



**GUIDELINES OF THE BOARD OF DIRECTORS OF ITALGAS S.P.A. TO  
SHAREHOLDERS ON THE FUTURE SIZE AND COMPOSITION OF THE NEW  
BOARD OF DIRECTORS**

**Approved by the Board of Directors on 21 February 2022**

## **Guidance of the Board of Directors of Italgas S.p.A. to the Shareholders on the future dimension and composition of the new Board of Directors**

Pursuant to the Recommendations of the New Corporate Governance Code drafted by the Corporate Governance Committee of Borsa Italiana (hereinafter the “**Corporate Governance Code**”), which Italgas S.p.A. (hereinafter the “**Company**” or “**Italgas**” or the “**Issuer**”) adheres to, the Board of Directors of the Company, based on the experience gained over the last three years and taking into account the results of the self-assessment on the functioning of the Board itself and its Committees, and having consulted with the Appointments and Compensation Committee, set out its guidance on the future size and composition of the Board of Directors, in view of the renewal of the corporate bodies scheduled for the Shareholders’ Meeting to be called to approve the financial statements for the year 2021.

### **Introduction**

The Company Bylaws of Italgas (the “**Bylaws**”)<sup>1</sup> state that the Company shall be managed by a Board of Directors composed of nine members appointed by the Shareholders’ Meeting, which shall establish its term of office for a period not exceeding three financial years. The Board of Directors is appointed by the Shareholders’ Meeting in compliance with the regulations in force at the time on gender balance, on the basis of slates submitted by the shareholders.

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<sup>1</sup> The full text of Italgas’ Bylaws can be found at the following address <https://www.italgas.it/wp-content/uploads/sites/2/2021/07/Statuto-Italgas-20.04.2021-ENG.pdf>

Only shareholders who alone or together with other shareholders represent at least 1% of the share capital are entitled to submit slates<sup>2</sup>.

Pursuant to the Bylaws, at least three directors must meet the independence requirements established by Legislative Decree No. 58/1998, as subsequently amended and supplemented (Consolidated Law on Finance, “CLF”) (i.e., pursuant to Article 147-ter, paragraph 4, of the CLF, the independence requirements established for statutory auditors of listed companies by Article 148, paragraph 3, of the TUF).

It should also be noted that, pursuant to Recommendation no. 5 of the Corporate Governance Code, in large companies other than those with concentrated ownership, such as Italgas<sup>3</sup>, the independent directors (within the meaning of both the CLF and the Corporate Governance Code, also taking into account the quantitative and qualitative criteria adopted from time to time by the Board of Directors, the “**Independent Directors**”) shall make up at least half of the board of directors.

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<sup>2</sup> Pursuant to Article 13 of the Bylaws “*Slates may only be presented by Shareholders who, alone or together with other Shareholders, represent at least 2% or are together the owners of such other stake in the capital as Consob may set in its regulations.*” By Managerial Resolution no. 60 of 28 January 2022 of the Head of the Corporate Governance Division, Consob determined, pursuant to Article 147-ter, paragraph 1 and Article 148, paragraph 2, of the CLF and Article 144-septies, paragraph 1, of the Regulations approved by Consob Resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented (the “**Issuers’ Regulations**”), that the minimum shareholding threshold required for the submission of slates of candidates for the election of the management and control bodies of Italgas is 1% of the share capital.

<sup>3</sup> The Corporate Governance Code defines a “*large company: a company whose capitalisation exceeded 1 billion euros on the last trading day of each of the three preceding calendar years*” and a “*concentrated ownership company: a company in which one or more shareholders participating in a shareholders’ agreement hold, directly or indirectly (through subsidiaries, trustees or intermediaries), the majority of the votes that can be cast at an ordinary shareholders’ meeting*”. Italgas qualifies as a large non-concentrated ownership company.

All directors of Italgas must meet the requirements of integrity laid down by current legislation (i.e., pursuant to Article 147-*quinquies*, paragraph 1, of the CLF, the requirements of integrity laid down for statutory auditors of companies with listed shares, see Article 2 of Decree No. 162/2000).

Moreover, 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*".

The rules on gender balance state that the less represented gender must obtain at least two-fifths of the elected members (Article 147-*ter*, paragraph 1-*ter*, of the CLF) and that, if the application of the gender distribution criterion does not result in a whole number of members of the administrative bodies belonging to the less represented gender, this number shall be rounded up to the nearest whole number (Article 144-*undecies*.1, paragraph 3, of the Issuers' Regulations). Therefore, at the Shareholders' Meeting for the renewal of the corporate bodies of Italgas, four Directors out of nine belonging to the least represented gender shall be elected. In this regard, for the sake of completeness, it should be noted that the Bylaws specify that slates with three or more candidates must include candidates of different genders.

