



## **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: 2020

Report approval date: 10/03/2021

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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>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 and updated on 27 July 2020 (following such latest update renamed the “Antitrust and Consumer Protection Code of Conduct”).
<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>Corporate Governance Code:</b>	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>New Corporate Governance Code</b>	the New Corporate Governance Code approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the ABI, Ania, Assogestioni, Assonime and Confindustria.
<b>Code of Ethics</b>	the Code of Ethics adopted by the Board of Directors on 18 October 2016 and updated on 24 January 2019.
<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> <li>• Enerpaper S.r.l.;</li> <li>• Gesam Reti S.p.A.;</li> <li>• Valdarno S.r.l..</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> </ul>

- Italgas Acqua S.p.A.;
- Italgas Newco S.r.l.;
- Seaside S.r.l.;
- Medea S.p.A.;
- Gaxa S.p.A.;
- Toscana Energia S.p.A.;
- Toscana Energia Green S.p.A..

**Officer responsible:** the Officer responsible for the preparation of financial reports pursuant to Article 154-*bis* of the CLF.

**Issuer or the Company or Italgas:** Italgas S.p.A..

**Financial year:** the Italgas financial year ended 31 December 2020 to which the Report refers.

**Group/Italgas Group:** the group pertaining to Italgas, which, in addition to Italgas, includes Italgas Reti S.p.A., Italgas Newco S.r.l., 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.

**Model 231:** 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).

**Unbundling Regulation:** 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):

- Directive 2009/73/EC;
- Legislative Decree no. 93 of 1 June 2011;
- 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”;
- resolution of 22 May 2014 (231/2014/R/com) of the Electricity, Gas and Water System Authority;
- Consolidated Law on Functional Unbundling (“TIUF”), annexed to resolution 296/2015/R/com of the Regulatory Authority for Energy, Networks and the Environment.

**Italgas Separation Transaction:** 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>Diversity of Corporate Bodies Policy</b>	the policy describing, including pursuant to art. 123- <i>bis</i> , letter d- <i>bis</i> , CLF, company policies on diversity (as well as the relative objectives and methods of implementation), approved by the Board of Directors on 24 January 2020 after consulting the Appointments and Compensation Committee and subsequently updated on 25 January 2021.
<b>Policy on dialogue with all shareholders</b>	the “ <i>Policy for managing dialogue with all shareholders</i> ” adopted on 18 December 2020 by the Board of Directors at the proposal of the Chairman in agreement with the Chief Executive Officer, so as to encourage a frank and constant dialogue with all the Company Shareholders and in compliance with the recommendations made by the New Corporate Governance Code (art. 1., Recommendation 3).
<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>Issuers' 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 TUF.
<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 <sup>1</sup> .
<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).

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<sup>1</sup> The internal control and risk management system also complies with the provisions of art. 6 of the New Corporate Governance Code.



## INTRODUCTION

This Report, approved by the Board of Directors of Italgas on 10 March 2021, sets out to provide a general overview of the corporate governance system adopted by the Company and, specifically:

- in **section 1** describes the profile of the Issuer (values and mission, history, sustainability, etc.);
- in **section 2** provides information on the ownership structure;
- in **section 3** provides information on compliance with the Corporate Governance Code and the New Corporate Governance Code;
- in **section 4 et seq.** provides information on corporate governance, on the main characteristics of the Internal Control and Risk Management System, including in relation to the financial reporting process and, more generally, on the main governance practices applied.

The Report is preceded by an "Executive Summary" indicating the main elements of the corporate governance system.

The information contained in this Report refers to the financial year 2020 (i.e. the Financial Year) and, in relation to specific matters, has been updated as at 10 March 2021, which is the date of the Board meeting that approved it.

The Report has been prepared taking into account, inter alia:

- (i) the applicable regulations (including art. 123-bis CLF "*Corporate Governance and Ownership Structure Report*");
- (ii) the Corporate Governance Code (see Chapter 3);
- (iii) Borsa Italiana's "*Format of the Corporate Governance and Ownership Structure Report*" (VIII Edition of January 2019).

In January 2020, the Corporate Governance Committee adopted the New Corporate Governance Code promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria specifying that it should be applied by companies from the first financial year starting after 31 December 2020, informing the market in the corporate governance report to be published during 2022.

However, for the sake of greater clarity and completeness, this Report also summarises the adaptations to the New Corporate Governance Code already implemented by the Company, despite the latter being applicable as of 1 January, 2021.

This Report is published and available for consultation on the Company's website: <https://www.italgas.it/it/governance/documenti>.

## Contacts

Italgas values feedback from its investors and constantly seeks to create a constructive dialogue to ensure the continuous improvement of Italgas in various aspects. We therefore invite the reader to use the contacts indicated to request clarification or make enquiries:

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- **Corporate Secretariat**

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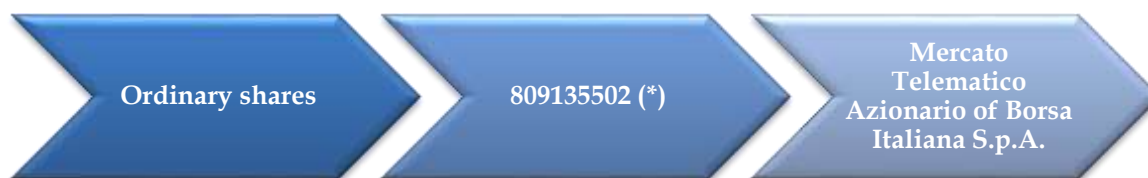
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## EXECUTIVE SUMMARY

### Structure of the Share Capital



### Significant shareholdings

Declarant	Direct shareholder	Proportion of ordinary share capital (%)	Proportion of voting share capital (%)
CDP	CDP Reti	26.05	26.05
	Snam	13.50	13.50
	<b>Total</b>	<b>39.55</b>	<b>39.55</b>
Lazard Asset Management Llc	Lazard Asset Management Llc	8.7	8.7
Romano Minozzi	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>
Blackrock Inc.	Blackrock Inc.	4.7	4.7
Sun Life Financial, Inc.	MFS Investment Management	3.4	3.4

(\*) It should be noted that, as a result of the share capital increase executed by the Board of Directors of the Company on 10 March 2021, through the issue of 632,852 new ordinary shares of the Company, for an amount of 784,736.48 euros, allocated to the beneficiaries of the 2018-2020 Co-investment Plan, the share capital totals €1,002,016,254.92 and is divided into 809,768,354 ordinary shares.

## Significant Shareholders' agreement

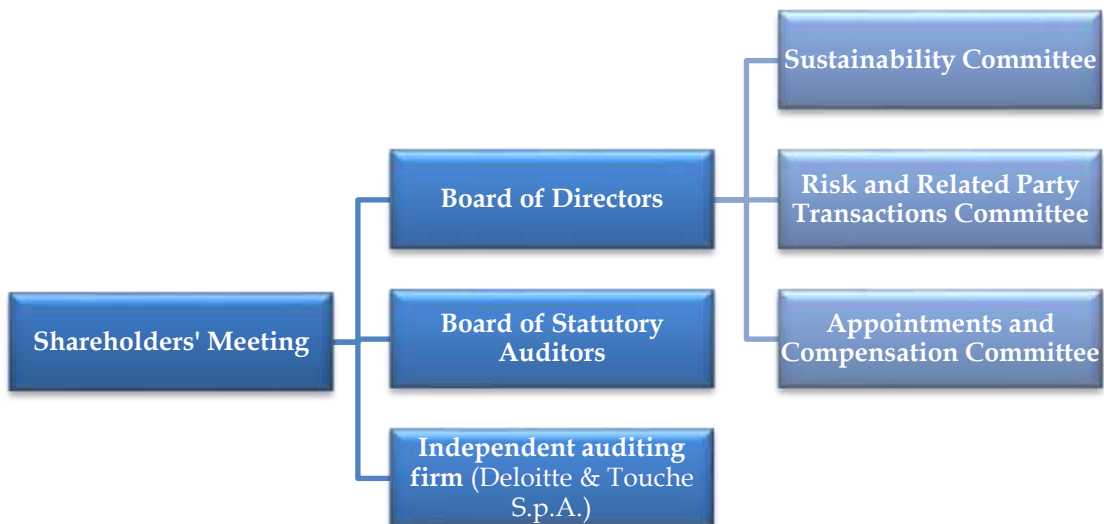
### Italgas Shareholders' Agreement

- Snam
- CDP Reti

### SGEL Shareholders' Agreement

- CDP
- State Grid Europe Limited ("SGEL") e State Grid International Development Limited ("SGID")

## Corporate Governance



## Composition of the Board of Directors

<p><b>Alberto Dell'Acqua</b> (Non-executive chairman)(*)</p>	<p><b>Paolo Gallo (Chief Executive Officer)</b></p>	<p><b>Yunpeng He</b> (Non-Executive Director)</p>
<p><b>Paola Annamaria Petrone</b> (Non-Executive Independent Director)</p>	<p><b>Maurizio Dainelli</b> (Non-Executive Director)</p>	<p><b>Giandomenico Magliano</b> (Non-Executive Independent Director)</p>
<p><b>Veronica Vecchi</b> (Non-Executive Independent Director)</p>	<p><b>Silvia Stefini</b> (Non-Executive Independent Director)</p>	<p><b>Andrea Mascetti</b> (Non-Executive Independent Director)</p>

(\*) Ascertained on 10 March 2021: (i) fulfilment of the independence requirements set forth in the Consolidated Law on Finance and the Corporate Governance Code as at 31 December 2020 by the non-executive directors Giandomenico Magliano, Andrea Mascetti, Paola Annamaria Petrone, Silvia Stefini and Veronica Vecchi and (ii) fulfilment of the independence requirements set forth in the Consolidated Law on Finance and the New Corporate Governance Code as at 10 March 2021. As a result, at the above date, in addition to the five non-executive directors mentioned above, the Chairman, Alberto Dell'Acqua, was also independent pursuant both to the CLF and the New Corporate Governance Code.

## Composition of the internal Committees of the Board of Directors

### Appointments and Compensation

- Andrea Mascetti (Chairman)
- Maurizio Dainelli
- Silvia Stefini

### Sustainability

- Giandomenico Magliano (Chairman)
- Yunpeng He
- Veronica Vecchi

### Control, Risk and Related Party Transactions

- Paola Annamaria Petrone (Chairwoman)
- Giandomenico Magliano
- Silvia Stefini

## Composition of the Board of Statutory Auditors



## 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, 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>, Toscana Energia S.p.A.<sup>5</sup> (which in turn holds 100% of Toscana Energia Green S.p.A.<sup>6</sup>) and Italgas Newco S.r.l.<sup>7</sup>, controlled directly by Italgas and (ii) Medea S.p.A.<sup>8</sup>, controlled by Italgas through Italgas Reti S.p.A., which in turn holds

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<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.

<sup>6</sup> On 20 January 2021, the merger by incorporation of Toscana Energia Green S.p.A. in Seaside S.r.l started. The operation should be completed within the first six months of 2021.

<sup>7</sup> Established on 26 June 2020.

<sup>8</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.

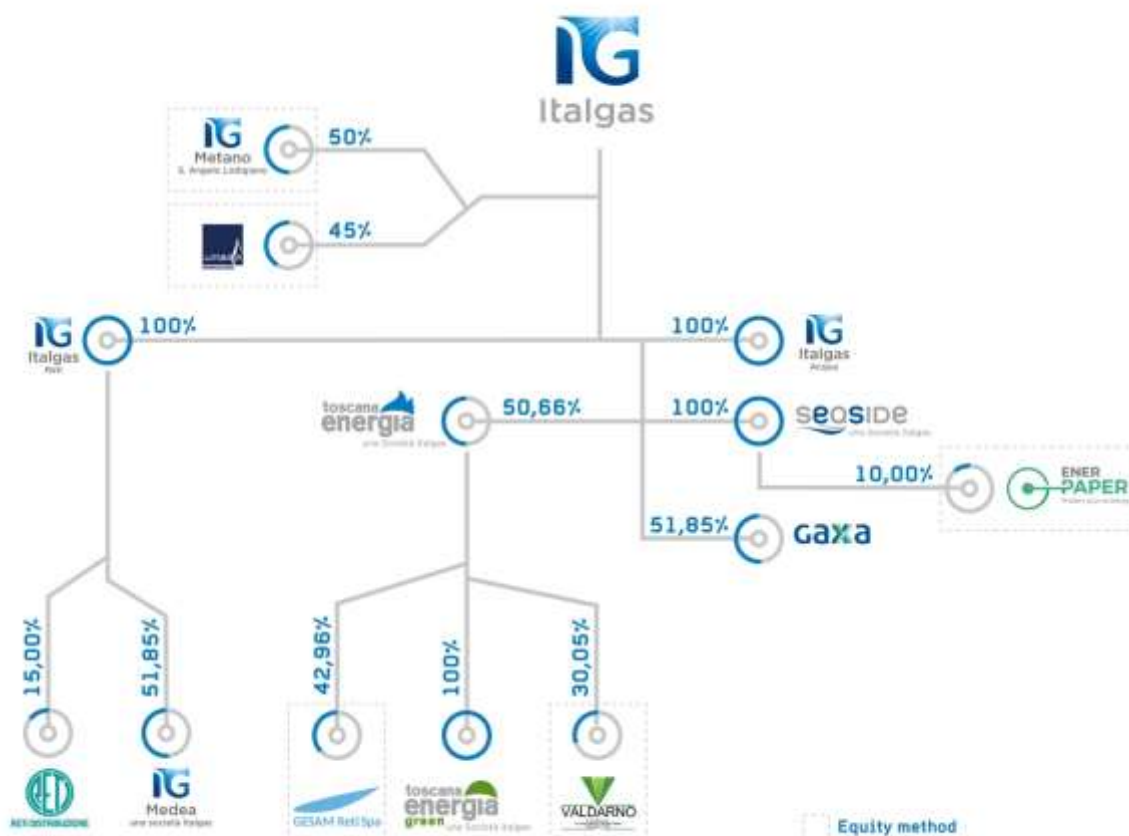
10% of the share capital of Isgastrentatrè S.p.A.. Lastly, Italgas Reti S.p.A. holds 15% of Reti Distribuzione S.r.l.<sup>9</sup>.

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 2020, managed over 71 thousand km of network and more than 8.5 million gas re-delivery points, served in 1,826 municipalities under licenses, and its market share in the gas distribution business in terms of redelivery points was approximately 35%.

For further information see the Integrated Annual Report as at 31 December 2020 (the "Integrated Annual Report"), approved by the Board of Directors of Italgas on 10 March 2021.

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



## 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.

<sup>9</sup> Italgas Reti, on 26 May 2020, completed the acquisition from AEG Soc. Coop. of 15% of the company Reti Distribuzione, which manages the natural gas distribution service in the territory of 49 municipalities located in Canavese, Valle Orco and Soana and in the Municipality of Saluggia.



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. In the 2020-2026 strategic plan, the Company has envisaged an important plan of investments targeted at growth and consolidation, digitisation of the network and the processes, 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 initially 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 as well as the adoption of an Enterprise Risk Management system allowing the identification, measurement, management and monitoring of major risks starting from an analysis of company processes (for more information, see section 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 Company By-Laws (in such regard see section 6 et seq. of this Report):

- Appointments and Compensation Committee;
- Control, Risk and Related Party Transactions Committee;
- Sustainability Committee.

