

Consolidated Non-Financial Statement

drawn up pursuant to Italian Leg. Decree 254/2016

We are #SDGsContributors

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(Translation from the Italian original which remains the definitive version)

LETTER TO SHAREHOLDERS AND STAKEHOLDERS

Dear shareholders, dear stakeholders,

2020 marks a watershed for humanity. The pandemic and the ensuing economic crisis have confronted us with unprecedented challenges, forcing us to rethink our way of life and reinforcing the urgency of issues such as the planet's social and economic development, human well-being and environmental protection. These are all issues whose importance was already addressed by the 17 Sustainable Development Goals established by the United Nations in 2015.

The past year was also characterised by an ongoing and intensifying focus on Environmental, Social, and Governance (ESG) issues. Businesses play a primary role in this context. In addition to pursuing concrete objectives in terms of sustainability, they must comply with increasingly stringent and challenging standards in terms of transparency of and access to information, aspects that currently determine their competitiveness and their appeal to the financial markets, which are increasingly focused on how and to what extent ESG factors are included in corporate development plans. Meeting such objectives is an even more demanding undertaking for businesses in the energy sector for which the spread of power generation from renewable sources has become the driving force in the fight against climate change.

ERG is a leader in this energy transition, through the development of its renewable energy portfolio, and has based its business model on the concept of social responsibility, on the relationship of trust built over time with all stakeholders and on the ability to create shared value, focusing on environmental, social, and governance issues.

Even during the most critical phases of the pandemic crisis, by carefully and effectively managing our operations and logistics, while complying with the highest occupational health and safety standards, we were able to maintain the continuity of an essential service such as the supply of electricity. Our investments over the past few years in digital technology have enabled us to resort to remote working extensively both in Italy and abroad. In reaffirming ERG's Investment Grade rating, the Fitch rating agency highlighted our ability to manage the impact of the Covid-19 pandemic as a distinctive factor.

ERG allocated EUR 2 million to support local communities where its production sites are located that have been affected by the health emergency and, on a proposal from our internal Social

Partners, the Group's employees donated a total of 2,300 hours of their work. San Quirico S.p.A., the Company's controlling shareholder, allocated also EUR 1 million to Genoa's front-line hospitals engaged in the healthcare emergency.

In 2020, the pandemic led to a significant overall drop in demand for electricity in all reference markets, and prices fell significantly in all the countries in which we operate. This negative backdrop was further worsened by wind and water conditions in Italy that were well below historical averages. Although expected, the year's results were also affected by the gradual withdrawal from the cogeneration regime of our CCGT plant in Priolo. The Company was able to react with great determination and effectiveness, implementing the appropriate countermeasures: scenario risk hedging operations, a significant reduction in the cost of debt by issuing a new Green Bond and concurrent liability management operations, as well as substantial cost-cutting actions.

Despite the obstacles caused by excessively long and complex authorisation procedures, intensified by the health emergency, in 2020 our growth path in renewable energy continued, albeit with some delays compared to Plan forecasts. We reached 336 MW of wind capacity under construction or ready to build across the UK, France and Poland. In Germany, we entered into a co-development agreement for 600 MW in photovoltaic sector: another major step forward in our portfolio's technological and geographical diversification. The acquisition of 3 wind farms in France increased our installed capacity in the country to around 400 MW. The Framework Agreements signed with Vestas and Enercon for the supply of wind turbines for repowering and greenfield projects in France and UK ensured the coverage of our development plan at competitive conditions and with latest generation technologies.

2020 net income rose to EUR 106 million (EUR 104 million in 2019) while EBITDA declined slightly to EUR 481 million (EUR 504 million in 2019), within the guidance range. We invested EUR 156 million in 2020 (EUR 432 million in 2019).

The adjusted net financial indebtedness as at 31 December 2020 was EUR 1,439 million, down compared to the EUR 1,476 million as at 31 December 2019. The change mainly reflects the investments in the year (EUR 156 million), the distribution of dividends (EUR 115 million) and the payment of taxes (EUR 25 million), more than offset by the positive cash flows (EUR 392 million). The Board of Directors will propose to the Shareholders'

Meeting a dividend of EUR 0.75 per share, as indicated in our Business Plan.

Since entering the renewable energy sector, ERG has reduced by 90% its Carbon Index, the amount of CO₂ emitted for each kWh produced, which, at the end of 2020, stood at 150 gCO₂/kWh, equal to half of the Italian average and a quarter of the European average. Today, by producing energy from renewable sources, we are avoiding the emission of about 3 million tonnes of CO₂ each year, for a total of over EUR 9 million tonnes since 2018, perfectly in line with our objectives. As at the end of 2020, 90% of our indirect energy consumption was covered by green electricity purchases.

People are a key factor in ERG's development path, and the Company has always allocated substantial resources to them for their personal, professional, and managerial growth. In 2020, we provided a total of 28,804 hours of training, of which about 73% via distance learning and 27% face-to-face, involving about 95% of the Company's workforce – 37.4 hours per capita. A total of 116 training courses were held (up 45% on the previous year), and 30% were held in English, in line with the Group's international expansion. The "Leadership in safety" project, a training program dedicated to responsible behaviour in terms of safety, continued in 2020: no employee accidents were reported during the year. Our commitment to Diversity and Inclusion also continued with the Gender Equality Assessment and our partnership with Valore D.

The Covid-19 emergency has inevitably hindered the implementation of many initiatives in the communities where we operate. However, while paying great attention to compliance with health and safety provisions, we tried to provide maximum support to alternative solutions or created digital versions of the events we have traditionally supported, dedicated to young people, school and culture.

ERG's ongoing commitment to the fight against climate change and to building a sustainable development model received important acknowledgements also this year: the "A-" rating (formerly B) in the Climate Change programme promoted by the Carbon Disclosure Project (CDP), which ranks the Group among the 25 Italian companies considered "Leaders"; MSCI confirmed its "AA" rating and Vigeo Eiris rated ERG as Advanced, the

highest level of its assessment scale, also assigning ERG first place in the world ranking for reporting on the impact of climate change on operations.

Our Consolidated Non-Financial Statement, approved by our Board of Directors together with our Financial Statements, has undergone a substantial update in terms of structure and content. The structure of 2020 reporting reflects the four pillars that will become the founding elements of our ESG strategy, consistent with the Social Development Goals defined by the United Nations:

1. PLANET: commitment to combating climate change through the decarbonisation of our power generation portfolio thanks above all to the development of energy production from renewable sources;
2. ENGAGEMENT: commitment to foster a proactive dialogue with each of the Group's stakeholders to understand their needs and integrate them into our way of doing business;
3. PEOPLE: focus on the well-being, growth and enhancement of our people, as well as on their health and safety;
4. GOVERNANCE: construction of an infrastructure of principles and management bodies that ensure not only compliance with but also the application of operational best practices, as the foundation for a sustainable development model.


In 2021, we anticipate a recovery in the general economic situation with positive effects on energy demand and prices. We expect our EBITDA to be in the range of EUR 480 million to EUR 500 million, our net financial indebtedness to be between EUR 1,350 million and EUR 1,450 million, and capital expenditure to be between EUR 235 million and EUR 275 million, most of which will be allocated to the construction of the greenfield projects currently underway in the UK, Poland and France. We will also move forward with the authorisation procedures required for repowering.

In May, we will present our new 2021-2025 Business Plan, which will include our ESG objectives in a highly integrated strategic perspective.

ERG has grown and will continue to grow under the sign of sustainability.

We are #SDGsContributors

Edoardo Garrone
Chairman



Luca Bettonte
Chief Executive Officer



OUR HISTORY: 1938-2020

Edoardo Garrone establishes ERG in Genoa.



1938

Production begins at the ISAB refinery in Priolo.



1975

ERG – through ISAB Energy – begins to produce and market electricity from the gasification of heavy refinery residues.



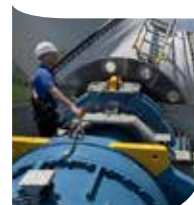
2000

ERG sells 49% of the ISAB refinery to LUKOIL.



2008

ERG becomes the leading wind power operator in Italy with 1,087 MW of installed capacity, and among the top ten in Europe (overall 1,340 MW). It purchases a company for the running and maintenance activities of the wind farms. ERG sells the ISAB refinery and completes its exit from refining.



2013

ERG enters the hydroelectric business with the purchase of the Terni Complex, with plants in Umbria, Marche and Lazio (527 MW). ERG acquires 6 wind farms in France (64 MW) and builds 3 wind farms in Poland totalling 82 MW.



2015

Installed wind power at the end of 2015 totals 1,506 MW.

ERG enters the solar sector: 30 photovoltaic plants acquired for 89 MW in operation.



2018

Definitive exit from the oil sector with the sale of TotalErg.

Installed wind power at the end of 2018 totals 1,822 MW.



2020

ERG enters the solar sector in Germany: co-development agreement with AREAM (600 MW). Installed wind power at the end of 2020 totals 1,967 MW.

1947



Production begins at the refinery in Genoa San Quirico.

1997



ERG is listed on the Italian Stock Exchange.

2006



ERG enters the renewable energy sector by acquiring EnerTAD.

2010



ERG Power's combined cycle power plant starts up (480 MW) fuelled by natural gas.

Launch of TotalErg, a joint venture to market petroleum products.

2014



ERG sells its ISAB Energy plant and its ERG Oil Sicilia fuel networks.

2017



ERG continues to grow in the wind sector: 48 MW in operation in Germany; 16 MW in operation in France.

Installed wind power in Europe at the end of 2017 totals 1,814 MW.

2019



With the acquisition of 51 MW, total photovoltaic capacity increases to 141 MW. ERG's wind power business grows in Germany (52 MW) and France (34 MW); over 180 MW under construction in the UK.

Installed wind power at the end of 2019 totals 1,929 MW.

ERG IN 2020

JANUARY

22 January – MSCI promotes ERG, assigning it an "AA" rating compared to "A" assigned in 2018.

FEBRUARY

24 February – Acquisition of three wind farms in France (38 MW). The installed capacity rises to 398 MW in the country.

MARCH

5 March – ERG grows in Poland. Construction of a 36 MW wind farm by 2021.

9 March – ERG responds to the Covid-19 emergency by extending remote working to all working days.

APRIL

21 April – ERG's Shareholders' Meeting approves the Financial Statements as at 31/12/2019 and resolves to pay a dividend of 0.75 € per share. The amendment to the Articles of Incorporation is approved that introduces the mechanism a voting rights increase provision.

MAY

14 May – Fitch confirms ERG's BBB- rating and stable outlook.

JUNE

30 June – ERG finalizes the Amend & Extend of the project financing of Fossa del Lupo, now classified as "Green Loan" and "Sustainability Linked Loan".

JULY

6 July – Vigeo Eiris confirms ERG's Advanced rating, the highest in its rating scale, recognizing the company's strong commitment to ESG.

SEPTEMBER

4 September – Placement completed the of a second bond issue amounting to EUR 500,000,000.

22 September – Framework agreement with Vestas for the supply of wind turbines with a potential capacity of 790 MW, of which 500 MW destined for repowering in Italy.

OCTOBER

1 October – Vigeo Eiris assigns ERG the highest score (88/100) and first place in the ranking of the best companies for reporting the impact of Climate Change on the business.

23 October – ERG continues to grow in Poland. Completion of a 24.5 MW wind farm by Q1 2022

26 October – ERG wins a tender for two wind farms for a total of 27 MW in France.

NOVEMBER

4 November – ERG increases capacity under construction in the UK by 55 MW.

DECEMBER

3 December – Entry into the photovoltaic market in Germany. Co-development agreement with AREAM for a solar portfolio of around 600 MW.

9 December – CDP promotes ERG to A- rating among the leaders in the fight against climate change.

15 December – Issue and placement of a Green bond of EUR 100 million ("Tap Issue") intended for institutional investors of the Euromarket.

21 December – Repurchase of 75% of the private placement issued in 2017.

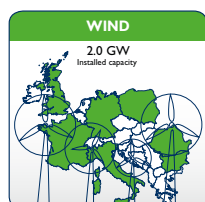
The ERG Group is a leading independent producer of electrical power from renewable sources – wind, solar, hydroelectric and thermoelectric cogeneration – with high efficiency and low environmental impact.

Having completed the industrial transformation process we initiated 10 years ago, ERG has become a major independent producer of electricity from renewable sources in Europe. The Group has raised its installed capacity to over 3000 MW with an asset portfolio that is diversified both technologically and geographically. ERG is now the leading wind power operator in Italy and among the largest in Europe. Our business model is geared towards sustainable development and decarbonisation objectives, consistent with the energy system transition process that is ongoing throughout the world.

ERG Group's industrial and commercial processes are managed by its subsidiary ERG Power Generation S.p.A., which provides:

- centralised Energy Management for all the generation technologies;
- Operation and Maintenance of its Italian wind farms and solar plants and part of the plants in France and Germany, as well as the Priolo combined cycle gas turbines (CCGT) plant and the Terni Hydroelectric Complex¹.

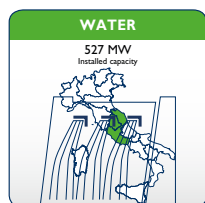
ERG Power Generation S.p.A., with generation facilities for over 3,000 MW of installed capacity, also operates directly or through its subsidiaries in the following electric power generation sectors:



Wind

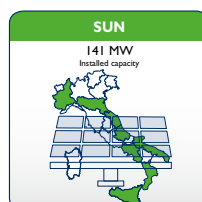
ERG operates in the wind power generation sector with 1,967 MW of installed power as at 31 December 2020. ERG is the leading wind power operator in Italy and one of the top ten in Europe.

The wind farms are mainly concentrated in Italy (1,093 MW), but with a significant and growing presence abroad (874 MW operational), mainly in France (397 MW), Germany (272 MW), Poland (82 MW), Romania (70 MW) and Bulgaria (54 MW).



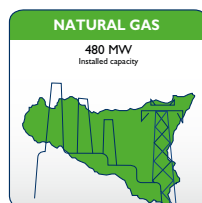
Hydroelectric

ERG is active in the generation of electricity from hydroelectric sources through an integrated portfolio of assets consisting of 19 power plants, 7 dams, 3 reservoirs and one pumping station, located in the Umbria, Marche and Lazio regions, linked by a network of rivers and canals of over 150 km with a capacity of 527 MW.



Solar

ERG is active in the generation of electricity from solar sources, with an installed capacity of 141 MW in its 33 photovoltaic plants located in 9 regions in the North and the South of Italy.



Thermoelectric

ERG is active in the generation of electricity from thermoelectric sources through the CCGT "Centrale Nord" plant (480 MW) at the industrial site in Priolo Gargallo, Syracuse, Sicily. This is a high-efficiency, low environmental impact cogenerative power plant (HEC), which uses combined cycle technology fuelled with natural gas. It entered commercially into operation in April 2010 along with other ancillary plants for the production of steam and, to a lesser extent, of other utilities.

(1) Staff from the ERG Hydro subsidiary provides maintenance for the plants of the Terni Hydroelectric Complex.

TOTAL: 3,115 MWWind: **1,967 MW** (1,093 MW Italy and 874 MW Abroad)Solar: **141 MW**Hydroelectric: **527 MW**Thermoelectric: **480 MW**in construction/RtB: **336 MW**UK: **249 MW**Poland: **60 MW**France: **27 MW****FRANCE**

Wind: 397 MW

ITALY

Wind: 1,093 MW

Solar: 141 MW

Hydroelectric: 527 MW

Thermoelectric: 480 MW

GERMANY

Wind: 272 MW

POLAND

Wind: 82 MW

ROMANIA

Wind: 70 MW

BULGARIA

Wind: 54 MW



Wind farm



Solar farm



Hydroelectric plant



Thermoelectric plant



Offices

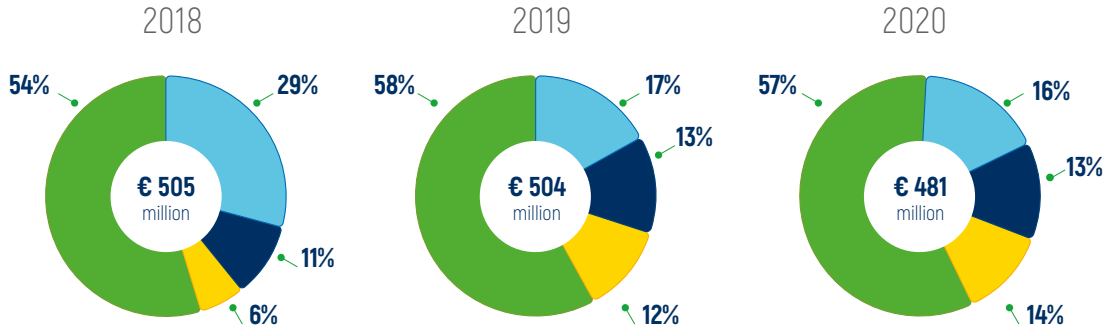


Logistic centre

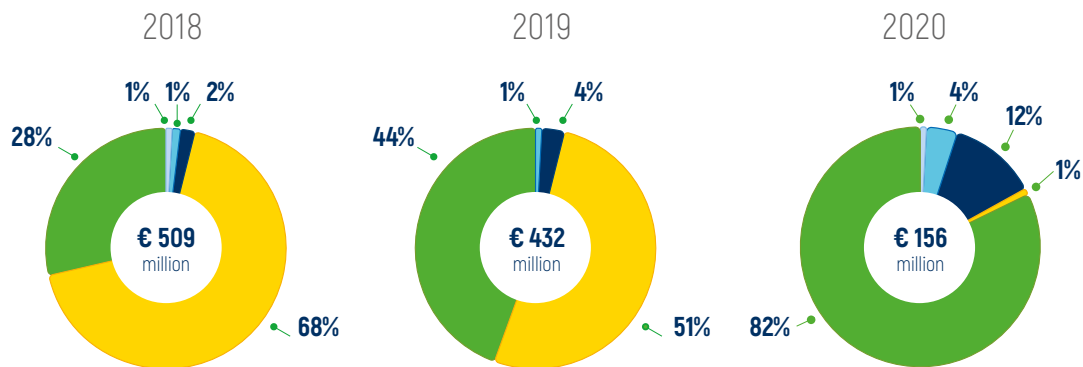


KEY ECONOMIC AND SUSTAINABILITY INDICATORS

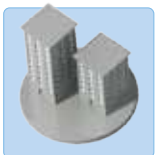
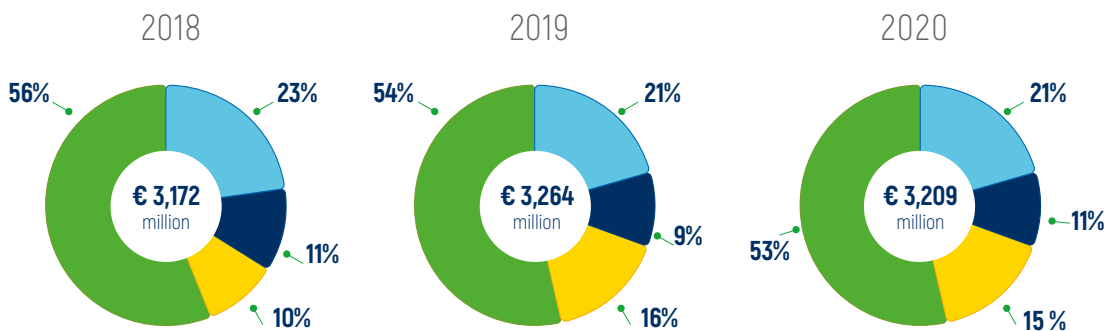
EBITDA



INVESTMENTS DURING THE YEAR



INVESTED CAPITAL (adjusted)



CORPORATE



HYDROELECTRIC



THERMOELECTRIC






SOLAR



WIND

Tackling climate change

OBJECTIVES 2018-2022	2020 ACTUAL	
Avoided CO ₂ : 15 m tons Carbon Index ⁽¹⁾ : down 14% to 2022	More than 9 million tons of avoided CO ₂ (2,983 kt in 2020) Carbon index -4.7% (0.15 kgCO₂/kWh as at end 2020)	
Continuous efforts on extracting value from our technology	64.71% CCGT plant HEC performance index 90% of indirect consumption supplied by "green" energy	
Enhancing our integrated generation portfolio	2,636 MW installed capacity in renewable energy plants 89% of the invested capital	

(1) The carbon index (gCO₂/kWh) shows the quantity of CO₂ contained in every kWh produced.

People enhancing

OBJECTIVES 2018-2022	2020 ACTUAL	
New leadership model Human Capital Coverage	Human Capital Coverage +4% compared to 2018 More than 29 thousand training hours, 77% of training on technical and managerial topics, 95% of our employees	
Skills development	Power of Diversity project supported by Valore D	

Sustainable thinking sustainable acting

OBJECTIVES 2018-2022	2020 ACTUAL	
Integration of HSE certifications according to ONE Company Model	100% ISO 14001 and/or ISO 45001 certified Italian and German companies consistent with their activities	
Technological development	Repowering & reblading projects for our wind farms	
CDP reporting Consolidating relations with communities	CDP Climate Change - Rating A- ESG rating & indexes Sustainable Procurement and Suppliers Code of Conduct	



SUSTAINABLE DEVELOPMENT GOALS

SDGs (Sustainable Development Goals) are the goals for sustainable development defined in 2015 by the United Nations

Green bonds and 25% subscription by ESG funds

Over the last two years, we have modified our financial structure from Project to Corporate financing, through major "Liability Management" transactions and the issue of two Green Bonds, in April 2019 and in the September 2020. This has allowed us to rebalance the weight of corporate debt, which has become predominant with respect to project financing debt. The two green bonds were intended to be used to refinance wind and solar projects that have recently entered the ERG Group's portfolio and to finance new wind energy projects in the United

Kingdom and other European countries.

The second green bond, for EUR 500 million, fixed rate and with a seven-year term, was issued in September 2020. The issue was very successful, being six times oversubscribed, receiving applications from top standing investors from many geographical areas, with significant participation by green and sustainable investors, which subscribed approximately 25% of the issue. In December, we completed the placement of a new bond loan for EUR 100 million ("Tap Issue").

ERG'S RESPONSES TO THE HEALTH EMERGENCY

The national and international context

At the end of January 2020, the World Health Organization declared Covid-19 a public health emergency of international concern, and characterised it as a pandemic on 11 March 2020.

Italy declared a state of emergency and enacted strict control measures, initially only in the Lombardy region and northern Italy, and subsequently throughout the country. Other European countries in which the ERG Group operates, including the UK, France and Germany, have followed Italy's same path – albeit with different timings and procedures – gradually suspending all activities other than services deemed essential and public utility services, including the supply of electricity.

In June 2020, Italy gradually eased its restrictions following a decrease in the number of cases recorded in the first phase of the pandemic, while maintaining a very high level of alert and attention. This made it possible to resume operational, social, and recreational activities throughout the country in a monitored and safe manner. After this second phase, between October and November 2020, specific decrees were issued to fight the new increase of Covid-19 contagions in Italy, again providing protocols and guidelines against contagion for essential economic and productive activities.

The most significant change was breaking down the country into several risk areas (classified as yellow, orange, and red), which mainly affected the population's freedom of travel. However, travel was allowed for operations such as ours, subject to different rules depending on the region's risk classification. The decree also reiterates the strong recommendation that private employers use remote working where possible.

ERG's rapid and effective measures

Remote working

At the first signs of emergency, ERG promptly took action, putting in place all the necessary measures to ensure its employees' health and the operational continuity of its assets in safe conditions. The main organisational measure, also recommended by the authorities, was remote working, introduced before required by law, and applied to all working days of the week and to all the Group's offices in Italy and abroad, involving over 70% of the company's workforce. This means all staff with "white-collar" functions, only excluding staff involved in plant operation and maintenance, to safeguard operational continuity and safe management of company assets.

The remote working option is now applied to all employees for all working days of the week until 31 March 2021.

Operational continuity

In compliance with the authorities' instructions and as agreed with the trade unions, we very carefully managed the staff employed at our production sites, by adopting two main lines of safety measures:

- organisational measures to ensure social distancing and reschedule operations and logistics;

- prevention and protection measures including training and information programmes, personal protective equipment, personal hygiene measures, and workplace cleaning/sanitation.

Therefore, we incorporated the updated safety protocols into the Risk Assessment Documents (DVR) of the Group's companies and adapted our internal procedures.

At the Supply Chain level, we put in place all the appropriate actions needed to ensure the operational continuity of all the production assets both in Italy and abroad, through a structured approach to Business Continuity Management and by defining supply plans, identifying backup providers for all the main components and the main services.

Handling the emergency within our organisation

Concerning governance, we immediately set up a Task Force within the company's top management, as required by our Crisis Communication Management Policy. At the peak of the crisis, top management met daily to review the situation, ensure they were up to date and ready to revise priorities daily, and promptly respond to any contingency.

Our People

As proof of the effectiveness of our measures, we safeguarded the health and safety of the Group's employees and throughout the entire period of the health emergency never shut down operations at any of our production sites in Italy or abroad, nor were there any cases of transmission in the workplace.

Moreover, we did not implement or plan any staff downsizing, nor did we resort to state temporary layoff benefit schemes or forced reduction of working hours. Instead, between March and December, the Group hired 50 new people and also launched a health insurance policy against Covid-19 for all employees.

Management process audit

To confirm the soundness of our approach and of the procedures we adopted, we submitted our pandemic management approach to an external audit, focusing in particular on whether we properly implemented current regulations into the company protocols issued to fight the disease and properly implemented the regulations in force, including regional ones, in company's protocols in the field.

RINA, an external body, carried out the audit in November 2020 and found that ERG's management of the emergency was good, identifying only a few suggestions for improvement that we implemented very rapidly.

Supportive energy: supporting communities

We are continuing to support the local areas in which we operate, allocating financial resources to meet the most urgent needs of healthcare facilities.

In brief, ERG's response to the Covid-19 crisis closely reflected its business model, which has always focused on creating and sharing sustainable value for shareholders, employees and the community in general.

As on many other occasions, when the Group has supported local communities in difficult times such as the floods in Genoa, the earthquake in Umbria and the collapse of the Morandi Bridge, the

solidarity of the company and its people was not long in coming. ERG allocated EUR 2 million to support the areas affected by the Covid-19 emergency, with a view to providing material support for the most urgently required healthcare facilities.

In addition, on a proposal from the internal Social Partners, the Group's employees have donated a total of 2,300 hours of work, the corresponding amount being destined in favour of the Civil Protection Agency.

San Quirico S.p.A., the Company's controlling shareholder, donated EUR 1 million to Genoa's front-line hospitals engaged in the healthcare emergency.

Economic and business environment

We have constantly been monitoring the actual and potential impacts of the Covid-19 emergency on the Group's operations, financial position, and results of operations, as required by European market authorities.

Particular focus is given to developments in the macroeconomic and electricity scenarios, in terms of trends in demand and in electricity and gas prices, and the assessment of the credit risk and liquidity risk.

The international healthcare crisis has led to a significant overall downturn in electricity demand as regards all the reference markets, due above all to the restrictions imposed on many of the production

activities, with procedures that differ from country to country. In this context, electricity spot prices have posted significant decreases in all the Group's countries of operation. However, for the period analysed, the effects on the Group's results are considered relatively limited thanks to the significant incidence on revenues of regulated remuneration systems and RES production, as well as Clean Spark Spreads linked to thermoelectric production, which were subject to forward sale in previous years, in line with the Group's three-year hedging policies. Please refer to the report on operations for more details on market trends in 2020.

Furthermore, in May 2020 the Fitch ratings agency confirmed for ERG S.p.A. a Long Term Issuer Default Rating (IDR) of BBB- with stable outlook and a senior unsecured rating of BBB-.



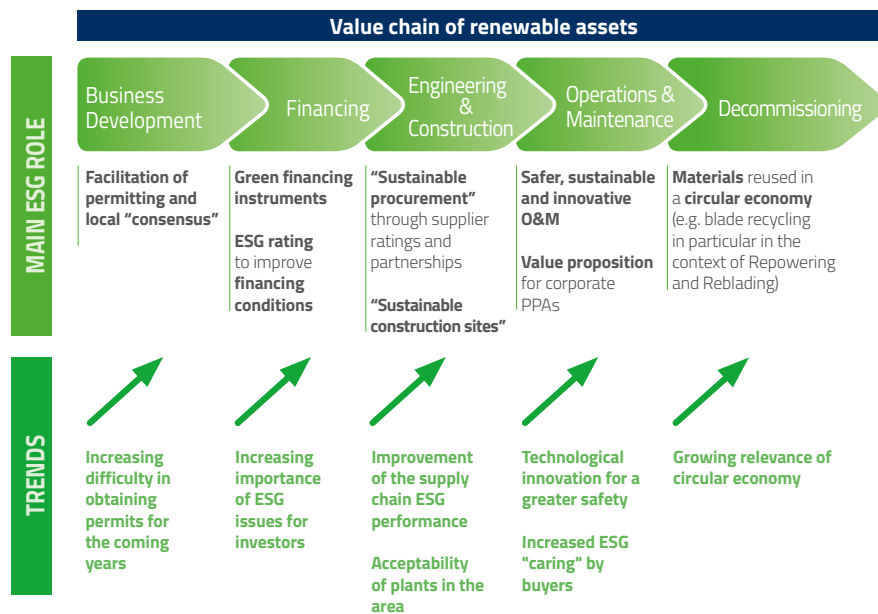
THE GOVERNANCE OF SUSTAINABILITY

Managing our business sustainably and responsibly means not only creating value and complying with laws and regulations but also developing constructive relations with anyone who is directly or indirectly affected by our initiatives: our “stakeholders”.

The Code of Ethics, first adopted in 2004 and now in its fifth edition is the vehicle we use to express our principles and represent our wish to invest in transparent dialogue. This is the cornerstone of our approach to business, which guides, evolves, and supports the development of our business initiatives. This important document is accompanied by the Sustainability Policy and the Human Rights Policy approved by our ESG Committee, previously the Sustainability Committee.

SUSTAINABILITY IS A COMPLEMENTARY LEVER ACROSS THE ENTIRE VALUE CHAIN: THE REORGANISATION AT ERG

The coming decade’s great climate change challenge requires a rapid and radical response from all individuals, institutions, the financial community and businesses. In this scenario, institutional investors are also reassessing the foundations of modern finance, paying increasing attention to sustainability and environmental, social and governance (ESG) issues, favouring the businesses most committed to this challenge in their choices. In particular, sustainability is becoming complementary leverage across the entire value chain, and ESG initiatives are increasingly a constituent element of business strategy. To address this crucial challenge, since July 2020, our Corporate Social Responsibility office has been merged into the new Investor Relations & CSR department, the purpose of which is to develop and oversee the Group’s CSR plan and all its CSR initiatives while ensuring that the Group’s value is fully disclosed to the financial community.



Strengthening the ESG Committee: the ESG Committee’s role has been expanded to give greater relevance to ESG issues, increasing the frequency of its meetings from every six months to every two months in order to make it more involved in defining the ESG Plan and ESG initiatives.

The ESG Committee directs, plans, and supervises the implementation of ESG objectives, and specifically:

- defines the Group’s sustainability guidelines in the medium-long term and promotes consistent practices in the field of corporate social responsibility;
- approves the ESG Initiatives Plan as a constituent part of the Group’s Business Plan, oversees its execution, reaching objectives and the priority intervention areas;
- approves the Communication Plan addressed to both the external audience and to employees, and promotes the plan’s ESG initiatives, enhancing its increasing strategic relevance;
- manages the preparation and dissemination of the

“Non-financial Report” (NFR) and other reporting methods related to ESG issues.

The ESG Committee members are: the Chairman, the CEO, the Executive Deputy Chairman, all first reports to the CEO, the Head of Human Capital & ICT, the Head of Communication, and the Head of IR & CSR.

In 2020, the ESG Committee met twice to define the strategic guidelines and objectives of the ESG Plan. We will integrate the ESG Plan into our 2021–25 Strategic Plan and approve it during the first half of 2021 to update the materiality analysis, define key ESG initiatives, and monitor ESG rating outcomes. During the year, the Committee also received updates on the implementation of sustainable procurement for a supply chain in line with our ESG goals. The ESG Committee also acted as the “Green Bond Committee,” selecting projects to be funded with Green Bond proceeds, also concerning the Green Bond Framework. The Committee also provided guidelines for sustainability reporting and preparing the Non-Financial Report (NFR).

