



EVOLVING ENERGIES

ERG S.p.A.

ORDINARY SHAREHOLDERS' MEETING OF 23/24 APRIL 2018

REMUNERATION REPORT

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LETTER OF THE CHAIRMAN OF THE NOMINATIONS AND REMUNERATION COMMITTEE



Dear Shareholders,

I am pleased to present to you once again this year the ERG Group Remuneration Report which illustrates, in particular, the fees paid in 2017 and the Remuneration Policy for 2018.

Remuneration is a means for ERG to recognise, within the organisation, the results achieved in relation to our strategic objectives, while at the same time upholding our corporate values and behaviours. The Nominations and Remuneration Committee is aware of and attentive to the remuneration policies in place for our directors and for the senior management figures of the Group, considering them a crucial part of our mandate.

Thanks to the efforts of the Committee and to the support of our people we are continuing to achieve positive and consistent results in the way in which we recognise and remunerate performance. Last year's business results are reflected directly in our incentives and confirm the efficacy of a pay model that involves all senior figures and encourages continuous improvement.

Having established the Remuneration Policy for 2018, we have further improved our approach by making it increasingly responsive to the key objective of integrating the interests of management with that of shareholders, through:

- confirmation of the current short-term incentive system (MBO);
- the proposal for a new long-term incentive system based on financial instruments (Performance Shares).

I want to thank the Committee members, Mara Anna Rita Caverni and Silvia Merlo, for making available to the Committee their experience and professionalism; many thanks are also due to the units and the people of ERG that provided their specialist knowledge.

I submit this Report to you in the hope that it fully illustrates ERG's remuneration system and its contribution to the creation of sustainable value in the medium and long-term.

Sincerely,

Paolo Francesco Lanzoni

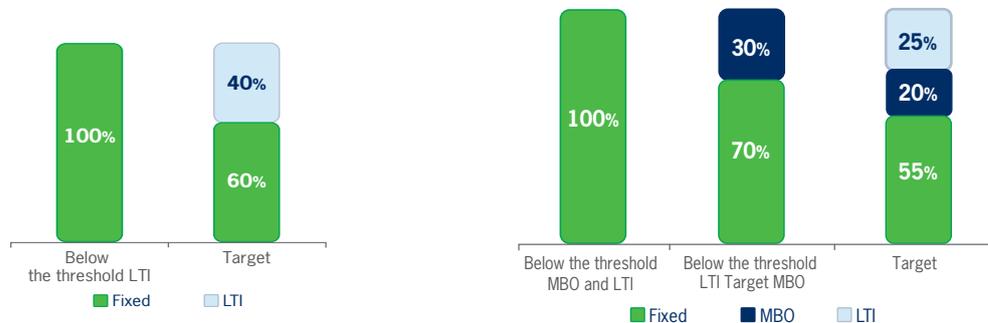
EXECUTIVE SUMMARY

GUIDELINES OF THE 2018 REMUNERATION POLICY

Specified to set a retribution mix consistent with the management position held.

	Executive Directors <small>(ref. Policy 2018 3.1)</small>	Executives with strategic responsibilities <small>(ref. Policy 2018 3.2)</small>
Fixed Remuneration - Assigns value to the responsibilities, skills and contribution required by the role - Ensures, where appropriate, retention through continuous market benchmarking - Remunerates activities performed in the event that the variable component is not disbursed	Compensation Annual, as member of the Board of Directors Remuneration Annual, for the office of Executive Director	Annual compensation
	Benefit Car, health insurance Pension or similar¹ Termination indemnity	Benefit Car, health insurance Pension Termination indemnity, Supplementary pension plans
Variable Remuneration - Aimed at the achievement of predetermined economic-financial and strategic targets that can be measured and are consistent with the budget - Aimed at improving performance in creating sustainable value for the Company, over the medium/long-term, and subsequently aligning the interests of management to those of Shareholders	Short term Not provided Long Term⁴ 2018-2020 LTI - three years - 100% Performance Shares Economic performance condition: Group cumulative 2018-2020 EBITDA	Short term MBO - 100% cash Targets: 30% EBT ² threshold 50%, target 100%, cap 150% 70% Individual threshold 80%, target 100%, cap 120% Target ON/OFF on EBT: Sustainability clause ³
	Long Term⁴ 2018-2020 LTI - three years - 100% Performance Shares Economic performance condition: Group cumulative 2018-2020 EBITDA	Long Term 2018-2020 LTI - three years - 100% Performance Shares Economic performance condition: Group cumulative 2018-2020 EBITDA

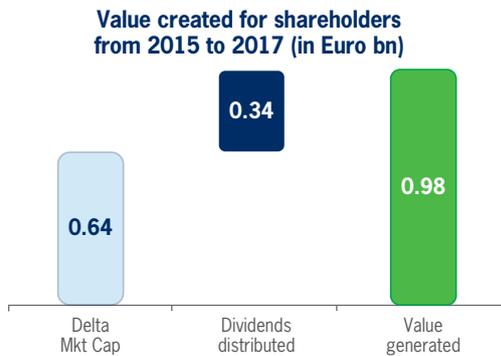
Pay mix⁵



1 Only with reference to the Chief Executive Officer.
 2 Consolidated IAS pre-tax result at adjusted replacement cost.
 3 This clause provides that upon the occurrence of a fatal accident, or an accident that causes a degree of permanent disability greater than or equal to 46% to an employee of the Group, the bonus referred to the company target is not granted.
 4 Only with reference to the Executive Directors, who are of strategic importance for the purposes of achieving the 2018-2022 Business Plan.
 5 It should be noted that the pay mix could vary depending on the powers vested, for the purposes of achieving the 2018-2022 Business Plan, by the Board of Directors' meeting which will be held following the Shareholders' Meeting called to approve the Financial Statements at 31 December 2017.

PAY FOR PERFORMANCE

In the 2015-2017 period, ERG rewarded its shareholders with dividends totalling approximately EUR 288 million and a share performance that exceeded 54.21% compared to the FTSE All Share average, thanks to the growth path undertaken by the ERG Group and to the extraordinary transactions that made it possible.



SUSTAINABILITY INDICATORS (ref. Policy 2018 3.2.1)

ERG believes that the full compatibility of its activities with the health and safety of the workers, the community, the natural resources and the environment is an essential requirement to make its plants and operations acceptable and to achieve its growth objectives.

Therefore, ERG is committed to ensuring that all Companies of the ERG Group operate with the highest respect for the health and safety of employees and of third parties, as well as for the environment, defined in the broadest sense⁶. Consistently with the provisions of the Code of Ethics of the ERG Group, a **sustainability clause** based on workplace accidents was associated to the MBO System.

Sustainability clause

In the MBO system, the bonus referred to the company target will not be paid, for the reference year, regardless of the company performance recorded in the case of a fatal accident, or an accident that causes a degree of permanent disability greater or equal to 46% to an employee of the Group.

FY 2017

ON clause No accident with severity levels mentioned above

⁶ Code of Ethics of the ERG Group, approved by the Board of Directors on 14 May 2014.

INTRODUCTION

In accordance with Article 123-ter of the Consolidated Finance Act (CFA), the Report is composed of two sections.

I. SECTION ONE

The first section illustrates the 2018 Remuneration Policy and the procedures used for its adoption and implementation.

II. SECTION TWO

The second section provides, individually for each of the members of the Board of Directors and the Board of Statutory Auditors, as well as, in aggregate form⁷, for Executives with strategic responsibilities, the following information:

- a) an adequate description of each of the items making up the remuneration, including the benefits envisaged in case of retirement from office or termination of the employment relationship, drawing attention to the consistency thereof with the 2017 Remuneration Policy;
- b) a detailed account of the fees paid in 2017, for whatsoever reason and in any form, by ERG and its subsidiaries or associated companies.

⁷ Pursuant to the provisions of Table 7-bis of Annex 3A to the Issuers' Regulations, the fees will be illustrated for Executives with strategic responsibilities, naming those Executives who received during 2017 total compensation (obtained by summing the monetary fees and compensation based on financial instruments) that are higher than the highest total compensation assigned to the members of the Board of Directors and the Board of Statutory Auditors in the same year.

SECTION I: 2018 REMUNERATION POLICY

1. EVOLUTION OF APPROACH

In line with the provisions of the Corporate Governance Code⁸, the Board of Directors of ERG, **adopted**, with resolution dated 20 December 2011, upon a recommendation from the NRC⁹, its own Remuneration Policy, effective from 2012. The Policy's structure was independently defined by ERG at the time, without using as reference remuneration policies pertaining to other companies.

The Policy underwent an **initial revision** by the Board of Directors, on a proposal from the NRC, on 18 December 2012, to take account of the powers assigned by the Board of Directors – appointed by the Shareholders' Meeting of 20 April 2012 – and the adoption of the 2012-2014 LTI System. For such purpose, ERG used the services of the consulting firm The European House – Ambrosetti.

As part of the said revision of the Policy, several remuneration policies of non-financial FTSE MIB index companies were used as reference, since these were considered most representative of Italian best practices, as well as a peer group of parties (comparable to ERG based on their size and operating in sectors where the ERG Group is active) proposed by the consulting firm The European House – Ambrosetti.

On 11 March 2015, the Policy was subject to a **second revision** by the Board of Directors, upon a recommendation from the NRC, to take account, effective from 2015, of *(i)* the Company's adherence to the version of the Corporate Governance Code in force at that time through the introduction, as regards variable remuneration, of a clawback clause and *(ii)* the essential elements of the 2015-2017 LTI System, with a view to ensuring greater alignment of management's interests to the priority goal

of creating value for Shareholders over the medium/long-term, in keeping with the strategic guidelines of the ERG Group. For such purpose, the Company used the services of the consulting firm The European House – Ambrosetti. For the second revision of the Policy, in line with the previous actions, the Company used as reference some remuneration policies of non-financial FTSE MIB index companies, since these were considered most representative of Italian best practices, together with a peer group of parties comparable to ERG based on their size and operating in sectors where the ERG Group is active, again as proposed by the consulting firm The European House – Ambrosetti.