The Company keeps its corporate governance system constantly updated with the legislation and corporate governance currently in force. In this regard, among the initiatives undertaken in the Financial Year (or in the financial year 2021 up to the date of this Report), in part so as to implement the recommendations of the New Corporate Governance Code, the following activities in particular should be noted:

- updating of the regulations governing the operation and organisation of the Board of Directors and the regulations of the Committees;

- the appointment of the Secretary to the Board of Directors (the "**Board Secretary**"), as well as the definition of the related professional requirements and duties;
- updating of the Corporate Bodies Diversity Policy (see sections 4.2 and 13);
- adoption of the Policy for Managing Dialogue with all Shareholders (see section 14);
- the "*Guidelines on the internal control and risk management system*" and the "*Guidelines on internal audit activities*" (see section 10).

## 1.6 Sustainability at Italgas

Sustainability, as also recommended in the letter from the Chairman of the Corporate Governance Committee dated 22 December 2020 (see section 18), is the principle by means of which Italgas enhances its business strategies. The purpose of Italgas is to promote the fundamental role of natural gas in the process of energy transition towards a decarbonised and circular economy, contributing, through its digitised networks, to the development of renewable gases such as biomethane and hydrogen; it aims to guarantee and improve service quality, contribute to the creation of sustainable and smart cities and generate long-term value for customers, the market, the territory and all its stakeholders, while respecting the environment. This is how Italgas intends to contribute to the achievement of the sustainable development goals of the United Nations 2030 Agenda. Italgas' vision is to become an example of a sustainable approach to business in the energy industry.

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.

At the basis of this approach the responsible behaviour of people - behaviour that is defined and regulated by the Code of Ethics of Group companies and by the internal regulatory system - and relations with stakeholders, as expressed in the Sustainability and Stakeholder Engagement and Sustainability Policy and the Policy for Managing Dialogue with all Shareholders, are key factors. 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 accordance with Legislative Decree no. 254 of 30 December 2016, which introduced the obligation to publish non-financial information relevant to the company, within the Integrated Annual Report, the document prepared according to the guidelines of the International Integrated Reporting <IR> Framework. The GRI Standards of the Global Reporting Initiative were used to measure results.

Italgas accepts the challenges of the Sustainable Development Goals (SDGs) promoted by the United Nations in the Global Agenda 2030 and, through its Sustainability Plan, is committed to promoting ethics and sustainability in doing business, preserving resources and the natural environment, supporting the empowerment of people, while continuing to create value for the community in which it operates.

The Sustainability Plan is founded on five cornerstones:

- develop the sustainability culture;
- put people first;
- create value for the territory;
- create value for customers and the market;
- contribute to the efficiency and security of the system.

In 2020, Italgas reconfirmed and even improved its sustainability ratings and the stock was included in the main international SRI stock indices, in recognition of the sustainable approach of the company's strategies and activities as well as the information it provides to its stakeholders. More precisely: (i) since 2017 Italgas has been included in the FTSE4Good index series; (ii) it has been included for the second consecutive year by S&P Global among the stocks selected in the Dow Jones Sustainability Index (DJSI) World, in recognition of the progress achieved by the company in the areas of Supply Chain Management and Environmental Reporting; (iii) it was confirmed in the ECPI Euro ESG Equity and ECPI World ESG Equity indices; (iv) since 2017, it has been identified by CDP (Carbon Disclosure Project) as one of the leading companies at international level for the strategies and actions implemented to combat climate change. In 2020 it remained in the "Climate change B List", above the European average - of "C"; (v) the E+ sustainability rating, with stable outlook, from the non-financial rating agency Standard Ethics was maintained unchanged; (vi) the rating received from the rating agency ISS - Institutional Shareholder Services, as part of the ISS ESG Corporate Rating was raised to A, obtaining both the "Prime" rating and the QualityScore recognition for the "Social" section.

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 pays particular attention to the recognition and safeguard of the dignity, freedom and equality of human beings, protection of labour and trade union freedom, 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, and the "Diversity and Inclusion Policy" which, in line with the principles expressed in the Italgas Code of Ethics, recognises and sustains the importance of promoting equal opportunities, acknowledging the value of diversity and valuing the uniqueness of people.

In addition, Italgas pursues and considers the following aspects strategic: promoting a culture of quality; safeguarding the environment and public safety; valorising people and defending occupational health and safety; sustainable energy management, assessing risks and opportunities and ongoing, profitable dialogue with all its stakeholders. In this context, Italgas has issued the "Group Policy for Health and Safety, Environment, Quality and Energy" to adopt an integrated management system, in compliance with the relevant regulations and international best practices in the industry.

For more information on the issues dealt with, refer to the Integrated Annual Report 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 di 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.

It should be recalled that on 19 April 2018 the Extraordinary Shareholders' Meeting resolved to increase the share capital in one or more tranches, by a nominal maximum amount of 4,960,000 euros, through allocation - pursuant to art. 2349 of the Italian Civil Code - of a corresponding amount withdrawn from retained profits, with the issuance of a maximum of 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. On 10 March 2021, the Board of Directors resolved on: (i) the free allocation of no. 632,852 ordinary Company shares to the beneficiaries of the plan given the rights assigned (so-called first cycle of the plan) to such beneficiaries and accrued in accordance with the provisions of said plan at the end of the relative performance period (2018-2020) and (ii) the first tranche of the capital increase serving the plan was implemented, for a nominal amount of 784,736.48 euros taken from the retained profits with the issue of no. 632,852 new ordinary shares. The above data relating to the share capital and Company shares do not take into account the execution of this capital increase<sup>10</sup>.

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).

<sup>10</sup> As a result of the free share capital increase carried out on 10 March 2021, the share capital stood at 1,002,016,254.92 euros and is divided into 809,768,354 ordinary shares.

## 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 art. 120 of the CLF (i.e., 3%) at 31 December 2020 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>11</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>8.7</b>	<b>8.7</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>
<b>Sun Life Financial, Inc.</b>	<b>MFS Investment Management</b>	<b>3.4</b>	<b>3.4</b>

<sup>11</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 art. 120, subsection 2-bis, of Legislative Decree 58/1998 for shareholdings in the capital of listed companies - having Italy as the home Member State - with a high current market value and a particularly disseminated ownership structure” and subsequent Consob resolutions of similar content, see the website [www.consob.it](http://www.consob.it), “Significant shareholdings”.

(\*) 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. The Shareholders' agreement was last updated on 1 August 2019.

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

## 2.4 Shares which confer special rights

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

## 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 Special State powers**

The Presidency of the Council of Ministers Decrees no. 179 and 180 of 18 and 23 December respectively, issued the Government's transposition regulations on the matter of golden power as provided for by the body of relevant legislation, namely decree law no.21 of 15 March 2012 (converted with amendments by Law no. 56 of 11 May 2012), by EU regulation 2019/452, by decree law no.105 of 21 September 2019 (converted by law no. 133 of 18 November 2019) and lastly, by decree law no. 23 of 8 April 2020 (so-called Liquidity Decree, converted by law no. 40 of 5 June 2020), concerning the regulation of so-called special powers, reformulating the conditions and methods of exercising special powers by the State relating to strategic activities in the energy, transport and communications industries, so as to bring national legislation into line with the provisions of the Treaty on the functioning of the European Union. Such legislation grants powers of intervention to the Government to protect legitimate, strategic and essential interests of the Country.

In connection with the energy and water industry, changes in equity investments, relevant in accordance with said legislation, and deeds, resolutions and/or operations that effectively alter the ownership, control, availability or intended purpose of strategic assets, must be disclosed to the executive power. The communication must be made to the Chairman of the Council of Ministers

even if a non European Union subject should purchase a share of the voting rights or capital at least equal to 10 percent and the total value of the investment is equal to or greater than one million euros, as well as in the case where acquisitions result in the exceeding of the thresholds of 15 percent, 20 percent, 25 percent and 50 percent.

## **2.11 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 TUF under the terms established by the applicable regulations.

The information required pursuant to Article 123-bis, paragraph 1, letter l) of the TUF (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.

During the financial year, the Issuer applied the Corporate Governance Code, which can be consulted on the internet website of the Corporate Governance Committee, <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.en.htm>

As of 1 January 2021 and at the date of approval of this Report, the Issuer adheres to the New Corporate Governance Code (available on the internet website of the Corporate Governance Committee <https://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm>); the Company will therefore inform the market in the corporate governance and ownership structure report to be published in 2022<sup>12</sup>.

In any case this Report contains several references to the New Corporate Governance Code, including so as to point out the recommendations of the same to which the Company has adapted.

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>12</sup> As indicated in the New Corporate Governance Code itself (see "Introduction"), "The companies adopting the Code will apply it from the first financial year starting after 31 December 2020, advising the market of the fact in the corporate governance reports 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 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.

In such regard, art. 144 -*undecies*.1, subsection 3, of the Issuers' Regulations provides that wherever the application of the gender division criteria does not result in an integer number of members of

the administrative and control bodies belonging to the less represented gender, such number is rounded up, except for corporate bodies formed of three members, where the number will be rounded down.

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>13</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.

<sup>13</sup> Consob - through its Managerial Resolution of the Manager of the Corporate Governance Division no. 44 of 29 January 2021 - decided, pursuant to Article 147-ter, paragraph 1 and Article 148, paragraph 2 of the TUF and Article 144-septies, paragraph 1, of the Issuers' Regulation, that the minimum level of investment required for the presentation of lists of candidates for the election of Italgas management and control bodies was 1%.



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.

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 18 December 2020, the Board of Directors, at the proposal of the Appointments and Compensation Committee, approved a Contingency Plan in the event of early termination of the office of Chief Executive Officer or of permanent impediment to the performance of his/her duties, which provides as follows:

- in the case of early termination of the office of Chief Executive Officer or of a permanent impediment in performing the functions of said office, the Chairman of the Board of Directors shall call a Board of Directors meeting (within 24 hours). In the absence of the Chairman of the Board of Directors, the Board of Directors is called by the most senior director in terms of age as per the provisions of art. 15 of Italgas Bylaws;
- the Board of Directors which has met, shall, where possible, co-opt a Director and appoint the Chief Executive Officer conferring the relative powers on the person selected, or promptly start the process to identify a Chief Executive Officer, with the support of the Appointments and Compensation Committee, in the meantime conferring the powers for the ordinary management of the Company on a director;
- the Appointments and Compensation Committee, also through a consultancy company specialized in the sector, shall make proposals to the Board of Directors on the identification of the person deemed most suitable to hold the role of Chief Executive Officer;
- the Board of Directors, as proposed by the Appointments and Compensation Committee, shall go ahead and co-opt a Director and identify the new Chief Executive Officer conferring the relative powers on the person selected.

The Company has therefore adapted to the recommendation contained in the letter from the Chairman of the Corporate Governance Committee of 22 December 2020 on the matter of succession of executive directors.

The Company's Board of Directors discussed the management's succession plan on 24 January 2019 and 10 April 2019; in the financial year 2021 the Board of Directors will examine and approve the update of the same also bearing in mind the recommendations of the New Corporate Governance Code and the analyses of the aforesaid plan carried out by the Appointments and Compensation Committee during the Financial year.

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

#### a) Composition

The Board of Directors in office at the end of the financial year and at the date of approval of this Report was appointed by the ordinary Shareholders' Meeting of the 4 April 2019. Seven of the nine directors appointed were taken from the slate presented by CDP Reti and Snam (expression of 39.545% of the share capital)<sup>14</sup>, while the remaining two were taken from the slate presented by institutional investors (all together holding 1.366% of the share capital)<sup>15</sup>.

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<sup>14</sup> Alberto dell'Acqua, Paolo Gallo, Yunpeng He, Paola Annamaria Petrone, Maurizio Dainelli, Giandomenico Magliano and Veronica Vecchi.

<sup>15</sup> Andrea Mascetti and Silvia Stefini.

- 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 thus appointed is composed of nine directors, of whom: a single executive director, seven non-executive directors and a chairman without management 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);
- a Chairman independent under the CLF;
- three female members, in compliance with the regulations in force on gender equality<sup>16</sup>;
- five directors at their first appointment.

Considering that on 18 December 2020, the Company adhered to the New Corporate Governance Code with effect from 1 January 2021, the existence of the independence requirements was verified on 10 March 2021: (i) on 31 December 2020 on the basis of the Corporate Governance Code and (ii) on 10 March 2021, on the basis of the New Corporate Governance Code. As a result, as at 10 March 2021, the Chairman is also independent pursuant both to the CLF and the New Corporate Governance Code.

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 as at 31 December 2020 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
Silvia Stefani	Non-executive director	Yes

<sup>16</sup> As said, the Company will apply the new distribution criterion of at least two-fifths starting 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 approving the financial statements at 31 December 2021.

The table below lists the directors in office, the offices held on the Board of Directors and directors qualified as independent as at 10 March 2021 pursuant to the provisions of the CLF and the New Corporate Governance Code.

Name	Office	Independent in accordance with the CLF and the New Corporate Governance Code
Alberto Dell'Acqua	Non-executive chairman	Yes
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
Silvia Stefini	Non-executive director	Yes

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 Appointments and Compensation Committee - 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. This *policy* was subsequently updated on 25 January 2021 so as to adapt the provisions to the New Corporate Governance Code and, with reference to the Board of Directors, provides that an optimal composition of the board of directors of the Issuer can be guaranteed by applying the following criteria:

- (i) Board of Directors composed by a majority of non-executive Directors, so that they can contribute to monitoring the delegated bodies, especially with reference to potential conflicts of interest, as well as to encourage board discussions;
- (ii) at least half of the Directors having the independence requirements of the applicable pro-tempore legislation and the New Corporate Governance Code, in order, among other things, to allow an adequate and heterogeneous composition of the Committees;
- (iii) at least one-third of the directors consisting of the least represented gender, without prejudice to any legislative provisions in force over time regarding gender balance and envisaging a higher proportion;

- (iv) balanced combination of managerial, professional, academic and/or institutional profiles within the administrative body, so that complementary skills are represented such as to ensure the correct and diligent performance of the functions assigned to it. In particular, the following profiles should be present:
  - managerial profiles that have gained experience in positions of responsibility within companies and/or groups of significant size or complexity and/or possibly operating in sectors related to the Company's business;
  - professional profiles who have worked in professional firms, consulting companies and, in any case, in legal, economic, accounting, financial or technical-scientific or IT matters also pertaining to the Company's business;
  - academic and/or institutional profiles that have gained experience in the field of legal, economic, accounting, financial or technical-scientific subjects also relevant to the Company's business;
- (v) where possible, taking into account the skills needed for the proper and diligent performance of their functions, members of the Board of Directors of different age groups and/or different levels of seniority, so that different perspectives are represented and there is an adequate balance between continuity and change;
- (vi) where possible, taking into account the skills needed for the proper and diligent performance of their functions, the presence in the Board of Directors of members with international experience and preferably a good knowledge of English;
- (vii) choice of the Chair from among those with authority and experience, so that the same may promote internal discussion and act as an interlocutor of the body with control function and internal committees consistently with the tasks regarding the organisation of the Board's work and the circulation of information;
- (viii) choice of the Chief Executive Officer from among those with specific experience of managing companies comparable in size and complexity to the Company and the Group under its control, as well as having adequate skills in the economic and financial field.

In addition, the policy provides that all members of the Board of Directors should devote adequate time to the performance of the position held in the Company. As regards this aspect they pointed out a) the latest guidelines on limits to the number of positions simultaneously occupied drawn up by the Board of Directors, as well as b) the actual commitment required by the positions held, as well as the further work and professional activities carried out.

