



ITALIAN SUSTAINABILITY DAY 2019

MILAN, 2 JULY 2019





DISCLAIMER

This document contains certain forward-looking information that is subject to a number of factors that may influence the accuracy of the statements and the projections upon which the statements are based.

There can be no assurance that the projections or forecasts will ultimately prove to be accurate; accordingly, the Company makes no representation or warranty as to the accuracy of such information or the likelihood that the Company will perform as projected.

AGENDA



- ❑ A successful industrial transformation
- ❑ 2018-2022 Business Plan
- ❑ A focus on Sustainability
- ❑ ERG Green Bond
- ❑ ERG in a nutshell at 31.12.2018
- ❑ Appendix



A SUCCESSFUL INDUSTRIAL TRANSFORMATION





A LONG HISTORY...

Production commences at the San Quirico Refinery in Genoa.



1947



The ERG share is listed on the Stock Exchange.

1997



ERG enters the renewables sector with the acquisition of EnerTAD.

2006

ERG Power's combined cycle power plant (480MW) fuelled by natural gas enters operation.



TotalERG is established, a joint venture for the sale of oil products.

2010

ERG transfers the ISAB Energy plant and the fuel network of ERG Oil Sicily.



2014



ERG enters the wind market in the United Kingdom with a 47.5MW project. At the end of 2016, installed wind capacity is 1,720MW.

2016

ERG enters the solar power sector (30 photovoltaic plants acquired, 89MW in operation).



Definitive exit from Oil with the sale of TotalERG.

2018

1938

Edoardo Garrone founds ERG in Genoa.



1975



Production commences at the ISAB Refinery in Priolo.

2000



ERG - through ISAB Energy - starts to produce and sell electricity from the gasification of the heavy residues from refining.

2008



ERG sells 49% of the ISAB Refinery to LUKOIL.

2013



ERG transfers the ISAB Refinery and completes its exit from refining.

ERG becomes the leading wind operator in Italy with an installed capacity of 1,087MW and among the top ten in Europe, and acquires a company for wind farm O&M activities.

2015



ERG acquires 6 wind farms in France (64MW) and constructs 3 wind farms in Poland for a total of 82MW. At the end of 2015, installed wind capacity is 1,506MW.

ERG enters the hydroelectric sector with plants in Umbria, the Marches and Lazio (527MW).

2017



ERG's growth in the wind sector continues: 48MW in operation in Germany; 16MW in operation in France. At the end of 2017, installed wind capacity in Europe is 1,814MW.

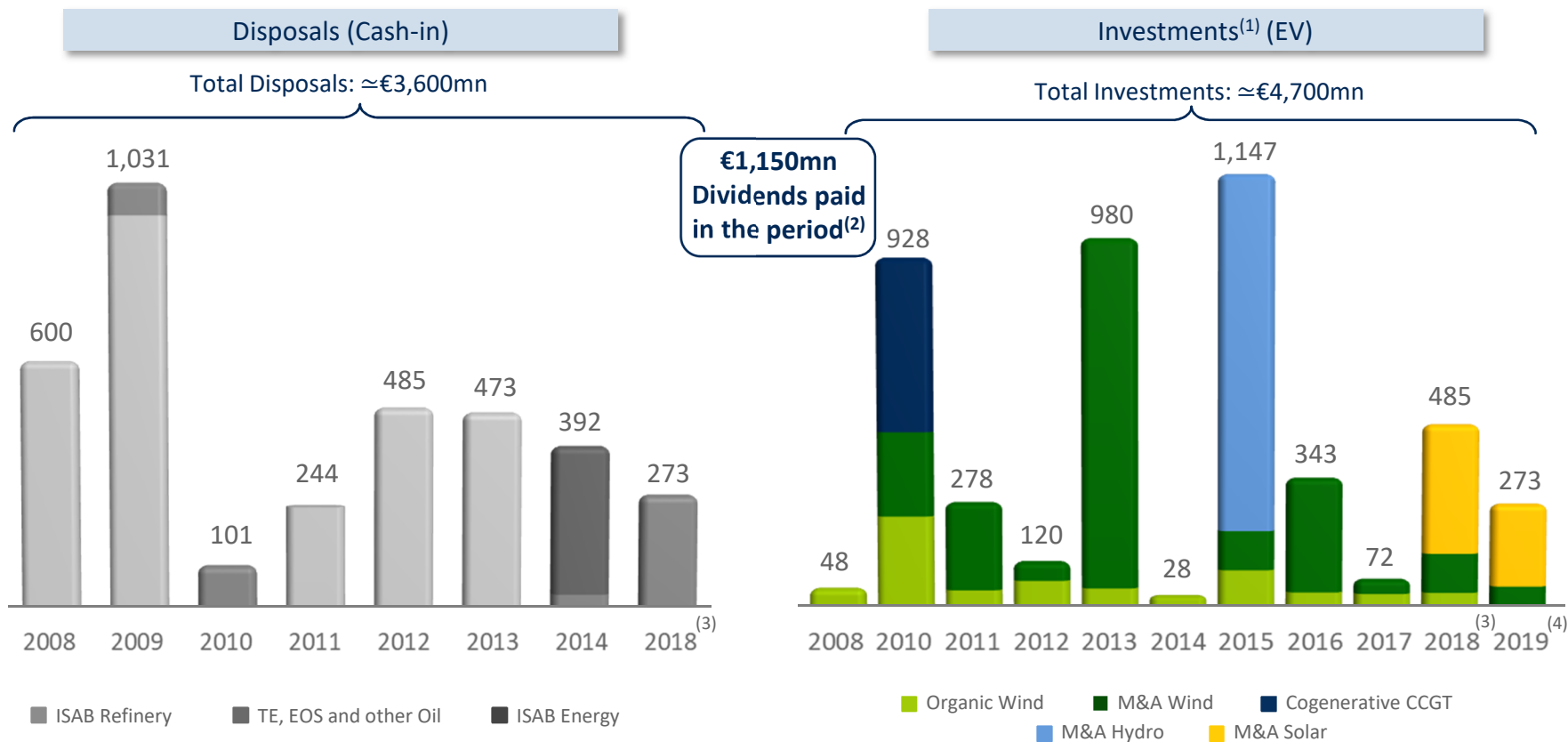
2019



ERG closed the acquisition of Andromeda (51MW) assets, increasing its PV total capacity up to 141MW.



ERG INDUSTRIAL TRANSFORMATION



Renewable diversification financed through oil-linked disposals and strong cash generation

⁽¹⁾ It refers to M&A and organic growth CAPEX

⁽²⁾ It includes dividends paid in May 2019 (ca. €112mn with ordinary DPS at €0.75/sh)

⁽³⁾ 2018 includes TotalERG Disposal whose closing took place on January 10, 2018 with a partial cash-in of €85mn in 2017, and ForVEI acquisition (EV €345mn) whose closing took place on January 12, 2018

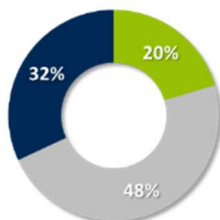
⁽⁴⁾ 2019 includes Andromeda acquisition (€221mn, finalised on February 12, 2019) and the recent wind asset acquisition in France (€52mn), whose closing took place on May 6, 2019



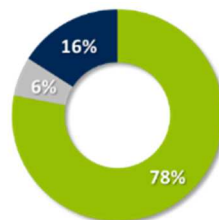
A RAPID TRANSFORMATION AND...

Capital Employed

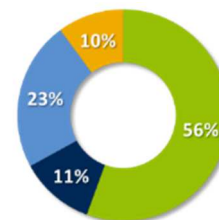
2008 (€2.2bn)



2014 (€2.1bn)

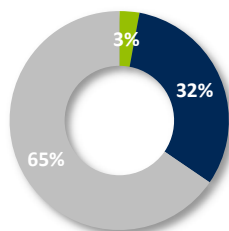


2018 (€3.2bn)

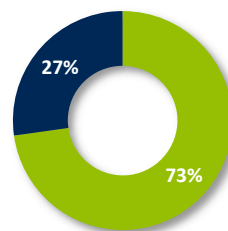


2008-2014-2018 EBITDA

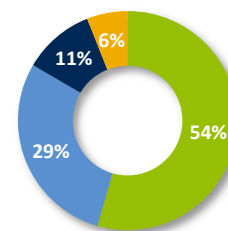
2008



2014



2018



● Oil ● Natural Gas ● Hydro ● Wind ● Solar

CO₂ Avoided

2008



2014



2018



2008-2018






... A SUSTAINABLE EVOLUTION


Decarbonising ERG's electricity production

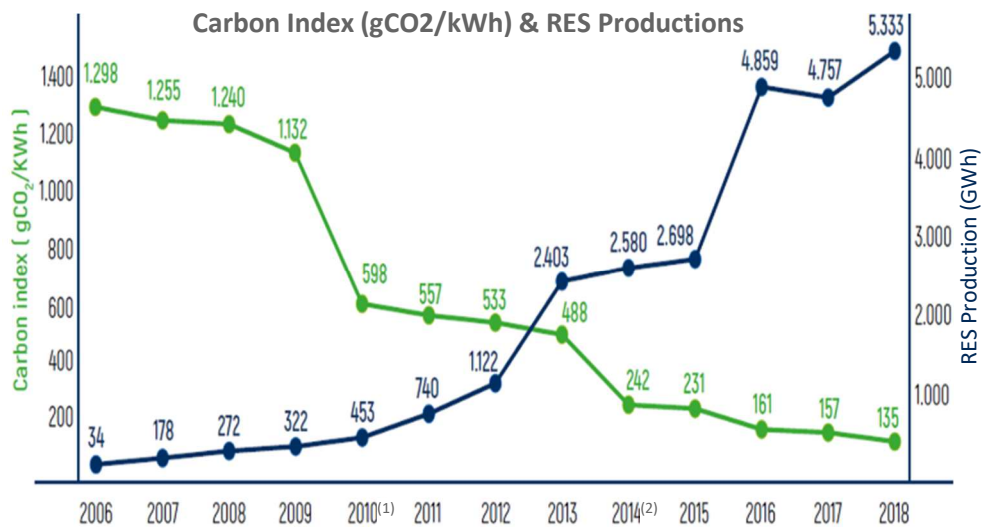
- ERG's business transformation: increasing production of electricity from renewable sources
- In this way, by the end of 2018 ERG had reduced the carbon intensity of its production by 90% since it entered the renewable energies sector and by 42% in the last 4 years

ERG's Sustainability numbers

 **3,029kt**
CO₂ avoided by production of electricity from renewable sources

 **2.5GW**
Installed capacity from renewable sources

 **100%**
ISO 14001 and/or OHSAS 18001 certified Italian companies consistent with their activities



Source: non financial information statements

⁽¹⁾ The Carbon index drop in 2010 was due to the entrance into operation of the ERG Power plant which replaced the existing oil fed power plants.