The Committee is supported by the IR & CSR function, which is tasked with:

- overseeing the definition of the ESG Plan and periodically checking its progress;
- assessing the need to make changes or additions to the plan in line with changes in the context, proposing any required changes to the ESG Committee;
- monitor reporting of the plan as part of the Non-Financial Report, set out in line with international standards;
- operationally implementing the CSR-related orientations identified by the ESG Committee within the Group.
- defining and periodically updating the guidelines for compiling the information required by ESG rating agencies to ensure uniformity, communicability, and quality of information.

Our cross-department CSR Working Groups, enhance the management and sharing of sustainability-oriented activities, by:

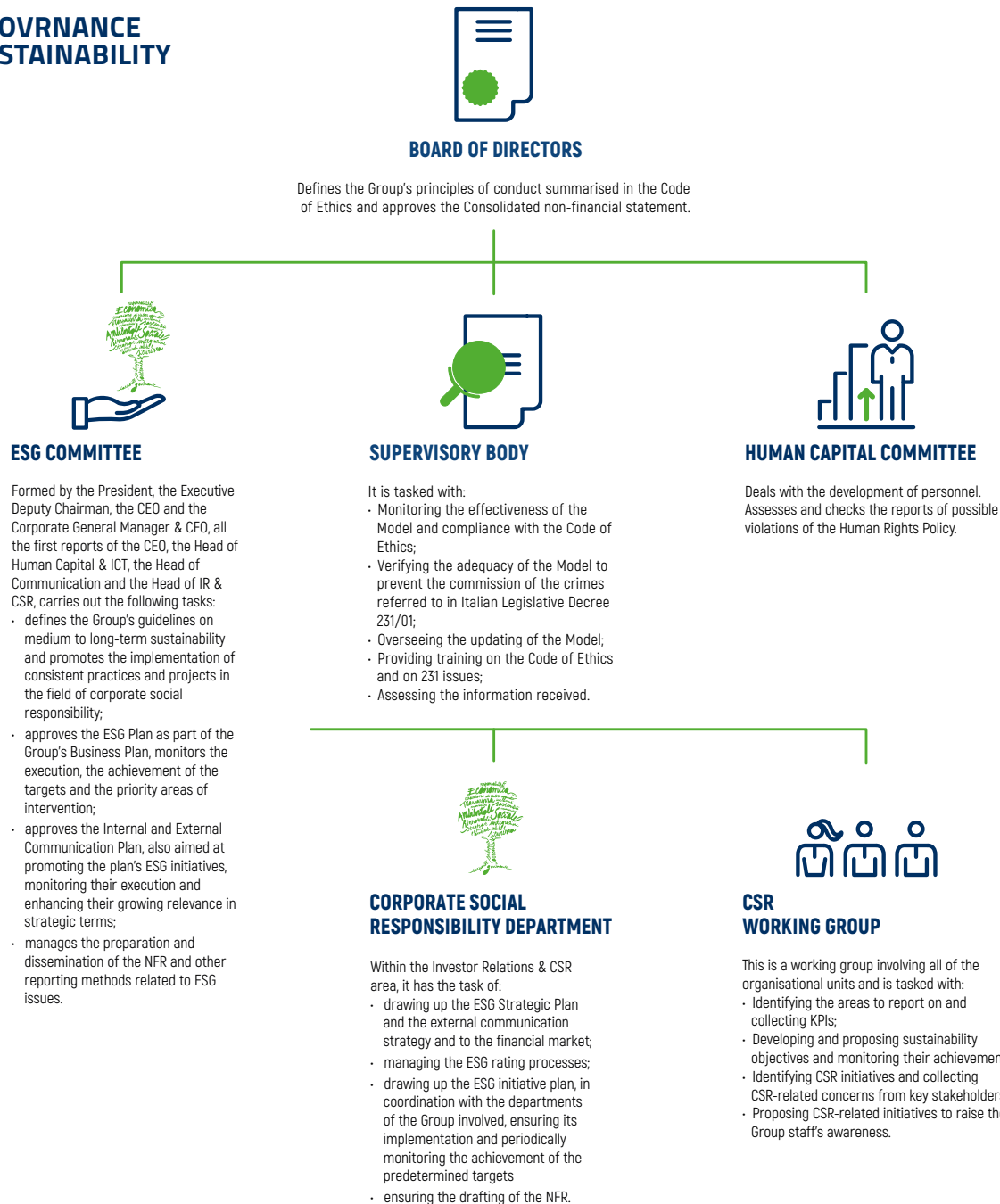
- identifying the reporting areas of the report;

- identifying and monitoring the ESG initiatives included in the Plan;
- defining the Key Performance Indicators (KPIs) to represent the Group's activities;
- identifying initiatives and collecting requests from the main stakeholders to give them appropriate consideration in the Sustainability Report.

The Sustainability management system is further supported by:

- the Supervisory Committee, established pursuant to the 231 Model. This Committee is set up in all of the Group's Italian companies and acts as an Ethics Committee;
- the Human Capital Committee, which, as well as overseeing ERG's employees' growth and development, verifies any reports of possible violations of the Human Rights Policy.








THE GOVERNANCE OF SUSTAINABILITY













2018-2022 ESG PLAN

In 2018, in conjunction with the 2018-2022 Business Plan presentation, the ESG Committee defined and approved the Group's sustainability commitments. The ESG objectives respond to the need to have an increasingly solid integration between industrial strategy and sustainability. Confirming this, each year we report the implementation status of

our commitments in line with the SDGs (Sustainable Development Goals) defined by the United Nations in 2015. Thanks to this constant monitoring process, we can analyse and highlight the degree of contribution that our activities make towards reaching broader sustainability objectives able to generate a positive impact in the world in which we live, to the benefit of future generations.

UN SDGs	Areas of commitment - 2018-2022 period	Status at 31/12/2020
   	GOVERNANCE, ETHICS AND SUSTAINABILITY APPROACH	
	Pursue the internal and external dissemination of the Group's principles expressed in the Code of Ethics, the Sustainability Policy and the new Leadership Model.	Code of Ethics, Sustainability Policy and Human Right Policy at the core of our way of doing business.
	Update the Enterprise Risk Management (ERM) risk catalogue with the analysis of the new 2018-2022 Business Plan. Implement an ERM risk dashboard with specific Key Risk Indicators (KRI) for their ongoing monitoring.	Group Risk Catalogue updated. In 2019, the assessment of the risks and opportunities generated by Climate Change was implemented according to the TCFD approach. ERM risk dashboard updated to monitor any changes in the risk profiles set out in the Risk Catalogue.
	Keep the 231 Models of Italian companies updated. Implement an Anti-corruption Policy within the Group, by making the control system fully operational and continuously monitoring and training employees.	Risk assessment on regulatory changes that occurred during the year. An "Integrated Anti-Corruption Model" was adopted for all Italian and foreign companies in line with best practices. Anti-corruption policy and "key third-party due diligence" procedure updated.
 	BUSINESS STRATEGY	
	Consolidate the Group's business leadership in the production of electricity from renewable sources and increase the efficiency of all of its plants according to the development lines of the 2018-2022 Business Plan.	The increase in installed power continues thanks to the start-up of new plants in France (38 MW).
	SUPPLIERS	
	Consolidate a supplier qualification and assessment system, with particular attention to Health, Safety, Environment and Sustainability.	About 42% of new suppliers qualified on the basis of HSE parameters. Preliminary screening of the main suppliers carried out as part of the Sustainable procurement project.

UN SDGs	Areas of commitment - 2018-2022 period	Status at 31/12/2020
   	EMISSIONS AND WASTE <p>Group decarbonisation:</p> <ul style="list-style-type: none"> - avoid CO₂ emissions for a total of 15 Mtons during the plan period; - reduce carbon index of electricity production by 14%; - cover energy requirements with energy from renewable sources. <p>Implement activities to protect biodiversity in the areas where our plants are located.</p> <p>Reduce the amount of waste produced by processes by maximising the percentage of waste sent to be recycled also through the use of materials and substances ensuring better environmental compatibility.</p>	<p>During 2020 2,983 kt of emissions were avoided (more than EUR 9 million tonnes since 2018).</p> <p>The Group's energy production carbonisation factor is constantly decreasing: -4.7% since the start of the Plan period.</p> <p>90% of energy requirements covered with energy produced from renewable sources.</p> <p>Bird monitoring continues in our wind farms.</p> <p>Support to the activities of the WWF Oasis of Alviano.</p> <p>A recovery procedure for the waste produced by the grate cleaners and for use as a resource of the connection with Corbara Lake.</p>

UN SDGs	Areas of commitment - 2018-2022 period	Status at 31/12/2020
	SAFETY <p>Consolidate the safety culture inside and outside the company, pursuing the goal for zero accidents caused by safety deficits in plants and offices.</p>	<p>The Evolving Safety Project.</p> <p>No employee injuries occurred during 2020.</p> <p>A near-miss reporting system was promoted to increase prevention levels.</p>
 	PEOPLE <p>Define and implement training and development plans to increase the value of Human Capital Coverage (+3% at the end of the plan period).</p> <p>Improve working environments and the employee welfare system.</p>	<p>Human Capital Coverage +4% compared to 2018.</p> <p>In 2020, around 29,000 hours of training provided.</p> <p>95% of company staff took part in training courses.</p> <p>Around 77% of training concerned technical and managerial topics.</p> <p>"One Health" Project continues.</p> <p>Opening of a gym for Group employees in 2019.</p> <p>Pandemic management with reorganisation of operational processes to minimise the possibility of contact.</p> <p>Remote working implemented</p>
	COMMUNICATION <p>Make contact with and inform the Group's stakeholders in a complete, transparent and timely manner.</p>	<p>ERG received A- rating from CDP - climate change.</p> <p>ERG is listed on various sustainability indices and in many ESG ratings.</p> <p>Excellent performance in employer branding.</p>
 	COMMUNITY <p>Contribute to the development of communities through training activities at schools and universities and social responsibility initiatives at local level.</p>	<p>Activities were developed in local communities in keeping with the principles of the Sustainability Policy.</p> <p>"A tutta acqua!" and "Vai col vento!" were our leading projects for students living in the communities where our plants are located, transformed into a digital version.</p> <p>Due to the pandemic, many events in favor of schools and the public moved to digital platforms.</p>

TOWARDS A NEW ESG PLAN

In May 2021, ERG will approve its new five-year business plan, which will fully embody our ESG strategy. After carefully analysing recent developments in our operating environment, we have decided to implement an ESG plan with well-defined and measurable objectives in each of the four “pillars” that make up our ESG strategy:

- **Planet**
- **Engagement**
- **People**
- **Governance**

These “pillars” are consistent with our business model, address the inputs from the areas in which we operate, and are already the foundation of our 2020 reporting.

ERG has grown and will continue to grow in the field of renewables and in the pursuit of sustainability. It is now a leader in energy transition, decarbonisation, and the fight against climate change while constantly focusing on all its stakeholders.

In particular, our strategic choices will continue to be driven by the centrality of people, a further strengthening of our governance and the solidity of our relationships with the institutions, and local areas where we work. We will pursue this path with a business model designed to strengthen the Group’ sustainable growth and the areas in which it operates.

ERG’S ESG RATINGS AND SUSTAINABILITY AWARDS

Over the past few years, ESG aspects have become increasingly relevant to the financial community’s investment choices: the world’s largest asset managers now only invest in companies that comply with ESG criteria. Therefore, for their assessments, investors increasingly rely on the ESG ratings assigned to companies by agencies that specialise in collecting and analysing data on companies’ sustainability aspects. Moreover, a gradual alignment of credit rating agencies and ESG ratings is already occurring, which means that ESG ratings will become increasingly decisive to obtain access to the capital market.

In this context, the awards we received in 2020 from a number of leading international ESG rating agencies for our achievements in our business’s sustainability are therefore of utmost importance.

MSCI ESG Research promoted ERG to the AA rating, recognising the Group’s significant growth in the renewable energy sector. This progress has led us to become one of Europe’s top ten private operators in the RES sector, with more than 3 GW of installed capacity and a commitment to reduce our production’s carbon footprint by 15% by 2022 compared to 2018.

We have been upgraded to an A- rating under the Carbon Disclosure Project’s (CDP) **Climate Change** programme, which assesses quantitative and qualitative information on companies’ strategies in combating climate change. ERG is ranked in the Leadership bracket, which groups together all companies that adopt the best practices in the fight against the climate crisis.

Vigeo Eiris confirmed ERG’s Advanced rating, the highest on its assessment scale. The rating company rewarded the functionality of our corporate strategy with respect to the energy transition processes, particularly concerning the fight against climate change, our governance, our risk analysis system, as well as various aspects concerning human resources. Besides, with a score of 88/100, we came first in the ranking of companies for reporting on the impact of climate change on their operations, according to the assessments made by Vigeo Eiris based on the guidelines of the TCFD (Task Force on Climate-related Financial Disclosures).

For the third consecutive year we have been confirmed in the **Ethibel Excellence Investment Register**, which includes companies with CSR performance above the average for their sector, and we have been included in the Ethibel Pioneer Register, which includes companies that are leaders in ESG activities within their industry.

We are also a component of the **ECPI Global Clean Energy Index**, which includes the 40 highest ESG-rated companies active in renewable energy production and trading.

These recognitions confirm the validity of our corporate strategy, focused on the creation of sustainable value for all our stakeholders, and reward our commitment to ESG, as well as the value of ERG’s social responsibility policy.

Rating Company	Rating
	
	
	75/100
	
	
	23.1 Medium Risk
	EE+
	
	78/100

CPD 2020: ERG obtains A- rating and joins the Leadership category

The Carbon Disclosure Project (CDP) is an international non-profit organisation that monitors the management of the private sector's environmental impacts and steers companies and governments towards reducing greenhouse gas emissions. Every year it publishes scores on reporting on climate change measures.

This year we have improved our rating, returning to an A- rating and thus ranking among the 25 Italian companies in the "Leadership" bracket. ERG is among the companies that adopt the best practices, in line with the COP21 Paris Objectives, placing itself above the

European average (rating C) and the average of companies that produce energy from renewable sources (rating B). CDP's upgrade is an important recognition of our ongoing commitment, in line with our new 2021-2025 ESG Plan to build a sustainable development model and combine economic performance with the reduction of CO₂ emissions.

Our business strategy views the development of renewable energy, respect for the environment and transparency towards our stakeholders as key elements in combating climate change.

2019 **B**

2020 **A-**



THE GROUP'S MANAGEMENT SYSTEMS

We believe that our activities' full compatibility with the health and safety of workers, the local area, natural resources, and the environment is a priority not only to achieve our development objectives, but also to establish stable and sustainable relationships with the areas in which we operate.

This is why we constantly strive to ensure that all the companies in the Group fully comply with the health and safety of both internal and third-party company staff and the environment in its broadest sense. We carefully consider these factors right from the preparation of investment and strategic plans, encouraging the adoption of technologies that safeguard the environment and promote energy efficiency.

Our approach is based on our Code of Ethics, Sustainability Policy, and Health, Safety and Environment (HSE) Policy. It includes policies for the protection and development of Human Capital and the environment, as well as processes and procedures that are certified under recognised standards, supported by the adoption of Health, Safety and Environment Management Systems.

We pay great attention to the processes within our production sites, and our management integrates and gives equal consideration to environmental and safety criteria. The joint management system aims to harmonise and simplify all the "transversal" processes relevant to safety and environment, preserving the technological differences of the operating areas.

We have adopted an integrated HSE management system for all our technologies:

- each Group company refers to a single HSE policy, which draws on the principles contained both in the Group's Code of Ethics and in the Sustainability Policy;
- the company's managers handle the operational implementation, ensure the correct implementation of the system also concerning third parties, and are responsible for compliance with regulations.

At the end of 2020, we implemented Integrated Environment, Health and Safety Management Systems compliant with ISO 14001 (Environment) and ISO 45001 (Health and Safety) in Italy and Germany and we plan to gradually extend them to other countries as well. The certifications cover all activities we carry out in Italy and Germany. In particular:

- environmental certification under ISO 14001 covers over 80% of our installed base and over 59% of our people;
- health and safety certification, updated in 2020 according to ISO 45001, covers over 80% of our installed base and about 91% of our people.

In addition, the Italian design, construction, Operation & Maintenance in the Wind sector operate under ISO 9001 (Quality) certification.

Besides holding environmental certifications, ERG Power's thermoelectric plant and ERG Hydro's hydroelectric complex have also obtained EMAS (Eco-Management and Audit Scheme) registration, under European Regulation EC 1221/2009, on the basis of which they draw up an annual Environmental Declaration in which they report on their environmental objectives and performance.

ERG S.p.A.
ISO 45001

ERG POWER GENERATION S.p.A.

Wind & Solar: ISO 9001, ISO 14001, ISO 45001

Thermo: ISO 14001, EMAS, ISO 45001

Hydro: ISO 14001, EMAS, ISO 45001

ERG GERMANY

Wind: ISO 14001, ISO 45001



Adoption of an integrated HSE system in Germany

In just one year, ERG Germany's employees have succeeded in defining and implementing a robust HSE Management System for Safety (ISO 45001) and Environment (ISO 14001) within their operations. With this achievement, the German site joins ERG's certified wind fleet.

It sets the course for further safety evolution: this systematic and disciplined approach creates an organisation built around best practices and increased efficiency, helping to proactively prevent risks instead of counteracting them once they are detected.



METHODOLOGICAL NOTE

The 2020 edition is the 14th edition of ERG Group's Sustainability Report and the fourth edition of the Consolidated Non-Financial Report (hereinafter also called the "Non-Financial Report", "NFR" or "Sustainability Report") prepared in accordance with Art. 3 and Art. 4 of Legislative Decree 254/2016 as amended (hereinafter also "Legislative Decree 254/16" or "Decree 254"). It contains information on environmental and social issues, those on personnel, respect for human rights and the fight against corruption, to the extent useful for providing an understanding of the business conducted by the ERG Group, its performance, its results, and the impact produced. Furthermore, the Sustainability Report describes the main risks, both generated or sustained, related to these topics and due to the company's business.

This report focuses on aspects more strictly related to our Group's CSR (Corporate Social Responsibility). The economic and governance issues, of which we provide an overview herein, are covered in depth in other official documents, published and available on the Group's website www.erg.eu (ERG Group Consolidated Financial Statements, Report on Corporate Governance and Ownership and other public documents).

The data and information has been gathered under the supervision of the ESG Committee through the Corporate Social Responsibility Department and involves all the Group's companies and departments.

The NFR was submitted to the Control and Risk Committee on 03 March 2020 for examination and assessment and was then approved by ERG S.p.A.'s Board of Directors on 11 March 2020. This document was subject to an opinion of conformity ("limited assurance engagement" in accordance with the criteria of principle

ISAE 3000 Revised) by KPMG S.p.A. The audit was conducted according to the procedures indicated in the "Independent Auditors' Report", included in this document.

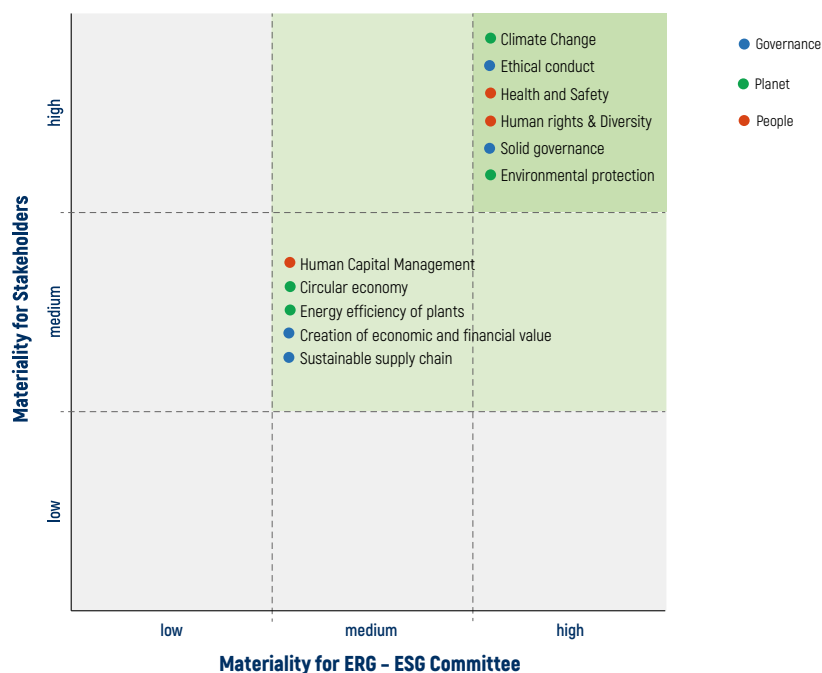
MATERIALITY ANALYSIS

Non-financial reporting reflects the principle of materiality or relevance, as provided for by reference legislation and formalised by the GRI Standards: the topics considered within this Report are those that, following the materiality analysis and assessment, were considered "material", or such to reflect the social and environmental impacts of the Group's activities or influence the decisions of its stakeholders.

In 2020, in line with the GRI Sustainability Reporting Standards, we updated the materiality matrix to confirm or review the relevant topics following the internal analysis of requests from investors and ESG rating companies, and a benchmark analysis with sector companies.

We submitted the issues thus identified to assessment by ESG Committee members, ERG managers and senior managers (employee stakeholders), financial analysts and institutional investors (financial and investor stakeholders), peers and sector experts (partners), and suppliers. The evaluations were based on an online questionnaire in which the relevance of the individual issues was assessed by a grade from 1 to 10.

The analysis results substantially confirmed the topics identified previously and identified Human Rights & Diversity as a new material topic. The materiality matrix was submitted for assessment and approval by the Sustainability Committee.



METHODOLOGICAL PRINCIPLES

This Consolidated Non-Financial Report was drawn up in compliance with the "GRI Sustainability Reporting Standards" defined in 2016 by the GRI (Global Reporting Initiative) according to the "Core" option and subsequent updates, and includes the information required by the GRI-G4 "Electric Utilities Sector Disclosures", specifically for companies in the utilities sector. The GRI Standards are now the most widespread and recognised standards of non-financial reporting at the international level and were identified by ERG as the "reference standards" for fulfilling the obligations pursuant to Italian Legislative Decree no. 254/2016. We have included the "GRI Content Index" in the "Content Index" section of this document to help readers locate the necessary information for clear and accurate understanding of the reporting.

In drawing up the NFR, we also referenced the European Commission's "Guidelines for the communication of non-financial information" and "Guidelines on non-financial reporting: Supplement on reporting climate-related information", which recalls the principles of the TCFD (Task Force on Climate-related Financial Disclosure).

The scope of the financial data is the same as that of the Consolidated Financial Statements of the ERG Group comprising ERG S.p.A. and its fully consolidated subsidiaries (hereinafter also "ERG Group" or "Group"), referring to the year ended 31 December 2020 (reporting period from 1 January to 31 December 2020). No significant changes are indicated relating to the scope and the ownership structures during the reporting period. In any case, for details regarding these two aspects reference may be made to ERG Group's Annual Report at 31 December 2020 and to the Report on Corporate Governance and Ownership.

Concerning the quantitative information illustrated in this document, the following should be noted:

- the main atmospheric emissions generated by ERG Power's CCGT plant are determined by means of continuous measurements at the emission points and, where necessary, by means of discontinuous measurements supplemented by estimates that take into account both the combustion systems and the fuels used; its CO₂ emissions are certified by an independent third party, as required by current EU-ETS regulations;
- the emissions generated by the supply chain (the so-called Scope 3 emissions) generated by capital goods (Wind) were estimated using as a reference the coefficients extracted from the LCA

(Life Cycle Assessment) provided by manufacturers for certain types of turbines. Furthermore, the emissions generated by the construction of hydroelectric plant infrastructure between 1920 and 1950 were considered to have already been amortised over the years;

- emissions relating to the electricity acquired and resold to wholesalers and end clients have not been reported in line with the recommendations of the GHG Protocol - Appendix A - "Calculation of indirect emissions generated by acquired energy";
- "CO₂ avoided" - an indicator used to show the positive contribution of production from renewable sources to environmental improvement - was defined using a conversion factor aligned with common practice: the emission factor of the specific thermoelectric plants in the country of reference and published by Terna in the "electricity/statistics/international comparisons" section of their website, with reference to 2019;
- the operating parameters of plants are taken from their management and reporting systems.

If quantitative data are expressed in a manner that differs from the above, this will be expressly indicated in specific notes.

To enable the comparability of data over time and to assess the Group's performance trends, data for the last three years has been provided, where available.

Furthermore, to ensure the correct representation of performance and to guarantee the reliability of data, any estimates are based on the best available methods and are appropriately indicated. The Non-Financial Report is published annually. For information regarding the Non-Financial Report, please write to sustainability@erg.eu. This document is also available on the Group's website in the Sustainability section (www.erg.eu). In terms of sustainability, the ERG Group has begun an ongoing improvement process and defined its Sustainability commitments for 2018-2022, which were approved by the Sustainability Committee in July 2018.

These commitments, which are reported in accordance with the SDGs established by the UN, define the Group's strategic vision on sustainability and represent an operational tool guiding its actions in accordance with the new business plan presented in March 2018.

In this respect, in the "2018-2022 ESG plan" section of this document, a summary is provided of the main areas involving the Group's commitment to sustainability and their status at 31 December 2020.



Planet



Our key numbers

150 gCO₂/kWh
carbon index

2,983 kt
Avoided CO₂ (More than 9 million
tons of avoided CO₂ since 2018)

90%
green energy used

83%
waste to recycling

PLANET

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



15 LIFE ON LAND



CONTEXT

The international scientific community now agrees that climate change is a genuine threat to future generations and that it is largely the result of human activity.

This growing awareness is the result of the commitment of many, including non-governmental organisations, governments, institutions and companies that over the past decades have joined together to create policies and concrete actions aimed at protecting the climate and the environment at a global level.

Starting from the first United Nations Conference, held in 1992 as part of the "Earth Summit" in Rio de Janeiro, through the Tokyo Protocol in 1997, the European 20-20-20 package in 2007, the Paris Agreement of 2015 on the reduction of harmful emissions, we are now at the European Green Deal.

At this most recent stage in the development of its climate and environmental goals, Europe has decided to make its net harmful emissions reduction target even more ambitious, increasing it from a 40% CO₂ cut to a 55% cut from 1990 levels, by 2030.

With the Green Deal, the European Commission aims to eliminate net greenhouse gas emissions by 2050. To achieve this target, a gradual decarbonisation of the energy system is envisaged, as well as an increase in energy from renewable sources and the simultaneous elimination of coal. In fact, the production and use of energy in the various economic sectors accounts for over 75% of the EU's greenhouse gas emissions.

Europe can play a leading role in achieving zero climate impact and our mission, our commitment to renewable energies and our research and innovation capacity mean that we at ERG believe we can facilitate the energy transition and effectively contribute to achieving international decarbonisation targets. To achieve the objectives, we will have to invest in technological solutions, involve citizens, harmonise interventions in key areas such as industrial policy, finance and research, ensuring social equity for a fair transition - all areas in which ERG has experience and will play its part.

It is now firmly established that sustainability is at the heart not only of the strategies of each individual company but also of governments themselves. A glaring example is the fact that the G20, which will meet in Rome on 30-31 October 2021, has identified its priorities in three pillars of Sustainability: Planet, People and Prosperity, reflecting the increasing attention there has been in recent years to ESG issues.



The National Energy and Climate Plan - NECP

As established by the Clean Energy Package adopted by the European Union, every Member State has committed to sending Brussels a National Energy and Climate Plan, proposing its path towards decarbonised energy production to 2030, in line with the overall targets of the Union.

It is possible, and actually probable, that the targets set in the NECPs of the various countries have already become insufficient in the face of progressing climate change and therefore must soon be revised.

But, as things stand, the final version of Italy's NECP has the following main objectives:

- 30% of energy from renewable sources in gross final energy consumption;
- 22% of energy from renewable sources in gross final energy consumption in transport;

- 1.3% per year (indicative) of incremental energy from renewable sources in gross final consumption for heating and cooling;
- a reduction of least 33% of greenhouse gas emissions for sectors not included in the Emission Trading System compared to 2005 emissions;
- at least 10% of electric interconnection with bordering states;
- an indicative target of 55% for renewable energy as a percentage of gross final electricity consumption;
- confirmation of the planned withdrawal from coal-fuelled electricity generation by 2025.

However, the Italian NECP, just as the Plans of the other member states, will have to be revised in the next two years, adopting more stringent objectives and strengthening its tools to adapt it to the new and more challenging objectives set by the European Green Deal.

European Green Deal

The European Union launched the European Green Deal to become the first continent in the world to have no negative impact on climate. This means that the Union aims to zero net atmospheric carbon emissions from all sectors by 2050. Since this process will require substantial investment and the energy transition will also entail costs for individuals and households, it will be important to implement arrangements for a fair and socially equitable transition so that no European region or citizen is left behind.

Among the 47 key actions that will make up the European Green Deal, some directly affect the energy industry. In particular, increasing the general greenhouse gas reduction target for 2030 to 50%–55% versus the current 40% of the Clean Energy Package – to achieve carbon neutrality (zero net CO₂ emissions of manmade origin) by 2050.

The policy to achieve this new objective must be revised by June 2021, starting from the Emission Trading System, i.e., the emissions exchange market (which will be extended to new sectors), the

reduction of emissions in all sectors and the regulation of the farming and forestry chain.

The European Union will also revise the directives on renewable sources and energy efficiency, already the subject of public consultation, again by June 2021.

In 2020, a strategy was launched to address energy system integration and the development of hydrogen produced from renewable electricity.

Existing infrastructure will also have to be upgraded to adapt it to the purpose, while the National Integrated Energy and Climate Plans (NECPs), approved in 2020, will have to be revised in 2023 to adapt them to the new targets set by the European Green Deal. The EU is scheduled to review the Environmental and Energy State Aid Guidelines by the end of 2021, while an environment-oriented revision of the Energy Taxation Directive is scheduled for June 2021. It will probably be linked to a carbon border adjustment mechanism for sectors not subject to measures for the reduction of carbon leakage risk contained in the ETS (e.g. free quotas).

GRADUAL DECARBONISATION OF OUR PRODUCTION PORTFOLIO

Our Group has been in the energy business for over 80 years. Over this long period of time, the sector has experienced profound and rapid change, but, as our history shows, we have been able to stay ahead of the times and evolve proactively, thanks also to our business's sustainability.

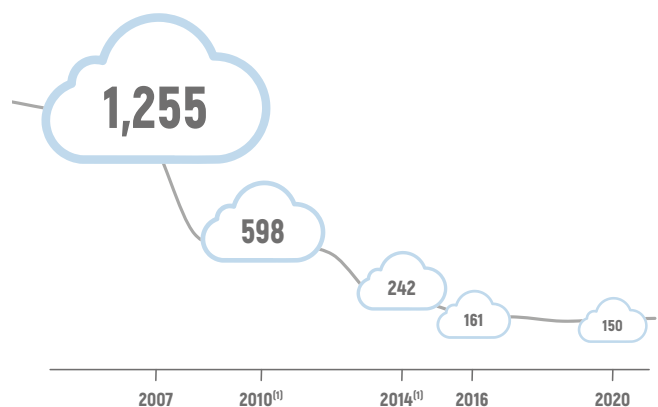
The ERG Group is a leading independent operator in the production of electricity from renewable sources: wind, solar, hydroelectric and thermoelectric cogeneration with high efficiency and low environmental impact. We are the first Italian operator in wind generation in Italy and among the top ten in Europe, with a total installed capacity of over 3,000 MW and a production structure based on four different technologies: almost 2,000 MW in the wind sector, 141 MW in solar, 527 MW in the hydroelectricity sector and 480 MW in the natural-gas based high-yield thermoelectric cogeneration sector.

Once again, 2020 was another year of development and consolidation for ERG, confirming our position as leading operator in the field of power generation from renewable sources. A growth that continues in the wake of sustainability and that leads us to be a leading company today in energy transition and in the fight against climate change, able to reduce our Carbon Index (the amount of CO₂ released for each kWh produced) by 90% since our entry into renewable energy. Thanks to our green production (wind, hydroelectric and photovoltaic) we have avoided the emission of over 3 million tonnes of CO₂ every year, equivalent to over 800,000 round-trip Rome/New York flights.