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/>.

For the sake of completeness, 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 in 2019, 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\\_it/07-governance/01-sistema-di-corporate-governance/01-assemblea-degli-azionisti/Orientamenti-del-CdA-agli-Azionisti-2.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/07-governance/01-sistema-di-corporate-governance/01-assemblea-degli-azionisti/Orientamenti-del-CdA-agli-Azionisti-2.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>17</sup>;

- the Board is characterised by the age structure diversity of its members, considering that the Board directors are aged between 41 and 66;
- 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, please note that upon completion of the board evaluation performed in January and February 2021, the Board has decided that the size and structure of the Board is entirely adequate in terms of the tasks and complexities to be addressed and allows for a correct membership, in terms of the existing competences and those acquired during the mandate, of the Board Committees (see chapter 4.3 for the results of the board evaluation).

As regards the *measures designed to promote equal gender pay and opportunities within the company organisation*", recommended by the New Corporate Governance Code (art. 2 Recommendation 8) it should be noted that on 17 December 2019, the Issuer's Board of Directors, after consulting the Appointments and Compensation Committee on 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.

The "Diversity and inclusion policy" implements some of the fundamental principles of Italgas' Code of Ethics and applies to all Italgas employees.

The aim is to ensure that all employees treat those around them with dignity, respect and fairness at all times, demonstrating conduct that reflects inclusion and supports the values of the Group. Italgas is therefore committed to avoiding any form of discrimination as regards employment, accommodating differences in age, gender, marital status, ethnicity, nationality, religion or other beliefs, sexual orientation, social and educational background, familial and care responsibilities.

In its recruitment, Italgas is committed to training and promoting the best people for the job, encouraging their professional growth.

Specifically, Italgas recognises and supports the importance of promoting equal opportunities, recognising the value of diversity and valorising the unique nature of its people, attributing to the same a strategic value. Italgas is committed to developing a culture of D&I, focusing on awareness-raising of the entire corporate workforce and on valorising differences in gender, age and background in its selection, training and opportunities for growth as well as in all the company processes, encouraging a culture where the wealth of diversity is acknowledged.

In order to ensure the constant evolution and application of the "Diversity and inclusion policy" Italgas has introduced the D&I (Diversity and Inclusion) unit to its organisation to monitor D&I aspects within the Group.

#### b) *Curricula vitae*

Below is a summary of the curriculum 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.

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<sup>17</sup> See note 16.



**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, he has been the Chief Executive Officer and General Manager of Italgas since 2016 and is currently Chairman of GD4S. He has a degree in Aeronautical Engineering from 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 1994 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 Associate Professor of the Re-engineering Operational Processes (Master Digital Ecosystem) and Energy Management (Master 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 Baotou (Nei Mongol, China) in 1965. He has a Master's Degree in Electrical Systems and Automation from Tianjin University. He also 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. Manager with over twenty-five year's experience in national and multinational companies in Italy and abroad. She has a degree in Modern Languages and Literature from the IULM university in Milan and a Master's in Business Administration from the SDA Bocconi in Milan.

From 2019 she was Lead Independent Director and later CEO in Biancamano S.p.A. up to July 2020.

From 2016 to 2019 she was Director and General Manager of AAMPS S.p.A.

From 2012 to 2015 she was General Manager of AMSA (A2A group) and member of the Bioase Board of Directors.

She previously worked for the Fiat Chrysler Automobiles Group, first as Global Director Outbound Logistics and CEO of I-Fast Automotive Logistics and later on, as Global Senior Vice President Supply Chain Management and Chairman of I-Fast Container Logistics, assuring the integration of the operations with Chrysler.

Between 2003 and 2008 she worked at Trenitalia, holding various posts, including being involved in the start-up of the High Speed train service and 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 her career in Operations at the Siemens AG Group, firstly in Italy and then in the German HQ. A member of Nedcommunity, she has achieved certifications in corporate governance and risk management (Nedcommunity and Assogestioni).

She has been a member of the Board of Directors and Chairman of the Control, Risk and Related Party Transactions Committee of Italgas since 2016.

### **Giandomenico Magliano (Director)**

Born in Naples on 12 February 1955. His diplomatic career began in May 1978 (he came first in the written tests, and second in the oral ones), and he was appointed *Ambasciatore di grado* [highest ranking Ambassador] in February 2010. Since October 2020 he has been non-executive deputy chairman/Independent Director of Impresa Pizzarotti & C. S.p.A. and since April 2020 Independent Board Member of BNL/Banca Nazionale del Lavoro. He 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 and the Executive Committee 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/Euro zone issues, and is a lecturer and professor in Rome at the *Scuola Nazionale dell'Amministrazione* [National School of Administration] and at the Tor Vergata 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 scientific articles on the topics she has dealt with. She is an external faculty affiliate at Cornell University and member of the Academic Advisory Board of the Global Infrastructure Hub (a G20 initiative). She also works as reviewer for various international scientific journals. 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 graduated in Political Economy from Bocconi University in Milan and took an MBA in Finance at City University Business School in London, specializing in Corporate Governance. She then obtained certifications in risk management and corporate governance at national and international institutions (MIT Sloan School, FT-Ned, AIDC-Nedcommunity, Assogestioni).

She is an Independent Director and advisor on matters of risk management, the internal control system and corporate governance. Since May 2020 she has been a member of the Board of Directors of Falck Renewables S.p.A. and a member of the Control and Risk Committee. Since April 2019, she has been a member of the Board of Directors of Italgas and a member of the Control, Risk and Related Party Transactions Committee and the Appointments and Compensation Committee. She is a member of the Steering Committee of Chapter Zero-Italia (an international association that deals with Climate Change) and of the Reflection Group "Governance in the area of risks and controls" of Nedcommunity.

Up to 2018, she had an international career working in Europe (London, Amsterdam, Zurich, Florence, Milan) and the United States (New York and Atlanta) for 28 years for American multinationals: General Electric Group (21 years); McKinsey (5 years) and Standard & Poor's Group (2 years). Her managerial activities have included regional and global roles in the areas of: commercial management (tenders and commercial proposals in the Energy Services and Infrastructure sectors in the EMEA region); risk management (risk underwriting to support growth and innovation; Enterprise Risk Management; integrated corporate governance processes; internal control systems); product development for the energy transition (focusing on flexibility, efficiency, systems integration and digital solutions for the electricity generation market); structured finance (mergers, acquisitions, joint ventures, export and trade finance, project financing in the Middle East, Africa, South America, Russia and Eastern Europe); leadership of complex organisations (international teams, integration and opening of new offices and organisations).

She has written articles, contributions to publications and conferences on the topics of business valuation, shareholders value, risk management and board management.

c) Maximum number of offices held at other companies

On 18 December 2020 the Italgas Board of Directors, on the suggestion of the Appointments and Compensation Committee, confirmed its guidelines, adopted on 29 January 2019 and on 17 December 2019, on the maximum number of offices of director or of auditor that can be held 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).

On 18 December 2020, the Board of Directors also confirmed, at the proposal of the Appointments and Compensation Committee, the guidelines, already adopted on 29 January 2019 and 17 December 2019, concerning the identification of "relevant companies" to be taken into account for the purposes of the aforementioned limits on the accumulation of offices. Specifically, a "significant company" is any company, Italian or foreign, satisfying at least one of the following conditions:

- 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 does not 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
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Yunpeng He	<ul style="list-style-type: none"> <li>• Director of CDP Reti S.p.A., Terna S.p.A., Italgas 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>
Giandomenico Magliano	<ul style="list-style-type: none"> <li>• Director of the Banca Nazionale del Lavoro S.p.A.</li> </ul>
Silvia Stefini	<ul style="list-style-type: none"> <li>• Director of Falck Renewables S.p.A.</li> </ul>
Veronica Vecchi	<ul style="list-style-type: none"> <li>• Director of Engie EPS S.A. (*)</li> </ul>

(\*) the appointment occurred between 31 December 2020 and the date of approval of this Report.

#### 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 on 26 February 2020 on matters of corporate governance 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 corporate bodies; (ii) a site visit to the registered office of Italgas Reti S.p.A. and the emergency response centre in Turin on the same day; (iii) the analysis and discussion of the Italgas Group's strategic options, examining in depth issues relating to energy and industry scenarios and their possible diversification, as well as strategies on innovation and internationalisation; (iv) the board meetings of 5 October and 29 October 2020, during which the 2020-2026 business plan was discussed and approved.

### 4.3 Role of the Board of Directors

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

During the Financial Year, the Board of Directors met 12 times, with each meeting lasting an average of 2 hours 55 minutes.

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

During the meeting of the Board of Directors on 24 February 2021, the Chairman, highlighting that the Italgas Board members have already demonstrated in 2020 - by guaranteeing, on average, 97% participation in the Board meetings - that they consider discussion a central element, stressed the essential nature of the contribution of each Board member, taking into account, inter alia, the specific skills and professionalism of each.

On that occasion, the Chairman, after recalling that - again pursuant to the New Corporate Governance Code - each director shall ensure adequate time availability for the diligent performance of the duties assigned to him, asked all directors to ensure that in 2021 they attend at least 75% of the meetings of the Italgas Board of Directors.

For the current business year 9 meetings of the Board of Directors are scheduled, including three which have 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 2021.

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, the following parties attended and provided appropriate in-depth analysis on the topics within their remit, inter alia: (i) Mr Antonio Paccioretti, General Manager of Finance and Services; (ii) Mr Alessio Minutoli, Head of Legal, Corporate Affairs and Compliance, as well as Secretary to the Board of Directors; (iii) Mr Bruno Burigana, who served until July 2020 as Head of Human Resources and Organization and, subsequently, was appointed Chief Executive Officer of the subsidiary Toscana Energia S.p.A.; (iv) Mr Pier Lorenzo Dell'Orco, who held the position of Director of Commercial Development until December 18, 2020 and, subsequently, was appointed Chief Executive Officer of the subsidiary Italgas Reti S.p.A.; (v) Mr Gianfranco Amoroso, Head of Finance, Planning and Control; (vi) Mr Giovanni Mercante, Officer responsible for the preparation of financial reports; (vii) Mr Paolo Bosato, Head of Internal Audit, as well as (viii) Mr Pietro Durante, Director of Human Resources & Organization starting from September 2020.

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 - in line with the recommendations contained in the letter of the Chairman of the Corporate Governance Committee - also requires, inter alia, 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.

In this regard, it should be noted that, on 25 January 2021, the Board of Directors approved a new version of the Board Regulations, in part so as to incorporate the provisions of the New Corporate

Governance Code. Specifically, this new version, inter alia (i) attributes to the Board of Directors and the Chairman the tasks and powers provided for in the New Corporate Governance Code; (ii) defines the professional requirements and the powers of the Secretary to the Board of Directors; (iii) identifies the deadlines for sending the information in advance and the methods for protecting the confidentiality of the data and information provided so as not to prejudice the timeliness and completeness of the information flows; (iv) regulates in a precise manner the operating rules, including the methods for recording minutes of the meetings.

With specific reference to the Secretary of the Board, the new version of the Board Regulations provides that this person must be chosen from parties who possess adequate requirements of professionalism, experience, independence of judgement and who are not in situations of conflict of interest. The Secretary of the Board must: (i) have a degree, preferably in law; (ii) have knowledge of the regulations of listed companies in a regulated market, acquired through many years of specific experience working at listed companies or the exercise of professional activities; (iii) have proven corporate expertise (legal, corporate, audit, etc.) acquired through many years of experience working at listed companies or the exercise of professional activities; (iv) have acted as secretary of the board of directors of a joint stock company for at least three years. Taking into account these requirements, the Board of Directors on 25 January 2021, at the proposal of the Chairman, appointed Alessio Minutoli, Head of Legal, Corporate and Compliance Affairs of the Company, as Secretary of the Board for the entire duration of the Board's term of office.

The Board Secretary supports the activities of the Chairman and assists the latter: (i) in performing the functions indicated in the Board Regulations; (ii) with the preparation of board meetings and shareholders' meetings and with the preparation of the relative resolutions, also overseeing the minuting of the board meetings; (iii) in communication with the Directors. The Board Secretary also assists the Chief Executive Officer of the Company in relations with the Board and provides impartial assistance and consultation to the Board of Directors on every relevant aspect for the correct operation of the corporate governance system. The Board Secretary may perform other functions within the Company as long as they do not compromise his/her independence of judgement regarding the Board or the regular performance of his/her duties. In cases of necessity or urgency, the Secretary may be replaced for single meetings by the person identified by the board on the recommendation of the Chairman. The Board, in agreement with the Chairman, may dismiss the Board Secretary.

#### 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 on 25 January 2021, the Board of Directors reserved specific duties pursuant to art. 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 in part so as to incorporate the Recommendations of the New Corporate Governance Code and also so as to bring the duties into line with the new wording of the Board and Committee Regulations. The list of these assignments reserved exclusively to the Board of Directors can be consulted on the Company's website: <https://www.italgas.it/en/governance/corporate-governance-system/board-of-directors/>. 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;
- examines and approves the half-yearly report and the interim reports on operations of the Company and of the Group, as provided for by current legislation;
- examines and approves the disclosure of non-financial information pursuant to legislative decree no. 254/2016<sup>18</sup>;
- it examines and approves the Report on Corporate Governance and Ownership Structure to be put before the Shareholders' Meeting;
- to define the system and rules of corporate governance of the Company and of the Italgas Group. In particular, following consultation with the Control, Risk and Related Party Transactions Committee, it adopts rules which ensure transparency and the substantial and procedural correctness of transactions with related parties and of transactions in which a director or a statutory auditor has a personal interest or an interest on behalf of others; it also adopts, upon the recommendation of the Chairman in agreement with the CEO, a procedure for the management and communication of corporate information, with particular reference to inside information;
- 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

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<sup>18</sup> Please note that the Sustainability Committee examines and assesses the disclosure of non-financial information pursuant to legislative decree no. 254/2016, to be submitted to the Board of Directors, in coordination with the Control, Risk and Related Party Transactions Committee in relation to the assessment by the latter of the suitability of the periodical financial and non-financial information for the purpose of correctly representing the business model, the Company's strategies, the impact of its activities and the performance achieved.

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. 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;
- with regard to sureties guaranteeing obligations undertaken or to be undertaken by the Company with third parties, worth over 100 million euros;
- the Company's brokerage contracts;
- defines the basic guidelines for the organisational, administrative and accounting structure of the Company and its subsidiaries. It also evaluates on, an annual basis, the adequacy of the organisational, administrative and accounting structure of the Company and its subsidiaries with strategic relevance, with particular reference to the internal control and risk management system.

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 Chief Executive Officer, taking into account the nature and size of the company, including in relation to the prompt detection of the business crisis and lack of corporate continuity.

To this end, on 24 February 2021 the Board of Directors of Italgas resolved to identify "subsidiaries of strategic importance" using the same criterion used for identifying companies defined as "quantitatively relevant" for the purposes of the Corporate Reporting Internal Control System (SCIS), namely fully consolidated companies contributing over 2% to at least two of the following items in the consolidated financial statements for two financial years in a row: Total assets; Revenues; EBITDA; Total financial indebtedness.