⁽²⁾ The Carbon index drop in 2014 was due to the sale of the ISAB Energy plant.

ERG SUSTAINABILITY KPI AS AT 31.12.2018



5.9 days/man

of training for 92% of our people

83%

of training on technical and managerial topics



3,029 kt of CO₂ avoided

thanks to the production of energy from renewable sources

0.14 kgCO₂/kWh

Carbon index of electricity production



86%

of indirect consumption covered by "green" energy

64.8%

CCGT plant CAR performance index*



2,439 MW

installed capacity in renewable energy plants

89.7%

capital invested in renewable energy plants



CDP rating B

Climate Change questionnaire

ESG rating & indexes

Corporate Knights, ECPI, ETHIBEL, IGI, MSCI, OEKOM, Sustainalytics, vigeoeris



ESG ACHIEVEMENTS AND RATINGS



- 1 ERG included in the ECPI Global Clean Energy Index
- 2 Achieved rating B from CDP
- 3 Ranked 16th worldwide in the Corporate Knights Global 100 Index
- 4 Obtained ESG rating Advanced from Vigeo
- 5 Achieved ESG rating A from MSCI
- 6 Signed 2 ESG Loans for €240mn



ESG Rating Company	Index	ERG Rating/score/rank	Notes / In a scale ranging from
		Advanced	from Weak to Advanced
		16 th place	first and only Italian company in the Top 20
		B	vs. avg. scores for Utilities (C), and Europe (B-)
		EE+	from F (poor) to EEE (very good)
		B Corporate Responsibility Prime	from D- (poor) to A+ (excellent)
		ESG RATING A	from CCC (Laggard) to AAA (leader)
		69 Average Performer	from 0 (Laggard) to 100 (Leader)
		ESG Performance better than average	

CDP AND STB – SCIENCE BASED TARGET



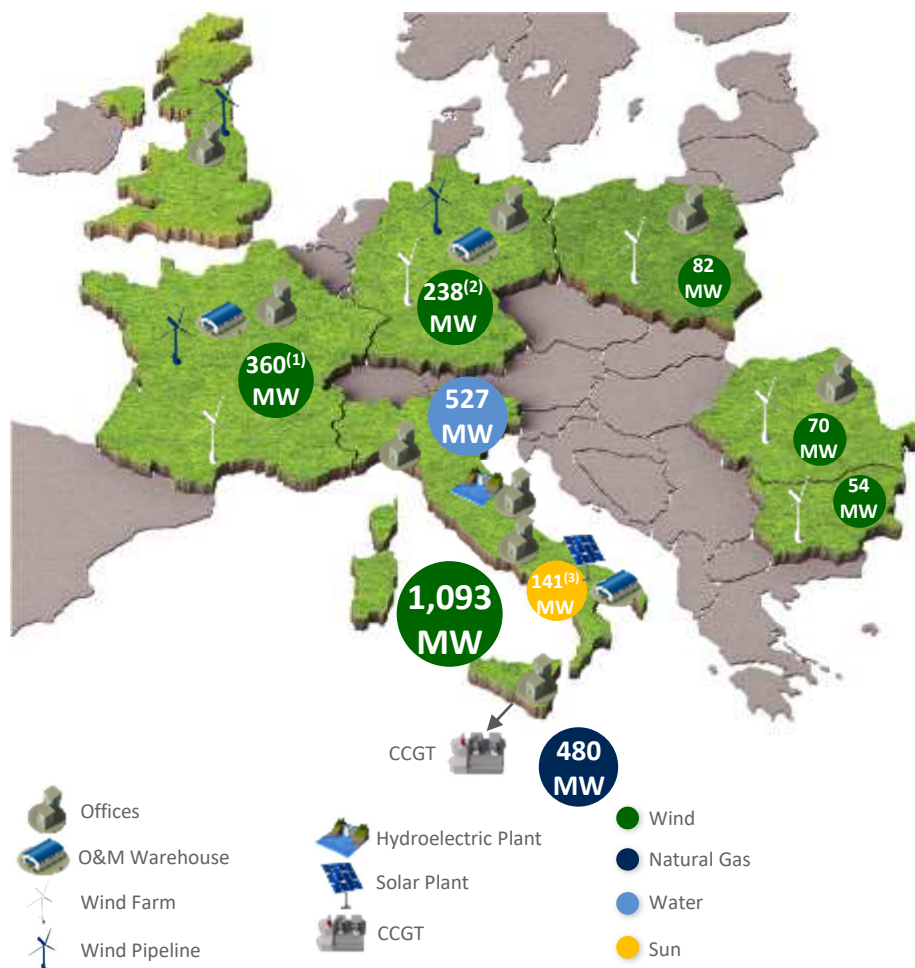
- April 2019: ERG signed the **Commitment Letter**
- May 2019: ERG submitted its **targets for validation**:
 - **reduction of Carbon Index** from Group production: **-14% at 2022**
 - **reduction of Scope 2 emissions** generated from purchase of Electric Energy



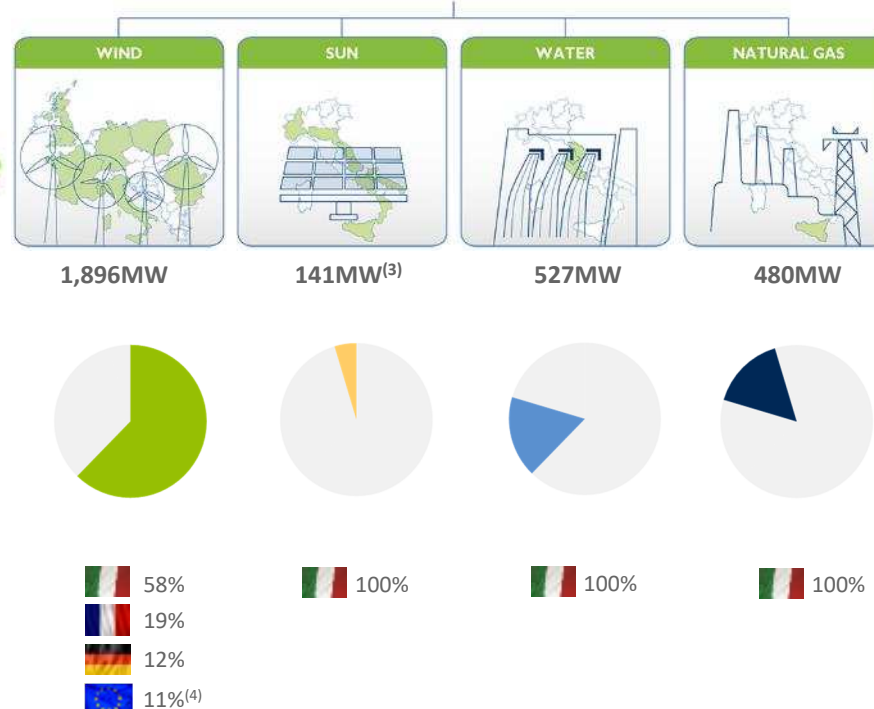
⁽¹⁾ Science Based Target (institution affiliated with CDP) aims to certify that the emissions targets identified by companies on a voluntary base are compliant with 2030 road map (maintenance of Global Warming below +2° C). 563 companies worldwide, 210 with targets approved.



EU LEADING RENEWABLE IPP



Total installed Capacity as of today >3,000MW



⁽¹⁾ It includes Polaris acquisition of 52MW signed in March 2019, whose closing took place on May 6, 2019

⁽²⁾ It includes Linda project entered into operation in June 2019

⁽³⁾ It includes Andromeda acquisition (51.4MW), whose closing took place on February 12, 2019

⁽⁴⁾ It refers to Romania, Bulgaria and Poland

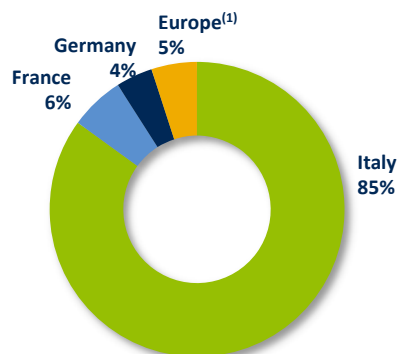


STEADY AND WELL BALANCED PORTFOLIO

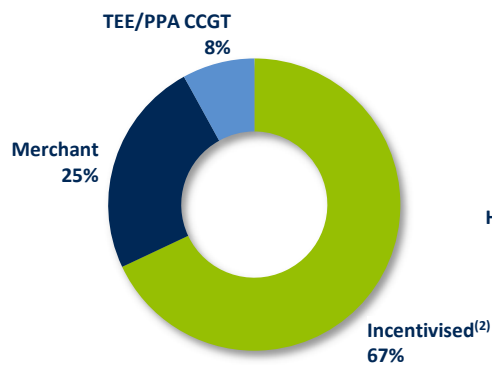
- Close to 70% of EBITDA from incentives
- EBITDA well balanced across different generation assets
- Geographical and seasonal diversification, allowing for complementarity of the different energy sources
- Earnings stability sustained by priority of dispatchment