As of the end of 2020, the carbon intensity of ERG's generation portfolio stood at 150 gCO₂/kWh which is less than half of the average intensity of Italian generation and about a quarter of that in Europe (source: Terna).

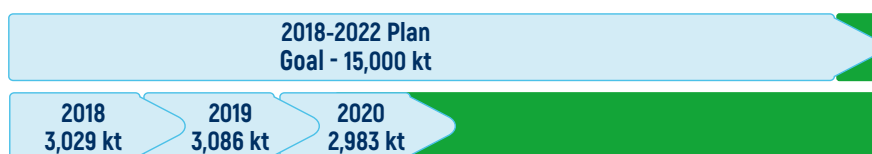
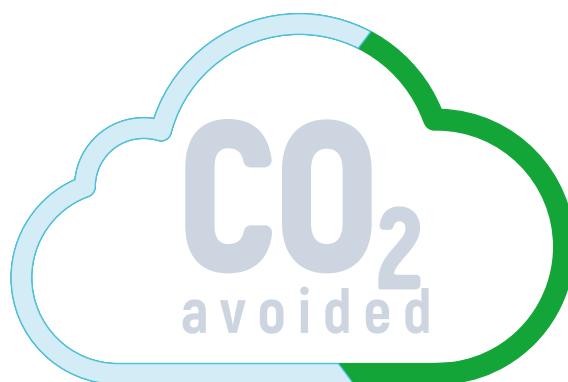
Moreover, in 2018, we approved a Business Plan consistent with the objectives of the Italian NECP particularly concerning solar and wind generation; it is completely focused on developing renewable energy sources (RES) for electricity: we expect our carbon index from 2018 to 2022 to decrease by a further 14%.

Carbon Index (gCO₂/kWh)



(1) The two points of discontinuity were caused by the entry into operation of the ERG Power plant to replace the pre-existing CTE plants in 2010 and the sale of the ISAB Energy plant in 2014.

Our production from renewable sources has also allowed us to avoid about 3 million tonnes of CO₂ emissions for a total of more than 9 million tonnes since 2018, the starting year of our current business plan.



To calculate the CO₂ emissions avoided, we used the gCO₂/kWh conversion factor published by Terna in its annual reports, referring to the thermoelectric power generation of each country.

Our emissions (kt)

EMISSION SOURCE	2020	2019	2018
CO ₂ CCGT emissions	1,147.50	1,154.80	1,008.40
Other Scope 1 emissions	0.49	1.30	1.40
Emissions from indirect energy consumption Scope 2 – Market based	1.30	1.40	1.50
Scope 3 emissions generate by wind capital goods	26.00	31.00	29.00
GROUP TOTAL	1,175.29	1,188.50	1,040.30

Scope 1 Emissions

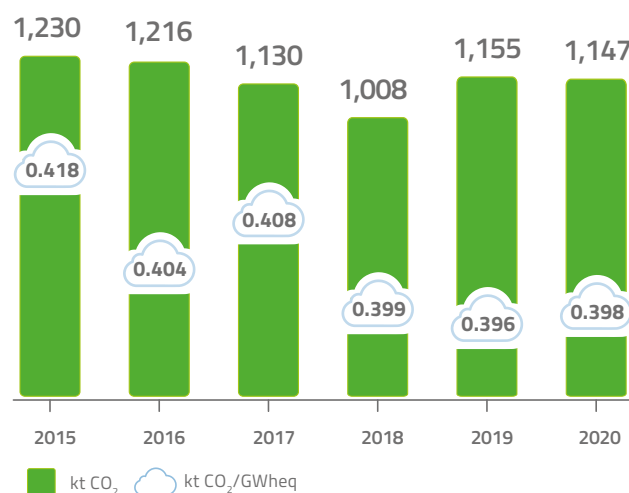
Almost all of our direct emissions ("Scope 1" emissions) result from the operation of ERG Power's CCGT plant.

In operation since 2010, the plant has a configuration that guarantees high yields and minimal emission levels in line with the Best Available Techniques (BAT) and well below the legal limits.

Over the years, the improvement processes have led to an increase in efficiency and a gradual reduction in emissions per MWh produced, which remain substantially constant over time by now.

As the plant is subject to the European TS regulation and does not benefit from the allocation of free allowances, the CO₂ emissions are certified by a third party and sent to the Italian Ministry for the Environment on an annual basis.

CCGT emissions



Other Scope 1 emissions are generated by:

- SF6 (sulphur hexafluoride) leaks from some high voltage equipment;
- F-gas (fluorinated gases) leaks from air conditioning systems;
- the use of company vehicles.

The values of these emissions are negligible (approximately 0.04% of total Scope 1 emissions).

Our other direct - vented emissions (NO_x - nitrogen oxides and CO - carbon monoxide) are generated by the combustion processes of

methane gas in our CCGT plant and are measured by continuous monitoring systems certified under standard UNI14181, which requires periodic maintenance and calibration, both by internal staff and by specialised companies, and final verification by external bodies.

In particular, the NO_x (nitrogen oxide) emission levels are well below legal limits and in line with the BAT, thanks to high-yield combustion units that reduce emissions. Thanks to the use of natural gas, there are no particulate emissions.

Green driving

Starting in 2020, consistent with the goal of reducing our emissions, we have adopted a policy of offsetting Scope 1 emissions generated

by company cars in Italy and France: in 2020, we offset 823 tonnes of CO₂ emissions through green funding projects.

Scope 2 Emissions

On the other hand, our indirect greenhouse gas (GHG) emissions from energy consumption are generated by the purchase of national grid electricity required to operate plants that are not generating, and by condominium services for offices.

In mid-2016, the ESG Committee approved a project to supply

renewable energy for all Group requirements where technically feasible. We have continued to pursue this commitment over the years with around 90% of our supply requirements met using renewable energy at the end of 2020, with estimated savings of around 12,800 tonnes of CO₂.

Green energy for our auxiliary consumptions

2016	2017	2018	2019	2020
51%	84%	86%	89%	90%

The reduction of Scope 2 emissions

Emissions can also be reduced by using energy more efficiently; to do so we have launched a project to replace existing lighting systems with new LED technology systems. The first step in this direction took place in 2016 in the Genoa offices and at the ERG Power plant.

During 2020, work was completed at ERG Hydro's headquarters in Terni, where the energy diagnosis studies made it possible

to improve the efficiency of the heating systems (removing the natural gas boiler and installing a new generation hybrid system), air conditioning, hot water, and lighting, and to install a photovoltaic system on the parking lot roofs.

Connecting the new systems to the grid will lead to savings of over 4.3 GWh per year, equal to about 2 thousand tonnes of CO₂.

Scope 3 Emissions

Emissions generated by capital goods - wind amount to 26 ktCO₂e and represent emissions generated by about 87% of the installed turbines (by number) equal to about 85% of production. It is much more difficult to estimate the emissions along the supply chain for the other technologies (hydroelectric and thermoelectric) since the plants are made up of many components from different suppliers, unlike wind farms which have a single supplier. In addition, some of the infrastructure at the hydroelectric plants was built between 1920 and 1950, so we can assume that their environmental impact has already been amortised over the years.

Other emissions originate from staff travel: the travel agency that manages travel is responsible for reporting them based on a certified methodology; it shows that indirect emissions in 2020 amount to approximately 0.2 kt of CO₂ (1 kt in 2019).

In the years to come, we expect to further reduce them thanks to:

- initiatives directly put in place by ERG;
- supplier selection processes introduced by ERG, which over the years will favour those with lower emissions, applying our "Sustainable procurement" project;
- emissions reduction initiatives that will be implemented by the suppliers themselves.

ENERGY EFFICIENCY

Energy efficiency in the operation of our plants is always a key concern. Optimising their producibility and availability enables us to maximise production, which in turn benefits our revenue.

The energy analysis carried out on our hydro plants and on our thermoelectric plant (the results of which were reported in the 2019 NFR) also showed that no energy efficiency improvements are required since the current practices already yield excellent operating performance.

Given our types of plants, direct energy consumption is very low: the thermoelectric plant is the only one that uses a primary energy resource: natural gas.

Indirect energy sources, typically the electricity needed to operate the plants and auxiliary services, is generally produced internally. It is only imported in exceptional cases:

- in renewable plants (wind, solar and hydroelectric) solely to ensure the continuity of electricity supply to auxiliary and safety systems when environmental conditions do not allow production;
- for our thermoelectric plant only to supply certain external services and in the event of plant downtime.

To minimise the consumption of energy resources, we have launched projects to identify opportunities to improve the efficiency of all our facilities both by improving current processes and adopting new and more modern and efficient technologies.



Plant management aiming at energy efficiency and extension of useful life

Wind

Building on our industrial approach, we have insourced Operations & Maintenance (O&M) operations for our wind power plants. The change has enabled us to acquire advanced knowledge of the assets that we have used in order to improve their performance, adopting a predictive maintenance approach. By monitoring the operating conditions of the wind turbine, we can identify the defect of a component directly at the source and thus bring forward any decisions on corrective actions to be taken.

Also, within a prevention perspective, by increasing our specific knowledge, we have developed a maintenance approach based on Condition-Based Maintenance. It is a “customised” preventive approach. In other words, we have defined preventive maintenance schedules for the turbines, customising the activities and maintenance cycles on the basis of our in-depth knowledge of the individual wind turbines, reallocating activities, times, and working methods.

To facilitate such customised preventive maintenance, we have installed sensors, veritable monitoring systems that together form a so-called Condition Monitoring System (CMS). We have installed such systems on most of our multimegawatt wind power fleet: 441 turbines, totalling 927 MW located across Italy, France, and Germany.

The systems enable us to monitor the operating condition of the drive train components, i.e. the assembly consisting of the rotor bearings, the gearbox and the generator, which are the most vulnerable to failure and have the greatest economic impact. In 2020 we also enhanced the monitoring capacity of the machines by using purpose-built modules that automatically identify any anomalies by analysing SCADA turbine operation data.

Data analysis, performance monitoring, “customised” maintenance based on our knowledge supported by technological improvements have therefore enabled us to make our plants more efficient, minimising breakdowns, increasing production, and decreasing the waste generated by maintenance activities.

Life time extension is possible!

Thanks to our approach to maintenance, we have launched the “Life Time Extension” project. This initiative concerns all our kilowatt-size turbines, in operation for more than 15 years, and our multi-MW turbines from their fourteenth year of operation.

The project aims to extend the operational life of our WTGs even beyond the validity of their “Type Certificate” provided by the manufacturer, which expires after 20 years. With our project, we have addressed the issue of asset maintenance by comparing “technical life” and “economic life”:

- the residual technical life is a figure based on comparing the safety margins considered in the turbines’ design with the actual site conditions and the management of the wind turbines;

- on the other hand, the residual economic life is determined by assessments of the plant’s profitability and costs during the period in which it is technically possible to continue operating the machines.

This effort has enabled us to become, in 2020, one of the first operators in the world to obtain the UL 4143 certificate, which defines the technical lifetime extension of certified turbines as ten years.

In 2020 we obtained this certification for 179 turbines in eight wind farms in Italy, totalling 115 MW. In 2021 the “certification plan” will cover over 200 MW, spread across Italy and Germany.



Reblading

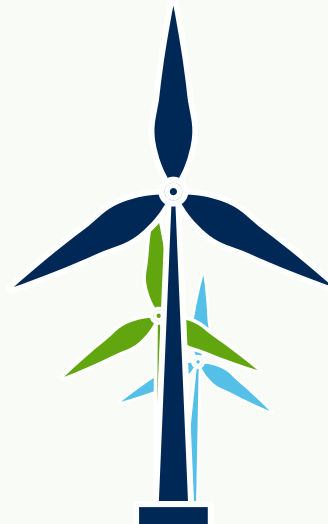
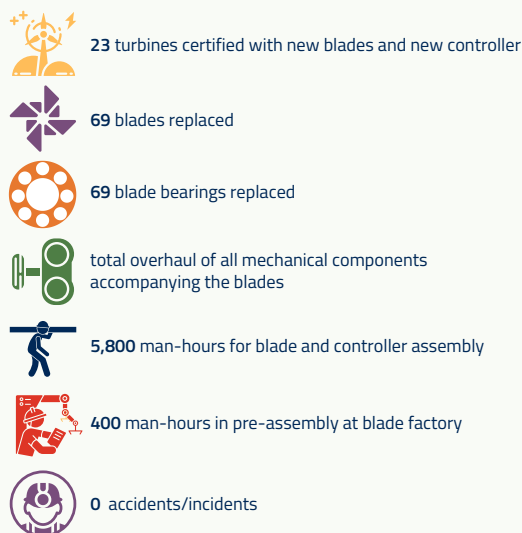
Building on our industrial tradition and in-depth knowledge of the plants, we started in 2019, the first in Italy, the innovative and challenging project of Reblading some wind farms: an activity that involves the replacement of the blades only, produced by the manufacturer over twenty years ago, with blades of innovative conception, both in the materials and in the aerodynamic profile. In addition to the classic fiberglass that constitutes the composite of the original blade, the new product uses carbon fiber which allows for a new, much more streamlined and performing shape. This improves performance and therefore producibility, i.e. the capability of extracting more energy at the same site and installation point.

Concurrently with the replacement of the blades, the operation also includes replacing the bearings and all the components and systems that adjust the positions of the nacelle and the blades, now obsolete

after about twenty years of operation. It also replaces the turbine control system with a new-generation system that is entirely programmable by the operator and can measure and monitor a greater number of parameters and data, interfacing directly with the plant's remote control system.

This new control system can optimise the operating strategies of the wind turbine, reducing downtime and contributing to enhanced performance.

The first part of the reblading work was carried out in the first half of 2019, completing the installation of new blades on 20 turbines at the Avigliano (Basilicata) wind farm. In 2020, we completed the reblading at the Greci (Campania) plant on its three turbines, and in 2021, we will set up the worksites to do so on the Lacedonia and Monteverde (Campania) wind farms, where up to 60 turbines are scheduled for reblading.



Mini-hydro

When we acquired the Terni Hydroelectric Complex, we began studying its technical characteristics to identify energy efficiency improvement opportunities based on the best possible use of every available altitude difference and flow, making the best possible use of a precious renewable resource: the energy potential of water flows.

First launched in 2016, the mini-hydro plant projects focused on the energy use of water released downstream of each existing barrier (the so-called Minimum Vital Flows). We designed the plants paying great attention to environmental and landscape aspects: we planned to plant some trees to reduce the visual impact of the plants and to safeguard the tree species present in the sections affected by the works. We also planted trees and installed benches, picnic tables, etc., in public areas to improve landscape integration.

In 2019, we obtained permits for three new mini-hydro plants,

following the three already started up in 2018, with a total capacity of around 250 kW and an expected average annual producibility of 2.20 GWh.

Construction of the three plants started in 2020 and is now at a very advanced stage, with commissioning scheduled for the first quarter of 2021. From a plant engineering point of view, we are evaluating other sites where we can build additional mini-hydro plants, also to make increasingly better use of the small but constant flows of water that are released by the hydraulic works.

Lastly, we are implementing other projects to increase efficiency: in some of the largest power plants we are preparing revamping plans, which involve replacing existing machinery with more modern and efficient ones, so as to make the energy produced increasingly renewable. These projects will be completed in 2021.

Combined Cycle Gas Turbine (CCGT) plant

At our CCGT plant, we completed a project initiated in previous years, which was designed to improve energy distribution within the site. The investment aimed to significantly reduce distribution

losses while providing greater flexibility and operational security. The benefits were immediately evident: we estimated halving losses (from 4.3% to 2.6%) for a total of approximately 2,100MWh/year equal to about 1,000 t of CO₂ saved.

High-yield cogeneration (HYC) certification renewal

The high performance of ERG Power's Combined Cycle Gas Turbine (CCGT) plant has been recognised by Italy's Energy Service Operator (Gestore dei servizi Energetici - GSE), which awarded the plants a High-Yield Cogeneration (HYC) certification. This is the largest plant to have achieved this award, representing a plant set-up with much higher than average thermodynamic and overall efficiencies (well over 60%).

In fact, through a combined cycle, the plant produces electricity and thermal energy (heat useful for other production cycles) by using the same primary energy (natural gas). More precisely, its configuration enables us to produce electricity and supply the "steam network" of the entire industrial complex with process steam at different pressure and temperature conditions.

After ten years of service, during which the plant received Energy

Efficiency Certificates (TEE), during 2019 we established a working group to identify the most suitable investments and further optimise the efficiency of the CCGT with new technical solutions and turbines. The project, which we will implement during the general shutdown in 2021, will involve replacing the generator and steam turbine of Unit 1. The main advantage is an extension of the lifetime of the CCGT, improving its performance, energy efficiency level, and, as a result, the emission index per kWh produced.

This improvement will be mainly due to:

- the recovery of performance lost through "ageing";
- the higher performance of the latest generation of machines.

The project will enable us to obtain the recognition of Energy Efficiency Certificates again for a further ten years.



BUILDING WHILE RESPECTING THE ENVIRONMENT

Paying attention to our plant's environmental impact is of primary importance to ERG, and we examine it long before construction starts, during the plant design and authorisation phases. In fact, building a plant requires obtaining a permit, issued by the competent national and local authorities according to specific national procedures, but which are based on the same EU directive (2014/52/EU) which takes into account all the project's environmental and social aspects.

In **Italy**, the construction of a new wind farm requires a particularly extensive authorisation process, coordinated by central bodies such as the Ministry of Ecological Transition (MITE), the Ministry of Culture (MIC), and local institutions, who must assess the analyses and studies carried out by the proposing organisation. In particular, the Ministry of Ecological Transition focuses its attention on the main environmental aspects such as birdlife, noise, waste, electromagnetic radiation and "shadow flickering", i.e., the optical effect that the shadows of the blades can cause on the surrounding surfaces. MIC is oriented towards the landscape and architectural impacts.

Once we have obtained the environmental impact compatibility authorisation (VIA), the next step is the single authorisation process, coordinated by the offices of the competent Region, which authorise the construction and commissioning of the wind farm. Monitoring activities are planned for particular cases, especially if a wind farm is located in areas crossed by the migratory routes of birds.

In some wind farms, we have been studying the plant's relationship with the area's bird population from the time of their construction. The analyses over time in some of our wind farms have shown that despite their elevation from ground level, the turbines become a part of the landscape and do not interfere with the flight of the birds. None of the species identified at the site have abandoned their reference area; on the contrary, the changes in their use of the space (moving away) and flight behaviour (increasing heights) seem to suggest that the birds can sense the presence of the blades and avoid them, changing the direction and altitude of their flight paths.

Another focal point was the hydrogeological continuity of the rivers in our hydroelectric plants. In building the mini-hydro plants in 2017, for example, we incorporated a "fish ladder", a lateral bypass with flowing water that enables fish to overcome the barrier posed by the infrastructure as they swim against the current.

In **France**, for some years now, a detailed procedure has been defined for wind power installations that includes right from the pre-authorisation phase (i.e., before the application for a permit is filed) a process of project consultation through a discussion with the population and local authorities. Subsequently, the project must obtain the single environmental authorisation handled by the region's prefectures and the involvement of many organisations. The project includes the analysis of urban planning, environmental aspects (including noise and impact on biodiversity and birdlife), landscape impacts, and an assessment of the plant's social impact. In particular, this procedure includes a phase of "enquête publique" (public discussion) in which all the subjects involved can express their opinion.

In **Bulgaria**, in the protected area of Kaliarka, we took part in a project to monitor the wind turbines' interference with the migration routes of species as they cross the Black Sea. A group of ornithologists constantly monitors the area also using radar which records the size and flight direction of flocks: based on their path, the ornithologists can request to stop the turbines on the birds' flight paths.

In **Poland**, we have been monitoring resident and migratory birds and bats since the farm was built in 2016. Ongoing monitoring covers activity in the air and on the ground and the breeding process. The observations suggested that the farms have minimal impact on the activities of the birds.

In **Germany**, we monitored the impact of our wind farms on the lives of bat colonies, taking into account their flight paths and feeding areas. The automatic control system, which kicks in based on specific environmental and climatic variables, monitors these animals' movements near the turbines, and shuts them down in the event of possible interactions between the machines and the animals.

The blade management systems have also been set up to control another type of interference between the turbines and the local community: the so-called strobe effect (flickering) that is generated when the sun, low on the horizon, casts the shadow of the blades across the landscape, creating a flickering on the houses near the park. The management system is automatic: based on certain variables like the angle of the sun, the intensity of the light, the position of the turbine, and the position of the buildings, it stops the blades when the conditions for the flickering occur.



TOWARDS INCREASINGLY CIRCULAR WASTE MANAGEMENT

Minimising environmental impacts also means reducing the waste produced by our business.

Within our Group, waste mainly originates from plant maintenance: the optimisation of maintenance and the focus on predictive maintenance have minimised the replacement of a plant's main components, resulting in lower costs, improved efficiency, and also less waste.

A further significant commitment by the Group is being investigated as part of the repowering projects of the Italian wind farms planned for the next few years. It consists of minimising landfill disposal, prioritising all reuse and recycling activities of the plants that are decommissioned. During the new Business Plan period, which envisages the launch of many repowering projects, we will have specific objectives on minimising landfill disposal and promoting a circular economy that optimizes the use of natural resources and minimises land depletion.

In the hydroelectric sector, we have concluded a major project concerning the wood waste that, carried downstream by the Tiber River, especially during floods, accumulates on the banks of Lake Corbara. We decided to use this wood to enhance and protect the environment. After a long period of coordination with the Region of Umbria, we agreed upon the feasibility of using it, for example, to recover energy in biomass plants.

Since the end of 2018, Corbara's timber can be dealt with according to the Regional Council's resolution concerning the "Guidelines for the management of plant residues from the maintenance of green areas, and of the wood material beached along the banks of reservoirs and watercourses".

These guidelines establish the possibility of considering the wood that accumulates on the lake's shores as reusable material, which can therefore be used for energy recovery, the wood industry, or to produce soil improvers.



Waste reduction projects

As we improve our processes to minimise the impact of our operations on the environment, we also implemented some notable initiatives and actions at our facilities in 2020:

- the "Plastic-free" project, which we started in 2019 and which is a key element of the company's performance bonus for 2020 (green-pay quota), has made it possible to entirely eliminate the use of water bottles (by installing water purifiers), disposable cups (replaced with paper ones), and to increase separate waste collection in our offices. We estimate that we have avoided releasing about 26 tonnes of CO₂ on an annual basis due to waste management;
- we have required cleaning companies to use only EU Ecolabel-certified products in order to minimise the impact of their services.
- on the other hand, in the wind power sector, the recently completed project on six turbines at the Fossa del Lupo wind

farm, designed to extend the life of gearbox lubricating oil, is a key project with a solid environmental impact. Based on periodic analyses, we can identify when the oil's lubricating capacity needs to be improved, which we achieve by adding appropriate components. By doing so, we can restore the lubricant to its initial condition, thus avoiding the need to replace it, thereby significantly impacting environmental sustainability. The project will therefore be extended to the entire Nordex fleet in Italy (63 WTGs).

ERG's Plastic-Free project was awarded second place at the Procurement Awards 2021 in Milan in the "cross-functional team purchasing" category, having involved several corporate departments, all of ERG's sites and created interesting partnerships with the suppliers involved in the project.

MANAGING AND MINIMISING WATER USE

The use of water resources differs according to the specific technology, but none of our plants are located in water-stressed areas.

For all our renewable generation plants, water is a “not relevant” aspect because:

- wind farms do not use water resources in their production processes;
- photovoltaic plants only use negligible amounts of water to wash the panels and to maintain the greenery in the relevant areas of the plants;
- hydroelectric plants take water from rivers and reservoirs and return the same quantity and quality downstream.

Our thermoelectric plant is the only one of the Group that uses water mainly from two sources: seawater to cool the plants and untreated water to produce the demineralised water used to generate steam. The procurement of water resources is an indirect aspect for the production site since it is managed by Priolo Servizi. This consortium holds the required permits and manages the withdrawal and distribution network.

Seawater is drawn, and the same quantity and quality is returned to the sea except for the normal evaporation due to the process: the use of this source does not impact the availability of natural resources in the environment.

After demineralising it, the raw water (a mix of surface water and groundwater) is used both by the site customers in their plants and by the CCGT power plant to generate steam. The demineralised water is used to replenish the CCGT’s water-steam cycle, and for steam withdrawals from the network used by customers within the complex. The water used to replenish the water-steam cycle, used only by the plant, is returned to the environment as steam or condensate, without

affecting the availability of water for human consumption.

Water used for domestic purposes (civil water) and the potentially oily water coming from the plants are routed into a sewage system, treated at a Priolo Servizi plant, then at an off-site plant, and ultimately returned to the sea.

Although this issue is not a problem at the Priolo complex, we constantly seek technological improvements at the plants to reduce raw water consumption by reusing water from other plants within the complex.

More specifically, we have recovered the following flows:

- purified freshwater and partially desalinated water from the groundwater treatment plant, which would otherwise have been discharged into the sea (approximately 1.4 million cubic metres in 2020);
- backwashing water (i.e., washing water from the reverse osmosis ultrafiltration system) from the SA9 plant (around 500 thousand cubic metres in 2020);
- water from the steam condensate collection tanks of the thermoelectric power plant’s boilers (approximately 3,800 cubic metres in 2020).

The total recovery achieved in 2020 amounts to about 1.9 million cubic metres and yields a demineralisation plant efficiency of approximately 58% (about 61% in 2019 and 58% in 2018), calculated as the ratio of demineralised water produced to total water entering the process.

The water flow recovery index, calculated as the percentage ratio of the sum of the recovered flows and the demineralised water produced, was 42.4% (41.0% in 2019 and 41.3% in 2018), thus saving more than 15% thanks to the recovery processes.

The alviano oasis

In the eastern part of the Alviano lake, slightly upstream of the dam of the same name, there is an oasis that occupies around 400 of the lake’s 900 hectares which hosts many resident bird species and, thanks to its geographical position, has also become a stopping point for migratory birds. It has all the typical features of humid freshwater areas - marshes, a pond, swamps, a water meadow, one of the largest woods in Central Italy - and is home to a huge number of bird species, such as great white egrets, stilt birds and ospreys, and many different amphibians, such as crested newts and agile frogs.

The “Heronry” is home to over a hundred mating pairs of grey parrot, cattle egret, little egret, squacco heron, black-crowned night herons and cormorant. The mammals that live in the oasis include foxes, boars, badgers, porcupines and hedgehogs and extremely rare wildcats. The Alviano Oasis is currently one of the reference points in Italy for nature photography, with enthusiasts coming from all over the country to capture the views it offers.

Thanks to the ERG’s support, the WWF has been managing the reserve since 1990, both from the point of view of the ordinary maintenance of the body of water and the improvement of the visitor reception facilities.



Courtesy of the Alviano Oasis - Paolo Scrimitorre



Engagement

Our key numbers

9

National trading
associations

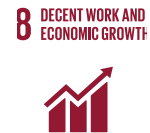
11

international trading
associations

zero

lobbying expenses

ENGAGEMENT



CONTEXT

The attention of companies and citizens in general to environmental and economic sustainability is rapidly growing. It has further increased due to the pandemic crisis, which has shaken up the social, economic, and cultural scenario. Several indicators, some already present in the pre-Covid era, were already pre-empting the need for a different capitalism, able to cope with increasingly

complex events and with consequences that are difficult to predict. This need is embodied in the theory of “Stakeholder Capitalism”, which encourages companies to focus on the needs of all stakeholders through a proactive dialogue with each of them in order to understand their mutual requirements.

In this regard, in January 2020, the World Economic Forum revised the Davos Manifesto for the first time. Specifically, it stated:

“The purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders – employees, customers, suppliers, local communities and society at large. The best way to understand and harmonise the divergent interests of all stakeholders is through a shared commitment to policies and decisions that strengthen the long-term prosperity of a company”. The new Corporate Governance Code promoted by Borsa Italiana is fully in line. Right from its very first article, it introduces the concept of “sustainable success”, meaning “the objective that guides the actions of the Board of Directors and that is based on the creation of value, in the long term, for the benefit of the shareholders, taking into account the interests of the company’s relevant stakeholders”.

After a radical and rapid transformation of our business, we have grown while profoundly believing in our mission as independent energy producers with a strong renewable focus, reaching a European scale.

In Italy, we are a long-standing industrial player, in business for more than 80 years, widely recognised and appreciated thanks to our repositioning from oil to renewables. In other countries such as France, Germany, and the United Kingdom, we are in a growth and consolidation phase that requires a major development of relations with our stakeholders, particularly institutional stakeholders, local communities, and the media.

Italy, France, Germany, the UK, and Poland are the countries where we have been most active in developing our local engagement and support initiatives to strengthen relationships with our key stakeholders, particularly the media and institutions. The methods and types of relationship vary according to the degree

of maturity and depth of the relationships achieved in the various countries and our business plan’s development objectives. Although there are diverse strategies, our methodological approach and our way of doing business remain constant. This is based on integrity, reliability, fighting climate change and developing transparent and collaborative relationships with communities, authorities, customers, suppliers, shareholders, employees, and all our other stakeholders.

Of course, in 2020, these aspects had to be adapted to the pandemic, which prompted us to exploit the full potential of new technologies and, in particular, digital videoconferencing platforms. We base the dialogue with our stakeholders on principles such as legality, honesty, fairness, equality, confidentiality, equity, integrity, transparency, and responsibility. These are the same values of our Code of Ethics, which inspire and guide us in the dialogue with the various stakeholders and the implementation of our initiatives.

DIALOGUE WITH OUR STAKEHOLDERS

We are currently present in thirteen regions of Italy and seven different European countries, with a business portfolio that ranges from the development and construction of new wind farms (so-called greenfield projects) to the management and optimisation of existing plants and their complete revamping (repowering).

We have retained our methodological approach and our engagement model, based on transparency and the enhancement of relationships with local communities, authorities, customers, suppliers, shareholders, employees and all other stakeholders.



ERG AND ITS INSTITUTIONAL STAKEHOLDERS

The electricity sector where we operate is highly “regulated”, since its purpose is to provide a public utility service, such as electric power. As such, it is subject to the constantly changing national and European regulations, now more than ever in the context of the transition towards a decarbonised economy.

Our relations with the institutions are therefore aimed primarily at participating in and contributing to this development.

In such a dynamic context, dialogue with trade associations (such as Confindustria, Eletticità Futura, ANEV, WindEurope and the national wind energy associations of foreign countries) and the main players in the sector make it possible to develop and strengthen our demands as an operator in the renewable energies sector, while supporting decarbonisation policies that are fundamental for our business.








In 2020, we contributed to several energy and environmental policy working groups and documents, providing our industrial expertise and knowledge of the sector. The most relevant ones dealt with:

- the European Green Deal presented by the European Commission at the beginning of the year and adopted by the Union. It

confirmed Europe’s further commitment to the decarbonisation of business activities, by achieving net carbon neutrality by 2050 and a 55% reduction in greenhouse gas emissions by 2030 compared to 1990. The latter, which has been increased beyond the 40% previously established by the Clean Energy Package, will lead to an increase in the target for the coverage of renewables in gross final consumption by 2030 and the resulting modification of the recently approved directive on renewable sources;

- the definition of the Integrated National Energy and Climate Plan (NECP), presented in its final form at the beginning of 2020 and approved by the Commission last October;
- the debate on the promotion and simplification of permits for revamping existing plants, which to date has been achieved by admission to the RES auctions for repowering interventions and substantial simplifications for the reblading of the most obsolete wind turbines and the repowering of photovoltaic plants;
- in the United Kingdom, the readmission of on-shore wind to the competitive auction mechanisms envisaged for 2021, previously limited only to technologies that were not yet “mature” (such as off-shore wind).

