



ORDINARY SHAREHOLDERS' MEETING HELD ON 17/18 APRIL 2019

REMUNERATION REPORT



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LETTER OF THE CHAIRMAN OF THE NOMINATIONS AND REMUNERATION COMMITTEE



Silvia Merlo

Chairman of the Nominations and Remuneration Committee

Dear Shareholders,

as Chairman of the Nominations and Remuneration Committee, in conjunction with my colleagues Barbara Cominelli and Paolo Francesco Lanzoni, I am pleased to present the annual Remuneration Report of the ERG Group.

In drafting the Report, we have put together all contributions received from the different stakeholders of this process (shareholders, directors, advisers), with the sole purpose of continuing to increase the transparency of the remuneration systems adopted by the Company.

In 2018, the Shareholders' Meeting appointed the new Board of Directors and the Nominations and Remuneration Committee immediately started working to implement the long-term incentive plan based on the "Performance Share" system, thus ensuring the best possible alignment between objectives of the Shareholders and those of the management. The Committee also provided support on the definition and revision of the remuneration systems used for the Executive Directors, the Executives with strategic responsibilities and the Chief Audit Officer, in line with the internal policies of the Group and the best market practice.

We carried out monitoring activities to verify the alignment of the objectives of the MBO system of Executives with strategic responsibilities and, in the context of the mitigation of the business continuity risk, to verify the suitability of the succession plans of Executives with strategic responsibilities and the other key Group leaders.

I want to thank my colleagues for making available to the Committee their experience and professionalism: many thanks are also due to ERG management and personnel. I am delivering this report in the hope that it will provide an exhaustive description of ERG's remuneration system and its contribution to the creation of sustainable value for the Shareholders in the medium and long term.

Sincerely,

Silvia Merlo

EXECUTIVE SUMMARY

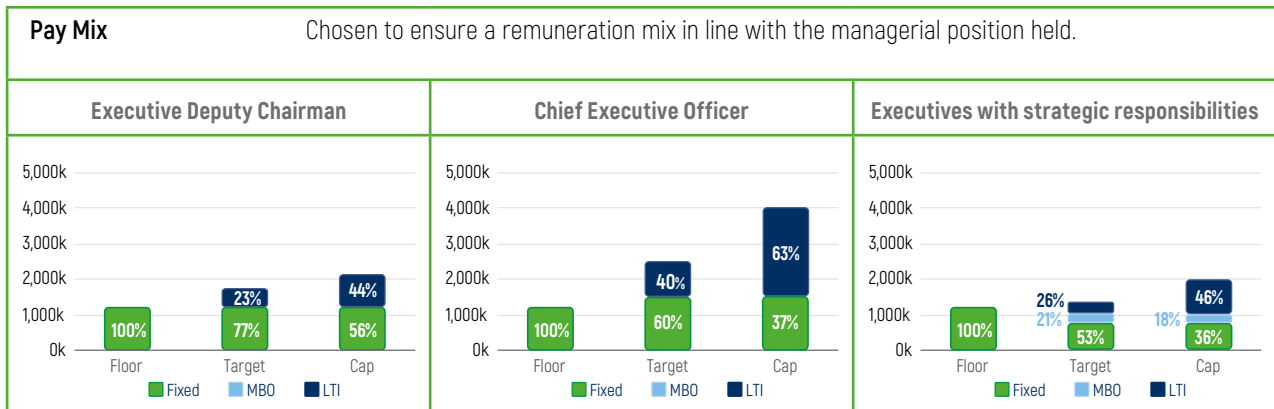
2019 REMUNERATION POLICY GUIDELINES

Fixed Remuneration			Enhances the responsibilities, the skills and the contribution demanded by the position. Ensures retention through a constant market benchmarking. Remunerates the activity carried out in the event that the variable component is not paid out.
Executive Deputy Chairman	Chief Executive Officer	Executives with strategic responsibilities	
Compensation Annual, as member of the Board of Directors		Salary Annual, from employment	
Remuneration Annual, for the office of Executive Director			
Short-term variable remuneration			Aimed at the achievement of economic, financial and strategic targets, predetermined, measurable and in line with the budget.
Executive Deputy Chairman	Chief Executive Officer	Executives with strategic responsibilities	
Not envisaged		MBO System: 100% cash Sustainability clause¹: ON/OFF on EBT 30% EBT with variability: 0% under threshold, 50% threshold, 100% Target, 150% cap 70% individual and directly correlated to business/financial KPIs (EBITDA, NFP, Opex, ...) with variability: 0% under threshold, 80% threshold, 100% Target, 120% cap Clawback clause	
Long-Term Variable Remuneration			Aimed at aligning the interests of the beneficiaries with the pursuit of the priority objective of the creation of sustainable value for the Shareholders over the medium/long term. Ensures the sustainability over time of the company, pushing the management to seek targets and results that go beyond the one-year horizon and are expected to last over long corporate cycles.
Executive Deputy Chairman²	Chief Executive Officer²	Executives with strategic responsibilities	
2018 – 2020 Performance Share System Performance indicator ON/OFF: 90% expected cumulated EBITDA for three-year period 2018-2020 ³ Single awarding at plan inception, with three-year vesting. The shares assigned at the end of the plan shall be equal to the Allocated Shares if the share price of ERG is equal or less than Euro 16 p/sh on MTA ("Target Price"); equal to 200% of the Allocated Shares if the price is above Euro 21 p/sh ("Cap Price"). If the price is above the Target Price but less than the Cap Price, shares shall be allocated following a linear incentive strategy. Clawback clause			
Non-monetary benefits			In a Total Reward approach, the compensation package is integrated with benefits, mainly in the form of pension and social security.
Executive Deputy Chairman	Chief Executive Officer	Executives with strategic responsibilities	
Medical assistance - Insurance policies for the risk of death and disability - Company car for mixed use			

1 The variable remuneration referred to the company target will not be paid out, for the reference year, regardless of the corporate performances recorded, if there was a fatal accident involving a Group employee or an accident causing a level of permanent disability greater or equal to 46%.

2 As Executive Directors with a strategic importance for the purposes of the achievement of the 2018-2022 Business Plan.

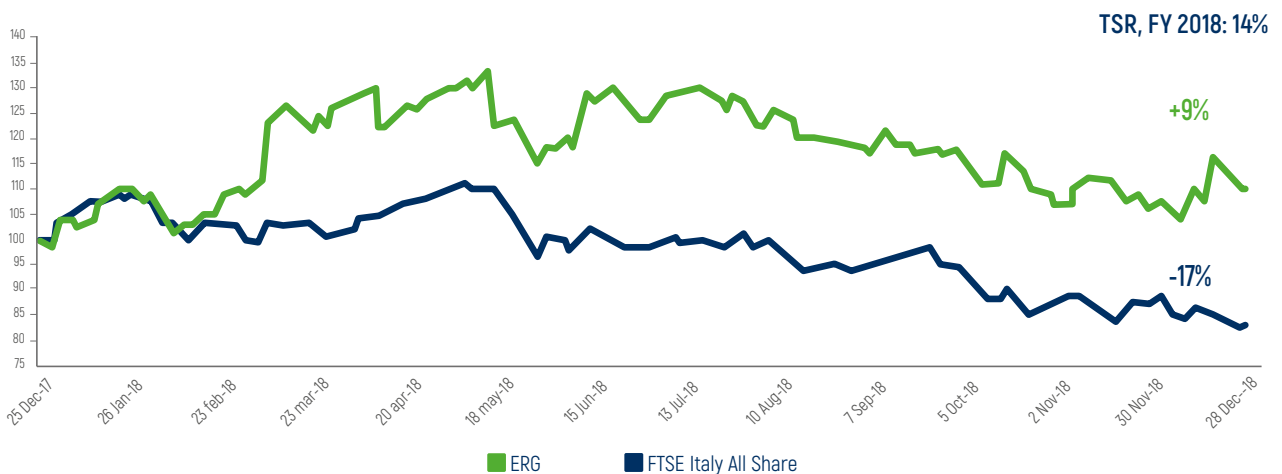
3 Press release issued on 8 March 2018 in the context of the presentation to the Market of the 2018-2022 Business Plan.



PAY FOR PERFORMANCE

Last year, ERG rewarded its Shareholders with total dividends of approximately EUR 171 million and a share performance that exceeded 54.21% the FTSE All Share average. This was made possible by the positive conclusion of the industrial transformation process of the Group, by the mergers and acquisitions completed and by the growth strategy adopted by the ERG Group and implicit in 2018-2022 Business Plan approved by the Group last year.

