



Report
on corporate governance
and ownership

1. HISTORY OF THE GOVERNANCE STRUCTURE

The current governance structure of ERG S.p.A. (hereafter, also “ERG” and the “Company”) has evolved over Company history by gradually incorporating rules of conduct reflecting the most advanced and widely recognised principles of Corporate Governance into the ERG corporate approach.

Even prior to the listing of the Company in October 1997, one of the key aspects of the governance structure was a focus on a proper relationship between management and shareholders and ensuring that business operations are aimed towards the creation of value.

This key aspect of the corporate policy was implemented through:

- coordinated delegation of power amongst the Board of Directors of ERG (“Board of Directors”) to achieve clarity and completeness of executive accountability and effective oversight over monitoring activities and assessment of results achieved;
- regular and adequate reporting amongst members of the Board of Directors on actions taken in accordance with their delegated authority and of managerial responsibilities;
- adoption of specific procedures to determine remuneration for the Board of Directors and management.

The listing of the Company on the stock market has highlighted the Company's commitment to shape the governance structure and to engage in business conduct based on ideals of transparency and fairness and has accelerated the process of which such ideals were incorporated in the development of Company policies and procedures, and the organisational structure.

Key features of the implemented policy include:

- The introduction of amendments to the Articles of Incorporation to reflect regulatory changes introduced by the Italian Company Law Reform, on the matters of Shareholders’ Rights on transactions with related parties and on gender balance in the composition of corporate bodies;
- adoption of a Code of Ethics, revised May 14, 2014, to define and communicate the duties and responsibilities of ERG towards its stakeholders, in line with the Organisation and Management Model consistent with the requirements of Legislative Decree no. 231/2001;
- acceptance of the Italian Corporate Governance Code for Listed Companies, issued by the Borsa Italiana S.p.A. (“Corporate Governance Code”) ¹ from the introduction of the first edition in 1999;
- adoption of a Code of Conduct for Directors of ERG Group companies (the “Group”), updated May 14, 2014;
- inclusion of independent and non-executive directors as members of the Board of Directors;
- adoption of a Remuneration Policy for the Board of Directors and key management personnel in line with the provisions of the Code of Conduct, updated on March 11, 2015, to align interests of management with that of the shareholders, and to strengthen the relationship between management and the Company to achieve value and continuity of its operations;
- definition of guidelines for the identification and execution of significant transactions, updated March 10, 2016, and other governance documents designed to ensure transparent and timely management of the relationship between the Group and the market;
- adoption of a Policy for the management and treatment of confidential information and the dissemination of statements and information to the public, updated May 14th 2014;
- definition of the Guidelines for the Internal control system and risk management, updated March 3, 2016;
- adoption of a Model of integrated risk management, with the aim of comprehensive identification of the risks inherent in the overall activities of the Group;
- adoption of a policy to ensure transparency and business purpose of transactions with related parties carried out by ERG directly or through its subsidiaries, in accordance with such policy, revised May 12, 2015;
- definition of a Code of Conduct for internal reporting, revised July 1 2015, directed at regulating the obligations of disclosures to the market, the Company and CONSOB with reference to transactions involving ERG shares or related financial instruments carried out, directly or indirectly, by members of the administrative and controlling bodies of ERG and of significant subsidiaries, by members of top management of the ERG Group and by persons closely connected with them;
- adoption of the Anti-Corruption Guidelines and the Guidelines for compliance with Legislative Decree. 231/01 and the anti-corruption laws for the Group companies.

¹ On December 15, 2015 the Board of Directors resolved to adhere to the new Corporate Governance Code published in July 2015; consequently, all references to the provisions of the Corporate Governance Code shall be deemed to refer to the aforesaid edition of the Code.

2. INFORMATION ON OWNERSHIP STRUCTURE AS OF December 31, 2015 PURSUANT TO ART. 123-BIS OF LEGISLATIVE DECREE 24 February, 1998 No. 58 ("TUF")

Structure of the share capital as at 31/12/15

	Number of shares:	equity capital subscribed and paid up by the shareholder	% compared to the share capital	Listed (market) / unlisted	Rights and obligations
Ordinary shares	150.320.000	€ 15.032.000,00	100	MTA / FTSE Italy Mid Cap Index	-
Shares with limited voting rights	-	-	-	-	-
Shares without voting rights	-	-	-	-	-

Significant shareholdings at 31/12/15

Declarant	Direct Shareholder	Share % of ordinary capital	Share % of voting capital
San Quirico SpA	San Quirico SpA	55,628	55,628
San Quirico SpA	Polcevera SA	6,905	6,905
ERG SpA	ERG SpA	5,000	5,000

Additional information at 31/12/15

	Yes	No	No information is known in reference
Restrictions on the transfer of securities		x	
Restrictions on voting rights		x	
Shareholders' Agreements			x
Agreements pursuant Art. 123-bis, paragraph 1, letter i) TUF ¹	x		

¹ The information in question is contained in the Remuneration Report published pursuant to art. 123-ter of TUF

It is noted that:

- There are no shares that grant special rights to control;
- there is no stock plan for employees;
- in accordance with the provisions of Art. 123-bis, paragraph 1, letter h) of the Consolidated Finance Act, the Company is required to report the existence of certain financing transactions containing provisions relating to a change of control of the debtor, a change that in theory may result in the repayment of the loan in question if there is a change in control for ERG SpA. Such transactions include the loan granted by Banca IMI, as an agent bank in a pool of seven banks, on November 30, 2015, for an amount of 750 million Euro, in two tranches, with the last maturity in August 2020. In addition, there are partnership agreements in place with third parties relating to certain investee companies, which allow for the possibility, but not the obligation, as is frequently the case in such agreements, for third parties that are shareholders of the above-mentioned investee companies, to acquire, usually at market conditions, the shares or stakes of the shareholder belonging to the ERG Group if there is a change in control of ERG. In the case of TotalErg S.p.A. is noteworthy to highlight that the shareholders' agreements provide the possibility, for the other shareholder, when the circumstances occur and in accordance with the procedures prescribed by said agreements, to purchase an equity investment, owned by the ERG Group, representing 2% of TotalErg S.p.A. if control of ERG changes;
- for rules applicable to the appointment and replacement of the members of the Board of Directors and of the Board of Statutory Auditors, and to amendments to the Articles of Incorporation, please refer to the relevant sections of this report (hereafter also the "Report");
- there are no powers to Directors for capital increases pursuant to Art. 2443 of the Italian Civil Code;
- the Directors have no powers to issue equity instruments;
- the Shareholders' Meeting held on April 24, 2015 authorised the Board of Directors, in accordance with Article 2357 of the Italian Civil Code, to purchase treasury shares for a period of 12 months from the date of the related resolution, up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 (thirty million, sixty-four thousand) shares of ERG common stock with a par value of Euro 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction.

3. CORPORATE GOVERNANCE

ERG S.p.A.'s corporate governance system complies with the requirements of the Italian Civil Code and other specific laws and regulations relating to companies – particularly those outlined in the Consolidated Finance Act and is consistent with the Italian Corporate Governance Code in its various revisions over the years¹. The most current edition of the Corporate Governance Code is available to the public on the Italian Stock Exchange web site (www.borsaitaliana.it).

The elements that comprise corporate governance are **statutory bodies**, the **Board committees** and **corporate governance documents** that govern its operation.

¹ Please refer to the previously stated note. 1.

3.1. STATUTORY BODIES

Board of Directors

The current Board of Directors, comprised of twelve members, was appointed by the Shareholders' Meeting of April 24, 2015¹. Consequently, the appointment to the Board of Directors shall expire at the date of the Shareholders' Meeting to approve the Financial Statements on December 31, 2017.

For the appointment of the Board of Directors, two lists of candidates have been presented, one by the shareholder San Quirico SpA and the other by some institutional investors as follows²:

List San Quirico SpA

1. Edoardo Garrone
2. Alessandro Garrone
3. Giovanni Mondini
4. Luca Bettonte
5. Massimo Belcredi*
6. Marco Costaguta
7. Paolo Francesco Lanzoni*
8. Mara Anna Rita Caverni**
9. Barbara Cominelli**
10. Luigi Ferraris**
11. Silvia Merlo**
12. Alessandro Careri

Institutional Investors list

1. Alessandro Chieffi**

Under the Articles of Association, the Company is managed by a Board of Directors whose membership composition is in compliance with current gender balance laws and regulations. The Board will be comprised of no less than 5 and not more than 15 members.

Directors are appointed on the basis of lists presented by the shareholders in which the candidates are listed in a progressive order, and accompanied by information on the personal and professional characteristics of the candidates and a declaration of whether they meet the independence requirements as prescribed by the Italian Consolidated Finance Act. The list must be filed, in compliance with Article 147-ter, paragraph 1-bis, of the Italian Consolidated Finance Act, at least 25 days prior to the date of the Shareholders' Meeting and shall be made available to the public at least 21 days prior to the Meeting.

The lists may only be presented by shareholders who, either individually or with other shareholders, represent the minimum percentage of share capital established in accordance with Article 144-quater of the Regulations implementing the Consolidated Finance Act, adopted by CONSOB with its resolution no. 11971 on May 14, 1999 (Issuer's Regulations), which is currently equal to 1%³.

This share capital percentage is the same for the presentation of lists for the appointment of the Board of Directors in office⁴.

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

In accordance with Article 147-ter, paragraph 1-ter of the Consolidated Finance Act, for the first mandate in compliance with Law no. 120 on July 20, 2011, the least represented gender must receive a share equal to a least one fifth of the Directors elected.

The lists indicate which Directors meet the independence requirements set by Article 147-ter, paragraph 4 of the Consolidated Finance Act. At least one candidate from each list, or two candidates, in the case of a Board with more than seven members, must meet the above-mentioned independence requirements.

All candidates must meet the integrity requirements set out by current regulations for members of the

¹ With reference to the provisions of criterion 1.C.4. of the Code of Conduct, it is noted that the Shareholders' Meeting has not authorized general exceptions in advance to the competition provisions contained in art. 2390 of the Italian Civil Code.

² For the percentage of votes obtained by the lists in relation to the voting capital, please refer to the Summary Report of the voting on the items on the agenda of the Shareholders' Meeting of April 24, 2015, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Shareholders' Meeting 2015".

* Candidate in compliance with the independence requirements pursuant to the provisions of the T.U.F.

** Candidate in compliance with the independence requirements pursuant to the provisions of the T.U.F. as eligible to qualify as independent under the Corporate Governance Code.

³ Pursuant to Consob Resolution no. 19499 of January 28, 2016.

⁴ Pursuant to Consob Resolution no. 19109 of January 28, 2015.

control bodies, as well as professionalism requirements for the office to be held.

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

For the purposes of the identifying the pool of Directors to be elected, no consideration is given to lists that did not obtain votes representing a percentage of the share capital equal to at least half of the required percentage for the presentation of the lists.

Each eligible person may only vote on one list.

The election of the Directors takes place as follows:

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

In any case, the election will be won by the candidate or, if the Board has more than seven members, the first two candidates from the list that received the highest number of votes, who meet the independence requirements, belonging to the list that obtained the highest number of votes¹.

The Directors in office as of the date of approval of the Report are as follows²:

Edoardo Garrone	Chairman
Alessandro Garrone ³	Vice Chairman
Giovanni Mondini	Vice Chairman
Luca Bettonte	CEO
Massimo Belcredi	Board Member
Mara Anna Rita Caverni	Board Member
Alessandro Chieffi	Board Member
Barbara Cominelli	Board Member
Marco Costaguta	Board Member
Luigi Ferraris	Board Member
Paolo Francesco Lanzoni	Board Member
Silvia Merlo	Board Member

Executive Directors

Edoardo Garrone
Alessandro Garrone
Luca Bettonte

Non-executive Directors⁴

Giovanni Mondini
Marco Costaguta

Independent non-executive Directors pursuant to T.U.F.

Massimo Belcredi
Paolo Francesco Lanzoni

Independent Directors pursuant to T.U.F. and the Corporate Governance Code

Mara Anna Rita Caverni

¹ For more information, including those relating to the arrangements for ensuring compliance with the criterion of gender balance in the composition of the Board, please refer to the Articles of Association, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Governance Documents".

² For the personal and professional qualifications of current members of the Board of Directors, please refer to the relevant curriculum vitae available on the Company's website (www.erg.eu) in the section "Corporate Governance / Board of Directors".

³ Holds the position of Director in charge of the internal control system and risk management.

⁴ In view of the criterion 2.C.1 of the Corporate Governance Code.

Alessandro Chieffi
Barbara Cominelli
Luigi Ferraris
Silvia Merlo

At the first meeting after the appointment, on April 24, 2015, the Board of Directors confirmed the independence of Directors Massimo Belcredi and Paolo Francesco Lanzoni with reference to Art. 148, third paragraph, of the Italian Consolidated Finance¹ and the independence of Directors Mara Anna Rita Caverni, Alessandro Chieffi, Barbara Cominelli, Luigi Ferraris and Silvia Merlo both with reference to Art. 148, third paragraph, of the Consolidated Law on Finance, and with reference to the information contained in the current Code of Conduct.

