



**REGULATION ON LIMITED MANAGEMENT
AND COORDINATION OF ERG S.P.A.
BY SQ RENEWABLES S.P.A.**

APPROVED BY THE BOARD OF DIRECTORS OF ERG S.P.A.
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A. INTRODUCTION

1. General context and reasons underlying the adoption of the Regulation

- 1.1. SQ Renewables S.p.A. (hereafter also the “**Parent Company**” or “**SQR**”) directly controls – in accordance with Art. 2359 of the Italian Civil Code – ERG S.p.A., a company whose shares are admitted to trading on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A. (hereafter “**ERG**” and, together with SQR, the “**SQR Group**”).
- 1.2. The Parent Company carries out limited management and coordination activity in relation to ERG, in full respect of legislative, statutory and regulatory provisions and of the Corporate Governance Code, in force at the time, as well as in respect of the principle of ERG’s legal and managerial autonomy and of Art. 16 of the Consob Regulation laying down the implementing rules of Italian Legislative Decree no. 58 of 24 February 1998 on markets, established by the legislation in force for joint stock companies listed on regulated markets (“**ERG’s Managerial Autonomy**”).
- 1.3. ERG recognises that SQR is the only entity that performs management and coordination activity, albeit limited to some matters, in relation to ERG itself. Such management and coordination activity does not extend to the companies controlled by ERG in accordance with Art. 93 of Italian Legislative Decree no. 58 of 24 February 1998 (the “**Subsidiary Companies**” and, together with ERG, the “**ERG Group**”), over which ERG itself performs management and coordination activity.
- 1.4. In light of the context described above, SQR considers it necessary to codify – in the spirit of the utmost transparency and subject to respecting ERG’s Managerial Autonomy – a governance system aimed at creating some specific and limited information flows from ERG to SQR and of direction by SQR towards ERG inspired by market best practices, as well as the primary and secondary legislation and the provisions issued

by Borsa Italiana for joint stock companies listed on regulated markets; this is with a view to SQR being able to exercise legitimately and efficiently its limited management and coordination activity according to what is envisaged by (and within the limits of what is regulated in) this Regulation (as defined below) and so that SQR and ERG can operate while collaborating, effectively and efficiently, in execution of this Regulation (as defined below).

1.5. The Parent Company's management and coordination activity is carried out at all times in respect of ERG's corporate interest and in compliance with principles of correct and prudent corporate and business management.

1.6. Even where managerial decisions have been subject to prior consultation with or have been endorsed by the Parent Company or, in any case, have been influenced (within the limits and in respect of the applicable rules of law) by the Parent Company, ERG is required to ensure that any decision adopted respects (i) the corporate interest of ERG itself, (ii) the applicable laws and regulations and (iii) the adequate and prudent management of ERG's activity.

In turn, ERG's management and coordination activity in relation to the Subsidiary Companies is carried out at all times in respect of the corporate interest of the Subsidiary Companies and in compliance with principles of correct and prudent corporate and business management.

1.7. In the context indicated above, SQR has thus decided to adopt this regulation laying down rules on the exercise of the management and coordination activity by SQR over ERG (hereafter, the "**Regulation**"). The rules contained in the Regulation are aimed at ERG – the only company subject to management and coordination by SQR – which will adjust its operating procedures to ensure they are in line with the provisions of this Regulation.

1.8. The responsibility for implementing this Regulation is held by the competent bodies and functions of the companies of the SQR Group, with respect to the role attributed to each of them within the Regulation.

2. Aims and purposes of the Regulation

2.1. This Regulation is aimed at:

- a) identifying and specifying the methods of exercising the limited management and coordination activity by SQR, limited to specific matters; and

b) defining the information flows, strictly functional to the exercise of the management and coordination activity, from ERG to SQR and from SQR to ERG, regulating the relationships between their respective management bodies.

3. Scope of application of the Regulation

3.1. The rules contained in this Regulation apply to SQR and to ERG, in respect, inter alia, of the provisions of the Corporate Governance Code applicable to the same.

