



ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 21/22 APRIL 2020

BOARD OF DIRECTORS' REPORT

pursuant to Article 125-*ter* of Legislative Decree 58 of 24 February 1998
(the "Italian Consolidated Finance Act" or "ICFA") and Article 73 of the Regulation implementing the ICFA
adopted by CONSOB with resolution 11971 of 14 May 1999, as amended ("Issuers' Regulations")

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 21/22 APRIL 2020

AGENDA

Ordinary Part

1. Financial Statements at 31 December 2019 and Directors' Report; resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements and Consolidated Non-Financial Statement at 31 December 2019
2. Allocation of net result for the financial year; resolutions related and consequent thereto
3. Determination of the remuneration payable to the members of the Board of Directors for financial year 2020
4. Determination of the remuneration payable to the members of the Control and Risk Committee for financial year 2020
5. Determination of the remuneration payable to the members of the Nominations and Remuneration Committee for financial year 2020
6. Authorisation for the purchase and sale of treasury shares
7. Report on the policy regarding remuneration and fees paid within the meaning of Article 123-ter of Legislative Decree 58 of 24 February 1998
 - 7.1. Section I: 2020 Remuneration policy
 - 7.2. Section II: 2019 Compensation and remuneration

Extraordinary Part

1. Proposal, pursuant to Article 2367 of the Italian Civil Code submitted by shareholder San Quirico S.p.A., to amend Article 10 of the Articles of Association.

Dear Shareholders,

We submit for your attention the following considerations.

ORDINARY PART

1. FINANCIAL STATEMENTS AT 31 DECEMBER 2019 AND DIRECTORS' REPORT; RESOLUTIONS RELATED AND CONSEQUENT THERETO. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED NON-FINANCIAL STATEMENT AT 31 DECEMBER 2019

Reference is made to the Annual Financial Report at 31 December 2019 of ERG S.p.A., which contains the Financial Statements of ERG S.p.A., the Consolidated Financial Statements, the Directors' Report - together with the Report on Corporate Governance and Ownership - and the certification referred to in Article 154-*bis*, paragraph 5, of the Italian Consolidated Finance Act, as well as the Independent Auditors' Reports and the Statutory Auditors' Reports which, together with the Consolidated Non-Financial Statement at 31 December 2019, will be fully 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 "Corporate Governance/Shareholders' Meeting 2020", at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) by 31 March 2020.

Dear Shareholders,

We invite you to resolve as follows:

"The Ordinary Shareholders' Meeting,

resolves

- *to approve the Financial Statements at 31 December 2019 of ERG S.p.A. which close with profit of EUR 11,029,960.49."*

2. ALLOCATION OF NET RESULT FOR THE FINANCIAL YEAR; RESOLUTIONS RELATED AND CONSEQUENT THERETO.

Dear Shareholders,

with regard to the results achieved, we invite you to resolve as follows:

"The Ordinary Shareholders' Meeting,

resolves

- *the payment to the Shareholders of a dividend of EUR 0.75 per share. The dividend will be paid for each share with dividend rights in circulation on the ex-dividend date, with the exclusion, therefore, pursuant to Article 2357-ter of the Italian Civil Code, of treasury shares, through use of the profit for the year and, for the remaining part, through use of "Other reserves" of profits;*
- *payment of the dividend from 20 May 2020, with ex-dividend date from 18 May 2020 and record date on 19 May 2020."*

3. DETERMINATION OF THE REMUNERATION PAYABLE TO THE MEMBERS OF THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2020

Pursuant to Article 2389, paragraph 1, of the Italian Civil Code, the remuneration payable to members of the Board of Directors is established at the time of appointment or by the Shareholders' Meeting.

This Shareholders' Meeting is therefore called upon to decide on the remuneration to be allocated to each member of the Board of Directors, to apply up to the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2020, on the basis of the proposals formulated in accordance with the applicable legislative, regulatory and statutory provisions. It is, in fact, worth mentioning that, as a general rule, the Shareholders' Meeting determines on an annual basis, for each financial period, the fee for each member of the Board of Directors.

