

Report of the Statutory Auditors to the Shareholders Meeting within the meaning of Article 153 of Legislative Decree no. 58/98 and Article 2429 of the Italian Civil Code

At the Shareholders Meeting of ERG S.p.A.

The Board of Statutory Auditors, in office at the date of this report, was appointed by the Shareholders Meeting of the 23rd of April 2013 and the terms of office will expire with the approval of the Financial Statements as at the 31st of December 2015. The appointment was made in accordance with the applicable laws, regulations and articles of association and the composition of the Board fulfils the gender parity criteria referred to in Article 148 of Legislative Decree 58/98 (Financial Services Act).

The auditors recognise that the appointment was made on the basis of the proposal submitted by the majority shareholder, in accordance with applicable national laws, regulations and articles of association.

The Board of Statutory Auditors note that they assessed, during the financial year, for all the auditors, on the basis of the statements made by the auditors themselves and of the information available, the lack of grounds of invalidation, ineligibility and incompatibility provided for in Articles 2382 and 2399 of the Italian Civil Code and by Article 148 of Legislative Decree no. 58/98, as well as compliance with the independence requirements provided for in the same Article, on the basis of the criteria laid down by the Standards of Behaviour of the Board of Statutory Auditors, drawn up by the National Board of Chartered Accountants and by the Corporate Governance Code for listed companies with reference to the independent directors, having regard more to the substance (guarantee of independent judgement) than the form, as recommended by the Corporate Governance Code. No events occurred that could nullify the independence requirement with respect to the verifications carried out at the time of the appointment.

The Board of Statutory Auditors notified the Board of Directors of the results of these assessments, pursuant to Article 144-novies, Paragraph 1-ter of CONSOB Regulation no. 11971, for the consequent disclosure to the public.

During the year, the Statutory Auditors carefully evaluated the effort and time required for diligent performance of the assigned duties and compliance with the limit to the accumulation of offices which may be held in other companies, established by the law (Article 148-bis of the Financial Services Act and related implementing rules, Articles 144-duodecies to 144-quinquiesdecies of the Issuers' Regulations), fulfilling their disclosure obligations to the CONSOB and the public as prescribed, respectively, by Articles 148 of the Financial Services Act and 144-terdecies of the Issuers' Regulations.

Lastly, the Board of Statutory Auditors reports that no statutory auditor had any interest, on his/her own or on behalf of third parties, in a determined transaction during the year.

Supervisory activity: legal, regulatory and ethical sources

The supervisory activity required on the part of the Board of Statutory Auditors was carried out in accordance with the law and, in particular, with Article 149 of Italian Legislative Decree no. 58/98 (Financial Services Act), with the recommendations of the CONSOB with regard to corporate controls and activities of the Board of Statutory Auditors (in particular, communication no. DAC/RM 97001574 of the 20th of February 1997), with the indications contained in the Corporate Governance Code, and with the Standards of Behaviour of the Board of Statutory Auditors of listed companies issued by the National Board of Chartered Accountants, 2015 edition.

In preparing this report, due consideration was given to CONSOB Communication no. 1025564 of the 6th of April 2001, no. 3021582 of the 4th of April 2003 and no. 6031329 of the 7th of April 2006, pertaining to the content of the reports of the Boards of Statutory Auditors to the Shareholders' Meetings of companies with shares listed on the stock market.

Lastly, the Board of Statutory Auditors undertakes that on the 24th of April 2015 it delivered to CONSOB, in compliance with CONSOB Communication no. 6031329 of the 7th of April 2006, the "Summary of oversight activities" regarding the financial year 2014, according to the form provided for this purpose by the same authority.

Attendance at the meetings of corporate bodies

The Board of Statutory Auditors undertakes that:

- In the course of financial year 2015, the Board of Statutory Auditors held nine meetings and attended the Shareholders' Meeting and the ten meetings of the Board of Directors.

From the closing date of the Financial Statements to the date of this report, the Board of Statutory Auditors met twice;

- The Internal Control and Risk Committee met nine times (of which five times in joint session with the Board of Statutory Auditors, in view of the issues discussed) and the Nominations and Remuneration Committee met eight times.

The Board of Statutory Auditors attended all meetings of the Internal Control and Risk Committee, for some topics in their entirety, and with reference to the Nominations and Remuneration Committee through the participation of its own Chairman or another auditor designated by him/her.

Supervision of compliance with the law, with the articles of association and regulations and of the enforcement of proper administration standards

By attending the Shareholders' meetings and the meetings of the Board of Directors, the Board of Statutory Auditors supervised compliance with the articles of association and the laws and regulations that govern the operations of the company's bodies and the enforcement of proper administration standards. The frequency of the meetings of the Board of Directors, the Directors'

average attendance rate and the duration of the meetings were adequate and no significant resolutions were passed without providing sufficient information to the directors and statutory auditors. The Board of Statutory Auditors verified that all resolutions were in accordance with the best interests of the company and were supported by suitable documentation and by expert opinions pertaining to the economic and financial congruity of transactions, when necessary.

