

# 2021

## Consolidated Non-Financial Statement

**Executive Summary**  
Our approach to ESG

**We are #SDGsContributors**



# WE ARE ERG

#VALUES

Edoardo Garrone establishes ERG in Genoa.



1938

Production begins at the ISAB refinery in Priolo.



1975

ERG – through ISAB Energy – begins to produce and market electricity from the gasification of heavy refinery residues.



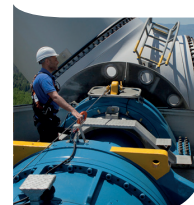
2000

ERG sells 49% of the ISAB refinery to LUKOIL.



2008

ERG becomes the leading wind power operator in Italy with 1,087 MW of installed capacity, and among the top ten in Europe (overall 1,340 MW). It purchases a company for the running and maintenance activities of the wind farms. ERG sells the ISAB refinery and completes its exit from refining.



2013

ERG enters the hydroelectric business with the purchase of the Terni Complex, with plants in Umbria, Marche and Lazio (527 MW). ERG acquires 6 wind farms in France (64 MW) and builds 3 wind farms in Poland totalling 82 MW. Installed wind capacity at year end totals 1,506 MW.



2015

ERG enters the solar sector: 30 photovoltaic plants acquired for 89 MW in operation. Definitive exit from the oil sector with the sale of TotalErg. Installed wind capacity at year end totals 1,822 MW.



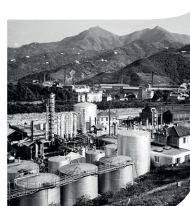
2018

ERG enters the solar sector in Germany: co-development agreement with AREAM (600 MW). Installed wind capacity at year end is 1,967 MW.



2020

1947



Production begins at the refinery in Genoa San Quirico.

1997



ERG is listed on the Italian Stock Exchange.

2006



ERG enters the renewable energy sector by acquiring EnerTAD.

2010



ERG Power's combined cycle power plant starts up (480 MW) fuelled by natural gas. Launch of TotalErg, a joint venture to market petroleum products.

2014



ERG sells its ISAB Energy plant and its ERG Oil Sicilia fuel networks.

2017



ERG continues to grow in the wind sector: 48 MW in operation in Germany, 16 MW in operation in France. Installed wind capacity at the end of 2017 totals 1,814 MW.

2019



With the acquisition of 51 MW, total photovoltaic capacity increases to 141 MW. ERG's wind power business grows in Germany (52 MW) and France (34 MW); over 180 MW under construction in the UK. Installed wind capacity at the end of 2019 totals 1,929 MW.

2021



ERG enters the solar sector in France (79 MW). In wind, ERG enters the market in Sweden, begins operations in the United Kingdom and grows in France and Germany. Installed wind capacity at the end of 2021 is 2,198 MW.

# WE ARE ERG #VALUES



"ERG was a forerunner of the energy transition: we turned towards more sustainable development when we started our business transformation from oil to green, directing our line of action towards renewables when this market was still undergoing its initial development. We have therefore shown that the transition to a sustainable business model is possible and profitable, if approached with determination and pragmatism".

**Edoardo Garrone**  
Chairman of the Board



"From a personal point of view, I was given an important confirmation: only if the company's founding values are rooted in its people is it possible to generate change. In our history we have overcome the effects of a world war, economic and oil crises, we have faced the pandemic challenge and we are ready, well in advance, for the challenge par excellence, that of combating climate change. I can say that this has been possible thanks to the vision and trust of our People who have embraced and supported the change".

**Alessandro Garrone**  
Executive Vice President



"In line with the Group's mission, ERG's strategy will continue to be focused on growth in renewables through a policy of geographical and technological diversification and the progressive securitisation of revenues. The ERG Group's plan for further growth in the RES sector is therefore perfectly in line with the European Union's choice to make the decarbonisation of the economy the distinctive development model in global competition in this century".

**Paolo Merli**  
Chief Executive Officer

## ERG's WHY



**We are #GreenEnERGYMakers**, one of the main European producers of energy from renewable sources.



**We are #SDGsContributors**, our development model is focused on contributing to the achievement of the Sustainable Development Goals set by the UN.

**Our mission: keep growing in RES acting as #SDGs**



# ERG GROUP

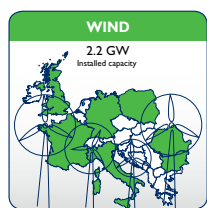
The ERG Group is a major independent operator in the production of electricity from renewable sources such as wind, solar, hydroelectric and high-efficiency, low environmental impact cogenerative thermoelectric power plants.

Management of the industrial and commercial processes of the Group is entrusted to the subsidiary ERG Power Generation S.p.A., which carries out:

- centralised Energy Management & Sales activities for all generation technologies with the mission of securing production through long-term contracts and hedging of merchant positions in line with the Group's risk policies;

- the *Operation and Maintenance* activities of its Italian wind farms and solar plants and part of the plants in France and Germany, as well as the Priolo CCGT plant and the Terni Hydroelectric Complex<sup>1</sup> plants. It provides technical and administrative services in France for both group companies and third parties through its foreign subsidiaries.

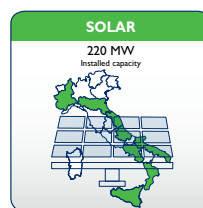
ERG Power Generation S.p.A., with generating facilities comprising roughly 3,425 MW of installed capacity, operates also, directly or through its subsidiaries, in the following electricity generation sectors:



### Wind

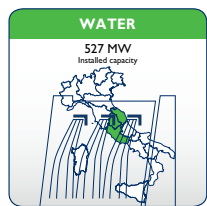
ERG operates in the wind power generation sector with 2,198 MW of installed power. ERG is the leading wind power operator in Italy and one of the top ten in Europe. The wind farms are mainly concentrated in Italy (1,093 MW), but with a significant and growing presence also abroad (1,105 MW),

mainly in France (502 MW), Germany (327 MW), Poland (82 MW), Romania (70 MW) Bulgaria (54 MW) and the UK (70 MW).



### Solar

ERG operates in the generation of electricity from solar power with 220 MW of installed capacity, of which 141 MW in Italy, with 33 photovoltaic plants located in 9 regions, and 79 MW in France with 9 plants acquired in the year.

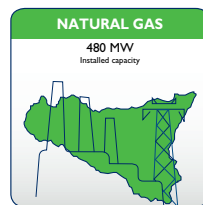


### Hydroelectric

ERG is active in the generation of electricity from hydroelectric sources through an integrated portfolio of assets consisting of 19 power plants, 7 dams, 3 reservoirs and one pumping station, located in the Umbria, Marche and Lazio regions, linked by a network of rivers and canals of over 150 km

with a capacity of 527 MW.

It should be noted that on 2 August 2021 the Group reached an agreement with Enel Produzione for the sale of hydroelectric plants. This transaction was concluded on 3 January 2022.



### Thermoelectric

ERG is active in the generation of electricity from thermoelectric sources through the CCGT plant (480 MW) at the industrial site in Priolo Gargallo (SR), Sicily. This is a high-efficiency, low environmental impact cogenerative power plant (HEC), which uses combined cycle technology

fuelled with natural gas. It entered into commercial operation in April 2010 along with other ancillary plants for the production of steam and, to a lesser extent, of other utilities.

It should be noted that on 9 February 2022 the Group reached an agreement with Enel Produzione for the sale of thermoelectric plants. The transaction is expected to be concluded in the third quarter of 2022.

## TOTAL: 3,425 MW

Wind: 2,198 MW (1,093 MW Italy and 1,105 MW abroad)

Solar: 220 MW (141 MW Italy and 79 MW abroad)

Hydroelectric: 527 MW

Thermoelectric: 480 MW

In construction/RtB: 474 MW

UK: 179 MW

Poland: 60 MW

France: 20 MW

Italy: 153 MW

Sweden: 62 MW

### FRANCE

Wind: 502 MW

Solar: 79 MW

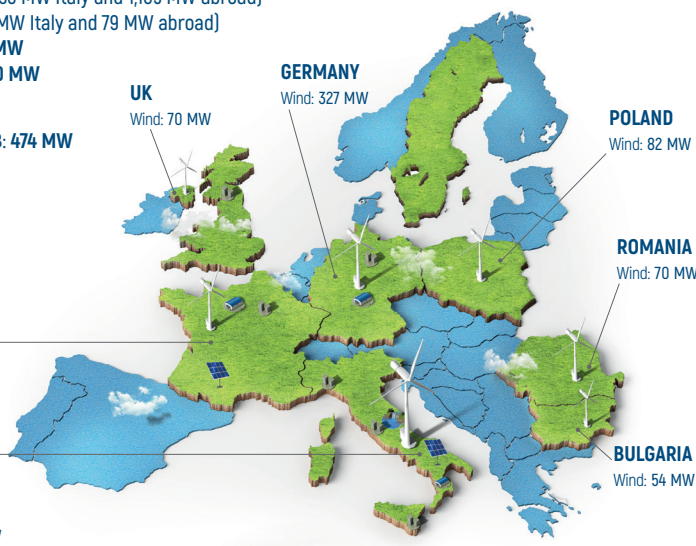
### ITALY

Wind: 1,093 MW

Solar: 141 MW

Hydroelectric<sup>(1)</sup>: 527 MW

Thermoelectric: 480 MW



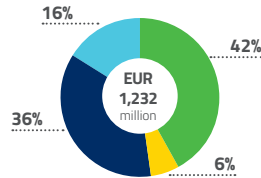
<sup>1</sup> Maintenance of the plants of the Terni Hydroelectric Complex is managed by the staff of the subsidiary ERG Hydro.