For financial year 2019, the Shareholders' Meeting approved a fee of EUR 70,000.00 for members of the Board of Directors.

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

The Board of Directors also recommends that the relevant proposals on remuneration are presented by the Shareholders (where applicable also pursuant to Article 126-*bis* of the Consolidated Finance Act) so that they can be communicated to the public sufficiently in advance with respect to the Shareholders' Meeting called to decide on the same.

4. DETERMINATION OF THE REMUNERATION PAYABLE TO THE MEMBERS OF THE CONTROL AND RISK COMMITTEE FOR FINANCIAL YEAR 2020

This Shareholders' Meeting, in compliance with the provisions of the Company's Remuneration Policy, is also called to decide on the remuneration to be allocated to Directors, who are not employees of the Group and who do not hold positions in the Board of Directors, who shall be appointed members of the Control and Risk Committee of ERG S.p.A. until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2020, on the basis of the proposals formulated in accordance with the applicable legislative, regulatory and statutory provisions.

It is, in fact, worth mentioning that, as a general rule, the Shareholders' Meeting determines on an annual basis, for each financial period, the fee relating to participation in the above mentioned Board.

For financial year 2019, the Shareholders' Meeting approved a fee of EUR 45,000.00 for each of the members of the Control and Risk Committee.

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

The Board of Directors also recommends that the relevant proposals on remuneration are presented by the Shareholders (where applicable also pursuant to Article 126-*bis* of the Consolidated Finance Act) so that they can be communicated to the public sufficiently in advance with respect to the Shareholders' Meeting called to decide on the same.

5. DETERMINATION OF THE REMUNERATION PAYABLE TO THE MEMBERS OF THE NOMINATIONS AND REMUNERATION COMMITTEE FOR FINANCIAL YEAR 2020

This Shareholders' Meeting, in compliance with the provisions of the Company's Remuneration Policy, is called to decide on the remuneration to be allocated to Directors, who are not employees of the Group and who do not hold positions in the Board of Directors, who shall be appointed members of the Nominations and Remuneration Committee of ERG S.p.A. until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2020, based on the proposals formulated per the applicable legislative, regulatory and statutory provisions. It is, in fact, worth mentioning that, as a general rule, the Shareholders' Meeting determines on an annual basis, for each financial period, the fee relating to participation in the above mentioned Board.

For financial year 2019, the Shareholders' Meeting approved a fee of EUR 35,000.00 for members of the Nominations and Remuneration Committee.

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

The Board of Directors also recommends that the relevant proposals on remuneration are presented by the Shareholders (where applicable also pursuant to Article 126-*bis* of the Consolidated Finance Act) so that they can be communicated to the public sufficiently in advance with respect to the Shareholders' Meeting called to decide on the same.

6. AUTHORISATION FOR THE PURCHASE AND SALE OF TREASURY SHARES

In previous years, the Shareholders' Meeting has made detailed resolutions regarding the purchase and sale of treasury shares, the last of which is valid for the 12 months starting from 17 April 2019 and therefore expires on 17 April 2020.

In preparing for this Shareholders' Meeting, the Board of Directors agreed on the need to propose that the Shareholders' Meeting resolve upon a new resolution to authorise the purchase and sale of treasury shares.

Now, therefore, we set forth below the reasons supporting a new authorisation resolution from the Shareholders' Meeting.

Purchase of treasury shares

We consider it necessary to be able to carry out transactions for the purchase of ordinary ERG shares to optimise the capital structure to maximise value creation for Shareholders, including in relation to the liquidity available and in any case for any additional purposes permitted by applicable laws and regulations.

Sale of treasury shares

We consider it necessary to be able to sell treasury shares held in our portfolio to optimise financial leverage and for any other circumstance in which the administrative body considers that selling the shares is in the best interests of the Company and the Shareholders.

