



Report on Corporate Governance and Ownership

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1. EXECUTIVE SUMMARY

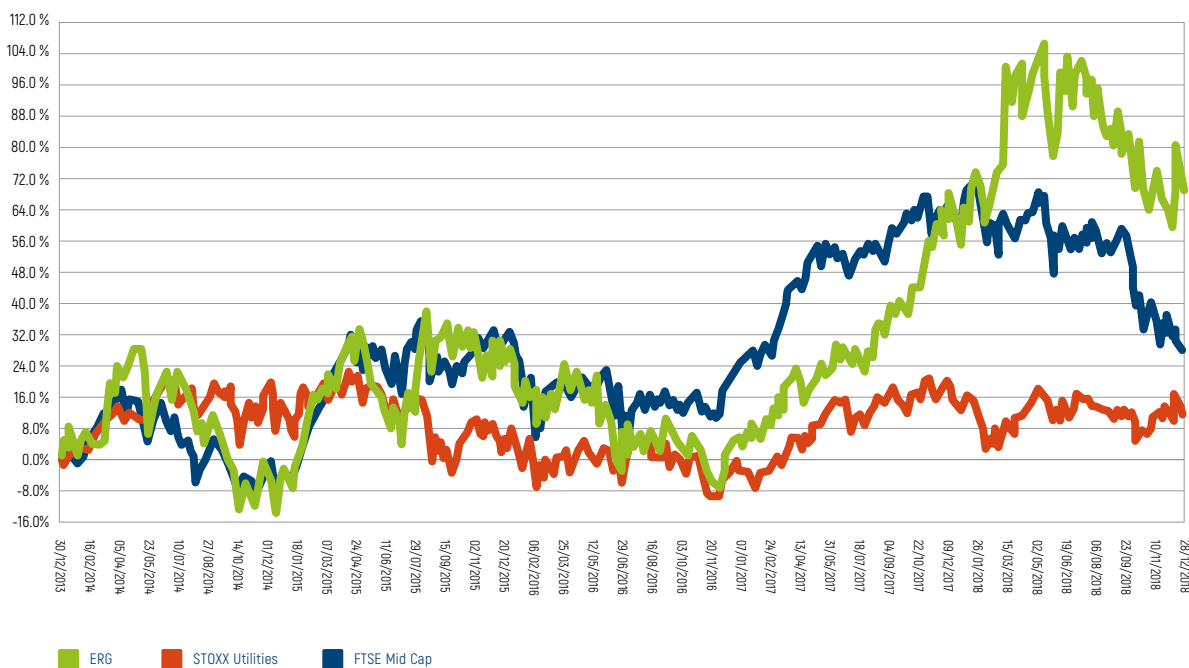
1.1. ERG GROUP - MAIN HIGHLIGHTS

Figures in EUR millions	2016	2017	2018	% change 2017-2018
Revenue from sales and services ⁽¹⁾	1,025	1,056	1,027	-2%
EBITDA	455	472	491	4%
EBIT	202	220	216	-2%
Net financial indebtedness	1,557	1,233	1,343	9%
ROI	6.1%	7.1%	6.8%	
ROE	11.7%	11.7%	11.8%	
Capitalisation at 31/12	1,535	2,315	2,480	
Employees	715	714	737	
Sector	Utility			
Shareholders' Equity	1,729	1,877	1,829	
EBIT	202	220	216	

(1) at adjusted replacement cost

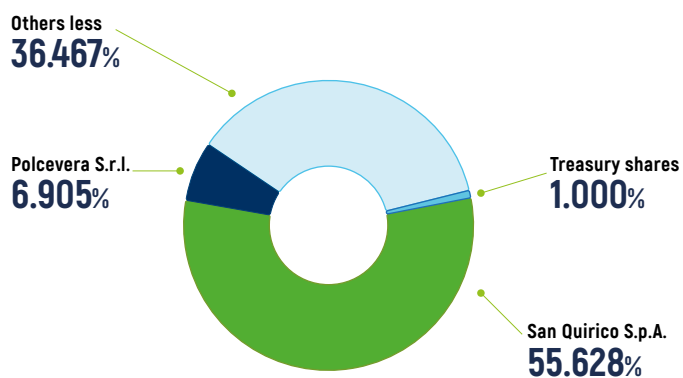
SHARE PERFORMANCE, 2014 - 2018

ERG vs Euro Stoxx Utilities e FTSE Mid Cap
% change from 30/12/2013 to 28/12/2018



1.2. SHAREHOLDING STRUCTURE

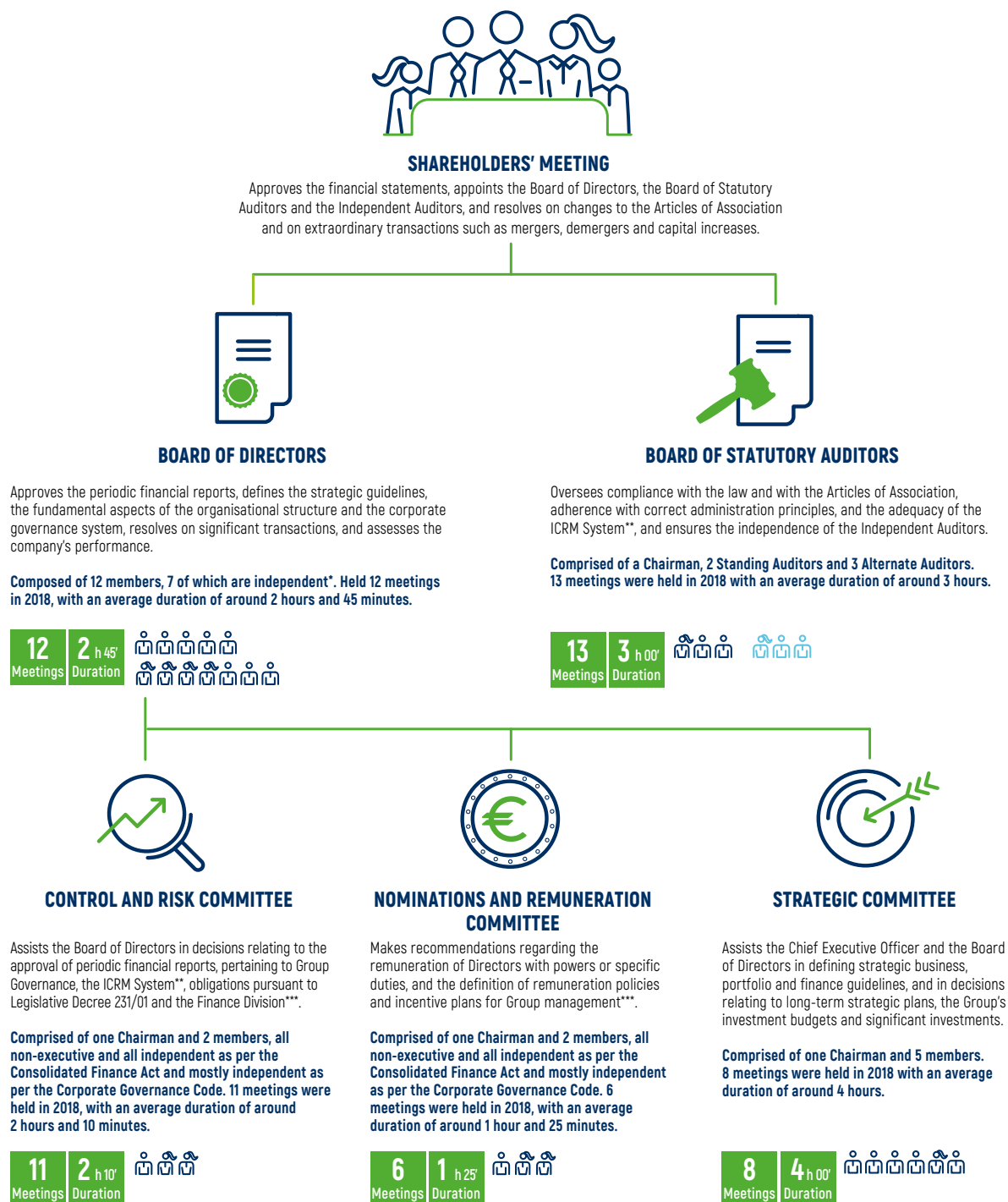
OWNERSHIP STRUCTURE AT 31/12/2018



OTHER CHARACTERISTICS OF THE SHAREHOLDING STRUCTURE

	Yes/No	% of share capital
Shareholders' agreement in force	No	–
Majority vote	No	–
Shareholding by Top Management	Yes	0.05%
Participation threshold for the presentation of lists	Yes	1%

1.3. CORPORATE BODIES AND BOARD COMMITTEES



* 5 independent as per the Corporate Governance Code and 2 independent as per the Consolidated Finance Act ("T.U.F").

** Internal Control and Risk Management System.

*** Responsible for formulating opinions for the purposes of the Procedure for Transactions with Related Parties.

1.4. INTERNAL COMMITTEES



1.5. COMPOSITION OF THE BOARD OF DIRECTORS

STRUCTURE OF THE BOARD OF DIRECTORS

Director	Office	Role	Independent	M/m*	CRC**	NRC**
Edoardo Garrone	Chairman	Executive	No	M		
Alessandro Garrone	Deputy Chairman	Executive	No	M		
Giovanni Mondini	Deputy Chairman	Non-executive	No	M		
Luca Bettonte	Chief Executive Officer	Executive	No	M		
Massimo Belcredi	Director***	Non-executive	T.U.F.	M	X	
Mara Anna Rita Caverni	Director	Non-executive	Corporate Governance Code	M	C	X ¹
Barbara Cominelli	Director	Non-executive	Corporate Governance Code	M	X ¹	X ²
Marco Costaguta	Director	Non-executive	No	M		
Paolo Francesco Lanzoni	Director	Non-executive	T.U.F.	M		X
Silvia Merlo	Director	Non-executive	Corporate Governance Code	M		C
Elisabetta Oliveri	Director	Non-executive	Corporate Governance Code	M	X ²	
Mario Paterlini	Director	Non-executive	Corporate Governance Code	m		

* Drawn from the list presented by majority shareholders (M) or minority (m).

** CRC: Control and Risk Committee; NRC: Nominations and Remuneration Committee - they provide to the Board of Directors and to the relevant bodies the opinions provided for by the Procedure for Transactions with Related Parties. Appointed on 23 April 2018. The Control and Risk Committee up to 23 April 2018 was composed of Massimo Belcredi (Chairman), Mara Anna Rita Caverni and Barbara Cominelli. The Nominations and Remuneration Committee up to 23 April 2018 was composed of Paolo Francesco Lanzoni (Chairman), Mara Anna Rita Caverni and Silvia Merlo.

*** Responsible for coordinating the requests and contributions of non-executive directors (with particular reference to those who are independent) on matters of interest with respect to the operation of the Board of Directors or the management of the company, as well as working with the Chairman of the Board of Directors to ensure that directors receive full and timely information.

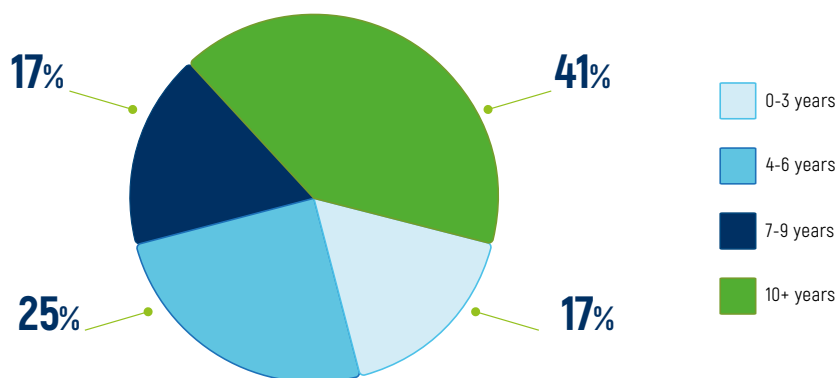
C: Chairman of the relevant Committee.

X: Member of the relevant Committee.

1 Up to 23 April 2018.

2 From 23 April 2018.

SENIORITY OF THE DIRECTORS IN THE BOARD OF DIRECTORS (% OF TOTAL DIRECTORS)



CHANGES COMPARED TO THE PREVIOUS MANDATE

	Previous mandate (2015-2017)	Current mandate (2018-2020)	MID CAP* (last year available)
Number of Directors	12	12	10.8
Directors elected by minority	1	1	0.9
% of the less represented gender in the BoD	25%	33%	31.1
% Independent Directors as per T.U.F.	58%	58%	51%
% Independent Directors as per T.U.F. and Corporate Governance Code	33%**	42%	47.6%
Average age of Directors	55**	56	57.4
Status of Chairman	Executive	Executive	–
Existence of Lead Independent Director	Yes	No***	48.3%****

* Source Assonime-Emittenti Titoli-Consob 2018.

** Change with respect to the years 2015 and 2016 as a result of the resignation on 20 April 2017 of the Director Luigi Ferraris and the subsequent appointment, on 11 May 2017, pursuant to Article 2386 of the Italian Civil Code and Article 15 of the Articles of Association, of Alessandro Careri as new Director of the Company.

*** Not required under the provisions of the Corporate Governance Code. Note that on 3 August 2018 the Director Massimo Belcredi was made responsible for coordinating the requests and contributions of non-executive directors (with particular reference to those who are independent) on matters of interest with respect to the operation of the Board of Directors or the management of the company, as well as working with the Chairman of the Board of Directors to ensure that directors receive full and timely information.

**** Companies in which Lead Independent Director is active.

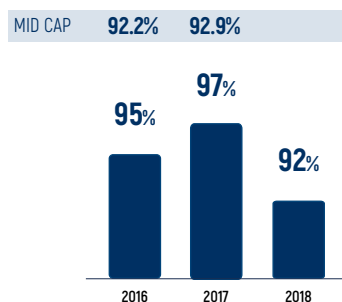
1.6. OPERATION OF THE BOARD OF DIRECTORS

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND PARTICIPATION RATE

MEETINGS



PARTICIPATION



DIRECTOR OR AUDITOR OFFICES HELD IN OTHER COMPANIES

	Other Companies of the Group	Other listed companies				Other unlisted companies of significant size or financial, banking companies	
		Executive Director	Non-Executive Director	Independent Director	Auditor	Director or Member of the Management Board	Auditor or Member of the Supervisory Board
Edoardo Garrone	–	–	1	–	–	1	1
Alessandro Garrone	–	–	–	–	–	1	–
Giovanni Mondini	–	–	–	–	–	1	–
Luca Bettonte	–	–	–	–	–	–	–
Massimo Belcredi	–	–	–	1	–	–	–
Mara Anna Rita Caverni	–	–	–	2	–	–	–
Barbara Cominelli	–	–	–	–	–	–	–
Marco Costaguta	–	–	1	–	–	7	–
Paolo Francesco Lanzoni	–	–	–	–	–	1	–
Silvia Merlo	–	–	–	2	–	1	–
Elisabetta Oliveri	–	–	–	2	–	–	–
Mario Paterlini	–	–	–	–	–	–	–

BOARD EVALUATION PROCESS

Board evaluation process carried out	Yes
Evaluating party	The Board of Directors with the support of the Nominations and Remuneration Committee
Self-evaluation procedures	Anonymous questionnaire to the members of the Board of Directors; the Board of Statutory Auditors is also involved in the process

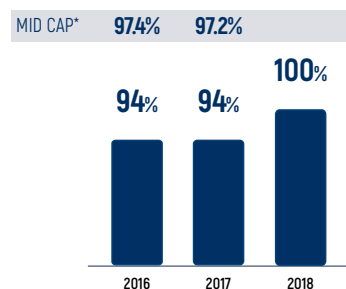
1.7. REMUNERATION

NUMBER OF NOMINATIONS AND REMUNERATION COMMITTEE MEETINGS AND PARTICIPATION RATE

MEETINGS



PARTECIPATION



* Data relating to Remuneration Committee

REMUNERATION POLICY

SHORT-TERM INCENTIVE SYSTEMS (MBO)

	No	Yes
Short-term incentive system		x
Bonus cap		x

LONG-TERM INCENTIVE SYSTEMS (LTI)

	No	Yes
Long-term incentive system		x
Bonus cap		x

LTI VEHICLES

Cash	x
Financial Instruments - Performance Shares	x

SHORT-TERM INCENTIVE SYSTEMS (MBO)

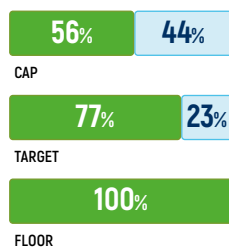
MBO parameters	Weight
Group EBT*	30%
INDIVIDUAL OBJECTIVES e.g. EBITDA, NFP, OPEX, ...	70%

LTI parameters for CEO and Executive Deputy Chairman

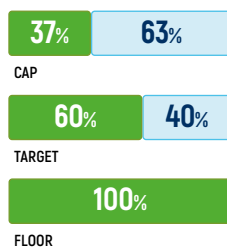
	Weight
Cumulated Group EBITDA 2018-2020	100%

* Profit (loss) before IAS taxes at current values

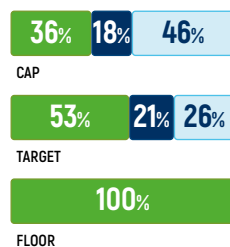
PAY MIX EXECUTIVE DEPUTY CHAIRMAN



PAY MIX CEO



PAY MIX DRS**



Fixed LTI

Fixed LTI

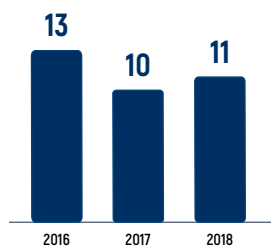
Fixed MBO LTI

1.8. CONTROL AND RISK SYSTEM

NUMBER OF CONTROL AND RISK COMMITTEE MEETINGS AND PARTICIPATION RATE

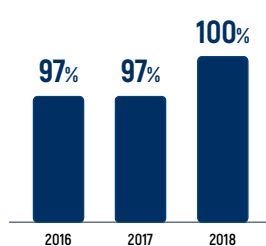
MEETINGS

MID CAP 7.9 8.4



PARTECIPATION

MID CAP 94% 95,1%



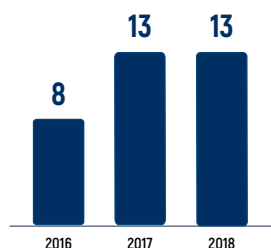
COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Auditors	Office	Independent	Other listed companies	Other offices in unlisted companies of significant size or financial, banking or insurance companies
Elena Spagnol	Chairman	X	2	—
Lelio Fornabaio	Standing	X	2	3
Stefano Remondini	Standing	X	—	—
Vincenzo Campo Antico	Alternate	X		
Luisella Bergero	Alternate	X		
Paolo Prandi	Alternate	X		

NUMBER OF MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND PARTICIPATION RATE

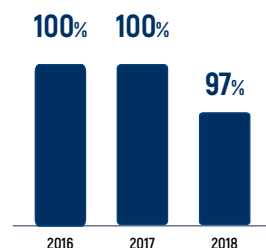
MEETINGS

MID CAP 12 13.6



PARTECIPATION

MID CAP 96.4% 96%



MAIN ELEMENTS OF THE CONTROL AND RISK SYSTEM

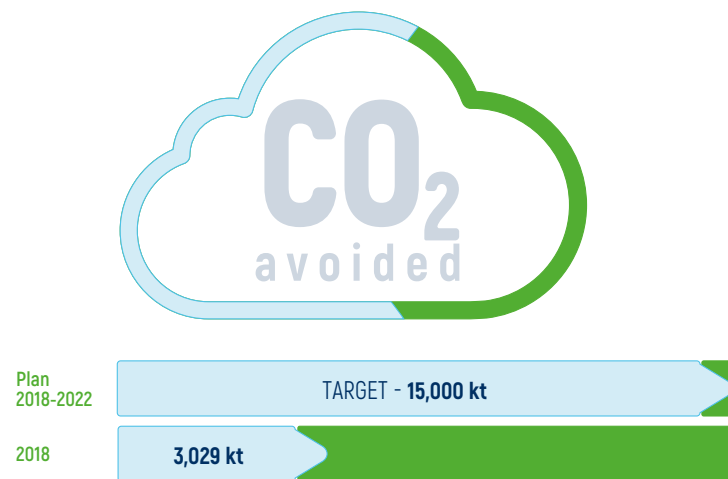
	Yes/No
Risk Management function	Yes
Chief Risk Officer	No
Enterprise Risk Management plan in place	Yes
If yes, has this plan been discussed with the Committee?	Yes

