

**ERG S.p.A.**  
**Ordinary Shareholders' Meeting of 20/21 April 2012**

**Report of the Board of Directors**

*pursuant to Article 125-ter of Legislative Decree no. 58 dated 24 February 1998,  
("Consolidated Law on Finance") and Article 73 of the Regulation implementing  
the Consolidated Law on Finance adopted by Consob under resolution  
no. 11971 of 14 May 1999, as amended and supplemented*



## **Ordinary Shareholders' Meeting of 20/21 April 2012**

### **Agenda**

1. Annual Financial Statements for the period ended 31 December 2011 and Management Report: resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2011
2. Appointment of the Board of Directors
  - 2.1 Fixing of the number of Board of Directors members
  - 2.2 Appointment of the Board of Directors members
  - 2.3 Appointment of the Chairman of the Board of Directors
  - 2.4 Appointment of the Honorary Chairman
  - 2.5 Fixing of the fees payable to the Board of Directors members for the year 2012
3. Authorisation for the purchase and disposal of treasury shares
4. Remuneration Report pursuant to Article 123-ter of Legislative Decree no. 58 dated 24 February 1998

Dear Shareholders,

We submit for your attention the following considerations.

### ***1. Annual Financial Statements for the period ended 31 December 2011 and Management Report: resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2011***

Reference is made to the Management Report included in the documentation pertaining to the Separate Financial Statements and Consolidated Financial Statements at 31 December 2011, which will be made available to Shareholders and to the public within the terms set forth by current law.

### ***2. Appointment of the Board of Directors***

The Ordinary Shareholders' Meeting on 23 April 2009 appointed the Company's Board of Directors, for a term of office due to expire on the date of the Shareholders' Meeting to approve the Financial Statements for the second financial period following that underway at the time of the shareholders' resolution.

The expiry of the existing Board of Directors will therefore coincide with the date of the Shareholders' Meeting to approve the Annual Financial Statements at 31 December 2011.

### **2.1 Fixing of the number of Board of Directors members**

Shareholders, in accordance with Article 15, paragraphs 1 and 2, of the Articles of Association: "1. *The Company is managed by a Board of Directors comprising no less than 5 and no more than 15 members.*

2. *The Shareholders' Meeting shall establish the number of Board members, within the aforesaid limits and until determined otherwise by way of a new resolution".*

It will consequently be necessary, on such occasion, to establish the number of Board of Directors members.

Pursuant to the above mentioned Article 15 of the Articles of Association, the Shareholders' Meeting is therefore called upon to establish the number of members of the Board of Directors based on the proposals submitted in accordance with the applicable legislative, regulatory and statutory provisions.

### **2.2 Appointment of the Board of Directors members**

Shareholders, in accordance with Article 15, paragraphs 3, 4 and 5 of the Articles of Association "3. *The members of the Board of Directors shall be elected on the basis of lists presented by shareholders, on which the candidates must be listed with a sequential number. The lists presented by shareholders, accompanied by the personal and professional characteristics of candidates, must be lodged at the company's registered office within the term laid down by current legislative and regulatory provisions.*

*The lists may only be presented by shareholders who, either individually or with other shareholders, represent at least the percentage of share capital established in accordance with the Consob Regulation prevailing as at the date of convocation of the Shareholders' Meeting, to be specified in the convocation notice for the Shareholders' Meeting convened to elect the Board of Directors. In order to demonstrate possession of the number of shares required for presentation of the lists, Shareholders must submit and/or deliver to the Company's registered office, within the term laid down by current legislative and regulatory provisions, copy of the certificates issued by their respective intermediaries, in accordance with current legislative and regulatory provisions. Each shareholder may present or participate in the presentation of only one list and each candidate may be included in only one list, under penalty of ineligibility. Each list must contain a number of candidates not to exceed the maximum number of directors specified in the first paragraph of this article. The lists shall indicate which Directors satisfy the independence requirements laid down by article 147-ter, paragraph 4, of the Consolidated Law on Finance. At least one candidate per list, or two candidates in the case of a board with more than seven members, must have the aforesaid independence requirements. All candidates must possess the requisites of honourableness laid down for the members of Control Bodies by current legislation, as well as the requisites of professionalism required for the position in question. Together with each list, within the term indicated above, individual candidates must lodge a declaration accepting the candidature and declaring, under their own*

responsibility, the non-existence of motives for ineligibility or incompatibility, as well as the possession of requisites as required under applicable legislation, and providing information, where appropriate, describing their independence. For the purpose of allocating the Directors to be elected, consideration shall not be given to the lists that have failed to reach a number of votes such as to represent a percentage of shareholding equal to at least half of that required for their presentation.

4. All parties entitled to vote may do so for only one list. The Directors shall be elected as follows: a) from the list that obtains the majority of votes expressed shall be drawn, based on their sequential order of listing, a number of Directors equal to the number of members to be elected less one, subject to the provision set forth in paragraph 5 concerning the appointment of independent Directors; b) the remaining Director shall be drawn from the minority list that obtains the highest number of votes; c) in case of presentation of only one list, or in case the other lists fail to reach the required quorum, the Directors shall be elected based on the list presented or having reached the quorum up to the number of candidates presented therein.