The Board of Statutory Auditors acknowledges that the Board of Directors receives adequate information from the Chief Executive Officer and from the Internal Control and Risk Committee; it supervises the general operating performance, periodically comparing the results achieved with those planned; it scrutinises and approves transactions with significant relevance and it is aware of the risk and effects of the transactions carried out.

The disclosure obligations pertaining to information that is regulated, privileged or required by the Supervisory Authorities.

The Board of Statutory Auditors considers that the instruments and institutions of governance adopted by the company constitute valid management with respect of the principles of proper administration. Reference is made to the Report on Corporate Governance and the ownership structure of ERG S.p.A. for further insights on corporate governance, with respect to which the Statutory Auditors made a positive assessment.

Information about the overall activity carried out by the company and by its subsidiaries

The Board of Statutory Auditors acquired from the directors, at least once per quarter, adequate information on the overall activity carried out by the company, in the various businesses where it operated, also through subsidiaries and associates, and on the transactions with the greatest economic and financial relevance. On the basis also of the flows of information acquired during its supervisory activity, the Board of Statutory Auditors ascertained that the actions resolved and carried out were compliant with the law and with the articles of association and were not manifestly imprudent or foolhardy, in potential conflict of interest or in contrast with the resolutions passed by the corporate bodies or such as to compromise the integrity of the company's capital. The Board of Statutory Auditors also supervised compliance with the Guidelines, the Standards of Behaviour and Procedures in force within the Group, and adherence to the processes whose outcome is brought to the directors' attention for decision-making.

Additional information about the investees of ERG S.p.A. was obtained from the independent auditors and from the statutory auditors of the companies themselves.

The Board of Statutory Auditors acquired knowledge and supervised, for matters under its competence, compliance with proper administration standards, also through the information received directly from the heads of the various company functions and from representatives of the independent auditors.

On the basis of the information acquired in the supervisory activity, it emerged that the

transactions of greatest relevance in economic and financial terms carried out by the company, also through direct or indirect investees, are the following:

- merger by incorporation of ISAB Energy S.r.l. in ERG S.p.A., within the context of the project for the corporate reorganisation of the ERG Group called “Fast Steering” to reduce the command and control structure, with consequent advantages from an organisational and operational point of view and the saving of operating and administrative costs;
- merger by incorporation of ERG Supply & Trading S.p.A. in ERG S.p.A. after the Group left the business sector;
- acquisition through ERG Power Generation S.p.A of the hydroelectric assets of E.ON Produzione S.p.A., with the purchase of the entire stake of a newly established company (Hydro Terni S.r.l) the owner of the aforementioned hydroelectric assets, as beneficiary in the partial demerger of E.ON Produzione S.p.A.;
- acquisition through ERG Renew S.p.A. of wind parks in the United Kingdom, France and Germany as well as two companies providing technical support services and consultancy to the wind sector;
- dissolution of the joint venture ERG Renew-Lukoil in Lukerg Renew.

In addition, detailed information was provided at the Board of Directors meetings on:

- procedures relating to the withdrawal of funds allocated, within the meaning of Law 488/92 from the companies of the ERGWind Group, before acquisition by ERG Renew S.p.A. of the IPM Group companies: any risks arising from the transaction were contractually guaranteed by the seller at the time of the acquisition and cannot, therefore, be attributed to any effects on the Financial Statements of ERG S.p.A.;
- developments in the litigation concerning the noted dispute of the alleged tax irregularities related to activities merged in TotalErg S.p.A., with reductions in the sums contested to insignificant amounts;
- tax disputes opened as a result of verifications relating to ERG Eolica Ginestra, ERG Wind Holdings (Italy) S.r.l. and ERG Wind Investments Limited;
- evolution of the complex regulatory framework of the reference market.

All the above-mentioned operations were adequately illustrated in the Board of Directors meetings pertaining to the deliberation of necessary and exhaustive resolutions and fully illustrated in the Notes to the Financial Statements and the Management Report of the financial year 2015, which also provides a complete update of the evolution of the complex regulatory framework of reference.

Operations on own shares

In the financial year 2015 the Board of Directors did not make use of the authorisation of the meeting of the Board of Directors to purchase its own shares, which, therefore, remain

unchanged compared to the previous year.

Merger by incorporation in ERG S.p.A. of ISAB Energy S.r.l. and ERG Supply & Trading S.p.A.

The mergers were carried out with a resolution of the Board of Directors, as allowed by Article 17 of the company's Articles of Association, with the conditions required by law.