4. Definition of “limited management and coordination activity”

4.1. “Limited management and coordination activity” consists of SQR’s right to exercise some powers of management and coordination in relation to ERG through the prior examination of certain acts of management of significance to SQR, developed by ERG’s management body, all in respect of the confidentiality obligations indicated in paragraph 9 below.

5. Areas of responsibility of SQR’s Board of Directors

5.1. With reference to the SQR Group, SQR’s Board of Directors carries out a dual role:

- a) examination and approval of directives given to ERG in relation to specific acts or operations of greatest strategic significance for ERG and, by reflection, for the Parent Company itself or in any case for the ERG Group as a whole (hereafter the “**Significant Operations**”, as listed in paragraph 7.3) below; and
- b) examination of the Relevant Plans (as defined below).

6. ERG’s management body

6.1. ERG’s management body must take into due consideration, after a suitable and autonomous legitimacy assessment, supported, if appropriate, by the board and/or internal committees envisaged by its corporate governance structure, any directives issued by the Parent Company limited to the Significant Operations, without prejudice to the independence of assessment of ERG’s management body and the contents of Art. 2497-ter of the Italian Civil Code.

6.2. Within the limits of applicable legal provisions and the contents of this Regulation, ERG’s management body, by way of its Chief Executive Officer, is also required to collaborate with the Parent Company, providing to the management body of the latter,

where requested, the necessary information for the Parent Company to be able to assume the directives in relation to Significant Operations and to allow the same to verify the correct fulfilment of those directives by ERG, if they are issued in respect of this Regulation.

B. SIGNIFICANT OPERATIONS

7. Examination of Significant Operations

7.1. SQR has the right and the power to issue directives to ERG concerning the completion of Significant Operations, subject in any case to respecting ERG's Managerial Autonomy.

In this perspective, the following is established.

7.2. With reference to the Significant Operations, the procedure indicated in point 5.1(a) above follows the steps identified below:

- ERG's Chief Executive Officer must submit to the board committees (including the Strategic Committee) and/or to the non-board internal committees any proposal relating to a Significant Operation, where the opinion of those committees is required by the applicable provisions of law, regulations or the Corporate Governance Code, and/or by any procedures adopted by ERG;
- a brief description of the essential conditions of the Significant Operation, accompanied by any reasonable details and/or information on the same, must be sent by ERG's Chief Executive Officer to the Parent Company's Chief Executive Officer sufficiently in advance and, if possible, 10 (ten) full days before the date fixed for ERG's board resolution approving the Significant Operation (a deadline which is reduced to 5 (five) full days, in the case of meetings convened urgently);
- SQR's Chief Executive Officer must ensure that a meeting of the Parent Company's Board of Directors is convened, by the same day on which the aforementioned documentation is sent to him; at that meeting, the Board of Directors, after examining the documentation sent by ERG's Chief Executive Officer, within 3 (three) full days from receiving the same, will adopt a resolution on the Significant Operation, expressing a positive or negative opinion;
- once that resolution has been adopted, SQR's Chief Executive Officer will promptly inform in writing ERG's Chief Executive Officer of the respective content, sufficiently

in advance of the ERG board meeting so that it can be examined during that meeting by ERG's directors;

- if no communication is provided by SQR's Chief Executive Officer to ERG's Chief Executive Officer by the day prior to the meeting fixed for ERG's respective board resolution, the act or operation submitted to the Parent Company is considered to be assessed positively by the same;
- a copy of the minutes or an extract of the resolution adopted by ERG's management body must be sent to SQR's Chief Executive Officer within 5 (five) days of being made.

