



ERG S.p.A.

MODEL OF ORGANISATION AND MANAGEMENT
Italian Legislative Decree no. 231 of 8 June 2001

Approved by the Board of Directors on 31 July 2020

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Definitions

In addition to the definitions contained in other parts of the Model, the terms and expressions with an initial capital letter used in this text have the following meaning assigned to them, it being specified that the same meaning applies to both the singular and the plural:

Tax authorities

We are here referring, including, but not limited to, the Ministry of Economy and Finance, the Finance Department, the Public Property Agency, the Customs and Monopolies Agency, the Presidential Council of Tax Justice and the Financial Police as well as the relevant civil servants and internal bodies including Public Officials, Public Servants and Politically Exposed Persons (PEPs).

Sensitive Activity or Activity

Activity carried out directly by ERG or, on its behalf or favour, by an ERG Group company or by a third party in a context in which there is the potential risk of committing the Offences.

Authority or Public Administration

We are here referring, including, but not limited to, the Judicial Authorities, Italian and foreign, national, regional and local Institutions and Public Administrations, Consob, Anti-trust Authority, Borsa Italiana S.p.A., the Italian Data Protection Authority, the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) and the other Supervisory Authorities, both Italian and foreign, national, regional and local, or equivalent private subjects in so far as they are provided with supervisory powers as well as their civil servants and internal bodies, including Public Officials, Public Servants as well as Politically Exposed Persons.

List of Offences

List of offences envisaged by Italian Legislative Decree 231/01 published in the "Supervisory and Anti-Corruption Bodies" section of the company's intranet.

CCNL or National Collective Labour Agreement

National Collective Labour Agreements in force from time to time and applied by ERG to its Employees

Code of Ethics

Code of Ethics adopted by ERG and its subsidiary companies.

Intragroup Contracts

Contracts between ERG Group Companies that regulate the supply of goods and/or services within the ERG Group.

We are here specifically referring to:

- Intragroup Service Contracts
- Intragroup Loan Contracts
- Intragroup Centralised Treasury Contracts.

Intragroup Loan Contract

Intragroup Contract through which the Company, where necessary, can provide the subsidiary company ERG Power Generation and, through the latter, the other Subsidiary Companies with certain financial resources functional to the operation and development of core business activities. These may be both short-term and long-term credit lines.

Intragroup Service Contract

Intragroup Contract through which the Company supplies and receives, inter alia, goods, services, professional services, to/from the subsidiary company ERG Power Generation and, through the latter, the other Subsidiary Companies.

Intragroup Centralised Treasury Contract

Intragroup contract through which the Company (as a pooler) manages the ERG Group's financial resources by centralising the financial resources present in the current accounts of the various Subsidiary Companies that comply with this system in a single current account, in order to improve the allocation of monetary liquidity.

Employees or Personnel

Subjects who have an ongoing contractual relationship with the Company (or with other Companies of the ERG Group, where expressly specified), including managers, or a temporary employment or training relationship.

Italian Legislative Decree 231/01 or the Decree

Italian Legislative Decree no. 231 of 8 June 2001 as amended and supplemented.

ERG or the Company or Parent Company

ERG S.p.A.

ERG Power Generation

ERG Power Generation S.p.A.

Suppliers or Consultants or Contractors

Natural persons (not Employees) and legal entities that have a contractual relationship with the ERG Group that relates to, among other things, the supply of goods, services, professional services or the execution of works in favour of the Company or Subsidiary Companies, in the name and on behalf of ERG.

ERG Group or ERG Group Company or ERG Group

ERG and its Subsidiary Companies.

Public Servant

The person who, for whatever reason, performs an activity regulated according to the same rules that apply to public appointments, but featuring a lack of the powers usually associated to the latter. The carrying-out of simple clerical tasks and the provision of merely material work are excluded. Including, but not limited to, the following may be considered public servants: the employees of the Supervisory Authority that are not involved in establishing the will of the Authority and have no powers of authorisation.

Confindustria's Guidelines or Guidelines

The Guidelines for the construction of organisation, management and control models pursuant to Italian Legislative Decree 231/01 approved by Confindustria in the latest version updated in March 2014 and published in July 2014 following approval from the Ministry of Justice.

Organisation Manual

We are here referring to the document that, given the Company's framework at any given time, defines, for each organisation role found within the company's organisational chart:

- the purpose, understood as being the main objective;
- the responsibilities, with regard to the macro-activities of the main processes;
- the professional family they belong to;
- the expected range of their technical (know-how) and managerial competence.

Specific company roles mentioned in the Model are expressly defined within the Organisation Manual.

Model

The Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01, adopted by ERG.

Internal regulations

We are here referring to the company regulations adopted by the ERG Group, including those approved as part of the Safety Management System according to the ISO 45001 standard.

Supervisory Bodies

The Board of Statutory Auditors and the Auditing Company, as well as their members.

Corporate Bodies

The Board of Directors and the Board of Statutory Auditors as well as their members.

Supervisory Committee or SC

Committee responsible for verifying the effectiveness of and the compliance with the Model and proposing its updating to the Board of Directors when it considers it necessary. The Supervisory Committee is also required to oversee compliance with the Code of Ethics.

Politically Exposed Persons or PEPs

This refers to natural persons who hold, or who have ceased to hold less than a year ago, important public posts, as well as their family members and those who are closely related to the latter, as indicated by Italian Legislative Decree 231/2007 as amended or any other equivalent legislation or regulation on money laundering.

Public official

Anyone a) exercising a public legal, judicial or administrative function; b) acting in an official capacity in the interest or on behalf of (i) a national, regional or local Public Administration, (ii) an agency, office or body of the European Union or of an Italian or foreign, national, regional or local Public Administration, (iii) a company, owned, controlled or jointly owned by an Italian or foreign Public Administration, (iv) an international public organisation.

Including, but not limited to, the following may be considered public officials: the technical consultants and appointed experts, process servers and official receivers, as assistants to the judge; the health inspectors and officers; notaries; mayors in their role as government officers; municipal councillors; persons pertaining to the Police Force or the Armed Forces; Fire fighters and traffic wardens; judges in the exercise of their functions; council employees that issue certificates (for example, Registry Office employees) and council technicians

Offences

The offences to which the regulations envisaged by Italian Legislative Decree 231/01 apply

Waste

Any substance or object that falls into the categories listed in Annexe A (in Part Four of Italian Legislative Decree 152/06) and which the owner or holder discards or intends or is required to discard.

Power Allocation System

This refers to the set of powers granted, within the Company, through mandates and proxies, to be exercised (where applicable) within the limits of the approved budget, as well as all that is envisaged by the Guidelines for the identification and carrying-out of significant operations and in any case bearing in mind the roles and responsibilities assigned through the Organisation Manual.

Management system

This is the set of policies, guiding principles, plans and programmes, organisational structure, roles and responsibilities, procedures, practices, actions and resources, coordinated and aimed at controlling and constantly improving the protection of health and safety at the workplace certified by the ISO 45001 standard.

Subsidiary Companies

Companies directly or indirectly controlled by ERG pursuant to art. 93 of Consolidated Financial Law¹.

