



ERG GROUP TAX STRATEGY

Approved by the Board of Directors of ERG S.p.A. on 10 November 2020

CONTENTS

ERG Group Code of Ethics and Sustainability Policy	3
ERG Group Tax Strategy objectives	4
ERG Group Tax Strategy fundamental principles	5
Legality.....	5
Values.....	5
Shareholder Value	5
Transparency	5
Tone at the top	5
ERG Group Tax Strategy guidelines	6
Correct application of tax regulations	6
Potential litigation prevention/reduction	6
Possibility of disregarding the competent authorities' interpretation.....	6
Refusal of aggressive tax planning.....	6
Tax incentives and reliefs	6
Relations with business lines and management of non-routine operations	6
Tax management	7
Soft controls	7
Double taxation reduction	7
The OECD's Guidelines for Multinational Enterprises	7
Country-by-Country Report	7
Tax Control Framework	8
Validity, advertising and updating	9

ERG Group Code of Ethics and Sustainability Policy

ERG Group has had a Code of Ethics for a long time.

The Code of Ethics recommends, promotes or prohibits certain behaviors, even if not expressly required by law. It addresses the need to share, explicitly and as widely as possible, the identity of ERG Group, its mission and its values, which must inspire everyone who is part of ERG Group in their daily work¹.

In particular, the Code of Ethics aims to set out the conditions necessary to ensure that ERG Group activity is inspired by the group's ethical and social responsibility, environmental sustainability, legality, transparency, honesty, integrity, respect for human rights and equal opportunities in the management of all its activities and to combat any corruption². The Code of Ethics represents the set of positive principles and rules of conduct that have always inspired the way in which ERG Group carries out its business activities, and into which ERG Group Tax Strategy also fits.

ERG Group Tax Strategy is also aligned with ERG Group's Sustainability Policy, which directs ERG Group activities in line with the Code of Ethics principles, combining the objective of creating sustainable value over time, with respect for the environment and commitment to internal and external stakeholders.

1 Control over the application of the Code of Ethics is delegated to a Supervisory Body, which reports the results of the relevant checks performed for the adoption of any sanctioning measures against those who have violated the relevant rules to the competent organizational unit at the reference company.

2 In order to further affirm the constant commitment made to promoting compliance with the principles of legality, correctness, transparency, honesty, integrity and countering any corruption, ERG Group has adopted an Anti-Corruption System in line with the best international standards. This system, as an integral part of the Internal Control and Risk Management System, together with the Code of Ethics, the Anti-corruption Policy and the Organization and Management Models pursuant to Legislative Decree no. 231/01 adopted by companies under Italian law, contributes to ensuring compliance with the national and international anti-corruption laws of the Countries in which ERG Group operates.

ERG Group Tax Strategy objectives

ERG Group Tax Strategy is aimed at (i) pursuing the lasting growth of corporate assets, (ii) protecting the reputation of ERG Group, as well as (iii) preserving the interests of shareholders and other stakeholders.

The Board of Directors of ERG S.p.A. defines and approves ERG Group Tax Strategy, with the aim of setting out the principles and guidelines that guarantee consistent management of the taxation of ERG Group.

Specifically, ERG Group Tax Strategy has the following objectives:

- i) to guarantee the correct and timely determination and settlement of taxes due by law, and execution of related obligations (so-called tax compliance); and
- ii) to mitigate tax risk, being the risk of committing (a) a violation of tax rules or (b) an abuse of the principles and purposes of the tax system (so-called abuse of law).

ERG Group Tax Strategy fundamental principles

ERG Group companies operate in accordance with the following general principles, which inspire the business operations in managing tax and require implementation of processes that can guarantee their effectiveness and application.

Legality

ERG Group pursues behaviors aimed at complying with the tax regulations applicable in the countries in which it operates, and interpreting them to manage tax risk responsibly, in order to satisfy the interests of all stakeholders and to preserve the positive reputation of ERG Group.

Values

ERG Group, in line with the principles outlined in its Code of Ethics and Sustainability Policy, acts according to the values of transparency, honesty and integrity in tax management, being aware that revenues deriving from taxes is one of the main sources of contribution to the social and economic development of the countries in which ERG Group operates.

Shareholder Value

ERG Group considers taxes to be a cost of business activity, to be managed with a view to improving efficiency and optimization, in accordance with the principle of legality, in order to ensure the protection of corporate assets and create sustainable value for shareholders in the medium-long term.

