



**REPORT ON CORPORATE GOVERNANCE
AND SHAREHOLDINGS**



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EVOLUTION OF APPROACH

The current governance structure of ERG S.p.A. has been developed over time by gradually introducing into the ERG corporate approach rules of conduct reflecting the most advanced, recognised principles of corporate governance.

Even before the company was listed in October 1997, one of its key features was a focus on a proper relationship between management and shareholders and on ensuring that business operations were directed towards value creation.

This corporate policy was implemented via:

- coordinated delegation of powers within the Board of Directors in such a way as to assure (a) clarity and completeness of executive accountabilities and (b) monitoring of activities and assessment of results achieved;
- regular and adequate reporting to the Board on actions taken in the exercise of powers and of managerial responsibilities;
- adoption of specific procedures to determine remuneration for directors and management.

Its presence on the stock market has clearly accentuated the company's propensity to base its conduct on the criteria of transparency and correctness. It has also accelerated the process of adapting both house regulations and organisation to meet these criteria.

This corporate policy was therefore put into effect by means of:

- adoption of a Group Compensation Plan to align the interests of management with those of shareholders, and strengthen the relationship between managers and the company in terms of awareness of the importance of the stock value and its continuity over time;
- appointment of independent directors to the Board;
- approval of a Code of Conduct for the directors of Group companies – revised on 12 November 2009;
- acceptance of the Italian Corporate Governance Code for Listed Companies since its first edition in 1999, most recently reviewed in 2006;
- ERG's presence from 2001 to 2005 in STAR, a segment of the stock market introduced by Borsa Italiana S.p.A. (the company managing the Milan Bourse) to give significant visibility to companies prominent for the special attention paid to corporate governance matters;
- definition of (a) guidelines for the identification and execution of significant transactions and of (b) other governance documents designed to assure transparent and timely management of the Group's relationship with the market;
- adoption of a Code of Business Ethics as a tool for defining and communicating ERG's duties and responsibilities towards its stakeholders, as well as being an imperative element of an organisation and management model consistent with the requirements of Italian Legislative Decree no. 231/2001;
- amendment of the Articles of Association to bring them into line with the regulatory changes introduced by way of the Italian Company Law Reform;
- the adoption of an Enterprise Risk Management Model, with the objective of identifying, as exhaustively as possible, the risks inherent in the ERG Group's full range of business activities.

INFORMATION ABOUT THE OWNERSHIP STRUCTURE AT 31 DECEMBER 2009 (PURSUANT TO ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCE ACT)

Share capital structure

	NUMBER OF SHARES	% OF SHARE CAPITAL	LISTED (INDICATE MARKETS) / UNLISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	150,320,000	100	ITALIAN STOCKEXCHANGE/ BLUE CHIP SEGMENT	
SHARES WITH LIMITED VOTING RIGHTS	–	–		
SHARES WITHOUT VOTING RIGHTS	–	–		

Significant investors in the share capital

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL HELD	% OF VOTING CAPITAL HELD
SAN QUIRICO S.P.A.	SAN QUIRICO S.P.A.	55.942	55.942
SAN QUIRICO S.P.A.	POLCEVERA S.A.	6.905	6.905
GENERALI INVESTMENTS ITALY SGR S.P.A.	GENERALI INVESTMENTS ITALY SGR S.P.A.	2.228	2.228
TRADEWINDS GLOBAL INVESTORS LLC	TRADEWINDS GLOBAL INVESTORS LLC	2.003	2.003

Other information

	YES	NO	NO INFORMATION AVAILABLE
SHARE TRANSFER RESTRICTIONS		X	
VOTING RESTRICTIONS		X	
SHAREHOLDER PACTS			X
AGREEMENTS PURSUANT TO ART. 123-BIS, PARA. 1, SUBPARA. I) OF THE ITALIAN CONSOLIDATED FINANCE ACT		X	

Note that:

- there are no securities conferring special control rights;
- there are no employee share schemes;
- pursuant to Article 123-bis, paragraph 1, point h) of Legislative Decree 58 of 24 February 1998, it should be noted that there are in existence financing transactions containing the usual provisions regarding the change of control of the debtor, which, at least in one case, could involve the reimbursement of the loan in question if there is a change in control at ERG S.p.A. (loan provided by Intesa San Paolo for EUR 50 million, maturing on 31 December 2014). It should also be noted that there are in existence partnership agreements with third parties relating to certain investee companies, which allow for the possibility, but not the obligation, as is frequently the case in such agreements, whereby third parties that are shareholders of the above-mentioned investee companies, can acquire, usually at market conditions, the shares or stakes of the shareholder belonging to the ERG Group if there is a change in control at ERG S.p.A. Notable in this regard is the case of Ionio Gas, where the other shareholders has rights that can be exercised in relation to the stake belonging to the ERG Group in the event of a change in control at ERG S.p.A., in accordance with the limits and conditions set out in the related agreements. Provisions of the same nature and/or purpose, formulated in various ways, are contained in the agreements relating to SIGEA S.p.A.

(and to the indirect stake in SIGEMI S.r.l.) and with reference to other minor stakes in investee companies. Lastly, for the purposes of full disclosure, mention should be made here of the agreements relating to TotalErg, although these were finalised after the end of 2009, under which the other shareholder, in the event of the circumstances described in the agreements and according to the procedures set out therein, has the possibility of acquiring a stake from the ERG Group equivalent to 2% of TotalErg, if there is a change in control at ERG S.p.A.;

- for rules applicable to the appointment and replacement of directors, and to amendments to the Articles of Association, please refer to the relevant sections of this report;
- no powers have been granted to directors in relation to capital increases pursuant to Article 2443 of the Civil Code;
- the directors have no powers to issue equity instruments;
- the Board of Directors' power to issue convertible bonds expired on 28 April 2009;
- the Board of Directors' authorisation to purchase treasury shares was granted by the shareholders' meeting on 23 April 2009 and is valid for 12 months from that date.

CORPORATE GOVERNANCE

ERG S.p.A.'s corporate governance system complies with the requirements of the Italian Civil Code and of other specific regulations relating to companies – particularly those contained in Italian Legislative Decree No. 58 of 24 February 1998 (the "Italian Consolidated Finance Act") – and is consistent overall with the Italian Corporate Governance Code for Listed Companies, which has been revised and updated over the years. The latest version of the Italian Corporate Governance Code for Listed Companies is available from the website www.borsaitaliana.it. ERG corporate governance comprises the statutory bodies, board committees and documents that regulate their operation.

STATUTORY BODIES

BOARD OF DIRECTORS

The Shareholders' Meeting of 23 April 2009 appointed the new Board of Directors. The 12 Board members are expected to remain in office until the approval of the financial statements for the year ended 31 December 2011.

In accordance with the Articles of Association, directors are appointed on the basis of lists presented by shareholders which, accompanied by information on the personal and professional characteristics of the candidates and a declaration of whether they meet the independence requirements, must be filed at the Company's registered office at least fifteen days prior to the Shareholders' Meeting.

