

Economic
added responsibility
value created
Transparency
Sustainable
investments
Environmental
responsibility
Renewable
energies
Strategies
for the
environment
Social
responsibility
Welfare
Health and
Safety
Sustainable
development
corporate
governance



**SUSTAINABILITY
REPORT
2014**

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LETTER TO STAKEHOLDERS

ERG finds itself at the centre of a broad and complex virtuous circle in which all stakeholders must interact respecting the same ethical principles, adopting the same economic parameters and addressing the issue of *Corporate Social Responsibility* according to the same criteria.

In this regard, the attention we focus on our relationships with our various stakeholders is crucial for the mid to long-term sustainability of the business and is only possible if we maintain our commitments over the course of time.

This approach guided and inspired us also in 2014, during which we were required to manage the new administrative and company reorganisation process in a more efficient way, establishing a “dynamic balance” between the different business areas in which we operate.

Of all of the results achieved during the year, one stands out in particular: thanks to a well-balanced production mix between thermoelectric and wind energy, we produced over 7 billion kWh of energy with overall CO₂ emissions close to zero; this was also thanks to the day-to-day commitment of all of our staff.

In fact, as well as being one of the cornerstones of our growth strategy, in terms of Environmental Responsibility renewable energies also make a tangible contribution to combating climate change and the construction of a more sustainable future.

As for Economic Responsibility, the decision to exit the refining sector represented the conclusion of a profound and challenging change process whose optimum implementation required a significant effort.

In parallel, we have worked to efficiently integrate the *Operations & Maintenance* activities, which are essential for the performance and durability of our wind power plants and, at the same time, we have adopted a tried and tested methodology for the ongoing improvement of our activities in the thermoelectric sector.

In terms of Social Responsibility, we have focused on various long-term programmes for the growth and development of our people, as well as the consolidation of the safety culture within the company.

Among the various activities we have carried out during the year, we are particularly proud of the “Go with the Wind!” project dedicated to some of our most special stakeholders: third-year secondary school pupils from municipalities in which our wind farms are located. The goal of the project is to raise awareness of the concept of renewable energy among the younger generations through a guided process of discovery, understanding and sharing.

We also redesigned our website, making information more accessible and providing more content. This in the knowledge that the internet plays an extremely important role in modern society.

We hope that this Report - drafted according to criteria of transparency and comprehensiveness but also openness and clarity - stimulates your interest and is able to help us increase the visibility of our approach to being a sustainable business.

The future is sending us clear signals and it is up to businesses to turn them into unmissable opportunities, also for the common good. This is why we will continue to invest and develop the energy business in its purest form: that of a vital source for sustainable economic development, for constructive social relations and, in a broader sense, for a better quality of life.

Edoardo Garrone

Chairman



Luca Bettonte

Chief Executive Officer



THE HISTORY OF ERG: 1938-2014



Edoardo Garrone establishes ERG in Genoa.

1938

Production at the Genoa San Quirico Refinery begins.

1947

1975



Production at the ISAB refinery in Priolo begins.

1997



ERG is floated on the Italian Stock Exchange.

2000

The Edoardo Garrone Foundation is established.



FONDAZIONE
EDOARDO
GARRONE

2004



ISAB Energy begins to produce and market electricity.

2006

ERG enters the renewable energy sector with the acquisition of Enertad.





Following a series of technological modernisation measures the ERG Power plant becomes operational.

2010



Launch of joint venture TotalErg, active in the marketing of petroleum products.



ERG completes its exit from the Coastal Refining business following the sale of ISAB to LUKOIL.

2013

ERG acquires the IP Maestrale wind farms: with 1,087 MW of installed capacity it becomes the leading wind power operator in Italy (total power 1,340 MW).



Launch of ERG Renew Operations & Maintenance for the operation and maintenance of the wind farms.

LUKERG Renew acquires two wind farms in Romania (70 MW) and Bulgaria (14 MW).



ERG Renew sells a 7.14% stake to UniCredit.

2014

ERG sells the ISAB Energy plant to LUKOIL and the ERG Oil Sicilia fuel network.



ERG: PEOPLE THAT CREATE ENERGY

In 2014 we consolidated our role as operator in the renewable energy sector and redefined our portfolio of assets

2014 was a positive year for ERG, characterised by important achievements as regards the strategy adopted with the 2013-2015 Business Plan, whose goals we met, and in some cases exceeded, ahead of schedule. It was a year in which we consolidated our role as a producer of electricity from renewable sources: our entry into the Polish market enabled us to continue with the geographical diversification of our business. We also continued to successfully transform and specialise our portfolio through the sale of the ISAB Energy plant and the ERG Oil Sicilia fuel distribution network, assets no longer regarded as strategic following the

definitive exit from the Coastal Refining business.

RENEWABLE ENERGY

Through its subsidiary ERG Renew, **ERG owns 1,341 MW of installed wind capacity** (as at 31 December 2014), with its wind farms geographically distributed as follows: **1,087 MW in Italy, 86 MW in Germany, 64 MW in France** and, through LUKERG Renew, **77 MW in Romania** (ERG share) and **27 MW in Bulgaria** (ERG share). A geographical diversification that is destined to increase. In fact, our company finalised the acquisition of three projects for the development of three **wind farms in**



Poland, for a total of 80 MW. In addition, during the year important synergies were launched following the insourcing of the Operations & Maintenance activities of our wind farms in Italy with the goal of extending them in the future to all of the other plants as part of a plan to ensure the greater vertical integration of our wind power activities.

The size attained and the ability to directly manage high value-added activities, such as O&M activities, will enable ERG to obtain important benefits in the management of its assets, in terms of efficiency and cost control, as well as operating performance. Furthermore, on 16 January 2014, ERG Renew approved a capital increase that would see the UniCredit Group become a shareholder of the company; this transaction reflects this major banking institution's confidence in the company's growth potential.

POWER

In 2014 the Power sector was characterised by significant discontinuity following the sale of the ISAB Energy thermoelectric plant and the consequent early termination of the CIP 6 convention. The operation forms part of our strategy to restructure our business portfolio and is consistent with the permanent exit from the Coastal Refining business strictly connected with ISAB Energy.

With the ERG Power plant we continued to achieve satisfactory and consistent economic results thanks to the long-term contracts for the supply of electricity and utilities, and our participation in the Dispatching Services Market (MSD).

Maximising the potential of electricity is a priority goal that we manage through a business unit (Energy Management) dedicated to the sale of electricity produced



by the ERG Power plant and the ERG Renew wind farms that have gradually moved away from dedicated withdrawal by the National Grid Operator (*Gestore dei Servizi Energetici – GSE S.p.A.*) dedicated withdrawal is a simplified method available to producers for the sale of electricity fed into the national grid, and an alternative to bilateral contracts or direct sale on the stock exchange. It consists of the sale of electricity fed into the national grid to the National Grid Operator, which pays the producer a fee for each kWh withdrawn.

INTEGRATED DOWNSTREAM

We are present in the Integrated Down-

stream market through TotalErg with a network of around 2,700 sales outlets, an important petroleum products storage hub near Rome, and our 24% shareholding in the Sarpom Refinery in Treccate.

We are currently focused on maximising our shareholding in TotalErg by strengthening our competitive position in order to boost our long-term profitability and sustainability in what remains a testing economic climate.

In 2014 we continued to trade crude oils and petroleum products through ERG Supply & Trading.



Data as at 31 March 2015

* Company consolidated according to the equity method

ERG'S SUSTAINABILITY IN NUMBERS

11

 **3,957** MLN €
Total consolidated adjusted revenues⁽¹⁾

 **3,780** MLN €
Economic value distributed


 **7,245** GWh
Electricity generation


 **2.6** MLN
Equivalent households supplied with electricity

 **1,341** MW
Installed capacity of wind farms ⁽²⁾

 **480** MW
Installed capacity of thermoelectric power plants

 **1,021** kt
CO₂ avoided by renewables

 **310** THOUSAND
Equivalent Rome - New York flights

 **604** EMPLOYEES

 **4.8** DAYS
Training per employee

 **100** %
Organisations operating in ISO 14001 and OHSAS 18001 certified industrial sites

 **717**
Safety checks in the field

Data as at 31 December 2014

(1) Adjusted revenues take into account ERG's share of revenues generated by the joint ventures TotalErg S.p.A. and LUKERG Renew GmbH

(2) Includes 50% of LUKERG Renew plants

ERG LOCATIONS

EUROPE

MW: **1,341**
Prod. 2014 (GWh): **2,580**
Load factor: **22%**

GERMANY

MW: **86**
Prod. 2014 (GWh): **144**
Load factor: **19%**

ROMANIA

MW: **77**
Prod. 2014 (GWh): **196**
Load factor: **29%**

FRANCE

MW: **64**
Prod. 2014 (GWh): **122**
Load factor: **22%**

ITALY

MW: **1,087**
Prod. 2014 (GWh): **2,051**
Load factor: **22%**

BULGARIA

MW: **27**
Prod. 2014 (GWh): **67**
Load factor: **28%**

SARDINIA

MW: **111**
Prod. 2014 (GWh): **198**
Load factor: **20%**

CAMPANIA

MW: **239**
Prod. 2014 (GWh): **453**
Load factor: **22%**

MOLISE

MW: **79**
Prod. 2014 (GWh): **163**
Load factor: **23%**

PUGLIA

MW: **249**
Prod. 2014 (GWh): **502**
Load factor: **23%**

BASILICATA

MW: **89**
Prod. 2014 (GWh): **173**
Load factor: **22%**

CALABRIA

MW: **120**
Prod. 2014 (GWh): **249**
Load factor: **24%**

SICILY

MW: **198**
Prod. 2014 (GWh): **313**
Load factor: **18%**



Offices



Wind farm



Plants

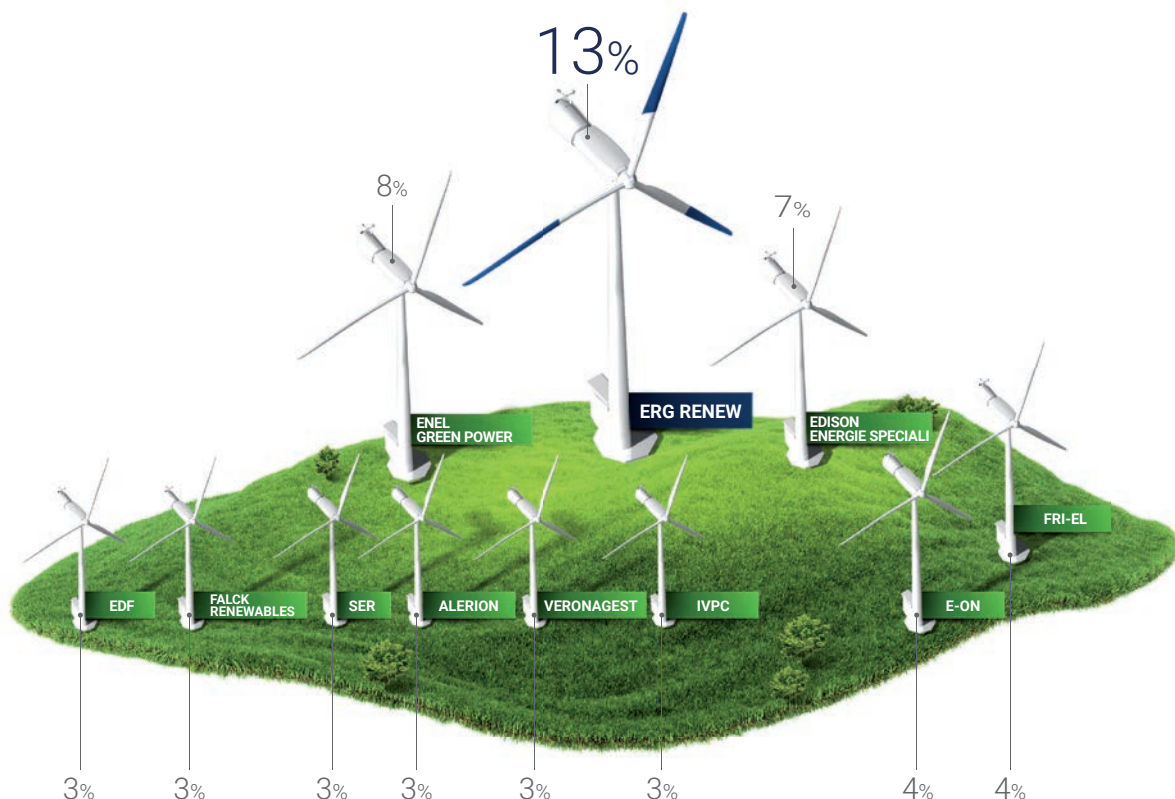


ERG Renew O&M warehouses

Load factor: indicates the percentage of equivalent hours during which the plant produced at maximum capacity during the period in question (month, year).

ERG RENEW: ITALIAN MARKET SHARE

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ERG POWER: INSTALLED CAPACITY



OUR CORPORATE GOVERNANCE

ERG carries out its activities in accordance with the highest standards of "healthy" Corporate Governance, applying the principles of integrity, impartiality and transparency.

With the goal of guaranteeing these principles in all instances of company life, we have implemented a Governance System and an Internal Control and Risk Management System that are compliant with legislation and regulations in force, with domestic and international best practices, and with the recommendations of the Borsa Italiana S.p.A. Corporate Governance Code.

CORPORATE GOVERNANCE

The current governance structure of ERG S.p.A. has been developed over time by gradually introducing rules of conduct reflecting the most advanced, recognised principles of corporate governance.

Even before the company was listed in October 1997, it was well known for focusing on issues such as the proper relationship between Management and

Shareholders, and on ensuring that business operations be directed towards value creation. The Group's presence on the stock market further accentuated its propensity to base its conduct on the criteria of transparency and correctness, with the consequent adaptation of both internal regulations and the organisational structure in order to meet these criteria.

In 2014 the ERG S.p.A. Board of Directors resolved to comply with the new edition of the Corporate Governance Code and, as a result, updated all internal codes of conduct, policies, guidelines and procedures directly connected with its implementation. For further information on the role played by each body, see the "Corporate Governance Report" section on the Group's website www.erg.it.

SIGNIFICANT INVESTMENTS AS AT 31 DECEMBER 2014

Direct shareholder	% share of ordinary capital and voting capital
San Quirico S.p.A.	55.942
Polcevera S.A.	6.905
ERG S.p.A.	5.000

BOARD OF DIRECTORS

As at 31 December 2014, the Board of Directors of ERG S.p.A. is composed of 12 members, including one woman. The average age of members is about 60 years.

The new Board of Directors elected by the Shareholders' Meeting of 24 April 2015 is composed of 12 members, including 3 women. The average age of members is about 52 years.



SHAREHOLDERS' MEETING

Approves the Financial Statements, appoints the Board of Directors, the Board of Statutory Auditors and the Independent Auditors and decides on amendments to the articles of association and extraordinary operations including mergers, de-mergers and capital increases



BOARD OF DIRECTORS

Approves the financial reports, defines the strategic direction, the organisation's guidelines and the corporate governance system, decides on significant transactions and assesses management performance.

Consists of 12 members, of which 5 are independent. In 2014, the Board of Directors held 9 meetings with an average duration of about 2 hours.



9 Meetings 2^h00' Duration



BOARD OF STATUTORY AUDITORS

Monitors compliance with the law, the Articles of Association and the principles of proper administration, monitors the adequacy of the ICRM* system and the independence of the Auditors.

Consists of a Chairman, 2 standing auditors and 3 alternate auditors. In 2014, the Board of Statutory Auditors held 10 meetings with an average duration of about 2.5 hours.



10 Meetings 2^h30' Duration



INDEPENDENT AUDITORS

Carry out audits of the financial statements, perform a limited review of the interim financial report and verify the integrity of accounting operations.



INTERNAL CONTROL AND RISK COMMITTEE

Supports the Board of Directors in decisions relating to the approval of periodic financial reports, the Group's Governance, the ICRM* System, the obligations pursuant to Italian Legislative Decree 231/01 and the Finance Area.**

Consists of a Chairman and 2 members chosen from among the independent directors. In 2014, the Internal Control and Risk Committee held 11 meetings with an average duration of about 2 hours.



11 Meetings 2^h00' Duration



NOMINATIONS AND REMUNERATION COMMITTEE

Formulates proposals for the remuneration of Directors with delegated powers or those which perform specific functions, and the definition of remuneration policies and incentive plans for the Group's management.**

Consists of a Chairman and 2 members chosen from among the independent directors. In 2014, the Nominations and Remuneration Committee held 6 meetings with an average duration of about 1 hour.



6 Meetings 1^h00' Duration



STRATEGIC COMMITTEE

Supports the CEO and the Board of Directors in the definition of strategic guidelines for the Group's business, portfolio and strategic finance, and in decision making related to multi-year strategic plans, the Group's investment budgets and significant investments.

Consists of a Chairman and 4 members. In 2014, the Strategic Committee held 9 meetings.



9 Meetings

* Internal Control and Risk Management System.

** Responsible for issuing opinions with regard to the procedures for transactions with related parties.

THE INTERNAL COMMITTEES

On top of the corporate bodies foreseen by the Corporate Governance Code, the ERG Group has added a number of internal committees that advise and issue recommendations to the Chief Executive Officer, as summarised below:

- **Leaders meeting:** shares the activities and the performances of the various BU, guarantees a common vision and teamwork, develops the Group's human and relational capital and promotes the managerial culture and its values, enables comparisons with external best practices

through success stories and benchmarking;

- **Human Capital Committee:** defines and monitors the main human capital development programmes and activities, provides support in terms of decisions regarding the development of personnel and mid to long-term variable remuneration and incentive systems;
- **Corporate Committee:** monitors Corporate results, guarantees the alignment between Group strategies and business models, creates value through the proposal, definition and implementation of specific projects in the area of finance, human

THE STRUCTURE OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES AS AT 31 DECEMBER 2014

Position	Members	List (M/m) *	Executive/ Non Executive	Independent pursuant to Code and Consolidated Finance Act (T.U.F.)	% participa- tion **	No. other positions ***	Date of first appointment *****	Risk and Control Committee		Nominations and Remuneration Committee	
								****	**	****	**
Chairman	Edoardo Garrone	M	Executive		100%	2	16/10/1997				
Vice Chairman	Alessandro Garrone	M	Executive		100%	2	16/10/1997				
Vice Chairman	Giovanni Mondini	M	Non Executive		100%	1	16/10/1997				
Chief Executive Officer	Luca Bettonte	M	Executive		100%		15/12/2009				
Director	Massimo Belcredi	M	Non Executive	Yes	100%		29/04/2003	Yes	100%	Yes	100%
Director	Pasquale Cardarelli	M	Non Executive	Yes	89%		28/04/2006			Yes	83%
Director	Alessandro Careri	M	Non Executive		100%		21/06/2011				
Director	Marco Costaguta	M	Non Executive		89%	4	20/04/2012				
Director	Antonio Guastoni	M	Non Executive	Yes	100%	5	29/04/2003	Yes	100%		
Director	P. Francesco Lanzoni	M	Non Executive	Yes	100%		29/04/2003	Yes	100%	Yes	100%
Director	Graziella Merello	M	Executive		100%		23/04/2009				
Director	Umberto Quadrino	M	Non Executive	Yes	89%	5	20/04/2012				

* This column indicates M/m according to whether the member was elected from the majority list (M) or the minority list (m).

** This column indicates the percentage participation of Directors at the Board of Directors and Committee meetings (no. appearances/ no. meetings held during period in which the member has held their position).

*** This column indicates the number of Director or Auditor positions held by the relative subject in other companies listed on regulated markets, including foreign markets, in financial, banking and insurance companies of significant size, different to those held in ERG Group companies.

**** This column indicates participation by a member of the BoD in the Committee.

***** This column indicates the date of the first appointment of the Directors as of 16 October 1997, the date the company was listed on the stock exchange.

capital, public affairs and communication;

- **Investment Committee:** provides support in the evaluation of Business Unit investment proposals, expresses its technical and economic-financial opinion in the various phases of the investment approval process;
- **Risk Committee:** supports the CEO in defining financial and market risk management strategies and policies, supplies useful input for the authorisation of financial and market risk management operations, the monitoring of the implementation of major operations and the checking of their relative effects;
- **Business Review Committee:** monitors the results of the management of the relative Business Unit with the respective Managing Director, identifies value creation opportunities in the business "as is", provides a preliminary assessment of eventual investment / disinvestment opportunities.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The ICRM System consists of a set of rules, procedures and organisational structures aimed at effectively contributing to the protection of the ERG Group's assets, to the efficient and effective management of the Group, to the trustworthiness, accuracy and reliability of financial disclosure and, more generally, to compliance with current laws and regulations.

The Board of Directors has defined the guidelines for the ICRM system, which set out the general principles according to which the main risks and the methods of coordination between the parties that form part of the System are managed, in order

to maximise the overall effectiveness and efficiency of the System.

The main parties involved in the ICRM System are:

- the **Board of Directors**, the main ICRM body, which guides and assesses the adequacy of the System;
- the **Chief Executive Officer**, who identifies the main corporate risks and periodically brings them to the attention of the Board of Directors;
- the **Director in charge of the Internal Control and Risk Management System**, who guarantees the smooth functioning and the overall adequacy of the ICRM System;
- the **Internal Control and Risk Committee**, which is tasked with supporting the assessments and decisions of the Board of Directors pertaining to the ICRM System, as well as those pertaining to the approval of periodic financial reports;
- the **Chief Audit, Risk & Compliance Officer**, who verifies the activities and suitability of the ICRM System through the definition of an annual Audit approved by the Board of Directors and based on a structured process that analyses and prioritises the main risks, and implements the various necessary measures.

IMPLEMENTATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ERG considers proper risk management and mitigation to be of fundamental importance: for this reason, the Top Management has introduced a risk management policy aimed at defining the rules and attributing the responsibilities for the correct management of the risks to which the Group is exposed. In addition, specific board committees

(e.g. Strategic Committee) and non-board committees (e.g. Corporate Committee, Investment Committee, Risk Committee, Human Capital Committee, Business Review Committee) have been set up and tasked with studying issues, providing advice and/or making proposals to the CEO in relation to particular "sensitive" and economically, financially and strategically relevant matters. In this context, the risk management process develops through:

- the identification and assessment of the main strategic risks tied to the Business Plan and to extraordinary transactions, as well as the definition of the policies required to mitigate them;
- the identification and assessment of the main risks tied to business processes, as well as the definition of the procedures to manage them and of the control instruments;

- the continuous verification of the smooth running and effectiveness of the risk management process.

Management of strategic and discontinuity risks

This process is focused on the management of risks related to the Business Plan and extraordinary operations. Decisions of a strategic nature are taken on the basis of a prior risk evaluation carried out with the support of the Investment Committee, which expresses its technical and economic-financial opinion and, subsequently, the Strategic Committee, which assesses the viability of proceeding in this direction.

The CEO periodically informs the Board of Directors of prospective risks (both strategic and investment risks), enabling it to come to decisions both with respect to



investments and the risks to be taken on the basis of the technical opinions expressed by specific committees, and to oversee the ex-post management of operations and their related risks.

Management of process risks

The management of process risks is performed by the company's Management, which is responsible for their assessment and for the definition of the mitigating instruments. **A structured self-assessment system** (Business Process Risk Assessment - BPRA) is used to manage these risks.

This structured system, supported by the Internal Audit, Risk & Compliance Department, enables the Management to monitor the riskiest areas on the basis of an assessment of the level of adequacy of the controls, in order to mitigate the associated risks and highlighting, as a consequence, areas deserving attention for which the most appropriate action plans should be adopted.

The significance of the risks, classified in categories and sub-categories, is determined on the basis of parameters measuring the likelihood of their occurrence and impact, not just in economic terms, but also in terms of market share, competitive advantage and reputation.

The assessment of the control environment pertains to:

- the existence, the upgrade and compliance with internal regulations (e.g. guidelines, procedures);
- the adequacy of the organisational instruments (e.g. delegated powers and authority);
- the adequacy of the monitoring activities,

reporting and internal communications;

- the adequacy of the information systems supporting process management.

Continuous verification of the effectiveness of the risk management process

This verification activity represents a natural bridge between one risk management cycle and the next, representing an opportunity to verify both the extent to which the objectives have been attained, and the correct implementation of the selected management procedures.

Every deviation from the objectives and policies is subjected to analysis to review the decision-making processes adopted and to identify the factors that hindered the success of the identified solutions.

The ICRM System consists of three levels of control.

- **First level:** entrusted to individual lines, it consists of the checks carried out by those who perform certain activities and by those who are responsible for their supervision.
- **Second level:** entrusted to structures other than lines, it contributes to the definition of the risk measurement methods, their identification, assessment and control (Risk Management). It also makes it possible to verify compliance with regulatory obligations (Compliance).
- **Third level:** entrusted to the Internal Audit and Risk & Compliance Departments, its purpose is to identify anomalous trends, violations of the procedures and regulations, and to assess the functionality of the overall internal control and risk management system.

THE GOVERNANCE TOOLS

The **Code of Ethics** contains all of the values that guide the operations of the ERG Group and represents a tool for encouraging all employees and associates to respect the highest standards of transparency and honesty when carrying out their roles. The document was **updated in 2014**, coinciding with its fourth edition, in order to take account of new legislation, and was adopted by all of the Group Companies with specific resolutions by their respective Boards of Directors.

In order to guarantee the alignment of all those that work with the Group as regards the principles to observe and the conduct to adopt, the Code of Ethics is also disseminated externally with clauses in supply contracts calling for it to be respected.

Of particular relevance among the Group's Governance tools is **Model 231**, which each company has adopted with a resolution by its Board of Directors. The Model's principles are inspired by the Code of Ethics and its goal is to guarantee the honesty, transparency and traceability of the daily management of the company's activities: the general part defines the overall structure of the Model in relation to the content of the decree and the specific nature of the company's business; the special part defines the rules to be respected. The Supervisory Committee is tasked with overseeing the observance of the Code of Ethics and guaranteeing the implementation of the Model (thanks to specific information flows), as well

ANTI-CORRUPTION GUIDELINES

The Anti-Corruption Guidelines issued by ERG, also adopted by all of the Group's overseas companies, echo the regulations established by Model 231.

More specifically, in the management of company activities the following principles of conduct must be respected:

- the separation of duties,
- the allocation of powers,
- the transparency and traceability of processes,
- the appropriateness of internal rules,
- the training of employees,
- job rotation.

TRAINING ON MODEL 231

In 2014, 32 Group companies approved the updating of their Model 231, which was followed by employee training.

405

HOURS OF
TRAINING ON
THE CODE OF
ETHICS AND
MODEL 231

270

EMPLOYEES
UNDERWENT
TRAINING

as identifying the need for subsequent updates.

HSE management systems

The health and safety of operations, as well as the minimisation of the environmental impact of the Group's activities, are principles of the Code of Ethics that are pursued continuously, thanks in particular to the implementation of management systems (environmental or safety) that are certified according to international standards: the development of this approach is one of the sustainability pledges for the 2013-2015 three-year period.

More specifically, in 2014 the Group continued with its activities to obtain certification for all of the companies that is consistent with the activities they carry out: ERG Power presented the necessary

documentation to obtain **EMAS** certification (to go alongside the ISO 14001 and OHSAS 18001 certification it already possesses), obtaining ARPA Sicilia's positive opinion of its certification request.

In the year following its acquisition, ERG Renew integrated the procedures deriving from its ISO 9001, ISO 14001 and OHSAS 180001 certification in its ERG Renew Operations & Maintenance operating processes: thanks to an audit that did not reveal any instances of "**non-compliance**", the integrated certification was extended to all of the activities carried out by the new company.

In 2014 ERG S.p.A. and ERG Services S.p.A. launched the process which will lead to the attainment of ISO 18001 certification in 2015.