The Policy was **updated**, upon a proposal from the NRC,

- on 22 March 2016, for the sole purpose of acknowledging the resolution of the Board of Directors dated 15 December 2015, which defined the conditions necessary to implement the 2015-2017 LTI System, in line with the said Policy and in view of the 2015-2018 Business Plan;
- on 9 March 2017 for the purpose of implementing the organisational changes following the reorganisation of the risk management, compliance and internal control processes of the ERG Group and the "ONE Company" Project¹⁰, as well as the introduction of a clause to which the deferred payment of any non-recurring remuneration is subordinated, after assessment of the NRC and resolution of the Board of Directors.

On 7 March 2018 the Policy was subject to a **third revision** by the Board of Directors, upon a recommendation from the NRC, to take account, with effect from financial year 2018, of the essential elements of the 2018-2020 LTI system.

• **Changes deriving from the essential elements of the 2018-2020 LTI System**

The 2018-2020 LTI System was developed according to a logic of continuous alignment between the objectives of the beneficiaries and the interests of shareholders. The 2018-2020 LTI System provides for the assignment of a predefined number of Shares, free of charge (i.e. Performance Shares, as defined below), at the end of a three-year vesting period, subject to the achievement of a minimum predetermined

⁸ This refers to the version of the Corporate Governance Code published in December 2011.

⁹ Further information regarding bodies and persons involved in the preparation and approval of the Policy and the NRC's composition, competences and working procedures is set out in the Report on Governance and Ownership drawn up pursuant to Article 123-bis of the Consolidated Finance Act (CFA).

¹⁰ See Press Release of 10 November 2016.

economic performance (i.e. EBITDA target, as defined below).

The LTI System also provides that, in the event that in addition to the economic performance objective being achieved a predetermined market performance of ERG Shares on the MTA is also achieved (i.e. Outstanding listing, as defined below), the number of Shares allocable increases up to a predetermined maximum.

The equity available for the LTI System will be exclusively composed of Own Shares already in the portfolio, subject to authorisation from the Shareholders' Meeting.

The 2018-2020 LTI System will be submitted to the vote of the Shareholders' Meeting that will be held for the approval of the Financial Statements at 31 December 2017 and, to this end, the essential elements of the 2018-2020 LTI System are described in the information document made available to the public at the registered office of the company in Genoa, Via de Marini 1, on the Company's website (www.erg.eu) in the section "Corporate Governance/ Shareholders' Meeting 2018", at Borsa Italiana S.p.A. and on the authorised storage platform eMarket Storage (www.emarketstorage.com).

2. PARTIES INVOLVED

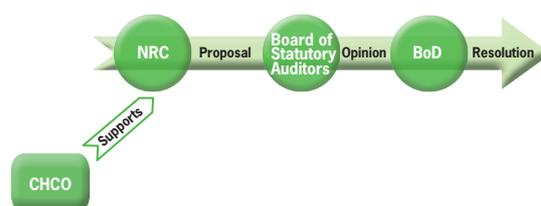
In keeping with relevant legislative and regulatory provisions in force and the recommendations of the Corporate Governance Code, the decisions behind the implementation of the 2018 Remuneration Policy and the responsibility for its correct application are the result of a joint process involving numerous parties:

- a) The Shareholders' Meeting, as regards the Directors' fees and those of the Directors called upon to sit on the NRC or the CRC

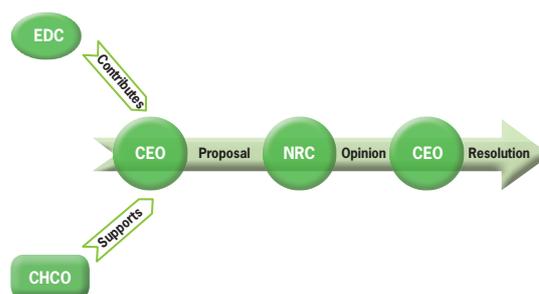


- b) The Board of Directors, upon a recommendation from the NRC, with the support of the CHCO and having consulted the Board of Statutory Auditors, as regards

the remuneration of Executive Directors or Directors holding specific offices as well as, if necessary, the directors called upon to sit on the Strategic Committee, where these are not employees of the Group and do not hold offices on the Board of Directors



- c) The Chief Executive Officer, jointly with the Executive Deputy Chairman and with the support of the CHCO, having consulted the NRC, as regards the remuneration of Executives with strategic responsibilities¹¹



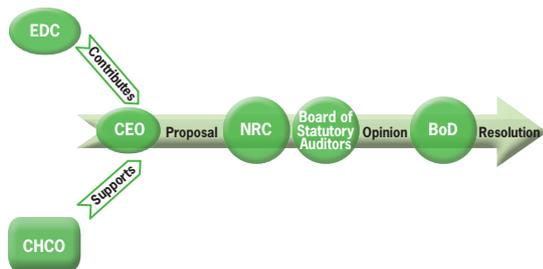
- d) The Board of Directors, upon a proposal from the Director in charge of the Internal Control and Risk Management System, subject to the favourable opinion of the CRC and the support of the CHCO, having consulted the Board of Statutory Auditors, for the remuneration of the Chief Audit Officer, who is also an Executive with strategic responsibilities



- e) The Board of Directors, upon a proposal from the Chief Executive Officer, jointly with the Executive

¹¹ Subject to the provisions of point (d) below for the Chief Audit Officer and point (e) for the Manager Responsible for preparing company's financial reports.

Deputy Chairman and supported by the CHCO, having consulted the NRC and the Board of Statutory Auditors, for the remuneration of the Manager Responsible for preparing the Company's financial reports, who is also an Executive with strategic responsibilities



2.1 Nominations and Remuneration Committee

The Nominations and Remuneration Committee comprises three non-executive directors, qualified as independent pursuant to the related provisions set forth by the Consolidated Finance Act (CFA) and as mostly independent pursuant to the Corporate Governance Code¹², who have adequate financial and Remuneration Policy experience¹³.

The Committee meets at least once a quarterly. All members of the Board of Statutory Auditors take part in the Committee proceedings; in addition, the Chairman of the Board of Directors, the Executive Deputy Chairman and the Chief Executive Officer may participate, by invitation, insofar as they are entitled to intervene on the matters being considered and to identify suitable interventions to address situations, even if potentially critical.

Directors do not take part in the meetings of the NRC where proposals are made to the Board of Directors in connection with their own remuneration. 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.

¹² It should be mentioned that the Committee Chairman, who is a non-executive director, was qualified by the Board of Directors of 24 April 2015 as an independent director pursuant to the Consolidated Finance Act (CFA) and not also within the meaning of the Corporate Governance Code exclusively in consideration of his long term in office. Said features were also evaluated by the Board of Directors during the meetings of 13 July 2016 and 12 July 2017.

¹³ Said features were also evaluated by the Board of Directors during the meeting of 24 April 2015.

As regards the remuneration of members of the **Board of Directors**, the Committee:

- periodically assesses the adequacy, overall consistency and concrete application of the Remuneration Policy, reporting to the Board of Directors;
- submits recommendations or expresses opinions to the Board of Directors concerning the remuneration of Executive Directors or Directors holding specific offices as well as, if necessary, the remuneration of the Directors called upon to sit on the Strategic Committee, where the same are not employees of the Group and do not hold offices on the Board of Directors;
- submits proposals or expresses opinions to the Board of Directors on the setting of performance targets linked to the variable component of the medium/long-term incentive systems;
- monitors implementation of the decisions taken by the Board of Directors, verifying the actual achievement of the performance targets.

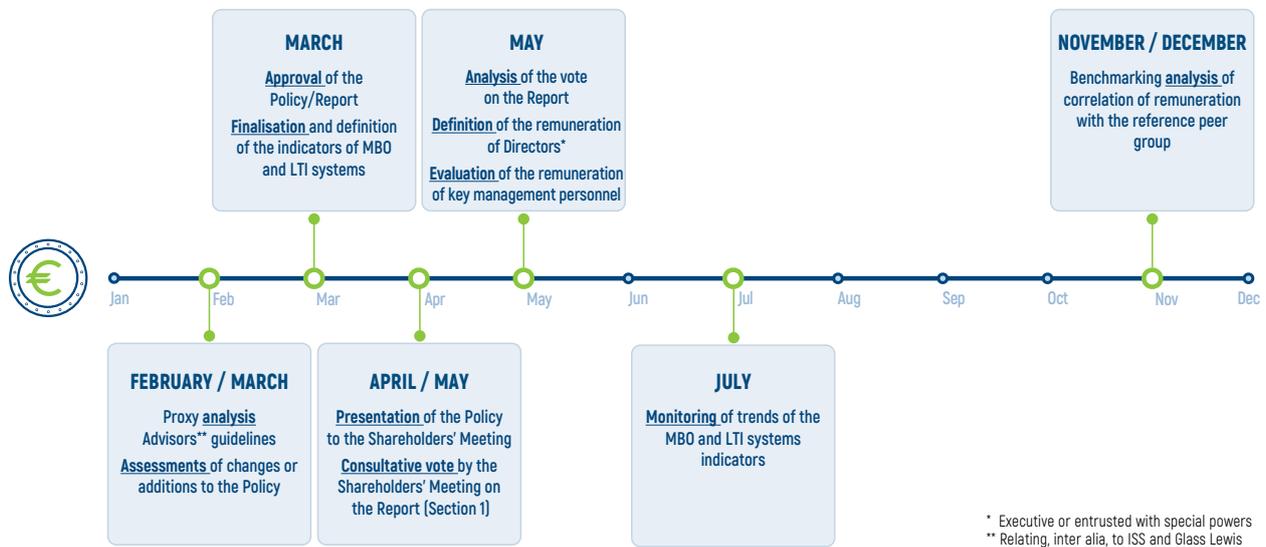
As regards the remuneration of **Executives with strategic responsibilities**, the Committee:

- periodically assesses the adequacy, overall consistency and concrete application of the Remuneration Policy;
- expresses opinions to the Chief Executive Officer on their remuneration;
- submits proposals or expresses opinions to the Chief Executive Officer on the setting of Group performance targets linked to the variable component of the short-term incentive system;
- submits proposals or expresses opinions to the Board of Directors on the setting of performance targets linked to the variable component of the medium/long-term incentive systems;
- verifies the actual achievement of Group performance targets.