The lists may only be presented by shareholders who, either individually or with other shareholders, represent the minimum percentage of share capital (currently 2%) established in accordance with the regulation implementing Legislative Decree No. 58 of 24 February 1998 concerning issuers (the "Issuers' Regulation"), in force on the date of the Shareholders' Meeting. The list presented by the shareholder San Quirico S.p.A. and the curricula vitae of candidates were filed at the company's registered office 15 days prior to the shareholders' meeting and were published at the same time in the Shareholders / Corporate Governance section of the website www.erg.it.

On 15 December 2009, the Board of Directors appointed Luca Bettonte to replace Riccardo Garrone, who stepped down from the Board on that date. Mr Bettonte will remain in office until the next Shareholders' Meeting. Mr Garrone will continue to assist the Board of Directors as Honorary Chairman.

At the same meeting, the Board of Directors also appointed Luca Bettonte as Chief Corporate

Officer and approved the new organisational macrostructure of the parent company as of 1 January 2010.

Riccardo Garrone - *Honorary Chairman*

Members:

Edoardo Garrone - *Chairman*

Pietro Giordano - *Deputy Chairman*

Giovanni Mondini - *Deputy Chairman*

Alessandro Garrone - *Chief Executive Officer*

Massimo Belcredi - *Director*

Luca Bettonte ⁽¹⁾ - *Director*

Lino Cardarelli - *Director*

Aldo Garozzo - *Director*

Giuseppe Gatti - *Director*

Antonio Guastoni - *Director*

Paolo Francesco Lanzoni - *Director*

Graziella Merello ⁽²⁾ - *Director*

Non-executive directors:

Aldo Garozzo

Independent directors:

Massimo Belcredi

Lino Cardarelli

Antonio Guastoni

Paolo Francesco Lanzoni

The Board of Directors assessed the independence of the Directors listed above according to the recommendations of the Corporate Governance Code, giving special consideration to substance over form and bearing in mind the application criteria set forth therein.

The Board of Directors conducted this assessment at its first meeting subsequent to the appointment and periodically checks that these requirements are still valid (during the Board meeting called to examine the first quarterly report).

In 2009, the independence assessment was carried out during the Board meeting on 23 April.

The Board of Statutory Auditors verified the correct application of the criteria and certification procedures adopted by the Board to assess the independence of its members.

With regard to the composition of the Board of Directors and the distribution within same of offices and powers, it was not considered necessary to designate a lead independent director.

On 21 December, the independent directors held their own meeting without the other directors present, but remained in contact and regularly consulted each other in advance on the principal matters examined by the Board of Directors.

(1) appointed on 15 December 2009, when he also took on the role of Chief Corporate Officer

(2) appointed on 23 April 2009, when he took on the role of executive director appointed to oversee the functioning of the internal control system

OTHER APPOINTMENTS HELD BY DIRECTORS IN LISTED FINANCE, BANKING AND INSURANCE COMPANIES OR LISTED COMPANIES OF SIGNIFICANT SIZE

Riccardo Garrone	<i>Chairman of U.C. Sampdoria S.p.A. Chairman of Banco di San Giorgio S.p.A.- Gruppo UBI Banca Chairman of Capitalimpresa S.p.A.</i>
Edoardo Garrone	<i>Director of Pininfarina S.p.A.</i>
Alessandro Garrone	<i>Director of Banca Passadore e C. S.p.A. Director of MutuiOnline S.p.A.</i>
Massimo Belcredi	<i>Director of Arca SGR S.p.A.</i>
Luca Bettonte	<i>Director of ERG Renew S.p.A.</i>
Lino Cardarelli	<i>Deputy Chairman of Ambromobiliare S.p.A. Director of CoeClerici S.p.A.</i>
Giuseppe Gatti	<i>Chairman of Iride Mercato S.p.A. Chairman of Grandi Reti S.c.ar.l.</i>
Pietro Giordano	<i>Director of ERG Renew S.p.A.</i>
Antonio Guastoni	<i>Chairman of the Board of Auditors of the Milan Chamber of Commerce (CCIAA) Chairman of the Board of Statutory Auditors of PARCAM S.r.l. Standing Auditor of Leonardo Sgr S.p.A. Standing Auditor of Giulio Fiocchi S.p.A. Standing Auditor of Finlombarda Sgr</i>
Paolo Francesco Lanzoni	<i>Director of Finservice S.p.A.</i>

Other attendees of Board meetings

Depending on the matters under discussion, Group management representatives also take part in Board meetings.

Directors' remuneration

Directors' remuneration is determined, for each financial year, by the Ordinary General Shareholders' Meeting called to approve the year-end financial statements.

The Shareholders' Meeting also fixes the remuneration of the directors serving on committees within the Board.

The emoluments of the Chairman, Deputy Chairmen, and Chief Executive Officer are determined by the Board of Directors on the basis of a recommendation made by the Nominations and Remuneration Committee.

Powers

The Board of Directors has granted the Chairman Edoardo Garrone the authority to manage the staff functions carried out by the Institutional & International Relations Division, and in the context of the General Secretariat, by the Corporate Affairs Division, with responsibility for supervision, direction and control.

The Board has granted the Deputy Chairman Pietro Giordano the authority to manage the Group's M&A activity, with responsibility for supervision, direction and control.

The Board has granted the Director Giuseppe Gatti the authority to manage scientific research in the Oil and Power sectors, with responsibility for supervision, direction and control.

The Board has granted the Director Graziella Merello the authority to manage the Internal Audit and Risk Office Divisions, with responsibility for supervision, direction and control.

The Chief Executive Officer, Alessandro Garrone, holds the powers of legal representation of the company and all powers of ordinary and extraordinary management.

The Board – in accordance with the recommendations of the Italian Corporate Governance Code for Listed Companies – has specified that the powers delegated to the CEO must be exercised according to the directives and instructions given to him by the Board.

Frequency of Board meetings

As envisaged by the Articles of Association, the Board of Directors meets at least once a quarter to inform the Board of Statutory Auditors on the Group's activities and on the most important business, financial and capital transactions undertaken by the company or its subsidiaries, and particularly those where there may be a potential conflict of interest.

During the 2009 financial year the Board of Directors held 10 meetings, while for the year 2010 there are expected to be no fewer than eight meetings.

In 2009, the Board of Directors passed resolutions on 34 different matters and for 23 of these, the relevant information documents were sent beforehand to Directors and Auditors.

As of the date of approval of this document, the Board of Directors had met three times.

Activities performed

Directors made a significant contribution to the work of the Board and Committees in 2009 in terms of meeting attendance and effective participation in proceedings.

In the course of 2009, the Board of Directors performed the activities and responsibilities referred to in application criterion 1.C.1 of the Italian Corporate Governance Code for listed companies in accordance with the role that the Code attributes to the Board of a listed company.