5. In any case, the candidate or, where the board has more than seven members, the first two candidates belonging to the list obtaining the highest number of votes, according to their order of appearance on the list in question, who satisfy the independence requirements, shall be considered elected.

Independent Directors who, following their appointment, cease to have the independence requirements as set forth by article 147-ter, paragraph 4, of the Consolidated Law on Finance, must immediately notify the Board of Directors and shall, in any case, forfeit their office”.

Pursuant to the above mentioned Article 15 of the Articles of Association, the Shareholders' Meeting is therefore called upon to appoint the members of the Board of Directors based on the lists presented in accordance with the applicable legislative, regulatory and statutory provisions.

The list of candidates for the office of Board Director will be made available to the public, 21 days prior to the date set for the Shareholders' Meeting, at the company's registered office, at Borsa Italiana S.p.A. and on the Company's website ([www.erg.it](http://www.erg.it)).

### **2.3 Appointment of the Chairman of the Board of Directors**

Shareholders, in accordance with Article 17 of the Articles of Association “Where the Shareholders' Meeting has not already done so, the Board of Directors shall appoint a Chairman from among its members (omissis)”.

Pursuant to the above mentioned Article 17 of the Articles of Association, the Shareholders' Meeting is therefore called upon to appoint the Chairman of the Board of Directors from among the Board members designated by the Shareholders' Meeting, based on the proposals submitted in accordance with the applicable legislative, regulatory and statutory provisions.

### **2.4 Appointment of the Honorary Chairman**

Shareholders, in accordance with Article 17 of the Articles of Association “*The Board of Directors may appoint an Honorary Chairman even from outside its own members, if the same has not already been appointed by the Shareholders' Meeting*”. Pursuant to the above mentioned Article 17 of the Articles of Association, the Shareholders' Meeting, should it consider appropriate the use of such option, is therefore called upon to appoint the Honorary Chairman of the Board of Directors based on the proposals submitted in accordance with the applicable legislative, regulatory and statutory provisions.

### **2.5 Fixing of the fees payable to the Board of Directors members for the year 2012**

Shareholders, in accordance with the provisions set forth by Article 2389, first paragraph, of the Italian Civil Code, the fees payable to the members of the Board of Directors are established at the time of their appointment or by the Shareholders' Meeting. The Shareholders' Meeting is therefore called upon to pass resolution with regard to the fees to be assigned to all members of the Board of Directors, valid until the approval of the 2012 Financial Statements, and with regard to the further fees to be assigned to the Directors, other than Group employees, who do not hold positions on the Board and are members of one or more advisory committees set up within ERG S.p.A., valid until the approval of the 2012 Financial Statements, based on the proposals submitted in accordance with the applicable legislative, regulatory and statutory provisions.

In fact, the Shareholders' Meeting normally determines on an annual basis for each financial period the fees to be paid to all members of the Board of Directors and the further fees pertaining to participation on the aforesaid Committees.

For the 2011 financial period, the Shareholders' Meeting had resolved a fee of Euro 50,000.00 for the Board of Directors members, Euro 25,000.00 for the members of the Nominations and Remuneration Committee and Euro 40,000.00 for the members of the Internal Control Committee.

### **3. Authorisation for the purchase and disposal of treasury shares**

Shareholders, in previous years, the Shareholders' Meeting adopted structured resolutions regarding the purchase and disposal of treasury shares, the last of which, concerning the purchase and disposal of treasury shares, had a validity of 12 months with effect from 14 April 2011 and is therefore due to expire on 13 April 2012.

In anticipation of the shareholders' meeting on 20 April next, the Board agreed that a proposal should be made for the Shareholders' Meeting to adopt a new resolution authorising the purchase and disposal of treasury shares.

This having been said, the Board of Directors explains the reasons justifying the adoption of a new authorisation resolution on the part of the Shareholders' Meeting:

#### **– regarding purchase**

- it is considered appropriate to be able to carry out purchase transactions on ERG's ordinary shares in order to optimise the equity structure with a view to maximising value creation;

**– regarding disposal**

- it is considered appropriate to be able to use the treasury shares held in portfolio in order to optimise financial leverage and anyway in all other circumstances where the possibility to dispose of the shares appears, in the opinion of the administrative body, to be in keeping with the interests of the Company and the Shareholders.

This having been said, we submit for your approval our request for authorisation to both purchase and sell treasury shares subject to the following terms and conditions:

- 1) authorisation, for a period of 12 months with effect from the date of the relative resolution, in accordance with Article 2357 of the Italian Civil Code, to purchase treasury shares up to a revolving limit (intending thereby the maximum number of treasury shares from time to time held in portfolio) of 15,032,000 (fifteen million and thirty-two thousand) ERG ordinary shares having a nominal value of Euro 0.10 each, at a unitary price, including additional purchase charges, to be no more than 30% lower in minimum and no more than 10% higher in maximum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual transaction.

