices for three financial years, expiring on the date of the Shareholders' Meeting called for the approval of the draft financial statements for the year ending 31 December 2021.

The table below lists the statutory auditors in office at the end of the Financial Year.

<sup>19</sup> The Alternate auditor, Barbara Cavalieri, was appointed by the Ordinary Shareholders' Meeting held on 28 April 2017, following the resignation – for personal reasons – of the Alternate auditor, Marilena Cederna.

<sup>20</sup> The Chairman of the Board of Statutory Auditors Pierluigi Pace and the alternate auditor Giuseppina Manzo.

<sup>21</sup> The standing auditors Maurizio Di Marcotullio, Marilena Cederna and the alternate auditor Stefano Fiorini.



Name	Office
Pierluigi Pace	Chairman
Maurizio Di Marcotullio	Standing Auditor
Marilena Cederna	Standing Auditor
Stefano Fiorini	Alternate auditor
Giuseppina Manzo	Alternate auditor

Each of the members of the Board of Statutory Auditors has been certified at the time of appointment as being in possession of the requirements of independence required by the Consolidated Law on Finance (Article 148, subsection 3, of the CLF) and by the Corporate Governance Code (specifically pursuant to Article 3 and Article 8 of the Corporate Governance Code), there being no grounds for ineligibility, incompatibility or forfeiture, as well as the existence of the requirements of professionalism and integrity and compliance with the limit on the number of offices that can be held pursuant to the applicable regulations and the By-Laws. One member of the Board of Statutory Auditors is female, in compliance with the regulation in force on gender equality<sup>22</sup>.

At the first opportunity after its appointment, i.e. on 4 April 2019, the Board of Statutory Auditors verified and confirmed the possession of the requirements of independence laid down pursuant to the Consolidated Law on Finance and the Corporate Governance Code and the requirements of professionalism and integrity of its members and notified the Board of Directors of the Company of the outcome. Disclosure to the market was made on the same day according to the checks carried out. At the time of appointment, the Chairman of the Board of Statutory Auditors and the other standing auditors confirmed that they can dedicate the necessary time to carrying out their tasks diligently pursuant to the Corporate Governance Code. The Board of Statutory Auditors verified that the independence requirements continued to be met by its members on 21 February 2020, and notified the Company's Board of Directors of the outcome.

The remuneration of statutory auditors is proportional to the commitment required of the same, to the importance of the office held as well as the size of the Company and the sector it operates in.

With regard to the description of corporate policies on diversity pursuant to Article 123-bis, letter d-bis, CLF, it should be noted that, on 24 January 2019, the Issuer's Board of Directors - after receiving the opinion of the Appointments and Compensation Committee of 23 January 2019 - approved the

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<sup>22</sup>Moreover, it should be noted that, also in relation to the previous Board of Statutory Auditors, in office until 4 April 2019, the Company had voluntarily complied with the rules on gender balance (see Article 147-ter, subsection 1-ter, CLF) prior to admission to listing. In fact, Consob Communication DIE no. 0061499 of 18 July 2013, establishes that said gender balance obligation takes effect from the first time the corporate bodies are renewed following listing and, therefore, in the case of Italgas, from the renewal of the corporate bodies by the Shareholders' Meeting of 4 April 2019.

"Diversity of Company Bodies policy", namely a special document that summarizes such policies which also included useful specifications for shareholders for the renewal of corporate bodies by the Shareholders' Meeting called to approve the financial statements as at 31 December 2018. The "Diversity of Company Bodies policy" can be consulted on the Company's website: <https://www.italgas.it/en/governance/corporate-governance-system/board-of-directors/>

As regards the company's diversity policies in relation to the composition of the Board of Statutory Auditors in office, including for the purposes of disclosure of the results of the "Diversity of Company Bodies policy", the following is specified: (i) one Standing Auditor and one Alternate Auditor belong to the least represented gender; (ii) without prejudice to the professional requirements provided for by law, the training and professional background of the members of the Board of Statutory Auditors currently in office guarantees the appropriate skills to ensure the proper performance of their duties.

From the end of the Financial Year until the date of the approval of this Report there were no changes to the composition of the Board of Statutory Auditors.

b) *Curricula vitae*

Below is a summary of the curricula vitae of each member of the Board of Statutory Auditors in office at the end of the Financial Year and at the date of approval of this Report.

**Pierluigi Pace (Chairman of the Board of Statutory Auditors)**

Born in Rome in 1962, he graduated in Business and Economics in 1986 from "Luiss" University in Rome. In 1987 he obtained a Master's in Business Tax Law from Luiss Business School. He has worked as a chartered accountant and auditor since 1988. He is a consultant for companies and entities including Luiss, the Chamber of Commerce of Rome, the Prefecture of Rome, Debis Spa (Daimler Benz Group), the Farmaceutico Serono Group, and Ireos Spa (Telecom).

He is a Statutory Auditor, Chairman of the Board of Statutory Auditors and Board Director of limited companies.

**Maurizio Di Marcotullio (Standing Auditor)**

Chartered Accountant, member of the Association of Chartered Accountants of Rome and enrolled on the Register of External Auditors. He has gained significant experience working with leading tax consulting firms. He practises as a Chartered Accountant in the following areas: national and international tax planning, taxation of extraordinary transactions, business appraisals and valuations, wealth management, taxation of renewable energy, real estate tax. He is an expert in contract negotiations for M&A transactions and company law. He assists private equity funds in investment transactions. He is a statutory auditor and on the board of directors of joint stock companies, including listed companies.

**Marilena Cederna (Standing Auditor)**

Born in Sondrio in 1957, she graduated with honours in Business and Economics from Bocconi University in Milan. She is a member of the Association of Chartered and Qualified Accountants and enrolled in the Register of External Auditors.

She has worked as a Chartered Accountant since 2018.