ERG POWER EMAS CERTIFICATION

ERG Power has set itself the goal of registering with EMAS in accordance with EU Regulations: through the environmental declaration it plans to assess and manage the main activities, environmental aspects, goals, targets and environmental improvement programmes relating to its areas of business. Registration with the scheme will enable ERG Power to pursue the improvement of its environmental performances, already monitored through a management system certified pursuant to the ISO 14001:2004 standard, with greater vigour.

To register with EMAS ERG Power has:

1. carried out an environmental analysis, examining the impact of its activities;
2. adopted an Environmental Management System compliant with the ISO 14001:2004 standard;
3. carried out an environmental audit, assessing the efficacy of its Management System and environmental performances in the light of its policies, improvement goals, the company's environmental programmes, and current legislation;
4. drafted an environmental declaration that describes the results achieved compared with the environmental goals established, and indicates how and with what programmes the company intends to continuously improve its environmental performances.

Thanks to the EMAS environmental declaration, we also plan to improve our dialogue with our stakeholders, opening up an additional new channel of communication with the local community.

ERG GROUP ENVIRONMENTAL AND SAFETY CERTIFICATION



INTERTEK
ISO 14001



INTERTEK
OHSAS 18001



DNV ISO 14001



DNV OHSAS 18001

DIALOGUE WITH OUR STAKEHOLDERS

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Honest, transparent, ethical, independent and open relationships with our stakeholders have always been central to our way of doing business. These principles are enshrined in the Group's Code of Ethics, in the Organisation and Control Model adopted by the Group companies pursuant to Legislative Decree No. 231/01, and in all of the Group's main procedures.

Over the years we have regularly reviewed our stakeholder policies in order to better respond to external demands.

In 2006, a year in which ERG's plants were mainly concentrated in Sicily, we carried out an initial analysis to identify the thematic areas in which to concentrate our social responsibility activities.

A new assessment carried out in 2009 confirmed that we had made the right choices.

In 2013, after the completion of the business's transition from "oil" to renewables, we launched a concise information campaign aimed at our employees and at analysts



and investors interested in gaining a better understanding of our new business strategy. Also this year, like every other year, our focus on our stakeholders saw us dialogue with them in an ongoing manner in order to

effectively integrate their expectations in the Sustainability Report.

Here below is a summary of our main activities in 2014.

OUR STAKEHOLDER: EXPECTATIONS AND COMMUNICATION CHANNELS

Stakeholder	Stakeholder expectations	Communication channels
Institutions European Union, Governments, Ministries, Regulatory bodies, Public Administration, Trade associations.	Collaboration, technical support and information sharing. Participation in the territorial planning of activities. Respect for the current laws in all countries in which the Group operates.	Dedicated meetings, round tables and conferences.
Shareholders	Creation of value for shareholders. Corporate Governance and Risk Management. Representation of minorities. Transparency and timeliness with regard to business and financial information.	Webcast. Press releases. Roadshow. Events associated with the publication of the business plan.
Financial community	Creation of value for shareholders. Corporate Governance and Risk Management. Transparency and timeliness with regard to business and financial information.	Webcast. Press releases. Roadshow. Events associated with the publication of the business plan.
People and Trade Unions Employees, contractors, trade unions.	Equal opportunities. Workplace safety. Professional development for all employee categories. Participation in company life and all related initiatives. Work-life balance. Stability.	Internal communication tools and activities Company's events. Team building.
Local communities Cultural, religious and research associations, health service, NGOs, Committees of citizens, residents close to production plants.	Listening to their requirements. Contribution to and support for local initiatives and local communities. Access to information. Protection of heritage and the environment. Health and safety.	Relationship-building activities with new local communities in line with new business activities. CSR initiatives in the community with regard to "environment and health", "promotion of culture", "young people and sports." Events with the local press.
Future generations Schools and Universities.	Environmental protection and prevention. Training and know-how sharing. Corporate strategy aimed at reducing the consumption of natural resources.	Training programs and information. CSR initiatives in the community with regard to "promotion of culture", "young people and sports."
Media	Completeness, transparency and timeliness of information.	Business press relationship-building events, press releases to communicate the financial results, the business plan and extraordinary operations.
Suppliers	Compliance with all competition and antitrust laws in the countries in which they operate. Safety of on-site activities.	Internet platform.
Partner	Creation of value. Sharing values in business management and strategy development.	Mini ad hoc relationship-building events.
Customers	Maximising value for the consumer. Quality and continuity in the supply of electricity and steam (site customers). Product quality (retail customers).	—

ERG AND ITS FINANCIAL INVESTORS

We use different types of channels to communicate with investors and financial analysts, including one-to-one relationships, national and international roadshows, and conference calls.

Following the presentation of the strategic plan for the 2013-2015 period, we identified an increase in interest in the Group and its activities, with a consequent increase in requests for meetings on the part of these stakeholders in order to find out more about our "equity story".

In 2014, due to the closer level of attention focused on the restructuring of our portfolio, the interest of the community translated into 33 meetings with 33 investment companies, 27 of which from overseas.

The finalisation of the restructuring process saw our stock **switch from the oil sector to the utilities sector**: an additional commitment on the part of our Investor Relations Department to convey the typical business activities of the Group to new analysts.

The Investor Relations team is not just available to financial professionals, it also manages the relationship with any private investor – whether real or potential – that is interested in committing a portion of their capital, thus demonstrating their confidence in the company. The contact details of the Investor Relations team are listed in all relevant areas of the website and in press releases to facilitate communication with all interested parties. Another comprehensive and up-to-date instrument for communicating with our stakeholders is the company website www.erg.it.

Structured according to the most recent best practices with specific sections dedicated to the Press, Investor Relations

and Corporate Governance, the website contains all of the company information required by law, as well as all necessary documents to provide a comprehensive overview of our company and its activities: press releases, financial statements and reports, corporate presentations and documents relating to the Shareholders' Meetings. It also allows interested parties to view presentations of the quarterly financial results, conducted via webcast and conference calls, and then **transcribed in full**. The webcasts are open to the public to highlight the transparency of the communication.

As well as to financial shareholders, this commitment to dialogue and the sharing of detailed information on specific areas of expertise is also dedicated to CSR rating agencies: a category of stakeholder that focuses its interest not just on the economic aspects of corporate management but also on our Corporate Social Responsibility (CSR) policies.

In this area dialogue is carried out directly by the Sustainability Department, which supports them in the analysis process by sharing preliminary assessments and providing the necessary support to examine the various ESG (Environmental, Social, Governance) issues.

In addition, in 2010 ERG was included in the "Benchmark" and "Leaders" indices in the new series of FTSE ECPI Italia indices, obtaining a positive assessment that has been confirmed in subsequent years.

ERG AND ITS INSTITUTIONAL STAKEHOLDERS

Operating in regulated sectors such as the production and sale of energy, ERG continuously oversees the evolution of the Italian and European political and institutional climate.

We are committed to keeping ourselves abreast of these issues at all times through both traditional and multimedia information

channels, and via constant and transparent dialogue with bodies and institutions focused on active collaboration and the sharing of know-how and specific expertise acquired in the energy business.

We also seek to actively **contribute** to the **development of the regulations** in our business sectors, where possible making proposals that can improve and refine it.

ASSOCIATIONS IN WHICH ERG HAS A PRESENCE ON THE GOVERNANCE BODIES AND/OR TECHNICAL GROUPS

Association	Purpose	ERG participation
Confindustria	Together with the local associations, national trade associations, regional Confindustria federations and regional and national trade federations, Confindustria is the main association representing manufacturing and service companies in Italy.	Governance Bodies and Technical Groups.
Confindustria Energia	Federation of associations representing companies that produce and distribute energy (ANEV, ANFIDA, ANIGAS, Assocarboni, Assocostieri, Assogasliquidi, Assomineraria, Assosolare and Unione Petrolifera).	Governance Bodies and Technical Groups.
EWEA	European Wind Energy Association, the body representing the interests of the wind industry in Europe and the European branch of the WWEA, the World Wind Energy Association.	Governance Bodies.
Assoelettrica	National Association of Electricity companies bringing together around 120 companies operating in the free market that provide about 90% of the electricity generated in Italy.	Governance Bodies and Technical Groups.
AssoRinnovabili	Association representing renewable energy manufacturing and service companies, with over 500 associates. Since 1987 it has represented producers of electricity from renewable sources and providers of professional services, technologies and components in the renewable energy supply chain to protect their rights and promote their interests at national and international levels.	Governance Bodies and Technical Groups.
ANEV	The National Association of Wind Energy that brings together about 70 companies in the wind energy sector and more than 5,000 individuals, including producers and traders of electricity and technology, installers, designers, engineering and environmental offices, electrical traders and developers who operate in compliance with the rules and regulations of the association.	Governance Bodies and Technical Groups.
WEC Italia	Multi-energy association that brings together industrial, institutional and university entities from the domestic energy sector: from research to production, from the transformation to the distribution and marketing of all energy sources, from fossil fuels through to nuclear and renewable energy.	Governance Bodies.
Unione Petrolifera	Association of the major oil companies involved in petroleum refining and the distribution of petroleum products in Italy.	Governance Bodies and Technical Groups.
Assonime	Association of Italian Joint Stock Companies that works towards improving industrial, commercial, administrative and tax legislation in Italy.	Governance Bodies.
IEFE	The Research Centre at Bocconi University, dedicated to the study of energy economics and policy, also focusing on technology issues.	Governance Bodies.
Civita	Organisation established by a group of companies, public research institutions and universities which, with over 180 associates (both public and private organisations and companies), is engaged in the "promotion of culture" through research, conferences, events, publications and projects.	Governance Bodies.
Magna Carta Foundation	Foundation dedicated to scientific research, cultural reflection and the development of proposed reforms on the main themes of political debate.	Governance Bodies.

The complexity and frequent interdisciplinary nature of these issues also broadens the range of stakeholders involved: not just public entities, but also private trade associations at local, national and European levels (Confindustria, Assoelettrica, AssoRinnovabili, EWEA, ANEV, Unione Petrolifera, etc.).

For several years we have directly participated in association activities through our representatives on the statutory bodies, specific committees and technical working groups with a view to exploring and developing our areas of interest, and

representing our position in a transparent and streamlined manner while **transparently** protecting the Group's interests.

In order to maintain our independence, in addition to the association fees established by their articles of association no further compensation is paid to these associations. In addition, by way of internal policy, ERG does not make direct or indirect contributions, in any form, to political parties, movements, committees, political organisations or trade unions, or to their representatives or candidates (with the exception of cases established by specific legislation).

THE ERGLAB EXPERIENCE

The energy sector is characterised by the strong influence and significant pervasiveness of legislation and technical regulations which impact as heavily on the functioning of assets as they do on that of the markets. Forecasting and, if possible, contributing to the evolution of the reference framework is, as such, a way for companies in the sector to remain competitive. ERGLab was developed against this background: a think tank and relational network, open to "select" representatives of the various stakeholders in the energy world where it is possible to openly and clearly exchange different points of view, seeking to imagine and share the sector's potential development paths and evolution. Freedom of expression is fostered by the convention whereby the opinions expressed during the meetings can be cited but the identity of the person that expressed them may not be revealed (Chatham House rule).

The meetings organised in 2014 focused on:

- the challenge of integrating renewables in the Italian and European electricity system and market;
- the evolution of the energy mix and electricity systems in Italy and Europe towards the 2030 goals.



ERG AND THE COMMUNITY

In 2014 we sought to extend the collaboration and involvement of the **communities** in which ERG operates also to the areas that host our wind farms: the significant territorial presence resulting from their widespread dissemination led us to seek suitable ways of sharing the principles and values that inspire the Group.

This resulted in the “Go with the Wind!” project, which seeks to **provide third-year secondary school pupils** (who are dual stakeholders as they belong to both the “future generations” and the “local communities”) with a better understanding of **what energy** is, and wind energy in particular, and **how we can save it**, protecting energy resources and reducing the impact on the ecosystem.

The classroom meeting is followed by a visit to the nearest wind farm which enables pupils to discover the secrets of the plants, which until this moment they had only ever seen from a distance.

We requested, collected and assessed the community's feedback on our initiative with two main goals in mind: to evaluate the efficacy of the project in the community and to gather useful information for improving our Social Responsibility activities.

The “Go with the Wind!” survey was carried out in **30 municipalities** that hosted the project with **3,000 people** between 18 and 75 years old interviewed. According to the results the project was well-received by

over 80% of interviewees.

More specifically, the answers highlighted the community's particular focus on:

- activities dedicated to schools (57% of interviewees);
- initiatives aimed at improving the environment and public green areas (37%);
- scientific research activities (28% of interviewees).

Read the detailed report on the project in the “Social Responsibility” section.

This is how we interact with our stakeholders with the aim of constantly involving them in our growth, development, evolution and diversification path. A challenging commitment for sure but one with a long-term vision.

CSR IN THE GROUP ORGANISATION CHART

“The Chairman of ERG S.p.A is responsible for Institutional and International Relations concerning [...] Corporate Social Responsibility”: the direct reporting line to the Chairman ensures that CSR principles permeate throughout the Group's organisation and activities.

CSR MANAGEMENT

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BOARD OF DIRECTORS

Defines the Group's principles of conduct summarised in the **Code of Ethics** and approves the Sustainability Report.



SUSTAINABILITY COMMITTEE

Comprises Top Management and the Line Managers and CEOs of the operating companies.

Defines the strategic area of sustainability, with particular focus on:

- **promoting** policies and guidelines with regard to employment and respect for the environment;
- **stimulating** the definition of improvement objectives;
- **identifying** and proposing sustainability initiatives.



SUPERVISORY BODY

Responsible for:

- monitoring the implementation of the Model and compliance with the Code of Ethics;
- verifying the adequacy of the Model to prevent the committing of the crimes referred to in Legislative Decree no.231/01;
- overseeing the updating of the Model;
- providing training on the Code of Ethics and 231 issues;
- assessing reports received.



SUSTAINABILITY DEPARTMENT

Responsible for **implementing the guidelines** and periodically **monitoring their performance**.

The cross-functional monitoring activities consist of preparing the annual **Sustainability Report**, which is reviewed by the Sustainability Committee and subsequently **approved by the Board of Directors**.



CSR INITIATIVE EVALUATION COMMITTEE

Working group composed of representatives from the operating companies, the Communications Department and the Sustainability Department.

They analyse all **initiatives in the community** and then select the most deserving, based on the values they express and the positive impact they have on the local area.

THE EIGHTH EDITION OF THE SUSTAINABILITY REPORT

The ERG Group has been producing its annual Sustainability Report since 2007, keeping stakeholders up to date on the evolution of the Group as it transforms from an “oil” business to an “energy” business.

Since the first edition we have adopted the 7 basic reporting principles of the GRI – Global Reporting Initiative:

- **Materiality**, according to which information that may really interest stakeholders is presented;
- **Comprehensiveness**, according to which all relevant issues and related information are included in the Report;
- **Balance**, according to which the issues are presented transparently and objectively irrespective of their quality;
- **Comparability**, according to which all data is presented in a 3-year context to make it easy to compare and analyse the evolution of the indicators over time;
- **Accuracy**, according to which the presented data and information are processed very accurately;
- **Timeliness**, according to which the Report is issued during the year after the publication of the Consolidated Financial Statements;
- **Clarity**, according to which a straightforward tone is used so it can easily be understood by all stakeholders.

The “third-party check” of the information contained in the document as compared with the GRI standard application level

used up until the 2012 Report was completed, as of 2013, with the assurance of the Report and its underlying processes with the aim of guaranteeing our readers the quality and reliability of the information contained herein: the **A+ level** achieved, the maximum score, is proof of the Group’s widespread commitment to guaranteeing ever improving levels of quality and depth of information.

Because a business like ours typically develops over the medium-term, many of our initiatives develop over several years: for this reason our Reports should be viewed as a continuum; each document outlines the events of the year but our overall approach and strategy can only be fully understood by also reading those of the previous years.

In this report we have focused on the “strictly CSR-related” aspects of our Group; economic and governance issues are covered in depth in other official documents, generally published and available on the Group website www.erg.it (Group Consolidated Financial Statements, Corporate Governance Report and other public documents).

The gathering of data and information is carried out under the supervision of the Sustainability Committee through the Sustainability Department and involves all Group companies and departments. The Report is approved by the Board of Directors of ERG.

METHODOLOGICAL PRINCIPLES

The 2014 Sustainability Report was drafted in accordance with the "GRI 3.1 Sustainability Reporting Guidelines" and includes the information required by the EUSS (Electric Utilities Sector Supplement), published by the GRI in 2011 and 2009 respectively. Thanks to an external audit **we earned the A+ application level for completeness of disclosure.**

The information and data contained in the document refer to the subsidiaries at 31 December 2014 and reflect the Group's consolidation scope in accordance with the IAS-IFRS accounting standards: the **economic/financial** values are based on the ERG Group's Consolidated Financial Statements, which have already been audited.

The data relating to **personnel**, the **organisation** of work and **training** refer to the workforce as at 31 December 2014 and do not include the data relating to the employees that left the Group following the sale of ISAB Energy. Any other exceptions are indicated underneath the tables.

The main **atmospheric emissions** are calculated through continuous measurements at emission points and, where necessary, by intermittent measurements combined

with estimates that take into account both the combustion systems and the type of fuels used. CO₂ emissions are certified by an independent third party, as provided for by law.

The **operating parameters** of thermoelectric plants are taken from the plant's management and reporting systems.

The data at 31 December 2014 only refer to the ERG Power plant: to facilitate adequate comparison with the previous year a column was added (2013 restated) which indicates the 2013 data relative to the above plant (i.e. net of the ISAB Energy values).

One only set of information is excluded from this reporting scope: that relating to the **wind energy companies operated by LUKERG Renew** (located in Bulgaria and Romania), which ERG does not control. This exception is due to the importance of these wind farms on the Group's new business panorama: they represent one of the salient points around which the diversification of corporate regulatory and meteorological risk (economic sustainability) is centred, they significantly contribute to reducing emissions (environmental sustainability), and their construction sites represented a significant commitment for ERG Renew.

SUSTAINABILITY COMMITMENTS

	Areas of commitment - 2013-2015	Status as at 31/12/2014
HSE POLICY	Extend OHSAS 18001 certification to ERG S.p.A. and integrate existing certifications in the areas of thermoelectric and renewable power generation.	ERG Renew O&M obtained integrated ISO 14001 - OHSAS 18001 certification; ERG S.p.A. and ERG Services launched the process for OHSAS 18001 certification; ERG Power presented the application for the attainment of EMAS certification.
BUSINESS STRATEGY	Consolidate the Group's business leadership in the production of electricity from renewable sources.	Continued increase in the installed capacity of wind farms (1,341 MW installed) plus 80 MW under construction.
INNOVATION AND DEVELOPMENT	Follow the Group's strategies and transformation, completing research and development activities and identifying and evaluating new business opportunities.	Continued overseas expansion in the renewable energy sector, entry into new markets under assessment.
ENERGY EFFICIENCY	Contribute to improving the energy efficiency of the ERG Power plant through measures design to optimise the plant.	Launch of plant engineering reorganisation and office sanitary facility energy saving measures.
SUPPLIERS	Consolidate the supplier qualification and assessment system based on objective principles and with attention to aspects relating to Health, Safety and the Environment.	In the new supplier qualification system we have introduced specific new questions on HSE issues.
EMISSIONS	Avoid 2.5 million tonnes of CO ₂ emissions in the period 2013-2015 and a total of approximately 4 million tonnes since ERG's entry into the wind energy market (2006 baseline).	During the year 1,021 kt of emissions were avoided (cumulative value 3,365 kt).
	Consolidate the exclusive use of gaseous fuels and reduce atmospheric emissions (at the SA1Nord power plant operated by ERG Power).	The natural gas-powered SA1 Nord plant began operations during the year.
EFFLUENTS AND WASTE	Reduce the ERG Power plant's consumption of fresh water through the recovery of industrial water.	System for the reuse of water from the TAF plant for the production of purified water implemented.
	Adopt efficient systems and technologies to reduce the volume of waste produced.	Reduction in volume of waste produced thanks to the use of reverse osmosis technology in the production of purified water. Sludge filter purification system adopted.
SAFETY	Consolidate the safety culture, both within the company by pursuing the objective of "zero injuries", and for third party companies through monitoring programmes and audits.	No injuries resulting from a failure to comply with operating procedures or a lack of plant safety were recorded during the year.
	Enhance and develop the know-how of ERG's human capital in line with the company's strategic direction.	Over 26,000 hours of training provided at an average of 4.8 days per employee.
PEOPLE	From 2013 onwards, implement tools for monitoring and reporting on the corporate culture in order to strengthen the strategic identity.	Climate analysis carried out in 2013. New intranet site with knowledge sharing tools.
	Adopt feedback and talent management systems to support the process of change and reorganisation of the Group.	Full adoption of the talent management system. "Fai crescere la tua enERGia" ("Boost your enERGy") "Next Generation" project launched.
COMMUNICATION	Make contact with and inform our stakeholders in an increasingly complete, transparent and timely manner.	Development of new Group website in line with the most modern communication technologies and the most recent technologies. Launch of "ERGLab" project targeted at institutional stakeholders. The use of the social networks as communication tools under examination.
COMMUNITY	Contribute to the development of local communities through social responsibility initiatives at a local level.	First edition of the "Go with the Wind!" educational project held and other initiatives in the areas served.

Economic responsibility

1

**ECONOMIC
RESPONSIBILITY**

3,780

MILLION EUROS
OF ECONOMIC VALUE
DISTRIBUTED

22%

LOAD FACTOR
WIND FARMS

1,341 MW

OF INSTALLED CAPACITY
FROM WIND FARMS

7,245 GWh

OF ELECTRICITY
GENERATED

ERG'S ECONOMIC VALUE

ADJUSTED REPLACEMENT COST (millions of Euro)

	2014	2013	2012
Production value	3,957	10,385	12,375
Economic value distributed	(3,780)	(10,068)	(12,132)
Production costs	(3,292)	(9,597)	(11,689)
Compensation of personnel	(129)	(154)	(162)
Compensation of public administration	(97)	(136)	(149)
Compensation of debt capital ⁽¹⁾	(96)	(113)	(66)
Compensation of risk capital ⁽²⁾	(165)	(68)	(63)
Compensation for the community	(1)	(1)	(3)
Economic value withheld by the Group	177	317	243
Amortisation and depreciation	241	291	242
Compensation of the company	(64)	26	1

(1) Interest paid and other financial expenses for indebtedness.

(2) Overall dividends distributed by the Group.

	2014	2013	2012
Net value added	3,957	10,385	12,375
Production costs	(3,292)	(9,597)	(11,689)
Compensation of personnel	(129)	(154)	(162)
Compensation of public administration	(97)	(136)	(149)
Compensation of debt capital	(96)	(113)	(66)
Compensation for the community	(1)	(1)	(3)
Amortisation and depreciation	(241)	(291)	(242)
Result before third party interests	101	94	64
Result of third party shareholders	(25)	(56)	(52)
Net Group result	76	38	12

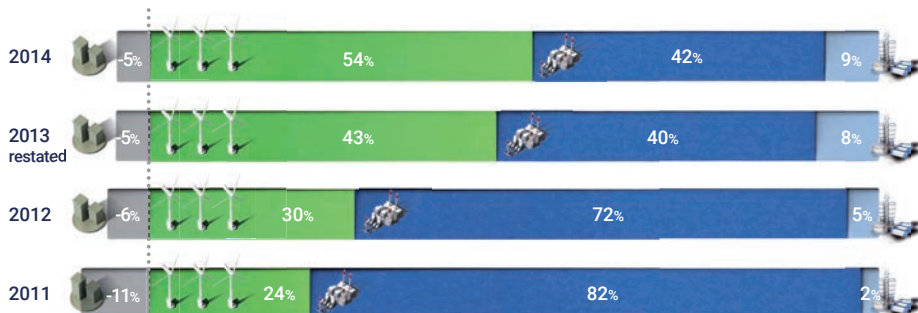
ERG AND ECONOMIC RESPONSIBILITY

Our main objective is to create lasting, sustainable value by increasing profitability and continuously reducing our dependence on volatile external factors, and through the balanced management of our portfolio. ERG's growth strategy is strongly oriented towards renewable energy sources, with particular focus on wind energy.

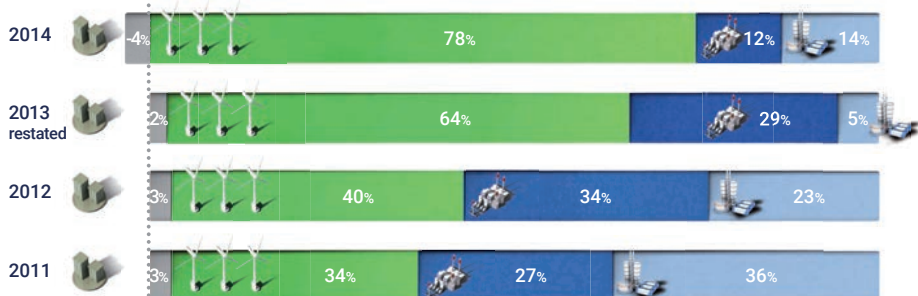
KEY ECONOMIC INDICATORS

35

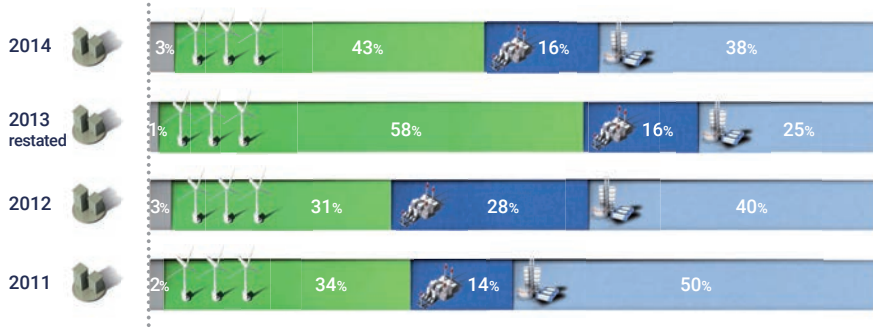
EBITDA



INVESTED CAPITAL



INVESTMENTS MADE DURING THE YEAR



ERG'S STOCK MARKET PERFORMANCE

ERG VS. EURO STOXX UTILITIES, FTSE ALL SHARE AND FTSE MID CAP
% VARIATION FROM 30/12/2013 TO 10/3/2015



SHAREHOLDER COMPENSATION IN COMPARISON
WITH ANNUAL FINANCIAL RESULTS



SHAREHOLDER COMPENSATION

Our Group has always maintained a very prudent asset management policy in order to guarantee the long-term continuity of the company. An analysis of the financial results over the years and related distributed dividends provides further evidence of the success of this prudential approach. In recent years, ERG has been able to satisfactorily compensate the capital invested by its shareholders. In 2014, an ordinary dividend of 0.50 euros was paid out.

IMPROVEMENT PROCESSES FOR A CONSTANTLY EVOLVING COMPANY

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In 2014, ERG definitively exited **from the historic oil business and finalised the transition to the “power” sector**, marking the end of a challenging period of change:

- at the end of 2013, we sold the final share (20%) of the Priolo refinery to LUKOIL, having completed the integration of ERG Renew Operations & Maintenance during the year – a company responsible for the maintenance activities related to the wind farms owned by ERG Renew;
- In mid 2014, we sold the ISAB Energy IGCC power plant, which was technically dependent on the refinery. Towards the end of the year, we also sold ERG Oil Sicilia, the network of distributors located on the island.

Alongside this major change to the Group's business portfolio, we also initiated a review of the key organisational processes in order to support the objectives of long-term **efficiency, profitability and sustainability**. In addition, we continued to work on projects aimed at improving operational performance and, consequently, plant management. A brief overview of this complex set of innovations is provided below.

CORPORATE

The “fast steering” project and the reorganisation of the Group

Following on from the preliminary phase which began in 2013, on 1 January 2014, we launched an initiative to define **a new corporate and organisational model (“fast steering”)** based on a sustainable

and coherent approach to the Group's objectives with regard to the management of “organisational leverage”.