7.3. For the purposes of what is stated above, the following operations that ERG intends to implement are exclusively considered to be Significant Operations:

- a) purchase or sale of investments and/or companies or businesses, or participations in joint ventures or in new *greenfield*¹ projects:
 - i. situated (or that concern entities situated) in jurisdictions sanctioned by the European Union, by the United States, by the United Kingdom, by the United Nations Security Council or by the Italian Republic or entities subjected to economic or financial sanctions, commercial embargo or restrictive measures administered or applied by (i) any government body or agency of the United States of America, therein including, by way of example, the OFAC (Office for Foreign Asset Control), (ii) the United Nations Security Council, (iii) the European Union, therein including sanctions imposed by the Common Foreign and Security Policy of the European Union or its Member States; (iv) the United Kingdom, including HM Treasury; or (v) the institutions and/or government agencies of any one of the aforementioned entities; or

¹ "Greenfield projects" means investments (of control or minority investments) in new projects developed by ERG in the sector of renewable energies or in joint ventures such as solar, onshore and offshore wind, battery energy storage and other "green" technologies forming part of the technologies representing the core business of the ERG Group which are at the basis of the ERG Group's 2022-2026 Business Plan announced on 15 March 2022 (therein including, for the avoidance of doubt, offshore wind technologies) ("**Core Business**").

- ii. whose *Enterprise Value*² exceeds the lesser between (x) 12.5% (twelve point five per cent) of ERG's average market capitalisation in the month preceding the date in which the respective proposal is examined by the Strategic Committee, and (y) Euro 850,000,000 (eight hundred and fifty million), it being understood that in no case will the operations included in this paragraph (ii) be considered as Significant Operations if the *Enterprise Value* of those operations is less than Euro 500,000,000 (five hundred million); or
 - iii. concerning offshore wind projects, whose *Enterprise Value* exceeds Euro 300,000,000 (three hundred million);
- b) issuance of bonds, assumption of guarantees and new borrowing (or refinancing of existing borrowing) which involve for ERG a debt, on a consolidated basis, exceeding the higher between (i) the debt corresponding to the Net Leverage/FFO Ratio³ exceeding 4.2 (four point two), and (ii) the maximum level of debt permitted by Fitch Ratings, Inc, in order for ERG to maintain its investment grade rating; it is understood that if new debt is contracted to finance any operations, the Net Leverage/FFO Ratio will be calculated on a re-determined basis, taking account of the funds from operations ("FFO") deriving from that operation;
- c) with reference to each individual investment, any new capital expenses originally not included or any variations of capital expenses originally included, meaning that the respective investment exceeds by over 30% (thirty per cent) the value originally approved and included in the "Annual budget of investments of ERG and its operating subsidiaries" approved from time to time, on a quarterly basis, by ERG's Board of Directors (the "**Investment Budget**") (the "**Investment Base Value**"), it being understood that (i) in no case will any variations of capital expenses as indicated in this letter (c), at any time during the year, insofar as they are applicable, be considered

2 "**Enterprise Value**" means, with regard to the company and/or business subject to the transaction, the market value of its investments or of the business (as appropriate) and any other fee paid or payable, directly or indirectly, plus the so-called "bridge-to-equity", as defined by the contractual documentation of the operation, or, where this is not defined, the net consolidated financial position of that company or business at the respective reference date. The notion of Enterprise Value must be coherent with that envisaged by the contractual documentation of the respective operation.

3 "**Net Leverage/FFO Ratio**" means the ratio between the net financial debt and funds from operations, as defined from time to time by Fitch Ratings, Inc.

Significant Operations if their total value is less than Euro 60,000,000 (sixty million) per year with respect to the Investment Budget; (ii) the Investment Base Value will be the value in place at the time of the initial approval and inclusion of the respective investment in the Investment Budget; and (iii) to calculate the variation indicated in this letter (c), consideration will also be given to previous variations of capital expenses relating to the same investment with respect to the Investment Base Value, as included in the Investment Budget;