Lastly, seven directors will be taken from the slate that has obtained the majority of votes cast by the shareholders, while the remaining two directors will be taken from the other slates that are not connected in any way, not even indirectly, with the shareholders who submitted or voted for the slate that obtained the highest number of votes.

### **Size of the Board of Directors**

According to corporate governance best practices, the number of members of the board of directors must be appropriate for the size and complexity of the Company, so as to effectively oversee the company's operations, in particular in terms of guidance and management supervision.

The correct size of the board of directors is also determined on the basis of the structure of the Board Committees and their composition, in order to avoid an excessive accumulation of offices for Directors and to ensure the adequate presence of Independent Directors. In light of this, the outgoing Board of Directors considers the following as appropriate:

- the current number of Directors (nine), as established in the bylaws,
- the current ratio of Executive Directors (one) to Non-Executive Directors (eight);
- the current balance between Independent Directors (six) and non-independent Directors (three).

Without prejudice to the foregoing, it should be noted that, pursuant to the Corporate Governance Code, since Italgas qualifies as a large company with non-concentrated ownership, at least half of the administrative body must be made up of Independent Directors.

With reference to compliance with the independence requirements, it should be noted that on 24 February 2021, in order to comply with the Recommendations of the Corporate Governance Code, the Board of Directors of Italgas, at the proposal of the Appointments and Compensation Committee, approved the quantitative and qualitative 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 family members" for the purposes of Recommendation no. 7, letter h) of the Corporate Governance Code<sup>4</sup>.

## Composition of the Board of Directors

<sup>4</sup> 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.

As regards 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 Corporate Governance Code. The Board of Directors of Italgas considers as close relations, parents, adult children, non-legally separated spouses and co-habiting partners.

The outgoing Board of Directors hopes that in the future Board there will be broad dissemination of the following knowledge, skills and experience:

- knowledge of Italgas' business and the related scenarios and strategies of the sector in which the Group operates;
- entrepreneurial experience and/or business management and company organisation experience;
- the ability to read and interpret economic and financial management data and financial statements;
- expertise in financial matters, extraordinary transactions and M&A;
- business judgement (capacity to determine and/or assess the criteria to use and/or used in relation to the alternatives, skilled in the methods, congruity and conducting of analyses, ability to make economic evaluations and assess outcome risks and decisions).
- Innovation, Information Technology/Digital/Cybersecurity.

The Board also points out the importance of representing the following profiles within the Administrative Body:

- risk management expertise;
- expertise in strategic and market orientation (evolution of scenarios and industry opportunities and risks, evolution of competitiveness drivers and competitors, medium/long-term sector and business opportunities and the identification, analysis and evaluation of options and strategic choices).

In view of the renewal, the Board recommends that all the aforementioned skills be represented within the body, both ensuring an effective balance between the value of continuity and the need for constant renewal of the Board itself, and achieving an adequate diversification and complementarity of professional profiles.

The issue of “soft skills” was also specifically considered by the current Directors, which led to the following attitudinal characteristics being attributed importance for the profile of Italgas Directors:

- ✓ *Independence of thought and integrity;*
- ✓ *Results-oriented;*
- ✓ *Ability to manage conflicts constructively;*
- ✓ *Collaboration and influence;*
- ✓ *Ability to work in a team;*
- ✓ *Ability to interact with top management;*
- ✓ *Ability to integrate sustainability issues into the strategic and business vision;*
- ✓ *Adequate availability of time and energy;*
- ✓ *Balance in the search for consensus.*

## **Diversity**

With regard to the diversity of corporate bodies, reference should be made to Italgas’ “Policy for the diversity of corporate bodies”, most recently updated by the Board of Directors with a resolution dated 25 January 2021, after having consulted the Appointments and Compensation Committee, in light of the Corporate Governance Code.

The Policy describes, also pursuant to Article 123-*bis*, letter d-*bis*, of the CLF, the Company’s diversity policies (as well as the related objectives and implementation methods) and indicates, also pursuant to Recommendation 23 of the Corporate Governance Code, some criteria that should be taken into consideration by the



Company's shareholders when defining the optimal composition of the corporate bodies<sup>5</sup>.

For the future Board, it is hoped that there will be distinctive diversification in terms of gender, skills, professionalism and age, as well as managerial/business experience or in non-executive roles, preferably in listed companies or in any case in companies of a complexity comparable to Italgas.

Note that the least represented gender must obtain at least two-fifths of the elected members, rounded up to the nearest whole number. Therefore, four out of nine Italgas Directors must belong to the least represented gender.

#### **Commitment and time availability**

Adequate availability of time and energy to devote to the performance of the office, given the nature, quality and complexity of the same, is a fundamental requirement that all candidates for Director must ensure, also in relation to activities deriving from participation in the work of Board Committees, where they are members.

For the purposes of this assessment, the candidates for Director must take into account both the commitment required of them by their other professional and working activities, and the positions they hold on the boards of directors and of statutory auditors of other companies.