Senior Parties

ERG's Directors (including, in particular, the Chairman, the Executive Deputy Chairman, the Deputy Chairman, the Chief Executive Officer holding special offices and/or proxies directly granted by the ERG Board of Directors), the General Manager and, more generally, those parties who have the power and responsibility, directly or indirectly, for planning, directing and controlling the Company's activities

Significant Third Parties

Natural persons or legal entities with which the ERG Group has commercial relations or relationships in general that

¹ "[...] the following are also considered subsidiaries, in addition to those indicated in art. 2359, section one, numbers 1 and 2, of the Italian Civil Code:
a) Italian or foreign companies over which a party, by virtue of a contract or a statutory clause, has the right to exercise significant influence, when the applicable law permits said contracts or clauses;
b) Italian or foreign companies over which a shareholder, on the basis of agreements with other shareholders, alone has sufficient voting rights to exercise a significant influence at the shareholders' meeting.
[...] rights held by subsidiary companies or those exercised by means of trustees or intermediaries are also valid; those due on behalf of third parties are not considered valid."

present a risk of being affected by possible instances of corruption or be instrumental in the implementation, facilitation or concealment of corruption practices as identified by the "Significant Third Party Due Diligence" procedure.

Top Manager

The persons reporting directly to the Chief Executive Officer of ERG from time to time granted competence over various issues.

Top Management

The Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the General Manager of ERG.

1. Italian Legislative Decree no. 231/01

1.1. Decree content and law references

Italian Legislative Decree 231/01², which came into force on 4 July 2001, introduced into our legislation the concept of administrative liability for legal entities, which is to be added to the criminal liability of the natural person who has materially committed certain Offences and which aims to involve, in the punishment of said offences, the organisation in whose interest or to whose advantage these Offences have been carried out.

The responsibility of the entity (even for Offences committed abroad, provided that the State where the unlawful act was committed is not already pressing charges and the other conditions envisaged by art. 4 of the Italian Legislative Decree 231/01 are met) is ascertained when one of the Offences is committed by a natural person who is part of the entity and in the interest or to the advantage of the entity itself and if the latter has not adopted suitable organisation models to prevent these Offences being committed (known as “organisational liability”).

With reference to the natural persons who have committed the Offence, it takes into consideration the conduct of (i) Senior Parties and (ii) natural persons under the management or supervision of said parties.

Italian Legislative Decree 231/01 included in its original text only offences against the Public Administration (articles 24 and 25); subsequently, via further legislative actions also driven by the need to adapt to EC regulations and international conventions, other cases were introduced (the complete list of which is provided in the List of Offences).

1.2. Company actions that the decree considers as exemptions from its administrative liability

Italian Legislative Decree no. 231/01 provides a specific exemption from administrative liability, if the Entity can demonstrate that the management, before the offence was committed, had adopted and effectively implemented “organisational and management models designed to prevent the Offences committed”.

The Model must meet the following requirements:

- identify the activities where the Offences may be committed;
- define specific decision making protocols with reference to the Offences that must be prevented;
- identify procedures for managing financial resources capable to prevent the commission of such Offences;
- envisage reporting duties towards the Body in charge of supervising the operation of and the compliance with the Model;
- introduce a system to appropriately sanction the non-compliance with the rules indicated in the Model (the “Disciplinary system”).

When the Offence has been committed by a **Senior Party**, a specific exemption from liability is provided for if the entity proves that:

2 Adaptation of Italian law on liability of legal persons to the Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Community, to the Brussels Convention of 26 May 1997 on combating the bribery of public officials of the European Community and of Member States and to the OECD Convention of 17 December 1997 on combating the bribery of foreign public officials in international business transactions.

- prior to the commission of the Offence, it had adopted and effectively implemented a Model capable of preventing the commission of the offences considered in the Decree;
- it had entrusted an internal body with autonomous decision-making and control powers with the responsibility of supervising the operation of and compliance with the Model, as well as ensuring it is regularly updated, proposing any need for intervention by the Board of Directors;
- there is no evidence of omitted or insufficient control by the Supervisory Committee;
- the perpetrator of the Offence acted by fraudulently ignoring the Model.

When the Offence has been committed by a **subject under the management or supervision of a Senior Party**, the public prosecutor must prove that the commission of the offence has been made possible by the failure of the Senior Parties to comply with their management or supervision obligations. These obligations cannot be considered violated if the entity, before committing the Offence, has adopted and effectively implemented a model fit for preventing Offences such as those occurred.

ERG, in drafting the Model and in subsequent updates, has duly taken into account the Guidelines drawn up by Confindustria; any differences that exist between the adopted Model and any specific indication of the Guidelines do not affect its basic accuracy and validity, since Guidelines are general in nature, while the Model is strictly referred to the Company.

1.3. Sanctions envisaged by the Decree

The Decree envisages four types of sanctions for administrative offences when the liability of the entity is ascertained:

- **pecuniary**, penalties, established through a system setting a minimum and a maximum number of "quotas" with reference to each offence. In order to make sanctions truly effective, the rule gives the law courts the power to define the number of the "quotas" used to sanction³ the organisation (between 100 and 1,000, according to the seriousness of the offence, the degree of responsibility of the entity and to what has been done to eliminate or mitigate the consequences of the offence and prevent further offences) and the relative value (between EUR 258 and EUR 1,549 set on the basis of the economic and financial conditions of the entity);
- **debarment penalties**⁴, i.e.:
 - i. the prohibition from operating core business activities;
 - ii. the suspension or revocation of authorisations, licenses or concessions functional to the committing of the Offence;
 - iii. the prohibition from entering into contracts with the Public Administration, other than to obtain public services;
 - iv. the exclusion from facilities, loans, grants and subsidies as well as the revocation of those already granted;
 - v. the prohibition from advertising goods or services.

³ There are cases in which the pecuniary penalty can be reduced if (alternatively) the perpetrator of the offence has committed the act in his/her own best interest or in the interest of third parties and the entity has not gained an advantage from it, or has gained a minimum advantage from it, and if the damage is negligible. The pecuniary penalty is also reduced by a third to a half if, prior to the opening statement of the first instance hearing, the entity (i) has fully compensated the damage or has eliminated the damaging or dangerous consequences of the offence (or has tried to do so), (ii) or has adopted a Model suitable to prevent the same offence being committed in the future. The pecuniary penalty is reduced by a half to two thirds if both the above conditions are met.

⁴ The debarment sanctions do not apply if, prior to the opening statement of the first instance hearing, the entity has repaired the consequences of the Offence, it being necessary for this purpose that the entity has: i) fully compensated the damage and eliminated the damaging or dangerous consequences of the Offence or has tried to do so; ii) adopted and implemented a Model fit for preventing offences such as those occurred; iii) made available the profit obtained.

- the **seizure** of the cost or profit deriving from the Offence⁵
- the **publication of the sentence**.

With reference to the attempted crimes that are relevant pursuant to the Italian Legislative Decree 231/01, without prejudice to the possible reductions of the pecuniary penalties, no other responsibility falls on the shoulders of the entities if they have voluntarily avoided the perpetration of the actions or the criminal event.

⁵ As a precautionary measure, the distress of those things that, constituting price or profit of the Offence or their monetary equivalent, are liable to seizure, may be ordered.

2. Model adopted by ERG S.p.A.

2.1. Reasons for adopting the Model

The ERG Group is a leading independent operator in the production of electricity from renewable sources: wind, solar, hydroelectric and thermoelectric cogeneration with high efficiency and low environmental impact.

The organisational structure called "One Company" (started in 2017) was consolidated in 2019 and characterised by the definition of two macro-roles:

- **ERG – Corporate** – a public limited company listed on the Mercato Telematico Azionario (screen-based stock exchange) organised and managed by Borsa Italiana S.p.A. in the FTSE Mid Cap and FTSE All Share indices – that guarantees strategic guideline, has direct responsibility for business development processes and ensures the management of all business support processes.

The company is organised in the following areas:

- Business Development and M&A;
- Engineering Development;
- Corporate General Manager & CFO;
- Regulatory & Public Affairs;
- Corporate & Legal Affairs.