Purchases must be carried out in compliance with Article 132 of Legislative Decree no. 58 of 24 February 1998 and in the manners set forth by Article 144-bis, paragraph 1.b) of the Issuers' Regulation and namely "on markets regulated according to the operating procedures established in the rules for the organisation and management of such markets, which do not allow the direct matching of buy orders against predetermined sell orders";

- 2) authorisation, for a period of 12 months with effect from the date of the relative resolution, in accordance with Article 2357-ter of the Italian Civil Code, to sell treasury shares, in one or more stages, at a unitary price no more than 10% lower in minimum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual sale and in any case not below the unitary value per share included in the Company's shareholders' equity as from time to time appearing in the last approved financial statements.

As regards the procedures for the disposal of treasury shares we propose that the authorisation permit the adoption of whatever procedures may seem appropriate in relation to the actual objectives to be pursued by way of such disposal.

Shareholders,

If our above proposal meets with your agreement, we invite you to kindly adopt the following resolution:

*"The ERG S.p.A. Ordinary Shareholders' Meeting,*

- having reviewed the Explanatory Report of the Board of Directors;*
- having regard to the contents of the last approved financial statements,*

*resolves*

*1) to authorise the Board of Directors, in accordance with Article 2357 of the Italian Civil Code and therefore for a period of 12 months with effect from the date of this resolution, to purchase treasury shares up to a revolving limit (intending thereby the maximum number of treasury shares from time to time held in portfolio) of 15,032,000 (fifteen million and thirty-two thousand) ERG ordinary shares having a nominal value of Euro 0.10 each, at a unitary price, including additional purchase charges, to be no more than 30% lower in minimum and no more than 10% higher in maximum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual transaction.*

*The purchase must be carried out using the distributable profits and available reserves as shown in the last approved financial statements, in accordance with Article 132 of Legislative Decree no. 58 of 24 February 1998 and in the manners set forth by Article 144-bis, paragraph 1.b) of the Issuers' Regulation and namely "on markets regulated according to the operating procedures established in the rules for the organisation and management of such markets, which do not allow the direct matching of buy orders against predetermined sell orders";*

*2) to authorise the Board of Directors, in accordance with Article 2357-ter of the Italian Civil Code, for a period of 12 months with effect from the date of the relative resolution, to sell treasury shares, in one or more stages and adopting any procedure deemed appropriate in relation to the objective pursued by way of such disposal, at a unitary price no more than 10% lower in minimum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual sale and in any case not below the unitary value per share included in the Company's shareholders' equity as from time to time appearing in the last approved financial statements.*

*3) to authorise the Board of Directors to delegate, even to authorised intermediaries, the power to perform the operations relating to the purchase and sale of treasury shares to be carried out under this resolution."*

**4. Remuneration Report pursuant to Article 123-ter of Legislative Decree no. 58 dated 24 February 1998**

Shareholders, in the meeting held on 20 December 2011 the Board of Directors, on the proposal of the Nominations and Remuneration Committee and in keeping with the guidelines contained in the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A., introduced its policy for the remuneration of directors and executives with strategic responsibilities, to be effective starting from the 2012 financial year.

Pursuant to the provisions set forth by Article 123-ter of Legislative Decree no. 58 dated 24 February 1998, the Board of Directors is required to approve a Remuneration Report which, in particular, a) in the first section: (i) explains the company's policy concerning remuneration of the administrative body members, general managers and executives with strategic responsibilities with reference to at least the subsequent financial period and (ii) describes the procedures used for the adoption and implementation of such policy; b) in the second section: (i) provides an adequate description of each of the items making up the remuneration, including the benefits envisaged in case of retirement from office or termination of the employment relationship, drawing attention to the consistency thereof with the Company's remuneration policy as approved during the previous year; (ii) gives a detailed account of the remunerations paid during the reference period.

The Company's Board of Directors, in its meeting held on 6 March 2012, approved the Remuneration Report, to which reference is made. This report will be placed entirely at the disposal of the public at the Company's registered office, at Borsa Italiana and on the Company's website ([www.erg.it](http://www.erg.it)) 21 days prior to the date set for the Shareholders' Meeting.

In accordance with the above mentioned provisions, the Shareholders' Meeting is called upon to decide in favour of or against the first section of the Remuneration Report.

Genoa, 6 March 2012

ERG S.p.A.  
The Chairman of the Board of Directors  
Edoardo Garrone



**ERG S.p.A.**

Torre WTC  
via De Marini, 1  
16149 Genoa  
Phone +39 01024011  
Fax +39 0102401585  
[www.erg.it](http://www.erg.it)

Registered Office:  
via De Marini, 1  
16149 Genoa

Share Capital Euro 15,032,000 fully paid.  
R.E.A. Genoa n. 354265  
Company Register Genoa and  
Fiscal Code 94040720107  
VAT 10122410151