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

Regarding the composition of the Board of Directors and the delegation of offices and powers, at this time, it was not considered necessary to designate a lead independent director as provided by application criterion 2.C.3 of the Corporate Governance Code.

On February 26, 2016 a meeting was held of the independent directors in the absence of the other Directors; they have however kept their appropriate links and have regularly provided a mutual prior consultation on major matters examined by the Board of Directors.

Other Appointments held by the Directors serving as Director or Statutory Auditor in listed companies in both Italy and abroad, in finance, banking and insurance or companies of significant size as of December 31, 2015² are as follows:

Edoardo Garrone	Chairman of San Quirico SpA Supervisory Board Board Member of Pininfarina S.p.A.
Alessandro Garrone	Board Member of Banca Passadore and C. S.p.A. Board Member of Gruppo MutuiOnline S.p.A.
Giovanni Mondini	Chairman of the Management Board of San Quirico SpA
Massimo Belcredi	Board Member of Editoriale l'Espresso S.p.A. Group
Mara Anna Rita Caverni	Board Member of Anima Holding S.p.A. Board Member of Anima S.G.R. Board Member of SNAI S.p.A. Board Member of Cerved Information Solution S.p.A.
Marco Costaguta	Board Member of the Management Board of San Quirico S.p.A. Board Member of OTB S.p.A. Board Member of Goglio S.p.A Board Member of Rimorchiatori Riuniti S.p.A. Board Member of Holcim Italy SpA
Alessandro Chieffi	Board Member of Intermonte SIM S.p.A. Board Member of Adriano Lease Sec. S.r.l.
Silvia Merlo	Board Member of Finmeccanica S.p.A. Board Member of l'Espresso S.p.A. Group CEO of Merlo SpA

¹ The Board of Directors, in line with the assessments made during the previous three years, with emphasis on substance rather than form, a principle advocated by the Corporate Governance Code, has confirmed that the Directors Belcredi and Lanzoni do not nor have recently it had, directly or indirectly, relations with the Company or related persons, that would impair their autonomy of judgment, in accordance with Principle 3.P.1. the current Corporate Governance Code promoted by the Italian Stock Exchange. Moreover, in view of their long tenure, the Board of Directors considered it preferable not to qualify them as independent directors pursuant to the Corporate Governance Code.

² Other than offices held in Group companies.

Other attendees of Board of Directors meetings

Meetings of the Board of Directors also include representatives from Group management to provide certain specific and timely insights on topics discussed on an as needed basis. In 2015, attendance by representatives from Group Management represented 80%, at 8 of the 10 meetings of the Board of Directors.

Directors' fees and remuneration - Evolutionary approach Remuneration Policy

In accordance with the Corporate Governance Code, on December 20, 2011, the Board of Directors approved the Policy for remuneration of the members of the Board of Directors and key executives proposed by the Nominations and Remuneration Committee, which included:

- Article 6 of the Corporate Governance Code;
- provisions of the Consolidated Finance Act and the Issuers' Regulations on the transparency of the remuneration of the directors of listed companies and of key Executives;
- current Procedure for transactions with Related Parties and the principles expressed in the Code of Ethics of the Group.

Subsequent revisions to the Remuneration Policy, proposed by the Nominations and Remuneration Committee and approved by the Board of Directors, were made as follows:

- on December 18th 2012, to incorporate the powers delegated by the Board of Directors (appointed by the Shareholders' Meeting of April 20th 2012) and the adoption of the 2012-2014 Medium/Long Term Incentive System ("LTI System");
- on March 11th 2015, effective as from 2015¹, to incorporate Adhesion of the Company to the current Code of Conduct and the general principles of the system LTI 2015-2017 in anticipation of the renewal of the Board of Directors by the Shareholders' Meeting on April 24, 2015²;

On December 15, 2015, the Board of Directors defined the conditions necessary to implement the LTI Plan 2015- 2017, in line with the Company's remuneration policy, and based on the results from the Shareholders' Meeting held on April 24, 2015 (under the provisions of Art . 123-ter of TUF) and the 2015-2018 Business Plan approved on the same date. In addition, the conditions were defined based on a proposal made by the Nominating and Remuneration Committee and after consultations with the Board of Statutory Auditors,

During 2015, members of the Nomination and Remuneration Committee members submitted to the Board of Directors proposals on the remuneration of Directors (appointed by the Shareholders' Meeting on April 24th 2015), executive or vested with particular roles or subject to be part of the Strategic Committee³, based on the provisions of current Remuneration Policy⁴.

Powers

At the meeting held on April 24, 2015, the Board of Directors assigned the following powers to certain members of the Board for the next three years, which will be in effect at the the Shareholders' Meeting that will be held to approve the Financial Statements at December 31st 2017:

- **Chairman Edoardo Garrone**
 - o the authority to manage, with responsibility for supervision, direction and control, the processes of institutional and external relations, corporate social responsibility and corporate affairs, giving him all the necessary powers for the exercise of the proxy granted⁵;
- **Vice Chairman Alessandro Garrone**
 - o a proxy to manage preliminary and functional activities to define the strategic objectives of the Company and the Group and the preparation the Strategic Plan to be submitted to the Board of Directors for consideration and possible approval; additionally, to provide strategic coordination of the subsidiary companies;

¹ Since the 2015-2017 LTI is also applicable to ERG, the same has been submitted for approval to the Shareholders' Meeting held April 24, 2015, who voted also in favour of the LTI System.

² The Shareholders' Meeting held on April 24, 2015 voted in favour of the first section of the Remuneration Report prepared in accordance with Article 123-ter of the Consolidated Finance Act.

³ Although not Group employees and free from a seat on the Board of Directors.

⁴ For any additional information on this matter, please refer to the Remuneration Report per Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting in May 2015, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.

⁵ Assignment of these managerial powers, with particular but not exclusive reference to the activities within the group, takes into account the role carried out as Chairman of the Board of Directors and the provisions of the Corporate Governance Code (Comment to Article 2, fifth paragraph).

- a proxy to exercise supervision and control over activities for the preparation of project Budgets to be submitted for review and possible approval of the Board of Directors;
- a proxy to provide guidance and supervision for activities related to research, development and negotiation with third parties in mergers and acquisitions transactions and structured finance transactions, which are subject to the approval of the Board of Directors;
- a proxy to manage the definition of the Company organizational structure up to the second level reporting directly to the CEO, contributing to the decisions regarding the appointment of directors and executives, employee terminations, and remuneration policies and incentives;
- a proxy to manage, with responsibility for supervision, direction and control, the activity of Internal Audit, Risk & Compliance;
- the office of Director in charge of internal controls and risk management, with powers and responsibilities as outlined in the current Code of Conduct in line with the Guidelines for the Internal Control System and Risk Management approved by the Company;
- **CEO Luca Bettonte** (Chief Executive Officer of the Company)¹
 - the necessary powers to perform all activities pertaining to corporate activity, except for those reserved to the Board of Directors (by law or by statute) or delegated to the other Board Members;
 - the powers and responsibilities for the protection of health, and maintenance of safety in the workplace and the environment;
 - a proxy to protect persons and other subjects in processing of personal data.

In accordance with the Articles of Incorporation, the authority to represent the Company in accordance with Article 2384 of the Italian Civil Code rests with Chairman, as also separately belongs to the Managing Director or Managing Directors within limits of the powers conferred to them.

The Corporate Governance Code specifies that the powers vested in the Vice Chairman and the Chief Executive Officer shall be exercised within the scope of the directives and instructions imparted to them by the Board of Directors which shall retain, in addition to the powers that may not be delegated as prescribed by law or by the Articles of Incorporation, the authority to review and approve significant transactions identified on the basis of the criteria set out in the Guidelines for identifying and carrying out significant transactions.

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

Frequency

As prescribed by the Articles of Incorporation, the Board of Directors meets at least quarterly to inform the Board of Statutory Auditors on the Group's activities and on the most important business, financial and capital transactions undertaken by the Company or its subsidiaries, particularly those where there may be a potential conflict of interest.

During 2015, the Board of Directors held **10 meetings** and expects to hold no less than 8 in 2016.

In 2015, the Board of Directors adopted **55 resolutions** of which **30 resolutions** were adopted on the basis of a proposal or of an opinion provided by the Board Committees. **45** of the resolutions were sent in advance to Directors and Auditors (at least 48 hours before the council of the meeting, subject to certain exceptions) with the relevant documentary information to enable sufficient preparation of the Directors and Auditors.

In some exceptional cases, the Members of the Board of Directors and the Board of Statutory Auditors were informed in advance through the delivery (48 hours before the Board meeting, barring exceptions) of summary documents on matters which were then thoroughly discussed in the course of the meeting. During board meetings, where appropriate, specific and timely insights were provided by representatives of Group management invited by the Board of Directors to participate.

It is also noted, that of the **10 resolutions** in which Board members and auditors had not been sent the related documentation in advance, **3 resolutions** concerned matters where the Nominating and Remuneration Committee or the Audit and Risk Committee had carried out the preliminary and preparatory work, **4 resolutions** were approved by the newly appointed Board of Directors which met at the conclusion of the Shareholders' Meeting where a new Board member was appointed.

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

As of the date of approval of this document, the Board of Directors met **2 times**.

¹ In relation to which does not use the situation of *interlocking directorate* provided by application criterion 2.C.5 of the Corporate Governance Code.

Activities pursued

The Directors made a significant contribution to the work of the Board of Directors and Committees in 2015, in their attendance and effective participation in the proceedings.

During 2015, the Board of Directors performed the activities and held responsibilities referred to in the application criteria 1.C.1. of the Corporate Governance Code in accordance with the role that the Code attributes to the Board of a listed Company.

With respect to letter g) of this criterion, the Board of Directors, at the meeting held on March 10, 2016, has carried out, making use of a document prepared for this purpose by the Nominations and Remuneration Committee, an evaluation of the size, composition and the activities of the Board of Directors and its Committees during FY 2015 expressing an overall positive assessment accompanied by specific guidelines on the activities of the Board and its Committees. The above said document was prepared using an assessment criteria used in the previous year, as well as the results of a self-assessment questionnaire prepared by the Corporate Affairs Division at the request of the Nominations and Remuneration Committee and sent to members of the Board of Directors and of the Board of Statutory Auditors.

The Board of Directors, with respect to the application criteria 1.C.3. of the Corporate Governance Code, acknowledged, that in light of the findings outlined in the document prepared by the Nominations and Remuneration Committee and taking into account the number of directorships and auditorships held by the individual Directors in other listed companies and in finance, banking, insurance companies or companies of significant size, it does not appear to be necessary to establish a maximum number of directorships and auditorships.

Lastly, the Board of Directors, with respect to the recommendations of criterion 5.C.2 of the Corporate Governance Code, acknowledged during the meeting held on March 10, 2015, that at present, the adoption of a plan for the succession of executive directors was not required.

The Chairman of the Board of Directors has ensured that in the course of meetings of the Board and Board Committees, depending on the topics addressed, the CEO and representatives of Group management would provide all directors with the necessary information to provide adequate knowledge of the business environment in which the Group operates, the business dynamics and their evolution, as well as the regulatory framework. To this end, some induction sessions were implemented for Directors and Statutory Auditors, by the representatives of the Group's management, with reference to the respective areas under their responsibility. The Chairman, during the year, also reported specific initiatives and events organized by primary stakeholders (i.e. to provide, among other things, an adequate knowledge of the principles of proper risk management) to which some Directors and Auditors have also participated. Also, as part of the training recommended by the Corporate Governance Code in favour of the Board of Directors Members and in accordance with the provisions of the Confindustria Guidelines for the construction of models of organization, management and control (ed. March 2014), the Company's Supervisory Board, with the support of a law firm specializing in the field, held an information session on the role of the Board of Directors under the regulations dictated by Legislative Decree no. 231/01.

Board of Statutory Auditors

The current Board of Statutory Auditors, is comprised of 3 Standing Auditors and 3 Alternate Auditors, appointed at the Shareholders' Meeting on April 23, 2013. Consequently, the appointment of the Board of Statutory Auditors shall expire at the date of the Shareholders' Meeting to approve the Financial Statements at December 31st 2015.

For the appointment of the Board of Statutory Auditors, only one list of candidates was presented by the shareholder San Quirico S.p.A.¹ as follows:

- | | |
|-------------------------|---------------------|
| - Mario Pacciani | - Standing Auditor |
| - Lelio Fornabaio | - Standing Auditor |
| - Elisabetta Barisone | - Standing Auditor |
| - Vincenzo Campo Antico | - Alternate Auditor |
| - Stephen Remondini | - Alternate Auditor |
| - Luisella Bergero | - Alternate Auditor |

In accordance with the Articles of Association, the Board of Statutory Auditors consists of three statutory auditors and three alternates reflecting the gender balance criterion prescribed by current laws and regulations.