From 1981 to 2017 she worked at PricewaterhouseCoopers in Milan, where she attained the status of partner. For a period she was seconded to PricewaterhouseCoopers in London.

She has acquired many years of experience working in various industrial and services sectors, including the Energy & Utilities sector, performing audit for Groups listed in regulated markets in Italy and abroad, financial due diligence and accounting consultancy to support extraordinary transactions, corporate crises and disputes.

**Stefano Fiorini (Alternate auditor)** Born in Genoa on 15 July 1969. Degree in Business Economics. Certified Auditor. He is listed in the Register of Technical Experts of the Civil Court of Rome, the Register of Expert Witnesses of the Criminal Court of Rome and the Register of Judicial Administrators, ordinary section. He has acquired significant experience in the main sectors of industrial activity and services. He has worked in the audit department at KPMG SpA and Arthur Andersen SpA, and in debt restructuring, for Gallo & C. SpA. He served as Head of Investment at PM & PARTNERS and ABN Amro Capital Investments NV. He provides consulting services in relation to extraordinary financial transactions and in civil and criminal proceedings concerning disputes in corporate-economic and financial matters. He holds, and has held, positions in the corporate governance of companies, including listed companies. He is currently, among others, Chairman of the Board of Statutory Auditors of IGI SGR SpA, Nuovaplast Srl, Phoenix Asset Management SpA, Taplast SpA and Vimec Srl, as well as standing auditor of Elemaster SpA, Gold Plast SpA and Iacobucci HF Aerospace SpA and official receiver of Europrogetti & Finanza Srl. He is an associate of NedCommunity, the Italian association of non-executive and independent directors.

**Giuseppina Manzo (Alternate auditor)**

She graduated cum laude in Economics and Business Law from Bocconi University, Milan (2004). She subsequently took an Executive Master's degree in Corporate Finance and Banking at the SDA Bocconi School of Management, Milan. Since 2006 she has worked at Partners S.p.A. where she has acquired solid experience in professional consulting on financial statements and extraordinary finance, dealing in particular with corporate and equity investment valuations and opinions, legal opinions (transfer values, withdrawal and issue of new shares), opinions concerning financial statements and the application of national (OIC) and international (IAS-IFRS) accounting standards, extraordinary transactions and M&As, technical consulting in legal proceedings and arbitration. She is a chartered accountant and auditor. She is currently Statutory Auditor in industrial and service companies.

c) *Operation*

During the Financial Year, the Board of Statutory Auditors met sixteen times; the average length of the meetings was 2 hours and 48 minutes. More specifically, the Board of Statutory Auditors, in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2018, i.e. until 4 April 2019, met five times; the Board of Statutory Auditors currently in office met eleven times.

With reference to the single tender procedure launched by Cassa Depositi e Prestiti S.p.A.(CDP) for the selection of the Group's external auditor for the period 2020-2028, all the activities within the remit of the control body for such procedure were carried out by the previous Board of Statutory Auditors whose term of office ended on 4 April 2019. In particular, at the meeting of 9 July 2018, the aforesaid Board of Statutory Auditors expressed its positive opinion on Italgas S.p.A.'s participation in the single tender procedure, conditional to cost-effectiveness and compliance with any legislation. At the subsequent meeting on 19 July 2018, the Board of Statutory Auditors discussed the characteristics and methods of the tender procedure with the relevant CDP departments.

The Board of Statutory Auditors in office at the meeting of 17 July 2019 took note of the results of the tender awarded by CDP to Deloitte & Touche S.p.A.. The Board of Statutory Auditors in office has therefore - in its capacity as Internal Control and Audit Committee - carried out the activities for which it is responsible pursuant to Italian Legislative Decree 39/2010 and Regulation (EU) no. 537/2014 as Internal Control and Audit Committee, also at the meeting on 3 December 2019 with the representatives of Deloitte & Touche S.p.A. for an in-depth examination of the contents and

characteristics of the offer, so as to draw up the Opinion on the consensual termination of the appointment for the external audit the accounts granted by Italgas to PricewaterhouseCoopers S.p.A. and the motivated Proposal to grant the new appointment for the external audit of the accounts for the period 2020-2028 for submission to the Italgas Shareholders' Meeting.

The table in Annex 1 lists the attendance of each auditor at the Board of Statutory Auditors' meetings during the Financial Year.

Sixteen meetings are scheduled for the current business year, four of which have already been held at the date of the approval of this Report.

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The Board of Statutory Auditors, in accordance with Article 149 of the Consolidated Law on Finance, monitors: a) compliance with the law and founding documents; b) compliance with the principles of correct administration; c) adequacy of the company's organisational structure for the aspects within its remit, the internal control system and the administrative-accounting system as well as the reliability of the latter in correctly representing operational events; c bis) procedures for the practical implementation of the rules of corporate governance envisaged in codes of conduct drawn up by companies managing regulated markets or by trade associations, which the company, through public disclosure, declares its compliance with, d) adequacy of the instructions given by the company to subsidiaries pursuant to Article 114, subsection 2 of the said CLF . Note that Legislative Decree no. 39/2010, as later amended, attributes the Board of Statutory Auditors with the functions of "*committee for internal control and auditing*" and, in particular, the following supervisory duties: a) informing the management body of the entity under audit of the outcome of the independent audit and sending said body the additional report set forth in Article 11 of Regulation no. 537/2014, accompanied by any observations; b) monitoring the financial disclosure process and presenting recommendations or proposals that seek to guarantee its integrity; c) checking the effectiveness of the Company's internal quality control and risk management systems and, if applicable, of internal auditing, with regard to the financial disclosures of the entity under audit, without infringing upon its independence; d) monitoring the independent auditing of the annual financial statements and of the consolidated financial statements, also taking into account any results and conclusions of quality controls made by Consob pursuant to Article 26, subsection 6, of Regulation no. 537/2014, where available; e) verifying and monitoring the independence of the independent auditors of the independent auditing company, pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and of Article 6 of Regulation no. 537/2014, in particular as regards the adequacy of the services provided other than the auditing of the entity under audit, in compliance with Article 5 of said regulation; f) being responsible for the procedure to select independent auditors or independent auditing companies and recommending the independent auditors or independent auditing firms to appoint pursuant to Article 16 del Regulation no. 537/2014. For further details on the activities performed during the Financial Year by the Board of Statutory Auditors, refer to the report on supervisory activities of the Board of Statutory Auditors, drawn up pursuant to Article 153 of the CLF.