Our stakeholders: expectations and methods of engagement

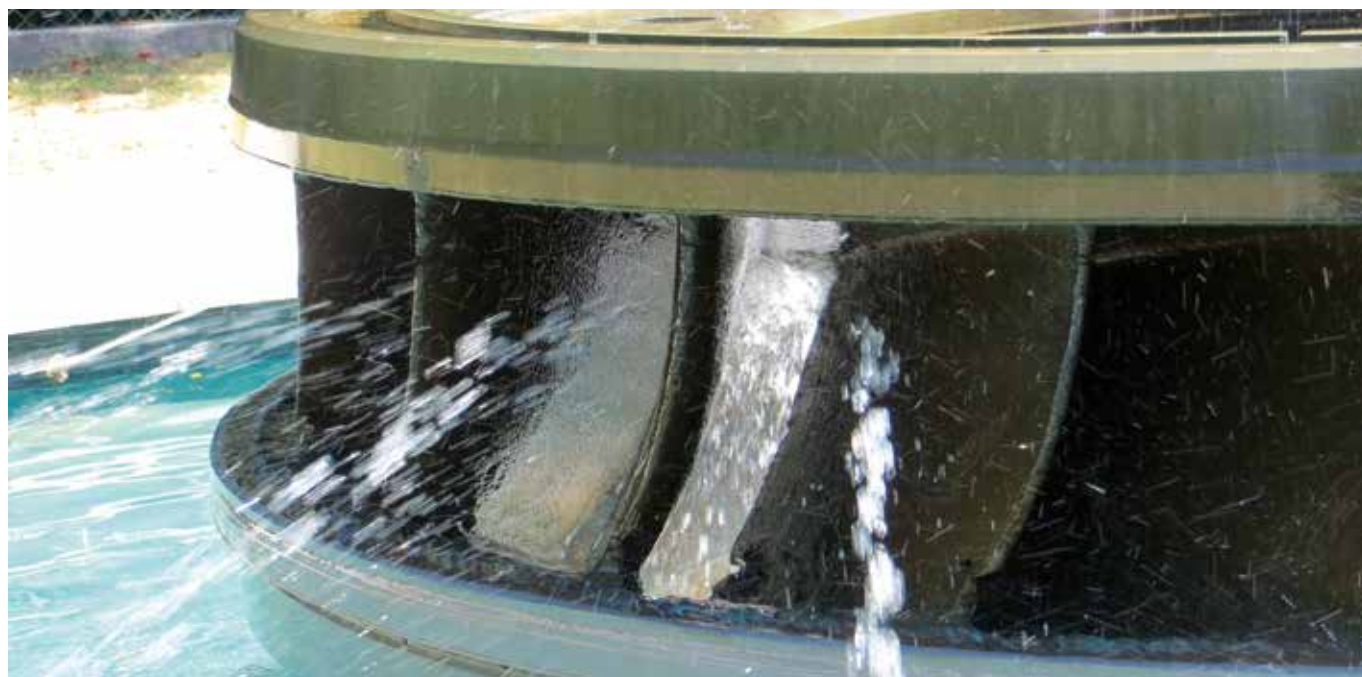
Stakeholder	Stakeholder expectations	Engagement methods	Engagement activities 2020
 Institutions European Union, Governments, Ministries, Regulatory bodies, Public Administration, Trade associations.	Collaboration, technical support and sharing of information. Participation in the territorial planning of activities. Respect for the legislation in all countries in which the Group operates.	Dedicated meetings, round tables and conferences.	Active participation in: <ul style="list-style-type: none"> - Wind Europe – Hamburg - Salon des maires – Paris - Colloque National Eolien – Paris - Forum Energie France-Italie – Paris - Scottish Ren. Onshore Wind Conference – London - Renewable UK Onshore Wind Event – Edinburgh - Key Wind – Rimini - Events and round tables on the topics of energy and environment. ERGLab think-tank. Accreditation from central and local institutions in countries where we operate.
 Shareholders	Creation of value. Corporate Governance and Risk Management. Representation of minorities. Transparent and timely disclosure of economic and financial information.	Shareholders' Meeting. Webcasts. Press releases. Roadshows. Events related to the presentation of the business plan.	Shareholders' Meeting. Roadshow and participation in conferences. Webcasts to present quarterly results. Ongoing information about the Group's activities (press releases and news).
 Financial community	Creation of value. Corporate Governance and Risk Management. Transparent and timely disclosure of economic and financial information.	Webcasts. Press releases. Roadshows. Events related to the presentation of the business plan.	Roadshow and participation in conferences. Webcasts to present quarterly results. Press releases. CEO and CFO roadshows in the main European financial centres. Italian Sustainability Day – Milan. Management of relations with ESG rating companies.
 People and trade union organisations Workers with employee contracts, workers without employee contracts, trade unions.	Equal opportunities. Workplace safety. Professional development for all employee categories. Participation in company life and all related initiatives. Work/life balance. Stability.	Activities and tools for training, assessment and internal communication. Events during the year. Team building.	Staff training. Internal communication events for employees and their families. Protocol for Industrial Relations. Corporate welfare projects.
 Local Communities Cultural, religious and research associations, health service, NGOs, Committees of citizens, residents close to production plants.	Consideration of their views. Contribution to and support for local initiatives and local communities. Access to information. Safeguarding of heritage and environment. Health and safety.	Meetings with local communities in line with ERG's business. CSR initiatives in the region in the fields of "environment and health", "promotion of culture", "youth and sports".	Financial and organisational support to social, cultural and health activities in the areas served. Meetings with local communities for development projects in the UK and France.
 Future generations Schools and Universities.	Prevention and environmental respect. Training and sharing expertise. Business strategy aimed at reducing the consumption of natural resources.	Training and information projects. CSR initiatives in the region in the fields of "promotion of culture" and "youth and sports".	Online educational projects (Vai col vento, A tutta acqua, Progetto Scuola, Electricity Day). Collaboration with Universities (MAGER project, classroom lessons).
 Media	Complete, timely and transparent information.	Press releases to disclose our financial statements, business plan and non-recurring transactions.	Press Office reports to disseminate periodic results and non-recurring transactions and news relating to the Group's activities.
 Suppliers	Compliance with all competition and antitrust laws in the countries where ERG operates. Accessibility to Vendor List. Safety of on-site activities.	Web platform. Involvement and monitoring on "occupational safety" and sustainability issues.	Competitive tendering procurement procedures. Implementation of a new supplier qualification platform. On-site HSE audits and activities for the control of suppliers' performance.
 Partners	Creation of value. Acceptance of common values in the development of the strategy and business management.	Meetings.	Infrastructure Day – Milan.
 Customers	Maximising value for the customer. Quality and continuity in the supply of electricity and steam (site customers).	Analysis and sharing of requirements with site customers and development of ad hoc design solutions.	CAR renewal project.

To ensure maximum consistency in the way we manage our relations with institutional stakeholders, some time ago we adopted an in-house control system based on procedures integrated into the Organisational Model (pursuant to Legislative Decree 231/01 as amended) and supported by a specific system of sanctions. In line

with these principles, we also apply a specific policy, under which no direct or indirect contributions may be paid, in any form, to political parties, movements, committees, political organizations, or trade unions, nor to their representatives or candidates.

The main Italian associations in which ERG is present in the governing bodies and/or in the working groups

Association	Purpose	ERG participation
Confindustria	Together with the local associations, the national trade associations, the regional Confindustria chapters, and the national sector federations, it constitutes the system of representation of companies producing goods and/or services with an industrial structure.	Governing bodies (Presidency of Confindustria Genoa) and working groups.
Elettricità Futura	This is the Italian electricity industry's leading association, made up of more than 700 operators that employ over 40,000 people and have more than 76,000 MW of installed power, both conventional and renewable, and about 1,150,000 km of power lines. Its member companies supply more than 70% of the electricity consumed in Italy.	Governing bodies and working groups.
ANEV	Associazione Nazionale Energia del Vento (National Wind Energy Association) groups together about 70 companies in the wind power sector and over 5,000 subjects, including producers and operators of electricity and technologies, plant designers, engineering, and environmental studies, electrical traders, and developers.	Governing bodies and working groups.
IEFE	A Research Centre of Bocconi University, dedicated to the study of the issues of economics and energy policy with a focus on technological aspects.	Working groups.
AIEE	The Italian Association of Energy Economists - AIEE - acts as an independent reference point for Italian energy policy issues vis-à-vis national and international bodies, and liaises with the bodies and organisations responsible for defining energy policy in Italy, with whom it holds meetings and discussions.	Working groups.
Assonime	An association of Italian Joint-Stock Companies that works to improve industrial, commercial, administrative and tax legislation in Italy.	Governing bodies
Fondazione Sviluppo Sostenibile	An association chaired by Edo Ronchi (former Minister of the Environment) focused on promoting the green economy. It has about 120 members, including companies, consortia, and sustainable economy specialists.	Governing bodies
Fondazione Civita	An organisation founded by a group of public and private companies, public research organisations, and universities, which with over 160 Associates is committed to the "promotion of culture" through research, conferences, events, publications, and projects.	Governing bodies
Fondazione Magna Carta	A foundation dedicated to scientific research, cultural analysis and the development of reform proposals on the major issues of political debate.	Governing bodies.



ERG AND INTERNATIONAL RELATIONS

To increase our presence at an international level, we constantly observe the activities of the main European institutions, paying particular attention to energy and environmental issues, also with the support of sector associations (Wind Europe). In parallel, we carefully monitor the political, legislative, and regulatory developments in the countries where we are present (France, Germany, United Kingdom, Poland, Bulgaria, and Romania). Our Business Plan approved in 2018 pays particular attention to the

markets of France, Germany and the United Kingdom, where we aim to consolidate in the coming years.

The stakeholder engagement plans in these countries aim to present ERG not only as a solid and reliable industrial partner, with consolidated experience and long-term development plans, but also as a green operator, actively committed to the energy transition. This is the approach along which we build significant partnerships and relationships with other operators, the media and institutional stakeholders, supporting the development of the entire Group's business.

Foreign associations in which ERG is present in the governing bodies and/or in the working groups

Association	Purpose	ERG participation
Wind Europe	A body representing the interests of the wind energy industry and supply chain in Europe, the European branch of WWEA, the World Wind Energy Association.	Governing bodies and working groups.
SER - Syndacate des Energie Renouvelables	SER groups together several thousand companies and professionals specialised in the various renewable energy sectors, with the aim of promoting their development and responding to the growing demand for environmentally sustainable energy.	Working groups.
FEE - France Energie Eolienne	An association of French wind energy operators; it represents over 90% of the wind turbines installed on French territory and over 85% of the wind power generation.	Working groups.
RenewableUK	The leading UK renewable energy association, specialising in on and off-shore wind and tidal energy. It has a broad corporate membership ranging from small independent companies to large international companies and manufacturers.	Working groups.
Renewable NI	Northern Ireland's leading renewable energy association. It represents companies that have assets or are developing assets in the area. The association is primarily concerned with on-shore wind.	Working groups.
SR - Scottish Renewables	An association for the development of the renewable energy sector in Scotland; it includes members working on all renewable energy technologies.	Working groups.
BWE - Bundesverband WindEnergie	An association of German Wind Energy Operators. With more than 20,000 members, it is one of the largest industry associations in the world and is affiliated with the European Wind Energy Association (EWEA), the Global Wind Energy Council (GWEC), and the World Wind Energy Association (WWEA).	Working groups.
PWEA - Polish Wind Energy Association	Polish national association of wind power operators.	Working groups.
RWEA - Asociatia Romana pentru Energie Eoliana	Romanian national association of wind power operators.	Working groups.
EFET	The European Federation of Energy Traders - EFET - promotes competition, transparency, and free access to the European energy sector; it seeks to build confidence in energy and gas markets across Europe, so that they can support a sustainable and secure energy supply, facilitating the transition to a zero emission economy.	Working groups.
CCE - Conseil de Cooperation Economique	Advisory committee under the permanent sponsorship of Spain, France, Italy and Portugal for economic issues within European Councils and bilateral economic summits.	Governing bodies.

Engagement in the UK and the energy transition

Given our ambition to expand into the UK, we decided to engage with industry experts, media, government, and academia to gather ideas on the UK's energy future and the transition to a low-carbon economy.

The UK is a major market for wind energy development and is also a particularly interesting country for its active and central role in the energy transition. The example of our industrial transformation is often mentioned and used as a case study when discussing this important issue.

"Net Zero" is the initiative created by the British government to try to involve institutions, companies and governments in a process towards decarbonisation by 2050. ERG has already shown that an energy transition to become carbon neutral is quite possible.

During 2020, we actively participated in workshops such as the Scottish Herald's Innovation for Recovery webinar and the All Party Parliamentary Groups (APPG) workshop. At these events, we discussed the importance of community engagement, government, and simplifying laws as enablers of the energy transition and Net Zero. In addition, we convened three roundtables, two in-person and one webinar version, to gather ideas and opinions on the challenges and opportunities of the energy transition ahead of the 26th United Nations Climate Change Conference (COP26).

Partnerships will play a key role in this process, and we already provide an example of a partnership between Italy and Scotland. COP26, which will take place in Scotland in 2021, will be the ideal event to increase this collaboration.

Active participation in working groups for RES development

Our business "thrives" on taking part in working groups and continually discussing matters with institutions, both directly and through trade associations, and by working with other operators in the sector. One of the issues that has most stimulated technical discussion in the renewables sector is the repowering of wind farms in Italy. In this respect, we hired a leading Italian energy consulting firm to conduct a study on the repowering potential of Italian wind farms. These were among the first wind farms installed in Europe and therefore offer the greatest scope for increasing their power and electricity producibility, by replacing the old turbines with the latest generation.

The study showed how repowering existing plants would make it possible to cover a large part of the gap from the targets for renewables set by the NECP. All this without using additional land, triggering a cycle of investments for several billion euro, especially in the southern regions and islands, quickly deployable and with good local acceptability. Sharing the analysis with our institutional stakeholders, trade associations, and leading energy observatories and study centres has been very useful and appreciated. Despite the constraints caused by the pandemic, during the year, we organised several events to discuss and comment on the main issues concerning the development of renewable energy, particularly in the wind power sector. In the summer, we organised an online round table with a leading Italian economic research centre on the relationship between wind power repowering and the landscape. The round table brought together representatives from institutions, academia, associations (WWF Italy, Legambiente, Coordinamento Free, Elettricità Futura, ANEV), and the electricity transmission grid operator (Terna). Interesting ideas arose out of the discussion on the opportunity to prioritise the involvement of the local areas in the energy decarbonisation process, in particular the Superintendencies and above all the Regions, natural venues for balancing interests, in order to finalise guidelines that harmonise the needs of the landscape with those of the fight against climate change.

Together with WindEurope, we have taken part in a number of meetings with leading representatives of the European Commission, the European Green Deal's main promoters. In these meetings we had the opportunity to clearly express the position, aspirations, and challenges faced by an industrial operator such as ERG, totally dedicated to growth in the renewables sector.

Together with other authoritative operators, associations, and academics in the renewables sector, our CEO signed the manifesto promoted by Fondazione per lo Sviluppo Sostenibile "Recovering from the pandemic with a new Green Deal in Italy", sent to government and parliamentary representatives.

In the second half of the year, together with ANEV - an association of Italian wind energy operators - and the cultural association Civita, we launched a competition for photographs and short videos called "La bellezza del vento. Eolico e paesaggio nella sfida della transizione energetica" [The beauty of wind. Wind power and the landscape in the energy transition challenge], addressed to young professional and amateur photographers and videomakers. The aim of the initiative is to tell, through photographs and videos, how wind power has become a part of our local area over time, reconciling itself with the beauty of Italian landscapes, becoming an integral part of them, with the common intent of protecting the environment and planet Earth. The prizes will be awarded at an event to be held during 2021. In parallel, we participated directly and through the associations in all the most important public consultations that took place in 2020, mainly called by the Energy Authority, the Ministries, the transmission grid operator (Terna), the energy services operator Gestore dei Servizi Energetici (GSE) and the energy market operator Gestore dei Mercati Energetici (GME). Partly thanks to our efforts, the Law converting the Simplification Decree-Law of 2020 admitted repowering projects to the auctions for RES electricity, which until then had been excluded due to the constraint of a previous provision (the so-called "Spalmaincentivi volontario"). The same provision included major, though not entirely sufficient, simplifications of the authorisation process, in favour of wind power reblading and photovoltaic repowering, as well as for the installation of energy stock-piling systems (BESS).

STRENGTHENING OUR ENGAGEMENT WITH LOCAL COMMUNITIES

For us, being present in a certain area does not just mean installing and managing plants that generate electricity. It means developing and taking care of a clear system of relations with the local community and identifying and developing specific initiatives, with and for the local area, fostering the community's widespread social and economic well-being.

Therefore, the Group's activities in the reference areas are not only donations to organisations and associations that promote particularly relevant initiatives, but also include a range of actions agreed with the most representative institutions and organisations that make it feasible to share the value of the initiatives with the entire community.

The most significant of such activities coordinated with local communities in recent years include:

- rescheduling of the opening hours of the Marmore Falls. Jointly with the local authorities, we changed the opening hours of the falls, maintaining the total number of hours in the year, accommodating and supporting the needs of tourism;
- the sale of Mulino Netti to the city of Narni. The Municipality of Narni will create an environmental documentary centre and didactic hub within this historic building, as part of the enhancement of the gorge and the Valley of the Nera River;

- participatory investment. As a pilot case, to carry out the preliminary analysis for a French wind farm, we gave the citizens of the towns near the site the opportunity to participate in the project by investing in mini-bonds created for the purpose;
- community benefits. The development of new wind farms in the United Kingdom also involved agreements for financial support to businesses in the local areas after the plants become operational. To support and contribute to covering the needs caused by the pandemic in the area, we advanced the disbursement of part of the contributions, enabling the purchase of computer equipment for distance education;
- inauguration of new wind farms. These have become opportunities to involve the population, students, and authorities of neighbouring towns in plant tours and training on renewable energy sources;
- the creation of several picnic areas and cycling routes in the wind farm areas. These help improve the liveability of the sites and create routes that will encourage tourism while exploring the relationship between the plants and nature.

All of this is in addition to the projects we carry out every year for schools: the familiar "Vai col Vento!" projects for middle schools in the areas where our wind farms are located, and the "A tutta acqua!" projects for upper secondary schools in the areas where we operate hydroelectric plants. We redesigned these projects for 2020, making them "virtual", and online, while continuing to spread the culture of renewable energy and the importance of fighting climate change.

CONTRIBUTIONS TO LOCAL COMMUNITIES (k EUR)	2020	2019
Royalties recognized to local communities for the presence of wind and solar plants in Italy	4,200	4,863
Support to local communities in relation to the Covid-19 emergency	1,020	–
Support to local communities in relation to the collapse of the Morandi Bridge ⁽¹⁾	400	–
Sponsorships	437	620
Other donations	⁽²⁾ 924	1,231
TOTAL CONTRIBUTIONS TO LOCAL COMMUNITIES	6,981	6,714



(1) Use of the provision accrued in 2018.

(2) Includes EUR 100 million of donation recognised in UK accounted for in different accounts than donations.

Social development/support for the younger generations

	Associazione Flying Angels Foundation Onlus	We support the Flying Angels association, which helps children in need of urgent life-saving medical treatment and organises transportation by air to hospitals to obtain treatment.
	Fondazione Mus-e Onlus	We support the Mus-E ONLUS Foundation, which promotes projects for elementary schools with a high proportion of immigrant children or children with difficult socio-family situations, engaging them in artistic creation projects to help their integration in primary schools.
	Progetto Fra' Sole	ERG supports this project which seeks to implement a range of measures to make the Sacro Convento di San Francesco di Assisi complex sustainable. ERG also provides the monumental complex with a 100% green and "zero km" electricity supply.
	Progetto "Urban Re-Generation" Fase 1	Promoted by Confindustria Umbria, this project aims to develop the area and initiatives that promote sustainable development. It involved eight prominent local companies, which constitute the founding core of the first "Italian District of Sustainability, Circular Economy and Urban Regeneration".

Culture and knowledge

	Vai col Vento!	Now in its seventh edition, the environmental education project "Go with the Wind!" is dedicated to students in the last year of lower secondary schools, from the Municipalities where the Group's wind farms are located and included classroom lessons focused on sustainability, the production of electricity from renewable sources and information on plants and technologies (wind, water, sun) managed by ERG. The lessons were then followed by guided visits to the wind farms. Over the years it has received the patronage of the Ministry of the Environment and the collaboration of the General Command of the Carabinieri. The 2020 edition, as a result of the pandemic, took place in virtual format thanks to the use of an e-learning platform.
	A tutta acqua!	The "A tutta acqua!" project, conceived in 2017 on the basis of "Vai col Vento!", is dedicated to high school students in the territories of Umbria and Lazio, where ERG has its hydroelectric plants. The format included a visit to the Galletto power plant (the largest of our plants) and to the protected area of the Marmore Falls. In 2020 it was not held as a result of the pandemic.
	Festival della Scienza	ERG is a partner of Festival della Scienza [Festival of Science], a specialised event that has been held in Genoa for over ten years. This year the Festival took place mainly via streaming except for some special events. Nevertheless, ERG set up its stand in Palazzo Ducale's portico, and presented the "Corsi e Percorsi" project by the Edoardo Garrone Foundation, on active and responsible citizenship and the pursuit of opportunities for the orientation and future of young people.
	Festival della Comunicazione	Once again, in 2020, we supported the Festival della Comunicazione [Festival of Communication] in Camogli: the focus was "Sociality" which was expressed through 80 events and 114 speakers, with 25,000 physical presences and thousands of spectators who followed the events online.
	Fondazione INDA Onlus	ERG renewed its support for the INDA foundation which organises shows of ancient Greek Tragedies at the Greek Theatre in Syracuse. In place of the traditional cycle of performances, the event "Per voci soli" was organised at the Greek Theatre and streamed to its audience.
	Fondazione di Partecipazione Umbria Jazz Onlus	ERG supported the Umbria Jazz Foundation, which this year organised the Jazz in August event, a programme of prestigious concerts on the stage in Piazza IV Novembre, which was christened ERG Square for the occasion. It also provided the "zero km" green energy required by the events. This agreement contributed to achieve an important first result for the "WAKE UP! Music will save the planet!" project: the electricity consumption of the festival's concerts avoided the emission of CO ₂ into the atmosphere.
	We're Back	We supported the "We're Back" event in Genoa: an event designed specifically for young people with the long-term goal of creating a positive and dynamic movement capable of generating job and development opportunities in Italy, encouraging the return of the "brains" that have left our country over the years and promoting those that have remained.
	C1A0 EXPO	For the second year, we were sponsors of this international fair focused on artificial intelligence. This online edition was devoted to climate change.

Young people and sport

	Torneo Ravano	In 2020, this event became the "StayFit" virtual gym, an online platform designed to entertain all 3 rd , 4 th , and 5 th grade Primary School children, with the help of parents and teachers and the proactive involvement of sports world ambassadors.
	Stelle nello Sport	We supported "Stelle nello Sport" [Sports Stars], a project designed to promote the values of sports for an increasingly broad portion of the population in the Liguria Region, mainly focusing on young people and students and on the least-known sports, the support of paralympic sports, and fundraising for the Gigi Ghirotti Association in Genoa.
	Progetto Scuola	ERG supported two events in the Syracuse area: the "Un casco vale una vita" [A helmet for life] competition for 8 th -grade students, now at its 12 th edition and also supported by the Carabinieri of the Provincial Command, and "Icaro 2020", the road safety education project organised by the Traffic Police. ERG donated 24 computers to participating schools to meet the needs of students from less well-off families.
	Trofeo Archimede ed Elettra	Due to the emergency due to Covid-19, the traditional event was also suspended in 2020. Within the ERG "Riccardo Garrone" Sports Center in Syracuse, sports activities continued for young people with the participation of about 1,000 students from 22 elementary and middle schools in Syracuse and its province.

INVESTOR RELATIONS AND FINANCIAL COMMUNICATION

The focus of the Investor Relations' office's work is, as always, to provide transparent, detailed, and timely communication to the financial community, supplying all the information needed to assess potential investments in our shares in compliance with the regulations on the disclosure of price-sensitive data. In fact, financial operators need to fully understand the development strategies of a company like ours, which after completing a significant industrial transformation, is making major investments in renewable energies and increasing its presence at the international level.

Financial analysts and institutional investors are welcome to contact the Investor Relations (IR) team at any time to gain a better understanding of our company's financial and operating results, to use as a basis for developing their valuation models and making their assessments. Investor Relations support is also always available to retail investors and anyone interested in our Group, through a dedicated e-mail box. Our website (www.erg.eu) has an Investor Relations section that provides all the information on our financial results and business plans. Those interested may also follow our quarterly conference calls live via webcast, in which our top management presents the latest financial results.

However, the foremost opportunity for proactive dialogue with the financial community is through participation in roadshows and meetings with investors, during which the Investor Relations department, involving management as well, can fully detail our strategic directions and our commitments to achieve our financial targets.

Roadshows during the Covid-19 pandemic

In 2020, the constraints on travel caused by the Covid-19 emergency significantly accelerated our technological innovation process. We reacted promptly and had no trouble reshaping our

Investor Relations operations as well, adapting them to a new, increasingly digital working environment.

Transforming roadshows into digital events was essential: more technological, less time consuming and with less impact on the environment. The digital format of these meetings significantly increased the number of participants, enabling us to reach a much broader audience of investors than the traditional meetings.

Participation in virtual roadshows no longer requires travel and long trips, thereby positively impacting the environment and reducing emissions. Besides, sharing documentation with investors is exclusively digital, entirely in line with our 100% paper-free policy. Therefore, our new virtual roadshows are fully sustainable activities. As a result, our roadshow activity in 2020 was even more intense than in 2019, involving a total of 175 investors from the main European (Milan, Paris, London, Frankfurt) and American (New York) financial centres. Of these investors, 66 are SRI (Socially Responsible Investors), i.e., investors whose choices are based on environmental, social, and governance (ESG) parameters.

The figure is even more striking when expressed as a percentage: in 2020, in fact, SRI investors represented 38% of the total, while in 2019 they constituted 16%. Moreover, this increasingly highlights the centrality of ESG issues in the choices of institutional investors and the strong correlation between IR and ESG, also reflected in the recent organisational change at ERG, whereby CSR activities in the IR area were merged within General Management.

The relevance of ESG issues in the choices of institutional investors was apparent during our participation in the Digital Italian Sustainability Week organised by Borsa Italiana at the beginning of July 2020, when we met twice as many investors as at the similar event in 2019. This testifies to ERG's strong recognition as a leading renewable energy producer with a sustainable business model.

Italian Sustainability Week 2020

At the beginning of July 2020 ERG participated to the Italian Sustainability Week (the new digital format of the Italian Sustainability Day, organized by Borsa Italiana), together with 48 other companies active in 13 different sectors, testifying to how sustainable growth issues are becoming more and more transversal and now concern the entire productive and financial sectors. The event was an important opportunity for dialogue and discussion between Italian companies and investors focused on environmental, social and governance issues, in the continuous search for new financing opportunities and value creation on sustainable business models.

During the meetings with investors, ERG underlined its commitment to the development of the circular economy, describing the feasibility studies for the recycling of old turbines as part of the repowering of wind farms. Regarding the fight against climate change, ERG illustrated the progressive decrease in the carbon index

Digital Italian Sustainability Week 2020

linked to its activities, and the important results obtained in reducing CO₂ emissions. Another significant topic was ERG's commitment to the growth of its people, with training projects for the enhancement of skills, initiatives aimed at enhancing diversity, with particular focus on the professional contribution of women.

The constant increase in requests for meetings coming from institutional investors (national and international) since the first edition of 2017 demonstrates the growing appreciation by the financial community of ERG's strategic choices in terms of sustainability.

COMMUNICATION ACTIVITIES TO BOOST ERG'S REPUTATION

We believe that communication activities both inside and outside our company are essential to properly and comprehensively express our way of doing business.

Our aim is to build trustworthy, long-term relationships with our stakeholders, fostering an ongoing dialogue that encourages interaction, and to protect and grow our reputational capital.

We present our positioning and strategy through our Media Relations & Digital Channels, providing comprehensive and timely information at the local, national, and international levels. Our corporate website, press releases, interviews, events, conversations, and posts on our social media channels address a broad and diverse audience to respond to the most diverse information needs, both of industry experts and of all those who want to know more about our ethical and sustainable business approach and the solidity of our values.

The high frequency of our communications and the diversification of the media we use has enabled us to constantly increase and improve our visibility. The latest official survey carried out by RepTrak, the world's leading consultancy firm in reputation measurement and management, ranks us among the top 150 companies in Italy in terms of reputation, and among the very few B2B companies in this ranking.

In 2020, ERG was mentioned in over 2,700 articles in the press and online, with almost half of the articles dedicated entirely to our group. Our top management also participates in the leading Italian and European events in the energy sector, such as the Sole24Ore Energy Summit, Key Energy Ecomondo, and Wind Europe.

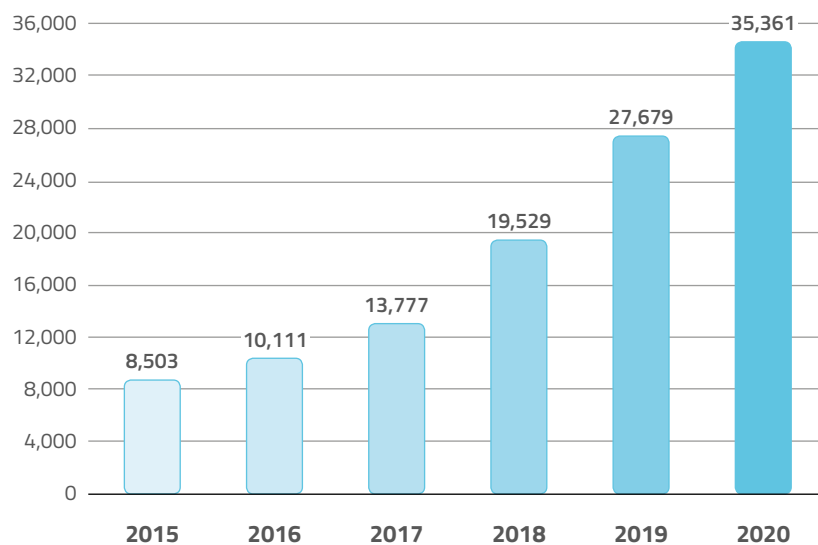
Besides being based on timeliness and dynamism, our communication strategy on social media emphasises the narration of aspects of corporate life, so as to consolidate our position among the most important and well-established companies in the world of energy production from renewable sources. We are present on LinkedIn, Twitter, YouTube, and Instagram.

During 2020, we gained almost 8,000 new followers on LinkedIn, approaching the 36,000 mark, which we have now exceeded. By introducing remote working due to the Covid crisis, LinkedIn has proved to be an even more effective tool for linking internal and external communication, through the accounts of ERG people as they talk about their daily professional life in the various phases of the lockdown.

To portray the sustainability of our business model also through the power of images, and to reach an increasingly broad and diverse audience, in February 2020, we opened our Instagram channel and successfully implemented employer branding.

To foster dialogue with stakeholders in the European countries where we are expanding, we are also present in France on LinkedIn and Twitter, and since 2020 we are also active in the UK through Twitter.

Followers on LinkedIn



Webranking and ". Trust" 2020

Once again, this year, Webranking – Europe's most important research on the quality of corporate communications, which seeks to promote the transparency and comprehensiveness of online information – published the results of the Italian edition of its analysis.

With a score of 80/100, ERG is among the top 10, in eighth

position, and is among the best in class, identified by "Five Stars".

In the "trust" analysis, which this year focused in particular on the communication strategy adopted by companies following the pandemic crisis, ERG was one of the 17 "Narrators", the companies that managed to balance the substance of their content with narrative capacity, confirming our position within the "Silver Class".



People

Our key numbers

98.7%
employees on permanent
employment contracts

22.1%
female employment

4.9 days
of training
per employee

0
injuries to employee

PEOPLE

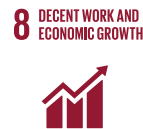
CONTEXT

With over 80 years of history, we have faced innovative and sustainable evolutions and growth processes, mainly thanks to our people. We believe that every single person makes a difference and that every talent is valuable to continue to grow as a Group capable of generating innovation for the entire community.

The principles that guide our approach to the “human factor” of all our stakeholders are set out in the Group’s Code of Ethics, Sustainability Policy, and Human Rights Policy.