The Committee actively participates in defining the short and medium/long-term variable incentive systems.

In particular, the Committee was actively involved in the process of preparation and subsequent adoption of the MBO System and the Long-Term Incentive Systems (LTI).

Nominations and Remuneration Committee work schedule and significant events concerning the Remuneration Policy



3. STRUCTURE OF THE 2018 REMUNERATION POLICY

The 2018 Policy sets general guidelines for determining the remuneration of Board of Directors members and Executives with strategic responsibilities, in the course of their business, with a view to attracting, retaining and motivating highly qualified managers and aligning their interests to the pursuance of the priority objective of creating sustainable value for Shareholders over a medium/long-term horizon.

The essential elements of the 2018-2020 LTI System were defined in a manner consistent with the 2018-2022 Strategic Plan, as approved on 7 March 2018 by the Board of Directors. The regulation implementing the 2018-2020 LTI System - the approval of which by the new Board of Directors is expected to take place in the first half of 2018, in order to guarantee full temporal consistency with the new mandate - will become an integral part of the 2018 Policy.

Where, in exceptional cases, the Board of Directors considers it necessary to deviate from the Policy previously approved and subjected to the vote of the Shareholders' Meeting, any decisions on the matter will be fully submitted to the Procedure for Related Party Transactions and information on such decisions will be disclosed to the market, pursuant to regulations and the said Procedure.

The 2018 Policy is structured differently according to whether the remuneration in question is intended for Board Members or Executives with strategic responsibilities.

3.1 Board of Directors

3.1.1 Fees

The Shareholders' Meeting is called upon annually, on a proposal from the Shareholders, to pass resolution on the assignment of fixed annual compensation for all members of the Board of Directors.

The Shareholders' Meeting is also called upon annually, on a proposal from the Shareholders, to pass resolution on the assignment of additional fixed annual compensation for directors called upon to sit on the NRC or the CRC.



The Board of Directors recommends that these fees be consistent with the professional commitment required by the office, as well as with the related responsibilities.

The Board of Directors also recommends that the fee proposals be presented by the Shareholders (where appropriate, also pursuant to Art. 126-bis of the Consolidated Finance Act - CFA) in such a way as to allow

disclosure to the public sufficiently in advance with respect to the Shareholders' Meeting called upon to approve them. In this connection, it should be mentioned that starting from 2013 the main shareholder has submitted proposals in line with the above recommendations, which were therefore communicated to the public suitably in advance of the Shareholders' Meeting called upon to approve them.

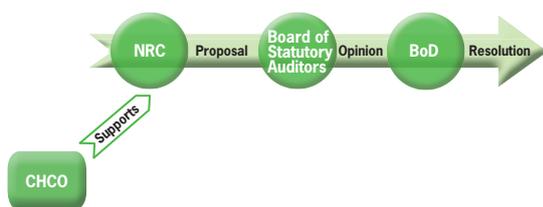
3.1.2 Remuneration

The remuneration paid to Executive Directors or Directors holding specific offices shall be suitable to attracting, retaining and motivating highly qualified individuals and aims at assigning a value to their skills, in line with the contribution required by the role.

Fixed component

The Board of Directors, upon a proposal from the NRC, with the support of the CHCO, having consulted the Board of Statutory Auditors, approves the allocation of fixed annual remuneration to Executive Directors or Directors holding specific offices.

The Board of Directors, again on a proposal from the NRC, with the support of the CHCO and having consulted the Board of Statutory Auditors, may assign fixed annual remuneration to the Directors called upon to sit on the Strategic Committee, where these are not employees of the Group and do not hold offices on the Board of Directors. Their remuneration is thus not linked to the Company's business performance.



The Board of Directors may, in the Company's interest, provide for the fixed component to be established still using the same criteria but on a three-year basis.

The amount of the annual fixed remuneration is measured proportional to the commitment required of each beneficiary for their respective offices, and is defined

(based on the opinion of specialised consulting firms) through market benchmarking with listed companies. The comparison is made considering, within the ambit of the reference stock market, firms that are similar in terms of their type, size and complexity and by comparing individual roles.

Variable component

The Board of Directors, upon a proposal from the NRC, with the support of the CHCO, having consulted the Board of Statutory Auditors, shall resolve upon the allocation of variable remuneration to the Executive Directors, who are of strategic importance for the purposes of achieving the 2018-2022 Business Plan (hereinafter the "Directors with Strategic Responsibilities"), correlated to the creation of sustainable value over the medium to long-term and determined in accordance with the essential elements of the 2018-2020 LTI System.

The target value bonus is determined taking account of external salary benchmarks (relating to the long-term variable component of the salary) and the forecast value creation.

Essential elements of the 2018-2020 LTI System

The aim of the structure of the 2018-2020 LTI System is to encourage maximum alignment, in terms of objectives, between the interests of the beneficiaries and pursuit of the priority goal of creating sustainable value for Shareholders over a medium/long-term horizon.

It is recalled that the time horizon of the LTI System is aligned to the three-year mandate (for the financial years 2018-2020) that will be conferred upon the new Board of Directors by the Shareholders' Meeting called to approve the Financial Statements at 31 December 2017.

The LTI System provides for the assignment of a predefined number of Performance Shares, at the end of a three-year vesting period, subject to the achievement of the Target EBITDA. The LTI System also provides that, in the event that in addition to the Target EBITDA being achieved an Outstanding listing is also achieved, the number of Performance Shares allocable increases up to a predetermined maximum.

The equity available for the LTI System will be exclusively composed of Own Shares already in the portfolio, subject to authorisation from the Shareholders' Meeting.



In the event of **failure to achieve the Target EBITDA**, the **granting of Performance Shares** to the beneficiaries of the 2018-2020 LTI System **will not take place**.

The regulations of the LTI System will define, in particular, the modes of operation of the following clauses:

- **clawback clause** which governs the procedures for the exercise of the right, for the Company, to request the partial or total return of the Shares allocated or the corresponding monetary value at the grant date (or to retain the Shares allocated), within 3 years from their accrual, where these are found to have been allocated on the basis of data that was subsequently proved to be manifestly incorrect;
- **clauses** that determine the consequences of the **termination of the mandate** by the beneficiary while the LTI System is in force.

3.1.3 Balancing remuneration

The balancing of fixed and variable remuneration components aims to align the interests of the related beneficiaries with the Company's medium/long-term strategic objectives and the sustainable creation of value for Shareholders in compliance with the ERG Group risk management policy.

The weight of the fixed component of remuneration for Directors with Strategic Responsibilities, on an annual basis, can vary from 50% to 60% of their overall target remuneration. The weight of the variable component of the remuneration for Directors with Strategic Responsibilities,

on a three-year basis, considering its annualised amount, is between 40% and 50%¹⁴ of their total target remuneration. The fixed component of remuneration is sufficient to remunerate the services of Directors with Strategic Responsibilities in the event that the variable component is not paid owing to failure to achieve the performance targets.

Pay mix Directors with Strategic Responsibilities¹⁴



3.1.4 Pay for Performance

In the last few years, the ERG Group has been able to radically modify its business portfolio anticipating long-term energy scenarios and completed its transformation from industrial operator active in the refining sector, to leading independent producer of electricity predominantly from renewable resources.

It should be mentioned that the transformation process, which began in 2008 with the sale of 49% of the ISAB refinery in Sicily, and the Group's gradual repositioning in more profitable activities with less exposure to market volatility, has resulted in a notable creation of value for the Company and Shareholders and was made possible by the completion of the following extraordinary operations:

- **Progressive exit from refining:** this commenced in 2008 and was completed in 2013, with the sale of the remaining 20% stake.
- **Acquisition of IP Maestrale Investments:** in February 2013, ERG Renew acquired an 80% equity interest in IP Maestrale Investments Ltd, thereby increasing its installed power by 636 MW, of which 550 MW in Italy and 86 MW in Germany, and, consequently, becoming the leading wind power operator in Italy and among the top ten in Europe. ERG Renew thus reached a suitable

¹⁴ This refers to the target value of the bonus. It should be noted that the pay mix could vary depending on the powers vested, for the purposes of achieving the 2018-2022 Business Plan, by the Board of Directors' meeting which will be held following the Shareholders' Meeting called to approve the Financial Statements at 31 December 2017.

industrial size and financial level to pursue autonomously its growth process.

- **Sale of the ISAB Energy IGCC plant:** in June 2014, ERG sold to ISAB (LUKOIL) the ISAB Energy and ISAB Energy Services business units, mainly comprising the IGCC generation plant. The operation, in line with the definitive exit from refining, is an additional fundamental step forward in the strategy to reposition the asset portfolio, at the same time strengthening the Group's capital structure to support future development plans.
- **Acquisition of E.ON Produzione's entire hydroelectric business:** in November 2015, ERG entered the hydroelectric sector with notable dimensions through the acquisition of an integrated hub of power plants located in the regions of Umbria, Marche and Lazio, with an overall capacity of 527 MW. This acquisition, of paramount strategic importance for the Group, offered the opportunity to diversify the production sources, by assuming a significant prominence in the Italian renewables panorama and procuring new high-quality assets for the ERG Group.
- **Departure from the Downstream sector** through the sale of the shareholding in TotalErg S.p.A. In January 2018, ERG finalised the sale to the API Group of 2,600 service stations, the Rome logistical facility and the share held in the Treccate refinery. This transaction, which required more than a year of intense and complex activity, allowed ERG on the one hand to maximise the value of its shareholding in the downstream sector and on the other to further strengthen the financial capacity to continue its path of growth in the renewable energy sector.
- **Entry into the Solar Business:** in January 2018, ERG acquired from VEI Green S.r.l. an 89 MW photovoltaic platform made up of different plants located in 8 regions between the north and the south of Italy. With this transaction, ERG took a further step toward its strategy of technology diversification and sought to extend and optimise the Energy Management portfolio with high quality plants.