- d) capital expenses that do not relate to the Core Business, exceeding Euro 10,000,000 (ten million);
- e) transactions with related parties – therein including those carried out by way of Subsidiary Companies – which exceed the thresholds of transactions of small amount envisaged by ERG’s “Related Parties Transactions Procedure” in force at the date of adoption of this Regulation, except for transactions to which that procedure does not apply in accordance with the procedure itself or with the law;
- f) proposals to ERG’s shareholders’ meeting on any Significant Operation;
- g) voting instructions to representatives of ERG in the shareholders’ meeting of ERG Power Generation S.p.A. (“EPG”) or any other company controlled directly or indirectly by ERG which, at any time, presents total assets and revenues at least equal to 90% (ninety per cent) of the total, respectively, of assets and revenues recorded by the consolidated financial statements of EPG in the financial year immediately preceding the date of adoption of this Regulation, to be compared on the basis of the last available approved consolidated financial statements of the relevant subsidiary, possibly adjusted to take account of any operations after the date of reference of those financial statements (the “**Relevant Subsidiaries**”) in relation to any one of the following matters:
 - (i) changes to the corporate purpose;
 - (ii) mergers and demergers (excluding partial proportional mergers and demergers in accordance with Articles 2505 and 2505-bis of the Italian Civil Code), dissolution, liquidation, subjection to bankruptcy or other insolvency proceedings (subject to what is envisaged by law);

- (iii) authorisation to purchase ERG shares;
 - (iv) any change of share capital (or of rights connected to the respective shares) and/or issuance of shares (including the delegation to the board of directors of the right to increase the share capital), with the exception of (I) reductions and/or increases of capital in accordance with Articles 2446 or 2447 of the Italian Civil Code, and (II) share capital increases offered on option, provided that the issuance price is at least equal to the market value of the respective stocks or shares;
 - (v) any issuance of financial instruments (including bonds) convertible into shares of the Relevant Subsidiaries;
 - (vi) introduction of a policy on dividends and/or payment of dividends different from what is envisaged by the dividend policy of ERG in force at the time;
- and
- h) issuance of directives for the management body of the Relevant Subsidiaries in relation to Significant Operations.

C. STRATEGIC PLANS

8. Examination of ERG's Strategic Plans

8.1. For the purposes of this paragraph, “**ESG Plan**” means the multiyear plan of the ERG Group in relation to ESG and any respective budgets, approved from time to time by ERG's Board of Directors, and “**Business Plan**” means the multiyear business plan of the ERG Group and any respective budgets, approved from time to time by ERG's Board of Directors.

8.2. If the ESG Plan and/or the Business Plan being prepared include the implementation of at least one Significant Operation (the “**Relevant Plans**”), ERG's Chief Executive Officer will promptly provide to the Parent Company's Chief Executive Officer a copy of those Relevant Plans in order to allow for the performance of what is envisaged in par. 8.3. below and, in any case, at least 10 days before the meeting of ERG's Board of Directors convened to approve the same.

More specifically, the Parent Company's Board of Directors:

- examines the Relevant Plans sent by ERG's Chief Executive Officer, discussing their contents;
- must adopt - where applicable - a resolution on the act or operation contemplated by the Relevant Plans which falls within the scope of Significant Operations, expressing its directives to ERG (positively or negatively);
- following the approval by ERG's Board of Directors, at the next meeting, acknowledges the final contents of those Relevant Plans.

8.3. With reference to the circumstances indicated in paragraph 8.2 above, the intervention of SQR follows the procedure indicated below:

- ERG's Chief Executive Officer must submit to the competent committees any proposal relating to the Relevant Plans to be adopted, in order to obtain the necessary opinions envisaged by the applicable provisions of law, regulations and the Corporate Governance Code, as well as by any procedures adopted by ERG;
- a copy of the Relevant Plans, accompanied by any reasonable details and/or information in relation to the same, must be sent by ERG's Chief Executive Officer to the Parent Company's Chief Executive Officer appropriately in advance, within 10 (ten) full days before the date fixed for ERG's board resolution approving the Relevant Plans;
- SQR's Chief Executive Officer will ensure that a meeting of the Parent Company's Board of Directors is convened, by the same day on which the aforementioned documentation is sent to him. After examining the documentation sent by ERG's Chief Executive Officer, the Parent Company's Board of Directors, within 3 (three) full days from receiving the same, will adopt a resolution on the act or operation that falls within the scope of the Significant Operations contemplated by the Relevant Plans, expressing - limited to those Significant Operations - its directives to ERG, with a positive or negative opinion;
- once that resolution has been adopted, SQR's Chief Executive Officer must promptly inform ERG's Chief Executive Officer in writing of the respective content, sufficiently in advance of ERG's board meeting;