MAIN RISKS

RISK	DESCRIPTION	MANAGEMENT STRATEGY IMPLEMENTED BY THE ERG GROUP
1 - Natural variability of renewable contributions	Production volumes are subject to the natural variability of renewable production sources (water, wind and sun), which may adversely affect the production of renewable plants.	<ul style="list-style-type: none"> Diversification of renewable technologies (Wind, Solar and Hydroelectric) and the geographic location of renewable plants (European scale); Use of as accurate as possible forecasting systems to define the production plan and short-term operating activities; The scheduling of stoppages at renewable energy plants during periods of low input from renewable energy sources; Use of industrial control systems (SCADA) for the continuous monitoring of the status of plants which make it possible to intervene promptly in the event of accidental failure and to reduce machinery downtime.
2 - Price Risk	Risk linked to the volatility of prices in the commodities market (in particular EE/Gas), which can significantly affect Group results.	<ul style="list-style-type: none"> Definition and regular monitoring of risk exposure limits; Escalation process in the event that the approved limits are exceeded; Use of financial instruments to hedge price risk only if there is an underlying asset; Contractualisation, where possible, of indexed sales formulae that may allow the risk to be transferred to the customer.
3 - Legislative and regulatory changes	Possible worsening of the national and international legislative/regulatory framework in the countries in which the Group operates that may negatively impact the achievement of business targets.	<ul style="list-style-type: none"> Legislative and regulatory monitoring through institutional relations, related channels, comparison with operators in the sector, and the specialised press; Active participation in consultations to protect Group interests; Possibility of recourse against legislative and regulatory measures by the competent authorities in order to protect the interests of the ERG Group; Sensitivity Analysis to assess the effect of the main regulatory changes on Group results; Periodic reporting to Management.
4 - Rating downgrade	Risk linked to potential downgrading by the Rating Agency that could limit the Group's ability to access the capital market and/or increase the cost of funding with negative effects on the Group's operating results, financial position and cash flows, and on its reputation.	<p>The risk mitigation strategy, which is aimed at preventing the occurrence of "crisis" situations (e.g. liquidity; breach of financial covenants) that could lead to a downgrade of the rating, is structured over various levels and involves the pursuit of:</p> <ul style="list-style-type: none"> A financial structure that is balanced in terms of duration and composition; the continuous monitoring of the final and expected results and of the financial balances; Investment planning consistent with existing financial covenants and the risks associated with them; The search for a business portfolio that ensures stable cash generation from its business activities, including through the geographical and technological diversification of its plants.
5 - New capital expenditure	Possible uncertain events originating from various factors, for example, scenarios (micro/macroeconomic, political, regulatory, business-related), technical, operating, financial or organisational factors which may impact the decision to make new capital expenditure and/or impact its success.	<ul style="list-style-type: none"> Structured processes for selecting capital expenditure that involve a set of successive levels of examination and approval of projects carried out based on, inter alia, internal and external support studies, benchmark analyses, legal-regulatory analyses, sustainability models and financial assessment/planning; Detailed analysis for the relevant projects of all the risks associated with them: (i) potential impacts and strategy/actions to contain/eliminate the risk; (ii) follow-up items to monitor the mitigation processes; Periodic updating of the WACC/HR, including through benchmarks, to ensure a suitable return in relation to the expected risk profile.
6 - Cyber attacks on industrial production systems	Potential cyber-attacks that exploit vulnerabilities may bring industrial production systems to a standstill.	<ul style="list-style-type: none"> Carrying out of security assessments to identify critical issues in the systems and support infrastructure; Definition and implementation of a Security Program to adapt processes, systems and infrastructure to best practices aimed at increasing levels of safety; Development of security awareness and training plans for users; Use of automated tools (e.g. Intrusion Detection Systems) for the prevention, detection and management of incidents; Insurance to cover the risks of Cyber Crime.
7 - Failure to protect reputational capital	Internal/external events that may have a negative impact on the ERG Group's reputation (including: financial performance, ethics and integrity, social responsibility, HSE Policies, ICT security, crisis management, etc.).	<ul style="list-style-type: none"> Specific information and communication activities aimed at maintaining the Group's strong reputation among stakeholders, including, inter alia, a structured Corporate Social Responsibility process with specific social responsibility initiatives and the dissemination of Non-Financial Information; Active relations with all major stakeholders and the media, and monitoring of stakeholders' perceptions; Communication activities through the website/social media; Structured Reputational Crisis Management process that enables crisis effects to be promptly managed and contained in order to safeguard the reputation of the ERG Group.
8 - Anti-Corruption Compliance	The possibility that one of the Companies in the Group and/or a director, representative or employee of the same, could be involved in proceedings for offences committed in breach of anti-corruption laws that may involve the application of sanctions against the aforementioned persons (both physical and legal persons) and negative repercussions in terms of reputation.	<ul style="list-style-type: none"> Adoption of the rules of conduct system (Code of Ethics and Anti-Corruption Policy) valid for the entire Group; Adoption of an "Integrated Anti-Corruption Model", for all companies, in Italy and abroad, in line with best practices; Definition of information flows for the monitoring of the Anti-Corruption System; Regular training on anti-corruption matters and ongoing efforts to raise awareness among management on the culture of ethics and of business integrity; Adoption of the "Significant Third Party Due Diligence Procedure", provided for by the Anti-corruption System and Policy; Definition and implementation of Compliance Programmes to verify compliance with the Anti-Corruption Policy.
9 - Industrial risks and HSE	Risks related to malfunctioning systems potentially resulting in critical issues during production processes and/or having a negative impact in terms of HSE	<ul style="list-style-type: none"> Implementation of a Business Continuity Management / Asset Integrity Management process that ensures the proper maintenance of production assets, through specific risk assessment activities (e.g. risk assessment, Business Impact Analysis); Technological development of plants and emergency management plans; specialist HSE audit and monitoring of plants; Adoption of certified (ISO 14001 and OHSAS 18001) Management Systems and regular training for all staff working within the facilities; Specific levels of insurance coverage for business interruption, property damage and any accidents involving staff.

1.9. SUSTAINABILITY

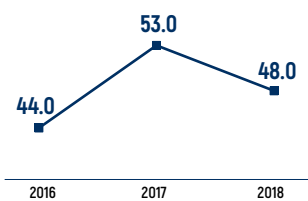
CO₂ AVOIDED: 2018-2022



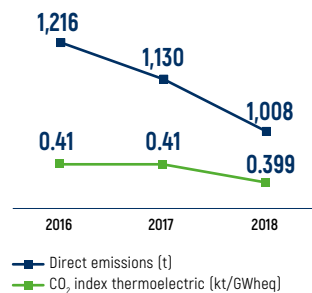
The conversion factor gCO₂/kWh, published by Terna in its annual reports and referring to thermoelectric power generation of each country, is used to calculate the CO₂ avoided.

SUSTAINABILITY INDICATORS

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE



CO₂ EMISSIONS



2. HISTORY

The current governance structure of ERG S.p.A. (hereinafter also “ERG” and the “Company”) has evolved over time by gradually introducing rules of conduct that reflect 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 balanced corporate management aimed at creating medium to long-term value.

This corporate policy was implemented through:

- the coordinated delegation of powers within ERG’s Board of Directors (the “Board of Directors”) in such a way as to assure the clarity and completeness of executive powers and accountabilities, and the monitoring of the activities carried out and assessment of the results achieved;
- regular and adequate reporting to the Board of Directors on actions taken in the exercise of managerial powers and responsibilities;
- the adoption of an Anti-Corruption System, in accordance with the best international standards (ISO 37001:2016¹), which constitutes an integral part of the internal control and risk management system of the ERG Group;
- an integrated system of enterprise risk management aimed at identifying, evaluating and monitoring all risks that may assume importance in terms of sustainability in the medium-long term with regard to ERG Group operations;
- the use of specific procedures to determine remuneration for Directors and management.

Its presence on the stock market has clearly accentuated the Company’s propensity to base its conduct on the criteria of transparency and correctness. It has also accelerated the process of adapting both internal regulations and the organisational structure to meet these criteria.

¹ Antibribery Management System: provides guidance on internal control and risk management measures that help to prevent and combat the phenomena of corruption in companies and in groups of undertakings.

This corporate policy was therefore put into effect by means of:

- amendments to the Articles of Association to bring them into line with the regulatory changes introduced by the Italian company law reform, by law provisions on the matter of shareholders' rights, on transactions with related parties and, lastly, on gender balance in the composition of the board of directors and internal control bodies;
- the adoption, in December 2004, of a Group Code of Ethics - subsequently updated on 3 August 2018 - as a tool for defining and communicating ERG's duties and responsibilities towards its stakeholders, as well as being an imperative element of an Organisation and Management Model consistent with the requirements of Legislative Decree 231/01;
- adherence to the Italian Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. ("Corporate Governance Code")² since its first edition in 1999;
- the adoption of a Code of Conduct for the Directors of companies of the ERG Group ("Group"), updated on 14 May 2014;
- the appointment of independent directors and non-executive directors to the Board;
- the adoption of a Remuneration Policy for members of the Board of Directors and Key management personnel as prescribed by the Corporate Governance Code - most recently updated on 6 March 2019 - to align the interests of management with those of shareholders and strengthen the relationship between managers and the Company, both in terms of awareness of the importance of the stock value and its continuity over time;
- the definition of Guidelines for the identification and execution of significant transactions - most recently updated on 1 January 2017 - and of other governance documents designed to ensure transparent and timely management of the Group's relationship with the market;
- the adoption of a Procedure for handling and processing privileged information and for the public dissemination of statements and information, most recently approved by the Board of Directors on 9 August 2017;
- the definition of Guidelines for the Internal Control and Risk Management System, updated on 3 August 2018;
- the adoption of an integrated risk management model, with the objective of identifying, as exhaustively as possible, the risks inherent in the Group's full range of business activities;
- the adoption of a specific Procedure to assure the transparency and the substantial and procedural correctness of transactions with related parties carried out by ERG directly or through its subsidiaries, most recently updated on 1 January 2017;
- the definition of a Code of Conduct for Internal Dealing - updated version approved by the Board of Directors on 11 May 2017 - aimed at regulating disclosure obligations in respect of the market, the Company and CONSOB with

² On 15 December 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. With reference to the criteria of gender diversity referred to in principles 2.P.4. and 8.P.2, introduced in the edition of the Corporate Governance Code published in July 2018, the Board of Directors, in its meeting of 6 March 2019, in light of the positive experience gained in this regard, even though the provisions referred to in Article 147-ter, paragraph 1-ter and Article 148, paragraph 1-bis of the T.U.F. shall cease to be effective - based on current regulations - respectively, at the expiry of the mandate given to the Board of Directors for the three-year period 2021-2023 and the expiry of the mandate given to the Board of Statutory Auditors for the three-year period 2022-2024, resolved to carry out every appropriate assessment on adhesion to the aforesaid criteria during the course of the current mandate.

reference to transactions involving ERG shares/debt instruments issued by ERG or derivatives or other related financial instruments carried out, directly or indirectly, by members of the administrative and control bodies of ERG and of significant subsidiaries, by members of top management of the Group and by persons closely connected with them;

- the adoption of Guidelines for compliance with Legislative Decree 231/01 and anti-corruption laws within ERG Group companies, approved, in their latest version, on 9 October 2017;
- the adoption of the Anti-Corruption System and Policy, as well as a Significant Third Party Due Diligence Procedure, with the aim of helping to ensure, together with the Code of Ethics and Models 231, compliance with the national and international anti-corruption regulations of the countries in which the ERG Group operates.

3. INFORMATION ABOUT THE OWNERSHIP STRUCTURE AT 31 DECEMBER 2018 PURSUANT TO ART. 123-BIS OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (CONSOLIDATED FINANCE ACT OR "T.U.F.")

Share capital structure at 31/12/2018					
	Number of shares	Amount of subscribed and paid-up share capital	% with respect to share capital	Listed (market)/ not listed	Rights and obligations
Ordinary shares	150,320,000	EUR 15,032,000	100	MTA/FTSE Index Italy Mid Cap	–
Shares with limited voting rights	–	–	–	–	–
Shares without voting rights	–	–	–	–	–

Significant equity investments at 31/12/2018			
Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
San Quirico S.p.A.	San Quirico S.p.A.	55.628	55.628
San Quirico S.p.A.	Polcevera S.r.l.	6.905	6.905

Other disclosures at 31/12/2018			
	Yes	No	No notable disclosures in this regard
Restrictions on the transfer of securities		X	
Restrictions on the right to vote		X	
Shareholders' agreements		X	
Covenants pursuant to Article 123-bis, paragraph 1 (i) of the T.U.F. ¹	X		

¹ the information in question is contained in the remuneration report published pursuant to Article 123-ter of the T.U.F.

Note that:

- there are no securities conferring special control rights;
- there are no employee stock option plans. It should be noted, however, that with effect from 14 January 2019, as part of the operation communicated to the market on 20 October 2018, to coincide with the celebration of ERG's 80th anniversary, 53,120 ERG shares held in the portfolio by the Company were allocated free of charge to employees of the Italian companies of the Group who joined the initiative. The operation was proposed and supported financially by the parent San Quirico S.p.A., a holding of the Garrone and Mondini families;
- with regard to the provisions of Article 123-bis, paragraph 1, subsection h) of the T.U.F., it should be noted that there are in existence financing agreements containing the usual provisions regarding the change of control of the debtor, which could theoretically involve the reimbursement of the loan in question if there is a change in control at ERG S.p.A. and in particular: (i) the pool loan granted by Banca IMI, as an agent bank in a pool of seven banks,

on 30 November 2015, with an amount outstanding, at 31 December 2018, of EUR 291 million and final payment due in August 2020; (ii) bilateral financing granted by UBI on 26 February 2016, with an amount outstanding, at 31 December 2018, of EUR 100 million and final payment due in February 2021; (iii) bilateral financing granted by Mediobanca on 11 March 2016, with an amount outstanding, at 31 December 2018, of EUR 150 million and final payment due in June 2023; (iv) bilateral financing granted by UniCredit on 21 April 2016, with an amount outstanding, at 31 December 2018, of EUR 75 million and final payment due in April 2021; (v) bilateral financing granted by BNL on 20 December 2018, with an amount outstanding at 31 December 2018 of EUR 120 million and final payment due in November 2023;

- 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 Association, please refer to the relevant sections of this report (hereinafter also the "Report");
- no powers have been granted to Directors in relation to capital contributions pursuant to Article 2443 of the Italian Civil Code;
- the Directors have no powers to issue equity instruments;
- the Shareholders' Meeting held on 23 April 2018 authorised the Board of Directors, pursuant to 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 in the portfolio from time to time) of 30,064,000 (thirty million, sixty-four thousand) ordinary ERG shares with a par value of EUR 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;
- the Shareholders' Meeting held on 23 April 2018 authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, for a period of 12 months from the date of the related resolution, to sell, all at once or in several steps, treasury shares at a unit price not lower than 10% below the closing price of the stock on the day immediately preceding each individual sale.

4. CORPORATE GOVERNANCE

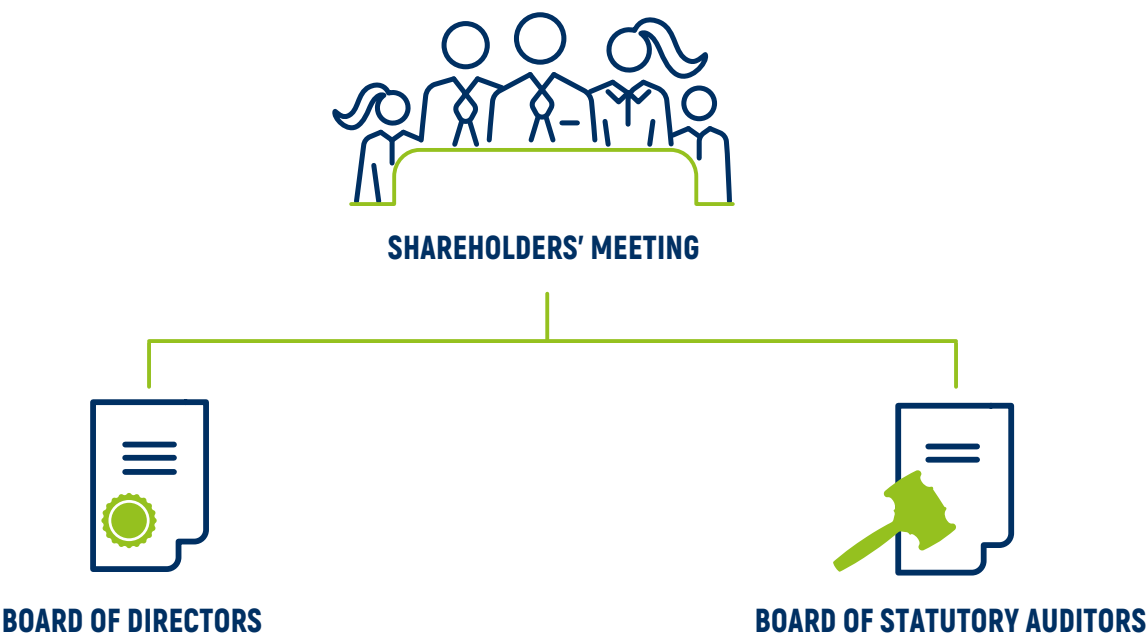
ERG's corporate governance complies with the provisions of the Italian Civil Code and other laws and regulations relating to companies, particularly those contained in the T.U.F., and, overall, reflects adherence to the Corporate Governance Code³. The edition of the Corporate Governance Code to which the Company adheres is available to the public on the Borsa Italiana S.p.A website (www.borsaitaliana.it).

Corporate governance encompasses **statutory bodies**, **board committees** and the **corporate governance documents** that regulate their operation.



³ Please refer to the information provided in Note 2.

5. STATUTORY BODIES



Board of Directors



Edoardo Garrone
Chairman



Alessandro Garrone
Deputy Chairman



Giovanni Mondini
Deputy Chairman



Luca Bettonte
Chief Executive Officer



Massimo Belcredi
Director



Mara Anna Rita Caverni
Director



Barbara Cominelli
Director



Marco Costaguta
Director



Paolo Francesco Lanzoni
Director



Silvia Merlo
Director



Elisabetta Oliveri
Director



Mario Paterlini
Director

The current Board of Directors, comprising twelve members, was appointed by the Shareholders' Meeting of 23 April 2018⁴; consequently, the appointment to the Board of Directors shall expire at the date of the Shareholders' Meeting convened to approve the financial statements at 31 December 2020.

⁴ With reference to the provisions of application criterion 1.C.4. of the Corporate Governance Code, it is noted that the Shareholders' Meeting has not generally and preventively authorised exceptions to the competition prohibition set out in Article 2390 of the Italian Civil Code.

For the appointment of the current Board of Directors, two lists of candidates were presented, one by the shareholder San Quirico S.p.A. and the other by a number of institutional investors as follows⁵:

San Quirico S.p.A. list

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

Institutional investors list

1. Mario Paterlini**
2. Saskia Kunst**

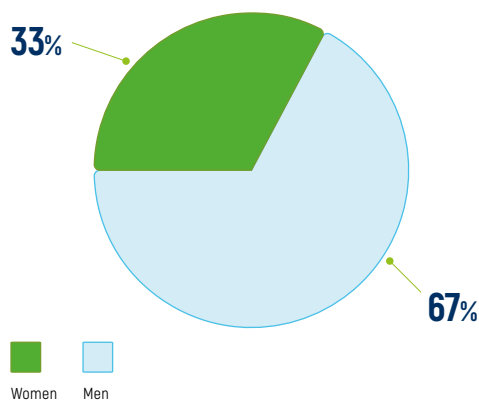
- * Candidate indicated in the list as fulfilling the independence requirements in accordance with the provisions of the Consolidated Finance Act (T.U.F.).
- ** Candidate indicated in the list as fulfilling the independence requirements in accordance with the Consolidated Finance Act (T.U.F.) and eligible for qualification as independent in accordance with the Corporate Governance Code.

Pursuant to the Articles of Association, the Company is managed by a Board of Directors which, **in compliance with the gender balance criterion** prescribed by current law and regulatory provisions, consists of no fewer than 5 and no more than 15 members. Directors are appointed on the basis of lists presented by shareholders - in which the candidates shall be listed with a progressive number - which, accompanied by information on the personal and professional characteristics of the candidates and a declaration as to whether they meet the independence requirements prescribed by the T.U.F., must be filed, in compliance with Article 147-ter, paragraph 1-bis of the T.U.F., at least twenty-

five days prior to the date of the Shareholders' Meeting and shall be made available to the public at least twenty-one days prior to said Meeting. The lists may only be presented by shareholders who, either individually or with other shareholders, represent the minimum percentage of share capital (currently 1%) established in accordance with Article 144-quater of the Regulations implementing the Consolidated Finance Act (T.U.F.), adopted by CONSOB with resolution No. 11971 of 14 May 1999 ("Issuers' Regulations")⁶. This share capital percentage is the same as that required for the presentation of lists for the appointment of the Board of Directors in office⁷.

Each shareholder may present or contribute to presenting only one list and each candidate may be included in only 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 Association and, with the exception

BOARD OF DIRECTORS COMPOSITION BY GENDER



⁵ 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 23 April 2018, available on the Company's website (www.erg.eu) in the section "Corporate Governance/2018 Shareholders' Meeting".