EBITDA Breakdown FY18

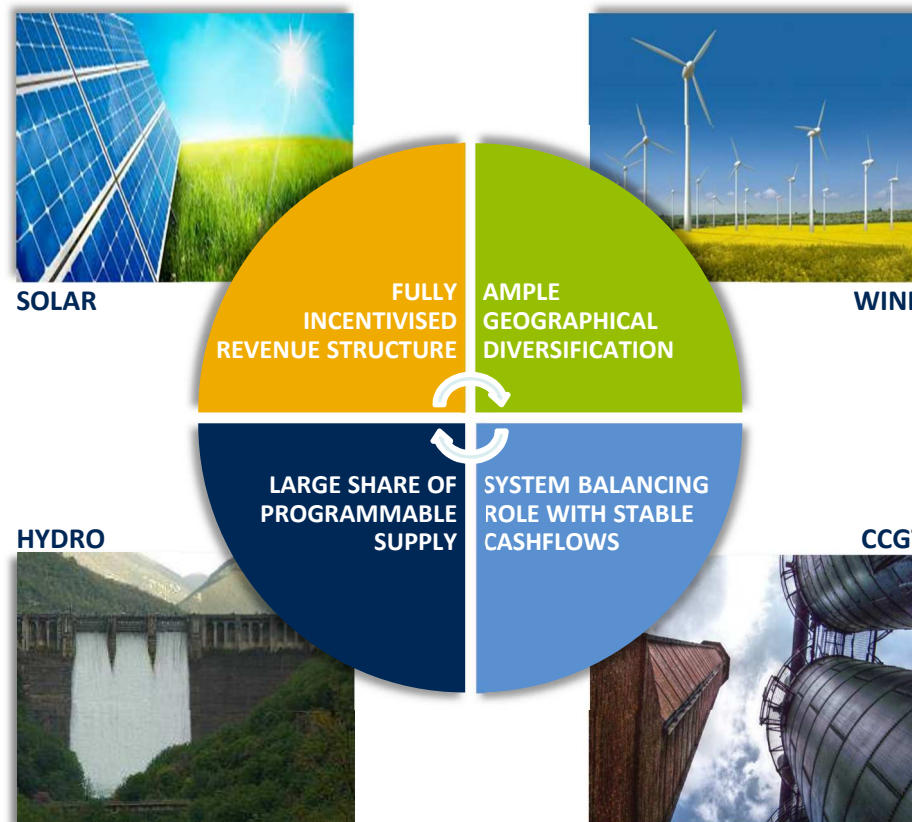
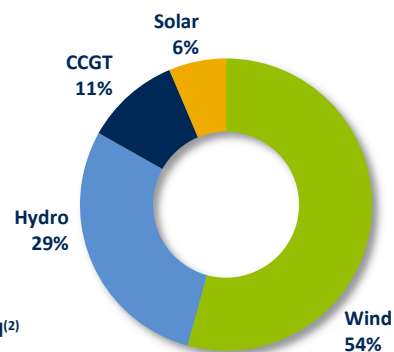
By geography



By incentive



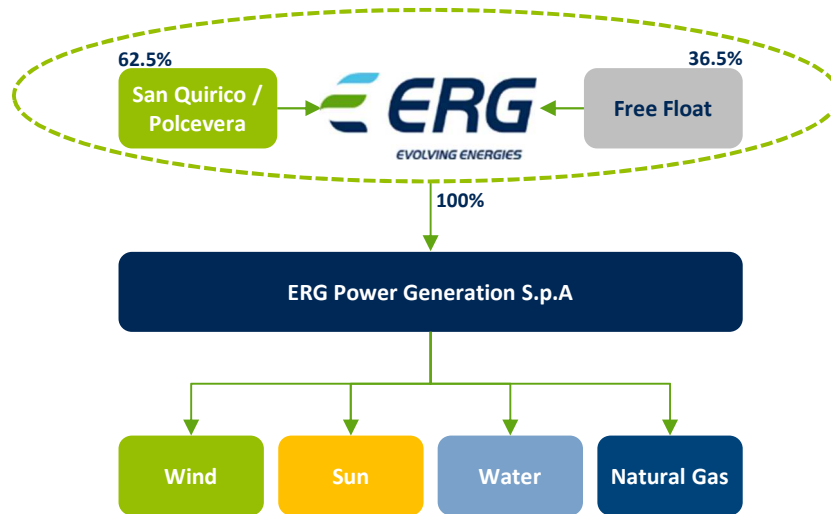
By business



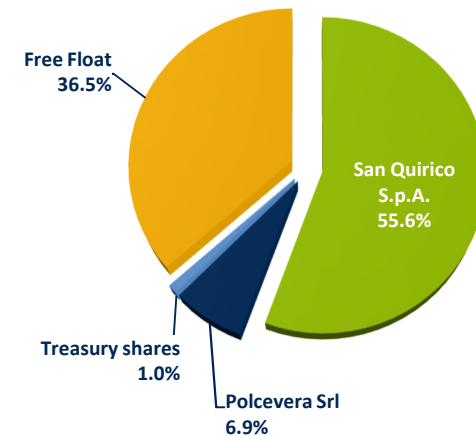
⁽¹⁾ It refers to UK, Romania, Bulgaria and Poland

⁽²⁾ Wind EBITDA with incentive, Hydro EBITDA with incentive, 100% Solar EBITDA

BALANCED GROUP STRUCTURE SERVING INTERESTS OF ALL STAKEHOLDERS



Shareholders' structure



Fully independent and experienced management team paired with a constructive involvement by majority shareholder

- San Quirico S.p.A. and Polcevera S.A. are **controlled by ERG founding family**
- **The Garrone family** holds key positions in ERG (Chairman and Executive Deputy Chairman) and **defines ERG long-term strategy along with the Top Management** through the Strategic Committee, whilst the Board of Directors is composed mainly (7 out of 12) of independent **directors** and it is fully committed to the interests of every stakeholder
- **The top management operates within a strict financial discipline**, while following a **strong risk management policy**



2018-2022 BUSINESS PLAN

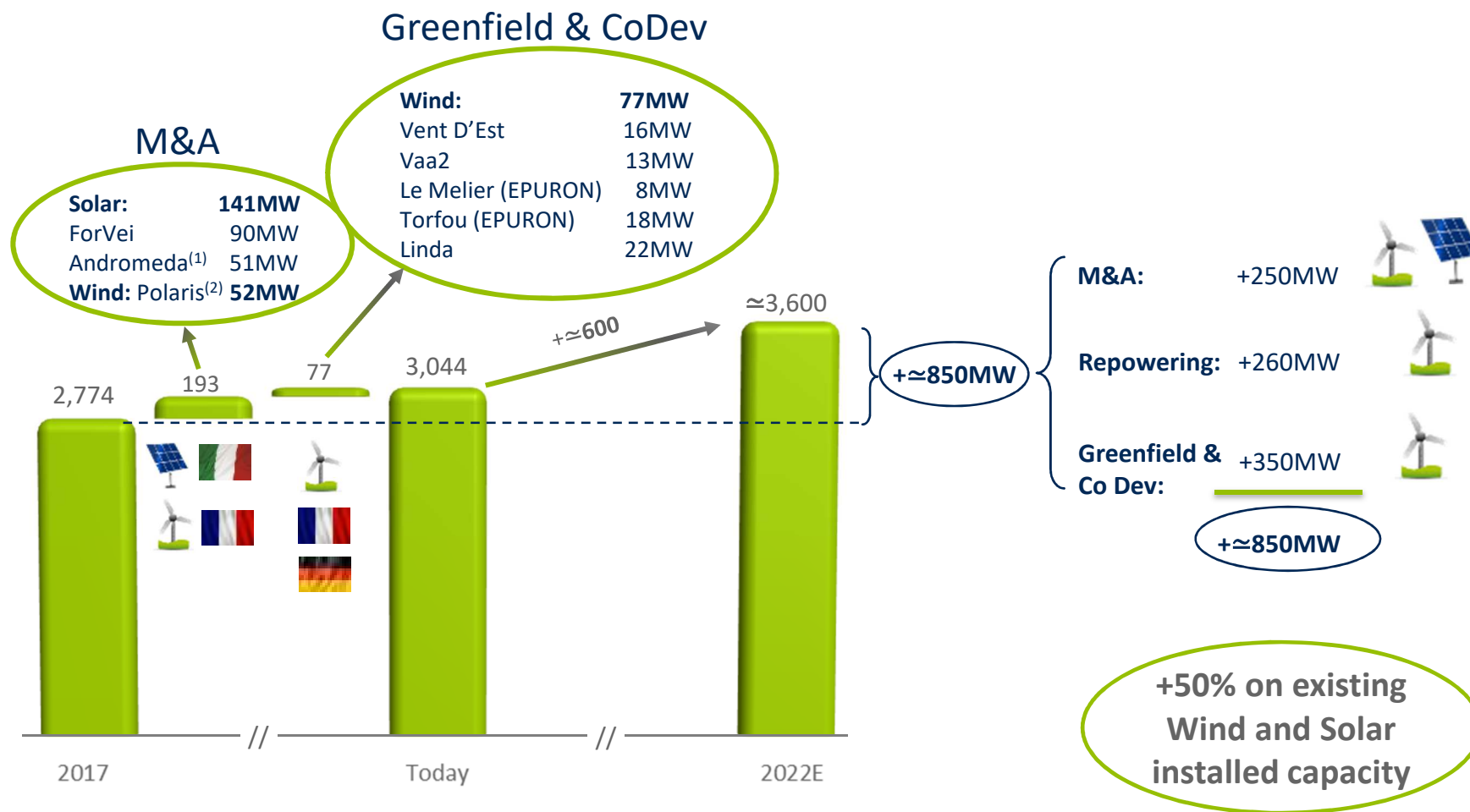




ERG 2018-2022 CAPACITY EVOLUTION

STRONG EXECUTION IN 2018

Growth in installed capacity (MW)