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 January and February 2021 a board evaluation regarding the size, functioning and composition of the Board and its committees with reference to the Financial year was conducted – under the supervision of the Board of Directors and with the assistance of the Appointments and Compensation Committee as recommended in the letter from the Chairman of the Corporate Governance Committee on 22 December 2020. The Board evaluation was conducted on the basis of questionnaires and individual interviews, which took place between 3 February and 7 February 2021, 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.

Upon completion of the Board Evaluation, the Board considered:

- the size and structure of the Board is entirely adequate in terms of the tasks and complexities to be addressed and allows for a correct membership, in terms of the existing competences and those acquired during the mandate, of the Board Committees;
- the level of diversity of gender, professional background and age, is correct. The term of office benefits, for a Board that was for the majority renewed at the 2019 appointment, by a year, from a particular level of complexity in addition to the experience;
- all topics relating to the organisation and function of the Administrative Body deserve a very positive opinion indeed: scheduling and frequency of meetings; structure of the Agenda; timing in sending documentation; quality of the documents presented in the Committee and Board; support offered by the Corporate Secretary;
- the quality, extent and timeliness of the support offered by the work structure of the Committees is very effective, detailed and makes good use of summary documents;
- widespread understanding is seen, also thanks to the specific induction programme implemented during the year, of all corporate governance topics, regulations in force and the Company policies;
- the Directors have accrued greater experience and a better understanding of the economic and industrial variables of Italgas and the industry, actively being involved in the analysis and discussion of the evolution of the Company's Business Plan;
- the sense of responsibility and engagement of Directors is high, as is their level of preparation and informed contribution made when passing board resolutions;
- attention is paid, not only formally, by the whole Board to Italgas's commitment to sustainability matters;
- the positive evolution of the role of Chairman continues in stimulating dialogue, preparing subjects and regulation of board times;
- the recognised authoritative position held by the Chief Executive Officer is a guarantee of strong, sustainable governance of Italgas;
- the Directors, CEO and all management figures have been extremely efficient in addressing the COVID emergency, also benefiting from the high degree of digitisation already seen in the company.

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) as most recently amended on 25 January 2021.

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.6 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<sup>19</sup> (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.

It should be noted that on 25 January 2021, the Board of Directors amended the Regulations on the operation and organisation of the Board of Directors, adding to the Chairman's duties, powers and role in line with the provisions of the New Corporate Governance Code.

Specifically, the new Board Regulations envisage a liaison role of the Chairman between the executive and non-executive directors and supervision of the efficient functioning of the board meetings.

Moreover, the Chairman ensures, with the assistance of the Secretary of the Board of Directors:

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<sup>19</sup> Namely chief executive officer pursuant to the New Corporate Governance Code. The functions attributed to the CEO in recommendation 34 of the New Corporate Governance Code are essentially the same as those attributed by the Corporate Governance Code to the Director in Charge.

- a) that pre-board meeting information and the supplementary information provided during meetings is suitable to allow the directors to act in an informed manner in the performance of their role;
- b) that the activities of board committees with investigation, proposal and consultation functions are coordinated with the activities of the Board of Directors;
- c) in agreement with the chief executive officer, that the Company's senior executives and those of the companies belonging to the Italgas Group, in charge of the pertinent management areas, attend the meetings of the board in order to provide appropriate supplemental information on the issues on the Board's agenda, also at the request of individual directors;
- d) that all the directors and statutory auditors are allowed to participate, after their election and during their mandate, in initiatives aimed at providing them with adequate knowledge of the business sectors where the Company operates, of the corporate dynamics and the relevant evolutions, also from the point of view of the Sustainable Success of the company as well as in accordance with the principles of proper risk-management and of the relevant regulatory and self-regulatory framework;
- e) the adequacy and transparency of the Board of Directors self-evaluation process, with the support of the Appointments and Compensation Committee.

The Chairman also makes the following proposals to the Board, in compliance with the principles and recommendations of the New Corporate Governance Code:

- a) the appointment and dismissal of the Secretary of the Board of Directors;
- b) the adoption, in agreement with the CEO, of:
  - a policy for managing dialogue with all shareholders, also taking into account the engagement policies adopted by institutional investors and asset managers, and ensuring that the Board is in all cases informed, by the first relevant meeting, on the development and significant content of the dialogue with all shareholders;
  - a procedure for the in-house management and disclosure of documents and information regarding the Company, with specific reference to inside information.

The Chairman also has the additional duties assigned to him by the Italgas Group "*Guidelines of the internal control and risk management system*".

#### 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<sup>20</sup>.

#### 4.6 Independent directors

The Board of Directors in office at the end of the financial year 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)<sup>21</sup> 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.

Lastly, in the same manner and considering that the Company had already adapted to the New Corporate Governance Code recommendations on the matter, based on the statements issued by those concerned, on 10 March 2021 it was ascertained that: (i) the existence of the independence requirements pursuant to the Consolidated Law on Finance and the Corporate Governance Code as at 31 December 2020 and (ii) the existence of the independence requirements pursuant to the Consolidated Law on Finance and the New Corporate Governance Code as at 10 March 2021, also taking into account the quantitative and qualitative criteria applied to assess independence, as approved by the Board of Directors on 24 February 2021 (see below). As a result, the independence of the five non-executive directors mentioned above was confirmed on the date above, and pursuant

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<sup>20</sup> For the sake of completeness it should be noted that there are no other Directors classifiable as executive directors pursuant to the New Corporate Governance Code.

<sup>21</sup> Pursuant to the combined effects of articles 147-ter and 148, subsection 3, of CLF, the following persons may not be considered independent:

- a) those who are in the conditions set out in article 2382 of the Italian Civil Code (i.e. interdicted and banned persons, disqualified persons, bankrupt persons or those persons who have been sentenced to a penalty entailing a ban, even temporary, from public office or the inability to exercise managerial functions);
- (b) the spouse, parents and relatives to the fourth degree of the directors of Italgas S.p.A., the directors, spouse, parents and relatives to the fourth degree of the directors of the companies controlled by Italgas S.p.A., of parent companies and of jointly controlled companies;
- (c) those persons who are linked with Italgas S.p.A. or with the companies controlled by the company, or with the companies that control it or which are subject to joint control namely the directors of the companies and the subjects referred to at b) above by independent employment or consultancy relationships, or other relationships of a financial nature that compromise independence.

to both the CLF and the Corporate Governance Code on 31 December 2020, and pursuant to both the CLF and the New Corporate Governance Code on 10 March 2021. As at 10 March 2021, the Chairman was also independent pursuant both to the CLF and the New Corporate Governance Code.

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, 5 March 2020 and lastly on 3 March 2021. 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.

It should be noted to such purpose that on 24 February 2021, the Board of Directors, at the proposal of the Appointments and Compensation Committee and in order to adapt to the Recommendations of the New Corporate Governance Code, approved the qualitative and quantitative criteria for assessing the independence of the Directors and Statutory Auditors of Italgas pursuant to Recommendation no. 7, letters c) and d) and identified the “close relatives” for the purpose of Recommendation no. 7, letter h) of the New Corporate Governance Code.

Specifically, the independence of the Board Director or Statutory Auditor of Italgas is or appears to be compromised if he/she has, or had in the three previous financial years, directly or indirectly (e.g. through subsidiaries or companies of which he/she is an executive director, or as partner of a professional firm or consultancy company) a significant commercial, financial or professional relationship (“Significant Relationships”):

- a) with Italgas or with its subsidiaries, or with the relative executive directors or the top management of Italgas, the top management of Italgas meaning senior executives who are not members of the administrative body and have the power and responsibility for the planning, management and control of the activities of Italgas and the group it heads;
- b) with a subject who, also together with others through a shareholders' agreement, controls Italgas; or, if the control is held by a company or another entity, with its executive directors or top management.

The Board of Directors of Italgas considers that Significant Relationships are usually considered as significant if the total annual fee deriving from these Significant Relationships exceeds the total amount of the fixed annual remuneration received by the Board Director or Statutory Auditor for the office and for any membership in committees (or bodies) recommended by the Code or established in the applicable regulations.

If the Board Director or Statutory Auditor is also a partner in a professional or a consulting firm, the Board of Directors will assess the significance of the professional relationships that may have an effect on his or her position and role within the professional or the consulting firm and in any event those pertaining to important transactions of Italgas and the Italgas group, even regardless of the quantitative parameters described above.

With regard to independence and additional remuneration, the independence of the Board Director or Statutory Auditor of Italgas is or appears to be compromised if he or she receives, or has received in the previous three financial years, from Italgas, one of its subsidiaries or the parent company of Italgas, significant remuneration other than the fixed remuneration for the position held and for membership in the committees recommended by the Code or required by law (“Additional Remuneration”).

The Board of Directors of Italgas considers that additional Remuneration is usually considered as significant if it amounts to or exceeds 50% of the total amount received by the Board Director or Statutory Auditor for the office and for any participation in committees (or bodies) recommended by the Code or established in the applicable regulations.



As regards the independence and identification of close family members, the independence of the Board Director or Statutory Auditor of Italgas is or appears to be compromised if a close family member is in one of the situations described in points a) to g) of Recommendation no. 7 of the New Corporate Governance Code. The Board of Directors of Italgas considers as close relations, parents, adult children, non-legally separated spouses and co-habiting partners.

It should be noted, as specified earlier, that the existence of the independence requirements was verified on 10 March 2021, applying the qualitative and quantitative criteria approved by the Board of Directors on 24 February and referred to above, following adaptation to the Recommendations of the New Corporate Governance Code.

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.

During the financial year and up to the date of approval of this Report, the independent directors of the Company met without the other directors on 10 March 2020 and on 12 February 2021, in accordance with the provisions of Criterion 3.C.6 of the Corporate Governance Code<sup>22</sup>. On such latter occasion the Chairman was also invited and the discussions regarded board induction activities as well as the in-depth analyses of the Board of Directors of strategic issues 2030 -2050, energy policy and employee retention policies.

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

The Board of Directors of Italgas has not designated one of the independent directors as the lead independent director, because the pre-conditions which require this appointment to be mandatory pursuant to the Corporate Governance Code don't occur<sup>23</sup>.

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

The Report on Remuneration Policy and compensation paid, pursuant to art. 123-ter of the CLF, which was approved by the Board of Directors and will be made available to the public in accordance with the law, 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.

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<sup>22</sup>See also art. 2, Recommendation 5 of the New Corporate Governance Code.

<sup>23</sup> For completeness, it should be noted that the conditions for the requirement to appoint the Lead Independent Director are also lacking pursuant to the New Corporate Governance Code.

## 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 Privileged 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 Privileged 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 Register of persons having access to Privileged 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 TUF and the Issuers' Regulation which regulates the disclosure obligations related to transactions on financial instruments performed by Relevant Persons (as defined in the procedure). This procedure was subsequently updated on 18 December 2020 (with effect as of 1 January 2021) so as to adapt to the EU Regulation 2019/2115 of the European Parliament and of the Council of 27 November 2019.

These procedures can be consulted on the website of Italgas under (i) and (ii): <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/>

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.

Italgas also publishes press releases and documents on the website in order to guarantee all Investors and the market in general timely knowledge of the company business and corporate events, also offering the chance to gain more in-depth information. The publication of press releases and documents takes place in compliance with current legislation governing disclosure of relevant information and market abuse.

## 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:

- Appointments 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 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, through the company's structures, to external consultants not in a position to compromise the independence of the opinion.

It should be noted that on 18 December 2020, the Board of Directors adopted the new regulations of the Committees, so as to incorporate the Recommendations of the New Corporate Governance Code which will apply as of 1 January 2021.

## 7. APPOINTMENTS AND COMPENSATION COMMITTEE

The Board of Directors' meeting held on 13 May 2019 confirmed the decision 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 Code of Corporate Governance<sup>24</sup>, meets the composition requirements envisaged by said Code for both committees and ensure the correct performance of the relative assignments in an effective and efficient manner.

### 7.1 Composition and operation

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<sup>25</sup>.

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
Maurizio Dainelli	Non-executive
Silvia Stefini	Independent non-executive

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 took 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 acted as Committee Secretary and assist the Chairman in performing his duties.

<sup>24</sup> The merging of the two committees is also in line with the provisions of the Recommendations of the New Corporate Governance Code.

<sup>25</sup> It should be noted that the directors proved independent: (i) pursuant both to the CLF and to the Corporate Governance Code as at 31 December 2020; (ii) pursuant both to the CLF and to the New Corporate Governance Code, as at 10 March 2021.

## 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;
- d) 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;
- e) 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 assists the Committee 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

- f) 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;

- g) 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;
- h) 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;
- i) it makes proposals or expresses opinions relating to the remuneration of members of the Committees of Directors established by the Board;
- j) 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;
- k) 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;
- l) 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;
- m) 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;
- n) it performs any duties that may be required by the procedure concerning related-party transactions carried out by the Company;
- o) 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 9 times, with each meeting lasting, on average, 1 hour 35 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.

9 meetings of the Appointments and Compensation Committee are scheduled for the current financial year, 5 of which had already been held at the date of this Report, on 21 January, 18 February, 25 February, 4 March and 10 March 2021.

In particular, during the Year, the Committee carried out, inter alia, the following activities:

- (i) approved the Committee's half-yearly reports, which were then submitted to the Board of Directors;
- (ii) examined the gap analysis prepared in relation to the Recommendations set out in the New Corporate Governance Code and took note of the actions to be taken and the related timeframe for adjusting governance;

- (iii) approved the draft Regulations for the Appointments and Compensation Committee in compliance with the provisions of the New Corporate Governance Code, submitting them to the Board of Directors for approval;

with regard to appointments

- (i) analysed the results of the Board Evaluation activity carried out by Crisci & Partners for the year 2019 and discussed the start of Board Evaluation activities for the year 2020 with the same consultant;
- (ii) analysed the usual annual report on the application of the Corporate Governance Code, submitted by the Italian Corporate Governance Committee for 2019;
- (iii) resolved to submit the proposal A) to confirm Mr Pier Lorenzo Dell'Orco as Sole Director and Angelica Mola as Sole Statutory Auditor for Italgas Newco S.r.l. to the Board of Directors; B) to appoint Mr Antonio Paccioretti, as Chairman, Mr Paolo Luigi Bacchetta, Mr Nunziangelo Ferrulli directors and Ms. Alessandra Piccinino and Ms. Francesca Carlesi independent directors of the Board of Directors of Italgas Reti S.p.A. for three financial years, and therefore until the date of approval of the Company's financial statements for the year 2022, C) to indicate Mr Bruno Burigana and Ms. Chiara Ganz as directors to be coopted onto the board of directors of Toscana Energia S.p.A.; D) resolved to submit the proposal to indicate Mr Pier Lorenzo Dell'Orco as Director to be appointed by co-option to the Board of Directors of Italgas Reti S.p.A. to the Board of Directors.
- (iv) examined the succession plan concerning the Chief Executive Officers of the subsidiaries, the positions held by Executives with Strategic Responsibilities, the Head of Internal Audit and Head of Administration and Finance, proposing to illustrate the relative contents at a subsequent Board meeting, as well as to evaluate the adoption of a contingency plan concerning the key role of the executive Chief Executive Officer;
- (v) examined the benchmark analysis conducted with reference to the limits and prohibitions on the accumulation of offices held by Directors, agreeing on the proposal to make no changes to the policy adopted, either with reference to the limits and prohibitions on the accumulation of offices already decided or with reference to the Relevant Companies considered for the purposes of the aforementioned accumulation;

with regard to remuneration:

- (vi) approved the company objectives for the 2020 management incentive schemes, later proposed to the Board of Directors;
- (vii) analysed and carried out its annual assessment of remuneration positioning;
- (viii) continued the review and preparation of the 2020 Remuneration Report;
- (ix) acknowledged the final 2019 company objectives and decided to submit them for approval by the next Board of Directors;
- (x) discussed the issue of the annual variable remuneration of the Chief Executive Officer, in view of the results achieved in the year 2019, and decided on the amount of the monetary incentive to be submitted to the Board of Directors for approval;
- (xi) discussed the 2020 award to the Chief Executive Officer in relation to the Co-Investment Plan, considering the deferred portion of the 2020 Short Term Incentive, to be submitted to the Board of Directors;
- (xii) reviewed and prepared the policy on 2020 remuneration and compensation paid, as well as the 2021-2023 Long-Term Incentive Plan Information Notice to be submitted to the Board of Directors for approval and subsequently included on the agenda of the Ordinary Shareholders' Meeting;
- (xiii) examined the remuneration positioning of the members of the Sustainability Committee;



- (xiv) analysed the vote of the shareholders' meeting with regard to the 2020 Remuneration Policy and compensation paid;
- (xv) approved (A) the "Regulations of the 2020-2022 Long-Term Monetary Incentive Plan/ 2020 Assignment," which contain a claw-back clause and govern disbursement of the incentive upon occurrence of specific events pertaining to the employment relationship during the three-year vesting period; and (B) the calculation of the 2020 assignment to the Chief Executive Officer;
- (xvi) examined the changes to be made to the remuneration policies of the senior executives affected by the Unbundling regulations, i.e. Independent Operator and the Compliance Manager Officers;
- (xvii) shared discussion topics useful for the subsequent remuneration positioning analysis;
- (xviii) expressed a favourable opinion on the new structure of the performance conditions applying to the 2020-2022 LTI Plan for Independent Operator/Compliance Manager Officers and approved the Attribution Regulations of the 2020-2022 LTI Plan for Independent Operator/Compliance Manager Officers;
- (xix) agreed on the drivers to be used for the 2020 remuneration positioning analysis with the consultant Ernst & Young and started this activity;
- (xx) approved a Contingency Plan, in the case of early termination of the office of Chief Executive Officer or permanent impediment in performing the related duties;
- (xxi) discussed and commenced work on the preparation of the 2021 Remuneration Policy and compensation paid.