#### d) Induction Programme

During the Financial Year, the members of the Board of Statutory Auditors were able to participate in the induction activities illustrated in Chapter 4.2d) of this Report.

#### e) Interests of statutory auditors

The Italgas Related-Party Transactions Procedure includes specific reporting obligations with regard to any interests, a personal interest or an interest on behalf of others, of auditors in relation to Company transactions (see Chapter 11 of this Report).

- f) Coordination with the Control, Risk and Related Party Transactions Committee and the Internal Audit department.

The Board of Statutory Auditors and the Control, Risk and Related Party Transactions Committee exchange relevant information for carrying out their respective functions and meet at least quarterly in order to evaluate the results. In order to optimise the collaboration, during the Financial Year, the Board of Statutory Auditors took part in the work of the Control, Risk and Related Party Transactions Committee.

The Board of Statutory Auditors and the Control, Risk and Related Party Transactions Committee receive and collect relevant information, at least quarterly, from the control functions (Internal Audit, Risk Management, Compliance) and from the Independent Auditors about checks carried out and any weaknesses or critical areas or anomalies discovered.

During the Financial Year, the Board of Statutory Auditors met with the Internal Audit department and closely examined the guidelines of the Board of Directors on Internal Audit activities, the role, activities, methodologies and information flows of the function, as well as the 2020 draft audit plan for the Italgas Group.

#### **14. RELATIONS WITH SHAREHOLDERS**

An active engagement policy with regard to investors is considered by Italgas to be a strategic element capable of creating value in terms of satisfying its shareholders, understanding their expectations concerning corporate governance and a mutual enhancement of knowledge.

Italgas adopts a disclosure policy aimed at guaranteeing constant dialogue with the entire financial community; the Company's goal is to establish a relationship of trust with shareholders, investors, analysts and all financial market operators, and to provide them with regular, complete and prompt information to ensure an excellent understanding of the Italgas Group's performance and strategy.

On 26 September 2016 the Board of Directors, under the scope of the Italgas organisational structure, appointed Marco Porro as Investor Relator, pursuant to the Corporate Governance Code<sup>23</sup>.

The Company has areas of specific interest on its website ([www.italgas.it](http://www.italgas.it)) reserved to shareholders and investors ("Governance", "Investors" and "Media") which contain information on the corporate governance of the Company (e.g., the By-Laws, composition of the corporate bodies, policies on business ethics and internal control), information of an economic-financial nature (e.g., financial statements and financial reports, presentations to the financial community, performance of the Company shares) as well as press releases and the financial calendar of the Company.

Italgas uses the "eMarket SDIR" to transmit Regulated Information and a centralised storage mechanism called "eMarket STORAGE" to store Regulated Information, accessible at the following address [www.emarketstorage.com](http://www.emarketstorage.com), both of which are managed by Spafid Connect S.p.A., with registered office in Foro Buonaparte 10, Milan.

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<sup>23</sup> Anna Maria Scaglia took on this role in March 2020.

## 15. SHAREHOLDERS' MEETINGS

### 15.1 Shareholders' Meeting

The Shareholders' Meeting represents all shareholders and its resolutions oblige shareholders, even if they did not take part, abstained or dissented.

There are Ordinary and Extraordinary Shareholders' Meetings, pursuant to the law, held in a single call and convened through a call notice to be published in accordance with the terms and conditions required by law and are validly constituted and resolve through the legally-required majority. The By-Laws do not provide for derogations from the percentages established pursuant to the applicable regulations for the exercise of the actions and prerogatives put in place for the protection of minorities.

The Ordinary Shareholders' Meeting on 4 August 2016, on the recommendation of the Chairman of the Board of Directors, approved the Regulation governing the orderly and effective conduct of shareholders' meetings, guaranteeing the right of each shareholder to speak on the agenda items being discussed. The Shareholders' Meetings Regulation can be consulted on the Company's website: <https://www.italgas.it/en/governance/corporate-governance-system/shareholders-meeting/>

### 15.2 Powers of the Shareholders' Meeting

The Shareholders' Meeting resolves on the legally-required issues. However, as permitted by law, the By-Laws give the Board of Directors the power to resolve on the following issues:

- merger by incorporation of wholly-owned companies or at least 90%-owned and demerger in the same scenarios;
- institution, modification and elimination of secondary offices;
- the decrease of the corporate share capital when a shareholder withdraws;
- compliance of the By-Laws with regulatory provisions;
- the transfer of the registered office within Italy.

### 15.3 Right to attend

The right to attend Shareholders' Meetings is governed by law, the By-Laws and the provisions contained in the call notice.

Pursuant to the applicable regulations, entitlement to attend a Shareholders' Meeting and exercise the right to vote is certified by a notification to the party with the right to vote, sent to the Company by the intermediary and issued based on the accounting evidence at the end of the seventh day the market is open prior to the date set for the Shareholders' Meeting (the "record date").

Whoever has the right to vote can, within the limits of the law, be represented through a written proxy, which the Company should be notified of by certified electronic mail.

In order to facilitate the verification of the representation powers, the Shareholders' Meeting Regulation requires that those who take part in the Shareholders' Meeting as legal or voluntary

representatives of those entitled to attend and exercise voting rights can present the documentation proving their entitlement to the Company Secretary, through the methods and terms indicated in the call notice.