# KEY ECONOMIC INDICATORS



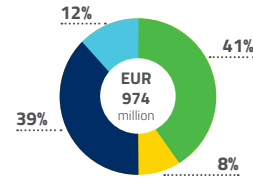
## ECONOMIC DATA

Adjusted revenue



VS

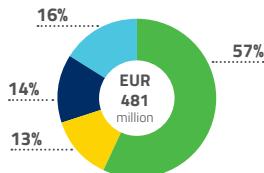
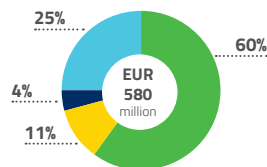
**2020**



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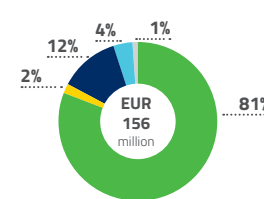
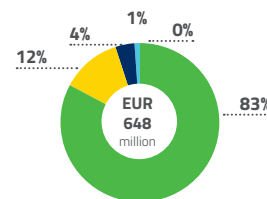
+26%

EBITDA



+21%

Investments



+316%

Net financial indebtedness

EUR 2,051 million

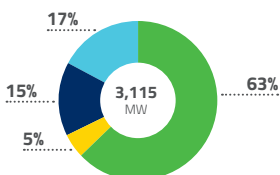
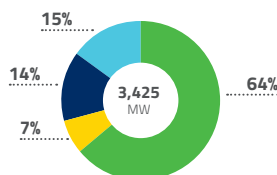
EUR 1,439 million

+43%



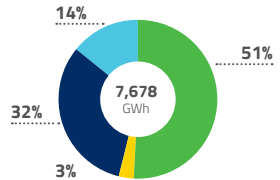
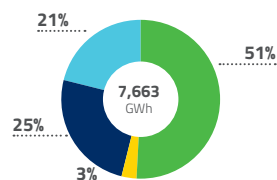
## OPERATING DATA

Installed capacity



+10%

Energy production



0%

Employees at year end

808

784

+3%

# KEY ESG INDICATORS AND RECOGNITIONS



## ESG DATA

		2021	2020	
<b>PLANET</b> 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, ENERGY AND CLIMATE ACTION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	CO <sub>2</sub> avoided (kt)	3,033	2,983	+2%
	Carbon Index (gCO <sub>2</sub> /kWh)	121	150	-20%
<b>ENGAGEMENT</b> 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIP FOR THE GOALS	Contribution to local communities	8,803 k EUR	6,981 k EUR	+26%
	Employees at year end	808	784	+3%
<b>PEOPLE</b> 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	Training per employee	6.2 days	4.9 days	+27%
	Composition of the BoD	12	12	+25%
<b>GOVERNANCE</b> 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 FAIR LABOR AND INDUSTRIAL RELATIONS				

**April 2021**  
**S&P Global Ratings**  
 ERG included in the S&P Global Clean Energy Index  
 ERG is one of the 150 companies on the "Sustainability Leaders" list

**August 2021**  
 Science Based Target approves the emission reduction targets reflected in the 2021-2025 Business Plan  
 ISS assigns ERG the "A-" Corporate Rating, placing the Group in first place in the "Electric" sector

**October 2021**  
 ERG among the 40 blue-chips of the MIB ESG Index of Borsa Italiana

**November 2021**  
 ERG wins the 2021 "Oscar di Bilancio"

**December 2021**  
 CDP confirms ERG's "A-" rating

**January 2022**  
 ERG included in the Bloomberg Gender Equality Index for the first time









**February 2022**  
 ERG included in the CDP Supplier Engagement Leaderboard for the first time

# THE TRANSFORMATION INTO A PURE "WIND & SOLAR" MODEL

ERG has radically changed its business portfolio, anticipating long-term energy scenarios and achieving a leading position in renewables not only in the Italian market but also in Europe. Following the start of ERG's industrial transformation from Oil to Green in 2008, the Company has become a leading independent producer of electricity from renewable sources in Europe. Consistent with the third R of the Industrial Plan presented 2021-2025, the Group has undertaken an important Asset Rotation path to complete its transformation towards a pure "Wind&Solar" business model, reaffirming its leading role in the Energy Transition process and in the decarbonisation path, also envisaged in the ESG plan. On 3 January 2022, ERG completed the sale of its hydroelectric assets to Enel Produzione, with which it subsequently also reached an agreement to sell the Priolo Gargallo CCGT plant. With regard to these sales, thanks to fruitful cooperation with the

trade unions and the serious willingness of the buyer, ERG reached an innovative agreement for the electricity sector that guarantees jobs and other important protections for all the workers who are part of the sold Company. On 1 February 2022, the acquisition of 92 MW of Solar PV in Spain was completed. Following these important transactions, the Group becomes a 100% Renewable operator with an installed capacity of 2,510 MW and a portfolio of assets diversified both technologically and geographically, to which a pipeline of approximately 3,500 MW is added in Wind, Solar and also Storage, both in Italy and in other countries in Europe. The financial resources from the divestment of hydroelectric and thermoelectric assets will give new impetus to growth, as will be shown in the Business Plan update.

## 2022-2026 STRATEGIC PLAN OBJECTIVES

	OBJECTIVES OF THE 2021-2025 BP	NEW TARGETS FOR 2026
 RES portfolio growth	<b>+1.5 GW</b> through Repowering, Greenfield and M&A	<ul style="list-style-type: none"> <li>▪ <b>+2.2 GW 22-26</b> (+309 MW in 2021)</li> <li>▪ <b>4.6 GW</b> of installed capacity in 2026 (+2.5 GW 21-26)</li> </ul>
 Securing of revenue	<b>80%</b> regulated	<ul style="list-style-type: none"> <li>▪ <b>85-90%</b> regulated of total EBITDA</li> <li>▪ 2022: PPA/auction in the UK; PPA in Sweden; auctions for Repowering in Italy</li> </ul>
 Geographical diversification	<b>~10 countries (vs 7 @2020)</b>	▪ <b>9-10 countries: EBITDA abroad of ~50% @2026</b>
 Solar as strategic pillar	<b>+0.5 GW</b> of solar	<ul style="list-style-type: none"> <li>▪ <b>~700 MW</b> of solar (out of 2,200 MW)</li> <li>▪ <b>~20%</b> solar out of total capacity @2026</li> </ul>
 Investment in innovation	<b>Search</b> for opportunities	▪ <b>Launch of the Recharge (Storage) project</b>
 Asset Rotation for Conventional Sources	<b>Asset rotation opportunities</b>	▪ <b>Completion of the sale of the CCGT</b>
 Incorporation of ESG matters	<b>ESG plan</b>	▪ <b>ESG Plan update with more challenging KPIs</b>
 Dividend policy	<b>0.75 €</b> per share	▪ <b>0.90 €</b> per share (+20% vs previous)

## ESG AT THE HEART OF ERG'S STRATEGY


At the same time as the new 2022-2026 Business Plan, the update of the ESG Plan was approved by the Board of Directors on 14 March, integrated into the Group's strategy that maintains the four-pillar structure of the previous plan:

1. Planet: fight against climate change;
2. Engagement: commitment to territories and stakeholders;
3. People: attention to the growth and well-being of people;
4. Governance: governance and management principles and bodies inspired by best practices.







## FROM THE 2021-2025 PLAN TO THE NEW 2022-2026 ESG PLAN

The update of the ESG Plan involved all of Top Management and 38 key leaders in Italy and abroad.

The main changes introduced better align the objectives of the ESG Plan with the new directions of the industrial strategy:




### PLANET

2025 TARGETS (old plan)	2026 OBJECTIVES
<p><b>1. Carbon Neutrality</b></p> <ul style="list-style-type: none"> <li>- Scope 1 in the plan period</li> <li>- Scope 2 in the plan period</li> <li>- Scope 3 by 2040</li> <li>- Carbon Index -30%</li> </ul> <p><b>2. ≥ 98% Circular Wind:</b></p> <ul style="list-style-type: none"> <li>- &lt;2% Wind repowering waste to landfills</li> </ul> <p><b>3. Energy Efficiency:</b></p> <ul style="list-style-type: none"> <li>- +260 kTEE (Thermo)</li> <li>- +40 GWh (Minihydro)</li> <li>- +8.7 GWh (Solar)</li> </ul>	<p><b>1. Net Zero:</b></p> <ul style="list-style-type: none"> <li>- Scope 1 after Asset Rotation</li> <li>- Scope 2 by 2025</li> <li>- Scope 3 by 2040</li> </ul> <p><b>2. Circular Economy:</b></p> <ul style="list-style-type: none"> <li>- ≥ 98% Circular Wind</li> <li>- ≥ 90% Circular Solar</li> <li>- Circular Solar for social purposes</li> </ul> <p><b>3. Energy Efficiency:</b></p> <ul style="list-style-type: none"> <li>- Wind Reblading (+72 GWh)</li> <li>- Solar Revamping (+59 GWh)</li> </ul> <p><b>4. Biodiversity:</b></p> <ul style="list-style-type: none"> <li>- Assessments of the impact on biodiversity for 100% of internally developed RES plants</li> </ul>



### ENGAGEMENT






2025 TARGETS (old plan)	2026 OBJECTIVES
<p><b>4. Next Generation:</b></p> <ul style="list-style-type: none"> <li>- +20,000 students involved in training initiatives (Italy + abroad)</li> </ul> <p><b>5. 1% for the Community:</b></p> <ul style="list-style-type: none"> <li>- &gt;1% of revenues for local community development</li> </ul> <p><b>6. Trust &amp; Reputation:</b></p> <ul style="list-style-type: none"> <li>- Reputation INDEX score &gt; 65/100</li> </ul>	<p><b>5. ERG Academy for Next Generation:</b></p> <ul style="list-style-type: none"> <li>- 20,000 students involved in training initiatives</li> </ul> <p><b>6. 1% for the Community:</b></p> <ul style="list-style-type: none"> <li>- &gt;1% of revenues for local community development</li> </ul> <p><b>7. Trust &amp; Reputation:</b></p> <ul style="list-style-type: none"> <li>- Top performers in the main ESG ratings</li> </ul>



### PEOPLE






2025 TARGETS (old plan)	2026 OBJECTIVES
<p><b>7. Agile Transformation:</b></p> <ul style="list-style-type: none"> <li>- 75% of employees with personal development plans</li> <li>- 100% of employees involved in up-skilling and re-skilling plans</li> </ul> <p><b>8. Diversity &amp; Inclusion:</b></p> <ul style="list-style-type: none"> <li>- &gt; 20% women among key leaders (Managers and Senior Managers)</li> <li>- &gt; 15% key leaders abroad</li> </ul> <p><b>9. Health &amp; Safety, always:</b></p> <ul style="list-style-type: none"> <li>- No workplace deaths, FI &lt;2, SI &lt;1</li> </ul>	<p><b>8. ERG Academy for our People:</b></p> <ul style="list-style-type: none"> <li>- 80% of employees with personal development plans</li> <li>- 100% of employees involved in training plans</li> </ul> <p><b>9. Diversity &amp; Inclusion:</b></p> <ul style="list-style-type: none"> <li>- ≥ 20% women among key leaders (managers and senior managers)</li> <li>- ≥ 20% key leaders abroad</li> <li>- ≥ 25% women in staff</li> <li>- D&amp;I Certification</li> </ul> <p><b>10. Employees' well-being:</b></p> <ul style="list-style-type: none"> <li>- Flexible benefit Plan</li> <li>- Solidarity Holidays Programme extended to the whole Group</li> <li>- post Pandemic smart working</li> </ul> <p><b>11. Health &amp; Safety, always:</b></p> <ul style="list-style-type: none"> <li>- No workplace deaths, FI &lt; 4</li> </ul>