⁶ Pursuant to CONSOB Resolution No. 13 of 24 January 2019.

⁷ Pursuant to CONSOB Resolution No. 20273 of 24 January 2018.

of those that present fewer than three candidates, it shall comply with the gender balance criterion prescribed by current laws and regulations.

Within the meaning of Article 147-ter, paragraph 1-ter of the Consolidated Finance Act, in appointing the Board of Directors the least represented gender must receive a share equal to at least one third of the Directors elected.

The lists indicate which Directors fulfil the independence requirements set by Article 147-ter, paragraph 4 of the Consolidated Finance Act. At least one candidate for each list, or two candidates if the Board of Directors has more than seven members, must fulfil the aforesaid independence requirements.

All candidates must fulfil the integrity requirements set out by current regulations for members of the Supervisory Bodies, as well as adequate 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/her own responsibility that there are no causes for ineligibility and incompatibility and that the requirements prescribed by applicable regulations are met, and indicating whether (s)he qualifies as independent director.

In terms of the balance of the Directors to be elected, no consideration shall be given to lists that did not obtain a number of votes representing a percentage of share capital equal to at least half of the percentage required for the presentation of the lists.

Each person entitled to vote may vote on only one list.

The election of the Directors takes place as follows:

- a) from the list that received the majority of the votes cast are drawn, 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, paragraphs 5 and 5-bis of the Articles of Association respectively for the appointment of independent Directors and with respect to compliance with the gender balance criterion in the composition of the Board of Directors;
- b) the remaining Director is drawn 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 Association 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 fulfil the independence requirements, in the progressive order in which they were entered in the list⁸.

In the event that one or more Director posts fall vacant, the procedure pursuant to law shall be followed. If, however, for any reason, the majority of the Directors appointed by the Shareholders' Meeting leaves office before the end of

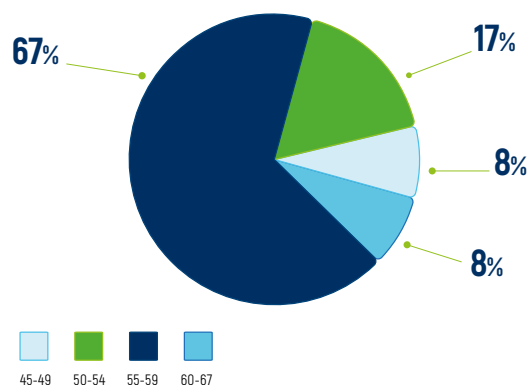
⁸ For more information, including information about the provisions aimed at assuring compliance with the gender balance criterion in the composition of the Board of Directors, please refer to the Articles of Association, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Governance & Conduct".

their term, the entire Board lapses and the Directors remaining in office must convene an emergency Shareholders' Meeting to reappoint the Board. The Board shall, however, remain in office only for the conduct of acts of ordinary administration until the Shareholders' Meeting has resolved upon the new Board of Directors and the majority of the new Directors have accepted their appointment.

The Directors in office at the date of approval of the Report are⁹:

Edoardo Garrone	<i>Chairman</i>
Alessandro Garrone	<i>Deputy Chairman</i>
Giovanni Mondini	<i>Deputy Chairman</i>
Luca Bettonte	<i>Chief Executive Officer</i>
Massimo Belcredi	<i>Director</i>
Mara Anna Rita Caverni	<i>Director</i>
Barbara Cominelli	<i>Director</i>
Marco Costaguta	<i>Director</i>
Paolo Francesco Lanzoni	<i>Director</i>
Silvia Merlo	<i>Director</i>
Elisabetta Oliveri	<i>Director</i>
Mario Paterlini	<i>Director</i>

**BOARD OF DIRECTORS
COMPOSITION BY AGE**



Executive Directors

Edoardo Garrone
Alessandro Garrone¹⁰
Luca Bettonte

Non-Executive Directors¹¹

Giovanni Mondini
Marco Costaguta

Non-executive Directors who are independent pursuant to the T.U.F.

Massimo Belcredi¹² Paolo Francesco Lanzoni

Directors who are independent pursuant to the T.U.F. and the Corporate Governance Code

Mara Anna Rita Caverni
Barbara Cominelli
Silvia Merlo
Elisabetta Oliveri
Mario Paterlini

Secretary

Giovanni Marco Scollo

⁹ 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".

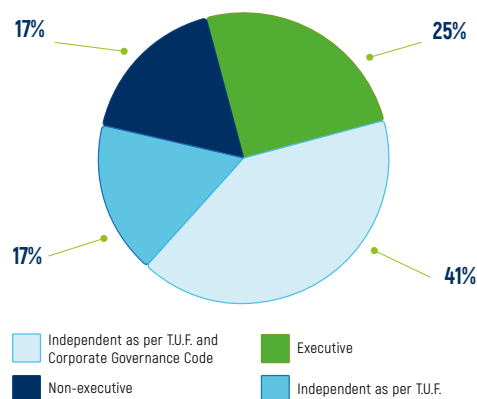
¹⁰ Director in charge of the Internal Control and Risk Management System.

¹¹ Taking into account application criterion 2.C.1 of the Corporate Governance Code.

¹² The Board of Directors, in its meeting of 3 August 2018, made the Director Massimo Belcredi responsible for coordinating the requests and contributions of non-executive directors (with particular reference to those who are independent) on matters of interest with respect to the operation of the Board of Directors or the management of the Company, as well as working with the Chairman of the Board of Directors to ensure that directors receive full and timely information.

At the first meeting after the appointment, on 23 April 2018, the Board of Directors confirmed the independence of the Directors Massimo Belcredi and Paolo Francesco Lanzoni with reference to Article 148, third paragraph, of the Consolidated Finance Act (T.U.F.)¹³ and the independence of the Directors Mara Anna Rita Caverni, Barbara Cominelli, Silvia Merlo, Elisabetta Oliveri¹⁴ and Mario Paterlini both with reference to Article 148, third paragraph, of the Consolidated Finance Act, and with reference to the information contained in the current Corporate Governance Code.

**BOARD OF DIRECTORS
COMPOSITION BY STATUS**



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.

On 14 November 2018, the independent Directors held their own meeting, but remained in contact and regularly consulted each other in advance on the principal matters examined by the Board of Directors. The Director responsible for coordinating the requests and contributions of non-executive directors (with particular reference to those who are independent) put forward, also on behalf of the latter, proposals and suggestions to the Chairman and the Executive Deputy Chairman as regards issues relating to the governance of the Company. The response was positive with respect to the proposals made. The Director responsible for coordinating the requests and contributions of non-executive directors (with particular reference to those who are independent) and the Executive Deputy Chairman subsequently reported to the Board of Directors regarding the process followed and the implementation status of the individual proposals.

¹³ 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 have, nor have they recently had, directly or indirectly, relations with the Company or related persons, that would impair their autonomy of judgement, in accordance with Principle 3.P1. of the current Corporate Governance Code promoted by Borsa Italiana. 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.

¹⁴ The Board of Directors, following the resolution adopted on 14 May 2018 at the proposal of the Nominations and Remuneration Committee, having heard the opinion of the Board of Statutory Auditors, in relation to the remuneration to be paid to members of the Strategic Committee, among which the independent Director Elisabetta Oliveri, having noted that the payment of remuneration in favour of members of the Strategic Committee, who are not employees of the Group and who do not hold positions in the Board of Directors, has been an integral part of the Company's Remuneration Policy since 2012 and with reference to the same Shareholders' Meeting, in turn expressed its favourable opinion pursuant to Article 123-ter of the Consolidated Finance Act (T.U.F.), having noted that the same, also in the light of that communicated by the aforesaid Director, would not be significant for the purposes of what is provided for by application criteria 3.C.1(d) of the Corporate Governance Code in relation to the assessment of the independence of Directors, and resolved to confirm the assessment of the independence of the Director Elisabetta Oliveri carried out during the meeting of 23 April 2018 both with reference to what is foreseen by Article 148, paragraph 3, of the T.U.F. and what is provided in this regard by the Corporate Governance Code.

Other appointments as director or statutory auditor held by Directors in other companies listed in regulated markets, including abroad, in finance, banking and insurance companies or companies of significant size at 31 December 2018¹⁵:

Edoardo Garrone	<i>Chairman of the Supervisory Board of San Quirico S.p.A. Chairman of the Board of Directors of Il Sole 24 Ore S.p.A. Director of Invitalia Ventures Sgr S.p.A.</i>
Alessandro Garrone	<i>Director of Banca Passadore e C. S.p.A.</i>
Giovanni Mondini	<i>Chairman of the Management Board of San Quirico S.p.A.</i>
Massimo Belcredi	<i>Director of BPER Banca S.p.A.</i>
Mara Anna Rita Caverni	<i>Director of Autostrade Meridionali S.p.A. Director of Cerved Group S.p.A.</i>
Marco Costaguta	<i>Management Director of San Quirico S.p.A. Director of Fine Foods S.p.A. Director of OTB S.p.A. Director of Goglio S.p.A. Director of Rimorchiatori Riuniti S.p.A. Director of Officine Maccaferri S.p.A. Director of Praesidium Sgr S.p.A. Director of Hat Orizzonte Sgr S.p.A.</i>
Paolo Francesco Lanzoni	<i>Director of Castello Sgr S.p.A.</i>
Silvia Merlo	<i>Director of GEDI Gruppo Editoriale S.p.A. Chief Executive Officer of Merlo S.p.A. Director of Leonardo S.p.A.</i>
Elisabetta Oliveri	<i>Director of SNAM S.p.A. Director of GEDI Gruppo Editoriale S.p.A.</i>

Other attendees of Board of Directors meetings

Meetings of the Board of Directors also involve representatives from Group management to provide certain specific and timely insights on topics discussed on an as needed basis. In financial year 2018, managers took part in 10 of the 12 meetings of the Board of Directors, in several cases in support of the discussion of more topics on the agenda.

Directors' fees and remuneration - Development path of the Remuneration Policy

On 20 December 2011, at the proposal of the Nominations and Remuneration Committee, the Board of Directors approved its Policy for the remuneration of members of the Board of Directors and of Key management personnel, taking into account in particular:

- Article 6 of the Corporate Governance Code;

¹⁵ Other than offices held in Group companies.

- the 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 management personnel;
- the Procedure for Transactions with Related Parties and the principles expressed in the Group's Code of Ethics.

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

- on 18 December 2012, to incorporate the powers delegated by the Board of Directors (appointed by the Shareholders' Meeting of 20 April 2012) and the adoption of the 2012-2014 Medium/Long-Term Incentive System ("LTI System");
- on 11 March 2015, effective as from 2015¹⁶, to incorporate the adhesion of the Company to the current Corporate Governance Code and the general principles of the 2015-2017 LTI System in anticipation of the renewal of the Board of Directors by the Shareholders' Meeting on 24 April 2015¹⁷;
- on 22 March 2016, in order to implement the Resolution of the Board of Directors of 15 December 2015 defining the conditions necessary to implement the 2015-2017 LTI System, in line with the Policy itself and based on the 2015-2018 Business Plan;
- on 9 March 2017, in order to implement (i) the organisational changes occurring following the reorganisation of the risk management, compliance and internal control processes of the ERG Group and the "One Company" Project, (ii) the introduction of a clause to which any deferred payment of non-recurring remuneration is subject, following assessment by the Nominations and Remuneration Committee and resolution by the Board of Directors;
- on 7 March 2018, effective as from 2018, to incorporate the essential elements of the 2018-2020 LTI System approved by the Shareholders' Meeting of 23 April 2018, which, inter alia, appointed a new Board of Directors;
- on 6 March 2019, in order to implement the resolution of the Board of Directors of 14 May 2018 defining the conditions necessary to implement the 2018-2020 LTI System, in line with the Policy itself and based on the 2018-2022 Business Plan.

During 2018, the members of the Nominations and Remuneration Committee submitted to the Board of Directors proposals on the remuneration of Directors (appointed by the Shareholders' Meeting of 23 April 2018) who are executive or vested with particular roles or called to be part of the Strategic Committee¹⁸, based on the provisions of the current Remuneration Policy¹⁹.

¹⁶ Since the 2015-2017 LTI System is connected to ERG's share performance, it was submitted for approval to the Shareholders' Meeting held on 24 April 2015, who voted in favour of it.

¹⁷ The Shareholders' Meeting held on 3 May 2016 voted in favour of the first section of the Remuneration Report prepared in accordance with Article 123-ter of the Consolidated Finance Act

¹⁸ Although not Group employees and with no seat on the Board of Directors.

¹⁹ For detailed information on this matter, please refer to the Remuneration Report referred to in Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting convened in April 2019, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.

Powers

At the meeting held on 23 April 2018, the Board of Directors assigned the following powers for three years and therefore until the date of the Shareholders' Meeting held to approve the Financial Statements at 31 December 2020:

- to the **Chairman, Edoardo Garrone**
 - the authority to manage corporate affairs, through the tasks of supervision, direction and control, taking into account his role as Chairman of the Board of Directors and that stated in this regard in the Corporate Governance Code²⁰;
- to the **Deputy Chairman, Alessandro Garrone**
 - the authority to oversee preliminary and functional activities to define the strategic objectives of the Company and the Group and the preparation of the Strategic Plan to be submitted to the Board of Directors for consideration and possible approval; additionally, to provide strategic coordination of the subsidiaries;
 - the authority to oversee and control activities for the preparation of draft Budgets to be submitted for review and possible approval by the Board of Directors;
 - the authority to provide guidance and supervision for research, development and negotiation with third parties in mergers and acquisitions transactions and structured finance transactions, which, due to their importance, are subject to the approval of the Board of Directors;
 - the authority to oversee the definition of the Company's organisational structure up to the second level reporting directly to the Chief Executive Officer, contributing with the latter to the taking of decisions regarding the appointment of directors and executives, employee terminations, and remuneration policies and incentives;
 - the authority to oversee internal audit, risk management and compliance activities and processes, through supervision, guidance and control;
 - the office of Director in charge of the internal control and risk management system, with powers and responsibilities as outlined in the current Corporate Governance Code in line with the Guidelines for the Internal Control and Risk Management System approved by the Company;
- to the **CEO, Luca Bettonte** (Chief Executive Officer of the Company)²¹
 - the powers necessary to perform all actions pertaining to the company's business, except for those reserved to the Board of Directors (by law or by the Articles of Association) or delegated to other Board Members;
 - the powers and responsibilities for the protection of health, and maintenance of safety in the workplace and the environment;
 - the authority to protect persons and other subjects with regard to the processing of personal data.

²⁰ Commentary on Article 2, fifth paragraph of the Corporate Governance Code.

²¹ The interlocking directorate situation, set forth in application criterion 2.C.5. of the Corporate Governance Code, does not apply.

In accordance with the Articles of Association, the Chairman has the power to represent the Company pursuant to Article 2384 of the Italian Civil Code. The Chief Executive Officer(s) also has/have such powers, within the limits of the authority vested in them.

Moreover, the Board of Directors, in accordance with the recommendations of the Corporate Governance Code, has specified that the powers vested in the Executive Deputy Chairman and in 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 Association, 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, approved by the Board of Directors.

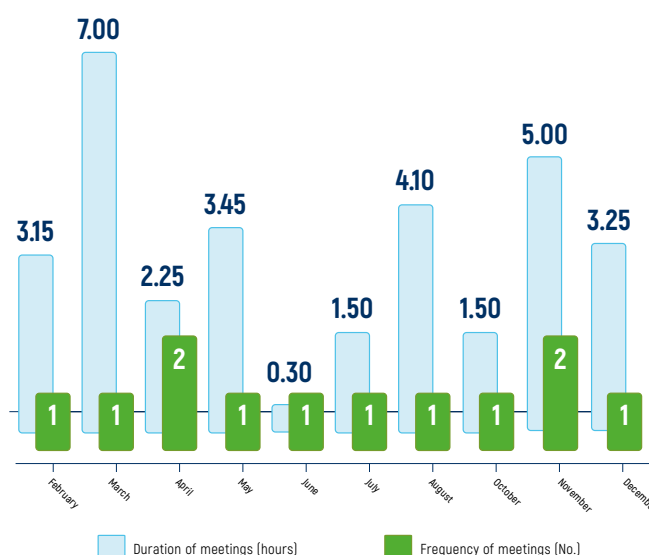
The delegated bodies report to the Board of Directors, on a quarterly basis, on the activities carried out within the scope of the powers vested in them.

Frequency

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

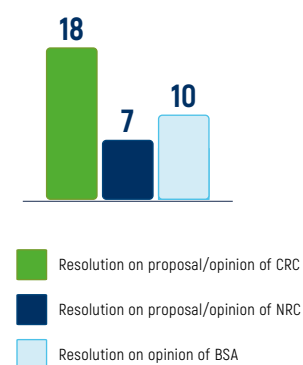
During financial year 2018, the Board of Directors held **12 meetings**, and for 2019 there are expected to be no fewer than **8 meetings**

BOARD OF DIRECTORS - FREQUENCY



In the 2018 meetings, the Board of Directors passed **64 resolutions** pertaining to as many issues (**35** of which were adopted on the basis of a proposal or of an opinion provided by the Board Committees or following a prior assessment by them) and for **49** of them the related documentation was sent to Directors and Statutory Auditors beforehand (at least 48 hours before the meeting, barring exceptions), said advance notice being deemed suitable to enable Directors and Auditors to acquire adequate knowledge of the items on the agenda.

BOARD OF DIRECTORS
RESOLUTIONS PASSED



During all Board meetings, with particular reference to those in which, for some of the matters covered, the documentation could not, exceptionally, be sent beforehand, the Chairman ensured that specific and timely insights were guaranteed and, where appropriate, provided by representatives of Group management invited by the Board of Directors to participate.

It is also noted that, of the **15 resolutions** in relation to which Board members and Auditors had not been sent the relevant documentation in advance, **4 resolutions** concerned the immediate approval of the minutes at the end of the relevant meeting (to which said minutes referred), **2 resolutions** were however adopted on the basis of a prior assessment by the Board Committees and **6 resolutions** were adopted by the newly appointed Board of Directors at its plenary meeting held at the end of the Shareholders' Meeting which had appointed the new board.

The average duration of the meetings held by the Board of Directors was around **2 hours and 45 minutes**.

At the date of approval of this document, the Board of Directors had met **twice**.

Activities carried out

Directors made a significant contribution to the work of the Board of Directors and Committees in 2018, in terms of meeting attendance and effective participation in proceedings.

In the course of 2018, the Board of Directors performed the activities and responsibilities referred to in application criterion 1.C.1. of the Corporate Governance Code in accordance with the role that the Code attributes to the Board of a listed company.

The Board of Directors, with respect to the provisions of application criterion 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 financial, banking, or insurance companies or companies of significant size, it does not appear to be necessary to establish a maximum number of directorships and auditorships.

The Chairman of the Board of Directors ensured that during the meetings of the Board of Directors and of the Committees within the Board, in relation to the topics discussed, the Chief Executive Officer and representatives of Group management provided all directors with the information necessary to provide adequate knowledge of the sector in which the Group operates, of corporate dynamics and its trends and of the reference regulatory framework. At least once a quarter, the Chief Executive Officer reported to the Board of Directors with regard to the exercise of the mandate and the performance of the Company and the Group.

During the year, the Chairman informed of specific initiatives and events, organised by primary stakeholders and intended for Directors and Auditors of listed companies, which some Directors and Auditors subsequently attended. Induction activities were also organised, lead by top managers of the Company and aimed at explaining Group operations to the newly appointed Directors.

Board Performance Review

With regard in particular to subsection g) of application criterion 1.C.1. of the Corporate Governance Code, the Board of Directors, at its meeting of 20 February 2019, carried out a review, partly on the basis of a document prepared for this purpose by the Nominations and Remuneration Committee, of the size, composition and functioning of the Board of Directors and its Committees during 2018, expressing, in this regard, an overall favourable opinion accompanied by specific indications with respect to the operation of the Board of Directors and of its Committees. This document was prepared using the assessment criteria used in the previous year and the results of a self-assessment questionnaire prepared by Corporate Affairs 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. This questionnaire allows individual directors and statutory auditors to point out any matters worthy of being looked into further.

Statutory Auditors Performance Review

The Chairman of the Board of Statutory Auditors, in the board meeting held on 20 February 2019, informed the Board of Directors on the results of the self-assessment carried out with regard to the size, composition and functioning of the Board of Statutory Auditors in the course of financial year 2018. This assessment was carried out using, inter alia, the findings of a self-assessment questionnaire drawn up by Corporate Affairs at the request of the Board of Statutory Auditors.

Diversity policy in relation to the composition of the administration, management and control bodies***1.1 Objectives***

The Board of Directors considers that the presence, within the Board of Directors itself and the Board of Statutory Auditors, of skills, values and points of view that are different yet complementary to each other may in fact be a strength since it makes it possible to analyse the various matters under discussion from different perspectives, it encourages debate and it serves as a basis for well-thought-out, informed and balanced board decisions.