The By-Laws indicate that the Company must provide space to shareholder associations which satisfy the pertinent regulatory requirements, according to the terms and conditions agreed from time to time with their legal representatives, for communicating and gathering proxies from employee shareholders of the Company and its subsidiaries.

In order to ensure the correctness of the discussion and the right to speak of those having this right, the Shareholders' Meeting Regulation gives the chairman of the meeting the task of managing proceedings and authorising powers. Specifically, when opening the proceedings, the chairman of the meeting establishes the maximum duration of each speech, usually not more than fifteen minutes. Each person entitled to speak at the meeting and exercise the right to vote or their representative can only speak once on each agenda item and can submit a request to speak to the office of the chairman from the time the Shareholders' Meeting is established and until the chairman of the meeting opens the discussion on each agenda item. When inviting people to speak, the chairman of the meeting usually follows the order the requests to speak were submitted in. Speeches in reply are not permitted. When the discussion is closed, only short declarations of the voting are allowed.

Shareholders may ask questions about agenda items both prior to and during the Meeting. Pursuant to the Shareholders' Meetings Regulation, if shareholders have submitted questions before the start of the proceedings of the meeting for which the Company has not yet given a reply, the Chairman responds during the meeting, at the end of all the speeches on each specific item on the agenda, provided that: (i) the questions are related to the items on the agenda; (ii) the information request is not already available in the "question and answer" format in the dedicated section of the Company's website. The Company can provide a single response to questions having the same content.

In this regard, Article 127-ter of the CLF provides, inter alia, that the call notice must indicate the deadline by which questions raised prior to the Shareholders' Meeting must reach the Company. The deadline may not be earlier than five trading days prior to the date of the Shareholders' Meeting on first or single call, or the record date pursuant to Article 83-*sexies*, subsection 2, CLF (end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting) if the call notice requires the Company to provide, prior to the Shareholders' Meeting, an answer to the questions received. In this case, answers must be provided at least two days before the Shareholders' Meeting, including by publication in a special section of the Company's website; ownership of voting rights may be certified even after sending the questions, provided that this is done by the third day following the aforementioned record date.

The Shareholders' Meetings Regulation includes the possibility of experts, financial analysts, journalists and representatives of the independent auditors providing assistance at the meeting, with the consent of the chairman. The request to take part must be received by the Company Secretary, in accordance with the methods set out in the call notice, at least two days before the meeting.

#### **15.4 Shareholders' Meetings and changes to market capitalisation**

During the financial year a Shareholders' Meeting was held on 4 April 2019, during which the new corporate bodies were appointed for the financial years 2019 - 2021.

The Shareholders' meeting was attended by the Chairman of the Board of Directors then in office, Lorenzo Bini Smaghi, and the Directors Paolo Gallo, Nicola Bedin, Yunpeng He and Paola Annamaria Petrone, as well as the Chairman of the Board of Statutory Auditors then in office, Gian Piero Balducci, and both standing auditors, Giandomenico Genta and Laura Zanetti.

The method by which the functions of the Appointments and Compensation Committee are carried out was reported to the shareholders by reading out a statement by such Committee.

During the Financial Year, there were no significant changes in the market capitalisation of Italgas shares or in the composition of the Company's shareholding structure.

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Note that participation in the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019 (as well as any other shareholders' meetings called by 31 July 2020 or, if later, until the national state of emergency that has been declared for the health risk connected with the outbreak of the COVID-10 epidemic is lifted) shall follow the procedures set out in the related call notice in compliance with art. 106 of Law Decree no. 18 of 17 March 2020.



## 16. FURTHER CORPORATE GOVERNANCE PRACTICES

### 16.1 Organisational model pursuant to Legislative Decree no. 231 of 8 June 2001

On 18 October 2016 the Italgas Board of Directors approved its organisational, management and control model pursuant to Legislative Decree no. 231 of 8 June 2001 ("**Model 231**").

Model 231 was then supplemented, following a detailed and complete risk assessment and gap analysis of all of the Company's functions and processes, by the Special Part, which illustrated the *Processes, Sensitive Activities and specific control standards of Model 231 relating to each type of offence*. The *Special Part* of Model 231 was approved by the Board of Directors on 14 December 2017, after the approval of the Control, Risk and Related Party Transactions Committee and of the Board of Statutory Auditors on 13 December 2017.

On 24 January 2019, the Board of Directors of Italgas approved an update of the Italgas Code of Ethics and Model 231, taking into account the recent regulatory provisions that have recently amended Legislative Decree no. 231/2001 (Law no. 179/2017 "Whistleblowing"), also intervening on the information flows to the Supervisory Body.

In particular, the changes concerned:

- the strengthened reference to the Code of Ethics, as an expression of the Company's ethical values and as a mandatory principle with which corporate procedures should comply;
- the information channels and flows to the Supervisory Body, in compliance with recent legislation on reporting (Law no. 179/2017, so-called "Whistleblowing");
- integration of the grounds for ineligibility and forfeiture for the members of the Supervisory Body;
- the introduction of a further information flow concerning the reporting of corruption.

On 17 December 2019 the Board of Directors of Italgas approved the update of the Special Part of the Model in relation to the new predicate offence "trafficking in improper influences" pursuant to art. 346 bis of the Italian Criminal Code, as provided for by Italian Legislative Decree no. 231/2001.

Model 231 is a support tool and key element of the Code of Ethics and is intended for members of Italgas corporate bodies, management and employees, as well as those operating to achieve Italgas objectives.

Pursuant to Model 231 the Board of Directors appoints a Supervisory Body with the task of supervising the operation of and compliance with Model 231 and its updating, having consulted with the opinion of the Control, Risk and Related Party Committee and the Board of Statutory Auditors and on the recommendation of the CEO in agreement with the Chairman. The Supervisory Body has independent initiative and control powers and governs its own operation through regulations.