With regard in particular to subparagraph g) of this criterion, the Board of Directors, at its meeting of 11 August, carried out a review, partly on the basis of a document prepared for this purpose by the Nominations and Remuneration Committee, of the size, composition and functions of the Board of Directors and Committees. This review concluded with a favourable opinion. Pursuant to application criterion 1.C.3. of the Italian Corporate Governance Code, the Board of Directors also acknowledged that, in light of the findings set out in the document prepared by the Nominations and Remuneration Committee, it no longer appears necessary to set a limit on the number of directorships and auditorships.

Furthermore, with a resolution dated 13 February 2003, the Board defined the guidelines for the identification and execution of significant transactions, the examination and approval of which – as recommended by the Italian Corporate Governance Code – remain the exclusive responsibility of the Board.

The guidelines, the original version of which was amended once by the Board of Directors with its resolution of 6 August 2004, and again with its resolutions of 13 February and 10 August 2006, set out the criteria to be used to identify the most significant transactions, consisting of quantitative and qualitative criteria and criteria deriving from the specific requirements of the parties involved (related-party transactions and intragroup transactions).

The document also describes the code of conduct to be followed when performing transactions, with particular reference to transactions instructed by subsidiaries, which must be examined and approved in advance by the Board of Directors of ERG S.p.A., and those with related parties, requiring the direct involvement of the Internal Control Committee, called upon, *inter alia*, to assess whether it is necessary or advisable to consult independent experts, and if so, taking the appropriate measures to select them.

BOARD OF STATUTORY AUDITORS

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting held on 27 April 2007 and will remain in office until the approval of the financial statements for the year ended 31 December 2009.

In compliance with the Articles of Association, the Board of Statutory Auditors is appointed on the basis of lists presented by Shareholders at least 15 days before the Shareholders' Meeting, which must set out the names of candidates in numbered, sequential order.

Candidate lists may only be presented by shareholders who, at the time of presenting the list,

are in possession of a shareholding equal to that required for the presentation of lists for the election of directors.

At the time of appointment of the Board of Statutory Auditors currently in office, the shareholding required in order to present the lists was equal to 3% of the share capital, whereas the current minimum shareholding is 2%.

No shareholder may present or vote for more than one list and each candidate may be included in only one list, failing which he or she shall be disqualified.

The lists contain not only information about the Shareholders who submitted them and the statements made by them pursuant to the applicable regulations, but also exhaustive information about the candidates' personal and professional characteristics and their statements pursuant to the Articles of Association.

Candidates cannot be elected to the office of Statutory Auditor unless they satisfy the requirements of independence, professionalism and integrity as provided by Article 148, section 3 of the Consolidated Finance Act or if they already serve as Standing Auditor in more than five listed companies.

With its resolution of 23 April 2009 – following the resignation tendered on 4 March 2009 by Fabrizio Cavalli as Standing Auditor – the Shareholders' Meeting appointed Andrea Manzitti as Standing Auditor. Mr Manzitti will remain in office until the approval of the financial statements for the year ended 31 December 2009.

Members:

Mario Pacciani - *Chairman*

Paolo Fasce - *Standing Auditor*

Andrea Manzitti - *Standing Auditor*

Umberto Trenti - *Substitute Auditor*

Michele Cipriani - *Substitute Auditor*

Lelio Fornabaio - *Substitute Auditor*

The Board of Statutory Auditors, having examined the personal and professional characteristics of each auditor, has concluded that its members can be designated as independent, partly based on the criteria set forth in the Corporate Governance Code for directors.

Other appointments held by Statutory Auditors on the Boards of Statutory Auditors or on the Boards of Directors of listed companies, financial, banking and insurance companies of significant size:

Mario Pacciani *Chairman of the Board of Statutory Auditors of Boero Bartolomeo S.p.A.*

Paolo Fasce *Standing Auditor of Boero Bartolomeo S.p.A.*
Standing Auditor of Yarpa Investimenti SGR S.p.A
Standing Auditor of YLF S.p.A.

Andrea Manzitti *Standing Auditor of ERG Renew S.p.A.*
Standing Auditor of BNL S.p.A.
Standing Auditor of Findomestic S.p.A.
Standing Auditor of AXA Italia S.p.A.
Standing Auditor of Quixa S.p.A.

SHAREHOLDERS' MEETINGS

Article 10 of the Articles of Association states that holders of voting rights who, based on the procedures laid down in the notice of meeting, exhibit a pass certificate issued in compliance with current legislation at least two working days before the meeting, shall be entitled to attend the meeting.

Meeting regulation

At the Ordinary Shareholders' Meeting held on 27 April 2001, shareholders approved a regulation governing the proceedings of ordinary and extraordinary shareholder meetings. Article 14 of the Articles of Association expressly gives the Ordinary Shareholders' Meeting the possibility of adopting a meeting regulation.

BOARD COMMITTEES

The Board of Directors has set up an Internal Control Committee, a Nominations and Remuneration Committee and a Strategic Committee to advise it and issue recommendations.

INTERNAL CONTROL COMMITTEE

Members:

Massimo Belcredi - *Chairman*

Antonio Guastoni

Paolo Francesco Lanzoni

The members of the Internal Control Committee have adequate experience in accounting and finance. The Chairman of the Board of Statutory Auditors or another Statutory Auditor take part in the Committee's work. Depending on the topics covered at any given time, Group management representatives and the Chairman of the Board of Directors may also take part. The Committee organises its work in such a way as to combine comprehensive information flows and efficiency of operation with maximum independence of its members.

In particular, deliberations are held without other parties being present.

Tasks

The Internal Control Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code.

To optimise its performance, the Committee may use the services of external consultants at the company's expense. In 2009 the Committee held 13 meetings during which, besides a preview of the annual financial statements and half-yearly report, issues were discussed in the following macro-areas: Corporate Governance, Control Systems, Legislative Decree 231/01, Risk Management and Administration.

In terms of the most significant issues covered, the Committee has, in the areas of:

1) Group Governance

- examined a document establishing the application of articles 2497 et seq. of the Civil Code relating to *i)* relations between ERG S.p.A. and its parent S. Quirico S.p.A.; *ii)* the scope of the management and coordination of ERG S.p.A.; *iii)* the list of companies with which these activities are carried out, updated in light of recent changes; *iv)* scope of the management and coordination of ERG Renew S.p.A. by ERG S.p.A.;
- examined the Directors' Code of Conduct and the reasons that led to the need for its modification, declaring that it endorses the changes made;
- assessed and endorsed the way in which the proposal submitted to the Shareholders' Meeting on 23 April 2009 concerning the appointment of independent auditors was defined and the factors that led to the selection of the independent auditor;
- examined and endorsed the changes made to the text of the "Procedure for the management and handling of privileged information and for the public dissemination of statements and information", following a review of the document in the context of the corporate structure;
- confirmed Massimo Belcredi as Committee Chairman for a three-year term from April 2009 to April 2012;

- examined documentation relating to the review carried out to assess the feasibility of renewing the sponsorship deal with U.C. Sampdoria, in addition to the corresponding draft contractual proposal, and formulated some recommendations in this regard; the Committee therefore approved the proposal to renew the sponsorship agreement with U.C. Sampdoria;
- examined documentation relating to the sale of real estate assets belonging to ERG Petroli S.p.A., which were sold to ERG S.p.A. taking a favourable view of the transaction.