For us, our people are an asset, a “human capital” characterised by talents, skills, and relationships. This is why we invest in providing a stimulating and productive working environment, in which everyone can express themselves to the best of their abilities and improve their skills.

Even in a year like 2020, characterised by the Covid-19 pandemic, ERG has not changed its approach and attention to its people. Not only were there no staff reductions, but during the year we hired 50 people. Training and development programmes have shifted from traditional classrooms to digital platforms. Corporate welfare initiatives have also expanded to encompass new areas arising from this reorganisation of our daily lives.



PEOPLE GOVERNANCE

Our human resources (HR) governance is exercised by means of two committees: the Human Capital Committee and the Supervisory Committee set up pursuant to Italian Legislative Decree 231/2001. The **Human Capital Committee** is tasked with:

- defining and monitoring the main human capital development programmes and activities, such as career plans, talent identification and management, training, leadership models, monitoring and implementation of diversity & inclusion policies;
- providing support to the Executive Deputy Chairman and the Chief Executive Officer in decisions on strategies that determine the value of our Human Capital;
- monitoring the implementation of the Human Rights Policy and managing any reports on non-compliance.

The **Supervisory Board** established in accordance with Italian Legislative Decree 231/2001, in its role as Ethics Committee, monitors the proper application of the Code of Ethics specifically concerning the respect for human rights, equal opportunities, and related topics. It also manages any reports on these issues it receives via the communication channels made available to all employees and also third parties, in particular by post and a dedicated email address. The HR department is in charge of managing relations with the labour unions and reports to the Head of Human Capital & ICT concerning strategies and results. We handle all relations with employees, with the collective representatives of the employees and with the trade unions in compliance with the applicable regulations in all the countries where we do business, guaranteeing the correct application of the National Collective Labour Agreements for the sector in question.

TOTAL: 784

78%

22%

FRANCE
61 (7.8%)

ITALY
685 (87.4%)

UK
3 (0.4%)

GERMANY
26 (3.3%)

POLAND
5 (0.6%)

ROMANIA
3 (0.4%)

BULGARIA
1 (0.1%)



HUMAN CAPITAL MANAGEMENT AND DEVELOPMENT

Our Human Capital is based on two main elements that contribute to achieving the company's results:

- Organisational Development: organisational model, processes, roles and responsibilities aimed at managing and developing ERG;
- Talent Management: recruitment and selection, leadership

development, performance, rewarding skills, talents, motivation, and succession planning.

Cyclically, we define our Leadership Model to engage people on "how" to achieve results through values, competencies, and behaviours that also drive career development expertise within the Group.

Our Human Capital Committee defined the current model to support our 2018-2022 strategic plan.



The processes that drive the development of Human Capital implement the Leadership Model as individual and collective operational plans and can be managed through a portal that everyone can access from the day they are hired.

In line with this approach, we suggest a "holistic vision" of individuals.

In so doing, People Managers are encouraged, through the various talent management processes, to "observe" and interact with their staff, focusing on performance, skills, expertise, development potential, and motivation.

The holistic view is a model that can also be used for one's own benefit: we promote self-accountability for everyone and a commitment to managing one's own personal and professional development.

In fact, talent is the key to naturally and passionately achieving outstanding results through an engaging and satisfying process. It is a crucial element of diversity within the Group and we expect everyone to recognise their talent and to use it, developing it to grow together with ERG.



Career management and leadership development

The “career system” ensures Selectivity, Sustainability, and Equity through a path that goes through several positions:

- Specialist
- Professional
- Manager
- Senior Manager
- Director

The promotion process is led and shared by the Human Capital Committee, which annually defines the tasks and commitments of candidates who may be appointed Manager and Senior Manager in the following three years, and progressively monitors the growth of their results in such processes.

Skill management: Human Capital Coverage

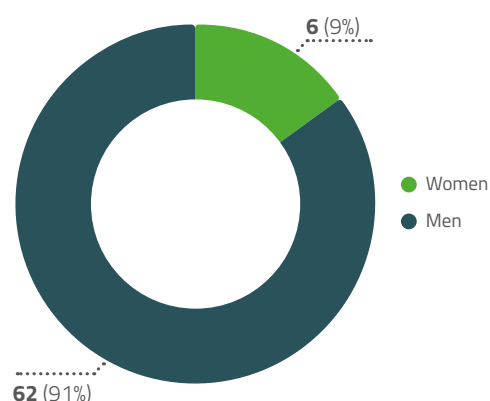
The method we apply to measure Human Capital Coverage, by developing an index that indicates the coverage of human capital, is a consolidated tool used for many purposes, both in Human Resources and in other Group areas. Its objective is to compare the skill level “expected” for each role with the “real” level of the people who fill the relevant roles.

In 2020, the need arose to also develop this method abroad. Again this year, we compared our results with those of previous years, and generated important information that will help us improve and enhance the process. In fact, on the basis of the new 2020 initiatives, we determined the training plans we need to close the gaps identified by this indicator, which has now become a fundamental tool for our future programmes.

Key 2020 findings include:

- assessment of the company’s entire population;
- the 421 skills that make up our “skills catalogue”.

Manager - Senior Manager



In 2020, our HCC index, the “Human Capital Coverage” index, was 94%, up about 1 percentage point compared to 2019 (+4 percentage points compared to 2018, the year the Plan began) in a context that was substantially changed with the OneGroup set-up, and revised organisational criteria.

The main reasons behind this increase are attributable to a few key factors:

- identification of the company’s organisational areas where measures were needed;
- development of organisational processes to improve productivity in certain specific areas;
- updating of training criteria also on the basis of analyses developed with the HCC.

Essentially, the skills development plan involved Process Engineering & Asset Performance, Regulatory & Market Scenario, Business Development & M&A, and Human Capital & ICT.

KPIs of the “HCC” process

	COMPANY EMPLOYEES ⁽¹⁾	SKILLS IDENTIFIED	HCC COVERAGE
2018	100%	400	90%
2019	100%	401	93%
2020	100%	421	94%

⁽¹⁾ Excluding the first reports to the CEO.

PERFORMANCE & REWARDING

Performance Management is based on measuring the results achieved during the year and is based on a top-down logic throughout the organisational structure. In line with our strategic plan and the budget, we set annual targets for the CEO's first line and then for collaborators. The objectives are corporate and/or individual, and involve an alignment meeting at the beginning of the year followed by a review at the end of the year to capitalise on what we can learn from the past year.

In 2020, 435 people were involved in individual goal setting processes, amounting to 57% of the average workforce.

Rewarding system

We pursue a solid principle: guaranteeing equal economic recognition for everyone on the basis of their respective characteristics and professional skills. Moreover, we implement rigorous policies and procedures aimed at preventing any conduct of a discriminatory nature.

With this awareness, the ERG Group's remuneration policy is based

on the recognition of merit. Indeed, Fairness, Sustainability and Selectivity are its main pillars:

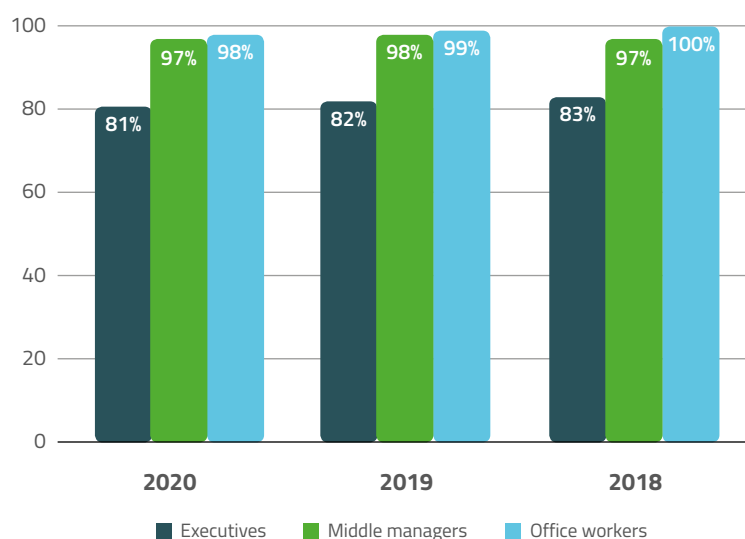
- we seek Fairness through a comparative analysis of wages in the reference markets, also taking into consideration the indications of external stakeholders;
- we pursue Sustainability, intended as the optimum balance between individual aspirations and the financial means of the company;
- we encourage Selectivity, developing high performers and recognising market conditions for normal contributors.

As regards fixed remuneration, the average differential between male and female "office workers" (46% of the workforce) is 2% and in the "middle managers" category (27% of the workforce) it is 3%.

The analysis of the remunerative positioning of the minimum salary level per category and gender with respect to that established per category by the National Collective Labour Agreements indicates a starting salary in line with the values established by the National agreements.

The change in salaries of executives is a result of updating of the minimum contractual amount.

Female/male remuneration differential



Difference between average ERG Group Italy pay and applicable National Collective Labour Agreements

Position	2020		2019		Change 2020/2019	
	Women	Men	Women	Men	Women	Men
Executives	118%	145%	134%	163%	-12%	-11%
Middle managers	130%	131%	132%	134%	-2%	-2%
Office workers	121%	123%	122%	124%	-1%	-1%

Difference between minimum ERG Group Italy pay and applicable National Collective Labour Agreements

Position	2020		2019		Change 2020/2019	
	Women	Men	Women	Men	Women	Men
Executives	118%	102%	134%	110%	-12%	-7%
Middle managers	114%	106%	106%	106%	7%	0%
Office workers	111%	114%	111%	113%	0%	1%

Remuneration policy for the period 2018-2020

During 2020, we further consolidated the short-term incentive system for all levels of the Group's managers and a select segment of professionals based on the importance of their roles.

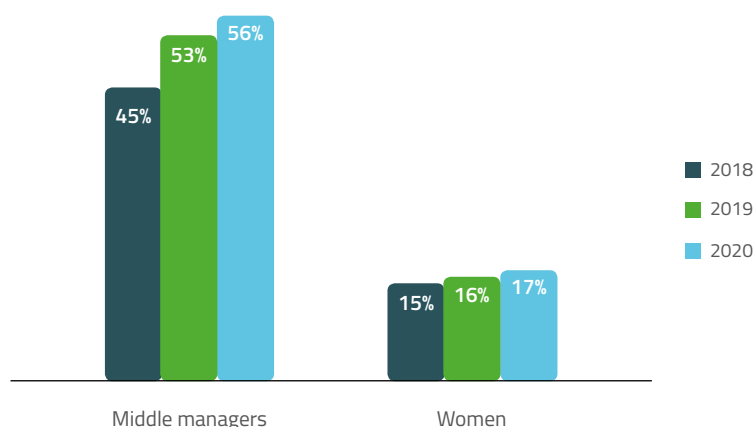
The system sets a number of corporate goals shared by all participants, measured by the EBT² index, and another four individual goals depending on the importance of the person's role and measured on the basis of quantitative indicators linked to economic and/or project related parameters. The system has two clauses aimed at highlighting and pursuing two

aspects of sustainability:

- Health and Safety of ERG employees: the system includes a Sustainability Clause according to which the corporate objective will not apply in the event of an accident that results in the death or permanent level of invalidity of a Group's employee of greater than or equal to 46%;
- Financial-organisational solidity of the Group, achieved through the clawback clause.

In 2020, all Directors and Senior Managers and 56% of company middle managers participated in the short-term incentive system.

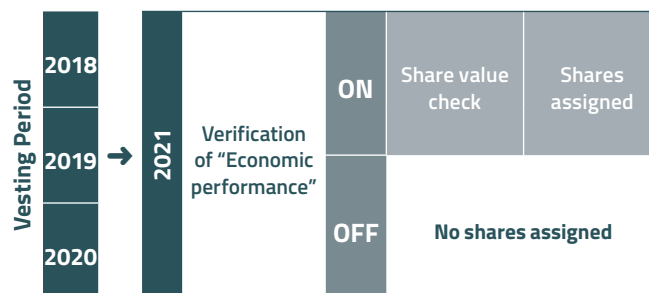
People involved in the incentive system



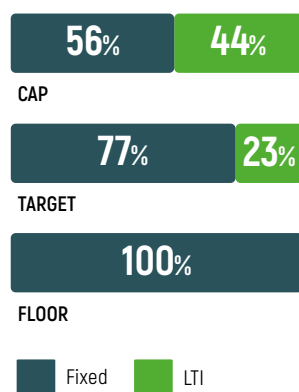
The number of women, up compared to 2019 (16%), represented 17% of participants in the system. Alongside the short-term incentive there is the 2018-2020 Performance Share long-term incentive scheme for directors with executive powers and a small selection of managers whose actions have a direct impact on achieving the objectives of the Business Plan. Therefore, the plan supports the strategy and ensures the company's sustainability over time, encouraging management to achieve strategic results, in line with the objectives of the Business Plan.

The 2018-2020 Performance Share plan involves the allocation of a pre-established number of ordinary ERG shares, assigned

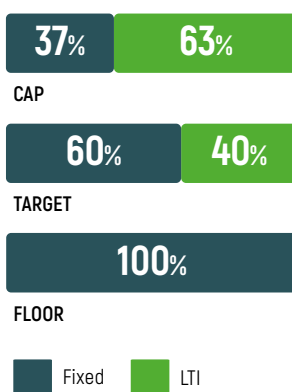
at the end of the three-year vesting period. The plan includes a clawback clause. For more details on the system see the Report on remuneration and compensation paid.



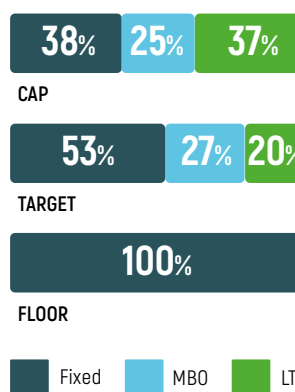
PAY MIX EDC



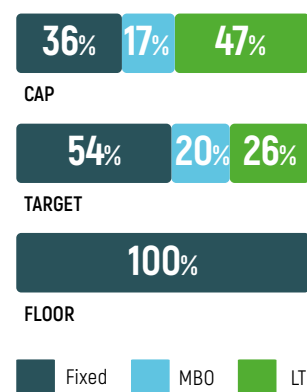
PAY MIX CEO



PAY MIX GM



PAY MIX KM



(2) Consolidated income before taxes

Remuneration policy from 2021

We have introduced major new features in the Remuneration Policy to be approved in 2021 concurrently with the re-election of the Board of Directors:

- a comprehensive review of the remuneration system for the Chief Executive Officer by introducing a short-term incentive (MBO) and eliminating Severance Pay;
- introduction of sustainability targets as part of the MBO system;
- definition of the key elements of the new 2021-2023 LTI Performance Share System 2021-2023, which adds specific sustainability objectives consistent with the new 2021-2025 Business Plan and the ESG Plan that will be approved by the new Board of Directors and presented to the market during the first half of 2021.

Internal mobility

"Experiences" are one of the pillars of the Group's professional and managerial growth system. We use Job Posting to gather internal applications and link individual aspirations with opportunities arising from the company's growth. In addition, through the People Portal, we invite people to reflect on their growth prospects and specify their aspirations for the next three years.

In 2020, the One Group reorganisation defined new organisational roles and had an impact on Business Development & M&A, Planning Control & Reporting, Group Risk Management & Corporate Finance, Energy Management & Sales, HSE, Regulatory & Public Affairs, Investor Relations & CSR, and Communication. Alongside these important changes, 15 individual job rotations were completed.

Succession Planning

Internal career dynamics are guided by the Management Team and by the Human Capital Committee.

We map possible successors for all company roles with the support of Key Leaders. By doing so, we can develop replacement plans for the people currently in each position and ensure the sustainability of individual growth and continuity in terms of results in the event of resignations, job rotation, or reorganisations.

The last update showed that for each organisational position there are solutions that can ensure operational continuity even in the event of sudden and long-term absences. In addition, there are

candidates that can be brought forward in one year or be ready immediately for 94%, and in 3 years for 97% of the target population, confirming ERG's solidity in the face of turnover or professional growth.

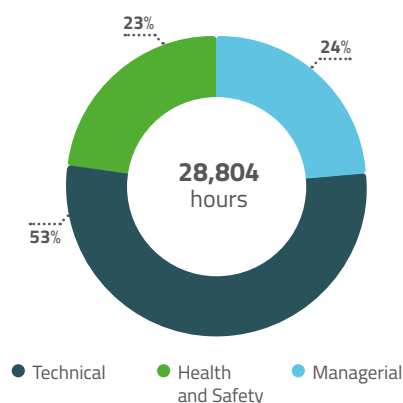
Starting this year, the Human Capital Committee will review the results of the process.

Life-long learning

Investing in personal and professional development through training is one of our priorities.

Training activities are grouped into three basic lines:

- Managerial;
- Specialised technical/on-the-job;
- Health and safety related.



A total of 28,804 hours of training were provided in 2020, down 46% compared to last year. The Covid crisis forced a freeze on in-person training, effectively accelerating the transition towards e-learning and learning communities. The goal is to exploit and disseminate the skills that are already available within the company to increase both effectiveness and efficiency.

Despite this, 95% of our people were involved in training activities and 37.4 hours were dedicated to training per capita.

You learn: boost your energy

Management training is aimed at all the Group's people, regardless of role, professional seniority, personal background, business sector, work location, and contract hours. Everyone can choose which training paths to attend within the catalogue.

In 2020, we prioritised remote working. Since the start of the lockdown forced by the health crisis, we initiated training courses to strengthen skills in the use of remote working tools, and the virtual training rooms became the place where people continued to meet. The classrooms were deliberately diverse in order to create and propagate a culture of working at ERG that breaks down geographic or role boundaries.

During the year, we offered 116 courses, compared to 80 last year (+45%). Moreover, 30% of the training activities were held in English to support the Group's international development.

In 2020, we implemented a valuable initiative called the Weekly Learning Activity. It is a series of weekly emails written in both Italian and English, addressed to all the people in the Group. The emails provide reading material, exercises, tools, videos, and reference models to help our people independently develop the skills they need to deal with the major changes that are taking place.

Learning Communities and Change Management

For several years, we have been following the “The 7 Habits of Highly Effective People” model developed by the Franklin Covey Society to support the development of personal effectiveness and leadership, and we have linked it to ERG’s Leadership Model. In this regard, we have established a Community of 111 people who have achieved ERG Expert certification. The objective of

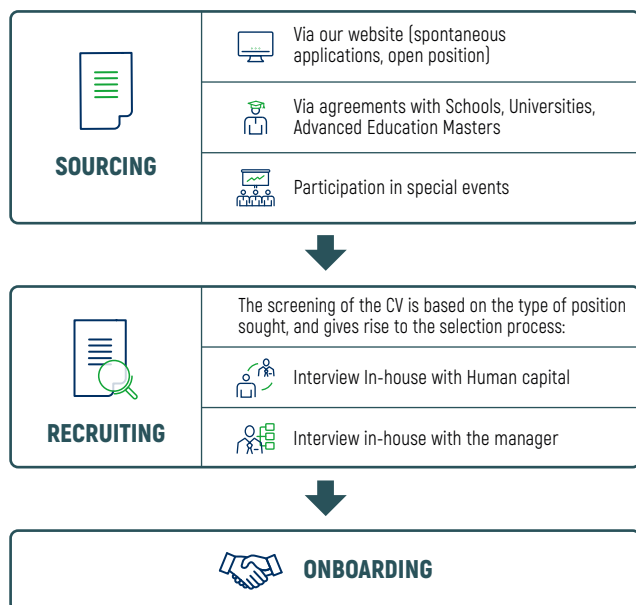
this transversal, international, intergenerational group with no hierarchical levels is to promote the 7 Habits model within ERG and spread tools that facilitate change management. Workshops and in-depth analysis are addressed to the community and are also transformed into training courses to be offered to colleagues.

THE SEARCH FOR NEW TALENT

Our acquisition process is designed to get in touch with, attract, select, and onboard people who are in line not only with our current needs but also with future ones.

The process is made up of 3 steps:

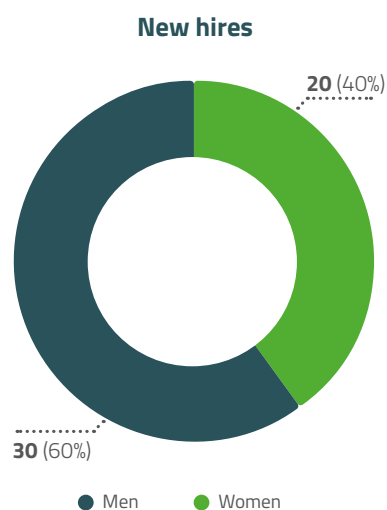
- Sourcing
- Recruiting
- Onboarding



The onboarding phase is a key part of the acquisition process and includes a plan to help new employees settle in quickly and reach their full potential as soon as possible. Forced remote work has further increased the relevance of this process.

We have consolidated our relationships with leading universities and with training organisations focused on developing skills in the world of energy. In addition, we have made the expertise and testimonials of the Greenenergymakers, our in-house experts, available for university and post-graduate training courses, participating in Career Days and hosting students completing their studies for internships.

In 2020, 44% of ERG’s new hires came from the network generated by these events or from direct applications, while the remaining 56% were head-hunted.



Employer Value Proposition

ERG's Employer Value Proposition is based on three pillars:

- **GreenenERGymakers:** we produce electricity from clean, renewable, and sustainable sources. Working for ERG means playing a leading role in the sustainable economy, helping to protect the environment, and improving the quality of life.
- **Employability and Self-accountability:** everybody is responsible for building their own "sustainable future" by keeping their skills up to date and discovering and enhancing their talent. ERG asks each person to plan their training path annually and to suggest the professional experiences they are interested in for their career path.
- **Talent:** talent makes each person unique and we are learning to connect our talent, our personal mission, and the way we work.

We believe it is a priority to use digital communication to reach out to potential talent and build pipelines for possible new hires, and starting in 2020, the acquisition process can also be handled completely online.

For some years now, our career website and use of social media

have been our fundamental channels, and the national and international awards we have received from Potentialpark (a Swedish company specialising in the analysis of online talent) confirm the effectiveness of our approach:

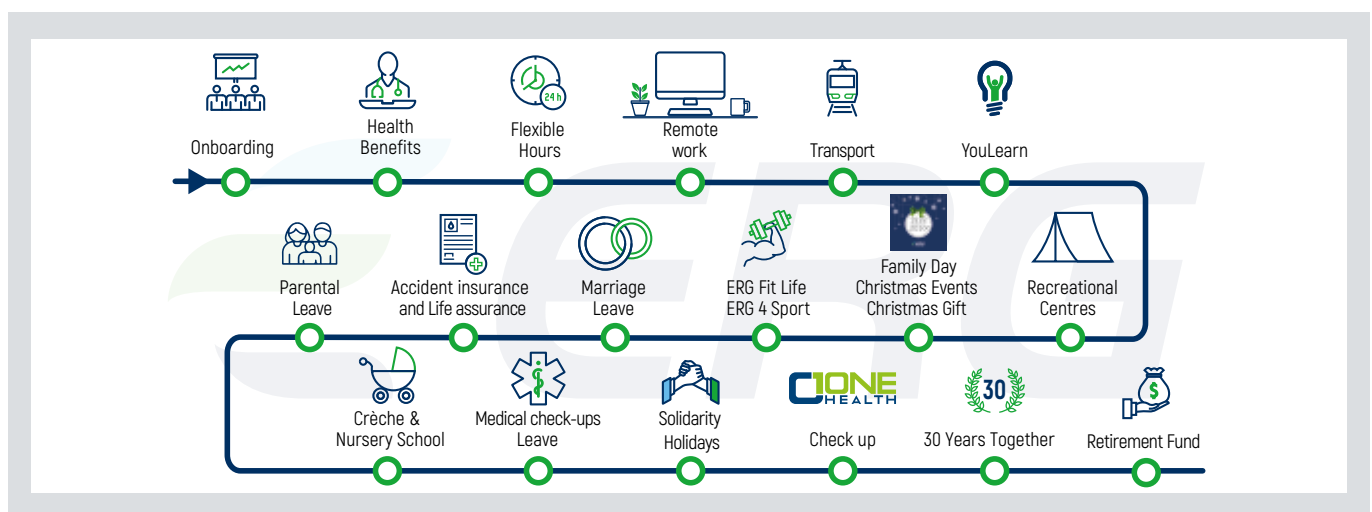
- ERG is confirmed as one of the top three companies for Employer Branding communication in Italy: once again this year we are third in the overall Italian ranking.





















Corporate welfare

Our integrated corporate welfare model has been developed over our 80 years of history and it is built around people to meet the requirements of the company's workforce and the needs for a positive work- life balance.

The system accompanies individuals from the time they are hired through the "onboarding" process, to the various stages of their life, both in the company and in private life, until their natural exit from the working world.



Training		Onboarding	ERG orientation programme aimed at introducing the company, the main tools available and the main stakeholders to enable the new employee to settle in quickly.
		You Learn	Training course aimed at increasing the individual value of people.
Health		Health benefits	Health insurance that guarantees a percentage reimbursement of health expenses in public and private healthcare institutions.
		Prevention programmes and nursing offices	Prevention protocols differentiated by the types of risk associated with the workplace (head offices, production sites). Voluntary cancer prevention programmes. Flu vaccination campaign. Additional leave for medical check-ups.
		Additional accident insurance and life assurance	Additional and improved insurance coverage compared with legal and contractual obligations. Covid-19 insurance.
Social security		Supplementary pension scheme	Supplementary pension funds supported by company contributions.
		Tax advice	Agreements with CAAF (Authorised Tax Assistance Centre).
Work-life balance		SmartERG	Pilot remote working project involving one day a week spent at the office and department.
		Marriage leave	More flexible marriage leave compared with national legislation.
		Parental leave and compulsory leave of absence	During maternity leave, employees retain access to corporate benefits. Compulsory maternity leave is fully paid.
		Facilitation	Flexible working hours to facilitate return to work after maternity.
		Crèche & nursery school	Agreements or reimbursements for employees who use crèches and nursery schools
		Scholastic excellence	Scholarships for the children of the most deserving employees.
		Solidarity Holidays	Transfer of holidays to "needy" colleagues with participation of ERG.
		Transport	Contribution at sites not sufficiently served by a public transport system.
Wellness and free time		ERG 4 Sport centres	ERG Fit Life: company gym in Genoa. Agreements with sports centres at other offices. Direct participation in national and international sports events.
		Free time	Recreational centres. Company volunteering projects.
Community		Events	Family Day. Christmas gift and Christmas Party. 30 years together.

DIVERSITY & INCLUSION

Our commitment to promoting diversity and inclusion is based on our Code of Ethics, Sustainability Policy and Human Rights Policy. Inclusion is also explicitly mentioned in the Leadership Model among the actions required to implement the strategic plan.

Accordingly, in 2019 we set out on a process that aims not only to promote diversity, but also to overcome any cultural stereotypes and address issues that prevent people from free self-expression and professional inclusion.

In 2020, thanks to external support, we activated the Gender Equality Assessment to identify Diversity targets and, above all, Inclusion targets to achieve in our next business plan. We have included monitoring programmes and indicators in the agenda of the Human Capital, Sustainability, and Nominations and Remuneration Committees.

We are also supporting members of Valore D, an Italian association set up in 2009, the first of its kind to enhance diversity, talent and female leadership and which is currently also working on interculturality, intergenerationality, and disability issues.

In 2020, our focus was mainly on three areas:

- attracting and selecting people who increase diversity, particularly women, who accounted for 40% of hires in 2020: the change in headcount was balanced;
- developing and growing female talent as well. To meet this challenge:
 - the 2020 programme included engaging People Managers in training on language, inclusive leadership, and unconscious bias;
 - female junior and middle managers participated in inter-company training, development, and mentorship activities to strengthen their leadership and networking capabilities;
 - male middle and senior managers participated in inter-company courses on the enhancement of interculturality and differences;
 - we have identified the first eight STEM Role Models who, by sharing their experience in schools, will help the younger generations pursue scientific careers and consolidate the positive image of women in technical roles within ERG.
- creating a truly inclusive environment by:
 - working remotely and with flexible working hours for employees that are on premises to facilitate work-life balance and support parenting and care for others well beyond our legal obligations. We discussed many supplementary and additional factors with the trade unions concerning broadening the safeguards provided by the various government decrees. Flexible work hours and workplaces were key to enabling people with illnesses or disabilities to avoid exposure to risk during the pandemic. The ongoing experience with vulnerable workers has shown how this approach is viable;
 - attention to everyone's language and behaviour, thanks to training and awareness-raising initiatives for inclusion in everyday life. We focused particularly on gender, age, disability, sentimental orientation, and geographical origin.



We named our project to make ERG more inclusive The Power of Diversity.

INTERNAL COMMUNICATIONS



We chose to use the H2H – Human to Human – symbol to define our Internal Communication, a cross-sectional interactive dialogue developed thanks to the involvement of all of ERG's people.

To keep this bond strong and reinforce it even during lockdown periods, we set up new, streamlined, and pervasive forms of digital communication such as our Weekly Smart News newsletter, created in March 2020 – shortly after the outbreak of the pandemic – to continue to inform #GreenERGyMakers on a weekly basis about everything that is going on inside and outside the ERG world.

Also in 2020, we launched our new ERGate intranet, the outcome of an extensive restyling that reflects new technological trends, with completely new graphics and content, and multi-device usability. It is designed not only to provide effective information but also to be a reference point for daily operations.

We completely reworked some key events of our internal communication activities in a digital format, in order to comply with the distancing rules. Along these lines we created the ERG Christmas 2020 project, which entailed the distribution of more than 750 food and wine "greetings kits" to ERG's people, asking each of them to take a video-selfie of their Christmas toast. The result turned out to be a solidarity contest: the many videos made contributed to supporting the Flying Angels non-profit organisation, to help it purchase flights for sick children living in disadvantaged areas to access the treatment they need in specialised hospitals.

Our Evolving Safety project, dedicated to safety at ERG, deserves a special mention. We kicked it off two years ago, and in 2020 we delivered it to the entire corporate population through a widespread digital campaign focused on safe behaviour in the professional and personal fields.

	ERGate	Our intranet portal: in 2020 we extensively restyled its graphics and technology. It features two top-level pages: On Air, with all the news on ERG's world and the energy scenario, and My Desk, a sort of virtual desk.
	Weekly Smart News	Our new weekly internal newsletter is completely digital and enriched with press and video supplements.

In the past years, a huge number of events that took place in the various company offices focused on communication towards employees, involving them and their families. Obviously, the

restrictions imposed upon us to handle the pandemic, forced us to put the events on hold during 2020, but we will reactivate them as soon as circumstances allow.

	Group Meeting	This is the annual meeting between top management and key leaders, open to all of ERG's people via our intranet site.
	Family Day	The annual event for employees' children between 3 and 12 years of age and their families at the company's main locations.
	Corporate volunteering	This is the day when ERG's people and their family members clean up common public spaces.
	Christmas Party	This is the traditional event for ERG's people to exchange season's greetings.
	ERG Fit for Life & GymPass	The Genoa headquarters has opened a company gym. Thanks to our partnership with Gympass, all of ERG's people can access a network of sports facilities and apps dedicated to wellness.
	ERG Running Team	Marathon running has become a long-standing tradition at ERG.
	Bikergs	ERG's motorcycle enthusiasts meet annually for a three-day event on two wheels.

INDUSTRIAL RELATIONS

The value of social dialogue and labour bargaining in the year of Covid-19

In 2020, our industrial relations model was strongly affected by dealing with the Covid-19 pandemic, both in terms of content and in terms of how we work.

The significant changes brought about by the pandemic were reflected in the introduction of important innovations in national negotiations and in the world of labour and industrial relations in general, which also included the renewal of supplementary territorial agreements.

A new way of working

The shift from face-to-face meetings to remote meetings was highly innovative for the world of industrial relations. Despite this, since the beginning of the crisis, social dialogue at various levels continued seamlessly at ERG on the technological platforms made available by the company. Indeed, meetings and opportunities for discussion have become more frequent, shorter and also more efficient and timely than in the past. It can be simply noted, considering the different levels of discussion and the supervisory tasks assigned to the trade unions by the institutions, in the following meetings held:

Number of meetings		
National associations	RSU/RSA ERG Power Generation Italia	Dèlèguè du personnel France
10	60*	7

* Estimate including the fees as per art. 13 of the aforementioned Protocol

Dialogue with the national trade unions of the electricity sector

From the outset, the dialogue between the company and the national trade unions of the electricity sector played a key role in agreeing on measures to fight Covid contagion in the workplace. As early as March 2020, the company and the trade unions agreed to switch to remote working five days a week. Building on this experience, in July and September we negotiated a new model based on alternating remote working, in line with the development of the pandemic, which took into account aspects such as hourly flexibility, union rights, working time and time off.