### GOVERNANCE






2025 TARGETS (old plan)	2026 OBJECTIVES
<p><b>10. Sustainability Incentives:</b></p> <ul style="list-style-type: none"> <li>- 100% of incentive plans with ESG targets</li> </ul> <p><b>11. Enhancing Governance Model:</b></p> <ul style="list-style-type: none"> <li>- BoD Independence &amp; Diversity, review of the system of powers in project companies</li> </ul> <p><b>12. Tax Control Framework:</b></p> <ul style="list-style-type: none"> <li>- Extension of the Tax Control Framework abroad (FR, D)</li> </ul> <p><b>13. Sustainable Procurement:</b></p> <ul style="list-style-type: none"> <li>- +10 points in the average score of strategic suppliers</li> </ul>	<p><b>12. Sustainability Incentives:</b></p> <ul style="list-style-type: none"> <li>- 100% of incentive plans with ESG targets</li> </ul> <p><b>13. Enhancing Governance Model:</b></p> <ul style="list-style-type: none"> <li>- BoD Independence &amp; Diversity</li> </ul> <p><b>14. Tax Control Framework:</b></p> <ul style="list-style-type: none"> <li>- Tax Control Framework abroad (FR@2023, D@2024)</li> </ul> <p><b>15. Sustainable Procurement:</b></p> <ul style="list-style-type: none"> <li>- +10 points in the average score of strategic suppliers</li> </ul> <p><b>16. ESG Finance:</b></p> <ul style="list-style-type: none"> <li>- ≥ 90% of Sustainable Finance</li> </ul>



The new ESG plan includes 16 well-defined targets which are measurable through constantly monitored KPIs, in line with 14 of the 17 SDGs of the United Nations and included in the management incentive system.

Within the 16 targets, we have eight strategic priorities that will be the distinctive elements of our ESG plan and eight other targets on projects already underway with a view to continuous improvement.









### THE 8 ESG PRIORITIES...

	<b>PLANET</b>	<ul style="list-style-type: none"> <li>▪ Net zero</li> <li>▪ Circular Economy (Wind &amp; Solar)</li> </ul>
	<b>ENGAGEMENT</b>	<ul style="list-style-type: none"> <li>▪ ERG Academy for Next Generation</li> <li>▪ &gt;1% for Community</li> </ul>
	<b>PEOPLE</b>	<ul style="list-style-type: none"> <li>▪ ERG Academy for ERG People</li> <li>▪ Inclusion &amp; Diversity</li> </ul>
	<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>▪ ESG objectives in MBO and LTI systems</li> <li>▪ ESG Finance</li> </ul>

### ...AND CONTINUOUS IMPROVEMENT on 8 other projects in the pipeline



### THE 2022-2026 ESG PLAN

 <p><b>PLANET</b></p>  <p><b>2026 OBJECTIVES</b></p> <ol style="list-style-type: none"> <li><b>1. Net Zero:</b> <ul style="list-style-type: none"> <li>- Scope 1 after Asset Rotation</li> <li>- Scope 2 by 2025</li> <li>- Scope 3 by 2040</li> </ul> </li> <li><b>2. Circular Economy:</b> <ul style="list-style-type: none"> <li>- ≥ 98% Circular Wind</li> <li>- ≥ 90% Circular Solar</li> <li>- Circular Solar for social purposes</li> </ul> </li> <li><b>3. Energy Efficiency:</b> <ul style="list-style-type: none"> <li>- Wind Reblading (+72 GWh)</li> <li>- Solar Revamping (+59 GWh)</li> </ul> </li> <li><b>4. Biodiversity:</b> <ul style="list-style-type: none"> <li>- Assessments of the impact on biodiversity for 100% of internally developed RES plants</li> </ul> </li> </ol>	 <p><b>ENGAGEMENT</b></p>  <p><b>2026 OBJECTIVES</b></p> <ol style="list-style-type: none"> <li><b>5. ERG Academy for Next Generation:</b> <ul style="list-style-type: none"> <li>- 20,000 students involved in training initiatives</li> </ul> </li> <li><b>6. 1% for the Community:</b> <ul style="list-style-type: none"> <li>- &gt;1% of revenues for local community development</li> </ul> </li> <li><b>7. Trust &amp; Reputation:</b> <ul style="list-style-type: none"> <li>- Top performers in the main ESG ratings</li> </ul> </li> </ol>	 <p><b>PEOPLE</b></p>  <p><b>2026 OBJECTIVES</b></p> <ol style="list-style-type: none"> <li><b>8. ERG Academy for our People:</b> <ul style="list-style-type: none"> <li>- 80% of employees with personal development plans</li> <li>- 100% of employees involved in training plans</li> </ul> </li> <li><b>9. Diversity &amp; Inclusion:</b> <ul style="list-style-type: none"> <li>- ≥ 20% women among key leaders (managers and senior managers)</li> <li>- ≥ 20% key leaders abroad</li> <li>- ≥ 25% women in staff</li> <li>- D&amp;I Certification</li> </ul> </li> <li><b>10. Employees' well-being:</b> <ul style="list-style-type: none"> <li>- Flexible benefit Plan</li> <li>- Solidarity Holidays Programme extended to the whole Group</li> <li>- post Pandemic smart working</li> </ul> </li> <li><b>11. Health &amp; Safety, always:</b> <ul style="list-style-type: none"> <li>- No workplace deaths, FI &lt;4</li> </ul> </li> </ol>	 <p><b>GOVERNANCE</b></p>  <p><b>2026 OBJECTIVES</b></p> <ol style="list-style-type: none"> <li><b>12. Sustainability Incentives:</b> <ul style="list-style-type: none"> <li>- 100% of incentive plans with ESG targets</li> </ul> </li> <li><b>13. Enhancing Governance Model:</b> <ul style="list-style-type: none"> <li>- BoD Independence &amp; Diversity</li> </ul> </li> <li><b>14. Tax Control Framework:</b> <ul style="list-style-type: none"> <li>- Tax Control Framework abroad (FR@2023, D@2024)</li> </ul> </li> <li><b>15. Sustainable Procurement:</b> <ul style="list-style-type: none"> <li>- +10 points in the average score of strategic suppliers</li> </ul> </li> <li><b>16. ESG Finance:</b> <ul style="list-style-type: none"> <li>- ≥ 90% of Green Loans</li> </ul> </li> </ol>
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## THE 2021 REPORTING OF THE ESG PLAN

UN SDGs	2025 TARGETS	2021 REPORTING
<b>PLANET</b>		
    	<p><b>Carbon neutrality</b></p> <p><b>&gt;98% Circular wind</b></p> <p><b>Energy efficiency</b></p>	<ul style="list-style-type: none"> <li>Carbon Index -20%</li> <li>100% reblading blades recovered as secondary solid fuel</li> <li>Renewal of TEE for 10 years for module 1 CCGT</li> <li>Solar: +1,8 GWh (+ 0,5 GWh vs Target 2021)</li> </ul>
<b>ENGAGEMENT</b>		
    	<p><b>Next Generation</b></p> <p><b>1% for the Community</b></p> <p><b>Trust &amp; Reputation</b></p>	<ul style="list-style-type: none"> <li>Italy: 5,832 students</li> <li>2 UK wind farms (Evisshagaran and Craiggore) commissioned in December 2021</li> <li>Score 66.7/100 (target 65/100)</li> </ul>
<b>PEOPLE</b>		
    	<p><b>Diversity &amp; Inclusion</b></p> <p><b>Health &amp; Safety, always</b></p>	<ul style="list-style-type: none"> <li>14% women among key leaders</li> <li>8% key leaders abroad</li> <li>60% women increase in staff</li> <li>D&amp;I Policy Approved</li> <li>FI=2.39 (target 2.95)</li> <li>SI=0.09 (target &lt;1)</li> </ul>
<b>GOVERNANCE</b>		
    	<p><b>Sustainability incentives</b></p> <p><b>Enhancing governance model</b></p> <p><b>Sustainable procurement</b></p>	<ul style="list-style-type: none"> <li>100% MBO/LTI with ESG targets</li> <li>Gender Diversity and Independence in BoD &amp; Board Committees</li> <li>Lead Independent Director</li> <li>2021 Evaluation: +3% (target +2%)</li> </ul>

The results achieved in 2021, the first year of the plan period, are in line with the 2025 targets set out in the 2021-2025 ESG Plan.

## ESG RATINGS

ESG RATING COMPANY	RATING	ESG RATING COMPANY	RATING
			<b>21.2 Medium Risk</b>
			<b>EE+</b>
			
	75/100		
			<b>81 / 100</b>
			ESG Vulnerability Score = Tier 1

## EU GREEN TAXONOMY

Sustainable investments are increasingly popular and interest in green activities is growing strongly. The difficulty for investors is to understand whether an asset can be considered truly green: with the increase in sustainable investments, the need to introduce an objective classification has emerged.

ERG's industrial path and strategic positioning are moving precisely in this direction: already today, more than 60% of revenues and more than 99% of EBITDA are generated by green activities, including revenues from the wind, solar and hydroelectric sectors.

BUSINESS / TECHNOLOGY	ELIGIBLE EU TAXONOMY	ALIGNED EU TAXONOMY (MW)	REVENUE	OPEX	CAPEX	POST ASSET ROTATION		
			ALIGNMENT			REVENUE	OPEX	CAPEX
GROUP			62%	31%	96%	100%	100%	100%
WIND	✓	100%	100%	100%	100%			
SOLAR	✓	100%	100%	100%	100%			
HYDRO	✓	89% <sup>1</sup>	90%	91%	99%	Sold on 3.1.2022		
THERMO <sup>2</sup>	Technology in support of the energy transition: waiting for the final version of the EU delegated acts		0%	0%	0%	Sale being finalised		

(1) The Cotilia and Alviano power plants (60MW - about 11% of installed hydro capacity) do not meet the taxonomy criteria  
 (2) Energy management activities are included in the Power sector, consistent with the approach used in the Management Report

The divestment of plants and the definition of a Wind & Solar business model will lead us to be 100% aligned with the Green Finance Taxonomy.

## ASSESSMENT OF INVESTMENTS ACCORDING TO ESG PRINCIPLES

Following the evolution of the business world's approach which now also considers non-financial values in the evaluation of companies, we have integrated these factors into the evaluation of investments.