The appointment of Statutory Auditors, based on lists submitted by the shareholders, pursuant to art. 147-ter, paragraph 1-bis of the Consolidated Finance Act (referred to by Art. 148, paragraph 2 of the TUF) must

¹ For the percentage of votes obtained by the list related to the voting capital, please refer to the Summary Report of the voting on the items on the agenda of the Shareholders' Meeting of 23 April 2013, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Shareholders' Meeting 2013".

be filed within five days prior to the date of and made available to the public at least twenty days before the Shareholder's Meeting.

Each list consists of two sections: one for candidates to the office of standing auditor and the other one for candidates to the office of alternate auditor. Each list shall contain a number of candidates, in progressive order, not exceeding the maximum number of auditors to be elected and, with the exception of those presenting fewer than three candidates, it shall comply, for each section, with the gender balance criterion prescribed by current laws and regulations.

Candidate lists may only be presented by shareholders who, at the time of presenting the list, has share ownership percentage equal to that required for the presentation of lists for the election of Directors, currently equal to 1%¹.

For the appointment of Statutory Auditors in office, the percentage ownership required for submission of lists was equal to 2.5% of the share capital².

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

The lists contain not only information about the Shareholders who submitted them and the statements made by them pursuant to the applicable regulations, but also detailed information about the candidates' personal and professional qualifications and their statements pursuant to the Articles of Incorporation.

Candidates may not be elected to the office of Statutory Auditor unless they meet the requirements of independence, professionalism and integrity as provided by Article 148, paragraph 3 of the Italian Consolidated Finance Act or if they already serve as Standing Auditor in five listed companies³.

If, at the expiration of the term for the presentation of the lists as indicated above, a single list was filed, or only lists presented by mutually connected shareholders, according to the definition set out in the applicable regulations, were filed, then lists may be presented – in accordance with Article 144-sexies, paragraph 5 of the Issuers' Regulations – until the third day after that date. In this case, the thresholds required for presentation of the lists are reduced by half.

Any list presented without compliance with the required prescriptions⁴ shall be considered not to have been presented.

If no list is presented despite the completion of the aforesaid procedure, a majority vote shall be taken in order to ensure that the composition of the Board of Statutory Auditors complies with current laws and regulations and with the Articles of Incorporation. The Shareholders' Meeting shall appoint the Chairman.

If second list is not presented or voted on, the entire Board of Statutory Auditors shall comprise, in the order of presentation, the candidates from the single list that was voted on. The first person on the list, the leading candidate, is elected Chairman.

In case of presentation of multiple lists, the following are elected: the List that obtained the greatest number of votes, in the progressive order by which the two standing members and two alternates are listed; the third standing member the third alternate are elected by selecting the candidates to the respective posts indicated in first place of the list that obtained the greater number of votes after the first, among those presented and voted on by the minority shareholders who are not connected – even indirectly – with the shareholders who presented or voted the list that received the highest number of votes, according to current regulations and subject to the provisions of paragraph 13-bis of the Articles of Incorporation pertaining to compliance with the gender balance criterion in the composition of the Board of Statutory Auditors. The standing auditor drawn from the minority list shall be appointed Chairman.

If the lists receive equal numbers of votes, the candidate on the list that was presented by the shareholders with the largest percentage ownership or by the highest number of shareholders is elected.

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

Mario Pacciani	Chairman
Lelio Fornabaio	Standing Auditor
Elisabetta Barisone	Standing Auditor

¹ Pursuant to Consob Resolution no. 19499 of 28 January 2016.

² Pursuant to Consob Resolution no. 18452 of 30 January 2013.

³ In this regard it is noted that following the Consob Resolution no. 18079 of 20 January 2012 - which introduced inter alia for changes to the Issuers Regulation aimed at simplifying the rules governing the number of offices for the members of the Control – the limits to the accumulation of duties per Article 144-terdecies, paragraph 2, of the Issuers' Regulations and the disclosure obligations per Article 144-quaterdecies of the Issuers' Regulations do not apply to those who serve as members of the control body of a single issuer.

⁴For more information, including those relating to the arrangements for ensuring compliance with the criterion of gender balance in the composition of the Board of Statutory Auditors, please refer to the Articles of Association, available on the Company's website (www.erg.eu) in the section "*Corporate Governance / Governance Documents*".

⁵ For the personal and professional qualifications of each member, please refer to the relevant curriculum vitae available on the Company's website (www.erg.eu) in the section "*Corporate Governance / Board of Statutory Auditors*".

Vincenzo Campo Antico	Alternate Auditor
Luisella Bergero	Alternate Auditor
Mario Lamprati	Alternate Auditor

At the Shareholders' Meeting on April 15, 2014 Mr. Mario Lamprati was appointed as Alternate Auditor following the resignation of the Alternate Auditor Mr. Stefano Remondini and December 12, 2013.

The Board of Statutory Auditors, having examined the personal and professional qualifications of each auditor, has concluded that its members can be designated as independent, partly based on the criteria set forth in the Corporate Governance Code for Directors.

The Board of Directors, in light of the information provided in this regard by the members of the Board of Statutory Auditors and of the statements by the Chairman of the Board of Statutory Auditors, during its meeting of May 13, 2013, positively assessed the independence of the members of the Board of Statutory Auditors, both with reference to the provisions of Art. 148, third paragraph, of the T.U.F. and with reference the rules of behaviour of the Board of Statutory Auditors prepared by the National Board of Chartered Accountants and with the Corporate Governance Code for listed companies promulgated by Borsa Italiana S.p.A.

The Board of Directors has carried out the above-mentioned assessment, with reference to the Alternate Auditor Mario Lamprati, at the meeting held on May 14, 2014.

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

The Board of Statutory Auditors also supervised the financial disclosure process, the effectiveness of the internal control, internal audit and risk management systems and the legal auditing of annual accounts and the consolidated accounts.

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

During 2015, the Board of Auditors held **9** meetings while for the 2016, it is expected that there will be no less than **9** meetings held.

The average duration of the meetings held by the Board of Auditors was approximately **2 hours and 30 minutes**.

At the date of approval of this document, the Board of Statutory Auditors had met **2 times**.

Other appointments held by the Directors or Statutory Auditors serving as Statutory Auditors in listed companies in both Italy and abroad, in finance, banking and insurance, or companies of significant size as of December 31, 2015¹ are as follows:

Mario Pacciani	Chairman of the Board of Boero Bartolomeo SpA
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Lelio Fornabaio	Standing Auditor of Astaldi S.p.A. Standing Auditor of Atlantia SpA Standing Auditor of Italferr S.p.A. Standing Auditor of Expo S.p.A.
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General Meeting

Article 10 of the Articles of Incorporation states that, in compliance with laws and regulations, the holders of voting rights who exhibit a suitable certification issued in accordance with current regulations by the broker and notified to the Company according to the procedures and within the terms set by current laws and regulations, are entitled to attend Shareholders' Meetings. Holders of voting rights may be represented by proxy in the Shareholders' Meeting, within the limits and according to the procedures prescribed by current laws and regulations. The proxy may be notified via certified electronic mail in accordance with the procedures indicated in the convening notice or using the different instrument which may be indicated in the notice.

Article 11 of the Articles of Incorporation states that the Shareholders' Meeting shall be convened by the administrative body at least once a year, no later than one hundred twenty days from the closing date of

¹ Other than offices held in Group companies.

the financial year or no later than one hundred eighty days, if the Company must prepare Consolidated Financial Statements and if required by specific provisions related to the organisation or the purpose of the Company.

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

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

Meeting Regulations

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

Article 14 of the Articles of Incorporation expressly gives the Ordinary Shareholders' Meeting the ability to adopt meeting Regulations.

3.2. BOARD COMMITTEES

The Board of Directors has assigned advisory and recommending tasks through the creation of the **Audit and Risk Committee**, the **Nominating and Remuneration Committee** and the **Strategic Committee**.

Control and Risk Committee

Composition:

Massimo Belcredi - Chairman
Mara Anna Rita Caverni
Barbara Cominelli

Gian Raffaele Rivanera - Secretary

The current Audit and Risk Committee is comprised of, in accordance with the provisions of the Code of Conduct, three non-executive mostly independent Directors, appointed by the Board of Directors in the meeting of April 24, 2015.

With reference to the provisions of Principle 7.P.4 of the Corporate Governance Code¹, It should be noted that prior to the first meeting of the Committee held on May 6, 2015, the two independent members, considering the strong change occurred in the composition of the Committee, in order to ensure continuity with respect to the skills and experience acquired through their tenure,² also for their benefit and support as new members of said Committee, taking into account the independence of ratings made by the Board of Directors in the meeting of April 24th 2015 with particular reference to the autonomy of judgment granted to the non-executive member of the Committee and in view the fact that the Chairman of the Committee during the vote does not enjoy special privileges over other members - with the abstention of the non-executive member - unanimously resolved to confirm the latter in the position of Chairman of the Audit and Risk Committee.

At the meeting on May 6, 2015, the Committee appointed a Secretary outside of its members. The Chairman, with the collaboration of the Secretary, shall coordinate the activities of the Committee and shall chair the meetings.

Members of the Committee have adequate experience in accounting, and in financial and risk management³.

Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor designated by him, and depending on the topics to be discussed, by all members of the Board of Statutory Auditors. Meetings may also be attended by the Chairman of the Board of Directors, the Executive Vice Chairman and the Chief Executive Officer, who are entitled to participate in the discussion of the agenda items and to identify adequate actions to address critical or potentially critical situations, as well as, the

¹ "The control and risk committee is comprised of independent directors. Alternatively, the Committee may be comprised of non-executive directors, most of them independent; In this case, the Chairman of the committee is chosen from the independent directors."

² It should be noted that the non-executive member of the Committee - qualified on April 24, 2015 by the Board of Directors as an independent director under the T.U.F. but not in accordance with the Code of Conduct only due to the long tenure - has been Chairman the Audit Committee and Risk from November of 2005.

³ These characteristics were evaluated by the Board of Directors At the meeting of April 24, 2015.

Director in charge of the Internal Control and Risk Management System, the Head of Internal Audit, Risk & Compliance and the Manager responsible for preparing the Company's financial reports.

Employees of ERG Group companies, representatives of the independent auditor and, in general, persons whose presence is deemed necessary or appropriate for the discussion of the agenda items may be invited to attend Committee meetings.

The Head of Internal Audit, Risk & Compliance shall be invited to attend the meetings in order to inform the Committee, at least once a quarter, about the activity carried out from time to time.

The Manager responsible for preparing the Company's financial reports shall be invited to attend the meetings in order to inform the Committee, at least quarterly, about the accounting standards applied in the preparation of Financial Statements and, at least semi-annually, about the activity carried out from time to time in accordance with Article 154- bis of the Consolidated Finance Act.

The Committee shall meet at least quarterly, according to a schedule set with sufficient advance notice.

Committee members are provided in advance of the meeting date (at least 48 hours before the meeting, subject to certain exceptions) with documentation and information necessary to enable them to express an informed opinion on the matters under consideration. During board meetings, where appropriate, specific and timely insights were also obtained from representatives of Group management, invited to participate for that purpose.

The Committee organises its work in such a way as to combine comprehensive information flows and efficiency of operation with maximum independence of its members.

In particular, resolutions may be adapted without the presence of other parties.

Tasks

The Control and Risk Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code. The Chairman of the Committee, in accordance with the current Code of Conduct¹, reports to the Board of Directors at the first board meeting, on the meetings held by the Committee.