Furthermore, concerning how we managed the outbreak and the new procedures we implemented, we regulated and defined the following matters:

- doubling the aid provided by the "Cura Italia" decree to all the operating personnel who worked in March and April 2020, to ensure the operational and business continuity of an essential activity such as electricity production;
- the creation of an agreement to address the impact of the "segregation" of our personnel in the event of a worsening of the epidemic;
- the company's support for the Civil Protection's national campaign to raise funds to finance the purchase of new machinery or respirators for Italian hospitals;
- an agreement to neutralise the impact of any Covid-19-related illnesses/quarantines/isolations on the 2020 performance bonuses.

Supplementary local company agreements

In addition to the exceptionality of 2020, the company and the local trade unions agreed to confirm the expired supplementary company agreements and set up a new regulatory framework that complements the provisions of the national collective labour agreement (CCNL) for the sector and the national agreements.

Company Area	Signing Date
Tecnologia Wind & Solar Italia	21-Jan-2020
Tecnologia Power	16-Apr-2020
Tecnologia Hydro	11-Jun-2020
Corporate Italia	20-Jun-2021

Main Topics Negotiated
Additional working hour flexibility
Special allowance regulations
Statement on travel hours
Canteen ticket
Work/life balance measures
One Health Plan
School Excellence Award
Green Mobility

EVOLVING SAFETY

Safety in operations is a way of working that involves Management, internal staff, and the personnel of the third parties that work on our premises.

Worker participation in the identification and management of health and safety risks is essential and we make sure that we communicate proactively with workers' representatives, consistently involving them in the analysis of health and safety risks, and organisational changes. We do so also by holding meetings to discuss and explore potential improvement actions.



In general, we encourage worker participation and consultation on health, safety, and environmental protection issues by hosting meetings with the company's entire workforce. The main aim is to raise staff awareness, stimulate collective discussion during information and training meetings, involve the relevant departments in the analysis of accidents, take an active part in identifying and implementing remedies to prevent the recurrence of accidents, and promote the use of the corporate intranet with areas for exchanging information on health, safety, and environmental (HSE) issues.

According to the safety procedures in force, employees, third parties and occasional guests must be informed and trained in advance on what to do, and in particular what procedures to follow

if an emergency occurs within our operating sites. Furthermore, emergency management simulations and evacuation drills are carried out periodically.

Our commitment in this area is also reflected in the analysis of the possible impacts of the company's activities on health and safety. In general, we can break down the analysis into three areas:

- impacts on the health and safety of employees;
- impacts on the health and safety of third-party workers operating at our facilities;
- impacts on the health and safety of local communities.

We analyse the possible impacts of our activities on the health and safety of both employees and third party workers at our plants through a risk assessment process that culminates in identifying and applying preventive and protective measures. In this context, adopting a Health and Safety Management System plays a fundamental role, based on regulatory compliance and industry best practices, constantly applying the principle of continuous improvement.

Additional measures, procedures, control systems and in-field audits during activities with external workers allow anyone working in our plants to ensure continuous monitoring and verification of the proper conduct of the activities.

We supplement these checks with an analysis of the causes of any incidents, including near misses. By doing so, we implement a series of preventive actions that, based on lessons learned in the past, can prevent accidents from recurring or near misses from becoming accidents.

The Leadership in Safety project

"Leadership in Safety" is a cultural change programme designed to improve leadership in safety, with a flexible methodology that adapts well to the different business contexts that characterise our Group, as it operates in four different technological fields in widespread and diverse geographies. The key elements of the programme are:

- the engagement of the CEO, of the CEO's direct reports, and throughout the organisational structure to convey a clear and credible message aimed at change;
- constant and persistent engagement, since we believe that true cultural and behavioural change must be sustained over time by a series of coordinated projects;
- the creation of a clearly comprehensible Safety Vision, so everyone in the company can fully understand the project's objectives;
- the personal commitment and dedication of all managers, who must feel emotionally involved and active;
- the use of innovative language to promote the Leadership in Safety philosophy and support change throughout the organisation;
- the use of support materials and assessment strategies to effectively implement the cultural change programme throughout the organisation;

- the focus on HSE departments so that they become facilitators and focal points in disseminating the programme locally, with passion and enthusiasm.

The project's main target audience is all of the Group's people, particularly operational managers, those who are responsible for managing people. The programme spans multiple years and was kicked off in 2019 with an initial event for senior management: their involvement is essential to ensure the top-down diffusion of a clear and credible message of change throughout the entire organisation. Subsequently, also during 2019, we held five more workshops to reach the entire population of operations managers.

Once the top-down events ended in 2020, informal leadership activation began, for which we identified the Safety Champions who, due to their role as the most socially influential people, are informal leaders, regardless of their role in the company.

These informal leaders, unconsciously followed by their colleagues, will support and accelerate the cultural change throughout the organisation.

In 2021, the primary focus will be on engaging contractors on the topic of virtuous behaviour.

As part of our Management System, we coordinate responsibilities, and the process of reporting, communicating, analysing and correcting accident, incident and near-miss events that occur to ERG and contractor workers. We also constantly monitor the improvement actions resulting from our analyses and follow them through to completion.

As part of our efforts, we update the Incident and Near Misses Report on a monthly basis. This report analyses the events of the reporting month and updates the status of actions taken for all previous events. To ensure transparency and information, we report it both to Top Management, in the Management Committee, and to all our workers, including the Workers' Safety Representatives, during meetings and seminars addressed to the company's entire population.

We also analyse all accidents and near misses and, where necessary, prepare an action plan. We also periodically monitor action deadlines through our centralised corrective action log. Training is a fundamental tool in this process to reconcile work and health, protecting the safety of workers, the local area, natural resources and the surrounding environment. Therefore, we constantly strive to ensure that the operations of all the Group's entities comply with regulations and best practices on the health and safety of employees and third parties, as well as with the regulations for the protection of the environment. With this in mind, we:

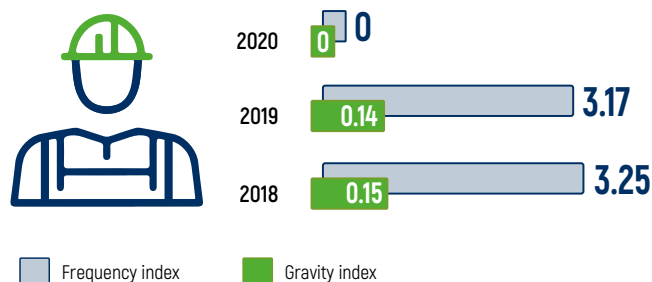
- identify the training needs of our staff and define the relevant "Annual Training Plans";
- schedule information, education, and training activities, implement the scheduled initiatives and monitor their effectiveness;
- manage recruitment, job and/or organisational changes with regard to HSE training;
- identify the proper behaviour for visitors to observe in the Group's work areas and inform them of it when they first access the company premises;
- document the activities listed above.

The information and coordination activities by which we transfer to third-party companies all the procedures they must follow and comply with for contracts at operational sites and offices are extremely important.

Our commitment and activities implemented for several years now, have paid off in 2020: **a year ended with zero accidents for employees.**



Internal safety indexes



Safety walks and on-site HSE audits

The principles and regulations that govern occupational health and safety and the environment must also be respected by third-party companies who do business with us.

This is why, during the year, our Group HSE Organisational Units perform many on-site audits to verify regulatory compliance. In addition to these audits, there are also the standard ones required by the management systems that help monitor working environments and processes.

During 2020, we conducted 40 audits at ERG Power's plant, while we carried out over 100 HSE field audits on contractors within the Hydroelectric Complex. We also held some Safety Walks & Talks, field inspections carried out by various company functions to help those in charge of asset management to identify any risk conditions, also suggesting possible improvement actions.

HSE monitoring activities at our wind & solar plants was very intensive during the year; in particular, 74% of the construction sites that followed during the year, were controlled. Most of the controls, 78%, were operated within the environment safety management systems applied in the group; the corrective actions that emerged from the results of the various audits were merged into the overall plan of HSE actions.

We believe it is essential to enter into constructive partnerships with contractors to address health and safety management, as such measures ensure continuous improvement for both parties. In fact, it is also possible to promote the importance of virtuous behaviour, both by following the concrete example of our people and by launching awareness-raising and training initiatives for all external parties.

The HSE inspections conducted in 2020 are listed below:

Wind controls	Thermo controls
689	40
Solar controls	Hydro controls
71	100

HEALTH AND SAFETY FOR OUR COMMUNITIES

Detention of river flooding

Besides 19 power plants, ERG Hydro operates seven major dams and 22 smaller dams located on the Velino, Nera, and Tiber rivers and their tributaries.

The dams and water works are designed to convey the river water to the power plants and also to ensure suitable safety levels, by managing and monitoring natural flowrate changes such as floods, mitigating their impacts on the local area, meeting the needs of protecting the dam and avoiding hydraulic risk downstream.

If river flooding occurs, effectively managing reservoirs, especially those with a significant capacity, can control the releases of water downstream from the dams, releasing quantities that the receiving water basins can handle, avoiding flooding outside the riverbeds. It is therefore possible to exploit their accumulation capacity so as to release lower flowrates downstream, thus detaining the flooding river water. The coordination of Civil Protection and Soil Defence is fundamental for reservoirs with limited outflow capacity. They must ensure the capability of the riverbeds downstream of the dams to accommodate the needed discharges from the reservoirs, especially when natural rainfall is greater than the reservoirs' capability, albeit limited, to fully accommodate floods, while ensuring their mitigation.

During the overflows, the Terni control room continuously monitors the plants and water works remotely, managing water flows in the rivers to prevent flooding. This is possible also thanks to the rainfall and flowrate detection systems installed throughout the area, and the constant contact with the Authorities (Civil Protection Agency, Regional Operations Centres, Prefectures, Municipal Authorities, etc.).

Besides remotely operating the plants and water facilities, our surveillance personnel is always on site at all the dams and is professionally trained to deal with critical situations. In fact, redundant command and control systems have been set up to operate the discharge equipment.



Seismic monitoring

ERG Hydro owns our hydroelectric assets and operates seven large dams (Aja, Alviano, Corbara, La Morica, Marmore, Salto, and Turano), with a total reservoir volume of approximately 600 million cubic metres of water. In an area of central Italy subject to earthquakes,

inspection activities are very important. We inspect not only the dams, but also all related infrastructure, such as canal bridges, road bridges over lakes and, last but not least, our offices. All monitoring on dams is performed by a team of technicians who periodically assess the structure's behaviour in terms of, for example, horizontal and vertical displacement, rotation, and distortion.

A database stores all the data from the instrument-based monitoring system for subsequent analysis and validation, enabling us to analyse several key parameters to assess the structure's integrity, such as the "upstream/downstream" movement of the crowning (top part of the dam), the under-pressure values and the values of leaks or seepage.

Data processing is based on diagramming the 10-year historical series (long-term trend analysis) or on statistical behavioural models, which enable us to compare forecast values with the actual measurements carried out in the field. In the event of major discrepancies, we perform additional instrumental checks to analyse any anomalies of the dam's structural behaviour. Every month, we send the data to the Supervisory Authority (monthly bulletins) and, every six months, we produce a six-monthly statement ("Report on the state of the works") containing the data of the last five years.

In addition, twice a year the Supervisory Authority carries out a "supervisory visit" during which it physically check the proper operation of all the equipment installed at the dam and takes sample measurements of the structure's monitoring system. To keep the dam monitoring system up to date with the state of the art, during 2020 we launched a project to completely modernise the Salto dam's dynamic monitoring system.

The new system will be connected with the ERG control centres and will generate alarms for early warnings of seismic events. In 2021, this project will also be implemented at the Turano dam.

We constantly carry out many structural checks on the Group's plants and structures, implementing all the measures needed to improve them. In particular, in recent years we have been working on the road viaducts on the Salto and Turano lakes, on the water tower of the Preci power station, and on the Rosciano canal bridge.

At the Villa Fabrizi site, besides the seismic improvement activities, we have also completed architectural redesign and energy efficiency improvement projects by installing new air conditioning and heating systems, new electrical and domotics systems, and raising the building's energy class (see Planet section).



GOVERNANCE



ERG'S CONTEXT AND VALUES

Lawfulness, Honesty, Fairness, Equality, Confidentiality, Equity, Integrity, Transparency, Responsibility and Sustainability. These are the values of ERG, the principles that guide the Group in performing its business activities and that have strengthened over time, fully expressed in the Code of Ethics. The members of the governing bodies of the Group's companies, our employees and the people who work together with us are called to comply with the principles set out in the Code of Ethics and – each within their respective roles and responsibilities – with our governance rules.

GOVERNANCE

Corporate Governance involves a set of rules and activities. The elements comprising and giving rise to corporate governance are

the statutory bodies, the board committees and the corporate governance documents that regulate their operation. Our Corporate Governance is structured according to a traditional model, based on which:

- the Board of Directors, appointed by the Shareholders' Meeting, is responsible for determining and achieving the strategic objectives of both the Company and the entire Group;
- the Board of Statutory Auditors, again appointed by the Shareholders' Meeting, has supervisory duties.

The statutory audit is entrusted to Independent Auditors at the Shareholders' Meeting on the basis of a reasoned proposal by the Board of Statutory Auditors.

With resolution of October 2020, the Board of Directors decided to adopt the new Corporate Governance Code, the implementation of which will be completed during 2021.

The Board of Directors

The current Board of Directors is composed of twelve members. It was appointed at the Shareholders' Meeting on 23 April 2018 and will remain in office until the Shareholders' Meeting called to approve the Financial Statements as at and for the year ending 31 December 2020.

Director	Office	Role	Independent	M/m*	CRC**	NRC**
Edoardo Garrone	Chairman	Executive	No	M		
Alessandro Garrone	Deputy Chairman	Executive	No	M		
Giovanni Mondini	Deputy Chairman	Non-executive	No	M		
Luca Bettonte	Chief Executive Officer	Executive	No	M		
Massimo Belcredi	Director***	Non-executive	Consolidated Finance Act	M	X	
Mara Anna Rita Caverni	Director	Non-executive	Consolidated Finance Act/ Corporate Governance Code	M	P	
Barbara Cominelli	Director	Non-executive	Consolidated Finance Act/ Corporate Governance Code	M		X
Marco Costaguta	Director	Non-executive	No	M		
Paolo Francesco Lanzoni	Director	Non-executive	No	M		X
Silvia Merlo	Director	Non-executive	Consolidated Finance Act/ Corporate Governance Code	M		P
Elisabetta Oliveri	Director	Non-executive	Consolidated Finance Act/ Corporate Governance Code	M	X	
Mario Paterlini	Director	Non-executive	Consolidated Finance Act/ Corporate Governance Code	m		

* Drawn from the list presented by majority (M) or minority (m) shareholders.

** CRC: Control and Risk Committee; NRC: Nominations and Remuneration Committee – these provide to the Board of Directors and to the relevant bodies the opinions provided for by the Procedure for Transactions with Related Parties. Appointed on 23 April 2018.

*** Responsible for coordinating the requests and contributions of non-executive directors (with particular reference to those who are independent) on matters of interest with respect to the operation of the Board of Directors or the management of the company, as well as working with the Chairman of the Board of Directors to ensure that directors receive full and timely information.

P: Chairman of the relevant Committee.

X: Member of the relevant Committee.

Protection of minorities

A Director was appointed from the minority list submitted by a number of investors, in compliance with the principles of protecting minorities laid down in the Consolidated Finance Act (T.U.F.).

Compliance with gender balance

33% of Directors in office are the less represented gender: four directors out of twelve are women. This percentage complies with the gender balance criteria established by the current legislative and regulatory provisions.

Pursuant to the new rules, the new Board of Directors, which will be appointed by the Shareholders' Meeting called to approve the Financial Statements as at and for the year ending 31 December 2020, shall ensure that at least two fifths (40%) of the Directors elected are from the less represented gender.

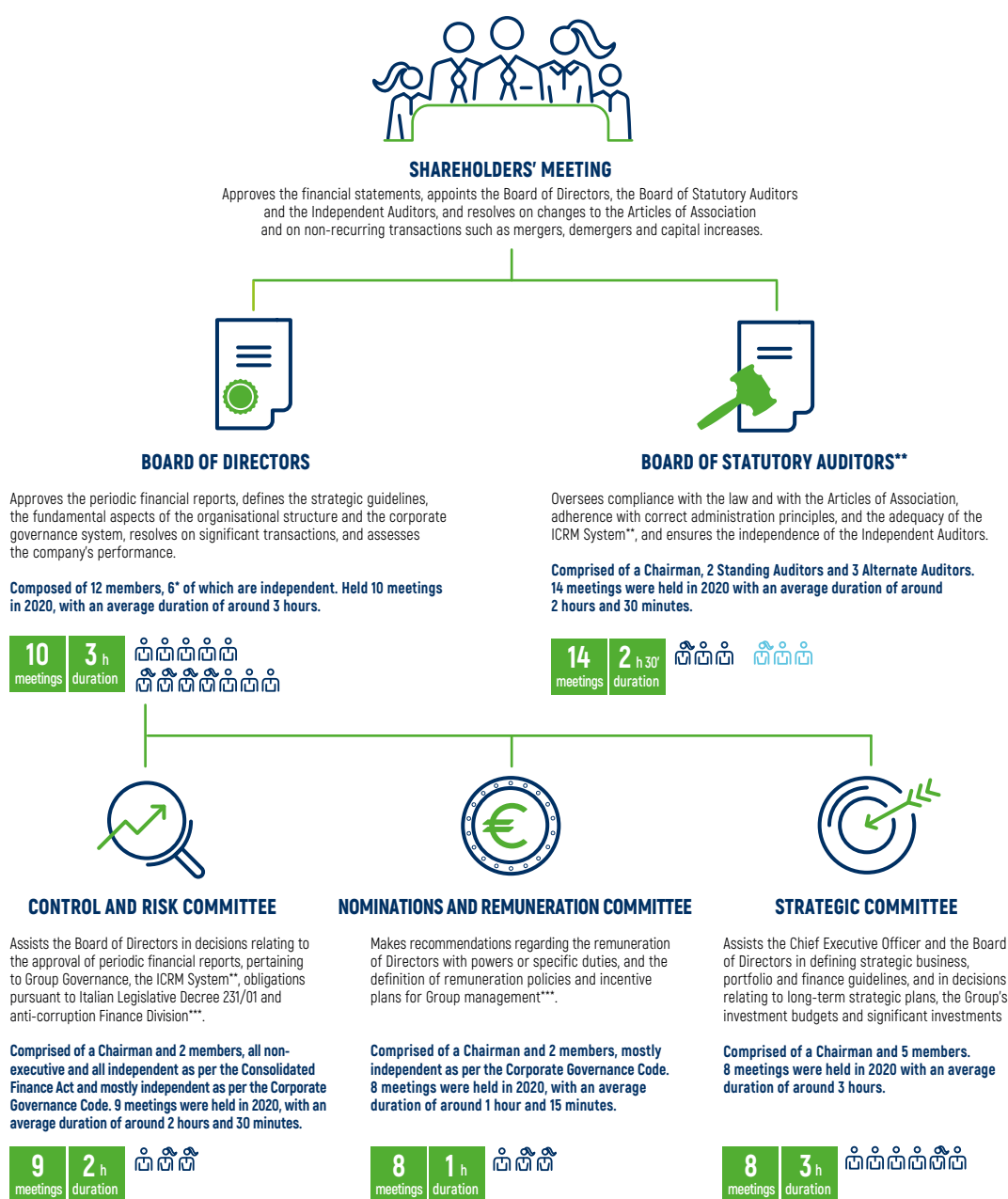
The average age of the members of the Board of Directors is around 57: 3 members (25%) are less than 54 years old.

For further information about the appointment procedure, see the section "Report on Corporate Governance and ownership structure" at the www.erg.eu website.

The Board of Directors has set up three internal committees:

- the Control and Risk Committee, which carries out the role and duties envisaged by the Corporate Governance Code and, in particular, supports the assessments and decisions taken by the Board of Directors with regard to the Internal Control and Risk Management System, as well as those related to approval of the periodic financial reports;
- the Nominations and Remuneration Committee, which carries out the role and duties envisaged by the Corporate Governance Code for the Nominations Committee and the Remuneration Committee;
- the Strategic Committee, which supports the Executive Vice President and Chief Executive Officer in performing their functions with respect to the Board of Directors. It operates by defining strategic business and portfolio guidelines and policies on strategic finance and individual non-recurring finance transactions. It also examines the long-term strategic plans and capital expenditure budgets of the Group, and the significant investments and transactions effected at Group level, as well as the consistency of economic and financial returns with respect to the threshold rates, and comments on the need to involve the Board of Directors, in accordance with the provisions of Group Investment Guidelines.

CORPORATE BODIES AND BOARD COMMITTEES

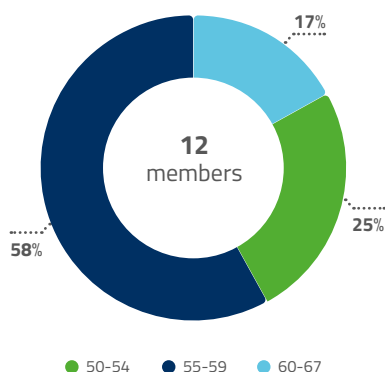
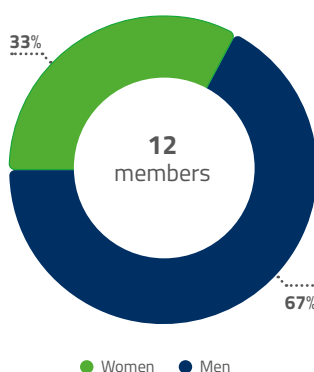
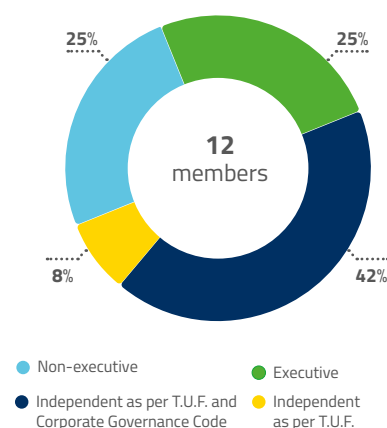


** Appointed on 17 April 2019

* 5 independent as per the Corporate Governance Code and 1 independent as per the Consolidated Finance Act ("T.U.F").

** Internal Control and Risk Management System.

*** Responsible for formulating opinions for the purposes of the Procedure for Transactions with Related Parties.

Board of Directors - composition by age**Board of Directors - composition by gender****Board of Directors - composition by status**

Board of directors self-assessment

Sustainable success is indicated as the main objective to ensure long-term value creation for shareholders, without foregoing the interests of stakeholders.

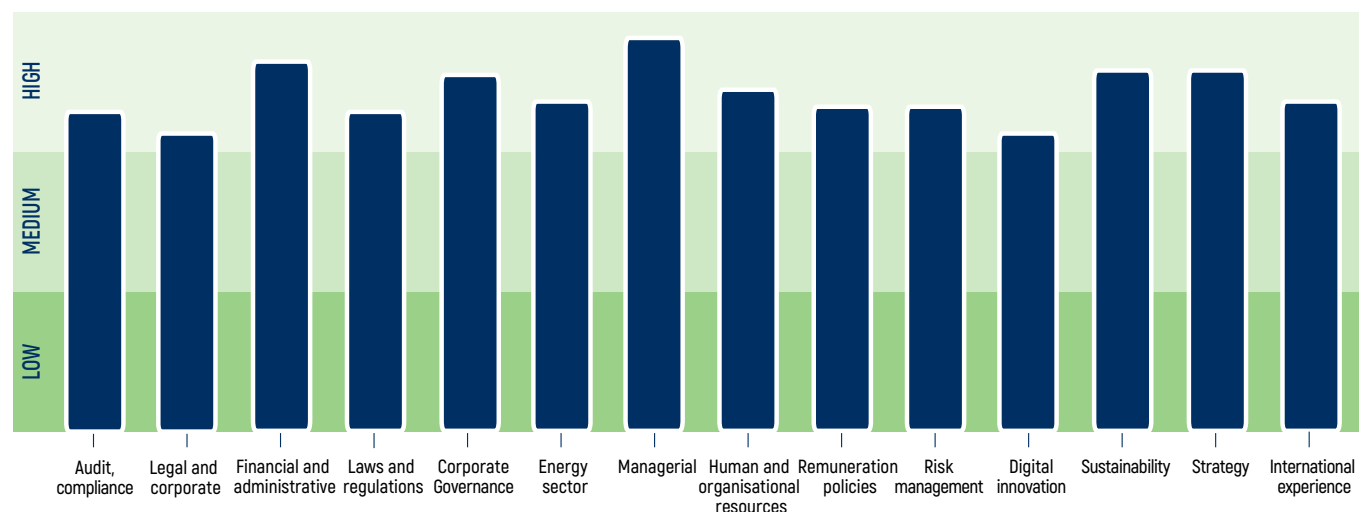
The best practices recommended by the Corporate Governance Code recommend that the administrative body of the Company (taking into account its qualification as company with concentrated ownership) carry out, at least every three years, in view of renewal of the administrative body, an assessment of the composition, size and operation of the Board and its Board Committees.

Following said recommendation, the Board of Directors of ERG conducted its own self-assessment during 2020, based on the

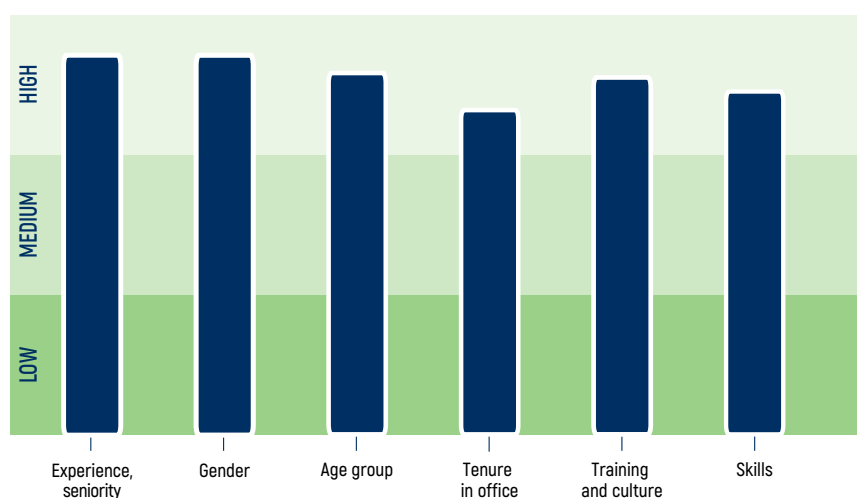
self-assessment criteria already employed in the past, as well as on the results of a self-assessment questionnaire drawn up by an external consultant and interviews conducted by the same with the Directors, General Manager and Statutory Auditors, during which they were asked to participate in the process, to report on any issues requiring further analysis, to conduct a qualitative assessment of their performance in 2020 in order to improve the operating methods of the Board and to increase its contribution to the Company's effective capacity to reach its strategic goals.

The results of the self-assessment highlighted an overall positive judgement in terms of functioning of the Board of Directors and its Committees.

Adequacy of the skills present in the board

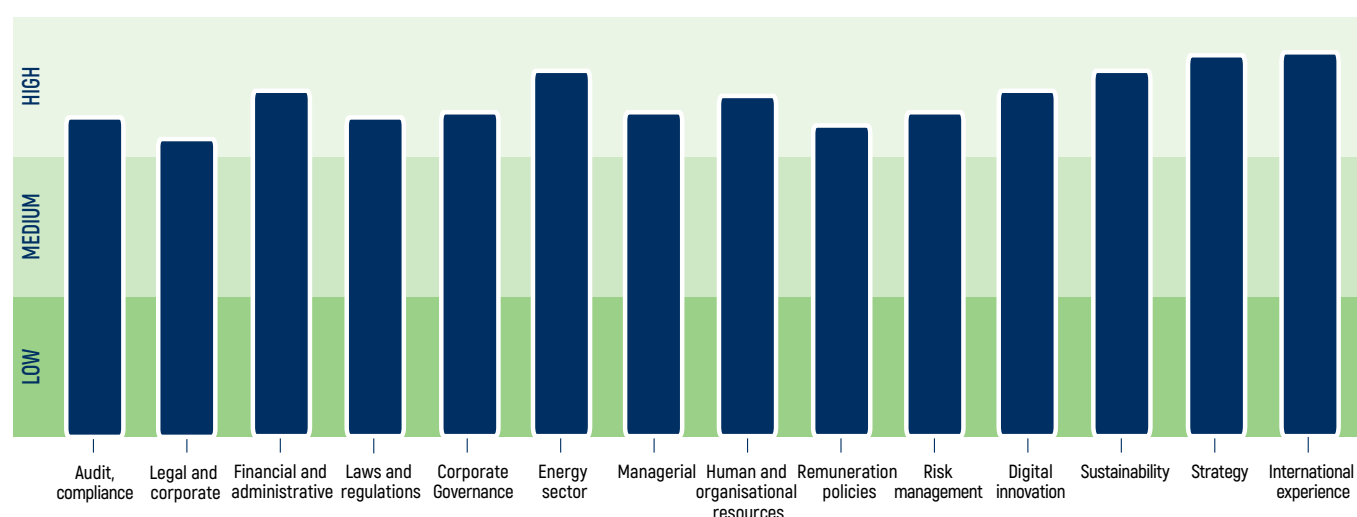


Adequacy of diversity in the following areas



For the purposes of its renewal, the Board of Directors of ERG has highlighted the importance of the skills it deems appropriate to be included within the board.

Importance of the skills



Increased vote

The 2020 Extraordinary Shareholders' Meeting introduced the so-called "increased vote" mechanism.

Adoption of the increased voting right mechanism aims to encourage, thanks to the greater weight in the meeting decision-making process, medium/long-term investments that can support long-term strategies for development and growth of the Group, as well as contrast the stock's volatility, which may be triggered by short-term decisions by investors. In this way, a more efficient price formation process and a non-speculative approach to investment would be favoured, in line with international best practices on corporate governance as well as with Directive (EU) 2017/828, aimed at promoting the commitment, effective and sustainable, and the long-term orientation of shareholders, also through greater

involvement of the same.

The Company's Articles of Association envisage that two votes be assigned for each share belonging to the same shareholder, who asked to be registered in a specific Special List, kept and updated by the Company, and who has maintained registration in the List for a continuous period of at least 24 months from the registration date. In June, the Board of Directors adopted the regulation governing the methods for registering, maintaining and updated the Special List in compliance with the applicable regulations, with the Articles of Association and with market practices.

For additional details, see the section "Increased Vote" on the website ERG.eu

The Board of Statutory Auditors

The current Board of Statutory Auditors, composed of three standing auditors and three alternate auditors, was appointed at the Shareholders' Meeting on 17 April 2019 with a three-year mandate. The mandate will therefore expire on the date of the Shareholders' Meeting called to approve the Financial Statements as at and for the year ending 31 December 2021.

Protection of minorities

The Chairman of the Board of Statutory Auditors and an alternate auditor were appointed from the minority list submitted by a number of investors.