⁽¹⁾ Closing took place on February 12, 2019

⁽²⁾ Closing took place on May 6, 2019

GREENFIELD DEVELOPMENT WELL ON TRACK

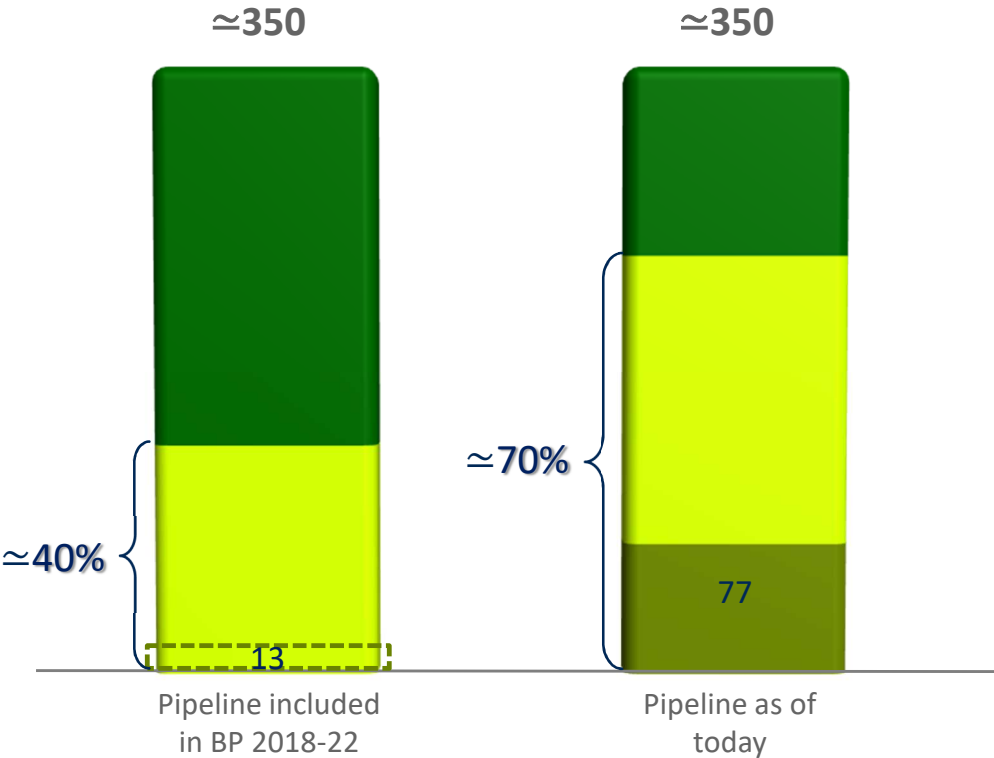


Pipeline included in BP 2018-22

Pipeline as of today

Secured:	135MW
• <u>France</u>	
- Vent D'Est ⁽²⁾	16MW
- Vaa2 ⁽¹⁾	13MW
• <u>Germany</u>	
- Linda	22MW
• <u>UK</u>	
- Evishagaran	35MW
- Sandy Knowe	49MW

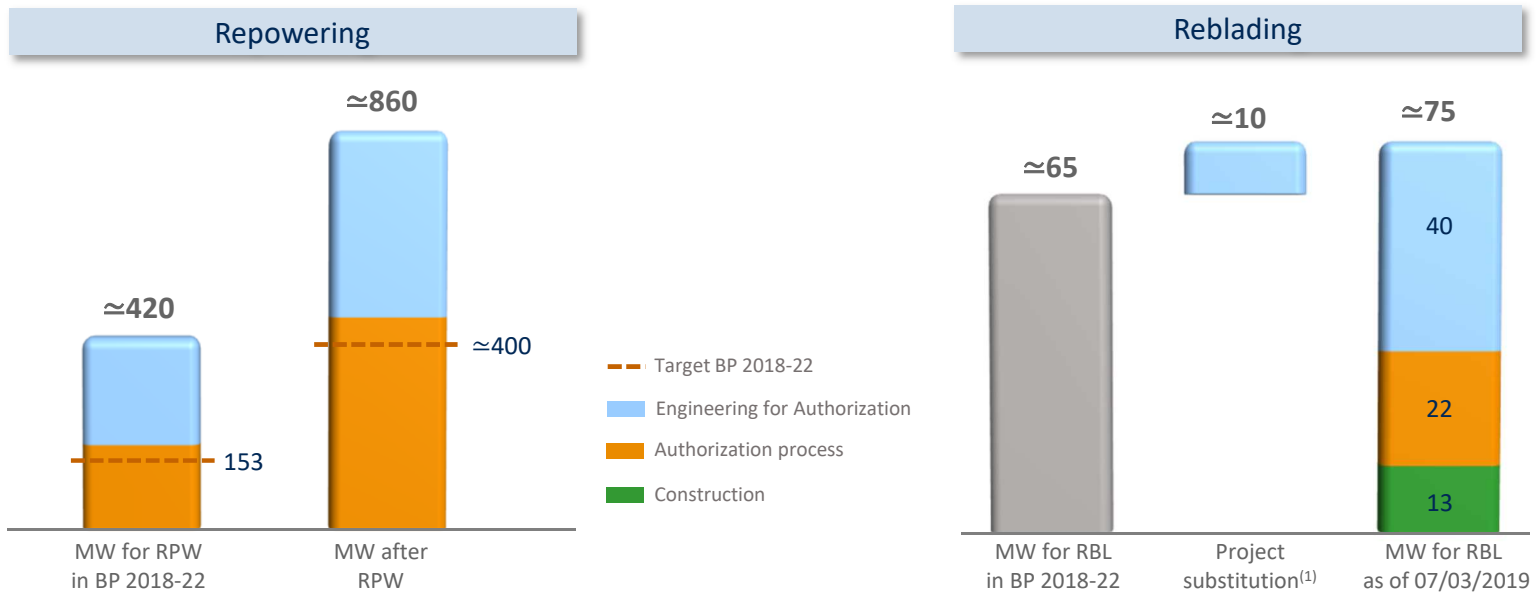
Secured:	247MW
• <u>France</u>	
- Vent D'Est ⁽²⁾	16MW
- Vaa2 ⁽²⁾	13MW
- Vaa2 ext.	7MW
- Le Melier ⁽²⁾	8MW
- Torfou ⁽²⁾	18MW
• <u>Germany</u>	
- Linda ⁽²⁾	22MW
• <u>UK</u>	
- Evishagaran	35MW
- Sandy Knowe	49MW
- Creag Riabhach	79MW



■ Undergoing
 ■ Secured
 ■ Built up
 Under construction

⁽¹⁾ Under construction
⁽²⁾ In exercise

REPOWERING & REBLADING IN PROGRESS



- 184MW applied for authorization:
 - 6 projects included in BP for 153MW
 - Additional 3 projects for 31MW

- New capacity under reblading is 75MW
- 13MW under construction and on stream in 2Q 2019
- Expected rise in production from 16% to 20%

⁽¹⁾ Substitution of a 30MW project with another 40MW project

DRIVING INTO 2023



Pros

- Exploiting full potential of Repowering: focus on all the 500MW eligible in Italy
- Boosting growth abroad leveraging on more than 700MW of pipeline in France and of the co-development agreements under negotiation in UK and Germany
- Work in progress for a new cogeneration project at CCGT eligible for white certificates
- Keeping a sound and diversified financial structure aiming to confirm IG rating in the long term

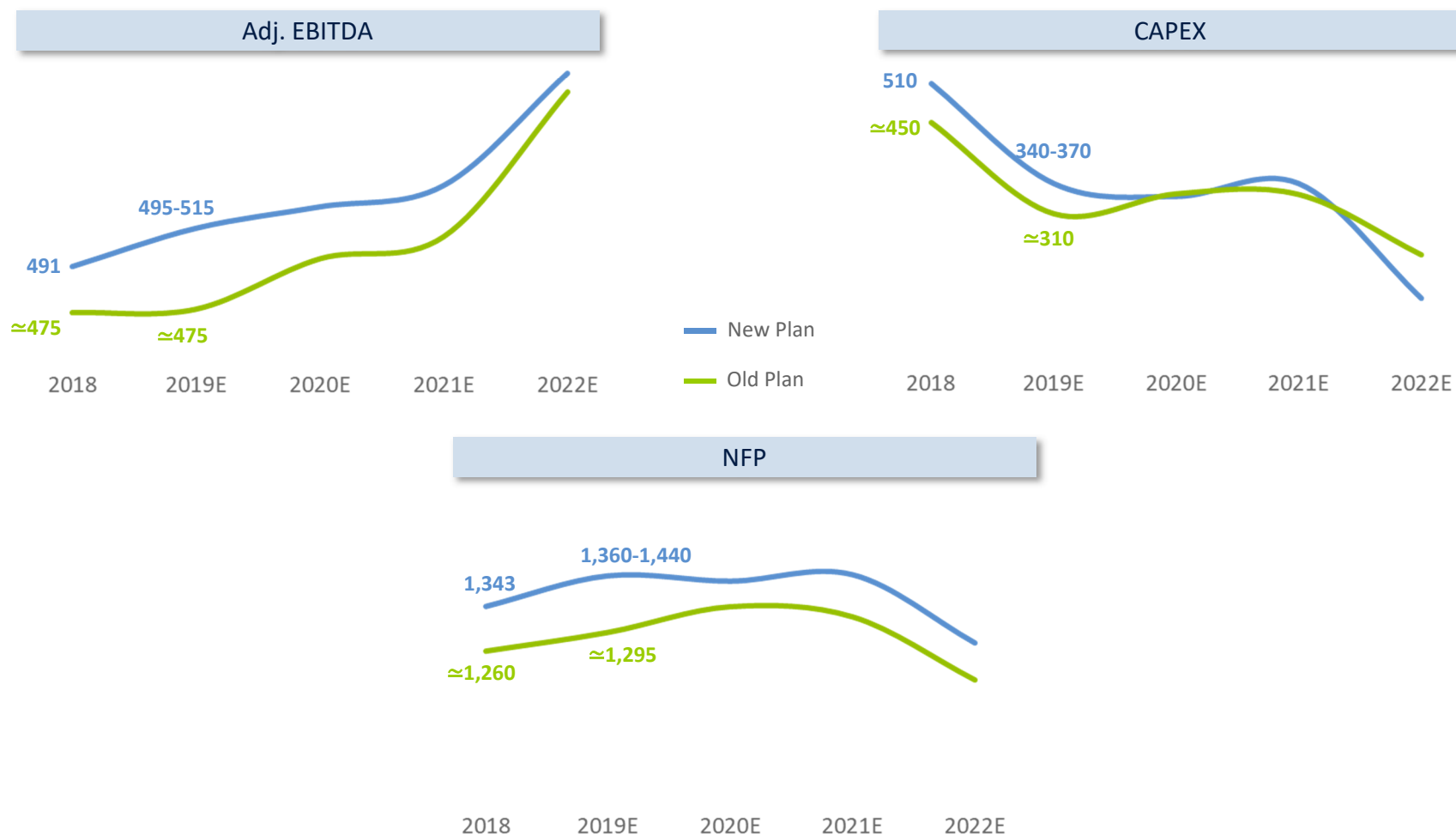
Cons

- Phase out of incentives will progressively continue beyond BP horizon (2023 +)

Keep growing leveraging on assets rejuvenation, larger capacity abroad and high quality financial structure



FINANCIALS – UPDATED PROJECTIONS



Acceleration of targets in the first years of BP



A FOCUS ON SUSTAINABILITY



ERG SUSTAINABILITY GOVERNANCE MODEL



The CEO is responsible for CSR.