During the period between April 2012 and December 2017, the trend in price of the shares and the dividend distribution policy ensured outstanding value creation for

Shareholders, thanks to the growth path undertaken by the ERG Group and the extraordinary transactions that made it possible.

Performance ERG Stock vs FTSE All Share from April 2012 to December 2017

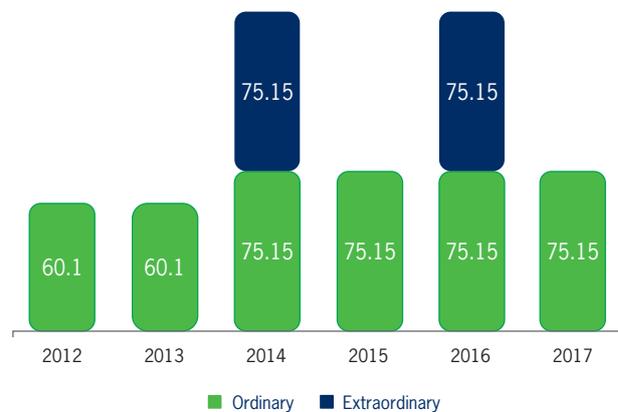


Value created for shareholders from April 2012 to December 2017 (TSR) %



During the same period (2012-2017), the Company remunerated Shareholders with dividends totalling EUR 571.1 million.

Dividends distributed in the 2012-2017 period €mn



A new phase of development now begins for the ERG Group, as described in detail in the 2018-2022 Business Plan, approved on 7 March 2018 by the Board of Directors. A key prerequisite for the implementation of the Business Plan is to continue to

ensure, including through the instruments provided by the Remuneration Policy, the successful alignment between the interests of Shareholders and Management, which has been central to our history of business successes to date.

For this reason, it was decided to introduce a new Long-Term Incentive System based on financial instruments ("Performance Shares") as described in the appropriate sections of the 2018 Policy.

The introduction of such an incentive system represents a further step forward in the full implementation of the "pay for performance" principle, allowing ERG to evolve the non-recurring remuneration mechanism into an instrument that is better aligned with best market practices.

3.1.5 Non-monetary benefits

The Shareholders' Meeting may decide, on a proposal from the Shareholders, that all members of the Board of Directors are entitled to receive certain non-monetary benefits (health and life insurance policies) the amount of which is withheld from the fixed annual compensation also approved by the Shareholders' Meeting.

The Board of Directors, upon a proposal from the NRC, with the support of the CHCO, having consulted the Board of Statutory Auditors, may resolve to assign benefits such as cars and living accommodation to Executive Directors or Directors holding specific offices, which are not withheld from the fixed annual compensation or remuneration.

3.1.6 Indemnity for early termination or non-renewal of office

The Board of Directors, upon a proposal from the NRC, with the support of the CHCO, having consulted the Board of Statutory Auditors, may resolve to assign¹⁵ to the Chief Executive Officer, as a non-employee of the Company, an indemnity in the event of early termination or non-renewal of his office subject to the following conditions:

- the amount of said indemnity usually and save for exceptional cases, may not exceed the total amount of related fixed remuneration paid to the same under the

relationship over a period of 24 months;

- the indemnity must be determined in advance along with the overall remuneration;
- the indemnity must not be paid in cases where termination of the relationship is due to the achievement of objectively inadequate results, subject to extraordinary events not attributable to the actions of the CEO;
- the related resolution must be adopted in accordance with the medium/long-term strategy, values and interests of the ERG Group.

3.1.7 Termination indemnity

The Board of Directors, upon a proposal from the NRC, with the support of the CHCO, having consulted the Board of Statutory Auditors, may resolve to assign a termination indemnity to the Chief Executive Officer, as a non-employee of the Company, subject to the following conditions¹⁶:

- the amount of the indemnity, as a rule and save for exceptional cases, may not exceed the sum corresponding to 35% of the related total fixed remuneration paid to the same over his term of office;
- the payment must be determined in advance along with the overall remuneration;
- the indemnity may not be paid in cases where, at the time of termination of office, objectively inadequate results have been achieved;
- the related resolution must be adopted in accordance with the medium/long-term strategy, values and interests of the ERG Group.

3.2 Executives with strategic responsibilities

3.2.1 Remuneration

The remuneration paid to Executives with strategic responsibilities shall be suitable for attracting, retaining and motivating highly qualified individuals and is intended to assign a value to their skills, in keeping with the contribution required by their role, as well as to align their interests with the priority objective of creating sustainable value for Shareholders over the medium/long-term horizon.

The remuneration is broken down into two components,

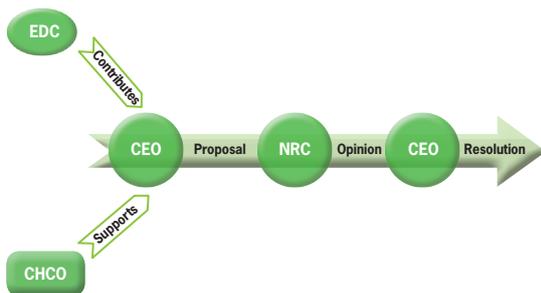
¹⁵ See paragraph 4.1.2 under the item "Termination of office or discontinuation of the employment relationship"

¹⁶ See paragraph 4.1.2 under the item "Termination indemnity"

one fixed and one variable; the variable remuneration is, in turn, broken down into two components, in the form of a monetary incentive and a share incentive, linked to the achievement of specific performance targets, indicated and determined in advance, correlated to the creation of value, respectively, in the short-term based on the rules of the MBO System and in the medium/long-term according to the essential elements of the 2018-2020 LTI System.

The following parties are involved in defining the overall remuneration of Executives with strategic responsibilities (as previously indicated in Chapter 2):

- The Chief Executive Officer, jointly with the Executive Deputy Chairman and with the support of the CHCO, having consulted the NRC, determines the remuneration to be assigned to Executives with strategic responsibilities¹⁷

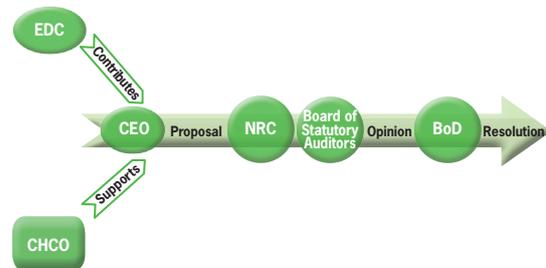


- The Board of Directors, based on a proposal from the Director in charge of the Internal Control and Risk Management System and subject to the favourable opinion of the CRC¹⁸ and the support of the CHCO, having consulted the Board of Statutory Auditors, determines the remuneration of the Chief Audit Officer



- The Board of Directors, on a proposal from the Chief Executive Officer, jointly with the Executive Deputy

Chairman and supported by the CHCO, having consulted the NRC and the Board of Statutory Auditors, determines the remuneration of the Manager Responsible for preparing the company's financial reports.



Fixed component

The amount of the fixed remuneration is measured proportional to the commitment required of each beneficiary for their respective offices, and is defined (based on the opinion of specialised consulting firms) through market benchmarking with listed companies. The comparison is made considering, within the ambit of the reference stock market, firms that are similar in terms of their type, size and complexity and by comparing individual roles.

Short-term variable component

The short-term variable component concerns the achievement of predetermined economic/financial and strategic targets and is governed by the MBO System.

The variable component assigned to the Chief Audit Officer is linked to targets not correlated to economic performance indicators and is parametrised on the implementation of the annual audit plan.

The target value bonus is determined taking account of external salary benchmarks.

Main characteristics of the MBO System

The MBO System is designed to encourage participants to achieve annual objectives.

The system provides for participants to be assigned performance targets structured as follows:

- one Group target, identical for all participants, with a weight corresponding to 30% of the incentive target amount and measured using the indicator EBT ("Consolidated pre-tax IAS result at adjusted replacement cost");

¹⁷ Subject to the provisions set forth below concerning the Chief Audit Officer and the Manager Responsible for preparing the Company's financial reports

¹⁸ This being the body set up pursuant to the Corporate Governance Code to monitor the independence, adequacy, effectiveness and efficiency of the internal audit function.

- additional individual targets (maximum of 3) associated with the role held, with a weight corresponding to 70% of the incentive target amount and measured according to quantitative indicators linked to economic/financial (EBITDA, PFN, Opex...) and/or project parameters.

Associated with each target is a weight and a relative share of the overall monetary incentive.

Type	Weight	Definition	Performance Indicator Attainment Level	Incentive Paid
Company target	30%	EBT (consolidated pre-tax IAS result at adjusted replacement cost)	= Threshold Indicator	50% Target value
			≥ Outstanding Indicator	150% Target value
Individual target	70%	Divided in Business Development Organisation	= Threshold Indicator	80% Target value
			≥ Outstanding Indicator	120% Target value

Consistently with the high level of attention always and constantly paid by the Group to workplace safety, a **Sustainability clause** was associated to the MBO system, according to which the bonus referred to the company target will not be paid, for the reference year, regardless of the company performance recorded, to the participants in the MBO system in the case of a fatal accident, or an accident that causes a degree of permanent disability greater or equal to 46% to an employee of the Group.

The compensation recognised in the event of overshooting the outstanding indicator cannot exceed a **predetermined cap**, namely 150% of the target value for the company target and 120% of the target value for individual targets.

In the case of **failure to achieve the threshold indicator**, namely 80% of the target value for individual targets and 50% of the target value for the company target, **no compensation is paid**.