Performance ERG Share vs FTSE Italy All Share, FY 2018



SUSTAINABILITY INDICATORS

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

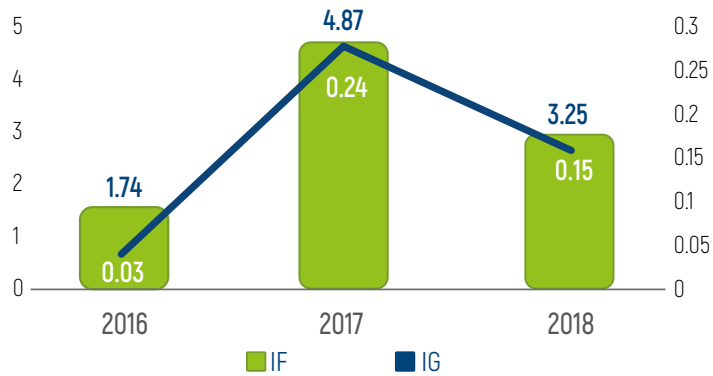
Therefore, ERG is committed to ensuring that all Companies of the ERG Group operate with the highest respect for the health and safety of employees and third parties, as well as for the environment, defined in its broadest sense⁴. Consistently with the provisions of the Code of Ethics of the ERG Group, a sustainability clause based on workplace accidents has been added to the MBO System.

⁴ Code of Ethics of the ERG Group, 2018 version.

Sustainability clause

In the MBO System, the variable remuneration referred to the company target will not be paid out, for the reference year, regardless of the corporate performance recorded, if there was a fatal accident involving a Group employee or an accident causing a level of permanent disability greater or equal to 46%.

Accident Frequency⁵ (AF) and Severity⁶ (AS) Index



2018: ON

The accidents occurred in 2018 resulted in a residual disability level equal or less than 1%.

⁵ No. accidents*1,000,000/worked hours.

⁶ No. days lost*1,000/worked hours.

INTRODUCTION

Pursuant to the provisions of Art. 123-*ter* of the Consolidated Finance Act, the Report is divided into two sections.

I. FIRST SECTION

The first section describes the 2019 Remuneration Policy and the procedures used for its adoption and implementation.

II. SECOND SECTION

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

- a) a suitable description of each item that make up the remuneration, including the indemnities due in the event of termination of office or discontinuation of the employment relationship, showing their consistency with the 2018 Remuneration Policy;
- b) information on the amounts paid in 2018 at any title and in any form by ERG and by its subsidiaries and associates.

⁷ Pursuant to Table 7-*bis* of Annex 3A of the Issuers' Regulations, this report also provides the compensation of the individual Executives with strategic responsibilities who received in 2018 a total compensation (obtained by adding the monetary remuneration and the remuneration based on financial instruments) greater than the highest total compensation awarded to the members of the Board of Directors and the Board of Statutory Auditors in the same year.

SECTION I: 2019 REMUNERATION POLICY

1. EVOLUTION OF APPROACH

Consistently with the provisions of the Corporate Governance Code⁸, the Board of Directors of ERG, adopted, on 20 December 2011, on proposal of the NRC⁹, its own Remuneration Policy, effective from 2012. The Policy's structure had been at that time independently defined by ERG, without using as reference remuneration policies of other companies.

The Policy underwent a **first revision**, on 18 December 2012, to take into account the adoption of the 2012-2014 LTI System, a **second revision**, on 11 March 2015, to take into account, among other things, the adoption by the Company of the Corporate Governance Code¹⁰ and the general principles of the 2015-2017 LTI System. On 22 March 2016, the Policy was updated, to acknowledge the resolution of the Board of Directors, dated 15 December 2015, which has specified the conditions necessary to implement the 2015-2017 LTI System, and on 9 March 2017 to acknowledge the organisational changes made as a result of the reorganisation of the risk compliance and internal audit functions of the ERG Group.

On 7 March 2018, the Policy underwent a **third revision** to take into account, effective from 2018, the fundamental elements of the 2018-2020 Performance Share System, and was **updated** on 6 March 2019 following the resolution of the Board of Directors, on 14 May 2018, which has specified the conditions necessary to implement the 2018-2020 Performance Share System, in line with the Policy and in the light of the 2018-2022 Business Plan.

For the purposes of the third revision and last update of the Policy, the Company – in continuity with previous practices – has taken as reference some of the

remuneration policies of the non-financial companies of the FTSE MIB index, as these are believed to be more representative of national best practices, as well as a peer group of companies comparable to ERG in terms of size and operating in the sectors where the ERG Group operates, again proposed by the consulting firm The European House – Ambrosetti.

2. PARTIES INVOLVED

Consistently with the relevant legal and regulatory provisions in force and with the recommendations of the Corporate Governance Code, the decisions through which the 2019 Remuneration Policy is implemented and the responsibilities for its correct application are the result of a collegial process in which multiple parties take part (Shareholders' Meeting, Board of Directors, Chief Executive Officer, Nominations and Remuneration Committee, Control and Risk Committee, Board of Statutory Auditors and Chief Human Capital Officer) contributing to the decision process as described in this report.

2.1 Nominations and Remuneration Committee

The Nominations and Remuneration Committee consists of three non-executive directors, qualified as independent pursuant to the Consolidated Finance Act and as mostly independent pursuant to the Corporate Governance Code, with suitable experience of financial issues and remuneration policies.

The Committee meets at least once a quarter. All members of the Board of Statutory Auditors attend the meetings of the Committee; in addition, the Chairman of the Board of Directors, the Executive Deputy Chairman and the Chief Executive Officer, may attend, on invitation, as they are entitled to intervene on these issues and to identify suitable actions to address situations, even potentially critical ones. Directors do not take part in the meetings of the NRC where proposals are made to the Board of Directors related to their own remuneration. Employees of ERG Group companies, representatives of the independent auditor and, in general, persons whose presence is believed to be necessary or advisable for

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

⁹ Additional information on the bodies and parties involved in the preparation and approval of the Policy and the NRC's composition, competences and operating procedures can be found in the Report on Corporate Governance and Ownership Structure drawn up pursuant to Art. 123-bis of the Consolidated Finance Act.

¹⁰ Version of the Corporate Governance Code published in July 2015.

the discussion of the items on the agenda may also be invited to attend Committee meetings.

With regard to the remuneration of the **Directors**, the Committee:

- regularly assesses the suitability, overall consistency and practical application of the Remuneration Policy reporting to the Board of Directors;
- submits proposals or expresses opinions to the Board of Directors concerning the remuneration of the Executive Directors or Directors holding special positions as well as, if necessary, concerning the remuneration of the Directors who are members of the Strategic Committee, when they are not employees of the Group and do not sit on the Board of Directors;
- submits proposals or expresses opinions to the Board of Directors on the setting of the performance targets linked to the medium/long-term incentive systems;
- monitors the implementation of the decisions taken by the Board of Directors, verifying the actual achievement of the performance targets.

With regard to remuneration of **Executives with strategic**

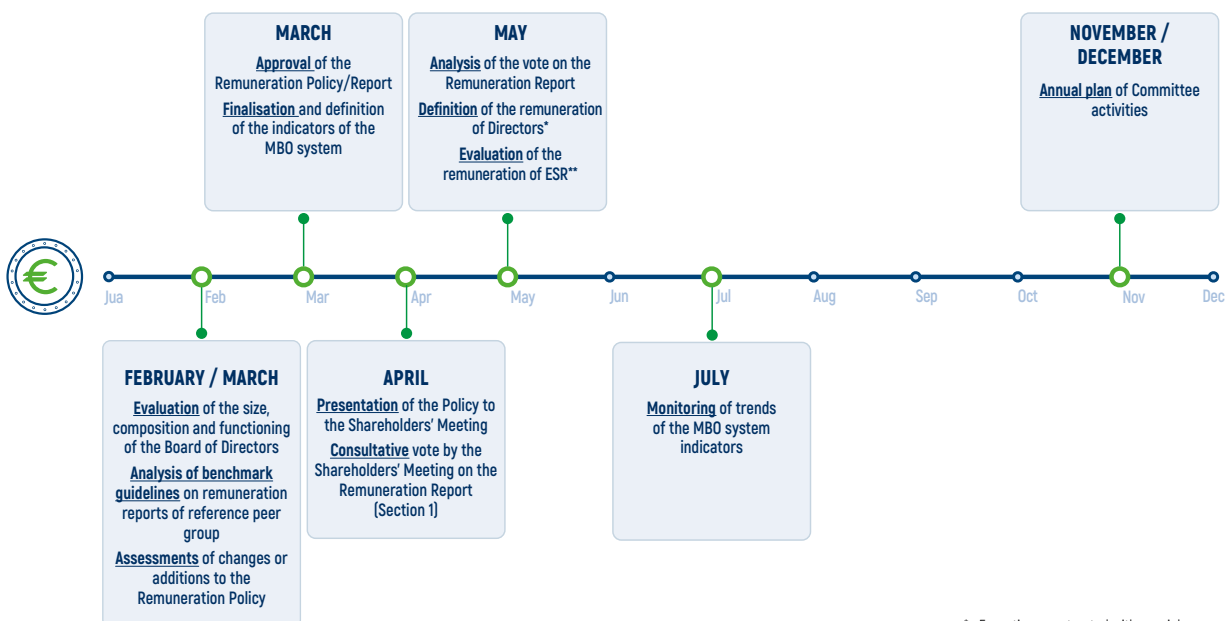
responsibilities, the Committee:

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

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

In particular, the Committee was actively involved in the process of preparation and subsequent adoption of the MBO System and the 2018-2020 Performance Share System.