The Corporate General Manager & CFO area includes the functions of Administration, Finance, Planning & Control, Risk Management, Investor Relations & CSR, Purchasing, Communication and Human Capital & ICT with the aim of converging the activities relating to the main business support services into a single General Management.

- **ERG Power Generation** – an energy generation and sales company, is dedicated to the overall and integrated management of the four different and complementary production technologies (Thermo, Hydro, Wind and Solar units) that the Group now has at its disposal and to the sale of energy. In particular, it carries out:
 - centralised Energy Management & Sales activities for all the generation technologies in which the ERG Group operates⁶;
 - the Operation & Maintenance activities of its Italian wind power plants, part of the plants in France and Germany and the CCGT plant in Priolo Gargallo⁷. Through its foreign subsidiary companies it also provides technical and administrative services in France and Germany to both ERG Group companies and third parties.

ERG, for the purpose of ensuring fairness and transparency in conducting its business activities, since December 2004, has considered it appropriate to adopt a Model (and a Code of Ethics, which is an integral part thereof) in line with the provisions of the Decree, subsequently updated to take into account the new regulations and organisational and business changes that have occurred over time, up to the current edition.

The Company, in fact, considers the adoption of this Model to be – apart from the provisions of law – a valid tool for raising awareness among Senior Parties, Employees, Suppliers, Consultants, Contractors as well as Group companies with which ERG has Intragroup Contracts, and all other stakeholders, so that, they behave in an appropriate and transparent manner

⁶ Also for plants abroad, where they no longer have incentives.

⁷ The Terni Hydroelectric Hub through which energy is produced from hydroelectric sources is managed by ERG Hydro S.r.l. personnel, 100% controlled by ERG Power Generation.

when performing their activities, in line with the ethical and social values that inspire ERG in pursuing its corporate purpose, and in any case such as to prevent the risk of commission of the Offences.

As a consequence, the adoption and effective implementation of the Model are intended to improve corporate governance - reducing the risk of committing Offences - and provide valuable evidence for the Company to be considered exempt from liability and consequent sanctions.

The Company has obtained and maintains ISO 45001 Safety Management System certification.

2.2. Activities related to Intragroup Service Contracts

The ERG Group's organisational model foresees the centralisation of shared activities within the Companies of the ERG Group. In particular, the Company - which guarantees strategic management - has the direct responsibility for business development processes and ensures management of all business support processes by means of an Intragroup Service Contract with ERG Power Generation and, indirectly, with the other Subsidiary Companies, through separate Intragroup Service Contracts signed between the latter and ERG Power Generation.

ERG also receives from ERG Power Generation the management services for Health, Safety and Environment ("HSE") issues through an Intragroup Service Contract.

These contracts ensure that each Company of the ERG Group can:

- reach independent and autonomous decisions for which it must be granted broad responsibility, including decisions relative to the intragroup services received
- consequently maintain control regarding the appropriateness of the intragroup services supplied/received.

The Intragroup Service Contracts envisage:

- a detailed description of the activities that are the subject matter of the contract;
- the procedures involved in the provision of services;
- the powers of verification and control granted to the individual ERG Group Companies;
- the procedures for calculating the fees of the services supplied;
- appropriate clauses protecting the information assets of the individual ERG Group Companies and the security of the transactions;
- the obligation, befalling the Company, to operate in compliance with current applicable laws and regulations as well as requiring their compliance even by possible Suppliers, Consultants and Contractors to which it might subcontract the entire or partial supply of intragroup services;
- the right for the ERG Group Companies receiving the intragroup services to terminate the contract in case of violation:
 - of the legal and regulatory dispositions that may lead to sanctions pursuant to Italian Legislative Decree 231/01 charged to ERG Group Companies receiving intragroup services;
 - of the obligation to carry out the activities in compliance with the principles contained in the organisation, management and control model envisaged by Italian Legislative Decree 231/01, adopted by each company of the ERG Group as well as the Code of Ethics and Internal Regulations.

More in general, each Intragroup Contract must be designed to be fair and transparent and the relative services supplied in compliance with the principles of sound management, accounting transparency and segregation of assets.

2.3. Construction and structure of the Model

The Model has the purpose of defining a comprehensive set of prevention, deterrence and control tools aimed at reducing the risk of Offences being committed, by identifying Sensitive Activities and, if necessary, their resulting regulation.

Therefore, the activities carried out to develop⁸ and subsequently update the Model can be summarised as follows:

- **mapping of company activities at risk of Offence**, with the purpose of identifying sensitive activities and understanding possible ways of committing Offences (*"risk assessment"*);
- **examination of existing corporate documentation, interviews** with key corporate employees, identification of existing Internal Regulations, understanding the segregation of duties model, mapping existing controls and understanding how they are documented and analysis of risk situations occurred in the past and their causes;
- **preparation of a "231 risk map"** that identifies the Sensitive Activities and the business units responsible for their management;
- **definition of control protocols and formalisation of plans of action** with changes (organisational, procedural or relating to IT systems) necessary to define a control system reasonably able to prevent or reduce the risk of committing Offences.

In relation to the validity of the Model, special importance is given to the organisational structure, the activities carried out by Senior Parties and, more in general, by Personnel, aimed at ensuring the effective and efficient management of operations, the reliability of outward and inward company information, compliance with applicable laws and regulations in force and Internal Regulations.

The Model was developed considering the main positions expressed by the case law in relation to the characteristics it must possess:

- **effectiveness**: namely the adequacy of all the controls established for preventing the commission of Offences;
- **specificity**: model provisions must take into account the Company characteristics, size and type of activities, as well as the history of the Company;
- **constant updating**: i.e. the ability to reduce, over time, the risk of an Offence being committed in relation to the characteristics of the structure and the business, including with the work of the Supervisory Committee that keeps the Model up-to-date and current, suggesting to the Company's Board of Directors all required and/or appropriate changes to this end.

The structure of the Model adopted by the Company is characterised by the presence of the following major components:

- **Code of Ethics**, to which full reference should be made, which states the principles on which the activity of all those who contribute with their work to the development of company activity must be based;
- **General Section**, defining the overall layout of the Model in relation to the provisions of the Decree and the specific choices made by the Company in its preparation, referring to the Disciplinary System, to be applied in case of violation of the envisaged rules and procedures;
- **Special Section**, which provides a definition of the rules to be followed in performing Sensitive Activities relative to the kinds of Offences to which the Company is even just potentially exposed;

⁸ According to the provisions of the Decree, the Guidelines published by Confindustria, the "Position Paper" or the Italian Internal Auditors Association, the CoSO Report (proposed by the Committee of Sponsoring Organizations of the Treadway Commission) as an international standard on internal control matters and Position Paper published by the Associazione degli Organismi di Vigilanza (ASC) (Association of Supervisory Committees).

- **Disciplinary System**, to be applied in case of breach of the Code of Ethics, the Model and the Internal Regulations and, more in general, the rules and procedures envisaged by the Internal Control and Risk Management System adopted by ERG.

2.4. The Internal Control System and Model

The regulatory system of reference for regulating processes and Sensitive Activities does not solely comprise the provisions of this Model, but rather a structured and coherent set of regulations that constitute an integral and substantial part of the Internal Regulations:

- the **Code of Ethics**, targeting all stakeholders, which summarises the ethics principles adopted by the ERG Group for its business activities;
- the **Policies**, targeting all stakeholders, which, based on values expressed in the Code of Ethics, define the basic operating principles for carrying out the company's activities, including in particular the **Anti-Corruption Policy**;
- the **Guidelines**, mainly targeting those responsible for operations and their control, which define the principles for carrying out the activities;
- the **Procedures**, targeting those involved in the operating processes governed by the Procedures;
- the **Operating Notes**, targeting those operationally involved in the activities or activity phases governed by the document;
- the **Safety Management System** (ISO 45001), indicating the procedures adopted for the protection of occupational health and safety;
- the **Intragroup Contracts**.

