



Report on Corporate Governance and Ownership

This is a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815

1. EXECUTIVE SUMMARY

1.1. CORPORATE BODIES AND BOARD COMMITTEES

The current corporate governance model of ERG S.p.A. (hereinafter also “ERG” and the “Company”) is based on the traditional management and control system and is divided into two bodies appointed by the Shareholders’ Meeting, namely the Board of Directors, which is vested with the broadest powers for the ordinary and extraordinary management of the Company, and the Board of Statutory Auditors, which is tasked with supervising management and compliance with the law and the Articles of Association.



SHAREHOLDERS' MEETING

Approves the Financial Statements, appoints the Board of Directors, the Board of Statutory Auditors and the Independent Auditors, and resolves on changes to the Articles of Association and on extraordinary transactions such as mergers, demergers and capital increases.



BOARD OF DIRECTORS

Approves the periodic financial reports, defines the strategic guidelines, the fundamental aspects of the organisational structure and the corporate governance system, resolves on significant transactions, and assesses the company's performance.

**Composed of 12 members, 6 of which are independent¹.
Held 11 meetings in 2021, with an average duration of around 3 hours.**



BOARD OF STATUTORY AUDITORS

Oversees compliance with the law and with the Articles of Association, adherence with correct administration principles, and the adequacy of the ICRM System², and ensures the independence of the Independent Auditors

Comprised of a Chairman, 2 Standing Auditors and 3 Alternate Auditors. 16 meetings were held in 2021 with an average duration of around 2 hours.



CONTROL, RISK AND SUSTAINABILITY COMMITTEE³

It performs the role and tasks envisaged by the Corporate Governance Code for the Control and Risk Committee as well in relation to Sustainability and in particular it supports the Board of Directors' evaluations and decisions relating to the ICRM System, as well as those relating to the approval of the periodic financial reports, the Consolidated Non-Financial Statement, the ESG Plan, those relating to Group Governance, the obligations pursuant to Italian Legislative Decree no. 231/01, anti-corruption, Finance and Risk Management.

Comprised of one Chairman and 2 members, all independent¹. 9 meetings were held in 2021, with an average duration of around 2 hours.



NOMINATIONS AND REMUNERATION COMMITTEE³

The Committee fulfils the role and responsibilities indicated in the Corporate Governance Code for the Nominations and Remuneration Committee. It makes recommendations for the remuneration of Directors with powers or specific duties and for the definition of remuneration policies and Group's management incentive schemes. It provides an assessment opinion on the size, composition and functioning of the Board of Directors and Board Committees.

Comprised of one Chairman and 2 members, all independent¹. 7 meetings were held in 2021, with an average duration of around 1 hour and 30 minutes.



STRATEGIC COMMITTEE

Plays a supporting role towards the Executive Vice Chairman and the Chief Executive Officer in the performance of their role and office as part of the Board of Directors and in terms of the strategy and policies approved by the Board of Directors, by way of the prior examination of the multi-year Business Plans, in compliance with what is established in the Corporate Governance Code and the Group Investment budget, as well as Group investments and operations.

Comprised of one Chairman and 5 members (2 executive and 4 non-executive, of which 1 independent¹). 13 meetings were held in 2021 with an average duration of around 4 hours.

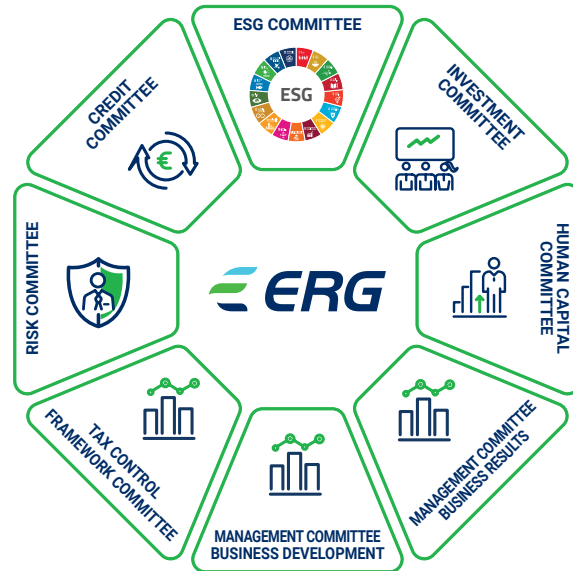


1 With reference to the provisions of Art. 148, paragraph 3 of the Consolidated Finance Act, Art. 2, recommendation 7, of the Corporate Governance Code promoted by Borsa Italiana S.p.A. (the "CGC"), as well as in the light of the "quantitative" and "qualitative" criteria defined in the Regulations for the operation of the Board of Directors, the Risk Control and Sustainability Committee and the Nomination and Remuneration Committee (the "Regulations")
 2 Internal Control and Risk Management System
 3 Responsible for formulating opinions for the purposes of the procedure for transactions with related parties

The opinions expressed by the Directors and Statutory Auditors as part of the self-assessment process relating to financial year 2021 on the adequacy of the current corporate model adopted by the company are reported below.



1.2. INTERNAL COMMITTEES



RISK COMMITTEE

- Supports the Chief Executive Officer in defining strategies and policies for the management of financial and market risks;
- Provides the CEO with the information required to authorise financial and market risk management operations, and to monitor the execution of significant transactions and verify their effects.



INVESTMENT COMMITTEE

- Supports the Chief Executive Officer in assessing investment proposals;
- Expresses a justified technical, economic and financial opinion for the Strategic Committee at various stages in the investment process.



HUMAN CAPITAL COMMITTEE

- Defines and monitors the main Human Capital development programmes and processes;
- Provides support to the Executive Deputy Chairman and the CEO in decisions relating to strategies that determine the value of ERG's Human Capital;
- Monitors the effective implementation of the Human Rights Policy, managing the reports relating to non compliance thereof.



MANAGEMENT COMMITTEE BUSINESS RESULTS

- Monitors the Group's economic, financial and industrial results through standardised reporting and control models;
- Follows the changes in the reference institutional and regulatory framework, sharing growth trends, opportunities and risks;
- Monitors activities and projects in the context of domestic and foreign institutional relations.



MANAGEMENT COMMITTEE BUSINESS DEVELOPMENT

- Monitors the relevant projects of the Group, supporting the relative Project Leader, as well as ensuring the alignment of all Organisational Units on the priorities and ensuring consistency with the decisions of the Investment Committee;
- Analyses business development opportunities both in terms of geographic expansion and technological diversification.



ESG COMMITTEE

Directs, plans and supervises the management of issues related to the implementation of ESG/CSR and Internal and External Communication objectives, and in particular:

- defines the Group's sustainability guidelines in the medium-long term and promotes the implementation of consistent practices and projects concerning corporate social responsibility;
- approves the ESG Initiatives Plan as an integral part of the Group Business Plan, monitors the implementation, the achievement of the targets and the priority areas of intervention;
- approves the Internal and External Communication Plan, also aimed at promoting the ESG initiatives plan, monitoring its implementation and enhancing its growing importance in strategic terms;
- manages the preparation and dissemination of the "Non-Financial Statement" (NFS) and other reporting methods related to ESG issues.



TAX CONTROL FRAMEWORK COMMITTEE

- Performs preliminary analyses, and provides specific recommendations, on the testing, monitoring and assessment activities of the Tax Control Framework;
- Performs preliminary analyses, and provides specific recommendations, on the Annual Report of the Tax Control Framework, addressed to the Control, Risk and Sustainability Committee;
- Monitors, jointly with the Head of Process Innovation & Compliance 262, the actual implementation of the remediation plan resulting from the testing, monitoring and evaluation of the Tax Control Framework.



CREDIT COMMITTEE

Has competence, for the entire Group, in matters regarding the granting of credit lines, schedule analysis and collection trends, assessment and verification of overdue recovery plans, general assessment of credit performance.

1.3. ERG GROUP - MAIN HIGHLIGHTS

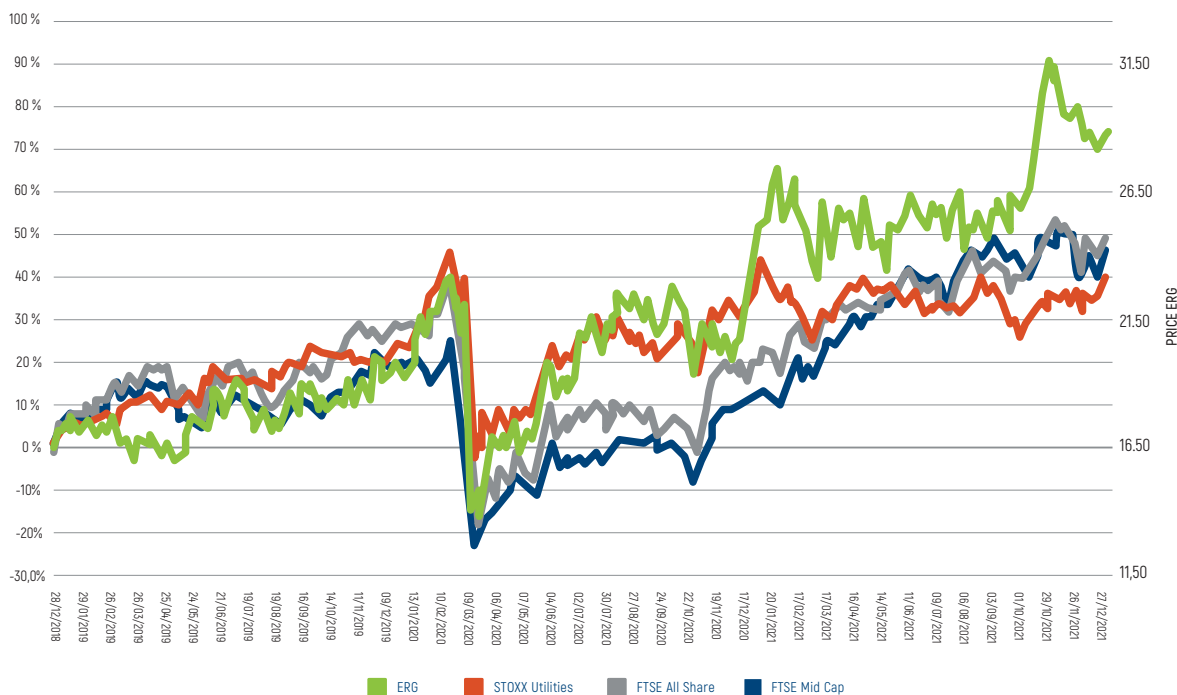
OPERATING AND FINANCIAL PERFORMANCE, 2019-2021

Dati in milioni di Euro	2019	2020	2021	% change 2020-2021
Revenue from sales and services ⁽¹⁾	1,022	974	1,232	26%
EBITDA	504	481	580	21%
EBIT	205	183	304	66%
Net financial indebtedness	1,476	1,439	2,051	43%
ROI	6.3%	5.7%	4.8%	
ROE	11.5%	10.4%	17.2%	
Capitalisation at 31/12	2,889	3,517	4,275	
Employees	754	784	808	
Sector				
Equity	1,735	1,770	1,559	
EBIT	205	183	304	

(1) at adjusted replacement cost

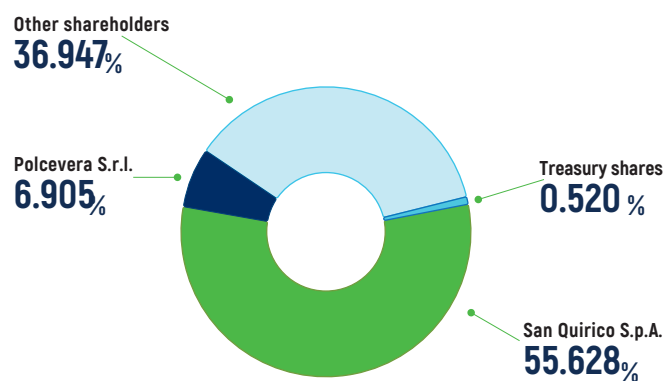
SHARE PERFORMANCE, 2019 - 2021

ERG vs Euro Stoxx Utilities, FTSE All Share e FTSE Mid Cap
% change from 28/12/2018 to 30/12/2021



1.4. OWNERSHIP STRUCTURE

OWNERSHIP STRUCTURE AT 31/12/2021



OTHER CHARACTERISTICS OF THE OWNERSHIP STRUCTURE AT 31/12/2021

	Yes/No	% of share capital
Shareholders' agreement in force	No	–
Increased voting rights mechanism	Yes	–
Shareholding by Top Management ⁽¹⁾	Yes	0.2%
Participation threshold for the presentation of lists	Yes	1%

1.5. QUALIFICATION OF THE COMPANY PURSUANT TO THE CORPORATE GOVERNANCE CODE

Pursuant to the provisions of the Corporate Governance Code, ERG is a **large company with concentrated ownership**.

¹ Board of Directors and Key Management Personnel

1.6. COMPOSITION OF THE BOARD OF DIRECTORS

STRUCTURE OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

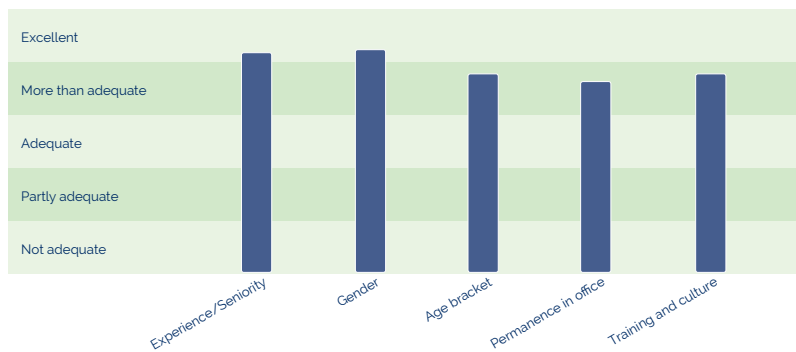
Director	Office	Role	Independent	M/m ¹	RCSC ²	NRC ²	SC ²
Edoardo Garrone	Chairman	Executive	No	M			
Alessandro Garrone	Deputy Chairman	Executive	No	M			C
Giovanni Mondini	Deputy Chairman	Non-executive	No	M			X
Paolo Luigi Merli	Chief Executive Officer	Executive	No	M			X
Luca Bettonte	Director	Non-executive	No	M			X
Emanuela Bonadiman	Director	Non-executive	ICFA/Corporate Governance Code ³	M		C	
Mara Anna Rita Caverni	Director ⁴	Non-executive	ICFA/Corporate Governance Code ³	M	C		
Marco Costaguta	Director	Non-executive	No	M			X
Elena Grifoni Winters	Director	Non-executive	ICFA/Corporate Governance Code ³	M		X	
Federica Lolli	Director	Non-executive	ICFA/Corporate Governance Code ³	M	X	X	
Elisabetta Oliveri	Director	Non-executive	ICFA/Corporate Governance Code ³	M	X		X
Mario Paterlini	Director	Non-executive	ICFA/Corporate Governance Code ³	m			

- 1 Drawn from the list presented by majority (M) or minority (m) shareholders.
 - 2 RCSC: Risk, Control and Sustainability Committee; NRC: Nominations and Remuneration Committee; SC: Strategic Committee.
 - 3 Also taking into account, pursuant to the provisions of Article 2, recommendation 7, second paragraph, of the Corporate Governance Code, the "quantitative" and "qualitative" criteria defined in the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, for determining, for the purposes of assessing the independence of the members of the Board of Directors and the Board of Statutory Auditors, the significance or otherwise of any relationships they have with the Company or other parties connected to it.
 - 4 Lead Independent Director.
- C: Chairman of the relevant Committee.
X: Member of the relevant Committee.

DIVERSITY IN THE BOARD OF DIRECTORS

Average diversity score: **78%**

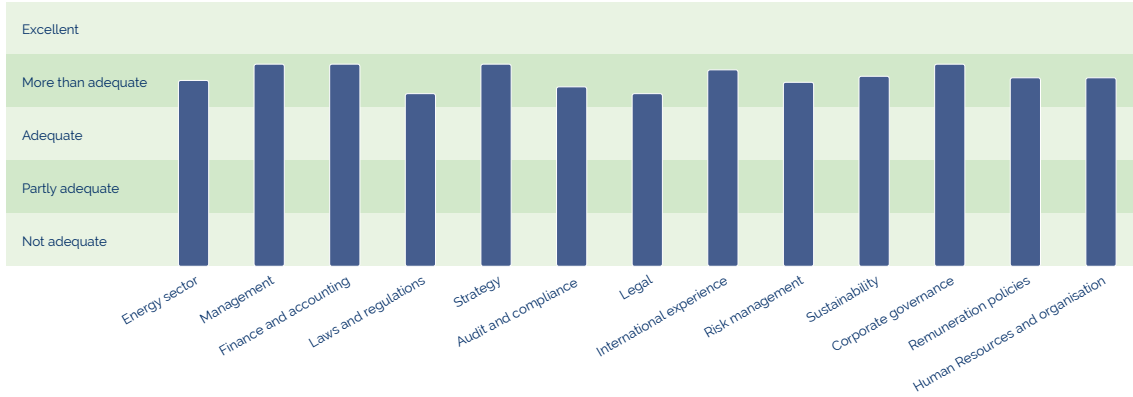
In two areas, diversity was rated as **"excellent"** while in the remaining areas it was rated as **"more than adequate"**



SKILLS IN THE BOARD OF DIRECTORS

Average skills score: **72 %**

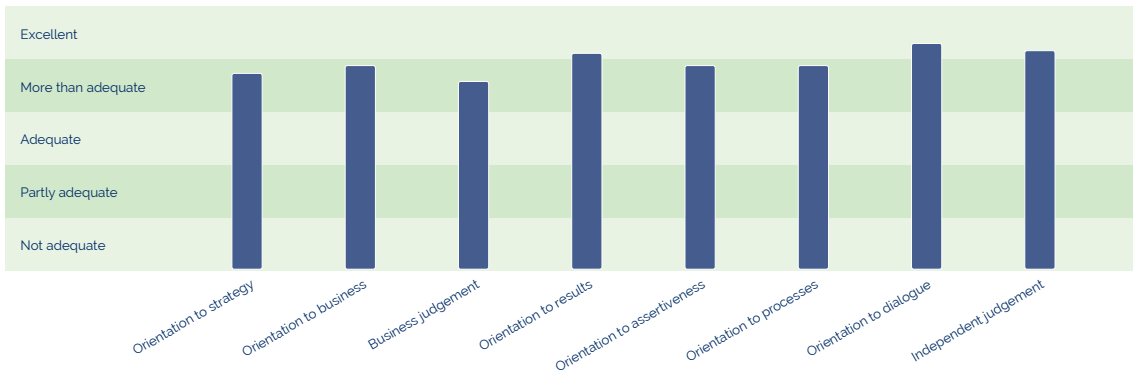
All skills were rated as **“more than adequate”**



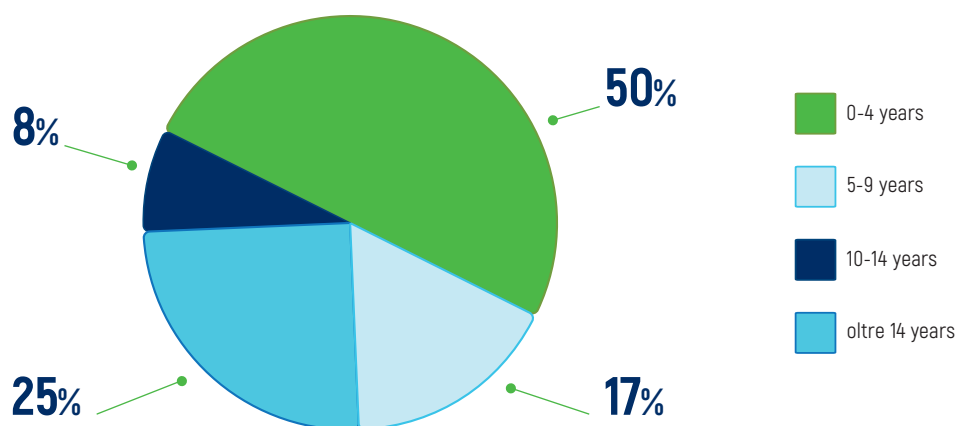
THE PROFESSIONAL AND PERSONAL CHARACTERISTICS OF THE BOARD OF DIRECTORS

Average professional and personal characteristics score: **79%**

Three personal characteristics were rated as **“excellent”** while the remaining characteristic was rated as **“more than adequate”**



LENGTH OF OFFICE OF THE DIRECTORS ON THE BOD



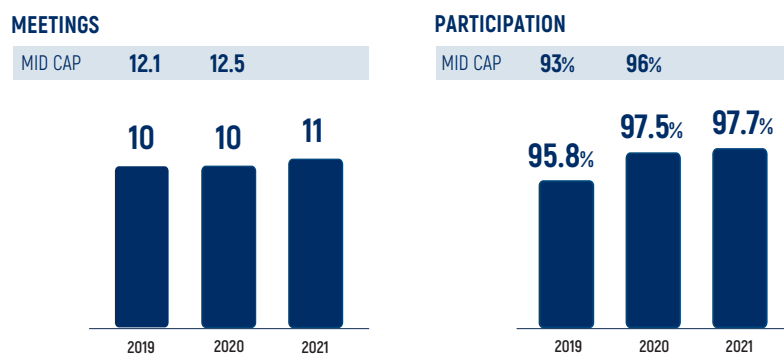
CHANGES COMPARED TO THE PREVIOUS MANDATE

	Previous mandate (2018-2020)	Current mandate (2021-2023)	Mid CAP ¹ (2019)	Mid CAP ¹ (2020)
Number of Directors	12	12	11.1	10.8
Directors elected from the minority list	1	1	1.68	1.63
% of the less represented gender in the BoD	33.3%	41.6%	36.6%	40.2%
% Independent Directors as per Italian Consolidated Finance Act (ICFA)	50%	50%	54.9%	-
% of independent Directors as per Corporate Governance Code	41.6%	50%	50.1%	49.7
Average age of Directors	57.3	56.8	57.7	57.9
<i>Executive status of Chairman</i>	Yes	Yes	59.6%	
Existence of Lead Independent Director	No	Yes	47.4%	51.8%

¹ Source FIN-GOV.

1.7. OPERATION OF THE BOARD OF DIRECTORS

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND PARTICIPATION RATE



DIRECTOR OR AUDITOR OFFICES HELD IN OTHER COMPANIES

	Other group companies	Other listed companies				Other unlisted companies of significant size, financial or banking	
		Executive Director	Non-Executive Director	Independent	Sindaco	Consigliere	Sindaco
Edoardo Garrone	–	Director	Auditor	Director	Auditor	1	–
Alessandro Garrone	–	–	–	–	–	1	–
Giovanni Mondini	–	–	–	–	–	1	–
Paolo Luigi Merli	–	–	–	–	–	–	–
Luca Bettonte	–	–	–	–	–	1	–
Emanuela Bonadiman	–	–	–	1	–	–	–
Mara Anna Rita Caverni	–	–	–	–	–	3	–
Marco Costaguta	–	–	2	–	–	4	–
Elena Grifoni Winters	–	–	–	–	–	–	–
Federica Lolli	–	–	–	–	–	1	–
Elisabetta Oliveri	–	–	2	–	–	1	–
Mario Paterlini	–	–	–	1	–	–	–

BOARD EVALUATION PROCESS

Board evaluation process carried out	Yes
Evaluating party	The Board of Directors with the support of the Nominations and Remuneration Committee
Self-evaluation procedures	Anonymous online questionnaire sent to the members of the Board of Directors; the Board of Statutory Auditors is also involved in the process
Parties involved	The evaluation process was carried out with the support of the Corporate Affairs organisational unit

1.8. COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

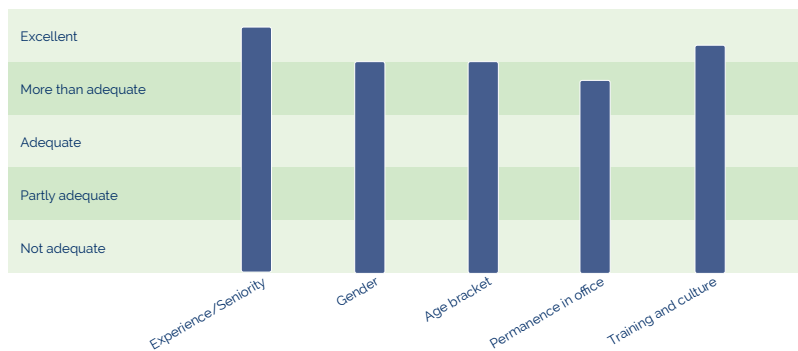
Auditors	Office	Independent	M/m
Elena Spagnol	Chairman	ICFA/Corporate Governance Code ²	m
Fabrizio Cavalli	Standing	ICFA/Corporate Governance Code ²	M
Lelio Fornabaio	Standing	ICFA/Corporate Governance Code ²	M
Vincenzo Campo Antico	Alternate	ICFA/Corporate Governance Code ²	M
Luisella Bergero	Alternate	ICFA/Corporate Governance Code ²	M
Paolo Prandi	Alternate	ICFA/Corporate Governance Code ²	m

- 1 Drawn from the list presented by majority (M) or minority (m) shareholders.
- 2 Also taking into account, pursuant to the provisions of Article 2, recommendation 7, second paragraph, of the Corporate Governance Code, the "quantitative" and "qualitative" criteria defined in the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, for determining, for the purposes of assessing the independence of the members of the Board of Directors and the Board of Statutory Auditors, the significance or otherwise of any relationships they have with the Company or other parties connected to it as well as the criteria provided for by the Rules of Conduct of Boards of Statutory Auditors of listed companies of 26 April 2018, drawn up by the Italian National Board of Chartered Accountants.

DIVERSITY IN THE CURRENT BOARD OF STATUTORY AUDITORS

Average diversity score: **83%**

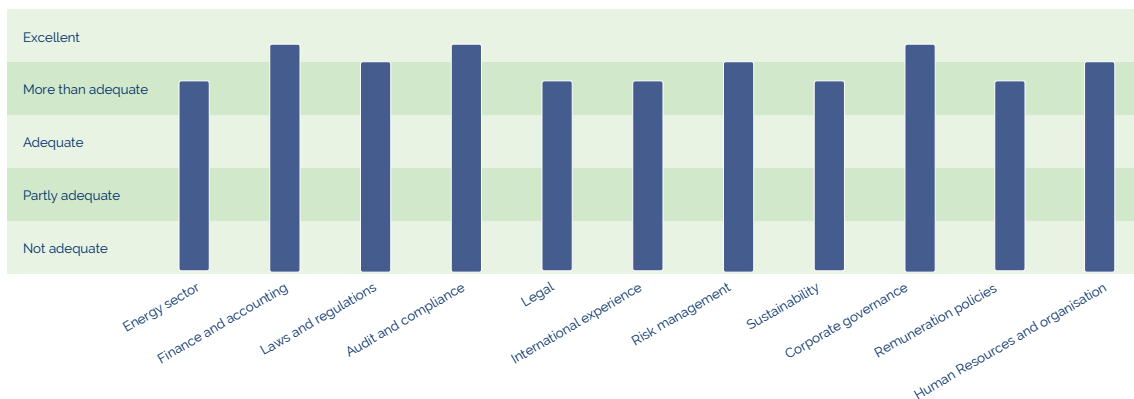
In four areas, diversity was rated as **"excellent"** while in the remaining areas it was rated as **"more than adequate"**



SKILLS PRESENT WITHIN THE CURRENT BOARD OF STATUTORY AUDITORS

Average skills score: **79%**

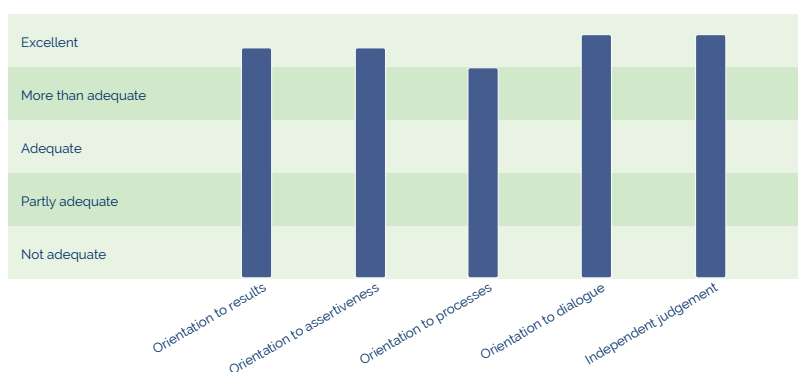
Six skills were rated as **"excellent"** while the remaining skills were rated as **"more than adequate"**



PROFESSIONAL AND PERSONAL CHARACTERISTICS OF THE BOARD OF STATUTORY AUDITORS

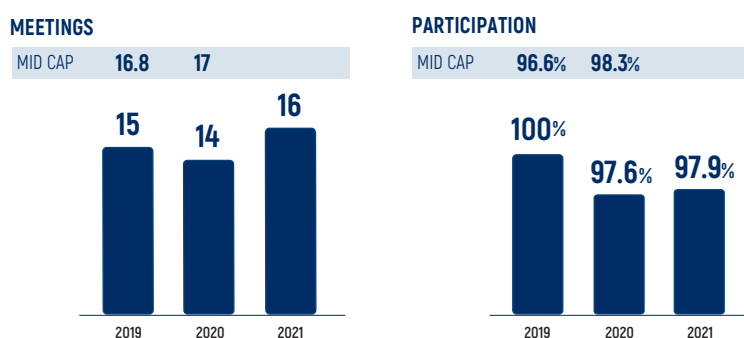
Average professional and personal characteristics score: **88%**

Four personal characteristics were rated as **“excellent”** while the remaining characteristic was rated as **“more than adequate”**



1.9. OPERATION OF THE BOARD OF STATUTORY AUDITORS

NUMBER OF MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND PARTICIPATION RATE



DIRECTOR OR AUDITOR OFFICES HELD IN OTHER COMPANIES

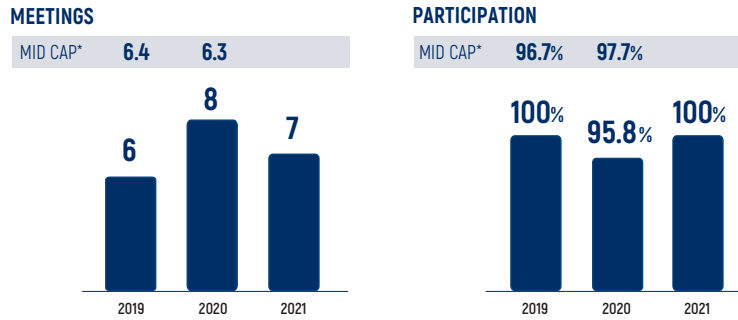
	Other group companies	Other listed companies				Other unlisted companies of significant size, financial or banking	
		Executive Director	Non-Executive Director	Independent Director	Auditor	Director	Auditor
Elena Spagnol	–	–	–	–	1	–	–
Fabrizio Cavalli	–	–	–	–	–	2	9
Lelio Fornabaio	–	–	–	–	1	1	2

STATUTORY AUDITORS EVALUATION PROCESS

Statutory Auditors evaluation process carried out	Yes
Evaluating party	The Board of Statutory Auditors
Self-evaluation procedures	Anonymous online questionnaire to the members of the Board of Statutory Auditors
Parties involved	The evaluation process was carried out with the support of the Corporate Affairs organisational unit

1.10. REMUNERATION

NUMBER OF NOMINATIONS AND REMUNERATION COMMITTEE MEETINGS AND PARTICIPATION RATE

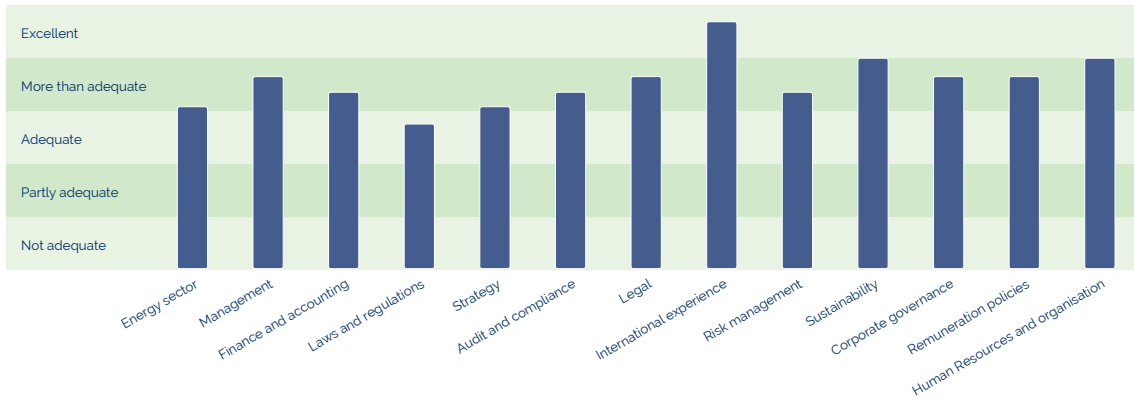


* Data referred to the Remuneration Committee

SKILLS PRESENT WITHIN THE COMMITTEE

Average skills score: 71%

Three skills were rated as "excellent", nine as "more than adequate" and one as "adequate"



REMUNERATION POLICY 2021-2022

Fixed Remuneration	Enhances the responsibilities, the skills and the contribution demanded by the position. Ensures attraction and retention through continuous market benchmarking. Remunerates the activity carried out in the event that the variable component is not paid out.
Executive Deputy Chairman	Chief Executive Officer
Both roles receive an annual fee , as members of the Board of Directors, and an annual remuneration for their role as Executive Directors.	
The amount of annual remuneration is determined through a benchmark of the posts held by them within a peer group consisting of FTSE MIB and MID CAP companies in the industrial sector comparable to ERG in terms of capitalisation, shareholder structure, distribution of powers and complexity.	
Key Managers	
Annual earnings , from employment.	
The overall target remuneration and the balance between the various components is determined through specific market analyses in relation to roles with the same level of responsibility and managerial complexity with respect to the national markets in the industry sector.	