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



* Executive or entrusted with special powers
 ** Executives with strategic responsibilities

3. STRUCTURE OF THE 2019 REMUNERATION POLICY

The 2019 Policy sets general guidelines to determine the remuneration of the members of the Board of Directors and the Executives with strategic responsibilities, in the performance of their activity, with a view to attracting, retaining and motivating highly qualified managers and aligning their interests with the pursuit of the priority objective of creating sustainable value for the Shareholders over the medium/long-term.

If, in exceptional cases, the Board of Directors believes it to be necessary to deviate from the Policy previously approved and submitted to the vote of the Shareholders' Meeting, any decision on the matter will be fully subject to the Procedure for Related-Party Transactions and shall be disclosed to the market, pursuant to the law and to the Procedure itself.

The 2019 Policy is structured differently according to whether it deals with the remuneration of Directors or with that of Executives with strategic responsibilities.

3.1 Board of Directors

3.1.1 Compensation

The Shareholders' Meeting is called once a year to resolve, on proposal of the shareholders, on a fixed annual compensation to be awarded to all members of the Board of Directors and an additional fixed annual compensation to be awarded to directors called to sit on the NRC or the CRC.

The Board of Directors recommends that these fees be in line with the professional commitment demanded by the office and the related responsibilities and that the proposals on the remuneration be submitted by the Shareholders (where required, also pursuant to Art. 126-*bis* of the Consolidated Finance Act) in such a way as to allow them to be disclosed to the public with suitable advance with respect to the Shareholders' Meeting called to approve them.

In this regard, it should be mentioned that, starting from 2013, the reference shareholder has submitted proposals in line with this recommendation, which were therefore

disclosed to the public with a suitable advance with respect to the Shareholders' Meeting called to approve them.

3.1.2 Remuneration

The remuneration paid to the Executive Directors or Directors holding special positions shall be such to attract, retain and motivate highly qualified individuals and aims at assigning a value to their skills, in line with the contribution demanded by the position held and the risk related to the powers granted.

Fixed component

The Board of Directors, on proposal of the NRC, with the support of the CHCO, after consulting the Board of Statutory Auditors, approves the award of a fixed annual remuneration to the Executive Directors or the Directors holding special positions.

The Board of Directors, again on proposal of the NRC, with the support of the CHCO, after consulting the Board of Statutory Auditors, may provide for an annual fixed remuneration to be awarded to the Directors called to sit on the Strategic Committee when these are not employees of the Group and do not sit on the Board of Directors. Their remuneration is, therefore, not linked to the business performance of the Company.

The Board of Directors may, in the interest of the Company, provide for the fixed component to be set with the same criteria but on a three-year basis.

The amount of the fixed annual compensation is such to remunerate the responsibilities, the skills and the contribution demanded by the position and is sufficient to remunerate the activity carried out in the case the variable component is not paid out. Ensures, where required, retention through constant compensation benchmarking.

Variable component

The Board of Directors, on proposal of the NRC, with the support of the CHCO, after consulting the Board of Statutory Auditors, approves the award of a variable remuneration to the Chief Executive Officer and the Executive Deputy Chairman, as Executive Directors with a

strategic importance for the purposes of the achievement of the 2018-2022 Business Plan.

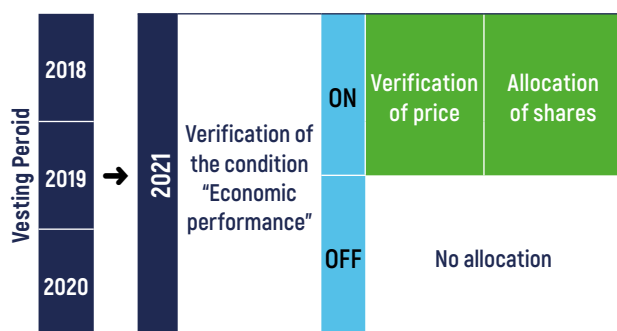
The amount of the variable component at target value is set, according to the provisions of the 2018-2020 Performance Share System, taking into account external remuneration benchmarks, the strategic importance of the position held for the purposes of the achievement of the Business Plan, and is linked to the creation of sustainable value in the medium/long term.

3.1.2.1 2018-2020 Performance Share System

The 2018-2020 Performance Share System has been structured to ensure the maximum alignment, in terms of objectives, of the interests of the beneficiaries with the pursuit of the priority objective of the creation of sustainable value for the Shareholders over the medium/long-term.

The time horizon of the LTI System is in line with the three-year mandate (2018-2020) of the Board of Directors appointed by the Shareholders' Meeting held on 23 April 2018.

The LTI System provides for the allocation of a pre-specified number of Shares ("Performance Shares"), free of charge, at the end of a three-year vesting period, subject to the attainment of a predetermined minimum economic performance (Performance Condition). The Performance Condition agreed by the Board of Directors, in the context of the resolution of the Shareholders' Meeting held on 23 April 2018, is equal to 90% of the expected value of the Group cumulated EBITDA for the 2018, 2019 and 2020 financial years, announced in the context of the presentation to the Market of the 2018-2022 Business Plan.



If the Performance Condition is not met, the assignation of the Performance Shares to the beneficiaries of the LTI System will not take place.

If the Performance Condition is met and the market price of the ERG Share on the MTA exceeds the Target Price (or Outstanding Price), the LTI System also provides for the number of the shares that may be assigned to increase up to a predetermined maximum:

- if the price of the Shares is equal or less than the Target Price (EUR 16.00), the Assigned Shares shall be equal to the Allocated Shares;
- if the price of the Shares is equal or above the Cap Price (EUR 21.00), the Assigned Shares shall be equal to 200% of the Allocated Shares;
- if the price of the Shares is above the Target Price but less than the Cap Price, Shares shall be allocated following a linear incentive strategy.

The shares set aside to service the Performance Share System consist only of Treasury Shares already in portfolio.

The LTI System also includes the following clauses:

- **clawback clause**, according to which, if objective circumstances arise, from which it appears that the data, based on which the Performance Condition had been assessed, on which the vesting of the Shares that may be assigned is conditional, were clearly incorrect, the Company might withdraw the right to the beneficiaries to the assignation of the Shares, resulting in the final lapse of any right of the beneficiaries in this regard, or ask the beneficiaries to reimburse, fully or in part, an amount equivalent to the benefit received as a result of the vesting of the Shares. The clawback clause can be exercised by the Company within three years of the approval by the Shareholders' Meeting of the financial statements as at 31 December 2020.
- **clauses** that specify the consequences deriving from the termination of employment and/or of the mandate of the current beneficiaries of the LTI System, according to which (I) in "bad leaver" situations, the beneficiary will

lose for good the right to any assignment of Shares at the end of the vesting period, while (ii) in "good leaver" situations, if the Performance Condition is met, Shares shall be assigned in proportion to the duration of the employment/mandate.

- **clause for the revision of the Performance Condition** in the event of changes in perimeter or other significant events. The Information Document¹¹ describes in detail the corresponding conditions and the revision process.

3.1.3 Balancing of remuneration

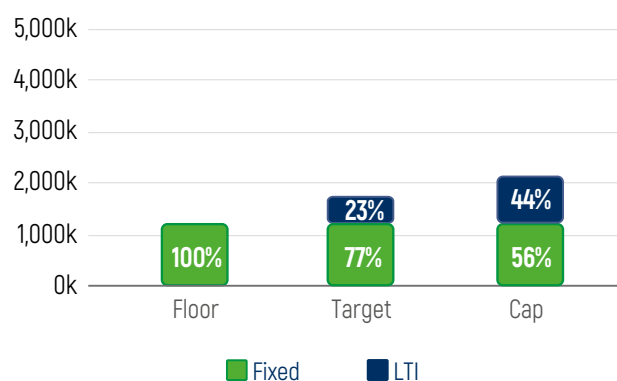
The balancing between the fixed and the variable remuneration components aims to align the interests of their beneficiaries with the medium/long term strategic objectives of the Company, ensuring the creation of sustainable value for the Shareholders in compliance with the ERG Group risk management policy.

The amount of the remuneration and the balancing of the total annual fixed/variable component is in proportion to the commitment demanded of the beneficiaries in their offices and defined, making use of highly specialised advisers, using specific remuneration benchmark. The benchmarking is carried out by comparing the individual roles within a peer group consisting of industrial companies of the FTSE MIB and industry MID CAP comparable to ERG in terms of capitalisation, share structure, distribution of powers and complexity.