Specific corporate vehicles were established to create a structure that requires interaction between three main roles, each characterised by objectives, activities and specific and integrated resources:

- **the parent company ERG S.p.A** - which provides strategic direction, management control and oversight of the group's human, financial and relational capital as essential assets for growth. It has a very lean structure that is completely dedicated to the management of processes and resources of strategic importance;
- **the Business Units** - companies focused on their specific business areas with the appropriate structures in place to ensure their operational efficiency, boost growth and provide a timely response to market volatility. The business units are the drivers of value generation in their respective markets according to plans approved by Corporate;
- **ERG Services** - a company appointed to achieve operational excellence in the provision of support services to all Group companies (“shared services”). This company has paved the way for the creation of numerous synergies and opportunities in terms of specialisation, excellence and the development of human capital.

This structure meets the basic requirement of **allowing diversified businesses to coexist**, providing strong directionality in terms of the Group's Governance together with the

high focus and autonomy of the individual business units.

In addition to operations related to change management processes, the Group's resources have been "mobilised" by an organisational redesign consisting of the following key elements:

- the establishment of **new organisational positions**, accounting for 15-20% of the total;
- assigning **new content** to 15% of the existing organisational positions;
- the **reduction in the number of organisational levels** (with an average of 3-4 levels in the new model), and the consequent increase in the speed of communication and decision;
- the **change in the composition** of 40% of the organisational **teams**, resulting in the revitalisation of the internal dynamics and a greater stimulus for innovation.

Finally, we wanted to realise the vision of the organisation as a lever to support business growth through the creation of new roles and processes, shifting the focus of the organisational paradigm from cost reduction to value creation for the Group and for the people themselves.

The belief is that, from now on, the sustainability of the business will be supported by the development of organisational and human capital that is in line with the requirements dictated by the Group strategy: the organisation has become an intangible asset, which expresses its value in the quality of its processes, in the development opportunities it provides for its people and in the long-term sustainability of returns for all stakeholders.

In this way we have offered many colleagues new professional development opportunities, with the result that the traditional restructuring processes – the typical counterpart of a business transformation process such as this – were not actually put in motion.

RENEW BUSINESS UNIT

The "Excellence Project"

The integration of the activities of ERG Renew and ERG Renew Operations & Maintenance is one of the most significant organisational efforts made by the Group in 2014.

The "Excellence Project" covered both organisational systems and operational procedures: in addition to incorporating the activities of Operation and Maintenance of the wind farms, it allowed improvements to



be made in the running and performance of the plants, thus increasing their profitability. More specifically, the characteristic approach of "Project Excellence" is to identify technical, technological and behavioural solutions that can increase the availability and productivity of the wind turbines based on two solid "foundations":

1. the thorough understanding of the wind turbines and all the systems that make up the wind farms and their maintenance processes;
2. the implementation of an efficient and effective remote control system and a detailed, extensive (because it contains data for very long periods of time) database: SCADA 2.

POWER BUSINESS UNIT

The "*Continuous Improvement*" Project

Following the positive results of the "Rainbow" Project introduced in 2011 to improve the economic viability of ISAB Energy (sold

in June 2014), we decided to apply the same method to the ERG Power plant, implementing a project called "Continuous Improvement".

The activity – already launched in 2013 with the goal of increasing the overall efficiency of the plant by focusing on fixed and variable costs and revenues – produced economic benefits of approximately 4.5 million euros for 2014 alone, well above the budget targets set for the project.

The more "attractive" opportunities in terms of benefits – and therefore already implemented – involved the "rescheduling of activities as part of the maintenance contract" and the "reduction of the technical minimum of the gas turbines." In particular, this intervention improved the plant's flexibility, avoiding the shutdown of the machines, especially at night, to meet market requirements, and/or reducing export flows under unfavourable economic conditions (usually between midnight and 6.00 a.m. and during weekends).

REDUCE POWER... TO INCREASE PERFORMANCE

The continuous switching off of at least one of the Gas Turbines of the ERG Power CCGT resulted in lower operational flexibility in terms of scheduling, which also caused potential management issues during the process of restarting the plants, with the risk of compromising the reliability and consequently the cost margins of the plant.

The reduction of the "technical minimum capacity" could be the key to ensuring greater operational flexibility, reducing the number of scheduled shut-downs and achieving greater plant reliability, in accordance with best industry practice.

A series of tests, carried out in synergy with suppliers, showed that the plant system would not be affected at a value lower than the contractual technical minimum (45 MW), particularly with regard to NO_x emissions: this allowed us to configure the system to a new technical minimum value (35 MW) while remaining in full compliance with the boiler inlet temperatures and atmospheric emissions.

ERG GROUP PLANTS

	Installed capacity in MW	Production in GWh			Wind farm load factor ¹ technical availability power plants			Scheme
		2014	2013	2012	2014	2013	2012	

WIND – ITALY

Campania	239	453	437	304	22%	21%	24%	Green certificates
Calabria	120	249	246	213	24%	23%	24%	Green certificates
Puglia	249	502	497	369	23%	23%	27%	Green certificates + CIP 6
Molise	79	163	164	103	23%	24%	29%	Green certificates
Basilicata	89	173	103	–	22%	21%	–	Green certificates
Sicily	198	313	336	69	18%	19%	21%	Green certificates
Sardinia	111	198	220	–	20%	23%	–	Green certificates
Other	2	–	7	15	n.a.	13%	16%	Green certificates
Total Italy	1,087	2,051	2,010	1,073	22%	22%	25%	

WIND – OVERSEAS

Germany	86	144	155	–	19%	21%	–	Feed-in tariff
France	64	122	127	128	22%	23%	23%	Feed-in tariff
Bulgaria (50%)	27	67	57	22	28%	29%	25%	Feed-in tariff
Romania (50%)	77	196	54	–	29%	31%	–	Green certificates
Total - Overseas	254	529	393	150	22%	22%	–	
Total renewable sources	1,341	2,580	2,403	1,223	–	–	–	

THERMOELECTRIC

ERG Power ²	480	2,623	2,663	2,920	92.4%	94.9%	96.4%	
ISAB Energy ³	–	2,042	4,142	4,077	–	–	–	–
Total thermoelectric	480	4,665	6,805	6,997				
Total electricity production		7,245	9,208	8,220				

¹ The total value is calculated based on the actual production values in relation to the theoretical maximum production values (calculated taking into account the actual commissioning of each individual wind farm).

² ERG Power does not have any free CO₂ allowances under the EU-ETS regulation.

³ The ISAB Energy plant was sold on 30 June 2014.

WIND FARMS: WORKING TO IMPROVE EFFICIENCY

41

The IT system SCADA (Supervision Control And Data Acquisition) was designed to gather, centralise and manage the data from all of our wind farms in a standardised and uniform manner, regardless of the different technologies installed in the field. Its implementation began in late 2013 and was completed in **2014**, resulting in the remote realtime performance management of **748 turbines** installed in Italy for a total of 590 MW.

With the second phase of the project already underway, the remaining 223 turbines will be integrated by the end of 2015, representing an additional 495 MW.

The implementation of SCADA (already mentioned in the 2013 Sustainability Report) has allowed ERG Renew to put in place a number of tools to remotely manage and run the wind farms, allowing the efficient management of every single component (including alarms) and the collection of data relating to the turbines, thus ultimately **optimising** their **energy production**.

In 2014, we focused on the implementation of a data and performance analysis model, as well as a system to monitor the efficiency of the machines (power curves).

THE PERFORMANCE ANALYSIS MODULE

Available via the web, this module exploits the potential of the data collection system from all of the wind farms and consolidates and standardises the data: the large amount

of data recorded in the field is managed by a centralised system that allows operators to quickly assess the performance of the assets and perform in-depth analysis (failure analysis).

The main objectives of this module are to:

- collect data from all wind farms and display them in real time via the web;
- reduce the analysis processing times (initially manual and now automated);
- standardise data display and KPI (Key Performance Indicator) calculation methodology;
- allow the immediate **comparison** with the **budget** and **targets** as well as specifically identified benchmarks (i.e. power curves, which indicate the actual performance level of the turbines);
- facilitate the wide dissemination of a performance "culture", sharing KPIs and continuously monitoring actual performance in relation to previously established improvement targets.

In addition, access via the Internet allows all operators to view key variables for each wind farm in real time and to drill-down to view each individual turbine: wind speed, power output, number of immobile turbines, and any active alarms in the turbines and the electrical substation. This facilitates the identification of problems "almost" in real time and, therefore, allows them to be promptly addressed and resolved.

Other detailed features allow operators to calculate indicators (e.g. technical

and energy availability), analyse all of the variables (including trend curves, list of events/alarms, etc.) and perform failure analysis using the details of the cause of the stoppage and the high-level categorisation of turbine alarms for specific time periods. In addition, operators can export data, graphics, reports and information processed by the system (e.g. automatically generate monthly reports and

other templates created and customised by the user).

POWER CURVE ANALYSIS

The **power curve** is the characteristic operating curve of a wind turbine – it defines the power that the turbine is able to generate as a function of the wind hitting the turbine blades.

For each turbine model, the manufacturer

THE DEVELOPMENT OF SCADA2

The methodology of the SCADA 2 project leverages the solid foundations that we have built over the years by consolidating all of the data on the performance of the wind turbines, stoppage periods and related maintenance activities.

In particular, a detailed analysis of operational issues was performed ("failure analysis") to investigate all of the reasons why production was stopped: using our technicians' detailed knowledge, we were able to analyse all of the elements that led to the "stoppage" period, identifying any corrective actions to ensure that in future the situation would not reoccur or would be resolved in a shorter timeframe and recording ideas on how to improve the technical and resourcing operational processes (for example purchasing or stock management).

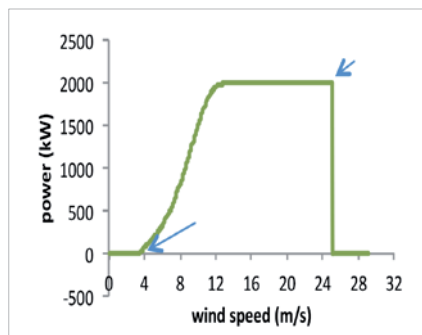
The project involved not only the Group's central functions (such as Permitting and Procurement) but also all of the technicians located in the various different operations centres. Thanks to them, we were able to identify the reasons for each stoppage and reconstruct the various steps that occurred; this analysis allowed us to identify and propose technical and organisational solutions in order to optimise the management processes.

All of the opportunities were then categorised and we proceeded to implement them, giving priority to those with greater economic benefits and better consistency in terms of technical logic.

We plan to complete the project by 2015 (in conjunction with the final implementation of SCADA 2 for all of the wind farms) and it will be fully operational in 2016, resulting in a significant impact on the Group's EBITDA.

Currently, the design and implementation has been almost completed some 4 months ahead of schedule. The first analysis of the economic benefits are in line with the budget estimates, although the full impact of the activities put in place will only be fully "visible" from 2016 onwards.

provides a “guaranteed yield curve”, which the machine should achieve under normal operating circumstances. This essential piece of information provides immediate feedback on the actual efficiency of the machine.



Power curve of a Vestas V90 WTG – density 1.12 Kg/m³

The analysis is divided into three separate phases.

1. **Data collection** – the basic measurements needed for the analysis are wind speed and generated power, averaged every 10 minutes. The data sample must be sufficiently
2. **Data screening** – this identifies all of the values that may be affected by other events whose cause cannot be attributed to failure or inefficiency of the machine itself, and which therefore may negatively influence the interpretation of results;
3. **Results analysis** and identification of possible causes – at the end of the screening process, the “cleaned and normalised” data are then compared with the “guaranteed curve” by performing further in-depth analyses (e.g. comparing the yaw angle vs. wind direction; identifying power curves in relation to the wind direction, etc.) to identify the possible causes of deviation from the values stated by the manufacturer. It is particularly important to identify the performance of the machine in relation to the prevailing wind direction, since this allows us to optimise production with regard to the predominant working conditions of the turbine.



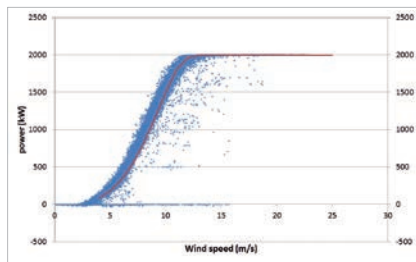
CASE STUDY: THE TOPOLOG PLANT (ROMANIA)

The analyses to which the Italian wind farms are subject are also applied to some overseas farms.

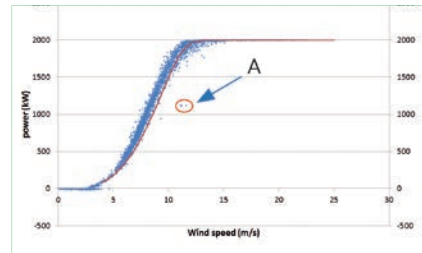
Here below is a short case study on the analysis carried out on the Topolog wind farm in Romania (42 Vestas V90-2MW WTG) opened by ERG Renew in December 2013.

In this case, with the guarantee offered by Vestas still valid, the analysis of the power curves also sought to verify the correspondence of the efficiency of the recently constructed machines with this guarantee.

1. **Data collection** - In this case all of the data available for the farm in question were used (period January-October 2014); the comparison of the power curves using the rough data is practically impossible, as shown by the following figure;



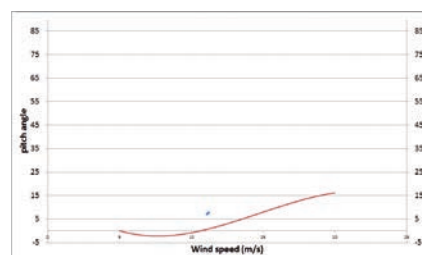
2. **Data screening** - All of the points measured close to and/or during periods of:
 - scheduled or unscheduled shutdowns;
 - limitation imposed by the network;
 - particular environmental conditions (e.g. formation of ice on turbines);
 were suitably filtered in order to obtain a curve that was much cleaner as it was not affected by these events;

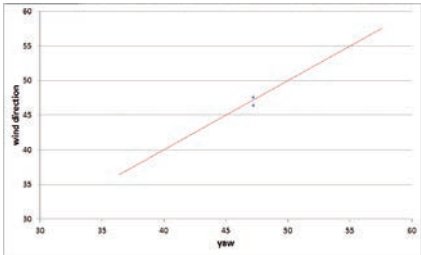


3. Analysis of results and identification of possible reasons

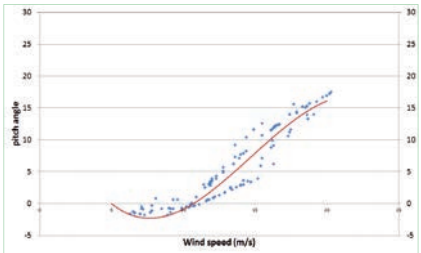
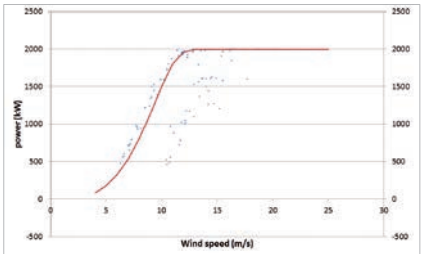
The data - appropriately filtered - show a generally good correspondence between the values measured and the curve guaranteed by the manufacturer. By way of example, here below are some of the examinations carried out downstream from the analysis of the results:

- **Monitoring of pitch angle and yaw/ wind direction alignment:** to check the variance of the two single points indicated by the letter A in the previous figure, the angle of incidence of the turbines (pitch) was checked and the alignment of the nacelle (yaw) compared with wind direction verified. The following figures show how in these two isolated cases (in May 2013) the pitch was not correctly set in the ideal position relative to the recorded wind speed while the nacelle, in at least one of the two cases, was correctly aligned with the wind direction



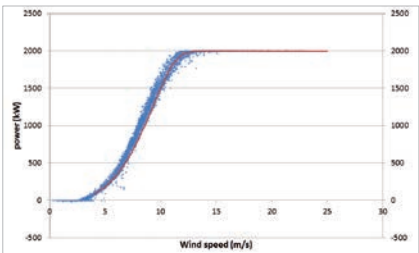
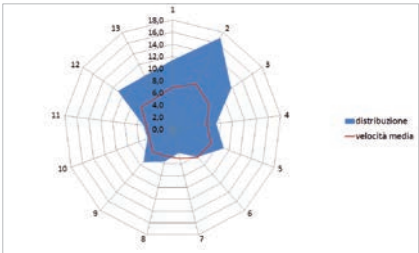


- **Effect of the formation of ice on the performance of the turbine:** the formation of ice on the turbines changes their aerodynamic profile, significantly impacting on the performance of the machine. Below is an illustration of power curve and pitch angle trends in the event of the formation of ice on the turbines; because the pitch angle is not in its ideal position, the performance of the machine is severely compromised.



- **Analysis of power curves according to wind direction:** by analysing the wind

speed and direction data it is possible to establish that the turbine in question has a preferential wind direction sector (in terms of both speed and frequency); analysing the power curve produced by wind from this sector, it is evident that the performances are above the guaranteed curve.



THE INTEGRATED MANAGEMENT OF MAINTENANCE

The choice of ERG Renew to manage the business and the resulting internalisation of the maintenance management activities required the development of new business processes and the adoption of a higher degree of integration and cross-functionality for those that had already been consolidated.

In particular, the approach of establishing a maintenance programme in accordance with wind forecasts has identified the need for an IT tool capable of:

- continuously monitoring spare parts logistics as well as demand, stock and supplies management;
- providing an overall view of the short to medium term maintenance plan and optimising maintenance activities from a technical and economic perspective.

A natural solution to these requirements is the company's ERP system (Enterprise Resource Planning), involving the implementation of specific SAP management modules that allow us to manage the processes relating to the maintenance of wind farms, including any supporting processes, and ensure full integration with all business functions involved in the end-to-end process.

We focused on the major phases of the maintenance process workflow, including:

- maintenance planning and management;
- stock management and requirements planning;
- maintenance costs.

Maintenance planning concerns the ordinary maintenance cycles carried out on plants, turbines and substations, performed in a planned way based on manufacturers' recommendations. Orders are automatically created by the system which, for each plant or subsection thereof, associates the cycle with the various time intervals, proposing – depending on the type of maintenance activity (semi-annual, annual, biennial, etc.) – the operations required, the materials needed and the timeframes for implementation. All of the activities that determine a plant shutdown are specifically reported on a “dashboard” in order to make the related information available to maintenance planners, depending on the wind strength.

In the event that, in order to **optimise production** output, it is necessary to reschedule a maintenance activity, the system activates an information “workflow” consisting of automatic emails sent between the various company departments in order to speed up the communication process.

When a routine maintenance task is confirmed and the length of the stoppage and the unavailable production capacity is known, the system transmits the data to an external weather service provider whose role is to **determine the production** of each wind farm in **relation to the wind** strength forecast for that area: the data are then made available to the dispatching user (ERG

Power Generation), which is responsible for providing energy to the electricity market in accordance with the best sales strategies.

The extraordinary maintenance process is manually activated by an operator following the occurrence of abnormal events, which generates a specific maintenance order.

The maintenance order is used to associate the man hours worked, the materials used and the external services purchased with each maintenance task, and to activate the administrative processes of the purchasing cycle.

The system also supports all of the operations required for **warehouse management**.

Materials planning is performed

automatically according to two separate strategies:

- for the most critical materials, an emergency supply is maintained to which any requirements from the maintenance order are added;
- for materials that are more readily available, only the requirements of specific work orders are considered.

Finally, the maintenance costs are grouped into WBS (Work Breakdown Structures), the purpose of which is to associate the costs of the single maintenance intervention with a predetermined hierarchy, and to allow effective aggregate analyses to be performed while retaining the possibility of viewing the detail for each maintenance activity.



RELATIONS WITH SUPPLIERS

Our Group requires the constant support of external companies for the construction, operation and maintenance of plants and for the execution of all other activities that contribute to our core business.

The procurement process is therefore of particular importance for our business model. Transparency, affordability, good faith, equal treatment and non-discrimination among potential competitors (in line with company procedures governing procurement, services and supply contracts) are the guiding principles on

which the procurement process is based.

In this regard, the creation of a single list of qualified suppliers (about 1,700 companies) for the entire Group has required us to adopt **standardised and uniform evaluation and control systems**: to qualify, companies must demonstrate that they possess specific competence and reliability requirements from a legal, economic, financial, technical and organisational perspective.

For some product categories with a higher

ERG AND SUPPLIERS

ERG considers its suppliers a primary source of competitive success; thus it strives to base its relations with suppliers on the same principles of sustainability, integrity and confidentiality and manage these relations with both current and potential suppliers in accordance with principles of legality, transparency, correctness and loyalty. In line with the aforementioned principles and in managing its purchasing processes, ERG requires that recipients:

- *base the objective selection and technical, financial, organisational and ethical qualification of potential suppliers on the best interests of the Group;*
- *[...]*
- *require all suppliers to comply with all regulations specifically relevant at the time, with particular reference to the topic of safety and environmental protection;*
- *request compliance with the principles of the Code of Ethics, reporting to the Supervisory Committee any conduct by a supplier that appears to be contrary thereto;*
- *[...]*
- *claim observance and observe contractual conditions, with particular reference to health, safety and environmental topics;*
- *avoid suppliers with whom they have a family relationship or affinity;*
- *show clearly and transparently the evaluation criteria adopted and the reasons for the selections made.*

Excerpt from the ERG Code of Ethics

social or environmental impact, we have established additional requirements for “would-be suppliers” with regard to health and safety, environmental management and the possession of specific certifications and authorisations. Currently, 33% of our suppliers undergo these additional checks, particularly with regard to health, safety and environmental issues.

In the **supplier assessment questionnaire** we also introduced specific questions relating to the protection of human rights, the ban on child labour, the obligation of equal treatment and non-discrimination, the possession of SA8000 certification and sustainability reporting. The aim is to increase the transparency of information available to us and to ensure that our supply chain respects the Group's core values: the explicit adherence to the

principles set forth in our Code of Ethics and the rules of conduct contained in the Model 231 and reflected in the general conditions of contracts with suppliers allow us to implement a system of sanctions for suppliers who do not comply with them.

Various company divisions verify the questionnaires, making a judgment, each within their own area of competence, regarding the suitability of the supplier. The procurement department manages and oversees the process and, based on the feedback received, it expresses a final judgment as to whether the supplier should be included in the supplier list and the duration of the qualification.

Essential communication points between ERG and its suppliers are the **Purchasing Portal**, in particular the section by means of which tenders are published

SUSTAINABLE PROCUREMENT

In 2014, we added sustainable criteria to the assessment parameters for some important tenders.

- In the new contract signed with a leading car manufacturer for long-term car rental, we selected models with particularly low emissions.
- The aim of the new agreement for printing services was to rationalise the equipment, resulting in a saving of 67% in electricity consumption and 55% in emissions. The new printers are made of 98.2% recyclable parts and allow a 70% reduction in packaging.
- The framework agreement for stationery includes articles with FSC certification, which guarantees that the wood used to make the product or its derivative, such as paper, comes from ethically managed and ecologically sustainable forests.
- Finally, from April 2015, the new travel booking portal will allow users to produce information relating to the harmful gases emitted during business trips to plan corrective actions using “green reports”.

online, and the **Vendor Management Portal**, which provides access to the qualification procedures described above. Improvements to the vendor management portal commenced in 2014 with the transition to a new, much more flexible and interactive version: it is now possible to modify the assessment questionnaire as required, updating it on foot of new business or legislative requirements, and to request candidates to periodically update and maintain the qualification documents, such as the DURC (certificate of regular social contribution payments), the anti-mafia certification, annual reports, and the authorisations required to perform specific activities.

Procurement is still responsible for performing **important checks**, such as those related to the presence of the vendor in the international black-list, sanction-list and anti-money laundering lists, as well as checks to identify any names involved in criminal offences (including offences related to organised crime, corruption and fraud).

After delivery, the qualification procedure feeds into the **vendor rating system**, which is applied to suppliers the value of whose goods or services is above a certain economic threshold. It is designed to monitor performance in terms of correct behaviour during the tender/offer and quality processes, compliance with environmental and safety standard and punctuality in the performance of the contract. A specific example is the **construction of wind farms abroad**, where lack of knowledge as regards local suppliers requires a scouting process before the selection process can

take place. An initial screening is performed using information available on the market (in particular relating to the financial strength and the ethical correctness of the company). Additional data, mainly relating to professionalism, technical ability and respect for safety and environmental standards, are obtained by performing comparisons with other operators already present in the country.

Finally, for all suppliers there are specific clauses relating to:

- compliance with the minimum wage rates imposed by law;
- compliance with current legislation with regard to safety and the environment.

SUPPLIERS

ERG's impact in Italy, both nationally and at local community level, has continued to grow: around 34% of companies that have placed orders have offices in the regions where the Group's plants are based.

42%

IMPACT ON
THE TOTAL
PROCUREMENT
VALUE VIA
CALLS FOR
TENDERS

39%

IMPACT ON
THE TOTAL
NUMBER OF
PURCHASES
VIA CALLS
FOR TENDERS

Environmental responsibility

2

ENVIRONMENTAL
RESPONSIBILITY

1,021 kt

CO₂ AVOIDED BY USING
RENEWABLE ENERGY

96.7%

WATER RETURNED
TO THE NATURAL CYCLE

0.01 t/GWheq

THERMOELECTRIC
POWER PLANT SO₂ INDEX

0.17 toe/MWheq

ERG POWER (CCGT)
EFFICIENCY INDEX

COMBATING CLIMATE CHANGE: A DUTY AND AN OPPORTUNITY

The fight against climate change is one of the main challenges of our time, both at national and at EU level.

The fundamental importance of the issues of sustainability and environmental compatibility is illustrated by the increasing portion of Renewable Energy Sources in electricity generation in Europe and in Italy. In 2014, 38% of the net domestic production of electricity in Italy came from renewable sources.

Our strategic positioning and our industrial development have been designed to maximise the integration of economic sustainability and environmental sustainability.

In line with Italian and EU policy, through our work we contribute to the goal of tackling climate change by pursuing three parallel planes of action:

- the continued development of renewable sources, which today makes us the leading wind energy player in Italy;
- the adoption of best available techniques (BAT) to achieve a steady reduction in emissions and improved efficiency;

- the use of fuels with low carbon content (natural gas) to reduce air pollution.

The effectiveness of the actions taken can be seen in the balance of emissions from our electricity-producing plants: compared with emissions of 1.2 Mt of CO₂ from the thermoelectric sector, we avoided emissions of around 1 Mt due to production from our wind farms.

Thanks to our production mix, in 2014 the ERG Group produced 7,245 MWh of electricity at near-zero net emissions.

REGULATORY FRAMEWORK

In Italy, the current energy policy guidelines are defined by the "20-20-20 Climate and Energy Package" which is part of the strategy, Europe 20-20-20.

In 2011, the European Commission published its "Roadmap 2050", a document drawn up specifically to address the issue of sustainability and the cross-border effects of phenomena that cannot be managed purely at a national level.

The aim of these new guidelines is to achieve the almost total decarbonisation of our economy, with the ultimate goal

	Outlook to 2020	Proposals for 2030
Reduction of climate-changing gas emissions	20% with respect to 1990 levels	40% with respect to 1990 levels
Share of energy produced from renewable sources	20% of final consumption	27% of final consumption (binding only at EU level, not for individual Member States)
Reduction of consumption	20%, with increased energy efficiency	an improvement of 27%, not binding

of keeping global warming as a result of climate change below 2°C.