The Board of Statutory Auditors supervised compliance by the administrative body of rules of law and the applicable articles of association as well as the observance of the principles of proper administration and in particular the existence of conditions for documentary and procedural simplifications.

The Board of Statutory Auditors certified the payment of the entire share capital and the non-existence of the situations provided for in Articles 2446 and 2447 of the Italian Civil Code.

Exercise of the option to waive the public disclosure obligation

The company selected the option, introduced by CONSOB with Resolution no. 18079 of the 20th of January 2012, to waive the obligation to make available to the public an information document upon carrying out significant transactions, that is, mergers, demergers, capital increase by transfer in kind, acquisition and sale. Disclosure of this decision is provided in the Management Report, as required by Article 70 of the Issuers' Regulation.

"Market Abuse" and "Protection of Savings" regulations

The Board of Statutory Auditors supervised the discharge of the obligations related to the "Market Abuse" and "Protection of Savings" regulations pertaining to corporate disclosure and "Internal Dealing", with particular reference to the handling of privileged information and to the procedure for disseminating notices and information to the public. In particular, the Board of Statutory Auditors monitored compliance with the provisions of Article 115-bis of the Financial Services Act and in Articles 152-bis to 152-quinques of the Regulation, regarding updates to the Register of persons with access to privileged information.

Supervisory activity on the occasion of the appointment of the Board of Directors

The Board of Statutory Auditors verified, to its knowledge, the attestations of the members of the Board of Directors appointed by the meeting of the 24th of April 2015, for the financial years 2015-2017, regarding the existence of the requirements provided for in Article 2387 of the Italian Civil Code and the lack of grounds of invalidation, ineligibility and incompatibility provided for in Article 2382 of the Italian Civil Code.

The Board of Statutory Auditors verified the proper application of criteria and assessment procedures adopted by the Board of Directors to evaluate the independence of its members, sharing their conclusions and, with this report, it is disclosed to the market.

Supervisory activity on relations with the subsidiaries and related parties

The instructions given to the subsidiaries are adequate for the purpose of assuring their timely compliance with the disclosure obligations to the market prescribed by law within the meaning of Article 114 of the Financial Services Act.

The Board of Statutory Auditors reviewed and assessed the document for the verification and update both of the areas where the parent company exercises management and control and of the companies over which said powers are exercised, verifying compliance with the provisions of Article 2497 et seq. of the Italian Civil Code.

The intra-group and related parties transactions refer almost entirely to rationalisation and cost-effectiveness operations. They are part of the ordinary operations, are regulated at market conditions and are illustrated in the Management Report and in the Notes to the Financial Statements. In particular, the Board of Statutory Auditors reviewed and approved the document containing the main income data of the intercompany service agreements for the year 2015, deeming adequate the analysis in the identification of the criteria for charging back to individual companies the services set out therein, in accordance with the services used.

The corporate reorganisation of the Group, that foresaw the creation of new companies and allocated a part of the services originally provided by ERG S.p.A. through ERG Services, has made it necessary to revise the contracts in force. In particular, ERG Services was entrusted with the management of synergistic processes and across-the-board management and strategic services supporting the Group and ERG S.p.A.

In relation to Art. 18 ter of Consob Regulations concerning Markets (which includes obligations regarding the subsidiaries established and regulated under the laws of countries outside the European Union and of substantial relevance to the consolidated financial statements), the Group companies where this regulatory provision is applicable, have appropriate procedures for regular reporting to management of the Company and the parent company's auditor the economic, equity and financial data necessary for preparation of the consolidated financial statements.

Regarding transactions with related parties as defined by IAS no. 24, also illustrated in the Notes to the Financial Statements, the Board of Statutory Auditors has been able to verify, through participation in the meetings of the Audit and Risk Committee, abiding to proper procedures to ensure that related Parties are correctly identified and that the transactions with them are carried out transparently and in compliance with substantive and procedural fairness criteria by assessing the suitability of the thresholds specified in the Procedure for transactions with related Parties as well as compliance with corporate interests of transactions and the adequacy of the information provided by the directors in the Report on Operations and the Notes to the Financial Statements.

The Board of Statutory Auditors took note of the updating of the list of Related Parties and supervised the review of the Procedure, approved by the Board of Directors upon proposal of the

Audit and Risk Committee concerning, in particular, the reduction of the "paucity threshold" for remuneration and economic benefits to members of the administrative or control bodies, or key management personnel - in line with the thresholds provided for by the majority of listed companies - and the provision of a particular composition of the Control and Risk Committee and the Nominations and Remuneration Committee to formulate specific opinions identified by the Procedure, in line with the provisions laid down in the Regulation adopted by Consob with resolution no. 17221 of 12 March 2010.