Model 231 establishes the information flows from the various corporate functions and each recipient of Model 231 to the Supervisory Body and from the latter to the Company top management and, specifically, the CEO, Chairman, Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors.

The Italgas Supervisory Body is composed of three external members, one of whom, as the Chairman was chosen from academics and professionals with proven expertise and experience on legal and corporate issues and corporate economics and organisation. The term of office of members of the Supervisory Body is aligned with that of the Board of Directors which appointed them. The term of office of the members expires on the date of the Shareholders' Meeting called for the approval of the

financial statements for the last year of their office, although they continue to carry out their functions over the ad interim period, until new members of the Supervisory Body are appointed.

The Italgas Board of Directors on 20 December 2016 appointed the following members of the Supervisory Body: Prof. Carlo Piergallini, acting as Chairman, and Prof. Francesco Profumo and Prof. Eliana La Ferrara.

During the Financial Year and, more specifically, on 23 September 2019, the Board of Directors appointed the new Supervisory Body in the persons of Prof. Carlo Piergallini, as Chairman, Ms Marcella Caradonna and Prof. Francesco Profumo.

In addition to the tasks of the Supervisory Body, Model 231 also requires the CEO to implement and update Model 231, while the Board of Directors must update the general irrevocable principles of Model 231.

Each Subsidiary independently adopts its own organisational, management and control model pursuant to Legislative Decree no. 231 of 8 June 2001, based on the specific nature of the Company, taking the principles of Italgas' Model 231 as a benchmark and taking into account the indications and implementation methods laid down by Italgas with regard to the organisational and operating structure of the Italgas Group. Additionally, each Subsidiary sets up an autonomous and independent Supervisory Body. Model 231 requires specific information flows between the Supervisory Bodies of the Subsidiaries and those of Italgas.

Model 231 is available on the Company's website:

<https://www.italgas.it/en/governance/internal-control-and-compliance/administrative-liability-model-231/>

## **16.2 The Code of Ethics and the Supervisor**

On 18 October 2016 the Board of Directors approved its Code of Ethics, which is a collection of the values that the Company recognises, accepts and shares and the responsibilities it assumes within and outside of its organisation. The stated values in the Code of Ethics define a shared value system which expresses Italgas' business ethics culture. It forms the basis for the Company's strategic line of thought and the conduct of its corporate activities. The Code of Ethics represents an irrevocable general principle of Model 231 and contains the fundamental principles to which Italgas aspires, such as compliance with the law, fair competition, honesty, integrity, correctness and good faith with regard to all parties it has relations with. It also contains the general principles of business sustainability and responsibility, as well as recalling the principles which should be complied with on the subjects of the workplace, relations with stakeholders and suppliers and the matter of personal data protection.

The Code of Ethics applies with regard to "Italgas people" or directors, statutory auditors, management and employees of Italgas, as well as all of those who work to achieve the objectives of Italgas, each within the scope of their functions and responsibilities. The representatives indicated by Italgas on the corporate bodies of investee companies, consortia and joint ventures promote the principles and contents of the Code of Ethics within their areas of responsibility.

The Supervisory Body also acts as the Code of Ethics "Supervisor", with the task of:

- promoting the implementation of the Code of Ethics and issuing the reference procedures;
- promoting initiatives that are helpful in disseminating and raising awareness of the Code of Ethics also in order to avoid the repetition of violations;
- promoting communication and training programmes for Italgas management and employees;

- examining notices of possible violations of the Code of Ethics, promoting the most suitable checks and intervening, even in response to notifications from “Italgas people”, in cases of notices of possible violations of the Code deemed to be not duly dealt with or retaliations suffered by the same person following notification;
- notifying the competent structures of the results of important checks for the adoption of any disciplinary proceedings and informing the line structures/competent areas of the results of important checks in order to implement appropriate measures.

The Italgas Supervisory Body also presents a half-year report to the Control and Risks Committee and the Board of Statutory Auditors as well as to the Chairman and the CEO, who report back to the Board of Directors, on the implementation and any need to update the Code of Ethics.

The Code of Ethics is available on the Company's website:

<https://www.italgas.it/en/governance/business-ethics/code-of-ethics/>

### 16.3 Antitrust Code

On 18 October 2016 the Board of Directors approved its Antitrust Code of Conduct (the “**Antitrust Code**”) which defines the guidelines of the behaviour which all employees of Italgas and Subsidiaries should conform to in order to guarantee the compliance of Italgas and its Subsidiaries with the principles dictated by the applicable regulations on antitrust issues.

The Antitrust Code applies to the entire Italgas Group as part of Italgas' direction and coordination activities, and is one of the initiatives aimed both at protecting competition as part of the business culture and at implementing suitable procedures and systems for minimising the risk of violations of antitrust laws, under the broader umbrella of the compliance initiatives of the Italgas Group.

The adoption of the Antitrust Code is part of the broader antitrust compliance programme promoted by the Italgas Group, which is developed, inter alia, through the establishment of an antitrust unit within the Legal Department, which anyone in the Group can apply to for communications concerning the interpretation and application of the Antitrust Code and whenever a situation with potential antitrust risk arises.

In the light of recent acquisitions that have expanded the Group's corporate scope and its activities, work is under way to update the antitrust and consumer protection legislation compliance programme.

The Antitrust Code is available on the Company's website:

<https://www.italgas.it/en/governance/internal-control-and-compliance/antitrust-code/>

### 16.4 Certification UNI ISO 37001:2016

On 24 December 2018, the Italgas Reti S.p.A. model for the design, management and control of the anti-corruption system, and the Italgas S.p.A. model for the design, management and control of the anti-corruption system applied to Italgas Reti S.p.A. attained - through the certification body DNV-GL - the UNI ISO 37001:2016 certification which certifies the compliance of the management system of the two companies with the prerequisites required by the law in relation to the prevention and combat of corruption in all its forms.