Our Principles:

- Code of Ethics
- Sustainability policy
- Human rights policy



Sustainability Committee⁽¹⁾

• composed by:

- Chairman
- Executive Deputy Chairman
- CEO
- Top management

• duties:

- defining the Group's sustainability guidelines
- approving and evaluating sustainability objectives
- approving the CSR initiatives and DNF contents

⁽¹⁾ The Sustainability Committee is also appointed as Green Bond Committee



ERG 2018-2022 BUSINESS PLAN

The 2018–2022 Business Plan is focused on a continuous development of plants producing energy from renewable sources and sets targets on three main priority areas:

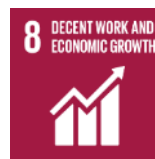
Tackling climate change

- Avoided CO₂: 15mtons
- Avoided TEP: 5m TEP
- Carbon Index⁽¹⁾: 14% decrease
- Continuous efforts on extracting value from our technology
- Enhancing our integrated generation portfolio



People enhancing

- New leadership model
- Human Capital Coverage
- Skills development



Sustainable thinking sustainable acting

- CDP reporting
- Integration of HSE certifications according to ONE Company Model
- Consolidating relations with communities
- Technological development






⁽¹⁾ Carbon index (gCO₂/kWh) reveals the quantity of CO₂ included in every kWh produced

ERG'S SUSTAINABILITY COMMITMENTS 2018-2022 (1/3)










In alignment with the 2018-2022 Business Plan and with the UN SDG's, ERG had set up ERG's Sustainability Commitments for the same period. Some of them are presented below:

UN SDGs	Areas of commitment - Period 2018-2022	Status as at 31/12/2018
 	GOVERNANCE, ETHICS AND SUSTAINABILITY APPROACH Pursue the internal and/or external dissemination of the Group's principles expressed in the Code of Ethics, in the Sustainability Policy and in the new Leadership Model.	Code of Ethics and Sustainability Policy updated. Human Rights Policy approved. Training on sustainability issues continued at schools in the areas where the Group operates.
 	Update the Enterprise Risk Management (ERM) risk catalogue with the analysis referring to the new 2018-2022 Business Plan. Implement an ERM risks and specific Key Risk Indicators (so-called KRIs) dashboard for their ongoing monitoring.	Group Risk Catalogue updated following risk assessment on 2018-2022 Business Plan. ERM risk dashboard implemented to monitor any changes in the risk profiles set out in the Risk Catalogue.
	Keep the Models 231 of Italian companies updated. Implement an Anti-corruption Policy within the Group, by making the control system fully operational and continuously monitoring and training employees.	Risk assessment on regulatory changes that occurred during the year. The Model 231 was drawn up for solar technology companies. An "Integrated Anti-Corruption Model" was adopted for all Italian and foreign companies in line with best practices. Anti-corruption policy and "key third-party due diligence" procedure approved.
	Implement an Environment - Safety certification in all Italian and foreign operating companies, in line with the One Company organisational structure.	Implementation of the project for integrating existing certifications in the Italian companies. Project for extending certifications to foreign companies was defined.

ERG'S SUSTAINABILITY COMMITMENTS 2018-2022 (2/3)



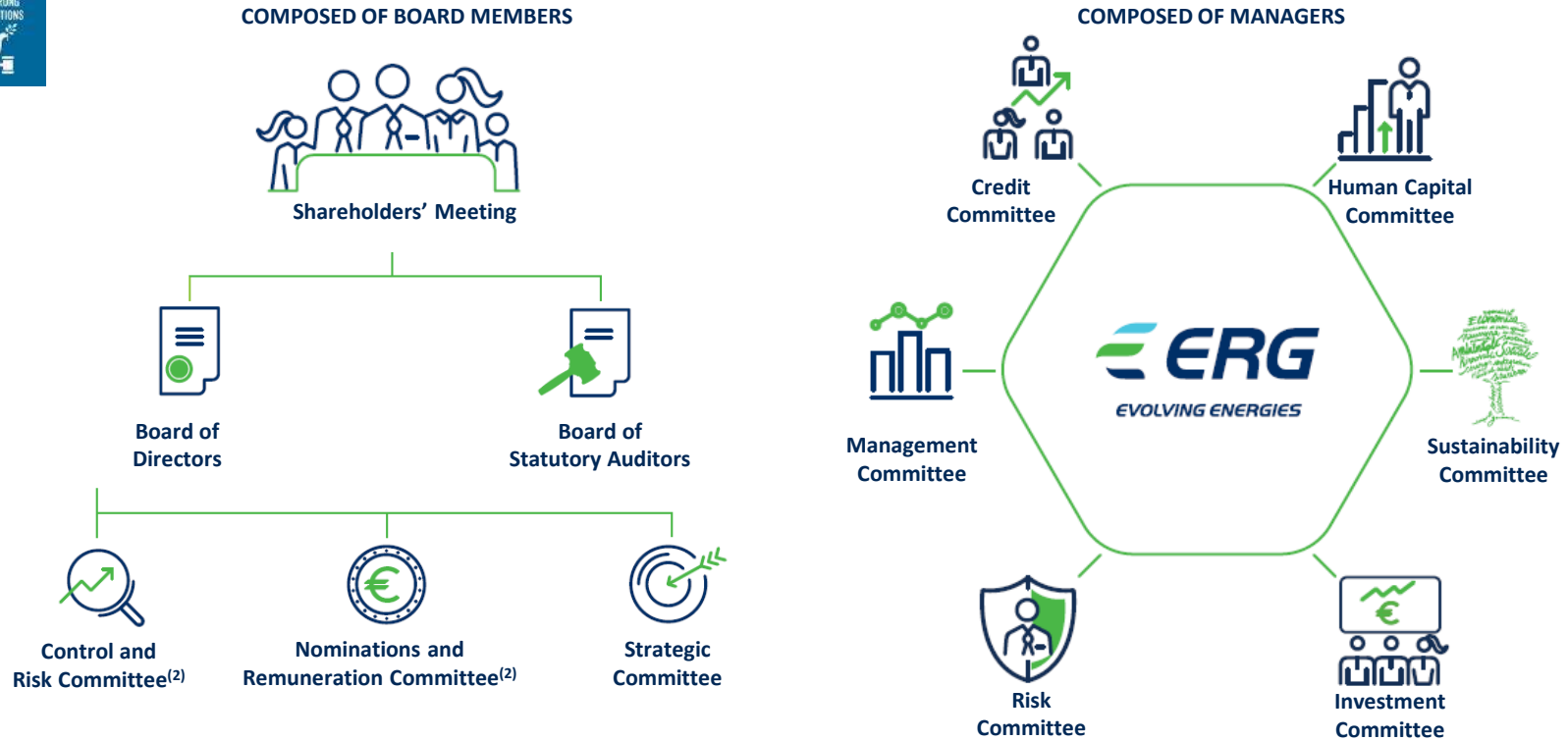
UN SDGs	Areas of commitment - Period 2018-2022	Status as at 31/12/2018
 	BUSINESS STRATEGY Consolidate the Group's business leadership in the production of electricity from renewable sources and increase the efficiency of all of its plants according to the development lines of the 2018-2022 Business Plan. Support the Group's strategies through scouting activities by identifying and assessing innovative technologies, and developing partnerships with Universities and Research Institutes.	The increase in installed power continues thanks to the start-up of new plants in France (55 MW) and the acquisition of 30 photovoltaic plants (89 MW). An additional 51 MW of photovoltaic plants has been acquired in 2019. The second cycle of scouting activities was started in 2018 with ERG Regeneration Challenge.
	SUPPLIERS Consolidate a supplier qualification and assessment system, with particular attention to Health, Safety, Environment and Sustainability.	Over 50% of new suppliers qualified according to HSE parameters. Project for the qualification of suppliers according to sustainability parameters started.
UN SDGs	Areas of commitment - Period 2018-2022	Status as at 31/12/2018
   	EMISSIONS AND WASTE Group decarbonisation: - avoid CO ₂ emissions for 15 Mtons in the plan period; - reduce carbon index of electricity production by 14%; - cover energy requirements with energy produced from renewable sources. Implement activities to protect biodiversity in the areas where our plants are located. Reduce the amount of waste produced by processes by maximising the percentage of waste sent to be recycled also through the use of materials and substances ensuring better environmental compatibility.	During 2018 3,029 kt of emissions avoided. Continual reduction in the Group's energy production carbonisation factor: -42% over the past four years. 86% of energy requirements covered with energy produced from renewable sources. Bird monitoring in our wind farms. Support to the activities performed at the Oasis of Alviano (WWF). A recovery procedure for the waste produced by the grate cleaners and used as a resource for the timber from Lago di Corbara, was implemented in our hydroelectric plants.

ERG'S SUSTAINABILITY COMMITMENTS 2018-2022 (3/3)



UN SDGs	Areas of commitment - Period 2018-2022	Status as at 31/12/2018
	SAFETY Consolidate the Safety culture inside and outside the company, pursuing the goal for absence of accidents caused by safety shortfalls in the plants and in the offices.	Following the injuries in 2018, corrective actions were implemented to prevent the recurrence of similar events. A near-miss reporting system was promoted to increase prevention levels.
	PEOPLE Define and implement training and development plans to increase the value of Human Capital Coverage (+3% at the end of the plan period). Improve working environments and welfare systems for employees.	In 2018, around 35 thousand hours of training provided at an average of approximately 6 days per employee. 92% of company staff took part in training courses. Around 83% of training is on technical and managerial topics. "ONE health" project. Opening of a gym for Group employees.
	COMMUNICATION Make contact with and inform the Group's stakeholders in a complete, transparent and timely manner.	ERG received B rating from CDP. ERG included in some sustainability indices. 4 th position in the Potentialpark Italy ranking (online talent communication) and 2 nd position in Italy for the section "Careers".
	COMMUNITY Contribute to the development of local communities through training activities at schools and universities and through social responsibility initiatives at a local level.	Activities were developed in local communities in keeping with Sustainability Policy principles. "A tutta acqua!" and "Vai col vento!" were our leading projects for students living in the communities where our plants are located.

