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**ERG Group**

**Directors' Code of Conduct**



### **1. Recipients**

This code of conduct is addressed to directors appointed by the Parent company or its subsidiaries to the boards of companies belonging to the ERG Group or to affiliated companies.

Subject to observance of the principle of operational autonomy referred to in the Corporate Governance Code, the recommendations provided in this code of conduct are also intended for directors appointed to positions in listed companies.

The directors eligible as independent pursuant to the requirements set forth by Article 2399, first paragraph, of the Italian Civil Code and Article 148, third paragraph of the Consolidated Law on Finance (*TUF*) are to be considered excluded from the field of application of this code of conduct.

### **2. Purpose**

The purpose of this code of conduct is to provide recipient directors with uniform standards of behaviour such as to enable them to perform their office within an organised framework of reference, in observance of the principles of Corporate Governance and also, wherever possible, in keeping with the interests of the Group as defined below.

The code should also be seen as a tool aimed at maximising the support which the Group, by using all the resources present within it, offers to the directors to whom the code is addressed, enabling them to enhance their performance of the tasks assigned to them.

In consideration of the aforesaid purposes, the Group reasonably expects that, whilst the general terms and conditions of this code are not mandatory, the directors to whom it is addressed will abide by its recommendations.

Without prejudice to the foregoing, the directors are in any case expected to fully observe the requirements set forth in the following articles: 7, Prior consultation; 8, Attendance at meetings; 9, Uniformity of conduct; 10, Report; 11, Information to the Parent company; 12, Managing Directors; 13, Relations with Statutory Auditors; 14, Reporting of Irregularities; 16, Emoluments.

### **3. ERG Group and Affiliated Companies**

For the purposes of this code, the companies forming part of the ERG Group are considered to be those that are directly or indirectly controlled by ERG S.p.A., even jointly with other shareholders.

Affiliated companies are those in which the Parent company or its subsidiaries hold an interest of any size giving entitlement to appoint one or more members of the Board.

Directors appointed upon designation by the Parent Company or its shared control Joint Venture subsidiaries and/or those with a shared Governance system must pay special attention to the protection and enhancement of the Group's interests, as defined below, whilst constantly ensuring that the

strategic and operational management of the Joint Venture is carried out in full observance of the articles of association and shareholder agreements.

#### **4. *The Group's interest***

For the purposes of this Code, the Group's interest is the common interest of the Parent company and the subsidiaries, including those jointly controlled, in maximising the overall value of the business activities performed by the companies within the Group.

The Group's interest is also pursued via the optimisation of advantages deriving from the management and coordination activities carried out by the Parent company for the individual subsidiaries, within the framework of the provisions set forth by Articles 2497-*bis et seq.* of the Italian Civil Code, as contemplated by Article 5 below.

#### **5. *Management and coordination activities***

The Parent company carries out management and coordination activities for the companies it directly and/or indirectly controls. These activities generally include the definition of business strategies, the stipulation of strategic policies regarding organisational aspects and personnel policies at a macro level, strategic finance and Group treasury management, the management of tax-related issues especially as regards planning, the management of communication policies and institutional relations, the management of health, safety and environment policies, the centralised management of information systems, the definition of risk management policies, the centralised management of corporate obligations, legal support for the most significant transactions, the definition of common policies for internal audit and corporate security purposes, the definition of guidelines for the preparation of financial statements, the management of non-oil purchases.

With reference to the companies that are subject to the management and coordination activities of the Parent company, pursuant to Article 2497-*ter* of the Italian Civil Code, the directors must ensure that any decisions influenced by such activities on the part of the Parent company are explained in detail and precise indication is provided of the reasons and interests behind any such decision. The directors must also give an adequate account of these decisions in the Report on operations which accompanies the financial statements for the year.

With regard to listed subsidiaries, the ambit within which management and coordination activities are performed will take account of the applicable legislative and regulatory outlook, with special reference to the requirements set forth by Article 37 of the Market Regulations.