Now, therefore, we submit for your approval the proposal authorising both the purchase and the sale of treasury shares, as follows:

- 1) authorisation to purchase treasury shares, under Article 2357 of the Italian Civil Code, for 18 months from the date of the relative resolution, up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 (thirty million, sixty-four thousand) 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.

Purchases must be made in compliance with Article 132 of the Consolidated Finance Act and according to the terms and conditions set forth under Article 144-bis, paragraph 1, letter b) of the Issuers' Regulations and therefore *"on regulated markets or multilateral trading systems according to the procedures of operation established in the regulations for the organisation and the operation of these markets, which do not allow direct combination of the proposals for purchases with specific proposals for sales"*;

- 2) authorisation, for 18 months from the date of the relative resolution, and in compliance with the provisions of Article 2357-ter of the Italian Civil Code, to sell, in one or several transactions, treasury shares at a unit price that is no lower than 10% below the closing price of the stock on the day immediately preceding each individual transaction.

As regards the procedures for the sale of treasury shares, we propose that the authorisation allows the adoption of any procedures that are appropriate in relation to the achievement of the objective that the sale intends to achieve.

Dear Shareholders,

We invite you, therefore, to resolve as follows:

"The Ordinary Shareholders' Meeting,

- *having examined the Explanatory Report submitted by the Board of Directors;*
- *having examined the last approved financial statements,*

resolves

- 1) *to authorise the Board of Directors, under Article 2357 of the Italian Civil Code, for 18 months from the date of this resolution, to purchase treasury shares 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, to optimise the capital structure to maximise value creation for shareholders, also in relation to the liquidity available and in any case for any additional purposes permitted by applicable laws and regulations.*

The purchase must be carried out using the distributable profits and available reserves as shown in the last approved financial statements in compliance with Article 132 of the Consolidated Finance Act and according to the terms and conditions set forth under Article 144-bis, paragraph 1, letter b) of the Issuers' Regulations and therefore "on regulated markets or multilateral trading systems according to the procedures of operation established in the regulations for the organisation and the operation of these markets, which do not allow direct combination of the proposals for purchases with specific proposals for sales";

- 2) *to authorise the Board of Directors, under Article 2357-ter of the Italian Civil Code, for 18 months as from the date of this resolution, to sell, in one or several transactions, and with any procedures deemed appropriate in relation to the achievement of the objective that the sale intends to achieve, 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.*
- 3) *to authorise the Board of Directors to delegate, including to authorised operators, the authority to undertake the purchase and sale of treasury shares to be carried out on the basis of this resolution."*

7. REPORT ON THE POLICY REGARDING REMUNERATION AND FEES PAID WITHIN THE MEANING OF ARTICLE 123-TER OF LEGISLATIVE DECREE 58 OF 24 FEBRUARY 1998

Pursuant to Article 123-ter of the Consolidated Finance Act, the Board of Directors is called upon to approve a report, a) the **first section** of which in particular: (i) defines the Company's remuneration policy for members of the administrative bodies, general managers, officers with strategic responsibilities and members of control bodies at least concerning 2020 and (ii) defines the procedures used for the adoption and implementation of this policy; and b) in the **second section**: (i) provides an adequate description of each of the items comprising the remuneration, including the benefits envisaged in case of retirement from office or termination of the employment relationship, drawing attention to the consistency thereof with the Company's remuneration policy relating to the reference year; (ii) provides an analytical breakdown of the remuneration paid for the year in question (i.e., 2019).

In its meeting of 10 March 2020, the Company's Board of Directors approved the Report on the policy regarding remuneration and fees paid (the "Report"), to which reference is made and which will be made fully available to the public at the registered office of the Company in Genoa, Via De Marini 1, on the Company's website (www.erg.eu) in the section "Corporate Governance/2020 Shareholders' Meeting", at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) by 31 March 2020.

7.1. Section I: 2020 Remuneration policy

Pursuant to the aforementioned regulations, this Shareholders' Meeting is called upon to resolve in favour or against the first section of the Report. The resolution is binding.