The MBO System provides for the Company to have the right to exercise the **clawback clause**, namely the option to request the partial or total return of the MBO compensation paid (or to withhold deferred amounts), within 3 years from its accrual, where the incentive is found to have been determined based on data that was subsequently deemed clearly incorrect.

Medium/long-term Variable Component

The medium/long-term variable component is structured in such a way as to align the interests of the beneficiaries with pursuit of the priority goal of creating sustainable value for Shareholders over the medium/long-term horizon. The Chief Audit Officer does not participate in the 2018-2020 LTI System.

The target value bonus is determined taking account of external salary benchmarks (relating to the long-term variable component of the salary) and the forecast value creation.

Essential elements of the 2018-2020 LTI System

The aim of the structure of the 2018-2020 LTI System is to encourage maximum alignment, in terms of objectives, between the interests of the relative beneficiaries and pursuit of the priority goal of creating sustainable value for Shareholders over a medium/long-term horizon.

It is recalled that the time horizon of the LTI System is aligned to the three-year mandate (for the financial years 2018-2020) that will be conferred upon the new Board of Directors by the Shareholders' Meeting called to approve the Financial Statements at 31 December 2017.

The LTI System provides for the assignment of a predefined number of Performance Shares, at the end of a three-year vesting period, subject to the achievement of the Target EBITDA. The LTI System also provides that, in the event that in addition to the Target EBITDA being achieved an Outstanding listing is also achieved, the number of Performance Shares allocable increases up to a predetermined maximum.

The equity available for the LTI System will be exclusively composed of Own Shares already in the portfolio, subject to authorisation from the Shareholders' Meeting.



In the event of **failure to achieve the Target EBITDA**, the **granting of Performance Shares** to the beneficiaries of the 2018-2020 LTI System **will not take place**.

The regulations of the LTI System will define, in particular,

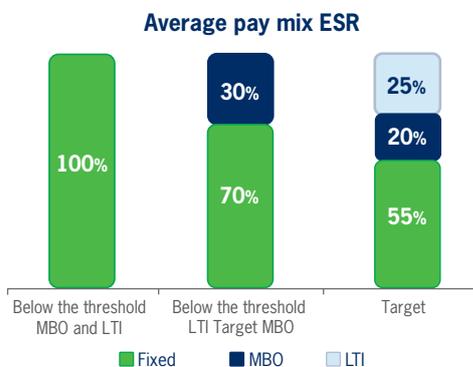
the modes of operation of the following clauses:

- **clausola di clawback** which governs the procedures for the exercise of the right, for the Company, to request the partial or total return of the Shares allocated or the corresponding monetary value at the grant date (or to retain the Shares allocated), within 3 years from their accrual, where these are found to have been allocated on the basis of data that was subsequently proved to be manifestly incorrect;
- **clauses** that determine the consequences of the **termination of the employment relationship** by the beneficiary while the LTI System is in force¹⁹.

3.2.2 Balancing remuneration

The balancing of fixed and variable remuneration components aims to align the interests of the related beneficiaries with the Company's medium/long-term strategic objectives and the sustainable creation of value for Shareholders in compliance with the ERG Group risk management policy.

The weight of the fixed component of remuneration for each Executive with strategic responsibilities, on an annual basis, corresponds on average to 55% of his overall target remuneration. The weight of the annual variable component (MBO) of remuneration corresponds on average to 20%²⁰ of the related total target remuneration, while the medium/long-term variable component (LTI), considering its annualised amount, has an average weight of 25%²¹ of the related total target remuneration.



¹⁹ Details are provided in the information document available to the public at the Company's registered office in Via De Marini 1, Genoa, on the Company's website (www.erg.eu) in the section, "Governance/Remuneration Reports", at Borsa Italiana S.p.A. and on the authorised storage platform Nis-Storage (www.emarketstorage.com).

²⁰ This refers to the target value of the bonus.

²¹ This refers to the target value of the bonus.

The fixed component is sufficient to remunerate the services of the Executive with strategic responsibilities in cases where the variable component is not paid owing to failure to achieve the performance targets.

3.2.3 Non-monetary benefits

The Chief Executive Officer, jointly with the Executive Deputy Chairman and with the support of the CHCO, having consulted the NRC, may decide to assign benefits such as insurance policies (health and life insurance), pension benefits, cars and living accommodation to Executives with strategic responsibilities, which are not withheld from remuneration²².

The Board of Directors, on a proposal from the Director in charge of the Internal Control and Risk Management System, having obtained the favourable opinion of the CRC and the support of the CHCO, and having consulted the Board of Statutory Auditors, may decide to assign benefits such as insurance policies (health and life insurance), pension benefits, cars and living accommodation to the Chief Audit Officer, that are not withheld from remuneration.

The Board of Directors, on a proposal from the Chief Executive Officer, jointly with the Executive Deputy Chairman, with the support of the CHCO, having consulted the NRC and the Board of Statutory Auditors, may decide to assign benefits such as insurance policies (health and life insurance), pension benefits, cars and living accommodation to the Manager Responsible for preparing the Company's financial reports, which are not withheld from remuneration.

3.2.4 Resignation from office or termination of the employment relationship

The terms and conditions of the national collective agreement for industrial managers of companies producing goods and services shall apply to Executives

²² Subject to the provisions set forth below concerning the Chief Audit Officer and the Manager Responsible for preparing the Company's financial reports.

with strategic responsibilities, due to their status as employees, in the event that employment is terminated for justified motive or just cause. In accordance with the provisions of Italian Law – Article 2120 of the Italian Civil Code – Executives with strategic responsibilities who for whatsoever reason tender their resignation, receive termination indemnity, which on average is equal to 7% of their gross annual remuneration. The payment of Termination indemnity is not subject to the achievement of any minimum performance condition.

3.3 Incentive plans based on financial instruments

The 2018-2020 LTI System provides for the assignment of a predefined number of Performance Shares, at the end of a three-year vesting period, subject to the achievement

of the Target EBITDA. The LTI System also provides that, in the event that in addition to the Target EBITDA being achieved an Outstanding listing is also achieved, the number of Performance Shares allocable increases up to a predetermined maximum.

The aims and features of the 2018-2020 LTI System are described in more detail in the information document, drawn up by the Board of Directors pursuant to art. 114-*bis* of the Consolidated Finance Act and art. 84-*bis* of the Issuers' Regulations, made available to the public at the registered office of the company in Genoa, Via de Marini 1, on the Company's internet site (www.erg.eu) in the section "Corporate Governance/Shareholders' Meeting 2018", at Borsa Italiana S.p.A. and on the authorised storage platform eMarket Storage (www.emarketstorage.com)

SECTION II: 2017 FEES AND REMUNERATION

4. IMPLEMENTATION OF THE 2017 REMUNERATION POLICY

The Remuneration Policy enacted by the Company during the year 2017, with particular regard to the Members of the Board of Directors and Executives with strategic responsibilities, was consistent with the 2017 Remuneration Policy, approved by the Board of Directors on 9 March 2017, which received the favourable vote of the Shareholders' Meeting held on 20 April 2017.

The remunerations paid during the year 2017 are reported separately below.

4.1 Board of Directors

4.1.1 Fees

The Shareholders' Meeting of 20 April 2017, on a proposal from the Shareholder Polcevera SA pursuant to Art. 126-*bis* of the Consolidated Finance Act (CFA), approved the allocation of a **fixed annual remuneration**, *pro rata temporis*²³, of EUR 60,000 in favour of all members of the Board of Directors.

The Shareholders' Meeting of 20 April 2017, on a proposal from the Shareholder Polcevera S.A. pursuant to Article 126-*bis* of the Consolidated Finance Act (CFA), also resolved to assign an additional **fixed annual compensation**, *pro rata temporis*²³, to the independent directors called upon to sit on the NRC (EUR 35,000) or the CRC (EUR 45,000).

These proposals, according to the statement made by the Shareholder Polcevera S.A., were formulated in keeping with the professional commitment required by the offices, as well as the related responsibilities.

4.1.2 Remuneration

Fixed component

On 12 May 2015, the Board of Directors, upon a proposal from the NRC, having consulted the Board of Statutory Auditors, approved the allocation of a fixed remuneration

of EUR 1,440,000 to the Chief Executive Officer, for each year of his term of office, *pro rata temporis*.

On 11 May 2017, the Board of Directors, again on a proposal from the NRC, with the support of CHCO, having consulted the Board of Statutory Auditors, approved the allocation, *pro rata temporis*²³, of a fixed annual remuneration in the amount of EUR 800,000 for the Chairman, of EUR 1,140,000 for the Executive Deputy Chairman and the Director in charge of the Internal Control and Risk Management System, of EUR 300,000 for the Deputy Chairman, and of EUR 100,000 for the Directors not employed by the Group and who do not hold offices on the Board of Directors, called upon to sit on the Strategic Committee.

Variable component

On 12 May 2015, the Board of Directors, on a proposal from the NRC, having consulted the Board of Statutory Auditors, approved the allocation of a variable monetary remuneration linked to value creation in the medium/long-term, determined according to the rules laid down by the 2015-2017 LTI System, in favour of the Chief Executive Officer, for the annualised target amount of €975,000.

The Chairman and the Executive Deputy Chairman - although holders of executive powers - were not included among the 2015-2017 LTI System participants, since the interests of the latter were considered intrinsically aligned with the priority objective of creating value for all Shareholders.

The Board of Directors, in its meeting of 7 March 2018, upon a proposal from the NRC, with the support of the CHCO, having consulted the Board of Statutory Auditors, assessed the performance of the 2015-2017 LTI System indicators - Δ EVA and TSR - with respect to the relative targets, as shown in the table below, and having acknowledged the achievement of the objectives assigned:

Objective	Weight	Performance Indicator attainment %	% Incentive Paid
Δ EVA	60%	120%	120%
TSR	40%	312%	150%

²³ Valid until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2017.