Transparency

During audits relating to both ERG Group companies and third parties, ERG Group has and maintains a transparent relationship with the competent tax authorities, based on dialogue and collaboration, ensuring that the authorities can fully understand the corporate events to which the tax rules apply.

Tone at the top

The Board of Directors of ERG S.p.A., after the examination and the opinion of the Control and Risks Committee, defines and approves the ERG Group Tax Strategy and guarantees its dissemination and application to all organizational levels, in companies controlled directly or indirectly by ERG S.p.A.³, thereby assuming the role and responsibility of guiding a company culture based on the values of honesty and integrity and the principle of legality.

³ Control pursuant to art. 2359 of the Civil Code.

ERG Group Tax Strategy guidelines

In order to ensure application of the above general principles, ERG Group Tax Strategy is outlined in the following guidelines.

Correct application of tax regulations

ERG Group undertakes to apply the tax regulations of the countries in which it operates, ensuring that the spirit and purpose of those regulations, or wider general rules which provide for the specific tax matter being interpreted, are respected.

In the event that interpretation of the tax legislation is not clear or unambiguous, the Tax department adopts a reasonable and responsible interpretation, consistent with the aforementioned principle of legality. Taking into account the relevance or significance of the issue, it may ask for advice from highly qualified external professionals or trade associations (e.g. Assonime), as well as the auditors.

Potential litigation prevention/reduction

Where applicable and possible/appropriate, ERG Group uses tax practices aimed at preventing/reducing tax disputes, such as the various forms of ruling provided for in the various tax systems (e.g. tax authority prior opinion regarding the application of a specific tax law to a specific case).

Possibility of disregarding the competent authorities' interpretation

In general, ERG Group observes the competent authorities' interpretations of tax rules. However, in accordance with the general shareholder value principle and in defense of social interests, ERG Group believes it is fully legitimate to support a reasonable and responsible interpretation of the tax rules, even if the competent authority deems a different interpretation to be applicable, whether that is pre-litigation, during litigation, or during an audit by the competent authorities. In those circumstances, ERG Group therefore believes it is possible to disregard the interpretation of the competent authorities.

Refusal of aggressive tax planning

ERG Group does not use, at domestic or cross-border level, schemes of so-called 'aggressive tax planning' which consist of purely artificial structures, that do not reflect the underlying economic reality but are carried out for the sole purpose of achieving tax benefits, nor of operations without economic substance used to obtain undue tax advantages (double deduction, deduction/non-inclusion, or double non-taxation) due to asymmetries between the tax systems of the different laws involved.

Tax incentives and reliefs

ERG Group companies can take advantage, in a legitimate and transparent way, of tax incentives and reliefs provided for by the legislation in force.

Relations with business lines and management of non-routine operations

ERG Group has specific controls within its business processes that form an integral part of the Tax Control Framework, where they may be relevant to tax. In this context, the timely involvement of the Tax department by the other departments is guaranteed to ensure that possible tax risks are promptly identified and adequately managed.

This is particularly relevant in managing non-routine operations. Therefore, consistent with the above, the tax impact of non-routine operations is analyzed and assessed by the Tax department, directly involved in analyzing the tax risks associated with such operations.

Tax management

ERG Group also aims to reduce its tax risk to a minimum and for this reason it has provided specific controls to ensure the accuracy and punctuality of the determination and payment of taxes and related reporting obligations, in the context of transparent and accurate compliance. This is also intended to prevent possible disputes.

Soft controls

Through the Tax department, ERG Group promotes the dissemination of its culture and values of compliance with tax legislation, possibly also by organizing information/training initiatives aimed at all staff, including those not involved in the "tax structure".

Staff incentive mechanisms with the objective of achieving undue reductions in tax are not used.

Double taxation reduction

In order to eliminate or minimize double taxation, where possible ERG Group applies the so-called Parent-Subsidiary Directive (applicable to cross-border dividends), the Interest-Royalties Directive (applicable to cross-border interest and royalties) and the provisions of the "Tax Convention for the avoidance of double taxation with respect to taxes on income and on capital and the prevention of tax evasion and avoidance", in accordance with the interpretative guidelines of the OECD or UN.