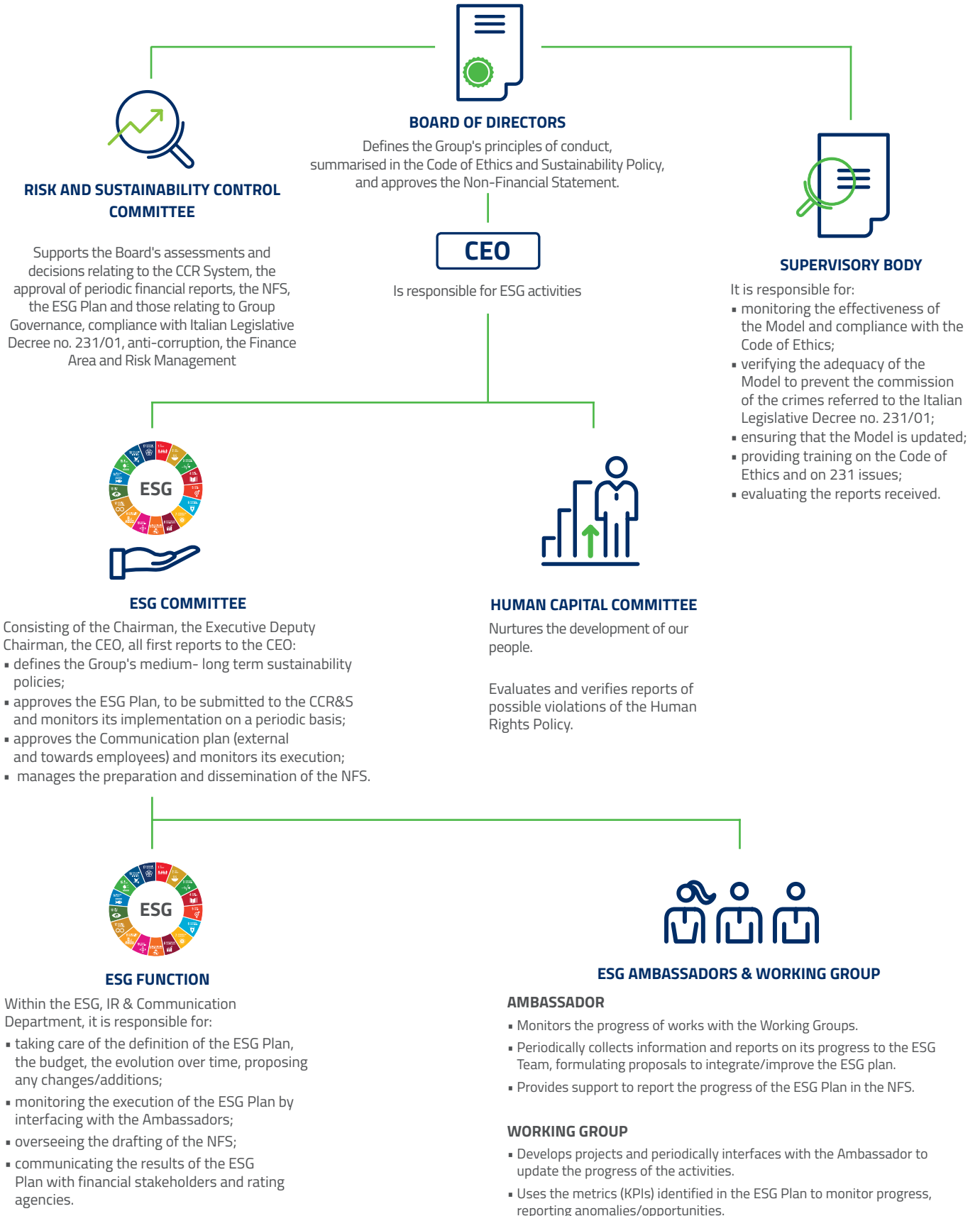
We have developed a framework to analyse the contribution of relevant investments for the ESG Plan by implementing an analysis methodology based on the qualitative assessment of 16 themes.



## THE GOVERNANCE OF SUSTAINABILITY

ESG has been placed at the heart not only of ERG's strategy but also of its own organisation. In April 2021, the new ESG, IR & Communication Department was set up to develop and monitor the implementation of the ESG (Environment, Social and Governance)

Plan and the Non-Financial Statement, and to ensure the development of integrated communication strategies and solutions aimed at ensuring that the group is fully valued by the financial community and all stakeholders.



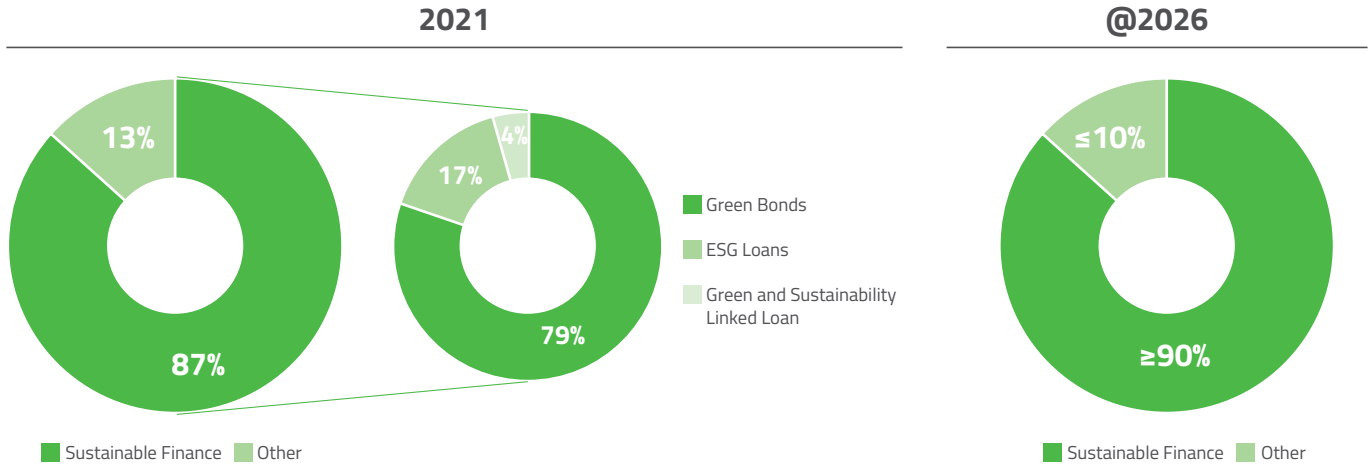
## SUSTAINABLE FINANCE

ERG is now recognised as one of Italy's leading green issuers, ranking fifth among Italian corporate issuers in terms of total amount of green bonds.

At 31 December 2021, Sustainable Finance sources accounted for

87% of total gross debt (equal to EUR 2,038 million out of a total of 2,352 million).

We have a new target of having at least 90% of our funding "Green" by 2026.

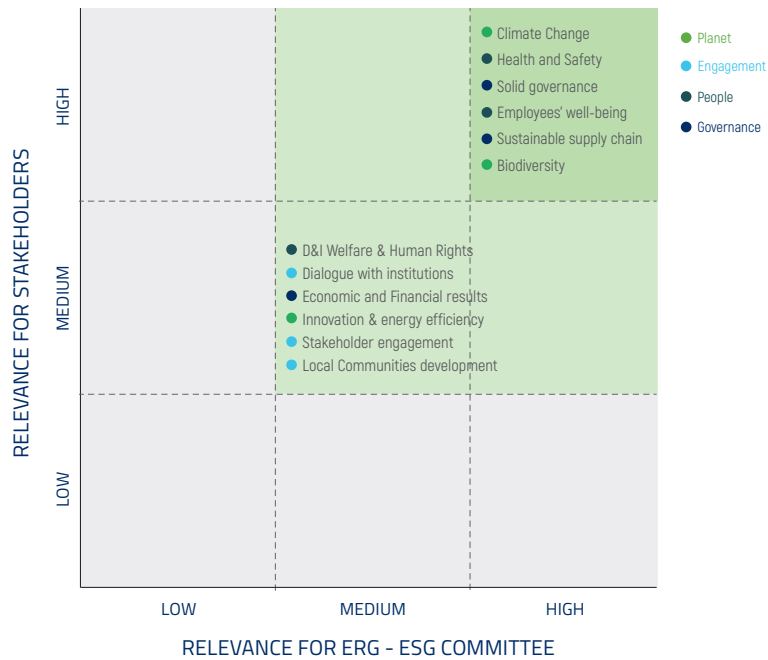


Revenues from Green emissions are earmarked for investments in wind farms and photovoltaic plants that enable the ERG Group to achieve sustainable development in terms of renewable energy produced and corresponding CO<sub>2</sub> avoided.

## MATERIALITY ANALYSIS

The results of the analysis substantially confirmed the issues identified last year. The materiality matrix was submitted to the ESG

Committee and the Control, Risk and Sustainability Committee for evaluation and approval.






# Planet



ERG's development strategy is geared towards the continuous growth of energy production from renewable sources and focuses in particular on combating climate change, decarbonisation

and sustainability, following the United Nations Sustainable Development Goals (SDGs).

## THE OBJECTIVES OF THE NEW 2022-2026 ESG PLAN IN THE PLANET AREA



### PLANET



#### 2026 OBJECTIVES

- 1. Net Zero:**
  - Scope 1 after Asset Rotation
  - Scope 2 by 2025
  - Scope 3 by 2040
- 2. Circular Economy:**
  - ≥ 98% Circular Wind
  - ≥ 90% Circular Solar
  - Circular Solar for social purposes
- 3. Energy Efficiency:**
  - Wind Reblading (+72 GWh)
  - Solar Revamping (+59 GWh)
- 4. Biodiversity:**
  - Assessments of the impact on biodiversity for 100% of internally developed RES plants

**NET ZERO:**  
we have the ambitious goal of becoming Net Zero by 2040.

**CIRCULAR ECONOMY:**  
we want to recover at least 98% of the materials from our repowering projects (Circular Wind) and at least 90% of the panels in our revamping project (Circular Solar); part of the disassembled technologies will be reused for the benefit of communities needing energy.

**ENERGY EFFICIENCY:**  
we will work to increase the efficiency of our plants through solar repowering and wind reblading projects.

**BIODIVERSITY:**  
we will continue to ensure that 100% of our development projects also have a biodiversity and environment assessment associated with them.