The Board of Directors, in the same sitting, resolved to pay to the Chief Executive Officer the variable remuneration accrued over the three-year period 2015-2017 in the amount of EUR 3,861,000.

Quantification of Remuneration

The amount of the above target remunerations was established proportional to the commitment required of each beneficiary for their related aforesaid offices and was defined, using the services of The European House - Ambrosetti, through a benchmark based on a sample of Italian companies, compatible in terms of market capitalization, whose shareholder structure is comparable to ERG and where the Chief Executive Officer does not normally coincide with the main shareholder.

Non-recurring remuneration

In accordance with the 2017 Remuneration Policy (ref. 3.1.3 Pay for Performance), the Board of Directors of 20 February 2018, on a proposal from the NRC, with the support of the CHCO and having heard the favourable opinion of the Board of Statutory Auditors, following the exit of ERG from the Oil Business - a transaction that required more than a year of intense and complex activity and that allowed ERG to maximise the value of its shareholding in the downstream sector - and its entry into the Solar Business - a transaction which saw the completion of the process of technological diversification of generation sources - paid non-recurring remuneration to the Executive Deputy Chairman, for an amount equal to EUR 1,293,750, and to the Chief Executive Officer, for an amount equal to EUR 3,750,000, of which EUR 375,000 was deferred to the date to be laid down for the disbursement of the variable remuneration pursuant to the 2018-2020 LTI System, provided that at the vesting date, the beneficiary is still a member of the Board of Directors or has ceased to hold office due to the mandate not being renewed upon expiry or due to revocation not for just cause, in accordance with the provisions of the 2015-2017 LTI System (in the case of non-renewal of the office) or the 2018-2020 LTI System.

The Nominations and Remuneration Committee, with the support of the CHCO, will verify, on the aforementioned

vesting date, that the expected synergies, assessed for the purposes of granting non-recurring remuneration, have been achieved and, in the event that they have not been achieved or have only been partially achieved, will ask the Board of Directors for a decision in this regard.

The amount of said non-recurring remuneration paid was proportionate to the economic benefit and the strategic importance of the transactions in question, as well as to the contribution actually given by each Director.

Non-monetary benefits

For the Directors who chose to take advantage of the option to receive certain non-monetary benefits (such as health and life insurance policies), the amount of the benefits in question was deducted from the annual remuneration approved by the Shareholders' Meeting on 20 April 2017.

As regards the Executive Directors or Directors appointed to specific offices who made use of certain benefits such as a car and living accommodation, the amount of such benefits was not deducted from the fixed component.

Termination of office or discontinuation of the employment relationship

The Board of Directors' Meeting held on 12 May 2015, on a proposal from the NRC and having consulted the Board of Statutory Auditors, recognised for the Chief Executive Officer the right to receive compensation for termination of office of EUR 2,750,000, payable in the event of resignation for just cause or revocation without just cause, as well as in certain cases of supervening impossibility of performance, non-renewal or modification of mandate, also due to changes in ownership. The said indemnity will not be paid whenever the termination, revocation or non-renewal are due to just cause.

The indemnity for termination of office is not paid if the termination is due to the attainment of results less than 1/3 of the target set in the 2015-2017 LTI System, subject to the occurrence of extraordinary events that are not attributable to the actions of the Chief Executive Officer. We report that there are no further agreements in favour of Executive Directors providing for compensation in the case of termination of office or discontinuation of employment relationships.

Termination indemnity

On 12 May 2015, the Board of Directors, on a proposal from the NRC²⁴, having consulted the Board of Statutory Auditors, recognised for the Chief Executive Officer the right to receive a termination indemnity, which will mature in keeping with the duration of his office, to be accrued annually of EUR 525,000.00. This indemnity will not be payable in the event that, at the time of termination of the mandate, the results achieved are less than 1/10 of the targets set by the 2015-2017 LTI System.

4.2 Executives with strategic responsibilities

Fixed component

The fixed remuneration of Executives with strategic responsibilities was defined by the Chief Executive Officer jointly with the Executive Deputy Chairman and with the support of the CHCO, in observance of the 2017 Policy, on the basis of market compensation surveys provided by specialised companies.

The fixed (and variable) remuneration for the Chief Audit Officer was determined by the Board of Directors on 11 May 2017, on a proposal from the Director in charge of the Internal Control and Risk Management System, subject to the favourable opinion of the CRC and the support of the CHCO, having consulted the Board of Statutory Auditors. The objectives pertaining to the variable component allocated to the Chief Audit Officer are not tied to economic performance indicators.

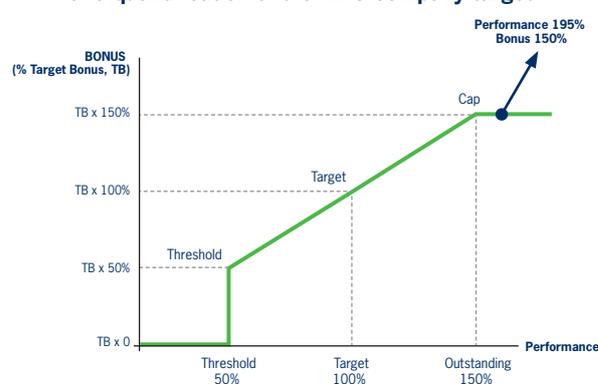
Variable component

The variable component of the compensation for Executives with strategic responsibilities, divided between short-term incentive (MBO) and medium/long-term incentive (2015-2017 LTI System)²⁵, was defined by the Chief Executive Officer jointly with the Executive Deputy Chairman and with the support of the CHCO, having consulted the NRC, in observance of the 2017 Policy.

The final balance as regards the Company's 2017 target of the MBO system is shown in the table and chart below:

Type	Definition	Final total incentive
Company target	EBT	150%
Sustainability clause	Accident indicator	ON

Relationship between EBT²⁶ performance and quantification of the MBO company target



The Board of Directors, in its meeting of 7 March 2018, upon a proposal from the NRC, with the support of the CHCO, having consulted the Board of Statutory Auditors, assessed the performance of the 2015-2017 LTI System indicators - Δ EVA and TSR - with respect to the relative targets, as shown in the table below, and having acknowledged the achievement of the objectives assigned:

Objective	Weight	Resource Type	% achievement	% Incentive Paid
Δ EVA	60%	Corporate	120%	120%
	80%	Business	133%	130%
TSR	40%	Corporate	312%	150%
	20%	Business	312%	150%

The overall bonus allocated to Executives with strategic responsibilities participating in the 2015-2017 LTI System is cumulatively equal to EUR 1,078,200.

²⁴ Also taking into account the Procedure for Related Party transactions.

²⁵ The Chief Audit Officer does not participate in the 2015-2017 LTI System. His remuneration package is guided, among other things, by the performance of the annual audit plan.

²⁶ Consolidated pre-tax IAS result at adjusted replacement cost excluding proceeds (charges) deriving from the investment in TotalErg S.p.A.

Quantification of Remuneration

The size of the aforesaid target remunerations was established proportional to the commitment required of each party for their respective aforesaid offices, and was defined (using the Hay Executive Italy Survey) through a benchmark based on a market that includes the top management and their first reports of listed and / or independent companies operating on the Italian market. The panel is composed of 245 companies on a sample examined of 1,400 top executives.

Non-recurring remuneration

In accordance with the 2017 Remuneration Policy (ref. 3.2.3 Pay for Performance), the Chief Executive Officer, jointly with the Executive Deputy Chairman and with the support of the CHCO, having consulted the NRC on 20 February 2018, following the exit of ERG from the Oil Business - a transaction that required more than a year of intense and complex activity and that allowed ERG to maximise the value of its shareholding in the downstream sector - and its entry into the Solar Business - a transaction which saw the completion of the process of technological diversification of generation sources - paid non-recurring remuneration to certain Executives with strategic responsibilities, for an amount equal to EUR 1,610,000, of which EUR 415,000 was deferred to the date to be laid down for the disbursement of the variable remuneration pursuant to the 2018-2020 LTI System, provided that at the vesting date, the relative beneficiaries are still at the company, except in the event of dismissal due to just cause as per legal provisions, in accordance with the provisions of the 2018-2020 LTI System.

The Nominations and Remuneration Committee, with the support of the CHCO, will verify, on the aforementioned vesting date, that the expected synergies, assessed for the purposes of granting non-recurring remuneration, have been achieved and, in the event that they have not been achieved or have only been partially achieved, will ask the Chief Executive Officer, jointly with the Executive Deputy Chairman, for a decision in this regard.

The amount of said non-recurring remuneration paid was proportionate to the economic benefit and the strategic

importance of the transactions in question, as well as to the contribution actually given by each Executive with strategic responsibilities.

Non-monetary benefits

During the course of 2017, the Executives with strategic responsibilities received some non-monetary benefits including, without limitation, insurance policies (health and life), social security benefits, car and accommodation.

Termination of office or discontinuation of the employment relationship

No indemnities were paid in 2017 in relation to the termination of office or discontinuation of employment relationship.

4.3 Incentive plans based on financial instruments

We report that, in keeping with the 2017 Policy, no incentive plans based on financial instruments were adopted. The 2015-2017 LTI System (monetary incentive system) provides for a performance indicator linked to the performance of ERG Shares during the reference three-year period and the amount of dividends per share paid in the same period (TSR), meaning that the same is attracted by the provisions set forth by Art. 114-*bis* of the Consolidated Finance Act (CFA) for plans that envisage assignment of financial instruments, insofar as applicable.

4.4 Board of Statutory Auditors

The Shareholders' Meeting of 3 May 2016, on a proposal from the Shareholder San Quirico S.p.A., passed a resolution to assign an annual compensation, valid until the Shareholders' Meeting called to approve the Financial Statements at 31 December 2018, in the amounts of EUR 60,000 for the Chairman of the Board of Statutory Auditors and EUR 40,000 for each for the other two standing auditors.