2) Internal control system

- examined and ratified the “Guidelines for the Internal Control System”, updated following the organisational changes made;
- examined a hypothetical organisational structure for ERG S.p.A. in relation to the system of controls, and expressed a number of recommendations in this regard;
- examined a document illustrating the “Safety Plan” and the reasons behind the decision to embark on the project; the Committee has endorsed the criteria and operating procedures used to develop the Safety Plan;
- examined the document describing the activities of the Internal Audit Division in 2008, acknowledging the results of the audits carried out in the course of its work;
- assessed the document describing the programme of activities of the Internal Audit Division for 2009, expressing its approval of the proposed approach in which the Committee would monitor follow-up activities;
- examined the most significant points raised in the document prepared by the head of internal control concerning activities carried out in 2008 and the programme of work for 2009;
- examined the report by the head of internal control in the first half of 2009 and the results of the audit activities carried out, recommending that an update to the audit plan should be submitted to take into account the recent or potential organisational changes and the expected changes to the company’s structure;
- evaluated changes to the roles of the Risk Office and Internal Audit Divisions and the job description of the head of internal control;
- examined a document presented by the heads of the Internal Audit and Risk Office Divisions explaining the updates made to the programme of work for 2009;
- examined a document illustrating the programme of activity for the Internal Audit and Risk Office Divisions for 2010;
- assessed and ratified reports on the Committee’s activities in 2008 and in the first half of 2009, reporting its opinion to the Board of Directors as to the adequacy of the internal control system.

3) Obligations in connection with Act No. 231/01

- examined the relationship between the Supervisory Body for activities carried out in 2008, particularly identifying the consistency between reports received and the reporting requirements envisaged by the Organisation and Management Model;
- examined the report by the Supervisory Committee for the first half of 2009 and declared that it agreed with the proposal to alter the structure of the Supervisory Committee;
- examined a document outlining the programme of activity of the Supervisory Committees of Group companies for 2010.

4) Risk Management

- examined the document prepared by the Risk Office relating to activities carried out in 2008, when this division was created;
- in particular, it examined documents submitted by the Risk Office relating to the launch, by this division, of the Enterprise Risk Management project, expressing its approval of the overall approach;

- examined and ratified the document prepared by the Risk Office on the targets set for 2009 and the methodological criteria with which these will be pursued, recommending close coordination between the Risk Office and Internal Audit Division;
- examined the presentation relating to the Enterprise Risk Management Framework (ERM)
 - prepared by the Risk Office of ERG S.p.A. – and formulated a number of suggestions in this regard, referring to the approval by the Board of Directors.

5) Administration and Taxation

- found, along with the manager responsible for preparing the company’s financial reports and the auditors, as to the correct use of accounting policies in preparing the draft statutory and consolidated financial statements for the period ended 31 December 2008 and informed the Board of Directors accordingly;
- examined a document prepared by the Administration, Finance and Control Division setting out its assessment of the benefits obtained by ERG S.p.A. and the Group, during the period 2004-2008, as a result of the national and global tax consolidation programme;
- examined a document prepared by the Administration, Finance and Control Division containing the main economic data of intercompany service agreements for FY 2009 and, in particular, the level at which the rebilling criteria are applied for the services envisaged therein;
- found, along with the manager responsible for preparing the company’s financial reports and the auditors, as to the correct use of accounting standards in preparing the interim financial report at 30 June 2009, and informed the Board of Directors accordingly;
- examined documents prepared by the Administration and Taxation Division on the obligations arising from Act No. 262/05, which illustrate, in particular, the Risk Assessment of the consolidated financial statements at 31 December 2008 in support of the definition of the scope of Act No. 262/05 as regards the Group in 2009, the results of impairment tests at 30 June 2009 and the stage of completion of the work.

NOMINATIONS AND REMUNERATION COMMITTEE

Members:

Paolo Francesco Lanzoni – *Chairman*

Massimo Belcredi

Lino Cardarelli

The Chairman and CEO take part in the Committee’s work.

Tasks

The Nominations and Remuneration Committee makes recommendations to the Board regarding the remuneration of the CEO and executive directors, as well as recommendations, at the CEO’s request, concerning the pay policies for the company’s senior management and the Group’s management incentive schemes.

The Committee also (i) submits to the Board of Directors, where requested, candidates to the role of director in the cases set forth by Article 2386, first paragraph, of the Italian Civil Code, whenever it is necessary to replace an independent director; (ii) assesses, on the specific request of shareholders who intend to submit lists, the independence of the candidates to the role of director to be submitted to the shareholders’ meeting; and (iii) performs preliminary activities to allow the Board of Directors to carry out its annual review regarding the size, composition and functioning of the Board as effectively as possible. To this end, it may express its opinion on the professional figures whose presence in the Board is considered appropriate. To optimise its performance, the Committee may use the services of external consultants at the company’s expense. Whenever the Committee discusses recommendations for the remuneration of the Chairman and CEO, such individuals must leave the meeting.

In FY 2009, the Committee held five meetings at which recommendations were made concerning the emoluments of the CEO and other directors who serve on the Board of Directors, the setting of objectives for FY 2009 with regard to the short-term incentive scheme, and the value creation achieved in FY 2008.

The Committee also drafted a guidance document for the Board of Directors regarding the Board Performance Review carried out by it, and examined a preliminary report on the fundamental elements and operating criteria for a possible future incentive plan (the "Long-Term Incentive Plan") for Group management.

STRATEGIC COMMITTEE

Members

Pietro Giordano - *Chairman*

Edoardo Garrone

Alessandro Garrone

Giovanni Mondini

Giuseppe Gatti

Luca Bettonte

The Committee advises and issues recommendations to the CEO of the holding company and to the Boards of Directors of the holding company and operating companies.

It operates, in the context of the strategies and policies approved by the Board of Directors, by defining strategic business and portfolio guidelines, and guidelines and policies on strategic finance and for individual finance operations, monitoring the progress of their implementation over time.

The Committee also examines the long-term strategic plans and investment budgets of the Group and of the operating companies, as well as the strategic benefits of significant investments made at Group level.

CORPORATE GOVERNANCE RULES

The most significant rules in terms of their impact on the company's overall corporate governance are as follows:

- rules concerning the handling of sensitive and confidential information;
- the procedure for public dissemination of statements and information;
- the Code of Conduct for Internal Dealing;
- the Guidelines for the identification and execution of significant transactions;
- the Code of Conduct for Directors of Group companies;
- the reporting procedure for significant transactions by sub-holding companies;
- the procedure for related-party transactions.