The presence of varying skills and expertise is also deemed essential and necessary for the purposes of fully understanding and adequately appreciating the different aspects that must be taken into account in the context of the business in which the Company operates.

1.2 Implementation methods

Since the Company's administrative, management and control bodies, in accordance with the provisions of Articles 147-ter and 148 of the Consolidated Finance Act and Articles 15 and 22 of the Articles of Association, are appointed on the basis of lists of candidates submitted by shareholders, the composition of said bodies depends on the decisions made from time to time by the latter during the Shareholders' Meeting, in compliance with the applicable laws and regulations.

Without prejudice to the foregoing, the Board of Directors considers that the Company's policy on diversity in relation to

the composition of its administrative, management and control bodies (the "Policy"), in accordance with the provisions of the Corporate Governance Code, can be expressed through **specific recommendations or guidelines** made by the Board of Directors to the shareholders, from time to time, before the appointment of the Board of Directors and the Board of Statutory Auditors, and explained in the report on matters on the agenda, provided within the meaning of Article 125-ter of the Consolidated Finance Act, and in the report on corporate governance and the ownership structure within the meaning of Article 123-bis of the Consolidated Finance Act.

1.3 Composition of the management body

The Policy proposed by the Board of Directors prescribes, in particular, that each Director, within the scope of the self-assessment process on the functioning of the Board of Directors itself and its Committees, expresses, before the appointment of the new Board, **his/her recommendations**, in the matter of diversity, on the managerial and professional figures that should be included in the Board, also taking into account factors such as training and professional characteristics, experience, including managerial, gender and age.

Since the current Board of Directors, made up of 12 members, was appointed by the Shareholders' Meeting of 23 April 2018 and consequently the mandate given to the same will expire on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2020, it is envisaged that this assessment process will be carried out once again in the first quarter of 2021 in such a way that its outcome will constitute an integral and substantial part of the **recommendations** to the Shareholders' Meeting, convened to appoint the new control body.

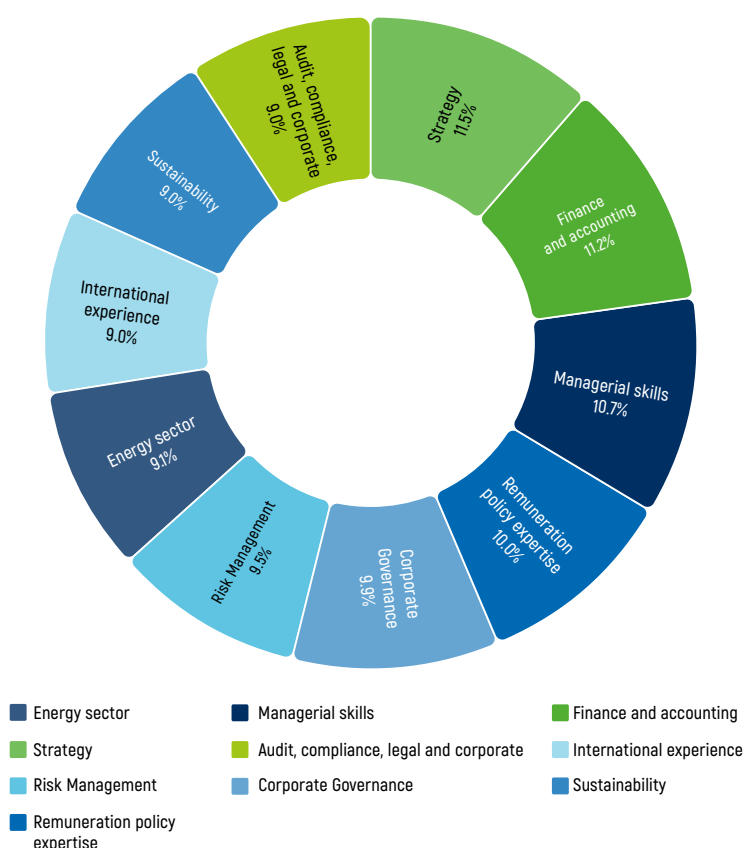
The results of the assessments performed by the current Board of Directors and the **recommendations** of the previous Board of Directors are set out below.

Educational and professional background

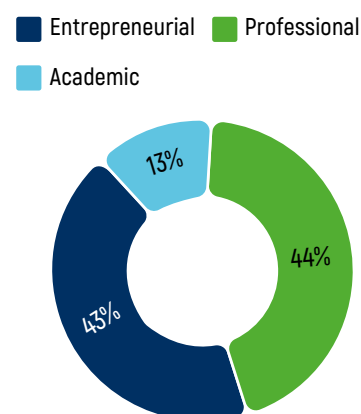
With reference to the skills within the Board of Directors, the self-assessment process for financial year 2018 has shown, in line with the results of the self-assessment performed by the previous Board of Directors, a balanced distribution of skills within the Board of Directors, gained mainly through entrepreneurial and professional experiences, and the opportunity to increase, among non-executive directors, the weight of the experience/skills in the field of energy, in a regulatory context and from an international point of view. The self-assessment also revealed also the opportunity for a greater focus, within the Board of Directors, on the activities carried out in the field of sustainability by the relevant Internal Committee.

The skills present within the Board of Directors are largely the same as those recommended by the previous Board of Directors.

SKILLS CURRENTLY PRESENT IN THE BOARD OF DIRECTORS

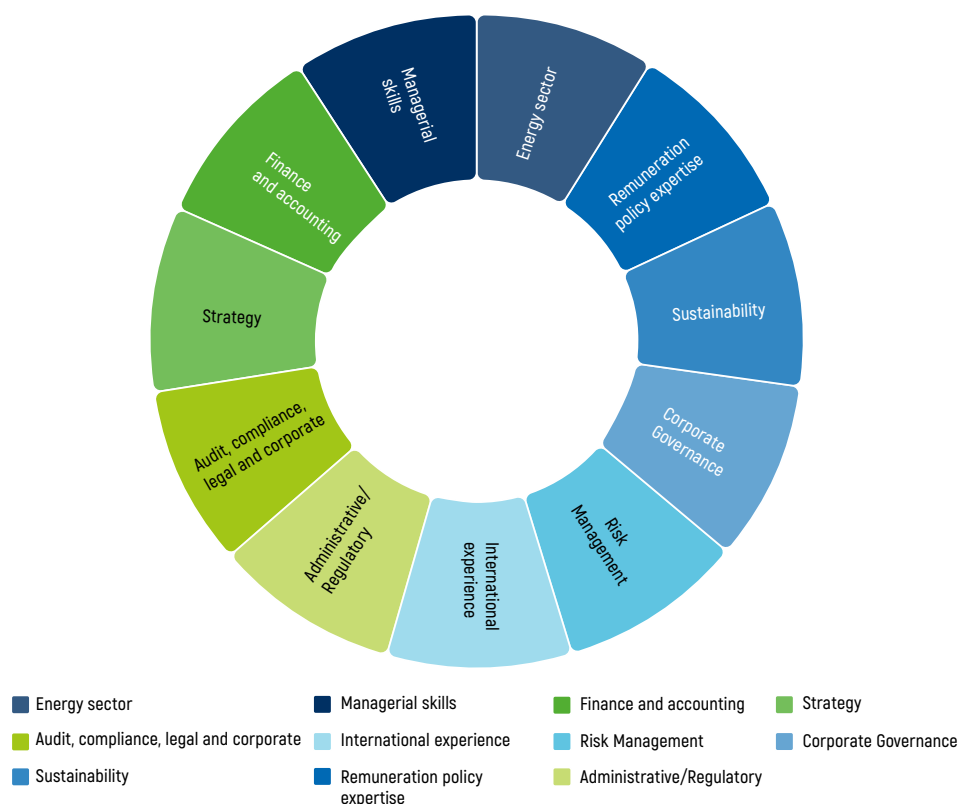


EXPERIENCE GAINED



It is recalled that with reference to the **skills that ought to be present in the Board of Directors**, the previous Board of Directors, following the outcome of the self-assessment process relating to financial year 2017, had recommended that the skills already represented in the Board of Directors be maintained, potentially increasing the weight of international experience in the energy sector and introducing specific skills in the field of administrative and regulatory law, in line with current and future developments in the portfolio of Group operations.

SKILLS THAT OUGHT TO BE PRESENT IN THE BOARD OF DIRECTORS



Gender composition

It is recalled that with reference to **gender balance**, the previous Board of Directors, following the self-assessment process relative to financial year 2017, did not consider it necessary to recommend more stringent requirements than those laid down by legislation. Self-assessment did, however, show that the skills and experience necessary for the purposes of the composition of the new Board of Directors are present across both genders.

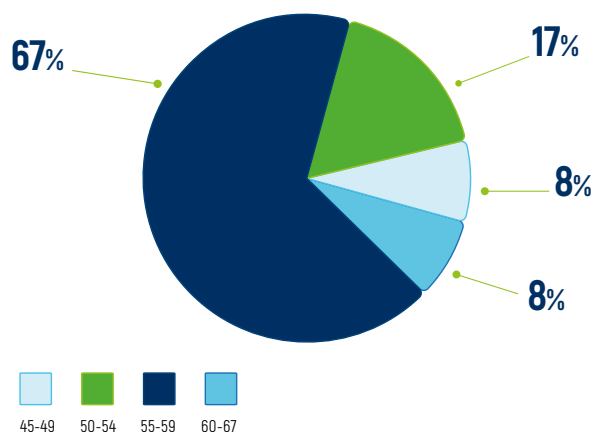
The self-assessment process relative to financial year 2018 showed that the skills and experience necessary for the purposes of the composition of the new Board of Directors are present across both genders.

Age

It is recalled that with reference to **age**, following the self-assessment process for 2017, it was not considered necessary to make specific recommendations. The composition of the Board of Directors, divided according to age group, was however considered balanced.

The self-assessment process relative to financial year 2018, in the light of the activities carried out by the Board of Directors during the same financial year, shows that the current composition by age is adequate

**BOARD OF DIRECTORS
COMPOSITION BY AGE**



Results

The composition of the current Board of Directors is considered to be substantially in line with Company Policy.

1.4 Composition of the control body

The Policy proposed by the Board of Directors prescribes, in particular, that the Board of Directors, on the basis of the information provided by the Board of Statutory Auditors in relation to the self-assessment process on the functioning of the Board itself, expresses, before the appointment of the new Board of Statutory Auditors, **its recommendations**, in the matter of diversity, on the professional figures that should be included in the Board, also taking into account factors such as training and professional characteristics, experience, gender and age.

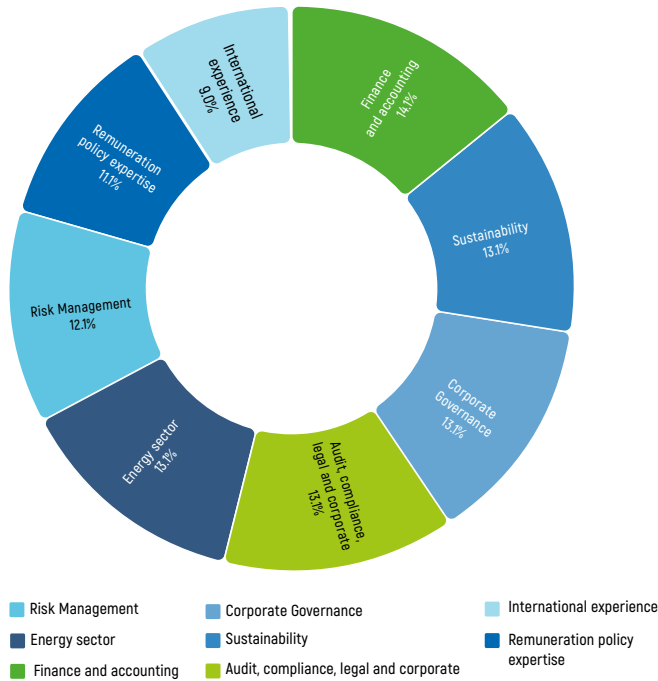
Since the current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 3 May 2016 and consequently the mandate given to the same will expire on the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2018, this assessment process was carried out during the first quarter of 2019 in such a way that its outcome will constitute an integral and substantial part of the **recommendations** to the Shareholders' Meeting that will be called to appoint the new control body.

The results of the self-assessment performed by the Board of Statutory Auditors and the **recommendations** of the Board of Directors are set out below.

Educational and professional background

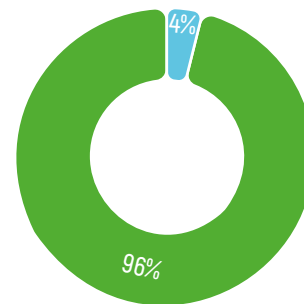
With reference to **the skills within the Board of Statutory Auditors**, the Board of Directors acknowledged the findings of the self-assessment of the Board of Statutory Auditors, which, also in the light of the balanced allocation of skills within the Board of Statutory Auditors, gained mainly through professional experience (as shown below),

SKILLS PRESENT IN THE BOARD OF STATUTORY AUDITORS



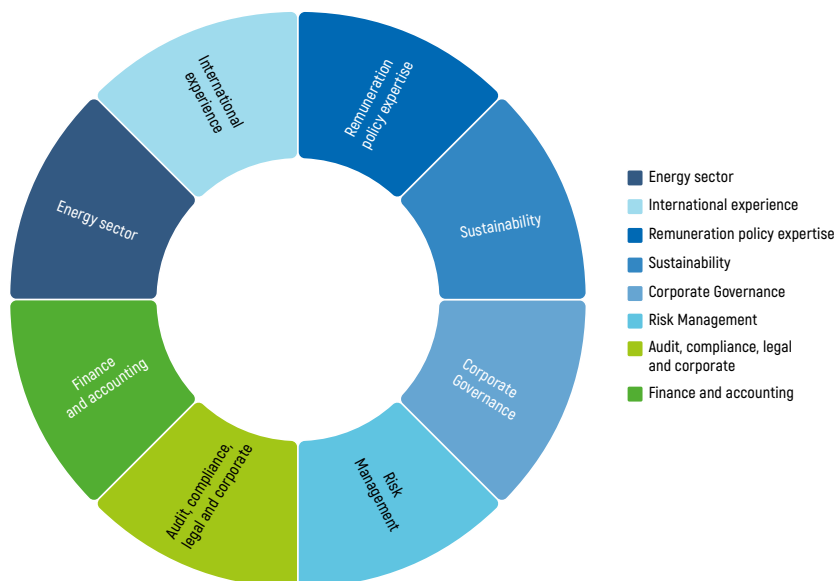
EXPERIENCE GAINED IN THE BOARD OF STATUTORY AUDITORS

Professional Academic



considered it necessary to indicate that the skills represented in the current Board of Statutory Auditors should be present in the Board of Statutory Auditors that will be appointed by the Shareholders' Meeting called to approve the Financial Statements at 31 December 2018.

SKILLS THAT OUGHT TO BE PRESENT IN THE BOARD OF STATUTORY AUDITORS



Gender composition

With reference to **gender balance**, the Board of Directors acknowledged the findings of the self-assessment of the Board of Statutory Auditors, which considered it unnecessary to recommend more stringent requirements than those laid down by legislation.

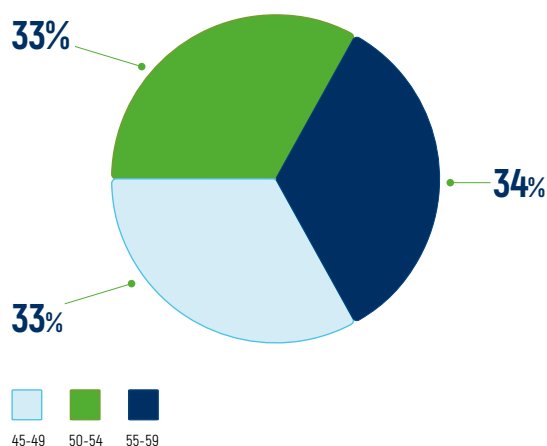
Age

With reference to **age**, the Board of Directors acknowledged the findings of the self-assessment of the Board of Statutory Auditors, which considered it unnecessary to make specific recommendations in this regard.

Results

The results of the Policy will be assessed following the process to appoint the new Board of Directors by the Shareholders' Meeting called, inter alia, to approve the Financial Statements at 31 December 2018.

**BOARD OF STATUTORY AUDITORS
COMPOSITION BY AGE**



Recommendations of the Italian Corporate Governance Committee

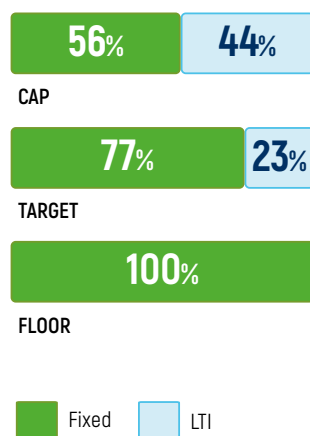
The Board of Directors, in its meeting of 6 March 2019, in the light of the content of the Report on Corporate Governance and Ownership and the Remuneration Policy, unanimously agreed that the Company is in line with the recommendations made in the letter sent by the Italian Corporate Governance Committee to the chairmen of the management and control bodies of all listed companies concerning (i) transparency on the timeliness, completeness and usability of pre-meeting information; (ii) the process to assess the independence of Directors; (iii) transparency about how to conduct the board performance review; and (iv) the adequacy of the remuneration policies in terms of pursuing the objective of sustainability of the company's activities in the medium-long term, strengthening the connection of the variable remuneration to parameters related to long-term objectives and limiting the possibility of granting of bonuses to individual exceptional cases.

Specifically:

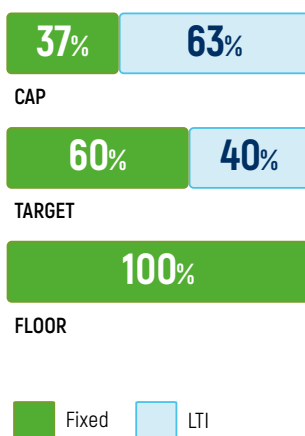
- with reference to the **recommendation referred to in subparagraph (i)**, following the outcome of the self-assessment, the Directors and Statutory Auditors unanimously found the pre-meeting information supplied in the course of the financial year and the notice with which the relevant documentation was made available to be adequate, even taking into account certain limited exceptional cases (several extraordinary operations) with reference to which the advance notice time was reduced but specific and timely insights were, however, ensured and, where appropriate, carried out including with the support of the representatives of Group Management, invited to participate for that purpose;

- with reference to the **recommendation referred to in subparagraph (ii)**, following the outcome of the self-assessment, the Directors²² and Statutory Auditors unanimously found the process of assessment by the Board of Directors on the independence of non-executive directors to be adequate. The evidence of this process, which is subject to a thorough assessment at individual level, and the explanations of decisions taken in this regard are provided in the section dedicated to the Board of Directors and the relative notes 13 and 14 of this Report;
- with reference to the **recommendation referred to in point (iii)**, it should be noted that the Nominations and Remuneration Committee, with the support of Corporate Affairs, oversees the board review process in which the directors and auditors are called to participate actively, inter alia, through the compilation of a specific questionnaire. This questionnaire allows them to point out any matters worthy of being looked into further. The findings of the questionnaire, which are evaluated and discussed both by the Nominations and Remuneration Committee and the Board of Directors, are briefly outlined in this Report;
- with reference to the **recommendation referred to in subparagraph (iv)**, it is noted that on the basis of the Company Remuneration Policy the variable component of the remuneration of the Chief Executive Officer and the Executive Deputy Chairman is fully governed by the 2018-2020 LTI System. This new Long-Term Incentive Plan based on financial instruments ("Performance Shares") aims to encourage maximum alignment, in terms of objectives, of the interests of **beneficiaries with the pursuit of the primary objective** of sustainable creation of value for Shareholders over the medium/long-term and allows the Company to take a further step towards fully implementing the "pay for performance" principle and evolve the mechanism for non-recurring remuneration into an instrument better aligned with best market practices.

PAY MIX EXECUTIVE DEPUTY CHAIRMAN



PAY MIX CEO



²² With the exclusion of Independent Directors since they are directly concerned.