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

In particular:

- it assists the Board of Directors in the following tasks prescribed by the Corporate Governance Code: definition of the guidelines of the ICRM System; periodic audit of the adequacy, operating effectiveness of the ICRM System; verification that the main corporate risks are correctly identified, adequately measured, managed and monitored;
- it expresses opinions on specific aspects pertaining to the identification of the main corporate risks as well as to the design, implementation and management of the ICRM System;
- It supports, with adequate investigations, the evaluations and decisions of the Board of Directors relating to the management of risks arising out of prejudicial acts of which the Board of Directors is aware;
- it expresses its own opinion on the appointment and termination of the Head of Internal Audit, Risk & Compliance and on the proposal for its remuneration formulated by the Director in charge of the Internal Control and Risk Management System;
- it monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit, Risk & Compliance;
- it assesses the annual work plan and the related budget prepared by the Head of Internal Audit, Risk & Compliance and his/her periodic audit reports audits specific operating areas, as needed;
- examine the results of the activities of the Manager responsible for preparing the Company's financial reports;
- it assesses, together with the Manager responsible for preparing the Company's financial reports, with the input of the independent auditor and the Board of Statutory Auditors, the proper application of the accounting standards and their consistency for the preparation of the Consolidated Financial Statements, of the draft separate Financial Statements, and of the condensed half-year financial report;
- it maintains the appropriate relations with the independent auditor, with the Board of Statutory Auditors, with the Director in Charge of the Internal Control and Risk Management System, with the Head of Internal Audit, Risk & Compliance and with other departments that, within the Group's

¹ As of 15 December 2015.

organisational structure, interface with these parties, in such a way as to contribute to a coordinated and effective performance of their respective activities in the areas of common intervention;

- it informs the Board of Directors, at least once every six months, upon approval of the annual and half-year financial reports, about the work carried out and the adequacy of the ICRM System;
- review the annual work plan prepared by the Supervisory Committee, established pursuant to the provisions of Legislative Decree no. 231/01 and semi-annual reports;
- it continually assesses adequacy of the corporate procedure directed at regulating, in operational terms, the external communication of documents and information pertaining to the Company and the Group, with particular reference to “*price sensitive*”; information;
- it provides the Board of Directors, the Chairman, the Executive Deputy Chairman and the Chief Executive Officer with all other advice and proposals, which the Committee deems necessary or appropriate for them to better carry out their respective duties in the areas of control, risk management and corporate disclosure;
- provides to the Board of Directors and to the relevant bodies the opinions provided by the Procedure for transactions with related parties, where appropriate specifically comprised of two Independent Directors belonging to the same Committee and the other Independent Director being part of the Nominating and Remuneration Committee¹. If a member of the Committee is the counterparty of the transaction to be assessed or a related party thereof, the other Committee members shall call upon another non related independent director to participate in the meeting or, if none is available, a non related standing member of the Board of Statutory Auditors;
- It carries out any other duties assigned by the Board of Directors.

To better carry out its duties, the Committee may employ outside consultants at the Company's expense. As part of the activity performed by the members of the Committee for the purpose of the procedure for transactions with related parties, the Board of Directors does not have any pre-set spending limit for the so-called operation of "lesser importance".

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

In 2015 the Committee held **9 meetings** – all duly recorded in minutes – during which, in addition to the preventive review of the Financial Statements, the half-year report and the economic and financial data of interim reports on operations, it examined topics pertaining to the following macro-issues:

- Group Governance;
- Control and risk management system;
- Compliance requirements connected with Italian Legislative Decree no. 231/01
- Group's administrative and accounting processes.

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

At the date of approval of this document, the Control and Risk Committee, met **3 times**.

The most significant issues covered by the Committee are:

Concerning Group Governance:

Appointment of the Chairman and the Secretary of the Committee

- it proceeded, after the renewal, to appoint its Chairman and Secretary.

Remuneration of the Chief Audit, Risk & Compliance Officer

- it issued a favourable opinion on the proposal for remuneration of the Chief Audit, Risk & Compliance Officer, presented by the Director in charge of the Internal Control and Risk Management system with reference to variable remuneration relating to 2014 as well as the fixed and variable remuneration relating to 2015.

¹ For operations relating to the assignment or the increase in compensation and benefits, in any form, to a member of an administrative function or control of the company or an Executive with strategic responsibilities or in one of the subjects that cover the functions shown in annex 1 to the procedure for related party transactions, the Committee called to issue its opinion on the interest of the Company upon completion of the transaction with the related party and the convenience and the substantial correctness of related conditions is the Nominating and Compensation Committee, if applicable specifically comprised of two independent directors that are part of the same Committee and the independent Director that is part of the internal control Committee, with the understanding that the said operations pursuant to Art. 3.2 (c), the procedure itself are not excluded from the scope of the procedure itself.

Guidelines, procedures and standards

- it gave a favourable opinion to the proposed reduction of the so-called "*small transaction threshold*" prescribed in the Procedure for transactions with Related Parties;
- it gave a favourable opinion to the proposal for the updating the Procedure for transactions with related parties mainly aimed at allowing the same Committee and the Nominating and Remuneration Committee - specifically, integrated where applicable, in their composition - delivering the opinions required by the procedure itself;
- it has examined and approved the update of the Guidelines for its operations up to implement the new composition of the Committee as decided by the Board of Directors during the meeting held on April 24, 2015.

Specific analyses carried out

- it examined the new approach taken in the preparation of the Report for 2014 remuneration;
- It has verified the scope of application of Articles 2497 et seq. of the Italian Civil Code relating to (i) relations between ERG and its parent Company San Quirico S.p.A.; (ii) the scope of the management and coordination of ERG; (iii) the list of companies with which these activities are carried out;
- at the request of the Board of Directors, it conducted an analysis on the main changes made to the new edition of the Corporate Governance Code, as well as on actions for implementation, reporting on this issue to the Board of Directors.

With regard to the internal Control and Risk Management System:

Dealings with Internal Audit, Risk & Compliance

- it examined and shared the Risk Report on the activity carried out in 2014 and in the first half of 2015;
- examined quarterly updates on the activities carried out by Internal Audit, Risk & Compliance (pursuant to Legislative Decree. 231/01 and 262/05) and any findings by recommending specific actions and requiring follow up on them;
- it examined and expressed a favourable opinion on the plan of activities and budget of Internal Audit, Risk & Compliance for the FY 2016.

Specific analyses carried out

- it received constant updates on ongoing audits and analyses within the scope of the investigations for alleged tax irregularities pertaining to the measure by the Prosecutor's Office of Rome;
- it has deepened the administrative and accounting processes of the foreign Group companies - affected by an ongoing revision project.

As for all compliance relating to Legislative Decree no. 231/01:

Dealings with the Supervisory Committee

- it examined, on a six-month basis, the periodic reports on the activity carried out by the Supervisory Committee;
- it examined the schedule of activities and the budget of the ERG Supervisory Committee for 2016.

Guidelines, procedures and standards

- It has examined and approved the proposal to update the Model of Organisational and Management pursuant to Legislative Decree 231/01 to reflect the main regulatory and legal changes relating to administrative liability of companies.

Concerning the Group's administrative and accounting processes

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

- it examined the impairment test procedure on the financial statements as of December 31, 2014, the impairments identified, and the judgements applied behind the proposals and estimated write-downs, together with the manager responsible for preparing corporate accounting documents, reviewed by the Independent Auditors Deloitte & Touche SpA and the Board of Auditors, the correct application of accounting principles, the purpose of the periodic financial reporting, as well as their consistency for consolidated reporting purposes;

- took note of the understanding to arrive at the agreed termination of the statutory audit assignments of accounts held (in ERG Renew SpA and in its subsidiaries) with Ernst & Young SpA and to give the same to the Deloitte & Touche SpA thus allowing the latter to become the Group's sole auditor, also took note of the alternation of the engagement of statutory audit concerning ERG SpA (and its subsidiaries) assigned to Deloitte & Touche by the Shareholders' Meeting on April 23, 2009 for the period 2009-2017.

Specific analyses carried out

- it examined the financial situation of ERG SpA Supply & Trading at December 31, 2014, following the developments until the merger of the company into ERG SpA;
- it examined the main aspects of the institution of the Tax Consolidation of ERG SpA and its main subsidiaries;
- it took note of the main features of the intragroup services contracts for 2015;
- it examined the methods for the renewal of the Group VAT liquidation procedure for tax year 2015;

The Committee deemed it possible to confirm, in view of the activities carried out in 2015, its positive appraisal with regard to the adequacy of the Internal Control and Risk Management System.

Nominations and Remuneration Committee

Members:

Paolo Francesco Lanzoni - Chairman
Mara Anna Rita Caverni
Silvia Merlo

Gian Raffaele Rivanera - Secretary

The current Audit and Risk Committee is comprised of, in accordance with the provisions of the Code of Conduct, three non-executive mostly independent Directors, appointed by the Board of Directors on April 24, 2015.

With reference to the provisions of Principle 6.P.3 of the Corporate Governance Code¹, It should be noted that prior to the first meeting of the Committee held on May 6, 2015, the two independent members, considering the strong change occurred in the composition of the Committee, in order to ensure continuity with respect to the skills and experience accrued,² also for their benefit and support as new members of said Committee, taking into account the independence of ratings made by the Board of Directors in the meeting of April 24, 2015 with particular reference to the autonomy of judgment granted to the non-executive member of the Committee and in view the fact that the Chairman of the Committee during the vote does not enjoy special privileges over other members - with the abstention of the non-executive member - unanimously resolved to confirm the latter in the position of Chairman of the Nominations and Remuneration Committee.

The Committee, during its meeting on May 6, 2015, appointed a Secretary outside of its members. The Chairman, with the collaboration of the Secretary, shall coordinate the activities of the Committee and shall chair its meetings.

Members of the Committee have adequate experience in financial matters and remuneration policies³.

Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor appointed by him or, in relation to certain matters, all members of the Board of Auditors; the proceedings may also participate, upon invitation, the Chairman of the Board of Directors, the Executive Vice Chairman and CEO as entitled to intervene on the issues in question and to determine the appropriate course of action, some of which may be potentially critical.

Employees of Group companies, representatives of the independent auditor and, in general, persons whose presence is deemed necessary or appropriate for the discussion of the agenda items may be invited

¹ "The board of directors created a remuneration committee, made up of independent directors. Alternatively, the Committee may be comprised of non-executive directors, most of them independent; In this case, the Chairman of the committee is chosen amongst the independent directors."

² It should be noted in this regard that the non-executive member of the Committee - qualified by the April 24, 2015 the Board of Directors as an independent director under the T.U.F. but not in accordance with the Code of Conduct only due to the long tenure - has been Chairman the Nominations and Remuneration Committee since May of 2009.

³ These characteristics were evaluated by the Board of Directors At the meeting of April 24, 2015.

to attend Committee meetings.

The Committee shall meet at least quarterly, according to a schedule set with sufficient advance notice.

Committee members are provided in advance of the meeting date (at least 48 hours before the meeting, subject to certain exceptions), documentation and information necessary to express an informed opinion on the matters under its consideration. During board meetings, where appropriate, specific and timely insights were also obtained with the support of representatives of Group management, purposely invited to participate.

Tasks

The Nominations and Remuneration Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code for the Nominations Committee and for the Remuneration Committee¹. The Chairman of the Committee, as of the date of the current Code of Conduct² reports to the Board of Directors at its first board meeting held, on the meetings held by the Committee.

In particular:

- it makes recommendations to the Board of Directors regarding the remuneration of the Chairman, Deputy Chairmen, CEO and, more generally, of Directors with powers or specific duties and of the Directors called to serve on the Strategic Committee who do not hold positions in the Board of Directors and, upon indication of the CEO, regarding the determination of criteria for the remuneration of the Company's top management and for the definition of incentive plans for the Group's management;
- it periodically assesses the adequacy, overall consistency and consistent application of the Remuneration Policy for members of the Board of Directors and Executives with Strategic Responsibilities;
- it proposes to the Board of Directors the candidates for the office of Director in the case provided by Article 2386, first paragraph, of the Italian Civil Code, if it is necessary to replace an Independent Director;
- it assesses, at the specific request of the shareholders who intend to present lists, the independence of candidates for the office of Director to be submitted to the Shareholders' Meeting;
- it provides the Board of Directors on an annual basis, with an evaluation of the size, composition and operation of the Board itself, and it may express recommendations on the professional profiles that should be included in the Board;
- it expresses recommendations regarding the maximum number of directorships or auditorships in other companies listed on regulated markets in Italy and abroad, in financial, banking, insurance companies or companies of significant size that can be considered comparable with effective performance of the duties of a director;
- it provides delegated bodies to the Board of Directors and the opinions required by the procedure for related party transactions, if applicable specially composed of two independent directors that are part of the same Committee and an independent Director that is part of the internal control Committee (i) on the Company's interest in carrying out transactions involving the assignment or the increase in compensation and benefits in any form to a member of an administrative or control body of the Company or a key Executive in the same or in one of the parties that cover the roles shown in Annex 1 to the procedure for related party transactions and (ii) on substantive economic convenience and fairness of the relative conditions consists of the members of the Nominating and Remuneration Committee, provided that the said operations pursuant to art. 3.2 (c), of said Procedure, are not excluded from the scope of the procedure itself³. If a member of the Committee is the counterparty of the transaction to be assessed or a related party thereof, the other

¹ Under the conditions outlined for both Committees in the Corporate Governance Code, except as specified on the Principle 6.P.3 of the Corporate Governance Code.

² As of 15 December 2015.

³ If requirements are met in art. 3.2 letter c) of the Procedure for transactions with related parties - namely (i) the Company has adopted a remuneration policy; (ii) defining the remuneration policy included the involvement of the Appointments and Compensation Committee; (iii) that was submitted to the advisory vote of a report setting out the remuneration policy; (iv) the remuneration awarded is consistent with this policy - with their reporting obligations under Article. 154-ter of T.U.F., the same procedure will not apply to transactions involving the assignment or increase of remuneration and economic benefits, in any form, to a member of an administrative organ or control of the Company or an executive with responsibility strategic of the same or at least one of the persons holding the functions specified in Annex 1 to the Procedure for transactions with related parties.