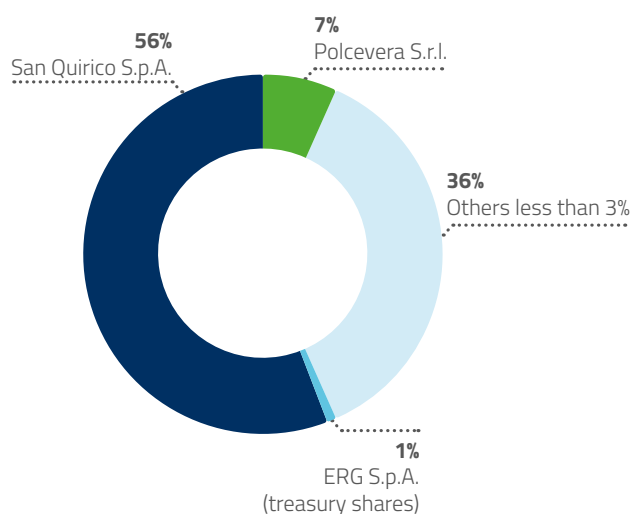
Compliance with gender balance

33% of the Standing and Alternate Auditors are the less represented gender. Pursuant to the new rules, the new Board of Statutory Auditors, which will be appointed by the Shareholders' Meeting called to approve the Financial Statements as at and for the year ending 31 December 2021, shall ensure that at least two fifths of the Auditors elected are from the less represented gender. The Issuers' Regulations provide that if the application of the gender allocation criterion does not result in a whole number of members of the management or control bodies belonging to the less represented gender, this number is rounded up to the next integer, with the exception of the corporate bodies formed by three members for which the number should be rounded down to the lower integer.

Independent Auditors

The Independent Auditors (KPMG) were appointed by the Shareholders' Meeting of 23 April 2018, for the years from 2018 to 2026. Consequently, the appointment for the statutory audit will expire on the date of the Shareholders' Meeting called to approve the Financial Statements as at and for the year ending 31 December 2026.

For further information on the role played by each body, see the "Report on Corporate Governance and Ownership" section on the website www.erg.eu



Main procedures to protect non-controlling shareholders

On 15 October 2020, the Company resolved to adhere to the new Corporate Governance Code published on 31 January 2020, applicable starting from 1 January 2021. The process of adhering to the Code, still underway, will be completed during 2021.

Code of Conduct for Internal Dealing (purchase/sale of company shares)

The Code of Conduct is aimed at regulating disclosure obligations in respect of the market, ERG S.p.A. and CONSOB, with reference to transactions involving ERG shares/debt instruments issued by ERG or derivatives or other related financial instruments carried out, directly or indirectly, by Relevant Persons and by persons closely associated with them.

For more information, see the "Code of Conduct for Internal Dealing" available on the website www.erg.eu.

Guidelines for the identification and execution of significant operations

The Guidelines aim to define the criteria for the identification of significant operations identified within the meaning of the existing Corporate Governance Code and not covered by the powers granted to the Chief Executive Officer and the Executive Deputy Chairman of ERG S.p.A., as well as the principles of conduct to be followed in carrying out said operations. The Guidelines also apply to subsidiaries of ERG S.p.A.

Procedure for handling and processing relevant and privileged information and for the public dissemination of statements and information

The Procedure contains provisions relative to the handling and processing of Relevant Information and Privileged Information, as well as the arrangements to be observed for the public dissemination of Privileged Information directly relating to ERG S.p.A., the subsidiaries and/or the joint ventures.

For more information, reference is made to the "Procedure for handling and processing privileged information and for the public dissemination of statements and information" available on the Group's website.

Procedure for Related Parties Transactions

The Procedure aims to assure the transparency and the substantial and procedural correctness of transactions with related parties carried out by ERG S.p.A. directly or through subsidiaries.

INTERNAL COMMITTEES

Governance of our Group also envisages the presence of Internal Committees (non-board committees consisting of Group managers) with advisory and consulting functions with respect to the Executive Directors.



RISK COMMITTEE

- Supports the Chief Executive Officer in defining strategies and policies for the management of financial and market risks;
- Provides the CEO with the information required to authorise financial and market risk management transactions, and to monitor the execution of significant transactions and verify their effects.

INVESTMENT COMMITTEE

- Supports the Chief Executive Officer in assessing investment proposals;
- Expresses a justified technical, economic and financial opinion for the Strategic Committee at various stages in the investment process.

HUMAN CAPITAL COMMITTEE

- Defines and monitors the main human capital development programmes and processes;
- Provides support to the Executive Deputy Chairman and the CEO in decisions relating to strategies that determine the value of ERG's Human Capital;
- Monitors the effective implementation of the Human Rights Policy, managing the reports relating to non compliance thereof.

MANAGEMENT COMMITTEE ENGINEERING DEVELOPMENT

- Monitors the relevant projects of the Group in the specific area of Engineering Development, supporting the relative Project Leader, ensuring also the alignment of all Organisational Units as regards priorities and guaranteeing consistency with the decisions of the Investment Committee;
- Analyses business development and technological innovation opportunities.

MANAGEMENT COMMITTEE RUNNING

- Monitors the economic, financial and industrial results of the Group through standardised reporting and control models;
- Monitors changes in the institutional and regulatory framework of reference sharing growth trends, opportunities and risks;
- Monitors activities and projects in the context of domestic and foreign institutional relations.

MANAGEMENT COMMITTEE BUSINESS DEVELOPMENT

- Monitors the relevant projects of the Group in the specific area of Business Development, supporting the relative Project Leader, ensuring also the alignment of all Organisational Units as regards priorities and guaranteeing consistency with the decisions of the Investment Committee;
- Analyses business development opportunities both in terms of geographical expansion and technological diversification.

ESG COMMITTEE

Steers and oversees the management of Corporate Social Responsibility (CSR) matters, and in particular:

- defines the Group's long-term sustainability guidelines and promotes the implementation of consistent practices in the field of corporate social responsibility;
- approves the ESG initiatives plan as part of the Group Business Plan, monitors its implementation, the achievement of objectives and the priority areas for action;
- approves the internal and external Communication Plan, aimed at promoting the planned ESG initiatives by monitoring their implementation and enhancing their growing strategic relevance;
- defines time-frames and methods for drawing up the Consolidated Non-Financial Statement and other ESG issues-related statements.

CREDIT COMMITTEE

Responsible for the entire Group for the granting of credit facilities, for the analysis of deadlines and collection performance, for assessing and verifying past-due recovery plans, and for the general assessment of credit performance.

ANTI-CORRUPTION: THE GROUP'S COMMITMENT TO ETHICAL INTEGRITY

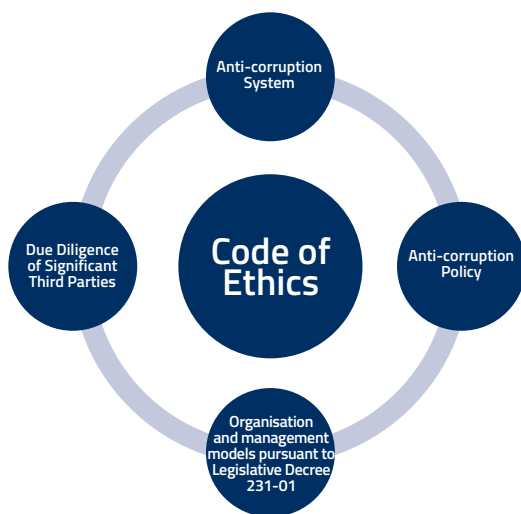
The fight against corruption and the condemnation of any corruptive behaviour has always been a fundamental value to which ERG aspires in conducting its business.

Consequently, our Group has acquired a number of tools over time in order to ensure adequate governance of corruption risk, in any form – active, passive, public and private.

First of all, since 2004, we adopted a Code of Ethics that identifies the behaviours to be observed in dealings with the institutions, such as to obtain administrative measures necessary to exercise activities, as well as to represent, in the appropriate jurisdictions, the Group's case upon issuance of rules and regulations that may have a more or less significant impact on business.

Added to the Code of Ethics, over time, are the Organisation and Management Models pursuant to Legislative Decree 231/01, within which prevention of corruption risk plays a primary role and, lastly, the Anti-Corruption System and Policy (adopted in 2019) and the procedure for Due Diligence on Significant Third Parties.

ERG Group's Anti-Corruption System



The Anti-Corruption System, particularly with regard to the Code of Ethics and Anti-Corruption Policy, is adopted by all Group companies, in Italy and abroad. It is compliant with the ISO 37001:2019 standard and, as such, ensures compliance with the Anti-Corruption legislation and regulations of all countries in which we operate.

It is essentially based on two pillars: the Policy and the Due Diligence on Significant Third Parties

The Anti-Corruption Policy declares the Group's commitment and establishes guidelines to ensure compliance with Anti-Corruption system requirements aimed at:

- a) fully rejecting and preventing corruption, according to a "zero tolerance" principle;
- b) ensuring compliance with all Anti-Corruption laws, with particular reference to those applicable in the countries where the Group operates;

- c) identifying Anti-Corruption controls and implementing them in internal regulatory instruments (especially in Anti-Corruption procedures);
- d) identifying training activities on the Policy and on compliance with the Anti-Corruption laws and their recipients;
- e) guaranteeing the commitment to continually improve the Anti-Corruption system.

We define further operating goals on an annual basis, in line with the Policy's general goals, which are reflected in the Compliance Plan drawn up by the "231 Compliance" department and presented to the Control and Risk Committee and to subsidiaries' competent corporate bodies.

The activities of our Group which are considered to be at greatest risk of corruption and therefore subject to the rules of conduct contained in the Anti-Corruption Policy and to its obligations and prohibitions include:

- management of relations with the institutions and control bodies;
- purchase of goods and services (including consulting);
- management of expenses for gifts, sponsorships, donations and entertainment expenses.

Facilitation payments are also strictly prohibited.

For each of said activities, the Group, in addition to the rules of conduct of the Policy, has approved specific procedures that clearly identify the authorised parties, the spending limits (where applicable) and the second-level controls.

In particular, to manage relations with third parties such as suppliers, contractors, consultants and partners, we have approved the "Due Diligence on Significant Third Parties" procedure, which outlines the controls to be conducted on counterparties with which we intend to conduct our business, to identify any conflicts of interest and concrete corruption risks and, if necessary, take the appropriate mitigation measures.

In 2020, the procedure was updated to take into account improvements that emerged during the first year of application, particularly with regard to the forms given to third parties to fill out. The Group currently monitors around 1,800 significant third parties, through an IT system and by filling out/updating the relative forms. Monitoring of the effective and corrective functioning of the Anti-Corruption System is ensured through data streams, both periodic and occasional, which must be transmitted to the "231 Compliance" department using the dedicated electronic email address. Moreover, Internal Audit conducts half-yearly tests on the activities at risk of corruption, and audits on the processes at greatest risk of both public and private corruption.

The possibility to report violations of the Anti-Corruption System and Anti-Corruption laws is envisaged, through a dedicated email address and a regular mailing address that can be used by anyone intending to make reports. Our Group governs the process to ensure correct management and handling of the reports received, ensuring privacy of the identity of the whistleblower (and alleged perpetrator) and adequate protection instruments against retaliation. During 2020, the 231 Compliance department did not receive any reports, while it regularly received the data streams envisaged.

Compliance with Legislative Decree 231/2001

During 2020, the main operating companies, ERG S.p.A. and ERG Power Generation S.p.A., updated the 231 Models following the assessment made on the organisational changes and new additions, particularly with regard to the introduction in Legislative Decree 231/01 of several new crimes (influence peddling, embezzlement, abuse of office, tax offences).

The general section of the 231 Models was modified to take into account the regulations on whistleblowing and the protection of reporting parties, indicating the channels of communication made available, the process followed to receive and manage reports (on the violation of the Code of Ethics and the 231 Model) and the measures adopted to protect the identity of the whistleblower and of the alleged perpetrator.

The special section was updated to take into account the new crimes to which the companies are abstractly exposed and the changes in process (activities and relative controls) that have taken place, in order to guarantee the presence of control protocols consistent with the reference company scenario.

The prohibition from providing (or offering) funding or other types of assistance directly or indirectly to political parties or individual representatives or candidates on behalf of the companies of the ERG Group was further outlined.

During 2021, the other Italian operating companies, including ERG Hydro S.r.l. and ERG Power S.r.l., will also update their 231 Models following completion of the assessment of regulatory changes. The effectiveness of the control protocols envisaged by the Models is guaranteed, in terms of receipt of the data streams (periodic and occasional), as well as of the assessment activities conducted by the Supervisory Bodies based on a specific plan, shared with the relative administrative bodies. These assessments, carried out with support from the Internal Audit department, consist of half-yearly tests on activities at risk of crime assessed to be of medium to high severity, and in specific audits whose results are reported on a half-yearly basis to the administrative bodies of the companies involved. The Supervisory Body consists of three members, one of whom is an external member, selected to satisfy the requirements of independence, autonomy and continuity of action. It is appointed by the Board of Directors, taking into account the expertise necessary to verify adequacy of the 231 Model, assessing the effective implementation and proposing the necessary updates.

The Supervisory Body meets periodically to examine the data streams received and assess any further investigations. During the meetings, reports of monitoring activities carried out by Internal Audit (231 audits, 231 tests, etc.) are examined and, where deemed necessary, the managers of at-risk activities are heard. Furthermore, data streams between the Supervisory Bodies of Group's companies are envisaged.

Specific meetings were held during 2020 with the managers of the activities carried out at Group level to deal with the Covid-19 emergency.

The Supervisory Body checks and makes sure that whoever makes a report in good faith is not subject to any retaliation, discrimination or penalisation, whether direct or indirect. It also ensures that the identity of this individual is protected, without prejudice to legal obligations and the protection of the Company's rights or those of

the persons accused wrongly and/or in bad faith. Furthermore, the Group undertakes to penalise anyone who breaches the privacy of the whistleblower and/or the alleged perpetrator. If the SB verifies the non-existence or obvious groundlessness of the reports, it dismisses them after drafting a specific report.

Any reports that prove to be unfounded, intentionally or with gross negligence, lead to the application of the Sanctioning System envisaged by the 231 Models.

In 2020 no reports of possible breaches to the Code of Ethics and the 231 Models were received.

Training

The employee training programmes have been entirely redesigned to take into account the activities carried out and the relative risks. For newly hired personnel, training has been diversified with three professional groupings (staff, production and commercial). Each grouping includes an introduction to Legislative Decree 231/01, followed by the presentation of cases that simulate work scenarios, in which participants are asked to make decisions that expose the company to the risk of crime to a more or less severe extent. The simulation is followed by a video summarising the company rules and a questionnaire. So far, the project has been completed for the professional groupings of staff and production, with training during 2020 of 47 newly hired personnel in these areas.

At the same time, extensive classroom training was provided to employees in regard to compliance with Legislative Decree no. 231/01. Simulation of concrete work situations were carried out in this case as well, highlighting the risks and the company rules adopted to prevent them.

This activity, launched in 2019 in the classroom, continued in 2020 virtually, through the Teams platform following the Covid-19 emergency, and involved a total of 47 people in 3 dedicated meetings.

Lastly, training is provided for the foreign employees responsible for activities at risk of corruption. The subject of the training has been the Anti-Corruption System, the Anti-Corruption Policy and the Due Diligence Procedure of Significant Third Parties. Training was held via Teams, with 3 sessions involving 46 people, including members of the both employees and consultants.

The various training/information activities carried out also involve a number of directors of companies of the ERG Group, including members of the board directors of the parent ERG S.p.A.

Legis. Decree 231/01 and Anti-corruption	2020
Number of people trained	183
Duration	2.5 hours
Hours/person	458 hours

Legis. Decree 231/01 and Anti-corruption*	2020
Number of directors	27
Duration	1 hour
Hours/person	27 hours

* Includes the Directors of ERG S.p.A. and 12 employees who are also Directors of some Group companies.

PRIVACY: DEVELOPMENT AND TRAINING

The ERG Group constantly monitored and developed the Privacy management system (pursuant to Regulation EU 2016/679-GDPR), both in Italy and abroad, throughout 2020 as well. The targets set in 2019 and the actions shared with the Board of Directors have been implemented. In particular:

- following the Risk Assessment carried out in France, measures planned to make ERG France compliant with respect to Privacy - GDPR aspects were completed. The Record of Processing Activities, together with training and the letter of appointment of the Data Processing Managers, became operational in France as well;
- Personalised classroom (virtual) training was provided to a group of 23 people (who process personal data more specifically and in-depth compared to the other employees in France), with final certification subsequent to passing the test necessary to demonstrate "accountability" of the ERG Group to the Italian Privacy Guarantor. The training focused on the Definitions, Positions (Roles and Responsibilities), main actions to be carried out and operational implications (Disclosure, Collecting and managing consent, breach management, processing register, management of video surveillance, processing of employees' personal data, relations with third-party suppliers, training, management of figures, interaction with the DPO and/or with Control Bodies, etc.);"
- Risk Assessment was conducted in the UK, particularly in view of Brexit and, in January 2021, measures were put into place to achieve compliance of the new UK branch.

The ERG Group's Privacy Organisational Model was updated in 2020, as was the Record of Processing Activities, to which the processing relative to Covid-19 was added.

Following the implementations in 2020, all Group Countries are covered by a uniform management system.

To date, the ERG Group has not received any complaints and/or reports from the Italian Privacy Guarantor.

CYBERSECURITY WITHIN ERG GROUP

During the current period, characterised by the Covid-19 crisis, remote working has increased sharply in response to the closure of many offices and, at the same time, the need for operation continuity while protecting people's health.

While on the one hand, this change in the way we approach work has very positive effects, on the other it could involve dangers for the security of companies and individuals in terms of cyber risk: hackers and cybercriminals can take advantage of the critical situation by using emails, websites, phone calls, and even text messages to try to access private networks and confidential information.

The main risks include attacks on systems and data, privacy and confidentiality breaches, security breaches or media liability, as well as disruption to the operation of IT systems, whether through unauthorised access or use, hacker attacks, or system failures. Basically, anything that compromises the availability, confidentiality, or integrity of data.

ERG Group's activities are managed by ICT systems that support the main business processes, both for operations and for administration and sales. The Group mitigates risks through the following control

objectives, in line with the main applicable international standards:

- constant protection of the confidentiality, integrity and availability of the information managed on the ICT systems;
- adoption of specific behavioural models for the use of the work stations and ICT tools, to ensure adequate levels of information security;
- outsourcing the management of the main systems to a supplier equipped with data centres with formally certified high levels and standards of physical security;
- adoption of tools to manage, verify, and record logical and physical access, based on the relevant best practices;
- use of automatic tools to detect and manage incidents and anomalies;
- implementation of processes to design, develop, operate, maintain, support and decommission IT infrastructures, network services and applications to mitigate the vulnerability of the ICT systems, in line with applicable best practices.



To mitigate the potential risks of disruption to business activities regarding ICT processes considered strategic, the Group has a Disaster Recovery system in place which ensures service and data continuity via an alternate data centre, the proper operation of which is audited regularly.

Given the importance of the activities carried out every day on the Italian Power Exchange, particular attention is paid to monitoring the systems that interface with the electricity market. Specific management and maintenance procedures are in place to protect the stability of these systems.

The Group also implements specific "continuous improvement" programmes that involve, among many other aspects:

- At the Systems and Infrastructure level:
 - security assessment to identify the main critical aspects of SCADA systems and/or Infrastructure and prepare remediation plans (organisational/technological);
 - security program to adapt the processes, systems and infrastructure to best practices;
 - development of security awareness-raising and training plans for users;
 - use of automatic tools (e.g. Intrusion Detection Systems) to prevent, detect and manage incidents and anomalies.
- At the device level:
 - formalisation of the body of procedures used to govern ICT processes;
 - awareness-raising programmes addressed to users;
 - technological solutions capable of detecting computer attacks (e.g. advanced antivirus programmes, dual email protection system, intrusion detection system probe) and back up

- policies for network folders and top management's PCs;
- contractual clauses and confidentiality agreements signed by suppliers.

Moreover, there is an agreement with the CERT (Computer Emergency Response Team), a body of the Italian Ministry of Economic Development – MISE, which supports the ERG Group in preventing attacks, and specific insurance policies have been taken out to cover cybersecurity risks.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ERG Group's Internal Control and Risk Management System is the set of tools, organisational structures, standards and corporate rules required to ensure that the company is run soundly, correctly, and consistently with the objectives defined by the Board of Directors. The main actions of the body are the identification, measurement, management, and monitoring of the main risks, as well as the structuring of related data streams. The Internal Control and Risk Management System involves the Group's entire organisational structure, from the Boards of Directors of ERG and its subsidiaries to all company personnel.

The main parties involved and their respective duties are the following:

- the Board of Directors, which guides and assesses the adequacy of the Internal Control and Risk Management System;
- the Executive Deputy Chairman, in charge of the Internal Control and Risk Management System, responsible for verifying the correct functionality and the overall adequacy of the ICRM System;
- the Chief Executive Officer, who identifies the main corporate risks;
- the Control and Risk Committee, tasked with supporting, through a preliminary analysis, the assessments and decisions of the Board of Directors pertaining to the ICRM System, as well as those relating to the approval of periodic financial reports;
- the Board of Statutory Auditors, which monitors observance of the law and of the Articles of Association, compliance with the principles of sound administration, and the adequacy of the ICRM System organisational structure (for aspects within its competence);
- the Supervisory Body, which oversees compliance with the Code of Ethics and verifies the effectiveness and adequacy of the Organisation and Management Model pursuant to Italian Legislative Decree 231/01;
- the Chief Audit Officer, in charge of verifying the viability and suitability of the ICRM System.

Other relevant players with specific duties include Group Management, primarily responsible for internal control and risk management activities, and second-level control functions, including the Manager responsible for preparing the company's financial reports, the Group Risk Management & Corporate Finance department and the Compliance departments dealing especially with overseeing legal risk and non-compliance.

For further information, see the "Internal Control and Risk Management System Guidelines" and the "Report on Corporate Governance and Ownership" available at www.erg.eu.

Internal Audit

As part of the rules and activities pertaining to corporate governance, the Internal Audit department assesses the adequacy of the ICRM System, of which it is an integral part, and specifically:

- ensures objective and independent activities of "assurance" and "consultancy" to Top Management of the Holding and of the Group's Companies to improve the effectiveness and efficiency of the internal control and risk management processes;
- helps the corporate organisation achieve its goals by adopting a professional and systematic approach that is able to generate added value through the assessment and improvement of the internal control, risk management and Corporate Governance processes;
- verifies the operation and suitability of the ICRM system and, in particular, checks that Management has identified the main risks, that the risks were consistently assessed and that the mitigating actions have been defined and implemented. Furthermore, it checks that the risks identified have been handled in keeping with the resolutions of the Board of Directors, with external regulations and with the Group's internal rules.

Independence of the internal audit department

The Chief Audit Officer is not responsible for any operational area. He has direct access to all information useful to carry out his duties, reports hierarchically to the Board of Directors through the Executive Director in Charge of the Internal Control and Risk Management System and ensures that information is provided to the Control and Risk Committee and the Board of Statutory Auditors.

The annual Audit Plan of the Internal Audit department, based on a structured process of analysis and prioritisation of the main risks, similar to what is envisaged for the budget, is subject to the approval of the Board of Directors. The Audit Plan lists the activities through which the Internal Audit department verifies, both on an ongoing basis as well as with respect to specific requirements and in accordance with the international standards, the viability and suitability of the ICRM System. Moreover, Internal Audit verifies, as part of the Audit Plan, the reliability of the IT systems, including accounting systems.

The Chairman of the Board of Directors and Board of Statutory Auditors, the Risk and Control Committee and the Executive Director in charge of the Internal Control and Risk Management System receive data streams both periodically as well as in relation to events of particular relevance, generated by the Internal Audit Department.

Internal Audit process

Risk Assessment is the first logical step of the Internal Audit process since it identifies the areas of greater relevance which must be further examined (included in the three-year "rolling" audit plan), consistently with the size of the Internal Audit Division. The three-year "rolling" plan comprises the following methodological phases:

- "Risk Assessment", that is, definition of a hierarchy of "Risk-Based" processes (potentially subject to Audit), based on the Group's "Risk Report". The Risk Assessment process requires:
 - acquisition of the latest version of the Risk Report, developed by the Enterprise Risk Management department (Group Risk Management & Corporate Finance department);
 - analysis of the Risk Report's risk sheets and of the correlations with the Group's processes (Process Map);
 - definition of parameters (or weights) for assessing the

processes related to the Risk Report risk assessments and preparation of process ranking (with prioritisation of risk-based processes);

- definition of the processes subject to audit. Generally, managerial processes related to strategic risks and monitored by the BoD and Top Management are not taken into account, as also activities overseeing specific regulatory events, which cannot be verified using Audit instruments and techniques;
- integration with auditing areas relating to the risk of fraud/non-compliance with the Code of Ethics, not included in the "Risk Report", but part of the Internal Audit mandate;
- modifications and/or supplements resulting from the planning and from the results of the Audits carried out during previous years;
- assessment and possible receipt of any requests and/or suggestions from the Executive Deputy Chairman in charge of the Internal Control and Risk Management System, the Control Bodies and the Group's Top Management;
- submission of the draft three-year Plan to the Control and Risk Committee and receipt of any observations;
- submission of the final draft three-year Plan to the Board of Directors for formal approval.

Subsequent planning of the measures must ensure the following objectives:

- coverage of all business areas on a biennial basis;
- coverage of foreign subsidiaries, envisaging at least one Audit/year;
- performance of one ICT Audit/year;
- verification of corrective actions to be taken, agreed upon with the corporate Management of reference and based on the results of the completed Audits;
- "saturation of production capacity" of Internal Audit resources.

To integrate the control activities, maximise their effectiveness and manage any overlapping, Audit activity planning is coordinated with the other corporate departments that carry out second-level control activities in specific "work groups" (at least 4 per year), where the activities carried out by the organisational units involved are pooled in order to share relevant information for the purpose of optimising their respective activities.

Internal Audit also carries out periodic checks on behalf of the Supervisory Bodies of the Group's companies. These checks are aimed at verifying the effectiveness of the Organisation, Management and Control Models pursuant to Italian Legislative Decree 231 adopted by the companies. The detailed operating procedures of the checks are defined together with the Supervisory Bodies of the Group's companies, also in relation to the Audit Plan activities.

TYPE OF INTERVENTION	PLAN APPROVED	NUMBER OF INTERVENTIONS
INTERNAL AUDIT	10 interventions	10 interventions
FOLLOW UP	4 interventions	4 interventions
231 MONITORING	2 half-year cycles	2 half-year cycles

ENTERPRISE RISK MANAGEMENT

Risk Management activities are key in reaching our goals of growth, efficiency and risk mitigation. These activities strengthen our ability to create value for shareholders and stakeholders and allow us to ensure the sustainability of the business in the medium/long-term. Enterprise Risk Management (ERM) is the Group structure that supports management in identifying, assessing and monitoring risks, as well as in defining the most effective response strategies to mitigate them.

The approach adopted by ERM is based on the 2018 edition of the CoSO framework "Enterprise Risk Management (ERM) - Integrating with Strategy and Performance", aimed at illustrating the nature and the profile associated with the main risks that may affect the achievement of business planning and sustainability objectives. According to the ERM model, risk management in the ERG Group is a structured and continuous process, put in place in order to address the risks faced by the organisation with a united approach, and to provide management with the information necessary to consciously take the most appropriate decisions for the purpose of achieving the strategic objectives, growth, value creation and safeguarding of the company.

The process involves integrated risk management between the systems implemented at company process level based on the specific Risk Evaluation methods and tools.

The main goals of ERM are:

- obtaining an integrated and dynamic view of the main Group corporate risks that may affect the achievement of the objectives of the Business Plan;
- strengthening the corporate culture at all levels and the awareness that adequate risk assessment and management positively affect the achievement of goals, the creation of value for the company and medium-long term business sustainability;
- promoting the dissemination of risk management in business processes in order to ensure consistency in the methodologies and tools used to manage and control risks;
- developing a common language and disseminating an appropriate risk management culture;
- strengthening the strategic planning processes through "informed" decision-making processes in a "risk adjusted" approach.

The Enterprise Risk Management process provides for the involvement of all Group structures (from "Management level" up to "Board Level"), passing through the second-level control structures (e.g. Compliance) and third-level control structures (Internal Audit), which together with the ERM make up the Internal Control and Risk Management System.

To this end, the ERM model is developed by means of:

- identifying and assessing the Group's main risks and defining the necessary strategies to mitigate the risks and the relative control tools;
- continuously checking smooth operation and effectiveness of the risk management process, providing to management a clear representation of the "dynamic" evolution of risk mapping.

More specifically, the Enterprise Risk Management methodology includes:

- integration between the ERM model and corporate strategies and, in particular, the "Plan and Budget" process, allowing the alignment between strategic planning and risk assessments;
- creation of synergies with Company departments that carry out specific risk assessment activities (e.g. HSE, ICT);
- introduction of specific, quantitative and qualitative Key Risk Indicators (KRI) for the structured and dynamic monitoring of risk trends and the development of risks over time;
- a six-monthly reporting activity that provides information about the development of the main risks mapped.

The ERM process is implemented using a "Risk-Based" approach that starts by contributing to the definition of the Business Plan by identifying specific objectives, analysing the associated risk profile, and defining management and monitoring strategies.

At an operational level, the Management - through the support of the Enterprise Risk Management Organisational Unit - identifies the risks under its responsibility and provides advice to mitigate the risks of current actions/projects. The results of this process are consolidated through Group risk mapping where priorities are defined in order to support their coordination and integrated management.

All risks mapped according to the ERM approach are included in an "ERG Group Risk Catalogue". As is customary, the Group's Risk Universe (the standard catalogue of homogeneous risk classes) was updated in 2020, on the basis of an external benchmarking activity and analysis of specialised publications, to include "Emerging Risks".

The tool supports Management:

- during the risk assessment (and especially risk identification) phase in order to include all areas where risks may arise;
- in the consolidation phase, by checking whether some risk areas have not been analysed/covered, in order to examine them in more depth, if necessary.

More specifically, during the most recent update, the Risk Universe (which currently includes more than 60 risk classes) was integrated, carrying out specific investigations focused in particular on the issues of Climate Change and Sustainability in general. Following the update of the Risk Universe, ERM risk assessment activities were carried out and the Group's Risk Catalogue was updated. Two assessment cycles were carried out during 2020, which involved all Group companies in Italy and abroad, for the identification of "TOP Risks" and "Gold Risks".

The results of the ERM process are periodically reported to:

- Management, CFO, CEO, who assess the adequacy of the risk profile assumed in relation to the objectives set and the actions taken to mitigate the risks;
- the Risk and Control Committee, tasked with assessing the overall effectiveness of the Integrated Risk Management process.

We also integrated the risk reporting activity with the Group's "ERM Risk Dashboard" which monitors the risk variations of the ERM Risk Catalogue by comparing the results obtained in the current half year with those of the previous half year.

Monitoring involves two indicators:

- the risk profile, which is monitored by shifting the residual risk in the likelihood-impact matrix: any change in likelihood and/or impact that affects the risk profile makes it possible to measure the trend compared to the previous half year (increase, stable, decrease);
- the Key Risk Indicator: a specific risk indicator that only shows the quantitative changes and the trend of changes compared to the previous half year of the indicator monitored.

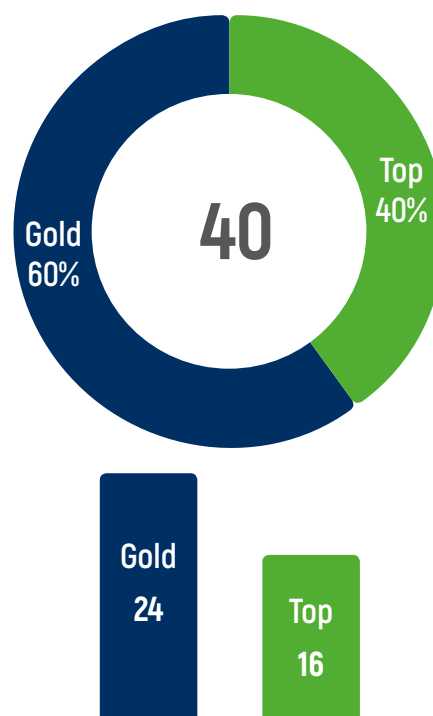
The main risks to which the ERG Group is subject are described in the chapter "Risks and uncertainties" in the Report on Operations, to which reference is made for further details.

ERM goals achieved in 2020

Risk Assessment activities involved all of the Group's companies, both in Italy and abroad, together with all Senior and Middle Management.

We identified 40 "main" risks (of which 16 TOP - represented in greater detail at the top management; 24 GOLD - represented in a synthetic Dashboard) divided into Strategic, Financial, Operating (including HSE and ICT risks) and Compliance risks.