#### **6. *Conflict of interests***

When performing their mandate the directors will refer to Article 2391 of the Italian Civil Code as regards any conflict of interests concerning themselves directly or their relations with third parties.

In particular, the directors must give notice to the other directors and to the Board of Statutory Auditors of any interest they may have, on their own behalf or on behalf of a third party, in a specific company transaction, stating the nature, terms, origin and extent of the interest. If the holder of an interest, on his own behalf or on behalf of a third party, is the managing director of the company, he must refrain from carrying out the transaction, entrusting such task to the corporate body. In the abovementioned cases, the Board of Directors' resolution must adequately show the reasons behind the transaction in question and its advantages for the company.

The aforementioned rule must be adhered to not only an individual level but also in situations potentially involving other members of the board.

Constant care will therefore be taken with regard to situations that may arise where members of the board hold an interest, either directly or on behalf of a third party, in relation to matters on the agenda.

The directors will pay particular attention in this respect to all the transactions with third parties which the board may be called upon to approve, expressly requesting the other members of the board to declare any relationships, directly or indirectly concerning them, which could give rise to a conflict of interests between themselves and the company.

As far as transactions with related parties are concerned, and infra-group transactions in particular, the directors must observe the Guidelines for identifying and carrying out significant transactions, which were approved by the Parent company on 6 August 2004.

The directors will inform their hierarchical and functional reference persons, (or the person(s) in charge of any office(s) involved insofar as pertaining thereto) of the existence of a potential risk of conflict, whether direct or on behalf of a third party, regarding a specific company transaction.

In the same way any director discovering anything which might lead to a direct or indirect personal advantage for the other directors, or which is of an anomalous or improper nature compared to the normal operational criteria, is bound to likewise report same.

## **7. *Prior consultation***

Directors will promptly inform their hierarchical and functional reference persons, (or the person(s) in charge of any office(s) involved insofar as pertaining thereto) of the scheduled meetings of the board of which they are members, so as to allow prior consideration of any issues concerning the points on the agenda.

If on the same Board there are several directors appointed by the Group, they will consult with each other, without prejudice to the previous paragraph, in order to define as uniform an approach as possible for the meeting.

Should a substantial and insurmountable difference of opinion between the directors arise from this consultation, they will again involve their respective reference persons in order to identify a possible solution

Insofar as concerns the directors appointed in listed companies, the aforesaid obligations must be fulfilled in observance of the confidential nature of corporate information according to the requirements set forth in point 4.P.1. of the Corporate Governance Code and as laid down by applicable legislative and regulatory provisions.

#### **8. Attendance at Meetings**

Directors will guarantee a regular attendance at the meetings of the board of which they are members.

If a director is unable to attend a board meeting, he must give prior notice to his hierarchical and functional reference persons, and to the other directors appointed by the Group to the same board.

A director's non-attendance at more than 2/3 of the board meetings held during a financial period will result in discontinuation of his fiduciary relationship with the Group, reference being made, for such purpose, to the provisions set forth by Article 17, second paragraph.

#### **9. Uniformity of conduct**

If several directors appointed by the Group are present at the same board meeting, they will, insofar as possible, while discussing items on the agenda or when debating a resolution, avoid assuming positions that are discordant or might denote the existence of non-uniform lines of thought concerning the items under discussion.

Where points are raised that were not on the agenda and could not, therefore, be discussed by the directors beforehand, if the directors realise that there are differences of opinion, however slight, they will either call for a brief recess, so as to be able to weigh up the various points of view and if possible identify a common line of conduct, or ask for the matter to be discussed at a future meeting.

#### **10. Report**

After each meeting of the board of which they are members, the directors will ensure that an adequate report is sent to their respective hierarchical and functional reference persons, and to the person(s) in charge of any office(s) involved insofar as pertaining thereto, regarding the resolutions passed, also indicating any matters that emerged during the meeting which the director believes contain aspects that are of interest or may represent a problem for the Group.