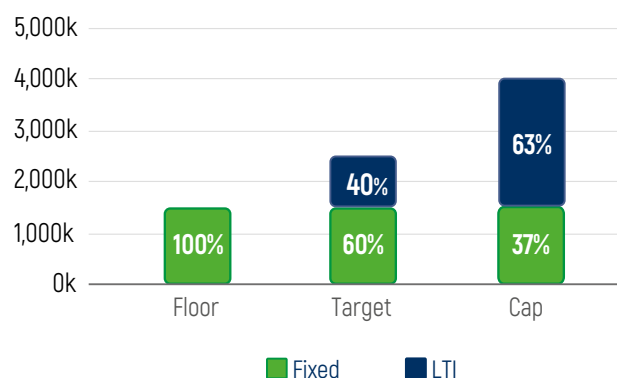
The weight of the fixed component of the remuneration of the Executive Directors, on an annual basis, may vary between 50% and 60% of their total target remuneration. The variable component of the remuneration of the Directors with Strategic Responsibilities, on a three-year basis, in its annualised amount, has a weight between 40% and 50% of their total target remuneration.

The remuneration mix is defined according to the managerial position held and provides for a greater weight of the variable component for the roles characterised by a greater incidence on the corporate results, as can be seen in the pay-mix chart below, calculated considering the annualised valuation of the long-term incentives in the cases of results on target, at the minimum and at the maximum, as provided by the 2018-2020 Performance Share System previously described.

Pay mix VPE



Pay mix CEO



¹¹ The Information Document is available to the public at the registered office of the Company in Genoa, Via De Marini 1, on the website of the Company (www.erg.eu) in the section "Governance/Relazioni sulla Remunerazione", at Borsa Italiana S.p.A. and on the automated storage mechanism Nis-Storage (www.emarketstorage.com).

3.14 Pay for Performance

In the last few years, the ERG Group has been able to radically modify its business portfolio, anticipating long-term energy trends and completing its transformation from industrial operator of the refining sector to leading independent producer of electricity mainly from renewable sources.

The transformation process - started in 2008 with the sale of a 49% stake in the ISAB refinery in Sicily - and the gradual repositioning of the Group in more profitable activities, less exposed to the market volatility, has resulted in a strong creation of value for the Company and for the Shareholders and was made possible only by completing the following M&A transactions:

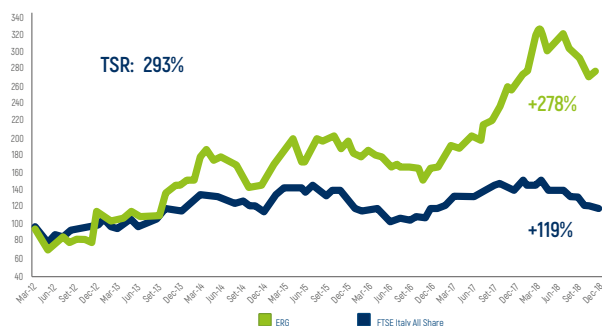
- **Gradual exit from refining:** started in 2008 and completed in 2013, with the sale of the last 20% stake.
- **Acquisition of IP Maestrале Investments:** in February 2013, ERG Renew acquired an 80% stake in IP Maestrале Investments Ltd, increasing therefore its installed power by 636 MW, of which 550 MW in Italy and 86 MW in Germany and becoming the first producer of wind power in Italy and one of the top ten in Europe. ERG Renew has thus reached an industrial and financial size that will allow it to pursue independently its growth strategy.
- **Sale of ISAB Energy IGCC plant:** In June 2014, ERG sold to ISAB (LUKOIL) the ISAB Energy and ISAB Energy Services business units, mainly consisting of the IGCC generation plant. The transaction, in line with the definite exit from the refining sector, represents an additional important step forward in the strategy of repositioning of the asset portfolio and has at the same time strengthened the capital structure of the Group also in support of future development plans.
- **Acquisition of E. ON Produzione entire hydroelectric business:** In November 2015, ERG entered the hydroelectric sector with an important investment, acquiring an integrated hub of power plants located in the Umbria, Marche and Lazio regions, with annual total

capacity of 527 MW. This acquisition, of great strategic importance for the Group, has allowed it to diversify its production sources, taking an important role in the Italian renewable energy sector and providing the ERG Group with new high-quality assets.

- **Exit from the downstream sector** through the sale of the equity investment in TotalErg S.p.A. In January 2018, ERG completed the sale to the API Group of 2,600 service stations, the Rome logistical hub and the stake held in the Treccate refinery. This transaction, which required more than a year of intense and complex activity, allowed ERG on one hand to maximise the value of its equity investment in the downstream sector and on the other to further strengthen the financial capacity to continue to pursue its growth strategy in the renewable energy sector.
- **Entry in the Solar Business:** In January 2018, ERG acquired from VEI Green S.r.l. an 89 MW solar energy platform with different plants located in eight regions between the north and the south of Italy. With this transaction, ERG has taken an additional step in its technology diversification strategy and has been able to expand and optimise its Energy Management portfolio with high-quality plants. The diversification into solar business has continued and in February 2019 ERG acquired from Soles Montalto GMBH 78.5% of Andromeda PV S.r.l., a company that operates two solar energy plants with an installed capacity of 51.4 MW. With this acquisition, ERG has become one of the top five solar energy producers in Italy, with more than 140 MW of installed power, reaching the plan targets ahead of schedule with high-quality assets.

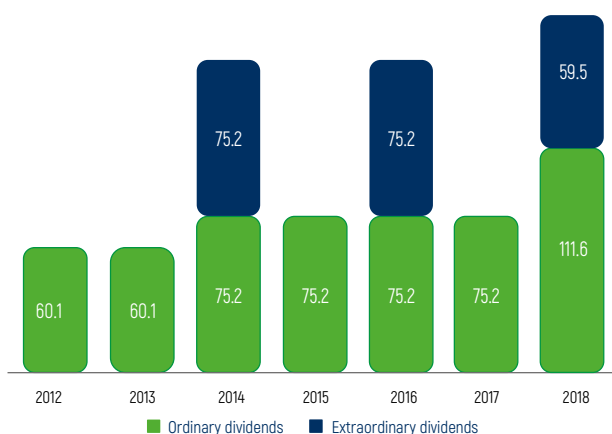
In the period between April 2012 and December 2018, the performance of the share price and the dividend distribution policy ensured an outstanding creation of value for the Shareholders, thanks to the growth strategy adopted by the ERG Group and the M&A transactions that made it possible.

Performance ERG Share vs FTSE Italy All Share from April 2012 to December 2018



In the same period (2012-2018), the Company distributed to its Shareholders dividends for a total of EUR 742.2 million.

Dividends paid in 2012-2018 period EUR million



We are at the beginning of a new stage of development of the ERG Group, described in detail in the 2018-2022 Business Plan, approved on 7 March 2018 by the Board of Directors. The fundamental premise for the execution of the Business Plan is to continue to guarantee, also through the instruments provided by the remuneration policy, the profitable alignment between the interests of the Shareholders and the Managers, which has been central to our history of business successes to date. The introduction of the 2018-2020 Performance Share System represents an additional step forward in the full implementation of the "pay for performance" principle, allowing ERG to develop the mechanism of one-off remuneration into an instrument better aligned with the best market practices.

3.1.5 Non-monetary benefits

The Shareholders' Meeting may resolve, on proposal of the Shareholders, to grant all members of the Board of Directors the right to receive certain non-monetary benefits (healthcare, insurance for the risk of death and disability), the amount of which will be withheld from the fixed annual compensation, also approved by the Shareholders' Meeting.

The Board of Directors, on proposal of the NRC, with the support of the CHCO, after consulting the Board of Statutory Auditors, may resolve to grant benefits such as cars and housing to Executive Directors or Directors holding special positions, which will not be withheld from the fixed annual fee or remuneration.

3.1.6 Indemnity for early termination or non-renewal of office

The Board of Directors, on proposal of the NRC, with the support of the CHCO, after consulting the Board of Statutory Auditors, may resolve to award to the Chief Executive Officer, as this is not an employee of the Company, an indemnity in the event of the early termination or non-renewal of the office subject to the following conditions:

- the amount of the indemnity, save for exceptional cases, cannot exceed the amount of the total fixed remuneration due assuming an unchanged relationship over a period of 24 months;
- the indemnity must be set in advance together with the total remuneration;
- the indemnity cannot be paid if the termination of the relationship is due to the achievement of objectively inadequate results, except for extraordinary events not attributable to the actions of the Chief Executive Officer;
- the corresponding resolution must be taken in line with the strategy, values and medium-long-term interests of the ERG Group¹².

¹² See paragraph 4.2.2 under "Termination of office or discontinuation of the employment relationship".

3.1.7 Termination indemnity

The Board of Directors, on proposal of the NRC, with the support of the CHCO, after consulting the Board of Statutory Auditors, may resolve to award to the Chief Executive Officer, who is not an employee of the Company, a termination indemnity subject to the following conditions:

- the amount of the indemnity, save for exceptional cases, cannot exceed 35% of the total fixed remuneration recognised to the Chief Executive Officer during the mandate;
- the indemnity must be set in advance together with the total remuneration;
- the corresponding resolution must be taken in line with the strategy, values and medium-long-term interests of the ERG Group¹³.