Opinions delivered by the Board of Statutory Auditors

Remuneration to the Directors for special duties and non-recurring remuneration

The Board of Statutory Auditors, sharing the decisions of the Appointments and Compensation Committee, has expressed a favourable opinion, pursuant to Art. 2389 of the Civil Code, in relation to the resolutions of the Board of Directors, concerning:

- The award of remuneration on an annual basis for directors with specific duties, commensurate with the commitment and defined, with the support of a specialized consulting company, through a market *benchmarking* of listed companies;
- the recognition of non-recurring remuneration to management which provided a decisive contribution to the realisation of the acquisition of hydroelectric assets from EON - including Executive Vice Chairman Alessandro Garrone and Chief Executive Officer Luca Bettonte.

The Board of Statutory Auditors has shared with the Nominating and Compensation Committee both the reasons and the criteria used for the quantification of remuneration, ensuring the existence of the requirements encompassing the Group's policy, announced in the Report on remuneration, the recognition of non-recurring remuneration for management in view of extraordinary transactions, in accordance with certain rules and both qualitative and quantitative parameters (relevant strategic reach, strong value creation for the company and for the shareholders and the extraordinary contribution of the management receiving the remuneration).

The Board of Statutory Auditors has verified that the above-stated decisions, taken by the Board of Directors, upon proposal of the Appointments and Compensation Committee, with the involvement of the Board of Statutory Auditors, complies with the relevant guidelines of the Group and is consistent with the recommendations of the Corporate Governance Code with the requirements laid down by the Remuneration Policy, contained in the Report on remuneration, subject to the advisory vote of the Shareholders Meeting and therefore excluded from the scope of the Procedure for transactions with Related Parties pursuant to Art. 3.2, Letter (c) of said Procedure.

The information on the remuneration Policy in general and the nature and amount of remuneration are set out in the Remuneration Report (pursuant to Article 123-ter of Legislative Decree no. 58/98), which recording was made by the Board of Statutory Auditors and examined

and shared with the Audit and Risk Committee.

Remuneration of the Chief Audit, Risk and Compliance Officer

The Board of Statutory Auditors, also expressed a favourable opinion, as explicitly required by the Corporate Governance Code - Art. 7, criterion 7.C.1. the attribution to the Chief Audit, Risk and Compliance Officer of the remuneration, partly fixed and partly variable, for the year 2015, established by the Board of Directors upon proposal of the Director in charge of the Internal Control System and risk management, with favourable opinion of the Audit and Risk Committee. The Board of Statutory Auditors noted that the process of allocation of the variable bonus and performance assessment bonus is separate from the bonus system on the rest of the company, in line with the logic of full autonomy to be granted to the role itself and that the level of said remuneration takes into account both comparisons within the company and precise market surveys on remuneration of similar figures.

Remuneration of Key Management personnel

The Board of Statutory Auditors noted that the remuneration proposals of Key Managers (Chief Financial Officer of ERG S.p.A and CEO of ERG Power Generation S.p.A) - on which the Nominations and Remuneration Committee gave a favourable opinion - are in line with the benchmark data and are consistent with the remuneration Policy and, as such, excluded from the scope of the Procedure for transactions with Related Parties.

Other opinions to the Board of Directors

The Board of Statutory Auditors also verified, issuing a favourable opinion in view of the pertinent resolutions of the Board of Directors in this regard:

- The accurate application of accounting standards and their consistency for the preparation of the separate and consolidated financial statements and periodic reports;
- the activity plan of the internal audit and the adequacy of resources allocated;
- the approval of the Long-term Cash Incentive Plan 2015-2017 (LTI system), prepared with the support of the specialised company The European House - Ambrosetti and aimed at insuring greater alignment of the interests of management to the main objective of creating value for shareholders in the medium to long term, in line with the strategic guidelines of the ERG Group, verifying the list of its participants, in compliance with the Corporate Governance Code;
- the updating of the values and business indicator thresholds of the MBO System for the year 2014;
- the updating the target value of EVA and EVA delta and the related thresholds, in line with the provisions of the Regulation of the medium-long term (LTI) Incentive system and verification of compliance with the *on / off* conditions required by the Regulation.

Sustainability Report 2014

The Sustainability Report 2014 was approved by the Board of Directors, at its meeting on 12 May 2015.

Concrete implementation of the corporate governance rules

The Board of Statutory Auditors has actually considered the effective and correct implementation of corporate governance rules in the implementation of the Corporate Governance Code, to which the company adheres, as adequately shown in the Report on Corporate Governance and Ownership Structure, in compliance with Art. 124-ter of the T.U.F. and Art. 89 bis of the Issuers Regulation.

The Board of Statutory Auditors examined the additions and changes proposed in the 2015 edition, considering the impact of the changes on corporate governance, not significant.