5. COMPENSATION PAID IN 2017

The following tables set out details of the remuneration paid during the year in question, for whatsoever reason and in any form, by the Company and by subsidiary and associated companies.

Table 1. Fees paid to administrative body members, General Managers and other Executives with strategic responsibilities

(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Name and Surname	Office	Period during which the office was held	Termination of office	Fixed fees	Fees for participation to committees	Variable non-equity fees		Non-mone-tary benefits	Other fees	Total	Fair Value of equity fees	Severance indemnities for end of office or termination of employment	
						Bonus and other incentives	Share of profit						
Edoardo Garrone	Chairman	01.01.2017-31.12.2017	04.2018										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	847,716	-	-	-	12,284	-	860,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
				(iii) Total	847,716	-	-	-	12,284	-	860,000	-	-
Alessandro Garrone	Executive Deputy Chairman	01.01.2017-31.12.2017	04.2018										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	1,187,730	-	1,293,750 ⁽¹⁾	-	15,524	-	2,497,004	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
				(iii) Total	1,187,730	-	1,293,750	-	15,524	-	2,497,004	-	-
Giovanni Mondini	Deputy Chairman	01.01.2017-31.12.2017	04.2018										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	349,146	-	-	-	14,630	-	363,776	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
				(iii) Total	349,146	-	-	-	14,630	-	363,776	-	-
Luca Bettonte	Chief Executive Officer	01.01.2017-31.12.2017	04.2018										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	1,489,195	-	7,611,000 ⁽²⁾	-	32,198	-	9,132,393	-	525,000 ⁽³⁾
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
				(iii) Total	1,489,195	-	7,611,000	-	32,198	-	9,132,393	-	525,000
Massimo Belcredi	Director	01.01.2017-31.12.2017	04.2018										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	55,474	45,000 ⁽⁴⁾	-	-	4,526	-	105,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
				(iii) Total	55,474	45,000	-	-	4,526	-	105,000	-	-
Alessandro Careri⁽⁵⁾	Director	11.05.2017-31.12.2017	04.2018										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	40,000	-	-	-	-	-	40,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
				(iii) Total	40,000	-	-	-	-	-	40,000	-	-
Mara Anna Rita Caverni	Director	01.01.2017-31.12.2017	04.2018										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	60,000	80,000 ⁽⁶⁾	-	-	-	-	140,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
				(iii) Total	60,000	80,000	-	-	-	-	140,000	-	-

(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Name and Surname	Office	Period during which the office was held	Termination of office	Fixed fees	Fees for participation to committees	Variable non-equity fees Bonus and other incentives Share of profit	Non-mone- tary benefits	Other fees	Total	Fair Value of equity fees	Severance indemnities for end of office or termination of employment
Alessandro Chieffi	Director	01.01.2017-31.12.2017	04.2018								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	60,000	-	-	-	60,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-
				(iii) Total	60,000	-	-	-	60,000	-	-
Barbara Cominelli	Director	01.01.2017-31.12.2017	04.2018								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	60,000	45,000 ⁽⁷⁾	-	-	105,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-
				(iii) Total	60,000	45,000	-	-	105,000	-	-
Marco Costaguta	Director	01.01.2017-31.12.2017	04.2018								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	60,000	100,000 ⁽⁸⁾	-	-	160,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-
				(iii) Total	60,000	100,000	-	-	160,000	-	-
Luigi Ferraris	Director	01.01.2017-20.04.2017	04.2017								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	20,000	33,333 ⁽⁹⁾	-	-	53,333	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-
				(iii) Total	20,000	33,333	-	-	53,333	-	-
Paolo Francesco Lanzoni	Director	01.01.2017-31.12.2017	04.2018								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	52,958	35,000 ⁽¹⁰⁾	-	7,042	95,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	30,000 ⁽¹¹⁾	-	-	30,000	-	-
				(iii) Total	52,958	65,000	-	7,042	125,000	-	-
Silvia Merlo	Director	01.01.2017-31.12.2017	04.2018								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	60,000	35,000 ⁽¹²⁾	-	-	95,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-
				(iii) Total	60,000	35,000	-	-	95,000	-	-
Elena Spagnol	Chairman Board of Statutory Auditors	01.01.2017-31.12.2017	04.2019								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	40,000	-	-	-	40,000	-	-
				(ii) Fees from subsidiaries and associated companies	40,000 ⁽¹³⁾	-	-	-	40,000	-	-
				(iii) Total	88,000	-	-	-	40,000	-	-
Lelio Fornabaio	Standing Auditor	01.01.2017-31.12.2017	04.2019								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	40,000	-	-	-	40,000	-	-
				(ii) Fees from subsidiaries and associated companies	48,000 ⁽¹³⁾	-	-	-	48,000	-	-
				(iii) Total	88,000	-	-	-	88,000	-	-

(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Name and Surname	Office	Period during which the office was held	Termination of office	Fixed fees	Fees for participation to committees	Variable non-equity fees Bonus and other incentives Share of profit	Non-mone- tary benefits	Other fees	Total	Fair Value of equity fees	Severance indemnities for end of office or termination of employment
Stefano Remondini	Standing Auditor	01.01.2017-31.12.2017	04.2019								
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	40,000	-	-	-	-	40,000	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-
				(iii) Total	40,000	-	-	-	-	40,000	-
Executives with strategic responsibilities⁽¹⁴⁾	Directors in subsidiaries and division managers										
				(i) Fees in the company preparing the financial statements (ERG S.p.A.)	790,000	-	3,066,400 ⁽¹⁵⁾	-	20,686	3,877,086	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-
				(iii) Total	790,000	-	3,066,400	-	20,686	3,877,086	-

Notes Table 1

- (1) Includes non-recurring remuneration of EUR 1,293,750 paid following a resolution by the Board of Directors, at the proposal of the Nominations and Remuneration Committee, and subject to a favourable opinion by the Board of Statutory Auditors, following the transformation of the Group's assets carried out in 2017 with ERG's exit from the Oil Business and entry into the Solar Business.
- (2) Includes the variable component of the remuneration of EUR 3,861,000 in relation to the achievement of the objectives of the 2015-2017 LTI System and the non-recurring remuneration of EUR 3,750,000 paid following a resolution by the Board of Directors, at the proposal of the Nominations and Remuneration Committee, and subject to a favourable opinion by the Board of Statutory Auditors, following the transformation of the Group's assets carried out in 2017 with ERG's exit from the Oil Business and entry into the Solar Business. It is noted that a portion of the non-recurring remuneration, equal to EUR 375,000, was deferred to a date to be laid down for the disbursement of the variable remuneration within the meaning of the 2018/2020 LTI System provided that at the vesting date he/she is still a member of the Board of Directors or has ceased to hold office due to the mandate not being renewed upon expiry or due to revocation not for just cause, in accordance with the provisions of the 2015-2017 LTI System (in the case of non-renewal of the office) or the 2018-2020 LTI System. The Nominations and Remuneration Committee, with the support of the CHCO, will verify, on the aforementioned vesting date, that the expected synergies, assessed for the purposes of granting non-recurring remuneration, have been achieved and, in the event that they have not been achieved or have only been partially achieved, will ask the Board of Directors for a decision in this regard.
- (3) Portion accrued in the year of the termination indemnity, which will accrue according to the duration of the office and may not be paid if, upon termination of the mandate, the results achieved are less than 1/10 of the targets set by the 2015-2017 LTI System.
- (4) Fee for the office of Chairman of the Control and Risk Committee.
- (5) It should be noted that from 11.05.2017 the amount of EUR 13,333 was paid to I.E.C. S.r.l., of which Alessandro Careri is the Sole Director, for consultancy services, as well as by way of reimbursement of expenses.
- (6) Fee for the office of Nominations and Remuneration Committee Member and for the office of Control and Risk Committee Member.
- (7) Fee for the office of Control and Risk Committee Member.
- (8) Fee for the office of Strategic Committee Member.
- (9) Pro rata fee for the office of Strategic Committee Member.
- (10) Fee for the office of Chairman of the Nominations and Remuneration Committee.
- (11) Fee for the office of Chairman of the Supervisory Committee of ERG Power Generation S.p.A.
- (12) Fee for the office of Nominations and Remuneration Committee Member.
- (13) Fees for the office of Chairman of the Board of Statutory Auditors in ERG Power Generation S.p.A., TotalErg S.p.A. and ERG Hydro S.r.l.
- (14) Includes 3 Executives with strategic responsibilities.
- (15) Includes the short-term variable component - MBO - equal to EUR 378,200, the long-term variable component - 2015/2017 LTI System - equal to EUR 1,078,200, the non-recurring remuneration of EUR 1,610,000 paid by the Chief Executive Officer, jointly with the Executive Deputy Chairman and with the support of the CHCO, having consulted the Nominations and Remuneration Committee, following the transformation of the assets of the Group completed in 2017 with the exit of ERG from the Oil Business and its entry into the Solar Business. It is noted that a portion of remuneration equal to EUR 415,000 was deferred to the date to be laid down for the disbursement of the variable remuneration pursuant to the 2018-2020 LTI System to be approved, provided that at the vesting date, the beneficiaries are still at the company, except in the event of dismissal due to just cause as per legal provisions, in accordance with the provisions of the 2018-2020 LTI System. The Nominations and Remuneration Committee, with the support of the CHCO, will verify, on the aforementioned vesting date, that the expected synergies, assessed for the purposes of granting non-recurring remuneration, have been achieved and, in the event that they have not been achieved or have only been partially achieved, will ask the Chief Executive Officer, jointly with the Executive Deputy Chairman, for a decision in this regard.