RULES FOR THE HANDLING OF SENSITIVE AND CONFIDENTIAL INFORMATION

The Board of Directors has introduced rules designed to ensure an exhaustive and timely flow of information within the companies forming part of the Group, as well as between the latter and the listed parent company in order to fulfil disclosure obligations concerning price-sensitive information vis-à-vis the market and the market's supervisory bodies.

Specific instructions have also been circulated concerning the handling of confidential information, designed to make employees aware of the liabilities arising from use of such information not compliant with current regulations.

PROCEDURE FOR PUBLIC DISSEMINATION OF STATEMENTS AND INFORMATION

The Board of Directors, based on a recommendation made by the Internal Control Committee, has adopted a procedure for the public dissemination of statements and information. The aim is to ensure that all statements and information intended for the market, for CONSOB and for

Borsa Italiana are the outcome of a formative process that guarantees both timeliness and accuracy.

The procedure defines the tasks and responsibilities of the functions involved, identifies the criteria, methods and timing of the various procedural stages, and establishes the appropriate decision-making levels for the dissemination of statements and information. On 14 May 2009, the document was revised with a view to adapting the text to organisational changes and rendering it more effective.

CODE OF CONDUCT FOR INTERNAL DEALING

With its resolution of 9 August 2007, the Board of Directors adopted a Code of Conduct in order to give transparency to financial transactions carried out by Relevant Persons, namely those persons who, by virtue of their roles within the Group, have significant decision-making powers or considerable knowledge of corporate strategies which would help them in making investment decisions regarding the financial instruments issued by the Company.

The list of recipients of this Code is published on the Company's website.

GUIDELINES FOR THE IDENTIFICATION AND EXECUTION OF SIGNIFICANT TRANSACTIONS

This is the document – originally adopted with the Board resolution passed on 13 February 2003 and subsequently amended with the resolutions passed on 6 August 2004, 13 February and 10 August 2006 – discussed in the section concerning the Board of Directors.

CODE OF CONDUCT FOR DIRECTORS OF GROUP COMPANIES

With its resolution dated 21 March 2000, the Board of Directors adopted a Code of Conduct for directors appointed in Group companies in order to provide them with uniform rules of conduct for performing their duties within a systematic framework of reference and in observance of corporate governance principles.

Following the revision of 12 November 2009, it was decided that some provisions of the Code of Conduct would be made more binding in accordance with the legislative and regulatory provisions from time to time applicable.

REPORTING PROCEDURE FOR SIGNIFICANT TRANSACTIONS BY SUB-HOLDING COMPANIES

On 14 March 2006, the Board of Directors passed a resolution introducing a reporting procedure in compliance with which sub-holding companies – based on a specific approach and timeframe – would inform the parent company of transactions instructed by them directly and which might be classified as significant according to the guidelines mentioned above, applying the exceptions envisaged in these guidelines.

PROCEDURE FOR RELATED-PARTY TRANSACTIONS

On 14 March 2006, the Board of Directors passed a resolution adopting rules of conduct which, together with the guidelines for the identification and execution of significant transactions, set out the criteria and procedures to be followed when executing related-party transactions. In a resolution passed on 21 December 2007, the Board of Directors amended the rules of conduct by defining the criteria to be used for identifying transactions that must be approved by the Internal Control Committee and/or with the assistance of independent experts. The selection procedures for these were also established.

OTHER INFORMATION

Information about the internal control system, supervisory committee, investor relations, organisation and management model, independent auditors, director responsible for preparing the company's financial reports and management and coordination activity can be found below.

THE INTERNAL CONTROL SYSTEM

The Internal Control System operating within the ERG Group consists of all the rules, procedures and organisational structures aimed at allowing, by means of an appropriate process of identification, measurement, management and monitoring of the principal risks, management of the business that is sound, appropriate and consistent with pre-set objectives.

The Internal Control System consists of a complete system of rules, procedures, organisational structures and behaviours with the purpose of:

- supporting the achievement of strategic and operational objectives (in other words the effectiveness and efficiency of business activities and the safeguarding of the company's assets);
- preventing or limiting the consequences of unexpected events through appropriate strategies of identification and management of risks/opportunities;
- verifying that risk levels defined during planning are not exceeded;
- ensuring conformity with laws and regulations in force;
- ensuring control of correct and transparent internal and external reporting.

The Internal Control System is unitary and transverses the whole Group, and was created following a consistent method for identifying, measuring and evaluating risks.

In recent years the Group has defined guidelines, approved by the Board of Directors, for the Internal Control System. These guidelines are aimed at rationalising the whole Internal Control System by means of mapping and classifying the parties that are a part of it, creating the flowchart of the main reports within the Group itself and describing the responsibilities and scope of existing activities.

Within the scope of the Internal Control System and with reference to financial disclosures, the Administrative-Accounting Organisational Model (henceforth referred to as the Model) is of particular relevance. It was implemented when the Internal Control System of the Group was brought into line with the requirements of Law 262/05 – the Model was subsequently updated.

The Board of Directors passed a resolution on 23 April 2009, identifying the executive director appointed to oversee the functioning of the Internal Control System in the person of the director Graziella Merello. Upon the proposal by Ms. Merello, the person in charge of the Internal Audit function, Carlo De Vita, was appointed as head of Internal Control. Following Carlo De Vita's departure from the Group, the Board of Directors passed a resolution on 11 August 2009 to appoint the new head of Internal Audit, Luigi Bricocoli, as the person in charge of Internal Control.

The actual operation of the Internal Control System within the Group is not assigned to an autonomous and specific corporate function, but comprises the coordinated operations of various functions to which, within the organisational structure, are assigned the responsibilities pertaining to the overall control activity. These functions are, above all, the Internal Audit Department and the Risk Office. They are joined by other functions whose responsibilities include monitoring the compliance of corporate actions with current laws and regulations.

The director in charge of overseeing the Internal Control System constantly ascertains its overall adequacy, effectiveness and efficiency, and reports his findings periodically to the Internal Control Committee and the Board of Directors.

The Board of Directors evaluates on an annual basis the functionality of the Internal Control System based on the information made available to it by the executive director in charge of overseeing the functioning of the system and by the Internal Control Committee.

During 2009, the Guidelines for the Internal Control System, which were approved by the Board of Directors on 12 December 2007, were updated to bring them into line with changes to the Group's organisational structure.

In August 2009, a detailed Enterprise Risk Management Model was adopted, with the objective of identifying, as exhaustively as possible, the risks inherent in the ERG Group's full range of business activities.

INFORMATION ON THE PRINCIPLE FEATURES OF THE EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF FINANCIAL DISCLOSURE, INCLUDING AT A CONSOLIDATED LEVEL

It is explained below how the ERG Group has created its system for risk management and internal control in relation to the process of financial disclosure (henceforth referred to as "the System") at consolidated level. This System sets itself the goal of significantly mitigating risks in terms of plausibility, reliability, accuracy and timeliness of financial disclosures.