The Board of Statutory Auditors examined, in accordance with art. 3, c. 5 of the Corporate Governance Code, concerning supervision for effective implementation of corporate governance rules, the correct application of the auditing criteria and procedures adopted by the Board of Directors, regarding the positive assessment of the independence of the Directors, both with reference to Art. 148, third paragraph, of the T.U.F., and with reference to the contents of the Corporate Governance Code, giving more importance to substance (independent opinion assurance) rather than form.

The Board of Statutory Auditors shared the positive assessment made by the Nominations and Remuneration Committee and adopted by the Board of Directors, as required by application criterion no. 1 Paragraph 1, Letter g) of the Corporate Governance Code, regarding the size and composition and to the Board and its operation and size, composition and operation of the Board committees. In the evaluation we used the evaluation criteria already used in the previous year, based on the results of a self-assessment questionnaire, prepared by the Nominations and Remuneration Committee and completed by all the members of the Board of Directors and Board of Statutory Auditors.

Results of the audits is disclosed to the market as part of the Directors' report on corporate governance.

Review of the Remuneration Policy

The Remuneration Policy, in line with the provisions of the Corporate Governance Code - 2014 Edition - to which the Company adheres, has been amended upon the proposal of the Nominations and Remuneration Committee in order to incorporate the essential elements of the new multi-year incentive plan (LTI System in 2015 -2017) and the amendments of the text 2014 edition of the Corporate Governance Code, in particular with regard to the claw back clause and *disclosure* procedures and those involved in the process of determining the compensation and remuneration of the ERG Directors of and its Key Management Personnel.

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Supervisory activities on the adequacy of the organizational structure

The Board of Auditors has been constantly and adequately informed by the Chief Human Capital Officer on the development of the reorganization of the ERG Group, based on the sole

responsibility of the entire Administration, Finance and Control world and the system of internal Committees to work jointly with the Board Committees.

The Board of Statutory Auditors has verified the consistency between the company's decision-making structure and delegated powers.

Fulfilments related to the Legislative Decree 231/2001

With reference to the organizational and procedural activities carried out pursuant to and by all effects of Legislative Decree 231/2001, on administrative liability of Entities for the offenses prescribed by the regulations, the Board of Statutory Auditors has noted, both in meetings with the Supervisory Board and from periodic reports on the activity carried out by said Body, that no significant critical issues were found for the purposes of implementation and effectiveness of the Organisation, Management and Control Model.

As limited by its authority, the Board of Statutory Auditors has:

- Evaluated the existence of professional qualifications of members of the Supervisory Board, required by the Model pursuant to Legislative Decree 231/2001;
- verified the adequacy of the powers and financial resources allocated to the Supervisory Board for the proper performance of its institutional duties;
- verified the consistency of the information received and information requirements contained in the Model;
- examined the schedule of activities and the budget of the ERG Supervisory Body for the year 2016.

The Model was revised, with changes and additions resulting from the corporate reorganization, in view of the thorough examination of best practices and relevant case law.

The Board of Statutory Auditors attended the information session on the role of the Board of Directors under the regulations dictated by Legislative Decree no. 231/01, held by the Supervisory Body, with the support of a law firm specialising in the field, as part of training recommended by the Corporate Governance Code in favour of Board Members, pursuant to the provisions of the Confindustria Guidelines for the construction of Organization, Management and Control Models (edition 2014).

For a description of the mode of implementation of the Organisational and Management Model, reference may be made to the Report on Corporate Governance and Ownership Structure for the year 2015.

Legislation on health, safety, and environment

The Board of Statutory Auditors has been periodically informed about the activities of the Group in the area of health, safety, environment and quality, as well as on training and updating in relation to the legislation issued, from time to time, on the subject and found the constant attention of corporate bodies and of the Executive Board with regard to these issues, whose

policy is an integral part of the Code of Ethics. In particular, both the emphasis on continuous training, updating and improvement activities and the existence of a formalised system of powers has been confirmed, with precise definition of duties and responsibilities.

The Board of Statutory Auditors noted that, consistently with the Sustainability Policy, which issues relating to health safety and environment are an integral part, the certification of the competent Bodies were renewed.

Legislation on *privacy*

During the year, the ERG Group updated its security policies to ensure an adequate level of protection of personal data processed in application of the Privacy Code (Legislative Decree 196/2003) and of the Provisions issued by the Guarantor Authority.

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Monitoring of the adequacy of the internal control system

The Board of Statutory Auditors monitored and assessed the adequacy of the Internal Control System, consistent with the principles in the Corporate Governance Code and, more generally, with *best practices*, both in design and in operation.

Participation in the meetings of the Audit and Risk Committee has allowed both the timely exchange of information relevant to the performance of respective tasks and the coordination with the activities of the Committee in the performance of the function of the Committee for Internal Control and Auditing, attributed the Board of Statutory Auditors by Art. 19 of Legislative Decree no. 39/2010, aimed, in particular, at the supervision of the financial information process and the effectiveness of internal control, auditing and risk management systems.