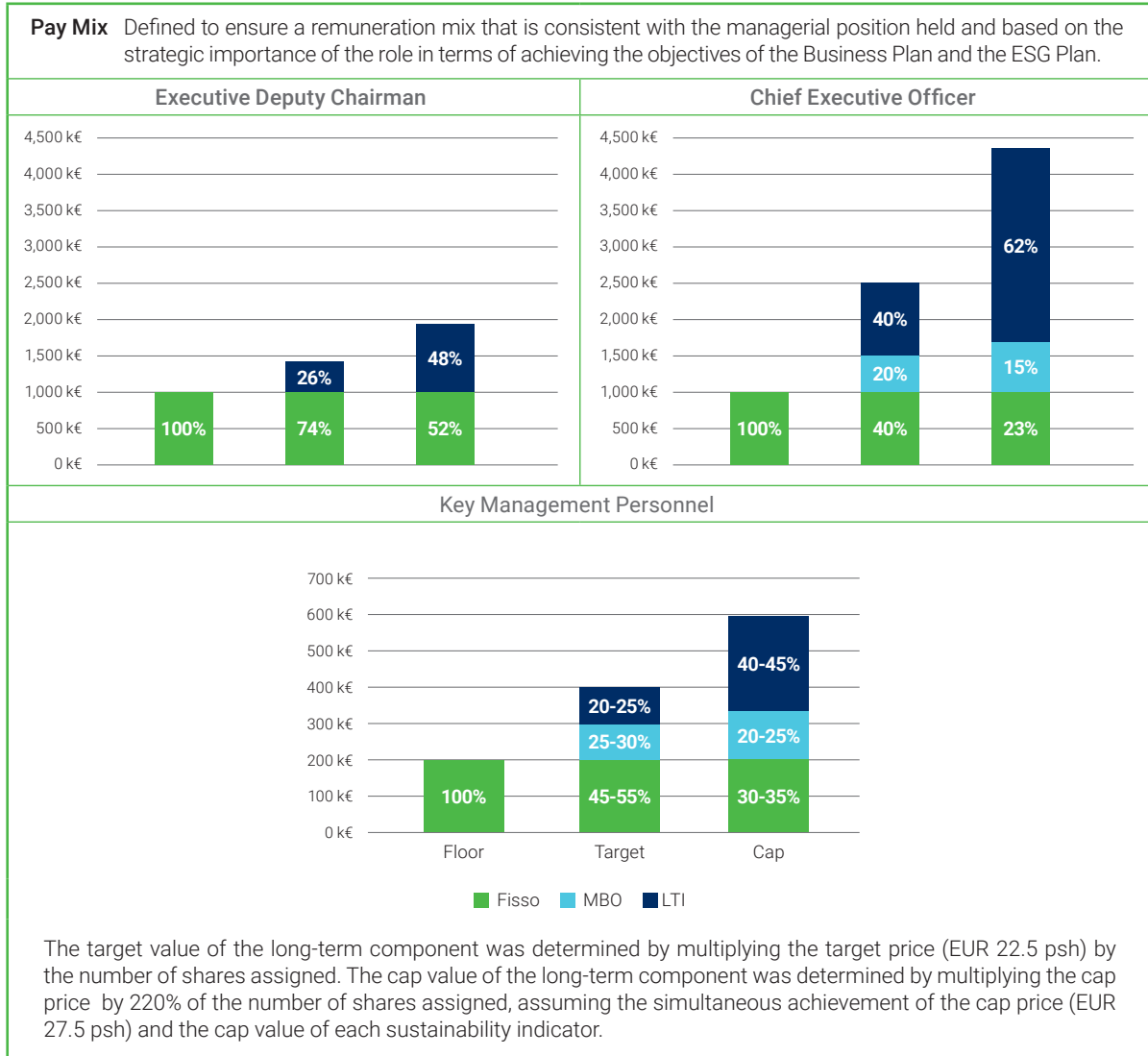
Short-Term Variable Remuneration	Aimed at the achievement of economic, financial and sustainability targets, predetermined, measurable and in line with the budget.		
Executive Deputy Chairman			
Not envisaged			
Chief Executive Officer		Key Managers	
MBO System	100% cash	MBO System	100% cash
Clawback clause:	exercisable within 3 years	Clawback clause:	exercisable within 3 years
Corporate Objective	Floor 50% Cap 150% of the target	Corporate Objective	Floor 50% Cap 150% of the target
50% EBT	Target score <50% nothing is due Target score >150% 150% of the target bonus is due	30% EBT	Target score <50% nothing is due Target score >150% 150% of the target bonus is due
Sustainability objective²:	Floor 80% Cap 120% of the target	Sustainability objective²:	Floor 80% Cap 120% of the target
20%	Target score <80% nothing is due Target score >120% 120% of the target bonus is due	10%	Target score <80% nothing is due Target score >120% 120% of the target bonus is due
Growth Objective:	Floor 80% Cap 120% of the target	Individual Objectives:	Floor 80% Cap 120% of the target
30% Installed production capacity (MW)	Target score <80% nothing is due Target score >120% 120% of the target bonus is due	60% various objectives (Economic, Operational, Financial, Business Development and/or specific projects)	Target score <80% nothing is due Target score >120% 120% of the target bonus is due

² The objectives of which are common to all beneficiaries of the MBO system









Long-Term Variable Remuneration	Aimed at aligning the interests of the beneficiaries with the pursuit of the priority objective of the creation of sustainable value for the shareholders over the medium/long term. Contributes to the strategy of ensuring the Company's sustainability over time, incentivising management to achieve strategic results, with a view to sustainable success, in line with the Business Plan, the ESG Plan, the New Business Plan and the New ESG Plan.	
Executive Deputy Chairman	Chief Executive Officer	Key Managers
<p>2021–2023 Performance Share System³</p> <p>ON/OFF performance indicator: 90% expected value of the 2021-2023 three-year cumulative EBITDA. .</p> <p>Single awarding at plan inception, with three-year vesting.</p> <p>Allocation strategy: the number of shares may increase up to 200% of the shares assigned according to the criteria: p/sh ERG ≤ EUR 22.5 p/sh "Target Price": Shares allocated = 100% Shares assigned p/sh ERG ≥ EUR 27.5 p/sh "Cap Price" Shares allocated = 200% Shares assigned p/sh ERG <> between Target Price and Cap Price = Shares allocated with a linear interpolation strategy.</p> <p>Sustainability Indicator: multiplier/demultiplier (±10%) of shares that can be allocated</p> <p>Lock Up: 8 months on 25% of any shares allocated</p> <p>Clawback clause: exercisable within 3 years</p>		

Non-monetary benefits	In a Total Reward approach, the compensation package is integrated with benefits, mainly in the form of pension and social security.	
Executive Deputy Chairman	Chief Executive Officer	Key Managers
Medical assistance and insurance coverage against the risk of death and disability (which are subtracted from the annual fee) Company car for mixed use		Medical assistance and insurance coverage against the risk of death and disability Company car for mixed use

³ The regulation implementing the 2021-2023 LTI System was approved on 13 May 2021 by the Board of Directors, at the same time as defining the 2021-2025 Business Plan and the 2021-2025 ESG Plan in order to ensure that the timeframes are fully consistent with the new mandate and the objectives of the aforementioned Business Plan.

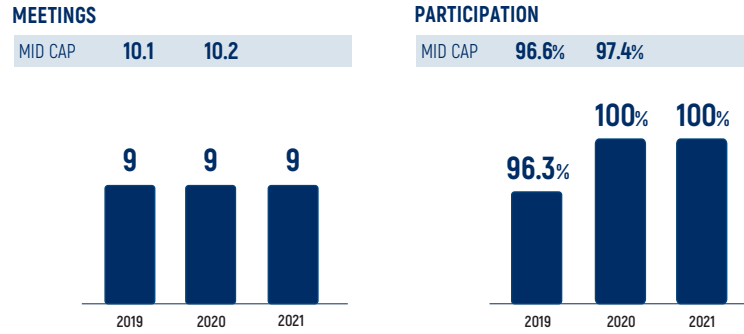


REMUNERATION FOR SUSTAINABLE SUCCESS - 2022-2026 ESG PLAN OBJECTIVES

 Tackling climate change and do our part for the planet	Planet	Net zero Circular Economy Energy Efficiency Biodiversity	MBO LTI	
 Sharing benefits with local communities	Engagement	ERG Academy for Next Generation 1% for the Community Trust & Reputation	MBO LTI	
 A future-proof human capital approach	People	ERG Academy for ERG People Diversity & Inclusion Health & Safety always Employees' well-being	MBO LTI	
 Sustainable governance for long term succes	Governance	ERG objectives into MBO and LTI Enhancing Governance Model Tax Control Framework Sustainable Procurement ESG Finance	LTI MBO	

1.11. CONTROL, RISK AND SUSTAINABILITY SYSTEM

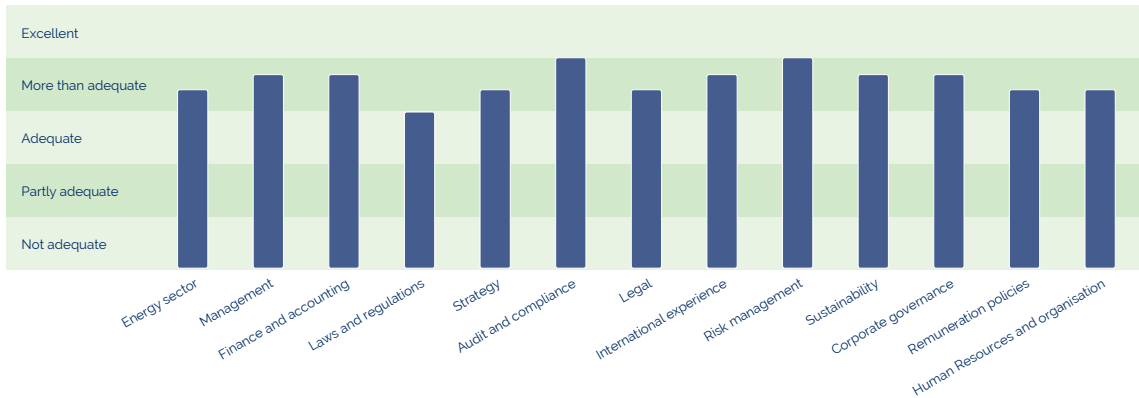
NUMBER OF CONTROL, RISK AND SUSTAINABILITY COMMITTEE MEETINGS AND PARTICIPATION RATE



SKILLS PRESENT WITHIN THE COMMITTEE

Average skills score: 71%

Two skills were rated as “**excellent**” while the remaining skills were rated as “**more than adequate**”



MAIN ELEMENTS OF THE CONTROL AND RISK SYSTEM

	Yes/No
Risk Management function	Yes
Chief Risk Officer	No
Enterprise Risk Management plan in place	Yes
If yes, has this plan been discussed with the Committee?	Yes
If so, is this plan also discussed with the Board of Directors?	Yes

MAIN RISKS





















RISK	DESCRIPTION	MANAGEMENT STRATEGY IMPLEMENTED BY THE ERG GROUP
1 - Natural variability of renewable contributions	Production volumes of plants fuelled by renewable sources (water, wind and sun) are subject to the natural variability of these sources and, in the event of lower contributions, may adversely affect Group results.	<ul style="list-style-type: none"> • Diversification of the generation portfolio from both a technological (Wind/Solar/Hydro⁴/Thermo) and geographical (at European level) point of view in order to compensate for changes to contributions in the various renewable sources (wind/sun/water). • Use of as accurate as possible forecasting systems to define the production plan and short-term operating activities; • Scheduling of stoppages at renewable energy plants during periods of low input from renewable energy sources; • Use of industrial control systems (SCADA) for the continuous monitoring of the performance of plants – through specific KPI indicators – and of their status, which make it possible to intervene promptly in the event of accidental failure and to reduce machinery downtime; • Programmes for the continuous improvement of the processes for managing and maintaining assets in order to ensure their ever increasing efficiency; • Insurance coverage to mitigate the risks related to Business Interruption and Property Damage in the generation portfolio.
2 - Price Risk	Risk linked to unfavourable changes in prices in the commodities market (in particular EE and Gas), with possible negative impacts on Group results.	<ul style="list-style-type: none"> • Definition and regular monitoring of risk exposure limits; • Escalation process in the event that the approved limits are exceeded; • financial instruments to hedge the price risk only if there is an underlying asset; • Contractualisation of indexed sales formulas, if possible, to transfer risks.
3 - Legislative and regulatory changes	Possible worsening of the national and international legislative/regulatory framework in the countries in which the Group operates that may negatively impact the achievement of targets	<ul style="list-style-type: none"> • Legislative and regulatory monitoring through institutional relations, related channels, comparison with operators in the sector, and the specialised press; • Active participation in consultations to protect Group interests; • Maintenance of effective and long-lasting relations with local stakeholders in the countries in which the Group operates (e.g. through territorial development and sustainability projects). • Sensitivity Analysis to assess the effect of the main regulatory changes on Group results; • Periodic reporting to Management
4 - Rating downgrade	Potential downgrading by the Rating Agency could limit the Group's ability to access the capital market and/or increase the cost of funding with negative effects on the Group's operating results, financial position and cash flows, and on its reputation	<ul style="list-style-type: none"> • A production portfolio that ensures stable cash generation from its business activities, including through the geographical and technological diversification of its plants. • A financial structure that is balanced in terms of duration and composition; • The continuous monitoring of the final and expected results and of the financial balances; • Investment planning consistent with existing financial covenants and the risks associated with them.
5 - New capital expenditure	Possible uncertain events originating from various factors, for example, scenarios (micro/macroeconomic, political, regulatory, business-related), technical, operating, financial or organisational factors which may impact the decision to make new capital expenditure and/or impact its success	<ul style="list-style-type: none"> • Specific Organisational Units tasked with ensuring the achievement of growth objectives through new capital expenditure (organic growth and/or M&A); • Structured processes for selecting capital expenditure that involve a set of successive levels of examination and approval of projects carried out based on, inter alia, internal and external support studies, benchmark analyses, legal-regulatory analyses, sustainability models and financial assessment/planning; • Detailed analysis for the relevant projects of all the risks associated with them: (i) potential impacts and strategy/actions to contain/eliminate the risk; (ii) follow-up items to monitor the mitigation processes; • Periodic updating of the WACC/HR, including through benchmarks, to ensure a suitable return in relation to the expected risk profile.
6 - Cyber attacks against production industrial systems	Potential cyber attacks that exploit vulnerabilities may bring industrial production systems to a standstill and, subsequently, affect Group results (e.g. Revenue);	<ul style="list-style-type: none"> • Definition and implementation of a Security Program to adapt processes, systems and infrastructure to best practices aimed at increasing levels of safety; • Use of automatic tools (e.g. Intrusion Detection Systems) for prevention, detection and accident management purposes; • Carrying out of security assessments to identify critical issues in the systems and support infrastructure; • Development of security awareness and training plans for users; • Insurance to cover the risks of Cyber Crime.

4 On 3 January 2022, the sale of the entire share capital of ERG Hydro S.r.l. to Enel Produzione S.p.A. was completed.

RISK	DESCRIPTION	MANAGEMENT STRATEGY IMPLEMENTED BY THE ERG GROUP
7 - Failure to protect the reputational capital	Internal/external events that may have a negative impact on the ERG Group's reputation (including: financial performance, ethics and integrity, social responsibility, HSE Policies, ICT security, crisis management, etc.)	<ul style="list-style-type: none"> • Specific information and communication activities aimed at maintaining the Group's strong reputation among stakeholders, including, inter alia, a structured Corporate Social Responsibility process with specific social responsibility initiatives and the dissemination of Non-Financial Information; • Active relations with all major stakeholders and the media, and monitoring of stakeholders' perceptions; • Communication activities through the website/social media and continuous monitoring of stakeholder perceptions of the ERG brand; • Structured Reputational Crisis Management process that enables crisis effects to be promptly managed and contained in order to safeguard the reputation of the ERG Group.
8 - Anti-Corruption Compliance	The possibility that one of the Companies in the Group and/or a director, representative or employee of the same, could be involved in proceedings for offences committed in breach of anti-corruption laws that may involve the application of sanctions against the aforementioned persons (both physical and legal persons) and negative repercussions in terms of reputation	<ul style="list-style-type: none"> • Adoption of the rules of conduct system (Code of Ethics and Anti-Corruption Policy) valid for the entire Group; • Adoption of an "Integrated Anti-Corruption Model", at Group level in line with best practices; • Definition of information flows for the monitoring of the Anti-Corruption System; • Regular training on anti-corruption matters and ongoing efforts to raise awareness among management on the culture of ethics and of business integrity; • "Due Diligence on Significant Third Parties" procedure; • Definition and implementation of Compliance Programmes to verify compliance with the Anti-Corruption Policy.
9 - Industrial risks and HSE	Risks related to malfunctioning systems potentially resulting in critical issues during production processes and/or having a negative impact in terms of HSE	<ul style="list-style-type: none"> • Technological and geographical diversification of the generation portfolio in order to limit negative impacts; • Implementation of a Business Continuity Management / Asset Integrity Management process that ensures the proper maintenance of production assets, through specific risk assessment activities (e.g. risk assessment, Business Impact Analysis); • Technological development of plants and emergency management plans; specialist HSE audit and monitoring of plants; • Adoption of certified (ISO 14001 and OHSAS 18001) Management Systems and regular training for all staff working within the facilities; • Specific levels of insurance coverage for business interruption, property damage and any accidents involving staff.


1.12. ESG PLAN

ESG PLAN 2021-2025

<div style="text-align: center;">  <p>PLANET</p> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;">     </div> <div style="background-color: #4CAF50; color: white; text-align: center; padding: 5px; margin-top: 10px;"> 2025 TARGETS </div> <ol style="list-style-type: none"> 1. Carbon Neutrality <ul style="list-style-type: none"> - Scope 1 & 2 neutrality in BP period - Scope 3 by 2040 - Carbon Index down 30% 2. ≥ 98% Circular Wind: <ul style="list-style-type: none"> - < 2% Wind repowering waste in landfill 3. Energy Efficiency: <ul style="list-style-type: none"> - +260 kTEE (Thermo) - +40 GWhg (Minihydro) - +8.7 GWh (Solar) 	<div style="text-align: center;">  <p>ENGAGEMENT</p> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;">     </div> <div style="background-color: #2196F3; color: white; text-align: center; padding: 5px; margin-top: 10px;"> 2025 TARGETS </div> <ol style="list-style-type: none"> 4. Next Generation:: <ul style="list-style-type: none"> - +20,000 students involved (Italy and abroad) 5. 1% for the Community: <ul style="list-style-type: none"> - > 1% revenues for social developments of local communities 6. Trust & Reputation: <ul style="list-style-type: none"> - Scoring >65/100 in Reputation Index 	<div style="text-align: center;">  <p>PEOPLE</p> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;">     </div> <div style="background-color: #336933; color: white; text-align: center; padding: 5px; margin-top: 10px;"> 2025 TARGETS </div> <ol style="list-style-type: none"> 7. Agile Transformation: <ul style="list-style-type: none"> - 75% people with individual development plan - 100% people involved in up-skilling and re-skilling 8. Diversity & Inclusion: <ul style="list-style-type: none"> - > 20% women amongst the key leader (manager and senior manager) - > 15% key leaders abroad 9. Health & Safety, always: <ul style="list-style-type: none"> - No fatalities, IF <2, IG <1 	<div style="text-align: center;">  <p>GOVERNANCE</p> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;">     </div> <div style="background-color: #003366; color: white; text-align: center; padding: 5px; margin-top: 10px;"> 2025 TARGETS </div> <ol style="list-style-type: none"> 10. Sustainability Incentives: <ul style="list-style-type: none"> - 100% incentives plan integrated with ESG objectives 11. Enhancing Governance Model: <ul style="list-style-type: none"> - BoD Independence & Diversity, revising the system of Powers in SPVs' and TCF 12. Tax Control Framework: <ul style="list-style-type: none"> - Tax Control Framework abroad (FR, DE) 13. Sustainable Procurement: <ul style="list-style-type: none"> - +10 pts in average strategic suppliers scoring
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It should be noted that following the sale of the entire quota capital of ERG Hydro S.r.l. to Enel Produzione S.p.A. on 3 January 2022 (hereinafter also the “Hydro Sale”), and the signing of the agreement, again with Enel Produzione S.p.A., for the sale of the entire quota capital of ERG Power S.r.l., which took place on 9 February 2022 (hereinafter also the “Thermo Agreement”), it was necessary to review the Business Plan and the 2021-2025 ESG Plan (hereinafter also the “Business Plan” and the “ESG Plan”). Consequently, the Board of Directors, on 14 March 2022, after prior assessment by the Strategic Committee and the Control, Risks and Sustainability Committee, approved, respectively, the Business Plan and the 2022-2026 ESG Plan (hereinafter also the “New Business Plan” and the “New ESG Plan”) presented to the market on 15 March 2022.

2022-2026 ESG PLAN

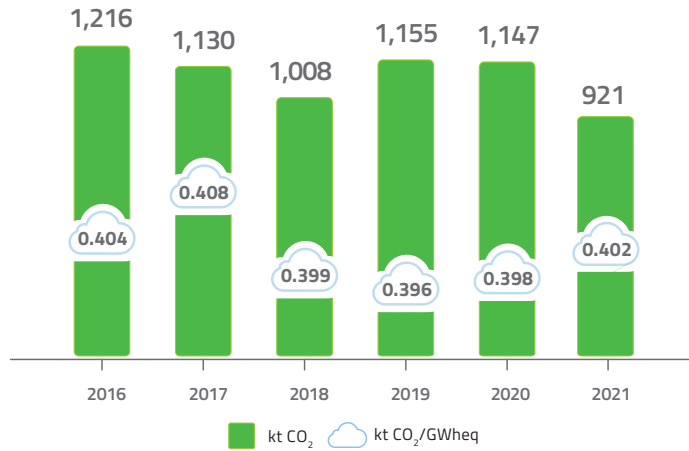
 <p>PLANET</p>  <p>2026 TARGETS</p> <p>1. Net Zero: - Scope 1 after Asset Rotation - Scope 2 @ 2025 - Scope 3 @ 2040</p> <p>2. Circular Economy: - ≥ 98% Circular Wind - ≥ 90% Circular Solar - Social purposes for circular solar</p> <p>3. Energy Efficiency: - Wind Reblading (+72 GWh) - Solar Revamping (+59 GWh)</p> <p>4. Biodiversity: - Biodiversity assessment for 100% of RES organic projects</p>	 <p>ENGAGEMENT</p>  <p>2026 TARGETS</p> <p>5. ERG Academy for Next Generation: - 20,000 students involved</p> <p>6. 1% for the Community: - > 1% revenues for social developments of local communities</p> <p>7. Trust & Reputation: - Top performer in main ESG Ratings</p>	 <p>PEOPLE</p>  <p>2026 TARGETS</p> <p>8. ERG Academy for our People: - 80% people with individual development plan - 100% people involved in learning activities</p> <p>9. Diversity & Inclusion: - ≥ 20% women amongst key leader (manager and senior manager) - ≥ 20% key leaders abroad - ≥ 25% women in the workforce - D&I Certification</p> <p>10. Employees' well-being: - Flexible benefit Plan - Solidarity holidays at Group level - Smart Working post Pandemia</p> <p>11. Health & Safety, always: - No fatalities, IF<4</p>	 <p>GOVERNANCE</p>  <p>2026 TARGETS</p> <p>12. Sustainability Incentives: - 100% incentives plan integrated with ESG objectives</p> <p>13. Enhancing Governance Model: - BoD Independence & Diversity</p> <p>14. Tax Control Framework: - Tax Control Framework abroad (FR@2023, DE@2024)</p> <p>15. Sustainable Procurement: - +10 pts in average strategic suppliers scoring</p> <p>16. ESG Finance: - ≥ 90% of Green Funding</p>
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1.13. 2021 NFS⁵

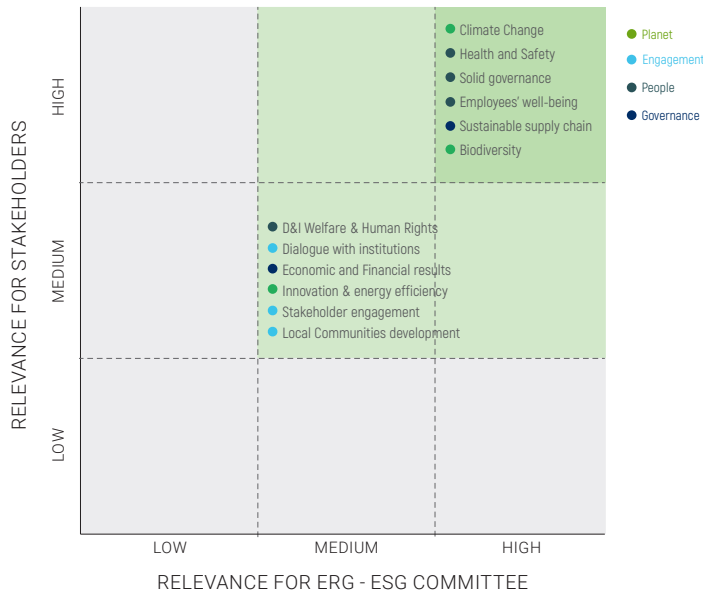


⁵ Approved, on a mandatory basis, by the Board of Directors on 14 March 2022, after prior assessment by the Control, Risks and Sustainability Committee, it will be made available to the public on the Company's website (www.erg.eu) as well as with other methods and within the terms provided for by the laws and regulations in force.

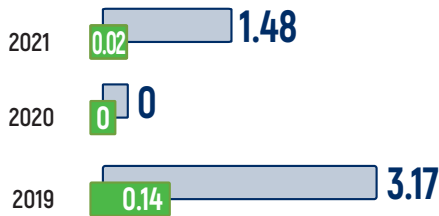
SUSTAINABILITY INDICATORS: CO₂ EMISSIONS



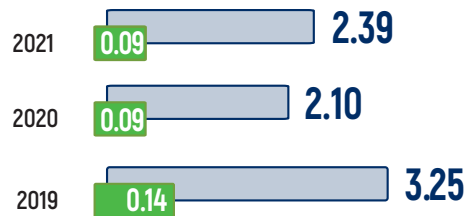
MATERIALITY MATRIX



ACCIDENTS FREQUENCY INDEX⁶ (FI) AND SEVERITY INDEX⁷ (SI)



TOTAL ACCIDENTS FREQUENCY AND SEVERITY INDEX



■ FREQUENCY INDEX ■ SEVERITY INDEX

6 no. accidents*1,000,000/hours worked
 7 no. days lost*1,000/hours worked

2. OUR JOURNEY TOWARDS SUSTAINABLE SUCCESS

The current corporate governance structure of ERG has evolved over time with the gradual introduction into the corporate approach of rules of conduct that reflect the most advanced and widely recognised principles of Corporate Governance.

Even prior to the listing of the Company in October 1997, one of the key aspects of the governance structure was a focus on a proper relationship between management, shareholders and stakeholders and balanced corporate management aimed at creating medium to long-term value.

This corporate policy was implemented through:

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

Its presence on the stock market has accentuated the Company's propensity to base its conduct on the criteria of transparency, correctness and sustainability. It has also accelerated the process of adapting its governance to meet these criteria.

ERG today pursues its own sustainable success through the creation of value for shareholders, in the medium to long term, taking into account the interests of other stakeholders relevant to the Company and contributing positively to the socio-economic development of the areas and local communities affected by the production assets of the ERG Group and by business development projects, in order to ensure future generations are still able to meet their own needs.

To ensure management is fully in line with these objectives, the current Board of Directors:

- on 26 April 2021, in accordance with the recommendations of the Italian Corporate Governance Committee (2020 Report) and the New Code (as defined below), appointed a Control, Risk and Sustainability Committee⁸, which, in addition to examining in advance the process of drawing up the Consolidated Non-Financial Statement (in continuity with the Company's governance), is called upon to evaluate the ESG Plan in advance and monitor its implementation over time with respect to the objectives of the Plan itself;
- in the meeting of 13 May 2021, (i) approved, together with the 2021-2025 Business Plan, with the favourable opinion

⁸ Made up entirely of Independent Directors belonging to the less represented gender on the Board of Directors.

of the Control, Risk and Sustainability Committee, the 2021-2025 ESG Plan, thus placing ESG targets at the centre of ERG's strategy and integrating sustainability into the business; (ii) defined and introduced, at the proposal of the Nominations and Remuneration Committee⁹, specific sustainability targets, taken from the ESG Plan, into the 2021-2023 LTI System and the MBO System, in accordance with the provisions of the Remuneration Policy approved by the Shareholders' Meeting of 21 April 2021;

- in the meeting of 14 March 2022, following the Sale of Hydro and the Thermo Agreement, approved the New Business Plan and the New ESG Plan, which were taken into account when defining the economic and sustainability objective of the MBO system for 2022 and will be taken into account when updating the objectives of the 2021-2023 LTI System, in accordance with the provisions of the relative regulations.

ERG's sustainable success is based on the four "pillars" set out within the ESG Plan and the New ESG Plan:

1. **Planet:** combatting against climate change;
2. **Engagement:** commitment to local areas;
3. **People:** focus on the growth and well-being of people;
4. **Governance:** management bodies and principles inspired by best practices.



The "pillars" are closely related and integrated into our business model. They include 13 well-defined objectives that are measurable through constantly monitored KPIs, with a view to guaranteeing a tangible contribution to the creation of value over time for all our stakeholders and to reaching the SDGs established by the United Nations.

More generally speaking, this journey towards the creation of shared value has been made possible thanks to the values that have always inspired our way of doing business, reflected, over time, within our governance.

The main corporate governance measures adopted for this purpose include:

- the adoption, in December 2004, of an ERG Group (hereinafter also the "Group") **Code of Ethics** – subsequently updated on 3 August 2018 – as a tool for defining and communicating ERG's duties and responsibilities towards its stakeholders (including the local areas and communities affected by the ERG Group's production assets and business development projects), as well as being an imperative element of an Organisation and Management Model consistent with the requirements of Italian Legislative Decree no. 231/0 1, updated on 31 July 2020;
- endorsement of the **Corporate Governance Code** for Listed Companies promoted by Borsa Italiana S.p.A. (the "Corporate Governance Code") since its first edition in 1999;
- endorsement of the new **Corporate Governance Code** promoted by Borsa Italiana S.p.A. (also the "New Code") published on 31 January 2020;

⁹ Made up entirely of Independent Directors belonging to the less represented gender on the Board of Directors.

- the adoption of a **Code of Conduct for the Directors** of companies belonging to the ERG Group, in order to provide them with uniform rules of conduct for performing their duties within a systematic framework of reference and in compliance with corporate governance principles.
- the adoption of a **Policy on the remuneration of members of the Board of Directors and Key Management Personnel**, last updated on 14 March 2022, which provides for the inclusion of specific sustainability targets for management in the MBO System and in the 2021-2023 LTI System and increasing elements of transparency in line with best practices;
- the definition of the **Guidelines for the identification and execution of significant transactions**, subsequently updated up to the current edition approved on 10 November 2020, with the aim of identifying transactions whose examination and approval, as recommended by the New Code, remain the exclusive responsibility of the Board of Directors (hereinafter also the "Significant Transactions");
- the adoption of a **Procedure for handling and processing relevant and inside information and for the public dissemination of statements and information**, most recently updated on 20 July 2021 (hereinafter also the "Market Information Procedure"), which aims to ensure that all statements and information intended for the market, for CONSOB and for Borsa Italiana S.p.A. are the outcome of a process that guarantees both timeliness and accuracy;
- the definition of **Guidelines for the Internal Control and Risk Management System**, last updated on 3 August 2018, with the aim of identifying the set of measures, organisational structures, regulations and rules whose purpose is, by means of an appropriate process of identification, measurement, management and monitoring of the main risks, and the creation of adequate information flows to ensure the proper flow of information, to allow the company to be managed on a sound and proper basis, consistent with the company targets defined by the Board of Directors;
- the adoption of an **integrated risk management model**, with the objective of identifying, as exhaustively as possible, the risks inherent in the Group's full range of business activities;
- the adoption of a **Related-Party Transactions Procedure**, aimed at ensuring the transparency and the substantial and procedural correctness of transactions with related parties carried out by ERG directly or through its subsidiaries, most recently updated on 13 May 2021;
- the definition of a **Code of Conduct for Internal Dealing** – updated version approved on 11 May 2017 – aimed at regulating disclosure obligations in respect of the market, the Company and CONSOB with reference to transactions involving ERG shares/debt instruments issued by ERG or derivatives or other related financial instruments carried out, directly or indirectly, by members of the administrative and control bodies of ERG and of significant subsidiaries, by members of top management of the Group and by persons closely connected with them;
- the adoption of the **Guidelines for compliance with Italian Legislative Decree no. 231/01 and anti-corruption laws** within ERG Group companies, approved, in their latest version, on 9 October 2017, which summarise the principles and general rules of reference with which the subsidiaries of the ERG Group¹⁰ (the "Subsidiaries" and, together with ERG, the "Companies of the ERG Group" or the "ERG Group") are required to comply with regard to the

¹⁰ Companies directly or indirectly controlled by ERG pursuant to Article 93 of the Italian Consolidated Finance Act..

adoption of the Code of Ethics and the Anti-corruption Policy and the evaluation of the implementation of suitable tools for the purposes of compliance with Italian Legislative Decree no. 231/01;

- the adoption of the **Anti-Corruption System and Policy**, subsequently updated to the current version approved on 2 August 2019, as well as a Due Diligence on Significant Third Parties Procedure, updated on 26 November 2020, with the aim of helping to ensure, together with the Code of Ethics and 231 Models, compliance with the national and international anti-corruption regulations of the countries in which the Group operates;
- the adoption of a **Tax Control Framework**, i.e. a system for the recognition, management and monitoring of tax risk, with the aim of rationalising, strengthening and making more effective Tax Governance rules and procedures;
- the adoption, on 13 May 2021, of the **Regulations for the operation of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee** (hereinafter also the "Regulation") aimed, among other things, at regulating (i) the operating rules of the body itself and its committees, the procedures for recording the minutes of the meetings and the procedures for managing the sharing of information with the directors, (ii) the "quantitative" and "qualitative" criteria used to determine, for the purposes of assessing the independence of the members of the Board of Directors and the Board of Statutory Auditors, the relevance or otherwise of any relationships they have with the Company or other persons connected to it; (iii) the maximum number of offices in the management or control bodies in other relevant companies that can be considered compatible with the effective performance of the office of Director and (iv) the plan for the succession of the Chief Executive Officer;
- the adoption, on 13 May 2021, of a **Policy for managing dialogue with shareholders and investors in general**, aimed at regulating and promoting the development and maintenance of an ongoing, profitable and transparent dialogue with shareholders and investors in general (hereinafter also the "Engagement Policy");
- the definition, on 30 July 2021, of the **Diversity & Inclusion Policy**, with the aim of promoting equal opportunities, guaranteeing respect for personal rights and freedoms and enhancing diversity as key elements for the success and sustainable development of the ERG Group as well as contributing to the achievement of the objectives of the United Nations 2030 Agenda for Sustainable Development.
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3. INFORMATION ABOUT THE OWNERSHIP STRUCTURE AT 31 DECEMBER 2021

PURSUANT TO ARTICLE 123-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (ITALIAN CONSOLIDATED FINANCE ACT OR "ICFA")

Share capital structure at 31/12/2021 (pursuant to Article 123-bis, paragraph 1(a) of the ICFA)						
	Number of shares	Number of voting rights	Amount of subscribed and paid-up share capital	% with respect to share capital	Listed (market)/ not listed	Rights and obligations
Ordinary shares	150,320,000	150,320,000	EUR 15,032,000	100	Euronext Milan/ FTSE Italia Mid Cap Index	–
Preferred shares	–	–	–	–	–	–
Multiple-vote shares	–	–	–	–	–	–
Other categories of shares with voting rights	–	–	–	–	–	–
Savings shares	–	–	–	–	–	–
Convertible savings shares	–	–	–	–	–	–
Other categories of shares without voting rights	–	–	–	–	–	–
Other	–	–	–	–	–	–

Significant equity investments at 31/12/2021 (pursuant to Article 123-bis, paragraph 1(c) of the ICFA)			
Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
San Quirico S.p.A.	San Quirico S.p.A.	5.628	55.628
San Quirico S.p.A.	Polcevera S.r.l.	6.905	6.905

Other disclosures at 31/12/2021			
	Yes	No	No notable disclosures in this regard
Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1(b) of the ICFA)		X	
Securities that confer special rights (pursuant to Article 123-bis, paragraph 1(d) of the ICFA)		X	
Employee stock option (pursuant to Article 123-bis, paragraph 1(e) of the ICFA)		X	
Restrictions on the right to vote (pursuant to Article 123-bis, paragraph 1(f) of the ICFA)		X	
Agreements between shareholders (pursuant to Article 123-bis, paragraph 1(g) of the ICFA)			X
Change of control clauses (pursuant to Article 123-bis, paragraph 1(h) of the ICFA)	X		
Statutory provisions on takeover bids (pursuant to Articles 104, paragraph 1-ter, and 104 bis, paragraph 1 of the ICFA)		X	
Agreements that provide for indemnities in the event of resignation or dismissal without just cause (pursuant to Article 123-bis, paragraph 1(i) of the ICFA)	X		
Powers to increase the share capital (pursuant to Article 123-bis, paragraph 1(m) of the ICFA)		X	
Authorisations for the purchase of treasury shares (pursuant to Article 123-bis, paragraph 1(m) of the ICFA)	X		
Management and coordination (pursuant to Article 2497 et seq. of the Italian Civil Code)	X		

In particular, it should be noted that:

- **with regard to the provisions of Article 123-bis, paragraph 1(a) of the ICFA**, the Extraordinary Shareholders' Meeting of 21 April 2020 approved the amendment to Article 10 of the Articles of Association, aimed at introducing a mechanism for increasing voting rights in accordance with the provisions of Article 127-*quinquies* of the ICFA. Adoption of the increased voting rights mechanism aims to incentivise – thanks to the greater weight in the shareholders' meeting decision-making process – medium/long-term investments, which may, first and foremost, support long-term strategies for the Group's development and growth as well as counteract the volatility of the stock, which can, in turn, be triggered by short-term decisions made by investors. This would lead to a more efficient price formation process and a non-speculative approach to investment being favoured, in line with international best practices on corporate governance and with Directive (EU) 2017/828, which aims to promote effective and sustainable commitment, and a long-term approach from shareholders, by increasing their involvement. In accordance with the aforementioned amendment to the Articles of Association, each share gives entitlement to double voting rights (and therefore to two votes per share) where the following two conditions are met: (a) the share is owned by the same subject, by virtue of a real legitimising right, for a continuous period of at least 24 (twenty-four) months; and (b) the fulfilment of the requirement under (a) is confirmed by the continuous inclusion, for a period of at least 24 (twenty-four) months, in the special list established for such purpose by the Company (the "Special List"). On 18 June 2020, by virtue of the authorisation given to it by the Shareholders' Meeting of 21 April 2020, the Board of Directors adopted the regulations governing the procedures for entering, maintaining and updating the Special List in compliance with the applicable legislation, the Articles of Association and the market practices. Given the date of introduction of the mechanism, no shares yet benefit from the increased voting rights.

List of shareholders registered in the Special List for entitlement to the benefit of increased voting rights
(Article 127-*quinquies*, paragraph 2, of the Consolidated Finance Act) with an equity investment of more than 3% of the share capital of ERG S.p.A.