- if no communication is provided by SQR's Chief Executive Officer to ERG's Chief Executive Officer by the day before the meeting fixed for the respective ERG board resolution, the act or operation submitted to the Parent Company is understood to be assessed positively by the same;
- a copy of the minutes or an extract of the resolution adopted by ERG's management body must be sent to SQR's Chief Executive Officer within 5 (five) days of being made.

8.4. If, on the other hand, the ESG Plan and/or the Business Plan do not include the implementation of a Significant Operation, ERG's Chief Executive Officer must send to the Parent Company's Chief Executive Officer promptly and, in any case, within 2 (two) days from the approval of ERG's Board of Directors and in any case after the communication of the same to the market, a copy of those final Plans.

On that occasion, the Parent Company's Board of Directors:

- examines the ESG Plan and/or the Business Plan sent by ERG's Chief Executive Officer, discussing their respective contents, possibly also in the presence of ERG's Chief Executive Officer; and
- acknowledges the contents of those final Plans.

D. MISCELLANEA

9. Confidentiality and management of relevant and inside information

9.1. SQR and the persons who act in its name or on its behalf are obliged to (i) maintain the strictest confidentiality of all news and information received in accordance with this Regulation, concerning, directly or indirectly, ERG, (ii) adopt all necessary measures to maintain their confidentiality even using technological systems suitable for that purpose for the exchange of documents and information, therein including the preparation of reserved accesses for SQR's directors to consult the documentation and (iii) not to disclose the same to third parties, even if bound by the confidentiality obligation, except within the limits to which this is permitted by the applicable provisions, including regulatory.

9.2. Without prejudice to the foregoing, the information flows indicated in this Regulation

will be implemented in full respect of the regulatory provisions in force on “market abuse” and the guidelines produced in that regard by the Supervisory Authority as well as by the “Procedure for the management, processing and communication of relevant and inside information” adopted by ERG.

In particular, the Parent Company is required to (i) identify persons who, based upon a professional collaboration relationship with SQR or in any case the conduct of certain duties for the same, have access to relevant or inside information concerning ERG, (ii) prepare and keep constantly updated the list of the aforementioned persons who have access to relevant information (known as relevant information list) and to inside information (known as insider list), without prejudice to the obligations for ERG, (iii) ensure that all persons appearing in the SQR insider list acknowledge the related legal and regulatory obligations and are aware of the applicable sanctions in the case of abuse and illegal communication of inside information, and (iv) ensure that SQR’s consultants are persons subjected to confidentiality obligations, also by way of signing specific agreements, if they are not already subjected to those obligations based upon the legal and regulatory provisions applicable to the same.

9.3. SQR undertakes not to implement operations of any nature concerning, directly or indirectly, ERG’s financial instruments until the inside information sent by ERG has been made public or has otherwise lost the nature of inside information, with consequent closure of the respective section of the so-called ERG “insider list”.

10. Method of updating and adopting the Regulation

10.1. SQR’s Board of Directors keeps this Regulation constantly updated in light of the evolution of the Group and changes occurring in internal and external contexts, even regulatory, of reference, thereby meaning, inter alia, any modification of the rules of law or regulations, or specific interventions even in terms of mere interpretation and application by the supervisory authorities of listed companies.

10.2. For the purposes of its full effectiveness, this Regulation (along with any amendments or additions) is adopted by the Parent Company’s Board of Directors and sent to ERG for adoption by its management body, subject to the positive opinion of ERG’s Control, Risk and Sustainability Committee.

ERG will adopt this Regulation and will expressly declare to be subject to it by way of the resolution of its management body.

10.3. ERG must communicate to SQR's Chief Executive Officer the date of adoption of this Regulation with the obligation expressly to motivate any derogations from its provisions.

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