In order to adjust the management system to the provisions of the UNI ISO 37001 standard, a specific Corruption Prevention and Contrast Policy has been adopted which establishes the objectives and regulatory principles of the management system for preventing and combating corruption.

The Anti-Corruption Compliance Standard, ITH-STC-062 "Anti-Corruption" has been updated in order to optimize the contents that were already present, even in coherence with the requirements of the aforementioned ISO. Said update was carried out by including a reference to the formal assignment of responsibilities and powers connected to the position of the "governing body" and "top management", as defined by UNI ISO 37001, respectively the Board of Directors and the Chief Executive Officer.

In addition, the division of powers and responsibilities amongst certain departments already active in preventing and combating corruption have been reviewed with the issuing of Organizational Communication no. 22/2018 of 30.11.2018 which assigns the tasks of "Compliance for Prevention and Contrast of Corruption" to the newly established department of Legal Compliance and Anti-Corruption Programs.

During the Financial Year, as required by Standard 37001, the Management System was audited by the DNV-GL Business Assurance Italia S.r.l. certification body.

In addition to confirming certification of the Management System, the audit activities carried out concerned the extension of the scope of certification of the Management System to include all the activities carried out by Italgas S.p.A. in relation to its subsidiaries, for which a formal extension of the certified Management System is planned in 2020.

On 3 December 2019 the audit report was therefore issued, in which the Certification Body was able, inter alia, to highlight that no "non-conformities" were found during the audit activities and that the Management System is effective and complies with Standard 37001. DNV-GL also specifically appreciated the decision to extend certification to all Italgas S.p.A. subsidiaries.

On 19 December 2019, therefore, DNV-GL acknowledged the achievement, for the second year in a row, of certification of the Management System pursuant to Standard 37001 for Italgas S.p.A., also obtaining its extension to the "anti-bribery governance" of all the companies of the Italgas group, as well as for the subsidiary Italgas Reti S.p.A.

The positive result was also achieved thanks to the commitment of all the corporate departments involved in the implementation of the Management System which, with the supervision and coordination of the Compliance Department, contributed and collaborated at various levels in ensuring the adequacy and suitability of the Management System with respect to the regulatory requirements.

## **16.5 Anticorruption Procedure**

On 18 October 2016 the Italgas Board of Directors adopted the Anticorruption Procedure for the purpose of providing a systematic reference framework of rules and procedures on anticorruption issues. Following the attainment of the UNI ISO 37001 certification in relation to management systems for the prevention and combat against corruption, the procedure in question was updated by issuing a new version of the same on 13 December 2018, together with the Corruption Prevention and Contrast Policy. The Anticorruption Procedure is an integral part of the Corporate Reporting Internal Control System.

The Anticorruption Procedure, in line with the Italgas Code of Ethics, prohibits corruption, in any form with regard to any public or private individual and introduces a specific system of rules aimed at guaranteeing the compliance of Italgas with the best international standards in the fight against

corruption, also protecting Italgas' reputation, in compliance with the tenth principle of the Global Compact <sup>24</sup> which Italgas adheres to.

Pursuant to the Anticorruption Procedure a Legal Anticorruption Department was established, with the task of monitoring the adoption of the Anticorruption Procedure, updating it and educating personnel.

There are specific information flows to the competent corporate departments with regard to requests for a public and/or a private official to establish cases of corruption or a specific reporting system with regard to any suspected violation of the anticorruption laws or the Anticorruption Procedure.

The Anticorruption Procedure applies to the Italgas Group under the scope of the direction and coordination activities exercised by the Company.

The Anti-Corruption Procedure is available on the Company' s website:

<https://www.italgas.it/en/governance/business-ethics/anti-corruption/>

## 16.6 Whistleblowing Procedure

On 18 October 2016 the Board of Directors approved a whistleblowing procedure consistent with the best practices on the matter (the "**Whistleblowing Procedure**"), which regulates the process of receiving, analysing and dealing with notifications sent or transmitted by any party, including confidentially and anonymously, regarding any irregularities or violations of the applicable regulations and internal procedures (whistleblowing). At present, the Whistleblowing Procedure is being updated.

The Whistleblowing Procedure responds to the provision of Model 231, constituting a regulatory tool pursuant to Italgas' Anticorruption Procedure and it is an integral part of the Corporate Reporting Internal Control System.

The Whistleblowing Procedure applies in Italgas and its Subsidiaries under the scope of Italgas' direction and coordination activities. The management of notifications and the related data processing for privacy purposes is carried out by Italgas, including in the interest of its Subsidiaries, in compliance with the principles of proper business management of the same Subsidiaries, while respecting their decision-making independence and in compliance with the regulations in force and the internal privacy policy, thereby also fulfilling the confidentiality requirements underlying the performance of preliminary investigation activities.

The Whistleblowing Procedure establishes the criteria and procedures for establishing suitable information channels, and is entrusted to the Internal Audit department, to ensure the receipt, analysis and processing of notifications made by employees (including senior managers), members of corporate bodies or third parties, including in confidential or anonymous form.

Each notification is analysed by the Notifications Committee, composed of the Head of Human Resources & Organization, the Head of Legal, Corporate Affairs and Compliance and the Internal Audit Manager, which ensures the necessary requirements of independence, confidentiality and competence. Once this analysis has been completed, the notifications received are classified according to issues relating to the internal control system, corporate information, administrative liability of the Company, fraud, corrupt behaviour or other issues (breaches of the Code of Ethics, mobbing, thefts, security, etc.).

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<sup>24</sup> The Global Compact is an international initiative launched in July 2000 by the United Nations to support ten universal principles relating to human rights, work, the environment, and the fight against corruption, which unites governments, businesses, agencies of the United Nations, employment organisations and civil society, with the goal of creating "a more inclusive and sustainable global economy" introducing compliance with and the application of shared values.