Shareholder	Registration date	Shares recorded	% of share capital
San Quirico S.p.A.	1 July 2020	83,619,940	55.628
Polcevera S.r.l.	1 July 2020	10,380,060	6.905

- **with regard to the provisions of Article 123-bis, paragraph 1(h) of the ICFA**, there are in existence financing agreements containing the usual provisions regarding the change of control of the debtor, which could theoretically involve the reimbursement of the loan in question if there is a change in control of ERG S.p.A. and in particular: (i) bilateral financing granted by UBI on 26 February 2016, with an amount outstanding, at 31 December 2021, of EUR 100 million and final payment due in March 2023; (ii) bilateral financing granted by Mediobanca on 11 March 2016, with an amount outstanding, at 31 December 2021, of EUR 150 million and final payment due in June 2023; (iii) bilateral financing granted by BNL on 20 December 2018, with an amount outstanding at 31 December 2021 of EUR 100 million and final payment due in November 2023 (fully prepaid on 31 January 2022); (iv) bilateral financing granted by Credit Agricole on 4 February 2019, with an amount outstanding at 31 December 2021 of EUR 100 million and final payment due in November 2023 (fully prepaid on 31 January 2022); (v) bilateral financing granted

by Commerzbank on 2 May 2019, with an amount outstanding at 31 December 2021 of EUR 60 million and final payment due in May 2024 (fully prepaid on 31 January 2022);

- **with regard to the provisions of Article 123-bis, paragraph 1(i) of the ICFA**, the Board of Directors, in its meeting held on 13 May 2021, at the proposal of the Nominations and Remuneration Committee and having consulted the Board of Statutory Auditors, in full compliance with the values and the medium/long-term interests of the ERG Group, recognised for the Chief Executive Officer the right to receive compensation for termination of office of EUR 3,000,000, payable in the event of resignation for just cause or revocation without just cause, as well as in certain cases of supervening impossibility of performance, non-renewal or modification of mandate, also due to changes in ownership. The indemnity shall not be due when the termination, dismissal or non-renewal result from just cause. The indemnity for the termination of office will not be paid if the termination of the employment is due to the achievement of results less than 1/3 of the target set in the 2021-2023 Performance Share System, except for extraordinary events not due to the actions of the Chief Executive Officer. There are no additional agreements providing for an indemnity to the Executive Directors in the event of termination of office or discontinuation of the employment relationship.
- **with regard to the provisions of Article 123-bis, paragraph 1(l) of the ICFA**, the rules applicable to the appointment and replacement of the members of the Board of Directors and of the Board of Statutory Auditors, and to amendments to the Articles of Association, are described in detail in the relevant sections of this report (hereinafter also the "Report");
- **with regard to the provisions of Article 123-bis, paragraph 1(m) of the ICFA**, the Shareholders' Meeting of 26 April 2021 authorised the Board of Directors
 - pursuant to Article 2357 of the Italian Civil Code – upon annulment, for the period still remaining, of the previous authorisation resolved by the Shareholders' Meeting on 21 April 2020 – for a period of 18 months from 26 April 2021, to repurchase treasury shares up to a revolving maximum (i.e. the maximum amount of treasury shares held in the portfolio at any time) of 30,064,000 ordinary ERG shares with a par value of EUR 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction;
 - pursuant to Article 2357-ter of the Italian Civil Code – upon annulment, for the period still remaining, of the previous authorisation resolved by the Shareholders' Meeting on 21 April 2020 – for a period of 18 months as from 26 April 2021, to sell, all at once or in several steps, and with any procedures deemed appropriate in relation to the purposes which the disposal is attempting to achieve, treasury shares at a unit price no lower than 10% below the closing price of the share on the day immediately preceding each individual disposal.

Other financial instruments (granting the right to subscribe newly issued shares)

	Listed (market)/not listed	Number of instruments outstanding	Category of shares for conversion/exercise	Number of shares for conversion/exercise
Convertible bonds	–	–	–	–
Warrants	–	–	–	–

- with regard to the provisions of Article 2497 et seq. of the Italian Civil Code, ERG is a subsidiary of San Quirico S.p.A. (also the "Parent"), 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.

This circumstance is periodically evaluated by the Board of Directors, also on the basis of a preliminary review carried out by the Control, Risk and Sustainability Committee.

ERG in turn performs management and coordination in respect of direct or indirect subsidiaries.

The scope of the companies concerned and the content of any activity carried out on each of them are periodically reviewed by the Board of Directors, also on the basis of a preliminary review carried out by the Control, Risk and Sustainability Committee.

In particular, the Board of Directors, in the meeting of 20 July 2021, acknowledged that:

- San Quirico S.p.A. does not exercise any management and coordination activity pursuant to Article 2497 et seq. of the Italian Civil Code with regard to its subsidiary;
- ERG carries out management and coordination activities with respect to the Subsidiaries; such companies benefit from the advantages, synergies and economies of scale deriving from inclusion in the Group. These activities are carried out in compliance with the managerial and operational independence of said subsidiaries, and involve
 - the definition of business strategies, the corporate governance system and the corporate structures;
 - the determination of shared general policies pertaining to human resources, information & communication technology, accounting, financial statements, taxation, procurement, finance, investments, risk management, legal and corporate affairs, communication, institutional relations, corporate social responsibility, business and engineering development and M&A and engineering development.

It should also be noted that following the resolutions passed on 30 July 2021 by the Board of Directors, on 5 August 2021 ERG renewed the programme for **non-convertible medium/long-term bond issues** (Euro Medium Term Notes Programme - EMTN), with a duration of one year and renewable upon maturity, increasing the overall maximum amount to EUR 3,000 million (EUR 1,900 million net of issues already carried out in previous years). As part of the aforementioned programme, on 8 September 2021 a further green bond loan was placed, for an amount equal to EUR 500,000,000, with a duration of 10 years at a fixed rate, listed on the regulated market of the Luxembourg Stock Exchange. Therefore, taking into consideration the issues that have already occurred over the years, the maximum overall residual amount of the aforementioned EMTN programme is EUR 1,400 million.

Outstanding Bonds - Green Bond 2021

ISIN	Issue amount	Coupon	Issue date	Expiry date	Issue price	Gross yield to maturity	Rating
XS2386650274	EUR 500,000,000	0.875%	15/09/21	15/09/31	99.752%	0.901%	Fitch: BBB-

Outstanding Bonds - Green Bond 2020

ISIN	Issue amount	Coupon	Issue date	Expiry date	Issue price	Gross yield to maturity	Rating
XS2229434852	EUR 500,000,000	0.50%	11/09/2020	11/09/2027	99.208%	0.616%	Fitch: BBB-
XS2274549034	EUR 100,000,000	0.50%	23/12/2020	11/09/2027	101.102%	0.334%	Fitch: BBB-

Outstanding Bonds - Green Bond 2019

ISIN	Issue amount	Coupon	Issue date	Expiry date	Issue price	Gross yield to maturity	Rating
XS1981060624	EUR 500,000,000	1.875%	11/04/2019	11/04/2025	99.674%	1.933%	Fitch: BBB-

4. COMPLIANCE

In order to adapt its governance to best market practices, the Company has endorsed to the Corporate Governance Code since its first edition in 1999.

The New Corporate Governance Code promoted by Borsa Italiana S.p.A. was published on 31 January 2020. Issuers are required to endorse to the recommendations of the New Code as from 1 January 2021, and to inform the market of this by means of the report on corporate governance and ownership.

On 15 October 2020, ERG's Board of Directors unanimously resolved to adhere to the New Code, giving the Chairman the mandate to implement what is necessary or appropriate to execute the resolution adopted. The New Code is accessible to the public on the website of the Corporate Governance Committee at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>

Below are the main milestones of the ERG Group's process of adapting to the recommendations of the New Code:

- approval, on 11 March 2021, of the Remuneration Policy which provides for the inclusion of specific sustainability objectives for management in the MBO System and in the 2021-2023 LTI System and increasing elements of transparency in line with best practices;
- appointment, on 21 April 2021, of a Control, Risk and Sustainability Committee, which, in addition to examining in advance the process of drawing up the Consolidated Non-financial Statement (in continuity with the Company's governance), is called upon to evaluate in advance the ESG Plan and to monitor its implementation over time with respect to the objectives of the Plan itself;
- approval, on 13 May 2021, together with the 2021-2025 Business Plan, subject to the favourable opinion of the Control, Risk and Sustainability Committee, of the 2021-2025 ESG Plan, thus placing ESG objectives at the centre of ERG's strategy and integrating sustainability into the business;
- definition, on 13 May 2021, at the proposal of the Nominations and Remuneration Committee, of specific sustainability objectives, taken from the ESG Plan, within the 2021-2023 LTI System and the MBO System, in accordance with the provisions of the Remuneration Policy, approved by the Shareholders' Meeting of 21 April 2021;
- adoption, on 13 May 2021, of the Regulations for the operation of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee aimed, among other things, at regulating (i) the operating rules of the body itself and its committees, the procedures for recording the minutes of the meetings and the procedures for managing the sharing of information with the directors, (ii) the "quantitative" and "qualitative" criteria used to determine, for the purposes of assessing the independence of the members of the Board of Directors and the Board of Statutory Auditors, the relevance or otherwise of any relationships they have

with the Company or other persons connected to it; (iii) the maximum number of offices in the management or control bodies in other relevant companies that can be considered compatible with the effective performance of the office of Director and (iv) the plan for the succession of the Chief Executive Officer;

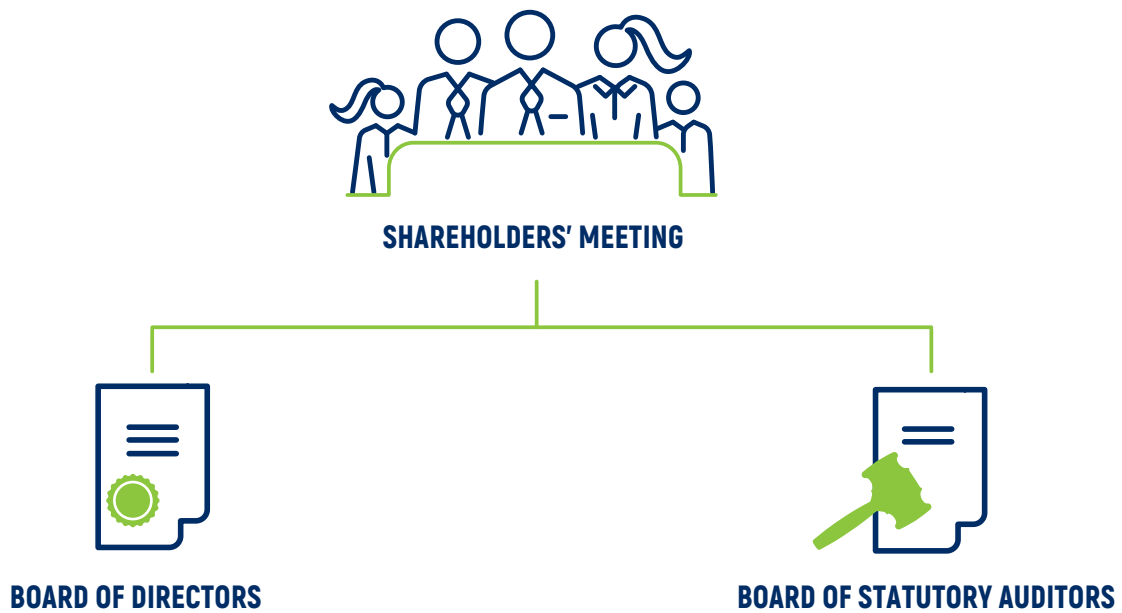
- adoption, on 13 May 2021, of a Policy for managing dialogue with shareholders and investors in general, aimed at regulating and promoting the development and maintenance of an ongoing, profitable and transparent dialogue with shareholders and investors in general;
- definition, on 30 July 2021, of the Diversity & Inclusion Policy, with the aim of promoting equal opportunities, guaranteeing respect for personal rights and freedoms and enhancing diversity as key elements for the success and sustainable development of the ERG Group and contributing to the achievement of the objectives of the United Nations 2030 Agenda for Sustainable Development.

5. CORPORATE GOVERNANCE

ERG’s corporate governance complies with the provisions of the Italian Civil Code and other laws and regulations relating to companies, particularly those contained in the ICFA, and, overall, reflects compliance with the New Code. Corporate governance encompasses **statutory bodies**, **board committees** and the **corporate governance documents** that regulate their operation..



5.1. STATUTORY BODIES



Board of Directors



Edoardo Garrone
Chairman



Alessandro Garrone
Deputy Chairman



Giovanni Mondini
Deputy Chairman



Paolo Luigi Merli
Chief Executive Officer



Luca Bettonte
Director



Emanuela Bonadiman
Director



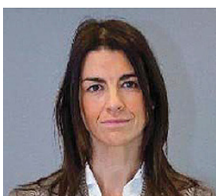
Mara Anna Rita Caverni
Director



Marco Costaguta
Director



Elena Grifoni Winters
Director



Federica Lolli
Director



Elisabetta Oliveri
Director



Mario Paterlini
Director

The current Board of Directors, comprising twelve members, was appointed by the Shareholders' Meeting of 26 April 2021¹¹; consequently, the appointment to the Board of Directors shall expire at the date of the Shareholders' Meeting convened to approve the financial statements at 31 December 2023.

Appointment

Two lists of candidates were presented for the appointment of the current Board of Directors, one by the shareholder San Quirico S.p.A. and the other by a number of institutional investors, as follows¹²:

¹¹ The Shareholders' Meeting has not generally and preventively authorised exceptions to the competition prohibition set out in Article 2390 of the Italian Civil Code.

¹² For the percentage of votes obtained by the lists in relation to the voting capital, please refer to the Summary Report of the voting on the items on the agenda of the Shareholders' Meeting of 26 April 2021, available on the Company's website (www.erg.eu) in the section "Corporate Governance/2021 Shareholders' Meeting".

San Quirico S.p.A. list

- | | |
|-----------------------|-----------------------------|
| 1. Edoardo Garrone | 7. Elisabetta Oliveri* |
| 2. Alessandro Garrone | 8. Mara Anna Rita Caverni* |
| 3. Giovanni Mondini | 9. Federica Lolli* |
| 4. Paolo Luigi Merli | 10. Emanuela Bonadiman* |
| 5. Luca Bettonte | 11. Elena Grifoni Winters* |
| 6. Marco Costaguta | 12. Paolo Francesco Lanzoni |

Investor list

- Mario Paterlini*

* Candidate indicated in the list as fulfilling the independence requirements in accordance with the Consolidated Finance Act and eligible for qualification as independent in accordance with the Corporate Governance Code.

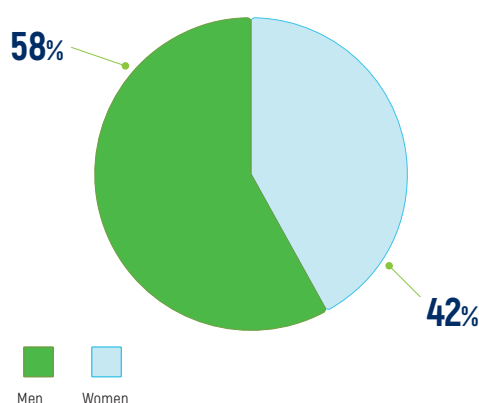
Pursuant to the Articles of Association, the Company is managed by a Board of Directors, which, **in compliance with the gender balance criterion** prescribed by current law and regulatory provisions¹³, consists of no fewer than 5 and no more than 15 members.

Directors are appointed on the basis of lists presented by shareholders – in which the candidates shall be listed with a progressive number – which, accompanied by information on the personal and professional characteristics of the candidates and a declaration as to whether they meet the independence requirements prescribed by the ICFA, must be filed, in compliance with Article 147-ter, paragraph 1-bis of the ICFA, at least twenty-five days prior to the date of the Shareholders' Meeting and shall be made available to the public at least twenty-one days prior to said Meeting. The lists may only be presented by shareholders who, either individually or with other shareholders, represent

the minimum percentage of share capital (currently 1%) established in accordance with Article 144-quater of the Regulations implementing the Italian Consolidated Finance Act, adopted by CONSOB with Resolution no. 11971 of 14 May 1999 ("Issuers' Regulation")¹⁴. This share capital percentage is the same as that required for the presentation of lists for the appointment of the Board of Directors in office¹⁵. The Articles of Association do not provide for the possibility that the outgoing Board of Directors may present a list.

Each shareholder may present or contribute to presenting only one list and each candidate may be included in only one list, under penalty of ineligibility. Each list shall contain a number of candidates not exceeding the maximum number of directors set out in the first paragraph of Article 15 of the Articles of Association and, with the exception of those that present fewer than three candidates, it shall comply with the gender balance criterion prescribed by current laws and regulations.

BOARD OF DIRECTORS COMPOSITION BY GENDER



¹³ Pursuant to Article 147-ter, paragraph 1-ter, of the Italian Consolidated Finance Act, as amended by Italian Law no. 160 of 27 December 2019, the articles of association of listed companies must reserve at least two fifths of the membership of administrative bodies to the less represented gender, for six consecutive terms. This division criterion applies as from the first renewal of the administrative bodies of listed companies subsequent to 1 January 2020.

¹⁴ Pursuant to CONSOB Resolution no. 60 of 28 January 2022.

¹⁵ Pursuant to CONSOB Resolution no. 44 of 29 January 2021.

Pursuant to Article 147-ter, paragraph 1-ter, of the Italian Consolidated Finance Act, at least two fifths of the Directors elected must be reserved to the less represented gender.

The lists indicate which Directors fulfil the independence requirements set by Article 147-ter, paragraph 4 of the Italian Consolidated Finance Act. At least one candidate for each list, or two candidates if the list has more than seven members, must fulfil the aforesaid independence requirements. It will therefore be possible to submit lists (i) with a single candidate, who must fulfil the independence requirements set by Article 147-ter, paragraph 4, of the Italian Consolidated Finance Act or (ii) with more than one candidate, within the maximum limit envisaged by Article 15, paragraph 1 (15 members), it being understood that in lists with more than seven candidates, at least two of them must fulfil the independence requirements set by Article 147-ter, paragraph 4 of the Italian Consolidated Finance Act. All candidates must fulfil the integrity requirements set out by current regulations for members of the Supervisory Bodies, as well as adequate professionalism requirements for the office to be held.

Together with each list, by the deadline indicated above, each candidate must file the statement accepting his/her candidacy and declaring under his/her own responsibility that there are no causes for ineligibility and incompatibility and that the requirements prescribed by applicable regulations are met, and indicating whether (s)he qualifies as independent director.

In terms of the balance of the Directors to be elected, no consideration shall be given to lists that did not obtain a number of votes representing a percentage of share capital equal to at least half of the percentage required for the presentation of the lists.

Each person entitled to vote may vote on only one list.

The election of the Directors takes place as follows:

- a) from the list that received the majority of the votes cast are drawn, in the progressive order in which they are listed, a number of Directors equal to the number of members to be elected minus one, subject to the provisions of Article 15, paragraphs 5 and 5-bis of the Articles of Association respectively for the appointment of independent Directors and with respect to compliance with the gender balance criterion in the composition of the Board of Directors;
- b) the remaining Director is drawn from the minority list that received the highest number of votes;
- c) if a single list is presented, or if the required quorum is not reached by the other lists, all Directors shall be elected from the presented list or from the list that reached the quorum, subject to the provisions of Article 15, paragraph 5-bis, of the Articles of Association with respect to compliance with the gender balance criterion in the composition of the Board of Directors.

In any case, the election will be won by the candidate or, if the list has more than seven members, the first two candidates from the list that received the highest number of votes, who fulfil the independence requirements, in the progressive order in which they were entered in the list¹⁶.

¹⁶ For more information, including information about the provisions aimed at assuring compliance with the gender balance criterion in the composition of the Board of Directors, please refer to the Articles of Association, available on the Company's website (www.erg.eu) in the "Corporate Governance/Ethics and Governance" section.

Replacement

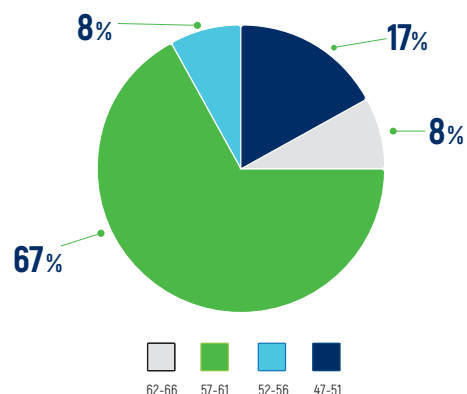
Should one or more Directorships fall vacant, measures shall be taken as provided by law. Pursuant to the Regulations, the Board of Directors is supported by the Nominations and Remuneration Committee in identifying candidates for the office of director in the event of co-optation. If, however, during the mandate, the majority of Directors appointed by the Shareholders' Meeting should for any reason cease to fill their offices, the entire Board of Directors will be considered to have resigned, and the Shareholders' Meeting shall be called urgently by the Directors remaining in office in order to elect a new Board. The Board shall, however, remain in office solely for the purposes of carrying out ordinary administration activities until the Shareholders' Meeting has decided on the new Directors and the majority of the new Directors have accepted their appointment.

Replacement

The Directors in office at the date of approval of the Report are¹⁷:

Edoardo Garrone	<i>Chairman</i>
Alessandro Garrone	<i>Deputy Chairman</i>
Giovanni Mondini	<i>Deputy Chairman</i>
Paolo Luigi Merli	<i>Chief Executive Officer</i>
Luca Bettonte	<i>Director</i>
Emanuela Bonadiman	<i>Director</i>
Mara Anna Rita Caverni	<i>Director</i>
Marco Costaguta	<i>Director</i>
Elena Grifoni Winters	<i>Director</i>
Federica Lolli	<i>Director</i>
Elisabetta Oliveri	<i>Director</i>
Mario Paterlini	<i>Director</i>

**BOARD OF DIRECTORS -
COMPOSITION BY AGE**



Executive Directors

Edoardo Garrone
Alessandro Garrone¹⁸
Paolo Luigi Merli

Non-Executive Directors

Luca Bettonte
Giovanni Mondini
Marco Costaguta

¹⁷ For the personal and professional qualifications of current members of the Board of Directors, please refer to the relevant curricula vitae available on the Company's website (www.erg.eu) in the "Corporate Governance/Board of Directors" section.

¹⁸ Director in charge of the Internal Control and Risk Management System.

Directors who are independent pursuant to the Consolidated Finance Act and the New Code

Emanuela Bonadiman

Mara Anna Rita Caverni¹⁹

Elena Grifoni Winters

Federica Lolli

Elisabetta Oliveri

Mario Paterlini

Secretary

Giovanni Marco Scollo

Independence assessment

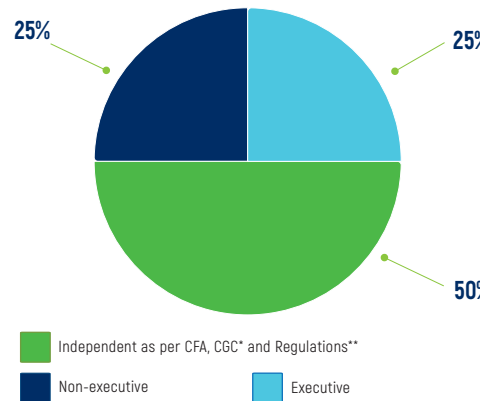
At its first meeting after being appointed, held on 26 April 2021, the Board of Directors confirmed the independence of the Directors Emanuela Bonadiman, Mara Anna Rita Caverni, Elena Grifoni Winters, Federica Lolli, Elisabetta Oliveri and Mario Paterlini, based on the information provided by them or in any case available to the Company, both with reference to the provisions of Article 148, third paragraph, of the Italian Consolidated Finance Act and with reference to the information contained in the New Code.

Pursuant to the provisions of Article 2, recommendation 7, paragraph 2, of the New Code, the Board of Directors, in the meeting of 13 May 2021, defined in paragraph 1.4.1 of the Regulations the “quantitative” and “qualitative” criteria for determining, for the purposes of assessing the independence of the members of the Board of Directors and of the Board of Statutory Auditors, the significance or otherwise of any relationships they have with the Company or other parties connected to it.

The Board of Directors, in particular, considers as significant (i.e. as a circumstance potentially capable of compromising the independence of a Director, to be assessed in concrete terms by the Board of Directors):

- a) a **commercial or financial relationship**, in existence or entertained in the previous three financial years, with the Company, the Subsidiaries, the Parent or with the relevant Executive Directors or Key Management Personnel whose total annual remuneration in favour of the Director (or of the company or entity over which the Director has control or is an executive director) exceeds (i) 5% of the total annual turnover of the Director (if an individual entrepreneur) or (ii) 5% of the total annual turnover of the company or entity over which the Director has control or is an executive director;

**BOARD OF DIRECTORS
COMPOSITION BY QUALIFICATION**



* Corporate Governance Code promoted by Borsa Italiana
 ** Regulations operations of the Board of Directors and its Committees

¹⁹ Lead Independent Director.

- b) a professional relationship, in existence or entertained in the previous three financial years, with the Company, the Subsidiaries, the Parent or with the relevant Executive Directors or Key Management Personnel whose total annual remuneration in favour of the Director (or the professional firm or the consulting company of which the Director is a partner) exceeds (i) 5% of the total annual turnover of the Director (if an individual consultant) or (ii) 5% of the total annual turnover of the professional firm or the consulting company of which the Director is a partner;
- c) additional remuneration, existing or received by the Director in the previous three financial years, from the Company, Subsidiaries or the Parent which is, in total and on an annual basis, higher than 45% with respect to (i) the fixed remuneration for the office of Director approved by the Shareholders' Meeting and (ii) the remuneration envisaged for participation in the Board Committees (including the Strategic Committee which is called upon to carry out the functions envisaged by Article 1(a) of the New Code) and other committees/bodies envisaged by current legislation, excluding the remuneration deriving from participation in any executive committees

The fact of being a Close Family Member²⁰ of a person in one of the above situations also constitutes a circumstance likely to compromise the independence of a Director.

For the purposes of recommendation 9 of the New Code, the above criteria are also used to assess the independence of the members of the Board of Statutory Auditors. For this purpose, the additional remuneration provided for participation in the control bodies of Subsidiaries will not be considered as significant.

The Board of Directors, with the opinion of the Nominations and Remuneration Committee, shall in any case be called upon to assess each individual case, giving precedence to substance over form, with the right therefore to (i) grant any exceptions (even temporary) to the above parameters or (ii) consider a relationship as significant regardless of the above parameters. The Board of Directors shall provide information on such assessments in the annual report on corporate governance and ownership structure.

The Board of Directors, in the meeting of 30 July 2021, confirmed its positive assessment made on 26 April 2021 regarding the independence of the Directors Emanuela Bonadiman, Mara Anna Rita Caverni, Elena Grifoni Winters, Federica Lolli, Elisabetta Oliveri and Mario Paterlini also on the basis of the "quantitative" and "qualitative" criteria defined in paragraph 1.4.1 of the Regulations.

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

Maximum number of offices held in other companies

Pursuant to the provisions of Article 3, recommendation 15 of the New Code, the Board of Directors has defined, in paragraph 1.4.2 of the Regulations, after prior assessment by the Nominations and Remuneration Committee, recommendations regarding the maximum number of offices held in the management and control bodies of companies other than (i) Italian or foreign Group Companies, with shares listed on regulated markets; (ii) Italian or

²⁰ Close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the company, including: (a) that person's children and spouse or cohabitant; (b) children of that person's spouse or cohabitant; (c) dependants of that person or spouse or cohabitant.

foreign Group Companies, with shares not listed on regulated markets and operating in the insurance, banking or financial sectors; (iii) Italian or foreign Group Companies, with shares not listed on regulated markets and which, although operating in sectors other than those indicated under (ii), qualify as "large companies" pursuant to the provisions of Article 144-*duodecies*(1)(f) of the Issuers' Regulations ("Relevant Companies").

- the Chief Executive Officer should not hold any office of executive director or member of the control body and more than two offices of non-executive director;
- an Executive Director, other than the Chief Executive Officer, should not hold more than two offices of executive director (with management powers) or member of the control body, it being understood that in any case the number of offices cannot exceed five in total;
- a Non-executive Director should not hold more than six offices in total.

The Board of Directors in any case called upon to evaluate each individual case, giving precedence to substance over form, with the right therefore, having consulted the Nominations and Remuneration Committee, to grant any exceptions (even temporary) to the above parameters.

The Board of Directors shall provide information on such assessments in the annual report on corporate governance and ownership.

Positions of director or statutory auditor held by the Directors in Relevant Companies at 31 December 2021:

Edoardo Garrone	<i>Chairman of the Board of Directors of San Quirico S.p.A. Chairman of the Board of Directors of Il Sole 24 Ore S.p.A.</i>
Alessandro Garrone	<i>Director of Banca Passadore e C. S.p.A.</i>
Giovanni Mondini	<i>Vice Presidente del Consiglio di Amministrazione di San Quirico S.p.A.</i>
Luca Bettonte	<i>Deputy Chairman of the Board of Directors of San Quirico S.p.A.</i>
Emanuela Bonadiman	<i>Director of Brunello Cucinelli S.p.A.</i>
Mara Anna Rita Caverni	<i>Director of Cordusio SIM S.p.A. Director of Arcturus S.r.l. Chairman of the Board of Directors of Italcanditi S.p.A.</i>
Marco Costaguta	<i>Director of Fine Foods & Pharmaceuticals N.T.M. S.p.A Director of Eurotech S.p.A. Director of Goglio S.p.A. Director of De Agostini S.p.A. Director of Messaggerie Italiane S.p.A. Director of Artsana S.p.A.</i>
Federica Lolli	<i>Director of Basell Poliolefine Italia S.r.l..</i>
Elisabetta Oliveri	<i>Director of Fincantieri S.p.A. Chairman of the Board of Directors of SAGAT S.p.A. Director of TREVI - Finanziaria Industriale S.p.A.</i>
Mario Paterlini	<i>Director of Buzzi Unicem S.p.A.</i>

Succession plan for the Chief Executive Officer

Pursuant to the provisions of principle XIII and recommendation 19 of article 4 of the New Code, the Board of Directors has defined, in paragraph 1.4.3 of the Regulations, a plan for the succession of the Chief Executive Officer.

In the event of the early termination of the Chief Executive Officer's office, or permanent impediment to the performance of his functions:

- the Chairman of the Board of Directors urgently convenes (with two clear days' notice) the Board of Directors;
- the Board of Directors, having taken note of the early termination of the Chief Executive Officer or of the permanent impediment to the performance of his duties:
 - temporarily assigns the powers for the ordinary management of the Company to the Executive Deputy Chairman or to another Director;
 - instructs the Nominations and Remuneration Committee to promptly initiate the process for the identification (also through consulting companies specialised in the sector) of possible candidates for the position of Director and Chief Executive Officer;
- the Board of Directors, upon the Nominations and Remuneration Committee's proposal, shall co-opt a Director and identify the new Chief Executive Officer, granting him the relevant powers.

In the event of the Chief Executive Officer's temporary inability to perform his duties:

- the Chairman of the Board of Directors urgently convenes (with two clear days' notice) the Board of Directors;
- the Board of Directors, having acknowledged the Chief Executive Officer's temporary inability to perform his duties, assigns, for as long as the temporary inability to perform his duties continues, the powers for the ordinary management of the Company to the Executive Deputy Chairman or to another Director.

Furthermore, pursuant to the provisions of recommendation 19 of article 4 of the New Code, it should be noted that the **Nominations and Remuneration Committee**, in the meeting of 3 March 2021, shared the process followed for the purpose of defining the 2021 succession plan for the top management of the ERG Group, reporting to the Board of Directors in the first board meeting.

Directors' fees and remuneration - Development path of the Remuneration Policy

On 20 December 2011, at the proposal of the Nominations and Remuneration Committee, the Board of Directors approved its Policy for the remuneration of members of the Board of Directors and of Key Management Personnel (hereinafter also the "Remuneration Policy"), taking into account in particular:

- article 6 of the Corporate Governance Code;
- the provisions of the Italian Consolidated Finance Act and the Issuers' Regulations on the transparency of the remuneration of the directors of listed companies and of key management personnel;
- the Procedure for Transactions with Related Parties and the principles expressed in the Group's Code of Ethics.

Over the years, the Remuneration Policy has undergone several revisions aimed at incorporating, in particular, (i) organisational changes, (ii) new laws and regulations, (iii) the recommendations of the Corporate Governance Code, and (iv) best practices in general.

The most recent revisions of the Remuneration Policy include those approved by the Board of Directors, at the proposal of the Nominations and Remuneration Committee :

- on 11 March 2021, in order to take into account (i) the amendments introduced by CONSOB, with resolution no. 21623 of 10 December 2020, to the Issuers' Regulation and to format 7-bis of Annex 3A to the Issuers' Regulation, in implementation of the mandate assigned to it by the aforementioned Article 123-ter of the Italian Consolidated Finance Act; (ii) effective from year 2021, the general principles of the 2021-2023 LTI System; (iii) the recommendations of the New Code and the Italian Committee for Corporate Governance in terms of sustainability.
- on 14 March 2022, in order to incorporate (i) the changes that took place following the appointment of the new Board of Directors, the appointment of the new Chief Executive Officer and the loss of the figure of the General Manager (ii) the resolution of the Board of Directors, on 13 May 2021, with which the conditions necessary to implement the 2021-2023 LTI System were defined, in line with the current Remuneration Policy and in light of the Business Plan and the 2021 -2025 ESG Plan; and (iii) the approval of the New Business Plan and the New ESG Plan following the Hydro Sale and the Thermo Agreement.

During 2021, the members of the Nominations and Remuneration Committee submitted to the Board of Directors proposals on the remuneration of Directors (appointed by the Shareholders' Meeting of 26 April 2021) who are executive or vested with particular roles or called to be part of the Strategic Committee²¹, in accordance with the provisions of the current Remuneration Policy²².

Powers

At the meeting held on 26 April 2021, the Board of Directors assigned the following powers for three years and therefore until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023:

- to the **Chairman Edoardo Garrone**
 - the authority to manage corporate affairs, through the tasks of supervision, direction and control, taking into account his role as Chairman of the Board of Directors and that stated in this regard in the New Code²³;
- to the **Deputy Chairman, Alessandro Garrone**
 - the authority to oversee preliminary and functional activities to define the strategic objectives of the Company and the Group and the preparation of the Business Plan to be submitted to the Board of Directors for consideration and possible approval; additionally, to provide strategic coordination of the Subsidiaries;
 - the authority to oversee and control activities for the preparation of draft Budgets to be submitted for review and possible approval by the Board of Directors;
 - the authority to oversee and control activities for the preparation of draft Budgets to be submitted for review and possible approval by the Board of Directors;

²¹ As long as not Group employees and with no seat on the Board of Directors.

²² For detailed information on this matter, please refer to the Report on the remuneration policy and the fees paid out referred to in Article 123-ter of the Italian Consolidated Finance Act, which will be made available to the public for the purposes of approval by the Shareholders' Meeting of 26 April 2022.

²³ Recommendation 12 of the New Code.

- the authority to provide guidance and supervision for research, development and negotiation with third parties in mergers and acquisitions transactions and structured finance transactions, which, due to their importance, are subject to the approval of the Board of Directors;
- the authority to oversee the definition of the Company's organisational structure up to the second level reporting directly to the Chief Executive Officer, contributing with the latter to the taking of decisions regarding the appointment of directors and executives, employee terminations, and remuneration policies and incentives;
- the authority to oversee internal audit, risk management and compliance activities and processes, through the tasks of supervision, direction and control;
- the office of Director in charge of the internal control and risk management system, with powers and responsibilities as outlined in the New Code in line with the Guidelines for the Internal Control and Risk Management System approved by the Company;
- to the **Chief Executive Officer Paolo Luigi Merli** (Chief Executive Officer of the Company)
 - the powers necessary to perform all actions pertaining to the company's business, except for those reserved to the Board of Directors (by law or by the Articles of Association) or delegated to other Board Members;
 - the task of identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and by the Subsidiaries;
 - the powers and responsibilities for the protection of health, safety in the workplace and the environment;
 - the authority to protect persons and other subjects with regard to the processing of personal data.

In accordance with the Articles of Association, the Chairman has the power to represent the Company pursuant to Article 2384 of the Italian Civil Code. The Chief Executive Officer(s) has/have also such powers, within the limits of the authority vested in them.

Moreover, the Board of Directors, in accordance with the recommendations of the New Code, has specified that the powers vested in the Executive Deputy Chairman and in the Chief Executive Officer shall be exercised within the scope of the directives and instructions imparted to them by the Board of Directors, which shall retain, in addition to the powers that may not be delegated as prescribed by law or by the Articles of Association, the authority to review and approve significant transactions identified on the basis of the criteria set out in the Guidelines for identifying and carrying out significant transactions, approved by the Board of Directors.

The delegated bodies report to the Board of Directors, on a quarterly basis, on the activities carried out within the scope of the powers vested in them.

Lead Independent Director

The Board of Directors, in the meeting of 30 July 2021, although the conditions set forth in Article 3, recommendation 13, of the New Code had not been met, at the proposal of the Chairman, appointed the independent Director Mara Anna Rita Caverni Lead Independent Director so that, through the skills and experience gained within the Group, she can (i) serve as a point of reference and coordinate the requests and contributions of non-executive directors

(with particular reference to those who are independent), (ii) coordinate the meetings of the independent directors only and (iii) work with the Chairman to ensure that directors receive full and timely information.

During the meeting on 11 November 2021, the Lead Independent Director informed the Directors and Statutory Auditors about the results of the meeting of the independent Directors, held on 18 October 2021, as well as the additional elements that emerged following the Lead Independent Director meeting with the Chairman and the Executive Deputy Chairman.

The following was noted in particular:

- the general appreciation for (i) the on-boarding process for new Directors, assessed as being well structured and demanding in terms of information to be acquired and (ii) the process by which the Chief Executive Officer and his first reports present the Business Plan, and the clarity of the rationale behind it as well as the occasional reports provided that allow the Board of Directors to be able to monitor the degree of achievement of the related objectives over time;
- the need to carry out further induction activities focusing on energy management, finance, the history of the group, auctions, the production cycle of the assets and changes in the legislative/regulatory framework of the sector.