Pursuant to the relevant regulation, the Appointments and Compensation Committee meets as often as required to perform its duties, on the dates specified in the annual meetings calendar approved by the Committee itself, and in any case where the meeting is necessary or opportune, the Committee shall meet when convened by the Chairman, as well as following a written request by one or more of the other members, stating the items to be included on the agenda.

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.

On 18 December 2020, the Board of Directors approved the new Appointments and Compensation Committee Regulations, effective as of 1 January 2021, in part so as to implement the Recommendations of the New Corporate Governance Code.

Specifically, it should be noted that the new Regulations supplemented the Committee's tasks and functions, envisaging that the latter, *inter alia*:

- proposes to the Board of Directors the quantitative and qualitative criteria to be considered when assessing the significance of (i) any relevant commercial, financial or professional relations pursuant to Recommendation 7(c) of the New Corporate Governance Code that may be entered into by the directors; and (ii) any relevant remuneration pursuant to Recommendation 7(d) of the New Corporate Governance Code received by the directors from the Company, one of its subsidiaries or the parent company if any, additional to fixed remuneration for the position and any remuneration received for attending the board committees as recommended by the New Corporate Governance Code or established in the applicable regulations;



- it supports the Board of Directors in drawing up, updating and implementing the succession plan for the CEO and any other executive director, which – as a minimum – shall set out the procedures to follow in the event of early termination of office, providing its opinion thereon; it examines and assesses the procedures adopted for the succession of top management as defined by the New Corporate Governance Code (hereinafter also referred to as “Top Management” or “Executives with strategic responsibilities”) and provides its opinion as to their suitability to the Board of Directors.

The Appointments and Compensation Committee Regulations can be consulted on the Company’s website:

[https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_it/Regolamento-Comitato-Nomine-e-Remunerazione.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Nomine-e-Remunerazione.pdf)

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

### 8.1 Composition and operation

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 CLF and the Corporate Governance Code<sup>26</sup>. Pursuant to the relative regulations, the Committee overall shall hold adequate competences in the sector in which the company operates, functional in assessing related risks. 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, 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
Giandomenico Magliano	Independent non-executive
Silvia Stefani	Independent non-executive

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<sup>27</sup>.

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 of the internal control and risk management system*", namely the chief executive officer;
- the other directors, as well as the representatives of the relevant corporate departments – providing notice thereof to the CEO – and parties outside the Company, to provide information and express opinions within their remit on individual items of the agenda.

<sup>26</sup> It should be noted that the directors proved independent: (i) pursuant both to the CLF and to the Corporate Governance Code as at 31 December 2020; (ii) pursuant both to the CLF and to the New Corporate Governance Code, as at 10 March 2021.

<sup>27</sup> For the sake of completeness, it should be noted that the requirements of the New Corporate Governance Code are also met.

## 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, inter alia, 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;
- periodic analysis of the financial, tax and cyber risks;
- examination of the “*Guidelines on the internal control and risk management system*”<sup>28</sup>;
- examination of the Control, Risk and Related Party Transactions Committee Regulations, updated to bring them into line with the New Corporate Governance Code;
- examination of the Shareholder Engagement Policy and Compliance Standard to fulfil the obligations on the matter of Internal Dealing;
- it examined activities involving the Internal Audit Manager and the Internal Audit department, specifically:
  - examination of the “*Guidelines on internal audit activities*”;
  - preparatory examination for the definition of the fixed and variable components of remuneration of the Head of Internal Audit;
  - analysis of the activities conducted by Internal Audit, the methods used and the information flows consistent with the indications in the “*Guidelines on internal audit activities*”;
  - analysis of reports;
  - definition of the activities involved in the QAR (Quality Assessment Review);
  - analysis of the proposed audit plan for 2021 prepared by Internal Audit.

During the Financial Year, the Control, Risk and Related Party Transactions Committee met 14 times, of which one in joint session with the Sustainability Committee, with each meeting lasting, on average, 3 hours and 20 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 Committee, at its invitation, so as to provide information and in-depth analyses, as did the Chairman of the Board of Statutory Auditors and/or other statutory auditors who routinely attended.

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<sup>28</sup> The application of the Guidelines on the internal control and risk management system takes effect as of 1 January 2021, in line with the New Corporate Governance Code.

Pursuant to the relative regulations, the Committee shall meet with the frequency needed to discharge its duties, at least once every three months and, in any event, when a meeting is necessary or opportune. Twelve meetings of the Control, Risk and Related Party Transactions Committee are scheduled for the current business year, four of which had already been held at the date of the approval of this Report, on 18 January, 12 February, 18 February and 3 March 2021.

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.

It should be noted that, on 18 December 2020, the Board of Directors approved the new regulations for the Control, Risk and Related Party Transactions Committee, which will apply as of 1 January, 2021.

The new Regulations, in addition to specifying certain aspects concerning the functioning of the Committee, assigns the Committee tasks and functions updated to the Principles and Recommendations of the New Corporate Governance Code, including responsibilities for non-financial reporting. Specifically, pursuant to the new Regulations, the Control, Risk and Related Party Transactions Committee:

- a) assesses the suitability (at least verifying that the preparation process is correct) of the periodic financial and non-financial information, so that it correctly represents the company's business model, strategies, impact of its activities, and performance achieved, while coordinating with the Sustainability Committee;
- b) it examines the content of periodic non-financial reporting relevant to the internal control and risk management system;
- c) it expresses its opinion, at least once a year and, as a rule, when the financial statements for the year are approved, on the adequacy of the internal control and risk management system, considering the Company's characteristics and assumed risk profile, as well as the effectiveness of the system.

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

[https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_it/Regolamento-Comitato-Controllo-e-Rischi-e-Operazioni-con-Parti-Correlate.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Controllo-e-Rischi-e-Operazioni-con-Parti-Correlate.pdf)

## 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 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. It should be noted that the directors proved independent: (i) pursuant both to the CLF and to the Corporate Governance Code as at 31 December 2020; (ii) pursuant both to the CLF and to the New Corporate Governance Code, as at 10 March 2021.

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 Board of Directors, the Chief Executive Officer, the Chairman of the Board of Statutory Auditors and the Heads of the relevant departments are invited to attend the meetings of the Sustainability Committee; other members of the Board of Statutory Auditors may also attend the meetings; the Chairman of the Committee may also invite other directors to attend individual meetings, as well as other members of the relevant company departments - informing the Chief Executive Officer - or individuals from outside the Company to provide information and express their assessments with reference to the individual items on the agenda.

### 9.2 Tasks

The Committee carries out investigation, proposal and consultation functions with regard to the Board of Directors on matters of sustainability, understood as the guidelines, processes, initiatives and activities intended to oversee the commitment of the Company to sustainable development along the value chain, aimed at pursuing sustainable success, with the support of the Head of the relevant department (Head of the Corporate Social Responsibility department) who liaises with the various corporate departments. 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.

### 9.3 Activities during the Financial Year

During the Financial year, the Sustainability Committee met 12 times, one of which in joint session with the Control, Risk and Related Party Transactions Committee, with each meeting lasting an average of 2 hours 15 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. 9 meetings of the Sustainability Committee are scheduled for the current financial year and 4 meetings had already been held at the date of approval of this Report, on 18 January, 10 February<sup>29</sup>, 12 February and 1 March 2021. During the Financial Year, the advisory services of an external were used.

Specifically, during the Year, the Committee carried out the following activities:

- (i) met with the Head of the company's organisational unit, ICT, in the person of Marco Barra Caracciolo, to discuss sustainability issues;
- (ii) unanimously approved the drafts of the Committee's half-yearly reports, which were then submitted to the Board of Directors;
- (iii) briefly analysed the changes concerning sustainability introduced by the New Corporate Governance Code;
- (iv) examined the review of the Sustainability Plan performed in December 2019, the progress recorded in carrying out the actions forming each pillar, and the new actions added for 2020;
- (v) reviewed and approved the text of the 2019 Consolidated Non-Financial Statement, which was then submitted to the Board of Directors;
- (vi) met with the Head of the company's organisational unit, HSEQ, in the person of Agostino Limonta, to discuss sustainability issues;
- (vii) briefly discussed what changes will occur post-COVID in each of the areas concerned by corporate sustainability;
- (viii) finalized the taxonomy of the Sustainability Plan, to then illustrate it at the subsequent Board meeting;
- (ix) examined, as part of the taxonomic analysis of the Sustainability Plan, a scoring model proposed for the definition of the new actions in the Plan, consisting of the following

five criteria: (i) *stakeholder specific*, (ii) *inward and outward looking*, (iii) *impact on esg performance*, (iv) *direct link to industrial plan* and (v) *transformational impact*;

- (x) finalized the Reflection Paper, which was subsequently presented to the Board of Directors;
- (xi) prepared and approved the Corporate Citizenship Policy, deciding to submit it to the Board of Directors of Italgas S.p.A.;
- (xii) analysed the gap analysis prepared in relation to the Recommendations set out in the New Corporate Governance Code ( the "*New Code*") and took note of the actions to be taken and relative timeframe for adjusting governance;
- (xiii) met with the Finance and Services Department, in the person of Gianfranco Amoroso, Head of Finance, Planning and Control at Italgas, regarding "Green Finance";
- (xiv) discussed the update of the Reflection Paper with particular reference to guideline no. 5 "ESG in enterprise risk management";
- (xv) discussed the advantages and disadvantages of the integrated financial statements model versus the non-financial statement, as well as possible developments in the European context.
- (xvi) embarked on the procedure towards integrated financial statements, discussed the implications at a structural and strategic level and carried out a benchmark analysis with regard to the documents prepared by some of the companies that prepared the integrated FY19 financial statements;
- (xvii) met with a number of company organisational units and, in particular, (i) Pietro Durante, Head of Human Resources & Organisation, to illustrate the initiatives implemented by the department in the field of sustainability; (ii) Anna Maria Scaglia, Head of Investor Relations and ERM, for an update on the sustainability indices (in particular, DJSI and CDP); (iii) Serenella Meloni, Head of Legal Compliance and Anti-Corruption Programmes, to illustrate the activities carried out in the field of anti-corruption; (iv) Leonardo D'Acquisto, Head of Institutional Relations, for an update on international cooperation activities for the development of objective III of the Reflection Paper; (v) Raffaella Marcuccio, Head of the Procurement & Material Management department at Italgas, concerning the development of guideline no. 4 of the Reflection Paper and green procurement;
- (xviii) approved the Policy for Managing Dialogue with all Shareholders, to be submitted to the Board of Directors of Italgas S.p.A. for approval;
- (xix) approved the new text of the Committee's Regulations in compliance with the Recommendations of the New Code, to be submitted to the Board of Directors of Italgas S.p.A. for approval.

In addition, at the joint meeting with the members of the Risk Control and Related Party Transactions Committee, the Sustainability Committee:

- (xx) illustrated the path followed by the Company in drawing up the materiality matrix, the methodology used, the people involved and the results.

It should be noted that, on 18 December 2020, the Board of Directors approved the new regulations of the Sustainability Committee, which will apply as of 1 January, 2021. Specifically, the new regulations, in addition to specifying certain aspects concerning the functioning of the Committee, assigns the Committee tasks and functions updated to the Principles and Recommendations of the New Corporate Governance Code, including responsibilities for non-financial reporting. Specifically, pursuant to the new Regulations, the Sustainability Committee:

- d) assesses the suitability (at least verifying that the preparation process is correct) of the periodic financial and non-financial information, so that it correctly represents the company's business model, strategies, impact of its activities, and performance achieved, while coordinating with the Sustainability Committee;
- e) it examines the content of periodic non-financial reporting relevant to the internal control and risk management system;
- f) it expresses its opinion, at least once a year and, as a rule, when the financial statements for the year are approved, on the adequacy of the internal control and risk management system, considering the Company's characteristics and assumed risk profile, as well as the effectiveness of the system.

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

[https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_it/Regolamento-Comitato-Sostenibilita.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Regolamento-Comitato-Sostenibilita.pdf)

## 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 from 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<sup>30</sup>, 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, are:

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<sup>30</sup> The chief executive officer pursuant to the New Corporate Governance Code.

- 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, the activities of which are directed and guided by the “*Guidelines on internal audit activities*” approved by the Board of Directors.

On 18 December 2020, in compliance with the New Corporate Governance Code, the Board of Directors adopted the *Guidelines on the Italgas Group Internal Control and Risk Management System*, of which the *Guidelines on internal audit activities* are an integral part<sup>31</sup>, dictating: (i) on the one hand, the general principles according to which Italgas manages the Group’s main risks in line with the strategic objectives identified and in order to contribute to Italgas' sustainable success; (ii) on the other hand, the coordination and information flow procedures between the various actors involved, in order to maximize the effectiveness of the Control and Risk Management System, and its efficiency (reducing duplication of activities), and ensure effective performance of the Board of Statutory Auditors’ duties.