In case there are several directors designated by the Group present at the same board meeting, a jointly prepared report is preferred.

Insofar as concerns the directors appointed in listed companies, the aforesaid obligations must be fulfilled in observance of the confidential nature of corporate information according to the requirements set forth in point 4.P.1. of the Corporate Governance Code and as laid down by applicable legislative and regulatory provisions.

### **11. Information to the Parent company**

The directors of Group companies will monitor over time the regular and consistent flow of information between the company and the Parent company, in order for the latter to be able to fulfil its disclosure obligations vis-à-vis the market's supervisory bodies and the market itself.

### **12. Managing Directors**

Directors assigned powers relating to a Group company's ordinary and extraordinary management, in addition to exercising same whilst maintaining the necessary relations with their respective hierarchical and functional persons, will also ensure the exercise thereof in the pursuance of the Group's interest, as defined in Article 4 above, and within the scope of the strategic guidelines and the policy and management directives arising from the management and coordination activities carried out by the Parent Company. They will in any case report periodically to their boards of directors, at least every quarter, on the actions performed in exercising their powers. Likewise, the directors appointed to companies where the powers of ordinary and extraordinary management have been assigned to a director appointed by another shareholder will make sure that the board receives a periodic update from the managing director regarding the actions carried out within the scope of his power.

### **13. Relations with Statutory Auditors**

Where auditors designated by the Group are included on the Board of Statutory Auditors, the directors will maintain with same adequate and continuous relations, so as to ensure full coverage of all aspects regarding the company's management in which, by reason of the position they hold, they are involved.

### **14. Reporting of irregularities**

Should the directors become aware of possible irregularities, or in any case of circumstances not in keeping with the normal and correct management of the company, they will immediately inform their hierarchical and functional reference persons (or the person(s) in charge of any office(s) involved insofar as pertaining thereto) in order to define the actions to be taken to protect the interests of the company and of the Group. Insofar as concerns the directors appointed in listed companies, the aforesaid obligations must be fulfilled in observance of the confidential nature of corporate information according to the requirements set forth in point 4.P.1. of the Corporate Governance Code and as laid down by applicable legislative and regulatory provisions.

**15. Liability**

The directors' abidance by the recommendations of this code of conduct, in particular those concerning relations with their hierarchical and functional reference persons, does not release them from any liability they may incur when carrying out the duties they were appointed to fulfil.

Furthermore, the Group has adopted a general policy exonerating directors from their liabilities only insofar as there is no misconduct or gross negligence, to be implemented by way of appropriate resolutions passed by the individual companies, which will however take into consideration specific corporate circumstances.

**16. Emoluments**

Emoluments resolved in favour of directors who are employees of a Group company, unless determined otherwise, will be charged directly to such company.

This is in consideration of the fact that the role performed comes within the duties set forth in the employment contract signed with the director's company.

Directors will ensure that this circumstance is clearly specified in company resolutions.

**17. Fiduciary Relationship**

When choosing the persons invited to hold directorships in companies directly or indirectly controlled by ERG S.p.A. or in affiliated companies, the Group attributes special importance to the existence and maintenance of a reciprocal fiduciary relationship.

Therefore, in cases where this kind of relationship, for whatsoever reason, no longer exists, the Group can reasonably expect the director to acknowledge the fact, with a view to taking the appropriate course of action.

In the particular case of directors employed by Group companies, termination of their employment, for whatsoever reason, is normally considered to imply discontinuation of the fiduciary relationship.

**18. Ethical principles**

Directors will perform their mandate in full observance not only of the law and the recommendations contained in this code of conduct, but also of the ethical principles set forth in the ERG Group Code of Ethics.

Moreover, the directors will strive to promote compliance with the Group's ethical principals as set forth in the Code of Ethics also on the part of the companies where they hold their office.

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