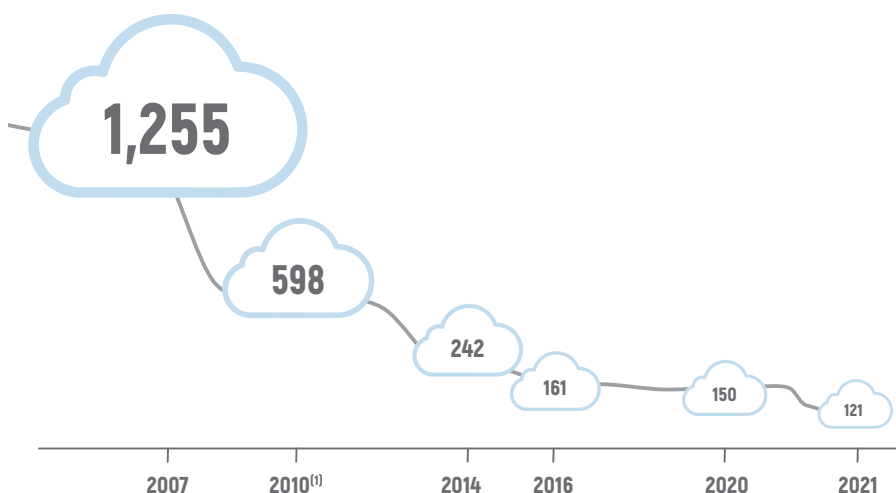
## TOWARDS "NET ZERO"

At the end of 2021, the carbon intensity of ERG's generation portfolio stood at 121 gCO<sub>2</sub>/kWh, equal to about one quarter of the average intensity of Italian generation and about a fifth of that in Europe (source: Terna).

In line with the Group's ESG Plan, the emission factor has been reduced by 20% compared to 2020. Within the Plan period, we aim to become "Net Zero" for Scope 1 following asset rotation and Scope 2 by 2025.

### PRE ASSET ROTATION

### POST ASSET ROTATION



(1) The two discontinuous points are related to the start-up of ERG Power's plant that replaced the previous thermoelectric plants in 2010 and the sale of the ISAB Energy plant in 2017.

## OUR EMISSIONS

EMISSION SOURCE (kt)	2021	2020	2019
CCGT CO <sub>2</sub> Emissions	921.3	1,147.5	1,154.8
Other Scope 1 emissions	0.8	0.4	1.3
Emissions from indirect energy consumption - Scope 2 - Market based	0.8	1.3	1.4
Scope 3 emissions generated by capital goods wind	26.0	26.0	31.0
Scope 3 emissions generated by capital goods solar	8.0	n.a.	n.a.
<b>GROUP TOTAL</b>	<b>956.9</b>	<b>1,175.2</b>	<b>1,188.5</b>

### Scope 1 emissions

Almost all of our direct emissions come from the activities of ERG Power's CCGT plant for which the transfer agreement was signed on 9 February 2022. The transformation towards a pure Wind & Solar model will substantially eliminate our direct emissions.

### Scope 2 emissions

On the other hand, our indirect greenhouse gas (GHG) emissions from energy consumption are generated by the purchase of national grid electricity required to operate plants that are not generating, and by condominium services for offices. In 2021, the percentage of renewable energy supplies was equal to around 94% with an estimated saving of around 13,000 tons of CO<sub>2</sub>.

2016	2017	2018	2019	2020	2021
<b>51%</b>	<b>84%</b>	<b>86%</b>	<b>89%</b>	<b>90%</b>	<b>94%</b>

### Scope 3 emissions

In 2021, considering the evolution of our business towards a wind & solar only model, we have tried to expand reporting to those technologies that represent our future. The calculation of Scope 3 emissions for these technologies was based on documentation produced by our suppliers, who provided us with Life Cycle Assessment (LCA) studies of the wind turbines and solar panels.

The total Scope 3 emissions generated by capital goods wind amount to 26 ktCO<sub>2</sub>e: the data have been calculated according to LCAs for about 85% of production, and through a weighted average of the LCAs for the residual part. Those of the solar plants are estimated at about 8 ktCO<sub>2</sub>e and refers to the total annual production.

## Science Based Target approves carbon reduction targets linked to the new business plan

ERG continued its decarbonisation path with the certification of the carbon footprint reduction targets defined in the 2021-2025 Business and ESG Plan: after the Science-Based Target commitment signed in 2019, we obtained certification with the new business plan in 2021. At the end of the process of analysing our emissions and in line with the asset rotation project, SBT approved our reduction targets,



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

which are considered in line with the level of decarbonisation required to keep the global temperature increase well below 2°C. ERG's commitment is focused on: - reducing the carbon index of our production by 45% for MWh by 2025 compared to 2020; - increase the share of energy from renewable sources from 94% in 2020 to 96% in 2025.

## CIRCULAR ECONOMY

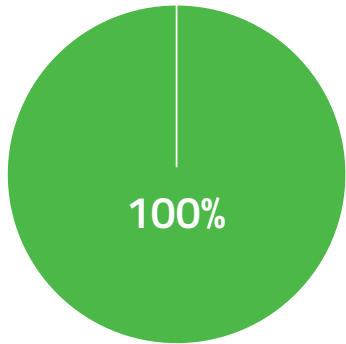
All 167 blades derived from the Lacedonia/Monteverde wind farm reblading project were dismantled and disposed of by sending

them for recovery as secondary solid fuel through a collection and treatment centre at a cement plant near the plant area.



### Circular Wind

Reblading - Lacedonia Monteverde



BLADES RECOVERED = BLADES DISPOSED



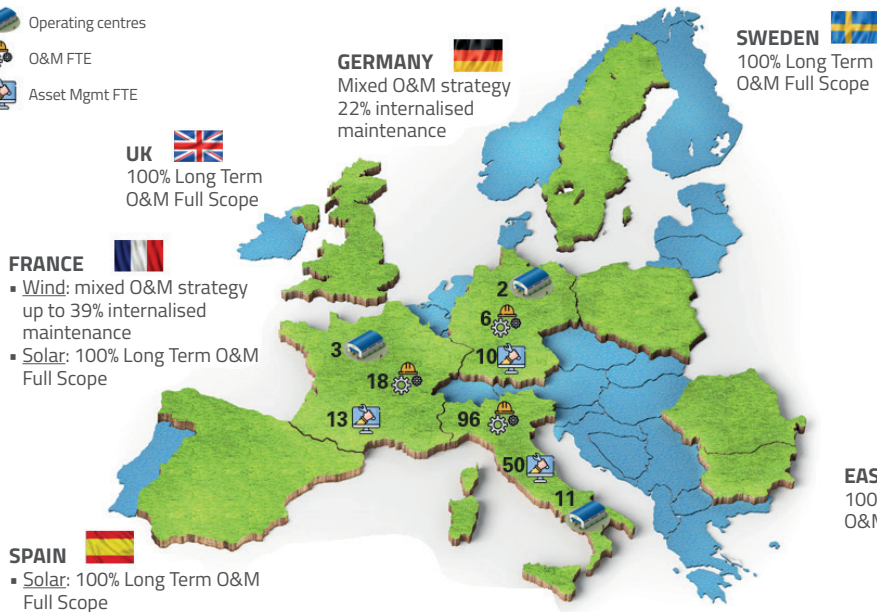
## ENERGY EFFICIENCY

Energy efficiency is at the heart of the Group's plant management: strengthened by our industrial approach, we have internalised Operations & Maintenance (O&M) activities in our wind farms, adopting predictive maintenance logic. As a result, we have developed a customised approach to maintenance based on Condition Based Maintenance. Thanks to this initiative, the Life Time Extension programme was launched, which

aims to extend the operating life of wind turbines beyond the 20-year validity of the manufacturer's certificate. In 2021 we achieved all our targets by certifying 17 plants in Italy and Germany for an installed capacity of over 200 MW. The 2022 "certifications" plan will cover an additional 100 MW of installed capacity. Following the revamping of module 1, the Energy Efficiency Certificates were renewed for 10 years at the CCGT.

## O&M strategy

- Operating centres
- O&M FTE
- Asset Mgmt FTE



### O&M STRATEGY 2021-2025

- Plant life extension
- Optimisation of O&M contracts
- Increased internalisation of O&M
- "Global Spare Parts" approach and long-term sustainable supply chain



# Engagement



The attention of companies and citizens in general to environmental and economic sustainability has further increased, not least as a result of the pandemic crisis which has transformed the social, economic and cultural landscape. Several signals, some already present in the pre-Covid-19 era, anticipated the need for a different capitalism, "Stakeholder Capitalism", which invites companies to

focus on the needs of all stakeholders through proactive dialogue with each of them to understand mutual needs. After a process of radical and rapid transformation of our business, we have grown to deeply believe in our mission as independent producers of electricity from renewable sources, reaching a European dimension.


## Glasgow COP26

With the focus on renewable energy and ERG's significant growth in the UK and Europe, the presence of COP26 in Glasgow was an important opportunity for the Group to position itself and try to push conference participants towards an ambitious agreement. This is why we at ERG wanted to be there: to tell about our experience as a "green" company and our future plans.


A story of transformation that can be an example not only for other companies but also for governments and international institutions, because it shows how the objectives of combating climate change can be achieved, as well as the complete decarbonisation of our production systems towards a Net Zero model, without sacrificing the quality of modern life.



### THE OBJECTIVES OF THE NEW 2022-2026 ESG PLAN IN THE ENGAGEMENT AREA



## ENGAGEMENT



**2026 OBJECTIVES**

- 5. ERG Academy for Next Generation:**  
- 20,000 students involved in training initiatives
- 6. 1% for the Community:**  
- >1% of revenues for local community development
- 7. Trust & Reputation:**  
- Top performers in the main ESG ratings

#### 1% FOR COMMUNITY

To support the social development of the local communities where we operate and to fully support our territories, we have defined a contribution of at least 1% of turnover.

#### ERG ACADEMY FOR NEXT GENERATION

We want to involve the Next Generation in educational activities on the topics of Sustainability and Renewable Energy, with a target of at least 20,000 students per year @2026. We will lay the foundations for setting up a real academy that will include training programmes for both the younger generation and for our own people.

#### TRUST & REPUTATION

We will maintain the ESG ratings of the major agencies among the "TOP Performers".

## MAIN ENGAGEMENT INITIATIVES 2021

### March 2021

Together with other operators in the wind sector, ERG participates in the initiative "Accademia Italiana del Vento"

### July 2021

- ERG supports the second-level Master in Energy and Sustainability (MEET) at the University of Genoa



- ERG participates in Energy Day Sicilian Region

### September 2021

- ERG wind farms are included in Legambiente's "Tourist Guide to Italian Wind Farms", sponsored by ANEV

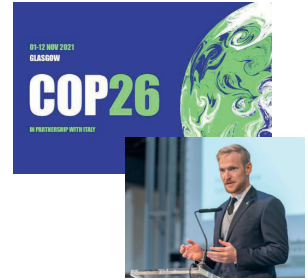


- On the occasion of Pre Cop and Youth 26, ERG organises a conference to discuss the topic of energy transition



### November 2021

- At COP26, ERG participates in the conference "Opportunities for a Greener Transition: Italian Industry's Best Practices in the UK towards Net-Zero"



- ERG supports the "Sicilia Carbon Free" campaign dedicated to the dissemination of the principle of energy efficiency and information on renewable sources



- ERG participates in several working tables at the Electric City 2021 event organised by Wind Europe in Copenhagen



### February 2021

Official award of the winners of the competition "La bellezza del vento."