The Board of Statutory Auditors acknowledges that they have checked the most relevant activities undertaken by the overall system of internal control and risk management through participation in meetings of the Control and Risk Committee and the Nominations and Compensation Committee and periodic meetings with the Internal Audit, Risk & Compliance department.

As part of this activity, in particular, the Board of Statutory Auditors acknowledges that it has received and reviewed:

- periodic reports on its activities prepared by the Control and Risk Committee and Internal Audit, Risk & Compliance Department;
- the reports prepared, at the conclusion of the auditing and monitoring activities, by the Internal Audit, Risk & Compliance Department, with their results, recommended actions and controls for the implementation of said actions;
- quarterly updates on the evolution of the risk management process, the results of monitoring and assessment activities carried out by Internal Audit, Risk & Compliance as well as the objectives achieved.

Both in the periodic reports and in meetings with the Internal Audit, Risk & Compliance

Department, no restrictions were found for monitoring activity or lack of available resources.

The Board of Auditors has expressed a favourable opinion, as expressly required by the Corporate Governance Code, on the plan of activities and budget of Internal Audit, Risk & Compliance for the year 2016, also regarding the adequacy of available resources.

With regard to risk management, the Board of Statutory Auditors found that, in compliance with the guidelines, transactions are implemented in order to minimize the risks of electricity price volatility and financial risks (exchange rate and interest rate), for the sole purpose of hedging, without assuming speculative positions; derivative financial instruments are used, as defined in Art. 2427 bis of the Italian Civil Code (options, swaps, futures and *forwards*). The Notes to the Financial Statements show, pursuant to Art. 2427-bis of the Italian Civil Code, the market values, based on the *mark to market* values estimated by the market, with verification of the adequacy using appropriate instruments and valuation models.

Following the activities undertaken during the period, as detailed above, the Board of Statutory Auditors shared the positive assessment made by the Control and Risk Committee of the adequacy of the Internal Control and Risk Management System.

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Monitoring the adequacy of the administrative and accounting system

In connection with the revision of the organizational model, which provides for the allocation of administrative functions to a separate Group company, the subsidiary ERG Services S.r.l, the Control and Risk Committee and the Board of Statutory Auditors verified that an unchanged level of efficiency and effectiveness of administrative activities and of services performed remained and the quality of previously tested controls, on which both the Audit and Risk Committee and the Board of Statutory Auditors had expressed a positive opinion.

With reference to monitoring the adequacy of the administrative and accounting system and its reliability in correctly representing management, the Board of Statutory Auditors acknowledges to have received adequate information on monitoring activities of business processes with administrative-accounting impact within the internal control System, performed both during the year and in relation to the periodic reports on management both in the closure stage of accounts and for the preparation of the Financial Statements, in compliance with the monitoring requirements and attestation to which ERG S.p.A is subject pursuant to Law 262/05.

In this regard, the Board of Statutory Auditors examined the proposed updates to the Model pursuant to Law 262/2005, as a result of organisational and corporate character changes which occurred in the Group, the risk assessment and the results of the tests activities, taking note of the results of the test activities on the controls performed and the plan of activities scheduled.

The adequacy of the administrative-accounting system was also evaluated by obtaining information from the managers of the respective departments and the analysis of the work performed by the Auditing Company.

There were no particular issues and elements militate preventing the issue of the certificate by the Manager responsible for preparing corporate accounting documents and the CEO on the adequacy of the administrative and accounting procedures for preparation of the ERG S.p.A Financial Statements and Consolidated Financial Statements for the year 2015.

The Board of Statutory Auditors has monitored compliance with the legal requirements applicable to preparation and publication of the Interim Financial Report and Interim Reports on Operations, as well as the entries of the same and the correct application of accounting standards, including using the information obtained from the Independent Auditors.

The Board of Statutory Auditors has supervised the adequacy of the instructions issued by ERG S.p.A to its subsidiaries, in reference to the information flows required for the preparation of the Financial Statements and Interim Reports.

Omissions or reprehensible actions

As a result of supervisory and control activities during the year, the Board of Statutory Auditors can attest that:

- During the course of activities, there were no omissions, irregularities or reprehensible or significant matters that required reporting to the control bodies or mention within this report;
- No complaints were received by the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code or submitted by third parties;
- no transactions with any third parties, or intra-group transactions and / or related parties were identified that would highlight atypical or unusual profiles, due to the contents, nature, size and timing.

Supervision of statutory auditing activity of accounts

During the year, regular meetings were held with the Auditing Company, both through formal meetings also attended by the heads of administration, and through informal meetings between individual Executive Officers of the Company, and through informal meetings between individual members of the Board and representatives of the Auditing Company, in order to facilitate the mutual exchange of data and relevant information, in compliance with Art. 150 of Legislative Decree no. 58/98. Full cooperation was always observed, also regarding the preparatory work for the Annual Financial Statements, and did not reveal any issues worthy of mention.