No particular governance issues were reported, including in view of the process of adaptation to the New Code carried out during the year.

Secretary of the Board of Directors

At the meeting of 26 April 2021, at the proposal of the Chairman, the Board of Directors confirmed Giovanni Marco Scollo, Head of Corporate Affairs of ERG, as Secretary of the Board of Directors, being in possession, as required by the Regulations, of adequate legal skills in corporate law and corporate governance, with particular reference to listed issuers. The Secretary is called upon to support the activities of the Chairman and provide impartial assistance and advice to the Board of Directors on all important aspects for the correct functioning of ERG Group's corporate governance system. The Chairman ensures that the Secretary has adequate powers, tools, organisational structure and personnel to perform his duties.

In particular, in 2021 the Secretary supported the Chairman in the following activities envisaged by the Articles of Association and the New Code:

- a) organising and taking minutes at the meetings of the Board of Directors and at the Shareholders' Meeting, where the preparation of minutes is not entrusted to a notary; with reference to this activity, it should be noted that the Secretary supported the Chairman of the Board of Directors in organising and taking minutes at all the meetings of the Board of Directors (11 meetings) and in organising the Shareholders' Meeting (1 meeting), at which minutes were taken by a notary;
- b) ensuring that the pre-Board and Board information provided, in agreement with the Chief Executive Officer, including through the intervention of Key Management Personnel and Managers competent in the field, is suitable to enable Directors to act in an informed manner when carrying out their role; with reference to such activity, it is noted that

- at all the board meetings, the Chief Executive Officer reported to the Board of Directors with regard to the exercise of the mandate and the performance of the Company and the Group;
 - managers took part in 9 of the 11 meetings of the Board of Directors, in several cases in support of the discussion of more than one topic on the agenda;
- c) ensuring that the activity of the Committees is coordinated with the activity of the Board of Directors; in relation to this task, it should be noted that the Chairmen of the Control, Risk and Sustainability Committee and of the Nominations and Remuneration Committee, with the support of the Secretary, reported to the Board of Directors, in the first board meeting, on the meetings held by the Committee in the intervening period; the opinions expressed by the Directors and Statutory Auditors as part of the self-assessment process are shown below.

How would you rate the direct information flows to the Board of Directors from the Control, Risk and Sustainability Committee in terms of timeliness and completeness/clarity?



How would you rate the direct information flows to the Board of Directors from the Nominations and Remuneration Committee in terms of timeliness and completeness/clarity?



- d) ensuring that all the members of the Board of Directors and the Board of Statutory Auditors can participate, after their appointment and during their mandate, in initiatives aimed at providing them with adequate knowledge of the business sectors in which the Company operates, of the business dynamics and of their evolution also with a view to the sustainable success of the Company itself as well as the principles of correct risk management and the reference regulatory and self-regulatory framework; in relation to this activity, reference should be made to the on-boarding process of the new Directors and to the periodic in-depth analyses performed by the Chief Executive Officer as part of his reporting to the Directors and Statutory Auditors; further induction activities will also be carried out to take into account the results of the self-assessment process of the Board of Directors, completed on 24 February 2022;
- e) ensuring the adequacy and transparency of the Board of Directors self-assessment process, with the support of the Nominations and Remuneration Committee; with reference to this task, please refer to the Board of Directors self-assessment process described in detail in the Board Performance Review section.

Operation of the Board of Directors

The Board of Directors, in the meeting of 13 May 2021, with the support of the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, insofar as each is concerned, adopted the Regulations aimed at defining (i) the operating rules of the body itself and its committees, the procedures for recording the minutes of the meetings and the procedures for managing reporting to the directors, the requirements of professionalism and the duties of the secretary of the Board of Directors appointed by the same;

(ii) the "quantitative" and "qualitative" criteria used to determine, for the purposes of assessing the independence of the members of the Board of Directors and the Board of Statutory Auditors, the relevance or otherwise of any relationships they have with the Company or other parties connected to it; (iii) the maximum number of offices in management or control bodies in other relevant companies that can be considered compatible with the effective performance of the office of Director, taking into account the commitment required of the role; and (iv) a plan for the succession of the Chief Executive Officer.

In accordance with the provisions of the Articles of Association, the Regulations prescribe that the Board of Directors meet at least quarterly, according to a calendar set sufficiently in advance, to report to the Board of Statutory Auditors, possibly also through the Chief Executive Officer, on the activities carried out and on the most important economic, financial and asset operations carried out by the Company or by the Group Companies.

All members of the Board of Statutory Auditors participate in the works of the Board of Directors, as well as, at the invitation of the Chairman, in agreement with the Chief Executive Officer, the Key Management Personnel and the competent Managers, in order to provide the appropriate clarifications on the items on the agenda and, in general, the persons whose presence is deemed necessary or appropriate for the purposes of the discussion of the items on the agenda.

The Chairman, with the support of the Secretary, having consulted the Chief Executive Officer, ensures that the Board Members are provided at least 48 hours before the Board meeting, other than in exceptional cases, with the documentation and information necessary to enable the Board of Directors to resolve in an informed manner on the matters submitted to it. This documentation is made available through the use of specific computer systems suitable for protecting confidentiality. Directors and Statutory Auditors are required to maintain the confidentiality of the documents and information acquired in the performance of their duties and to comply with the rules adopted by the Company for the management and processing of relevant and inside information and for the dissemination of statements and information to the public as set out in detail in the Procedure for handling and processing relevant and privileged information and for the public dissemination of statements and information.

In the event that it is not possible to send the relevant documentation in advance for some of the topics dealt with, the Chairman, with the support of the Secretary, after consulting the Chief Executive Officer, shall ensure that specific and prompt in-depth analyses are in any case guaranteed and/or carried out, also with the support of the Key Management Personnel or Managers invited to participate for this purpose.

The Board of Directors is chaired by the Chairman, or in his place by one of the two Vice Chairmen (if appointed), or in the place of one of them by the Chief Executive Officer (if appointed) in the same order as indicated in the convocation. If all the above persons are absent, the Board of Directors is chaired by the oldest member present at the meeting.

For meetings to be valid, a majority of the members in office must be present. The Board of Directors resolves by an absolute majority of those present; in the event of a tie, the vote of the person chairing the meeting shall prevail.

Minute taking criteria

The minutes of the meetings are signed by the Chairman and the Secretary.

The minutes of the meetings provide in general terms:

- a summary explanation of the subject matter and, where provided, supporting documentation;
- a summary reference to the debate held and the statements made;
- the reference to the proposal submitted at the end of the discussion;
- the formulation, analytically and by points, of the resolution passed;
- the transcript at the foot of the minutes of the consolidated financial statements, the draft annual financial statements, the condensed half-yearly financial statements, the interim management reports and the merger/division plans;
- the reference, in other cases, to the document kept in the Company's records digitally signed by the Chairman and the Secretary.

Following the meeting, the draft minutes are sent to all Directors and Statutory Auditors for further comments and observations. The final text of the minutes is normally submitted to the Board of Directors for formal approval at its first meeting.

Responsibilities

In the course of 2021, the Board of Directors performed the activities and responsibilities referred to in Article 1, recommendation 1 of the New Code in accordance with the role that the Code attributes to the Board of a listed company.

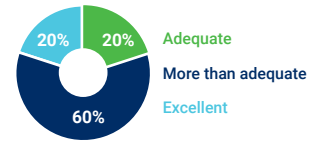
In particular, the Board of Directors:

- a) examines and approves the business plan of the Company and of the ERG Group (the "Business Plan"), including on the basis of the analysis of the issues relevant to the generation of long-term value carried out with the support of the Strategic Committee; with reference to this matter, it is noted that
 - the Board of Directors, in the meeting of 13 May 2021, approved the 2021-2025 Business Plan, after prior assessment by the Strategic Committee, and the 2021-2025 ESG Plan, after prior assessment by the Control, Risk and Sustainability Committee;
 - the Board of Directors, in the meeting of 14 March 2022, following the Hydro Sale and the Thermo Agreement, approved the 2022-2026 Business Plan, after prior assessment by the Strategic Committee, and the 2022-2026 ESG Plan, after prior assessment by the Control, Risk and Sustainability Committee;
- b) periodically monitors the implementation of the Business Plan and assesses the general performance of operations, periodically comparing the results achieved with those planned; with reference to this matter, it is noted that
 - upon the approval of the periodic financial reports, the Chief Executive Officer provided the Board of Directors with information on the progress of the objectives of the 2021-2025 Business Plan and on the general performance of operations;

– the Control, Risk and Sustainability Committee analysed the progress of the objectives of the 2021-2025 ESG Plan on a half-yearly basis, reporting to the Board of Directors at the first board meeting thereafter;

- c) defines the nature and level of risk compatible with the strategic objectives of the Company, including in its assessments all the elements that may be relevant in view of the Company's sustainable success; with reference to this matter, it should be noted that the Board of Directors analysed the Risk Report on the 2021-2025 Business Plan on a half-yearly basis, subject to prior assessment by the Control, Risk and Sustainability Committee; the opinions expressed by the Directors and Statutory Auditors as part of the self-assessment process are shown below.

Do you find the manner in which the Board of Directors, within the scope of the decisions made in relation to the strategic, business and financial plans of the Company and its subsidiaries, has defined the nature and level of risk compatible with the achievement of the aforementioned objectives to be...



- d) defines the Company's corporate governance system and the structure of the ERG Group and assesses the adequacy of the organisational, administrative and accounting structure of the Company and its strategically important Subsidiaries, with particular reference to the Internal Control and Risk Management System; (the "ICRM System"); reference is made in this regard to the details provided in the section "The Internal Control and Risk Management System of the ERG Group"; the Chief Executive Officer informed the Directors and Statutory Auditors of the main organisational changes that occurred, so that they could assess the adequacy of the organisational, administrative and accounting structure of the Company and of its strategically important Subsidiaries; the opinions expressed by the Directors and Statutory Auditors as part of the self-assessment process are shown below.

Do you find the role that the Board of Directors has played in defining strategies and monitoring operating performance and the adequacy of the internal control and risk management system to be...



- e) resolves on Significant Transactions; with reference to this matter, it should be noted that all the Significant Transactions carried out during 2021 were resolved upon by the Board of Directors, subject to prior assessment by the Strategic Committee;
- f) ensures the correct management of corporate communications through the Market Information Procedure; with reference to this matter, it should be noted that the Board of Directors, in the meeting of 20 July 2021, after prior assessment by the Control, Risk and Sustainability Committee, approved the proposed updates to the Market Information Procedure aimed, in particular, at implementing the organisational changes that occurred following the appointment, on 26 April 2021, of the new Board of Directors and the new Chief Executive Officer. The opinions expressed by the Directors and Statutory Auditors as part of the self-assessment process are shown below .

How would you rate the management of corporate information, with particular reference to relevant and inside information, including as regards protecting its confidentiality?

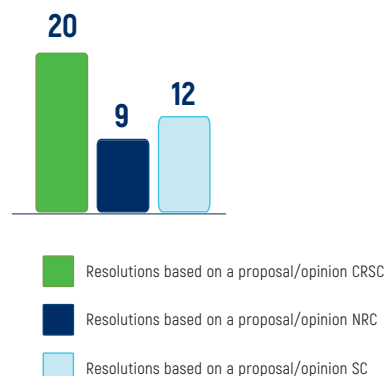


- g) ensures the correct management of the dialogue with stakeholders through the Engagement Policy; with reference to this matter, it should be noted that the Board of Directors, in the meeting of 13 May 2021, after prior assessment by the Control, Risk and Sustainability Committee, approved the Policy for managing the dialogue with shareholders and the investors in general; the Chief Executive Officer reported to the Board of Directors, on a half-yearly basis, on the meetings held in the intervening period;
- h) approves periodic financial and non-financial reports;
- i) assesses the independence of each non-executive Director and of the members of the Board of Statutory Auditors immediately after their appointment and during their term of office if circumstances relevant to independence arise, and in any case at least once a year; reference is made in this regard to the details provided in the relevant paragraph of the section "Independence assessment";
- j) having consulted the Nominations and Remuneration Committee, expresses its recommendations on the maximum number of offices in management or control bodies in other Relevant Companies that can be considered compatible with the effective performance of the office of Director, taking into account the commitment required of the role; it should be noted in this regard that the Board of Directors has defined in paragraph 1.4.2 of the Regulations, after prior assessment by the Nominations and Remuneration Committee, its recommendations regarding the maximum number of offices in the management or control bodies of Relevant Companies;
- k) carries out, on an annual basis, a self-assessment of the size, composition and effective operation of the Board of Directors and of the Committees, on the basis of a document prepared for this purpose by the Nominations and Remuneration Committee which oversees the process; reference should be made in this regard to the Board of Directors self-assessment process described in detail in the relevant paragraph of the Board Performance Review section;
- l) expresses, in view of each renewal, a recommendation on the quantitative and qualitative composition considered optimal, taking into account the results of the self-assessment; reference should be made in this regard to the Board of Directors self-assessment process described in detail in the relevant paragraph of the Board Performance Review section;
- m) defines, with the support of the Nominations and Remuneration Committee, a plan for the succession of the Chief Executive Officer and, where appropriate, of the Executive Directors through which the procedures to be followed in the event of early termination of office are identified; in relation to this task, it should be noted that the Board of Directors has defined a plan for the succession of the Chief Executive Officer in paragraph 1.4.3 of the Regulations;
- n) ascertains the existence of adequate procedures for the succession of Key Management Personnel and of Management; it should be noted in this regard that the Nominations and Remuneration Committee, in the meeting of 3 March 2021, shared the process followed for the purpose of defining the 2021 succession plan for the top management of the ERG Group, reporting to the Board of Directors, in the first board meeting thereafter.

Activities carried out

During 2021, the Board of Directors held 11 **meetings** (9 of which scheduled in advance), and for 2022 there are expected to be no fewer than 8 meetings. In the 2021 meetings, the Board of Directors passed 75 **resolutions** pertaining to as many issues (41 of which were adopted on the basis of a proposal or of an opinion provided by the Board Committees or following a prior assessment by them) and for 67 of them the related documentation was sent to Directors and Statutory Auditors beforehand (at least 48 hours before the meeting, barring exceptions), said advance notice being deemed suitable to enable Directors and Statutory Auditors to acquire adequate knowledge of the items on the agenda

BOARD OF DIRECTORS - RESOLUTIONS BASED ON A PROPOSAL OR OPINION PROVIDED BY A BOARD COMMITTEE



Resolutions adopted by the Board of Directors in 2021

DATE	ITEM ON THE AGENDA
2/2021	<ul style="list-style-type: none"> Assessment of the size, composition and functioning of the Board of Directors Minutes of previous BoD meeting Examination of the impairment test procedure pursuant to IAS 36 Information from the Chairman of the Board of Statutory Auditors regarding the results of the Board of Statutory Auditors' self-assessment
3/2021	<ul style="list-style-type: none"> Minutes of previous BoD meeting Consolidated Financial Statements at 31 December 2020 Draft Financial Statements at 31 December 2020 Consolidated Non-Financial Statement at 31 December 2020 Analysis of the objectives of the 2018-2020 LTI System Essential elements of the 2021-2023 LTI System Policy and Report on the remuneration policy and fees paid out Objectives of the MBO System Calling of the Shareholders' Meeting Report of the Board of Directors on the items on the agenda of the Shareholders' Meeting Minutes of BoD meeting
4/2021	<ul style="list-style-type: none"> Delegation of corporate offices and related powers Appointment of the Manager Responsible for Preparing the Company's Financial Reports Prior verification of the existence of the requirements envisaged by law for the independent directors Appointment of the members of the Board Committees Appointment of the members of the Supervisory Committee Remuneration of the Chairman of the Supervisory Body for the year 2021 Appointment of the secretary of the Board of Directors Non-recurring transaction
5/2021	<ul style="list-style-type: none"> Minutes of previous BoD meeting Interim Directors' Report at 31 March 2021 Quarterly forecast for the annual investments budget of ERG S.p.A. and its operating subsidiaries Business Plan and 2021-2025 ESG Plan Multi-year electricity supply contract Non-recurring transaction Updating of the Procedure for transactions with Related Parties Implementation of the 2021-2023 LTI System Remuneration of directors holding offices

DATE	ITEM ON THE AGENDA
5/2021	<ul style="list-style-type: none"> • Remuneration of the Chief Audit Officer • Supervisory Body schedule of activities and budget for the year 2021 • Approval of the Regulations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee • Approval of the Policy for the management of dialogue with shareholders and investors in general
7/2021	<ul style="list-style-type: none"> • Minutes of previous BoD meeting • Contracts for the supply of electricity • Verification of the application of Articles 2497 et seq. of the Italian Civil Code • Update to the Procedure for handling and processing relevant and privileged information and for the public dissemination of statements and information
7/2021	<ul style="list-style-type: none"> • Minutes of previous BoD meeting • Utilities supply contract • Non-recurring transaction • Interim Financial Report at 30 June 2021 • Renewal of the bond issue programme • Repowering of some wind farms • Quarterly forecast for the annual investments budget of ERG S.p.A. and its operating subsidiaries • Verification of the existence of the requirements envisaged by the regulations of the Board of Directors for the independent directors • Approval of the D&I Policy • Appointment of the Lead Independent Director
8/2021	<ul style="list-style-type: none"> • Non-recurring transaction
10/2021	<ul style="list-style-type: none"> • Minutes of previous BoD meetings • Verification that the members of the Board of Statutory Auditors meet the independence requirements set forth by law • Revision of the loan agreement • Minutes of BoD meeting
11/2021	<ul style="list-style-type: none"> • Interim Directors' Report at 30 September 2021 • Quarterly forecast for the annual investments budget of ERG S.p.A. and its operating subsidiaries • Non-recurring transaction • Loan agreement • Review of the Plan of Internal Audit activities for the year 2021 and the Schedule of activities and budget for the year 2022
12/2021	<ul style="list-style-type: none"> • Minutes of previous BoD meeting • Non-recurring transaction • Developments Non-recurring transaction • Minutes of previous BoD meeting • Investments budget for 2022 • Liquidity management operations • Calendar of meetings of corporate bodies for 2022 • Budget of the Supervisory Body for the year 2022 • Remuneration of the Chairman of the Supervisory Body for the year 2022

It is also noted that, of the 8 **resolutions** in relation to which Board members and Auditors had not been sent the relevant documentation in advance, 5 resolutions were adopted by the newly appointed Board of Directors at its plenary meeting held at the end of the Shareholders' Meeting which had appointed the new board.

In the event that it was not possible, within the aforementioned deadlines, to send the relevant documentation in advance for some of the topics dealt with, the Chairman, with the support of the Secretary, after consulting the Chief Executive Officer, ensured that specific and prompt in-depth analyses were in any case guaranteed and/or carried out, also with the support of the Key Management Personnel or Managers invited to participate for this purpose.

The Chairman of the Board of Directors ensured that during the meetings of the Board of Directors and of the Committees within the Board, in relation to the topics discussed, the Chief Executive Officer and representatives of Group management provided all directors with the information necessary to provide adequate knowledge of the sector in which the Group operates, of corporate dynamics and its trends and of the reference regulatory framework. In 2021, managers took part in 9 of the 11 meetings of the Board of Directors, in several cases in support of the discussion of more than one topics on the agenda.

At all the board meetings, the Chief Executive Officer reported to the Board of Directors with regard to the exercise of the mandate and the performance of the Company and the Group.



The average duration of the meetings held by the Board of Directors was **around 3 hours**.

At the date of approval of this document, the Board of Directors had met **twice**.

Meetings of the Board of Directors, held during 2021, in which some management representatives took part to help explain specific items on the agenda

DATE	ITEM ON THE AGENDA
2/2021	<ul style="list-style-type: none"> • Assessment of the size, composition and functioning of the Board of Directors • Examination of the impairment test procedure pursuant to IAS 36 • Internal Audit Report on the activities carried out in 2020 • Supervisory Body Report on the activities carried out in 2020
3/2021	<ul style="list-style-type: none"> • Consolidated Financial Statements at 31 December 2020 • Draft Financial Statements at 31 December 2020 • Consolidated Non-Financial Statement at 31 December 2020 • Analysis of the objectives of the 2018-2020 LTI System • Essential elements of the 2021-2023 LTI System • Policy and Report on the remuneration policy and fees paid out • Objectives of the MBO System
5/2021	<ul style="list-style-type: none"> • Interim Directors' Report at 31 March 2021 • Quarterly forecast for the annual investments budget of ERG S.p.A. and its operating subsidiaries • Business Plan and 2021-2025 ESG Plan • Multi-year electricity supply contract • Non-recurring transaction • Updating of the Procedure for transactions with Related Parties • Implementation of the 2021-2023 LTI System • Remuneration of directors holding offices • Remuneration of the Chief Audit Officer • Supervisory Body schedule of activities and budget for the year 2021 • Approval of the Regulations of the Board of Directors, the Control and Risk Committee and the Nominations and Remuneration Committee • Approval of the Policy for the management of dialogue with shareholders and investors in general
7/2021	<ul style="list-style-type: none"> • Update to the Procedure for handling and processing relevant and privileged information and for the public dissemination of statements and information • Risk Report on the Business Plan
7/2021	<ul style="list-style-type: none"> • Utilities supply contract • Non-recurring transaction • Interim Financial Report at 30 June 2021 • Renewal of the bond issue programme • Approval of the D&I Policy • Supervisory Body Report on the first half of the year
8/2021	<ul style="list-style-type: none"> • Non-recurring transaction
11/2021	<ul style="list-style-type: none"> • Interim Directors' Report at 30 September 2021 • Quarterly forecast for the annual investments budget of ERG S.p.A. and its operating subsidiaries • Non-recurring transaction • Review of the Plan of Internal Audit activities for the year 2021 and the Schedule of activities and budget for the year 2022
12/2021	<ul style="list-style-type: none"> • Non-recurring transaction • Developments Non-recurring transaction
12/2021	<ul style="list-style-type: none"> • Liquidity management operations • Budget of the Supervisory Body for the year 2022

A specific on-boarding activity was carried out for the new Directors appointed as part of the renewal of the mandate of the Board of Directors by the Shareholders' Meeting of 26 April 2021.

The periodic site visits aimed at allowing the Directors and Statutory Auditors a more in-depth knowledge of the Group's activities were temporarily suspended due to the COVID-19 pandemic.

Diversity policy in relation to the composition of the administration, management and control bodies

1.1 Objectives

The Board of Directors considers that the presence, within the Board of Directors itself and the Board of Statutory Auditors, of skills, values and points of view that are different yet complementary to each other may in fact be a strength since it makes it possible to analyse the various matters under discussion from different perspectives, it encourages debate and it serves as a basis for well-thought-out, informed and balanced board decisions.

The presence of varying skills and expertise is also deemed essential and necessary for the purposes of fully understanding and adequately appreciating the different aspects that must be taken into account in the context of the business in which the Company operates.

1.2 Implementation methods

Since the Company's administrative, management and control bodies, in accordance with the provisions of Articles 147-ter and 148 of the Italian Consolidated Finance Act and Articles 15 and 22 of the Articles of Association, are appointed on the basis of lists of candidates submitted by shareholders, the composition of said bodies depends on the decisions made from time to time by the latter during the Shareholders' Meeting, in compliance with the applicable laws and regulations.

Without prejudice to the foregoing, the Board of Directors considers that the Company's policy on diversity in relation to the composition of its administrative, management and control bodies (the "Policy"), in accordance with the provisions of the New Code (even though ERG S.p.A. can be described as a company with concentrated ownership), can be expressed through **specific recommendations or guidelines** made to the shareholders, from time to time, before the appointment of the Board of Directors and the Board of Statutory Auditors, and reported on the company website sufficiently in advance with respect to the publication of the notice convening the shareholders' meetings for renewal and in the report on corporate governance and the ownership in accordance with Article 123-bis of the Italian Consolidated Finance Act.

1.3 Composition of the management body

The Policy proposed by the Board of Directors prescribes, in particular, that each Director, within the scope of the self-assessment process on the functioning of the Board of Directors itself and its Committees, expresses, before the appointment of the new Board, **his recommendations**, in the matter of diversity, on the managerial and professional figures that should be included in the Board, also taking into account factors such as training and professional characteristics, experience, including managerial, gender and age.

Since the current Board of Directors, made up of 12 members, was appointed by the Shareholders' Meeting of 26 April 2021 and consequently the mandate given to the same will expire on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023, it is envisaged that this assessment process

will be carried out once again in the first quarter of 2024 in such a way that its outcome will constitute an integral and substantial part of the recommendations to the Shareholders' Meeting, convened to appoint the new Board of Directors.

1.4 Board Performance Review

With regard in particular to the provisions of recommendations 21, 22 and 23 of Article 4 of the New Code, the Board of Directors, at its meeting of 24 February 2022, carried out, with the support of the Nominations and Remuneration Committee, which oversees the process, and Corporate Affairs, an assessment of the size, composition and functioning of the Board of Directors and its Committees during 2021, expressing, in this regard, an overall favourable opinion accompanied by specific indications with respect to the operation of the Board of Directors and of its Committees.

The assessment process was performed not only on the basis of the assessment criteria previously used in the past, but also on the basis of the results of a self-assessment questionnaire which allowed the individual Directors and Statutory Auditors to report on any issues worthy of being looked into further.

The results of the assessments performed by the current Board of Directors and the recommendations of the previous Board of Directors are set out below. It should be noted in this regard that said Board of Directors, in its meeting of 23 February 2021, performed its self-assessment, not only on the basis of the assessment criteria previously used in the past, but also on the basis of the results of a self-assessment questionnaire drawn up by Management Search S.r.l. and interviews conducted by the same with the Directors, the General Manager and the Statutory Auditors; this assessment was also carried out in consideration of the recommendations that the outgoing Directors were asked to express on the skills considered necessary for the composition of the new Board of Directors appointed by the Shareholders' Meeting of 26 April 2021 (even though this recommendation pursuant to the New Code did not apply to ERG, it being a company with concentrated ownership), also taking into account elements such as training and professional characteristics, experience, including managerial, gender and age, in line with the provisions of Article 123-*bis*, paragraph 2, subsection *d-bis*) of the Italian Consolidated Finance Act (ICFA).

The composition of the new Board of Directors is in line with the recommendations made by the previous Board of Directors.

Recommendations	Current situation
<p style="text-align: center;">Size of the Board of Directors</p> <ul style="list-style-type: none"> • <u>twelve</u> Directors is considered to be an appropriate number to ensure an adequate balance of the skills and experience required by the complexity of the business of the Company and the Group • the <u>current ratio of executive Directors (3) to non-executive Directors (9) ((5)</u> of which Independent pursuant to the Corporate Governance Code) is appropriate since it ensures the effective functioning of the Board of Directors 	<p style="text-align: center;">Size of the Board of Directors</p> <ul style="list-style-type: none"> • the number of Directors is the same as the previous Board of Directors • the ratio of executive (3) to non-executive (9) Directors is the same as that of the previous Board of Directors; the number of Independent Directors pursuant to the New Code has increased (6)
<p style="text-align: center;">Composition of the Board of Directors</p> <ul style="list-style-type: none"> • it would be useful to strengthen the presence within the board, as non-executive Directors, of <u>international managers</u> with industry skills who have a strong orientation towards strategy and business judgement skills, so as to consolidate the Board of Directors' capacity for strategic vision, and its ability to interpret changes in market scenarios and assess new business opportunities. 	<p style="text-align: center;">Composition of the Board of Directors</p> <ul style="list-style-type: none"> • the weight of international management figures has increased
<p style="text-align: center;">Composition of the Board of Directors The Chairman</p> <p>Figure who possesses:</p> <ul style="list-style-type: none"> • such authority and standing as to ensure proper and transparent management of the Board of Directors and act as a figure of assurance for all Shareholders; • personal characteristics such as to create a strong team spirit and a strong sense of cohesion among the members of the Board of Directors; • adequate training in corporate governance, having gained previous experience within – and preferably at the helm of – the boards of directors of listed companies of comparable complexity, size and international outlook to those of ERG, and having shown in the performance of these tasks, a marked sensitivity to governance and sustainability issues; • skills in the economic-financial field, as well as experience and practice in managing issues of strategic importance, as well as business-specific issues, within the board of directors; • an international culture, accompanied by an adequate knowledge of foreign languages and, in particular, at least English. 	<p style="text-align: center;">Composition of the Board of Directors The Chairman</p> <ul style="list-style-type: none"> • the Chairman is the same as the previous Board of Directors and his characteristics are in line with those recommended
<p style="text-align: center;">Composition of the Board of Directors The Chief Executive Officer</p> <p>Figure who possesses:</p> <ul style="list-style-type: none"> • authority, as well as a recognised strategic vision and in-depth knowledge of the energy market and its evolution; • significant economic and financial skills, as well as technical skills; • recognised leadership skills and a management style oriented towards leadership and the ability to work as a team and create team spirit among employees; • an international culture, accompanied by an adequate knowledge of foreign languages and, in particular, at least English. 	<p style="text-align: center;">Composition of the Board of Directors The Chief Executive Officer</p> <ul style="list-style-type: none"> • the characteristics of the current Directors, strengthened by the "newly appointed" Directors with specific skills in the areas of remuneration policies, risk management, law, corporate governance and sustainability, are substantially in line with those recommended

Recommendations	Current situation
Composition of the Board of Directors Executive and Non-executive Directors	Composition of the Board of Directors Executive and Non-executive Directors

Figures who possess:

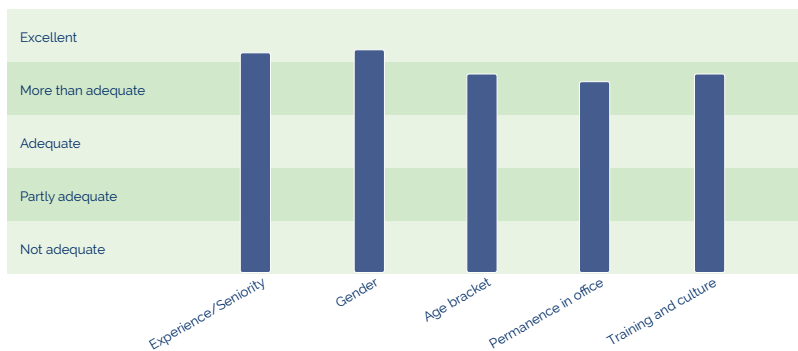
- a managerial and/or professional and/or academic-institutional profile, so as to provide a mix of skills and experiences that are different and complementary, also taking into account the benefits that can be derived from the presence in the Board of different genders, age groups and seniority in office;
- adequate seniority, understood as proven experience in complex organisational contexts in the corporate and/or professional and/or academic-institutional fields;
- skills that enable them to effectively participate in the work of the Board of Directors and of the Committees established within it. To this end, skills acquired in the economic and financial fields in relation to remuneration policies (in line with the provisions of the new Corporate Governance Code), risk management, law, corporate governance, digital innovation and sustainability are considered relevant;
- an international culture, accompanied by an adequate knowledge of foreign languages and, in particular, at least English.

- the characteristics of the current Directors, strengthened by the “newly appointed” Directors with specific skills in the areas of remuneration policies, risk management, law, corporate governance and sustainability, are substantially in line with those recommended

Diversity in the current Board of Directors

Average diversity score: **78%**

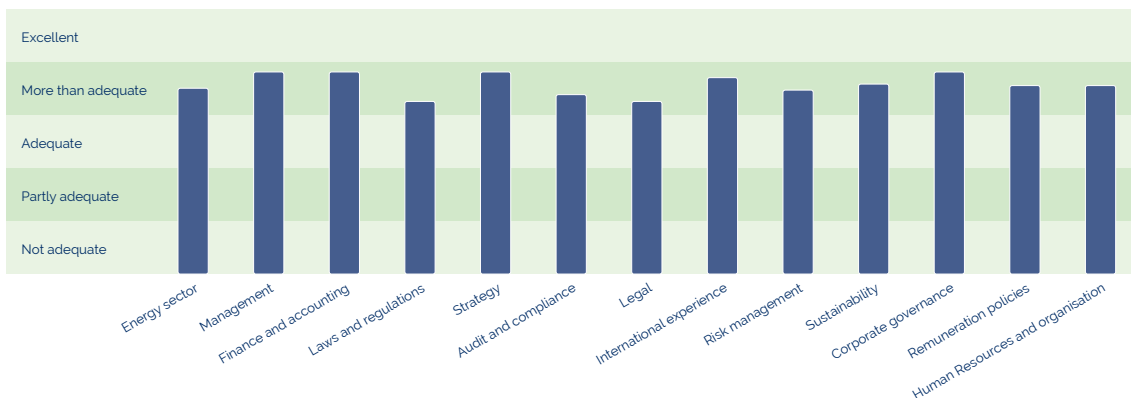
In two areas, diversity was rated as **“excellent”** while in the remaining areas it was rated as **“more than adequate”**



Skills present in the current Board of Directors

Average skills score: **72%**

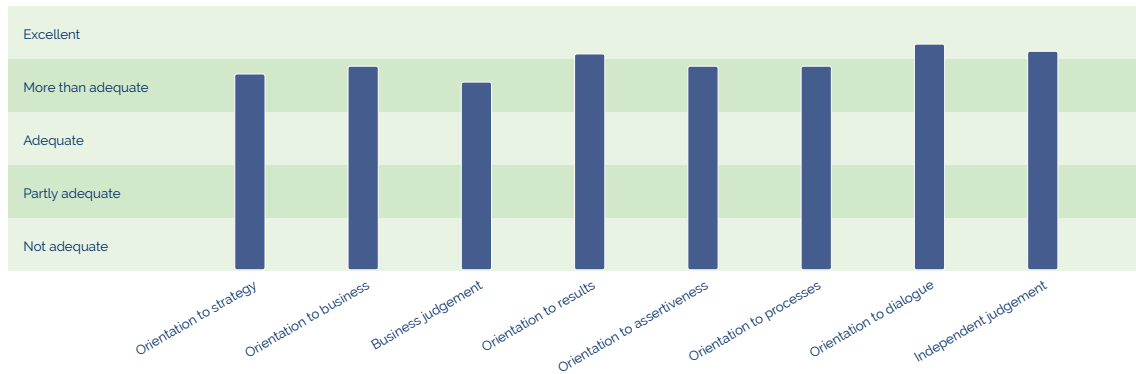
All skills were rated as **“more than adequate”**



The professional and personal characteristics present in the current Board of Directors

Average professional and personal characteristics score: **79%**

Three personal characteristics were rated as **“excellent”**, while the remaining characteristic was rated as **“more than adequate”**



1.5 Composition of the board of statutory auditors

The Policy prescribes, in particular, that the Board of Directors take on board the information provided by the Board of Statutory Auditors in relation to the self-assessment process on the functioning of the Board itself, in order to express, before the appointment of the new Board of Statutory Auditors, any recommendations, in the matter of diversity, on the professional figures that should be included in the Board, also taking into account factors such as training and professional characteristics, experience, including managerial, gender and age.

Since the current Board of Statutory Auditors was appointed by the Shareholders’ Meeting of 17 April 2019 and consequently the mandate given to the same will expire on the date of the Shareholders’ Meeting called to approve the Financial Statements at 31 December 2021, the results of the assessment process were communicated to the Board of Directors in such a way that they can then form an integral and substantial part of the recommendations to the Shareholders’ Meeting that will be called to appoint the new board of statutory auditors .

1.6 Statutory Auditors Performance Review

The Chairman of the Board of Statutory Auditors, again in the board meeting held on 24 February 2022, informed the Board of Directors on the results of the self-assessment carried out with regard to the size, composition and functioning of the Board of Statutory Auditors in the course of 2021. This assessment was carried out using, inter alia, the findings of a self-assessment questionnaire drawn up by Corporate Affairs at the request of the Board of Statutory Auditors.

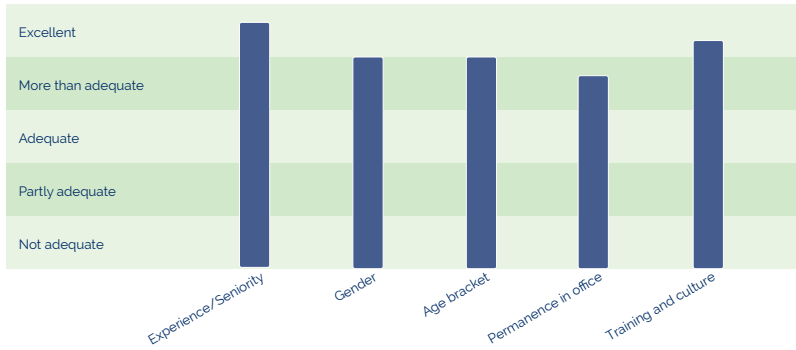
The assessment was carried out also in consideration of the recommendations to the shareholders on the skills deemed necessary for the composition of the new Board of Statutory Auditors that will be appointed by the Shareholders’ Meeting called to approve the Financial Statements at 31 December 2021, taking into account elements such as training and professional characteristics, experience, gender and age, in line with the provisions of Article 123-bis, paragraph 2, subsection d-bis) of the Italian Consolidated Finance Act.

The findings of the self-assessment performed by the Board of Statutory Auditors and the recommendations to the Shareholders’ Meeting are set out below.