The current Power Allocation System adopted by the Company envisages the granting of:

- **mandates by ERG's Board of Directors** to the Top Management in relation to Company management;
- **mandates and proxies** to Employees (responsible for organisational positions), depending on the organisational position held, for the assignment of certain powers of representation outside the Company;
- **proxies** to Employees, depending on the organisational position held, for the assignment of the power to carry out certain activities as part of the specific roles envisaged by the Organisation Manual, without any external importance.

The **Power Allocation System** is designed in such a way as to continuously ensure consistency between the organisational structures, the powers assigned (through mandates and proxies) and the Internal Regulations, all of which in compliance (where possible) with the Segregation of Duties. This approach guarantees that the same subject is not assigned all responsibility/powers to independently manage an entire Sensitive Activity.

In particular, when assigning powers (through mandates and proxies), the exact limits (including spending limits) within which they may be exercised are identified, with a prohibition on assigning "unlimited" powers. Where it is not possible to guarantee the Segregation of Duties, the Sensitive Activity must in any case be subject to alternative compensatory control instruments in the most relevant cases of incompatibility.

The principle of Segregation of Duties is outlined in specific organisational documents such as the "Segregation of Duties" Guideline, the Segregation Model of Roles, Responsibilities and Powers and the relative Incompatibility Matrix and must be taken into consideration each time one of the following events, including, but not limited to, occurs:

- internal reorganisation;

- optimisation/modification of an existing process and/or the start of a new process;
- a request for authorisation to access IT systems;
- changes in organisational responsibilities and/or of the Power Allocation System.

Specific periodic controls are also in place to ensure alignment between the powers and the organisational roles, also in reference to any organisational changes.

The **Organisation Manual**, on the basis of the Company structure (meaning the functions present in the Organisation Chart), defines each organisational position and identifies their goals and responsibilities.

The Model is therefore made up of the set of rules of conduct and controls established in this document and in the regulatory system, and the system of delegated powers and responsibilities stated above.

2.5. Model adoption (and updating) process

Although the adoption of the Organisation and Management Model is merely "voluntary" and not mandatory, ERG has decided to set up and adopt its own Model and appoint the Supervisory Committee considering this choice as representing an opportunity to improve its corporate governance.

Since the Model is a "document issued by the Management Body", its adoption and any subsequent amendments and supplements will be responsibility of the Company's Board of Directors.

The Supervisory Committee, as described in the following paragraphs, has the task of (i) verifying the contents of the Model and updating it with the support of any necessary (internal and external) resources, coordinating the analysis and mapping of Sensitive Activities, and (ii) ensuring Model operation and compliance.

Within the Model adoption and updating process, the SC draws up, with the support of any necessary (internal and external) resources, a draft document, shares it with the Internal Control and Risk Committee and then submits it to the Company's Board of Directors for approval and adoption.

The following are, by way of an example, some cases in which it is necessary to update the Model:

- changes in the ownership structure and/or organisational structure;
- changes in business sectors and Countries of reference;
- news of attempted commission or commission of Offences;
- news of new possible ways of committing the Offences;
- regulatory changes relevant to the Company;
- results of controls showing that the control protocols should be reviewed;
- significant violations of the prescriptions of the Model that require the revision of control protocols.

2.6. Adoption of the Model within the Group

The Subsidiary Companies set up under Italian law and subject to the management and coordination⁹ of ERG are required to carry out specific analyses designed to assess the opportunity of adopting its own specific type of Model. To this end they may possibly request the support of the competent company functions of the Parent Company. In particular,

⁹ The joint ventures and the companies in which the ERG Group Companies hold interests are excluded from management and coordination, and consequently independently manage the issues relating to administrative liability of legal entities and, in more general terms, those associated with preventing offences.

they must consider the possible alternatives to the adoption of a Model, referring, where possible, to the existing organisational documentation.

The foreign Subsidiary Companies subject to ERG management and control must adopt the Group's Code of Ethics from the moment the company is formed or on finalisation of an acquisition or merger.

Moreover, in order to strengthen compliance with national and international anti-corruption laws, the Subsidiary Companies must adopt the Anti-corruption Policy.

In order to define the criteria to be followed by Subsidiary Companies in adopting and managing Models or other specific measures, ERG draws up appropriate Guidelines, to be shared with the Internal Control and Risk Committee and approved by the ERG Board of Directors. These Guidelines are in any case communicated to the Corporate Bodies of the Subsidiary Companies.

3. Supervisory Committee

3.1. Identification of the Supervisory Committee

The Decree identifies a *"body of the entity"*, with independent authority of action and control, as the body to be in charge of supervising the operation, effectiveness and observance of the Organisation, Management and Control Model as well as continuously and promptly updating it.

The generic concept of "body of the entity" justifies the multiple solutions that companies can adopt, considering their size, corporate governance rules and the need to achieve a fair balance between costs and benefits.

Confindustria's Guidelines suggest appointing a body, other than the Board of Directors, which has characteristics of **autonomy, independence, professionalism and continuity of action**, as well as **integrity** and **absence of conflicts of interest**.

Members internal or external to the entity may be called upon to be part of the collective SC, provided they meet the above requirements. Should members be both internal and external, as is specified in the Confindustria Guidelines, independence must be considered with reference to the Supervisory Committee as a whole and not to the individual members, since complete independence from the organisation is not enforceable for internal ones.

3.2. Appointment and composition of ERG's Supervisory Committee

The Board of Directors has the power to appoint ERG's Supervisory Committee. Considering the previous section provisions, the Board believes that the best solution to ensure compliance with the requirements of the Decree is represented by granting the functions and powers of the Supervisory Committee to a collective body consisting of a Chairman, as an external member, and two internal members (preferably the Chief Audit Officer and another Manager with adequate abilities) meeting the requirements set by Italian Legislative Decree 231/01 and by Confindustria Guidelines. In particular, the members of the Supervisory Committee possess knowledge and/or expertise in the field of financial audit, tax compliance, management control, finance, risk management, internal audit, business organisation and legal.

The Supervisory Committee only reports to the Company's Board of Directors and has direct access to Top Management, the Board of Statutory Auditors and, both directly and indirectly through the Internal Control and Risk Committee, to the Board of Directors itself. In order to ensure the necessary autonomy of action and independence, the Supervisory Committee has no operational duties.

The members of the Supervisory Committee may not, in carrying out their duties:

- directly or indirectly engage in economic relations (or be able to influence the independence of opinion, also considered in relation to the individual financial condition) with the Company, its Subsidiary Companies, its Directors, the shareholder or group of shareholders controlling the Company, with the exception of any employment relationship;
- directly or indirectly own shares enabling them to exercise control or significant influence over the Company or be influenced in their own independence of opinion (shareholding of more than 5%);
- be close relatives (meaning spouse/partner, relation or in-law to the 4th degree of kinship) of Company directors, of key management or of subjects in the situations mentioned in the previous paragraphs;
- have been convicted, even with no final judgement, for Offences or for other non-negligent crime or have adhered to the application of the penalty on request (known as "plea bargaining" pursuant to art. 444 of the Code of Criminal Procedure);
- have undergone personal or property prevention measures;
- have been declared interdict, disqualified or undergoing bankruptcy proceedings or have been convicted with sentences

that entail disqualification from Public Offices, from the offices of Companies and legal entities, from a profession or an art, as well as the inability to negotiate with the Public Administration (all in all "Causes of incompatibility").