As an intermediate step of the process outlined, in October 2014 the European Council reached an agreement on the environmental and energy policy for 2030, defining:

- a binding target to reduce national greenhouse gas emissions by at least 40% compared to 1990 levels;
- a binding target at EU level, but not for the individual Member States, for 27% of total electricity to be produced from renewable energy sources; the need to resolve this apparent inconsistency will be addressed by a new governance system that will have to be drawn up by the Commission in the near future;
- an indicative target of 27% increase in energy efficiency, which is not binding for the EU or the Member States.

EU ETS SCHEME

From a management perspective, the main operational tool in the fight against climate change is the Emission Trading System (ETS), a cap-and-trade mechanism of greenhouse gas emissions allowances that provides for the allocation of a specific quantity of emissions allowances (EUA, European Union Allowances) to operators in participating sectors, which can be traded on the market.

The global economic crisis and the decline in European industrial production in recent years have resulted in a significant oversupply of EUA certificates compared to demand, with the effect of reducing the market value of the certificates offered and thereby reducing the incentive to invest in eco-friendly technologies.

The solution provisionally adopted by the European Parliament – consisting of the backloading of a portion of the excess supply of allowances available on the market – only solves part of the problem, highlighting the need for a structural reform of the system if the targets set for 2030 are to be achieved.

The European Council of October 2014 established the policy for 2030 for the ETS mechanism, based on the following parameters:

- from 2021 onwards, the linear reduction factor of auctioned allowances will increase from 1.74% to 2.2%;
- countries with a GDP per capita below 60% of the EU average may opt to continue to give free allowances to the electricity sector after 2020 (this amount may not exceed 40% of the total allowances for a consideration);
- finally, the desire to continue the allocation of free allowances under the Carbon Leakage scheme after 2020 was confirmed.

ERG AND ENVIRONMENTAL PROTECTION

ERG believes that the complete compatibility of its activities with the health and safety of workers, the territory, natural resources and the surrounding environment is an essential condition both for the acceptability of its plants and its operational activities, as well as the achievement of its growth objectives.

ERG thus constantly works to ensure that the business operations of all Group companies are carried out with full respect for the health and safety of its employees and third parties, as well as the environment, intended in the broadest sense, carefully considering these factors as part of the long-term planning process and encouraging the adoption of environmentally-friendly and energy efficient technologies.

As a socially responsible business, which also counts on the active contribution of all Recipients, ERG aims to:

- *[...] ensure constant attention and commitment to improving its performance in the environmental field, monitoring and reducing energy use, minimising waste production, complying with the legal limits for atmospheric, water and ground emissions, responsibly and carefully using natural resources and protecting local ecosystems and biodiversity;*
- *assess the environmental and social impacts before undertaking new activities or introducing modifications and innovations to processes and products;*
- *establish dialogue and constructive collaboration, marked by the highest transparency and trust, with institutions and all stakeholders, with the goal of developing its activities while respecting local communities;*
- *maintain elevated levels of safety and environmental protection by implementing management systems that are developed, periodically verified and certified according to internationally recognised standards and introducing means and procedures for management and intervention, based on a careful analysis and evaluation of risks, designed to deal with possible emergencies;*
- *continuously strive to enhance information, awareness and training aiming to strengthen [...] environmental protection principles as a shared asset throughout all levels of the company.*

Finally, as confirmation of the huge importance ERG gives to [...] environmental protection, the evaluation of each employee's individual performance takes into account whether or not their conduct is in line with company policies, and particularly those referred to above.

Excerpt from the ERG Code of Ethics

CO₂ AVOIDED: 2014

55

	Installed capacity (MW)	Production (GWh)	CO ₂ avoided (kt)
Wind power – Italy	1,087	2,051	825
Wind power – France	64	122	8
Wind power – Germany	86	144	75
Wind power – Romania (50%)	77	196	81
Wind power – Bulgaria (50%)	27	67	32
TOTAL	1,341	2,580	1,021

CO₂ AVOIDED: TREND 2006-2014



For the calculation of CO₂ avoided, the conversion factor gCO₂/kWh is used, published by Terna in its annual reports and referring to the electricity output of the Italian system.

POWER SECTOR ACTIVITIES FOR REDUCING EMISSIONS

ENVIRONMENTAL IMPROVEMENT PROJECT FOR THE SA1 NORD PLANT

Thanks to the project to carry out environmental improvements to ERG Power's SA1N/1 group (a secondary plant used to produce steam for the multi-company site in Priolo Gargallo), which became fully operational in May 2014, we were able to modernise the structure of the thermoelectric component. In particular, upgrading works that comply with "Best Available Techniques" (BAT) were carried out and the potential of the structure was changed with the optimisation of combustion in order to produce steam (and no longer just electricity) to be used for heating by customers on the industrial site.

The main result achieved was the significant **reduction in atmospheric emissions**, both in terms of the flue gas flow rate and the concentration of the main pollutants emitted (nitrogen oxides, sulphur oxides and dust), due to the replacement of the previously used liquid fuels with gaseous fuels (natural gas and fuel gas from the adjacent ISAB S.r.l. refinery).

The changes can be summarised as follows:

- works on the thermal cycle to reduce the heat capacity of the boiler and ensure compliance with new operating conditions;
- works to reduce and control emissions, including the implementation of the

BOOS technique, the installation of low NO_x burners, the installation of a system of a secondary NO_x treatment system, and the installation of a continuous emissions monitoring system;

- disconnection of the electricity generation group consisting of a steam turbine and air-cooled alternator.

By comparing the final SA1 North emissions with the previous SA1N/3 emissions, we can see how the former are considerably lower: with an equivalent concentration of pollutants and in line with BAT, we obtained a **net reduction in pollutants** to the order of 70%.

As set out in the authorisation for the works mentioned above ("exclusion from the EIA") – obtained due to the environmental improvement achievable upon completion – a specific study was carried out with the support of the CIPA (Industrial Consortium for Environmental Protection) of Syracuse to identify the areas of maximum input and assess the impact of emissions from the chimney of the SA1 North plant in the new configuration in relation to the emissions of all other industrial sources present. The data revealed that the contribution currently has an impact of less than 1% compared to the overall emissions of all the chimneys in the Priolo area.

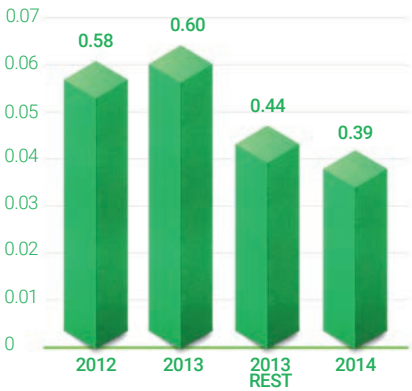
Consequently, ERG Power was able to balance the energy forecasts of the site,

maintaining continuity of the supply of steam to other customers of the Petrochemical complex in Priolo Gargallo with a significant improvement of the environmental impact.

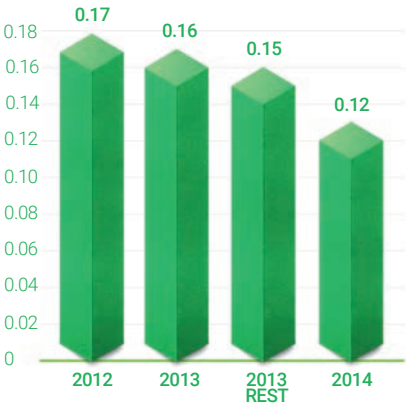
Particular attention was paid to the works phase: the project did not require demolition

and reconstruction activities, just maintenance style works on the existing structure. The impact of the environmental improvement works was almost minimal due to the lack of sensitive environmental receptors in the surrounding area.

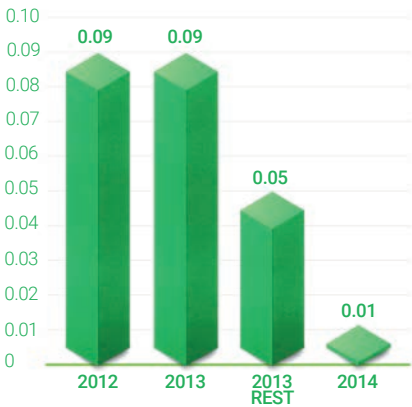
CO₂ EMISSION INDEX (t/GWheq)



NO_x EMISSION INDEX (t/GWheq)



SO₂ EMISSION INDEX (t/GWheq)



EMISSION INDICES

The graphs represent the trend of the main pollutants in relation to the production of thermoelectric plants.

The data for 2012 and 2013 also include the emissions of the ISAB Energy plant which was sold in June 2014; the restated 2013 and 2014 data only show the figures for the ERG Power CCGT plant.

EMISSIONS IN LINE WITH NEW LIMITS

In 2014, the new EU Industrial Emissions Directive (IED) was implemented concerning industrial emissions and the reduction of polluting emissions in the atmosphere, water and soil, which applies to large production facilities, including ERG Power. The regulatory framework provides that, from 1 January 2016, new emission limit values shall apply to existing facilities, defined by the type of fuel used.

An analytical comparison between the current data (consistent with the requirements of the Integrated Environmental Authorisation – IEA) and the new values set out in the IED shows that, since 2010, ERG POWER emissions levels (both for the CCGT and the SA1 North plant) are lower than the limits that will be required of other plants from 2016 onwards – further testimony to the technological leadership and “environmental responsibility” that set the company apart.

CCGT – LIMITS FOR YEARS PRIOR TO 2013 AND GAS FIRED

Parameter	New limit values applicable from entry into force of the Directive	Limit values already laid down by the Integrated Environmental Authorisation (IEA)
NO _x	50 mg/Nm ³	30 mg/Nm ³
CO	100 mg/Nm ³	30 mg/Nm ³

SA1 NORTH GROUP – LIMITS FOR NEW AND GAS FIRED PLANTS

Parameter	New limit values applicable from entry into force of the Directive	Limit values already laid down by the IEA and in the Opinion for adaptation to BAT for SA1 North
SO ₂	35 mg/Nm ³	20 mg/Nm ³
NO _x	100 mg/Nm ³	100 mg/Nm ³
CO	100 mg/Nm ³	50 mg/Nm ³
Dust	5 mg/Nm ³	5 mg/Nm ³

MONITORING AND VERIFICATION OF ATMOSPHERIC EMISSIONS

The continuous monitoring of atmospheric emissions is becoming an increasingly important consideration in the operation of industrial plants, especially for entities

like ERG Power, which are part of the EU emissions trading scheme.

The adoption of a comprehensive, consistent and accurate system in all three phases – monitoring, reporting to

the competent authority, and verification of atmospheric emissions of climate-changing gases (especially CO₂) – makes it possible to:

- accurately report allowances;
- maintain the transparency and traceability requirements;
- create confidence in emissions trading.

In any case, the main purpose is to achieve an **environmental benefit**. Of course, this objective cannot be achieved by a single operator such as ERG Power but by a much wider group of participants jointly at European level.

In this process, the control activities carried out by the competent Authority contribute significantly to ensure that reduction targets are met and that, therefore, measures to reduce emissions are actually put in place.

Inspired by the strict principle “A tonne must be a tonne!”, we apply best practice guidelines and references established at EU level, adopting a pragmatic approach that is consistent with our production environment to ensure the fairness of the monitoring, reporting and verification system adopted.

Through a dedicated annual process (known as the “**compliance cycle**”), at the end of every year we prepare a report on emissions for the previous year, we initiate verification process carried out by an accredited body and we send the results to the competent authority.

Following these formal steps, we then return the corresponding number of allowances in the EU ETS registry.

MONITORING PLAN

To ensure system reliability, we

OTHER EMISSIONS

In order to improve the information provided to stakeholders and the increasingly comprehensive environmental impact assessment of the Group’s activities, in 2014 we established a method for reporting “SCOPE 2” emissions (indirect GHG emissions from energy consumption) and “SCOPE 3” emissions (other indirect GHG emissions of GHG) according to the international GHG protocol classification). The data related to SCOPE 2 emissions were extracted from the technical reports for plant purchases (power and wind energy), invoices from the distributor for the energy consumption of the office space, and reports supplied by the property administrators for consumption generated by the centralised heating and cooling services.

Final data on SCOPE 3 emissions were provided thanks to reports provided by the travel agencies and relate to business travel by employees (calculated according to a certified methodology).

14kt

SCOPE 2
CO₂
EMISSIONS

1.4kt

SCOPE 3
CO₂
EMISSIONS

implemented a documentary screening method called the “monitoring plan”, which explains the analysis and data recording methods and forms an integral part of the emissions authorisation required for the operation of plants.

The Plan is subject to the **evaluation** and **approval** of the Authority and verification of compliance with Community guidelines. Typical elements of the “Monitoring Plan” include:

- the **collection** of measurement and production data;
- **sampling** and laboratory analysis of fuels;
- **maintenance** and **calibration** of recording instruments;
- **description** of processing methods and the formulae used;
- **recording** and **control** of data.

An important aspect is our commitment to ensure that the Plan is constantly aligned with the reality of the plant and provides for the assessment of additional efforts to improve the methodology, for example, following the implementation of technical changes to the plant itself.

Indeed, in 2014, we updated the Monitoring Plan in relation to the environmental improvement works carried out on the SA1 North group.

The aim of the changes is to ensure the thorough and effective monitoring of carbon dioxide by:

- varying the set of instruments used for data collection;
- adjusting the emissions calculation emissions.
- performing technical updates of the provisions of the Plan, which has a



process for monitoring and reporting CO₂ emissions of the ERG Power plant based on the calculation.

Given our exclusive use of gaseous fuels, the main emission source streams are currently natural gas and refinery fuel gas (transferred from the adjacent North Plants

of the ISAB Refinery owned by ISAB S.r.l.). The characteristics of the refinery fuel gas (emission factor and calorific value) are derived from the periodic and thorough analytical campaigns conducted by laboratories certified according to recognised standards (ISO 17025).

AUTOMATIC MEASUREMENT SYSTEMS

The emissions of the ERG Power thermoelectric power plant are continuously monitored by Automatic Measurement Systems (AMS). This monitoring activity plays a very important role in the management of industrial plants: during the different operating phases, it ensures the effective control of the parameters used to verify compliance with the limit concentration values of the substances emitted, as required by the Authorities in charge (nitrogen oxides, sulphur oxides and dust).

The European standard EN 14181:2005 describes the quality assurance procedures for atmospheric emissions control systems, which meet very strict requirements in order to comply with legislation or inspections by the competent Authorities.

This best practice specifies procedures for calibrating systems and classifying the level of accuracy of the measurements (QAL1, QAL2, QAL3) based on:

- the suitability of the AMS with respect to its measurement task;
- validation after installation;
- control during operation.

In 2014, as a result of the environmental improvement works carried out on the SA1 North group, ERG Power updated the functionality tests of its AMS, carrying out the following:

- functional tests to demonstrate the correct set up of the system;
- parallel determinations with reference to measurement systems in order to calibrate and validate the continuous analysers.

To calibrate each analyser of the AMS, 15 parallel measurements were performed, each lasting at least 30 minutes and with the plant in normal operation. These measurements were evenly divided into sampling days and distributed between the morning and afternoon, all within a period of four weeks. The results confirmed the accuracy of the detection systems used and were found to meet the requirements of UNI 14181.

ERG POWER: OTHER ENVIRONMENTAL IMPROVEMENT PROCESSES

PROJECT TO REUSE THE WATER AT UNIT SA9

The ERG Power SA9 plant produces about 600 m³/h of demineralised water, which is mainly used to produce steam for industrial use. The physicochemical process of "demineralisation" is carried out using two different technologies (ion exchange and reverse osmosis) with the objective of reducing the salts dissolved in the water.

In 2014, ERG Power engineers analysed and assessed a proposal to optimise the management of the water resources of the SA9 system (Demi Water), which also met with the interest of the local community.

A system was designed that would increase the **efficiency** of the system in terms of **water requirements, reducing consumption** by reusing wash water from the same system that had previously been discharged as waste: the water is returned to the production cycle as incoming water upstream of the sand filters (Ultrafiltration Section) of the ion exchange lines.

The recoverable amounts of water will vary according to the demands of the customers at the multi-company site but, based on design analysis and evaluations, it can be assumed that the current 8 million cubic meters of "raw" water taken in by the Priolo Servizi consortium – not only from reservoirs but also from a small river and a hundred or so wells – will be able to

return to the industrial cycle approximately 1,200,000 cubic meters per year, thus avoiding the withdrawal of the equivalent amount.

In December 2014, investment for the interconnection between the SA9 plant and the groundwater treatment facility (TAF) was completed. This system will allow the use of TAF wastewater in the SA9 plant: by leveraging this synergy we achieved the important goal of reducing the use of "raw water". The higher quality of the TAF water compared to raw water will also reduce the consumption of chemical additives used in the demineralisation process.

SOLAR ENERGY FOR THE PRODUCTION OF SANITARY HOT WATER

At the office buildings at the Priolo Gargallo thermoelectric power plant, 10 electric water heaters were traditionally used, with an average consumption of about 192 kWh/day. Through a specific opportunity for continuous improvement, the installation of a replacement solar heating system was proposed, to be placed on the roofs of the buildings.

The project has a dual impact, both in terms of **energy efficiency** and **sustainable development**. The most outstanding benefit is the avoided atmospheric emissions of carbon dioxide of around 25 tonnes/year of CO₂.

Moreover, it results in a saving of around 60 MWh/year of electricity and a reduction in maintenance costs.

PROTECTING BIODIVERSITY IN THE WIND ENERGY SECTOR

63

One of ERG Renew's main commitments with regard to the development of its wind farms is to protect the environment in which we operate, keeping its animal and plant species intact over time both so that there are no adverse effects on the ecosystem.

By their very nature, wind farms are located in mountainous areas or on open plains, where low human activity and the absence of natural relief ensure a "wind quality" that meets the technical requirements of the turbines installed.

The location of the farms in remote areas, far from urban or road transport pollution flows, generates the need to handle with great care and responsibility the coexistence of an external element (the turbine and associated infrastructure) with nature.

For this reason, the approach adopted by our Group is broader than the standard regulatory compliance activities required

during the authorisation phase (in particular the Environmental Impact Assessment) and includes a set of actions to check and confirm that the impact of the wind farm is minimised over time.

Furthermore, for certain sites of particular environmental interest we have proposed (which has been agreed with the authorities) specific programmes to manage maintenance work, aimed at identifying the most useful operational methods to reduce the impact on any element of the ecosystem.

MANAGEMENT OF MAINTENANCE ACTIVITIES

At the sites of environmental interest, ERG Renew has adopted a systematic approach aimed at minimising the impact of maintenance activities performed on the turbines, access roads and ducts.



A detailed analysis was performed according to pre-defined methodologies agreed with the Authorities to look at the impact that any type of maintenance activity (scheduled or extraordinary) could have on the ecosystem surrounding the wind farm.

The analysis focused specifically on activities that require site access for extraordinary means of transport, which often entails the modification of existing roads or the creation of temporary lay-bys to position the crane at the base of the towers or for the storage of materials.

The best method for carrying out the works in order to reduce the environmental impact was identified during the temporary management of the specific requirements. This approach allows us to:

- restore the "ex-ante" status of the land;
- avoid permanent changes to the topography.

The analysis was then extended to the impact on the fauna and flora, neither of which were affected by the maintenance activities as they take place on areas already normally used for the movement of vehicles or reserved by the plant.

There may be minimal impact due to the accumulation of dust during excavation and land clearing activities (for which the preventive measure of wetting the land to be excavated is taken) and the noise generated by the movement of trucks (for which it has been planned to use them as little as possible).

Finally, the filling works will be carried out according to the operational guidelines adopted using materials that are similar to

the natural environment taken from quarries adjacent to those affected by the works. The excavated material will be separated from the ground by layers of non-woven fabric. This will ensure that subsequent restoration activities will remove all of the earth excavated to perform the works.

AVIFAUNA

Monitoring is performed to observe the direct and indirect impact in the short and medium term on birds and their behaviour, during both the plant construction and operating phases. For this activity we chose to adopt the criteria set out by the WWF in 2007 ("Guidelines for the construction of industrial wind farms in Italy"), which assess the presence of bird species and the transit of migratory species, as well as the indirect impact in terms of the loss of habitat.

The wind farm "Green Vicari", located near the town of Vicari in the province of Palermo, has been observed and studied for five years: the area is characterised by a rich variety of species with an abundance of species that are typical of central Sicily and some breeds of migratory birds, while there is a marginal presence of rare species.

The main element of diversity of the area consists of the rocky cliffs used for nesting by species: over the years we have observed the habits of the "resident population", noting that the presence of the wind farm did not affect the type or number of species present in the different seasons of the year. It is particularly interesting to note that during the monitoring period carried out in 2014, 81 species were observed (an indication of the high natural variability of the area), of which 77 are the subject of a

specific investigation: 43 are passerines (e.g. larks, titmice, blackbirds, starlings and goldfinches) and 34 are non-passerines (e.g. cranes, storks, herons, eagles, hawks, and owls). According to a different classification, 29 species are migratory and 13 wintering, while the remainder consists of sedentary and nesting birds.

The analysis showed that during the year no collisions were recorded and, indeed, it was also observed that when the birds spot the blades in motion, they change course or take advantage of the thermal currents in the area to pass consistently above the wind turbines.

These results confirm the ability of animals to detect the presence of the turbines and to recognise them as an integral part of the landscape, therefore taking steps to avoid them.

NOISE

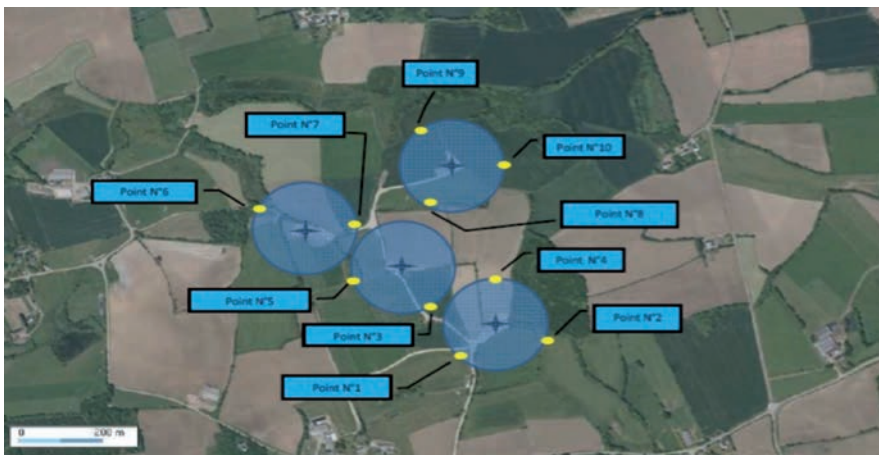
The assessment of the noise impact of a wind farm is an important element in terms of social and environmental sustainability given the frequent presence of settlements

in the vicinity of the farms.

Italian legislation provides for specific analysis tasks as part of the EIA (Environmental Impact Assessment), imposing clearly defined construction limits with regard to the proximity of any dwellings.

This approach was also followed by ERG in France, where we carried out a measurement campaign to check the noise impact of wind turbines on the environment at the site at Plogastel Saint Germain, located in the north of the country.

During the development phase of the project, a study was carried out based on the simulation of possible noises, while after the construction and commissioning phases were complete, field verification activities were performed: the requirements impose that the maximum noise level – measured at any point in a clearly defined area – must not exceed 70 dB (A) during the day (from 7.00 a.m. to 10.00 p.m.) and 60 dB (A) at night (from 10.00 p.m. to 7.00 a.m.).



Layout of the measurement points

The noise level values are expressed in dB (A) (or "weighted decibels"), a unit of measurement that takes into account the natural response frequency of the human ear.

The compliance checks were carried out on-site within a 120 m area around each turbine, with **10 measuring points** selected to cover all scenarios and simulate all of the "sensitive targets", i.e. along the outer perimeter in the direction of a dwelling, and in the middle of the turbines to record the noise generated by multiple machines at the same time.

The measurements were taken for 100 minutes and were conducted in good wind conditions, between 11 and 15 m/s, so that the turbines could achieve maximum power.

For each measurement, the following were identified:

- noise values taken every 10 minutes;
- the average value of the measuring range LAeq;
- the value exceeded 90% of the time, L90;
- the value exceeded 50% of the time, L50;
- the wind speed averaged every 10 minutes.

Based on these data, for each measurement point a table and an acoustic spectrum were created.

It is important to consider that the **sound levels** are **greater during periods of higher wind speed** (the sound of vegetation increases with the strength and duration of the gusts) and that the sound emitted by the turbines with a wind speed between 11 and 15 m/s corresponds to that of the nominal

power of the turbines (and therefore at a maximum "acoustic" power).

It follows that if the values are compliant when the turbine operates at full power, compliance is automatically confirmed for all other configurations.

To quantify the background noise generated by just the wind in the vegetation, additional measurements were performed under the same wind conditions on a similar topography located 2 km away from the plant.

We observed that the mere sound of the wind in the vegetation generates significant levels of noise: the **difference** between these values and those measured in the vicinity of the wind turbines is between 3 and 5 dB (A), **confirming the low acoustic impact** of the plant.



Social responsibility

3

**SOCIAL
RESPONSIBILITY**

100%

OF ORGANISATIONS OPERATING
ON ISO 14001 AND OHSAS 18001
CERTIFIED INDUSTRIAL SITES

23.3%

FEMALE EMPLOYMENT

97.8%

OF EMPLOYEES ON PERMANENT
EMPLOYMENT CONTRACTS

4.8 DAYS

OF TRAINING
PER EMPLOYEE

THE SAFETY OF PEOPLE

Over time, the ERG Group has consolidated the series of individual and corporate values it complies with when conducting its business, gathering them in a Code of Ethics, a reliable instrument that guarantees the protection of this legacy.

In terms of Health, the Safety of people and the protection of the Environment (HSE), ERG has adopted a specific policy which, fully **attuned with the principles of the Code of Ethics**, outlines the belief that the comprehensive and positive integration of activities in the community and responsible behaviour towards stakeholders are key conditions for meeting the Group's development goals.

The key principles expressed in the HSE Policy mainly regard:

- the adoption and application of the best techniques available;
- the commitment to improving performances and minimising environmental impact;
- the preventive assessment of the social, energy and environmental impact of new activities or changes;
- dialogue, transparency and collaboration with the Institutions and respect for the local communities;
- the decision to give precedence to partners that share the principles of the HSE Policy;
- the maintenance of high levels of safety and environmental protection through the implementation of management systems regarded as effective according to recognised standards.

As regards workplace safety, the Group



requests the adoption of procedures in line with the OHSAS 18001 international standards: **all of our companies have been compliant since 2012** while for the integration of the wind farm maintenance activities - which took place at the end of 2013 - it took ERG Renew Operations & Maintenance all of 2014 to adopt the Group procedures and, as a consequence, the same amount of time for ERG Renew to be able to extend the scope of its certification.

In 2014, the companies that carry out mainly office-based activities (such as ERG S.p.A. and ERG Services) also launched the process for obtaining OHSAS 18001 certification in order to guarantee all employees that procedures and conduct are

in line with best practices in terms of safety. Despite the significant and widespread effort to guarantee the highest standards of safety during the year, 4 injuries to operational staff were recorded (a figure that is nonetheless an improvement on 2013). These incidents were promptly analysed to identify the causes and to prevent their reoccurrence.

The results were, in a sense, quite comforting: none of the injuries were caused by a failure to respect the safety conduct outlined in the operating procedures (confirming the efficiency of our training activities) or a lack of safety at the Group plants (confirmation of their attentive management).

ERG AND SAFETY

ERG believes that the full compatibility of its activities with the health and safety of its workers represents a primary consideration for the management of its plants and its business in general.

It therefore constantly undertakes to ensure that all the companies in the group operate in full respect of the health and safety of both internal and third-party company staff and the environment in its widest sense: these factors are given close consideration from the drafting phase of the annual and long-term operating and investment budgets, encouraging the adoption of technologies aimed at guaranteeing high levels of safety and protection.

According to the procedures, employees, third parties and occasional guests are informed and trained as regards the behaviour to adopt in the event of emergencies. Emergency management simulations and evacuation drills are carried out periodically.