3.2 Executives with strategic responsibilities

3.2.1 Remuneration

The remuneration paid to the Executives with strategic responsibilities shall be such to attract, retain and motivate highly qualified individuals and is aimed at promoting their skills, in line with the contribution demanded by the position held, and at aligning their interests with the pursuit of the priority objective of the creation of sustainable value for the Shareholders over the medium-long-term.

The remuneration is divided into two components: fixed and variable. The variable remuneration is in turn divided into two components: monetary incentive and share incentive, linked to the achievement of specific, pre-determined performance targets, correlated to the creation of value, in the short term according to the rules of the MBO System and over the medium/long-term according to the principles of the 2018-2020 Performance Share System, respectively.

The following parties are involved in the definition of the total remuneration of the Executives with strategic responsibilities:

- the Chief Executive Officer, in conjunction with the

Executive Deputy Chairman and with the support of the CHCO, after consulting the NRC, decides on the remuneration to be awarded to the Executives with strategic responsibilities¹⁴.

- the Board of Directors, on proposal of the Director in charge of the Internal Control and Risk Management System, after favourable opinion of the CRC¹⁵ and the support of the CHCO, after consulting the Board of Statutory Auditors, decides on the remuneration to be awarded to the Chief Audit Officer
- the Board of Directors, on proposal of the Chief Executive Officer, in conjunction with the Executive Deputy Chairman and with the support of the CHCO, after consulting the NRC and the Board of Statutory Auditors, decides on the remuneration of the Manager responsible for preparing the company's financial reports.

Fixed component

The amount of the fixed remuneration is in proportion to the commitment demanded of the beneficiaries to their offices and decided (with the advice of specialised consulting firms) based on a benchmark consisting of listed companies. The comparison is made considering, within the reference stock market, companies that are comparable in terms of type, size and complexity and by comparing individual roles.

The amount of the fixed component shall be sufficient to remunerate the services provided by the Executives with strategic responsibilities in the event that the variable component is not paid out because of a failure to achieve the performance targets.

Short-term variable component

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

The variable component assigned to the Chief Audit Officer is linked to objectives that do not depend on

¹³ See paragraph 4.2.2 under "Termination indemnity".

¹⁴ With the exception of what is provided below for the Chief Audit Officer and the Manager responsible for preparing the company's financial reports.

¹⁵ This being the body appointed by the Corporate Governance Code to monitor the independence, suitability, effectiveness and efficiency of the internal audit function.

financial performance indicators. These objectives are formalised in the annual audit plan and parametrised on the efficiency and effectiveness of the auditing. The target value is set by taking into account external remuneration benchmarks.

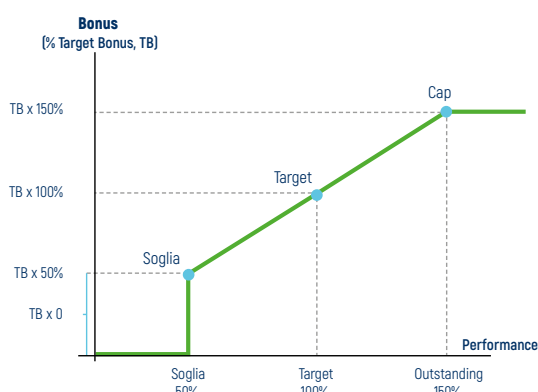
3.2.1.1 MBO System

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

The system provides for participant to be assigned performance objectives structured as follows:

- one Group target, the same for all participants, with a weight equal to 30% of the incentive amount, measured using the EBT indicator¹⁶.

Model of variability of the company target



- additional individual targets (maximum of 3) associated with the position held, with a weight equal to 70% of the incentive amount, measured according to quantitative indicators linked to economic/financial parameters (EBITDA, NFP, OpEx, ...) and/or project parameters.

Each target is given a weight and a corresponding share of the total monetary incentive.

Type	Weight	Definition	Target achievement level	Incentive Paid
Company target	30%	EBT	= Threshold indicator	50% of target value
			≥ Outstanding indicator	150% of target value
Individual target	70%	Divided in: Economic Development Organisational	= Threshold indicator	80% of target value
			≥ Outstanding indicator	120% of target value

Consistently with the high level of attention always and constantly paid by the Group to workplace safety, a **sustainability clause** was added to the MBO system: the variable remuneration referred to the company target will not be paid to the participants to the MBO system, for the reference year, regardless of the company performance recorded, if there is a fatal accident or an accident causing a level of permanent disability greater or equal to 46% to an employee of the Group.

The fees due if the indicator is exceeded (outstanding) cannot surpass a **predetermined cap** (150% of the target value for the company target and 120% of the target value for the individual targets).

In the case of **failure to achieve the threshold indicator** (80% of the target value for the individual targets and 50% of the target value for the company target), **no amount will be due**.

The MBO System gives to the Company the right to exercise the **clawback clause** and demand the partial or total reimbursement of the MBO amount paid (or to withhold deferred amounts), within three years from its accrual, where this is found to have been based on data that were subsequently found to be clearly incorrect.

Medium/long-term variable component

The medium/long-term variable component of the remuneration is structured in such a way as to align the interests of its beneficiaries with the pursuit of the priority objective of the company, the creation of sustainable value for the Shareholders over the medium/long-term.

The target value is set based on external remuneration benchmarks (for the long-term variable component of the remuneration) and the expected creation of value.

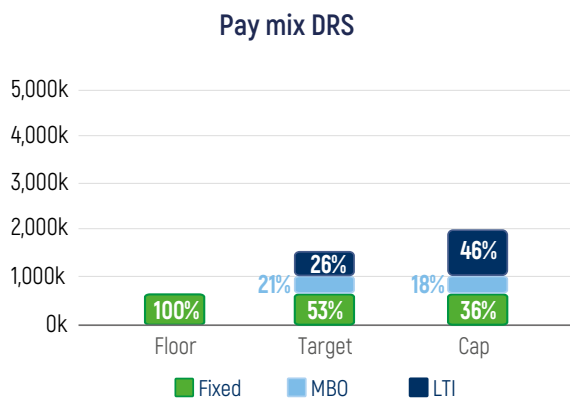
The Executives with strategic responsibilities, with the exception of the Chief Audit Officer, take part in 2018-2020 Performance Share System, the operation of which is described in chapter 3.1.2.1

¹⁶ Consolidated IAS earnings before taxes at market value.

3.2.2 Balancing of remuneration

The balancing between the fixed and the variable remuneration components aims to align the interests of their beneficiaries with the medium/long term strategic objectives of the Company, ensuring the creation of sustainable value for the shareholders in compliance with the ERG Group risk management policy.

The 2019 Remuneration Policy guidelines define a remuneration mix in line with the managerial position held, as can be seen in the pay-mix chart below, calculated considering the annualised valuation of the long-term incentives in the cases of results on target, at the minimum and maximum as specified by the 2018-2020 Performance Share System previously described.



3.2.3 Non-monetary benefits

The Chief Executive Officer, in conjunction with the Executive Deputy Chairman, with the support of the CHCO, after consulting the NRC, may award non-monetary benefits to the Executives with Strategic Responsibilities¹⁷, which will not be withheld from the remuneration.

The Board of Directors, on proposal of the Director in charge of the Internal Control and Risk Management System, with the favourable opinion of the CRC and the support of the CHCO, after consulting the Board of Statutory Auditors, may choose to award non-monetary benefits to the Chief Audit Officer, which will not be withheld from the remuneration.

The Board of Directors, on proposal of the Chief Executive Officer, in conjunction with the Executive Deputy Chairman, with the support of the CHCO, after consulting the NRC and the Board of Statutory Auditors, may choose to award non-monetary benefits to the Manager responsible for preparing the company's financial reports, which will not be withheld from the remuneration.

The benefit system is specified by the corporate policies for the Executives with strategic responsibilities. Consistently with the legal and contractual provisions in force, the benefits complete and enhance the total compensation package and are granted based on the complexity of the roles and the related responsibilities. Consistently with the provisions of the national wage agreements and the company-level supplementary agreements for Executives with strategic responsibilities, benefits include pension (PREVINDAI fund) and social security benefits (FASI fund and supplementary health insurance) as well as insurance for the case of accident, disability and death. Provisions are also made for the allocation of company cars for mixed use or housing.

3.2.4 Termination of office or discontinuation of the employment relationship

The conditions of the national collective agreement for industrial managers of companies producing goods and services shall apply to the Executives with strategic responsibilities, as these are employees of the company, in the event of termination of employment for justified motive or just cause. In compliance with Italian legal provisions – Art. 2120 of the Civil Code – Executives with strategic responsibilities whose employment ends for any reason will receive an employee severance indemnity, which is on average equal to 7% of their gross annual remuneration. The payment of the employee severance indemnity is not conditional to the achievement of a minimum performance.