Dear Shareholders,

We invite you, therefore, to resolve as follows:

"The Ordinary Shareholders' Meeting,

resolves

in favour of the first section of the Report on the policy regarding remuneration and fees paid, which provides, for 2020 financial year, the policy of the Company in relation to the remuneration of the members of the administrative bodies, the general managers, the officers with strategic responsibilities as well as the members of control bodies and the procedures that were followed for the adoption and implementation of this policy."

7.2. Section II: 2019 Compensation and remuneration

Pursuant to the aforementioned regulations, this Shareholders' Meeting is called upon to resolve in favour or against the second section of the Report. The resolution is not binding.

Dear Shareholders,

We invite you, therefore, to resolve as follows:

"The Ordinary Shareholders' Meeting,

resolves

in favour of the second section of the Report on the policy regarding remuneration and fees paid, which (i) provides, for 2019 financial year, an adequate description of each of the items comprising the remuneration, including the benefits envisaged in case of retirement from office or termination of the employment relationship, drawing attention to the consistency thereof with the Company's remuneration policy relating to the reference year and (ii) provides an analytical breakdown of the remuneration paid for the year in question (i.e., 2019)."

EXTRAORDINARY PART

1. PROPOSAL, PURSUANT TO ARTICLE 2367 OF THE ITALIAN CIVIL CODE SUBMITTED BY SHAREHOLDER SAN QUIRICO S.p.A., TO AMEND ARTICLE 10 OF THE ARTICLES OF ASSOCIATION.

On 28 February 2020, the shareholder San Quirico S.p.A. held a 55.628% stake in ERG S.p.A.'s share capital. (also the "Company"), requested the Board of Directors to convene an Extraordinary Shareholders' Meeting of ERG S.p.A., under Article 2367 of the Italian Civil Code, to submit to shareholders a proposal for amendment of the Articles of Association aimed at introducing a mechanism to increase voting rights for long-term shareholders, under Article 127-*quinquies* of the Consolidated Finance Act.

Pursuant to Article 2367 of the Italian Civil Code, directors are required to convene the Shareholders' Meeting, without delay, where the request is made by shareholders representing at least one-twentieth of the share capital. The Shareholders' Meeting may not

be called for matters on which the Shareholders' Meeting resolves, in accordance with the law, on the proposal of the directors or on the basis of a project or report prepared by them. Pursuant to Article 125-*ter*, paragraph 3, of the ICFA, applicants are also required to prepare an explanatory report on the matters to be discussed, which the shareholder San Quirico S.p.A. sent at the same time as the request to call the meeting.

The Shareholder San Quirico S.p.A., to facilitate the broadest possible participation in the Shareholders' Meeting, has agreed to convene it on the same date as the Ordinary Shareholders' Meeting of the Company called to approve the Financial Statements for the year ended 31 December 2019.

The Board of Directors, which met on 10 March 2020, in the light of the assessments made, considering the request of the shareholder San Quirico S.p.A. compliant with the applicable regulations, resolved to call the Extraordinary Shareholders' Meeting of the Company for 21 April 2020, in first call and, if necessary, for 22 April 2020 to submit to the same the proposal to amend Article 10 of the Articles of Association to introduce a mechanism for the increase in voting rights as provided for and permitted by Article 127-*quinquies* of the Consolidated Law on Finance, in accordance with what is represented in the Explanatory Report of the shareholder San Quirico S.p.A., prepared under Article 125-*ter*, paragraph 3, of the ICFA, to which reference should be made, which will be made fully available to the public at the registered office of the Company in Genoa, Via De Marini 1, on the Company's website (www.erg.eu) in the section "Corporate Governance/2020 Shareholders' Meeting", at Borsa Italiana S.p.A. and on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) at the same time as the publication of the notice of call of the Extraordinary Shareholders' Meeting.

The Board of Directors did not make any further observations concerning the request to convene the meeting and the proposal of the shareholder San Quirico S.p.A.

Genoa, 17 March 2020

ERG S.p.A.

The Chairman of the Board of Directors

Edoardo Garrone

ERG S.p.A.

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