Committee members shall call upon another non related independent director to participate in the meeting or, if none is available, a non related standing member of the Board of Statutory Auditors.

To better carry out its duties, the Committee may employ outside consultants at the Company's expense. As part of the activity performed by the members of the Committee for transactions with related parties the Board of Directors did not have any pre-set spending limit for the so-called transactions of "Minor Relevance".

Whenever the Committee discusses recommendations for the remuneration of the Chairman, Executive Deputy Chairman and CEO, such individuals must leave the meeting.

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

In 2015, the Committee held **8 meetings** – duly recorded in minutes – during which in particular, it:

- formulated proposals for setting the remuneration of the Chairman, Deputy Chairmen, CEO and, more in general, of Directors with powers or specific duties and of the Directors called to serve on the Strategic Committee who do not hold positions in the Board of Directors;
- made determinations on the definition of the targets for the year 2015 with reference to the short and long term incentive system and to the value creation achieved in 2014;
- issued opinions – and proposals, when warranted – on the recognition and establishment of bonuses to some of the Company's managers. The members of the Nominations and Remuneration Committee formulated the aforesaid proposals or assessments also taking into account the provisions of the current Procedure for transactions with related parties;
- prepared a supporting document for the evaluation of the Board of Directors regarding the size, composition and operation of said Board and its Committees during the year 2015 using the evaluation criteria previously applied in the previous year and the results of a self-assessment questionnaire sent to the members of the Board of Directors and of the Board of Statutory Auditors
- actively participated in determining the Company's remuneration policy, effective 2015, in order to take account of the Company itself to the current Code of Conduct and the general principles of the LTI 2015-2017 System; to define the conditions necessary to give effect to the above LTI System
- assessed the adequacy, overall consistency and actual application of the Remuneration Policy of the Company, also on the basis of the information provided by the CEO and by the Executive Vice Chairman.

The average duration of the meetings held by the Committee was **approximately 1 hour and 30 minutes**. At the date of approval of this document, the Nominations and Remuneration Committee had met **2 times**.

Strategic Committee

Members

Alessandro Garrone - Chairman

Giovanni Mondini

Luca Bettonte

Marco Costaguta

Luigi Ferraris

Paolo Luigi Merli - Secretary

The Committee advises and issues recommendations to the CEO and to the Board of Directors of ERG and to the Boards of Directors of the operating companies of the Group.

It operates, based on policies approved by the Board of Directors, by defining strategic business and portfolio guidelines, and establishing guidelines and policies on strategic finance and individual finance operations, and monitoring the progress of their implementation over time.

The Committee also examines the long-term strategic plans and capital expenditures budgets of the Group and of the operating companies, as well as the strategic benefits of significant capital expenditures effected at the Group level.

During the year 2015, the Committee held **10 meetings**.

3.3. INTERNAL COMMITTEES

The structure and composition of the Internal Committees (no board committees, composed of managers of the Group) is aligned with the working model of the Group's organizational structure.

Leaders Meeting

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- It endorses the activities, characteristics and performance of the Group's business
- it ensures common vision and team working
- it enhances the Group's human and relational assets and it promotes the managerial culture and values;
- it provides opportunities to compare with best practices outside the Group through witness accounts and benchmarking.

Human Capital Committee

Committee is tasked with advisory tasks and makes recommendations to the Executive Vice Chairman and CEO, in particular:

- it defines and monitors the main programs and development activities of human capital
- it supports the Vice Chairman and the Chief Executive Officer in decision concerning the development of personnel and the variable remuneration and medium- long term incentive systems, as well as for the proposals to be submitted to the Nominations and Remuneration Committee.

Investment Committee

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- it provides support to the Chief Executive in the evaluation of proposals for investment by Business Units
- it issues a technical, economic and financial opinions with reasons for the Strategic Committee at various stages of the investment process.

Risk Committee

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- it supports the Chief Executive Officer in the definition of the strategies and policies for managing financial and market risks;
- it provides the Chief Executive Officer with information useful for the authorisation of operations for managing financial and market risks, for monitoring the execution of transactions of major relevance and for verifying their effects.

Business Review Committee

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- it monitors the operating performance of the reference Business Unit with the respective Managing Director;
- it identifies opportunities for value creation in the business "as is"
- it evaluates preliminary assessment of potential opportunities for investment / disinvestment.

Sustainability Committee

Committee with is tasked with advisory tasks and makes recommendations the Chairman of the Board, in particular:

- it defines the Group's guidelines on sustainability and promotes the implementation of consistent practices in the field of corporate social responsibility
- it approves, monitors and evaluates the objectives for sustainability and priority areas of intervention in the field of CSR
- it approves the timing and mode of communication of the Sustainability Report (RdS) and initiatives in the field of CSR.

3.4. CORPORATE GOVERNANCE DOCUMENTS

The most significant rules in terms of their impact on the Company's overall corporate governance are as follows:

- the Articles of Incorporation;
- the Code of Ethics;
- the Corporate Governance Code;
- the Procedure for the management and processing of confidential information and for the dissemination of statements and information to the public
- the Code of Conduct for Internal Dealing;
- the Guidelines for the identification and execution of significant transactions;
- the Code of Conduct for Directors of Group companies;
- the Procedure for transactions with related parties;
- the Policy for the remuneration of members of the Board of Directors and of key Executives;
- Guidelines for compliance with Legislative Decree 231/01 and the anti-corruption laws in the Group companies.
- the Organization and Management Model pursuant to Legislative Decree no. 231/01
- the Anti-corruption Guidelines

Articles of Incorporation

The Articles of Incorporation, as illustrated in detail in the report, contains the main rules governing the operation of ERG's corporate bodies and has been recently amended to comply with the changes in laws and regulations on the matter of gender balance in the composition of the administrative and control bodies.

Code of Ethics

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

The Code of Ethics was revised in 2014 to take into account regulatory changes (introduction of the offenses of bribery among private parties) and to improve the representation and communication of the ethical principles promoted by the Group. The latest revision to the Code of Ethics was approved by ERG's Board of Directors on May 14, 2014.

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

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

The Code of Ethics is administered to employees of the Group through both classroom training and an e-learning course tracked in the system.

Corporate Governance Code

The Company has adopted the Corporate Governance Code of Listed Companies promoted by the Borsa Italiana S.p.A. since its first edition in 1999. On December 15, 2015 the Board of Directors, after the Control and Risk Committee's preliminary evaluation of the main amendments made, decided to adopt the new edition of the Corporate Governance Code published in July 2015.

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

The Board of Directors, based on a recommendation made by the Control and Risk Committee, has adopted a procedure for handling and processing privileged information, and for public communication of statements and information. The aim is to ensure that all statements and information intended for the market, for CONSOB and for Borsa Italiana S.p.A. are the outcome of a process that guarantees both timeliness and accuracy.

The procedure, updated on May 14, 2014, defines the tasks and responsibilities of the departments involved, identifies the criteria, methods and timing of the various procedural stages and establishes the appropriate decision-making levels for the dissemination of statements and information, or direct provisions aimed at ensuring a comprehensive and timely flow of information within the companies of the Group as

well as between them and the Parent Company to comply with their reporting obligations, regarding the "price sensitive" events for the market and the market's supervisory bodies.

Code of Conduct on Internal Dealing

The Board of Directors has adopted a Code of Conduct, revised on July 1, 2015, to provide transparency to financial transactions carried out by Relevant Persons, those persons who, by virtue of their roles within the Group, have significant decision-making powers or considerable knowledge of corporate strategies which would help them in making investment decisions regarding the financial instruments issued by the Company.

The list of recipients of this Code is published on the Company's website.

Guidelines for the identification and execution of significant transactions

The Board of Directors has defined the Guidelines for the identification and execution of significant transactions, the examination and approval of which – as recommended by the Italian Corporate Governance Code – remain the exclusive responsibility of the Board of Directors.

The Guidelines, most recently revised on March 10, 2016, set out the criteria to be used to identify significant transactions, in accordance with Article 1 of the Corporate Governance Code, consisting of quantitative and qualitative criteria, and criteria deriving from the specific requirements of the parties involved (related-party transactions and intra-group transactions).

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

Code of Conduct for Directors of Group companies;

The Board of Directors has adopted a Code of Conduct for Directors appointed in Group companies, revised on May 14, 2014, to provide uniform rules of conduct for performing their duties within a systematic framework of reference and in compliance with Corporate Governance principles.

Procedure for transactions with related parties

The Board of Directors, with its resolution of November 11, 2010, with the favourable opinion of the Control and Risk Committee and with input from the Board of Statutory Auditors, approved and adopted a specific internal resolution, effective January 1, 2011, aimed at ensuring the transparency and substantial and procedural correctness of the transactions with related parties carried out by ERG directly or through its subsidiaries.

The procedure has been last updated on May 12, 2015 to reflect certain organizational changes.

Remuneration policy of the Board of Directors and key Management personnel

The Board of Directors adopted, with its resolution of December 20, 2011, at the proposal of the Nominations and Remuneration Committee Remuneration Policy for the members of the Board of Directors and for key Executives, in line with the provisions of the Corporate Governance Code. At the proposal of the Nominations and Remuneration Committee, the policy has been revised:

- on December 18, 2012, to take into account the powers delegated by the Board of Directors (appointed by the Shareholders' Meeting of April 20, 2012) and the adoption of the 2012-2014 Medium/Long Term Incentive System ("LTI System");
- on March 11, 2015, to take into account, effective 2015, the Company's acceptance of the current Corporate Governance Code and of the general principles of the 2015-2017 LTI System¹.

On December 15, 2015, the Board of Directors - in light of the 2015-2018 Industrial Plan approved on the same date and based on a proposal of the Nominating and Compensation Committee and after consultation with the Board of Statutory Auditors, defined the conditions necessary to implement monetary long-term incentives from 2015 to 2017.

¹ For additional information in this matter, please refer to the Remuneration Report per Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting convened in May 2015, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.

Guidelines for Compliance with Legislative Decree 231/01 and the Anti-corruption laws in the ERG Group companies.

Guidelines for Compliance with Legislative Decree 231/01 and the Anti-corruption Laws within the Group are aimed at giving the Group companies (Italian and foreign) methodological guidance on the adoption of the Code of Ethics and for the administration of Compliance with the provisions outlined by Legislative Decree 231/01, to establish principles and rules to be followed to ensure compliance with Anti-corruption Laws. The guidelines are not intended to override or remove responsibility of the individual legal entities based on its own Risk Assessment.

The Guidelines were adopted with the purpose that their adoption can provide a valid instrument to protect the Company, and all those who, internally or externally, work for the Group.

The Guidelines approved by ERG's Board of Directors on November 12, 2013 set out the general principles and rules with reference to:

- the adoption of the Group's Code of Ethics by all direct and indirect Italian and foreign subsidiaries;
- the management of the subsidiaries' criminal liability, in order to provide a framework of rules, obligations and prohibitions pertaining to:
 - "*compliance 231*", for Italian companies (without prejudice to the individual legal entities' liability in the decision as to whether or not to adopt a Model 231 prepared according to their own specific Company);
 - "*compliance to the national and international anti-corruption applicable regulations*" in order to prevent violation and in order to ensure the utmost respect.

Organisational and Management Model pursuant to Legislative Decree 231/01 and Supervisory Board

Organisational and Management Model pursuant to Legislative Decree 231/01 is intended to ensure fairness and transparency in the conduct of corporate activities and as a valid instrument to prevent the risk of committing the crimes sanctioned by Legislative Decree no. 231/01.

The ERG Board of Directors, on December 21, 2004 resolved to adopt for the first time an organisational, management and control model pursuant to Legislative Decree 231/01 and has appointed the Supervisory Committee.

After the initial approval, the Model 231 has been revised and improved to reflect regulatory and legislative changes, as well as organisational changes that have taken place within the Group.

The Model was designed according to the Guidelines of Confindustria. In accordance with laws and regulations, the Model 231 includes a disciplinary system aimed at sanctioning any violations of the Model, of the Code of Ethics and the failure to comply with the corporate procedures that provide the safeguards.

The current version of the Model 231 was approved by the Board of Directors on March 11, 2015. An extract of the document is published in the "Corporate Governance" section of the site www.erg.eu.

The Model was developed considering the main positions expressed by jurisprudence with respect to the following characteristics:

- effectiveness: the adequacy of the set of controls established to prevent the perpetration of offences;
- specificity: the forecasts of the Model take into account the characteristics and size of the Company and the type of activities carried out, as well as the history of the Company;
- being up to date: namely, the ability to reduce the risks of offences in reference to the character of the structure and of the business, also with the work of the Supervisory Committee which keeps it up to date and current over time.