3.3 Incentive plans based on financial instruments

Reference is made to chapter 3.1.2.1.

¹⁷ With the exception of what is provided below for the Chief Audit Officer and the Manager responsible for preparing the company's financial reports.

SECTION II: 2018 COMPENSATION AND REMUNERATION

4. IMPLEMENTATION OF THE 2018 REMUNERATION POLICY

The remuneration policy implemented by the Company in 2018, with particular regard to the members of the Board of Directors and the Executives with strategic responsibilities, was consistent with the 2018 Remuneration Policy, which was approved by the Board of Directors on 7 March 2018 and received the favourable vote of the Shareholders' Meeting held on 23 April 2018.

The different remuneration packages awarded in 2018 are described below.

4.1 Board of Directors in office until 23 April 2018

4.1.1 Compensation

The Shareholders' Meeting held on 20 April 2017, on proposal of the Shareholder Polcevera S.A., pursuant to Art. 126-*bis* of the Consolidated Finance Act, awarded a fixed annual compensation, *pro rata*¹⁸, to the members of the Board of Directors equal to EUR 60,000.

The Shareholders' Meeting held on 20 April 2017, on proposal of the Shareholder Polcevera S.A., pursuant to Art. 126-*bis* of the Consolidated Finance Act, also awarded an additional **fixed annual compensation**, *pro rata*¹⁸, to the independent directors sitting on the NRC and the CRC equal, respectively, to EUR 35,000 and EUR 45,000.

These proposals, according to the statement made by the Shareholder Polcevera S.A., were made in line with the professional commitment demanded by the positions and the related responsibilities.

4.1.2 Remuneration

Fixed component

On 12 May 2015, the Board of Directors, on proposal of the NRC, after consulting the Board of Statutory Auditors, awarded to the Chief Executive Officer a fixed remuneration, *pro rata*¹⁸, for each year of duration of the mandate, equal to EUR 1,440,000.

On 11 May 2017, the Board of Directors, again on proposal of the NRC, with the support of the CHCO, after consulting the Board of Statutory Auditors, awarded a fixed remuneration of EUR 800,000 *pro rata*¹⁸, to the Chairman, of EUR 1,140,000 to the Executive Deputy Chairman and Director in charge of the Internal Control and Risk Management System, of EUR 300,000 to the Deputy Chairman and of EUR 100,000 to the Directors sitting on the Strategic Committee who are not employees of the Group and do not hold positions in the Board of Directors.

Quantification of Remuneration

The size of these remunerations at target level was meant to be proportional to the commitment demanded of the beneficiaries for the purpose of their offices, and was decided, with the support of The European House Ambrosetti, making use of a benchmark based on a sample of Italian companies, comparable in terms of market capitalisation and ownership structure to ERG and where the Chief Executive Officer does not usually coincide with the reference shareholder.

Non-monetary benefits

For the Directors who have chosen to exercise the right to receive certain non-monetary benefits (such as insurance policies, health insurance and life insurance), the amount of the benefits in question was withheld from the annual compensation approved by the Shareholders' Meeting held on 20 April 2017.

For the Executive Directors or Directors holding special positions who made use of certain benefits such as a car and housing, the amount of these benefits was not withheld from the fixed component.

¹⁸ Valid until the Shareholders' Meeting held on 23 April 2018, called to approve the Financial Statements as at 31 December 2017.

Termination of office or discontinuation of the employment relationship

No indemnity was paid out as a result of termination of office or discontinuation of the employment relationship.

Termination indemnity

On 14 May 2018, the Board of Directors resolved that the termination indemnity accrued by the Chief Executive Officer in the 2015-2017 period, for an amount set aside equal to EUR 525,000 a year, will remain set aside at the company.

4.2 Board of Directors in office since 23 April 2018

4.2.1 Compensation

The Shareholders' Meeting held on 23 April 2018, on proposal of the Shareholder Polcevera S.A., pursuant to Art. 126-*bis* of the Consolidated Finance Act, awarded a **fixed annual compensation, *pro rata*¹⁹**, to the members of the Board of Directors equal to EUR 70,000.

The Shareholders' Meeting held on 23 April 2018, on proposal of the Shareholder Polcevera S.A., pursuant to Art. 126-*bis* of the Consolidated Finance Act, also awarded an additional **fixed annual compensation, *pro rata*¹⁹**, to the independent directors sitting on the NRC and the CRC equal, respectively, to EUR 35,000 and EUR 45,000.

These proposals, according to the statement made by the Shareholder Polcevera S.A., were made in line with the professional commitment demanded by the positions and the related responsibilities.

4.2.2 Remuneration

Fixed component

On 14 May 2018, the Board of Directors, on proposal of the NRC, after consulting the Board of Statutory Auditors awarded fixed remuneration *pro rata*¹⁹ to the Executive Directors or Directors holding special positions, as follows:

- Chairman (Edoardo Garrone) EUR 790,000

- Executive Deputy Chairman (Alessandro Garrone) EUR 1,130,000
- Deputy Chairman (Giovanni Mondini) EUR 290,000
- Chief Executive Officer (Luca Bettonte), for each year of duration of the mandate, EUR 1,430,000
- Directors sitting on the Strategic Committee who are not employees of the Group and do not hold positions in the Board of Directors (Elisabetta Oliveri and Marco Costaguta) EUR 60,000.

Variable component

On 14 May 2018, the Board of Directors, on proposal of the NRC, after consulting the Board of Statutory Auditors, awarded the long-term incentive, regulated by the rules of the 2018-2020 Performance Share System, to the Chief Executive Officer, in the measure of 182,000 Shares for three years, and to the Executive Deputy Chairman, in the measure of 67,000 Shares for three years.

Quantification of Remuneration

The size of these remunerations at target level was meant to be proportional to the commitment demanded of the beneficiaries for the purpose of their offices, and was decided, with the support of The European House Ambrosetti, making use of a benchmark based on a sample of Italian companies, comparable in terms of market capitalisation and ownership structure to ERG and where the Chief Executive Officer does not usually coincide with the reference shareholder.

Non-monetary benefits

For the Directors who have chosen to exercise the right to receive certain non-monetary benefits (such as insurance policies, health insurance and life insurance), the amount of the benefits in question was withheld from the annual compensation approved by the Shareholders' Meeting held on 23 April 2018.

For the Executive Directors or Directors holding special positions who made use of certain benefits such as a car and housing, the amount of these benefits was not withheld from the fixed component.

¹⁹ Valid until the date of the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2018.

Termination of office or discontinuation of the employment relationship

On 14 May 2018, the Board of Directors, on proposal of the NRC and after hearing the Board of Statutory Auditors, recognized to the Chief Executive Officer the right to receive an indemnity in the event of end of office equal to 22 times his monthly salary. The indemnity would be due in the event of resignation for just cause or dismissal without just cause, as well as in some cases of supervening impossibility to provide the services, failure to renew or change in the mandate, also due to changes in the ownership structure. The indemnity shall not be due when the termination, dismissal or non-renewal result from just cause.

The indemnity for end of mandate will not be paid if the termination of the employment is due to the achievement of results less than 1/3 of the target set in 2018-2020 Performance Share System, except for extraordinary events not due to the actions of the Chief Executive Officer.

There are no additional agreements providing for an indemnity to the Executive Directors in the event of termination of office or discontinuation of the employment relationship.

Termination indemnity

On 14 May 2018, the Board of Directors on proposal of the NRC²⁰ and after hearing the Board of Statutory Auditors, recognized to the Chief Executive Officer the right to receive a termination indemnity that will accrue in line with the duration of the job for an amount to be set aside in an annual measure equal to 35% of the fixed annual compensation. This indemnity cannot be paid out when, at the time of the termination of the mandate, the results achieved are less than 1/10 of the objectives set by the 2018-2020 LTI System.

4.3 Executives with strategic responsibilities

Fixed component

The fixed remuneration of the Executives with strategic

responsibilities was defined by the Chief Executive Officer, in conjunction with the Executive Deputy Chairman and with the support of the CHCO, in compliance with the 2018 Policy, based on market remuneration surveys provided by specialised companies.

For the Chief Audit Officer, the fixed component, as well as the variable one, was set by the Board of Directors on 14 May 2018, on proposal of the Director in charge of the Internal Control and Risk Management System, after favourable opinion of the CRC and with the support of the CHCO, after hearing the Board of Statutory Auditors.

The objectives specified for the variable component assigned to the Chief Audit Officer are not linked to financial performance indicators

Variable component

The variable component of the Executives with strategic responsibilities' remuneration, which includes the short term (MBO) and the medium/long-term (Performance Share System 2018/2020)²¹ incentive, was defined by the Chief Executive Officer, in conjunction with the Executive Deputy Chairman, with the support of the CHCO, after consulting the NRC, in compliance with the 2018 Policy.