The Company's Board of Directors makes sure that the members of the Supervisory Committee fulfil the requirements of integrity, professionalism, autonomy, independence and continuity of action, also taking into account the instructions provided in Confindustria's Guidelines.

3.3. Duration of appointment, replacement and removal of Supervisory Committee members

Members of the Supervisory Committee remain in office for a period preferably not exceeding three years and may be re-elected. In case of revocation of the appointing Board of Directors, whatever the reason, Committee members will fall from office while remaining in force until new ones are appointed, or the ones in force are confirmed by the new Board of Directors.

The Company's Board of Directors has the power and responsibility to appoint and remove the Supervisory Committee. Members of the Supervisory Committee cannot be revoked except for good reason, by special resolution of the Board of Directors. Good reason for dismissal must be intended as the occurrence of any of the following circumstances:

- occurrence of one of the Causes of incompatibility;
- repeated breach of their duties;
- violation of the Model;
- unjustified inactivity (e.g. repeated and unjustified failure to participate in the regular meetings of the SC);
- conviction, even without final judgement, or application of the "plea bargaining" penalty for facts relating to the performance of their duties. The Board of Directors will decide on a case-by-case basis, taking into consideration the seriousness of the Offences involved, suspension or revocation of membership of the SC, even if not convicted of an "Offence included in Italian Legislative Decree 231/01" with final judgement, but in any event convicted or subjected to personal injunction orders;
- occurrence of a permanent condition of conflict of interest;
- changes in stock ownership resulting in a change of the party holding the majority of votes that can be exercised at ordinary shareholders' meetings.

At the time they are appointed, Supervisory Committee members must issue a declaration stating the absence of the mentioned conditions of incompatibility with reference to their specific activity along with the undertaking to promptly communicate any variation that may intervene regarding what has been stated.

Members of the SC can resign from their role at any time. In this case, they must notify the other members of the Supervisory Committee, the Chairman of the Board of Directors and the Chairman of ERG's Board of Statutory Auditors in writing of the reasons for their resignation. Should one or more members of the Supervisory Committee resign at the same time, the resignation shall not take effect until the acceptance or appointment of the new member(s) by the Board of Directors.

3.4. Functions, powers and activities of the Supervisory Committee

The SC is responsible for carrying out, with autonomous powers of action and control, the following activities:

- monitoring compliance with the Code of Ethics and the Model;
- updating the Model considering regulatory changes and company organisation so that the Board of Directors may approve it, keeping the document consistent with the purposes described in the Decree;

- checking the effectiveness and adequacy of the Model, that is to say the ability of the Model to prevent the commission of the Offences;
- analysing the company's activities, coordinating where necessary with the Personnel competent from time to time in order to update the mapping of Sensitive Activities;
- promoting training initiatives for the recipients of the Model, its communication and diffusion in collaboration with the competent company functions;
- collecting, processing and storing of all relevant information received in accordance with the Model;
- making periodical checks according to an annual plan notified to the Board of Directors;
- making other "out of plan" checks retained necessary, which are notified to the Board of Directors when the half-yearly report is prepared;
- making sure that corrective actions necessary to make the Model adequate and effective are implemented in the manner and within the time limit agreed with the Personnel competent from time to time.

As part of the checks on the operation, effectiveness of and compliance with the Model, the SC:

- must take all necessary action in order to adapt behaviour to the provisions of the Model, if it appears that the status of implementation of rules is deficient;
- must act as soon as possible when Model adaptation is needed;
- can communicate results of its audits in writing to the competent Personnel, requesting an improvement action plan and agreeing on the timing for their implementation;
- must acquire directly from competent Personnel all the elements needed to promote the application of the Disciplinary System.

The Supervisory Committee must inform the Board of Directors and the Board of Statutory Auditors as soon as possible, without prejudice to appropriate verification activities and investigations, about significant violations of the Model, asking for support from Personnel able to collaborate in audit activities and in defining appropriate actions in order to prevent the recurrence of such circumstances.

Activities carried out by the Supervisory Committee in the exercise of its functions cannot be controlled in any way by any other body or company department, without prejudice to the fact that the Board of Directors is in any case obliged to carry out an inspection in order to evaluate the adequacy of the intervention of the Supervisory Committee.

The Supervisory Committee is granted the following powers and rights in order to perform its assigned duties:

- to access any kind of business document, relevant in relation to his functions;
- to make use of the collaboration of the competent Personnel, with special reference to Personnel belonging to the "Internal Audit" and "Compliance 231" functions;
- to request the Personnel to promptly provide information, data and/or news necessary for identifying relevant aspects of company activities with reference to the Model and for monitoring its effective implementation;
- to request the Board of Directors and the Board of Statutory Auditors to be convened.

Moreover, the Board of Directors must approve annually, at the suggestion of the SC, an adequate financial allocation in order to carry out its activities, as well as any additional funds that may be required during the year.

In order to carry out its activities, the Supervisory Committee adopts regulations within which it defines the procedures for its operation (appointment of the meeting secretary, call, voting and resolutions, etc.).

With specific reference to the meetings of the Supervisory Committee and respecting the autonomy of the same, at least 4 meetings a year should be held (and reported in minutes).

3.5. Reporting to Corporate Bodies

Despite its autonomy and independence, the Supervisory Committee must inform the Board of Directors:

- at the beginning of each year, about the plan of activities that it intends to carry out;
- promptly, in writing, any significant issue arising from the supervisory activities;
- at least every six months, as part of special reports, the progress of activities and any motivated changes made to the plan;
- promptly, compatibly with the timing necessary for the checks/investigations, any ascertained violations of the Model and/or the Code of Ethics.

The plan of activities and half-yearly reports are presented to the Internal Control and Risk Committee and the Board of Directors, whose meetings are also attended by the Board of Statutory Auditors .

3.6. Reporting duties to the Supervisory Committee

It is mandatory that competent Personnel submit to the SC any information deemed useful for its activity, including but not limited to:

- results of controls set in place to implement the Model, from which discrepancies emerge;
- measures and/or information from the Judicial Police or any other Authority from which one can infer investigations concerning directly or indirectly the Company;
- internal and external communications relating to facts that could be in connection with cases considered Offences;
- requests for legal assistance submitted by company Personnel against whom the court is proceeding for cases considered Offences;
- results of internal audits from which responsibility emerges;
- information relating to changes in the organisational structure, the reference ownership structure or changes in the reference sectors and geographical areas;
- updates to the Power Allocation System, also by publishing on the intranet portal;
- significant or atypical operations that may be at risk of Offence;
- significant violations of the rules relating to accident prevention and hygiene in the workplace, where accidents and occupational diseases have arisen;
- any communication from the Auditing Company regarding issues that may indicate deficiencies in the system of internal controls, reprehensible facts, comments on the Company's financial statements and on the consolidated financial statements;
- exceptions to the application of Internal Regulations currently in force;
- list of disciplinary measures imposed on employees, with an indication of the type of measure and the dispute raised.

The Supervisory Committee draws up and approves a specific procedure for the flow of information concerning the Sensitive Activities identified in the Model.

The Supervisory Committee must be granted access to any electronic and/or hardcopy filing systems in use that may contain information relevant to its activity, such as:

- corporate archive (minutes of meetings of Corporate Bodies, Articles of Association, etc.);
- any input and output communication protocols.

The documentation relevant to the application of the Model (information flows, relevant operations, etc.) must be stored by the Personnel responsible for Sensitive Activities, for a period of 10 years and must be subject to "handover" in case of organisational changes.