Diversity in the current Board of Statutory Auditors

Average diversity score: **83%**

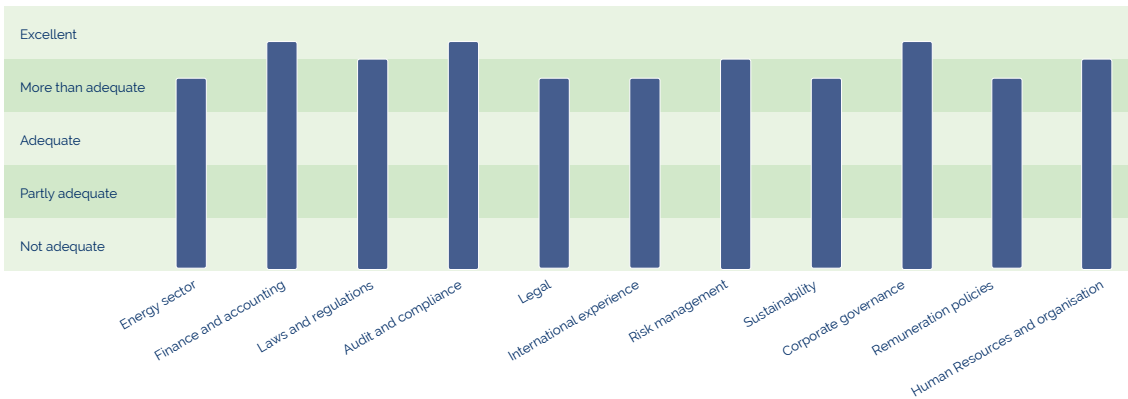
In four areas, diversity was rated as **“excellent”**, while in the remaining area it was rated as **“more than adequate”**



Skills present within the current Board of Statutory Auditors

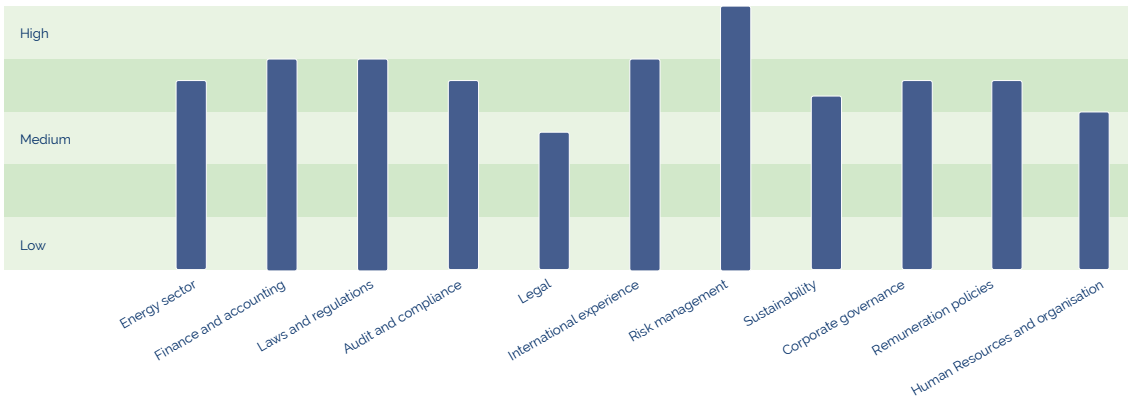
Average skills score: **79%**

Six skills were rated as **“excellent”**, while the remaining skills were rated as **“more than adequate”**



Importance of the skills for the purposes of the renewal of the Board of Statutory Auditors

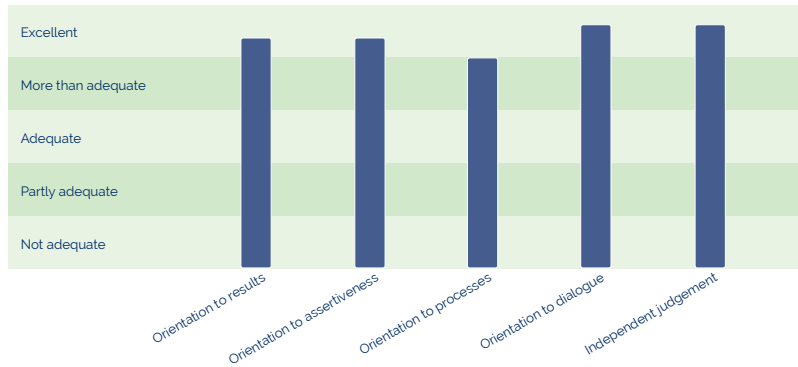
Average skills score: **74%**



Professional and personal characteristics present in the current Board of Statutory Auditors

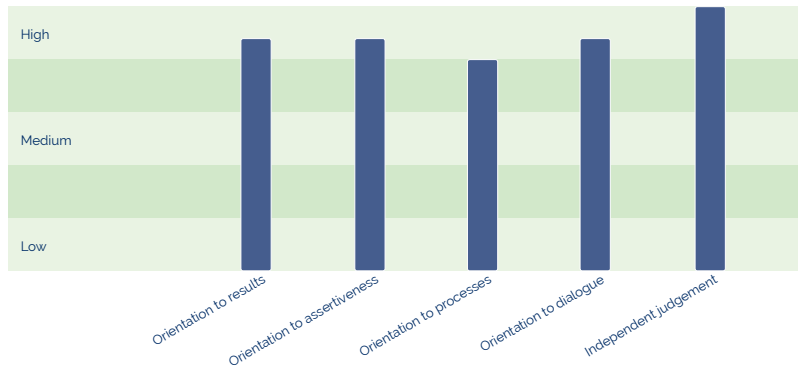
Average professional and personal characteristics score: **88%**

Four personal characteristics were rated as **“excellent”**, while the remaining characteristic was rated as **“more than adequate”**



Importance of the professional and personal characteristics for the purposes of the renewal of the Board of Statutory Auditors

Average professional and personal characteristics score: **88%**



All candidate Statutory auditors, in accepting their candidacy, should carefully assess whether, in addition to having the personal and professional characteristics required of the role, they have sufficient time available to devote to the performance of the office, taking into account both the number and quality of the offices held in the management and board of statutory auditors of other companies, and the commitment required of them by additional work and professional activities carried out, verifying that their situation is aligned with the time commitment required as resulting from the information that will be made available on the Company’s website and through the report on corporate governance and ownership.

It should be noted in this regard that:

- all the members of the Board of Statutory Auditors are called to attend all the meetings of the Control, Risk and Sustainability Committee and of the Nominations and Remuneration Committee (in 2021, there were, respectively, 9 meetings with an average duration of 2 hours and 7 meetings with an average duration of 1 hour and 30 minutes);

- the “quantitative” and “qualitative” criteria defined in the Regulations, for the purposes of assessing the independence of the members of the Board of Directors, in line with the provisions of Recommendation 9 of the New Code, also apply to the members of the Board of Statutory Auditors.

Based on these criteria, the following shall be considered as significant (i.e. as a circumstance potentially capable of compromising the independence of an Auditor, to be assessed in concrete terms by the Board of Directors):

- a) a commercial or financial relationship, in existence or maintained in the previous three financial years, with the Company, the Subsidiaries, the Parent or with the relevant Executive Directors or Key Management Personnel whose total annual remuneration in favour of the Statutory auditors (or of the company or entity over which the Auditor has control or is an executive director) exceeds (i) 5% of the total annual turnover of the Statutory auditors (if an individual entrepreneur) or (ii) 5% of the total annual turnover of the company or entity over which the Statutory auditors has control or is an executive director;
- b) a professional relationship, in existence or maintained in the previous three financial years, with the Company, the Subsidiaries, the Parent or with the relevant Executive Directors or Key Management Personnel whose total annual remuneration in favour of the Statutory auditors (or the professional firm or the consulting company of which the Statutory auditor is a partner) exceeds (i) 5% of the total annual turnover of the Statutory auditors (if an individual consultant) or (ii) 5% of the total annual turnover of the professional firm or the consulting company of which the Auditor is a partner;
- c) additional remuneration, existing or received by the Auditor in the three previous financial years, from the Company, the Subsidiaries or the Parent which is, in total and on an annual basis, higher than 45% with respect to (i) the fixed remuneration for the office of Statutory auditors approved by the Shareholders’ Meeting and (ii) the remuneration envisaged by current legislation for participation in committees/bodies.

It should also be noted that:

- the fact of being a Close Family Member of a person in one of the above situations also constitutes a circumstance likely to compromise the independence of a Statutory auditor;
- the additional remuneration provided for participation in the board of Statutory Auditors of Subsidiaries will not be considered as significant.

Recommendations of the Italian Corporate Governance Committee

The Board of Directors, in its meeting of 15 December 2021, analysed the recommendations made in the letter sent by the Italian Committee for Corporate Governance to the chairmen of the management and control bodies of all listed companies, in which it is recommended that:

- i. with reference to the **objective of sustainable success**, adequate and concise information be provided in the report on corporate governance:
 - a. on the methods used to achieve this objective;
 - b. on the approach used to promote dialogue with relevant stakeholders, providing summary information on the content of the policy for dialogue with the shareholders in general, notwithstanding the need to publish it in full, or at least the essential features of it, on the ERG website;
- ii. with reference to the **principle of proportionality** envisaged in the New Code, an assessment be performed of the Company's classification with respect to the categories provided therein and the simplification options that can be used for "non-large" and/or "concentrated" companies, and that the choices made be appropriately communicated;
- iii. with reference to the **independence assessment**, the criteria used to assess the significance of professional, commercial or financial relationships and additional remuneration, including with reference to the Chairman of the Board of Directors, if the latter has been assessed as independent pursuant to the New Code, be provided in the corporate governance report.
- iv. with reference to the **management of pre-meeting information**:
 - a. board and committee regulations be prepared, ensuring in particular that the deadlines deemed appropriate for the sending of documentation are clearly defined and that general confidentiality requirements are excluded since they may give rise to exemptions from compliance with these deadlines;
 - b. effective compliance with the notice period previously defined be adequately demonstrated in the corporate governance report, and, where in exceptional cases it has not been possible to comply with this deadline, the reasons for this be explained and explanation be given as to how adequate information has been provided in the Board;
- v. with reference to the **appointment and succession of directors**, in relation to companies with non-concentrated ownership, the recommendations given to them regarding the renewal of the board of directors be appropriately examined. In this regard, it is recalled that for these companies the New Code not only recommends that the outgoing board of directors express, in view of its renewal, recommendations as to its optimal composition, taking into account the results of the self-assessment, but also sets out this responsibility in the subsequent phase of the presentation of lists by the outgoing board and/or the shareholders. Specifically, it is recommended that boards of directors of non-concentrated companies request that those who present a list that contains a number of candidates greater than half of the members to be elected provide adequate information (in the documentation submitted for filing the list) about the compliance of the list itself with the

recommendation expressed by the outgoing board and indicate their own candidate for the office of Chairman;

- vi. with reference to **gender equality**:
 - a. measures to promote equal treatment and opportunities between genders be implemented across the entire corporate organisation, and their effective implementation be monitored;
 - b. adequate information be provided in the corporate governance report about the effective identification and application of such measures;
- vii. on **remuneration policies**:
 - a. the policy be improved through the definition of clear and measurable rules for the payment of the variable component and any severance indemnity;
 - b. appropriate consideration be given to the consistency of the parameters identified for the variable remuneration with the strategic objectives of the business activity and the pursuit of sustainable success, evaluating, if necessary, the provision of non-financial parameters. With particular reference to the remuneration parameters linked to the achievement of environmental and social objectives, the Committee recommends that companies ensure that these parameters are predetermined and measurable.

In light of the contents of the Report on Corporate Governance and ownership structures and the Remuneration Policy, it is specified in particular that:

- in relation to the **recommendation referred to in point (i), letter a)**, the Company has already started a process to include corporate activity sustainability when defining its strategies and the Remuneration Policy, which led the Board of Administration to approve, on 13 May 2021, the Business Plan and the 2021-2025 ESG Plan and, on 14 March 2022, the Business Plan and the 2022-2026 ESG Plan, following the Hydro Sale and the Thermo Agreement. The Company has also integrated specific sustainability objectives for management into its short-term (MBO System) and long-term (LTI System) incentive systems, as defined in the Remuneration Policy; the Board of Directors, in the meeting of 26 April 2021, appointed a Control, Risk and Sustainability Committee called upon, among other things, in continuity with the Company's governance, to examine the Consolidated Non-financial Statement as well as the ESG Plan and the activity carried out from time to time with respect to the objectives of the ESG Plan; the assessments expressed by the Directors and Statutory Auditors as part of the self-assessment process are shown below.

The way in which the strategic decisions to be made take into account the objective of pursuing the Company's sustainable success is...



- in relation to the **recommendation referred to in point (i), letter b)**, the Company considers that efforts to develop and maintain continuous, productive and transparent dialogue with its shareholders and investors in general are consistent with the creation of sustainable value in the medium to long term. For this reason, the Board of Directors, in its meeting of 13 May 2021, after prior assessment by the Control, Risk and Sustainability Committee, approved the Policy for managing dialogue with shareholders and investors in general, made

available to the public on the Company's website (www.erg.eu); the Chief Executive Officer reported to the Board of Directors, on a half-yearly basis, on the meetings held in the intervening period;

- with reference to the **recommendation referred to in letter (ii)**, the Board of Directors assessed the possible simplifications, opting in some cases not to incorporate some of them. In particular, even though the New Code recommends that the Board of Directors of the Company carry out (taking into account its qualification as a company with concentrated ownership), at least every three years and with a view to the renewal of the management body, an assessment regarding the composition, size and functioning of the Board and its committees, the Company, as a good governance practice, has in any case decided to continue to carry out this self-assessment process on an annual basis. The outgoing Board of Directors, in view of its renewal, has in any case expressed its recommendation as to its optimal composition, taking into account the results of the self-assessment carried out on 23 February 2021;
- with reference to the **recommendation referred to in point (iii)**, the criteria used to assess the significance of professional, commercial or financial relationships and additional remuneration and the evidence of the assessment process carried out are reported in the section dedicated to the Board of Directors. The Chairman of the Board of Directors was qualified as executive. The opinions expressed by the Directors and Statutory Auditors as part of the self-assessment process are shown below.

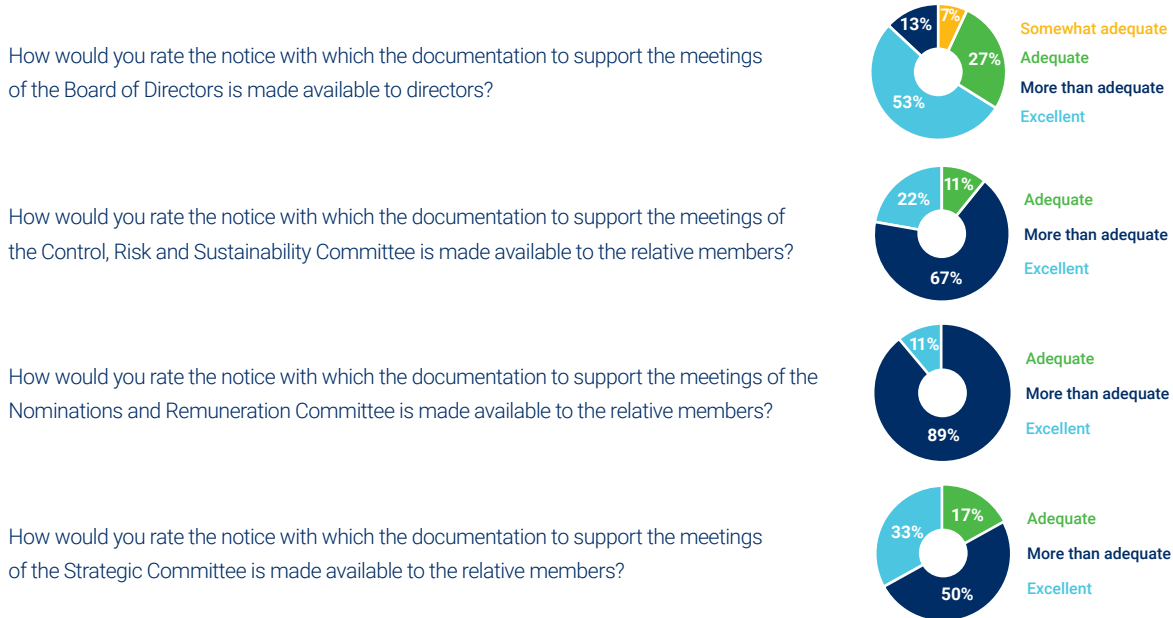
How would you rate the Board of Directors' process for assessing the independence of its non-executive members?



- with reference to the **recommendation referred to in point (iv), letter a)**, the Board of Directors has prescribed (i) in paragraph 1.2 of the Regulations that Directors be provided with, at least 48 hours before the Board meeting, except in exceptional cases, the documentation and information necessary to allow the Board of Directors to resolve in an informed manner on the matters submitted to it and (ii) in paragraphs 2.2 and 3.2 of the Regulations that the members of the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee be provided with, at least 48 hours before the meeting, except in exceptional cases, the documentation and information necessary to allow members to express an informed opinion on the matters under consideration;
- with reference to the **recommendation referred to in point (iv), letter b)**, it is noted that in the 2021 meetings, the Board of Directors passed **75 resolutions** pertaining to as many issues (**41** of which were adopted on the basis of a proposal or of an opinion provided by the Board Committees or following a prior assessment by them) and for **67** of them the related documentation was sent to Directors and Statutory Auditors beforehand (at least 48 hours before the meeting, barring exceptions), said advance notice being deemed suitable to enable Directors and Statutory Auditors to acquire adequate knowledge of the items on the agenda. It is also noted that, of the **8 resolutions** in relation to which Board members and Auditors had not been sent the relevant documentation in advance, **5 resolutions** were adopted by the newly appointed Board of Directors at its plenary meeting held at

the end of the Shareholders’ Meeting which had appointed the new board. In the event that it was not possible to send in advance, within the aforementioned deadlines, the relevant documentation for some of the topics dealt with, the Chairman, with the support of the Secretary, after consulting the Chief Executive Officer, ensured that specific and prompt in-depth analyses were in any case guaranteed and/or carried out, also with the support of the Key Management Personnel or Managers invited to participate for this purpose. In 2021, managers took part in 9 of the 11 meetings of the Board of Directors, in several cases in support of the discussion of more than one topics on the agenda.

The opinions expressed by the Directors and Statutory Auditors as part of the self-assessment process are shown below.



- with reference to the **recommendation referred to in point (v)**, the Board of Directors, despite the fact that the Company, pursuant to the New Code, qualifies as having “concentrated ownership”, in view of its renewal, has in any case expressed its recommendation as to its optimal composition, taking into account the results of the self-assessment carried out on 23 February 2021. Furthermore, the current Board of Directors, as a good governance practice, has nevertheless decided to continue carrying out the self-assessment process on an annual basis;
- with reference to the **recommendation referred to in point (vi), letters a) and b)**, the Board of Directors, in the meeting of 30 July 2021, after prior assessment by the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, each for as far as their respective responsibilities are concerned, approved the Diversity & Inclusion Policy with the aim of guiding and inspiring the diversity & inclusion programmes in all the companies of the ERG Group and steering relations with the multiple stakeholders with which the Group deals. The Nominations and Remuneration Committee, in the meeting of 17 February 2022, analysed an update on the initiatives that the Company is implementing in relation to diversity. It should also be noted that the third pillar (People pillar) on which the 2021-2025 ESG Plan and the 2022-2026 ESG Plan are based, focuses on the

Company's attention to the growth and well-being of people and provides for, among other things, the following diversity & inclusion objectives:

- ≥ 20% increase in women among key leaders (managers and senior managers)
- obtaining D&I Certification
- ≥ 25% increase in women in the workforce.

The Control, Risk and Sustainability Committee periodically monitors the degree of achievement of the objectives of the ESG Plan;

- with reference to the **recommendation referred to in point (vii), letters a) and b)** it is specified that the Remuneration Policy for 2022 is defined in continuity with that of 2021 and therefore already provides for the inclusion of specific sustainability targets for management in the MBO System and in the 2021-2023 LTI System. Elements of greater transparency were introduced following (i) the assessments expressed by the shareholders and the recommendations emerging from the vote of the Shareholders' Meeting of 26 April 2021 on the policy for 2021 and on the final balance for 2020 and (ii) the observations made by proxy advisors and those deriving from ongoing dialogue with investors. Account was also taken of the mandate conferred on the new Board of Directors appointed by the Shareholders' Meeting of 26 April 2021.

The main changes regard:

- the definition, by the Board of Directors, in the meeting of 13 May 2021, of the conditions necessary to implement the 2021-2023 LTI System, approved by the previous Board of Directors on 11 March 2021 as well as by the Shareholders' Meeting of 26 April 2021;
- the increase in the disclosure of the criteria for defining the indemnity for termination of the office of the Chief Executive Officer;
- the increase in the ex post disclosure of the values of the objectives of the MBO System and of the 2021-2023 LTI System, with the indication of the results actually achieved with respect to the target values, in line with best practices;
- the implementation of the new organisational macrostructure, implemented following the appointment of the new Chief Executive Officer and the updating of the list of Key Managers, in line with the new organisational structure, the 2021-2025 Business Plan and the new 2022-2026 Business Plan;
- the introduction of disclosure elements such as the Pay Ratio relating to the Chief Executive Officer and the Gender Pay Gap of ERG Group employees, in line with market best practices.

Board of Statutory Auditors



Elena Spagnol
Chairman



Fabrizio Cavalli
Standing Auditor



Lelio Fornabaio
Standing Auditor

The current Board of Statutory Auditors, comprising 3 standing auditors and 3 alternate auditors, was appointed by the Shareholders' Meeting of 17 April 2019; consequently, the appointment to the Board of Statutory Auditors shall expire at the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2021.

Appointment

For the appointment of the Board of Statutory Auditors, two lists of candidates were presented, one by the shareholder San Quirico S.p.A. and the other by a number of institutional investors as follows ²⁴:

San Quirico S.p.A. list

1. Lelio Fornabaio
2. Fabrizio Cavalli
3. Elisabetta Barisone
4. Vincenzo Campo Antico
5. Stefano Remondini
6. Luisella Bergero

Institutional investors list

1. Elena Spagnol
2. Paolo Prandi

In accordance with the Articles of Association, the Board of Statutory Auditors consists of three standing auditors and three alternate auditors **in compliance with the gender balance criterion** prescribed by current laws and regulations²⁵. The Board of Statutory Auditors is appointed on the basis of lists presented by shareholders, which, in compliance with Article 147-ter, paragraph 1, of the Consolidated Finance Act (referenced by Article 148, paragraph 2 of the Consolidated Finance Act), must be filed at least twenty-five days prior to the date of the Shareholders' Meeting and shall be made available to the public at least twenty-one days prior to the Meeting.

²⁴ For the percentage of votes obtained by the lists in relation to the voting capital, please refer to the Summary Report of the voting on the items on the agenda of the Shareholders' Meeting of 17 April 2019, available on the Company's website (www.erg.eu) in the "Corporate Governance/2019 Shareholders' Meeting" section.

²⁵ Pursuant to Article 148, paragraph 1-bis, of the Italian Consolidated Finance Act, as amended by Italian Law no. 160 of 27 December 2019, the articles of association of listed companies must reserve at least two fifths of the membership of control bodies to the less represented gender, for six consecutive terms. This division criterion applies as from the first renewal of the control bodies of listed companies subsequent to 1 January 2020. Article 144-undecies.1 of the Issuers' Regulation provides that if the application of the gender allocation criterion does not result in a whole number of members of the management or control bodies belonging to the less represented gender, this number is rounded up to the next integer, with the exception of the corporate bodies formed by three members for which the number should be rounded down to the lower integer.

Each list is made up of two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. Each list shall contain a number of candidates, listed with a progressive number, not exceeding the maximum number of statutory auditors to be elected and, with the exception of those presenting fewer than three candidates, it shall comply, for each section, with the gender balance criterion prescribed by current laws and regulations.

In accordance with Article 148, paragraph 1-bis, of the Italian Consolidated Finance Act, as amended by Italian Law no. 160

of 27 December 2019, in the election of the Board of Statutory Auditors by the Shareholders' Meeting called to approve the Financial Statements at 31 December 2021, the least represented gender must make up at least two fifths of the Statutory Auditors elected²⁶ 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, currently equal to 1%²⁷. This share capital percentage is the same as that required for the presentation of lists for the appointment of the Board of Statutory Auditors in office²⁸.

Each shareholder may present or contribute to presenting only one list and each candidate may appear in only one list, under penalty of ineligibility.

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.

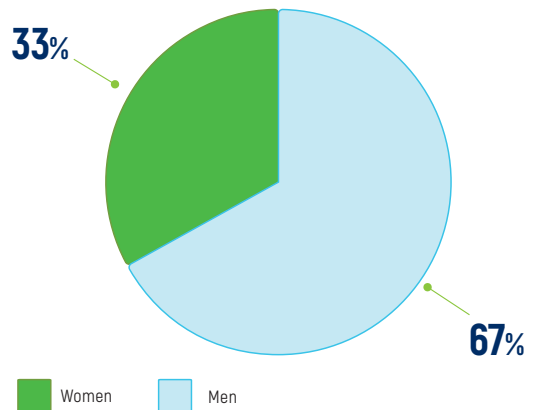
Candidates cannot be elected to the office of Statutory Auditor unless they satisfy the requirements of independence, professionalism and integrity as provided by Article 148, paragraph 3, of the Italian Consolidated Finance Act or if they already serve as Standing Auditor in five listed companies²⁹.

If, at the expiration of the term for the presentation of the lists as indicated above, only one list has been filed, or only lists presented by mutually connected shareholders, according to the definition set out in the applicable regulations, have been filed, then lists may be presented until the third day following that date, in accordance with Article 144-sexies, paragraph 5, of the Issuers' Regulation. In this case, the thresholds provided for the presentation of lists are halved.

Any list presented that does not comply with the required prescriptions³⁰ shall be considered not to have been presented.

If no list is presented in spite of the completion of the aforesaid procedure, a majority vote shall be taken in such a way as

**BOARD OF STATUTORY AUDITORS
COMPOSITION BY GENDER**



26 Reference is made to the specifications made in Note 34.

27 Pursuant to CONSOB Resolution no. 60 of 28 January 2022.

28 Pursuant to CONSOB Resolution no. 13 of 24 January 2019.

29 It is noted in this regard that the disclosure obligations as per Article 144-*quaterdecies* of the Issuers' Regulations do not apply to those who serve as members of the board of statutory auditors of a single issuer.

30 For further information, including information about the provisions aimed at assuring compliance with the gender balance criterion in the composition of the Board of Statutory Auditors, please refer to the Articles of Association, available on the Company's website (www.erg.eu) in the "Corporate Governance/Ethics and Governance" section.

to ensure that the composition of the Board of Statutory Auditors complies with current laws and regulations and with the Articles of Association. The Shareholders' Meeting appoints the Chairman.

If no second list is presented or voted, the entire Board of Statutory Auditors shall comprise, in the order of presentation, the candidates of the single list voted. The first person on the list is elected Chairman.

In the event that more lists are presented, election takes place as follows: from the list that received the highest number of votes are drawn, in the progressive order in which they are listed, two standing auditors and two alternate auditors; the third standing auditor and the third alternate auditor are elected choosing the candidates to the respective offices indicated at the top of the list that obtained the second-highest number of votes after the first one, among those presented and voted by minority shareholders who are not connected – even indirectly – with the shareholders who presented or voted the list that received the highest number of votes, according to current regulations and subject to the provisions of Article 22, paragraph 13-*bis*, of the Articles of Association pertaining to compliance with the gender balance criterion in the composition of the Board of Statutory Auditors. The standing auditor drawn from the minority list is appointed Chairman.

If the lists receive equal numbers of votes, the candidate of the list that was presented by the shareholders owning the largest share or, subordinately, by the higher number of shareholders is elected.

Replacement

Should a standing auditor need to be replaced, an alternate auditor belonging to the same list shall take his place in the order defined in Article 22, paragraph 12, of the Articles of Association, without prejudice to compliance with the gender balance criterion envisaged by current legislative and regulatory provisions.

The Shareholders' Meeting shall appoint the standing and/or alternate auditors necessary to reconstitute the Board as follows:

- a) should the Board of Statutory Auditors need to be reconstituted in order to replace statutory auditors belonging to both the majority list and the minority list, voting shall be carried out using the same list-voting methods envisaged for the appointment of the Board;
- b) should the Board of Statutory Auditors need to be reconstituted in order to replace an auditor or auditors chosen from the majority list, voting shall be carried out in the same way as provided for in Article 22, paragraph 10, of the Articles of Association;
- c) should the Board of Statutory Auditors need to be reconstituted in order to replace an auditor or auditors chosen from the minority list, voting shall be carried out in the same way as for the appointment of the Board, but the majority Shareholders cannot present their own list.

In the event that it is not possible to reconstitute the Board by following the procedure referred to in Article 22, paragraph 16, of the Articles of Association, the Shareholders' Meeting may proceed to replace Statutory Auditors who have ceased to hold office for any reason, choosing the new members from among those belonging to the same list to which the outgoing Statutory Auditors belonged, according to their progressive order in the list, after verifying that they are still eligible and willing to accept the office, notwithstanding the possibility, for the replacement of minority auditors, and in the absence of candidates as identified above, that the replacement appointed may be the first candidate on the minority

list that received the second highest number of votes, without prejudice to compliance with the gender balance criterion envisaged by current legislative and regulatory provisions.

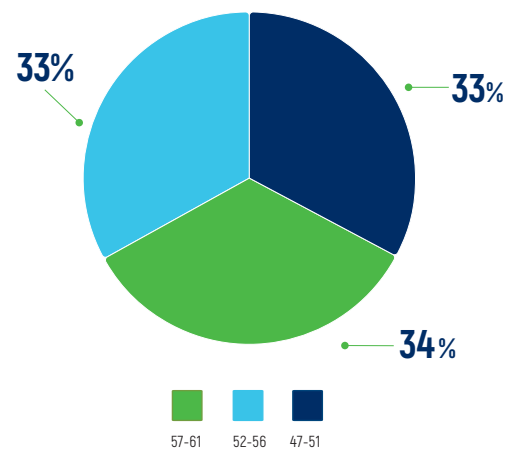
In the event that the Shareholders' Meeting is called upon to fill a vacancy within the Board of Statutory Auditors and no list of candidates has been promptly and duly presented, and it is not possible to proceed with the replacement pursuant to the previous paragraph, the vacancy shall be filled on the basis of proposals presented by one or more Shareholders at the meeting and resolved by the latter with the legal majorities and in compliance with the applicable legislation.

Composition

The Statutory Auditors in office at the date of approval of the Report are³¹:

Elena Spagnol	<i>Chairman</i>
Fabrizio Cavalli	<i>Standing Auditor</i>
Lelio Fornabaio	<i>Standing Auditor</i>
Vincenzo Campo Antico	<i>Alternate Auditor</i>
Luisella Bergero	<i>Alternate Auditor</i>
Paolo Prandi	<i>Alternate Auditor</i>

BOARD OF STATUTORY AUDITORS - COMPOSITION BY AGE



Independence assessment

The Board of Statutory Auditors assessed annually the personal and professional characteristics of each statutory auditor and concluded that all its members can be qualified as independent with reference not only to the provisions of Article 148, third paragraph, of the ICFA, but also with reference to the rules of conduct of the Board of Statutory Auditors drawn up by the Italian National Board of Chartered Accountants and to the Corporate Governance Code (in 2019 and 2020) and the New Code (in 2021), also taking into account the "quantitative" and "qualitative" criteria, defined in paragraph 1.4.1 of the Regulations, used to determine, for the purposes of assessing the independence of the members of the Board of Statutory Auditors, the relevance or otherwise of any relationships they have with the Company or other parties connected to it.

The Board of Directors, in light of the information provided in this regard by the members of the Board of Statutory Auditors and of the statements by the Chairman of the Board of Statutory Auditors, during its meetings of 14 May 2019 and 16 July 2020, positively assessed the independence of the members of the Board of Statutory Auditors, both with reference to the provisions of Article 148, third paragraph, of the Italian Consolidated Finance Act and with reference to the rules of conduct of the Board of Statutory Auditors prepared by the National Board of Chartered Accountants and to the New Code.

The Board of Directors, again in the light of the information provided in this regard by the members of the Board of Statutory Auditors and the statement by the Chairman of the Board himself, during the meeting of 14 October 2021,

³¹ For the personal and professional qualifications of current members of the Board of Statutory Auditors, please refer to the relevant curriculum vitae available on the Company's website (www.erg.eu) in the "Corporate Governance/Board of Statutory Auditors" section.

positively assessed the independence of the members of the Board of Statutory Auditors not only with reference to the provisions of Article 148, third paragraph, of the ICFA, but also with reference to the rules of conduct of the Board of Statutory Auditors drawn up by the Italian National Board of Chartered Accountants and the New Code, also taking into account the “quantitative” and “qualitative” criteria, defined in paragraph 1.4.1 of the Regulations, used to determine, for the purposes of assessing the independence of the members of the Board of Statutory Auditors, the relevance or otherwise of any relationships they have with the Company or other parties connected to it, in relation to which reference is made to what is illustrated in the “Independence Assessment” paragraph of the section “Statutory Auditors Performance Review”.

Skills and Activities carried out

The Board of Statutory Auditors verified and monitored the independence of the Independent Auditors verifying both compliance with the regulatory provisions on the matter, and the nature and extent of services, other than auditing, performed for the Company and for its subsidiaries by the Independent Auditors and by entities belonging to its network.

The Board of Statutory Auditors also monitored the process of financial disclosure, checked the effectiveness of the internal control, internal audit and risk management systems and monitored the statutory audit of the separate financial statements and of the consolidated financial statements.

The Board of Statutory Auditors, in the performance of its activities, was supported by the Internal Audit Division, coordinating with the Control, Risk and Sustainability Committee.

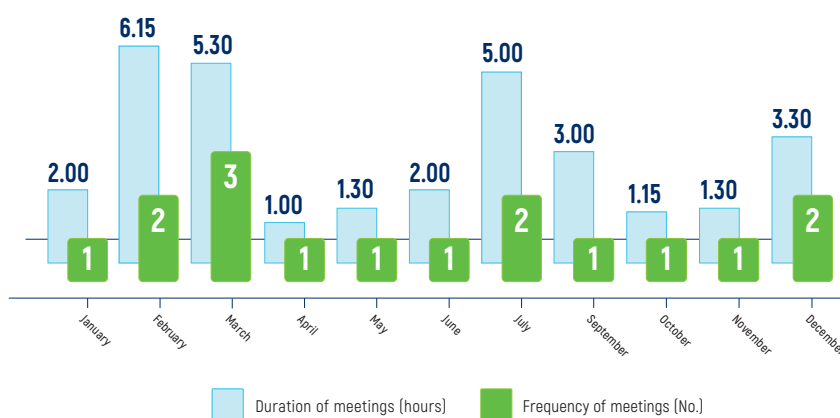
The Board of Statutory Auditors, at its meeting of 17 February 2022, proceeded to carry out, including through the use of a self-assessment questionnaire designed for such purpose by Corporate Affairs, an assessment with regard to the size, composition and functioning of the Board of Statutory Auditors in the course of 2021. In line with the results of the process carried out in 2021, the self-assessment showed a balanced allocation of skills within the Board of Statutory Auditors, gained mainly through professional experience. The findings of this process were communicated to the Board of Directors in the meeting of 24 February 2022.

During 2021, the Board of Statutory Auditors held **16 meetings**, while for 2022 there are expected to be at least **7 meetings** until the 26 of April 2022, date on which the appointment to the Board of Statutory Auditors shall expire.

The average duration of the meetings held by the Board of Statutory Auditors was around **2 hours**.

At the date of approval of this document, the Board of Statutory Auditors had met **4 times**.

BOARD OF STATUTORY AUDITORS – FREQUENCY



Other appointments as director or statutory auditor held by Statutory Auditors in other companies listed in regulated markets, including abroad, in finance, banking and insurance companies or companies of significant size³² at 31 December 2021³³:

Elena Spagnol	<i>Standing Auditor of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.</i>
Lelio Fornabaio	<i>Standing Auditor of Atlantia S.p.A. Standing Auditor of Telepass S.p.A. Director of Aeroporto di Genova S.p.A. Director of Italia Trasporto Aereo S.p.A.</i>
Fabrizio Cavalli	<i>Standing Auditor of Battaglio S.p.A. Standing Auditor of Cosiarma S.p.A. Standing Auditor of MARES S.p.A. Standing Auditor of Sews Cabind S.p.A. Standing Auditor of Spazio S.p.A. Standing Auditor of SKF Seals Italy S.p.A. Chairman of the Board of Statutory Auditors of Palazzo Antinori S.r.l. Standing Auditor of SKF Industrie S.p.A. Standing Auditor of Sumiriko Italy S.p.A. Director of Studio Tributario e Societario Deloitte società tra Professionisti S.r.l. Director of Deloitte Italy Fin – Equity Partner S.r.l.</i>

Shareholders' Meetings

Article 10 of the Articles of Association states that, in compliance with laws and regulations, holders of voting rights who have obtained a suitable certification issued in accordance with current regulations by the broker and notified to the Company according to the procedures and within the term set by current laws and regulations, are entitled to

³² Pursuant to the provisions of Article 144-*duodecies*, subsection f), of the Issuers' Regulations.