ERG STRICT CORPORATE GOVERNANCE MODEL

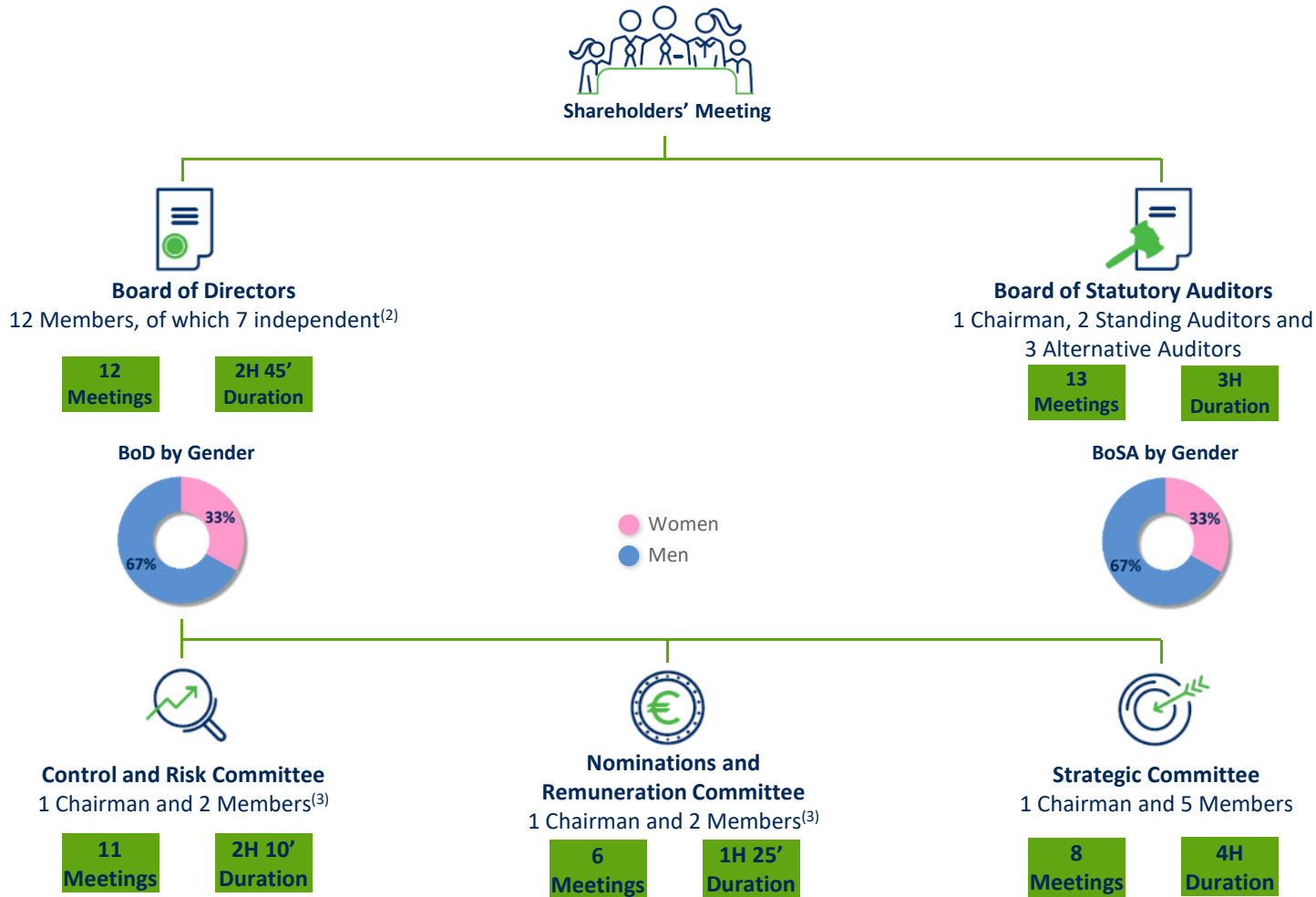


- A strict financial discipline on investments (organic and M&A) through:
 - **Strategic Committee** (EVP, VP, CEO, CFO, 2 Board Members⁽¹⁾)
 - **Investment Committee** (CEO, CFO, Management Team)
- **Strong risk management policy:**
 - **Best practice risk policy** to ensure the hedging policy of the generation portfolio
- **Full Alignment of interests between Top Management and shareholders through:**
 - Launch in 2018 of a 3 year **LTI compensation scheme fully based on shares**

⁽¹⁾ 1 non-executive and 1 independent referring to the Corporate Governance Code set out by the Italian Stock Exchange

⁽²⁾ Committee composed of 3 independent Board members

CORPORATE BODIES AND BOARD COMMITTEES⁽¹⁾



⁽¹⁾ Data as of December 31, 2018

⁽²⁾ 5 Independent referring to the Corporate Governance Code set out by the Italian Stock Exchange, and 2 Independent referring only to the Consolidated Finance Act («T.U.F.»).

⁽³⁾ 2 Independent referring to the Corporate Governance Code set out by the Italian Stock Exchange, and 1 Independent referring only to the Consolidated Finance Act («T.U.F.»).



REMUNERATION POLICY



Short-term Incentive Plans (MBO)

Short-term Incentive Plans
Bonus Cap



Long-term Incentive Plans (LTIP)

Long-term Incentive Plans
Bonus Cap
On/Off Clause



MBO Vehicles

Cash



LTI Vehicles

Performance Share



MBO Parameters

Group EBT⁽¹⁾
Individual Objectives e.g. EBITDA, NFP, OPEX, etc.

Weight

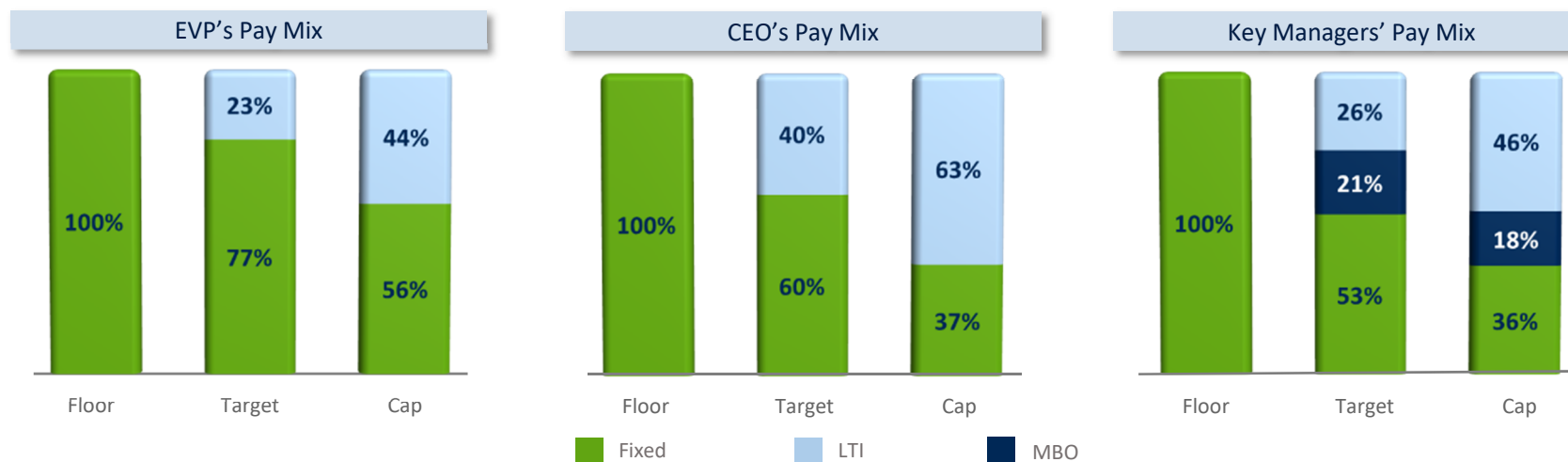
30%
70%

LTI Parameters

Cumulated EBITDA 2018-20 (On/Off Clause)

Weight

100%



⁽¹⁾ IAS pre-tax profit.



ENTERPRISE RISK MANAGEMENT



Identification
Risk Catalogue



Evaluation
Risk Profiles



Risk Management
Risk Policy and Procedures



Enterprise Risk Management (ERM) is responsible for:

- identifying and assessing the Group's main risks and defining strategies to mitigate them
- providing management dynamic risk mapping evolution
- providing Management with key information to make risk-informed decisions
- spreading over risk-aware culture across the Organization

ESG risks

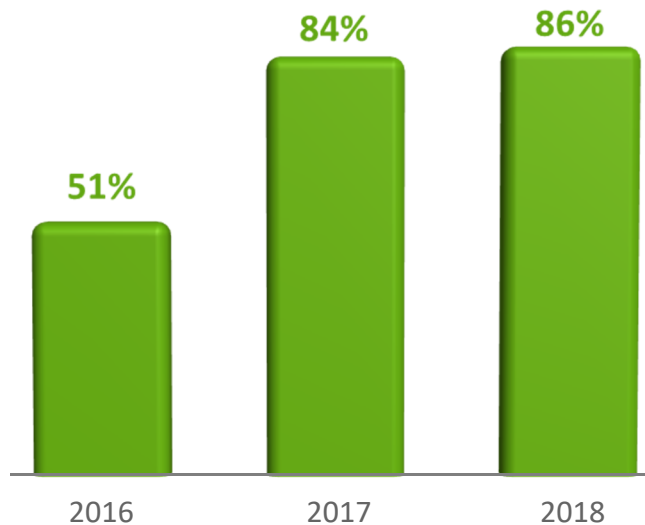
- Included in the ERM analysis with particular focus on Climate Change (availability of resources and black swan), health & safety, retention of employees and key figures.

REDUCTION OF ENVIRONMENTAL IMPACT OF OPERATIONS



Green Energy for our indirect Consumption⁽¹⁾

- As of 2016, ERG is committed to supply its offices and plants with certified renewable energy



Wood in Corbara: from waste to resource

- **Until 2018**, the significant accumulation of virgin wood (about 2,500tonn/year) dragged by Tiber river into Lake Corbara was **considered by law as waste**.
- **In 2019** ERG received the **authorization** by the Umbria Region to manage such **woody biomass as reusable material** for activities such as **energy recovery**, wood industry and production of soil improvers.