### June 2021

ERG participates in Borsa Italiana's Sustainability Week, meeting with 17 companies



### August 2021

ERG launches the Beyond Net Zero competition dedicated to university students, regarding what the ERG of the future will look like



### October 2021

ERG is a partner of the 19th edition of the "Festival della Scienza" in Genoa



ERG organised the round table "Renewable technologies and landscape in the energy transition challenge" at the Radura della Memoria Ponte San Giorgio - Genoa



## STRENGTHENING OUR ENGAGEMENT WITH LOCAL COMMUNITIES

We consider being present in a territory as developing and maintaining a transparent system of relations with the local community and identifying and developing specific initiatives, favouring the widespread social and economic well-being of the

community. Therefore, the Group's activities in the reference territories also include a range of activities agreed upon with the most representative institutions and organisations that allow the value of initiatives to be shared with the entire community.



## SHARING VALUE FOR THE GROUP

CONTRIBUTIONS TO LOCAL COMMUNITIES (k Euro)	2021		2020
	Group	W&S	Group
Royalties paid to local communities for the presence of wind and solar power plants in Italy	7,880	7,880	4,200
Support to local communities in relation to the Covid-19 emergency	0	0	1,020
Support to local communities in relation to the Morandi Bridge collapse	0	0	400
Sponsorships	326	305	437
Other donations	597	520	924
<b>COMMUNITY TOTAL</b>	<b>8,803</b>	<b>8,705</b>	<b>6,981</b>
Turnover	1,232,000	590,000	974,000
<b>COMMUNITY SHARE AS A PERCENTAGE OF TURNOVER</b>	<b>0.7%</b>	<b>1.5%</b>	<b>0.7%</b>



# People



## PEOPLE AT THE CENTRE OF OUR STRATEGY

Still characterised by the Covid-19 pandemic, the year 2021 saw the emergence, now more than ever, of the importance of certain social issues involving businesses and their relationships with their people:

- The need for an open and inclusive work environment in order to attract and also retain talent;
- In a constantly evolving world, a fundamental condition for the enhancement of people is highly specialised and innovative

- training in order to lay solid foundations for developing the skills needed for the future;
- the pandemic has increasingly definitively changed employment relationships. Smart working is a new way of working and companies that can offer flexibility to support work-life balance will have a competitive advantage and a strong attraction for new talent.

## THE OBJECTIVES OF THE NEW 2022-2026 ESG PLAN IN THE PEOPLE AREA



### PEOPLE






2026 OBJECTIVES

**8. ERG Academy for our People:**

- 80% of employees with personal development plans
- 100% of employees involved in training plans

**9. Diversity & Inclusion:**

- ≥ 20% women among key leaders (managers and senior managers)
- ≥ 20% key leaders abroad
- ≥ 25% women in staff
- D&I Certification

**10. Employees' well-being:**

- Flexible benefit Plan
- Solidarity Holidays Programme extended to the whole Group
- Post Pandemic smart working

**11. Health & Safety, always:**

- No workplace deaths, FI <4

### ERG ACADEMY:

we have defined growth programmes for our people with objectives both in terms of individual development plans (at least 80% of ERG People) and in terms of training (for 100% of our people).

### DIVERSITY & INCLUSION:

we have the objective of increasing the percentage of women among key leaders to at least 20% by 2026, and we will work towards having 20% key leaders in our international offices by the end of the plan. We intend to reach at least 25% of women within the Group. We aim to obtain Diversity & Inclusion certification.

### "EMPLOYEES' WELL-BEING":

we want to export "solidarity holidays" abroad, we have defined a Group-wide flexible benefits programme and we will provide our people with the option of post-pandemic smart working.

### HEALTH & SAFETY, ALWAYS:

we will continue to ensure high international HSE standards for a safe working environment in terms of both the health and safety of all people.

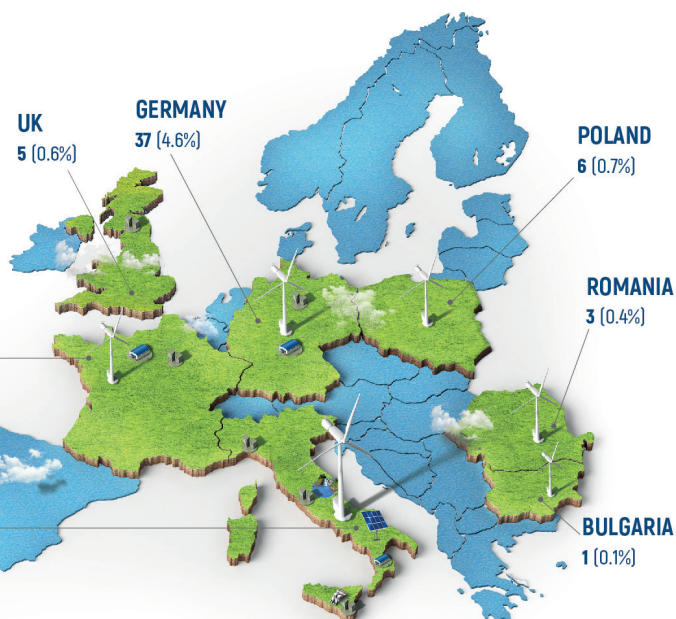
**TOTAL: 808**

 **620** (76.7%)

 **188** (23.3%)

**FRANCE**  
**68** (8.4%)

**ITALY**  
**688** (85.1%)



## HUMAN CAPITAL MANAGEMENT AND DEVELOPMENT

ERG's Human Capital is based, on the one hand, on Organisational Development and, on the other, on Talent Management, which facilitate the achievement of corporate results. ERG cyclically defines its Leadership Model to engage people on the "methods" to achieve results: values, skills and behaviours that also drive career development within the Group.

Our Human Capital Committee defined our current Leadership Model to support our 2018-2022 strategic plan and it has been reconfirmed with the new Plan.

The processes that drive the development of our People implement the Leadership Model as individual and collective operational plans and can be managed through a portal that everyone can access from the day they are hired.



## INCENTIVE SYSTEMS

Since 2021, with the launch of the 2021-2025 ESG Plan, sustainability objectives have become an integral part of the short-term (MBO) and medium/long-term (LTI) incentive systems: in addition to components based on the Group's objectives and growth or personal objectives, are also remunerated based on the achievement of common sustainability objectives defined in line with the ESG Plan, which are composed of the following objectives linked to the Plan's sustainability pillars: Planet, Engagement, People, Governance.

The **short-term** incentive is dedicated to the CEO, Executives and a selected population of professionals: 20% of the total variable remuneration for the CEO and 10% for the other participants.

The system is based on a Management By Objectives (MBO) approach in which the chosen balance between Group Economic, Sustainability and individual objectives has been defined to further support the development of leadership and individual initiative with a view to sustainable success.

The results achieved in 2021 are in line with the targets defined by the remuneration system.

The **Medium/Long-Term (LTI) Incentive System** is defined in line with the objectives of the 2021-2023 Business Plan and its time horizon is aligned with the duration of the three-year mandate of the Board of Directors.

Sustainability	Unit of measurement	Result	Minimum 80%	Target 100%	Cap 120%	Result 2021	Result total
Planet: Circular Wind	%		<div style="width: 100%;"></div>			120%	119%
Engagement: contributions to the communities of the UK wind parks	Time and quantity	2 parks by 12/21	<div style="width: 100%;"></div>			120%	
People HSE	Index	FI 2.39 SI 0.07	<div style="width: 93.3%;"></div>			112%	
People D&I: increase in female workforce	Index	60%	<div style="width: 60%;"></div>			120%	
Governance: Sustainable Procurement	Index	55.8%	<div style="width: 55.8%;"></div>			120%	

## DIVERSITY & INCLUSION

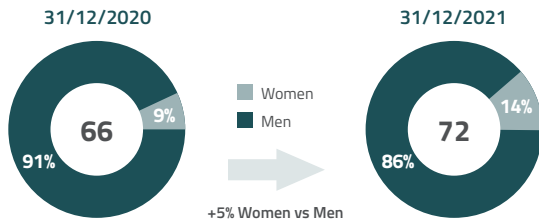


On 30 July 2021, ERG issued the Diversity & Inclusion Policy, which sets out ERG's commitment to creating an increasingly inclusive company, as having multiple ideas and experiences is crucial for generating innovation and value for ERG and its stakeholders.

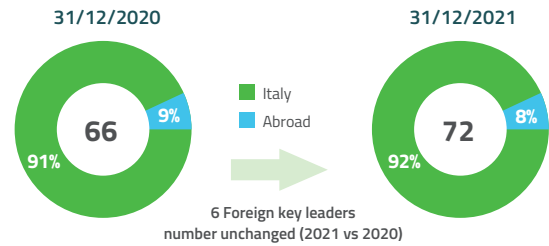
In the 2022-2026 ESG Plan, we aim to:

- increase the percentage of women among key leaders to at least 20%
- increase the percentage of key leaders abroad to 20%
- reach at least 25% of women within the ERG Group
- obtain Diversity & Inclusion certification.