It is the responsibility of the Internal Audit department to promptly inform the senior management of the Company concerned and to forward notifications to the Company's Supervisory Body for the relevant evaluations and actions. The investigations are carried out by the Internal Audit department or by the business units responsible for carrying out specialised checks (Security, Technical Audit, Legal, Personnel, etc.), while always ensuring that the necessary independence requirements are met.

Responsibility for assessing the merits or otherwise of the notifications falls to the Supervisory Body or the Notifications Committee, as well as any decision to impose sanctions upon employees of Group companies or third parties in business relationships with those companies (suppliers, customers, consultants, partners, etc.), or to take other measures to strengthen the internal control system.

The Internal Audit department ensures the maintenance and updating of a specific computer archive, using appropriate tools and procedures to ensure the necessary levels of security and confidentiality, as well as the preparation of periodic reporting that includes information about the notifying party, the notified matter, the content and type of the notifications, the unit responsible for the conduct of investigations and their outcomes, the final assessment on the merits or otherwise of the notification, and any decisions taken.

The whistleblowing report is prepared twice a year and sent by the Internal Audit department to the following Company bodies and departments:

- Chairman;
- Chief Executive Officer;
- General Manager;
- Board of Statutory Auditors;
- Control, Risk and Related Party Transactions Committee;
- Supervisory Body;
- Independent Auditors;
- Anticorruption Legal.

With reference to notifications relating to the Subsidiaries, the reports, insofar as they are relevant, are sent to the Chief Executive Officers of each Subsidiary concerned, as well as to the related Control and Supervisory Bodies.

The widest circulation of information about the Whistleblowing Procedure is ensured, both internally (through publication on the corporate intranet and postings on notice boards, as well as in the context of internal training activities, particularly with regard to newly appointed employees) and externally.

All organisational units/positions of Italgas and the Subsidiaries involved in receiving and dealing with notifications should guarantee the complete privacy and anonymity of the persons making the notifications, using the criteria and communication methods suitable for protecting the integrity of the persons mentioned in the notifications, as well as the anonymity of those making the notification, so that they are not subjected to any form of retaliation.

Following the entry into force on 29 December 2017 of Law no. 179 of 30 November 2017 - Provisions for the protection of those reporting crimes or irregularities which they have become aware of in the context of a public or private employment relationship - although the Company's whistleblowing system already complied with the requirements of Article 6 of Italian Legislative Decree no. 231 of 8 June 2001 and the Standard in question was already in line with best practice in the sector, it was

deemed appropriate, following a discussion with the Italgas Supervisory Body, to take action aimed, among other things, at detailing even more precisely the management of notifications depending on the content and therefore the recipients thereof.

On 17 December 2019, the Board of Directors therefore approved the update of the Compliance Standard "Anonymous and non-anonymous reports received by Italgas and its subsidiaries". The changes introduced incorporate the suggestions for improvement proposed by Italgas' Supervisory Body, providing for the introduction of an alternative channel for whistleblowing, even anonymous, by means of a special form uploaded on the company's website and introducing a process for managing notifications concerning members of the Board or of the control bodies (Board of Statutory Auditors and Supervisory Bodies).

The Compliance Standard provides that so-called qualified whistleblowing is transmitted to the secretary of the Board of Directors and the Internal Audit department, which are bound to inform the Qualified Whistleblowing Committee.

The Whistleblowing Procedure is available on the Company's website:

<https://www.italgas.it/it/governance/etica-dimpresa/procedura-segnalazioni/>

## **17. CHANGES SINCE THE END OF THE REFERENCE YEAR**

From the end of the Financial Year to the date of the approval of this Report there were no changes to the Company's corporate governance structure.

## **18. COMMENTS ON THE LETTER DATED 19 DECEMBER 2019 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The letter dated 19 December 2019 written by the Chairman of the Corporate Governance Committee to the Chairmen of the Boards of Directors of listed Italian companies was brought to the attention of the Appointments and Compensation Committee during the meeting of 17 February 2020 as well as of the Board of Directors and of the Board of Statutory Auditors of the Issuer at the meeting held on 10 April 2020. The Board and the Board of Statutory Auditors have taken note of the analyses and recommendations contained in the letter and, with regard to the Issuer, have noted the substantial adequacy of the Company with respect to the requirements therein.

More specifically:

(i) the indications relating to the inclusion of the sustainability of the business activity in the definition of the strategies and remuneration policy, also on the basis of a relevance analysis of the factors that could affect value generation in the long term (see chapters 1.6 and 4.3 of this Report, as well as the remuneration report prepared in accordance with Article 123-ter of the CLF) have been followed correctly;

(ii) the management of information flows to the Board of Directors is adequate, as the Issuer ensures that the confidentiality requirements are safeguarded without compromising the completeness, usability and timeliness of the information (see chapter 4.3 of this Report).

(iii) the independence criteria defined by the Corporate Governance Code are rigorously applied and the control bodies oversee their correct implementation. More specifically, (A) exemption from each criterion of independence recommended by the Corporate Governance Code is considered exceptional and must necessarily be justified and (B) the Issuer defines *ex ante* the quantitative and/or qualitative criteria to be used to evaluate the significance of the relations to be assessed and provides adequate and transparent disclosure of them to the market in this Report (see chapter 4.6 of this Report);

(iv) the amount of compensation paid to the non-executive directors and members of the control body is adequate in respect of the expertise, professionalism and commitment required of their office (see the remuneration report prepared in accordance with Article 123-ter of the CLF).