For the purposes of the payment of the annual incentives for 2018, the final figures relevant to the 2018 EBT target were discussed on 28 February 2019 with the NRC, leading to the calculation of earnings equal to EUR 157 million, which in the measurement scale used represents 141% of the EUR 129 million target value.

	Sustainability clause	Company target
Definition	Accident indicator	EBT
Budget value	<46% disability	EUR 129 million
Actual value	≤ 1%	EUR 157 million
Payment	ON	141%

²⁰ Also taking into account the Procedure for Related-Party Transactions.

²¹ The Chief Audit Officer does not take part in 2018-2020 Performance Share System. The compensation package of this depends, among other things, on the execution of the annual audit plan.

On 14 May 2018, the Board of Directors, on proposal of the NRC, after consulting the Board of Statutory Auditors, resolved to assign to the Executives with strategic responsibilities a long-term incentive, regulated by the 2018-2020 Performance Share System, equal to 65,000 shares over three years.

Quantification of Remuneration

The size of these remunerations at target value was in proportion to the commitment demanded to each Executive with strategic responsibilities and was defined (making use of the Hay Executive Italy Survey) through a benchmark based on a market that includes the top management and those reporting directly to the top management of listed and/or independent companies operating on the Italian market. The panel consists of 245 companies on a sample considered of 1,400 top executives.

Non-monetary benefits

In 2018, the Executives with strategic responsibilities received certain non-monetary benefits such as healthcare, insurance for the risk of death and disability, and company car for mixed use.

Termination of office or discontinuation of the employment relationship

In 2018, no indemnity was paid out for the termination of office or discontinuation of the employment relationship.

4.4 Incentive plans based on financial instruments

Consistently with the 2018 Policy, the 2018-2020 Performance Share System based on financial instruments was adopted. This System is therefore regulated by Art. 114-*bis* of the Consolidated Finance Act.

4.5 Board of Statutory Auditors

On 3 May 2016, the Shareholders' Meeting, on proposal of the Shareholder San Quirico S.p.A., awarded an annual remuneration of EUR 60,000 for the Chairman of the Board of Statutory Auditors and EUR 40,000 for each for the other two Standing Auditors, valid until the date of the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2018.

5. COMPENSATION PAID IN 2018

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

Table 1. Compensation paid to the members of the Board of Directors, general managers and other executives with strategic responsibilities

(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Name and surname	Office	Period for which office was held	Termination of office	Fixed fees	Fees for participation to committees	Variable non-equity fees Bonus and other incentives	Share of profit	Non-monetary benefits	Other compensation	Total	Fair Value of equity fees	Severance indemnities for end of office or termination of employment
Edoardo Garrone	Chairman	01,01,2018-31,12,2018	04,2021									
				(i) Fees in the company preparing the financial statements [ERG S.p.A.]	847,127	-	-	12,873	-	860,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-
				(iii) Total	847,127	-	-	12,873	-	860,000	-	-
Alessandro Garrone	Executive Deputy Chairman	01,01,2018-31,12,2018	04,2021									
				(i) Fees in the company preparing the financial statements [ERG S.p.A.]	1,187,200	-	-	16,075	-	1,203,276	432,628	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-
				(iii) Total	1,187,200	-	-	16,075	-	1,203,276	432,628	-
Giovanni Mondini	Deputy Chairman	01,01,2018-31,12,2018	04,2021									
				(i) Fees in the company preparing the financial statements [ERG S.p.A.]	348,704	-	-	15,099	-	363,803	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-
				(iii) Total	348,704	-	-	15,099	-	363,803	-	-
Luca Bettonte	Chief Executive Officer	01,01,2018-31,12,2018	04,2021									
				(i) Fees in the company preparing the financial statements [ERG S.p.A.]	1,488,704	-	-	33,171	-	1,521,875	1,175,198	525,000 ⁽¹⁾
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-
				(iii) Total	1,488,704	-	-	33,171	-	1,521,875	1,175,198	525,000
Massimo Belcredi	Director	01,01,2018-31,12,2018	04,2021									
				(i) Fees in the company preparing the financial statements [ERG S.p.A.]	61,915	45,000 ⁽²⁾	-	4,753	-	111,668	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-
				(iii) Total	61,915	45,000	-	4,753	-	111,668	-	-
Alessandro Careri	Director	01,01,2018-24,04,2018	04,2018									
				(i) Fees in the company preparing the financial statements [ERG S.p.A.]	20,000	-	-	-	-	20,000	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-
				(iii) Total	20,000	-	-	-	-	20,000	-	-
Mara Anna Rita Caverni	Director	01,01,2018-31,12,2018	04,2021									
				(i) Fees in the company preparing the financial statements [ERG S.p.A.]	66,667	56,667 ⁽³⁾	-	-	-	123,334	-	-
				(ii) Fees from subsidiaries and associated companies	-	-	-	-	-	-	-	-
				(iii) Total	66,667	56,667	-	-	-	123,334	-	-

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Termination of office	Fixed fees	Fees for participation to committees	Variable non-equity fees		Non-monetary benefits	Other compensation	Total	Fair Value of equity fees	Severance indemnities for end of office or termination of employment
						Bonus and other incentives	Share of profit					
Alessandro Chieffi	Director	01.01.2018-24.04.2018	04.2021									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				20,000	-	-	-	-	-	20,000	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				20,000	-	-	-	-	-	20,000	-	-
Barbara Cominelli	Director	01.01.2018-31.12.2018	04.2021									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				66,667	38,333 ⁽⁴⁾	-	-	-	-	105,000	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				66,667	38,333	-	-	-	-	105,000	-	-
Marco Costaguta	Director	01.01.2018-31.12.2018	04.2021									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				66,667	73,333 ⁽⁵⁾	-	-	-	-	140,000	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				66,667	73,333	-	-	-	-	140,000	-	-
Paolo Francesco Lanzoni	Director	01.01.2018-31.12.2018	04.2021									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				61,075	35,000 ⁽⁶⁾	-	-	5,591	-	101,667	-	-
(ii) Fees from subsidiaries and associated companies				-	30,000 ⁽⁷⁾	-	-	-	-	30,000	-	-
(iii) Total				61,075	65,000	-	-	5,591	-	131,667	-	-
Silvia Merlo	Director	01.01.2018-31.12.2018	04.2021									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				66,667	35,000 ⁽⁸⁾	-	-	-	-	101,667	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				66,667	35,000	-	-	-	-	101,667	-	-
Elisabetta Oliveri	Director	24.04.2018-31.12.2018	04.2021									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				46,667	70,000 ⁽⁹⁾	-	-	-	-	116,667	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				46,667	70,000	-	-	-	-	116,667	-	-
Mario Paterlini	Director	24.04.2018-31.12.2018	04.2021									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				46,667	-	-	-	-	-	46,667	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				46,667	-	-	-	-	-	46,667	-	-
Elena Spagnol	Chairman Board of Statutory Auditors	01.01.2018-31.12.2018	04.2019									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				60,000	-	-	-	-	-	60,000	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				60,000	-	-	-	-	-	60,000	-	-
Lelio Fornabaio	Standing Auditor	01.01.2018-31.12.2018	04.2019									
(i) Fees in the company preparing the financial statements (ERG S.p.A.)				40,000	-	-	-	-	-	40,000	-	-
(ii) Fees from subsidiaries and associated companies				24,000 ⁽¹⁰⁾	-	-	-	-	-	24,000	-	-
(iii) Total				64,000	-	-	-	-	-	64,000	-	-

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Termination of office	Fixed fees	Fees for participation to committees	Variable non-equity fees		Non-monetary benefits	Other compensation	Total	Fair Value of equity fees	Severance indemnities for end of office or termination of employment
						Bonus and other incentives	Partecipazione agli utili					
Stefano Remondini	Standing Auditor	01.01.2018-31.12.2018	04.2019									
(i) Fees in the company preparing the financial statements [ERG S.p.A.]				40,000	-	-	-	-	-	40,000	-	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				40,000	-	-	-	-	-	40,000	-	-
Executives with strategic responsibilities⁽⁹⁾	Directors in subsidiaries and division managers											
(i) Fees in the company preparing the financial statements [ERG S.p.A.]				818,572	-	359,600 ⁽¹²⁾	-	21,392	-	1,199,563	419,714	-
(ii) Fees from subsidiaries and associated companies				-	-	-	-	-	-	-	-	-
(iii) Total				818,572	-	359,600	-	21,392	-	1,199,563	419,545	-

Note

- (1) Portion accrued during the year of the termination indemnity, which will accrue according to the duration of the mandate and will be paid out at the end of the mandate and cannot be paid out if, at the end of the mandate, the results achieved are found to be less than 1/10 of the targets set by the 2018-2020 LTI System.
- (2) Compensation as Member of the Control and Risk Committee.
- (3) Compensation as Chairman of the Control and Risk Committee and pro rata Member of the Nominations and Remuneration Committee (until meeting 23.4.2018).
- (4) Pro rata Compensation as Member of the Control and Risk Committee (until meeting 23.4.2018) and as Member of the Nominations and Remuneration Committee (appointment 23.4.2018).
- (5) Compensation as Member of the Strategic Committee.
- (6) Compensation as Member of the Nominations and Remuneration Committee.
- (7) Compensation as Chairman of the Supervisory Committee of ERG Power Generation S.p.A.
- (8) Compensation as Chairman of the Nominations and Remuneration Committee.
- (9) Pro rata compensation as Member of the Control and Risk Committee (appointment 23.4.2018) and Member of the Strategic Committee (appointment 14.5.2018).
- (10) Compensation as Chairman of the Board of Statutory Auditors in ERG Power Generation S.p.A. and ERG Hydro S.r.l.
- (11) Includes 3 Executives with strategic responsibilities.
- (12) Short-term variable component - MBO.