In this latter regard, reference is made to the Guideline on the limits and prohibitions on the accumulation of offices as director or statutory auditor held by Italgas Directors in other "relevant companies" not belonging to the Italgas Group,

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<sup>5</sup> The "Compliance Policy Standard for the diversity of corporate bodies" is available on the Issuer's website at the following link: <https://www.italgas.it/wp-content/uploads/sites/2/2021/06/Standard-di-Compliance-Policy-per-la-diversita-degli-organi-sociali-2.pdf>

most recently adopted by the Italgas' Board of Directors with a resolution passed on 21 February 2022, subject to the favourable opinion of the Appointments and Compensation Committee, in compliance with the provisions of the Corporate Governance Code<sup>6</sup>.

In order to facilitate the evaluation by the candidates for Director of the adequate availability of time, the number of meetings held in 2021 and the average number for the three-year period 2019-2021 are shown for information purposes only:

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<sup>6</sup> In particular, the Board of Directors of Italgas has adopted the following guideline on the limits and prohibitions on the accumulation of offices as director or statutory auditor held by Directors in other "Relevant Companies" not belonging to the Italgas Group:

(i) for non-executive directors the limit of an additional 4 offices (weighting executive appointments or appointments as non-executive chair as double);

(ii) for the Chief Executive Officer and any additional executive directors:

- 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;

(iii) interlocking prohibition, for the Chief Executive Officer of Italgas, who cannot hold the office of a Board Director in another issuer company not belonging to the Italgas Group in which another Board Director of Italgas is the Chief Executive Officer;

(iv) for the purposes of the limits on the accumulation of offices, to consider as "Relevant Companies" any Italian or foreign company which is:

- an issuer company (in Italian or foreign regulated markets); or
- a company operating in the insurance, banking or financial sectors (e.g., asset management company, brokerage company); or
- a company with net equity over 1 billion euros,

even one of the above conditions being sufficient for the company to be considered relevant.

|   | Meetings in 2021 | Average meetings in the three-year period 2019-2021 |
|---|------------------|---|
| <b>Board of Directors</b>                                     | 15               | 12.3  |
| <b>Control, Risk and Related Party Transactions Committee</b> | 12               | 11.6  |
| <b>Appointments and Compensation Committee</b>                | 11               | 11.3  |
| <b>Sustainability Committee</b>                               | 13               | 11.3  |

### **Relevant roles within the Board of Directors**

Given the importance of certain roles within the Board of Directors, the Italgas Directors also indicate the main specific characteristics of the persons called upon to hold such positions within the new Board, also in light of Italgas' strategy for the future.

#### Chairman of the Board of Directors

In addition to the characteristics relevant to all Directors, the Board considers that the Chairman should have, in particular:

- authority and standing to represent all Shareholders with independence;
- specific knowledge of corporate governance issues;
- previous experience in leading Boards of Directors of listed companies and/or companies of similar size or complexity;
- the ability to foster the integration of the different skills and experience of the Directors, working in synergy with the Chief Executive Officer.

### Chief Executive Officer

In addition to the characteristics relevant to all Directors, the Board believes that the Chief Executive Officer should have:

- experience as CEO or in a top management position in listed companies and/or companies of a size and complexity comparable to those of Italgas;
- leadership and entrepreneurial skill;
- high credibility and authority;
- intellectual independence and integrity;
- sensitivity to sustainability issues.

Within this perimeter, the specific know-how of the business sectors similar to Italgas is considered a further qualifying element for the role of Chief Executive Officer.

Moreover, with reference to the relationship between the Chairman and the Chief Executive Officer, the Board emphasises the need for a complementary relationship between the two figures, to ensure the effective functioning of the Board and, more generally, of the Company's governance.

### **Board Committees**

In general, the Board considers it appropriate to confirm the current structure and arrangement of the Board committees, also in terms of duties and size. In addition, it is suggested that future Board members should participate in a maximum of two Committees, in order to devote the right amount of time to the activities within the scope of such Committees.

### **Recommendations to shareholders submitting a slate**

Finally, the Board invites:

- shareholders who submit their own slates of candidates for the appointment of the board of directors to ensure that such slates are accompanied by all the information necessary to enable shareholders to cast their votes in an informed manner, including an indication of the suitability of the candidates to qualify as independent;
- shareholders who submit a slate of candidates exceeding half the number of members (also in line with Recommendation no. 23 of the Corporate Governance Code), to:
  - (i) provide adequate information, in the documentation submitted for the filing of the slate, on whether the slate complies with the guidance expressed by the outgoing Board, also with reference to Italgas' "Policy for the diversity of corporate bodies" and the diversity criteria set forth in Principle VII and Recommendation 8;
  - (ii) indicate their candidate for the office of Chairman of the Board of Directors, who shall be appointed in accordance with the procedures laid down in the bylaws.