The Group actively collaborates with the workers' safety representatives and constantly involves them in the risk analyses connected with organisational variations; with them we organise systematic meetings in order to discuss and evaluate any improvements that could be made.

ERG RENEW AT THE CUTTING EDGE OF WIND FARM SAFETY

As a national leader in the sector of electricity production from wind power, ERG Renew actively participates in the work of ANEV (National Association of Wind Energy) which, in 2014, made a significant commitment to the **management of emergencies at wind farms**, seeking to provide suitable guidance and tools to those responsible for preventing and managing them.

The analysis of the safety of operations takes account of three key phases, namely what must be done before, during and after an emergency.

The main focus is on prevention: all of the most salient points are collected in specific and detailed **Guidelines**, creating a tool that makes it possible to assess and weight the risks connected with the management of emergencies according to the type of plant and its characteristics.

The aim is to support the various figures

tasked with managing a wind farm, helping them to implement realistic and effective emergency prevention measures, to manage them correctly, to minimise damage and to identify opportunities for making improvements, learning from experience. Respect for legal obligations - already guaranteed by the adoption of "Integrated Health, Safety and Environmental Management Systems" - is just the first step: technical, organisational and behavioural measures must be analysed and integrated to define a best practice model that constitutes a benchmark that is homogeneous but which can also be applied in a customised way to each individual farm.

The ANEV guidelines are therefore a stimulus for addressing the theme of emergencies in a systematic, consistent, realistic and consequential way, and are aimed at all those that "live" at wind farms and have direct responsibility for them.

A **new and essential instrument** for the **sector**, particularly as regards the optimum



management of the event from the time perspective, thanks to the improvement in communications between the figures involved and the minimisation of critical issues as regards accessing the site.

For **each individual wind farm**, the ERG Renew Emergency Management Plan (EMP) establishes the **methods** and **responsibilities** according to which environmental and safety emergency situations must be identified, monitored and managed in order to minimise their consequences (including intervention times).

The document includes preventive preparations for potential emergencies, information to provide the authorities in the case of an alarm, and response procedures.

It also highlights the importance of **planning** and **preparing** for emergencies from the moment the **farm is developed**, integrating the design plans with a study of the area (orography, altitude, access points, geographical coordinates, distance of turbines from access points etc.), the location of the farm compared with the main urban centres, and distances from the closest emergency services.

Finally, it underlines the importance of the involvement of the emergency services (ambulance workers and fire brigade), who carry out an active role in the risk scenario and must have a perfect understanding of the conditions they may be confronted with at a wind farm during an emergency: the information relating to the analysis of the area must therefore be shared clearly and immediately with all of these figures and third-party companies operating at the site.

SAFETY AT THE ERG POWER PLANT

Promoting safety and prevention activities in the workplace is key to achieving the desired results. More specifically, we seek to raise the awareness of third-party company employees, encouraging more informed and responsible approaches and behaviour in order to obtain benefits in terms of improving the quality of the workplace in the relevant areas.

In order to maintain high levels of safety at the OHSAS 18001-certified ERG Power plant, we focus on the **spread of knowledge**, which all depends on our behaviour and that of **all** of the people that work with us at the site.

For this reason we focus a lot of attention on training technical staff on HSE issues: of the 3500 man-hours of training provided in 2014, 3200 hours were dedicated to plant safety.

We focused our actions in two main areas:

- 1 **In-Field Monitoring** of supplier behaviour;
- 2 the **Safety Competition**, reserved for employees of third-party companies.

In-Field Monitoring

The prompt and continuous monitoring of the performances of third-party companies that operate in the field and the tools they use, and the identification of the corrective actions required to improve their performances stem from an in-depth analysis of their "*modus operandi*": an approach that makes it possible to transform the application of health and safety regulations from an obligation into a codified implementation of the laws in force. The site HSE department monitors the suppliers present at the plant on a

monthly basis according to a checklist made up of 38 specific items, as well as the specific analysis of scaffolding.

SAFETY WALKS AND
HSE AUDITS IN THE
FIELD

During the year the HSE departments of the ERG Group companies and the corresponding site departments in the Power and Wind Energy sectors carried out numerous in-field checks to monitor the compliance of third-party companies with Health, Workplace Safety and Environment principles and regulations.

230

CHECKS AT
ERG RENEW

487

CHECKS AT
ERG POWER

In 2014 around **7,500 in-field checks** were carried out with a non-compliance incidence of 0.53%: a significant improvement on the 2013 figure (1.12% at the ERG Power site), highlighting the efficacy of involving third-party workers in this way.

Site checks are accompanied by the **shadowing** of third-party personnel, who are **made aware** of the dangers associated with the activities being carried out.

The monitoring of suppliers and the assessment of their HSE performances as a result were positive: the evaluation was excellent in 72% of cases, and good in 15% of cases. As such, 87% of suppliers (vs. 83% in 2013) acted attentively and responsibly.

Safety Competition

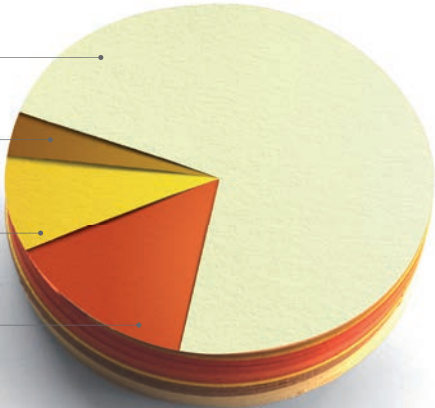
This annual competition seeks to raise the awareness of third-party employees, encouraging them to act according to **preventive criteria** in the workplace in order to prevent workplace injuries and reduce risk conditions.

72%
EXCELLENT

4%
OTHER

9%
SUFFICIENT

15%
GOOD



An examining committee, consisting of ERG personnel from the Environment and Safety Department, from the Top Management and from the ERG Power Management, is tasked with following its activities, checking the processing of the data required to establish the results, and awarding the prizes, which are assigned to the participating companies who have performed best, as established by summing together five indices:

1. the results of the in-field HSE checks: based on the total number of non-compliances in proportion to the number of hours worked and the company's specialisation;

2. injuries with absence of more than one day: calculated on the basis of the injury "frequency index" reported at the site;
3. days lost due to injury: calculated on the basis of the injury "severity index" reported at the plant;
4. safety suggestions and reports of "near accidents" in relation to the number of hours worked at the site;
5. complaints received, each of which reduces the overall points total.

There are also annual awards for the best-performing companies and prizes for the best reports.

NEW FURNISHED AREA FOR THIRD-PARTY COMPANIES AT ERG POWER

The renovation of an area of approx. 3,000 m², no longer in use and located opposite the old plant that has already been dismantled, made it possible to provide the contractors that work at the ERG Power plant with a new furnished area. Third-party companies now have 10 plots to use as worksites or for the positioning of containers to use as offices, canteens and changing rooms, and were able to abandon the spaces previously assigned to them - no longer regarded as suitable - in favour of a new site that is more suitable in terms of safety, available services and, therefore, the health of workers.

The areas - marked off by fencing - will have a maximum size of 400 m² and a minimum size of 250 m², and will be equipped with:

- paved flooring;
- a sewage water drain connected to the CCGT plant network;
- a sanitary water delivery point fed by a tank connected to the general plant mains;
- a 400 V electricity delivery point.

The goal is to improve the working conditions of our collaborators, making their time at the plant more comfortable and safe also with the aim of improving their performances.

COLLECTIVE RELATIONS AT ERG

Within the Group we have always regarded collective relations, with people and their representatives, as fundamental assets for supporting the development of our business portfolio in a climate of constructive and advanced dialogue.

This resource became even more important in 2014 with the creation of the new **"Fast Steering" Group organisation model** which led to profound structural changes, and the sale of particularly relevant branches of the company, such as ISAB Energy and ERG Oil Sicilia.

With these events we went well beyond merely respecting contractual obligations, investing time and energy to share the strategic reasons behind the change with all personnel involved and their respective

trade unions, suggesting the best ways of guaranteeing its optimum management.

During the year the size of the Group's workforce reduced by 20%: solutions were identified for everyone to guarantee the continuity of their professional lives in new and developing areas.

More specifically, as regards ERG personnel, in 2014 at least 30% were involved in professional mobility and re-skilling activities; this profound transformation called the system of industrial relations into play, stimulating a constructive dialogue between the company and workers' representatives in order to identify shared and harmonious solutions: the ongoing **dialogue with the Trade Unions**, realistic and proactive, made it possible to reconcile

ERG AND THE UNIVERSAL DECLARATION OF HUMAN RIGHTS

The recognition of Human Rights is considered by the Group to be one of the fundamental bases for conducting business to the point that reference is made to the principles of the 1948 Universal Human Rights Declaration in the Preface of the new edition of the Code of Ethics approved in November 2011.

The company has also analysed the problem in its operational and economic setting. We believe that the recognition of Human Rights is not a concern for us at the present time.

the organisational transformation with respect for the professional expertise of the workers, reducing the social impact on one hand and, on the other, contributing to the creation of professional requalification processes shared by individuals.

The following table illustrates the results achieved thanks to this climate of positive dialogue.

Hours lost due to conflict	0
Absenteeism rate	~ 2% of workable hours
Disputes with personnel	Irrelevant

In 2014 our company and workers' representatives once again communicated on the important issues of the health and safety of workers in the workplace, focusing on **dialogue**, **transparency** and **constructive collaboration**. The ongoing dialogue on these issues has significantly contributed to the high levels of safety, quality and environmental protection attained.

Finally, both social partners continued to pursue their direct commitment to supporting and further developing **flexible support** tools for reconciling the professional goals with the private lives of employees: flexible working hours and part-time positions, forms of remote collaboration.

ERG AND PEOPLE

"People are key to the existence, development and success of every business; ERG therefore pays particular attention to promoting, protecting and developing the abilities and skills of all its employees, so that they can realise their full potential and professionalism and, as a result, contribute to reaching the Group's objectives in accordance with the commitments to social and environmental responsibility established by the management.

ERG offers equal working opportunities to all, on the basis of individual professional profiles and potential performance levels, without any discrimination, condemning all harmful behaviour against individuals and pledging to adopt the most suitable supervisory measures to this end.

For this reason ERG, in accordance with all laws, regulations and company policies in force, pledges to:

- select, hire, pay, train and assess people according to merit and professional expertise, without any political, trade union, religious, racial, language or sexual discrimination;*
- [...].*

(ERG Group Code of Ethics)

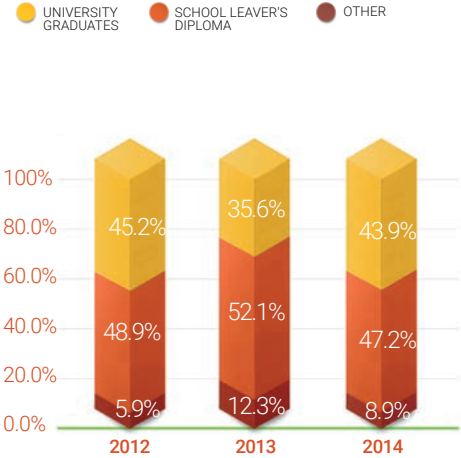
ERG GROUP: PERSONNEL AND ORGANISATION OF WORK



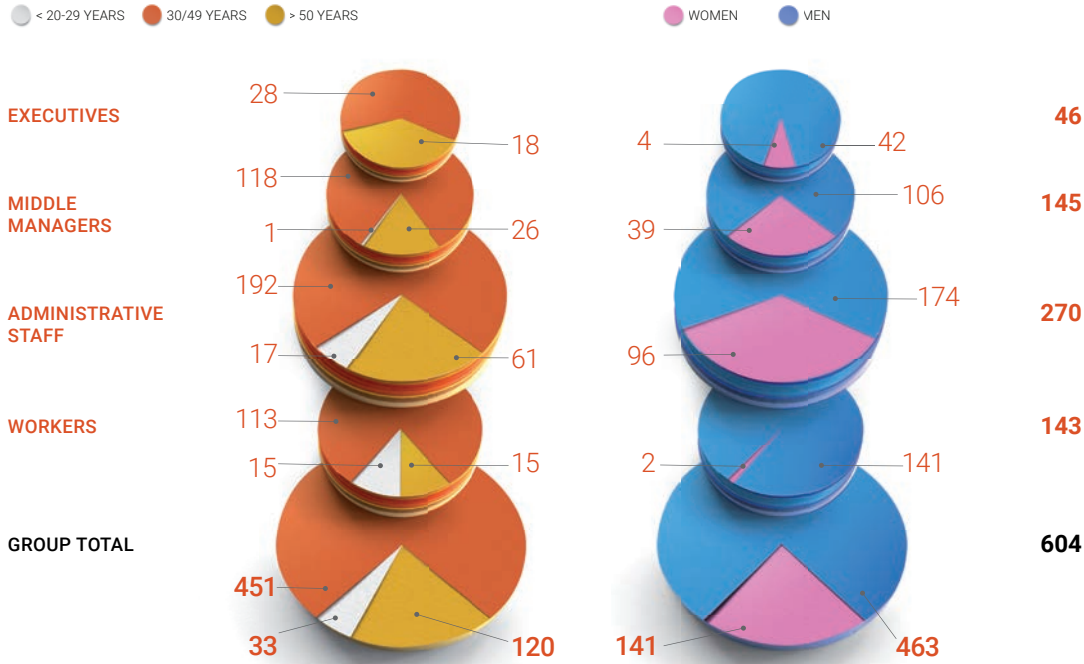
CHANGES IN POSITION



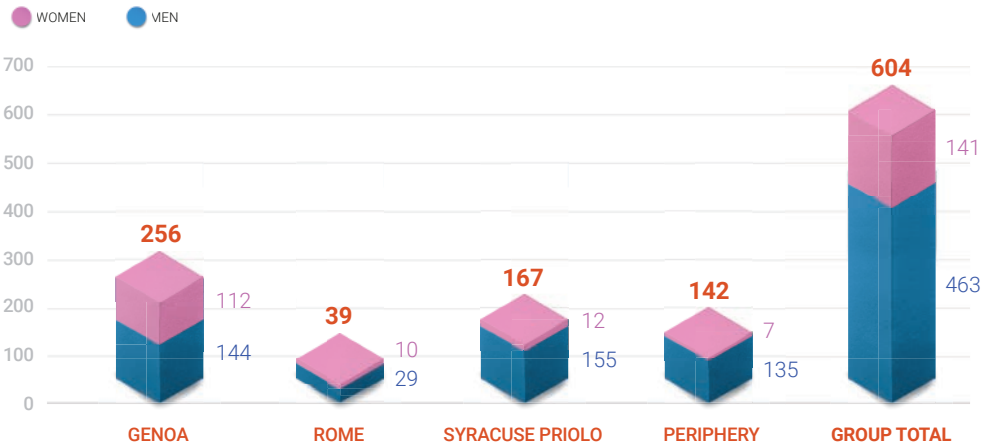
EDUCATION LEVEL



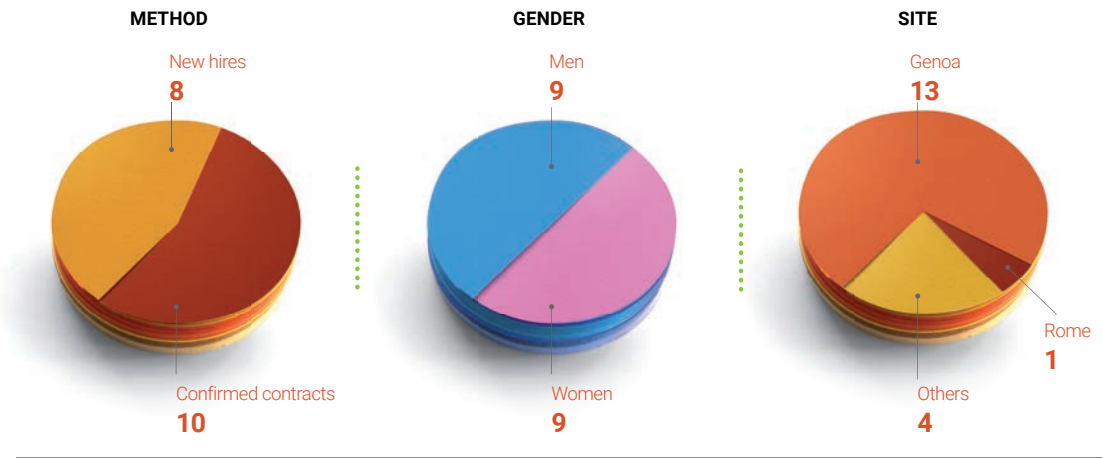
ROLES BY AGE AND GENDER



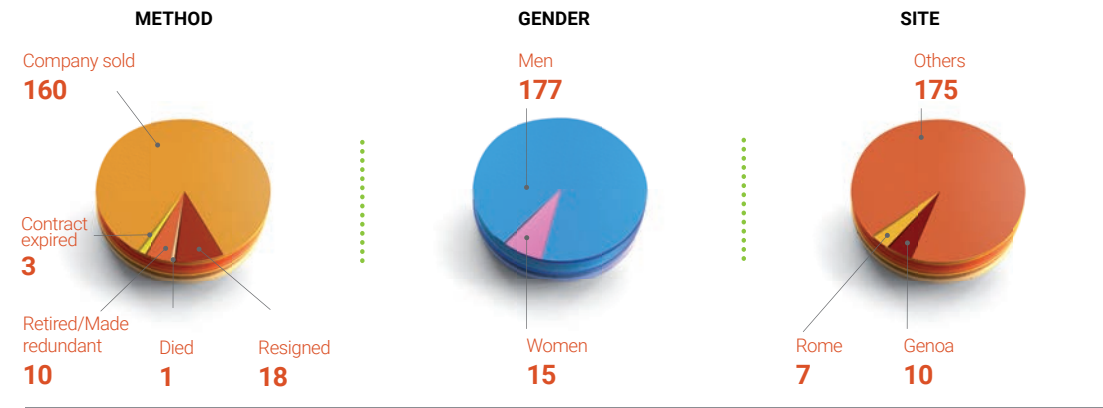
GENDER BY SITE



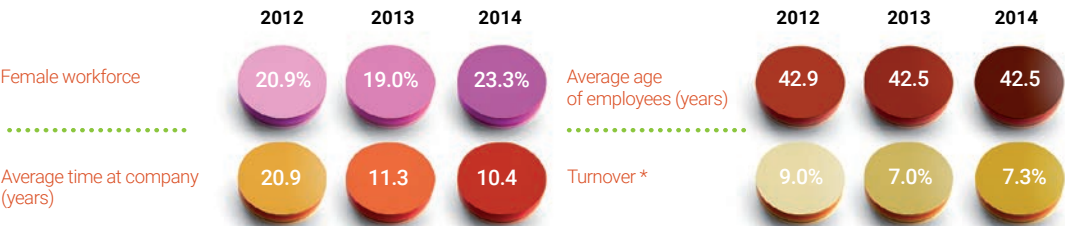
STAFF TURNOVER: 18 PEOPLE JOINED THE COMPANY



STAFF TURNOVER: 192 PEOPLE LEFT THE COMPANY



OTHER INDICATORS



* The data relating to 2013 and 2014 turnover do not take into account employees that joined/left the Group following company acquisitions/sales. This is in order to present the actual change in the workforce that took place during the year.

REMUNERATION POLICY

79

Our Group has adopted a Global Rewarding Policy that represents the **integrated system** through which the value of **every individual's contribution** to the organisation is recognised.

The system was designed to generate a sense of belonging, motivation and drive towards improvement through the optimum balancing of monetary factors, "Job Titles" and related non-monetary benefits.

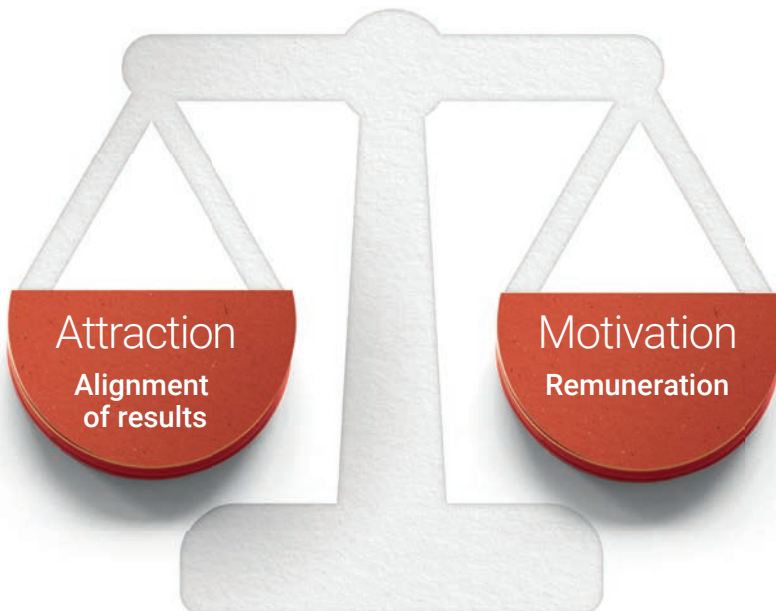
All in all, the system guarantees:

- a **common process** for all Group companies for planning and carrying out individual reward schemes;
- a tool aligned with **market best practices** and constantly adjusted to changing

business requirements.

The cornerstones of our remuneration policy are:

- **Selectivity**, i.e. the ability to distinguish **high performers** from **normal contributors** and instil in people the understanding that "doing more" means "receiving more";
- **Fairness**, the ability to guarantee everybody basic remuneration conditions that are consistent with the **cost of living** in the country;
- **Sustainability**, the optimum balance between individual aspirations and the financial means of the company. It is applied with reference to both the **external market** and the **internal market** (company remuneration practice).



GLOBAL REWARD SYSTEM

COMPENSATION LEVERS

The correct calibration of all elements makes it possible to align individual interests with the company's need to attract and motivate resources with the goal of optimising labour costs.

Fixed Part

Is the part not subject to the risk of fluctuations, which guarantees:

- respect for contracts;
- alignment with the cost of living;
- alignment with the labour market.

It comprises two parts:

- mandatory: connected with legislation or collective labour agreements;
- discretionary: entirely at the discretion of the company.

Variable Part

Is the part that guarantees that people are aligned with the goals of the company. The compensation awarded is strictly connected to the achievement of the assigned goals. It is established by formalised processes and takes the following form:

- **annual**, connected with annual goals (includes the MBO and MMI systems, each of which is subject to a specific regulation);
- **multi-year**, connected with Three-year Business Plan goals (LTI Plan).

One-Off Payments

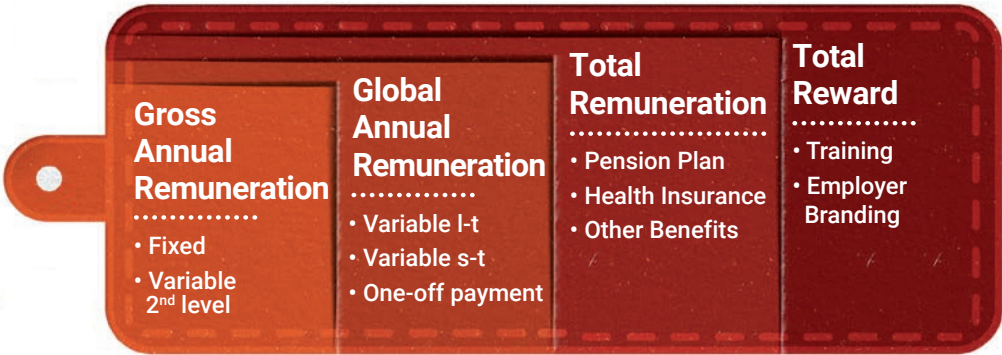
The **flexible** element of the system, it makes it possible to manage rewards in a timely and flexible way.

Benefits

Non-monetary forms of remuneration. Strictly **connected with Job Titles**, they represent their tangible content; they are assigned or revoked following **Promotion / Demotion** processes at the company's discretion.

Intangible levers

ERG people benefit from a training investment (**YOULEARN**) geared towards improving individual employability. Together with the value of the brand ("**Working at ERG**"), this represents a set of intangible value that completes the company retention system.



FOCUS ON THE FIXED PART

All our employees are employed under national labour agreements for the category (Energy and Oil, Tertiary commerce distribution and services, Private Metalworking and Mechanical Engineering, Executives of companies producing goods and services), which ensure contractual and pay-related standards that are in line with national and international labour regulations.

Workers who are employed temporarily on supply contracts are also guaranteed

the **same economic treatment** provided for by contracts applied to employees on permanent contracts, which also **includes a productivity bonus**. We always monitor the compensation structure we guarantee our employees to make sure it is in line with contractual requirements. In the year 2014 the minimum wages paid were on average 7% higher than those of the National Collective Labour agreement; for executives, meanwhile, the minimum salary was 11% higher than contractual requirements.

COMPARISON IN MINIMUM SALARY (€)

Position	Minimum NCLA salary	Minimum company salary	Average company salary
Middle Managers	41,216	42,599	56,019
Administrative staff	25,605	26,182	39,475
Workers	28,522	32,611	35,749

Data refers to those employed under NCLA Energy and Oil contracts.

The average salary for our Group's executives was in line with the average for market executive salaries, as reported in the Hay Compensation Report - Total Cash Italia 2014.

When defining our compensation policies, one of our priorities is the protection of

gender equality. An analysis conducted over the year showed differences in the average pay scales between men and women; 1% for executives; 3.9% for middle managers and 6.7% for administrative staff. The main reason for these differences lies in the proportion of men to women in each category.

AVERAGE MONTHLY SALARY BY GENDER (€)

Position	Men	Women	% Difference
Executives	7,561	7,488	-1.0%
Middle Managers	4,044	3,888	-3.9%
Administrative staff	2,887	2,694	-6.7%

Average gross salary net of company productivity bonus.

Data refers to those employed under NCLA Energy and Oil contracts and Industrial Managers.

73% of middle managers are men, whilst women (27%) in the same category are in professional roles. The difference between male administrative staff and female administrative staff meanwhile is caused by the fact that 80% of managerial administrative staff are men.

In line with what is outlined in the National Collective Labour Agreement recognised by the supplementary agreements in the Group's companies, the employee

productivity bonus (for middle managers, administrative staff and workers) is based on indicators of **profitability**, **productivity** and **absenteeism** and is on average 10% of the annual contractual salary.

Profitability indicators are represented by the Group's EBITDA and by that of its member companies, whilst productivity indicators are connected to specific indicators for each business managed by each company.

GROSS BONUS PER CAPITA - AVERAGE FOR 3-YEAR PERIOD 2012-2014 (€)

Position	2014	2013	2012
Middle Managers	5,355	5,355	5,355
Administrative staff	4,262	4,262	4,262
Workers	2,711	2,711	2,711
Weighted average	4,109	4,109	4,109

Data refers to those employed under NCLA Energy and Oil contracts and Industrial Managers.

FOCUS ON THE SHORT-TERM VARIABLE PART

The short-term incentive system comprises the MBO (Management By Objectives) system, dedicated to the highest levels of the organisation, and the MMI (Middle Manager Incentive) system, dedicated to the middle management.

The two processes support an individual assessment methodology **based on results achieved** as compared with targets set, with a specific separate process for the assessment of the managerial skills displayed.

With both systems, the definition of goals takes place through a structured cascading system that guarantees the **overall alignment** of the participants' priorities

with the goals of the management and the company, ensuring that there is consistency between the different hierarchical levels.

The **MBO** (which involves 42 people including 4 women) requires the formalisation of:

- 4 objectives (one corporate and 3 individual);
- indicators to measure their actual achievement;
- targets, which can be numerical and should allow the achieved result to be identified, also illustrating its nuances (80%, 100%, 120%).

Each objective is linked to a percentage of the individual's variable remuneration:

- 30% for shared corporate objectives;
- 70% for the three individual objectives.