3.7. Communication with the Supervisory Committee and management of reports

The communication with the Supervisory Committee must take place through the specific mailbox odivigilanza@erg.eu or to the following address: **Supervisory Committee of ERG S.p.A. - via De Marini 1, 16149 Genova**. These channels are suitable to ensure the confidentiality of the identity of the whistle-blower and the person responsible for the alleged violation in managing the report. In particular, only the members of the Supervisory Committee and the Personnel of the "Compliance 231" and "Internal Audit" business units are authorised to access the aforementioned electronic mailbox. Access to the mailbox is tracked and monitored through an IT system designed to identify and report any unauthorised access to the Supervisory Committee.

Any form of direct or indirect retaliation, discrimination or penalisation against the whistle-blowers or those who have cooperated in an investigation, for reasons directly or indirectly related to the report or investigation, is prohibited. Any violation of this prohibition is subject to the application of the Disciplinary System.

The Supervisory Committee, in managing the report, operates in such a way as to ensure that the confidentiality of the identity of the whistle-blower and that of the person responsible for the alleged violation will be protected, without prejudice to the obligations of law and protection of rights of the Company or persons accused falsely and/or in bad faith.

Reports based on mere suspicions or rumours are not worthy of protection: this is because it is necessary to take into account the interests of those who are the subject matter of the information in the report, as well as to avoid wasting resources in in-depth analyses that are unlikely to lead to a result. By way of an example, reports may not concern personal complaints of the whistle-blower or claims that fall exclusively within the regulation of the employment relationship or relations with the line manager or colleagues and are not relevant under the Decree, for which reference must be made to the various communication channels made available to the Personnel. Reports must not contain allegations that the whistle-blower knows are false. Any whistle-blowing with wilful misconduct or gross negligence that proves to be unfounded is subject to the application of the Disciplinary System.

The Supervisory Committee will consider the reports received in relation to unlawful behaviour, relevant under the Decree or relating to violations of this Model, provided they are detailed and based on precise and consistent facts, with professionalism and responsibility; it can interview the whistle-blower and/or the person responsible for the alleged violation, documenting in writing reasons for any independent decision not to proceed.

For the proper and adequate management of reports, they should be as detailed as possible and offer the highest number of elements to allow the Company carry out the required checks. By way of an example, the report must contain at least the following elements: (i) details of the whistle-blower, indicating the business unit to which it belongs and/or the activity carried out for the ERG Group, (ii) a clear and complete description of the reported facts, (iii) the time and place of the events reported, (iv) elements that allow us to identify the subject who carried out the reported facts, (v) any other subject who may report on the facts being reported, (vi) any documents that may confirm the validity of the facts reported.

Any substantiated anonymous reports (containing all the objective details required to move to the next verification phase) will be taken into consideration by the Supervisory Committee for further investigation.

The Supervisory Committee, possibly with the support of Compliance 231, records the original and carries out a preliminary check of the report:

- where the report is considered as (i) excessively general and/or insufficiently substantiated, (ii) clearly unfounded, or (iii) containing facts that have already been analysed in the past and no further elements emerge from the preliminary

checks such as to make further investigation necessary, the Supervisory Committee closes the report by drawing up a specific final report and notifying the whistle-blower (if known);

- where, on the other hand, the report is assessed as sufficiently precise, the Supervisory Committee carries out the appropriate checks and investigations by involving the Internal Audit and asking the whistle-blower (if known) for further information deemed useful. The whistle-blower (if known) is notified of the opening of the investigation phase on the report received.

At the end of the investigations carried out, the Supervisory Committee fills in a final report and informs the whistle-blower (if known) of the conclusions reached.

If the facts reported are well-founded, also as a result of the checks carried out, the Supervisory Committee will:

- notify the outcome of the assessment to the body responsible for the application of the Disciplinary System, ensuring the anonymity of the whistle-blower;
- inform the Board of Directors and the Board of Statutory Auditors so that the Company may take the actions deemed most appropriate;
- give an account of the report and the outcome of the checks carried out to the Board of Directors.

If it is ascertained that the facts reported do not exist or are manifestly unfounded, the SC will:

- close the report by drawing up a statement;
- notify the outcome of the assessment to the body responsible for the application of the Disciplinary System, if it is established that the report was made with wilful misconduct or gross negligence.

All documentation acquired and produced on the report received is filed by the Supervisory Committee with the support of Compliance 231 in a suitable manner to prevent access by unauthorised subjects.

The SC and the Personnel who receive or otherwise become aware of the reports, as well as those who may be involved in the management of the procedure, are required to observe the confidentiality requirements on the identity of the whistle-blower and the person responsible for the alleged violation. Any violation of these requirements is subject to the application of the Disciplinary System.

If the report is followed by the start of sanction proceedings, the identity of the whistle-blower may be revealed to the accused where:

- a) there is the express consent of the whistle-blower;
- b) the allegation is wholly or partly based on the report, and the knowledge of the identity of the whistle-blower is absolutely essential for the defence of the accused, provided that this circumstance is deduced and proven by the latter during the hearing or through the submission of defence briefs.

The Supervisory Committee gives an account of all reports received, including those filed, in its periodic reports to the Board of Directors.

3.8. Documentation of the activities of the Supervisory Committee and filing

The Supervisory Committee documents the activity carried out in special reports and as envisaged in its Regulations.

The Company provides the Supervisory Committee with a "dedicated" IT system (the "System") for sharing the documentation in support of the supervisory activities assigned to it and periodic meetings that meets the confidentiality requirements envisaged, among other things, by the regulations on personal data protection.

Documentation shared and discussed at meetings is accessible only to members of the Supervisory Committee and the appointed Secretary, who access the System by means of personal credentials.

3.9. Coordination between the SC and the Supervisory Committees of the other Group Companies

The Supervisory Committee defined, together with the Supervisory Committees of the Group Companies, a specific procedure with the aim of identifying the information that must be shared between the ERG Group Supervisory Committees when this might be relevant for their respective supervisory activities and/or for the correct application of Model 231 of the reference company.

This is without prejudice to the full autonomy and responsibility of each Supervisory Body towards the Board of Directors that appointed it in carrying out its supervisory activities on Model 231 adopted by the company of reference and in examining and processing information received from another Supervisory Committee.

4. Training and information

For the purposes of the implementation of the Model, ERG believes that it is necessary to ensure correct knowledge and disclosure of the rules of conduct contained therein, both to its own Employees (already in the Company or new recruits) and to Suppliers, Consultants and Contractors, who maintain relations, of any kind whatsoever, with the Company.

Training and information activities are carried out by the Supervisory Committee, which avails itself, to the extent necessary, of the support of other resources inside or outside the Company. Participation in training activities is mandatory and failure to comply with this obligation, which can be verified not only by ERG's Head of Human Resources but also by the Supervisory Committee, is subject to disciplinary assessment.

In order to ensure the effective distribution of the Model and information for Personnel in relation to the contents of the Decree and the obligations arising from the implementation thereof:

- a copy of the Model is posted on company notice boards
- the section of the intranet portal dedicated to the Supervisory Committee is regularly updated.

4.1. Personnel employed in Sensitive Activities

Training of managers, Personnel vested with powers of representation and non-managerial Personnel employed in Sensitive Activities must be based on classroom training on special interest issues (newly introduced Offences, particularly significant Sensitive Activities, etc.). The training activities are repeated on a regular basis.

With regard to the Code of Ethics, the completion of a dedicated e-learning course is envisaged, tracked on the system and monitored by Human Resources. The e-learning on the Code of Ethics must also be repeated periodically.