As required by Art. 6 of Legislative Decree 39/2010, in which the Board of Statutory Auditors is qualified as the Internal Control and Audit Committee, the auditing company submitted the Auditing Plan 2015 to the Board of Statutory Auditors .

On 7 April 2016, the Auditing Company forwarded to the Board of Statutory Auditors, as the "Committee for internal control and audit in accordance with art. 19 of Legislative Decree no. 39/2010" the report on key matters arising from the statutory audit, on which no significant deficiencies were found in the internal control system in relation to the financial reporting process. The Board of Statutory Auditors has issued a favourable opinion on the results presented in the

report, in accordance with Art. 7.C.1, Letter. e) of the Corporate Governance Code.

Taking into account the "Annual Transparency Report" document prepared by Deloitte & Touche S.p.A, published on its website and communicated to the Board of Statutory Auditors, as well as the formal confirmation of their independence issued by the above-mentioned company and communication of powers granted, including through entities belonging to the network, by ERG S.p.A and the consolidated companies, verified that no appointments for services have been attributed that could compromise the independence of Auditors pursuant to Art. 17 of Legislative Decree. 39/2010, the Board of Statutory Auditors does not consider that there are critical issues related to the independence of Deloitte & Touche S.p.A.

Additional statutory audit assignments of accounts conferred to Deloitte & Touche S.p.A

In order to unify the positions of a single auditing company, following a consensual withdrawal, by which Ernst & Young cancelled its assignment at ERG Renew S.p.A and its subsidiaries, ERG Renew S.p.A has assigned statutory audits of the above-mentioned companies to Deloitte & Touche S.p.A, giving continuity to the parent company's mandate.

The decision was taken in order to make more efficient the tasks in terms of cost (taking into account the specific supplementary activities required of the principal auditor in order to revise / supplement the activities of the secondary auditor) and in terms of corporate organisational commitment by having a single point of reference.

Changes in the scope concerned by the auditing

Following the appointment of the statutory audit of the subsidiary ERG Renew S.p.A and its relevant subsidiaries with their registered office in Italy, there was no need to fulfil additional specific audit activities, as also indicated also by ISA 600R, on the findings of the audits performed by other Auditing Companies on significant components of the ERG Group. Such cases in the past, had led to recognition of supplementary fees contained in the original offer.

On 30 November, the ERG Group, via its subsidiary ERG Power Generation S.p.A, completed the acquisition of Hydro Terni S.r.l, owner of the Italian hydroelectric assets previously held by E.ON Group.

Revision of fees

The auditing company Deloitte & Touche S.p.A, was paid for the complete auditing of the financial statements and consolidated financial statements and the limited auditing of the Interim Financial Report for a total compensation of € 235 thousand (including the remuneration of Euro 100 thousand relating to the two merged companies, ISAB Energy S.r.l and ERG Supply and Trading S.p.A)

It is noted that on 23 April 2009, the Ordinary General Meeting of Shareholders of ERG S.p.A appointed Deloitte & Touche S.p.A as independent statutory audit of the financial and consolidated statements, as well as verification of regular bookkeeping and the correct reporting of management events in the accounting records of ERG S.p.A for the 2009-2017 period,

pursuant to Legislative Decree 24 February 1998, no. 58 (now Legislative Decree no. 39 of 27 January 2010). Said task is governed by the Deloitte proposal for professional services dated 26 February 2009, as amended, respectively dated 7 December 2010, 24 September 2012, 7 January 2014, 1 July 2014 and 29 June 2015.

In relation to the above mentioned changes in the scope of the referenced scenario, the Board of Statutory Auditors verified that the revision of the fees, leading to a different commitment required of the auditing company, is consistent with the contractual terms of the original proposal and that the rates are unchanged compared to those of the above-mentioned proposal

Additional assignments were also attributed by ERG S.p.A to Deloitte & Touche S.p.A for a total consideration of Euro 213 thousand for the following activities:

- Agreed verification procedures on periodic reports of the subsidiary companies: Euro 145 thousand
- Certification services relating to the examination of conformity of separate annual accounts for the purpose of AEEG resolution no. 11/2007 and tax returns: Euro 33 thousand
- Services for the preparation of the annual and semi-annual reporting package: Euro 35 thousand

The assignment was conferred on the company associated with the Deloitte & Touche network (Deloitte ERS) for the determination of the GAP Analysis for the purpose of the sustainability report for consideration of Euro 40 thousand.

The Board of Statutory Auditors examined the proposals for professional consulting services and verified that the activity is not incompatible with the auditing activities, pursuant to Art. 160 of the Issuers' Regulations, as confirmed by CONSOB in the "outcome of the consultation" of 4 May 2007.