The Model now described was presented to the Internal Control Committee for the listed Parent Company ERG S.p.A. and applies, from a logical point of view, in terms of methodology and as regards principles of process control and accuracy, to the main companies of the ERG Group⁽¹⁾ to which it has been communicated through publication on the Company Intranet as well as communication to all personnel.

In such a context, all personnel of the Group are obliged to follow the indications of the Model, in particular personnel in administrative functions that are more directly involved in the preparation of corporate accounting documents, but also those in other functions that, indirectly, contribute to the process through the preparation of documents and information, the inputting or updating of data in the company's information systems, in normal operations. The Model is regularly updated and each update and/or integration of significance must be submitted and presented in advance to the Internal Control Committee.

Role

The main responsibility of the Manager Responsible of ERG S.p.A. is to implement the administrative-accounting procedures that govern the process of the production of periodic corporate financial reporting, to monitor the application of the indicated administrative-accounting procedures and, together with the Chief Executive Officer, to provide the market with their declaration relating to compliance with the abovementioned principles and to the "reliability" of financial documentation circulated.

The figure of Manager Responsible fits into the wider framework of Corporate Governance, structured according to the traditional model with the presence of corporate bodies with diverse functions of control. As part of the restructuring of the Group, the Board of Directors passed a resolution on 15 December 2009 assigning the role of manager with responsibility for preparing the company's financial reports, which was previously filled by Luca Bettonte, to Giorgio Coraggioso, the head of Administration and Tax.

ELEMENTS OF THE SYSTEM

Methodological approach

The reference regulations do not provide any instructions regarding mode of operation and the tools with which the System must operate.

(1) as a listed company, ERG Renew S.p.A. has a dedicated manager responsible for preparing the company's financial reports and applies an independent model that is consistent with the model used by ERG S.p.A.

Standard procedures are therefore followed with reference to international best practice, in order to guarantee maximum consistency between the objectives of the regulations and the formulation of activities aimed at implementing said regulations. Within the ERG Group it has been decided to adopt a working methodology that envisages the following logical steps:

- a) identification and evaluation of the risks applicable to financial reporting;
- b) identification of controls for risks identified both at Company/Group level (entity level) and at process level;
- c) evaluation of controls and the management of the monitoring process both in terms of design, and in terms of operations and effectiveness, with the aim of reducing risks to a level considered "acceptable" (information flows, management of "gap", plan for remedial action, reporting system, etc.).

The complete process is managed by a specific Corporate Function (Group Processes and Compliance) that operates as a staff function reporting to the Manager Responsible that, following standard practice, governs all administrative-accounting procedures, mapping and harmonising those in force through defining interventions at process level, information systems or procedures to rectify control deficiencies.

Identification and evaluation of risks

Risk Assessment is conducted annually and has the goal of identifying, on the basis of a quantitative analysis and evaluations and parameters of a qualitative nature:

1. the companies within the Group consolidation to include in the analysis;
2. the risks at the level of the selected operating Company/Group (Company/Entity Level Controls) relating to the general corporate context of the Internal Control System, with reference to the five components of the CoSO model developed by the Committee of Sponsoring Organizations of the Treadway Commission, leading practice at international level and recognised within Italy as a reference model by the Italian Stock Exchange Corporate Governance Code (control environment, risk assessment, information and communication, control activities, monitoring);
3. the identification of general risks for the company's information systems supporting related processes (IT General Controls);
4. the processes that generate, with inherent risk, the accounts of the consolidated financial statements for each company selected;
5. the identification, for each relevant process, of specific risks for financial reporting, with particular reference to so-called financial statement assertions (existence and occurrence, completeness, rights and obligations, valuation and allocation, presentation and disclosure).

The process of Risk Assessment carried out at the level of consolidated Group financial statements in order to determine the appropriate range of analysis, is based on the combined application of two analytical parameters. One of these is fully quantitative (the determination of threshold numerical values to compare against the figures that make up the consolidated financial statements of the Company) while the other is qualitative (an evaluation by management, on the basis of their own knowledge of the business reality, of non-numerical potential risk factors that may make necessary or not necessary the inclusion of a certain company/account/process within the scope of analysis).

As regards the fully quantitative part of the analysis, the following elements are determined:

- *large portion* (coverage of the consolidated financial statements): this dimension is used to measure the extent of the area within which controls are to be analysed and evaluated, defined on the basis of the weight the dimensions bring to bear on the main items in the statement of financial position;
- *significant accounts*: this refers to the quantitative size that items in the statement of

financial position must have in order to be considered significant after the application of a materiality threshold;

- *significant processes*: by means of account-process matching, processes are determined for which it is opportune to evaluate controls, given that all processes associated with accounts that have balances greater than the pre-determined threshold form part of the model.

Following the quantitative analysis described above, the process of Risk Assessment envisages the subsequent carrying out of an analysis based on qualitative elements, and that has two objectives:

- to integrate the exclusively quantitative part of the analysis, so as to include or exclude accounts-processes from the scope of the model on the basis of knowledge the management has, from a historical point of view and also considering the expected evolution of the business, of Companies making up the Group, and on the basis of the professional judgement of the management concerning risk levels relating to financial disclosures;
- to define the “level of depth” at which the analysed accounts-processes must be taken into consideration within the scope of the model and at what level the related controls must be mapped, documented and monitored.

The final result of the Risk Assessment process consists of a document that is circulated to the various functions involved, validated by the Manager Responsible and presented to the Internal Control Committee.

Identification of controls

Once the main risks at process level have been identified, the various operating Companies examine the controls in that are in place in order to monitor the associated control objective.

In particular, the mapping of accounts-processes and related controls constitutes a tool through which:

- significant processes and their principal associated risks are represented as defined within the scope of Risk Assessment, as are the controls that are envisaged for the management of such risks;
- the chart of mapped controls is evaluated to ascertain the capacity of each control to manage and mitigate an identified risk and, in particular, the underlying financial statements assertion;
- the operation and representation of a control is shared with its owners, as are the risks and control activities;
- monitoring activities, needed to support the declarations that must be made by the Manager Responsible, are carried out.

The identification of risks and associated controls is carried out both with regard to controls relating to financial statement assertions and to other control objectives within the scope of financial disclosure, including:

- observance of authorised limits;
- the separation of duties and responsibilities for operations and control;
- the physical security and existence of the company's assets;
- activities of fraud prevention that have an impact on financial disclosure;
- the security of company information systems and the protection of personal data.

The mapping generated from time to time for a specific process is also used as the basis for periodic testing activities whose goal is to evaluate and monitor both the chart and the effectiveness of controls in place.

Evaluation of controls and monitoring processes

In accordance with the provisions of the law regarding formal execution and in line with the best practices previously referred to, the methodology adopted envisages the carrying out of constant monitoring of the processes covered by the model and the effective execution of the mapped controls.

The objective of such monitoring is the evaluation of the operative effectiveness of the controls – in other words the effective functioning during the period of the controls mapped for the purpose of analysis.