4.2 Newly-recruited personnel

Information and training activities are planned for newly recruited Personnel, based on:

- the delivery, together with the letter of appointment, of a copy of the Code of Ethics and an information sheet about the Model adopted by the Company;
- the completion of a dedicated e-learning course dedicated to the Model, the contents of which take into account the issues of specific interest, representing concrete situations, risks and controls to guide the behaviour of those concerned;
- the completion of an e-learning course dedicated to the Code of Ethics.

E-learning training is tracked by the system and monitored by Human Resources. After the initial training and information, new recruits follow the training path envisaged for existing company Personnel.

4.3 Directors and key management

For Directors and key management a training activity is envisaged on the issues raised pursuant to Italian Legislative Decree 231/01, with particular reference being made to the sanctioned Offences, the risks related to business and case law applications.

4.4 Other Personnel

Information to Personnel which does not fall within the categories referred to in the preceding paragraphs is carried out

by Compliance 231 through the periodic publication of information documents on the company intranet and other means of internal communication (such as corporate boards and periodical internal communications).

4.5 Information to Suppliers, Consultants and Contractors

The Suppliers, Consultants and Contractors are informed of the rules of behaviour adopted by the Company, through the publication of the Code of Ethics and the Model (of which an extract is published) on ERG's Internet portal.

It is also required that the above subjects issue a signed statement (even in the form of a specific contractual clause) in which they certify knowledge of the Code of Ethics and the Model and undertake to comply with its prescriptions as well as not engaging in conduct that may involve the Company in the Offences

5. The Disciplinary System

5.1. Disciplinary offences

The implementation of actions or behaviour not in compliance with the rules of conduct and/or contrary to the prohibitions contained in the Model, in the Code of Ethics and in the Internal Regulations relevant to the Model by Directors, Statutory Auditors, Personnel and, as far as applicable, also by Suppliers, Consultants and Contractors constitute a disciplinary offence and as such can be sanctioned when:

- they expose the Company to the real risk of committing one of the Offences and/or
- are unequivocally intended to commit one or more Offences and/or
- are such as to determine the application by the Company of sanctions envisaged by Italian Legislative Decree No. 231/01.

By way of an example, the following are violations liable to disciplinary assessment and consequent application of sanctions:

- non-cooperation, when required, with the Supervisory Committee;
- failure to send information and reports envisaged by the Model and the information flow procedure to the Supervisory Committee when repeated and/or aimed at obstructing supervisory functions;
- repeated failure to participate to training activities on the Model and/or the Code of Ethics, when not properly motivated;
- making reports, with wilful misconduct or gross negligence, that prove to be unfounded;
- violation of the measures that the Company puts in place to protect the confidentiality of the whistle-blower (and the person responsible for the alleged violation);
- any form of direct or indirect retaliation, discrimination or penalisation against those who have made a report, for reasons directly or indirectly related to the report or investigation.

Should the behaviour to be censured be considered an Offence, procedures envisaged by the Disciplinary System will take place regardless of the course and outcome of criminal proceedings initiated by the Judicial Authorities.

The company asks the Directors, Statutory Auditors, Suppliers, Consultants and Contractors as well as Personnel to report any violations of the Code of Ethics and/or Model and welcomes their contribution, even if the whistle-blower took part in the violation.

5.2 Disciplinary system against Employees at managerial level

In case of actions or behaviour referred to in paragraph 5.1 of Employees at managerial level, the Company adopts the provisions of applicable law and contract against the perpetrator. In particular, taking into consideration the seriousness of the proven behaviour, the Company may apply measures to limit or revoke proxies in addition to changing the position of the individual subject to disciplinary proceedings, until dismissal.

In any case, sanctions will be defined according to the level of responsibility and autonomy of the top manager, the intentionality of his/her behaviour and its importance, considering both the relevance of the obligations violated and the effects that can reasonably impact ERG - also with reference to the Decree. When a single behaviour constitutes a multiple violation of the law, subject to different types of sanctions, the most serious applies.

Under the current Power Allocation System, the task of ascertaining violations and applying sanctions to top managers lies with the Chief Human Capital & ICT Officer, who may rely on the support of the Supervisory Committee that will be asked to give a non-binding opinion. The Chief Human Capital & ICT Officer is also responsible for monitoring top managers' behaviour with reference to their compliance with the Model and the Code of Ethics, while the Supervisory Committee must monitor the effectiveness of the adopted Disciplinary System.

5.3. Disciplinary system against Employees not at managerial level

In case of actions or behaviour referred to in paragraph 5.1, the measures envisaged against Employees not at managerial level - according to procedures envisaged in article 7 of the "Workers' Statute", of the current National Collective Labour Agreement, as well as any applicable special regulation - are:

- verbal reprimand;
- written reprimand;
- fine not exceeding the amount of 4 hours' pay;
- suspension from service and pay for a period not exceeding 5 days;
- transfer as punishment;
- dismissal with indemnity for insufficient notice period;
- dismissal without notice.

In any event, sanctions will be defined according to the level of responsibility and autonomy of the Employee, the intentionality of his/her behaviour and its importance, considering both the relevance of the obligations violated and the effects that can reasonably impact ERG, also with reference to the Decree. When a single behaviour constitutes a multiple violation of the law, subject to different types of sanctions, the most serious applies. The relapse within three years will automatically result in the immediate application of the more serious sanction.

Under the current Power Allocation System, the task of ascertaining violations and applying sanctions to Employees lies with the Chief Human Capital & ICT Officer, who may rely on the support of the Supervisory Committee that will be asked to give a non-binding opinion. The Chief Human Capital & ICT Officer is also responsible for monitoring Employees' behaviour with reference to their compliance with the Model and the Code of Ethics, while the Supervisory Committee must monitor the effectiveness of the adopted Disciplinary System.

5.4. Disciplinary system against subjects holding mandates or proxies

In case of actions or behaviour referred to in paragraph 5.1 by subjects holding mandates or proxies, the SC informs the holder of the granted power that it will take the appropriate measures, according to the level of responsibility of the subject involved, the intentionality and seriousness of his/her behaviour and subject to securing the adversarial system. In severe cases, failing the relationship of trust with the subject granting the power, the holder of the granted power will revoke the mandate or proxy.

5.5. Measures against Directors and Statutory Auditors

In case of actions or behaviour referred to in paragraph 5.1 by Directors and Statutory Auditors, the Supervisory Committee informs the Board of Directors and the Board of Statutory Auditors of ERG, which, with the abstention of the subject concerned, will take the appropriate measures, according to the level of responsibility of the subject involved, the intentionality and seriousness of the behaviour and subject to securing the adversarial system. In severe cases, failing

the relationship of trust with the Director/Auditor, the removal during the first Shareholders' Meeting may be proposed¹⁰ (even in extraordinary meeting in order to ensure the timely imposition of the sanction).

5.6. Measures against Suppliers, Consultants and Contractors

Every violation of the rules of the Model and/or the Code of Ethics that apply to Suppliers, Consultants and Contractors as defined in paragraph 5.1 is sanctioned according to the provisions foreseen in the specific contractual clauses that govern the relationship between the Company and the above subjects, as well as in accordance with the ERG Group's HSE Health, Safety and Environment Specifications.

In any event:

- the ascertainment of the behaviour of Suppliers, Consultants and Contractors must comply with the adversarial system;
- the application of the sanction must take into account the seriousness of the contractual breach, i.e. as much the intentionality of obligations violated as the effects to which ERG could be exposed - also with reference to the Decree - following the censured conduct.

This is without prejudice to any request for compensation should any actual damages be caused to the Company by the behaviour of the Supplier, Consultant and Contractor, as in the case of measures stated in Italian Legislative Decree no. 231/01 imposed on the perpetrator by the court.