6. MONETARY INCENTIVE PLANS

Table 3B: Monetary incentive plans in favour of administrative body members, General Managers and other Executives with strategic responsibilities

(A) Name and Surname	(B) Office	(1) Plan	(2) Bonus of the year			(3) Bonuses of previous years			(4) Other Bonuses
			(A) Payable/ paid	(B) Deferred	(C) Deferment Period	(A) No longer payable	(B) Payable/ Paid	(C) Still Deferred	
(I) Fees in the company preparing the financial statements (ERG S.p.A.)									
Alessandro Garrone	Executive Deputy Chairman	-	-	-	-	-	-	-	1,293,750 ⁽¹⁾
Luca Bettonte	Chief Executive Officer	2015-2017 LTI System (BoD Resolution of 15/12/2015)	1,911,000	-	Year 2015-2017 ⁽²⁾	-	1,950,000 ⁽³⁾	-	3,750,000 ⁽⁴⁾
Executives with strategic responsibilities	Directors in subsidiaries and division managers	2015-2017 LTI System (BoD Resolution of 15/12/2015)	538,200	-	Year 2015-2017 ⁽²⁾	-	540,000 ⁽³⁾	-	-
		MBO System	378,200	-	Year 2017 ⁽⁵⁾	-	-	-	1,610,00 ⁽⁶⁾
(I) Total			2,827,400	-		-	2,490,000	-	6,653,750

There are no fees from subsidiaries and associated companies

Notes Table 3B

- (1) Non-recurring remuneration paid following a resolution by the Board of Directors, at the proposal of the Nominations and Remuneration Committee, and subject to a favourable opinion by the Board of Statutory Auditors, following the transformation of the Group's assets carried out in 2017 with ERG's exit from the Oil Business and entry into the Solar Business.
- (2) Variable component of 2017 remuneration pertaining to the 2015-2017 LTI System, payment of which will be made in May 2018.
- (3) Variable component of 2015 and 2016 remuneration pertaining to the 2015-2017 LTI System, payment of which will be made in May 2018.
- (4) Non-recurring remuneration paid following a resolution by the Board of Directors, at the proposal of the Nominations and Remuneration Committee, and subject to a favourable opinion by the Board of Statutory Auditors, following the transformation of the Group's assets carried out in 2017 with ERG's exit from the Oil Business and entry into the Solar Business. It is noted that a portion of the non-recurring remuneration, equal to EUR 375,000, was deferred to a date to be laid down for the disbursement of the variable remuneration within the meaning of the 2018/2020 LTI System provided that at the vesting date he/she is still a member of the Board of Directors or has ceased to hold office due to the mandate not being renewed upon expiry or due to revocation not for just cause, in accordance with the provisions of the 2015-2017 LTI System (in the case of non-renewal of the office) or the 2018-2020 LTI System. The Nominations and Remuneration Committee, with the support of the CHCO, will verify, on the aforementioned vesting date, that the expected synergies, assessed for the purposes of granting non-recurring remuneration, have been achieved and, in the event that they have not been achieved or have only been partially achieved, will ask the Board of Directors for a decision in this regard.
- (5) Variable component of 2017 remuneration pertaining to the MBO System, payment of which will be made in May 2018.
- (6) Non-recurring remuneration paid by the Chief Executive Officer, subject to approval by the Nominations and Remuneration Committee, following the transformation of the Group's assets carried out in 2017 with ERG's exit from the Oil Business and entry into the Solar Business. It is noted that a portion equal to EUR 415,000 was deferred to the date to be laid down for the disbursement of the variable remuneration pursuant to the 2018-2020 LTI System to be approved, provided that at the vesting date, the beneficiaries are still at the company, except in the event of dismissal due to just cause as per legal provisions, in accordance with the provisions of the 2018-2020 LTI System. The Nominations and Remuneration Committee, with the support of the CHCO, will verify, on the aforementioned vesting date, that the expected synergies, assessed for the purposes of granting non-recurring remuneration, have been achieved and, in the event that they have not been achieved or have only been partially achieved, will ask the Chief Executive Officer, jointly with the Executive Deputy Chairman, for a decision in this regard.

7. EQUITY INVESTMENTS HELD IN 2017

Table 7-ter: Table relating to the information on equity investments of administrative and control body members, General Managers and other Executives with strategic responsibilities

Name and Surname	Office	Investee company	Number of shares held at the end of the previous year	Number of shares bought	Number of shares sold	Number of shares held at the end of the current year
Alessandro Garrone ⁽¹⁾	Executive Deputy Chairman	ERG S.p.A.	2,000	-	-	2,000
Marco Costaguta ⁽¹⁾	Director	ERG S.p.A.	50,000	-	5,000	45,000
Executives with strategic responsibilities ⁽¹⁾	-	ERG S.p.A.	20,000	-	-	20,000

(1) Direct shareholders - title for possession: ownership

8. ANNEX PURSUANT TO ART. 84-BIS OF CONSOB ISSUERS' REGULATIONS

Implementation of the 2015-2017 Long-term Incentive (LTI) System

With reference to the 2015–2017 LTI System approved by the Ordinary Shareholders' Meeting on 24 April 2015, subject to the conditions and illustrative purposes contained in the information document, available to the public on the Company's website (www.erg.eu), details of the system allocation are set out in the following table, pursuant to Art. 84-*bis* (Annex 3, Schedule 7) of the CONSOB Issuers' Regulations.

Table 1. Of Schedule 7 of Annex 3 of Regulation No. 11971/1999

Compensation plans based on financial instruments

PANEL 1 FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS SECTION 2								
Newly awarded instruments based on the decision of the body responsible for implementation of the shareholders' resolution								
First and last Name or Category	Office	Date of shareholders' resolution	Type of financial instruments	Amount awarded	Date of award	Purchase price of financial instruments, if any	Market price on award	Vesting period
Luca Bettonte	Chief Executive Officer	24/04/2015	Cash	2,925,000	15/12/2015	n/a	n/a	3 years
Pietro Tittoni	Managing Director ERG Power Generation	24/04/2015	Cash	450,000	15/12/2015	n/a	n/a	3 years
Paolo Luigi Merli	Chief Financial Officer	24/04/2015	Cash	360,000	15/12/2015	n/a	n/a	3 years
Altri Dirigenti	No. 3 Executives	24/04/2015	Cash	789,000	15/12/2015	n/a	n/a	3 years

GLOSSARY

In addition to the definitions set out in other articles, capitalised terms and expressions used in the Report have the meaning assigned to them herein. Said meaning shall be valid for both the singular and the plural:

CEO: Chief Executive Officer

DCICRMS: Director in Charge of the Internal Control and Risk Management System

Shareholders' Meeting: Shareholders' Meeting of ERG S.p.A.

ERG Shares or Stocks: ordinary ERG Shares, listed on the MTA

CAO: Chief Audit Officer

CRC: Control and Risk Committee; a board committee comprising 3 non-executive directors, mostly independent, appointed by the Board of Directors in the meeting of 24 April 2015

CHCO: Chief Human Capital Officer

Committee or NRC: Nominations and Remuneration Committee; a board committee comprising 3 non-executive directors, mostly independent, appointed by the Board of Directors in the meeting of 24 April 2015

Corporate Governance Code: the current version (published in July 2015) of the Italian Corporate Governance Code for listed companies as promoted by Borsa Italiana S.p.A., which the Board of Directors resolved to comply with on 15 December 2015

Board of Statutory Auditors: the Board of Statutory Auditors of ERG S.p.A.

Board of Directors or BoD: the Board of Directors of ERG S.p.A.

Executives with strategic responsibilities or ESR: persons who hold the functions/offices indicated in Annex 1 to the ERG Group Procedure for Related Party Transactions currently in force (with the exception of members of the Board of Directors and Board of Statutory Auditors of ERG S.p.A.) available on the Company's website (www.erg.eu) in the section "Corporate Governance/Governance documents"

ERG or the Company: ERG S.p.A.

EBT: consolidated pre-tax IAS result at adjusted replacement cost excluding proceeds (charges)

Target EBITDA: economic performance condition of the 2018-2020 LTI System, made up of a predefined percentage of Group EBITDA cumulated over the 2018-2020 period, gross of amortisation, depreciation and write-downs, financial income and taxes

EVA: Economic Value Added, namely the "residual" economic value after all production factors have been remunerated, including the cost of capital employed

MTA: the screen-based stock exchange organised and managed by Borsa Italiana S.p.A. on which the Shares are listed
Performance Shares: shares allocated free of charge upon achievement of a predetermined minimum level of performance

Policy or Remuneration Policy: the Policy for the remuneration of members of the Board of Directors and Executives with strategic responsibilities

2017 Remuneration Policy or 2017 Policy: ERG's Policy for the remuneration of members of the Board of Directors and Executives with strategic responsibilities for the year 2017

2018 Remuneration Policy or 2018 Policy: ERG's Policy for the remuneration of members of the Board of Directors and Executives with strategic responsibilities for the year 2018

Procedure: procedure for Related Party Transactions, as adopted by the Board of Directors with resolution dated 11 November 2010, subject to the favourable opinion of the Control and Risk Committee and with the approval of the Board of Statutory Auditors, most recently updated on 1 January 2017

Outstanding listing: market performance condition of the 2018-2020 LTI System, made up of the ERG share price above which a predefined number of additional Shares will be allocated, provided that the Target EBITDA has been also achieved

IR: regulations implementing Legislative Decree no. 58 of 24 February 1998, as amended (Issuers' Regulations)

Report or Remuneration Report: report on remuneration of the members of the Board of Directors and Executives with strategic responsibilities, approved by the Board of Directors on 7 March 2018

2012-2014 LTI System: Medium/Long-Term Monetary Incentive System referred to the period 2012-2014

2015-2017 LTI System: Medium/Long-Term Monetary Incentive System referred to the period 2015-2017

2018-2020 LTI System or LTI System: Medium/Long-Term Incentive System based on financial instruments referred to the period 2015-2017

MBO System: Short-Term Monetary Incentive System

TSR: Total Shareholder Return, namely the overall return on investment for shareholders, which is calculated by summing the increase in the share's price over a specific time interval with the effect of dividends for share paid during the same period

CFA: Italian Legislative Decree no. 58 of 24 February 1998, as amended (Consolidated Finance Act)

EDC: Executive Deputy Chairman

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