Board of Statutory Auditors



Elena Spagnol
Chairman



Lelio Fornabaio
Standing auditor



Stefano Remondini
Standing auditor

The current Board of Statutory Auditors, comprising 3 standing auditors and 3 alternate auditors, was appointed by the Shareholders' Meeting of 3 May 2016; consequently, the appointment to the Board of Statutory Auditors shall expire at the date of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2018. For the appointment of the Board of Statutory Auditors, two lists of candidates were presented, one by the shareholder San Quirico S.p.A. and the other by a number of institutional investors as follows²³:

San Quirico S.p.A. list

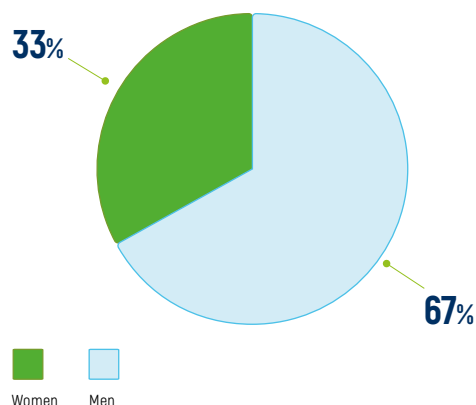
1. Lelio Fornabaio
2. Stefano Remondini
3. Elisabetta Barisone
4. Vincenzo Campo Antico
5. Mario Lamprati
6. Luisella Bergero

Institutional investors list

1. Elena Spagnol
2. Paolo Prandi

In accordance with the Articles of Association, the Board of Statutory Auditors consists of three standing auditors and three alternate auditors **in compliance with the gender balance criterion** prescribed by current laws and regulations. The Board of Statutory Auditors is appointed on the basis of lists presented by shareholders, which, in compliance with Article 147-ter, paragraph 1, of the T.U.F. (Consolidated Finance Act) (referenced by the Article 148, paragraph 2 of the T.U.F.), must be filed at least twenty-five days prior to the date of the Shareholders' Meeting and shall be made available to the public at least twenty-one days prior to the Meeting.

BOARD OF STATUTORY AUDITORS COMPOSITION BY GENDER



²³ 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 3 May 2016, available on the Company's website (www.erg.eu) in the section "Corporate Governance/2016 Shareholders' Meeting".

Each list is made up of two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. Each list shall contain a number of candidates, listed with a progressive number, 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. Lists may only be presented by shareholders who, at the time of presenting the list, are in possession of a shareholding equal to that required for the presentation of lists for the election of Directors, currently equal to 1%²⁴. This share capital percentage is the same as that required for the presentation of lists for the appointment of the Board of Statutory Auditors in office²⁵.

Each shareholder may present or contribute to presenting only one list and each candidate may appear 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 exhaustive information about the candidates' personal and professional characteristics and their statements pursuant to the Articles of Association.

Candidates cannot be elected to the office of Statutory Auditor unless they satisfy the requirements of independence, professionalism and integrity as provided by Article 148, section 3 of the Consolidated Finance Act or if they already serve as Standing Auditor in five listed companies²⁶.

If, at the expiration of the term for the presentation of the lists as indicated above, only one list has been filed, or only lists presented by mutually connected shareholders, according to the definition set out in the applicable regulations, have been filed, then lists may be presented until the third day following that date, within the meaning of Article 144-sexies, paragraph 5, of the Issuers' Regulations. In this case, the thresholds provided for the presentation of lists are halved.

Any list presented without compliance with the required prescriptions²⁷ shall be considered not to have been presented. If no list is presented in spite of the completion of the aforesaid procedure, a majority vote shall be taken in such a way as to ensure that the composition of the Board of Statutory Auditors complies with current laws and regulations and with the Articles of Association. The Shareholders' Meeting appoints the Chairman.

If no second list is presented or voted, the entire Board of Statutory Auditors shall comprise, in the order of presentation, the candidates of the single list voted. The first person on the list is elected Chairman.

In the event that more lists are presented, election takes place as follows: from the list that received the highest number of votes are drawn, in the progressive order in which they are listed, two standing auditors and two alternate auditors; the third standing auditor and the third alternate auditor are elected choosing the candidates to the respective offices indicated at the top of the list that obtained the second-highest number of votes after the first one, among

²⁴ Pursuant to CONSOB Resolution No. 13 of 24 January 2019.

²⁵ Pursuant to CONSOB Resolution No. 19499 of 28 January 2016.

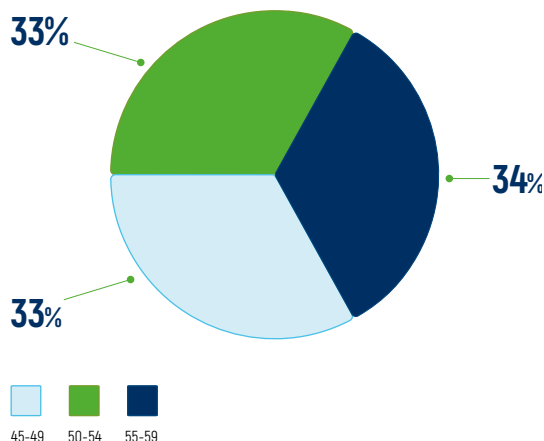
²⁶ It is noted in this regard that the disclosure obligations as per Article 144-*quaterdecies* of the Issuers' Regulations do not apply to those who serve as members of the control body of a single issuer.

²⁷ For more information, including information about the provisions aimed at assuring compliance with the gender balance criterion 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 & Conduct".

those presented and voted by 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 Association 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 is appointed Chairman.

If the lists receive equal numbers of votes, the candidate of the list that was presented by the shareholders owning the largest share or, subordinately, by the higher number of shareholders is elected.

BOARD OF STATUTORY AUDITORS COMPOSITION BY AGE



The Statutory Auditors in office at the date of approval of the Report are²⁸:

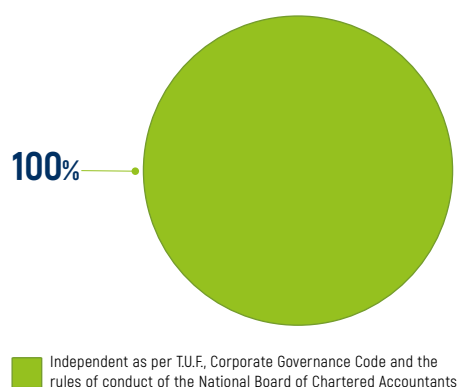
Elena Spagnol	<i>Chairman</i>
Lelio Fornabaio	<i>Standing Auditor</i>
Stefano Remondini	<i>Standing Auditor</i>

Vincenzo Campo Antico	<i>Alternate Auditor</i>
Luisella Bergero	<i>Alternate Auditor</i>
Paolo Prandi	<i>Alternate Auditor</i>

The Board of Statutory Auditors, having examined the personal and professional characteristics of each auditor, has concluded that all its members can be designated as independent, including on the basis of 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 12 May 2016, positively assessed the independence of the members of the Board of Statutory Auditors, both with

BOARD OF STATUTORY AUDITORS COMPOSITION BY STATUS



²⁸ PFor the personal and professional qualifications of current members of the Board of Statutory Auditors, 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".

reference to the provisions of Article 148, third paragraph, of the Consolidated Finance Act and with reference to the rules of conduct of the Board of Statutory Auditors prepared by the National Board of Chartered Accountants and the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A.

During the meetings of the Board of Directors of 9 August 2017 and 3 August 2018, the Chairman of the Board of

Statutory Auditors, within the meaning of the provisions of application criterion 8.C.1. of the Corporate Governance Code, notified the Board of Directors that the Board of Statutory Auditors, which met on 9 May 2017 and 18 June 2018, inter alia assessed and confirmed the independence of its members on the basis of the criteria laid down by the Consolidated Finance Act, by the rules of conduct of the Board of Statutory Auditors drawn up by the National Board of Chartered Accountants and by the Corporate Governance Code promoted by Borsa Italiana S.p.A.

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

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

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

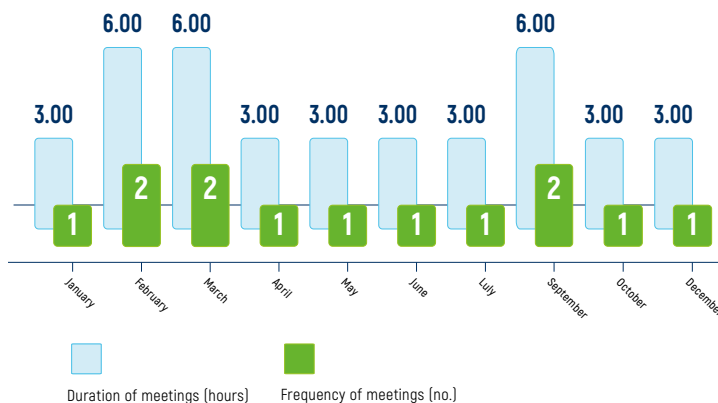
The Board of Statutory Auditors, at its meeting of 14 February 2019, proceeded to carry out, including through the use of a self-assessment questionnaire designed for such purpose by Corporate Affairs, an assessment with regard to the size, composition and functioning of the Board of Statutory Auditors in the course of financial year 2018 expressing, in this regard, an overall positive opinion accompanied by specific guidelines on diversity, and on professional figures who ought to be present within the Board, also taking into account factors such as training and professional characteristics, experience, gender and age. The findings of this process were communicated to the Board of Directors in the meeting of 20 February 2019.

During the 2018 financial year, the Board of Statutory Auditors held **13** meetings, while for financial year 2019 there are expected to be no fewer than **6** meetings before the expiry of the relevant mandate.

The average duration of the meetings held by the Board of Statutory Auditors was around **3 hours**.

At the date of approval of this document, the Board of Statutory Auditors had met **4 times**.

BOARD OF STATUTORY AUDITORS - FREQUENCY



Other appointments as director or statutory auditor held by Auditors in other companies listed in regulated markets, including abroad, in finance, banking and insurance companies or companies of significant size at 31 December 2018²⁹:

Elena Spagnol	<i>Chairman of the Board of Statutory Auditors of Fineco Bank S.p.A. Standing Auditor of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.</i>
Lelio Fornabaio	<i>Standing Auditor of Astaldi S.p.A. Standing Auditor of Atlantia S.p.A. Standing Auditor of Telepass S.p.A. Director of Aeroporto di Genova S.p.A. Chairman of the Board of Statutory Auditors of Italiana Petroli S.p.A.</i>

Shareholders' Meetings

Article 10 of the Articles of Association states that, in compliance with laws and regulations, holders of voting rights who have obtained a suitable certification issued in accordance with current regulations by the broker and notified to the Company according to the procedures and within the term set by current laws and regulations, are entitled to attend Shareholders' Meetings. Holders of voting rights may be represented by written 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 a different instrument which may be indicated in the notice.

Article 11 of the Articles of Association states that the Shareholders' Meeting must be convened by the governing body at least once a year, no later than one hundred and twenty days from the closing date of the financial year or, if the Company must prepare Consolidated Financial Statements and if required by specific provisions related to the organisation or the purpose of the Company, no later than one hundred and eighty days.

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

Article 13 of the Articles of Association 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

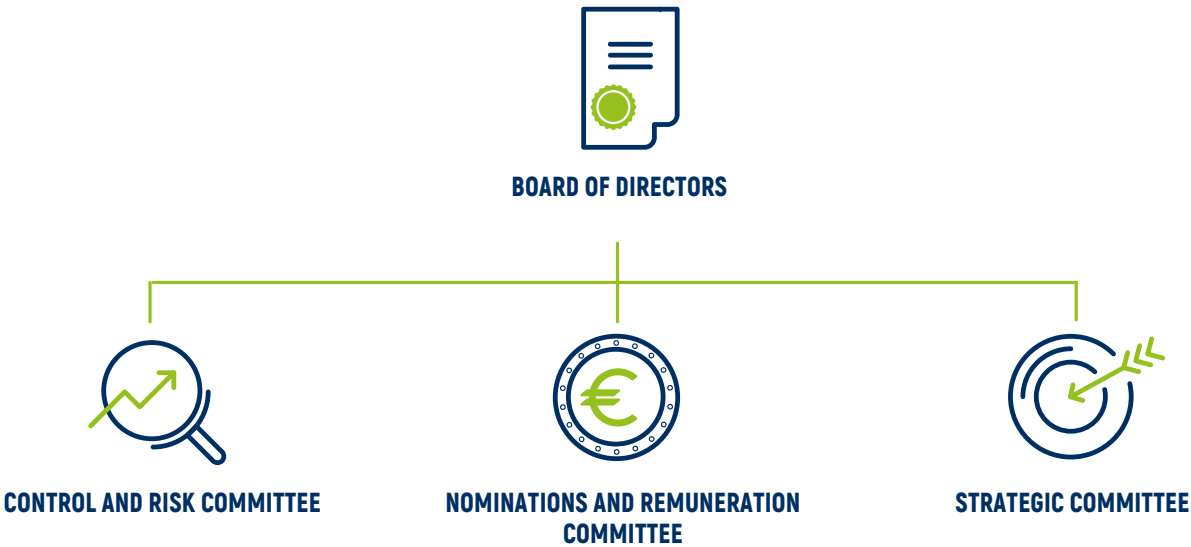
At the Ordinary Shareholders' Meeting, shareholders approved Regulations governing the proceedings of Ordinary and Extraordinary Shareholders' Meetings.

Article 14 of the Articles of Association expressly gives the Ordinary Shareholders' Meeting the possibility of adopting meeting Regulations.

²⁹ Other than offices held in Group companies.

5.1. BOARD COMMITTEES

The Board of Directors has set up the **Control and Risk Committee**, the **Nominations and Remuneration Committee** and the **Strategic Committee** to advise it and issue recommendations.





Control and Risk Committee



Mara Anna Rita Caverni
Chairman



Massimo Belcredi
Member



Elisabetta Oliveri
Member

Composition:

Mara Anna Rita Caverni - *Chairman*

Massimo Belcredi

Elisabetta Oliveri

Giovanni Marco Scollo - *Secretary*

The current Control and Risk Committee is comprised of, in accordance with the provisions of the Corporate Governance Code, three non-executive Directors, all independent as per the Consolidated Finance Act and mostly independent as per the Corporate Governance Code, appointed by the Board of Directors in the meeting of 23 April 2018³⁰.

With reference to the provisions of Principle 7.P.4. of the Corporate Governance Code³¹, it should be noted that in the first meeting of the Committee, held on 9 May 2018, the Director Mara Anna Rita Caverni, taking into account the experience gained by her over the previous three-year period, was appointed Chairman of the Control and Risk Committee

During its meeting on 9 May 2018, the Committee appointed a Secretary from outside of its members. Together with the Secretary, the Chairman coordinates the activities of the Committee and chairs its meetings.

The members of the Committee have adequate accounting, financial and risk management expertise³².

³⁰ The Control and Risk Committee up to 23 April 2018 was composed of the Directors Massimo Belcredi (Chairman), Mara Anna Rita Caverni and Barbara Cominelli.

³¹ *The Control and Risk Committee is made up of independent directors. Alternatively, the committee may be made up of non-executive directors, the majority of which being independent; in this case, the chairman of the committee is chosen from among the independent directors.*

³² These characteristics were assessed by the Board of Directors at the meeting of 23 April 2018.

Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor designated by him or, 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 Deputy Chairman, the Director in charge of the Internal control and risk management system, and the Chief Executive Officer, who are entitled to participate in the discussion of the agenda items and to identify adequate actions to confront critical or potentially critical situations, as well as (also depending on the topics to be discussed), the Chief Audit Officer, the Manager responsible for preparing the Company's financial reports, the General Counsel, the Head of Group Administration, the Head of Group Risk Management & Corporate Finance and the Head of Corporate Affairs.

Employees of Group companies, representatives of the independent auditors 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 Chief Audit Officer is invited to attend the meetings in order to report to the Committee, at least once a quarter, on the activity carried out from time to time.

The Manager responsible for preparing the Company's financial reports is invited to attend the meetings in order to inform the Committee, at least quarterly (in consideration of the approval and publication of interim financial reports), about the accounting standards applied in the preparation of periodic 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 Head of Group Administration is invited to attend meetings in order to report to the Committee, semi-annually, on the activity carried out from time to time with reference to compliance with Law 262/05.

The Head of Group Risk Management & Corporate Finance is invited to attend the meetings in order to report to the Committee, on a semi-annual basis, on the activity carried out from time to time with reference to Risk Management.

The Head of Corporate Affairs is invited to attend the meetings in order to report to the Committee, on a semi-annual basis, on the activity carried out from time to time with reference to compliance with Legislative Decree 231/01 and anti-corruption laws.

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

Committee members are provided, with reasonable advance notice with respect to the meeting date (at least 48 hours before the meeting, subject to exceptions), with the documentation and information required to enable them to express an informed opinion on the matters under consideration. During meetings, where appropriate, specific and timely insights are ensured and obtained with the support of 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, where deemed appropriate, resolutions are taken without other parties being present.

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. As from the date of adherence by the Company to the edition of the Corporate Governance Code published in July 2015³³, the Chairman of the Committee reports to the Board of Directors at the first board meeting on the meetings held by the Committee in the intervening period.

In general, it supports, through adequate investigations, 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.

Specifically:

- 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 verification of the adequacy of the actual operation and efficiency 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 and on the proposal for his/her 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 function;
- it assesses the annual work plan and the related budget prepared by the Head of Internal Audit and his/her periodic audit reports, requesting, where applicable, audits on specific operating areas;
- it examines 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, and having consulted the Independent Auditors and the Board of Statutory Auditors, the correct use of the accounting standards and their consistency for the purposes of drawing up the Consolidated Financial Statements, the draft Financial Statements and the Interim Financial Statements;
- it maintains appropriate relations with the Independent Auditors, the Board of Statutory Auditors, the Director in Charge of the Internal Control and Risk Management System, the Head of Internal Audit, and other departments within the Group's organisational structure that communicate with these parties, in such a way as to encourage them to carry out their respective activities in common areas of intervention in an effective and coordinated manner;
- it informs the Board of Directors, at least once every six months, upon approval of the Annual and Interim Financial Reports, about the work carried out and the adequacy of the ICRM System;

³³ As from 15 December 2015.

- it reviews the annual work plan prepared by the Supervisory Body, established pursuant to the provisions of Legislative Decree 231/01, and the interim reports;
- it reviews the annual work plan for compliance with Legislative Decree 231/01 and anti-corruption laws, and the interim reports;
- it reviews the annual work plan for compliance with Law 262/05 and the interim reports;
- it assesses the continuous adequacy over time of the corporate procedures intended to regulate, 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 deemed by the Committee to be necessary or appropriate for them to better carry out their respective duties in the areas of control, risk management and corporate disclosure;
- it provides to the Board of Directors and to the relevant bodies the opinions required by the Procedure for Transactions with Related Parties, where applicable being specifically comprised of two Independent Directors belonging to the same Committee and the other Independent Director belonging to the Nominations and Remuneration Committee³⁴. If a member of the Committee is the counterparty of the transaction to be evaluated, or a related party thereto, the other members of the Committee shall call to participate in the meeting another unrelated independent director or, if there are none, an unrelated 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. Within the scope of the activity performed by the Committee members for the purposes of the Procedure for Transactions with Related Parties, the Board of Directors has not set any expense limit even for transactions of “Minor Relevance”.

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 2018, the Committee held **11 meetings** - all duly recorded in minutes - during which, in addition to approving its calendar and organising its work, it addressed issues relating to the following macro-issues:

- Group governance;
- Internal Control and Risk Management System;
- Obligations as per Legislative Decree 231/01 and the Anti-Corruption System;
- Group administrative and accounting processes;
- Related parties;
- Information flows with the Board of Statutory Auditors.

³⁴ For transactions pertaining to the allocation or increase of remuneration and economic benefits, in any form, to a member of a governing or controlling body of the Company or to a Key manager of the Company or otherwise to one of the persons who holds the offices indicated in Annex 1 to the Procedure for Transactions with Related Parties, the Committee called upon to issue its opinion on the interest of the Company in the completion of the transaction with the related party and on the advantageousness and substantial correctness of the related conditions is the Nominations and Remuneration Committee, specifically comprised, where applicable, of two Independent Directors belonging to the same Committee and the other Independent Director belonging to the Control and Risk Committee, provided that the aforementioned transactions pursuant to Article 3.2, subsection c) of said Procedure are not excluded from the sphere of application of the same procedure.

The most significant issues covered by the Committee are as follows:

With regard to Group Governance*Guidelines, procedures and standards*

- it examined and shared the proposed updates to the Group Code of Ethics and the Guidelines of the Internal Control and Risk Management System.

Specific in-depth examinations carried out

- it took note of the updates to the process for the conferral of statutory audit mandates within the ERG Group;
- it examined the approach followed in the preparation of the Remuneration Report relative to financial year 2018-2019;
- it examined the approach followed in the preparation of the Consolidated Non-Financial Statement at 31 December 2017;
- it verified the sphere of application of Articles 2497 et seq. of the Italian Civil Code with reference to (i) relations between ERG S.p.A. and its parent San Quirico S.p.A.; (ii) the scope of ERG S.p.A.'s management and coordination activities; (iii) the list of companies with which these activities are carried out;
- it examined and shared the process of adaptation to the new legislation in the matter of privacy provided by EU Regulation 2016/679.

With regard to the Internal Control and Risk Management System*Dealings with Director in charge of the Internal Control and Risk Management System*

- it expressed a favourable opinion on the proposal to determine the variable remuneration relating to 2018 and to define the fixed and variable remuneration relating to 2019 for the Chief Audit Officer.

Dealings with Internal Audit

- it examined the quarterly update on the activities of Internal Audit, requesting specific insights in this regard;
- it examined and issued a favourable opinion on Internal Audit's 2019 activity plan and budget.