The OECD's Guidelines for Multinational Enterprises

ERG adopts the principles established by the "OECD's Guidelines for Multinational Enterprises" (version 2011) which require it to:

- comply with both the letter and the spirit of tax regulation in the countries where the business is carried out;
- promptly communicate to the competent authorities all information required by law, or necessary to correctly determine and promptly pay all taxes due;
- determine the transfer prices of intra-group transactions in accordance with the "OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations", in order to ensure that transactions between companies belonging to the same multinational group occur under the same conditions as those with third parties.

Country-by-Country Report

ERG Group has complied with the obligations established by Italian Law no. 208/2015, regarding the Country-by-Country Report (hereinafter "CbC Report") provided by the OECD as part of the "Base erosion and profit shifting – BEPS" project (see Action 13). For this purpose, San Quirico S.p.A. has been identified as the ultimate parent entity. Therefore, ERG S.p.A. undertakes to provide the parent company San Quirico S.p.A. with all required information and data relating to ERG S.p.A. and its subsidiaries, in accordance with current legislation.

Tax Control Framework

ERG Group Tax Strategy is also one of the main pillars of the Tax Control Framework (or internal tax risk management and control system) whose objective is to ensure, with reasonable certainty, business management in line with the principles and purposes guidelines defined in the tax strategy, reducing the risk of material infringements. The adoption of the Tax Control Framework – in line with OECD guidelines, as implemented by the Italian Tax Authorities – takes place through a structured process which provides:

- i) adoption of a clear and documented tax strategy which highlights the objectives of the top management in relation to taxes (so-called Tone at the top). ERG Group Tax Strategy is aimed at satisfying this first main pillar of the Tax Control Framework;
- ii) clear assignment of roles to people with adequate skills and experience in the relevant tax area, according to segregation of duties and decision escalation, as well as the provision of adequate information flows to and from those who manage the tax process;
- iii) provision of effective procedures for the identification, measurement, management and control of tax risk;
- iv) provision of monitoring procedures for identifying shortcomings or mistakes;
- v) provision of mechanisms to adapt the Tax Control Framework to changes in the internal or external context;
- vi) preparation, at least annually, of a report illustrating the results of the checks on the Tax Control Framework and the measures to remedy any shortcomings that emerged following monitoring activities.

The Tax Control Framework is also an instrument for the prevention of tax offences which can lead to liability for companies pursuant to Legislative Decree no. 231/2001 and related reputational risks. In this context, the Tax Control Framework integrates the controls provided by the organizational and management Model, adopted by the Italian companies of ERG Group.

The Corporate General Manager & Chief Financial Officer is responsible, through the Head of Group Administration and with the specialist support of the Head of Tax and Financial Statements and the Head of Process Innovation & Compliance 262, for establishing the Tax Control Framework, as well as periodically testing, monitoring and evaluating it. At least annually, the plan and results of the testing, monitoring and evaluation activities of the Tax Control Framework and the measures to remedy any shortcomings that emerged following monitoring, as well as any issues that characterized the effective application of ERG Group Tax Strategy, are reported to the Control and Risk Committee of ERG S.p.A for examination and opinion, which reports its main findings to the Board of Directors of ERG S.p.A.

To date, the Tax Control Framework is applied to ERG S.p.A. and to the Italian companies directly or indirectly controlled by ERG S.p.A. pursuant to art. 2359 of the Italian Civil Code.

Validity, advertising and updating

The Board of Directors of ERG S.p.A., after the examination and the opinion of the Control and Risks Committee, defines and approves ERG Group Tax Strategy.

ERG Group Tax Strategy enters into force from the date of approval by the Board of Directors of ERG S.p.A. and on the same date it is published on ERG Group's website (www.erg.eu).

Companies controlled directly or indirectly by ERG S.p.A. – both Italian and foreign – are required to implement ERG Group Tax Strategy already approved by ERG S.p.A., ensuring its knowledge and application.

ERG Group Tax Strategy interpretation is referred to the Head of Tax & Financial Statements, who also takes care of its periodical update, after sharing updates with the Head of Group Administration.

ERG S.p.A.

Torre WTC

via De Marini, 1

16149 Genoa

Phone +39 010 24011

Fax +39 010 2401859

www.erg.eu

Registered Office:

via De Marini, 1

16149 Genoa

Share Capital Euro 15,032,000 fully paid.

R.E.A. Genoa n. 354265

Company Register Genoa and

Fiscal Code 94040720107

VAT 10122410151

www.erg.eu