Women/Men



Italy/Abroad



## The Diversity & Inclusion path in ERG: @2021

GOVERNANCE	PROCESSES	CULTURAL FACTORS	2021 ACTUAL
<ul style="list-style-type: none"> <li>▪ Growth of women in the Board from 33% to 42%</li> <li>▪ Inclusion of D&amp;I in ESG plan priorities</li> <li>▪ Review of plan targets</li> <li>▪ D&amp;I objectives in MBO / LTI</li> <li>▪ D&amp;I Policy Issues</li> <li>▪ Inclusion in Bloomberg's Gender Equality Index</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inclusion of 2 women in recruitment shortlists</li> <li>▪ Employer Branding Actions</li> <li>▪ Talent Pool Design</li> <li>▪ Intra-company training and mentorship with Valore D</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Valore D" Survey</li> <li>▪ Internal Reputation and Strategic Alignment Survey (Rep Trak)</li> <li>▪ Training programmes:                             <ul style="list-style-type: none"> <li>- Inclusive leadership</li> <li>- Unconscious Bias</li> <li>- Inclusive language</li> <li>- Multiculturalism</li> <li>- Multicultural Recruitment</li> </ul> </li> <li>▪ Inclusive language course</li> </ul>	<ul style="list-style-type: none"> <li>▪ +2 female executives of which 1 directly reporting to the CEO</li> <li>▪ +4 women among key leaders (Managers and Senior Managers)</li> <li>▪ +1.2% women in the total number of employees (equivalent to 60% new women over net workforce increase in 2021)</li> <li>▪ 54% placement in foreign countries</li> <li>▪ 8 Role Model STEM</li> <li>▪ 932 hours of D&amp;I training</li> </ul>

## Gender-Equality Index

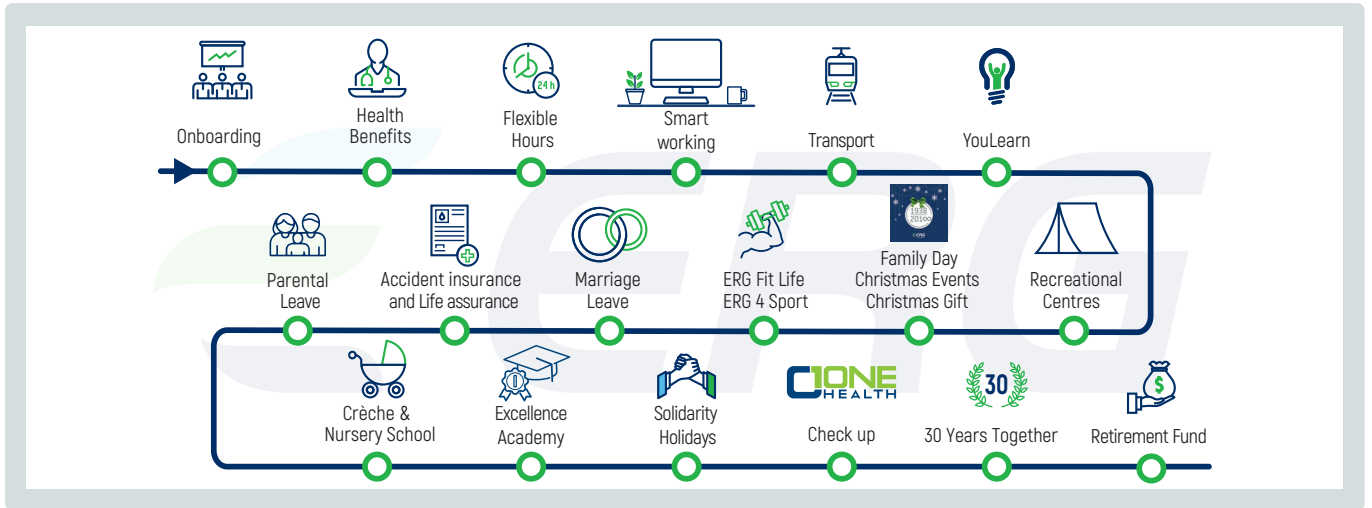
In January 2022, ERG was included in Bloomberg's Gender Equality Index (GEI): the index includes 418 companies in 45 countries around the world. It measures their commitment to supporting gender equality by promoting a more inclusive environment and ensuring transparent and comprehensive disclosure.



## EMPLOYEES' WELL-BEING

The integrated welfare model has been developed over 80 years of history and is built around people with the objective of meeting the needs of employees and their families and improving their quality of life. The system accompanies individuals from the time they are hired, through the "onboarding" process and the various stages of

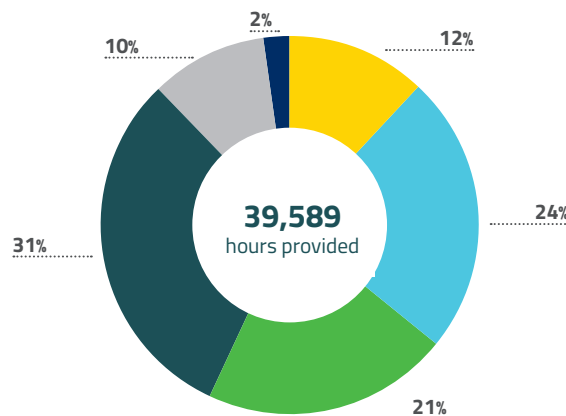
their life both in the company and in private life, until their natural exit from the working world. In the 2022-2026 ESG Plan, we have set targets for flexible benefits, extended solidarity holidays abroad and post-pandemic smart working.



## TRAINING



Overall, 39,589 hours of training were provided in 2021: a 37% increase compared to the previous year. Employees attended 49 average per-capita hours, equal to over 6 days per employee (compared to 4.9 days in 2020). 97% of people participated in at least one training event (vs 95% in 2020). In the 2022-2026 ESG Plan, we have set ourselves the goal of having 100% of the population involved in training activities.



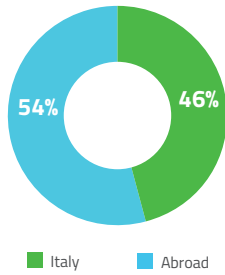
■ Languages 
 ■ Managerial 
 ■ Health and Safety 
 ■ Technical and specialist 
 ■ On the Job Training 
 ■ Compliance

## THE SEARCH FOR NEW TALENT

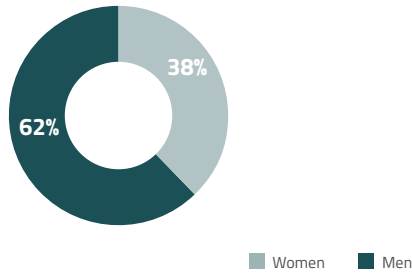
74 people joined the ERG Group in 2021, 65% of whom came from direct applications, networking or ad hoc meetings at universities or schools of higher education, and the remaining 35% with the support of a headhunter.

In addition to Italy, recruitment mainly concerned France and Germany, in line with our strategy of growing in Europe and becoming increasingly international.

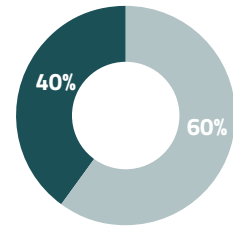
HIRES BY GEOGRAPHY



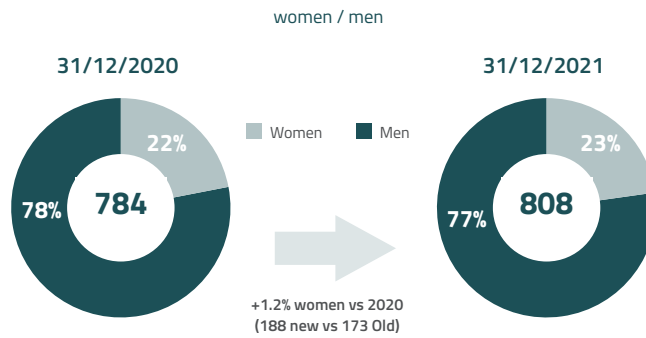
HIRES BY GENDER



NET WORKFORCE INCREASE



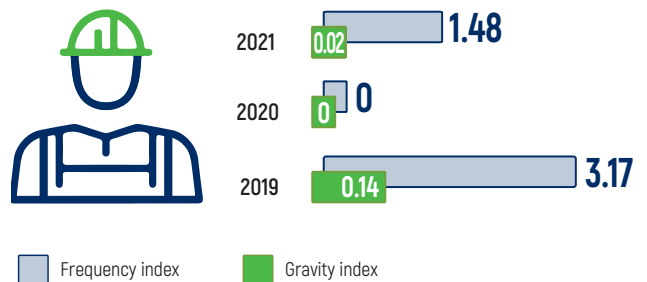
TOTAL WORKFORCE



## HEALTH & SAFETY, ALWAYS

For us, "Health and Safety, always" means putting the health and safety of those who work for us and with us first by fostering a culture of health in the workplace and enabling accident prediction.

Internal accident indices





ERG

WTC

# Governance



## THE OBJECTIVES OF THE NEW 2022-2026 ESG PLAN IN THE GOVERNANCE AREA



### GOVERNANCE






**2026 OBJECTIVES**

- 12. Sustainability Incentives:**  
- 100% of incentive plans with ESG targets
- 13. Enhancing Governance Model:**  
- BoD Independence & Diversity
- 14. Tax Control Framework:**  
- Tax Control Framework abroad (FR@2023, D@2024)
- 15. Sustainable Procurement:**  
- +10 points in the average score of strategic suppliers
- 16. ESG Finance:**  
- ≥ 90% of Sustainable Finance

### SUSTAINABILITY INCENTIVES:

we plan to include ESG targets in all short-term (MBO) and long-term (LTI) incentive schemes

### ENHANCING GOVERNANCE MODEL:

fostering diversity and the independence of the Parent Company governing bodies and management and its subsidiaries.

### TAX CONTROL FRAMEWORK:

we have decided to implement the Tax Control Framework (TCF) in France in 2023 and Germany in 2024.

### SUSTAINABLE PROCUREMENT:

we will increase the average supply chain scoring by 10 percentage points through actions aimed at improving the ESG profile of our suppliers.

### SUSTAINABLE FINANCE:

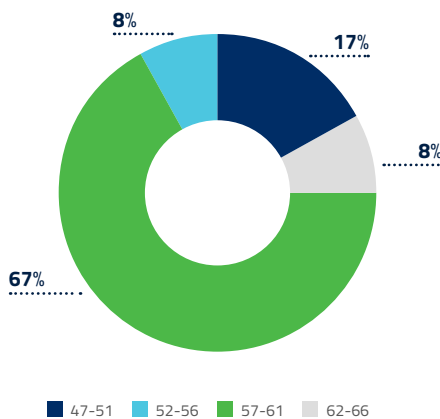
we aim to ensure increasingly Green financial strategies, with 90% of funding "Green" @2026.

## THE NEW BOARD OF DIRECTORS

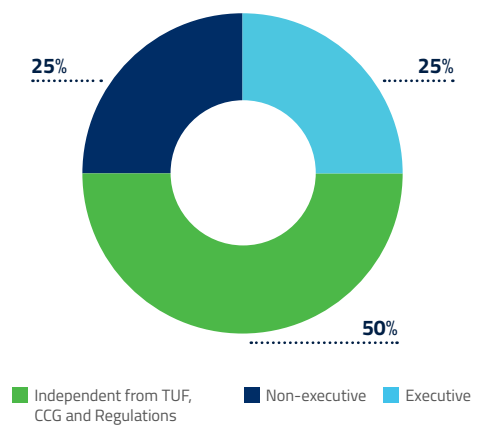
A new Group Board of Directors was appointed in 2021, which saw a decrease in the average age and an increase in gender diversity: it is

composed of 5 women (42% of the members) and 7 men.