Dealings with Group Risk Management & Corporate Finance

- it examined the half-yearly update on the Enterprise Risk Management process following the activities to assess risk and the main risks that may have an impact on achieving the objectives of the Business Plan, providing some recommendations;
- it examined the Risk Report on the Business Plan.

Obligations in connection with Legislative Decree 231/01 and the Anti-Corruption System*Dealings with the Supervisory Body*

- it examined, on a six-monthly basis, the periodic reports on the activity carried out by the Supervisory Body;
- it examined the schedule of activities and budget of the Supervisory Body for 2019.

Dealings with the 231 Compliance department

- it analysed the interim reports on activities in relation to compliance with Legislative Decree 231/01 and anti-corruption laws;
- it examined the plan of activities in relation to compliance with Legislative Decree 231/01 and anti-corruption laws for 2019.

With regard to the Group's administrative and accounting processes

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

- it examined the implementation of the impairment test procedure for the Financial Statements at 31 December 2017, and the most relevant general issues resulting from its application;
- it assessed, together with the Manager responsible for preparing the Company's financial reports, and having consulted the Independent Auditors and the Board of Statutory Auditors, the correct use of the accounting standards for the purposes of drawing up the draft Financial Statements at 31 December 2017 and the Interim Financial Report at 30 June 2018, and their uniformity for the purposes of drawing up the relative Consolidated Financial Statements, as well as the fundamental issues arising in the course of the statutory audit;
- it took note, having consulted the Manager responsible for preparing the Company's financial reports, together with the Board of Statutory Auditors, of the highlights of the operating, cash flow and capital figures in the Interim Directors' Reports at 31 March 2018 and 30 September 2018, making no observations or remarks in this regard.

Dealings with 262 Compliance

- it analysed the interim reports on activities in relation to compliance with Legislative Decree 262/05, from which no elements emerged that could impede the issue of the statement by the Manager responsible for preparing the Company's financial reports and the statement by the Chief Executive Officer of ERG S.p.A. pursuant to Article 154-bis, paragraph 5, of the Consolidation Finance Act;
- it examined the risk assessment for 2018 pursuant to Law 262/05.

Specific in-depth examinations carried out

- it took note of the main features of the intra-group service agreements for 2018;
- it examined the methods for renewing the Group VAT liquidation procedure for the 2018 tax year;
- it analysed the main aspects relating to the domestic tax consolidation of ERG S.p.A., the indirect subsidiary ERG Wind Investments Ltd. and the companies belonging to ERG Solar Holding 1 S.r.l. (formerly Forvei group).

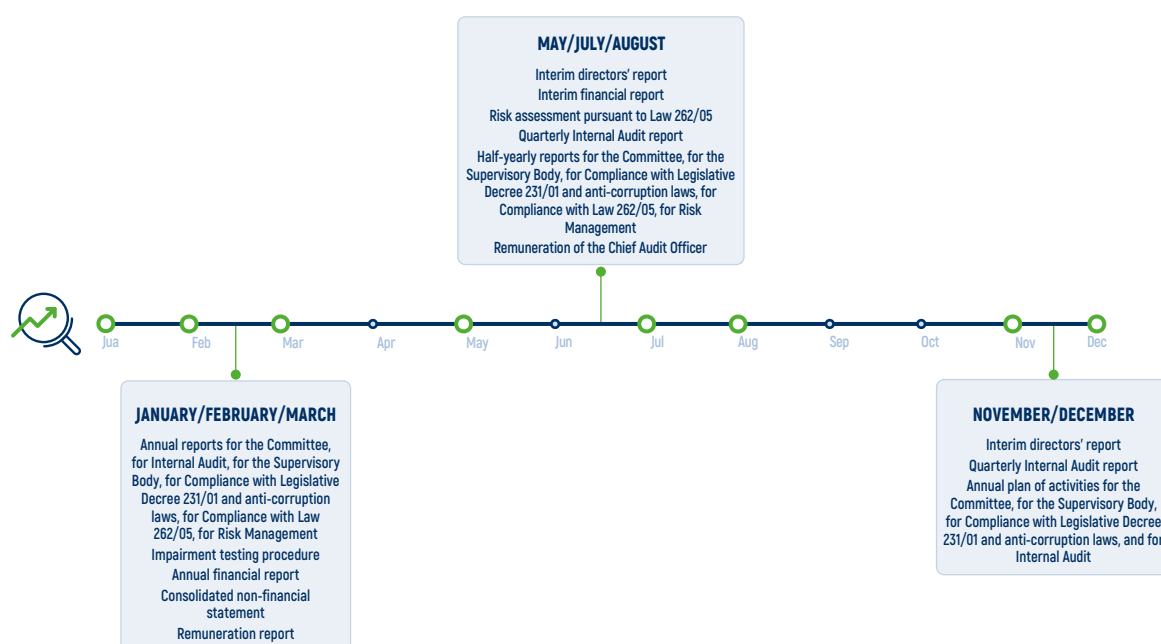
With reference to the provisions of the Procedure for Transactions with Related Parties

- it examined, in accordance with the Procedure for Transactions with Related Parties, a transaction of lesser importance between the parent San Quirico S.p.A. and ERG S.p.A. and issued a non-binding reasoned opinion on the interest of ERG S.p.A. in concluding the transaction, as well as on the advantageousness and substantial correctness of the relative conditions;
- it examined the checks carried out on the thresholds as referred to in the Procedure for Transactions with Related Parties and acknowledged their appropriateness.

As regards the information flows with the Board of Statutory Auditors

- it has been able to constantly interact with the Board of Statutory Auditors, which has participated in all the meetings of the Committee;
- it consulted the Board of Statutory Auditors as part of the process to assess the proper application of accounting principles and their consistency for the purposes of drawing up periodic financial reports.

CONTROL AND RISK COMMITTEE WORKS CALENDAR

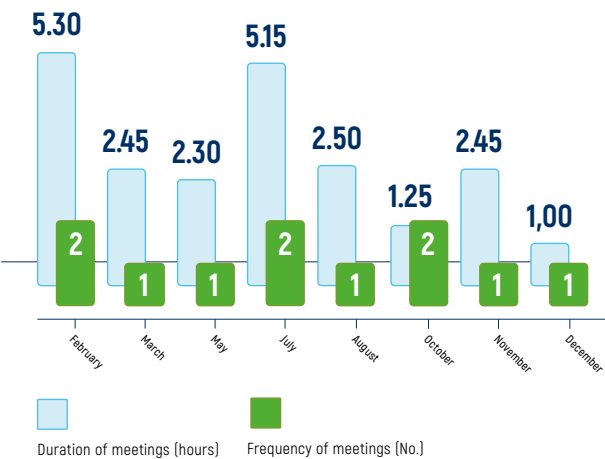


The Committee deemed it possible to confirm, in light of the activities carried out in 2018, its positive assessment with regard to the adequacy of the Internal Control and Risk Management System.

The average duration of the meetings held by the Committee was around **2 hours and 10 minutes**.

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

CONTROL AND RISK COMMITTEE - FREQUENCY





Nominations and Remuneration Committee



Silvia Merlo
Chairman



Barbara Cominelli
Member



Paolo Francesco Lanzoni
Member

Composizione:

Silvia Merlo - *Chairman*

Barbara Cominelli

Paolo Francesco Lanzoni

Giovanni Marco Scollo - *Secretary*

In accordance with the provisions of the Corporate Governance Code, the current Nominations and Remuneration Committee is comprised of three non-executive Directors, all independent as per the Consolidated Finance Act and mostly independent as per the Corporate Governance Code, appointed by the Board of Directors in the meeting of 23 April 2018³⁵. With reference to the provisions of Principle 6.P.3. of the Corporate Governance Code³⁶, it should be noted that in the first meeting of the Committee, held on 8 May 2018, the Director Silvia Merlo, taking into account the experience gained by her over the previous three-year period, was appointed Chairman of the Nominations and Remuneration Committee.

During its meeting on 8 May 2018, the Committee appointed a Secretary from outside of its members. Together with the Secretary, the Chairman coordinates the activities of the Committee and chairs its meetings.

The members of the Committee have adequate financial and remuneration policy expertise³⁷.

Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor designated by him/her or, depending on the topics to be discussed, by all members of the Board of Statutory Auditors; meetings may also be attended, upon invitation, by the Chairman of the Board of Directors, the Executive Deputy Chairman and the Chief Executive Officer, who are entitled to participate in the discussion of the agenda items and to identify adequate actions to confront critical or potentially critical situations.

³⁵ The Nominations and Remuneration Committee up to 23 April 2018 was composed of the Directors Paolo Francesco Lanzoni (Chairman), Mara Anna Rita Caverni and Silvia Merlo.

³⁶ "The Board of Directors shall establish among its members a Remuneration Committee, made up of independent directors. Alternatively, the Committee may be made up of non-executive directors, the majority of which being independent; in this case, the chairman of the Committee is chosen from among the independent directors."

³⁷ These characteristics were assessed by the Board of Directors at the meeting of 23 April 2018.

Employees of Group Companies, representatives of the independent auditors 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 Committee meets at least quarterly, according to a schedule set with sufficient advance notice.

Committee members are provided, with reasonable advance notice with respect to the meeting date (at least 48 hours before the meeting, subject to exceptions), with the documentation and information required to enable the Committee to express an informed opinion on the matters under consideration. During meetings, where appropriate, specific and timely insights are ensured and obtained with the support of representatives of Group management, invited to participate for that purpose.

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 the Remuneration Committee³⁸. As from the date of adherence by the Company to the edition of the Corporate Governance Code published in July 2015³⁹, the Chairman of the Committee reports to the Board of Directors at the first board meeting on the meetings held by the Committee in the intervening period.

Specifically:

With reference to the activities of the **Remuneration Committee**:

- it makes recommendations to the Board of Directors regarding the remuneration of the Chairman, Deputy Chairmen, Chief Executive Officer and, more generally, Directors with powers or specific duties and the Directors called to serve on the Strategic Committee who do not hold positions on the Board of Directors and, upon indication by the Chief Executive Officer, regarding the determination of criteria for the remuneration of the Company's top management and for the definition of incentive plans for the Group management;
- it periodically assesses the adequacy, overall consistency and concrete application of the Remuneration Policy for members of the Board of Directors and Key management personnel;
- it provides to the Board of Directors and to the relevant bodies the opinions required by the Procedure for Transactions with Related Parties, being, where applicable, specifically comprised of two Independent Directors belonging to the same Committee and the other Independent Director belonging to the Control and Risk Committee, (i) on the Company's interest in carrying out transactions involving the assignment or the increase in remuneration and benefits, in any form, to a member of an administrative or control body of the Company or to a Key Manager thereof or otherwise to one of the persons holding the offices indicated in Annex 1 to the Procedure for Transactions

³⁸ In compliance with the conditions outlined for both Committees in the Corporate Governance Code, without prejudice to what is stated in relation to Principle 6.P.3. of the Corporate Governance Code.

³⁹ As from 15 December 2015.

with Related Parties, and (ii) on the advantageousness and substantial correctness of the relative conditions, and shall comprise members of the Nominations and Remuneration Committee, provided that the said transactions pursuant to Article 3.2, subsection c), of said Procedure, are not excluded from the scope of the procedure itself⁴⁰. If a member of the Committee is the counterparty of the transaction to be evaluated, or a related party thereto, the other members of the Committee shall call to participate in the meeting another unrelated independent director or, if there are none, an unrelated standing member of the Board of Statutory Auditors.

With reference to the activities of the **Nominations Committee**:

- 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 functioning 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, or insurance companies or companies of significant size that may be considered to be compatible with an effective performance of the duties of a directorship in the Company.

To better carry out its duties, the Committee may employ outside consultants at the Company's expense. Within the scope of the activity performed by the Committee members for the purposes of the Procedure for Transactions with Related Parties, the Board of Directors has not set any expense limit even for transactions of "Minor Relevance".

Whenever the Committee discusses the formulation of proposals for the remuneration of the Chairman, the Executive Deputy Chairman and the Chief Executive Officer, 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 financial year 2018, the Committee held **6 meetings** - all duly recorded in minutes - during which, in addition to approving its calendar and organising its work, it

⁴⁰ If the conditions per Article 3.2 subsection c) of the Procedure for Transactions with Related Parties are met, i.e. (i) that the Company has adopted a remuneration policy; (ii) that the Nominations and Remuneration Committee was involved in defining the remuneration policy; (iii) that a report illustrating the remuneration policy has been submitted for the Shareholders' Meeting consultative vote; (iv) that the remuneration assigned is consistent with said policy - subject to the disclosure obligations per Article 154-ter of the Consolidated Finance Act, the Procedure shall not apply to transactions pertaining to the assignment or increase of remuneration and economic benefits, in any form, to a member of a governing or controlling body of the Company or to a Key manager thereof or otherwise to one of the persons who hold the offices indicated in Annex 1 to the Procedure for Transactions with Related Parties.

with reference to the activities of the **Remuneration Committee**:

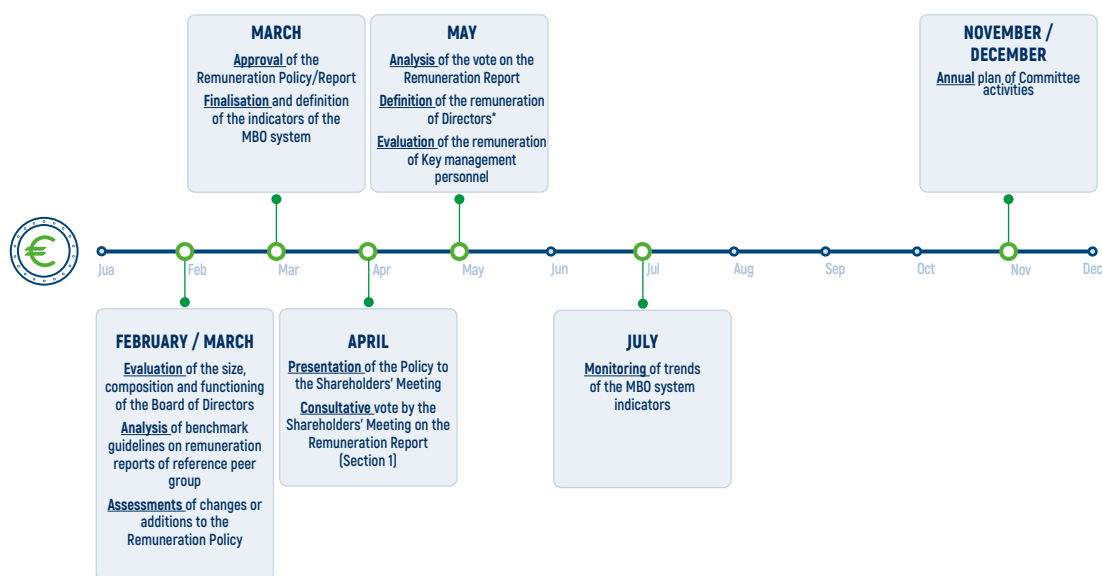
- formulated proposals for setting the remuneration of the Chairman, Deputy Chairmen, Chief Executive Officer and, more generally, Directors with powers or specific duties and the Directors called to serve on the Strategic Committee who do not hold positions in the Board of Directors;
- issued its opinion on assessing/determining the remuneration of certain Key managers⁴¹ and the Chairman of a company belonging to the ERG Group, a related party of ERG S.p.A.;
- issued opinions - and where appropriate proposals - on the recognition and relevant determination of non-recurring remuneration to the Chief Executive Officer, Deputy Chairman and certain managers of the Company. The members of the Nominations and Remuneration Committee formulated the aforementioned proposals or assessments also taking into account the provisions of the Procedure for Transactions with Related Parties;
- made decisions, with reference to the MBO system, regarding (i) the definition of the corporate objective (reference target value) for financial year 2018, (ii) the profit achieved in 2017 with respect to the business objective assigned (reference target value);
- made decisions with reference to the results related to the indicators of the 2015-2017 LTI System, noting the achievement of the objectives assigned by the LTI System during the three-year period 2015-2017;
- actively participated in the process to define the new 2018-2020 LTI System and to update the Company's Remuneration Policy, in order to incorporate the conditions necessary to implement the System in the light of the 2018-2022 Business Plan;
- analysed the consultative vote of the Shareholders' Meeting on the first section of the Company's Remuneration Report, concerning financial year 2018;
- assessed the adequacy, overall consistency and practical application of the Company's Remuneration Policy, using the information provided by the Chief Executive Officer and the Executive Deputy Chairman;

with reference to the activities of the **Nominations Committee**:

- prepared a support document for the assessment of the Board of Directors in relation to the size, composition and functioning of the Board and its Committees during financial year 2018 using the valuation criteria used in the previous year and the findings of a self-assessment questionnaire sent to the members of the Board of Directors and the Board of Statutory Auditors;
- analysed and shared the suitability of the succession plan in place within the ERG Group as regards both Key management personnel and middle management.

⁴¹ The remuneration of the Chief Audit Officer is determined by the Board of Directors at the proposal of the Manager responsible for the Internal Control and Risk Management System, with the favourable opinion of the Control and Risk Committee following consultation with the Board of Statutory Auditors.

WORKS CALENDAR, NOMINATIONS AND REMUNERATION AND SIGNIFICANT EVENTS IN RELATION TO THE REMUNERATION POLICY

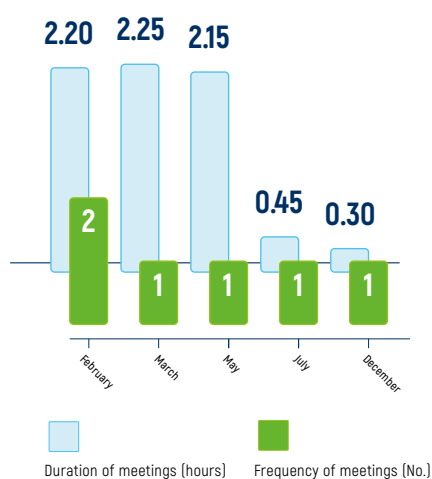


* Executive or entrusted with special powers

The average duration of the meetings held by the Committee was around **1 hour and 25 minutes**.

At the date of approval of this document, the Nominations and Remuneration Committee had met **twice**.

NOMINATIONS AND REMUNERATION COMMITTEE FREQUENCY





Strategic Committee



Alessandro Garrone
Chairman



Giovanni Mondini
Member



Luca Bettonte
Member



Marco Costaguta
Member



Elisabetta Oliveri
Member



Paolo Luigi Merli
Member

Composition:

Alessandro Garrone - *Chairman*

Giovanni Mondini

Luca Bettonte

Marco Costaguta

Elisabetta Oliveri

Paolo Luigi Merli

Paolo Luigi Merli - *Secretary*

The Committee advises and issues recommendations to the Chief Executive Officer and to the Board of Directors of ERG and to the Boards of Directors of the Group's operating companies.

In accordance with the strategies and policies approved by the Board of Directors, the Committee's activities include the definition of strategic business and portfolio guidelines, guidelines and policies on strategic finance and for individual extraordinary financial transactions, and the monitoring of the progress of their implementation over time.

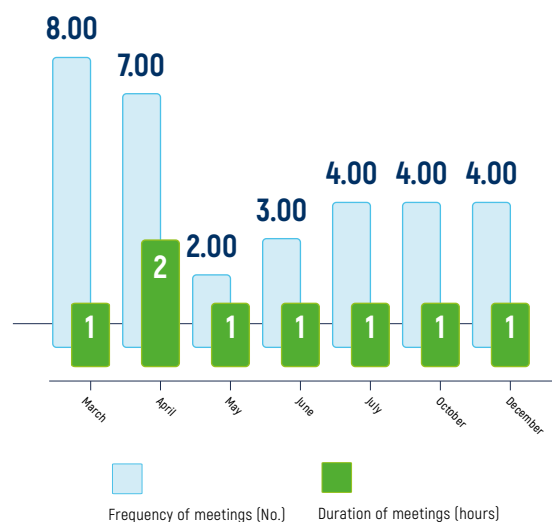
The Committee also examines the long-term strategic plans and capital expenditures budgets of the Group and of the operating companies, as well as the strategic benefits of significant capital expenditures effected at the Group level.

In 2018, the Committee held **8 meetings**.

The average duration of the meetings held by the Committee was around **4 hours**.

At the date of approval of this document, the Strategic Committee had met **2 times**.

STRATEGIC COMMITTEE – FREQUENCY



5.2. INTERNAL COMMITTEES



The composition of the Internal Committees (non-board committees, composed of Group managers) is aligned with the working model of the Group's organisational structure.



Management Committee

Committee tasked with advising and consulting with respect to the Chief Executive Officer. In particular it:

- monitors the economic, financial and industrial results of the Group;
- follows development in the institutional and regulatory framework;
- analyses development opportunities and monitors relevant projects within the strategic plan ensuring all organisational units are aligned in terms of priorities.