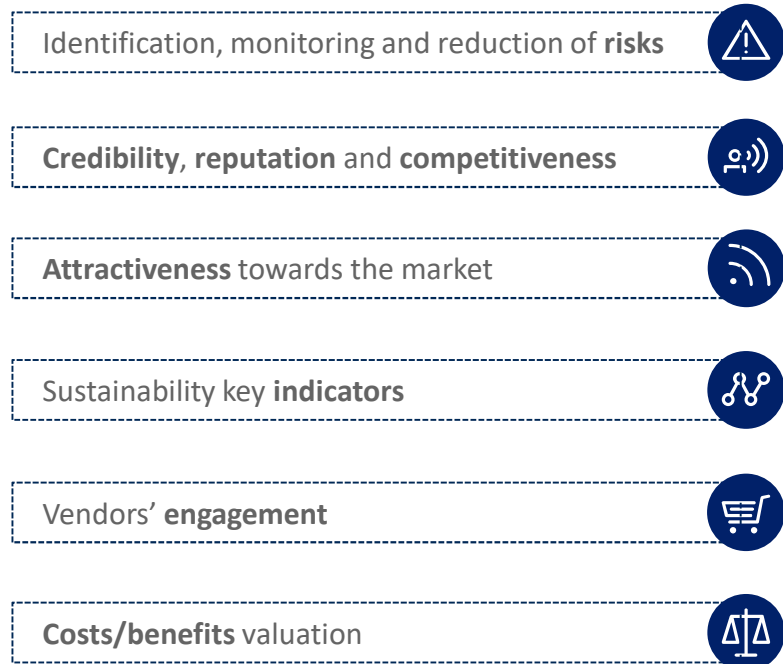
⁽¹⁾ Figures are not on a like-for-like basis: they include all plants in exercise at each year-end



SUSTAINABLE PROCUREMENT



- In 2019 ERG launched a “sustainable procurement project” focused on the introduction of new pillars to qualify and monitor vendors on:
 - environmental performance
 - human rights of the supplier and of his supply chain
 - field audit.
- The project will be implemented in 2020





NEW LEADERSHIP MODEL



ERG LEADERSHIP MODEL FOR THE STRATEGIC PLAN 18-22



The Business Plan shows the direction, Skills help people find the way and Values give us strength, unity and stability

A STRONG FOCUS ON HUMAN CAPITAL DEVELOPMENT



Gap Analysis

Current skills \times Labour cost = HC ROI

Expected skills

HCC
HUMAN CAPITAL COVERAGE

High change Management speed

«Fast-Steering» (2013)

ONE Company (2016)

Tailored Incentive Schemes

LTI IQ

MBO

Role	Percentage
DIRECTOR	1%
SENIOR MANAGER	9%
MANAGER	8%
PROFESSIONAL	21%
SPECIALIST	64%

RATING Exceptional

Empowerment & Self Accountability

1K€/person/year

FAI CRESCERE LA TUA ENERGIA

YouLearn

Continuously setting aspirations and expectations

MANAGEMENT FEEDBACK

Nurturing the leadership pipeline

SUCCESSION PLANNING



ERG PEOPLE & TRAINING



*“We are not looking for Talented People
but rather for the Talent hidden in each Person”*

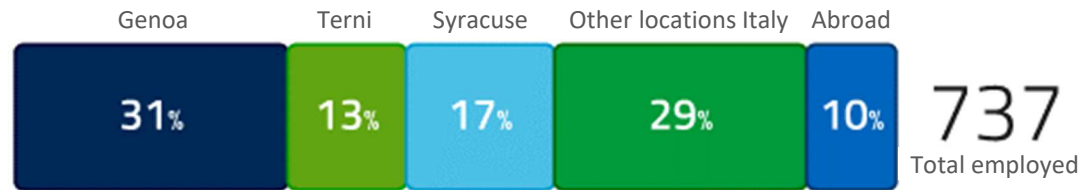
ERG Training in a nutshell

KPIs IN OUR TRAINING			
	HOURS OF TRAINING PROVIDED	DAYS OF TRAINING PROVIDED PER PERSON	PEOPLE WHO PARTICIPATED IN THE TRAINING
2016	31,787	5.6	96%
2017	37,950	6.6	97%
2018	34,356	5.9	92%

Every year all of our people are invited to design their own training path.
A managerial attitude is required from all the employees.



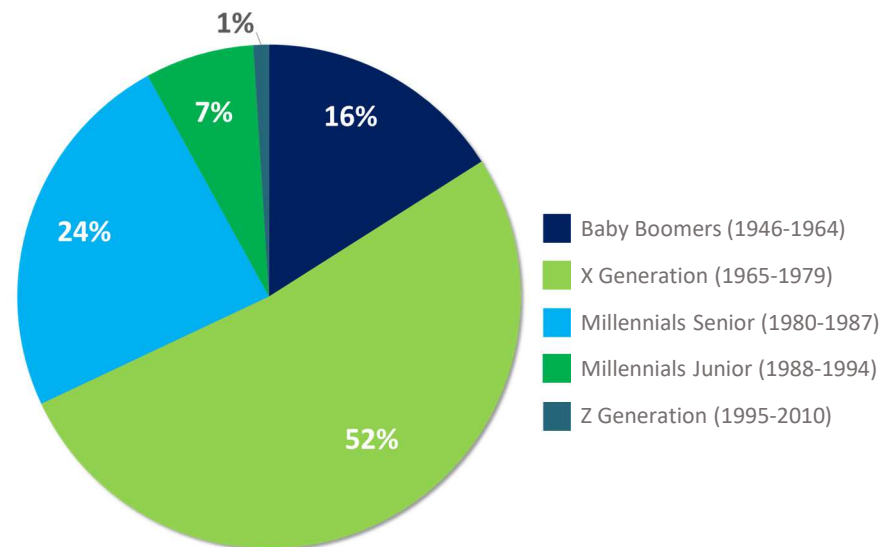
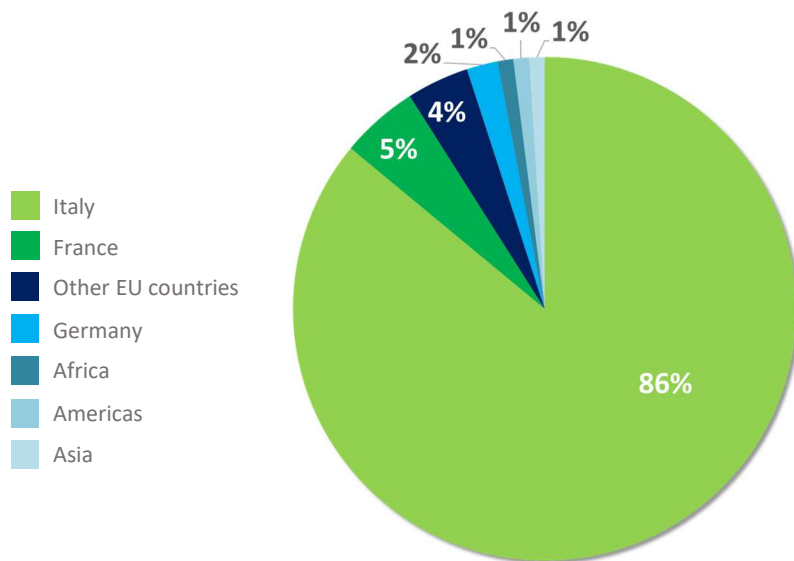
DATA BREAKDOWN ON PERSONNEL



A DIVERSIFIED GROUP WITH EQUAL OPPORTUNITIES



Women/Men pay gap evolution⁽¹⁾



⁽¹⁾ Percentage ratio between the average fixed remuneration for women for each position they belong to and the average fixed remuneration for men for the same position

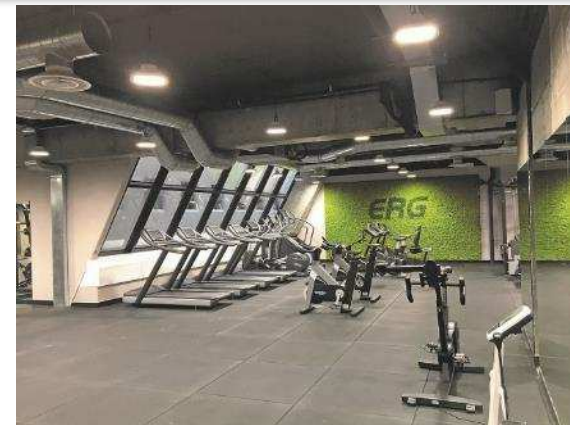


WELFARE PROJECTS FOR EMPLOYEES



CIONE HEALTH

- Medical check up for all the employees
- Specific checks for older employees
- Additional leaves for medical check-ups



- Gym at Genoa office open to all employees with trainer available on site
- Running and cycling team and other sport activities



- Corporate volunteering
- Family Day
- Plant's open Day
- Summer camps for employee's children
- Cooperation with schools and universities
- "Holiday donation"



SAFETY AND ENVIRONMENTAL CERTIFICATIONS



Source: ERG 2018 non-financial information reporting



OUR CSR ACTIVITIES



INNOVATION & START-UPS



- Support to entrepreneurial initiatives
- Special focus on technological start-ups
- Embrace disruptive ideas for competitive advantage

EDUCATIONAL PROJECTS



- In 2017 more than 10,000 students got acquainted with our CSR activities
- Future generations training and education on environmental matters
- Special attention to younger people supporting sports values

CULTURE & KNOWLEDGE



- Promotion of important cultural events in the communities where we operate



INNOVATIONS AND START-UPS



- Support to entrepreneurial initiatives
- Special focus on technological start-ups
- Embrace disruptive ideas for competitive advantage