³³ Other than offices held in Group companies.

attend Shareholders' Meetings. Holders of voting rights may be represented by written proxy in the Shareholders' Meeting, within the limits and according to the procedures prescribed by current laws and regulations. The proxy may be notified via certified electronic mail in accordance with the procedures indicated in the convening notice or using a different instrument, which may be indicated in the notice.

Article 11 of the Articles of Association states that the Shareholders' Meeting must be convened by the management body at least once a year, no later than one hundred and twenty days from the closing date of the year or, if the Company must prepare Consolidated Financial Statements and if required by specific provisions related to the organisation or the purpose of the Company, no later than one hundred and eighty days.

Article 12 of the Articles of Association states that the Shareholders' Meeting is convened by means of notice to be prepared and published within the terms and according to the procedures prescribed by current laws and regulations.

Article 13 of the Articles of Association states that the provisions of law shall apply for the quorum of both Ordinary and Extraordinary Shareholders' Meetings and for the validity of their resolutions.

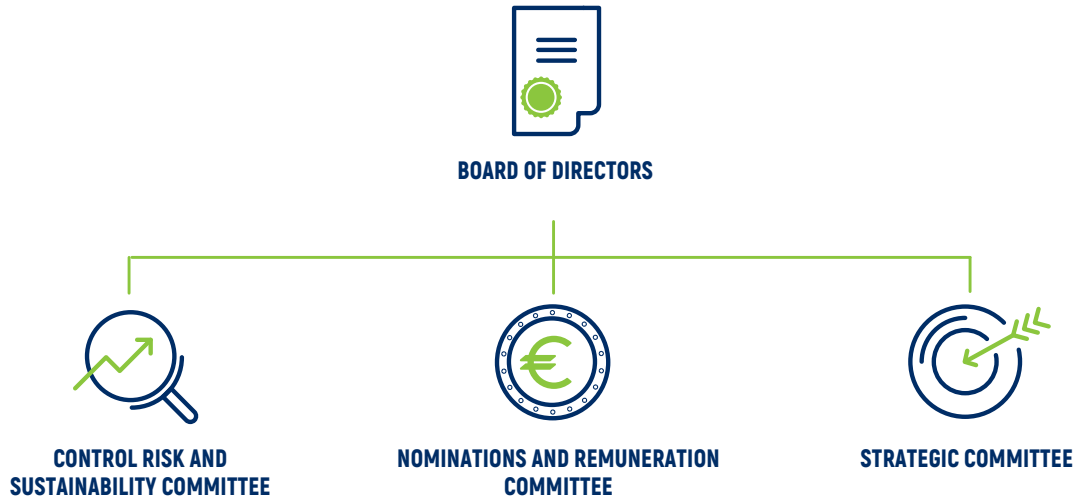
Meeting Regulations

At the Ordinary Shareholders' Meeting, shareholders approved Regulations governing the proceedings of Ordinary and Extraordinary Shareholders' Meetings.

Article 14 of the Articles of Association expressly gives the Ordinary Shareholders' Meeting the possibility of adopting Meeting Regulations.

5.2. BOARD COMMITTEES

The Board of Directors has set up the **Control, Risk and Sustainability Committee**, the **Nominations and Remuneration Committee** and the **Strategic Committee** to advise it and issue recommendations.





Control, Risk and Sustainability Committee



Mara Anna Rita Caverni
Chairman



Federica Lolli
Member



Elisabetta Oliveri
Member

Composition:

Mara Anna Rita Caverni - *Chairman*

Federica Lolli

Elisabetta Oliveri

Giovanni Marco Scollo - *Secretary*

The current Control, Risk and Sustainability Committee is comprised of three non-executive Directors, all independent as per the Consolidated Finance Act and the New Code, appointed by the Board of Directors in the meeting of 26 April 2021.

In the first meeting of the Committee, held on 6 May 2021, the Director Mara Anna Rita Caverni, taking into account the experience gained by her over the previous three-year period, was appointed Chairman of the Control, Risk and Sustainability Committee.

During the same meeting on 6 May 2021, the Committee appointed a Secretary from outside of its members. Together with the Secretary, the Chairman coordinates the activities of the Committee and chairs its meetings.

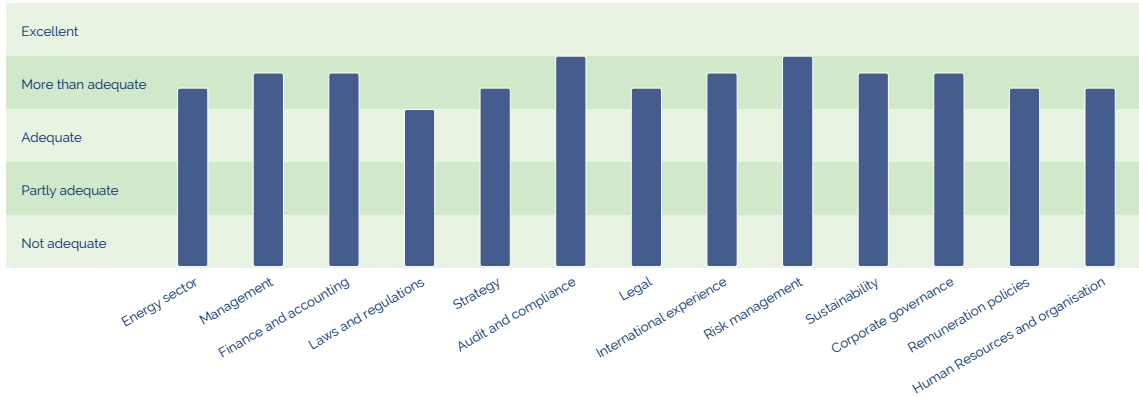
The members of the Committee have adequate experience in accounting, finance and risk management, as well as in governance and sustainability³⁴.

³⁴ These characteristics were assessed by the Board of Directors at the meeting of 26 April 2021 and during the self-assessment process on 24 February 2022.

Skills present within the Committee as a result of the self-assessment process carried out on 24 February 2022

Average skills score: **71%**

Two skills were rated as **“excellent”** while the remaining skills were rated as **“more than adequate”**



The Control, Risk and Sustainability Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor designated by her or, depending on the topics to be discussed, by all members of the Board of Statutory Auditors. Meetings may also be attended by the Chairman of the Board of Directors, the Executive Deputy Chairman, the Director in charge of the ICRM system, and the Chief Executive Officer, who are entitled to participate in the discussion of the agenda items and to identify adequate actions to confront critical or potentially critical situations, as well as (also depending on the topics to be discussed), the Chief Financial Officer and Manager responsible for preparing the Company’s financial reports, the Chief Audit Officer, the Head of Group Administration, the Head of Group Risk Management & Corporate Finance, the Head of Corporate Affairs, the Chief ESG, IR & Communication Officer, and the Chief Human Capital Officer.

Employees of ERG Group Companies, representatives of the Independent Auditors and, in general, persons whose presence is believed to be necessary or advisable for the discussion of the items on the agenda may also be invited to attend meetings of the Control, Risk and Sustainability Committee.

The Chief Audit Officer, in particular, is invited to attend the meetings in order to report, at least once a quarter, on the activity carried out from time to time. The Manager responsible for preparing the Company’s financial reports is invited to attend the meetings in order to inform, at least quarterly (when the interim financial reports are published), about the accounting standards applied in the preparation of periodic financial statements and, at least semi-annually, about the activity carried out from time to time in accordance with Article 154-bis of the CFA. The Head of Group Administration is invited to attend meetings in order to report, semi-annually, on the activity carried out from time to time with reference to compliance with Italian Law no. 262/05 and the Tax Control Framework.

The Head of Group Risk Management & Corporate Finance is invited to attend the meetings in order to report, on a semi-annual basis, on the activity carried out from time to time with reference to Risk Management.

The Head of Corporate Affairs is invited to attend the meetings in order to report, on a semi-annual basis, on the activity carried out from time to time with reference to compliance with Italian Legislative Decree no. 231/01 and

Anti-Corruption laws and on the proposed amendments to the main corporate governance documents for the purposes of their subsequent approval by the Board of Directors.

the Chief ESG, IR & Communication Officer is invited to attend meetings in order to report on the consolidated non-financial statement and the ESG Plan for the purposes of their subsequent approval by the Board of Directors and on the activities carried out from time to time in relation to the objectives of the ESG Plan.

The Chief Human Capital Officer is invited to attend meetings in order to report on the Report on the remuneration policy and fees paid out pursuant to Article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998.

Meetings of the Control, Risk and Sustainability Committee may also be held by teleconference or videoconference, provided that all participants can be identified and are able to follow the discussion and intervene in real time in the discussion of the items on the agenda.

If these requirements are met, the Control, Risk and Sustainability Committee meeting is deemed to be held in the place where it was convened, where the meeting secretary must be located.

For meetings to be valid, a majority of the members in office must be present. The Control, Risk and Sustainability Committee resolves by an absolute majority of those present; in the event of a tie, the vote of the person chairing the meeting shall prevail.

The minutes of the meetings are signed by the Chairman and the secretary.

The Control, Risk and Sustainability Committee meets at least quarterly, according to a schedule set with sufficient advance notice.

Members of the Control, Risk and Sustainability Committee members are provided with, at least 48 hours before the meeting, other than in exceptional cases, the documentation and information required to enable the Control, Risk and Sustainability Committee to express an informed opinion on the matters under consideration. This documentation is made available through the use of specific computer systems suitable for protecting confidentiality. Members of the Control, Risk and Sustainability Committee and Statutory Auditors are required to maintain the confidentiality of the documents and information acquired in the performance of their duties and to comply with the rules adopted by the Company for the management and processing of relevant and inside information and for the dissemination of statements and information to the public as set out in detail in the Market Information Procedure.

In the event that it is not possible to send the relevant documentation in advance for some of the topics dealt with, the Chairman, with the support of the secretary, shall ensure that specific and punctual in-depth analyses are in any case guaranteed and/or carried out, also with the support of the Key Management Personnel or Managers competent for the matter, invited to participate for this purpose.

The Control, Risk and Sustainability Committee has access to the information necessary to perform its duties and may make use of external consultants. Within the scope of the activity performed by the Committee members for the purposes of the Procedure for Transactions with Related Parties, the Board of Directors has not set any expense limit even for transactions of "Minor Relevance".

Tasks

The Control, Risk and Sustainability Committee advises and issues recommendations to the Board of Directors and performs the role and tasks provided for by the Corporate Governance Code. As from the date of endorsement by the Company of the edition of the Corporate Governance Code published in July 2015, the Chairman of the Control, Risk and Sustainability Committee reports to the Board of Directors at the first board meeting on the meetings held by the Committee in the intervening period.

In general, it supports, through adequate investigations, the assessments and decisions of the Board of Directors pertaining to the Internal Control and Risk Management System (also, "ICRM System"), as well as those pertaining to the approval of periodic financial reports.

More specifically:

- assists the Board of Directors in the following tasks prescribed by the New Code: definition of the guidelines of the ICRM System; periodic verification of the adequacy of the actual operation and efficiency of the ICRM System; verification that the main corporate risks are correctly identified, adequately measured, managed and monitored;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks as well as to the design, implementation and management of the ICRM System;
- supports, with adequate investigations, the evaluations and decisions of the Board of Directors relating to the management of risks arising out of prejudicial acts of which the Board of Directors is aware;
- expresses its own opinion on the appointment and termination of the Chief Audit Officer and on the proposal for his remuneration formulated by the Director in charge of the ICRM System;
- monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- assesses the annual work plan and the related budget prepared by the Chief Audit Officer and his periodic audit reports, requesting, where applicable, audits on specific operating areas;
- reviews the results of the activities of the Manager responsible for preparing the Company's financial reports;
- assesses, after consulting the Manager in charge of preparing the company's financial reports, the Independent Auditors and the Board of Statutory Auditors, the correct use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, the draft separate financial statements and the consolidated interim financial statements;
- assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved;
- reviews the content of periodic non-financial information relevant to the ICRM System;
- maintains appropriate relations with the Independent Auditors, the Board of Statutory Auditors, the Director in Charge of the ICRM System, the Chief Audit Officer, and other departments within the ERG Group's organisational structure that communicate with these parties, in such a way as to encourage them to carry out their respective activities in common areas of intervention in an effective and coordinated manner;
- informs the Board of Directors, at least once every six months, upon approval of the annual and interim financial

reports, about the work carried out and the adequacy of the ICRM System;

- reviews the annual work plan prepared by the Supervisory Body, established pursuant to the provisions of Italian Legislative Decree no. 231/01 and the interim reports;
- reviews the Risk Report on the Business Plan;
- reviews the annual work plan prepared by Compliance 231 department and its half-yearly reports;
- reviews the Consolidated Non-Financial Statement, after having verified the process by which the materiality matrix was defined, and the ESG Plan, as well as the activity carried out from time to time with respect to the objectives of the ESG Plan;
- reviews the Report on Remuneration Policy and Amounts Paid pursuant to Article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998;
- assesses the ongoing adequacy over time of the Market Information Procedure and the main corporate governance documents;
- provides the Board of Directors, the Chairman, the Executive Deputy Chairman and the Chief Executive Officer with all other advice and proposals deemed by the Committee to be necessary or appropriate for them to better carry out their respective duties in the areas of control, risk management and corporate disclosure;
- provides the Board of Directors and the delegated bodies with the opinions provided for by the Related Parties Procedure, where appropriate supplementing its composition in accordance with the provisions of the Related Parties Procedure itself;
- carries out any other duties assigned to it by the Board of Directors.

In the performance of its duties, the Committee was able to access the information and made use of the company functions necessary to carry out its tasks.

In 2021, the Committee held **9 meetings** – all duly recorded in minutes – during which, in addition to approving its calendar and organising its work, it addressed issues relating to the following macro-issues:

- **Group governance;**
- **Internal Control and Risk Management System;**
- **Obligations as per Italian Legislative Decree no. 231/01 and the Anti-Corruption System**
- **Group administrative and accounting processes;**
- **Sustainability**

The most significant issues covered by the Committee are as follows:

With regard to Group Governance

Guidelines, procedures and standards

- gave its favourable opinion on the updating of the list of Key Managers, in line with the new organisational structure and with the 2021-2025 Business Plan, effective from 13 May 2021, as well as the Procedure for transactions with related parties, in order to implement the provisions of the new text of Article 2391-bis of the Italian Civil Code and CONSOB resolution no. 21624 of 10 December 2020, effective from 1 July 2021;
- gave its favourable opinion on the adoption of the Regulations for the operation of the Board of Directors, the

Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, for the part within their respective remit;

- gave its favourable opinion on the adoption of the Policy for managing dialogue with shareholders and investors in general;
- gave its favourable opinion on the updating of the Procedure for the handling and processing of relevant and privileged information and for the public dissemination of statements and information, in order to incorporate the organisational changes made following the appointment, on 26 April 2021, of the new Board of Directors of ERG S.p.A. and the new Chief Executive Officer.

Specific in-depth examinations carried out

- it examined the main changes introduced by CONSOB to the Regulation on transactions with related parties from 1 July 2021, in implementation of the delegation attributed to it by Article 2391-*bis* of the Italian Civil Code;
- it examined the main changes introduced by CONSOB to the Issuers' Regulations and to table 7-*bis* of Annex 3A to the Issuers' Regulations, in implementation of the power assigned to it by Article 123-*ter* of the ICFA, to be applied with reference to the Report on the remuneration policy and the fees paid which was submitted to the vote of the Shareholders' Meeting held on 26 April 2021;
- it examined the approach followed in the preparation of the Report on the remuneration policy and the fees paid;
- it examined the checks carried out on the thresholds as referred to in the Procedure for transactions with related parties and acknowledged their appropriateness;
- it analysed the essential elements of the "System of Powers" project aimed, in particular, at strengthening the Group's corporate governance system and increasing the level of control over significant decisions that require greater weighting, in line with the provisions of the Corporate Governance Code;
- it examined and shared the procedures used for the management and coordination activities carried out by ERG S.p.A. in respect of direct and indirect subsidiaries, in Italy and abroad, taking account of the changes in this area since the last assessment, as well as the relationships between the Company and the parent San Quirico S.p.A.

With regard to the Internal Control and Risk Management System:

Dealings with Director in charge of the Internal Control and Risk Management System

- it expressed a favourable opinion on the proposal to determine the variable remuneration relating to 2020 and to define the fixed and variable remuneration relating to 2021 for the Chief Audit Officer.

Dealings with Internal Audit

- it took note of the report on the Internal Audit activities carried out in 2020;
- it examined the quarterly update on the activities of Internal Audit, requesting specific insights in this regard;
- it examined and issued its favourable opinion on the amendments to the Internal Audit schedule of activities for 2021 and on the Internal Audit schedule of activities and budget for 2022.

Specific in-depth examinations carried out

- it analysed the results of the independent audit, carried out by Rina, on some of the offices of the companies of

the ERG Group in order to verify the correct implementation of the control and prevention measures provided for by the legislation on COVID-19;

- it analysed the in-depth analysis of an anonymous report received in March 2021, from which no facts or circumstances emerged to support the validity of the report.

Dealings with Group Risk Management & Corporate Finance

- it examined the six-monthly update of the Risk Report on the 2018-2022 Business Plan;
- it examined the Risk Report on the 2021-2025 Business Plan.

Specific in-depth examinations carried out

- it received regular updates from the Chief Executive Officer on the main measures taken from time to time by the Company to deal with the COVID-19 emergency, during its various phases, ensuring the operational continuity of the Group in safe conditions.

With regard to the obligations as per Italian Legislative Decree no. 231/01 and the Anti-Corruption System

Dealings with the Supervisory Body

- it analysed the interim reports on activities in relation to compliance with Italian Legislative Decree no. 231/01 and anti-corruption laws;
- it examined the schedule of activities in relation to compliance with Italian Legislative Decree no. 231/01 and anti-corruption laws for 2022.

Dealings with Compliance 231

- it analysed the interim reports on activities in relation to compliance with Italian Legislative Decree no. 231/01 and anti-corruption laws;
- it examined the schedule of activities in relation to compliance with Italian Legislative Decree no. 231/01 and anti-corruption laws for 2022.

With regard to the Group's administrative and accounting processes

Dealings with the Manager responsible for preparing the Company's financial reports

- it assessed the implementation of the impairment test procedure for the Financial Statements at 31 December 2020, and the most relevant general issues resulting from its application;
- it assessed, together with the Manager responsible for preparing the Company's financial reports, and having consulted the Independent Auditors KPMG S.p.A. and the Board of Statutory Auditors, the correct use of the accounting policies for the purposes of drawing up the draft Financial Statements at 31 December 2020 and the Interim Financial Report at 30 June 2021, and their uniformity for the purposes of drawing up the Consolidated Financial Statements, as well as the fundamental issues arising in the course of the statutory audit;
- it took note, having consulted the Manager responsible for preparing the Company's financial reports, together with the Board of Statutory Auditors, of the financial position, financial performance and cash flow in the Interim Financial Reports at 31 March 2021 and 30 September 2021, making no observations or remarks in this regard.

Dealings with 262 Compliance

- it examined the activities carried out by 262 Compliance as part of the process of to update the 262 Model and

adopt the Tax Control Framework;

- it examined the Risk assessment for the year 2021 pursuant to Italian Law no. 262/05 and the testing plan relating to the Tax Control Framework;
- it analysed the interim reports on activities in relation to compliance with Italian Legislative Decree no. 262/05, from which no elements emerged that could impede the issue of the statement by the Manager responsible for preparing the Company's financial reports and the statement by the Chief Executive Officer of ERG S.p.A. pursuant to Article 154-*bis*, paragraph 5, of the Italian Consolidated Finance Act;
- it examined the Procedures pursuant to Italian Law no. 262/05 on "out of scope" foreign companies and the controls in place on these companies.

Specific in-depth examinations carried out

- it analysed the main aspects relating to the domestic tax consolidation of ERG S.p.A. and the indirect subsidiaries ERG Wind Investments Ltd and ERG Solar Holding 1 S.r.l., as well as the assessments regarding the need to tacitly renew the options relating to Green Vicari S.r.l., ERG Eolica Campania S.p.A. and ISAB Energy Solare S.r.l. for the three-year period 2021-2023;
- it took note of the main features of the intra-group service agreements for 2021;
- it examined the methods for renewing the Group VAT liquidation procedure for the 2021 tax year.

Regarding sustainability

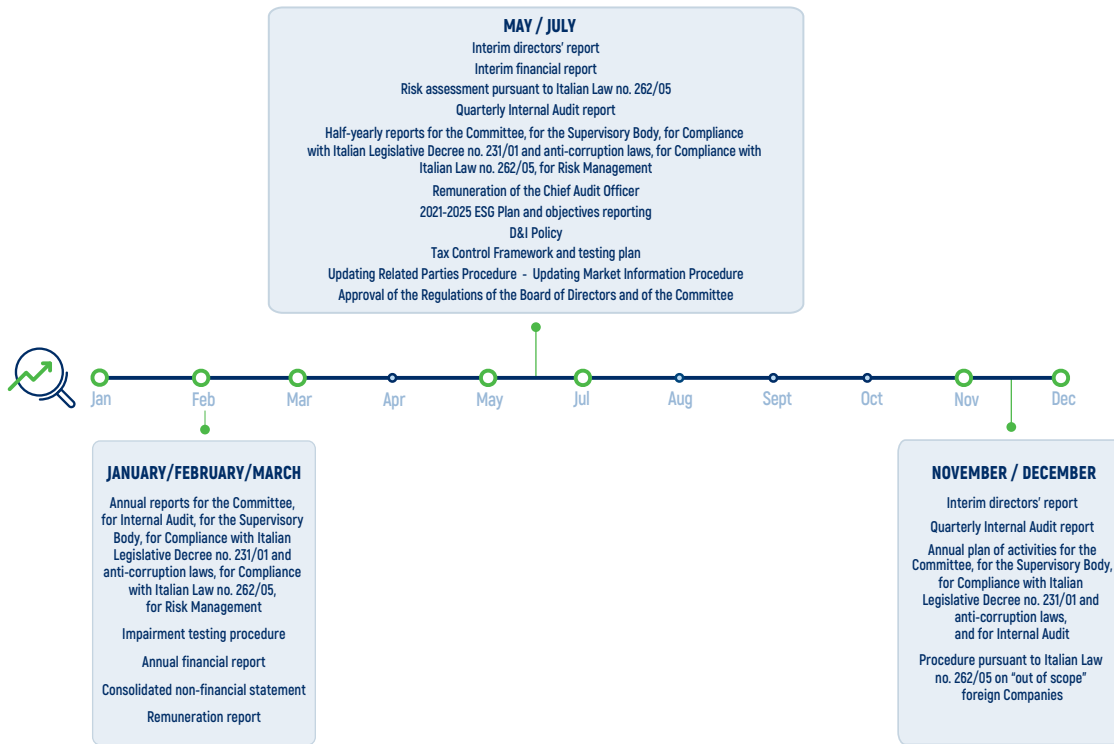
Relations with the Chief ESG, IR & Communication Officer

- it examined the approach followed in the preparation of the Consolidated Non-Financial Statement at 31 December 2020;
- it examined the 2021-2025 ESG Plan;
- it took note of the reporting of the objectives of the 2021-2025 ESG Plan;
- it gave its favourable opinion on the adoption of the Diversity & Inclusion Policy.

With regard to the information flows with the Board of Statutory Auditors and the Independent Auditors

- it has been in regular contact with the Board of Statutory Auditors, which participated in all the Committee meetings, and with the independent auditors, which participated in all the Committee meetings in which the periodic financial reports were analysed;
- it consulted the Board of Statutory Auditors and the Independent Auditors as part of the process to assess the proper application of accounting standards and their consistency for the purposes of drawing up periodic financial reports.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE WORKS CALENDAR

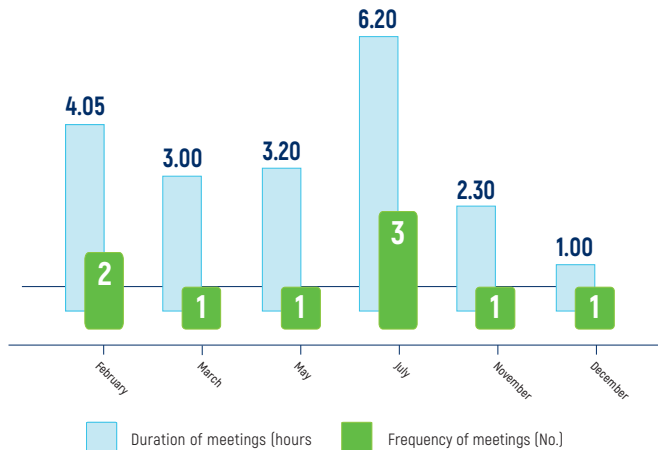


The Committee deemed it possible to confirm, in light of the activities carried out in 2021, its positive assessment with regard to the adequacy of the Internal Control and Risk Management System.

The average duration of the meetings held by the Committee was around **2 hours**.

At the date of approval of this document, the Control and Risk Committee had met **4 times**.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE - FREQUENCY





Nominations and Remuneration Committee



Emanuela Bonadiman
Chairman



Elena Grifoni Winters
Member



Federica Lolli
Member

Composition:

Emanuela Bonadiman - *Chairman*

Elena Grifoni Winters

Federica Lolli

Giovanni Marco Scollo - *Secretary*

The current Nominations and Remuneration Committee is comprised of three non-executive Directors, all independent as per the Italian Consolidated Finance Act and the New Code, appointed by the Board of Directors in the meeting of 26 April 2021.

In the first meeting of the Committee, held on 5 May 2021, the Director Emanuela Bonadiman, taking into account the experience and the professional skills, was appointed Chairman of the Nominations and Remuneration Committee. During the same meeting on 5 May 2021, the Committee appointed a Secretary from outside of its members. Together with the Secretary, the Chairman coordinates the activities of the Committee and chairs its meetings.

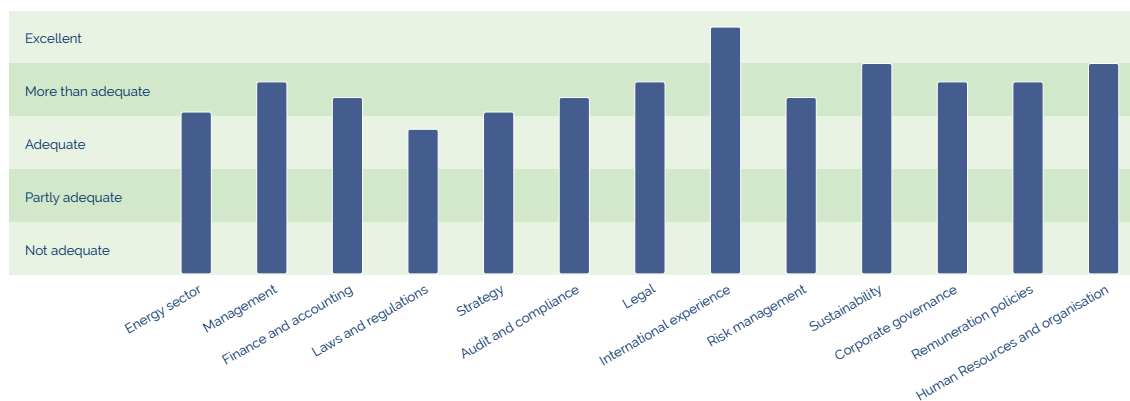
The members of the Committee have adequate financial and remuneration policy expertise³⁵.

³⁵ These characteristics were assessed by the Board of Directors at the meeting of 26 April 2021 and during the self-assessment process on 24 February 2022.

Skills present within the Committee as a result of the self-assessment process carried out on 24 February 2022

Average skills score: **71%**

Three skills were rated as **“excellent”**, nine skills as **“more than adequate”** and one as **“adequate”**



The Nominations and Remuneration Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor designated by her or, depending on the topics to be discussed, by all members of the Board of Statutory Auditors. Meetings may also be attended, upon invitation, by the Chairman of the Board of Directors, the Executive Deputy Chairman and the Chief Executive Officer, who are entitled to participate in the discussion of the agenda items and to identify adequate actions to confront critical or potentially critical situations, as well as (again depending on the topics dealt with) the Chief Human Capital Officer.

Employees of ERG Group Companies, representatives of the Independent Auditor and, in general, persons whose presence is deemed necessary or appropriate for the discussion of the agenda items may be invited to attend meetings of the Nominations and Remuneration Committee.

Directors do not take part in the meetings of the Nominations and Remuneration Committee where proposals are made to the Board of Directors related to their own remuneration.

Meetings of the Nominations and Remuneration Committee may also be held by teleconference or videoconference, provided that all participants can be identified and are able to follow the discussion and intervene in real time in the discussion of the items on the agenda. If these requirements are met, the Nominations and Remuneration Committee is deemed to be held in the place where it was convened, where the meeting secretary must be located.

For meetings to be valid, a majority of the members in office must be present. The Nominations and Remuneration Committee resolves by an absolute majority of those present; in the event of a tie, the vote of the person chairing the meeting shall prevail.

The minutes of the meetings are signed by the Chairman and the secretary.

The Nominations and Remuneration Committee meets at least quarterly, according to a schedule set with sufficient advance notice.

Nominations and Remuneration Committee members are provided with, at least 48 hours before the meeting, other than in exceptional cases, the documentation and information required to enable the Nominations and Remuneration

Committee to express an informed opinion on the matters under consideration. This documentation is made available through the use of specific computer systems suitable for protecting confidentiality. Members of the Nominations and Remuneration Committee and Statutory Auditors are required to maintain the confidentiality of the documents and information acquired in the performance of their duties and to comply with the rules adopted by the Company for the management and processing of relevant and inside information and for the dissemination of statements and information to the public as set out in detail in the Market Information Procedure.

In the event that it is not possible to send the relevant documentation in advance for some of the topics dealt with, the Chairman, with the support of the secretary, shall ensure that specific and punctual in-depth analyses are in any case guaranteed and/or carried out, also with the support of the Key Management Personnel or Managers competent for the matter, invited to participate for this purpose.

The Nominations and Remuneration Committee has access to the information necessary to perform its duties and may make use of external consultants. Within the scope of the activity performed by the Committee members for the purposes of the Procedure for Transactions with Related Parties, the Board of Directors has not set any expense limit even for transactions of "Minor Relevance".

Tasks

The Nominations and Remuneration Committee advises and issues recommendations to the Board of Directors, the Chief Executive Officer, and the Executive Deputy Chairman and fulfils the role and responsibilities indicated in the New Code for the Nominations Committee and the Remuneration Committee³⁶. As from the date of adherence by the Company to the edition of the Corporate Governance Code published in July 2015, the Chairman of the Nominations and Remuneration Committee reports to the Board of Directors at the first board meeting on the meetings held by the Committee in the intervening period.

More specifically:

with reference to the activities of the **Remuneration Committee**:

- makes proposals to the Board of Directors regarding the definition and updating of the Remuneration Policy;
- makes proposals or expresses opinions to the Board of Directors concerning the remuneration of the Executive Directors or Directors holding special positions as well as, if necessary, of the Directors who are members of the Strategic Committee, when they are not employees of the ERG Group and do not sit on the Board of Directors;
- expresses opinions to the Chief Executive Officer regarding the remuneration of Key Management Personnel;
- makes proposals and expresses opinions to the Board of Directors on the remuneration of Executive Directors, on the setting of targets related to the variable component of the short and medium/long-term incentive scheme, verifying their effective achievement;
- makes proposals and expresses opinions to the Chief Executive Officer and the Executive Deputy Chairman for

³⁶ In compliance with the conditions in this regard provided for both Committees by the New Code, without prejudice to what is specified in this regard by Recommendation 26.

the remuneration of Key Management Personnel on the setting of corporate and sustainability targets related to the variable component of the short and medium/long-term incentive systems, so that the Board of Directors can decide on the matter, verifying their actual achievement;

- regularly assesses the suitability, overall consistency and practical application of the Remuneration Policy, reporting to the Board of Directors;
- provides the Board of Directors and the delegated bodies with the opinions provided for by the Related Parties Procedure, where appropriate supplementing its composition in accordance with the provisions of the Related Parties Procedure itself;
- carries out any other duties assigned to it by the Board of Directors.

With reference to the activities of the **Nominations Committee**:

- proposes to the Board of Directors, where requested by the same, the candidates for the office of Director in the case provided for by Article 2386, first paragraph, of the Italian Civil Code;
- assesses, at the specific request of the shareholders who intend to present lists, the independence of candidates for the office of Director to be submitted to the Shareholders' Meeting;
- provides the Board of Directors, on an annual basis, with an evaluation of the size, composition and functioning of the Board itself, and it may express recommendations on the professional profiles that should be included in the Board;
- expresses, on an annual basis, taking into account the percentage of participation of Directors in the Boards of Directors, the Committees and the Strategic Committee, its opinion on the adequacy of the maximum number of offices indicated in paragraph 1.4.2 and provides opinions to the Board of Directors on any exceptions to the same;
- periodically assesses the adequacy of the CEO's Succession Plan as defined in paragraph 1.4.3 and provides opinions to the Board of Directors on the possible need to revise the said Plan;
- supports the Board of Directors in verifying the existence of adequate procedures for the succession of Key Management Personnel and Management;
- carries out any other duties assigned to it by the Board of Directors.

In the performance of its duties, the Committee was able to access the information and company functions necessary to carry out its tasks.

In 2021, the Committee held **7 meetings** – all duly recorded in minutes – during which, in addition to approving its calendar and organising its work:

with reference to the activities of the **Remuneration Committee**:

- it examined and shared some proposals aimed at (i) defining the structure of the new multi-year incentive plan (2021-2023 LTI System), (ii) introducing a short-term variable remuneration (MBO System) for the Chief Executive Officer (iii) identifying and integrating some sustainability parameters into the MBO System and the new 2021-2023 LTI System;
- it analysed the main changes introduced by CONSOB to the Issuers' Regulations and to table 7-bis of Annex 3 to

the Issuers' Regulations which must be taken into account for the purposes of drafting the Remuneration Policy and the Report on the remuneration policy and the fees paid;

- it was able to assess, in accordance with the provisions of the 2018-2020 LTI System regulations, the achievement of the objectives assigned by the System itself during the three-year period 2018-2020;
- it examined and approved the essential elements of the 2021-2023 LTI System, the proposed updates to the MBO System and the related regulations;
- it examined and approved the update to the Remuneration Policy, aimed at reflecting, in particular (i) the recommendations of the New Code and of the Italian Corporate Governance Committee in terms of sustainability (2020 Report); (ii) the amendments introduced by CONSOB resolution no. 21623 of 10 December 2020 relating to the Issuers' Regulations and to table 7-bis of Annex 3A to the Issuers' Regulations, in implementation of the mandate assigned to it by the aforementioned Article 123-ter of the Italian Consolidated Finance Act; (iii) the essential elements of the 2021-2023 LTI System and (iv) the proposed updates to the MBO System;
- it was able to examine the adequacy of the fixed annual fee paid, for financial year 2020, to all the members of the Board of Directors and to the directors called upon to sit on the Nominations and Remuneration Committee and the Control and Risk Committee, using as reference both Mid Cap companies and those included in the FTSE-MIB, taking into account the professionalism and commitment required by the positions;
- with regard to the MBO System it defined (i) the reference target value for financial year 2021 (consolidated Group EBT) and the related threshold conditions; (ii) the sustainability objectives and related indicators based on the essential elements of the 2021-2025 ESG Plan;
- with reference to the Corporate EBT objective for 2020 of the MBO System, taking into account the reference context, in accordance with the 2020 Policy and in line with the provisions of the relevant regulation, it approved the determination of the actual result achieved in the amount of 100% of the target value;
- it examined and shared the approach followed in the process of defining the main conditions necessary to implement the multi-year incentive plan (2021-2023 LTI System) also in light of the data relating to the 2021-2025 Business Plan (for the relative reference period), as well as the Incentive Plan regulations;
- it examined and shared the benchmark data acquired with reference to the remuneration of Executive Directors or Directors holding particular offices or called to sit on the Strategic Committee, formulating proposals to the Board of Directors in this regard;
- it examined and shared the benchmark data acquired with reference, in particular, to the remuneration of the new Key Management Personnel (in line with the new organisational structure introduced following the appointment of the new Chief Executive Officer and with the 2021-2025 Business Plan) and the remuneration of the Chairman of an ERG Group company, a related party of ERG S.p.A., formulating its favourable opinion in this regard;
- it examined the favourable outcome of the vote of the Shareholders' Meeting of 26 April 2021 on the Remuneration Policy illustrated in the first section of the Report on the remuneration policy and the fees paid;
- it analysed some benchmarks on the various levels of disclosure and on the practices adopted by listed companies in terms of remuneration as well as the main issues relevant to ERG S.p.A.;

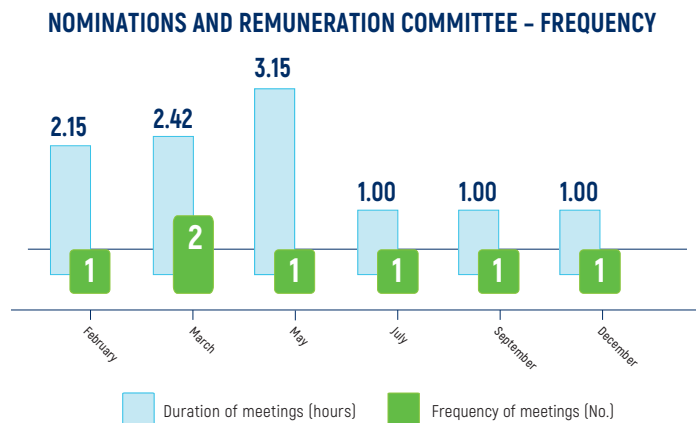
- it examined and shared the monitoring of the progress made in implementing the MBO System as well as the IQ incentive plan (short-term incentive plan for some managers and professionals of the ERG Group).