Investment Committee

Committee tasked with advising and consulting with respect to the Chief Executive Officer. In particular it:

- provides support to the Chief Executive Officer in assessing investment proposals;
- expresses a technical, economic and financial opinion for the Strategic Committee at various stages in the investment approval process.



Human Capital Committee

Committee tasked with advising and consulting with respect to the Executive Deputy Chairman and the Chief Executive Officer. In particular it:

- defines and monitors the main human capital development programmes and activities;
- provides support to the Executive Deputy Chairman and the Chief Executive Officer in decisions relating to strategies that determine the value of the human capital of ERG;
- monitors the effective implementation of the Human Rights Policy and manages reports relating to non-compliance thereof.



Risk Committee

Committee tasked with advising and consulting with respect to the Chief Executive Officer. In particular it:

- supports the Chief Executive Officer in defining strategies and policies for the management of financial and market risks;
- provides the Chief Executive Officer with information required to authorise financial and market risk management operations, and to monitor the execution of significant transactions and verify their effects.



Sustainability Committee

Committee tasked with advising and consulting with respect to the Chairman of the Board of Directors. In particular it:

- defines the Group's sustainability guidelines and promotes the implementation of consistent practices in the field of corporate social responsibility;
- approves, monitors and evaluates sustainability objectives and priority areas for action relating to CSR;
- approves the time-frames and communication methods of the None-Financial Statement and CSR initiatives.



Credit Committee

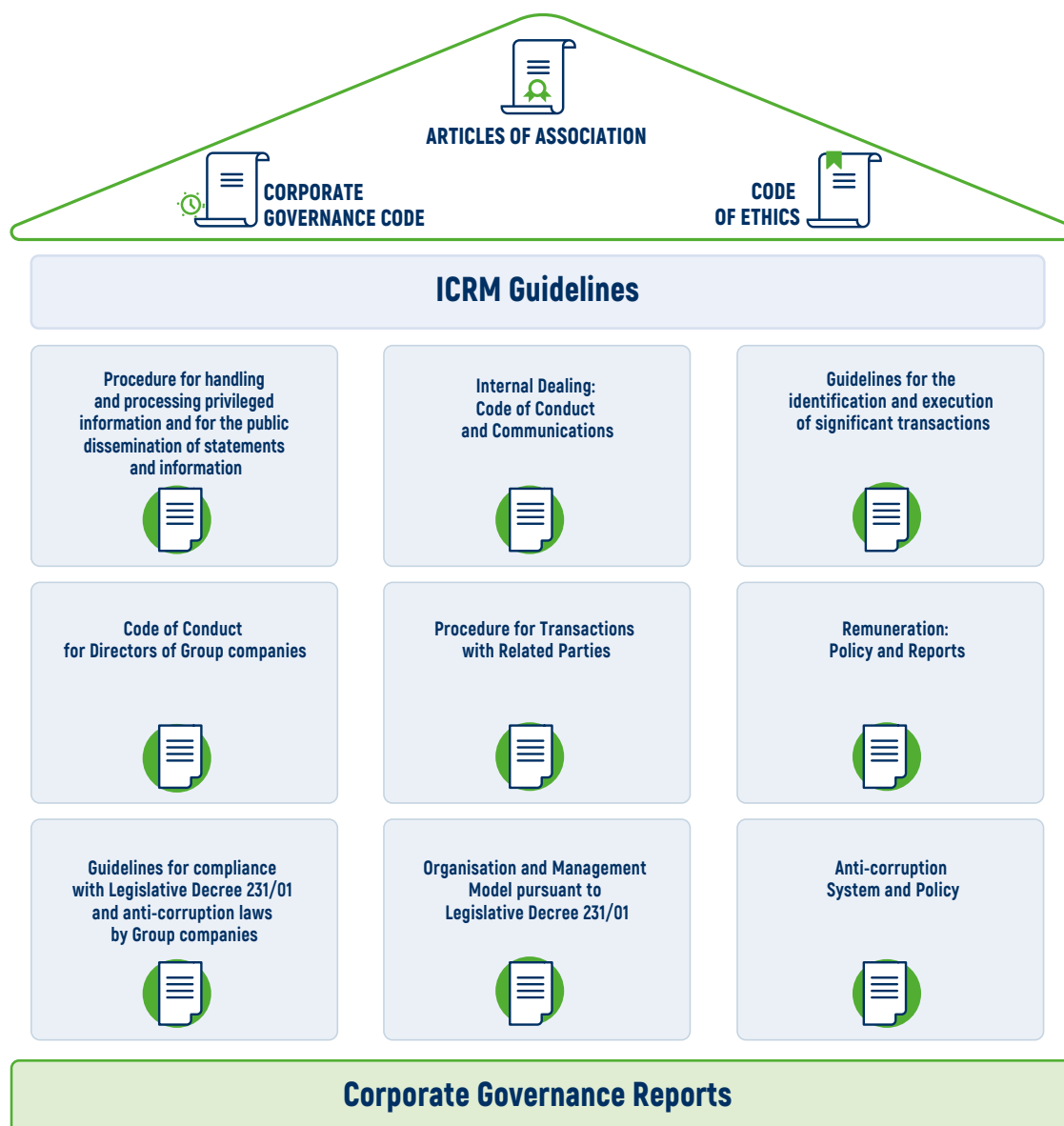
Committee tasked with advising and consulting with respect to the Chief Executive Officer. It is responsible in particular for:

- the granting of credit facilities;
- analysis of deadlines and collection performance;
- assessment and verification of past-due recovery plans;
- general assessment of credit performance.

5.3. CORPORATE GOVERNANCE DOCUMENTS

Governance & Conduct

ERG has adopted a Corporate Governance system that complies with the provisions of the Corporate Governance Code and is strongly focused on business ethics, i.e. the set of values that inspires all of the company's activities, at all levels, in order to guarantee a business management process designed to create value for shareholders while ensuring the legality, transparency and honesty of relations and business activities.



Articles of Association

The Articles of Association, as illustrated in detail in the Report, contain 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 is an instrument for raising the awareness of all employees and associates and all other stakeholders so that, when carrying out their activities, they adopt correct and accountable conduct in line with the ethical and social values to which ERG aspires. The Code of Ethics is therefore an essential part of the Organisation and Management Model pursuant to Legislative Decree 231/01.

The Code of Ethics was revised in 2018 to take into account changes made to the business, with particular reference to the exit from the downstream sector, the increasingly international scope of the ERG Group, certain regulatory changes, in particular as regards the handling of privileged information and ensuring confidentiality relative to the identity of those who, in good faith, report possible violations of ethical principles related to corporate sustainability, such as the fight against corruption, respect for human rights and the protection of working conditions, with reference to which certain rules of conduct have been specified further, and lastly the Anti-Corruption System and Policy have been adopted. The latest revision to the Code of Ethics was approved by ERG's Board of Directors on 3 August 2018. The Code of Ethics is adopted by all companies in the Group, both Italian and foreign, and it is available in English, French and German.

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

Group employees are provided with both classroom training and an e-learning course, use of which is tracked in the system.

Corporate Governance Code

The Company has adhered to the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. since its first edition in 1999. On 15 December 2015, the Board of Directors, following the Control and Risk Committee's preliminary assessment of the main amendments made, decided to adopt the new edition of the Corporate Governance Code published in July 2015. It is noted that with reference to the criteria of gender diversity referred to in principles 2.P.4. and 8.P.2, introduced in the edition of the Corporate Governance Code published in July 2018, the Board of Directors, in its meeting of 6 March 2019, in light of the positive experience gained in this regard, even though the provisions referred to in Article 147-ter, paragraph 1-ter and Article 148, paragraph 1-bis of the T.U.F. shall cease to be effective - based on current regulations - respectively, at the expiry of the mandate given to the Board of Directors for the three-year period 2021-2023 and the expiry of the mandate given to the Board of Statutory Auditors for the three-year period 2022-2024, resolved to carry out every appropriate assessment on adhesion to the aforesaid criteria in the course of the current mandate.

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 the public dissemination 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, most recently approved by the Board of Directors on 9 August 2017, defines the tasks and responsibilities of the functions 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. For this purpose, it contains prescriptions aimed at assuring an exhaustive and timely flow of information within the companies of the Group and between them and the listed Parent Company for the purposes of compliance with information obligations pertaining to "price sensitive" events, vis-à-vis the market and the organisations tasked with its supervision.

Code of Conduct for Internal Dealing

The Board of Directors has adopted a Code of Conduct - most recently approved by the Board of Directors on 11 May 2017 - in order to give transparency to financial transactions carried out by Relevant Persons, namely 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 Corporate Governance Code - remain the exclusive responsibility of the Board of Directors.

The guidelines - most recently approved by the Board of Directors on 1 January 2017 - 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 in respect of which ERG performs management and coordination activities in accordance with Article 2497 et seq. of the Italian Civil Code which must be previously 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 - most recently approved by the Board of Directors on 14 May 2014 - for Directors appointed in Group companies, in order to provide them with 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 11 November 2010, following favourable opinion from the Control and Risk Committee and with the input of the Board of Statutory Auditors, approved and adopted a specific internal resolution - effective from 1 January 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 was most recently updated on 1 January 2017 in order to take account of organisational changes.

Policy for the remuneration of members of the Board of Directors and of Key management personnel

With its resolution of 20 December 2011, at the proposal of the Nominations and Remuneration Committee, the Board of Directors adopted a Remuneration Policy for the members of the Board of Directors and for Key management personnel, in line with the provisions of the Corporate Governance Code. At the proposal of the Nominations and Remuneration Committee, this policy has been revised as follows:

- on 18 December 2012, to take into account the powers delegated by the Board of Directors (appointed by the Shareholders' Meeting of 20 April 2012) and the adoption of the 2012-2014 LTI System;
- on 11 March 2015, to take into account, with effect from 2015, the Company's adherence to the current Corporate Governance Code and the general principles of the 2015-2017 LTI System⁴²;
- on 22 March 2016, in order to implement the resolution of the Board of Directors of 15 December 2015 defining the conditions necessary to implement the 2015-2017 LTI System, in line with the Policy itself and based on the 2015-2018 Business Plan;
- on 9 March 2017, in order to implement (i) the organisational changes occurring following the reorganisation of the risk management, compliance and internal control processes of the ERG Group and the "One Company" Project, (ii) the introduction of a clause to which any deferred payment of non-recurring remuneration is subject, following assessment by the Nominations and Remuneration Committee and resolution by the Board of Directors;
- on 7 March 2018, to take into account, with effect from 2018, the essential elements of the general principles of the 2018-2020 LTI System.

Guidelines for compliance with Legislative Decree 231/01 and Anti-Corruption Laws within ERG Group companies

ERG, with particular reference to the definition of the corporate governance system and within the scope of the

⁴² For any additional information on this matter, please refer to the Remuneration Report referred to in Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting convened in April 2018, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.

management and coordination activities carried out in respect of directly or indirectly controlled Italian and foreign subsidiaries within the meaning of Article 93⁴³ of the Consolidated Finance Act (the "Subsidiaries" and, together with ERG, the "ERG Group companies" or the "ERG Group") - 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 ERG Group -, decided to summarise in the Guidelines the general reference principles and rules that Subsidiaries are asked to take into consideration.

In particular, the Guidelines have a general control function over:

- the adoption of the Code of Ethics and the Anti-Corruption Policy by all the Subsidiaries;
- the assessment, by each Italian Subsidiary, of activities within which there is the potential risk of offences being committed and the consequent implementation of instruments to achieve compliance with Legislative Decree 231/01.

The latest version of the Guidelines was approved by ERG's Board of Directors on 9 October 2017.

Organisation and Management Model pursuant to Legislative Decree 231/01 and Supervisory Body

The purpose of Model 231 is to ensure conditions of correctness and transparency in the performance of company activities. It is therefore intended to serve as a valid instrument aimed at preventing the risk of committing the offences sanctioned by Legislative Decree 231/01.

On 21 December 2004, the ERG Board of Directors resolved to adopt for the first time an organisation, management and control model pursuant to Legislative Decree 231/01 and appointed the Supervisory Body.

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

Model 231 was designed and is periodically updated according to Confindustria Guidelines as well as Position Papers issued by the AODV (Italian association of supervisory bodies). In accordance with laws and regulations, Model 231 includes a disciplinary system aimed at sanctioning any violations of the Model or the Code of Ethics, and the failure to comply with company safeguard procedures.

The version of Model 231 currently in force was approved by the Board of Directors of 12 July 2017. An extract of the document is published in the "Corporate Governance" section of the website www.erg.eu. An English version is also provided.

43 "(...) In addition to those laid down in Article 2359, first paragraph, numbers 1 and 2, of the Italian Civil Code, the following are also considered subsidiaries: a) Italian or foreign companies over which a person is entitled, by virtue of a contract or of a statutory provision, to exercise a dominant influence when the applicable law allows such contracts or provisions; b) Italian or foreign companies over which a partner, on the basis of agreements with other shareholders, has alone sufficient votes to exercise a dominant influence in the ordinary shareholders' meeting. (...) the rights pertaining to subsidiaries or exercised through trustees or other parties are also taken into consideration; those exercised on behalf of third parties are not taken into consideration."

Model 231 was developed taking into consideration the main positions expressed with respect to the following characteristics that it must possess:

- **effectiveness:** the adequacy of the set of controls established to prevent the committing of offences;
- **specificity:** the Model takes 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 structural and business characteristics of the company, in cooperation with the Supervisory Body which keeps it up to date and current over time.

The structure of Model 231 adopted by ERG includes the following significant components:

- **Code of Ethics**, which expresses the reference principles that must guide the activity of all those who contribute, with their work, to the performance of corporate activities;
- **general part**, which defines the overall structure of the Model, in relation to the provisions of Legislative Decree 231/01 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;
- **specific part**, which defines the rules to be followed in the performance of sensitive activities.

In 2018, a risk assessment was carried out on the main regulatory changes introduced, including, in particular, the reform of Article 6 of Legislative Decree 231/01 in the matter of the protection of whistleblowers, the findings of which will be taken into account when updating Model 231, as scheduled for 2019.

At Group level, following the acquisition of 18 companies operating in the sector of the generation of energy from solar sources, a risk assessment was carried out which ended with the adoption by the aforesaid companies of the ERG Group Code of Ethics, the updating of Model 231 and the appointment of a new Supervisory Body.

Together with the adoption of Model 231, the decision to comply with Legislative Decree 231/01 led to the appointment of the Supervisory Body, tasked with overseeing the observance of the Code of Ethics and assuring the adequacy and actual implementation of the Model, and evaluating whether it is necessary to subsequently update it.

The Supervisory Body, appointed by the Board of Directors on 23 April 2018 is comprised of:

- an external member, identified as a Statutory Auditor of the Company, acting as Chairman (Lelio Fornabaio);
- one internal member, identified as the Head of Corporate Affairs, responsible for the "231 Compliance" department (Giovanni Marco Scollo);
- the Chief Audit Officer (Gabriello Maggini).

This composition, in its collegiality, guarantees the independence, autonomy, professionalism and continuity of action required by regulations.

The members of the Supervisory Body shall remain in office for a period preferably no longer than three years and may be reappointed. In the case of expiry 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 members by the new Board of Directors. In order to regulate its internal operations, the Supervisory Body approves its own internal regulations. In 2018, the Supervisory Body met 5 times, where necessary meeting with department heads to obtain insights on specific matters. It also met, on 3 occasions, with the Control and Risk Committee to explain the activities carried out and the Plan of activities for 2019.

The Supervisory Body carries out its activities with respect to the Parent Company ERG, while the Subsidiaries, which have their own Model, have appointed their own Supervisory Body.

The synergies between the Code of Ethics and Model 231 are highlighted by the assignment of the ERG Supervisory Body as Guarantor of the Code of Ethics. Similarly, each subsidiary, having its own Supervisory Body, assigns the task of Guarantor of the Code of Ethics to its own Supervisory Body.

In preparing proposals for the updating of Model 231, the Supervisory Bodies of ERG and of its subsidiaries rely on ERG's "231 Compliance" department, which also handles the activities of technical secretariat of the corporate boards and committees; verification of the adequacy of Model 231 and compliance with the controls contained therein, as well as with the Code of Ethics, are instead entrusted to the Internal Audit function of ERG which, in addition to audit activities with 231 impacts, carries out on behalf of the Supervisory Bodies periodic "231 test" activities on sensitive activities that, following risk assessment, were found to be at "high" and "medium" risk ("low" risk activities are monitored, except in specific cases, through the review of information flows).

To increase the effectiveness of the governance and internal control of the Company, information flows are provided to the Supervisory Body. The primary function of the information flows is to enable the Supervisory Body to continuously oversee the functionality of Model 231 and to identify possible steps to amend the Internal Control and Risk Management System. To this end, the Supervisory Body has adopted a special procedure that identifies the relevant information flows, the timing for transmission, and the individuals responsible. In order to manage communications to the Supervisory Body, a dedicated e-mail address has been set up in addition to a traditional mail address. With reference to the provisions of the Commentary on Article 7 of the Corporate Governance Code⁴⁴, it is specified that the information flows to the Supervisory Body are made through specific channels and guarantee the anonymity of the whistleblower.

In the course of 2018, the Supervisory Bodies of the Group Companies approved the "Procedure for the regulation

⁴⁴ "The Committee believes that, at least in the issuer companies belonging to the FTSE-MIB index, an adequate internal control and risk management system shall provide for an internal system allowing company employees to report any irregularity or breach of the applicable laws and internal procedures (so called whistleblowing systems), in accordance with domestic and international best practices, that ensures a specific and confidential communication channel as well as the anonymity of the reporting person."

of information flows between the Supervisory Bodies of the ERG Group companies", with the objective of facilitating the movement of relevant information between the Supervisory Bodies of the companies themselves. Specifically, the procedure stipulates that each Supervisory Body, in examining the information flows and the reports received and, more generally, in fulfilling their duties of supervision, transmit, including with the operational support of the "231 Compliance" organisational unit, to other Supervisory Bodies where concerned, information flows from which clear information can be deduced, which could be relevant for supervisory activities and/or for the correct application of Models 231 in relation to other Group companies.

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

The Supervisory Body provides training by means of:

- classroom training to all employees (including managers and executives) on issues pertaining to Legislative Decree 231/01, Model 231 adopted by the Company, the Supervisory Body and the activities it performs, the information flows to the Supervisory Body;
- 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 issues relating to Legislative Decree 231/01, intended for newly hired personnel.

In 2018, a project was launched to redesign the e-learning course dedicated to 231 matters, built mainly around instructional videos, which, in addition to an introductory section on the general content of Legislative Decree 231/01, will include individual sections dedicated to sensitive activities deemed to be of average and high risk (e.g. relations with the Public Administration and the Authorities, management of privileged information) with reference to which concrete situations in which offence risks could occur will be provided (by way of example) and any conduct to be maintained will be described. There are questionnaires to verify learning (intermediate and final).

In addition, information on specific issues relating to the legislation referred to in Legislative Decree 231/01 is regularly provided to the members of the Board of Directors of ERG and its subsidiaries, as well as to members of the Board of Statutory Auditors.

Anti-Corruption System and Policy

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.

In order to further stress that it conducts all aspects of its activity in strict compliance with applicable domestic and international laws and regulations, with respect, *inter alia*, to anti-corruption, and to further demonstrate its adoption of the values described above, ERG has decided to adopt, in addition to the Code of Ethics, the Anti-Corruption System and Policy. The aim is to prohibit and prevent corrupt behaviour of any kind, in accordance with the "zero tolerance" principle for corruption. In order to achieve this objective, organisational responsibilities, principles and rules of conduct to be followed have been established so as to ensure compliance with the applicable Anti-Corruption Laws. The Anti-Corruption System and Policy apply to ERG and to all companies of the ERG Group and are addressed to all those who work in Italy and abroad, in the name of or on behalf of the ERG Group.

The Anti-Corruption System and Policy were approved by the Board of Directors of ERG on 9 October 2017. The Anti-Corruption Policy has been adopted by all other companies of the ERG Group, in Italy and abroad, and has been translated into English, French and German.

In 2018, the "Significant Third Party Due Diligence Procedure", provided for by the Anti-corruption System and Policy, was approved. The procedure was approved by the Chief Executive Officer of ERG S.p.A. on 9 January 2019.

The objective is to enable the companies of the Group, both Italian and foreign, to:

- have adequate knowledge of the Significant Third Parties (identified within the procedure itself);
- manage corruption risk in business activities, mitigating any concretely identified risks and supporting any decision as to whether or not to establish a contractual relationship with a given Significant Third Party;
- conduct business activities in a conscious and responsible way, including through the information acquired;
- avoid, as far as possible, economic damage (linked to the imposition of penalties) and reputational damage, as well as the launch of any sanction procedures in respect of persons and Companies of the Group by the competent authorities.

The procedure establishes the principles and rules, and allocates the responsibilities, for the carrying out of activities to: (a) identify Significant Third Parties; (b) carry out Due Diligence; (c) manage the outcomes of Due Diligence and the methods for establishing and monitoring relationships with the Significant Third Parties.