The **MMI system** (which involves 46

people including 6 women) requires the formalisation of:

- a maximum of 4 objectives, one of which a company goal;
- indicators to measure their actual achievement with target values, possibly numerical, which allow the achieved result to be identified, also illustrating its nuances (80%, 100%, 120%).

Each objective is linked to a percentage of

the individual's variable remuneration:

- 50% for shared corporate objectives;
- 50% for individual objectives.

Consistent with the close attention that the Group has always constantly focused on the safety of its workers, the bonus for the corporate objective will not be awarded in the event of an accident that results in the death or permanent level of invalidity of an employee of greater than or equal to 46%.

PENSION FUNDS

The number of employees participating in the pension funds in December 2014 was around 64% of the total. With reference to the various NCLA applied to our personnel, the levels of participation in the funds are as follows:

Position	NCLA	% participation
Previndai	Industrial Managers	96%
Fondenergia	Energy and Oil	81%
Fon.te	Commercial	22%
Cometa	Metalworking & Mechanical Engineering	11%
Weighted average		64%

PREVENTIVE HEALTHCARE PLANS

Consistent with the attention we have always focused on the healthcare of our employees, in addition to the customary possibility of receiving a free flu vaccination, in 2014 we introduced three new "health projects" which employees could sign up for voluntarily:

- the secondary tumour prevention programme which gives all women over the age of 40 and all men over the age of 50 the chance to have ultra-sound scans to identify the most frequent forms of cancer, such as breast cancer and prostate cancer;
- the URO programme - reserved for employees at the Priolo site - which aims to monitor urinary tract diseases over a two-year period;
- the CUTE project - also reserved for employees at the Priolo site - which aims to raise awareness and monitor the population with regards to the risk of melanoma.

HUMAN RESOURCES DEVELOPMENT

ERG has chosen to develop its Human Capital by adopting a Talent Management approach that focuses more closely on “people’s talent” than “talented people”. We have switched our attention from focusing on the excellent qualities of a small group of people to the desire to **discover the true resources in each individual**, so that these can be used as effectively as possible in the company’s optimisation and transformation projects.

In 2014 we took another step in this direction by integrating the described approach also in the Succession & Career Planning process. The People Managers were asked to begin all reflections on the theme of development by taking individual talent as a starting point and only later contemplating factors such as skills, expertise and experience when filling positions in the company and creating individual growth paths.

In this context, **personal responsibility for the “maintenance” of expertise** and skills has grown even further: the knowledge and know-how accumulated by an individual are a source of innovation but, if not suitably cultivated, can also be subject to an equally rapid dispersion and obsolescence phase. The path that we have defined - currently under development - is no longer based on the metaphor of the company as a series of cogs with perfectly defined roles that drive a machine, but rather the idea of a living system in which every specific trait, interacting in a stimulating environment, **can be developed to generate innovation**.

Recognising and developing one’s talent, as ERG asks all of its employees to do, is essential not only for personal fulfilment though one’s work but is also the key to the transformation of the Group. From a practical point of view, this desire to engage people saw them invited to identify and propose roles in which they felt they could fully exploit their capabilities in the medium term. **Personal motivation** was obviously one of the aspects we decided to prioritise in the job rotation process.

No open position in 2014 was filled by resources from outside the Group with the exception of the “Next Generation Project”, which aimed to hire 3 promising young graduates with an international background.

TRAINING IN 2014

In 2014 the Group companies provided managerial, technical-specialist and HSE training.

3,300

WORKING
DAYS
OF TRAINING

4.8

MAN-DAYS
OF TRAINING
ON AVERAGE

NEW TRAINING MODEL

ERG regards training as one of the primary strategic tools for developing human capital and transmitting, strengthening and shaping the company culture.

All of the Group personnel participate in a wide range of training programmes, conveying the same messages, the same management skills and the same style that characterises our everyday actions.

"Boost your energy"

In this context, in 2014 we launched the "Fai crescere la tua energia" ("Boost your energy") project, which aims to enable all participants to define their own annual individual growth plan with the goal of developing their personal talent.

The goal is to achieve **levels of excellence** and/or to mitigate the possible obstacles to fulfilling one's potential, adopting a self-engagement approach that encourages people to sign up voluntarily for the courses in the training programme.

This development model regards classroom training as just one of the various "learning" methods available and also includes targeted reading, shadowing, exchanges with colleagues or the outside world, and online learning.

More specifically, the courses aim to foster a "change", **strengthening managerial skills** regarded as crucial and strengthening and providing practical tools relating to Personal Efficiency, Leadership, Innovation and Teamwork to adopt on a day-to-day basis.

The courses in the programme are also structured to spread individual and team behaviour aimed at:

- implementing the company strategy;
- managing the important company changes taking place;
- supporting intellectual brilliance and stimulating mental approaches that lead to new possibilities.

Alongside the satisfaction questionnaires, generally issued at the end of the courses, we have also introduced surveys to identify what new actions were actually taken following participation in the activities.

"Learning Expo"

As well as redesigning the YouLearn page on the company intranet, to enable people to construct their growth project more effectively we held an important managerial training event that involved the entire company population: the "Learning Expo".

This gave people the chance to meet all of the schools and lecturers involved in the seminars that make up our "training boutique", enabling them to get a better grasp of the various different content, the **structure** of the **courses** and the **methodology adopted** through both face-to-face and remote interviews (from the Rome and Syracuse sites).

The results

A year down the line, we can state that the new-look training model has enabled us to achieve good results, fostering the introduction of positive new behaviour and providing participants with effective training on new models, the use of new instruments and techniques, and managing complexity and innovation in the working context.

ERG “NEXT GENERATION”

GOAL

To think about the future and begin planning it. This is the concept behind “Next Generation”, the special initiative designed to fully prepare us for the international challenges that await us in the near future. In fact, the development of the business, particularly the wind power business, is related to the acquisition of assets outside of Italy. As such, for the success and sustainability of the company, we believe that **new managerial expertise** are essential together with resources that are able to contribute their personal experiences and the value added of **cultural diversity**.

The two-year “Next Generation” project - launched in 2014 - aims to hire 3 young international graduates, who will be assigned little two-month projects that acquaint them with all of the Group’s business areas. None of them will be trained to cover a specific, previously-identified role but, at the end of the two years, they will all have been able to develop a good **overview of the company and acquire a broad understanding of company processes**.

SELECTION

To find candidates that are potentially able to understand the sense of the project and to enhance it, during the recruiting phase we liaised with top Italian and European universities to propose the course to young international graduates that are passionate about the world of energy and whose education and work experience takes in multiple countries.

We focused on genuine “**citizens of the world**” with a **strong interest in learning more about different cultures**. Thinking about the immediate future, given that the initial experiences took place in the Italian sites, we decided to select people with a good grasp of Italian.

After carrying out a preliminary phone interview with potential participants, in July we identified the candidates who would take part in the next assessment stage, split into two parts: a remote phase involving psychometric, personality and English tests, followed by a second part (carried out in the ERG training classrooms

40

TELEPHONE
INTERVIEWS

18

INVITED TO
UNDERGO
ASSESSMENT

12

ASSESSMENT
PARTICIPANTS

3

PARTICIPANTS
IN THE PROJECT

in Genoa) that involved a presentation of the company and the project, a few Group tests and, finally, individual interviews with external assessors.

The first pool of candidates was identified by selecting open-minded people that stood out for their analytical skills and systematic reasoning.

Subsequently, the abilities to deal with data and people, and to work towards common goals were the key requisites adopted for identifying the "final six" to propose to the Group Leaders, from whom the first official participants were chosen: Simon (Denmark), Egle (Lithuania) and Evelyn (Cuba).

Up until September 2016 these three will be engaged in a growth process that will give them an overview of the Group that is:

- **complete**, divided into four six-monthly blocks of "training on the job", each one structured into two or three quarterly or two-month experiences carried out on a rotation basis;
- **managerial and operational**:
 - with various moments geared both to providing an understanding of the business and "day-to-day work";
 - with the chance to understand and become attuned with the ERG Culture;
 - with the commitment to fully respecting the Group's values.

GETTING TO KNOW THE PLANTS

Renewables BU:

- Asset Management Italy-Overseas
- ERG Renew O&M

Power BU:

- Operation and Maintenance

INTANGIBLE

Work Experience:

- International affairs
- Community relations
- Talent Management



UNDERSTANDING THE BUSINESS

Work Experience:

- Project Management Renew
- Energy Management
- ERG Renew O&M

FINANCIAL RESOURCES

Work Experience:

- Project Financing
- Planning
- Management control

COMMUNICATIONS

We regard dialogue with our Stakeholders - both internal (employees) and external (the community in its widest sense) - as key for the Group's business.

The **high-quality, punctual** and **constant** sharing of information contributes to the construction of reliable and lasting relations, and helps to strengthen the Group's reputation and identity.

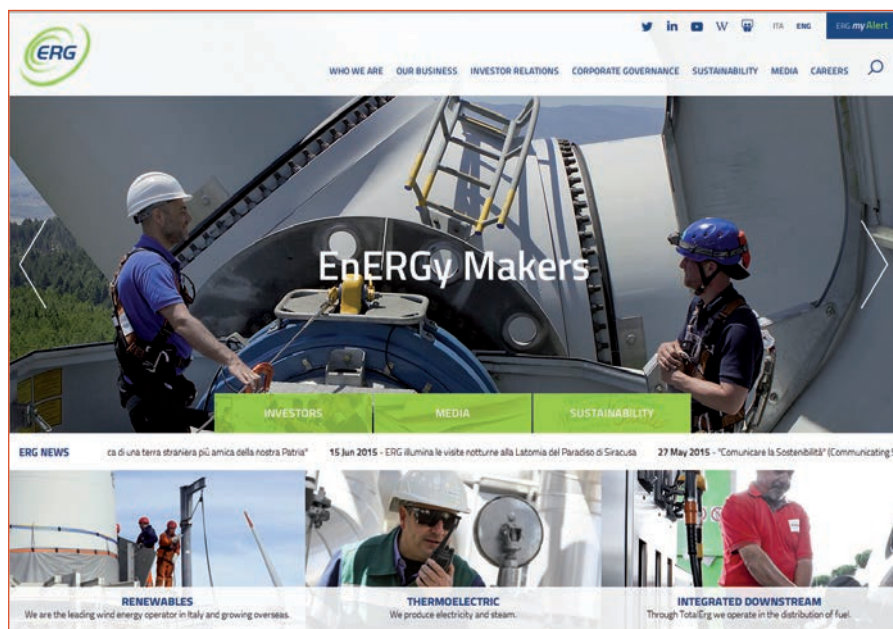
The reporting of economic, social and environmental performances, of corporate governance dynamics, short and medium-term strategies and the events that take place in the ERG world is mainly managed through **two channels**:

- the **web** channels, which make all information relevant to the "public" widely available;
- the **intranet** site, which informs employees about the latest Group news and the collaboration and knowledge sharing tools dedicated to personnel, and also provides information on the organisation of internal events and sports/recreation initiatives.

EXTERNAL COMMUNICATIONS

At the end of July 2014 the new ERG website went online: after exactly 5 years of "honourable service" we said goodbye to the old site, which was mainly based on textual communications, and welcomed the "new" one, whose communications approach is more **modern, lighter** and predominantly **visual** thanks to the extensive use of images, infographics and videos.

First of all, we simplified our "digital



ecosystem", which included an ERG corporate site, an ERG Renew site, an ERG Power & Gas site, the Interactive Profile, the interactive Sustainability Report and the Interactive Report: our goal was to represent the various areas of the Group in a coordinated way, concentrating all of the information related to the business in a **single website** and focusing on the men and women of ERG: the "enERGY Makers".

This choice enabled us to strengthen our communications because the key messages are given greater visibility and have a consistent style, **avoiding the dispersion and duplication of content** and creating the perception of a more unified business.

We also wanted to bring to life the information that was previously only

illustrated in text and tables, describing the businesses with interactive or animated infographics that involve the user and make the explanations of technologies and projects more accessible.

One of the "pillars" of the new site is the **responsive design**, which guarantees quality on the move consultation from devices such as smartphones and tablets.

During the development of the project we focused special attention on the way we communicate the various stories relating to the ERG business order to appeal not only to our "traditional" corporate stakeholders but also a wider audience interested in **learning more** about energy-related issues, and **renewable energies** in particular.

The company's history, mission and values were recounted through the direct



testimonies of those that work at ERG; for our various activities and working methods we adopted a more compelling, first-person tone.

With the launch of the new site we also introduced a new way of presenting the main data in the Sustainability Report, creating "ERG for Energy": an **animated and interactive infographic** that illustrates the numbers of the Sustainability Report in an immediate and user-friendly way, allowing users to browse the various worlds created. In fact, in this way the three areas of responsibility (Economic, Environmental, Social), the Corporate Governance section and Sustainable Development are created. Finally, "ERG for Energy" also has a social

dimension: you can "like" it on Facebook and share the platform on your Twitter profile.

INTERNAL COMMUNICATIONS: COLLABORATION AND KNOWLEDGE SHARING TOOLS

2014 was a very important year of transformation for the people of the ERG Group whose organisation, in particular, was reviewed in order to keep it as consistent as possible with the new business structure.

The strategic goal that the Group management is pursuing, a "green" and international business, necessitates a significant cultural leap which requires that all people are both able to **reinterpret**

THE STEPS OF THE ERGate PROJECT

DATA COLLECTED "IN THE FIELD"

- 30 telephone interviews with ERG employees in Genoa, Rome and Syracuse, belonging to different business areas.
- In-depth consultation with Organisation and Information Systems (project partner).
- In-depth browsing of the various areas of the online website.

USER REQUESTS

- Improve the clarity and readability of the news and content on the Homepage.
- Make a clearer distinction between published content and customisable content.
- Make information more accessible.
- Improve the message dashboard.
- Reorganise the information structure of the intranet, particularly the following areas:
 - company;
 - organisation.
- Develop the research system.
- Open the "Working Areas" (virtual desktops).

their roles in the company, adapting their skills to new business areas, and capable of gradually **becoming the protagonists of their change process**.

With the aim of accompanying people both directly and indirectly during this evolutionary process, we have reviewed the methods used to manage the range of Internal Communications content, focusing on an **increasingly active** form of engagement.

ERGate

The main goals of the project to create the new ERGate intranet were the definition of a new "digital ecosystem" for internal communications and the review of the visual hierarchical structure of the

elements in order to make information/communications more accessible.

With the restyling of the intranet and the introduction of new collaboration tools, we wanted to go beyond the classical vertical transmission of information to create a communications model in which the role of individual participants is far more active, to the point that it can be described as **"circular"** or **"reticular"**.

The main new features of the new release are:

- **TeamERG**: the Group house organ, which remains a valuable channel for intercompany information. In order to make it more accessible an electronic version was published on the intranet which, as well as making it easier to



search for content in each individual edition, also offers readers the chance to "vote" for the articles they find most interesting.

This latter feature also helps the editorial staff to tailor the publication more closely to its readers.

- **Working Areas:** a virtual desktop that facilitates remote collaboration thanks to simple and user-friendly tools. In fact, it makes possible to work and share documents and attachments, and to plan activities in a "reserved" way, only permitting access to small groups of people.
- **Agorà:** an online forum that promotes the sharing of knowledge and reciprocal support through open and informal dialogue; as with the Working Areas, the Forums can also be "public" or "private", and are all accessible from the intranet and mobile devices so that those that work remotely can stay "connected" at all times.

EVENTS FOR OUR PEOPLE

Group Meeting

The periodic meeting between the Top Management and the Management has now been opened up to welcome a "guest" speaker to promote dialogue with the outside world and take inspiration from the best practices of other companies.

As is customary, the Group Meetings are recorded and broadcast on the intranet together with the addresses of the speakers so all Group personnel can identify with the company's goals.

Family Day

The series of ERG Family Days, replicated in all of the Group's sites, continued: **180 children between 3 and 12** focused on themes related to energy sources through games and educational activities at the sites where their parents work.

Christmas Greetings

The traditional event was deliberately scaled down in order to donate a part of its budget to people in need through the partnership with the **Community of Sant'Egidio**, active in both Genoa and Syracuse.

As in 2013, the Christmas Greetings were also held in the ERG Renew Operations & Maintenance Operating Centres (137 people in total) located in various areas of Central and Southern Italy so this joyous occasion could be shared with staff all over the country.

Focus

The 2014 schedule of FOCUS meetings continued to give visibility to "who does what" in the company, promoting discussion among participants in an open and informal environment.

Sports events

We continued to demonstrate our enthusiasm for sport also in 2014: in total, 23 ERG athletes took part in the Italian National Petroleum Championship - held in Sardinia in June - and the **Valencia Marathon**, one of the quickest and most exciting races involving runners from all over the world.

ERG AND THE COMMUNITY

93

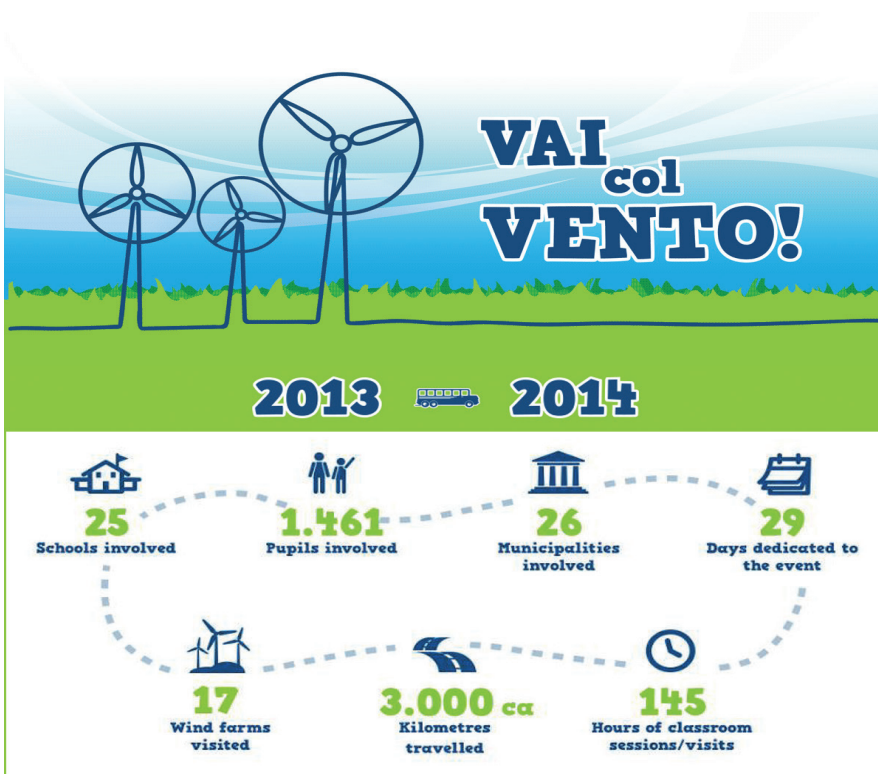
Over the years we have developed a Social Responsibility model with activities dedicated to the "community" stakeholder in accordance with the geographical distribution of the business.

The underlying idea that inspired the dynamics was the creation of a series of actions with a common denominator: that of responding to requirements that emerged in our relations with the community, promoting and transforming the signals deriving from public opinion or opinion leaders and institutions into concrete actions.

The most distinctive feature of the Model are the ongoing stakeholder engagement initiatives aimed at **increasing the value added** of the activities also through collaboration with the local authorities.

These activities, combined with the knowledge contributed by the communities, helped to define the three areas on which ERG's Social Responsibility is concentrated:

- environment, health and social;
- culture and knowledge;
- young people and sport.



GO WITH THE WIND! 2014

The desire to develop a coordinated approach in the various areas of Italy that are home to ERG's production plants was given tangible form for the first time in the implementation of the "Go with the Wind! 2014" project.

Developed with the **endorsement of the Italian Department of Environment**, "Go with the Wind!" is an original ERG format based on meetings between company staff from various departments and **third-year secondary school pupils** from the municipalities in which ERG Renew wind energy production plants are located.

During the nine weeks of the project, 830 students from 31 schools in 22 municipalities were involved via classroom

lessons followed by a visit to the plants (21 wind farms involved in total).

As well as giving each school a set of energy-saving light bulbs, a competition was held to encourage the children to illustrate their ideas on the use of renewable sources.

As the project is based on the involvement of all local stakeholders, at the same time we launched an **engagement** activity with the **local authorities** affected by the project. This saw us meet the administrators of 22 municipalities, the majority of whom actively participated in the classroom activities.

In addition, with the aim of establishing an even closer connection between the Group's Social Responsibility activities as a whole

ERG AND THE LOCAL COMMUNITIES

ERG believes that even in its relations with external third parties, with whom it does not have contractual relations of any type, the principles and values contained in the Code of Ethics must remain its most important frame of reference [...].

In the context of corporate social responsibility, and as one of its own consolidated values, ERG focuses on the social and economic development of the local communities in which it operates, listening to their requirements, establishing their expectations and needs, identifying public and private stakeholders and therefore investing resources to promote and develop the area. ERG pledges to contribute to the growth of local businesses and supports activities and projects to promote young people and sport, healthcare and culture, on the basis of dialogue with the relevant communities, in a spirit of active collaboration.

From the ERG Code of Ethics

and the value of respecting the law, top officials from the provincial departments of the Carabinieri in Catanzaro, Avellino, Benevento, Potenza, Campobasso, Foggia and Sassari were also invited to participate.

At the end of the "Go with the Wind!" classroom activities a survey was carried out with the aim of achieving two goals:

- **to verify the effectiveness of the project** in the communities, establishing additional improvement and implementation targets for the future;
- **to gather useful information** for defining **more structured Social Responsibility activities** at local level.

RENOVATION OF THE LIBRARY ON THE ROIO UNIVERSITY CAMPUS IN L'AQUILA

The structure, home to the University of L'Aquila's Engineering departments and courses and located on a hill around 8 km from the city centre, had suffered significant damage following the **earthquake** of 6 April 2009, an event that radically changed the life of the administrative capital of Abruzzo and its university. The campus's three buildings (called A, B and C), frequented by over 4,000 students, were declared 100% inaccessible leading to the immediate suspension of all courses.

Given its role as a socially responsible



company, ERG wanted to play an active role in the efforts to support the reconstruction process which, in the days immediately after the earthquake, also involved numerous governments from other countries.

Having got into contact with the University of L'Aquila, identifying the renovation of the **library** (building C) as the project on which to focus its efforts, two special agreements were drawn up to **finance the design and renovation of the building**, a fine piece of architecture that covers an area of around 1,600 m² and conserves over 22,000 books and a periodicals archive of 760 publications.

The reconstruction of the library was completed in the second half of 2013, respecting the need to carry out the work in parallel with the renovation of building B of the Campus, which houses the classrooms, and succeeding in enabling teaching activities to recommence at the start of October.

In May 2014 the library was officially

reopened with a ceremony attended by Rector of the University of L'Aquila, Paola Inverardi, the Director of the Civil, Construction-Architectural and Environmental Engineering Department, Dante Galeota, and Executive Deputy Chairman of ERG, Alessandro Garrone.

"ERG's contribution - commented Rector Ms. Inverardi - was **important for its significant social status**. In fact, as well as preserving a highly valuable collection of technical publications, Roio Library is also a place where students meet to study and socialise together. ERG played **a highly symbolic role** which, as well as involving its concrete contribution to the training of Engineering students, also sought to preserve the tangible presence of the University of L'Aquila".

Thanks to the support offered by ERG at such a critical time, the city - although wounded by such an unfortunate event - was able to identify an institution belonging to its university around which to join forces in order to get on its feet again.



THE MAIN COMMUNITY INITIATIVES

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CULTURE AND KNOWLEDGE



Science Festival

As part of the 12th edition of the Science Festival, whose main theme this year was "Time", we supported the "Near Future" project dedicated to leading students from all over Italy which sought to contribute to and facilitate the transition from the world of education to that of employment.

130 secondary school students, selected on the basis of merit and excellence, were welcomed to Genoa during the same period as the Festival and participated in live talks with professionals, experts and spokespersons who, by describing their experiences, helped guide them in their future choices.



Communications Festival

We were sponsors of the first Communications Festival held on 12-14 September in Camogli, in the province of Genoa.

The Festival, a one-of-a-kind event, was attended by special guest Umberto Eco and addressed the various ways in which the concept of communication takes form in modern society: the physical transportation of human beings and objects from one place to another, the transmission of messages, language and various systems of visual and auditory signs. Three days of meetings, workshops, shows, excursions and exhibitions in which thinkers and experts discussed themes such as the transmission of messages and forms of relationships in order to take stock of the current situation and envisage possible future developments.



Boot Camp

In 2014 we sponsored the third edition of the Boot Camp: an intense two days of training provided to members of the Young Entrepreneurs Group of Confindustria Genoa.

The main goal of the Boot Camp is to strengthen the Young Entrepreneurs Group and, at the same time, provide participants with high-quality training content.



INDA Foundation

We support the National Institute of Ancient Drama (INDA), which has organised and staged festivals of classical works at the Teatro Greco in Syracuse since 1914, and which promotes the classical culture both in Italy and throughout the world.



Syracuse Almanac

ERG has published the Syracuse Almanac since 2009. The event held to present the publication, produced with the support of the Syracuse section of Assostampa, has become a traditional opportunity to discuss the social and economic problems of the province of Syracuse. Over the years the conference has managed to provide the area with food for thought and issues to analyse with regard to the sustainable development of the province.

Civita Foundation

ERG supports Civita, an association that promotes and manages Italy's cultural heritage and which protects, promotes and uses its artistic assets through shows, cinema and European projects.

ENVIRONMENT, HEALTH, COMMUNITY WORK

Giotto

For Christmas we decided to allocate money normally set aside for gifts to activities with social aims. This resulted in a partnership with the Giotto pastry shop inside Padua prison.

In this artisan pastry shop the inmates, trained and shadowed by master pastry chefs, make and bake typically Italian Christmas and Easter cakes and other types of sweets that are sold externally, proof of how it is possible to start leading a more dignified life in prison.



EnERGia Project

The EnERGia Project is carried out by ERG in association with the Office of Social Policies of the Municipality of Melilli. Launched in 2012, it was revisited also in 2014 (January-December) at the end of a three-year period in which it had involved over 1,000 elderly people from the Senior Citizen Clubs managed by the Municipality. The project sees ERG support a programme of gentle work-out courses and group dances held by expert instructors at the Melilli, Città Giardino and Villasmundo sites.

YOUNG PEOPLE AND SPORT



School Project

Among its social responsibility activities in Sicily, ERG has continued to organise and support the **School Project**, a series of initiatives (some of which carried out with ISAB) dedicated to students of all ages whose common denominator is the collaboration and sharing of goals of high social value with the local authorities.

"Helmets save Lives" is a road safety scheme organised together with the Carabinieri in which ERG supports officers in activities to promote respect for law in the secondary schools of the province of Syracuse. The series of lessons is flanked by a road safety competition at the end of which 250 third-year secondary school pupils preparing to take their motorcycle driving test are presented with a helmet decorated with the event logos.

"Icarus 14" is a road safety project for secondary school pupils run by the Traffic Police. The initiative involved around 2,000 students from across the province of Syracuse in a series of conferences at school and public events.

The **"Archimedes and Electra Trophy"**, organised by ASD ERG in association with local schools and the Italian Football Federation, has become a classic school sport event. This year it involved over 700 young male and female footballers from 16 junior and secondary schools in the province of Syracuse, who took part in both 5-a-side and 7-a-side tournaments.



Electricity Day

One important event at this delicate time, also in terms of the presentation of the new corporate identity in Sicily, was Electricity Day 2014, held in November. Dedicated to pupils from the technical institutes of the province of Syracuse and held since 2006 (firstly under the aegis of Assoelettrica, then as an open day at the plants that was extended to include guided tours for the general public), the event involved around 150 final-year students from five technical schools who visited the ERG Power turbogas plant and the ERG Renew Carlentini logistics centre and wind farm on the same day. In this way the youngsters were able to see the two sides of energy production at ERG during a day on which they were able to discuss topics covered by their courses.