The structure of the Model adopted by ERG is characterised by the presence of the following significant components:

- Code of Ethics, which expresses the reference principles which must guide the activity of all those who contribute, with their work, to the performance of the corporate activities;
- general part, which defines the overall set-up of the Model, in relation to the provisions of the Decree and to the specific decisions made by the Company in its preparation referring to the disciplinary system, to be enforced in the event of violation of the prescribed rules and procedures;
- special part, which defines the rules to be followed in the performance of sensitive activities.

Together with the adoption of the Model 231, the decision to comply with Legislative Decree 231/01 led to the appointment of the Supervisory Committee, tasked with overseeing the observance of the Code of Ethics and assuring the adequacy and actual implementation of the Model, and to evaluate whether its subsequent updating is necessary.

The Committee, as a result of the decisions reached by the Board of Directors during its meeting of April 24, 2015, is comprised of:

- an external member, identified in a Statutory Auditor of the Company, acting as Chairman (L. Fornabaio);
- two internal members, identified as the Chief Human Capital Officer (A. Fusi) and as the Chief Audit, Risk & Compliance Officer (D. De Paolis).

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

The Supervisory Board carries out its activities in the Parent Company ERG and its Subsidiaries. Each subsidiary has appointed their own Supervisory Board.

The synergies between the Code of Ethics and Model 231 are also emphasized the assignment as Guarantor of the Code of Ethics to the Supervisory Committee of ERG. Similarly, each subsidiary with its own Supervisory Board, has also assigned the same task to its own Supervisory Board.

The Supervisory Committees of ERG and of its subsidiaries shall rely, in their audit activities on the Model 231 and on the Code of Ethics, on the Internal Audit, Risk & Compliance of ERG.

To increase effectiveness of the governance and internal control of the Company, information flows are provided to the Supervisory Committee. The primary function of the information flows is to enable the Supervisory Committee to continuously oversee the functionality of the Model 231 and the identification of possible interventions to update the Internal Control and Risk Management System. To this end, the Supervisory Committee has adopted a procedure which identifies the relevant information flows, the timing for transmission, and the individuals responsible. In order to manage communications to the Supervisory Committee, a dedicated e-mail address has been created. With reference to the provisions of the Comment to Article 7 of the Corporate Governance Code,¹ it is specified that the information flows to the Supervisory Committee are made through specific channels and guarantee the anonymity of the informant.

The Supervisory Committee prepares an annual plan of supervision activities which is presented to the Board of Directors of ERG and reports regularly on the implementation of the Code of Ethics and the Model 231 to the Control and Risk Committee.

The Supervisory Committee shall manage the training activities through:

- classroom training to all employees (including managers and executives) on issues pertaining to Italian Legislative Decree no. 231/01, Model 231 adopted by the Company, the Supervisory Committee and the activities it performs, the information flows to the Supervisory Committee;
- an e-learning course dedicated to the Code of Ethics, expected to be attended by employees and newly hired personnel;
- an e-learning course dedicated to 231-related issues, intended for newly hired personnel.

Anti-corruption Guidelines

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

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

ERG, in order to further stress that it conducts all aspects of its activity in strict compliance with applicable domestic and international laws and regulations, inter alia, with respect to anti-corruption and further to demonstrate its adoption of the values described above, has decided to adopt, in addition to the Code of Ethics, the Anti-corruption Guidelines. The goal is to provide to all personnel and, in particular, to those working abroad for or on behalf of Group companies, the principles and rules to follow to ensure compliance with local Anti-corruption Laws.

The Anti-corruption Guidelines in force were approved by ERG's Board of Directors on November 12, 2013, translated into English and adopted by all foreign Companies of the Group.

¹ "The Committee believes that, at least in the issuing companies belonging FTSE-MIB index, an adequate system of internal control and risk management must be equipped with an internal reporting system by employees of any irregularity or violation of the regulations applicable and internal procedures (so-called whistleblowing systems) in line with the best practices in national and international level, guaranteeing a specific information channel and reserved as well as the anonymity of the informant."

4. MANAGEMENT AND COORDINATION

ERG S.p.A. is a subsidiary of San Quirico S.p.A. which does not exercise any management and coordination activity over its subsidiary, within the meaning of Articles 2497 et seq. of the Italian Civil Code. Additionally, a provision of its Articles of Incorporation expressly prohibits the Company from carrying out management and coordination activities with its subsidiaries.

This circumstance is periodically evaluated by the Board of Directors, also on the basis of a preliminary review carried out by the Control and Risk Committee. ERG S.p.A. in turn performs management and coordination activities on direct or indirect subsidiaries.

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

In particular, the Board of Directors, during the meeting held on July 14, 2015, acknowledged that ERG carries out management and coordination activities on direct and indirect subsidiaries – respecting the managerial and operating independence of said companies, which benefit from the advantages, the synergies and the economies of scale deriving from their inclusion in the Group – represented by the definition of business strategies, of the corporate governance system and of the corporate structures, as well as by the determination of shared general policies pertaining to human resources, accounting, Financial Statements, taxation, finance, risk management, communication, institutional relations, corporate social responsibility.

5. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP¹:

Below is the full version of the document "Guidelines for the Internal Control System and Risk Management System", last updated on March 3, 2016, and currently in place by the Group, in order to reflect changes resulting from the Company with the Corporate Governance Code.

5.1. The Internal Control and Risk Management System of the ERG Group: general guidelines

The ICRM System conforms with the principles contained in the current edition of the Corporate Governance Code and, more in general, with the best domestic and international practices.

The Guidelines – defined and kept up to date by the Board of Directors – outline the general principles for the management of the main risks in the Group, consistent with the strategic objectives identified, while coordinating procedures among the parties listed below in order to maximise the effectiveness and efficiency of the ICRM System.

The ICRM System, in particular, consists of a set of rules, procedures and organisational structures aimed at proactively contributing – through an adequate process of identifying, measuring, managing and monitoring the main risks – to the protection of the Group's assets, to the efficient and effective management of the Group in line with the strategies defined by the Board of Directors, to the trustworthiness, accuracy and reliability of information provided to the corporate bodies and the market and, more in general, to compliance with current laws and regulations.

The System, as an integral part of the enterprise, is applied across the entire organisational structure of the Group: from the Board of Directors of ERG and its subsidiaries² (hereinafter "Subsidiaries"), to the Group Management (hereinafter, "Management") and to the Company's personnel.

5.2. Parties involved in the Internal Control and Risk Management System

The main persons and bodies involved in the ICRM System, according to their respective skills (established in the Guidelines), in compliance with current laws and regulations, and based on recommendations of the Corporate Governance Code, are:

- the *Board of Directors*, which plays a role of guidance and evaluation of the adequacy of the ICRM System;
- the *CEO*, which is responsible for identifying the main business risks;
- the *Director in charge of the Internal Control and Risk Management System*, responsible for verifying the operating effectiveness and the overall adequacy of the ICRM System;

¹ Guidelines of the Internal Control and Risk Management System.

² For the purposes of the Guidelines for "control" means the provisions of art. 93 of the T.U.F. have therefore to be understood excluding joint venture jointly controlled.

- the *Control and Risk Committee*, with the task of supporting, through an adequate preliminary analysis activity, the assessments and decisions of the Board of Directors pertaining to the ICRM System, as well as those pertaining to the approval of periodic financial reports;
- the *Chief Audit, Risk & Compliance Officer*, in charge of verifying the viability and suitability of the ICRM System.

Board of Directors

The Board of Directors carries out the role and the duties prescribed by the Corporate Governance Code and, within its main function of orienting and assessing the adequacy of the ICRM System, it is the central body of the System.

To this end, the Board of Directors, in particular:

- defines Guidelines¹, so that the main risks² are correctly identified and adequately measured, managed and monitored, determining their compatibility with enterprise management that is consistent with the identified strategic objectives;
- assess, at least annually, the adequacy of the ICRM System with respect to the characteristics of the Company and to the risk profile assumed, as well as its effectiveness;
- appoints Chief Audit, Risk & Compliance Officer, defines their remuneration³, approves at least annually the work plan prepared by the same and examines the outcomes of its activities;
- identifies within itself one or more directors appointed to set up and maintain an effective Internal Control and Risk Management System and establishes the Control and Risk Committee to carry out (i) assessments and makes decisions pertaining to the ICRM System and ensures that duties and responsibilities are allocated clearly and appropriately and that (ii) the Chief Audit, Risk & Compliance Officer, the Supervisory Committee and the Manager responsible for preparing the Company's financial reports, have adequate resources available for the performance of their duties and enjoy an appropriate level of autonomy within the organisation.

Specifically, responsibility for the creation and maintenance of an effective Internal Control and Risk Management System are shared between the Chief Executive Officer and the Director in charge of the Internal Control and Risk Management System, as described below.

Chief Executive Officer

The CEO has the powers necessary to carry out all actions pertaining to the Company's business.

As part of ERG's organizational structure, the following report to the CEO: *Chief Human Capital Officer*, the *Chief Public Affairs & Communication Officer*, the *General Counsel*, the *Chief Financial Officer*, the *Renewables Business Unit (ERG Renew SpA)*, the *Business Unit Power (ERG Power Generation S.p.A.)*.

The Chief Executive Officer identifies the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and by its subsidiaries, and periodically submits them to the review of the Board of Directors, as described in detail below.

The *Investment Committee* supports the Chief Executive Officer in the assessment of the investment proposals by the BUs/Companies and expresses a reasoned technical and economic-financial opinion for the Strategic Committee in the various stages of the investment process.

Director in charge of the Internal Control and Risk Management System

Ensures the maintenance of the functionality and the overall adequacy of the ICRM System.

For this purpose, the Director in charge of the Internal Control and Risk Management System, shall, in particular:

- implement Guidelines defined by the Board of Directors, providing for the design, implementation and management of the Internal Control and Risk Management System and constantly monitoring the adequacy and effectiveness
- manage the adaptation of this system to the dynamics of operating conditions and of the legal and regulatory environment;
- verify, through the Internal Audit, Risk & Compliance activity, that Management has identified the main risks, that the risks were assessed with consistent procedures, that the mitigating actions

¹ With the opinion of the Control and Risk Committee.

² Including the risks that may be significant in view of sustainability in the medium to long term.

³ The Board of Directors, at the proposal of the Director in Charge of the Internal Control and Risk Management System and upon approval by the Audit and Risk Committee System, and the Board of Statutory Auditors:

have been defined and are being carried out, and that the risks are managed in accordance with the decisions of the Board of Directors;

- propose to the Board of Directors the appointment and compensation of the Chief Audit, Risk and Compliance Officer¹, ensuring his/her independence and operating autonomy with respect to each manager in charge of operating areas and verifying that (s)he is provided with suitable means to perform his/her duties effectively;
- rely on the Internal Audit, Risk & Compliance Division to perform audits on specific operating areas and on compliance with rules and internal procedures in the execution of corporate operations;
- promptly communicate to the Control and Risk Committee (or to the Board of Directors) on any problem and critical issue noted in the course of his/her activity, or of which (s)he has otherwise become aware, so that the Committee (or the Board of Directors) can undertake the appropriate initiatives.

The Director in Charge of the Internal Control and Risk Management System does not carry out operational activities. (S)he is empowered by the Board of Directors to supervise, through oversight, guidance and control duties, the Internal Audit, Risk & Compliance activities.

Control and Risk Committee

The Control and Risk Committee advises and issues recommendations to the Board of Directors and fulfills the role and responsibilities indicated in the Corporate Governance Code, supporting the Board of Directors in the assessments and decisions pertaining to the ICRM System.

For this purpose, the Committee shall, in particular:

- examine the work plan and the periodic reports prepared by the *Chief Audit, Risk & Compliance Officer*
- express opinions on specific aspects relating to the identification of key risks and support, with adequate investigation, evaluations and decisions relating to risk management Board of Directors arising out of prejudicial acts of which the Board of Directors is aware
- report to the Board of Directors, on a half-yearly basis, on the activity performed and on the adequacy of the ICRM System;
- monitor the independence, adequacy, effectiveness and efficiency of *Internal Audit, Risk & Compliance*
- examine the results of the activities of the Manager responsible for preparing the Company's financial reports;
- in connection with the Financial Reporting Manager, evaluate the correct application of accounting principles² and their consistency for the purpose of preparing the consolidated financial statements, and the condensed interim financial statements.

The Board of Statutory Auditors shall attend the meetings of the Control and Risk Committee.

Chief Audit, Risk & Compliance Officer

Internal Audit, Risk & Compliance performs the role and duties prescribed by the Corporate Governance Code, verifying the functionality and suitability of the ICRM System and, in particular, that Management has identified the main risks, that the risks were assessed in accordance with established procedures and that appropriate mitigating actions have been defined and carried out. It also verifies that the risks have been managed consistently with the decisions of the Board of Directors, with external rules and with the Group's internal rules.