The "Significant Third Party Due Diligence Procedure" integrates, for companies under Italian law, the control procedures prescribed by Models 231 (and the Anti-Corruption Policy), with particular reference to sensitive activities: i) purchases of goods and services, consultancy and professional services, ii) transactions aimed at developing the business and selecting counterparties, iii) personnel recruitment and management, iv) management of the designation of company and control bodies in the subsidiaries, v) management of purchases and sales of commodities and credit. With reference to these sensitive activities, for foreign companies, the procedure integrates the controls prescribed by the Anti-Corruption Policy.

6. MANAGEMENT AND COORDINATION

ERG is a subsidiary of San Quirico S.p.A. which does not however exercise any management and coordination activity over its subsidiary, within the meaning of Articles 2497 et seq. of the Italian Civil Code, also in view of the fact that a provision of its Articles of Association expressly prohibits the company from carrying out management and coordination activities with regard to 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 in turn performs management and coordination in respect of direct or indirect subsidiaries.

The scope of the companies concerned and the content of any activity carried out on each of them 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 12 July 2018, acknowledged that ERG carries out management and coordination activities in respect of 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 - including the definition of business strategies, the corporate governance system and the corporate structures, as well as the determination of shared general policies pertaining to human resources, information & communication technology, accounting, financial statements, taxation, procurement, finance, investments, risk management, legal and corporate affairs, communication, institutional relations, corporate social responsibility and business development.

7. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP

The “Guidelines for the Internal Control and Risk Management System”, adopted on 11 March 2014 by the Board of Directors of ERG, were subsequently updated in order to take into account organisational changes and changes resulting from the Company’s adherence to the Corporate Governance Code. The version currently in force was approved on 3 August 2018.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP: GENERAL GUIDELINES

The Internal Control and Risk Management System of the ERG Group (hereinafter also “ICRM System”) is the combination of measures, organisational structures, regulations and rules whose purpose is, by means of an appropriate process of identification, measurement, management and monitoring of the main risks, and the creation of adequate information flows to ensure the proper flow of information, to allow the company to be managed on a sound and proper basis, consistent with the company targets defined by the Board of Directors.

It complies with the principles contained in the current edition of the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A. (hereinafter the “Corporate Governance Code”) and, more generally, current national and international best practices.

It is defined on the basis of leading national and international practices, and in particular “CoSO Internal Control - Integrated Framework 2013” which identifies a direct relationship between company targets (efficiency and effectiveness of operations, reporting and compliance), the components of the ICRM System and the organisational structure adopted by the Group.

This System, which is an integral part of the company’s business, involves, and therefore applies to, the entire organisational structure of the ERG Group: from the Board of Directors of ERG and its subsidiaries, to Group Management and the company staff.

The ICRM System Guidelines, approved by the Board of Directors of ERG, lay down the general principles by which the Group’s main risks are managed, in line with the strategic objectives identified, and the coordination arrangements between the parties involved in order to maximise the effectiveness and efficiency of the ICRM System.

Below is a summary of those involved in the ICRM System and their respective responsibilities.

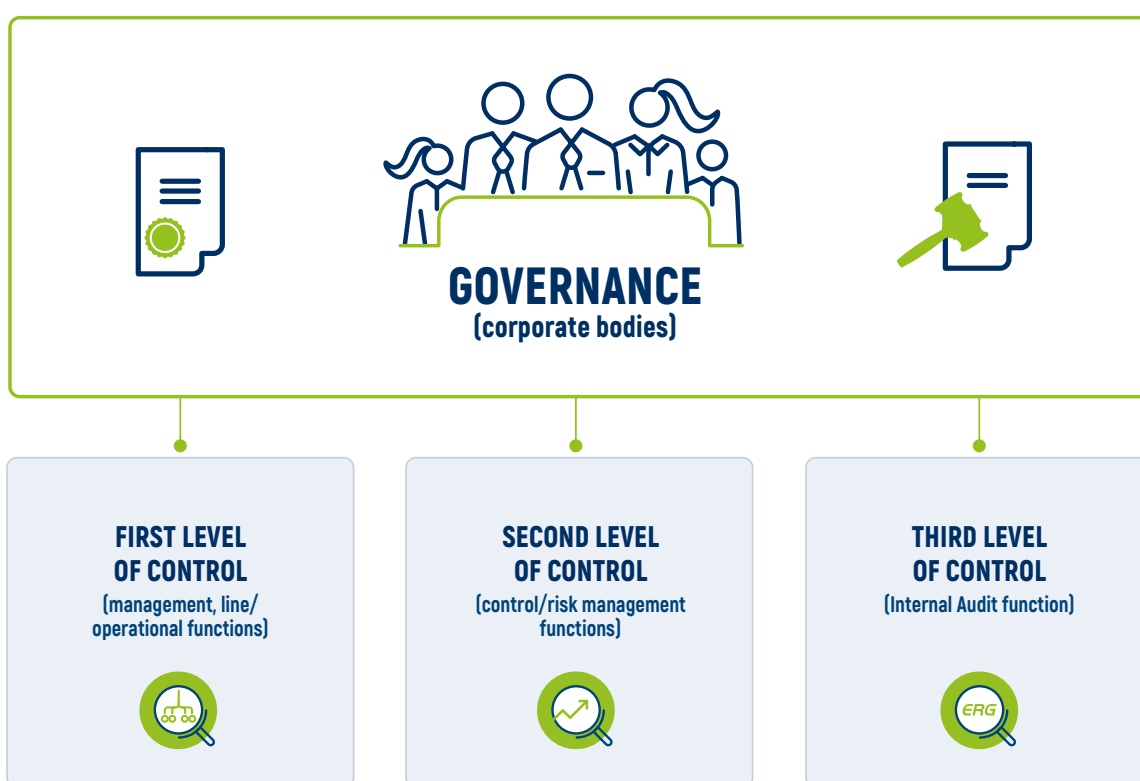
- **Board of Directors:** guides and assesses the adequacy of the ICRM System;
- **Chairman of the Board of Directors:** supervises, directs and controls corporate affairs activities;
- **Executive Deputy Chairman:** supervises, in particular, the Group's strategic decisions and the definition of the organisational macro-structure;
- **Chief Executive Officer:** has the powers necessary to carry out all actions pertaining to corporate activities and is responsible for identifying the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries and, after consulting with the Director in charge of the Internal Control and Risk Management System, submitting them periodically to the review of the Board of Directors;
- **Director in charge of the Internal Control and Risk Management System:** delegated by the Board of Directors to oversee - through supervision, guidance and control - internal audit, risk management and compliance activities and processes, and ensures that the functionality and overall adequacy of the ICRM System is maintained;
- **Control and Risk Committee:** advises and makes proposals to the Board of Directors, with the aim of supporting it, through appropriate proceedings, in evaluations and decisions relating to the ICRM System, as well as in relation to the approval of periodic financial reports;
- **Board of Statutory Auditors:** oversees compliance with the law and with the Articles of Association, adherence with correct administration principles, the adequacy of the organisational structure (for those aspects under its responsibility), of the ICRM System and the administrative and 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;
- **Supervisory Body pursuant to Legislative Decree 231/01:** supervises the observance of the Code of Ethics and verifies the effectiveness and the adequacy of the Organisation and Management Model pursuant to Legislative Decree 231/01;
- **Internal Audit:** responsible for third level control activities and has a significant position in the ICRM System being entrusted with the task of providing an independent assurance on the ICRM System with the aim of improving the efficiency and effectiveness of the organisation. Internal Audit is tasked with verifying that the ICRM System is functional and adequate in relation to the size and operation of the ERG Group, verifying, in particular, that Management has identified the main risks, that the risks were assessed with consistent procedures and that the mitigating actions have been defined and carried out. It also verifies whether the risks are managed in accordance with the decisions of the Board of Directors, with external rules and with rules within the Group.

The following relevant parties also play a role: (i) Group Management, which bears prime responsibility for internal control and risk management activities (first control level); and (ii) second level control functions with specific control tasks and responsibilities over different areas/types of risk. These functions are autonomous and distinct from operational ones; they are involved in defining risk governance policies and the risk management process, including: (i) the Manager responsible for preparing the Company's financial reports, (ii) the Group Risk Management & Corporate

Finance function, (iii) the Compliance departments, assigned to oversee compliance issues, with particular reference to legal risk and non-compliance, including the risk of committing criminal offences to the detriment or in the interest of the ERG Group, (iv) committees, composed of corporate management, acting in an advisory capacity and making proposals regarding specific risk issues.

In line with regulations and reference best practices, the ICRM System is structured over the following levels:

INTERNAL CONTROL SYSTEM



- **First level:** entrusted to individual operating lines, it encompasses the checks carried out by those involved in certain activities and those with supervisory responsibilities; it also makes it possible to ensure operational activities are carried out correctly;
- **Second level:** entrusted to structures other than line, it is involved with defining risk measurement methods, identifying, assessing and checking them (Risk Management); it also makes it possible to verify compliance with regulatory obligations (Compliance);
- **Third level:** entrusted to Internal Audit, it serves to assess the functionality of the overall internal control and risk management system and to detect irregularities and violations of procedures and rules.

7.1 STRUCTURE AND OPERATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP

The Group is aware that an effective Internal Control and Risk Management System allows the company to be managed on a sound and proper basis, consistent with the company targets defined by the Board of Directors, by promoting well-informed decisions and contributing to wealth preservation, the efficiency and effectiveness of processes, the reliability of financial reporting, and compliance with standards, the Articles of Association 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 national and international models and best practices, aimed at consolidating overall effectiveness and efficiency.

The System of Rules and Procedures

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

The beneficiaries of each standard are defined below:

- Policies: these are intended for all stakeholders and, based on the values expressed in the Code of Ethics, define the fundamental management principles involved in the performance of corporate activities;
- Guidelines: these are intended mainly for those who must set up operations and manage them, and define the principles for the execution of such activities;
- Procedures: these are intended for the parties involved in the operating processes regulated by them;
- Operating Notes: these are intended for the parties who, at 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 parties involved in the process;
- (electronic and hard copy) communication flows among the various parties 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 assignment 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 for:

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

The system of delegated powers and mandates in place within the Group is structured so as to achieve consistency between the organisational structures, pursuant to the powers granted, and the company's regulatory system (Policies, Guidelines, Procedures, Operating Notes and Job Descriptions), in compliance with the Segregation of Duties ("SoD").

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

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

In particular, the Board of Directors of ERG, in the meeting of 11 March 2014, appointed Paolo Luigi Merli, Chief Financial Officer, as Manager responsible for preparing the Company’s financial reports, thereby attributing to him the responsibilities of:

- preparing adequate administrative and accounting procedures for the preparation of financial disclosure documents;
- monitoring the application of the procedures;
- issuing to the market the certification of the adequacy and effective application 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 262 Compliance Organisational Unit in verifying the operation of the administrative and accounting procedures by testing the controls. This organisational structure ensures complete segregation between the activities of preparing the administrative and accounting procedures and the activities of verifying their adequacy and effective application.

In such a context, all personnel of the Group are obliged to cooperate, in particular personnel in administrative functions that are more directly involved in the preparation of corporate accounting records, but also those in other 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, and normal operations.

The activity of Compliance pursuant to Law 262/05 has been submitted to the Control and Risk Committee and applies to the companies of the Group, from a logical point of view, in terms of methodology and as regards the principles of control and accuracy of the process.

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*

As already noted previously, the main responsibility of the Manager responsible for preparing the Company's financial reports of ERG is to implement the administrative and accounting procedures by which periodic corporate financial reporting should be produced, to monitor their application and, together with the Chief Executive Officer, to certify to the market that the above principles were followed and that the financial documentation circulated is reliable.

The figure of Manager responsible for preparing the Company's financial reports 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 Manager will be someone who has at least three years of experience in positions of adequate responsibility in the administrative, financial or accounting area of public and private companies or entities, or someone who has adequate knowledge and experience in legal, economic, administrative, accounting or financial matters.

Elements of the System*Methodological approach*

The Group has adopted a working methodology that envisages the following logical steps:

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

The activity is performed by the 262 Compliance Organisational Unit and 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 aim of identifying, on the basis of a quantitative analysis and following evaluations and parameters of a qualitative nature:

1. the companies within the Group consolidation to include in the analysis;
2. the risks at the level of the selected operating Company/Group (Company/Entity Level Controls) relating to 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 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 Risk Assessment process carried out at the level of Consolidated Group Financial Statements in order to determine the appropriate scope of analysis, is based on the combined application of two analytical parameters, one quantitative and the other qualitative. As regards the purely quantitative part of the analysis, the following elements are determined:

- large portion (coverage of the Consolidated Financial Statements): this dimension is used to measure the extent of the area within which controls are to be analysed and evaluated, defined on the basis of the weight the dimensions have on the main items in the financial statements;
- significant account: this refers to the quantitative size that items in the financial statements must have in order to be considered significant after the application of a materiality threshold;
- significant process: by means of account-process matching, processes are identified for which controls should be assessed, given that all processes associated with accounts that have balances greater than the materiality threshold form part of the activity.

Following the quantitative analysis described above, the Risk Assessment process then requires an analysis to be performed based on qualitative elements, with a dual purpose:

- to integrate the exclusively quantitative part of the analysis, so as to include or exclude accounts processes from the activity's scope on the basis of knowledge the management has, 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 the main risks at the process level are identified, the actions to be taken in order to monitor the associated control objective are identified.

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

- significant processes and their main associated risks are represented as defined within the scope of the Risk Assessment, as are the controls that are envisaged for the management of 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 process is shared with its owners, as are the risks and control activities;
- monitoring activities, required to support the representations that must be made by the Manager Responsible, are carried out.

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

- the 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 design 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 to evaluate the operating effectiveness of the controls - in other words the effective functioning during the period of the controls mapped for the purpose of analysis.

To this end, an annual monitoring (and refining and optimising, where necessary) activity plan is drawn up. 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.

As part of the activities carried out, the mapping of processes, risks and controls is regularly updated in accordance with Law No. 262/05.

Periodic reports are produced 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, and the Control and Risk Committee, as regards the most important deadlines for interim and annual financial reports, evaluates and participates in the work of the Manager Responsible and the functions through which he/she operates.

9. THE INDEPENDENT AUDITORS

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

KPMG S.p.A. was appointed as independent auditor for the years 2018-2026 by the Shareholders' Meeting held on 23 April 2018; consequently, its mandate shall expire at the date of the Shareholders' Meeting convened to approve the financial statements at 31 December 2026.

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

- that the company 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.

KPMG S.p.A. is also tasked with performing a limited audit of the interim condensed consolidated financial statements.

While carrying out its activities, the Independent Auditors have access to all documentary and electronic information and data, as well as the archives and the assets of the Company and of the Companies of the Group.

10. INVESTOR RELATIONS

The Company manages relations with its Shareholders, institutional investors and the market through the Investor Relations function, which operates within the Division run 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 most detailed information possible on its activities and strategies, including by regularly renewing and updating its website. The person in charge of managing investor relations is Emanuela Delucchi.

11. 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 on total compliance with the Group's ethical principles, which are based on a combination of values including 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 2004, the most recent update of which was approved by the Board of Directors of ERG on 3 August 2018, to reflect not only the organisational and corporate changes that have taken place in the Group, but also the regulatory changes that have taken place and the changes to reference best practices;
- to ensure, by focusing on constantly developing the Corporate Governance principles, that such principles are observed by the organisation in order to ensure that it operates with transparency and efficiency over time.

The main documents concerning Corporate Governance, to which reference is made in the Report, are available in the Corporate Governance section of the website www.erg.eu.

TABLE 1: Structure of the Board of Directors and its Committees

Board of Directors							
Office	Members	Year of birth	In office since	In office until	List (M/m)*	Executive	Non-executive
Chairman	Edoardo Garrone	1961	23/04/2018	Appr. Financial statements at 31/12/2020	M	Yes	
Deputy Chairman	Alessandro Garrone	1963	23/04/2018	Appr. Financial statements at 31/12/2020	M	Yes	
Deputy Chairman	Giovanni Mondini	1966	23/04/2018	Appr. Financial statements at 31/12/2020	M		Yes
Chief Executive Officer	Luca Bettonte	1963	23/04/2018	Appr. Financial statements at 31/12/2020	M	Yes	
Director	Massimo Belcredi	1962	23/04/2018	Appr. Financial statements at 31/12/2020	M		Yes
Director	Mara Anna Rita Caverni	1962	23/04/2018	Appr. Financial statements at 31/12/2020	M		Yes
Director	Barbara Cominelli	1970	23/04/2018	Appr. Financial statements at 31/12/2020	M		Yes
Director	Marco Costaguta	1959	23/04/2018	Appr. Financial statements at 31/12/2020	M		Yes
Director	Paolo Francesco Lanzoni	1953	23/04/2018	Appr. Financial statements at 31/12/2020	M		Yes
Director	Silvia Merlo	1968	23/04/2018	Appr. Financial statements at 31/12/2020	M		Yes
Director	Elisabetta Oliveri	1963	23/04/2018	Appr. Financial statements at 31/12/2020	M		
Director	Mario Paterlini	1963	23/04/2018	Appr. Financial statements at 31/12/2020	m		Yes
Directors who left office during the reference year: 2							
Director	Alessandro Careri	1950	11/05/2017	Appr. Financial statements at 31/12/2017	M		Yes
Director	Alessandro Chieffi	1964	24/04/2015	Appr. Financial statements at 31/12/2017	m		Yes
Quorum required for list presentation at the time of last appointment: 1%							
Number of meetings held during the reference year: BoD: 12 - CRC: 11 - NRC: 6							

Notes

- * In this column, M/m is indicated depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).
- ** This column shows the percentage of Directors' attendance at the meetings, respectively, of the Board of Directors and of the Committees (no. of presences/no. of meetings held during the person's actual period in office).
- *** This column shows the number of appointments as Director or Statutory Auditor held by the interested party in other companies listed on regulated markets, including abroad, in financial, banking, insurance companies or in companies of significant size other than those held in ERG Group companies.
- **** This column shows whether the member of the Board of Directors is also member of the Committee.
- ***** This column shows the date of first appointment of the directors since 16 October 1997, the date of the Company's initial listing.
- 1 Until 23 April 2018.
- 2 Since 23 April 2018.

					Control and Risk Committee		Nominations and Remuneration Committee	
Independent as per Code	Independent as per T.U.F.	% attendance (**)	Number of other offices (***)	Length of office as from first appointment (****)	(****)	(**)	(****)	(**)
		92%	3	16/10/1997				
		83%	1	16/10/1997				
		100%	1	16/10/1997				
		100%	—	15/12/2009				
	Yes	100%	1	29/04/2003	Yes	100%		
Yes	Yes	100%	2	24/04/2015	Yes	100%	¹ Yes	100%
Yes	Yes	67%	—	24/04/2015	¹ Yes	100%	² Yes	100%
		83%	8	20/04/2012				
	Yes	100%	1	29/04/2003			Yes	100%
Yes	Yes	83%	3	24/04/2015			Yes	100%
		100%	2	23/04/2018	² Yes	100%		
Yes	Yes	100%	—	23/04/2018				
		100%		11/05/2017				
Yes	Yes	100%		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)*
Chairman	Elena Spagnol	1968	03/05/2016	Appr. Financial Statements 31/12/2018	m
Standing auditor	Lelio Fornabaio	1970	03/05/2016	Appr. Financial Statements 31/12/2018	M
Standing auditor	Stefano Remondini	1963	03/05/2016	Appr. Financial Statements 31/12/2018	M
Alternate auditor	Vincenzo Campo Antico	1966	03/05/2016	Appr. Financial Statements 31/12/2018	M
Alternate auditor	Luisella Bergero	1971	03/05/2016	Appr. Financial Statements 31/12/2018	M
Alternate auditor	Paolo Prandi	1961	03/05/2016	Appr. Financial Statements 31/12/2018	m
Auditors who left office during the reference year: none					
Quorum required for list presentation at the time of last appointment: 1%					
Number of meetings held during the reference year: 13					

Notes

* In this column, M/m is indicated depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column shows the percentage of Auditors' attendance at the meetings of the Board of Statutory Auditors (no. of presences/no. of meetings held during the person's actual period in office).

*** This column shows the number of appointments as Director or Statutory Auditor held by the person in other companies listed on regulated markets, including abroad, in financial, banking, insurance companies or in companies of significant size other than those held in ERG Group companies. The complete list of the appointments is attached, as per Article 144-*quinquiesdecies* of the CONSOB Issuers' Regulations, to the report on the supervisory activities, drawn up by the auditors as per Article 153, paragraph 1, of the Consolidated Finance Act.

**** This column shows the date of first appointment of the Auditors.

Independent as per Code	% attendance (**)	Number of other offices (***)	Length of office as from first appointment (****)
Yes	100%	2	03/05/2016
Yes	100%	5	15/04/2010
Yes	92%	–	03/05/2016
Yes	–	–	15/04/2010
Yes	–	–	23/04/2013
Yes	–	–	03/05/2016