With reference to the activities of the **Nominations Committee**

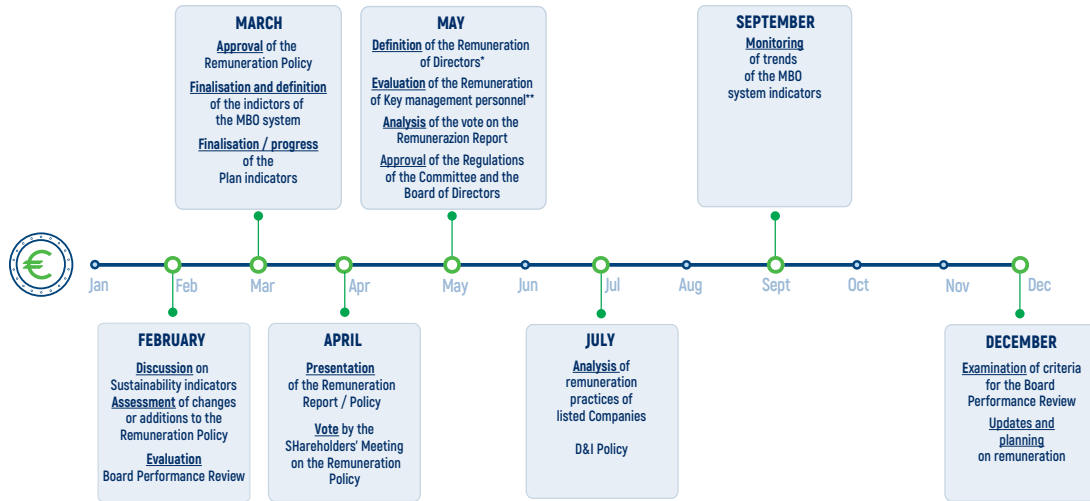
- it analysed and shared the corporate communications and the results of the questionnaire and interviews regarding the size, composition and functioning of the Board of Directors and its Committees, carried out with the support of an independent consultant, relating to financial year 2020;
- it examined and shared the process followed for the purpose of defining the ERG Group's 2021 succession plan;
- it examined and shared the Regulations for the operations of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, for the part within their respective remit, focusing, in particular, (i) on the "quantitative" and "qualitative" criteria proposed for the purposes of assessing the independence of the members of the Board of Directors and the Board of Statutory Auditors, (ii) on the guidance regarding the maximum number of offices compatible with the office of director and (iii) on the plan for the succession of the Chief Executive Officer;
- it gave its favourable opinion on the adoption of the Diversity & Inclusion Policy;
- it examined in advance the process to be followed for the purposes of the self-assessment of the Board of Directors and the Board Committees for financial year 2021 and the related questionnaire.

The average duration of the meetings held by the Committee was around **1 hour and 30 minutes**.

At the date of approval of this document, the Nominations and Remuneration Committee had met **twice**.



WORKS CALENDAR, NOMINATIONS AND REMUNERATION AND SIGNIFICANT EVENTS IN RELATION TO THE REMUNERATION POLICY



* Executive or entrusted with special powers
 ** Key management personnel



Strategic Committee



Alessandro Garrone
Chairman



Giovanni Mondini
Member



Paolo Luigi Merli
Member



Luca Bettonte
Member



Marco Costaguta
Member



Elisabetta Oliveri
Member

Composition:

Alessandro Garrone - *Chairman*

Giovanni Mondini

Paolo Luigi Merli

Luca Bettonte

Marco Costaguta

Elisabetta Oliveri

Michele Pedemonte - *Secretary*

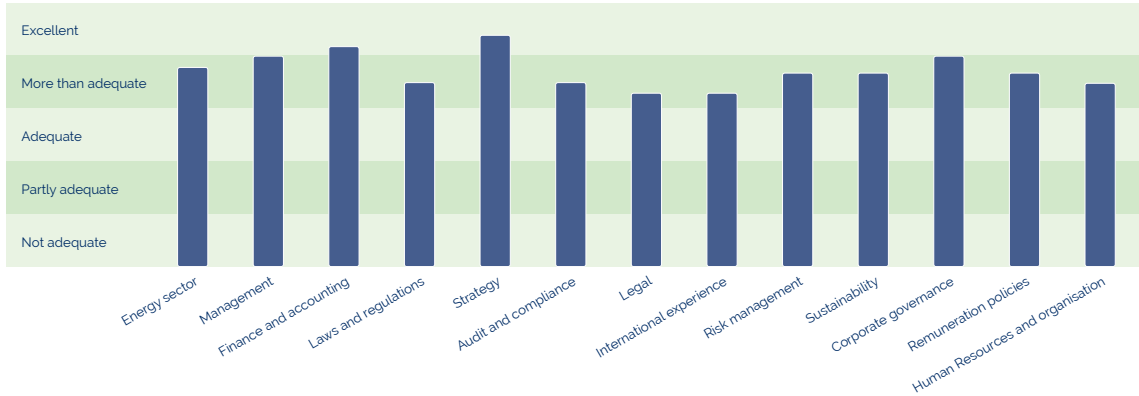
The current Strategic Committee is made up of six Directors, of which two are executive Directors, three are non-executive Directors and one Director is independent pursuant to the ICFA and the New Code, appointed by the Board of Directors in the meeting of 26 April 2021, which at the same time appointed the Executive Deputy Chairman, Alessandro Garrone, as Chairman of the Committee.

During the meeting on 18 February 2022, the Committee appointed a Secretary from outside of its members. Together with the Secretary, the Chairman coordinates the activities of the Committee and chairs its meetings.

Skills present within the Committee as a result of the self-assessment process carried out on 24 February 2022

Average skills score: **75%**

Four skills were rated as **“excellent”** while the remaining skills were rated as **“more than adequate”**



Tasks

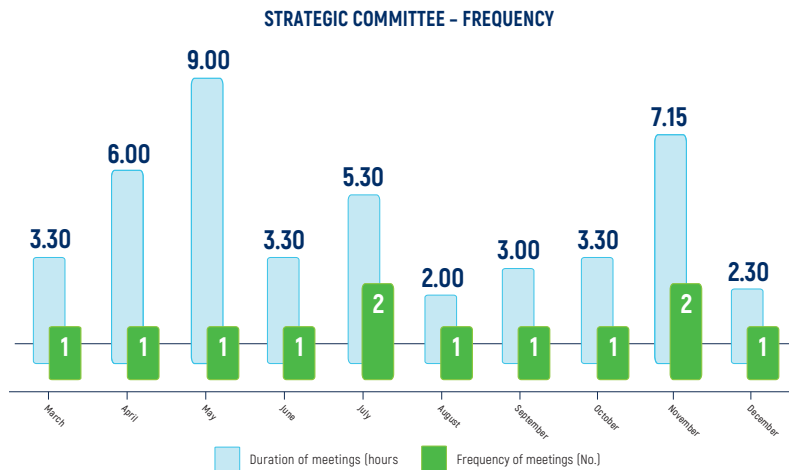
The Committee advises and issues recommendations to the Executive Deputy Chairman and the Chief Executive Officer in execution of the mandate conferred by the ERG Board of Directors.

In accordance with the strategies and policies approved by the Board of Directors, the Committee’s activities include the strategic coordination of Group activities, the definition of strategic business and portfolio guidelines, and the 6-monthly review of threshold rates, guidelines and policies on strategic finance and for individual extraordinary financial transactions, monitoring the progress of their implementation over time.

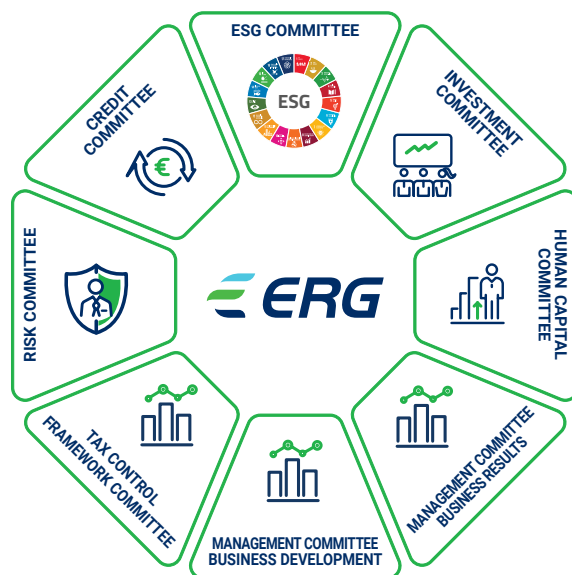
Moreover, the Committee also examines in advance, pursuant to the provisions of Article 1, letter a) of the New Code, the long-term strategic plans and capital expenditure budgets of the Group, and the strategic benefits of significant investments and transactions effected at Group level, as well as the consistency of economic and financial returns with respect to the threshold rates, and comments on the need to involve the Board of Directors, in accordance with the provisions of Group Investment Guidelines. In 2021, the Committee held **13 meetings**.

The average duration of the meetings held by the Committee was **around 4 hours**.

At the date of approval of this document, the Strategic Committee had met **2 times**.



5.3. INTERNAL COMMITTEES



RISK COMMITTEE

- Supports the Chief Executive Officer in defining strategies and policies for the management of financial and market risks;
- Provides the CEO with the information required to authorise financial and market risk management operations, and to monitor the execution of significant transactions and verify their effects.



INVESTMENT COMMITTEE

- Supports the Chief Executive Officer in assessing investment proposals;
- Expresses a justified technical, economic and financial opinion for the Strategic Committee at various stages in the investment process.



HUMAN CAPITAL COMMITTEE

- Defines and monitors the main Human Capital development programmes and processes;
- Provides support to the Executive Deputy Chairman and the CEO in decisions relating to strategies that determine the value of ERG's Human Capital;
- Monitors the effective implementation of the Human Rights Policy, managing the reports relating to non compliance thereof.



MANAGEMENT COMMITTEE BUSINESS RESULTS

- Monitors the Group's economic, financial and industrial results through standardised reporting and control models;
- Follows the changes in the reference institutional and regulatory framework, sharing growth trends, opportunities and risks;
- Monitors activities and projects in the context of domestic and foreign institutional relations.



MANAGEMENT COMMITTEE BUSINESS DEVELOPMENT

- Monitors the relevant projects of the Group, supporting the relative Project Leader, as well as ensuring the alignment of all Organisational Units on the priorities and ensuring consistency with the decisions of the Investment Committee;
- Analyses business development opportunities both in terms of geographic expansion and technological diversification.



ESG COMMITTEE

Directs, plans and supervises the management of issues related to the implementation of ESG/CSR and Internal and External Communication objectives, and in particular:

- defines the Group's sustainability guidelines in the medium-long term and promotes the implementation of consistent practices and projects concerning corporate social responsibility;
- approves the ESG Initiatives Plan as an integral part of the Group Business Plan, monitors the implementation, the achievement of the targets and the priority areas of intervention;
- approves the Internal and External Communication Plan, also aimed at promoting the ESG initiatives plan, monitoring its implementation and enhancing its growing importance in strategic terms;
- manages the preparation and dissemination of the "Non-Financial Statement" (NFS) and other reporting methods related to ESG issues.



TAX CONTROL FRAMEWORK COMMITTEE

- Performs preliminary analyses, and provides specific recommendations, on the testing, monitoring and assessment activities of the Tax Control Framework;
- Performs preliminary analyses, and provides specific recommendations, on the Annual Report of the Tax Control Framework, addressed to the Control, Risk and Sustainability Committee;
- Monitors, jointly with the Head of Process Innovation & Compliance 262, the actual implementation of the remediation plan resulting from the testing, monitoring and evaluation of the Tax Control Framework.



CREDIT COMMITTEE

Has competence, for the entire Group, in matters regarding the granting of credit lines, schedule analysis and collection trends, assessment and verification of overdue recovery plans, general assessment of credit performance.

The composition of the Internal Committees (non-board committees, composed of Group managers) is aligned with the working model of the Group's organisational structure.



Management Committee Business Results

- Monitors the economic, financial and industrial results of the Group through standardised reporting and control models.
- Follows development in the reference institutional and regulatory framework, sharing growth trends, opportunities and risks.
- Monitors activities and projects in the context of domestic and foreign institutional relations.



Management Committee Business Development

- Monitors the Group's significant wind & solar development projects (greenfield, co-development, under construction and M&A), supporting the relative Project Leader, ensuring also the alignment of all Organisational Units as regards priorities and guaranteeing consistency with the decisions of the Investment Committee;
- Analyses business development opportunities both in terms of geographical expansion and technological diversification.



Investment Committee

- Supports the Chief Executive Officer in assessing investment proposals;
- Expresses a reasoned technical, economic and financial opinion for the Strategic Committee at various stages in the investment approval process.



Human Capital Committee

- Defines and monitors the main Human Capital development programmes and activities;
- Supports the Executive Deputy Chairman and the Chief Executive Officer in decisions relating to strategies that determine the value of the Human Capital of ERG;
- Monitors the effective implementation of the Human Rights Policy and manages reports relating to non-compliance therewith.



Risk Committee

- Supports the Chief Executive Officer in defining strategies and policies for the management of financial and market risks;
- Provides the Chief Executive Officer with the information required to authorise financial and market risk management operations, and to monitor the execution of significant transactions and verify their effects.



ESG Committee

Guides, plans and supervises the implementation of ESG/CSR and Internal and External Communication objectives, and in particular:

- defines the Group's medium to long-term sustainability guidelines and promotes the implementation of consistent practices and projects in the field of corporate social responsibility;
- approves the ESG Plan as an integral part of the Group's Business Plan, monitors its execution, the achievement of targets and the priority areas for intervention;
- approves the Internal and External Communication Plan, also aimed at promoting the Plan's ESG initiatives, monitoring their implementation and enhancing their growing importance in strategic terms;
- manages the preparation and dissemination of the "Consolidated Non-Financial Statement" (NFS) and other reporting methods related to ESG matters.



Credit Committee

Has competence for the entire Group in matters regarding the granting of credit lines, schedule analysis and collection trends, assessment and verification of overdue recovery plans, general assessment of credit performance.

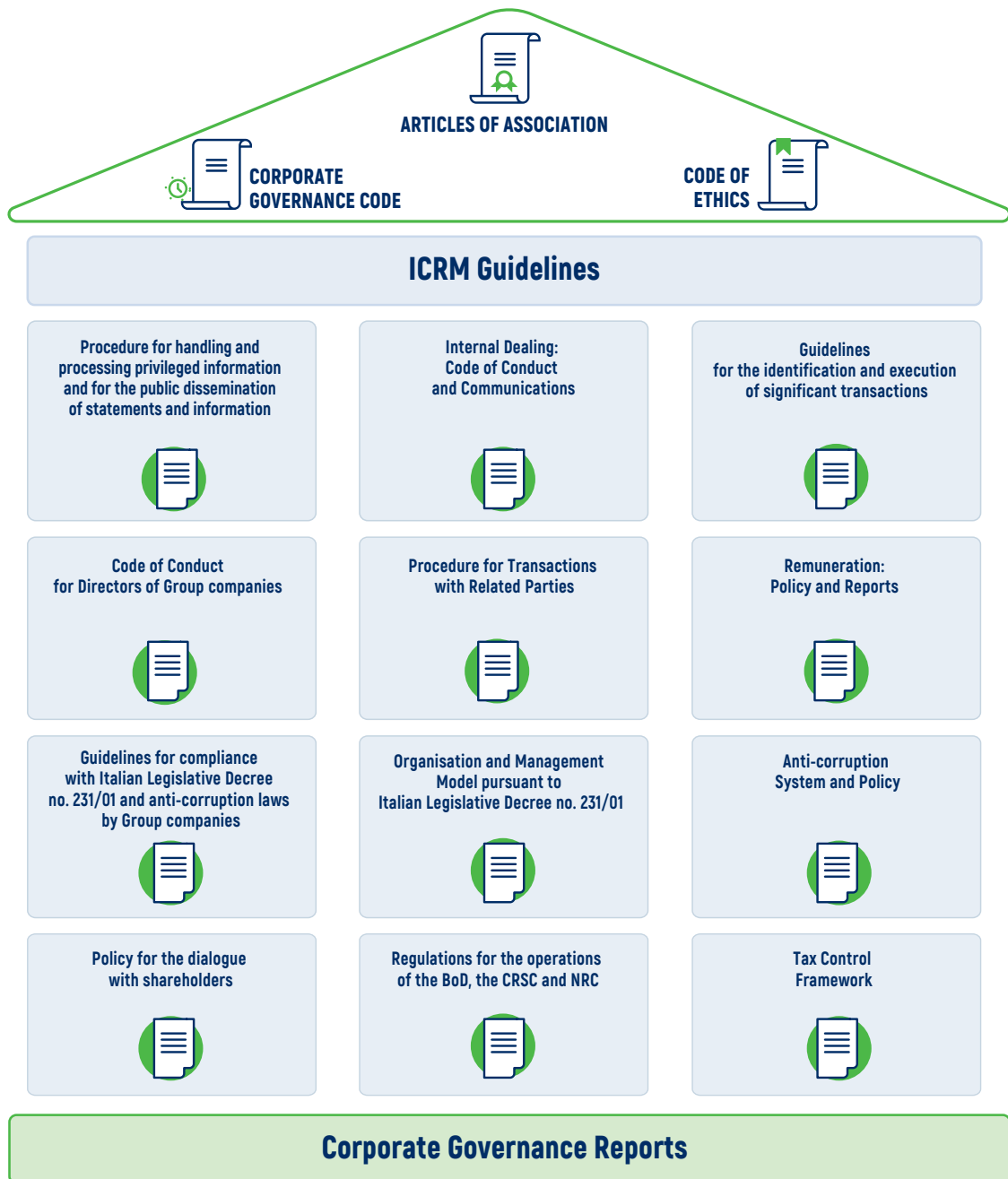


Tax Control Framework Committee

- Performs preliminary analyses, and provides specific recommendations, on the testing, monitoring and assessment activities of the Tax Control Framework;
- Performs preliminary analyses, and provides specific recommendations, on the Annual Report of the Tax Control Framework, addressed to the Risk Control and Sustainability Committee;
- Monitors, jointly with the Head of Process Innovation & Compliance 262, the actual implementation of the remediation plan resulting from the testing, monitoring and evaluation of the Tax Control Framework.

5.4. CORPORATE GOVERNANCE DOCUMENTS

ERG's Corporate Governance system complies with the provisions of the New Code and is strongly oriented towards business ethics and sustainability, understood as a system of values which inspires all business activities, at every level, in order to ensure business management geared towards value creation for shareholders in full compliance with the legality, transparency and fairness of business dealings and affairs.



Articles of Association

The Articles of Association, as illustrated in detail in the Report, contain the main operating rules of ERG's corporate bodies and were most recently amended to introduce a mechanism for increasing voting rights in accordance with the provisions of Article 127-*quinquies* of the CFA.

Code of Ethics

The Code of Ethics is an instrument for raising the awareness of all employees and associates and all other stakeholders so that, when carrying out their activities, they adopt correct and accountable conduct in line with the ethical and social values to which ERG aspires. The Code of Ethics is therefore an essential part of the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01.

The Code of Ethics was revised in 2018 to take into account changes made to the business, with particular reference to the exit from the downstream sector, the increasingly international scope of the ERG Group, certain regulatory changes, in particular as regards the handling of inside information and ensuring confidentiality relative to the identity of those who, in good faith, report possible violations of ethical principles related to corporate sustainability, such as the fight against corruption, respect for human rights and the protection of working conditions, with reference to which certain rules of conduct have been specified further, and lastly the adoption of the Anti-Corruption System and Policy. The latest revision to the Code of Ethics was approved by ERG's Board of Directors on 3 August 2018.

The Code of Ethics is adopted by all companies in the Group, both Italian and foreign, and is available in English, French and German.

The Code of Ethics is communicated to associates of the Group not only through its publication on the Group's website, but also through reference in the contractual clauses.

Group employees are provided with both classroom training and an e-learning course, use of which is tracked in the system.

Regulations for the operation of the Board of Directors, the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee

The Board of Directors, as part of the process of adapting the Company to the provisions of the New Code, adopted, on 13 May 2021, with the support of the Control, Risk and Sustainability Committee and the Nominations and Remuneration Committee, to the extent of their respective remit, the Regulations aimed, among other things, at regulating (i) the operating rules of the body itself and its committees, the procedures for recording the minutes of the meetings and the procedures for managing the sharing of information with the directors, (ii) the "quantitative" and "qualitative" criteria used to determine, for the purposes of assessing the independence of the members of the Board of Directors and the Board of Statutory Auditors, the significance or otherwise of any relationships they have with the Company or other parties connected to it; (iii) the maximum number of offices in the management or control bodies in other relevant companies that can be considered compatible with the effective performance of the office of Director and (iv) the plan for the succession of the Chief Executive Officer.

Procedure for handling and processing relevant and privileged information and for the public dissemination of statements and information

The Board of Directors, based on a recommendation made by the Control, Risk and Sustainability Committee, has adopted a procedure for handling and processing relevant and inside information and 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 S.p.A. are the outcome of a process that guarantees both timeliness and accuracy.

The procedure was most recently updated on 20 July 2021 in order to incorporate the organisational changes that occurred following the appointment, on 26 April 2021, of the new Board of Directors of ERG S.p.A. and of the new Chief Executive Officer. This 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. For this purpose, it contains prescriptions aimed at assuring an exhaustive and timely flow of information within the companies of the Group and between them and the listed Parent for the purposes of compliance with disclosure obligations, regarding inside information, vis-à-vis the market and the organisations tasked with its supervision.

Code of Conduct for Internal Dealing

The Board of Directors has adopted a Code of Conduct, most recently updated by the Board of Directors on 11 May 2017, aimed at regulating disclosure obligations in respect of the market, the Company and CONSOB with reference to transactions involving ERG shares/debt instruments issued by ERG or derivatives or other related financial instruments carried out, directly or indirectly, by members of the administrative and control bodies of ERG and of significant subsidiaries, by members of top management of the Group (who by virtue of their positions within the Group have significant decision-making power or considerable knowledge of the company strategies such as to help them in investment decision regarding the aforesaid instruments) and by persons closely connected with them. The list of recipients of this Code is published on the Company's website (www.erg.eu).

Guidelines for the identification and execution of significant transactions

The Board of Directors has defined the guidelines for the identification and execution of significant transactions, the examination and approval of which - as recommended by the New Code - remain the exclusive responsibility of the Board of Directors.

The Guidelines set out the criteria to be used to identify significant transactions, in accordance with Article 1 of the Corporate Governance Code, consisting of quantitative and qualitative criteria and criteria deriving from the specific requirements of the parties involved (related-party transactions). The current Guidelines were updated on 10 November 2020 to take into account the different business sectors in which the Group operates and the Company's compliance with the New Code as well as to introduce some additional criteria in relation to which business development activities with third party shareholders with respect to the Group may or may not be considered significant transactions.

The document also indicates the standards of conduct to be followed in carrying out the aforesaid transactions, with particular reference to the transactions carried out by the subsidiaries in respect of which ERG performs management and coordination activities in accordance with Articles 2497 et seq. of the Italian Civil Code, which must be previously examined and approved by the Board of Directors.

Code of Conduct for Directors of Group companies

The Board of Directors has 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 compliance with corporate governance principles.

Procedure for Transactions with Related Parties

The Board of Directors, following favourable opinion from the Control and Risk Committee and with the input of the Board of Statutory Auditors, approved and adopted a specific internal resolution aimed at ensuring the transparency and substantial and procedural correctness of the transactions with related parties carried out by ERG directly or through its subsidiaries. On 13 May 2021, the Board of Directors, having heard the favourable opinion of the Control, Risk and Sustainability Committee, updated the list of Key Managers, in line with the new organisational structure and the 2021-2025 Business Plan, with immediate effect, as well as the Procedure for transactions with Related Parties, in order to implement the provisions of the new text of Article 2391-*bis* of the Italian Civil Code and CONSOB resolution no. 21624 of 10 December 2020, effective from 1 July 2021. The Board of Statutory Auditors acknowledged the compliance of the aforementioned updates with the provisions of the Regulations for transactions with related parties.

Policy for the management of dialogue with shareholders and investors in general

The Board of Directors, as part of the process of adapting the Company to the provisions of the New Code, adopted, on 13 May 2021, with the support of the Control, Risk and Sustainability Committee, a specific policy aimed at regulating and promoting the development and maintaining of continuous, productive and transparent dialogue with shareholders and investors in general.

The Policy applies to dialogue outside of shareholders' meetings with shareholders and other stakeholders in general on matters falling within the competence of the Board, including in particular:

- operating performance and financial results;
- the medium to long term strategy of the ERG Group;
- corporate governance (appointment and composition of corporate bodies, including size, skills, independence and diversity);
- sustainability and environmental and social issues;
- remuneration policies and internal control and risk management system.

Policy for the remuneration of members of the Board of Directors and of Key management personnel

With its resolution of 20 December 2011, at the proposal of the Nominations and Remuneration Committee, the Board of Directors adopted, for the first time, a Remuneration Policy for the members of the Board of Directors and for Key Management Personnel, in line with the provisions of the Corporate Governance Code.

Over the years, the Policy has undergone several revisions aimed at incorporating, in particular, (i) organisational changes, (ii) new laws and regulations, (iii) the recommendations of the Corporate Governance Code, and (iv) best practices in general.

The most recent revisions of the Policy include those approved by the Board of Directors, at the proposal of the Nominations and Remuneration Committee:

- on 11 March 2021, in order to take into account (i) the amendments introduced by CONSOB, with resolution no. 21623 of 10 December 2020, to the Issuers' Regulation and to format 7-*bis* of Annex 3A to the Issuers' Regulation, in implementation of the mandate assigned to it by Article 123-ter of the Italian Consolidated Finance Act; (ii) effective from year 2021, the general principles of the 2021-2023 LTI System; (iii) the recommendations of the new Corporate Governance Code and the Italian Committee for Corporate Governance in terms of sustainability.
- on 14 March 2022, in order to incorporate (i) the changes that took place following the appointment of the new Board of Directors, the appointment of the new Chief Executive Officer and the loss of the figure of the General Manager (ii) the resolution of the Board of Directors, on 13 May 2021, with which the conditions necessary to implement the 2021-2023 LTI System were defined, in line with the current Remuneration Policy and in light of the Business Plan and the 2021 -2025 ESG Plan; and (iii) the approval of the New Business Plan and the New ESG Plan following the Hydro Sale and the Thermo Agreement. Further amendments concern (i) the increase in the disclosure of the criteria for defining the indemnity for termination of the office of the Chief Executive Officer; (ii) the increase in the ex post disclosure of the values of the objectives of the MBO System and of the 2021-2023 LTI System, with an indication of the results actually achieved with respect to the target values, in line with best practices; (iii) the introduction of disclosure elements such as the Pay Ratio relating to the Chief Executive Officer and the Gender Pay Gap of ERG Group employees, in line with market best practices.

Guidelines for compliance with Italian Legislative Decree no. 231/01 and anti-corruption laws within ERG Group companies

ERG, with particular reference to the definition of the corporate governance system and within the scope of the management and coordination activities carried out in respect of directly or indirectly controlled Italian and foreign subsidiaries in accordance with Article 93³⁷ of the Italian Consolidated Finance Act – respecting the managerial and

³⁷ "(...) In addition to those laid down in Article 2359, first paragraph, numbers 1 and 2, of the Italian Civil Code, the following are also considered subsidiaries: a) Italian or foreign companies over which a party is entitled, by virtue of a contract or of a statutory provision, to exercise a dominant influence when the applicable law allows such contracts or provisions; b) Italian or foreign companies over which a shareholder, on the basis of agreements with other shareholders, has alone sufficient votes to exercise a dominant influence in the ordinary shareholders' meeting. (...) the rights pertaining to subsidiaries or exercised through trustees or other parties are also taken into consideration; those exercised on behalf of third parties are not taken into consideration."

operating independence of said companies, which benefit from the advantages, the synergies and the economies of scale deriving from their inclusion in the ERG Group – decided to summarise in the Guidelines the general reference principles and rules that Subsidiaries are asked to take into consideration.

In particular, the Guidelines have a general control function over:

- the adoption of the Code of Ethics and the Anti-Corruption Policy by all the Subsidiaries;
- the assessment, by each Italian Subsidiary, of activities within which there is the potential risk of offences being committed and the consequent implementation of instruments to achieve compliance with Italian Legislative Decree no. 231/01.

The latest version of the Guidelines was approved by the Board of Directors on 9 October 2017.

Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01 and Supervisory Body

The purpose of 231 Model is to ensure conditions of correctness and transparency in the performance of company activities. It is therefore intended to serve as a valid instrument aimed at preventing the risk of committing the offences sanctioned by Italian Legislative Decree no. 231/01.

On 21 December 2004, the ERG Board of Directors resolved to adopt for the first time an organisation, management and control model pursuant to Italian Legislative Decree no. 231/01 and appointed the Supervisory Body.

Since initial approval, 231 Model has been regularly revised and improved to reflect regulatory and legislative changes, industry best practices and organisational and business changes that have taken place within the Group.

231 Model was designed and is periodically updated according to Confindustria Guidelines as well as Position Papers issued by the AODV (Italian association of supervisory bodies). In accordance with laws and regulations, the 231 Model includes a disciplinary system aimed at sanctioning (i) any violations of the Model or the Code of Ethics, (ii) failure to comply with company safeguard procedures and (iii) failure to observe the measures put in place to safeguard those who report violations of the 231 Model and/or the Code of Ethics;

The version of 231 Model currently in force was approved by the Board of Directors of 31 July 2020. An extract of the document is published in the “Corporate Governance” section of the website www.erg.eu. An English version is also provided.

The 231 Model was developed taking into consideration the main characteristics that it must possess::

- **effectiveness:** the adequacy of the set of controls established to prevent the committing of offences;
- **specificity:** the Model takes into account the characteristics and size of the Company and the type of activities carried out, as well as the history of the Company;
- **being up to date:** namely, the ability to reduce the risks of offences in reference to the structural and business characteristics of the company, in cooperation with the Supervisory Body, which keeps it up to date and current over time.

The structure of 231 Model adopted by ERG includes the following significant components:

- **Code of Ethics**, which expresses the reference principles that must guide the activity of all those who contribute, with their work, to the performance of corporate activities;

- **general part**, which defines the overall structure of the Model, in relation to the provisions of Italian Legislative Decree no. 231/01 and to the specific decisions made by the Company in its preparation referring to the disciplinary system, to be enforced in the event of violation of the prescribed rules and procedures
- **specific part**, which defines the rules to be followed in the performance of sensitive activities.

In the course of 2019, organisational changes were made (i.e. appointment of the General Manager of ERG S.p.A.) and important new legislation was introduced (including, in particular, the criminal offence of “trading in influence” and some offences in tax matters) that necessitated a new risk assessment in order to update the 231 Model. Specifically, following the risk assessment activities, in 2020 the 231 Models of ERG S.p.A. (31 July 2020) and ERG Power Generation S.p.A. (14 December 2020) were updated.

During 2021, the 231 Models were updated for ERG Hydro S.r.l.³⁸ (11 May 2021), ERG Power S.r.l. (11 May 2021) and Andromeda PV S.r.l. (10 March 2021).

Together with the adoption of 231 Model, the decision to comply with Italian Legislative Decree no. 231/01 led to the appointment of the Supervisory Body, tasked with overseeing the observance of the Code of Ethics and assuring the adequacy and actual implementation of the Model, and evaluating whether it is necessary to subsequently update it.

The ERG Supervisory Body, appointed by the Board of Directors on 26 April 2021 is comprised of:

- one external member, identified as a Statutory Auditor of the Company, acting as Chairman (Lelio Fornabaio);
- one internal member, identified as the Head of Corporate Affairs, 231 Compliance & Privacy, responsible for the “231 Compliance” department (Giovanni Marco Scollo);
- the Chief Audit Officer (Gabriello Maggini).

This composition, in its collegiality, guarantees the independence, autonomy, professionalism and continuity of action required by regulations.

The members of the Supervisory Body shall remain in office for a period preferably no longer than three years and may be reappointed. In the case of expiry of the Board of Directors, which appointed them, they will remain in office until the appointment of new members, or the confirmation of the previous members by the new Board of Directors.

In order to regulate its internal operations, the Supervisory Body approves its own internal regulations.

In 2021, the ERG Supervisory Body met³⁹ 5 times, meeting with department heads to obtain insights on specific matters.

Pursuant to the provisions of the 231 Model, the mandate conferred on the Supervisory Body on 23 April 2018 expired on 26 April 2021 (date coinciding with the expiry of the mandate of the previous Board of Directors). On the same date, the new Board of Directors confirmed in office the previous members of the Supervisory Body.

During the year, the Supervisory Body:

³⁸ Sold on 3 January 2022.

³⁹ Due to the COVID-19 emergency, meetings were held using the “Microsoft Teams” application.

- presented to the Control, Risk and Sustainability Committee and to the Board of Directors the Schedule of the activities of the Supervisory Body, as well as the related budget, and the periodic half-yearly reports on the activity carried out;
- analysed the information flows received and the results of the relevant audits pursuant to Italian Legislative Decree no. 231/01, the 231 tests and the follow-up activities on the remedial actions agreed in the audits, and carried out in-depth analyses, where deemed necessary, including with the support of Internal Audit;
- implemented, with the support of 231 Compliance & Privacy department, an IT platform for the management of information flows;
- carried out, with the support of the 231 Compliance & Privacy department, training on the Code of Ethics and the Anti-Corruption Policy as well as some training sessions dedicated to specific company functions on the Due Diligence procedure for Significant Third Parties and on the controls relating to the 231 Model;
- examined 2 reports received, handled by the competent Supervisory Bodies, which, following the investigation carried out, including with the support of Internal Audit, found no facts or circumstances to support the validity of the reports pursuant to Italian Legislative Decree no. 231/2001;
- consulted the head of the "Regulatory & Public Affairs" OU, so as to be informed on developments in the regulatory framework and the related impacts on the ongoing business development projects;
- consulted the head of the "Health, Safety and Environment" OU, to investigate the findings that emerged from the audit carried out by Rina regarding the management of the COVID-19 emergency by the ERG Group;
- carried out the analysis of the new edition (June 2021) of the Confindustria Guidelines for the construction of organisation, management and control models.

The ERG Supervisory Body carries out its activities with respect to the Parent, while the Subsidiaries, which have their own specific 231 Model, have appointed their own Supervisory Body.

The synergies between the Code of Ethics and 231 Model are highlighted by the assignment of the ERG Supervisory Body as Guarantor of the Code of Ethics. Similarly, each subsidiary, having its own Supervisory Body, assigns the task of Guarantor of the Code of Ethics to its own Supervisory Body.

In preparing proposals for the updating of the 231 Model, the Supervisory Bodies of ERG and of its Subsidiaries rely on ERG's "231 Compliance & Privacy" department, which also handles the activities of technical secretariat of the corporate boards and committees. Verification of the adequacy of 231 Model and compliance with the controls contained therein, as well as with the Code of Ethics, are instead entrusted to the Internal Audit department of ERG, which, in addition to audit activities with 231 impacts, carries out on behalf of the Supervisory Bodies periodic "231 test" activities on sensitive activities that, following risk assessment, were found to be at "high" and "medium" risk ("low" risk activities are monitored, except in specific cases, through the review of information flows).

To increase the effectiveness of the governance and internal control of the Company, information flows are provided to the Supervisory Body. The primary function of the information flows is to enable each Supervisory Body to continuously oversee the functionality of 231 Model and to identify possible steps to amend the Internal

Control and Risk Management System. To this end, the Supervisory Bodies have adopted a special procedure that identifies the relevant information flows, the timing for transmission, and the individuals responsible. The tools implemented to manage communications to each Supervisory Body are as follows:

- an IT platform, implemented in 2021, which makes it possible to improve the process of collecting, managing and archiving 231 and anti-corruption information flows;
- dedicated email addresses;
- traditional mailing addresses.

These channels are suitable to ensure the confidentiality of the identity of the whistle-blower and the person responsible for the alleged violation in managing the report. In particular, only the members of the Supervisory Committee and the Personnel of the "231 Compliance & Privacy" and "Internal Audit" functions are authorised to access these. Access to the IT platform and to the e-mail box is tracked in such a way as to detect any unauthorised access.

Any form of direct or indirect retaliation, discrimination or penalisation against the whistle-blowers or those who have cooperated in an investigation, for reasons directly or indirectly related to the report or investigation, is prohibited. Any violation of this prohibition is subject to the application of the Disciplinary System.

The Supervisory Committee, in managing the report, operates in such a way as to ensure that the confidentiality of the identity of the whistle-blower and that of the person responsible for the alleged violation will be protected, without prejudice to the obligations of law and protection of rights of the Company or persons accused falsely and/or in bad faith. Any substantiated anonymous reports (containing all the objective details required to move to the next verification phase) shall be taken into consideration by the Supervisory Committee for further investigation.