The integrated system involves multiple actors with different corporate roles (governance and control bodies, corporate structures, management), who carry out activities that are coordinated and interdependent, as well as complementary in the aims pursued, structural features and rules of operation and specifically:

- the Board of Directors, whose role is to provide guidance and assess the adequacy and effectiveness of the Control And Risk Management System;
- the Chief Executive Officer, who is in charge of establishing and maintaining an effective Control And Risk Management System;
- the Control, Risk and Related Party Transactions Committee, set up within the Board of Directors to support the assessments and decisions made by the Board of Directors relating to the Control And Risk Management System, as well as those relating to the approval of regular financial and non-financial reports;
- the Sustainability Committee, set up within the Board of Directors to support it by investigating, proposing and advising it on sustainability matters, these being the processes, initiatives and activities intended to oversee the commitment of the Company to sustainable development along the value chain, aimed at pursuing sustainable success. In the context of the Control And Risk Management System, the Sustainability Committee coordinates with the CRC for the purposes of the latter's assessment of the suitability of regular, financial and non-financial information to correctly represent the company’s management and organisation model, its strategies, the impact of its activities and the performance achieved;
- 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 Control And Risk Management System;
- the Supervisory Body, that supervises the operation, compliance with and updating of the Model 231;
- the Officer responsible for the preparation of financial reports, whose activities are governed by Law No. 262/2005;
- the Head of the Internal Audit department, responsible for verifying that the Control and Risk Management System is operational and suitable, as well as consistent with the

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<sup>31</sup> The document applies from 1 January 2021.



- Guidelines of the Internal Control and Risk Management System (which represent the so-called third level of control);
- the other corporate functions and roles with specific internal control and risk management duties, structured according to the size, complexity and risk profile of the company (who represent the so-called second tier of control).

c) *Italgas Enterprise Risk Management*

Italgas has an Internal Control and Risk Management System integrated into the organisational, administrative and accounting structure and, more generally, a corporate governance system that ensures compliance with the laws and company procedures, protects the company assets and contributes to the management of activities, solidifying the accounting and financial data processed.

The Enterprise Risk Management (ERM) unit, set up to report to the General Manager of Finance and Services, is tasked with overseeing the Group's integrated business risk management process. The ERM activities focus on the definition of a homogeneous, transversal model for assessing the risks, identifying priority risks, ensuring consolidation of the mitigation actions and developing a reporting system.

The ERM methodology adopted by the Italgas group is in line with the reference models and the existing international best practices (in particular, the 2017 COSO framework relative to Enterprise Risk Management, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and ISO 31000:2018). The process for the identification, assessment, measurement and management of the risks is carried out periodically, at least once a year, on the basis of the importance of the risk and any changes in context.

The activities directly involve all (first, second and third level of control) company departments through dedicated meetings allowing updates to the information to be incorporated, as regards the description, significance and management of the risks already existing in the portfolio, and the detection of new emerging risks. These activities are carried out in a way that covers the entire scope of the Group and all the potential applicable events. In order to ensure the correct assessment and prioritisation of risk events, the assessment is carried out considering the following potential types of impact: economic-financial; operative; legal, governance and compliance; environment, health and safety; reputation and market. The ERM model establishes an integrated, cross-cutting and dynamic risk assessment that enhances the management systems already existing in the individual business processes. Each risk is assessed using a specific assessment scale that sets out the thresholds of relevance for the Group and attributes a "rating" to each risk, thereby making it easier to prioritise them. For all risks, the risk ownerships are identified and attributed and the management strategies are defined, broken down into specific actions for dealing with the risk and establishing the relative implementation time.

The Enterprise Risk Management Department draws up specific summary reports on the identification, assessment and management of the risks and shares them with the different company levels. The results found in relation to the main risks and related management plans are presented to the Control, Risk and Related Party Transactions Committee. Specifically, during the Year, the Enterprise Risk Management Department participated in four meetings of the Control, Risk and Related Party Transactions Committee: on 5 March 2020 for analysis of the risk mapping as at 31 December 2019, on 29 April 2020 for analysis of the risk mapping as at 31 March 2020, on 22 July 2020 for analysis of the risk mapping as at 30 June 2020, on 19 November 2020 for analysis of the risk mapping as at 30 September 2020 with a focus on the risks of the strategic plan. In addition, specific focusses have been assured on financial, tax and cyber risks.

Moreover, the mapping of risks and the relative management strategies are presented periodically to the Board of Statutory Auditors and the Supervisory Body of Italgas and to the Boards of Statutory Auditors and the Supervisory Bodies of the Subsidiaries. More specifically, the Enterprise Risk Management Department participated on 5 March, 29 April, 22 July and 19 November 2020 in the meetings of the Board of Statutory Auditors of the Issuer and on 19 March in the meeting of the Board of Statutory Auditors of Italgas Acqua S.p.A., as well as on 30 March 2020 in the meeting of the Supervisory Body of the Issuer, on 3 April and 12 October 2020 in the meetings of the Supervisory Body of Italgas Reti S.p.A, on 26 October 2020 at the meeting of the Supervisory Body of Italgas Acqua S.p.A., on 2 April and 3 December 2020 at the meetings of the Supervisory Body of Medea S.p.A. and, finally, on 26 October 2020 at the meeting of the Supervisory Body of Seaside S.r.l.

The Officer Responsible and the Internal Audit department periodically receive the results of the risk assessments performed by the ERM unit.

The Issuer's risks are summarised in the dedicated section of the Group's consolidated integrated financial statements ("Risk Management and Internal Control System") which can be consulted on the website: <https://www.italgas.it/it/investitori/bilanci-e-presentazioni/>

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

On 24 February, the Board of Directors approved an amendment to the Compliance Standard on the Corporate Reporting Internal Control System (SCIS), which is the process designed to provide reasonable assurance regarding the reliability of corporate reporting (financial and non-financial) and the ability of relevant business processes to produce such reporting in accordance with applicable laws and generally accepted accounting standards.

The structure of the corporate reporting internal control system was revised to reflect the new reporting processes prepared and illustrated in the Integrated Annual Report, updating the corresponding Compliance Standard currently in force to ensure that the same method is applied to the processing of non financial data.

Italgas Group's SCIS is therefore understood as a set of all the tools necessary or useful for directing, managing and verifying the accuracy and reliability of Corporate Reporting to the outside world, contained in the Integrated Annual Report, which includes the Integrated Report on Operations, the Consolidated Financial Statements and the Annual Financial Statements, as well as any other corporate communication with accounting content (such as, for example, press releases and prospectuses prepared for specific transactions).

The SCIS therefore includes the regulatory tools (compliance standards, process standards, manuals, etc.) and controls that:

- relate to the production and filing of accounting documents and records that accurately, faithfully and with a reasonable level of detail reflect the company's transactions (including the processes of gathering and processing information involving the departments responsible for preparing accounting documents and the staff and business departments that provide data and information);
- provide reasonable assurance that information and transactions are recognised in a manner that permits preparation of the Integrated Annual Report and other financial disclosures in accordance with generally accepted accounting standards, regulations, frameworks and guidelines;

- provide reasonable assurance regarding the prevention or timely detection of errors or fraud that could have a significant effect on Corporate Reporting.

The staff and business departments which provide data and information relevant to the Corporate Reporting System are required to adopt, where necessary, adequate controls and regulations to ensure the completeness and correctness of the information for which they are responsible, consistently with the provisions of the legislation concerning the methodology and operating procedures for implementing the SCIS.

The "reasonable assurance" that SCIS seeks to ensure, consists of the existence of a relatively low (remote) risk that significant misrepresentations in Corporate Reporting, caused by unintentional error or fraud, will occur or will not be promptly detected.

Data or information are considered significant if their absence or inaccurate representation may influence the economic and investment decisions of the parties to whom the information is communicated. In this context, both the quantitative and qualitative elements that characterise the data or information and the particular circumstances of their omission or inaccurate representation are relevant.

The effectiveness of SCIS is dependent on its ability to reduce to a remote level the possibility of fraud or significant error occurring or not being detected in a timely manner.

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 has also appointed an independent auditing firm Deloitte & Touche S.p.A. to examine the adequacy of the internal control system in relation to the preparation of financial information used to produce 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.

Within the scope of the SCIS, a significant role was also played by the External Relations and Communication Department, which, amongst others, (i) receives the results of the independent monitoring carried out by the Internal Audit Department, with reference to the areas defined in the related annual plan; (ii) defines and updates, together with the Officer Responsible, the control objectives to be guaranteed; (iii) together with the Officer Responsible and the Company's Administrative Managers, examines the results of the assessment and monitoring of the individual components of the SCIS and thereafter prepares the half-yearly and annual reports of the Company and Group; (iv) together with the Officer Responsible and the Head of the Internal Audit Department, defines the independent monitoring plan; (v) together with the Officer Responsible and the Company's Administrative Managers, receives from the Head of the Department involved in the SCIS process, and reports regarding the existence of events, situations, organisational or business changes that may call for an update of the Risk Assessment; and (vi) liaises with the Internal Audit Department and the Officer Responsible to agree on an annual independent monitoring plan and any revisions to such as may be made during the year.

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 (at the approval of the Integrated Annual Report, reporting is extended to the Sustainability Committee).

## **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 Chief Executive Officer is assigned the relevant duties and powers provided by the Corporate Governance Code and, as of 1 January 2021, the powers that the New Corporate Governance Code assigns to the chief executive officer.

More specifically, during the Financial Year, in addition to those indicated in point 10.1 above, the Chief Executive Officer carried out the following activities:

- 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 “*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 2020;
- he proposed adoption of the "Guidelines on the internal control and risk management system", which are applicable as of January 1, 2021, to the Board of Directors.

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

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. During the Year, the role of Head of the Internal Audit department was occupied by Mr Paolo Bosato (appointed by the Board of Directors on 7 November 2019 with the aforementioned procedures).

The role, duties and responsibilities of Internal Audit are defined and formalised by the Board of Directors. At the meeting of the Board of Directors of Italgas S.p.A. held on 18 December 2020, in accordance with the New Corporate Governance Code, the "Guidelines on the Italgas Group's internal control and risk management system" effective as of 1 January 2021 (See chapter 10.1. letter b) were approved.

At the same meeting as above, 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 the Board of Statutory Auditors, approved the 2021 audit plan of Italgas and its Subsidiaries. During the Financial Year, the audit activities envisaged in the internal audit plan for Italgas and the Italgas Group approved by the Italgas Board of Directors on 17 December 2019 were carried out; in addition to the actions envisaged in the plan, further actions and in-depth analyses were carried out, requested by the corporate control bodies on specific issues.

The remuneration of the Head of Internal Audit is defined - in line with corporate policies - by the Board of Directors, at the proposal of the Chief Executive Officer, in agreement with the Chairman of the Board of Directors and after consulting the Appointments and Compensation Committee, with the favourable opinion of the Control, Risk and Related Party Transactions Committee.

The Head of Internal Audit, within the organisational structure reporting to the Chief Executive Officer, 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 consistently with the application criteria and recommendations of the New 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.

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 on Internal Audit activities stipulate that the Head of Internal Audit shall have, within his budget, autonomous spending powers for ascertaining, analysing and assessing the internal control and risk management system and/or related activities, and that in exceptional and urgent situations that require the availability of funds exceeding the budget, he 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:

- checks the operations and suitability of the Internal Control And Risk Management System of the Company and the Group, continuously and by means of 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 the periodic reports to the Chairman of the Board of Statutory Auditors, of the Control, Risk and Related Party Transactions Committee and of the Board of Directors, as well as to the Chief Executive Officer;
- verifies, in the context of the audit plan, the reliability of the IT systems used, including the accounting systems.

The Chief Executive Officer may ask the Head of Internal Audit to carry out checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, simultaneously notifying the Chairman of the Board of Directors, the Chairman of the Control, Risk and Related Party Transactions Committee and the Chairman of the Board of Statutory Auditors. During the year, the Chief Executive Officer asked the Head of Internal Audit to carry out a detailed examination of the Group's compliance with the provisions on Functional Unbundling, as set out in the regulations issued by the Regulatory Authority for Energy, Networks and the Environment.

In accordance with the Internal Audit Guidelines, the Head of Internal Audit implements other audit measures not included in the audit plan, on the basis of requests which may also come from:

- the Board of Directors and Chairman of the Board of Directors;



- the Chief Executive Officer, who notifies the Chairman of the Board of Directors, as well as the Chairman of the Control, Risk and Related Party Transactions Committee and the Chairman of the Board of Statutory Auditors;
- the Control, Risk and Related Party Transactions Committee, which notifies the Chairman of the Board of Statutory Auditors, as well as the Chairman of the Board of Directors and the Chief Executive Officer;
- 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 2021 audit plan for Italgas and its Subsidiaries based, in compliance with international audit standards and the "*Guidelines 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 2020 - 2026 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 2020 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.

#### 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, Code of Corporate Governance, 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 12 May 2020, 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 PricewaterhouseCoopers S.p.A., awarded by the Shareholders' Meeting on 28 April 2017 for 2017-2025, awarded Deloitte & Touche S.p.A. the assignment to carry out the statutory audit for 2020-2028, establishing their fees.

## 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 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 departments;
  - 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;
  - establishes, within the same department, antitrust oversights with the role of receiving notifications concerning the interpretation and application of the Group's Antitrust Code (this document defines conduct guidelines regarding the compliance of Italgas and the Subsidiaries with the principles dictated by the applicable regulations on antitrust issues), as well as the reports about potential antitrust risk situations;
  - oversees, with the aid of the compliance department to prevent and fight corruption established within it, the corruption prevention activities, ensuring the adequacy and compliance over time with anti-corruption regulations, and promotes the execution of the duties and obligations laid down by the aforementioned law, ensuring the adequacy of the solutions identified.
- b) Finance and Services, which, among other things, carries out the following tasks<sup>32</sup>:
- 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;

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<sup>32</sup> As of 1 February 2021, the role of Tax Risk Manager was created within the Finance and Services Department to perform, inter alia, the following tasks:

- update and maintain over time the System for detecting, measuring, managing and controlling the tax risk ("Tax Control Framework" - "TCF"), adopted by the Italgas Group pursuant to Legislative Decree no. 128 of 5 August 2015, periodically carrying out a tax risk assessment;
- perform checks and tests to ascertain the actual adequacy and functioning of the control oversights of the tax risk, understood as the risk of violating tax laws or operating contrary to the principles or purposes of the tax system;
- prepare and submit to the Revenue Agency an annual report on the outcomes of the process of periodically checking the adequacy and effective application of the Tax Control Framework, approved by the Board of Directors, after its presentation to the Control, Risk and Related Party Transactions Committee and the Board of Statutory Auditors.

- 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.
- d) HSEQ Department, with the aim of 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;
- e) Institutional Relations and Regulatory Affairs Department, in particular with the task of:
- ensuring oversight of the regulatory matters of the Group and the necessary relations with the Offices of the Regulatory Authority for Energy Networks and the Environment (ARERA);
  - ensures monitoring of the evolution of the legislative and regulatory framework and, in collaboration with the company departments concerned, prepares proposals aimed at promoting the development of the regulatory framework of the relative regulated services and proposals for tariffs, codes, service quality, etc.;



- f) The Enterprise Risk Management, established within the Finance and Services department, which, among other things, carries out the following tasks:
- ensures the definition and updating of the Group's Enterprise Risk Management model and provides specialist methodological support to all departments in the identification and assessment of risks relating to the company processes;
  - ensures coordination of the overall Enterprise Risk Management process, arranging for the correct consolidation and prioritisation of the Group risks, the identification and measuring of the enterprise risks, and the risk monitoring and control activities;
  - ensures, in accordance with the relevant company departments, consolidation of the risk management strategies identified;
  - ensures the periodic preparation of reports, and the management and updating of the risk indicators defined.