YOUNG PEOPLE AND SPORT

ERG Sports Centre Syracuse

In 2014 the ERG Sports Centre in Syracuse was officially dedicated to Riccardo Garrone. Subject to renovation work as of 2007, it is now an important sports centre for the entire city. In 2014, the ASD ERG activities supported by ERG involved the continuation of the Football School, with around 500 pupils and an agreement on football schools and youth sectors with AS Roma football club.

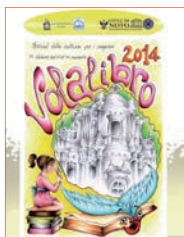


ERG Ravano Tournament

In 2014 ERG once again reprised its role as naming sponsor of the "ERG Ravano Tournament – 21st Paolo Mantovani Cup", which was held in Genoa from 21 January to 7 February and involved boy's and girl's football, rugby, volleyball and basketball.

The 2014 edition of the largest schools tournament in Europe registered yet another record in terms of participation with 510 teams and over 5,600 children getting involved.

The joy and involvement that comes from playing together represents the spirit of the tournament and these same values have been continuously expressed for the last 30 years, enabling this event to become a key part of the ERG Group's efforts to promote and support youth sport.



Volalibro

"Volalibro" is a book festival for children that has been organised in Noto (Syracuse) for the last seven years and which involves the participation of school pupils of all ages from Sicily and other regions of Italy.

ERG has supported "Volalibro" since the first edition and in 2013 it joined the group of companies and institutions that carry out lectures and workshops on their activities at the event: 87 students attended a lesson on issues related to climate change and renewable energies.



Journalists in the Grass

The theme of contributing to improvement and innovation in the school education sector became one of ERG's Social Responsibility activities in 2014 through its participation in the national "Giornalisti nell'Erba" ("Journalists in the Grass") meeting in Bovino (Foggia).

By taking part in workshops organised by the network of environment teachers, ERG contributed to the creation of a document that became one of the proposals of "La buona scuola", a Government project aimed at introducing the macro theme of Environmental Culture into Italian schools.

THE EDOARDO GARRONE FOUNDATION

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Promote the resources of the community, look towards the future, train the next generations.

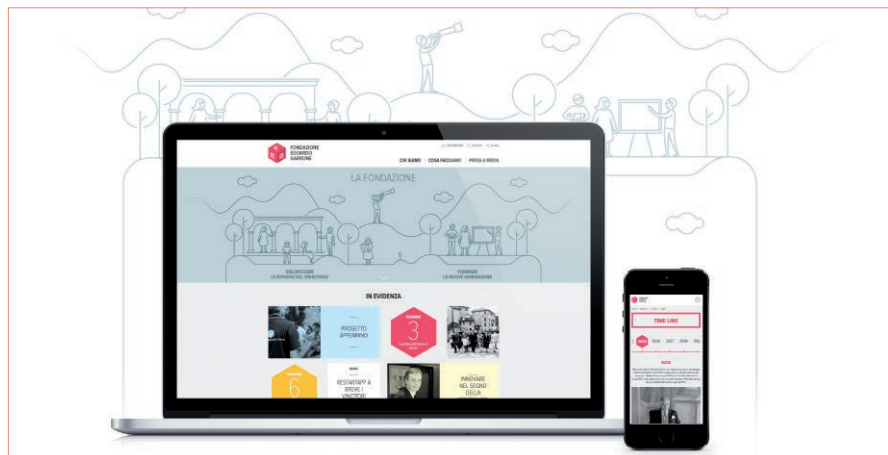
In implementing the plans it laid down during the previous year, in 2014 the Foundation confirmed its **social commitment** with high quality projects that prioritise the engagement and training of the **younger generations** and the promotion of the social and cultural resources of **communities**. Thanks to the activities it carried out, it succeeded in fulfilling the original mission of the EGF of developing original and distinctive initiatives capable of introducing innovation and creating sustainable value over time.

In particular, a significant amount of effort went into the development of ReStartApp®, the innovative residential Campus dedicated to aspiring entrepreneurs from the Apennines whose main aim is to foster the **creation of new production businesses** and new settlement models in order to return the mountain to the markets thanks to the ideas and projects

of the younger generations. ReStartApp® highlighted both the topicality of the issues related to the requalification of the resources of the Apennines - and therefore the broader Progetto Appennino® - and the need for initiatives aimed at creating job opportunities for the new generations.

Other projects, also dedicated to training and now consolidated as distinctive formats, were updated in accordance with the social and economic context of reference; the underlying themes of all of the activities of "Genova Scoprendo", for example, were **Sustainable Development** and **active and responsible citizens**, now common to the growth paths of all youngsters that want to actively contribute to the development and future of their community.

In accordance with these guidelines, the Foundation also updated its communication style, adopting a more immediate and dynamic visual language.



PROGETTO APPENNINO® RESTARTAPP®

Between 9 June and 27 September 2014 - breaking for the month of August - the first completely free Italian residential campus for the acceleration and development of businesses located across the Apennines was opened in Grondona (Alessandria). The 15 participants were picked from among over 70 candidates from all regions: an initial selection was made on the basis of the documentation submitted in response to the tender that made it possible to identify the most concrete business projects; after this, personal interviews were held to verify the real motivation of the candidate and their opinions on their business choice.

The classroom was therefore composed of 10 men and 5 women of an average age of 29, from the following regions: 4 from Liguria, 3 from Piedmont, 2 from Emilia Romagna, 1 from Lombardy, 1 from Tuscany, 1 from Lazio, 1 from Calabria, 1 from the Veneto and 1 from the Marche. The comprehensive and structured training course involved the rotation of

54 lecturers and mentors over a 48-day period, who oversaw lectures, business creation workshops and work placements at businesses working in similar areas to those in the presented projects; there were also two study trips to places that are particularly virtuous for the community redevelopment model they have adopted, namely Succiso and Portico di Romagna.

ReStartApp® was able to count on the partnership of important entities that share the Foundation's commitment to the younger generations and promoting the communities and "Made in Italy": Symbola Foundation, UniCredit, CIMA Foundation, Università della Montagna of Edolo, Associazione Nazionale Alberghi Diffusi, Uncem, Federforeste, Federbim. All of the partners contributed by making their professionals and expertise available for some lectures, giving the project greater weight and scientific validation. ReStartApp® also enjoyed the support of the Italian Ministry of Agriculture, Forestry and Food, the Region of Piedmont, the Region of Liguria and the Municipality of Grondona.



At the end of the training course, 12 business plans were presented, which were then examined in December by a special Evaluation Committee that identified the winners of three start-up prizes made available by the Foundation:

- 1st prize (30,000 Euro)
"Altavia", Giorgio Masio (Liguria)
- 2nd prize (20,000 Euro)
"Centro Helix", Filippo Resente (Veneto)
- 3rd prize (10,000 Euro)
"Tularù", Miguel Acebes Tosti (Lazio)

The professionalism and complementary expertise contributed by the members of the Committee and the three representatives of the main partners (UniCredit, Symbola Foundation and Università della Montagna di Edolo) made it possible to achieve a structured and shared result.

TRAINING THE NEXT GENERATIONS

The School of Postgraduate Studies in the Economics of Cultural Tourism – Edoardo Garrone

The 9th edition of the original and intensive postgraduate course in the Management

of Cultural Tourism was held in Syracuse from 27 October to 6 December: over the 300 hours, distributed over 6 weeks, the students examined 2 case histories, went on 2 study trips and participated in a business creation workshop, before writing a final business plan.

With the format having underlined its effectiveness and validity, and now well established at national level, in 2015 the plan is to assess the course in depth and hold an updated version, possibly in Genoa, that is even more oriented to business development.

Discovering Genoa (*Genova Scoprendo*)

The new concept of the 5th edition, focused on the themes of Sustainability and active and responsible Citizenship, was greatly appreciated by lecturers and students who asked for the theme to be fleshed out even further; particularly popular was the visit to the Food Bank which also captured the attention of the younger participants, confirming the topicality and importance of the values illustrated by these activities.



Reading at School (*Scuola Leggendo*)

2014 saw the launch of the trial of the new online version via a specially-developed website which may potentially enable to format to be extended to the entire country in time: for the first school year, 2014/2015, three regions in Northern (Liguria), Central (Emilia Romagna) and Southern Italy (Campania) were involved. The data collection and activity evaluation phase is scheduled for June 2015, and the results will be presented to the Italian Department of Education, Universities and Research to promote the adoption of the project and the training "best practices" it promotes.

Advanced Management Training School (*Scuola di Alta Formazione al Management*)

The School's MBA programme is the first initiative of the Associazione per la Formazione d'Eccellenza ("Association for Training Excellence"), championed and promoted by the Edoardo Garrone Foundation in partnership with the Giovanni Agnelli Foundation, the Pirelli Foundation, and the Association du Collège des Ingénieurs of Paris. The training course, completely free of charge, aims to award a Masters in Business Administration to young graduates in Engineering

and scientific and economics-related disciplines.

SERIES OF MEETINGS AND REVIEWS

Between 18 October and 3 December 2014, Palazzo Ducale hosted "L'Italia s'è desta?", a series of four dialogues involving Giovanna Zucconi and an economist (Tito Boeri), an Italian entrepreneur (Oscar Farinetti), an art critic (Philippe Daverio) and a sustainable development expert (Luca Mercalli), to understand whether the genuine legacy of Italy can be seen in the meeting between tradition and innovation, in our "savoir faire", in our excellent products, in the intelligent exploitation of a cultural and natural heritage that has no equal in the world, and if the levers for reviving it can be found.

SOCIAL COMMITMENT

As well as the customary support for the Mus-e Genova project, which seeks to combat marginalisation and social discomfort in elementary schools through artistic projects, the Foundation supported the activities of non-profit association Emozione Giocate, set up in 2011 to protect the emotions of children with psychomotor problems related to learning difficulties, most evident in speech.



DATA AND INDICATORS

4

DATA AND INDICATORS

AUDIT REPORT

GRI CONTENT INDEX

GLOSSARY

PERFORMANCE DATA AND INDICATORS

ECONOMIC AND FINANCIAL RESULTS

		2014	2013	2012
Total revenues ⁽¹⁾	millions of Euro	1,999	7,076	8,288
EBITDA	millions of Euro	547	380	332
EBITDA at replacement cost ⁽²⁾	millions of Euro	429	493	346
EBITDA at adjusted replacement cost ⁽³⁾	millions of Euro	491	569	458
EBIT at replacement cost ⁽²⁾	millions of Euro	240	283	197
EBIT at adjusted replacement cost ⁽³⁾	millions of Euro	249	278	216
Net income	millions of Euro	73	85	200
of which Group net profit	millions of Euro	48	28	151
Group net profit at adjusted replacement cost ⁽⁴⁾	millions of Euro	76	38	12
Cash flows from operations	millions of Euro	344.4	251.8	163.6
Adjusted net financial indebtedness ⁽⁵⁾	millions of Euro	538	1,015	722
Net invested capital	millions of Euro	2,049	2,821	2,484
Capital expenditures ⁽⁶⁾	millions of Euro	54	74	77
Financial leverage		16%	29%	21%

For the definition and reconciliation of results at adjusted replacement cost, please refer to the section "Alternative performance indicators" of the 2014 financial statements.

(1) Net of excise taxes and, in 2014, of trades (EUR 3,829 million). In 2014, total revenues also included the income for the early termination of the CIP 6 convention (about EUR 515 million).

(2) Not including inventory gains (losses) and non-recurring items.

(3) these also include the contribution, attributable to ERG, of the results of TotalErg (joint venture with TOTAL) and of LUKERG Renew (joint venture with the LUKOIL Group). In the past years included ERG's share of the contribution of the results of ISAB S.r.l.

(4) Does not include inventory gains (losses), non-recurring items and related applicable theoretical taxes. The values also match the adjusted ones.

(5) It also includes the contribution attributable to ERG of the net financial position of the joint ventures LUKERG Renew and TotalErg.

(6) In tangible and intangible fixed assets.

Net invested capital in 2014 includes EUR 1.8 million from grants provided by Public Administration to ERG Renew for plants.

Total revenues in 2014 include EUR 76 thousand in grants from Public Administration or the European Community for employee training activities.

The activities of the ERG Group do not include loans to political parties.

ERG SHARES

		2014	2013	2012
Year-end reference price	Euro	9.26	9.75	7.63
Highest price	Euro	⁽¹⁾ 12.69	9.86	8.95
Lowest price	Euro	⁽¹⁾ 8.06	6.51	4.28
Average price	Euro	10.52	7.78	6.20
Average volume	no.	242,967	229,315	360,453

(1) Maximum price detected on 2/5/2014, minimum price detected on 16/12/2014.

OPERATING DATA AND INDICATORS

		2014	2013	2012
Total electricity production	GWh	7,245	9,208	8,219
of which from renewable energy sources	GWh	2,580	2,403	1,223
Market share of domestic power generation		2.7%	3.3%	2.9%
Sales of electricity	GWh	9,354	10,631	9,074
Market share of electricity sales		3.0%	3.4%	2.7%

PERSONNEL, ORGANISATION OF WORK AND INDUSTRIAL RELATIONS

		2014	2013	2012
Employees at 31/12	no.	604	778	613
Executives	no.	46	53	44
of which at the Genoa site		72%	62%	73%
Middle Managers	no.	145	161	154
Administrative staff	no.	270	365	328
Workers	no.	143	199	87
Other external collaborators	no.	11	26	36
Absenteeism rate		2.01%	⁽¹⁾ 2.8%	2.6%
Part time employees		4.5%	⁽¹⁾ 4.0%	4.1%
Percentage of overtime		5.12%	⁽¹⁾ 8.0%	8.5%
Unionisation rate		23.2%	26.3%	33.9%
Ongoing labour disputes	no.	6	2	9
Strikes	hours	70	82	99

(1) The amount of 2013 doesn't include the values relative to companies acquired during the year.

TRAINING

		2014	2013	2012
Total training	hours	26,456	26,917	30,717
Average training per employee	days/emp.	4.8	5.0	6.2

	Men hour/employee	Women hour/employee	Men hours	Women hours	Total 2014
Executives	24.5	45.0	1,031	180	1,211
Middle Managers	42.2	41.2	4,473	1,608	6,081
Administrative staff	39.5	38.0	6,880	3,649	10,529
Workers	60.4	–	8,635	–	8,635
Total			21,019	5,437	26,456

DETAILED ANALYSIS OF PERSONNEL - 2014

NATIONAL COLLECTIVE LABOUR AGREEMENTS APPLIED	2014	2013	2012
Energy and Oil	399	562	569
Metalworking and Mechanical Engineering	136	139	–
Tertiary	23	24	–
Industrial managers	43	49	44
Tertiary managers	3	4	–
Total	604	778	613

LOCATION OF PERSONNEL - 2014	Men	Women	Total
Genoa	144	112	256
Syracuse	155	12	167
Rome	29	10	39
Other locations	135	7	142

	Men	Women	Total
Fixed-term contract - Full time	6	6	12
Fixed-term contract - Part-time	–	1	1
Permanent contract - Full time	457	108	565
Permanent contract - Part-time	–	26	26
Group Total	463	141	604

	Employees	Protected category	Total
Executives	46	0	46
Middle Managers	143	2	145
Administrative staff	247	23	270
Workers	142	1	143
Group Total	578	26	604

	Men	Women	Total
Employees that availed of parental leave	4	31	35
Persons returning from paternal leave	4	31	35
Personnel still at work after 12 months	4	31	35
Personnel resigning due to maternity	–	–	–

	Employees	% of total employees
Employees that will retire within 5 years ⁽¹⁾	33	5%
Employees that will retire within 10 years ⁽²⁾	32	5%

(1) More than 35 years' service as at 31/12/2014.

(2) More than 30 and less than 35 years' service as at 31/12/2014.

SAFETY

	Men	Women	Total 2014	Total 2013	Total 2012
Accidents					
Genoa	–	–	–	1	1
Rome	–	–	–	–	–
Syracuse (offices)	–	–	–	–	–
Syracuse (plants)	1	–	1	4	–
Periphery	3	–	3	–	–
Total	4	–	4	5	1

			2014	2013	2012
Frequency index <i>no. of accidents per million hours worked</i>			4.21	4.72	1.02
Severity index <i>total no. of days lost per thousand hours worked</i>			0.04	0.06	0.04
Working days lost		no.	35	68	43
Work-related deaths		no.	–	–	–
Third-party company injuries ⁽¹⁾		no.	1	3	–
Frequency index – third party companies ⁽¹⁾			1.21	1.74	–
Severity index – third party companies ⁽¹⁾			0.11	0.01	–
Man days worked by third-party companies ⁽¹⁾		no.	103,558	215,810	132,406

(1) The 2012 data refers to the Priolo site only, the 2013 data does not include ERG S.p.A. and ERG Oil Sicilia.

SUPPLIERS

		2014	2013	2012
Active suppliers (at least one order)	no.	1,683	1,569	1,432
with registered offices or a billing address in Italy		90%	92%	92%
with registered offices or a billing address in the areas where our plants are located		34%	29%	22%
Qualified suppliers	no.	1,672	1,458	1,650
of which: number of qualified suppliers based on HSE parameters	no.	555	–	–
Average qualification time	days	58	87	130
% of tenders (of total value of purchases)		42%	65%	53%
% of tenders (of total number of purchases)		39%	29%	26%

CUSTOMERS

		2014	2013	2012
ERG Power - Industrial site customers	no.	15	15	11

WIND - HSE ECONOMIC AND ADMINISTRATIVE RESOURCES

		2014	2013	2012
Total HSE expenses	thousands of Euro	838	575	n.d.
Level of ISO 14001 and OHSAS 18001 certification		100%	100%	100%
Safety checks and HSE audits in the field	no.	230	187	n.d.

WIND - ENVIRONMENT AND COMMUNITY

		2014	2013	2012
Production	GWh	2,580	2,403	1,223
Indirect energy consumption ⁽¹⁾	GWh	9.3	8.3	0.38
CO ₂ avoided	kt	1,021	959	492
Indirect CO ₂ emissions ⁽¹⁾	kt	3.8	3.4	n.d.
SF ₆ contained in switchboards	kg	893	893	n.d.
Waste produced	t	97	–	n.d.
of which hazardous waste	t	27	–	n.d.
of which non-hazardous	t		–	n.d.
of which sent for recycling	t	64	–	n.d.

(1) The 2012 figures do not include the consumption of French and Romanian wind farms.

POWER - HSE ECONOMIC AND ADMINISTRATIVE RESOURCES

		2014	2013 rest	2013	2012
Total HSE expenditure	millions of Euro	13	19	29	44
of which investments	millions of Euro	3	7	8	19
of which current expenses	millions of Euro	10	12	21	25
Level of ISO 14001 and OHSAS 18001 certification of organisations operating on industrial sites		100%	100%	100%	100%
Safety checks and HSE audits in the field	no.	481	722	1,484	1,201
Safety walks	no.	6	n.d.	26	75

POWER - ENVIRONMENT AND COMMUNITY

		2014	2013 rest	2013	2012
Energy consumption (primary sources)	TJ	22,072	23,875	63,263	64,713
of which feedstock	TJ	–	–	38,705	37,345
of which natural gas	TJ	21,271	21,533	21,983	22,641
of which other primary sources	TJ	801	2,342	2,575	4,728
Indirect energy consumption	TJ	82	50	801	791
of which electricity	TJ	68	34	785	782
Efficiency of thermoelectric power plants *	toe in/MWheq	0.170	0.183	0.205	0.206
Direct CO ₂ emissions	kt	1,259	1,382	4,494	4,382
Indirect CO ₂ emissions (imported energy)	kt	9.8	6	96.6	94.3
NO _x emissions ⁽¹⁾	t	399	461	1,227	1,314
SO ₂ emissions ⁽¹⁾	t	42	164	639	721
Particulate emissions	t	4	8	50	66
SF ₆ contained in switchboards	t	12.9	12.9	20.7	12.1
Thermoelectric CO ₂ index	kt/GWheq	0.39	0.44	0.60	0.58
Thermoelectric NO _x index	t/GWheq	0.12	0.15	0.16	0.17
Thermoelectric SO ₂ index	t/GWheq	0.01	0.05	0.09	0.09
Thermoelectric particulate index	t/GWheq	0.001	0.003	0.007	0.009
Seawater withdrawals for plant cooling systems	millions of m ³	238	257	299	299
Well water withdrawals	millions of m ³	9	9	9	9
Water returned to the natural cycle	% of withdrawals	96.7%	96.8%	95.1%	93.7%
Waste produced	kt	4.0	8.3	10.3	12.7
of which hazardous waste	kt	0.5	0.5	1.4	2.2
of which non-hazardous	kt	3.5	7.7	8.9	10.5
of which sent for recycling		22%	14%	23%	44%

(1) The atmospheric emissions of NO_x and SO₂ at the thermal power plants are consistent with the annual data reported to the E-PRTR. Only fully operational plants are considered, therefore the SA1N/1 group was not included in the report as it was in a transitional start-up phase for part of 2014 as the result of its adaptation according to Best Available Techniques.

* The 2014 data refers to CCGT.

REVIEW REPORT ON THE SUSTAINABILITY REPORT OF ERG GROUP AS OF 31st DECEMBER 2014

To the Board of Directors of
ERG S.p.A.

1. We have reviewed the Sustainability Report of ERG Group (the "Group") as of 31st December 2014. The Directors of ERG S.p.A. are responsible for the preparation of the Sustainability Report in accordance with the "Sustainability Reporting Guidelines" (version G3.1) and the "Sustainability Reporting Guidelines & Electric Utilities Sector Supplement (EUSS)" issued in 2011 and 2009 by GRI – *Global Reporting Initiative*, as stated in the paragraph "The eighth edition of the Sustainability Report". The Directors of ERG S.p.A. are also responsible for the definition of ERG Group objectives regarding the sustainability performance and the reporting of the achieved results. The Directors of ERG S.p.A. are also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the Sustainability Report. Our responsibility is to issue this report based on our review.
2. We conducted our work in accordance with the criteria for review engagements established by the "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the *International Auditing and Assurance Standards Board*. That standard requires the compliance with ethical principles "Code of Ethics for Professional Accountants" issued by the *International Ethics Standards Board of Accountants* ("IESBA"), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on the Sustainability Report consists of making inquiries, primarily with company personnel responsible for the preparation of the information included in the Sustainability Report, analysing the Sustainability Report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
 - comparing the economic and financial information and data included in the paragraph "Economic responsibility" of the Sustainability Report with those included in the ERG Group Consolidated Financial Statements as of 31st December 2014, on which Deloitte & Touche S.p.A. issued the auditor's report dated 23rd March 2015 pursuant to articles 14 and 16 of Legislative Decree no. 39 of January 27th, 2010);
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the Sustainability Report operate. In particular, we have performed the following procedures:

Bologna Bari Firenze Genova Milano Roma Torino Padova

Sede Legale: Via Tortona, 25 – 20144 Milano

Capitale Sociale: sottoscritto e versato Euro 35.500,00 – deliberato Euro 50.000,00

Codice Fiscale/Registro delle Imprese Milano n. 05059250158 – R.E.A. Milano n. 1105593

Partita IVA: IT 05059250158

Member of Deloitte Touche Tohmatsu Limited



- interviews and discussions with delegates of ERG S.p.A., to gather information on the information, accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
- analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;
- analysing the compliance of the qualitative information included in the Sustainability Report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the sustainability strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of personnel involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the Chief Executive Officer of ERG S.p.A. on the compliance of the Sustainability Report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

For the data and information relating to Sustainability Report of the prior year presented for comparative purposes, reference should be made to our review report dated 5th June 2014.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report of ERG Group as of 31st December 2014 is not prepared, in all material respects, in accordance with the “Sustainability Reporting Guidelines” (version G3.1) and the “Sustainability Reporting Guidelines & Electric Utilities Sector Supplement (EUSS)” issued in 2011 and 2009 by GRI – Global Reporting Initiative, as stated in the paragraph “The eighth edition of the Sustainability Report”.

Milan, May 29th, 2015

DELOITTE ERS – ENTERPRISE RISK SERVICES S.r.l.

Franco Amelio
Partner

This report has been translated into the English language solely for the convenience of international readers.


GRI CONTENT INDEX

		In accordance with GRI G3.1 - 2011 + EUSS guidelines	C	C+	B	B+	A	A+
MANDATORY	Company self-declaration			REPORT VERIFIED		REPORT VERIFIED	✓	
OPTIONAL	Checked by third parties							✓
	Checked by GRI							

GRI/G3.1 INDICATORS

 Total

 Partial

 Not covered

n/a: not applicable















The joint ventures TotalErg and LUKERG Renew are excluded from scope from a reporting perspective, unless stated otherwise in the notes.