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For completeness of information, it is confirmed that ERG S.p.A. and the controlled companies have assigned Deloitte & Touche S.p.A. the following tasks:

- Accounting audit for an overall total of Euro 914,000;
- Further assignments other than auditing for an overall amount of Euro 538,000, of which:
 - Euro 117,000 for certification services;
 - Euro 421,000 for other services, among which in particular, the voluntarily agreed verification procedures required for the controlled companies' quarterly data.

ERG S.p.A. and the controlled companies have assigned Deloitte & Touche S.p.A. and its network the following tasks:

- Accounting audit for an overall total of Euro 46,000;
- Further assignments other than auditing for an overall amount of Euro 430,000, of which:
 - Euro 205,000 for tax consultancies;
 - Euro 40,000 for drafting the sustainability report;

- Euro 185,000 for other services (review of reporting package of foreign controlled companies, certification services and voluntarily agreed verification procedures required on quarterly data by the controlled companies).

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Supervisory activities relating to the annual financial statements and consolidated balance

With regard to the annual financial statements and the consolidated balance at 31 December 2015:

- The Board of Auditors has established, through direct assessments and information gathered by the same Auditors, the observance of the laws that regulate the formation and entries in the financial statements and management report and the procedures adopted, attesting the correct use of accounting principles, as described in the Notes to the Company's Financial Statements and Management Report.
- In application of Consob resolution n. 15519/2006, the effects of the relationship with the correlated parties are expressly indicated in the balance sheets.
- The Notes to the Financial Statements contain the information required by the international accounting standards regarding the reduction in asset value. The conformity of the impairment test procedure regarding IAS Principle 36, in line with the recommendations of the Joint Document of Banca d'Italia/Consob/Isvap n. 4 of 3 March 2010, has been formally approved by the Board of Directors at the board meeting of 10 March 2016, autonomously and in advance with respect to the time of approval of the financial reports, as recommended by the above mentioned Document. The Board of Statutory Auditors acknowledges having analysed and discussed, in a joint meeting with the Control and Risks Committee, all the supporting documentation and verified the coherence with the formulation previously adopted, confirms the correctness of the procedure and soundness of the evaluation assumptions and has consequently shared the outcomes.

The results of the impairment tests, adequately illustrated in the Notes to the Financial Statements, have been the object of a sensitivity analysis in view of the evolution of the variables in energy costs and interest rates, in conformity with the indications provided for in CONSOB's communication n.3907 of 19 January 2015.

The Statements correspond to the facts and information which the Board of Auditors have been informed of in the exercise of its supervisory duties and powers of control and inspection.

The Chief Executive Officer and the Manager in charge of drawing the company's accounting documents have issued the certification, in pursuance of art. 81 – ter of Consob Regulation n. 11971/1999 and subsequent amendments and integrations and of art. 154-bis of Leg. Decr. N. 58/1998 (T.U.F.).

The management report meets the requirements of law and is coherent with the entries and results of the statements; it provides ample information on the more important assets and operations, of which the Board of Auditors has been punctually informed, as well as on the principle risks involving the company and its controlled companies and inter-company operations and operations with correlated companies, as well as the adjustment of the company's organization to the principles of corporate governance, in conformity with the Self Regulation Code of listed companies.

In virtue of the provisions of art. 123-ter of Leg. Decr. N. 58/1998 (TUF), the Shareholders Assembly is presented with the remuneration report, the formulation of which the Board of Statutory auditors has examined and shared in a joint meeting with the Control and Risks Committee.

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On 7 April 2016, the Auditing Company issued the reports in conformity with articles 14 and 16 of Leg. Decr. N. 39/2010 which confirms that the consolidated annual financial statements at 31 December 2015 are consistent with the international accounting principles – IFRS – adopted by the European Union, as well as with the regulations emanated in pursuance of art. 9 of Leg. Decr. n. 38/2005, and are formulated with clarity and represent a true and correct picture of the company's assets and liabilities, financial situation, profits and losses and cash flows for the financial year ending at such date.

The Auditors' report also expresses opinions on the coherence with the management report statements and with the information contained in the Company Governance Report in pursuance of art. 123-bis of Leg. Decr. n. 58/98.

With regard to the contents of this report, the Board of Auditors has no comments to formulate with respect to the approval of the Financial Statement at 31 December 2015 and the proposal of the Board of Directors, as contained in the Management Report.

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The mandate conferred to the Board of Statutory Auditors by the Shareholders' Assembly on 23 April 2013 expires with the approval of the financial statements at 31 December 2015. You are therefore requested to nominate a new Board for the 2016-2018 period.

Genoa, 8 April 2016

The Board of Statutory Auditors
(Dott. Mario Pacciani)
(Dott.ssa Elisabetta Barisone)
(Dott. Lelio Fornabaio)