Composition by age group



Composition by qualification



In the 2022-2026 ESG Plan, we have set concrete and measurable objectives in the area of sustainable incentives, enhancing governance model, sustainable procurement and tax control framework. Our Corporate Governance is structured according to the model of Borsa Italiana's Corporate Governance Code, according to which:

- the Board of Directors, appointed by the Shareholders' Meeting, is responsible for determining and achieving the strategic objectives of both the Company and the entire Group;
- the Board of Statutory Auditors, again appointed by the Shareholders' Meeting, has supervisory duties.

## CORPORATE BODIES AND BOARD COMMITTEES



### 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 independent<sup>1</sup>.  
Held 11 meetings in 2021, with an average duration of around 3 hours.



### BOARD OF STATUTORY AUDITORS

Monitors compliance with laws and with the Articles of Association, with the principles of sound management, the adequacy of the ICRM System<sup>2</sup> and the independence of the Independent Auditors.

Composed 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 COMMITTEE<sup>2</sup>

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.

Consisting of a Chairman and 2 members, all of which independent<sup>1</sup>. 9 meetings were held in 2021 which lasted on average about 2 hours.



### NOMINATIONS AND REMUNERATION COMMITTEE<sup>3</sup>

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.

Consisting of a Chairman and 2 independent members. 7 meetings were held in 2021 which lasted on average about 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.

Consisting of a Chairman and 5 members (2 executive and 4 non-executive, of which one independent).  
13 meetings were held in 2021 which lasted on average about 4 hours.



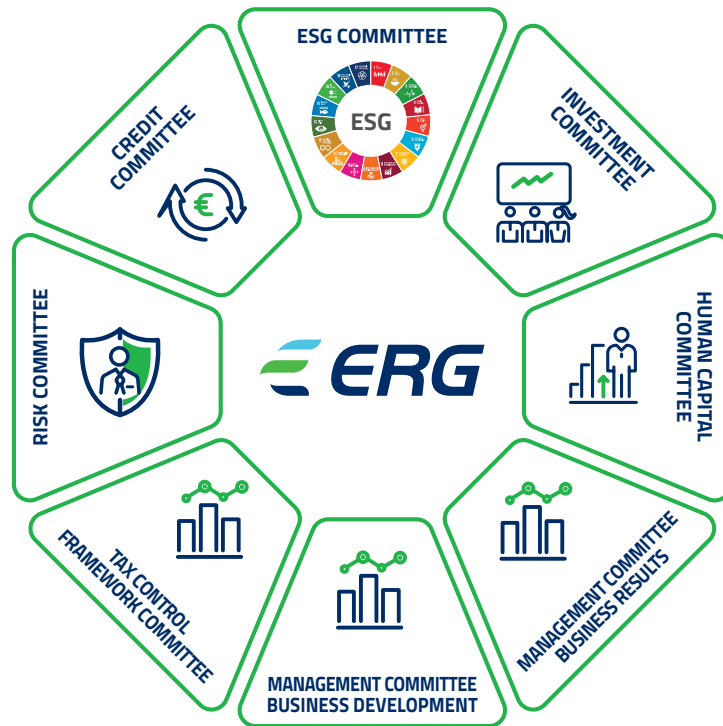
1 With reference to the provisions of Article 148, paragraph 3, of the Italian Consolidated Law on Finance, Article 2, recommendation 7, of the Corporate Governance Code promoted by Borsa Italiana S.p.A.. (the "CCG") as well as in light of the "quantitative" and "qualitative" criteria defined in the Regulation for the operation of the Board of Directors, the Risk and Sustainability Committee and the Nominating and Remuneration Committee (the "Regulation")

2 Internal Control and Risk Management System

3 May issue opinions for the purposes of the procedure for transactions with related parties

## INTERNAL COMMITTEES

The Group’s governance also includes Internal Committees (non-board committees composed of Group managers) with advisory and proposal functions towards Executive Directors.



### RISK COMMITTEE

- Supports the CEO in defining strategies and policies for the management of financial and market risks;
- Provides the CEO with 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 CEO in evaluating 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 CEO in decisions relating to strategies that determine the value of ERG’s human capital;
- Monitors the effective implementation of the Human Rights Policy and manages reports relating to non-compliance thereof.



### 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 relevant projects of the Group in the specific area of Business Development, 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.



### ESG COMMITTEE

Directs, 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 Initiatives Plan as an integral part of the Group’s Business Plan, monitors the 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 “Non-Financial Statement” (NFS) and other reporting methods related to ESG matters.



### 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 of ERG S.p.A.
- 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.

## GROUP MANAGEMENT SYSTEMS

The Management Systems adopted by the ERG Group are structured in compliance with the requirements of recognised international: ISO 14001:2015 (environment), ISO 45001:2018 (health and safety) and ISO 9001:2015 (quality)

At the end of 2021:

- environmental certification under ISO 14001 covers over 77% of our installed base and over 65% of our people, compared to 29% in 2020;
- health and safety certification according to ISO 45001 covers over 77% of our installed base and about 90% of our people, compared to 91% in 2020.

**ERG S.p.A.**  
ISO 45001

**ERG POWER GENERATION S.p.A.**

Wind & Solar: ISO 9001, ISO 14001, ISO 45001

Thermo: ISO 14001, EMAS, ISO 45001

Hydro: ISO 14001, EMAS, ISO 45001

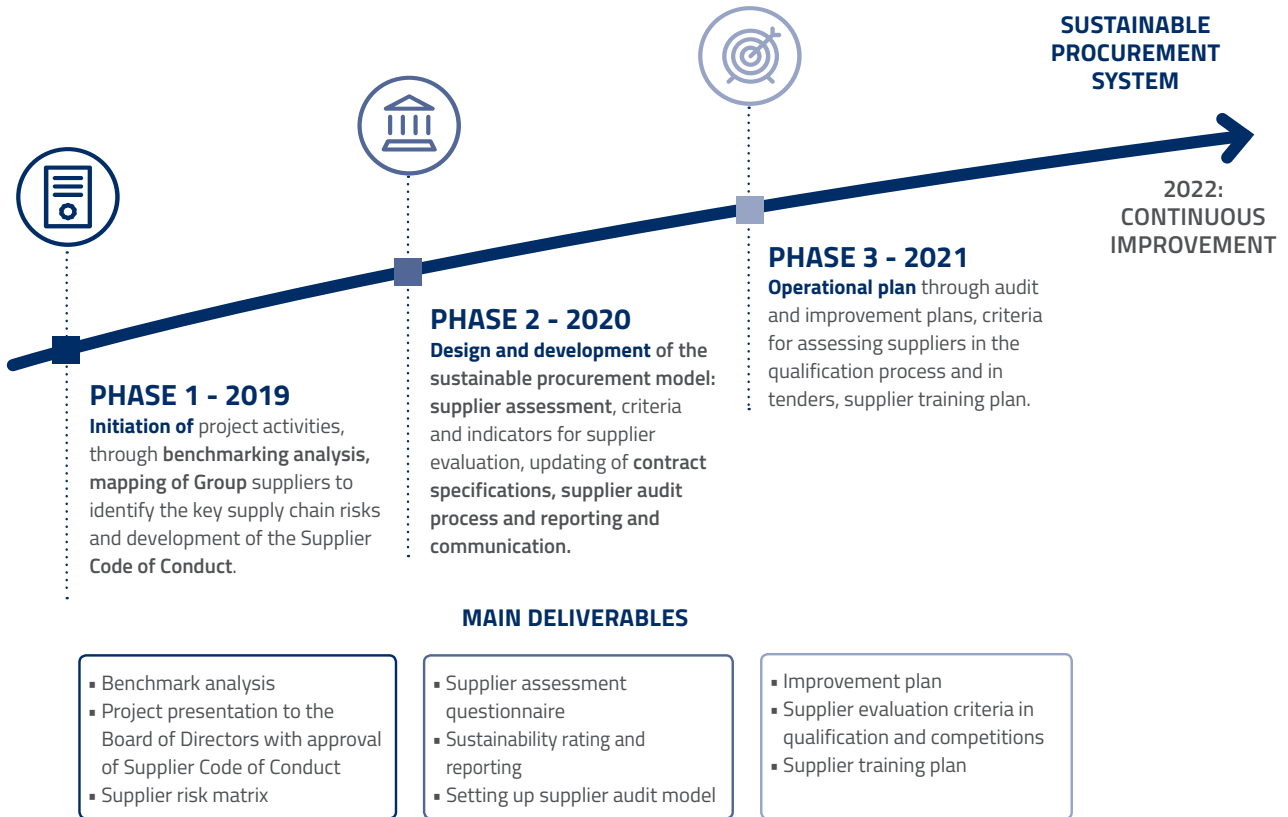
**ERG GERMANY**

Wind: ISO 14001, ISO 45001



## SUSTAINABLE PROCUREMENT

ERG considers the supply chain a fundamental element in achieving its sustainable development objectives, in line with the ESG Plan and accompanying suppliers in the energy transition process.

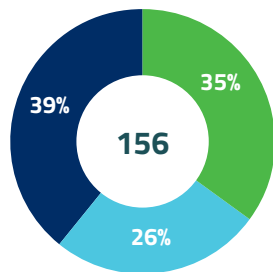


The ESG assessment was completed in 2021 as well, involving 164 strategic suppliers (approx. 80% of procurement volume). There was a high level of participation, with 85% of those invited responding, confirming the great commitment and sensitivity of our suppliers.

The score obtained is also used as a rewarding criterion in tenders and is aimed at continuous improvement of our suppliers in order to make a decisive contribution to the ongoing decarbonisation and compliance with our ESG plan. ERG also aims to help less virtuous suppliers evolve and adopt ESG best practices.

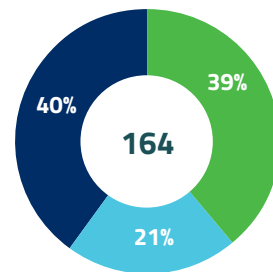
### Supplier assessment totals

2020 Panel per size



2020 average score: 49.7%

2021 Panel per size



2021 average score restated\*: 52.7%

\*score on a like-for-like basis (same 79 suppliers): +3% vs 2020

## Suppliers Engagement Leaderboard

ERG was awarded an "A" rating and entered the CDP (Carbon Disclosure Project) "Suppliers Engagement Leaderboard", which includes 8% of companies worldwide with the best performance in creating a sustainable supply chain.



**ERG S.p.A.**

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