To this end, a plan is prepared annually of monitoring activities (also refining and optimising these, where necessary). The plan is formalised in a document that is presented to the Internal Control Committee and in which strategies and timescales are defined for carrying out monitoring tests.

In particular, with the aim of optimising the use of available resources while guaranteeing constant monitoring activity, the methodology adopted envisages that testing is carried out regularly throughout the year, with a subdivision of samples that allows full coverage, throughout the whole year and before the closing of the consolidated financial statements, of the mapped accounts-processes within the scope of the model.

Apart from the testing activities, the plan envisages, if necessary, the mapping of new accounts-processes and the monitoring of the implementation of remediation action in the case of any “gaps”.

Following the execution of testing activities, the methodology adopted envisages that, in line with the framework of responsibilities indicated previously, a report must be produced of the results of the activities, and this constitutes the support on the basis of which the Manager Responsible releases legal declarations, and the Internal Control Committee, as regards the most important deadlines for half-yearly and annual financial reporting, evaluates and participates in the work of the Manager Responsible and the functions through which he/she operates.

To this end documents are available that summarise the data relating to the number of tests carried out per process and the results of these, both in detail for the Company and more generally for the consolidation.

On the occasion of the half-yearly and annual financial reporting the documents produced also include a section explaining the methodology adopted, the results of the Risk Assessment process and the action plan, as well as a section with updates regarding remediation activities and any “gap” revealed during the mapping and monitoring of processes and controls.

The activities of monitoring of the processes and controls that make up the model envisage, apart from the testing and reporting of the results of these activities, that any revealed “gap” is appropriately managed and corrected.

THE INDEPENDENT AUDITORS

The task of conducting the accounting audit for the financial years 2009-2017 was assigned by the Shareholders’ Meeting of 23 April 2009 to Deloitte & Touche S.p.A.

ORGANISATION AND MANAGEMENT MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

With the resolution passed on 21 December 2004, the Board of Directors adopted the Organisation and Management Model pursuant to Legislative Decree 231/2001.

The Model has since been periodically updated to adapt it to the regulatory changes subsequently introduced.

SUPERVISORY COMMITTEE

Until 11 August 2009, the Supervisory Committee consisted of director Paolo Francesco Lanzoni (Chairman), Luigi Bricocoli, Carlo Alfredo De Vita, Renzo Fossati and Massimo Pezzolo. At the meeting of the Board of Directors on 11 August 2009, as a result of the organisational changes that have taken place in the meantime, the Board appointed a new Supervisory Committee composed of the following members: Paolo Lanzoni (Chairman), Giovanni Antonio Martinengo, head of the Risk Office, Luigi Bricocoli, head of Internal Audit and Renzo Fossati, head of Human Resources and Systems Management.

The Supervisory Committee, which maintains direct and ongoing relations with the Internal Control Committee, performs its activity at the Parent Company while, with regard to the subholding companies, including ERG Renew, a Supervisory Committee has been appointed at each company, comprised of the independent director of ERG S.p.A., Paolo Francesco Lanzoni, as Chairman, Luigi Bricocoli, head of Internal Audit at the holding company, Giovanni Antonio Martinengo, head of the Risk Office at the holding company, and the respective head of Human Resources at the company in question.

The Supervisory Committee of ERG S.p.A. met four times in 2009.

INVESTOR RELATIONS

The company manages relationships with its shareholders, institutional investors and the market by means of the Corporate Finance and Investor Relations functions, which form part of Corporate General Management. As part of investor relations activities, meetings are regularly arranged both in Italy and abroad with representatives of the financial community. ERG's policy is to provide the fullest possible information on its activities and strategies, including through constant innovation and updating of its website.

MANAGEMENT AND COORDINATION

ERG S.p.A. is a subsidiary of S. Quirico S.p.A. which does not however exercise any management and coordination activity over its subsidiary, within the meaning of Articles 2497 et seq. of the Italian Civil Code, also in view of the fact that a provision of its Articles of Association expressly prohibits the company from carrying out management and coordination activities with regard to its subsidiaries.

Acknowledgement of this circumstance is given in the resolution of the ERG S.p.A. Board of Directors dated 15 September 2009.

COMMITMENT

With this statement made by the Board of Directors, ERG wishes to confirm its commitment to:

- pursue as its primary objective, in its formal acts and conduct, creation of shareholder value;
- model its business on total observance of the Group's ethical principles, which are based on that combination of values consisting of personal honesty, correctness of relationships inside and outside the company, and transparency vis-à-vis shareholders, related stakeholders, and the market – as outlined and explained in the Code of Ethics adopted in December 2003;
- ensure, by means of constant attention to the ongoing evolution of corporate governance principles, observance of such principles by its organisation, in order to ensure, in turn, the transparent and efficient operation of the organisation over time.

The documents concerning corporate governance, to which reference is made in this chapter, are available in the Corporate Governance section of our website www.erg.it.

The following tables summarise how the main recommendations of the Italian Corporate Governance Code are adopted and applied within the company.

STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

TABLE 1

BOARD OF DIRECTORS				
OFFICE	MEMBERS	EXECUTIVE	NON EXECUTIVE	INDEPENDENT
HONORARY CHAIRMAN ^{A)}	RICCARDO GARRONE		YES	
CHAIRMAN	EDOARDO GARRONE	YES		
DEPUTY CHAIRMAN	PIETRO GIORDANO	YES		
DEPUTY CHAIRMAN	GIOVANNI MONDINI	YES		
CEO	ALESSANDRO GARRONE	YES		
DIRECTOR	MASSIMO BELCREDI			YES
DIRECTOR ^{B)}	LUCA BETTONTE	YES		
DIRECTOR	LINO CARDARELLI			YES
DIRECTOR	ALDO GAROZZO		YES	
DIRECTOR	GIUSEPPE GATTI	YES		
DIRECTOR	ANTONIO GUASTONI			YES
DIRECTOR	PAOLO FRANCESCO LANZONI			YES
DIRECTOR ^{C)}	GRAZIELLA MERELLO	YES		
DIRECTOR ^{D)}	GIAN PIERO MONDINI		YES	
DIRECTOR ^{E)}	GUIDO SEBASTIANO ZERBINO		YES	
NUMBER OF MEETINGS HELD DURING THE FINANCIAL YEAR UNDER REVIEW		BOARD OF DIRECTORS 10		
<p>* AN ASTERISK INDICATES THAT THE DIRECTOR WAS APPOINTED VIA MINORITY SHAREHOLDER LISTS.</p> <p>1) THIS COLUMN SHOWS THE RESPECTIVE PERCENTAGE PARTICIPATION RATES OF DIRECTORS IN MEETINGS OF THE BOD AND THE COMMITTEES.</p> <p>2) THIS COLUMN SHOWS THE NUMBER OF DIRECTOR OR AUDITOR POSITIONS HELD BY THE INTERESTED PARTY IN OTHER COMPANIES LISTED ON OTHER REGULATED MARKETS, INCLUDING MARKETS ABROAD, IN FINANCE, BANKING OR INSURANCE COMPANIES OR COMPANIES OF SIGNIFICANT SIZE. THE POSITIONS ARE DESCRIBED AT MORE LENGTH IN THE CORPORATE GOVERNANCE REPORT.</p>				