The Chief Audit, Risk & Compliance Officer is not responsible for any operating area; (s)he reports to the Board of Directors through the Director in Charge of the Internal Control and Risk Management System and management information to be provided to the Control and Risk Committee and to the Board of Statutory Auditors. The Board of Directors, at the proposal of the Director in Charge of the Internal Control and Risk Management System and upon approval by the Audit and Risk Committee System, and the Board of Auditors:

- appoints and dismisses the Chief Audit, Risk & Compliance Officer;
- ensures that the Chief Audit, Risk & Compliance Officer is provided with adequate resources for the performance of his/her duties and the fulfilment of his/her responsibilities;

¹ Favourable opinion of the Control and Risk Committee and the Board of Statutory Auditors.

² Together with the manager responsible for preparing corporate accounting documents and hearing the opinion of the Independent Auditors and the Board of Statutory Auditors.

- assesses the adequacy of the activities carried out defining their remuneration consistently with the corporate policies.

The annual work plan, based on a structured process of analysis and prioritisation of the main risks ("Audit Plan"), similarly to the budget, is subject to the approval of the Board of Directors¹. Moreover, within the scope of the audit plan, Internal Audit Risk and Compliance shall verify the reliability of the information systems including the accounting measurement systems.

At least twice a year, (s)he prepares a summary of the main observations emerged and of the corporate risks to be monitored (Risk Report) which includes an assessment of the suitability of the ICRM System. The findings from these reports are presented to the Director in charge of the Internal Control and Risk Management System, to the Control and Risk Committee, and to the Board of Statutory Auditors.

The Chairmen of the Board of Directors, of the Board of Statutory Auditors and of the Control and Risk Committee, as well as the Director in charge of the Internal Control and Risk Management System are recipients of non-periodic information flows, generated by the Internal Audit, Risk and Compliance Division, in such a way as to ensure their simultaneous involvement.

5.3. Other relevant players with specific tasks concerning the Internal Control and Risk Management

Chairman of the Board of Directors

Oversees, directs and controls the processes of institutional and external relations, corporate social responsibility and corporate affairs.

Executive Vice Chairman

The Executive Vice Chairman supervises the Group's strategic decisions and the definition of the organisational macro-structure. (S)he orients and coordinates the extraordinary transactions, including structured finance transactions. (S)he carries out the strategic coordination of the subsidiaries.

The Executive Vice Chairman, is also the Chairman of the Strategy Committee.

Chief Financial Officer

With visibility into the operation of the ICRM System (both in terms of effectiveness and efficiency), the Chief Financial Officer through his/her structure ensures:

- the enhancement of the business portfolio within the scope of the defined development strategies, ensuring the directional control processes and the optimal allocation of financial resources;
- operational excellence in the performance of support services for the Group's Companies through the Service Company for which (s)he serves as Chairman of the Board of Directors;
- support to the Chief Executive Officer in the identification of the main corporate risks.

Manager responsible for preparing the Company's financial reports

The Manager responsible for preparing the Company's financial reports, whose activity is regulated by Italian Law no. 262/2005, is responsible for:

- establishing adequate administrative and accounting procedures for the preparation of financial disclosure documents;
- monitoring the application of established procedures;
- the release to the market of the attestation of the adequacy and effective application of administrative and accounting procedures for financial reporting purposes of the Group.

Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and with the Articles of Incorporation, adherence with correct administration principles, the adequacy of the organisational structure (for aspects under its cognisance), of the ICRM System and of the administrative-accounting system, and its reliability in correctly representing operations, and the adequacy of the provisions imparted to the Subsidiaries for the proper fulfilment of the prescribed disclosure obligations.

For this purpose, the Board of Statutory Auditors in line with the role and the duties prescribed by the Corporate Governance Code:

¹ After consulting the Supervisory Director of the Internal Control System and Risk Management, heard the Control and Risk Committee and the Board of Auditors.

- shall share, in a timely manner, with the Control and Risk Committee, the relevant information for the performance of their respective duties;
- may rely on the Internal Audit, Risk and Compliance Division for the performance of audits on specific operating areas or Company transactions.

Supervisory Committee

The Supervisory Committee is appointed by the Board of Directors and it has adequate financial resources available for the performance of its duties, among which are:

- to oversee compliance with the Code of Ethics;
- to verify the effectiveness and adequacy of the Model of organization and management pursuant to Legislative Decree 231/2001 (hereinafter the "Model"), namely its ability to prevent the occurrence of the offenses referred to in Legislative Decree no. 231/2001 on the basis of an annual audit plan presented to the Board of Directors
- to verify the adequacy of the organisational solutions adopted for the implementation of the Model;
- to prepare a half-yearly report to the Control and Risk Committee and to the Board of Directors about its activities, informing them of any violation it has observed with respect to the Model.

The Committee shall be provided with all information that pertain, even indirectly, to the perpetration or attempted perpetration of offences and circumvention of the Model and the Code of Ethics as well as at-risk behaviours in general. For this purpose should be sent the information described in "Procedure Information flows to the Supervisory Committee" at the intervals specified therein.

5.4. Implementation of the Internal Control and Risk Management System

ERG considers adequate risk management and mitigation to be of fundamental importance: for this reason, Top Management has deemed it appropriate to define a *risk management* Policy to explain the relationships between risk management and processes to identify objectives and management plans in order to define the procedures to select the different strategies and risk protection techniques, assigning formal management responsibilities within the organisation.

This framework involves the establishment of an organisation able to provide a clear allocation of governance, monitoring and reporting responsibilities, and to institute an inter-relationship between the organisational units and the bodies assigned to carry out risk management and control activities. As a response, ERG has set up specific committees within the Board of Directors (e.g. Strategic Committee) and outside it (i.e. Investment Committee, Risk Committee, Human Capital Committee, Business Review Committee, Sustainability Committee), tasked with analysing issues, providing advice and/or making proposals to particular "sensitive" and economically, financially and strategically relevant matters, that will lead to the adoption, by the Board of Directors, of well-informed, clearly represented decisions. Some of these committees have adopted the same methods for measuring, identifying, assessing and controlling risks, and they provide advisory tasks and make recommendations to the Chief Executive Officer in relation to:

- definition of risk management strategies and policies;
- assessment of the most relevant transactions and analysis of the associated risks;
- monitoring the progress of the most relevant transactions and verification of the enforcement of risk management policies.

Within this scope, the risk management process is developed through:

- the identification and assessment of the main strategic risks tied to the Business Plan and to extraordinary transactions, as well as the definition of the policies required to mitigate them;
- the identification and assessment of the main risks tied to business processes, as well as the definition of the procedures to manage them and of the control instruments;
- the continuous verification of the operation and effectiveness of the risk management process.

The aforementioned steps are described in detail below.

Management of Strategic and Discontinuity Risks

In relation to the management of the risks tied to the Business Plan and to extraordinary transactions, it should be highlighted that strategic decisions are made by the Board of Directors on the basis of a risk assessment performed with the support of the Strategic Committee and the Investment Committee. The Executive Deputy Chairman and the Chief Executive Officer, members of these

Committees, periodically report to the Board of Directors on main prospective risks, in terms of strategic decisions and investment.

The process, aimed at the definition of the strategic risks related to the Group's investments and to significant transactions, initially involves the Investment Committee, which expresses a technical and economic-financial opinion on them, and subsequently the Strategic Committee, which assesses the desirability of proceeding in this sense. The process, following this evaluation process, allows the Board of Directors to effectively make strategic decisions related to investment decisions that the Group intends to undertake. The Board of Directors decides both with respect to investments and the risks to be assumed, overseeing "ex post" management of the transactions and of the related risks.

The Chief Executive Officer has the responsibility and accountability for the management of corporate risks and is supported by Management in their identification and assessment, as well as in the definition of the policies for their management. In this regard, (s)he is also supported by the Strategic Committee and by the Investment Committee.

Management of Process Risks

The management of process risks is performed by the Company's Management, who is responsible for the assessment and for the definition of the mitigating instruments. For the management of process risks, Management uses a risk self-assessment tool: Business Process Risk Assessment. The Business Process Risk Assessment (BPRA) enables Management to monitor the riskiest areas on the basis of the adequacy of designed controls in order to mitigate the associated risks, pointing out areas deserving attention, towards which the most appropriate action plans should be adopted. This activity, with the aid of the *Internal Audit, Risk & Compliance* involves the entire Management of the ERG Group in the identification of the process risks (business and corporate) and of the related associated controls.

Therefore, the BPRA is a valid support that enables the Management to manage the riskiest areas effectively.

In addition, contributions to ensure the effective operation of the ICRM System shall also be made by the Manager responsible for preparing the Company's financial reports, who assesses the adequacy and operation of the controls on the administrative-accounting processes. In addition, contributions are made by the Risk Committee, who provides advice and support to the Chief Executive Officer, in defining of the strategies and policies to manage financial and market risks.

The significance of the risks, classified in categories and sub-categories, is determined based on the probability of occurrence and level of impact not only in economic terms, but also in terms of market share, competitive advantage and reputation.

The assessment of the control environment pertains to:

- the existence, updating and compliance with internal rules (e.g. guidelines, procedures)
- the adequacy of the organisational instruments (e.g. delegated powers and authority);
- the adequacy of the monitoring activities, reporting and internal communication;
- the adequacy of the information systems supporting process management.

Continuous verification of the effectiveness of the risk management process

This verification activity provides the occasion to verify both the extent to which the objectives have been achieved, and the correct implementation of the selected management procedures. Every deviation from the objectives and policies is subjected to a root cause analysis, to review the decision-making processes currently in place and to identify the factors that hinder the success of the identified solutions. Based on the results of these analyses, if necessary, revisions may be made to management programs..

The ICRM System, defined on the basis of domestic and international *leading practice*, consists of the following three levels of control:

- First level: assigned to individual lines consisting of checks carried out by those who perform certain activities and by those who are responsible for their supervision. It also makes it possible to ensure the correct performance of the operating activities;
- Second level: assigned to structures other than line, it contributes to the definition of the risk measurement methods, and the identification, assessment and control (Risk Management). It also makes it possible to verify compliance with regulatory obligations (Compliance);

- Third level: entrusted to *Internal Audit, Risk & Compliance*, its purpose is to identify anomalous trends, violations of the procedures and regulations, and to assess the functionality of the overall internal control and risk management system.

Within this context, the Director in charge of the Internal Control and Risk Management System focuses his/her activities on the main corporate risks, taking into account the objectives and characteristics of the activities performed by the ERG Group.

The Model contributes to strengthen the ICRM System, describing the measures and protocols aimed at reducing noncompliance within the corporate organisation.

The Supervisory Committee is tasked to prevent the commission of offenses provided for in the Model pursuant to Legislative Decree. No. 231/2001 and to propose the adoption of new measures if the need arises, to maintain the Model current and effective at all times, adapting it to any regulatory and organisational changes that should occur over time.

5.5. Structure and operation of the Internal Control and Risk Management System in the ERG Group

The Group is aware that an effective Internal Control and Risk Management System contributes to a healthy management of the Company, and is consistent with the corporate objectives defined by the Board of Directors, promoting well-informed decisions and contributing to safeguarding the assets, to the efficiency and effectiveness of the processes, to the reliability of financial reporting, compliance with the rules, the by-laws and internal procedures.

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

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

The System of Rules and Procedures

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

In relation to each regulation, the related recipients are defined below:

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

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

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

The System for assigning Powers

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

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

The system adopted in the Group provides:

- the assignment of powers by the Board of Directors to the Group's different Companies, through Board resolutions, to the Chief Executive Officers for the ordinary management of the Companies;
- the assignment of powers of attorney, normally to the first-level executives reporting to Chief Executive Officers, with powers of signature, representation and external negotiation;
- the assignment of special powers of attorney for the performance of a specific, well- defined action, upon completion whereof the validity of the power of attorney is voided;
- the assignment to the heads of organisational positions internal powers of attorney related to actions that have no external enforceability.

The system of delegated powers and powers of attorney in place within the Group is structured to achieve consistency of the organisational structures, the assigned powers and the corporate regulatory system (Policies, Guidelines, Procedures, Operating Notes and Job Descriptions), and the maintenance of appropriate Segregation of Duties ("SOD").

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

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

Particularly,, the ERG Board of Directors, at the meeting held on March 11, 2014, appointed Paolo Luigi Merli, Chief Financial Officer, as Manager responsible for preparing corporate accounting documents with responsibility for:

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

The Manager responsible for preparing the Company's financial reports shall rely on the support of the Chief Audit, Risk & Compliance Officer in verifying the operation of the administrative and accounting procedures by testing the controls.

This organisational structure ensures segregation of duties between activities for devising the administrative and accounting procedures and the activities for verifying their adequacy and their actual enforcement.

In such a context, all personnel of the Group shall collaborate with functions that directly or indirectly, contribute to the process through the preparation of documents and information, the inputting or updating of data in the Company's information systems, in normal operations.

262/05 was presented to the Control and Risk Committee and it applies, from a viewpoint of logic, of methodology and with regard to the principles of process control and correctness, to the companies of the Group.