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

In order to allow the various subjects involved in the internal control and risk management system to adequately perform the role assigned within the context of this system, specific information flows are defined among the different levels of control and the relevant management and control bodies, appropriately coordinated in terms of content and timing.

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 and Risks and Related-Party Transactions Committee receive and collect information, at least every six months, from the control functions and from 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 on Internal Audit Activities*", 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 March 2021, in compliance with the provisions of art. 6 Recommendation 33 of the New Corporate Governance Code, the Board of Directors expressed an opinion on the adequacy of the internal control and risk management system, including the methods of liaison between the various parties involved.



## 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.

In the first half of 2021, following the outcome of the aforementioned annual assessment, the Company will update the Italgas RPT Procedure in order to bring it into line with the new version of the Consob Related Parties Regulation in force from 1 July 2021<sup>33</sup>.

The Italgas RPT Procedure implements the provisions of the Consob Related-Parties Regulation and the interpretations of the same according to Consob (both of which in the version in force at the date of this Report) 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) Related Parties and Subjects of Interest Database

The Italgas RPT Procedure envisages that, before a transaction is performed, a check must be carried out to see if the counterparty is a Related Party of the Company or a Subject of Interest<sup>34</sup> using for such purpose a database ("**Related Parties and Subjects of Interest Database**") listing such parties in compliance with privacy regulations; the Related Parties and Subjects of Interest Database is created on the basis of the company register of shareholdings and the declarations that the Related

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<sup>33</sup> Consob Resolution No. 21624 of 10 December 2020, which amended the Consob Related Parties Regulation in the implementation of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (so-called SHRD II), in fact requires that "Companies shall adapt the procedures provided for in art. 4 of Regulation No. 17221 of 12 March 2010 to the amendments made by this resolution by 30 June 2021 and apply the same starting from 1 July 2021".

<sup>34</sup> Namely the entities subjects (natural or legal persons, other than Related Parties) indicated by directors and statutory auditors, who may have a direct or indirect interest, even potential, in the activities carried out by Italgas and by the Subsidiaries or in certain transactions.

Parties issued periodically pursuant to letters a)<sup>35</sup> and c)<sup>36</sup> of paragraph 4 of the Italgas RPT Procedure, if they are natural persons, as regards the identification of the Related Parties referable to them under letters d)<sup>37</sup> and e)<sup>38</sup> of paragraph 4 of said procedure and, limited to the directors and standing statutory auditors of the Italgas Group, of the Subjects of Interest, as well as the information available to the Italgas Group. In particular, for the purposes of updating the Database, the Corporate Affairs and Governance Department, at least once a year, sends the Related Parties listed under points a) and c) of paragraph 4 of the RPT Procedure, if they are natural persons, a statement to fill out, sign and send back to the Corporate Affairs and Governance Department. The Database of Related Parties and Subjects of Interest is held by the Corporate Affairs and Governance Department.

- c) 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;

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<sup>35</sup> Namely entities that, directly or indirectly, also through subsidiaries, trustees or proxy:

(i) control Italgas, are controlled by Italgas, or are subject to joint control along with Italgas; (ii) hold a stake in Italgas such as to be able to exercise a notable influence on it; (iii) exercise control of Italgas jointly with other subjects.

<sup>36</sup> Namely directors, statutory auditors and executives with strategic responsibilities of Italgas Group and of the parent company, even jointly.

<sup>37</sup> Namely the close family members of the subjects pursuant to letters (a) or (c), which is taken to mean relatives whom it is thought

may influence or be influenced by said subjects in their relations with the Italgas Group. Unless there is an objective situation which excludes the circumstance, such related parties include: the non-legally separated spouse or domestic partner; the offspring including minors, and persons dependent on the subject and/or his/her non-legally separated spouse or domestic partner. Close relatives also include other subjects recognised as such in the statement that the Related Parties referred to under letters (a) and (c) periodically submit.

<sup>38</sup> Namely subjects that are directly or indirectly controlled, even jointly, or that are subject to significant influence by any of the subjects pursuant to letters (c) or (d), or subjects in which such persons hold, directly or indirectly, a significant share of the voting rights and in any case not below 20%.

- 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.

#### d) 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.

#### e) 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 identified with the Appointments and Compensation Committee and the Control, Risk and Related Party Transactions Committee is 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.

f) 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/export/sites/italgas/italgas-gallery/Documenti\\_it/07-governance/03-controllo-interno-e-compliance/05-Operazioni-con-parti-correlate/ItalGas\\_PartCorrelate.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/07-governance/03-controllo-interno-e-compliance/05-Operazioni-con-parti-correlate/ItalGas_PartCorrelate.pdf)

## 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 Issuers Regulations.

Pursuant to the By-Laws and the Decree of the President of the Council of Ministers of 25 May 2012, on "*Criteria, conditions and procedures for adopting Snam S.p.A.'s separation of ownership model, pursuant to Article 15 of Law no. 27 of 24 March 2012*", Italgas auditors 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 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 this regard, it should be noted that art. 144-undecies.1, subsection 3, of the Issuers' Regulations - as already indicated in Communication no. 1/20 of 30 January 2020<sup>39</sup> - provides, inter alia, that for corporate bodies made up of three members, such as the Board of Statutory Auditors of Italgas, rounding down is performed to the nearest whole number.

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<sup>39</sup> See Communication no. 1/20 of 30 January 2020 on "*Clarifications relating to the amendments of the provisions in articles 147-ter and 148 of Italian Legislative Decree 58/98 (Consolidated Law on Finance - CLF) on the issue of gender balance in the bodies of listed Companies introduced by Law no. 160 of 27 December 2019 ("2020 Budget Law")*".

### 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>40</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

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<sup>40</sup> Consob - through its Managerial Resolution of the Manager of the Corporate Governance Division no. 44 of 29 January 2021 - decided, pursuant to Article 147-ter, paragraph 1 and Article 148, paragraph 2 of the TUF and Article 144-septies, paragraph 1, of the Issuers' Regulation, that the minimum level of investment required for the presentation of lists of candidates for the election of Italgas management and control bodies was 1%.



candidates from each of 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 list 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.

In cases in which candidates from different slates have obtained the same quotient, the candidate to be replaced shall be the candidate of the slate from which the greatest number of auditors is selected, or, subordinately, the candidate from the slate that has received the least number of votes, or, in case of equal number of votes, the candidate that has obtained less votes by the Shareholders' Meeting in a specific voting round.

In the event of the replacement of a statutory auditor from the list that wins the majority of the votes, they are replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, they are succeeded by the alternate auditor from these lists. If the replacement does not allow compliance with the regulations on gender balance, the Shareholders' Meeting must be convened in a timely fashion to ensure compliance with the aforementioned regulations.

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

#### a) Composition

The Ordinary Shareholders' Meeting of 4 April 2019 appointed the Board of Statutory Auditors of Italgas 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>41</sup>, voted by the minority shareholders who attended the Shareholders' Meeting with about 26.23% of the share capital represented at 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>42</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 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.

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 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 standing member and one alternate member of the Board of Statutory Auditors belong to the less represented gender, in compliance with the regulation in force on gender equality.

<sup>41</sup> The Chairman of the Board of Statutory Auditors Pierluigi Pace and the Alternate Auditor Giuseppina Manzo.

<sup>42</sup> The standing auditors Maurizio Di Marcotullio, Marilena Cederna and the alternate auditor Stefano Fiorini.

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.

On 3 March 2021 the Board of Statutory Auditors confirmed the absence of situations of ineligibility, incompatibility and forfeiture involving its members and checked that its members still met the requisites of professionalism and integrity and compliance with the limitation on the accumulation of offices pursuant to applicable legislation and the Bylaws. On the same date, the Board of Statutory Auditors verified that its members continued to meet the independence requirements: (i) pursuant to art. 148, subsection 3 of the CLF and the Corporate Governance Code as at 31 December 2020; and (ii) pursuant to art. 148, subsection 3 of the CLF and the New Corporate Governance Code as at 10 March 2021, also taking into account the quantitative and qualitative criteria applied to assess independence, as approved by the Board of Directors on 24 February 2021 (see 4.6 above). On 10 March 2021, the Board of Statutory Auditors notified the Company's Board of Directors of the results of this check, which, having duly acknowledged the check of its members carried out by the Board of Statutory Auditors, also checked that the members of the Board of Statutory Auditors still hold the independence requirements, also in accordance with the New Corporate Governance Code.

During the meeting held on 03 March 2021, the Board of Statutory Auditors also self-assessed its work and the results of this analysis were set out formally in the Self-Assessment Report.

As also recommended in the letter from the Chairman of the Corporate Governance Committee dated 22 December 2020, the remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the role occupied as well as the size and sector of the Company.

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 " 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. This policy was subsequently updated on 25 January 2021 so as to adapt to the provisions to the New Corporate Governance Code and, with reference to Board of Statutory Auditors, provides that an optimal composition of the control body of the Issuer can be guaranteed by applying the following criteria:

- (i) at least one third of the statutory auditors consisting of the least represented gender, without prejudice to any legislative provisions in force over time regarding gender balance and envisaging a higher proportion;
- (ii) all statutory auditors having the independence requirements provided for by the applicable pro-tempore legislation and, where applicable, by the Company Bylaws;
- (iii) where possible, taking into account the skills needed for the proper and diligent performance of their functions, members of the Board of Statutory Auditors of different age groups and, as far as compatible with the necessary independence requirements, different levels of seniority, so that different perspectives are represented and there is an adequate balance between continuity and change;
- (iv) without prejudice to compliance with the requirements of professionalism provided for by law, training and professional training of the statutory auditors to ensure a balanced

combination of profiles and experience within the body suitable to ensure the proper performance of the functions assigned to it.

In addition, the policy provides that:

- the members of the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, must be, as a whole, competent in the field in which the company operates, as required by current legislation on statutory audit;
- all the members of the Board of Statutory Auditors should devote adequate time to the performance of the position held in the Company. From this aspect they pointed out a) the limits to the accumulation of offices held provided for by the pro-tempore legislation in force, as well as b) the actual commitment required by the positions occupied, as well as the further work and professional activities carried out.

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).

Chairman of the Board of Statutory Auditors, Legal Auditor and member of the Board of Directors of companies including Italgas S.p.A., Campari S.p.A., Mercitalia Logistics S.p.A. (Ferrovie Group) and LVenture Group S.p.A.

#### **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 17 times; the average length of the meetings was 3 hours and 9 minutes.

With reference to the consensual termination of the appointment for the external audit of the accounts and the granting of the new appointment for the external audit of the Company's accounts for the period 2020-2028 (see chapter 10.5) the Board of Statutory Auditors in office acknowledged the results of the tender which was awarded by CDP to Deloitte & Touche S.p.A. (for which the activities within the remit of the supervisory body were carried out by the Board of Statutory Auditors whose appointment reached the end of its term at the Shareholders' Meeting on 4 April 2019) upon the outcome of its investigations, on 5 March 2020 approved the Opinion on the



consensual termination of the appointment for the external audit of the accounts granted by Italgas to PricewaterhouseCoopers S.p.A. and the motivated grant Proposal for the external audit of the accounts for the period 2020-2028 to be submitted 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.

18 meetings are scheduled for the current business year, 4 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, on some occasions 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 on Internal Audit activities”*, the role, activities, methodologies and information flows of the function, as well as the 2021 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 communication 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. From March 2020 this position was taken over by Anna Maria Scaglia.

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.

In order to further promote an open, constant dialogue with all its shareholders and in compliance with the recommendations of the New Corporate Governance Code (art.1 Recommendation 3), at the meeting on 18 December 2020, the Board adopted, on the proposal of the Chairman made in agreement with the Chief Executive Officer, the *“Policy for the management of dialogue with all Shareholders”* (the **“Policy for the management of dialogue with all Shareholders”**), which, also

taking into account the engagement policies adopted by the main institutional investors and the Italgas asset managers, sets out the general principles, the management procedures and the main contents of the dialogue between Italgas and its Shareholders.

Pursuant to the Policy for the management of dialogue with all Shareholders, such dialogue should take place in accordance with the principles of transparency, timeliness, equal treatment, promotion of the corporate purpose and compliance.

In short, the activities aimed at establishing a dialogue between Italgas and its partners mainly consist of making disclosure documentation (financial statements, business plan, presentations, sustainability plan, etc.) available on the corporate website and offering the possibility of direct contact between the Company and the investors through the Investor Relations Office and the Corporate Secretariat, as well as through the social media channels (Twitter, Instagram, Facebook, LinkedIn, YouTube); for institutional investors, the Company also organises one-to-one and group meetings, presentations, investor days, roadshows, conference calls and virtual meetings.

The Policy for the management of dialogue with Shareholders, which details the procedures for dialogue with investors, is available for consultation on the Company's website: [https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti\\_it/Italgas\\_-Politica-gestione-dialogo-azionisti.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/Italgas_-Politica-gestione-dialogo-azionisti.pdf).

The Shareholders' Meeting is seen as an essential appointment for Italgas and its Investors.

In addition, for institutional investors, Italgas organised one-to-one physical and/or virtual meetings, group meetings, presentations of the results and strategic updates in June and October, managed by the Investor Relations Department, attended by members of the Investor Relations Department and, if appropriate, the Chief Executive Officer as well as the General Manager of Finance and Services, the Head of Finance, Planning and Control and M&A and the Department Managers considered necessary each time.

The Company gathers feedback from investors during and after the meetings and once a year, through an external provider, conducts a "perception study" focused on strategic and valuation topics via a questionnaire submitted to a group of investors and financial analysts.

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.

## 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/export/sites/italgas/italgas-gallery/Documenti\\_it/07-governance/01-sistema-di-corporate-governance/01-assemblea-degli-azionisti/Regolamento-Assemblea-Italgas.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/07-governance/01-sistema-di-corporate-governance/01-assemblea-degli-azionisti/Regolamento-Assemblea-Italgas.pdf)

### 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.

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 12 May 2020.

In view of the health emergency related to the COVID-19 epidemic, the Company has decided to exercise the right provided for in art. 106, subsection 4, of Law Decree no. 18 of 17 March 2020 (so-called “Cura Italia Decree”), establishing that those entitled to participate in the Shareholders' Meeting may only do so through the designated representative of the Company pursuant to art. 135-*undecies* of the CLF and art. 10.2 of the company Bylaws - i.e., the company Georgeson S.r.l. with registered offices in Rome, Via Emilia 88).

The Chairman of the Board of Directors, Alberto dell'Acqua, the Directors Paolo Gallo, Silvia Stefini, Yunpeng He, Giandomenico Magliano, Veronica Vecchi, Andrea Mascetti, as well as the Chairman of the Board of Statutory Auditors Pierluigi Pace and both Standing Auditors, Marilena Cederna and Maurizio Di Marcotullio, attended the meeting (via conference calls, including from the Company's registered office).

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

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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Please note that, pursuant to Article 106 of Law Decree no. 18/2020, issued in the context of the still-ongoing pandemic, converted with amendments into Law 27/2020 and most recently referred to in art. 3, subsection 6, of Law Decree 183/2020 (the “Milleproroghe” Decree), converted, with amendments, into Italian Law no. 21/2021, attendance of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2020 (and any further shareholders' meetings as may be held by 31 July 2021) shall take place in the manner to be indicated in the related call notices, in compliance with said 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 and on 29 April 2020 updated the report on new predicate offences on tax matters pursuant to art. 25, *quinquiesdecies* provided for by Italian Legislative Decree no. 231/2001, introduced by Law 157/2019 converting the Decree Law 124/2019. It should also be noted, for the sake of completeness, that on 25 January 2021 the General Part of the Model was updated in relation to the causes of ineligibility and/or forfeiture of individual members of the Supervisory Board.