6. MONETARY INCENTIVE PLANS

Table 3B: Monetary Incentive Plans for members of the Board of Directors, general managers and other Executives with strategic responsibilities

(A) Name and surname	(B) Office	(1) Plan	(2) Bonus for the year			(3) Bonus for previous years			(4) Other Bonuses
			(A) Payable/ paid	(B) Deferred	(C) Deferment period	(A) No longer payable	(B) Payable/ paid	(C) Still deferred	
(I) Fees in the company preparing the financial statements									
Executives with strategic responsibilities	Directors in subsidiaries and division managers	MBO System	359,600	-	Year 2018 ⁽¹⁾	-	-	-	-
(I) Total			359,600	-		-	-	-	-

No fees from subsidiaries and associated companies are provided for

Notes table 3B

(1) Variable component of the remuneration accrued in 2018 related to the MBO System, which will be paid out in May 2019.

7. SHARE INCENTIVE PLANS

Table 3A: Incentive plans based on financial instruments, other than stock options, for members of the Board of Directors, general managers and other executives with strategic responsibilities

(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and Surname	Office	Plan	Financial instruments assigned in previous years not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned		Financial instruments accrued during the year
			No. and Type	Vesting period	No. and Type	Fair value at allocation date	Vesting Period	Assignment date	Market price on assignment	No. and Type	No. and Type	Value at vesting date	Fair Value
Alessandro Garrone	Executive Deputy Chairman	Performance Share 2018-2020 BoD 14.05.2018	n.a.	n.a.	67,000	1,297,884	Three years	21/05/2018	18,4551	n.a.	n.a.	n.a.	432,628
Luca Bettonte	Chief Executive Officer	Performance Share 2018-2020 BoD 14.05.2018	n.a.	n.a.	182,000	3,525,595	Three years	21/05/2018	18,4551	n.a.	n.a.	n.a.	1,175,198
Executives with strategic responsibilities	No. 2	Performance Share 2018-2020 BoD 14.05.2018	n.a.	n.a.	65,000	1,259,141	Three years	21/05/2018	18,4551	n.a.	n.a.	n.a.	419,714
Other Executives	No. 4	Performance Share 2018-2020 BoD 14.05.2018	n.a.	n.a.	71,000	1,375,370	Three years	21/05/2018	18,4551	n.a.	n.a.	n.a.	458,457

8. COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS

Table 1 of scheme 7 of Annex 3A, Regulations No. 11971/1999

With regard to the Performance Share System approved by the Ordinary Shareholders' Meeting on 23 April 2018, to the conditions and explanatory purpose of the information document, made available to the public on the website of the Company (www.erg.eu), the following table provides, pursuant to Art. 84-*bis* (Annex 3, Table 3A) of the CONSOB Issuers' Regulations, details of the instruments awarded under the system.

BOX 1 FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS Section 2								
Newly awarded instruments based on the decision of the body responsible for the implementation of Shareholders' resolution								
Name and surname or Category	Office	Date of Shareholders' resolution	Type of financial instruments	No. financial instruments	Award date	Purchase price of instruments, if any	Market price on award	Vesting period
Alessandro Garrone	Executive Deputy Chairman	23/04/2018	Shares	67,000	21/05/2018	Treasury shares	18.4551	3 years
Luca Bettonte	Chief Executive Officer	23/04/2018	Shares	182,000	21/05/2018	Treasury shares	18.4551	3 years
Executives with strategic responsibilities	No. 2	23/04/2018	Shares	65,000	21/05/2018	Treasury shares	18.4551	3 years
Other Executives	No. 4	23/04/2018	Shares	71,000	21/05/2018	Treasury shares	18.4551	3 years

9. EQUITY INVESTMENTS HELD IN 2018

Table 7-ter: Table with information on the equity investments of members of the Board of Directors and Statutory Auditors, general managers and other executives with strategic responsibilities

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

(1) Direct shareholders - holding title: ownership.

GLOSSARY

In addition to the definitions provided in other articles, capitalised terms and expressions used in the Report have the meaning assigned to them below. Note that in any case the same meaning applies both to the singular and to the plural:

CEO: Chief Executive Officer

DICRMS: Director in charge of the Internal Control and Risk Management System

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

Shares or ERG Share: ordinary ERG shares, listed on the MTA

Allocated Shares: the conditional rights object of the Performance Share System, free of charge and not transferable inter vivos, each of which gives the beneficiaries the right to be assigned free of charge 1 (one) Share under the terms and conditions specified by the Performance Share System Regulations.

Assigned Shares: the number of Shares calculated pursuant to the regulations of the Performance Share System and actually assigned.

CAO: Chief Audit Officer

CRC: Control and Risk Committee; Board Committee consisting of 3 non-executive directors, mostly independent, appointed by the Board of Directors at the meeting held on 24 April 2015

CHCO: Chief Human Capital Officer

Committee or NRC: Nominations and Remuneration Committee; Board Committee consisting of 3 non-executive directors, mostly independent, appointed by the Board of Directors at the meeting held on 24 April 2015

Corporate Governance Code: the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., in the version published in July 2015, which the Board of Directors resolved to adopt on 15 December 2015

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

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

Executives with strategic responsibilities or ESR: persons who hold the functions/offices indicated in Annex 1 to the current ERG Group Procedure for Related-Party Transactions (with the exception of the members of the Board of Directors and the Board of Statutory Auditors of ERG S.p.A.), available on the website of the Company (www.erg.eu) in the section "corporate governance/documenti di governance"

ERG or Company: ERG S.p.A.

EBT: consolidated IAS earnings before taxes at current values net of proceeds (charges)

Target EBITDA: economic performance condition of the 2018-2020 LTI System, consisting of a predefined percentage of the Group EBITDA cumulated over the 2018-2020 period, inclusive of the amortisation, depreciation and write-downs, financial charges and proceeds and taxes

MTA: the screen-based stock exchange organised and managed by Borsa Italiana S.p.A. on which the Shares are listed.

Performance Share: Shares assigned free of charge upon achievement of a predetermined minimum performance level 2018-2022 Business Plan or Business Plan: Business Plan announced to the Market on 8 March 2018

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

2018 Remuneration Policy or 2018 Policy: the Policy adopted by ERG setting the remuneration of the members of the Board of Directors and the Executives with strategic responsibilities with regard to 2018

2019 Remuneration Policy or 2019 Policy: the Policy adopted by ERG setting the remuneration of the members of the Board of Directors and the Executives with strategic responsibilities with regard to 2019

Procedure: Procedure regulating Related-Party Transactions, adopted by the Board of Directors on 11 November 2010, after favourable opinion of the Control and Risk Committee, after hearing the Board of Statutory Auditors – most recently updated on 1 January 2017

Cap Price: the ERG Share price which defines the maximum number of Shares to be assigned

Outstanding Price: market performance condition of the 2018-2020 LTI System, consisting of the ERG Share price above which a pre-specified number of additional shares will be assigned, provided that the Target EBITDA has also been achieved

Target Price: the reference price of the ERG Share necessary for the definition of the number of Shares to be awarded to each beneficiary at the beginning of the Plan

RE: Regulations implementing Italian Legislative Decree 24 February 1998, No. 58 with amendments and integrations [Issuers' Regulations]

Report or Remuneration Report: Report on the remuneration of the members of the Board of Directors and the Executives with strategic responsibilities, approved by the Board of Directors on 6 March 2019

2012-2014 LTI System: Medium/long-term monetary incentive system for the 2012-2014 period

2015-2017 LTI System: Medium/long-term monetary incentive system for the 2015-2017 period

2018-2020 Performance Share System or Performance Share System or LTI System: Incentive system based on medium/long-term financial instruments for the 2018-2020 period

MBO System: Short-term monetary incentive system

TSR: Total Shareholder Return, namely the total return on investment for shareholders, which is calculated by adding the increase in the share price, over a certain time interval, with the effect of the dividends per share paid during the same period

Consolidated Finance Act: Italian Legislative Decree 24 February 1998, No. 58 with amendments and integrations [Testo Unico della Finanza]

EDC: Executive Deputy Chairman

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