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

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

The main responsibility of the Manager responsible for preparing the Company's financial reports of ERG, as described above, is to implement administrative-accounting procedures that govern the process for the preparation of periodic corporate financial reporting, to monitor their application and, together with the Chief Executive Officer, certify to the market that the above principles were followed and that the financial information made available is reliable.

The position of the Manager fits into the wider framework of Corporate Governance, structured according to the traditional model with the presence of corporate bodies with diverse functions of control.

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

The Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, shall appoint the Manager responsible for preparing the Company's financial reports, setting his/her compensation and assigning him/her adequate powers and means. The qualifications of the Manager will include someone who has had at least three years of experience in positions of adequate responsibility in the administrative, financial or accounting area of enterprises or entities, both public and private, or among those who have adequate competence and experience in legal, economic, administrative-accounting or financial matters.

Elements of the system

Methodological approach

The working methodology adopted within the Group is comprised of the following steps:

- a. identification and evaluation of the risks applicable to financial reporting;
- b. identification of controls to mitigate identified risks at the Company/Group level (entity level) and at the process level;
- c. evaluation of the design controls and management of the implementation and operating effectiveness of such controls, with the aim of reducing risks to a level considered "acceptable" (information flows, gap management, plan for remedial action, reporting system, etc.).

The activity is carried out by Internal Audit, Risk & Compliance and it is periodically shared with the Manager responsible for preparing the Company's financial reports.

Risk identification and assessment

Risk Assessment is conducted annually with the goal of identifying, on the basis of a quantitative and qualitative analysis:

1. the Companies within the Group scope of consolidation to be included in the analysis;
2. the risks at the level of the selected operating Company/Group (Company/Entity Level Controls) in the general corporate context of the Internal Control System, with reference to the five components of the CoSO model developed by the Committee of Sponsoring Organizations of the Treadway Commission, leading practice at the international level and recognised within Italy as a reference model by the Italian Stock Exchange Corporate Governance Code (control environment, risk assessment, information and communication, control activities, monitoring);
3. the general risks for the Company's information systems supporting related processes (IT General Controls);
4. the processes that generate, with inherent risk, the accounts of the Consolidated Financial Statements for each Company selected;
5. for each relevant process, the specific risks for financial reporting, with particular reference to so-called financial statement assertions (existence and occurrence, completeness, rights and obligations, valuation and allocation, presentation and disclosure).

The process of Risk Assessment starts from the consolidated Group Financial Statements in order to determine the appropriate scope, and is based on the combined application of quantitative and qualitative factors. Quantitative factors considered include:

- Financial Statement Coverage: this dimension is used to measure the percentage of the total financial statements for which controls are to be analysed and evaluated, defined on the basis of significance of such items to the Consolidated Financial Statements;
- significant accounts: this refers to the quantitative size of that item to the Consolidated Financial Statements subject to the application of a materiality threshold;
- significant processes: by means of account-process matching, processes that are identified for which controls should be assessed, since all processes associated with accounts that have balances greater than the materiality threshold form part of the activity.

Quantitative factors considered include:

- to complement the quantitative part of the analysis, as to include or exclude accounts-processes from the scope of the activity on the basis of management knowledge, from a historical point of view and also considering the expected evolution of the business, of companies making up the Group, and on the basis of the professional judgement by management concerning risk levels relating to financial disclosures;
- to define the "level of depth" to which the analysed accounts-processes must be taken into consideration within the scope of the activity and at what level the related controls must be mapped, documented and monitored.

The final result of the Risk Assessment process consists of a document that is circulated to the various

functions involved, validated by the Manager Responsible and presented to the Control and Risk Committee.

Identification of controls

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

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

- significant processes and associated risks defined within the scope of Risk Assessment, are mapped against the controls that addresses such risks;
- the chart of mapped controls is evaluated to ascertain the capacity of each control to manage and mitigate an identified risk and, in particular, the underlying Financial Statements assertion;
- the operation and representation of a control is shared with its owners, as are the risks and control activities;
- monitoring activities, needed to support the representations that must be made by the Manager Responsible, are carried out.

The identification of risks and associated controls is carried out both with regards to controls relating to financial statement assertions and to other control objectives within the scope of financial disclosure, including:

- observance of authorised limits;
- the segregation of duties and responsibilities for operations and control;
- the physical security and existence of the Company's assets;
- activities of fraud prevention that have an impact on financial disclosure;
- the security of Company information systems and the protection of personal data.

The mapping generated from time to time for a specific process is also used as the basis for periodic testing activities whose goal is to evaluate and monitor both the chart and the effectiveness of controls in place.

Assessment of controls and monitoring processes

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

The objective of such monitoring is the evaluation of the operating effectiveness of the controls – in other words the effective functioning during the period of the controls mapped for the purpose of analysis.

The plan is formalised in a document that is presented to the Control and Risk Committee and in which strategies and timing are defined for carrying out monitoring tests.

Among the activities carried out, updates are continuously made to the mapping of processes, risks and controls in accordance with Law no. 262/05.

Periodically, reports are produced based on the results of the activities, providing support on the basis of which the Manager responsible for preparing the Company's financial reports releases legal declarations. The Control and Risk Committee, regarding the most important deadlines related to annual and half-year financial reporting, evaluates and participates in the work of the Manager responsible for preparing the Company's financial reports and the functions through which (s)he operates.

7. THE INDEPENDENT AUDITORS

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

Deloitte & Touche S.p.A. was appointed as independent auditor for the years 2009-2017 by the Shareholders' Meeting held on April 23, 2009.

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

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

The engagement of Deloitte & Touche S.p.A. includes the limited scope audit of the Half-Year Financial Report.

In the performance of its activities, the Independent Auditors have access to the information, documents and data contained within various systems, as well as the archives and the assets of the Company and of the Companies of the Group.

8. INVESTOR RELATIONS

The Company manages relations with its shareholders, institutional investors and the market through the Investor Relations function, which operates within the Division headed by the Chief Financial Officer.

As part of investor relations activities, meetings are regularly arranged both in Italy and abroad with representatives of the financial community. ERG's policy is to provide the fullest possible information on its activities and strategies, through constant innovation and updating of its website. The person in charge of managing investor relations is Ms Emanuela Delucchi.

9. COMMITMENTS

The Company intends to confirm its commitment:

- to pursue as its primary objective, in its formal acts and conduct, the creation of shareholder value;
- to model its business practices on total compliance with the Group's ethical principles, which are based on a combination of values consisting of personal integrity, correctness of relationships inside and outside the Company, and transparency vis-à-vis shareholders, related stakeholders, and the market – as outlined and explained in the Code of Ethics, adopted in December 2003 and whose most recent version was approved by ERG's Board of Directors on May 14, 2014, to reflect not only the organisational-corporate changes that have taken place in the Group, but also the regulatory changes that have taken place and the evolution certain best practices;
- to ensure, by means of focus on the ongoing evolution of corporate governance principles, observance of such principles by the organisation, in order to ensure, in turn, transparent and efficient operation of the organisation over time.

The main documents concerning Corporate Governance, referenced throughout the Report, are available in the Corporate Governance section of our website www.erg.eu.

TABLE 1: Structure of the Board of Directors and Committees

Board of Directors														Control and Risk Committee		Nominations and Remuneration Committee	
OFFICE	MEMBERS	Year of birth	In office since	In office until	List (M/m)*	Executive	Non-executive	Independent as per Code	Independent as per TUF	% attendance (**)	Number of other offices (***)	Length of office as from first appointment (****)	(****)	(**)	(****)	(**)	
Chairman	Edoardo Garrone	1961	24/04/2015	Appr. Financial Statements 31/12/2017	M	yes				90%	2	16/10/1997					
Vice Chairman	Alessandro Garrone	1963	24/04/2015	Appr. Financial Statements 31/12/2017	M	yes				100%	2	16/10/1997					
Vice Chairman	Giovanni Mondini	1966	24/04/2015	Appr. Financial Statements 31/12/2017	M		yes			100%	1	16/10/1997					
CEO	Luca Bettonte	1963	24/04/2015	Appr. Financial Statements 31/12/2017	M	yes				100%	=	15/12/2009					
Director	Massimo Belcredi	1962	24/04/2015	Appr. Financial Statements 31/12/2017	M				yes	100%	1	29/04/2003	yes	100%	yes ¹	100%	
Director	Mara Anna Rita Cavemi	1962	24/04/2015	Appr. Financial Statements 31/12/2017	M			yes	yes	100%	4	24/04/2015	yes	83%	yes	100%	
Director	Alessandro Chieffi	1964	24/04/2015	Appr. Financial Statements 31/12/2017	m			yes	yes	100%	2	24/04/2015					
Director	Barbara Cominelli	1970	24/04/2015	Appr. Financial Statements 31/12/2017	M			yes	yes	100%	=	24/04/2015	yes	100%			
Director	Marco Costaguta	1959	24/04/2015	Appr. Financial Statements 31/12/2017	M		yes			90%	5	20/04/2012					
Director	Luigi Ferraris	1962	24/04/2015	Appr. Financial Statements 31/12/2017	M			yes	yes	100%	=	24/04/2015					
Director	Paolo Francesco Lanzoni	1953	24/04/2015	Appr. Financial Statements 31/12/2017	M				yes	90%	=	29/04/2003	yes ¹	100%	yes	100%	
Director	Silvia Merlo	1968	24/04/2015	Appr. Financial Statements 31/12/2017	M			yes	yes	88%	3	24/04/2015			yes	100%	
DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR																	
Director	Pasquale Cardarelli	1934	20/04/2012	24/04/2015	M			yes	yes	100%		28/04/2006			yes	100%	
Director	Alessandro Careri	1950	20/04/2012	24/04/2015	M		yes			100%		21/06/2011					
Director	Antonio Guastoni	1951	20/04/2012	24/04/2015	M			yes	yes	100%		29/04/2003	yes	100%			
Director	Graziella Merello	1947	20/04/2012	24/04/2015	M	yes				100%		23/04/2009					
Director	Umberto Quadri	1946	20/04/2012	24/04/2015	M			yes	yes	50%		20/04/2012					
QUORUM REQUIRED FOR LIST PRESENTATION AT THE TIME OF LAST APPOINTMENT: 1%																	
NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR:																	
BoD: 10 CRC: 9 NRC: 8																	

NOTES

* This column indicates M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column indicates the percentage of attendance of the Directors in the meetings respectively of the Board of Directors and of the Committees (no. of meetings attended/no. of meetings held during the actual term of office of the relevant individual).

*** This column indicates the number of appointments as Director or Statutory Auditor held by the relevant individual in other companies listed on regulated markets, also abroad, in financial, banking, insurance companies or in companies of significant size other than those held in companies of the ERG Group.

**** This column indicates whether the member of the Board of Directors is a Committee member.

***** This column indicates the date of first appointment of the Directors starting on 16 October 1997, i.e. the listing date of the Company.

¹ Member of its Committee until 24/04/2015.

TABLE 2: Structure of the Board of Statutory Auditors

Board of Statutory Auditors

Office	Members	Year of birth	In office since	In office until	List (M/m)*	Independence as per Code	% of attendance(**)	Number of other offices(***)	Lenght of office as from first appointment****)
Chairman	Mario Pacciani	1944	23/04/2013	Appr.Financial Statements 31/12/2015	M	yes	100%	1	29/04/2004
Standing Auditor	Lelio Fornabaio	1970	23/04/2013	Appr.Financial Statements 31/12/2015	M	yes	90%	4	15/04/2010
Standing Auditor	Elisabetta Barisone	1967	23/04/2013	Appr.Financial Statements 31/12/2015	M	yes	90%	-	23/04/2013
Alternate Auditor	Campo Antico Vincenzo	1966	23/04/2013	Appr.Financial Statements 31/12/2015	M	yes	-	-	15/04/2010
Alternate auditor	Luisella Bergero	1971	23/04/2013	Appr.Financial Statements 31/12/2015	M	yes	-	-	23/04/2013
Alternate auditor	Mario Lamprati	1949	23/04/2013	Appr.Financial Statements 31/12/2015	M	yes	-	-	15/04/2014

STATUTORY AUDITORS WHO LEFT OFFICE DURING THE REFERENCE YEAR

None

QUORUM REQUIRED FOR LIST PRESENTATION AT THE TIME OF LAST APPOINTMENT: 2,5%

NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR: 9

NOTES

* This column indicates M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column indicates the percentage of attendance of the statutory auditors in the meetings of the Board of Statutory Auditors (no. of meetings attended/no. of meetings held during the actual term of office of the relevant individual).

*** market, including foreign ones, in financial, banking, insurance companies or in companies of significant size other than those held in companies of the ERG Group. The full list of the offices held is enclosed, in accordance with Article 144-quinquiesdecies of the CONSOB Issuers' Regulations, to the report on the supervisory activity, prepared by the statutory auditors in accordance with Article 153, paragraph 1 of the Consolidated Finance Act.

**** This column indicates the date of first appointment of the Statutory Auditors.