	Coverage	References	Comments	ISO 26000 References
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1 STRATEGY AND ANALYSIS

1.1		4-5		6.2
1.2		4-5; 8-10; 17-20; 32; 52-54; 70-71		6.2

2 ORGANISATION PROFILE

2.1		Cover		
2.2		8-10		
2.3		7-10		6.2
2.4		Inside back cover	The list of ERG sites is available in the "Contacts" section of the corporate website www.erg.it	
2.5		8-10; 12; 40		
2.6		14	See the "Major shareholders" section of the corporate website www.erg.it	
2.7		8-10; 12; 40		
2.8		8-11; 14; 40; 106		
2.9		7-10; 14; 20; 30-31		
2.10			No prizes or awards were received in 2014.	
EU1		8-13; 40		
EU2		11; 40; 107		
EU3		8-10; 110		
EU4	n/a		ERG does not manage electricity transmission and distribution activities.	
EU5		40		

	Coverage	References	Comments	ISO 26000 References
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3 REPORT PARAMETERS

Report profile

3.1	■	30-31	Since 2007, the ERG Sustainability Report has been published in June every year.	
3.2	■	30-31	Since 2007, the ERG Sustainability Report has been published in June every year.	
3.3	■	30-31	Since 2007, the ERG Sustainability Report has been published in June every year.	
3.4	■	132	See the "Contacts" section of the corporate website www.erg.it .	
3.5	■	24-28; 30-31		
3.6	■	30-31		
3.7	■	30-31; 106-111		
3.8	■	7-10		
3.9	■	11; 30-31; 40; 59		
3.10	■	30-31		
3.11	■	30-31; 40; 106-111		

GRI content index

3.12	■			
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Assurance

3.13	■	30; 112-113		7.5.3
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4 GOVERNANCE, COMMITMENTS, ENGAGEMENT OF STAKEHOLDERS

Governance

4.1	■	14-21; 28-29		6.2
4.2	■	16		6.2
4.3	■	16	See the "Governance" section of the corporate website www.erg.it .	6.2
4.4	■	16-20; 88-92	See also the "Shareholders' Meeting Regulations" section of the corporate website www.erg.it .	6.2
4.5	■	14; 79-83		6.2
4.6	■	14-21		6.2
4.7	■	14-19	See the "Governance" section of the corporate website www.erg.it .	6.2
4.8	■	4-5; 19-21; 23-24; 29	See also the Code of Ethics available on the corporate website www.erg.it .	6.2
4.9	■	14-16; 29-32		6.2
4.10	■	14; 29; 79-83		6.2

	Coverage	References	Comments	ISO 26000 References
Commitment to external initiatives				
4.11	■	17-21		6.2
4.12	■		ERG does not adhere to codes of conduct, principles or charters developed by external bodies/associations.	6.2
4.13	■	26-27		6.2
Stakeholder engagement				
4.14	■	23-28		6.2
4.15	■	23-28		6.2
4.16	■	23-28; 39; 74-75; 88-100		6.2
4.17	■	23-24; 28; 63-65; 88-100		6.2
ECONOMIC PERFORMANCE INDICATORS				
DMA	■	8-10; 18-19; 26-27; 34; 37-40; 46-48; 52-55; 106		6.2, 6.8
EU6	■	8-11; 32; 37-40; 41-43; 46-47		
EU7	■		The retail business unit was sold in January 2012. The remaining industrial customers use the electricity and steam produced for their production cycles.	
EU8	■	8-11; 32; 37-40; 41-43; 46-47		
EU9	n.a.		ERG does not possess – either directly or through shareholdings – shares in companies that manage nuclear power plants.	
Economic performance				
EC1	■	34		6.8, 6.8.3, 6.8.7, 6.8.9
EC2	■	17-19; 29; 39; 52-55; 56-59		6.5.5
EC3	■		ERG does not manage an independent company pension plan.	
EC4	■	106		
Market presence				
EC5	■	81		6.3.7, 6.4.4, 6.8
EC6	■	50; 109		6.6.6, 6.8, 6.8.5, 6.8.7
EC7	■	75	The ERG Group guarantees equal opportunities as part of its hiring procedures.	6.8, 6.8.5, 6.8.7









	Coverage	References	Comments	ISO 26000 References
Indirect economic impact				
EC8	■	97-104		6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9
EC9	■	97-104		6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9
EU10	□	12-13; 40	The information required refers to the corporate strategy available on the company website www.erg.it .	
EU11	■	40; 52; 56; 61; 111		
EU12	■		ERG does not manage electricity transmission and distribution activities.	
ENVIRONMENTAL PERFORMANCE INDICATORS				
DMA	■	49; 52-54; 56; 58-59; 62; 110-111		6.2, 6.5
Raw materials				
EN1	■	111		6.5, 6.5.4
EN2	■		ERG's activities do not involve the use of recycled materials.	6.5, 6.5.4
Energy				
EN3	■	111		6.5, 6.5.4
EN4	■	110-111	Indirect energy consumption is covered by purchases from the national grid. Please refer to the most recent calculations by GSE-Terna.	6.5, 6.5.4
EN5	■	49; 52-54; 62; 110-111		6.5, 6.5.4
EN6	■	49; 52-54; 62; 110-111		6.5, 6.5.4
EN7	■		The plants produce the energy they need for their production processes. The energy purchased on the market is only used for temporary requirements.	6.5, 6.5.4
Water				
EN8	■	62; 111		6.5, 6.5.4
EN9	■	62; 111		6.5, 6.5.4
EN10	■	111	Water withdrawals mainly consist of sea water used to cool the plants and apparatus. Once the drawdown cycle is terminated, the water is returned to the water source after its quality has been suitably monitored.	6.5, 6.5.4

	Coverage	References	Comments	ISO 26000 References
Biodiversity				
EN11			ERG does not possess or manage lands in natural areas with high levels of biodiversity.	6.5, 6.5.6
EN12		63-66		6.5, 6.5.6
EU13		63-66		
EN13		63-66		6.5, 6.5.6
EN14		63-66		6.5, 6.5.6, 6.8.3
EN15			ERG does not possess or manage lands in natural areas with high levels of biodiversity.	6.5, 6.5.6
Emissions, effluents and waste				
EN16		55; 59; 110-111		6.5, 6.5.5
EN17			There are no other indirect emissions of significant weight that stem from the company's operations.	6.5, 6.5.5
EN18		32; 39; 49; 52-59; 110-111		6.5, 6.5.5
EN19			ERG does not emit substances that are harmful to the ozone layer as part of its industrial activities.	6.5, 6.5.3
EN20		39; 56-58; 111		6.5, 6.5.3
EN21		62; 111		6.5, 6.5.3
EN22		110-111		6.5, 6.5.3
EN23			No spills occurred during the year.	6.5, 6.5.3
EN24		110-111		6.5, 6.5.3
EN25		54; 63-65		6.5, 6.5.3, 6.5.4, 6.5.6
Products and services				
EN26		32; 49; 52-58; 60-66		6.5, 6.5.4, 6.6.6, 6.7.5
EN27			Fuels are marketed via the ERG Oil Sicilia network and sold as "bulk" products.	6.5, 6.5.3, 6.5.4, 6.7.5
Compliance				
EN28			There were no fines or non-monetary sanctions for failure to comply with environmental regulations and laws.	6.5
Transport				
EN29			This indicator is not regarded as significant for the activities carried out by the Group.	6.5, 6.5.4, 6.6.6
General				
EN30		41-44; 49; 56-59; 62; 63-66; 110-111	The breakdown of HSE expenses by type is currently not available.	6.5

	Coverage	References	Comments	ISO 26000 References
PERFORMANCE INDICATORS ON SUITABLE WORKING PRACTICES AND CONDITIONS				
DMA	■	20; 32; 48-50; 69-73; 75; 108-109		6.2, 6.4, 6.3.10
Employment				
EU14	■	19-20; 32; 75; 85-88; 107		
EU15	■	108		
EU16	■	20-21; 24; 48-50; 68-73; 109		
LA1	■	76-78; 108-109		6.4, 6.4.3
LA2	■	76-78; 108		6.4, 6.4.3
LA3	■		All employees enjoy the same benefits in relation to their professional position.	6.4, 6.4.3, 6.4.4
LA15	■	108		6.4, 6.4.4
EU17	■	109		
EU18	■	68-69; 71-73		
Industrial relations				
LA4	■	108		6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10
LA5	■		Regulatory and compensation-related aspects refer to the National Collective Labour Agreement.	6.4, 6.4.3, 6.4.4, 6.4.5
Health and safety in the workplace				
LA6	■	69; 75		6.4, 6.4.6
LA7	■	69; 109		6.4, 6.4.6
LA8	■	68-73		6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8
LA9	■	69; 74-75	With respect to the provisions of the Italian Energy and Oil Collective Labour Agreement.	6.4, 6.4.6
Training and education				
LA10	■	84; 107		6.4, 6.4.7
LA11	■	84-87		6.4, 6.4.7, 6.8.5
LA12	■	82-83		6.4, 6.4.7
Diversity and equal opportunities				
LA13	■	14-16; 76-78; 107-108		6.3.7, 6.3.10, 6.4, 6.4.3
LA14	■	81-82		6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4

	Coverage	References	Comments	ISO 26000 References
HUMAN RIGHTS PERFORMANCE INDICATORS				
DMA	■	19-20; 29; 48-49; 74-75		6.2, 6.3, 6.3.3, 6.3.4, 6.3.6, 6.6.6
Investment and procurement practices				
HR1	■	19-20; 29; 48-49; 74-75	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.3, 6.3.5, 6.6.6
HR2	■	19-20; 29; 48-49; 74-75	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6
HR3	■	20, 74	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.5
Non-discrimination				
HR4	■		No incidents were recorded in 2014.	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3
Freedom of association and collective bargaining				
HR5	■	19-20; 29; 48-49; 74	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5
Child labour				
HR6	■	19-20; 29; 48-49; 74-75	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6
Forced labour				
HR7	■	19-20; 29; 48-49; 74-75	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6
Security practices				
HR8	■	19-20; 29; 48-49; 74-75	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.5, 6.4.3, 6.6.6
Indigenous rights				
HR9	■		No violations were recorded in 2014.	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7
Assessments				
HR10	■	19-20; 29; 48-49; 74-75	ERG carries out its activities at national/European level where such aspects are protected by the law.	6.3, 6.3.3, 6.3.4, 6.3.5
Corrective actions				
HR11	■		No claims were recorded in 2014.	6.3, 6.3.6
SOCIETY PERFORMANCE INDICATORS				
DMA	■	18-22; 27-28; 66-68; 71-77; 97-104		6.2, 6.6, 6.8
EU19	n.a.		Company activities do not involve energy planning for infrastructure development.	
EU20	■	74-75		
EU21	■	60-61; 68-73		

	Coverage	References	Comments	ISO 26000 References
Community				
SO1	■		Any new constructions and substantial changes to plants are subject to environmental impact assessment (EIA) procedures which provide for the involvement of interested parties (local communities) to analyse the associated environmental, landscape and territorial issues.	6.3.9, 6.8, 6.8.3, 6.8.9
EU22	■	74-75		
SO9	■		Any new constructions and substantial changes to plants are subject to environmental impact assessment (EIA) procedures which provide for the involvement of interested parties (local communities) to analyse the associated environmental, landscape and territorial issues.	6.3.9, 6.5.3, 6.5.6, 6.8
SO10	■	62-66; 71-73		6.3.9, 6.5.3, 6.5.6, 6.8
Corruption				
SO2	■	20		6.6, 6.6.3
SO3	■	20		6.6, 6.6.3
SO4	■	20; 50	No incidents of corruption were recorded in 2014.	6.6, 6.6.3
Political contributions (Public policy positions and lobbying institutions)				
SO5	■	24-27		6.6, 6.6.4, 6.8.3
SO6	■	27; 106	The activities of the ERG Group do not include loans to political parties.	6.6, 6.6.4, 6.8.3
Anti-collusion measures				
SO7	■		No cases were recorded in 2014.	6.6, 6.6.5, 6.6.7
Compliance				
SO8	■		No sanctions were recorded in 2014.	6.6, 6.6.3, 6.6.7, 6.8.7
PERFORMANCE INDICATORS ON PRODUCT RESPONSIBILITY				
DMA	■	40; 56-59; 62; 63-66		6.2, 6.6, 6.7
EU23	n/a		ERG does not manage electricity distribution activities.	
EU24	n/a		ERG's customers are mainly business customers.	
Health and safety of consumers				
PR1	■	56-59; 62; 68-73	The products sold are not subject to life cycles.	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5
PR2	■		No cases of non-compliance were recorded in 2014.	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5
EU25	■	109		

	Coverage	References	Comments	ISO 26000 References
Labelling of products and services				
PR3			ERG mainly markets "bulk" products in compliance with the laws in force through the retail outlets of the ERG Oil Sicilia network.	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9
PR4			No cases of non-compliance were recorded in 2014.	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9
PR5			No specific customer satisfaction analyses were carried out during the year. ERG Oil Sicilia was sold at the end of 2014.	6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9
Marketing communication				
PR6			The company does not adhere to voluntary codes with regard to marketing activities.	6.7, 6.7.3, 6.7.6, 6.7.9
PR7			No cases of non-compliance were recorded in 2014.	6.7, 6.7.3, 6.7.6, 6.7.9
Respect for privacy				
PR8			No complaints were recorded in 2014.	6.7, 6.7.7
Compliance				
PR9			No sanctions were recorded in 2014.	6.7, 6.7.6
EU26	n.a.		ERG does not manage electricity distribution activities.	
EU27	n.a.		ERG does not serve residential customers.	
EU28	n.a.		ERG does not manage electricity distribution activities.	
EU29	n.a.		ERG does not manage electricity distribution activities.	
EU30		40		

GLOSSARY

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ACCOUNTABILITY

An organisation practices accountability when it periodically reports and discloses the results of its activities in a transparent manner.

AM

Adjustment Market – enables operators to introduce changes to the programmes defined in the Day-Ahead Market (DAM) by way of additional purchase or sale offers.

CIP 6 FEED-IN TARIFF

The rate paid by the GSE (Gestore dei Servizi Elettrici - National Grid Operator) to producers of electricity from renewable sources that qualify under the provisions of CIP 6/92.

CODE OF ETHICS

The "Constitution of the organisation." The Code of Ethics is an official document representing the company's highest commitment and approval, which describes the values and principles that inspire and guide the decisions and activities of the company. It is the primary source of corporate behaviour.

COMBINED CYCLE

A system to maximise the efficiency of power plants by combining gas and steam turbines. The steam is obtained as a by-product of the process to generate electricity using gas turbines.

CORPORATE GOVERNANCE

The set of rules and organisational structures which allow for the proper and efficient management of the company by governing the

relationship between directors, management, shareholders and stakeholders.

DAM

Day-Ahead Market - trading session on the IPEX (Italian Power Exchange) during which blocks of hours of electricity for the following day are traded.

DSM

Dispatching Services Market – the instrument used by Terna S.p.A. to procure the resources required to manage and monitor the system (resolution of inter-zone congestion, creation of power reserve, real-time balancing).

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The measure of the increase in value generated by the production and distribution of final goods and services through the intervention of the productive factors of a company (capital and labour). It shows how the value generated is distributed among the main stakeholders.

EIA (Environmental Impact Assessment)

Preliminary procedure by means of which the impact of a project on the surrounding environment is assessed.

ENVIRONMENTAL IMPACT

Any positive or negative, total or partial change to the environment as the result of the activities, products or services of an organisation.

ERP (SAP R/3)

Enterprise Resource Planning - Family of IT products of which SAP R/3 is the world market leader.

ETHICAL RATING

A summary assessment of a security in which investment could be made on the basis of social and environmental responsibility criteria (ESG rating - Environmental, Social, Governance).

EUROSTAT

The statistical office of the European Union, it is a Directorate General of the European Commission. It provides accurate official statistics for Member States and their regions, other countries of the European Economic Area and Switzerland and, in certain sectors, statistics for the United States and Japan.

EUROSTAT is not directly involved in the collection of statistical data, but receives them from the Member States. The statistical information is distributed through printed publications and electronic media.

FEED-IN TARIFF

The name adopted by the European incentive scheme for the generation of electricity.

FINANCIAL LEVERAGE

Net financial debt/Net invested capital.

FREQUENCY INDEX

Together with the severity index, this is one of the typical indicators of health and safety performance at work. With reference to a given time period, it expresses the ratio between the number of accidents that occurred and the number of hours worked.

FULL TIME EQUIVALENT – FTE

The estimated number of people working on a specific activity, obtained by the ratio between the total number of hours worked on those activities and the annual working hours of a single person.

GREEN CERTIFICATES

Annual certificates assigned for power generated from renewable sources using facilities that have come into operation after 1 April 1999. Each certificate is issued by Gestore dei Servizi Elettrici S.p.A. (GSE) in relation to the year's output from renewable sources (estimated figures based on expected output or final figures) and can be used to comply with the renewable energy input obligation for the year to which it relates.

GRI - (Global Reporting Initiative)

A network/organisation that has defined the world's most widely used standards for sustainability reporting. For more information, see the GRI website.

HSE - (Health, Safety, Environment)

An internationally recognised acronym for Health, Safety and Environment.

HSE AUDIT

The set of activities conducted in order to carry out a systematic and objective assessment of performance in terms of Health, Safety and Environment.

HSE POLICY

The statement of a company's intentions and principles in relation to its overall performance in terms of Health, Safety and Environment. It provides a framework for action and the setting of goals and targets in this field.

HUMAN CAPITAL

The entire body of knowledge/skills and characteristics of the worker.

IAS/IFRS

International Accounting Standards – International Financial Reporting Standards.

IDM

Intra-Day Market - Place for trading offers for the purchase and sale of electricity for every hour of the day in order to modify the electricity input and output programmes defined on the DAM.

ISO 14001 CERTIFICATION

ENVIRONMENTAL MANAGEMENT

The certificate of conformity which an organisation obtains from an accredited certification body called upon to assess the compliance of its environmental management system with the ISO 14001 standard. Certification is voluntary.

KEY PERFORMANCE INDICATORS (KPI)

Commonly known as KPIs, these are specific indicators to identify and measure the achievement of the company's key objectives.

KILOWATT-HOUR (kWh) - MWh, GWh and TWh

A unit of measurement of electrical energy equivalent to 1,000 watts delivered or absorbed in one hour. This unit of measure is also expressed in: Megawatt-hours (MWh), equivalent to 1,000 kWh, Gigawatt-hours (GWh), equivalent to one million kWh, and Terawatt-hours (TWh), equal to one billion kWh.

LOAD FACTOR

The measurement used to assess a plant's level of use; it is derived from the ratio between

the actual production in a given time period and the plant's maximum theoretical output in the same period.

MANAGEMENT SYSTEM

The organisation, planning, responsibilities, procedures, operating practices, processes and resources to develop, implement, achieve, review and maintain control of all internal and external variables.

NON-RECOURSE PROJECT FINANCING

The financing of a project where no guarantees are required from the shareholders of the company being financed.

OHSAS 18001 CERTIFICATION HEALTH AND SAFETY

The certificate of conformity which an organisation obtains from an accredited certification body called upon to assess the compliance of its occupational health and safety management system with the OHSAS 18001 standard (Occupational Health & Safety Assessment Series). Certification is voluntary. OTC "Over the Counter" contracts. Contracts to buy/sell electricity agreed between parties outside the trading sessions.

PITCH

Pitch angle: the angle between the blade and the nacelle of the wind turbine (which should be parallel to the wind). As a result, it indicates the angle of the blade relative to the wind, thus identifying the resistance and therefore the ability to exploit the wind to generate mechanical energy.

REVAMPING

Significant work to modernise a facility in order to improve or change the technology used.

SEVERITY INDEX

With reference to a given time period, it expresses the ratio between the number of days of temporary incapacity as a result of an accident and the number of hours worked.

SHAREHOLDER

An owner of shares in a company.

SM³

Sm³ - Standard cubic metre.

STAKEHOLDER

Each clearly identifiable subject who may influence or be influenced by an organisation.

STAKEHOLDER ENGAGEMENT

The systematic involvement of stakeholders. The goal is to share the organisation's mission with the various stakeholders in order to align the company's goals with expectations.

SUSTAINABILITY REPORT

A voluntary document that combines the financial reporting of an organisation with environmental and social aspects.

SUSTAINABILITY

The ability, using the triple bottom line approach, of an organisation to generate long-term value.

SUSTAINABLE DEVELOPMENT

Brundtland Report: "to meet the needs of the present without compromising the ability of future generations to meet their own needs."

TRIPLE BOTTOM LINE

An approach that integrates financial performance with environmental and social performance in order to measure the sustainable value produced by an organisation.

VISION

Highlights what and where an organisation wants to be in the future. The vision determines the criteria that inspire the entire strategic planning process of the company.

WIND TURBINE GENERATOR (WTG)

Plant capable of transforming the kinetic energy of wind into mechanical energy, which is used in turn to generate electricity.

YAW

Yaw angle: the angle between the wind direction and the position of the nacelle of the wind turbine. 0 corresponds to perfect alignment.

TOTALERG

5

TOTALERG

HEALTH, SAFETY, ENVIRONMENT AND QUALITY: A CONTINUOUS COMMITMENT

When the company was established, TotalErg defined its ethical principles and rules of conduct and incorporated them into its Code of Conduct – a tool to ensure reliability and protect the assets and reputation of the company. The Code of Conduct is applicable to corporate bodies, employees at all levels, and third parties involved for any reason (affiliates, agents, attorneys, brokers, consultants, dealers and suppliers).

The 'Health, Safety, Environment and Quality Policy', the fundamental basis that expresses TotalErg's approach to these issues, is an integral part of the Code, demonstrating the high level of commitment in this area.

In addition, the company has created a specific 'Sustainability and Operational Risk' department, whose mission is to provide operational risk management (identification, assessment and intervention) and ensure the sustainability of the Group's activities in accordance with the business strategy. In particular, this is achieved through the direction, coordination and control of the health and safety of workers and third parties, environmental protection, protection of assets, the quality of products and activities and the fulfilment of obligations

associated with Legislative Decree no. 196/2003 (data protection code).

HEALTH AND SAFETY

Safety performance and consequent actions

In 2014, TotalErg recorded two minor accidents at work involving company employees: one following a passive collision while driving a company car and the other as a result of a fall while moving in an office. For both risk areas (driving a car and performing office activities), appropriate measures have been taken to provide information and raise awareness. No serious accident or incident occurred in relation to activities with the highest risk (activities related to the handling and transport of petroleum products).

Furthermore, TotalErg has further strengthened its reporting system with regard to the identification and analysis of hazardous conditions and near misses. This commitment has been rewarded by the positive progress in all of the safety indices, which in 2014 saw the best results since the Company's establishment.

Installations

With regard to its wholly-owned installations, TotalErg has focused on updating the construction and maintenance standards for its above-ground tanks.

TOTALERG

Education, information and awareness

The training programme regarding health and safety issues was completed which, in addition to providing basic training and focusing on the specific risks for newly hired workers, also included refresher courses on specific risks associated with certain operational roles.

TotalErg organises periodic Health, Safety and Environment Committees, attended by company management, which constitute important opportunities to evaluate the results obtained and the organisation of its activities. The company also organises regular meetings with National Health representatives of the Group's various business areas and subsidiaries in order to discuss and share the main issues relating to HSE.

In addition to the consolidated activities to inform and educate employees on Health Safety and Environmental issues – provided through internal communication channels such as the Intranet, notice boards (Safety Point), newsletters (TotalErg-News), and corporate events (World Safety Day) – in 2014, TotalErg also launched a specific Safety Campaign aimed at all Group employees, which had a significant number of attendees.

With focus on continuous improvement and further protecting the health and safety of its workers, and in view of the growing criminal acts perpetrated against sites of the oil industry, TotalErg and its subsidiaries decided to include "robbery risk" in all of its risk assessment procedures.

ROBBERY RISK ASSESSMENT

In recent years there has been a continuous crescendo of criminal activities against sites and installations of the oil industry, especially robberies of service stations, which are targeted to a greater extent than other commercial activities. Based on these facts, TotalErg and its subsidiaries have identified the main "robbery risks" to be considered in order to assess the risk to the health and safety of its workers.

In 2014, all of the Company's sites assessed this risk, identifying the areas and tasks that are more exposed and defining the most appropriate prevention and protection measures to be taken for each of them.

The company's internal information channels were used to raise awareness among employees and to remind them how to deter criminals from perpetrating crimes, such as properly managing cash, or training staff on the appropriate behaviour to adopt in the event they become a victim of such crimes, with the specific goal of reducing the impact on the individuals concerned.

PLAY THE SAFETY GAME

In 2014 a new Safety Campaign called “Play the Safety Game”, aimed at preventing accidents and incidents by raising employee awareness regarding the identification and reporting of hazardous conditions and “near misses”, both in the workplace and outside working hours.

On each occasion, the campaign encouraged workers to seek and report hazardous conditions and “near misses” based on virtual models periodically shown on a special platform on the corporate intranet.

In 2014, we targeted safety in office environments and while driving, while in 2015 we will focus on safety in relation to service stations, depots and non-work situations.

With each release, one participant in the game was randomly selected to receive a prize, consisting of a middle to high range mobile phone.

The campaign was promoted by the distribution of posters and other communication tools.



ENVIRONMENTAL RISK ASSESSMENT

In 2014, the mapping of environmental risks for almost all the fuel service stations owned by TotalErg was completed, using it as a basis to identify and plan more specific risk mitigation actions.

Waste

The internal checks on the product waste management activities – carried out with the support of specialised consultants – looked at compliance with the current legislation and the Company's own standards, including destination sites in the scope of the investigation. No issues were identified.

As of March, the IT system SISTRI became operational for producers of hazardous waste. In accordance with regulations, their management required the continued implementation of the so-called "dual track" process involving the use of SISTRI. In parallel with the standard paper-based system consisting of loading and unloading forms and records.

Management systems and certifications

Throughout the year, TotalErg's business lines, Operating Units and sites completed the implementation of the Health, Safety and Environment Management Model (MoSSA) in accordance with the provisions of Italian Legislative Decree 231/01 and Italian Legislative Decree 81/08 (art. 30).

As at 31 December 2014, the key facilities of the TotalErg Group covered by legislation for companies at risk of a major accident (the depots in Trecate and Savona and the Rome Refinery), were certified in accordance with the

ISO 14001 (Environmental Management Systems) and OHSAS 18001 (Occupational Health and Safety Management Systems) international management standards.

SERVICE AND PRODUCT QUALITY

TotalErg continued its quality control programme for its products and services, aimed at minimising anomalies and cases of non-compliance with the operating procedures of the various phases of the distribution chain.

In 2014, a total of 1,200 checks were carried out, of which:

- 700 were related to housekeeping and the quality of products at the Retail Outlets and Depots;
- 500 verified the correct operation of the distribution activities (particularly in relation to road freight, goods handling and maintaining their integrity).

TotalErg is also committed to minimising product downturn, whatever the origin. In particular, with regard to the aspects relating to the process of measuring product quantity, during the year, steps were taken to strengthen the procedures and standards used to measure the physical quantities of products and the frequency of verification and calibration of measuring instruments, issuing a specific Management Manual in this regard.

Finally, certification according to the ISCC (International Sustainability & Carbon Certification) standard was maintained for the management of sustainability criteria and traceability of biofuels marketed by the Depot in Savona. No non-compliances were identified during the re-certification visit carried out by Bureau Veritas at the end of June 2014.

TOTALERG GROUP DATA AND INDICATORS

ECONOMIC RESULTS

		2014	2013	2012
Total revenues	millions of Euro	9,466	10,399	11,973
EBITDA	millions of Euro	(42.5)	66	90
EBIT	millions of Euro	(129.2)	(26)	(1)

PROCESSING

		2014	2013	2012
Refinery processing	kt	1,275	1,385	3,854
Refinery processing	thousands of barrels/day	26	28	77

OUTLETS

		2014	2013	2012
Retail outlets	no.	2,701	3,017	3,248
Market share (gasoline + diesel)		10.6%	11.3%	11.2%
Average retail throughput	m ³ /outlet at period end	1,100	1,054	1,023
Wholly-owned outlets	no.	1,676	1,746	1,940
Outlets offering LPG and/or methane*	no.	52	52	40
Car wash facilities*	no.	91	98	89
of which equipped with water recycling systems	no.	72	39	39

* Data refers to wholly-owned, directly managed plants only.

PERSONNEL AS AT 31/12/2014

	Men	Women	Total
Executives	57	2	59
Middle Managers	182	39	221
Administrative staff	356	271	627
Workers	148	–	148
Group Total	743	312	1,055

	Total
Permanent contract - Full time	936
Fixed-term contract - Full time	16
Permanent contract - Part time	71
Fixed-term contract - Part time	32
Group Total	1,055

PHOTOVOLTAIC ENERGY

		2014	2013	2012
Outlets with photovoltaic installations	no.	3	4	4
Installed capacity	MWp	0.028	0.031	0.031
Electricity produced	MWh	33.7	36	37
Other photovoltaic installations	no.	5	5	5
Installed capacity	MWp	0.45	0.450	0.450
Electricity produced	MWh	435	503	353

ENVIRONMENT AND COMMUNITY*

		2014	2013	2012
Waste produced from site reclamation and new constructions	kt	38.0	16.3	11.2
sent for recycling		91%	88%	92%
non-hazardous		78%	91%	96%
		85%	97%	68%
Petroleum product losses	no. of events	4	1	2
Petroleum product losses	m ³	0.4	0.02	0.04

* Data refers to wholly-owned, directly managed plants only, excluding the Rome refinery.

SAFETY*

		2014	2013	2012
Employee accidents	no.	2	3	7
Frequency index		1.05	1.28	3.36
<i>no. of accidents per million hours worked</i>				
Severity index		0.018	0.031	0.034
<i>total no. of days lost per thousand hours worked</i>				
HSE Training	hours	7,821	11,614	6,981

* Data refers to wholly-owned, directly managed plants only, excluding the Rome refinery.

TOTALERG S.P.A. PERFORMANCE DATA AND INDICATORS

ECONOMIC RESULTS*

		2014	2013	2012
Total revenues	millions of Euro	9,155	10,065	11,609
EBITDA	millions of Euro	(77)	30	49
EBIT	millions of Euro	(144)	(44)	(20)

* Values calculated according to Italian accounting principles.

SALES

		2014	2013	2012
Total sales	kt	6,747	7,005	8,131
of which domestic retail market	kt	2,369	2,534	2,645

PERSONNEL

	2014	2013	2012
Employees	492	644	662

DETAILED ANALYSIS OF PERSONNEL - 2014

	Men	Women	Total
Executives	50	2	52
Middle Managers	131	35	166
Administrative staff	157	10	257
Workers	17	–	17
Total	355	137	492

	Total
Permanent contract - Full time	481
Fixed-term contract - Full time	1
Permanent contract - Part time	10
Total	492

ERG S.p.A. - May 2015

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