In 2018, the Supervisory Bodies of the Group Companies approved the "Procedure for the regulation of information flows between the Supervisory Bodies of the ERG Group companies", with the objective of facilitating the movement of relevant information between the Supervisory Bodies of the companies themselves. Specifically, the procedure stipulates that each Supervisory Body, in examining the information flows and the reports received and, more generally, in fulfilling their duties of supervision, transmit, including with the operational support of the "231 Compliance" organisational unit, to other Supervisory Bodies where concerned, information flows from which clear information can be deduced which could be relevant for supervisory activities and/or for the correct application of 231 Models in relation to other Group companies.

ERG's Supervisory Body prepares an annual supervisory activity plan, which is presented to the Control, Risk and Sustainability Committee and to the Board of Directors, and reports to these at least twice a year on the implementation of the Code of Ethics and the 231 Model.

Training activities involved:

- classroom meetings with employees (including managers and executives) focused on issues pertaining to Italian Legislative Decree no. 231/01 (sanctioned offences, 231 Model, tasks and powers of the Supervisory Body, information flows to the Supervisory Body);
- an e-learning course dedicated to the Code of Ethics and Anti-Corruption, expected to be taken by employees and newly hired personnel;

- an e-learning course dedicated to issues relating to Italian Legislative Decree no. 231/01, intended for newly hired personnel.

The classroom and e-learning courses for employees and newly hired personnel were completely redesigned, diversifying the content on the basis of the work actually carried out, using concrete examples and cases, with the aim of increasing the awareness of business rules and the involvement of people.

Specifically, three different training courses were created for each of the professional groupings (staff, production and commercial), structured as follows: (i) brief introduction to Italian Legislative Decree no. 231/01, (ii) simulation of real work situations, (iii) rules of conduct adopted by ERG and (iv) end-of-course questionnaire.

For e-learning training, all training courses dedicated to the “staff”, “production” and “commercial” professional groupings were completed and made available on the company Intranet.

The e-learning training dedicated to the Code of Ethics and Anti-Corruption, aimed at all Group employees (Italian and foreign), was fully renewed in 2021 and involved 496 trained employees⁴⁰.

Classroom training was carried out in relation to all professional groupings, i.e. “staff”, “production” and “commercial”. Classroom training involves the discussion of legal cases relating to case proposals and the participation of a criminal lawyer specialising in the liability of organisations, in addition to that of members of the Supervisory Bodies. The classroom training⁴¹ for the “staff” grouping (66 employees involved) and the “production” grouping (37 employees involved) was completed in 2020; in 2021, training activities were completed for the “commercial” grouping (15 employees involved).

In addition, information on specific issues relating to the legislation referred to in Italian Legislative Decree no. 231/01 is regularly provided to the members of the Board of Directors of ERG and its subsidiaries, as well as to members of the Board of Statutory Auditors. In particular, as part of the meeting of the Board of Directors of ERG S.p.A. on 21 February 2020, an induction seminar was held on specific issues relating to the liability of entities, in which the members of the Board of Statutory Auditors also participated.

Anti-Corruption System and Policy

ERG carries out its activities in accordance with the highest national and international standards of good Corporate Governance. In this context, the Group is firmly committed to respecting and applying the principles of integrity, impartiality and transparency.

These principles increase in importance when addressing corruption, a global phenomenon that irreparably destroys the integrity of both public and private enterprises.

In order to further stress that it conducts all aspects of its activity in strict compliance with applicable domestic and international laws and regulations, with respect, inter alia, to anti-corruption, and to further demonstrate its adoption of the values described above, ERG has decided to adopt, in addition to the Code of Ethics, the Anti-Corruption System and Policy. The aim is to prohibit and prevent corrupt behaviour of any kind, in accordance

⁴⁰ At 31 December 2021.

⁴¹ Due to the COVID-19 emergency, after January 2020, training activities were held using the “Teams” application.

with the “zero tolerance” principle for corruption. In order to achieve this objective, organisational responsibilities, principles and rules of conduct to be followed have been established so as to ensure compliance with the applicable Anti-Corruption Laws. The Anti-Corruption System and Policy apply to ERG and to all companies of the ERG Group and are addressed to all those who work in Italy and abroad, in the name of or on behalf of the ERG Group.

The Anti-Corruption System and Policy were approved by the Board of Directors of ERG on 9 October 2017 and subsequently updated on 2 August 2019. The Anti-Corruption Policy has been adopted by all other companies of the ERG Group, in Italy and abroad, and has been translated into English, French and German.

On 9 January 2019, the Chief Executive Officer of ERG approved the “Due Diligence on Significant Third Parties” procedure, provided for by the Anti-Corruption System and Policy.

The objective is to enable the companies of the Group, both Italian and foreign, to:

- have adequate knowledge of the Significant Third Parties (identified within the procedure itself);
- manage corruption risk in business activities, mitigating any concretely identified risks and supporting any decision as to whether or not to establish a contractual relationship with a given Significant Third Party;
- conduct business activities in a conscious and responsible way, including through the information acquired;
- avoid, as far as possible, economic damage (linked to the imposition of penalties) and reputational damage, as well as the launch of any sanction procedures in respect of persons and Companies of the Group by the competent authorities.

The procedure establishes the principles and rules, and allocates the responsibilities, for the carrying out of activities to: (a) identify Significant Third Parties; (b) carry out Due Diligence; (c) manage the outcomes of Due Diligence and the methods for establishing and monitoring relationships with the Significant Third Parties.

The “Significant Third Party Due Diligence Procedure” integrates, for companies under Italian law, the control procedures prescribed by 231 Models (and the Anti-Corruption Policy), with particular reference to sensitive activities: i) purchases of goods and services, consultancy and professional services, ii) transactions aimed at developing the business and selecting counterparties, iii) personnel recruitment and management, iv) management of the designation of company and control bodies in the subsidiaries, v) management of purchases and sales of commodities and credit.

With reference to these sensitive activities, for foreign companies, the procedure integrates the controls prescribed by the Anti-Corruption Policy.

The procedure was updated on 26 November 2020, taking into account the opportunities for improvement that emerged during the first year of implementation, the requests for clarification of some owners of the control activities as well as the suggestions provided by Internal Audit as part of the assessment carried out during the year on the Anti-Corruption System adopted by the ERG Group.

During 2021, 496 employees (Italian and foreign) were trained through e-learning training dedicated to the Code of Ethics and Anti-Corruption⁴².

42 At 31 December 2021.

There is also a procedure in place for the management of information flows to the “231 Compliance & Privacy” department to enable monitoring of the operation of the Anti-Corruption System, with particular reference to the controls provided for by the Anti-Corruption Policy and the Due Diligence on Significant Third Parties procedure.

The tools implemented to manage communications to Compliance 231 & Privacy are as follows:

- an IT platform, implemented in 2021, which makes it possible to improve the process of collecting, managing and archiving anti-corruption flows;
- a dedicated email address;
- a traditional mailing address.

Lastly, the Internal Audit department carries out checks on the correct application of anti-corruption controls, both as part of the audits envisaged in the relative Annual Plan of Activities and with half-yearly tests.

6. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP

The "Guidelines for the Internal Control and Risk Management System", adopted on 11 March 2014 by the Board of Directors of ERG, were most recently updated on 3 August 2018 in order to take into account, among other things, the adoption of the Anti-corruption Policy and System.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP: GENERAL GUIDELINES

The Internal Control and Risk Management System of the ERG Group (hereinafter also "ICRM System") is the combination of measures, organisational structures, regulations and rules whose purpose is, by means of an appropriate process of identification, measurement, management and monitoring of the main risks, and the creation of adequate information flows to ensure the proper flow of information, to allow the company to be managed on a sound and proper basis, consistent with the company targets defined by the Board of Directors.

It complies with the principles contained in the New Code and, more generally, current national and international best practices.

It is defined on the basis of leading national and international practices, and in particular "CoSO Internal Control - Integrated Framework 2013", which identifies a direct relationship between company targets (efficiency and effectiveness of operations, reporting and compliance), the components of the ICRM System and the organisational structure adopted by the Group.

This System, which is an integral part of the company's business, involves, and therefore applies to, the entire organisational structure of the ERG Group: from the Board of Directors of ERG and its subsidiaries, to Group Management and the company staff.

The ICRM System Guidelines, approved by the Board of Directors of ERG, lay down the general principles by which the Group's main risks are managed, in line with the strategic objectives identified, and the coordination arrangements between the parties involved in order to maximise the effectiveness and efficiency of the ICRM System.

Below is a summary of those involved in the ICRM System and their respective responsibilities.

- **Board of Directors:** guides and assesses the adequacy of the ICRM System;
- **Chairman of the Board of Directors:** supervises, directs and controls corporate affairs activities;
- **Executive Deputy Chairman:** supervises, in particular, the strategic choices of the Group and the definition of the organisational macro structure; carries out the management and coordination of non-recurring transactions, including structured finance transactions; carries out the strategic coordination of the subsidiaries; is also chairman of the Strategic Committee;

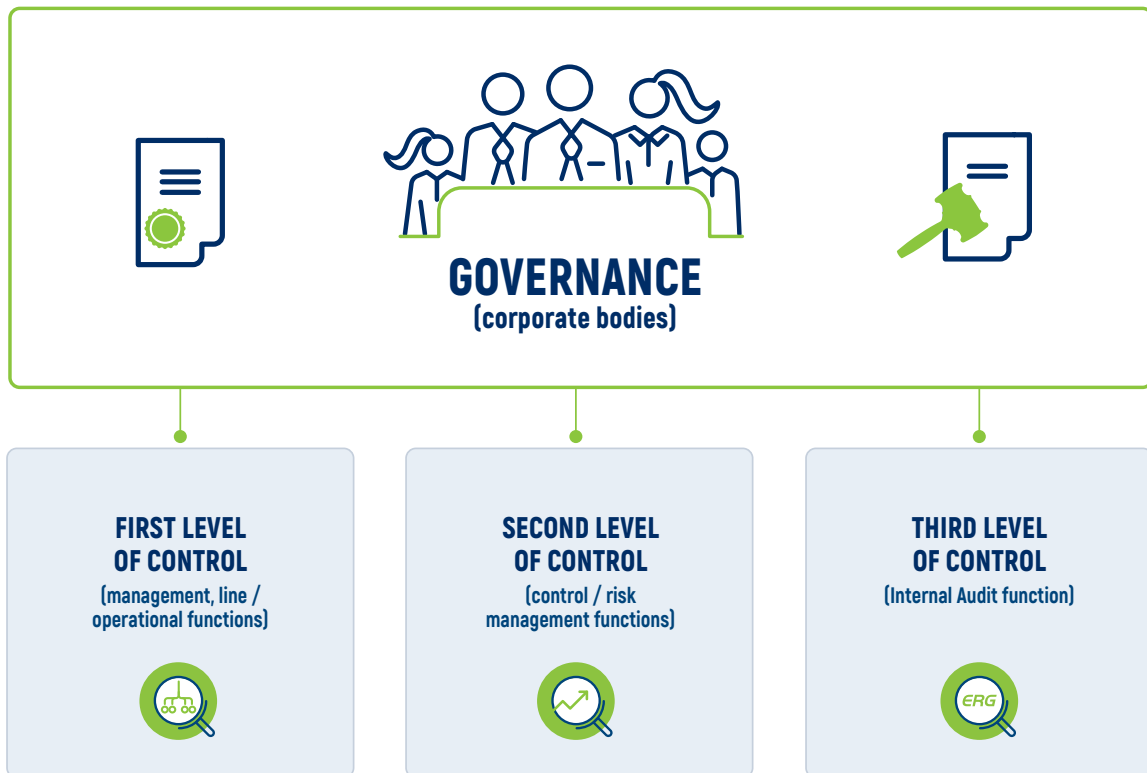
- **Chief Executive Officer:** has the powers necessary to carry out all actions pertaining to corporate activities and is responsible for identifying the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries and, after consulting with the Director in charge of the Internal Control and Risk Management System, submitting them periodically to the review of the Board of Directors;
- **Director in charge of the Internal Control and Risk Management System:** delegated by the Board of Directors to oversee - through supervision, guidance and control - internal audit, risk management and compliance activities and processes, and ensures that the functionality and overall adequacy of the ICRM System is maintained. Although the New Code suggests attributing this role to the Chief Executive Officer, the Board of Directors has conferred this power on the Executive Deputy Chairman, deeming it more effective, for the purposes of the operation of the ICRM System, and consistent with the principle of segregation of duties, for the Chief Executive Officer to be responsible for identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and for the Executive Deputy Chairman to be responsible for ensuring, through the aforementioned supervisory, management and control powers, the maintenance of the functionality and overall adequacy of the ICRM System;
- **Control, Risk and Sustainability Committee:** advises and makes proposals to the Board of Directors, with the aim of supporting it, through appropriate proceedings, in evaluations and decisions relating to the ICRM System, as well as in relation to the approval of periodic financial reports;
- **Board of Statutory Auditors:** oversees compliance with the law and with the Articles of Association, adherence with correct administration principles, the adequacy of the organisational structure (for those aspects under its responsibility), the ICRM System and the administrative and accounting system, and its reliability in correctly representing operations, and the adequacy of the provisions imparted to the Subsidiaries for the proper fulfilment of the prescribed disclosure obligations;
- **Supervisory Body** pursuant to Italian Legislative Decree no. 231/01: supervises the observance of the Code of Ethics and verifies the effectiveness and the adequacy of the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01;
- **Internal Audit:** responsible for third level control activities and has a significant position in the ICRM System being entrusted with the task of providing independent assurance on the ICRM System with the aim of improving the efficiency and effectiveness of the organisation. Internal Audit is tasked with verifying that the ICRM System is functional and adequate in relation to the size and operation of the ERG Group, verifying, in particular, that Management has identified the main risks, that the risks were assessed with consistent procedures and that the mitigating actions have been defined and carried out. It also verifies whether the risks are managed in accordance with the decisions of Board of Directors, with external rules and with rules within the Group.

The following relevant parties also play a role: (i) Group management, which bears prime responsibility for internal control and risk management activities (first control level); and (ii) second level control functions with specific control tasks and responsibilities over different areas/types of risk. These functions are autonomous and distinct from operational ones; they are involved in defining risk governance policies and the risk management process, including: (a)

the Manager responsible for preparing the Company's financial reports, (b) the Finance & Group Risk Management department, (c) the Compliance departments, assigned to oversee compliance issues, with particular reference to legal risk and non-compliance, including the risk of committing criminal offences to the detriment or in the interest of the ERG Group, and (d) internal committees, composed of Group management, acting in an advisory capacity and making proposals regarding specific risk issues.

In line with regulations and reference best practices, the ICRM System is structured over the following levels::

INTERNAL CONTROL SYSTEM



- **First level:** entrusted to individual operating lines, it encompasses the checks carried out by those involved in certain activities and those with supervisory responsibilities; it also makes it possible to ensure operational activities are carried out correctly;
- **Second level:** entrusted to structures other than lines, it is involved with defining risk measurement methods, identifying, assessing and checking them (Risk Management); it also makes it possible to verify compliance with regulatory obligations (Compliance);
- **Third level:** entrusted to Internal Audit, it serves to assess the functionality of the overall internal control and risk management system and to detect irregularities and violations of procedures and rules.

The correct functioning of the ICRM System relies on successful interaction, in the exercise of duties, between the corporate functions involved.

An efficient ICRM System aims to achieve the following objectives:

- elimination of methodological/organisational overlaps between the various control functions;
- sharing of the methodologies with which the various control functions carry out the assessments;
- improvement of communication between control functions and corporate bodies;
- reduction of the risk of “partial” or “misaligned” information;
- capitalising on disclosures and assessments from the various control functions.

The definition of procedures for coordination and collaboration between the corporate control functions aids the overall functioning of the ICRM System, and encourages the clear and consistent reporting to Top Management and the corporate bodies of the risks to which the ERG Group is exposed.

To this end, coordination and collaboration procedures are envisaged between the subjects involved in the ICRM System, including:

Information flows

To allow Management and the management and control bodies to fulfil their roles in relation to the ICRM System, specific information flows are defined between the control functions and the competent management and control bodies, coordinated and appropriate in terms of content and timescales.

As part of the ICRM System, information flows are envisaged:

- from line management to second level control functions;
- between the second level control functions;
- from the second level control functions to Internal Audit;
- from Internal Audit to the second level control functions.

Information flows, with defined procedures and timescales, are also envisaged from the control functions to the management and control bodies regarding the main activities carried out as well as the results thereof.

Intra-functional working group

Within the ERG Group, periodic intra-functional meetings are envisaged between the corporate organisational units involved in the control/monitoring activities of the ICRM System and more generally in risk management, compliance and control activities with the aim of ensuring:

- that the ICRM System and its components are coordinated and interdependent;
- that there is real integration of the ICRM System into the general organisational structure of the ERG Group;
- the constant exchange of information between the functions involved in monitoring the ICRM System;
- the development of operational synergies through the sharing of methodologies and tools;
- the reduction of the risk of “partial” and “late” information.

6.1 STRUCTURE AND OPERATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP

The Group is aware that an effective Internal Control and Risk Management System allows the company to be managed on a sound and proper basis, consistent with the company targets defined by the Board of Directors, by promoting well-informed decisions and contributing to wealth preservation, the efficiency and effectiveness of processes, the reliability of financial reporting, and compliance with standards, the Articles of Association and internal procedures.

To promote and maintain an adequate ICRM System, the ERG Group uses organisational, informational and regulatory instruments, which allow the identification, measurement, management and monitoring of the main risks.

This system is integrated in the organisational, administrative and accounting structure and, more generally, in the corporate governance structure. It is based on the recommendations of the New Code, which the Group has endorsed, taking as references national and international models and best practices, aimed at consolidating overall effectiveness and efficiency.

The System of Rules and Procedures

The definition of the Internal Control and Risk Management System structure and its governing rules takes place through the definition of appropriate internal business standards (Policies, Guidelines, Procedures and Operating Notes), which regulate the processes and activities carried out by ERG and its subsidiaries.

The beneficiaries of each standard are defined below:

- Policies: these are intended for all stakeholders and, based on the values expressed in the Code of Ethics, define the fundamental management principles involved in the performance of corporate activities;
- Guidelines: these are intended mainly for those who must set up operations and manage them, and define the principles for the execution of such activities;
- Procedures: these are intended for the parties involved in the operating processes regulated by them;
- Operating Notes: these are intended for the parties who, at operational level, carry out the activity or stages of activity regulated by the document.

Moreover, a specific procedure was formalised in the Group with the goal of defining a method for the uniform, integrated, effective and efficient management of the corporate rules and for regulating the activities performed by the involved parties, in terms of:

- responsibilities of the parties involved in the process;
- (electronic and hardcopy) communication flows among the various parties involved in the process;
- control activities connected with the operations reported in the process.

The System for Assigning Powers

A correct and effective Corporate Governance system requires a formal assignment of powers consistent with the company's own organisational system.

A correct assignment of powers entails assessing whether the validity requirements exist, determining its limits and identifying matters that can be delegated.

The system adopted in the Group provides for:

- the assignment of powers for the management of Group Companies to Chief Executive Officers, Sole Directors or General Managers, as appropriate;
- the assignment, normally to first-level and second-level executives reporting to Chief Executive Officers, of powers of signature, representation and external negotiation;
- the assignment of special powers for the performance of specific, well-defined actions, upon completion of which the validity of the power is voided;
- the assignment, to the heads of organisational positions, of internal powers (of an organisational nature) related to actions that have no external enforceability.

The system of delegated powers and mandates in place within the Group is structured so as to achieve consistency between the organisational structures, pursuant to the powers granted, and the company's regulatory system (Policies, Guidelines, Procedures, Operating Notes and Job Descriptions), in compliance with the Segregation of Duties ("SoD").

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

The ways in which the ERG Group has defined its Internal Control and Risk Management System in relation to the process of financial disclosure (henceforth referred to as the "System") at the consolidated level are illustrated below. The purpose of the System is to significantly mitigate risks in terms of the trustworthiness, reliability, accuracy and timeliness of financial disclosures.

In particular, the Board of Directors of ERG, in the meeting of 26 April 2021, appointed Michele Pedemonte, Chief Financial Officer, as Manager responsible for preparing the Company's financial reports, thereby attributing to him the responsibilities of:

- preparing adequate administrative and accounting procedures for the preparation of financial disclosure documents;
- monitoring the application of the procedures;
- issuing to the market the statement on the adequacy and effective application of the administrative and accounting procedures for the purposes of the Group's financial disclosure.

The Manager responsible for preparing the Company's financial reports relies on the support of the Process Innovation & 262 Compliance Organisational Unit in verifying the operation of the administrative and accounting procedures by testing the controls. This organisational structure ensures complete segregation between the activities of preparing the administrative and accounting procedures and the activities of verifying their adequacy and effective application. In such a context, all personnel of the Group are obliged to cooperate, in particular personnel in administrative functions that are more directly involved in the preparation of corporate accounting records, but also those in other functions that, directly or indirectly, contribute to the process through the preparation of documents and information, the inputting or updating of data in the company's information systems, and normal operations.

The activity of Compliance pursuant to Italian Law no. 262/05 has been submitted to the Control, Risk and Sustainability Committee and applies to the companies of the Group, from a logical point of view, in terms of methodology and as regards the principles of control and accuracy of the process.

Role, Appointment and Requirements of the Manager responsible for preparing the Company's financial reports

Role of the Manager responsible for preparing the Company's financial reports

As already noted previously, the main responsibility of the Manager responsible for preparing ERG's company financial reports is to implement the administrative and accounting procedures by which periodic corporate financial reporting should be produced, to monitor their application and, together with the Chief Executive Officer, to attest to the market that the above principles were followed and that the financial documentation circulated is reliable.

The figure of Manager responsible for preparing the Company's financial reports fits into the wider framework of Corporate Governance, structured according to the traditional model with the presence of corporate bodies with different control functions.

Appointment and Requirements of the Manager responsible for preparing the Company's financial reports

The Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, appoints the Manager responsible for preparing the Company's financial reports, setting his/her compensation and assigning him/her adequate powers and means. The Manager is someone who has at least three years of experience in positions of adequate responsibility in the administrative, financial or accounting area of public and private companies or entities, or someone who has adequate knowledge and experience in legal, economic, administrative, accounting or financial matters.

Elements of the System

Methodological approach

The Group has adopted a working methodology that envisages the following logical steps:

- a. identification and assessment 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 management of the monitoring process both in terms of design, and in terms of operation and effectiveness, with the aim of reducing risks to a level considered to be "acceptable" (information flows, gap management, plan for remedial action, reporting system, etc.).

The activity is performed by the Process Innovation & 262 Compliance Organisational Unit and is periodically shared with the Manager responsible for preparing the Company's financial reports.

Risk identification and assessment

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

1. the companies within the Group consolidation scope 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 the international level and recognised within Italy as a reference model by the Corporate Governance Code (control environment, risk assessment, information and communication, control activities, monitoring);
3. the 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. for each relevant process, the specific risks for financial reporting, with particular reference to so-called financial statement assertions (existence and occurrence, completeness, rights and obligations, measurement and recognition, presentation and disclosure).

The Risk Assessment process carried out at the level of Group Consolidated Financial Statements in order to determine the appropriate scope of analysis, is based on the combined application of two analytical parameters, one quantitative and the other qualitative. As regards the purely 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 have on the main items in the financial statements;
- significant account: this refers to the quantitative size that items in the financial statements must have in order to be considered significant after the application of a materiality threshold;
- significant process: by means of account-process matching, processes are identified for which controls should be assessed, given that all processes associated with accounts that have balances greater than the materiality threshold form part of the activity.

Following the quantitative analysis described above, the Risk Assessment process then requires an analysis to be performed based on qualitative elements, with a dual purpose:

- to integrate the exclusively quantitative part of the analysis, so as to include or exclude accounts processes from the activity's scope 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 by management concerning risk levels relating to financial disclosures;
- to define the "level of depth" to which the analysed accounts processes must be taken into consideration within the scope of the activity 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 for preparing the Company's financial reports and presented to the Control and Risk Committee.

Identification of controls

Once the main risks at the process level are identified, the actions to be taken in order to monitor the associated control objective are identified.

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

- significant processes and their main associated risks are represented as defined within the scope of the 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 presentation of a process is shared with its owners, as are the risks and control activities;
- monitoring activities, required to support the representations that must be made by the Manager responsible for preparing the Company's financial reports, are carried out.

The identification of risks and the 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:

- the observance of authorised limits;
- the segregation 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 assess and monitor both the design and the effectiveness of controls in place.

Assessment of controls and monitoring processes

In accordance with the provisions of the law regarding formal compliance and in line with the best practices previously referred to, the adopted methodology prescribes constant monitoring of the relevant processes and effective execution of the mapped controls.

The objective of such monitoring is to evaluate the operating effectiveness of the controls - in other words the effective functioning, during the year, of the controls mapped for the purpose of analysis.

To this end, an annual monitoring (and refining and optimising, where necessary) activity plan is drawn up. The plan is formalised in a document that is presented to the Control and Risk Committee and in which strategies and timing are defined for carrying out monitoring tests.

As part of the activities carried out, regular updates are made in relation to the mapping of processes, risks and controls pursuant to Italian Law no. 262/05 and to the tests for the purposes of attestations.

Periodic reports are produced on the results of the activities, providing support on the basis of which the Manager responsible for preparing the Company's financial reports releases legal attestations, and the Control, Risk and Sustainability Committee, as regards the most important deadlines for interim and annual financial reports, evaluates and participates in the work of the Manager Responsible and the functions through which he/she operates.

TAX CONTROL FRAMEWORK

On 10 November 2020, the Board of Directors, guided by the principles set out in the Code of Ethics and the Sustainability Policy as well as international best practices and national trends in terms of Cooperative Tax Compliance, in order to (i) pursue the long-term growth of company assets, (ii) protect the reputation of the ERG Group, and (iii) preserve the interests of shareholders and other stakeholders, defined and approved the ERG Group Tax Strategy – first pillar of the Tax Control Framework – with the aim of setting out the principles and guidelines that guarantee uniform management of the ERG Group's taxation, as part of ERG's management and coordination activities. The Tax Control Framework, an integral part of the ICRM System, is the main structure of the first and second level of tax risk controls.

Specifically, the ERG Group Tax Strategy – applicable to ERG and to the Italian and foreign companies directly or indirectly controlled by it – aims to:

- guarantee the correct and prompt calculation and payment of taxes due by law and the fulfilment of connected obligations (tax compliance);
- mitigate tax risk, understood as the risk of (a) infringing tax regulations or (b) abusing the principles and purposes of tax legislation (abuse of rights).

Through the operating regulations of the Tax Control Framework, guidelines have been established that, in compliance with the managerial and operational autonomy of the Italian subsidiaries, must be applied within the ERG Group, and in particular:

- the roles and responsibilities of the organisational units involved in the recognition, management and control of tax risks;
- the main characteristics of the tax risk control system, in order to integrate its fundamental principles and objectives within the ICRM System and, in particular, describe the methods of integration with the Accounting Control System pursuant to Italian Law no. 262/2005, adopted by the ERG Group.
- the operating methods for managing and controlling tax risk
- the information flows between the various control functions involved and the periodic reporting process containing the results of the checks carried out.

The Tax Control Framework currently applies to all the administrative bodies of the Italian companies of the ERG Group (ERG S.p.A. and Italian companies directly or indirectly controlled by it) and all the organisational units, even if not directly responsible for the management of tax obligations, operating within the Group companies

8. THE INDEPENDENT AUDITORS

Auditing is carried out in accordance with the law by a company enrolled in the Register of Statutory Auditors maintained by the Italian Ministry of Economy and Finance.

KPMG S.p.A. was appointed as independent auditor for the years 2018-2026 by the Shareholders' Meeting held on 23 April 2018; consequently, its mandate shall expire at the date of the Shareholders' Meeting convened to approve the financial statements at 31 December 2026.

During the course of the year, the Independent Auditors have the duty to verify:

- that the company accounts are properly maintained and all operations are properly accounted for in the accounting records;
- that the Separate Financial Statements and the Consolidated Financial Statements match the results of the accounting records and of the inspections carried out and comply with the rules that govern them.

While carrying out its activities, the Independent Auditors have access to all documentary and electronic information and data, as well as the archives and the assets of the Company and of the Companies of the Group.

In order to preserve the independence of the Independent Auditors, a note was drawn up governing the appointment of the audit company and the entities which are part of its network by Group companies which provides for, in particular, depending on the type of the assignment, a binding opinion by the Board of Statutory Auditors.

9. INVESTOR RELATIONS

The Company manages the relations with its Shareholders, institutional investors and the market through the Investor Relations function, under the responsibility of Emanuela Delucchi, ERG's Chief ESG, IR & Communication Officer.

The Board of Directors, as part of the process of adapting the Company to the provisions of the New Code, adopted, on 13 May 2021, with the support of the Control, Risk and Sustainability Committee, a specific policy aimed at regulating and promoting the development and maintaining of continuous, productive and transparent dialogue with shareholders and investors in general.

Investor Relations activities are focused on the dissemination to the financial community of any information that may be useful for assessing opportunities for investing in ERG stock: including periodic updates on results, strategy explanation, regulatory updates and plan objectives. In terms of communication activities, Investor Relations periodically organises meetings - both in Italy and abroad - and conference calls with analysts and investors; moreover, it also makes use of the more popular social channels and the dedicated area on its website, where users can, for example, access live broadcasts via webcast of conference calls for the presentation of financial results. In recent years, with the completion of the industrial transformation and with a business model oriented towards growth in renewables, dialogue with Socially Responsible Investors (SRIs), who base their investment decisions on CSR issues, has increased.

The main documents concerning Corporate Governance, to which reference is made in the Report, are available in the Corporate Governance section of the website www.erg.eu

TABLE 1: Structure of the Board of Directors at the closing date of the financial year

Board of Directors													
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List (presenters)**	List (M/m)***	Executive	Non-executive	Independent as per Code	Independent as per T.U.F.	No. other positions (****)	Participation (*****)
Chairman	Edoardo Garrone	1961	16/10/1997	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	yes	No	No	No	2	11/11
Deputy Chairman	Alessandro Garrone °	1963	16/10/1997	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	yes	No	No	No	1	11/11
Deputy Chairman	Giovanni Mondini	1966	16/10/1997	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	No	No	1	10/11
Chief Executive Officer	Paolo Luigi Merli	1971	26/04/2021	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	yes	No	No	No	–	9/9
Director	Luca Bettonte	1963	15/12/2009	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	No	No	1	11/11
Director	Emanuela Bonadiman	1963	26/04/2021	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	yes	yes	1	9/9
Director	Mara Anna Rita Caverni °	1962	24/04/2015	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	yes	yes	3	11/11
Director	Marco Costaguta	1959	20/04/2012	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	No	No	6	11/11
Director	Elena Grifoni Winters	1963	26/04/2021	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	yes	yes	–	9/9
Director	Federica Lolli	1974	26/04/2021	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	yes	yes	1	9/9
Director	Elisabetta Oliveri	1963	23/04/2018	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	M	No	yes	yes	yes	3	10/11
Director	Mario Paterlini	1963	23/04/2018	26/04/2021	Appr. Financial statements 31/12/2023	Shareholders	m	No	yes	yes	yes	1	11/11

Directors who left office during the reference year

Director	Massimo Belcredi	1962	29/04/2003	23/04/2018	Appr. Financial statements 31/12/2020	Shareholders	M	No	yes	No	yes	–	2/2
Director	Barbara Cominelli	1970	24/04/2015	23/04/2018	Appr. Financial statements 31/12/2020	Shareholders	M	No	yes	yes	yes	–	1/2
Director	Silvia Merlo	1968	24/04/2015	23/04/2018	Appr. Financial statements 31/12/2020	Shareholders	M	No	yes	yes	yes	–	2/2
Director	Paolo Francesco Lanzoni	1953	29/04/2003	23/04/2018	Appr. Financial statements 31/12/2020	Shareholders	M	No	yes	No	No	–	2/2

Quorum required for list presentation at the time of last appointment: 1%

Number of meetings held during the reference year: 11

Notes

- This symbol indicates the Director in charge of the Internal Control and Risk Management System.
- ° This symbol indicates the Lead Independent Director (LID)
- * "Date of first appointment" of each Director means the date on which the Director was appointed for the first time (ever) on the Issuer's BoD.
- ** This column indicates whether the list from which each Director was drawn was presented by shareholders (indicating "Shareholders") or by the BoD (indicating "BoD")
- *** This column indicates whether the list from which each Director was drawn is "Majority" (indicating "M") or "minority" (indicating "m")
- **** This column indicates the number of offices as Director or Auditor held by the person concerned in Relevant Companies.
- ***** This column indicates the percentage of participation by Directors in the meetings of the BoD and Committees respectively.

TABLE 2: Structure of the Board Committees at the closing date of the financial year

Board of Directors			Strategic Committee		Control, Risk and Sustainability Committee		Nominations and Remuneration Committee	
Office / Qualification		Members	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Executive	Edoardo Garrone						
Deputy Chairman	Executive	Alessandro Garrone	13/13	P				
Deputy Chairmane	Non-Executive	Giovanni Mondini	13/13	M				
Chief Executive Officer	Executive	Paolo Luigi Merli	13/13	M				
Director	Non-Executive	Luca Bettonte	13/13	M				
Director	Independent as per Italian Consolidated Finance Act and Code	Emanuela Bonadiman					4/4	P
Director	Independent as per Italian Consolidated Finance Act and Code	Mara Anna Rita Caverni			9/9	P		
Director	Non Executive	Marco Costaguta	13/13	M				
Director	Independent as per Italian Consolidated Finance Act and Code	Elena Grifoni Winters					4/4	M
Director	Independent as per Italian Consolidated Finance Act and Code	Federica Lolli			6/6	M	4/4	M
Director	Independent as per Italian Consolidated Finance Act and Code	Elisabetta Oliveri	13/13	M	9/9	M		
Director	Independent as per Italian Consolidated Finance Act and Code	Mario Paterlini						
Directors who left office during the reference year								
Director	Independent as per Italian Consolidated Finance Act	Massimo Belcredi			3/3	M		
Director	Independent as per Italian Consolidated Finance Act and Code	Barbara Cominelli					3/3	M
Director	Independent as per Italian Consolidated Finance Act and Code	Silvia Merlo					3/3	P
Director	Non-Executive	Paolo Francesco Lanzoni					3/3	M
Any members who are not Directors								
Manager of the Issuer / Other		None						
Number of meetings held during the reference year:			13		9		7	

Notes

* This column indicates the percentage of participation by Directors in the meetings of the Committees..

** This column indicates the position of the director within the committee: "C" chairman; "M" member..

TABLE 3: Structure of the Board of Statutory Auditors at year end

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment (*)	In office since	In office until	List (M/m) (**)	Independent as per Code	Number of meetings of the Board of Statutory Auditors (***)	No. others positions (****)
Chairman	Elena Spagnol	1968	03/05/2016	17/04/2019	Appr. Financial Statements 31/12/2021	m	yes	16/16	1
Standing Auditor	Fabrizio Cavalli	1961	17/04/2019	17/04/2019	Appr. Financial Statements 31/12/2021	M	yes	16/16	11
Standing Auditor	Lelio Fornabaio	1970	15/04/2010	17/04/2019	Appr. Financial Statements 31/12/2021	M	yes	15/16	4
Alternate Auditor	Vincenzo Campo Antico	1966	15/04/2010	17/04/2019	Appr. Financial Statements 31/12/2021	M	yes	–	–
Alternate Auditor	Luisella Bergero	1971	23/04/2013	17/04/2019	Appr. Financial Statements 31/12/2021	M	yes	–	–
Alternate Auditor	Paolo Prandi	1961	03/05/2016	17/04/2019	Appr. Financial Statements 31/12/2021	m	yes	–	–
Auditors who left office during the reference year									
None									
Number of meetings held during the reference year: 16									
Quorum required for the presentation of lists by minorities for the election of one or more members (pursuant to Art. 148 of the Italian Consolidate Finance Act): 1%									

Notes

* "Date of first appointment" of each Auditor means the date on which the Auditor was appointed for the first time (ever) on the issuer's Board of Statutory Auditors.

** This column indicates whether the list from which each Auditor was drawn is "Majority" (indicating "M") or "minority" (indicating "m").

*** This column indicates the participation by Auditors in the meetings of the Board of Statutory Auditors.

**** This column indicates the number of offices as Director or Auditor held by the person concerned pursuant to Art. 148-bis of the Italian Consolidated Finance Act and the related implementation provisions contained in the Issuers' Regulation. The complete list of offices is published by CONSOB on its website pursuant to Art. 144-quinquiesdecies of the CONSOB Issuers' Regulation.

PROPOSAL OF THE BOARD OF DIRECTORS

Dear Shareholders, in relation to the results achieved, we invite you to resolve upon the following:

- to approve the Financial Statements of your company at 31 December 2021, which show a profit of EUR 21,126,479.05;
- to resolve to pay to the Shareholders a dividend of EUR 0.9 per share. The dividend will be payable for each share with dividend rights outstanding at the ex-dividend date, excluding the company's treasury shares, in accordance with Article 2357-ter of the Italian Civil Code, via the profit for the year and, for the remaining part, via use of the retained earnings reserve;
- to approve the payment of the dividend as from 25 May 2022, with an ex-dividend date as from 23 May 2022 and record date of 24 May 2022.

Genoa, 14 March 2022

On behalf of the Board of Directors

The Chairman

Edoardo Garrone