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 and Risks 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.

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.

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/export/sites/italgas/italgas-gallery/Documenti\\_it/07-governance/03-controllo-interno-e-compliance/02-responsabilita-amministrativa-231/ItalGas\\_modello231.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/07-governance/03-controllo-interno-e-compliance/02-responsabilita-amministrativa-231/ItalGas_modello231.pdf)

## 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 Chief Executive Officer describing all the activities performed by the same in the period and reports 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/export/sites/italgas/italgas-gallery/Documenti\\_it/07-governance/02-etica-dimpresa/01-il-codice-etico/Italgas\\_CodiceEtico.pdf](https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/07-governance/02-etica-dimpresa/01-il-codice-etico/Italgas_CodiceEtico.pdf)

### 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.

Due to the evolution of the structure and organisation of the Italgas Group, on 27 July 2020, the Board of Directors approved the update of the "Antitrust Compliance Standard" ("Antitrust and Consumer Protection Code of Conduct"), subsequently adopted by all Subsidiaries. In particular, on the one hand references to consumer protection provisions were analysed in depth, and, on the other, the description of the main circumstances prohibited by competition law was outlined in more detail, also using accurate references to the decision cases of the Italian Competition Authority.

This update was preceded by an assessment aimed at verifying the level of updating, in light of the criteria established by the guidelines of the Italian Competition Authority, of the "Antitrust" Compliance Standard already in force for Group companies.

An updated Antitrust and Consumer Protection Manual is attached to the Antitrust and Consumer Protection Code of Conduct, which describes the main antitrust and consumer protection provisions and provides an overview of the most important decision-making practices of the Italian Competition Authority.

The Manual is a more in-depth instrument available to the Italgas Group to carry out training and for any analysis that the Antitrust Oversight may be called to carry out in the exercise of its duties.

The Antitrust and Consumer Protection Code of Conduct is available on the Company's website: [https://www.italgas.it/export/sites/italgas/italgasgallery/Documenti\\_it/Italgas\\_CodiceAntitrust.pdf](https://www.italgas.it/export/sites/italgas/italgasgallery/Documenti_it/Italgas_CodiceAntitrust.pdf)

#### 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 to prevent and combat corruption 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 prevent and combat corruption to the provisions of the UNI ISO 37001:2016 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, consistently with the requirements of the aforementioned standard UNI ISO 37001:2016. 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 the aforementioned ISO, respectively the Board of Directors and the Chief Executive Officer of Italgas S.p.A. and Italgas Reti S.p.A.

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.

In 2019, as provided for by standard UNI ISO 37001:2016, the management system for the prevention of and fight against corruption was audited by the certification body DNV-GL Business Assurance Italia S.r.l. The audits concerned, in addition to confirmation of certification of the management system for the prevention of and fight against corruption, an extension of the certification scope of the latter in order to include all the activities carried out by Italgas S.p.A. in relation to the subsidiaries, for which formal extension of the management system for the prevention of and fight against corruption certified in 2020 is envisaged.

On 3 December 2019, the audit report of DNV-GL Business Assurance Italia S.r.l. was therefore issued highlighting, inter alia, that during the verification activities no "non-conformities" were detected and that the management system for preventing and combating corruption was found to be effective and compliant with the requirements of the UNI ISO 37001:2016 standard. DNV-GL Business Assurance Italia S.r.l. 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 for preventing and combating corruption pursuant to the standard UNI ISO 37001:2016 for Italgas S.p.A., also obtaining its extension to the "anti-corruption governance" of all the companies of the Italgas group, as well as for the subsidiary Italgas Reti S.p.A.

During the year, DNV-GL Business Assurance Italia S.r.l. confirmed once again, for the third year in a row, the certification of the management systems for preventing and combating corruption adopted by Italgas S.p.A. and Italgas Reti S.p.A.

On 3 December 2020, the audit report was therefore issued, in which DNV-GL Business Assurance Italia S.r.l. highlighted as elements worth noting: (i) the soundness and consistency of the management system for preventing and combating corruption adopted by Italgas S.p.A. and Italgas Reti S.p.A. with respect to the company's characteristics; (ii) the cooperation and transparency of the

staff interviewed and (iii) the application of the controls provided for by the public contracts code, even when Italgas S.p.A. operates in the private sector. During the year, the preparatory activities for obtaining the certification of the management systems in accordance with the requirements of the standard Uni ISO 37001:2016 adopted by Italgas Acqua S.p.A., Seaside S.r.l., Medea S.p.A. and Toscana Energia S.p.A., Gaxa S.p.A. (collectively "Subsidiaries") and Umbria Distribuzione Gas S.p.A., Metano Sant'Angelo Lodigiano S.p.A (collectively "Investees"), were also started.

The verification activities were carried out by DNV-GL Business Assurance Italia S.r.l. between June 2020 and December 2020 involved interviews with company representatives responsible for processes at potential risk, as well as verification of the measures and initiatives adopted in order to prevent and combat public and private, active and passive corruption.

Specifically, in accordance with the provisions of UNI ISO 37001:2016, each Subsidiary and Investee has adopted Italgas S.p.A.'s policy for preventing and combating corruption, illustrating the principles that each management system for preventing and combating corruption recognises and bases its actions on.

In the context of its own management system for preventing and combating corruption, each Subsidiary and Investee has identified the compliance function for preventing and combating corruption to which the roles, responsibilities and powers that the UNI ISO 37001:2016 standard assigns to the aforementioned function, are assigned, including: (i) supervising the design and implementation of the management system for preventing and combating corruption and its compliance with ISO requirements; (ii) carrying out the review of the management system for preventing and combating corruption and (iii) reporting on the performance of the management system for preventing and combating corruption to the competent corporate bodies and functions.

Aware that the effective implementation of the management system for preventing and combating corruption must, per force, include the definition of an adequate internal regulatory system aimed at defining roles, responsibilities, powers and rules of conduct to be observed in the performance of corporate activities, each Subsidiary and Investee Company shall adopt, in compliance with the provisions of the Italgas Enterprise System (i) if a Subsidiary Company, the organisational and governance model adopted by Italgas S.p.A. and therefore the regulatory and organisational tools of the management system for preventing and combating corruption of the same, including the "Anticorruption" Compliance Standard (ITH-STC-062-R00), the "Review for preventing and combating corruption" Compliance Standard (ITH-STC-067-R00), the "Reports, including anonymous reports, received by Italgas and its Subsidiaries" Compliance Standard (ITH-STC-061-R00); (ii) if an Investee Company, a management system manual which defines a systematic framework of reference for anti-corruption regulations, identifying roles and persons responsible for company processes at risk of corruption in order to ensure compliance with Anti-Corruption Laws.

The audits relating to the management systems for preventing and combating corruption adopted by the Subsidiaries and Investees were concluded positively; in particular DNV-GL Business Assurance Italia S.r.l. found the corporate officers and departments, supervised by the department of compliance for preventing and combating corruption, to be committed and cooperative, both in implementing and complying with the measures adopted to ensure the adequacy and suitability of each management system for preventing and combating corruption with regard to the requirements of the UNI ISO 37001:2016 standard.

Certification in accordance with UNI ISO 37001:2016 was therefore achieved for all the management systems for preventing and combating corruption adopted by each Subsidiary and Investee on the dates indicated below: (i) Italgas Acqua S.p.A. (15 July 2020); (ii) Umbria Distribuzione Gas S.p.A. (15 July 2020); (iii) Metano Sant'Angelo Lodigiano S.p.A. (15 July 2020); (iv) Seaside S.r.l. (28 September 2020); (v) Medea S.p.A. (2 October 2020); (vi) Toscana Energia S.p.A. (4 November 2020); (vii) Gaxa S.p.A. (18 November 2020).

The certification of all the management systems for preventing and combating corruption of all Group companies is further confirmation of Italgas S.p.A.'s commitment to preventing and combating all forms of corruption.

## 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>43</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).

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

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<sup>43</sup> Launched in July 2000, the Global Compact is an international initiative of the United Nations to promote ten universal principles relating to human rights, labour, environment and anti-corruption, which brings together governments, businesses, United Nations agencies, labour organisations and civil society with the aim of creating "a more inclusive and sustainable global economy" by incorporating compliance with, and application of, shared values.



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.).

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/>

## 16.7 Personal Data Protection

The European legal framework on personal data protection has been heavily revised by (EU) Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 "on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC", in effect as of 25 May 2018.

Acknowledging the new approach to risk dictated by the European legislator based on the principle of "accountability", namely the principle of accountability of the Data Controller, Italgas, in May 2018, specifically adopted a Privacy Organizational Model, defined in accordance with the regulatory provisions of the aforementioned EU Regulation 2016/679.

This Model formalises the roles and responsibilities regarding the protection of personal data processed within the scope of company activities.

Compliance standards were issued in the area of privacy and specifically in the area of Data Protection (with the definition of the key points on which the Data Protection Organisational Model of Italgas and its subsidiaries must be based, the identification of the key figures of the privacy organization chart, the definition of roles and responsibilities in accordance with the recommendations and best practices of the European Committee for Data Protection and the

provisions of the Italian Data Protection Authority) and in the area of Data Breach Management (in order to ensure the governance and implementation of the process of managing personal data violations).

Italgas has appointed a Data Protection Officer (DPO), responsible for informing and advising those involved in the processing of personal data, monitoring compliance with the Regulation, national provisions and company policies on the protection of personal data and cooperating with the Supervisory Authority, acting as a point of contact with the same.

The name of the DPO has been communicated to the Italian Data Protection Authority.

Italgas has kept a register of the processing activities carried out under its responsibility, which contains all the information referred to in art. 30.1 of the Regulation. A descriptive sheet has been prepared for each processing activity.

Appropriate technical and organisational measures are implemented to ensure a level of security appropriate to the risk to the rights and freedoms of natural persons, especially taking into account the risks represented by the processing, resulting in particular from the accidental or unlawful destruction, loss, alteration, unauthorised disclosure or access to personal data transmitted, stored or otherwise processed.

Where processing operations presented a high risk to the rights and freedoms of natural persons, a data protection impact assessment has been carried out to determine, in particular, the origin, nature, particularity and severity of that risk, and to implement, where necessary, additional security measures.

As early as 2019, data protection training was provided to Italgas Group personnel and it is continuously extended and updated.

All the Subsidiaries defined and formally approved a Data Protection Model consistent with the standards which inspired the Italgas Data Protection Model albeit designed in accordance with their specific requirements and their organisational structure. In implementation of the Model, each subsidiary has adopted procedures, appointed a DPO, implemented its own processing register and appropriate security measures and carried out training activities.

## 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 22 DECEMBER 2020 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The letter dated 22 December 2020 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 Sustainability Committee during the meeting of 18 January 2021, to the attention of the Appointments and Compensation Committee during the meeting of 21 January 2021, to the attention of the Control and Risks Committee during the meeting of 12 February 2021 as well as of the Board of Directors and of the Board of Statutory Auditors of the Issuer at the meeting held on 25 January 2021. 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.

In particular:

- (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 on the remuneration policy and compensation paid, prepared in accordance with art. 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 respected 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 (and, as of 1 January 2021, the New Corporate Governance Code) are rigorously applied and the control bodies supervise their correct implementation. Specifically, exemption from each criterion of independence recommended by the Corporate Governance Code/New Corporate Governance Code is considered exceptional and must necessarily be justified. In addition, in 2021 (24 February 2021) the Board of Directors defined ex ante the quantitative and/or qualitative criteria to be used to evaluate the significance of the relations to be assessed (see chapter 4.6 of this Report);
- (iv) the Board of Directors, with the assistance of the Appointments and Compensation Committee supervises the entire board review process, allowing, inter alia, an assessment of the Board's contribution to the definition of strategic plans;
- (v) on the subject of the appointment and succession of directors: a) the functions and activities performed by the Appointments and Compensation Committee in relation to the appointment of directors and self-evaluation are clearly distinct from those attributed to the said committee in relation to remuneration; b) the Company ensures the completeness and timeliness of the proposals of resolutions functional to the process of appointing corporate bodies and the Board of Directors provides guidance to the shareholders on its optimal composition (see Chapter 4.2 of this Report); c) reference should be made to Chapter 4.1 as regards the succession of directors.

- (vi) as regards remuneration A) the extent of the remuneration paid to non-executive directors and members of the board of statutory auditors is adequate in relation to the competence, professionalism and commitment required by their position; B) no sums are paid that are not linked to predetermined parameters (i.e. ad hoc bonuses); C) the report on the remuneration policy and the compensation paid, prepared in accordance with art. 123-ter of the CLF provides clear indications on the identification of the weight of the variable component, distinguishing between components linked to annual and multi-year time horizons; D) the remuneration policy of the Company provides for the linking of variable remuneration to long-term performance objectives, including non-financial parameters (such as inclusions in sustainability indices and reduction of emissions).

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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	Slate **	Exec .	Non - exec .	Indep . Corporate Governance Code (****)	Indep . 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		•		•		12/12						
Chief Executive Officer ♦	Gallo Paolo	1961	04/08/2016	04/04/2019	Financial statements 31/12/21	M	•					12/12						
Director	Dainelli Maurizio	1977	04/08/2016	04/04/2019	Financial statements 31/12/21	M		•				9/12				9/9	M	
Director	He Yunpeng	1965	04/08/2016	04/04/2019	Financial statements 31/12/21	M		•			4	12/12		12/12	M			
Director	Petrone Paola Annamaria	1967	04/08/2016	04/04/2019	Financial statements 31/12/21	M		•	•	•		12/12	14/14	P				
Director	Magliano Giandomenico	1955	04/04/2019	04/04/2019	Financial statements 31/12/21	M		•	•	•	1	12/12	14/14	M	12/12	P		



Director	Vecchi Veronica	1979	04/04/20 19	04/04/20 19	Financial statements 31/12/21	M		•	•	•		12/1 2			12 /1 2	M		
Director	Stefini Silvia	1964	04/04/20 19	04/04/20 19	Financial statements 31/12/21	m		•	•	•	1	12/1 2	14 /1 4	M			9/9	M
Director	Mascetti Andrea	1971	04/04/20 19	04/04/20 19	Financial statements 31/12/21	m		•	•	•	2	12/1 2					9/9	P

Indicate the quorum required for the submission of slates by minority shareholders for the election of one or more members (pursuant to Article 147-ter of the CLF): 1%

## 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. (\*) 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.

(\*\*\*\*) It should be noted that the verification of independence was carried out as at 31 December 2020 based on the circumstances of the Corporate Governance Code. In view of the Company's adherence to the New Corporate Governance Code applicable as of 1 January 2021, independence was also ascertained as at 10 March 2021 based on the circumstances of the New Corporate Governance Code. It should be noted that the Chairman is independent under the CLF and the New Corporate Governance Code.

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	•	17/17	1
Standing Auditor	Di Marcotullio Maurizio	1967	04/04/2019	04/04/2019	Financial statements 31/12/21	M	•	17/17	1
Standing Auditor	Cederna Marilena	1957	04/04/2019	04/04/2019	Financial statements 31/12/21	M	•	17/17	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

No. of meetings held during the year: 17

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.