ERG GREEN BOND

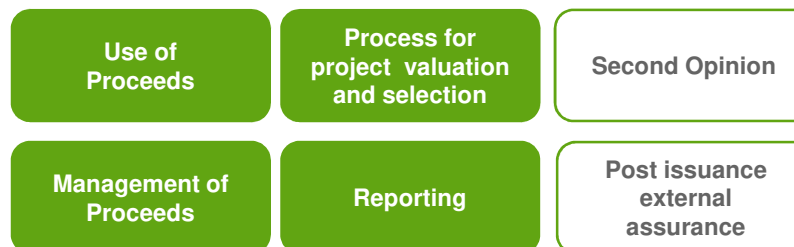




ERG GREEN BOND RATIONALE

- As a leading European producer of electricity from renewable energy sources, ERG believes that issuing Green Bonds is a key tool to support the achievement of its sustainable development targets and to contribute to address major climate changes challenges
- In line with ERG's 2018-2022 sustainability commitment of consolidating the Group's leadership in the production of electricity from renewable sources, ERG decided to set up this Green Bond Framework, under which ERG can issue Green Bonds to support renewable energy
- ERG's Green Bond Framework is aligned with the Green Bond Principles in its 2018 edition, its four core components and its recommendation for External Review

ERG diversified electricity portfolio from renewable sources





USE OF PROCEEDS

The net proceeds will be allocated to the financing and/or refinancing of Renewable power generation facilities that fall under the following eligibility criteria:

Green Project Category	Eligibility Criteria	ERG Sustainability Commitments	UN Sustainable Development Goals
Renewable energy	<p>Wind</p> <ul style="list-style-type: none"> • New Projects or Projects in ERG’s portfolio⁽¹⁾ • New projects expected to be acquired during the 24 months following the issuance of Green Bonds • Existing projects with a commercial operation date or acquisition date not prior to February 2016 for ERG inaugural transaction 	<ul style="list-style-type: none"> • GHG emission reduction thanks to renewable energy production • Contribute to reducing global warming emissions by replacing carbon-intensive energy sources 	 <p>Renewable energy produced</p> <p>Avoided CO₂ emissions</p>
	<p>Solar</p> <ul style="list-style-type: none"> • New Projects or Projects in ERG’s portfolio⁽¹⁾ • New projects expected to be acquired during the 24 months following the issuance of Green Bonds • Existing projects with a commercial operation date or acquisition date that shall not exceed 24 months prior to the issuance of any Green Bonds 		

100% of the plants are or will be constructed according to EU and national/local legislation that requires specific **environmental and social impact assessment**

⁽¹⁾ Already in operation, under construction or on the way to receive final authorization, at the time of the issuance of a Green Bond

PROCESS OF EVALUATION AND SELECTION



ERG Sustainability Committee will be in charge of monitoring the selection and allocation process of Eligible Green Projects

Committee responsibilities

- Reviews and validates the selection of Eligible Green Projects
- Monitors the Eligible Green Project portfolio
- Monitors any ESG controversy related to an Eligible Green Project
- Manages any future update of the Green Bond Framework

Replacement of Eligible Green Projects

- If an Eligible Green Project does no longer meet the eligibility criteria
- If an Eligible Green Project is subject to a major ESG controversy

Committee Composition

- Chairman of the Board
- Executive Deputy Chairman
- Chief Executive Officer
- Members: Chief Financial Officer, Chief Human Capital & ICT Officer, Chief Operating Officer, Chief Business Development Officer, General Counsel, Chief Public Affairs & Communication Officer, Chief Engineering Development Officer, Head of Institutional Affairs

Management of Proceeds

Commitment to ensure traceability of the Green Bond proceeds

- In the case of refinancing, no separate management of proceeds is required, projects costs being fully allocated on settlement date
- Proceeds from the issuance are invested in cash or cash equivalents until full allocation to Eligible Green Projects
- Complete allocation of proceeds from each ERG Green Bond is expected within 24 months from its issuance date



ALLOCATION AND IMPACT REPORTING

ERG commits to publish annually an allocation report and an impact report until full allocation

Allocation Reporting	<p>The reporting will be produced on a portfolio basis. It will include:</p> <ul style="list-style-type: none"> • The amount of net proceeds allocated per Eligible Green Project Category; • The percentage of refinancing in existing projects; • The amount of unallocated proceeds, if any, at the date of reporting • The location and status of the projects
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Impact Reporting	Eligible Green Project category	Eligibility criteria	Output indicators	Impact indicators
	Renewable Energy	<p>Solar energy</p> <p>Wind energy</p>	<p>Installed renewable energy capacity in MW</p> <p>Produced renewable energy in MWh</p>	Estimated annual CO ₂ tons emissions avoided

External Review

Second Party Opinion	 <p>Vigeo Eiris provided the highest level of assurance on ERG's commitments and on the Green Bond Framework's contribution to sustainability</p>	Post issuance external assurance	<ul style="list-style-type: none"> • One year after issuance and until full allocation • External independent auditors appointed by ERG will ensure that the Allocation Report is consistent with ERG's Green Bond Framework
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RATING AGENCY VIEW

Fitch Ratings

Long-term Issuer Default Rating (IDR): BBB-

EMTN Programme Rating: BBB-

Senior unsecured Rating: BBB-

Outlook: Stable

Last update: 19 June 2019

Key Rating Drivers:

- Independent Renewable Player
- CCGT Plant Contribution to Decrease
- Credible Business Plan
- Predominantly incentivised production
- Leverage Consistent with Rating
- Stable Market Environment
- Positive Current Trading
- Solid liquidity
- Commitment to corporate funding

Key Considerations:

- *Fitch Ratings has affirmed Italian renewable generation company ERG S.p.A.'s Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB-'. The Outlook on the IDR is Stable*
- *The affirmation mainly reflects the company's continuing robust business profile, with quasi-regulated activities representing about 70% of consolidated EBITDA, predictable regulatory frameworks and a clean asset base (mostly onshore wind, hydro and solar). The ratings also take into account ERG's growth ambitions in the context of a clearly stated financial policy of up to 3.0x net debt/EBITDA.*
- *We expect that ERG's credit ratios will remain consistent with the ratings, even after including in our rating case additional external growth in 2021 and 2022 (EUR50 million and EUR150 million respectively) not considered in the company's business plan. Our forecasts lead to an average funds from operations (FFO) adjusted net leverage of 3.3x and FFO fixed charge coverage of 7.4x over 2019-2022, compared with negative guidelines of 3.5x and 4.0x, respectively. This is also in line with ERG's stated financial policy*



GROUP DEBT STRUCTURE

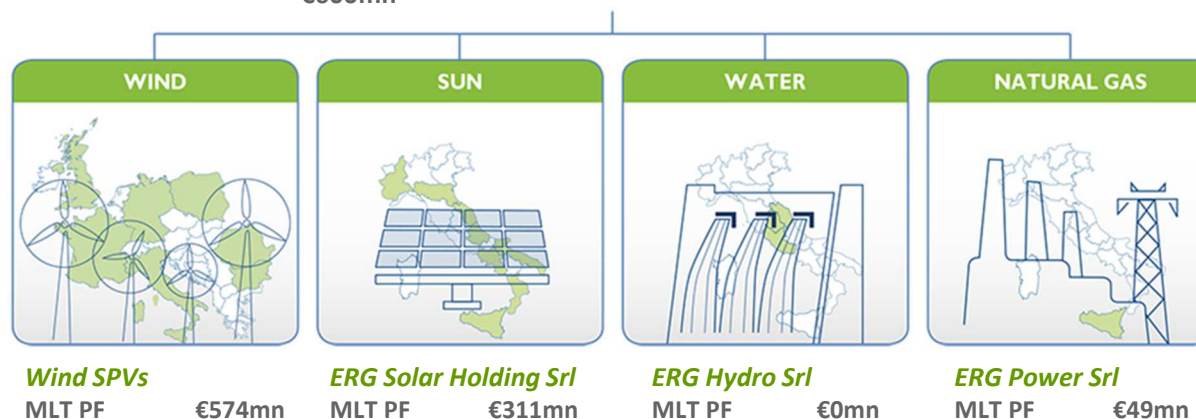


ERG Group

MLT Corporate Loan €631mn
MLT PF Loan €934mn
Bond €600mn

ERG S.p.A.⁽¹⁾

MLT Corporate Loan €631mn
Bond €600mn



- Debt structure mainly composed of medium term loans with **91% fixed rate portion**
- ERG's operating assets grant a steady flow of cash upstream to ERG S.p.A.:
 - Hydro assets fully unlevered without any external financing constraints
 - Natural gas asset with low levered financing having EBITDA/PF loan lower than 1.0x
 - Wind & Solar SPVs financed by long term loans with maturities consistent with incentive life and able to upstream a relevant amount of cash

Evolving new financial strategy: move from Project Financing fund raising to corporate/DCM Financing

⁽¹⁾ ERG S.p.A. owns all the operating assets through ERG Power Generation S.p.A., a 100% owned operating subsidiary, free of debt and in cash pooling with ERG S.p.A.



ERG IN A NUTSHELL AS AT 31.12.2018



FINANCIAL AND OPERATING PERFORMANCE AS AT 31.12.2018



Financial Highlights

	€491mn Adjusted EBITDA	€216mn Adjusted EBIT
€107mn Adjusted Group Net Result	€3,172mn Net Invested Capital	€1,343mn Net Financial Debt
	737 Employees	

Sustainability Highlights

 3,029kt avoided	0.14kg CO ₂ /kWh Carbon Index	 5.9 days Training per employee
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Business Portfolio

	1,822MW Wind installed capacity	3,464Gwh Wind energy production
	90MW Solar installed capacity	130Gwh Solar energy production
	527MW Hydro installed capacity	1,740Gwh Hydro energy production
	480MW Thermo installed capacity	2,151Gwh Thermo energy production



ERG DISTRIBUTION OF ADDED VALUE AS AT 31.12.2018

Current amounts (EUR million)	2018	2017	2016
Production value	1,050	1,065	1,041
Economic value distributed	(795)	(746)	(748)
Production costs	(426)	(450)	(463)
Remuneration of personnel	(80)	(79)	(76)
Remuneration of public administration	(54)	(51)	(39)
Remuneration of debt capital ⁽¹⁾	(105)	(89)	(97)
Remuneration of risk capital ⁽²⁾	(128)	(75)	(71)
Remuneration for the community	(2)	(2)	(1)
Economic value withheld by the Group	255	319	293
Amortisation and depreciation	275	252	254
Remuneration of the company	(21)	67	39

(1) Interest paid and other financial expenses to service debt.

(2) Dividends distributed by the Group net of extraordinary disbursements.



ERG

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