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**Annex 1**

**Table of the Board of Directors and Board of Statutory Auditors**

Board of Directors													Control and Risks and Related-Party Transactions Committee (a)		Sustainability Committee		Appointments and Compensation Committee ****	
Office	Members	Year of birth	Date of first appointment *	In office from	In office from	State **	Exec .	Non - exec .	Indep . Code	Inde p. CLF	other offices ***	BoD (*)	(*) Office	(*) Office	(*) Office	(*) Office		
Chairman	Dell'Acqua Alberto	1976	04/04/2019	04/04/2019	Financial statements 31/12/21	M		•		•		7/7						
Chief Executive Officer*◇	Gallo Paolo	1961	04/08/2016	04/04/2019	Financial statements 31/12/21	M	•					10/10						
Director	Dainelli Maurizio	1977	04/08/2016	04/04/2019	Financial statements 31/12/21	M		•				10/10				14/14	M (1)	
Director	He Yunpeng	1965	04/08/2016	04/04/2019	Financial statements 31/12/21	M		•			4	10/10		9/9		M (1)		
Director	Petrone Paola Annamaria	1967	04/08/2016	04/04/2019	Financial statements 31/12/21	M		•	•	•		10/10	9/9	C (1)				
Director	Magliano Giandomenico	1955	04/04/2019	04/04/2019	Financial statements 31/12/21	M		•	•	•		7/7	7/7	M (2)	7/7	C (2)		

Director	Vecchi Veronica	1979	04/04/2019	04/04/2019	Financial statements 31/12/21	M		•	•	•		7/7			7/7	M (2)		
Director	Stefini Silvia	1964	04/04/2019	04/04/2019	Financial statements 31/12/21	m		•	•	•		7/7	7/7	M (2)			10/10	M (2)
Director	Mascetti Andrea	1971	04/04/2019	04/04/2019	Financial statements 31/12/21	m		•	•	•	2	7/7					10/10	C (2)
<b>Directors who ceased office in the financial year in question</b>																		
Chairman	Bini Smaghi Lorenzo	1956	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A		•			N/A	3/3						
Director	Bedin Nicola	1977	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A		•	•	•	N/A	2/3	2/2	M (3)	2/2	C (3)		
Director	Lolli Federica	1974	27/07/2017	27/07/2017	Financial statements 31/12/2018	N/A		•	•	•	N/A	3/3	2/2	M (3)			3/4	M (3)
Director	Farisè Cinzia	1964	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A		•	•	•	N/A	3/3					4/4	C (3)
Director	Mosa Paolo	1960	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A		•			N/A	3/3			2/2	M (3)		

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## NOTES

• This symbol indicates the director responsible for the internal control and risk management system.

◇ This symbol indicates the person with chief responsibility for the management of the issuer (Chief Executive Officer or CEO).

\* The date of first appointment of each director means the date on which the director was unanimously appointed for the first time to the Board.

\*\* This column indicates the slate from which each director was taken ("M": majority slate; "m": minority slate; "BoD": slate submitted by the Board).

\*\*\* This column shows the number of directorships and statutory auditor offices held by the person in question in other companies listed in Italy or in other regulated markets, in financial companies, banks, insurance firms or other large companies. Details of the offices concerned are given in full.

\*\*\*\* The Appointments and Compensation Committee was established by a resolution of the Board of Directors dated 23 October 2017 following the grouping of the Appointments Committee and the Compensation Committee.

(\*). This column indicates the attendance of directors at Board and Committee meetings, respectively.

(\*\*). This column indicates the director's role on the committee concerned: "C": Chairman; "M": Member.

(1) Member of the Committee up to 4 April 2019 and from 13 May 2019.

(2) Member of the Committee from 13 May 2019.

(3) Member of the Committee up to 4 April 2019.

Structure of the Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Indep. Code	Attendance at Board meetings ***	No. of other offices ****
Chairman	Pace Pierluigi	1962	04/04/2019	04/04/2019	Financial statements 31/12/21	m	•	11/11	1
Standing Auditor	Di Marcotullio Maurizio	1967	04/04/2019	04/04/2019	Financial statements 31/12/21	M	•	10/11	0
Standing Auditor	Cederna Marilena	1957	04/04/2019	04/04/2019	Financial statements 31/12/21	M	•	11/11	0
Alternate Auditor	Stefano Fiorini	1969	04/04/2019	04/04/2019	Financial statements 31/12/21	M	•		0
Alternate Auditor	Manzo Giuseppina	1981	04/04/2019	04/04/2019	Financial statements 31/12/21	m	•		0

**Statutory auditors who ceased office in the financial year in question**

<b>Chairman</b>	Gian Piero Balducci	1961	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A	•	5/5	N/A
<b>Standing auditor</b>	Giandomenico Genta	1957	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A	•	4/5	N/A
<b>Standing auditor</b>	Laura Zanetti	1970	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A	•	5/5	N/A
<b>Alternate auditor</b>	Barbara Cavalieri	1969	28/04/2017	28/04/2017	Financial statements 31/12/2018	N/A	•	N/A	N/A
<b>Alternate auditor</b>	Walter Visco	1969	04/08/2016	04/08/2016	Financial statements 31/12/2018	N/A	•	N/A	N/A

No. of meetings held during the year: 16

Indicate the quorum required for the submission of slates by minority shareholders for the election of one or more members (pursuant to Article 148 of the CLF): 1%

NOTES

\* The date of first appointment of each statutory auditor means the date on which the statutory auditor was unanimously appointed for the first time to Italgas' Board of Statutory Auditors.

\*\* This column indicates the slate from which each auditor was taken ("M": majority slate; "m": minority slate).

\*\*\* This column indicates the attendance of auditors at meetings of the Board of Statutory Auditors.

\*\*\*\* This column shows the number of directorships and auditor posts that the party is bound to disclose pursuant to Article 148-bis of the CLF and its implementing provisions contained in the Consob Issuers' Regulations. The full list of offices is published by Consob on its own website pursuant to Article 144-quinquiesdecies of the Issuers' Regulations.