% PARTICI- PATION ⁽¹⁾	NUMBER OF OTHER POSITIONS ⁽²⁾	INTERNAL CONTROL COMMITTEE		NOMINATIONS AND REMUNERATION COMMITTEE	
		⁽³⁾	⁽¹⁾	⁽³⁾	⁽¹⁾
90%	3				
90%	1				
100%	–				
100%	1				
100%	2				
100%	1	YES	100%	YES	100%
	1				
100%	2				100%
90%	–				
100%	2				
90%	5	YES	100%		
100%	1	YES	92%	YES	100%
100%	–				
100%	–				
100%	–			YES	100%
		INTERNAL CONTROL COMMITTEE 13		NOMINATIONS & REMUNERATION COMMITTEE 5	

3) THIS COLUMN SHOWS WHETHER THE MEMBER OF THE BOD IS ON THE COMMITTEE.

- A) DIRECTOR IN POST UNTIL 15/12/2009
- B) APPOINTED ON 12/15/2009
- C) IN POST SINCE 04/23/2009
- D) IN POST UNTIL 04/23/2009
- E) IN POST UNTIL 04/23/2009

BOARD OF STATUTORY AUDITORS

TABLE 2

POSITION	MEMBERS	PARTICIPATION IN %	NUMBER OF OTHER POSITIONS ⁽¹⁾
CHAIRMAN	MARIO PACCIANI	100%	1
STANDING AUDITOR - <i>resigned 04/23/2009</i>	FABRIZIO CAVALLI	100%	
STANDING AUDITOR	PAOLO FASCE	100%	3
STANDING AUDITOR - <i>appointed 04/23/2009</i>	ANDREA MANZITTI	75%	5
SUBSTITUTE AUDITOR	UMBERTO TRENTI		
SUBSTITUTE AUDITOR	MICHELE CIPRIANI		
SUBSTITUTE AUDITOR - <i>since 04/24/2008</i>	LELIO FORNABAIO		
NUMBER OF MEETINGS HELD DURING THE FINANCIAL YEAR UNDER REVIEW 9			
INDICATE THE REQUISITE QUORUM FOR PRESENTATION OF LISTS BY MINORITY SHAREHOLDERS FOR ELECTION OF ONE OR MORE MEMBERS (PURSUANT TO ART. 148 OF THE UNIFIED FINANCE ACT) 2%			
<p>* AN ASTERISK INDICATES THAT THE STATUTORY AUDITOR WAS APPOINTED VIA MINORITY SHAREHOLDER LISTS.</p> <p>(1) THIS COLUMN SHOWS THE NUMBER OF DIRECTOR OR AUDITOR POSITIONS HELD BY THE INTERESTED PARTY IN OTHER COMPANIES LISTED ON ITALIAN REGULATED MARKETS. THE POSITIONS ARE DESCRIBED AT MORE LENGTH IN THE CORPORATE GOVERNANCE REPORT.</p>			

OTHER PROVISIONS OF THE ITALIAN CORPORATE GOVERNANCE CODE

TABLE 3

	YES	NO	SUMMARY OF REASONS FOR ANY DEPARTURE FROM THE RECOMMENDATIONS OF THE CODE
DELEGATION SYSTEM AND TRANSACTIONS WITH RELATED PARTIES			
HAS THE BOD DELEGATED POWERS, ESTABLISHING:	X		
A) LIMITS	X		
B) MODE OF EXECUTION	X		
C) FREQUENCY OF REPORTING?	X		
DOES THE BOD RETAIN THE ROLE OF EXAMINING AND APPROVING TRANSACTIONS THAT ARE SIGNIFICANT IN TERMS OF P&L AND FINANCIAL POSITION (INCLUDING TRANSACTIONS WITH RELATED PARTIES)?	X		
HAS THE BOD SET OUT GUIDELINES AND CRITERIA FOR IDENTIFYING "SIGNIFICANT" TRANSACTIONS?	X		
ARE THESE GUIDELINES AND CRITERIA DESCRIBED IN THE REPORT?	X		SUMMARILY
HAS THE BOD DEFINED APPROPRIATE PROCEDURES FOR EXAMINATION AND APPROVAL OF TRANSACTIONS WITH RELATED PARTIES?	X		
ARE THE PROCEDURES FOR APPROVING TRANSACTIONS WITH RELATED PARTIES DESCRIBED IN THE REPORT?	X		SUMMARILY
PROCEDURES FOR THE MOST RECENT APPOINTMENTS OF DIRECTORS AND AUDITORS			
WERE THE CANDIDATE APPLICATIONS FOR THE POSITION OF DIRECTOR SUBMITTED AT LEAST 10 DAYS IN ADVANCE?	X		
DID THE CANDIDATE APPLICATIONS FOR THE ROLE OF DIRECTOR PROVIDE COMPREHENSIVE INFORMATION?	X		
DID THE CANDIDATE APPLICATIONS FOR THE POSITION OF ADMINISTRATOR INDICATE WHETHER THE CANDIDATES COULD APPROPRIATELY BE DESCRIBED AS INDEPENDENT?	X		
WERE THE CANDIDATE APPLICATIONS FOR THE POSITION OF AUDITOR SUBMITTED AT LEAST 10 DAYS IN ADVANCE?	X		
DID THE CANDIDATE APPLICATIONS FOR THE POSITION OF AUDITOR PROVIDE COMPREHENSIVE INFORMATION?	X		
MEETINGS			
HAS THE COMPANY APPROVED A MEETING REGULATION DOCUMENT?	X		
IS THE DOCUMENT ATTACHED TO THE REPORT (OR DOES THE REPORT STATE WHERE IT CAN BE OBTAINED/DOWNLOADED)?	X		
INTERNAL CONTROL			
HAS THE COMPANY APPOINTED MANAGERS RESPONSIBLE FOR INTERNAL CONTROL?	X		
ARE THESE MANAGERS HIERARCHICALLY INDEPENDENT OF THE MANAGERS OF OPERATIONAL AREAS?	X		
ORGANISATIONAL UNIT RESPONSIBLE FOR INTERNAL CONTROL (PURSUANT TO ART. 9.3 OF THE CODE)	INTERNAL	AUDIT	
INVESTOR RELATIONS			
HAS THE COMPANY APPOINTED A HEAD OF INVESTOR RELATIONS?	X		
ORGANISATIONAL UNIT AND CONTACT DETAILS (ADDRESS/TELEPHONE NUMBER/FAX/EMAIL ADDRESS) OF THE HEAD OF INVESTOR RELATIONS	INVESTOR RELATIONS - PAOLO MERLI PHONE 010/2401376 – FAX 010/2401598 E-MAIL: PMERLI@ERG.IT		