5.7. Actions taken against members of the SC

If any of the reasons for just dismissal as defined in paragraph 3.3 take place, the other members of the SC or any of ERG's directors, will immediately inform the Company's Board of Directors, which, having taken into consideration the seriousness of the violation and subject to securing the adversarial system, having first consulted with the Board of Statutory Auditors, will take advisable action.

¹⁰ Commission Court of Naples, 26 June 2006 "[...] For directors who have committed a violation of the code of ethics or of the model, depending on the seriousness of the fact or fault and consequences resulting, the BoD can apply formal written warning, pecuniary penalty, total or partial revocation of any proxies. In severe cases, the revocation from the office may be proposed during the meeting [...]."

6. Special Section

6.1. Introduction

The purpose of this Special Section is to regulate Sensitive Activities and introduce appropriate controls, in order to ensure the effectiveness of the Model adopted by the Company.

Sensitive Activities were identified following the analysis of company processes aimed at identifying areas at risk of commission of the Offences and verifying the adequacy of its Internal Control System in relation to the relevant risks pursuant to the Decree.

Specific control protocols were established with reference to identified risk areas, after evaluating existing controls and identifying action plans necessary to remedy identified deficiencies.

Therefore:

- all Personnel who, regardless of their role in the organisational structure, may be responsible, in relation to the tasks assigned, for the Offences considered must comply with the rules of behaviour contained therein;
- the members of the Corporate Bodies and the heads of each Business Unit must pay the utmost attention to the dissemination of the provisions contained therein within their areas of responsibility;
- any non-compliance with the rules laid down therein may be subject to assessment for the purposes of applying, where appropriate, the Disciplinary System in accordance with the rules laid down therein.

With reference to the Offences that, if committed abroad, may entail ERG's responsibility pursuant to Italian Legislative Decree 231/01, a specific risk assessment activity has been carried out in order to understand which Sensitive Activities expose the Company to the administrative liability of Entities, in accordance with the provisions of art. 4 of the Decree.

6.2. Special Section structure

The Special Section identifies and describes the Sensitive Activities carried out by the Company both directly and through Suppliers, Consultants and Contractors (including ERG Power Generation).

For each Sensitive Activity, the following elements are identified:

- **Process:** provides a short description of the Sensitive Activity and identifies the main phases or procedures by which it is implemented;
- **Scope:** identifies the main subjects involved in the Sensitive Activity;
- **Regulations:** indicates the provisions applicable to each Sensitive Activity;
- **Rules of conduct:** indicates the rules of behaviour that the subjects involved in the Sensitive Activity must observe and the relative controls implemented to oversee said conduct;
- **Segregation of duties:** identifies the procedures that manage the segregation between the execution, authorisation and control activities;
- **Mandates and proxies:** identify the Power Allocation System that refers to each Sensitive Activity;
- **Traceability:** identifies how the main phases of the Sensitive Activity are documented;
- **Risks of offence to which the business is potentially exposed:** identifies the Offences to which the Company is potentially exposed as part of the Sensitive Activity.

The Sensitive Activities and the control protocols identified are shared among the persons in charge of the company activities to which they refer.

In relation to the Offences to which the Company, by virtue of their activities carried out, is potentially exposed, the following are the sections of the Offence evaluated as entirely or partially relevant:

- Misappropriation of funds, fraud against the State, public entity or the European Union or to obtain public funds and computer fraud against the State or a public entity and fraud in public supplies (art. 24);
- Computer crimes and unlawful data processing (art. 24 bis);
- Organised crime (art. 24 ter);
- Embezzlement of public funds, extortion, undue inducement to give or promise other benefits, corruption and abuse of office (art. 25)
- Corporate offences (art. 25 ter);
- Crimes committed for terrorist purposes or in order to subvert the democratic order envisaged by the penal code and by special laws (art. 25 quater);
- Crimes against individuals (art. 25 quinquies);
- Offences of market abuse and other cases on market abuse (art. 25 sexies);
- Manslaughter or serious or very serious bodily harm committed in violation of the regulations governing the protection of occupational health and safety (art. 25 septies);
- Receiving stolen goods, money laundering and use of money, goods or benefits of unlawful origin, as well as self-money laundering (art. 25 octies);
- Crimes involving violation of copyright (art. 25 novies);
- Incitement not to bear witness or to make false statements to the Judicial Authorities (art. 25 decies);
- Environmental offences (art. 25 undecies);
- Employment of third country individuals with irregular permits of stay (art. 25 duodecies);
- Tax offences (art. 25 quinquiesdecies)
- Transnational offences as defined by art. 3 of Italian Law no. 146 of 16 March 2006.

Some cases envisaged by the Decree (in particular, Forgery of coins, public credit notes, duty stamps, identification instruments and distinctive signs (art. 25 bis), Crimes against industry and trade (art. 25 bis.1), Female genital mutilation practices (infibulation) (art. 25 quater.1), Racism and xenophobia (art. 25 terdecies), Fraud in competitions, abusive gambling or betting and gambling by means of forbidden equipment (art. 25 quaterdecies), smuggling (art. 25 sexiesdecies) - are not included in the list of risks of offence to which the Sensitive Activities identified are exposed, because the related risk has been assessed as abstract and not feasible in relation to the Company.

6.3. General control principles

General principles at the base of tools and methodologies used to define control protocols listed in this Special Section can be summarised as follows:

- **Compliance with the Code of Ethics:** all Sensitive Activities must be carried out in accordance with the principles of behaviour set out in the Code of Ethics adopted by the Company.
- **Compliance with the Anti-corruption Policy:** all Sensitive Activities must be carried out in compliance with the principles of behaviour set out in the Anti-Corruption Policy adopted by the Company, which integrates and strengthens, where necessary, the control protocols envisaged in the Model in relation to offences of corruption. In particular, the specific controls envisaged in the "Significant Third Party Due Diligence" procedure must be applied for this purpose.
- **Segregation of duties:** business processes must comply with the principle of separation of duties, stating that the authorisation of an operation must be under the responsibility of someone other than the person who performs that

operation and those supervising the same. Segregation of duties must be guaranteed by the intervention, within the same process, of more than one subject; it can be implemented by using systems that allow the execution of certain operations only by specifically identified and authorised persons. In cases of complete or partial inapplicability of the principle of segregation of duties, the company is equipped with appropriate instruments to control the risk deriving from the overlapping of critical activities (e.g. compensating controls).

- **Assignment and revocation of powers:** authorisation and signing powers must be: i) consistent with organisational and managerial responsibilities; ii) clearly defined and known within the Company. Business roles assigned the power to act in the Company's name or on its behalf in certain operations must be identified by specifying the limits and the nature of such authority. The prompt revocation of powers (and the blocking of their phone lines) must be guaranteed in the event that the beneficiary (if necessary) leaves the Company or its role within the organisation is changed.
- **Transparency and process traceability:** each activity relevant to the Decree must be verifiable, documented and consistent with the activities performed by the Company. Proper storage of data and relevant information must be guaranteed also within the terms of the law, preferably on computer and/or paper.
- **Adequacy of Internal Regulations:** all the Company business rules must be consistent with the activities performed by the Company and with the organisational structure such that it may ensure the necessary checks to prevent the committing of the Offences.
- **Personnel training:** specific Personnel training plans must be envisaged with special reference to those operating in the Sensitive Activities listed below.
- **Protection Clauses:** adequate protection clauses must be included in the contracts, with special reference to compliance with the provisions of Italian Legislative Decree 231/01, the Model, the Anti-corruption Policy and the Code of Ethics.

6.4. Sensitive Activities and Control Protocols

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