Each risk is assessed according to a uniform metric (shared at Group level), supported by detailed analyzes that reflect the assumptions of the Plan and measure the impact of the risk on the economics of the same. For each risk, the "SGR Score" is identified, an indicator that allows the effectiveness of the Risk Management System to be measured in a synthetic way (scale from 0 to 100%) for all the risks in the Risk Catalog.



CLIMATE CHANGE RISK MANAGEMENT

In 2019, ERG developed a process to analyse the impact that Climate Change may have on its business. The project was developed in accordance with the guidelines of the TCFD (Task Force on Climate-related Financial Disclosure) transposed by the European Commission into the “Guidelines on non-financial reporting: Supplement on reporting climate-related information”. The analysis, with consequent disclosure, regarded four pillars: Governance, Strategy, Risk Management, Metrics & Targets.

The main steps in the process were the following:

1. identification of the reference scenarios;
2. identification of the variables present in the scenarios that could impact ERG's business;
3. identification of the risks and opportunities tied to climate change in relation to ERG's business;
4. identification of the corporate departments responsible for the governance, monitoring and management of Climate Change issues;
5. identification of the strategies for managing the risks or achieving the opportunities.

Scenarios were chosen from among those most widely accredited in the literature, more specifically the one developed by the Intergovernmental Panel of Climate Change (IPCC) that shows the response of the Earth's climate to changes in atmospheric concentrations of GHG in the absence of mitigation measures (physical scenario), and two transition scenarios that focus on assumptions of the development of climate policies and technologies to reduce GHG emissions:

- the Below 2 Degree Scenario (B2DS) of the International Energy Agency (IEA), used by the Science Based Target Initiative (SBT) to set the greenhouse gas emission reduction targets;
- the Sustainable Development Scenario (SDS) of the IEA, which uses the Sustainable Development Goals (SDGs) as targets.

The different variables that may impact ERG's business were subsequently identified and classified into Physical (acute and chronic) and Temporary (Regulatory, Market, Reputational, Technology) events.

At the same time, the analysis aimed to identify all the opportunities, generated by Climate Change, that could work in the Group's favour.

The first fact that emerged from the analysis is that ERG, having already achieved ante litteram the “just transition” towards a decarbonised economy, has already implemented actions and processes that allow it to be resilient and ready to face a predominantly green generation model. The strategy is clear and outlined in the Business Plan: continue the path of growth in the renewables sector increasing, over the 2018-2022 Plan period, installed capacity in RES by approximately 850 MW (+30%).

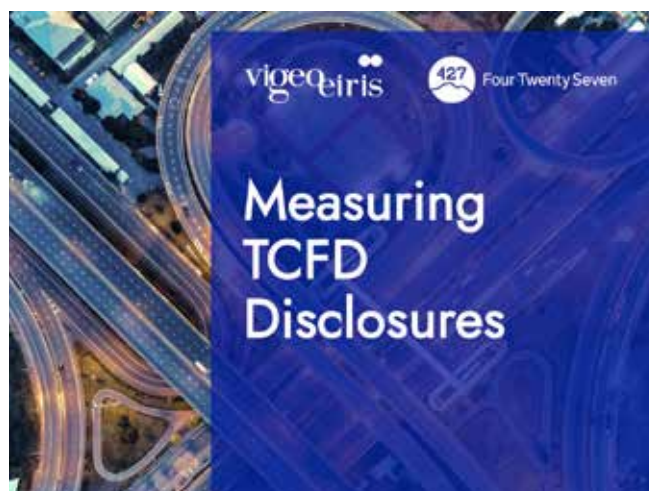
Governance of climate change issues is divided between the Board and Management. The Board is responsible for strategic guidance, designing the Group's green future, analysing the economic, regulatory and market scenarios in order to identify the best development opportunities while continuing to support the low carbon transition. Management is responsible for managing the assets, with an increased focus on issues such as: managing contributions to optimise production, technological development

and increasing the efficiency of plants in order to extract the greatest possible value, asset integrity, and the environmental and safety management to ensure business continuity.

In conclusion, in order to counter Climate Change risks and seize any opportunities, the ERG Group makes its decisions in a “conscious and responsible” manner, implementing a climate strategy (understood as a reduction of industrial impacts) that is closely integrated with business strategy, based on the following actions:

- maintenance and development, both at Board and Management level, of a culture and a positive approach, that leads the way and is resilient to change, and the ability of the Group to evolve and reposition promptly in the context of the energy transition underway, taking maximum advantage of the challenges and opportunities;
- implementation of a plan for the development and generation of energy from renewable sources (mainly: Wind, Water and Sun) in Italy and abroad, which has already allowed “elimination” of CO₂ emission into the atmosphere through the use of “Clean Technologies” in the place of traditional generation;
- pursuit of a strategy focused on territorial and technological diversification, in order to compensate for the negative impacts resulting from climate change;
- continuous monitoring of regulatory developments in the countries in which the Group operates and the establishment and maintenance of effective and long-lasting relations with its stakeholders;
- introduction into the portfolio strategy of bilateral contracts/PPAs for sales of electricity with medium/long-term maturity in order to be able to counteract the greater volatility and any downward pressure on prices that may emerge as a result of the effects linked to Climate Change (many of which with opposing impact on prices during the energy transition period);
- specific communication activities to maintain the Group's high level of reputation among stakeholders, which include, among other things, a structured Corporate Social Responsibility process (sustainability reporting, monitoring of sustainability objectives, ESG rating).

Vigeo Eiris recognised the analysis published by ERG in its 2019 NFR as the best TCFD reporting of 2019.



Refer to the 2019 NFR for the complete disclosure of risks and opportunities identified during the course of the assessment.

RISK MANAGEMENT ACTIVITIES DURING THE SCOPE OF THE NFS TOPICS

Italian Legislative Decree No. 254/2016, which introduced the Non-Financial Statement, replicating the provisions of the European Directive on this matter, identified the issues related to business model adopted, business activities implemented, the main non-financial indicators and main management risks, caused or faced by the company.

These issues largely coincide with the results of the Group's materiality analysis.

In order to ensure full compliance of our NFS, we examined in depth and systematised the analysis of the main risks already reported on in past years. In particular, the Sustainability department, supported by ERM, defined a three-year work plan (2020-2022) to update the ESG Risk Assessment with an additional analysis step, through:

- identification of the ESG Risks, including the mandatory topics pursuant to 254/2016 as well as the topics that emerged during the materiality analysis;
- identification of the Owners, of the relative Corporate Processes involved and of the management strategies implemented to mitigate the associated risks.

To date, the assessment has been completed for 65% of the mandatory topics and 20% of the material topics, all of which were found to be adequately covered by the procedures and internal control system implemented. Analysis of the remaining topics is planned for 2021/2022.

For each issue and related risk element, the following were also identified and defined:

- the main business processes involved;
- their inclusion in a specific risk assessment (at "Operational" or "Enterprise" level);
- inclusion in the Group Risk Policy;
- the presence of specific systems governing the issue.

This activity showed the systems governing the material topics to be effective, not only because these are provided for by specific regulations, but also because they are an integral part of our Group's approach.

The presence of certified management systems in the health and safety and environmental areas ensure the constant monitoring of both regulatory updates and field activities. It is no coincidence, therefore, that these two elements were recognised as the most relevant also in the context of the materiality analysis.

Some elements, mainly linked to the personnel area such as the respect for human rights, gender equality and dialogue with social partners, although not regarded as "material" for the ERG Group, in view of the countries in which it operates and of the respective legislation, are carefully safeguarded through policies (Code of Ethics, Sustainability Policy, Human Rights Policy), governance instruments and working practices.

The results of the analysis carried out give us a clear picture of our company and its way of doing business, which has always been characterised by a focus on principles and ethical values, such as the inclusion and the promotion of diversity.

The results of the analysis are outlined below, divided into each thematic area, with evidence of the processes involved, the policies and procedures present and the management strategies adopted.

Area	Topics covered by Italian Legislative Decree 254/2016	Technologies and related risks	Governance tools (Main)
ENVIRONMENT	<i>Use of energy resources (distinguishing renewable from non-renewable sources)</i>	<p>ERG Power's plant is the only one that uses primary energy sources. All the plants use electricity to power auxiliary and safety systems.</p> <p><i>Potential risks: Unavailability of natural gas to power the CCGT; greater environmental impact of operations using non-green energy.</i></p>	<p>ERG Power's plant is a high-efficiency combined-cycle unit that uses gas to produce electrical energy; its consumption is monitored daily and reported in ERG Power's certified Environmental Declaration. In other cases it is essentially "self-consumption".</p> <p>The energy analysis performed in 2019 at the hydro and power plants did not identify the need to implement improvement actions.</p> <p>As decided by the Sustainability Committee, since 2016 all energy purchases for our plants, warehouses and offices come from renewable sources where technically possible.</p>
	<i>Use of water resources (use=consumption)</i>	<p>Renewable technologies do not use water.</p> <p>The CCGT plant draws industrial water to produce demineralised water and seawater to cool the systems.</p> <p><i>Potential risks: Unavailability of seawater for plant cooling or industrial water for steam production.</i></p>	<p>The supply of water for the thermoelectric plant is not considered a risk given the availability of water in the area. However, investments are being made in technological improvements and optimisation processes to reduce consumption.</p>
	<i>Greenhouse gas emissions (CO₂)</i>	<p>The CCGT plant generates CO₂ emissions accounted for in accordance with EU-ETS legislation.</p> <p><i>Potential risks: Failure to comply with authorised emission limits and those set by Emissions Trading.</i></p>	<p>Regulatory compliance and continuous improvement are based on ISO 14001, EMAS and EU-ETS certified environmental management systems.</p> <p>Reliability of data and reporting is ensured by UNI 14181 certified continuous emission monitoring systems.</p>

Area	Topics covered by Italian Legislative Decree 254/2016	Technologies and related risks	Governance tools (Main)
ENVIRONMENT	Other greenhouse gas and GHG emissions (e.g. fugitive)	The "Other pollutant emissions" (NO _x , CO) are generated by the CCGT. Additional greenhouse gas emissions are due to gas leaks from SF ₆ -insulated high-voltage switchgear. <i>Potential risks:</i> Failure to comply with authorised emission limits.	Monitoring systems for other stack emissions in compliance with permits. "Low NO _x " burners in the CCGT plant (BAT – Best Available Technique). Minimisation of gas leaks thanks to asset maintenance procedures. Replacement of switchgear with new technology that does not contain SF ₆ .
SOCIAL	Environmental impact of activities	Possible impacts of plants on biodiversity and birdlife. <i>Potential risks:</i> Non-issuance of permits, non-compliance with environmental regulations, social opposition subsequent to construction.	Authorisation procedures issued by national/local bodies (according to local legislation based on EU regulations) that take into consideration all environmental, landscape and social issues. ISO 14001 certified management systems in Italy and Germany supported by policies, procedures, governance processes and review of KPI to support respect of regulatory compliance and continuous improvement processes. Training projects for both internal personnel as well as third-party companies. Periodic HSE reporting. In-field HSE audits.
	Impact of activities on health and safety	Impacts on health and safety of employees, of third-party companies operating in our plants, of the resident population near the plant. <i>Potential risks:</i> Non-issuance of permits, regulatory health and safety compliance, safety of the resident populations.	Selection of the plant characteristics (for all technologies) based on the site characteristics ISO 45001 certified management systems in Italy and Germany supported by policies, procedures, governance processes and review of KPI to support respect of regulatory compliance and continuous improvement processes. Training projects for both internal personnel as well as third-party companies. Periodic HSE reporting. In-field HSE audits.
PERSONNEL MANAGEMENT	Gender equality	Non-compliance with current regulations. <i>Potential risks:</i> Non-compliance with international conventions and/or labour laws; lack of dialogue with social partners, strikes, turnover.	In consideration of the countries in which the Group operates, the business sector, legislation and the practices which we make reference to, procedures, Management Models and the governance structure, the areas, although relevant, are not considered to be a source of topics risk. The current Governance systems are: - HR policies and procedures (e.g. Talent Management) - Human Resources Committee - Organisation manual (by Role/Position) - Application and interpretation of first and second-level contracts - Institutional Relations with Unions/Confindustria/ Business Associations
	Implementation of international conventions		
	Dialogue with social partners		
	Respect for human rights		
GOVERNANCE	Active and passive corruption	Active and passive corruption. <i>Potential risks:</i> non-respect of anti-corruption compliance; sanctions against the company; non-compliance with the ethical principles endorsed by the ERG Group.	- Anti-corruption policy - Supervisory Body - Organisation and Management Model pursuant to Legislative Decree 231/2001 (only Italy) and periodic checks - Compliance procedures 231 (abroad) - Periodic training - Due diligence significant third parties - Power allocation system (Proxies and Power of attorneys); - Segregation Of Duties
	Composition of the administrative, management and control bodies (age, gender, education, career background)	Self-assessment by the Board of Directors of ERG S.p.A. pursuant to the Corporate Governance Code (Board Evaluation). <i>Potential risks:</i> Non-respect of the regulations envisaged by the Corporate Governance Code.	Implementation of the annual Board Evaluation process: - Evaluating party: The Board of Directors of ERG S.p.A. with the support of the Nominations and Remuneration Committee - Self-assessment procedures: Anonymous questionnaire to members of the Board of Directors; the Board of Statutory Auditors participates in the process as well
CROSS-SECTOR	Supply Chain	Supply Chain. <i>Potential risks:</i> Failure to achieve the Sustainability objectives in the Supply Chain; environmental and social impact of the supply chain.	Sustainable Procurement Project.

THE TAX CONTROL FRAMEWORK FOR FORMALISING A TAX APPROACH

On 10 November 2020, the Board of Directors of ERG S.p.A. defined and approved the Tax Strategy, a document that contains the principles and guidelines that characterise tax management by the ERG Group.

The text of the Tax Strategy is available for viewing at www.erg.eu. As with the Group's Code of Ethics and Sustainability Policy, the ERG Group Tax Strategy is inspired by the principles of legality, correctness, transparency, honesty, integrity, safeguarding of the company's assets and creation of sustainable value for shareholders over the medium/long-term.

The Board of Directors of ERG S.p.A. is the body assigned to define and approve the ERG Group Tax Strategy, upon examination and consultation by the Control and Risk Committee. The Italian and foreign subsidiary companies directly or indirectly controlled by ERG S.p.A. shall recognise the ERG Group's Tax Strategy, guaranteeing its dissemination and application. The Head of Tax & Financial Statements carries out periodic updating of the ERG Group Tax Strategy, upon sharing with the Head of Group Administration. More specifically, the ERG Group Tax Strategy seeks to:

- guarantee the correct and prompt calculation and payment of taxes due by law and the fulfilment of connected obligations (tax compliance);
- mitigate tax risk, understood as the risk of infringing tax regulations or abusing the principles and purposes of tax legislation (abuse of rights).

Tax governance, risk control and management

The ERG Group has adopted the Tax Control Framework, hereinafter also TCF, adopted and implemented from 1 January 2021 (and applied from Fiscal Year 2020) by ERG S.p.A. and by the Italian subsidiaries.

The Tax Control Framework is an internal audit system for tax risk, namely the set of rules, procedures, organisational structures and measures aimed at allowing an effective recording, measurement, management and control of tax risk.

The Tax Control Framework is governed by specific regulations that, in addition to defining the governance rules, is based on the following key elements:

- a Risk & Control Matrix (hereinafter also "RCM") which describes the tax risks potentially applicable to company processes relevant for tax purposes and the relative risk mitigation controls in place;
- a system of data flows between the Tax organisational unit and the ERG Group's other organisational units;

- a process of periodic updating and monitoring of the adequacy and effective application of the Tax Control Framework;
- a process of periodic reporting to the Control and Risk Committee containing the results of periodic updates and monitoring of the Tax Control Framework.

The Corporate General Manager & CFO is responsible for the implementation and operation of the TCF through the Head of Group Administration. He is therefore responsible for ensuring the carrying out of the updating and monitoring of the TCF, as well as the preparation of an annual report. The following are prepared annually:

- the plan for testing, monitoring and evaluation of the Tax Control Framework;
- the Annual Report, previously shared and analyzed within the Tax Control Framework Committee, subsequently submitted for examination and approval by the Control and Risks Committee.

Adoption of the Tax Control Framework envisages an additional management assurance/control mechanism aimed at strengthening the ICRM System; in particular, a Tax Control Framework Committee with "mixed" expertise was established, which:

- performs preliminary analyses, and provides specific recommendations, on the testing, monitoring and assessment activities of the TCF;
- analyses the annual report in advance, providing any specific recommendations;
- monitors, jointly with the Head of Process Innovation & Compliance 262, the actual implementation of the remediation plan for any deficiencies resulting from the testing, monitoring and evaluation of the TCF.

ERG also provides two dedicated channels of communication for anybody that wants to report a crime or a violation of the Code of Ethics, the Organisation and Management Models pursuant to Legislative Decree 231/01 or the Anti-Corruption Policy: an email address and a regular postal address, adopting suitable tools for guaranteeing the privacy of the identity of the whistleblower and of the alleged perpetrator when managing the report.

Involvement of stakeholders and management of tax concerns

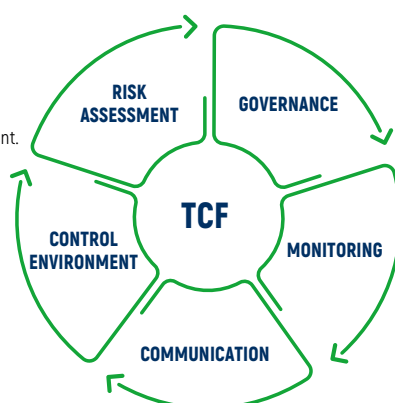
The ERG Group, even during audits by the competent authorities relative to companies of the ERG Group or third parties, establishes and maintains a transparent relationship, focused on dialogue with the relative tax authorities, ensuring that the latter, among other things, fully comprehend the company events leading to the application of tax laws.

CONTROL ENVIRONMENT

Adoption of a Fiscal strategy, approved by the Board of Directors of ERG S.p.A., to define the principles and limits governing fiscal risk management.

RISK ASSESSMENT

Mapping of potential tax risks impacting the Group and introduction of appropriate measures to identify their presence and mitigate their effects.



GOVERNANCE

Identification of roles and responsibilities of players involved in the management of the tax variable.

MONITORING

Ongoing auditing to assess the adequacy and effectiveness of the implemented TCFs.

COMMUNICATION

Definition of information flows between those involved in tax risk management and of a periodic reporting plan to senior management.

SUPPLIER MANAGEMENT

Our Procurement department ensures definition and respect of our procurement policies and manages the centralised procurement of goods, services and jobs for the ERG Group.

Thanks to structured processes, we select suppliers that share our values and our rules of conduct, by signing the Group's Code of Ethics, the Supplier Code of Conduct and our Organisation and Management Model, pursuant to Legislative Decree 231, or the Anti-Corruption Regulations for foreign companies.

A further element of assessment of all our counterparties is the ethical-reputation assessment, through a "Third-Party Due Diligence", aimed at identifying the presence of any investigations launched, sentences or orders issued against the companies or their administrators.

The verified breach of the principles contained in these documents results in annulment of the assessment processes and purchase order underway and of any contracts already issued, as well as exclusion from our Vendor List.

A questionnaire was set up on a dedicated portal for the key suppliers of goods, in order to collect technical, organisational and economic-financial information. Issues regarding health, safety and the environment are binding for the purposes of awarding contracts at our sites, regardless of the value. In this respect, the current processes and procedures and the existence of management systems are analysed, or the possession of certifications, which ensure compliance with the highest standards.

The questionnaire also includes an ESG session with specific questions on the protection of human rights, use of child labour and equal treatment. This session will be further expanded in the review planned for 2021, introducing questions on Governance, Business Integrity and respect for the environment.

Another element considered significant is the economic threshold of the qualification, which must not exceed 30% of the supplier's turnover in order to avoid situations of dependency. This enables us to guarantee an appropriate economic/financial equilibrium for the supplier, avoiding a significant tie to our Group.

Indeed, in accordance with the fairness rules applied by ERG, for the procurement of goods and services we maximise the use of competitive processes, limiting assignments to "single suppliers" solely to cases where there are technical reasons or objective restrictions.

The purchasing process is based on transparency of procedures and behaviours and on the separation of roles in contractual relations; we also guarantee fair remuneration of activities with respect to market levels and respect of agreements signed, such as payment times.

Awarding is based on the most advantageous offer, taking into account all of the related variables and any technical coefficients assigned. Starting from 2021, a coefficient linked to the sustainability criteria of the company or product will also be introduced, particularly with regard to the decarbonisation objectives, in accordance with the ESG Plan to be approved in May 2021.

Through this rigorous management, we are able to constantly monitor our suppliers. As confirmation of these activities, the Vendor Rating, published in internal reports, includes the technical performance assessments conducted by the internal dedicated departments, and the economic and compliance assessments acquired through public portals, which highlight the financial score, any negative information or the inclusion in international black lists.

Suppliers with inadequate performance, particularly on safety aspects, are subject to corrective measures but may also be suspended or entered into Black Lists in the event of negative performance and/or information or following significant events, such as:

- non-ethical conduct;
- serious environmental or workplace health and safety incidents;
- serious non-compliance, identified during audits or on-site checks;
- failure to update or provide the documentation required by workplace health and safety regulations;
- documented infringements to legal requirements.

During 2020, and despite the significant impacts of the Covid-19 emergency on the global supply chains, no significant risks of interruption of supplies were noted, also thanks to the constant search for alternate suppliers able to cover ERG's requirements. Moreover, to ensure continuity of business activities, the Procurement department worked alongside other company departments to ensure timely and steady procurement of personal protective equipment and preventive sanitisation services, essential to manage activities safely.

Key Facts 2020

- Sustainability rating for strategic suppliers
- HSE qualification of all contractors and subcontractors that operate in ERG sites
- Sustainability K in some major tenders, extended to 2021 for all tenders > 100 K€
- ESG requirements during qualification and evaluation phase from 2021
- Audit plan for suppliers with a poor ESG rating
- Improvement plans for companies with gaps



Subcontracting

With regard to the contractors working at our sites, we defined a procedure for any subcontractors used to carry out activities, envisaging specific authorisation, with preventive checks on the technical-professional suitability of the subcontractor, the regular payment of wages and contributions, respect of the

workplace safety regulations, the extent in percentage terms of the subcontract compared to the total works, and a guarantee of the maximum discount applied with respect to contract prices. Subcontractors are also subject to compliance assessments through the dedicated portal, as per the activity carried out for suppliers.

“Supplier Code of Conduct”

The Supplier Code of Conduct, approved by the Board of Directors at the end of 2019, is aimed at suppliers, contractors, subcontractors and commercial partners of ERG who are required, through express acceptance of the document upon registration, to adopt the values that guide our business activities and to ensure their application throughout the supply chain.

The document includes provisions based on the principles announced at the ILO (International Labour Organisation) fundamental conventions and the Universal Declaration of Human Rights of the United Nations, as well as the ten principles of the Global Compact of the United Nations:

- Governance and Business Integrity: ethics, anti-corruption,

compliance, transparency, and privacy in business activities;

- Respect for Human Rights, focus on employees and local communities: working conditions and practices, health and safety in the workplace, respect of human rights throughout the supply chain;
- Respect for the environment: legislation and principles relating to reducing and mitigating the environmental impact.

Furthermore, the methods and tools for monitoring and ensuring compliance with the Code of Conduct are defined, including channels for reporting non-compliance and the management of any cases of non-compliance.



“Sustainable Procurement project”

Continuing the process started in 2019, in line with our strategy and objectives, in 2020 we concluded the assessment of 156 strategic suppliers, of varying scale, who account for about 80% of our purchasing volume.

We sought to map sustainability in our supply chain onto the relative issues of business management, respect of employee's rights and equal opportunities, social aspects, environmental issues, occupational health and safety, and subcontractor management. Participation was very high, at 92% of those invited, and the final assessment result produced an “average sustainability rating” assessed as “adequate” according to a scale used in line with reference best practices. In general, even smaller suppliers ranked well, especially in terms of occupational health and safety.

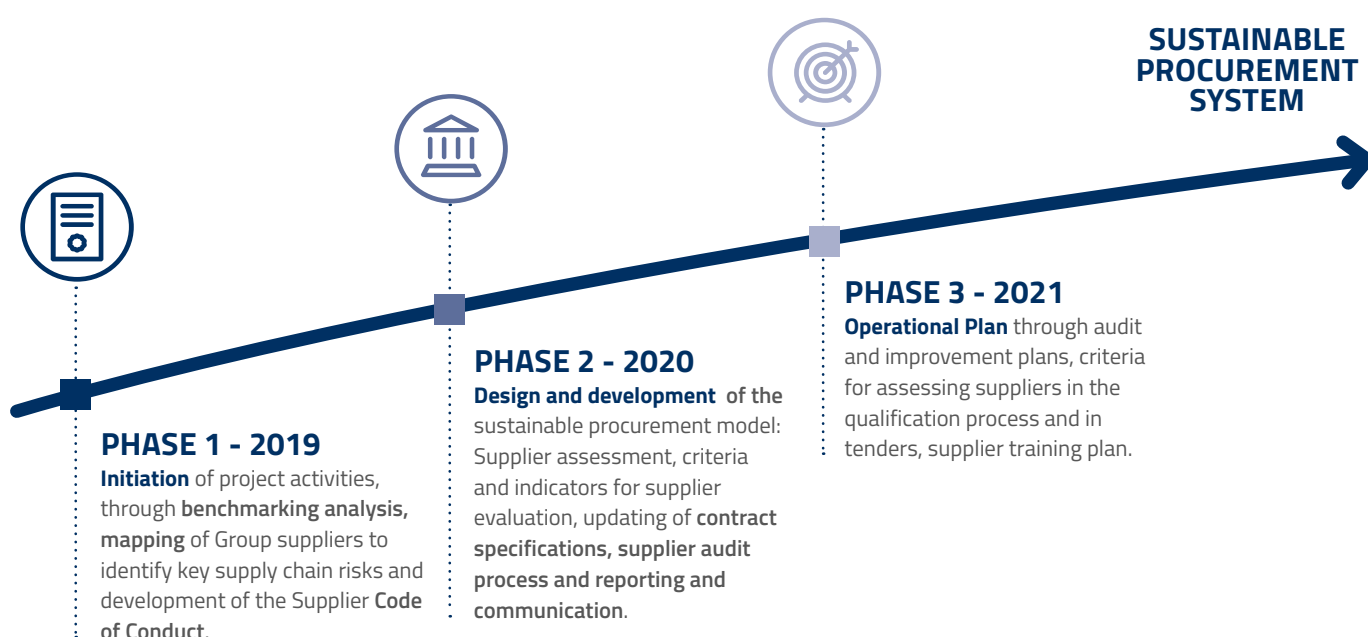
The findings have enabled us to define:

- an audit plan for suppliers with a poor rating;

- a common improvement/support path for suppliers with gaps;
- project KPI, to be targeted on an annual basis with a view to “continuous improvement”.

A bonus system for the most highly-performing suppliers, classified as “best practice” in the survey, will also be evaluated.

In 2020, the Sustainable Procurement project of ERG took to the podium for two prestigious national competitions dedicated to the procurement world: at the Excellence Awards by Adaci, ERG took first place in the “Value Chain Collaboration” (Sustainability) category for “the consistency of business choices and procurement activities, in a programme of constant improvement in terms of sustainability”. At “The Procurement Awards” in the “Ethical and Sustainable Purchasing” category, for the contribution to strengthening the Group's “green” image.



MAIN DELIVERABLES

- Benchmark analysis
- Presentation of project to Board of Directors with approval of Supplier Code of Conduct
- Supplier risk matrix

- Supplier assessment questionnaire
- Sustainability rating and reporting
- Setting up supplier audit model

- Improvement plan
- Supplier evaluation criteria in qualification and tenders
- Supplier training plan

THE EDOARDO GARRONE FOUNDATION

In 2020, the Edoardo Garrone Foundation (EGF) confirmed its mission, reshaping the philanthropic commitment of the Garrone and Mondini families.

The pandemic prompted the foundation to develop a new planning ability that could address the needs of young people, entrepreneurs, and students affected by the social and economic impact of Covid-19.

It reassessed its long-standing initiatives and launched many others to provide the support that since 2004 the EGF has given to the social, economic, and cultural development of the local areas, particularly in the mountains, and to the new generations, in order to accompany them along their development path, supporting their potential as best as is possible, and giving them the tools and skills they need to become active players in a sustainable future.

Restartapp®

ReStartApp®, a temporary incubator of business ideas in the Apennines, promotes the creation and development of start-ups whose purpose is the enhancement, promotion, protection, and sustainable exploitation of Italy's mountain regions. Since 2020, the campus has been part of the Appennino project which, by linking the incubation classroom with the acceleration processes and workshops created for the local area's existing businesses, brings together the present and the future, while keeping the actual conditions of the areas and their specific vocations and potential at the centre of all its projects and actions. The Edoardo Garrone Foundation is implementing the project with the support of a growing network of partners, which in 2020 included: Fondazione Merloni, Open Fiber, Tiscali, Club Alpino Italiano (CAI), Fondazione Symbola, Legambiente, Alleanza Mobilità Dolce, Banca Popolare Etica, Fondazione CIMA, UNCEM, Federbim, Federforeste, and PEFC Italia.

The 2020 edition of ReStartApp was held from September to December in Fabriano. Among the 100 applications received, 14 aspiring entrepreneurs were selected (7 young men and 7 young women under 40) from Piedmont, Liguria, Veneto, Emilia-Romagna, Tuscany, Lazio, Molise, Abruzzo, Marche, and Umbria. Compliance with Covid-19 regulations gave them the opportunity to attend 90% of the lessons in person.



RESTARTAPP®
IDEE CHE MUOVONO MONTAGNE

Consultancy centre for young businesses in the mountain regions

The crisis caused by the Covid-19 epidemic has radically altered the Italian and global economic scenario, forcing businesses to face a very uncertain, and certainly critical, situation. This scenario is even more troubling if it concerns the companies of the ReStartApp and ReStartAlp network, which are fragile and vulnerable because they are young companies, but also because they are involved in sectors that have been severely hit by the situation. Considering the Edoardo Garrone Foundation's leading role in supporting young businesses in the mountains and as a result of the many requests for advice and help received from businesses started up thanks to our campuses, we have set up a streamlined and timely "online consultancy centre" expressly designed to provide them with the support they need to overcome this particular critical situation. Through webinars, Skype calls, and the efforts of consultants and professionals, a course was developed to assist them in strategic, managerial, and economic reorganisation and to identify new markets. More than 20 companies participated.



RESTARTALP®
IDEE CHE MUOVONO MONTAGNE

Courses and pathways – Traveling with the EGF among knowledge and ideas

The health crisis that characterised the initial months of 2020, with its disruptive impact on the world of education, has raised new needs and opened new spaces for intervention, in search of increasingly innovative and effective solutions to provide students with equal access to distance learning.

Hence, together with the Regional School Office of Liguria, came the project "Courses and pathways – Travelling with the EGF among knowledge and ideas": a series of video contributions, high-quality interventions made by involving nationally renowned mentors and dedicated to schools of all levels, to offer insights and broaden the vision on current issues, cross-cutting and related to the thread of active and responsible citizenship.

The project was characterised by three distinct phases: at first, the focus was on students graduating from high school. The video contributions, collected and available on the Foundation's YouTube channel, were broadcast by TeleLiguriaSud and Teleradiopace to aid students preparing for the final examination. The second phase of

the initiative was launched during the Science Festival, thanks to the precious support of ERG: the Edoardo Garrone Foundation created two thematic itineraries with the aim of encouraging students and citizens to explore topics such as the environment, sustainability, cultural enhancement, and social research, while allowing them to experience the city of Genoa. Thanks to a map and special eco-sustainable graffiti on the pavement of the city centre, the project combined the outdoor experience with the virtual one, while fully respecting all the social distancing and safety rules. The third phase, called Courses and Pathways, to be implemented during 2021, involves secondary schools in a contest that invites them to create a video inspired by the content published by the EGF.

ASVIS - The Italian alliance for sustainable development

The Italian Alliance for Sustainable Development was founded in 2016 to raise awareness in Italian society, businesses, and institutions of the importance of the UN's 2030 Agenda and to motivate them to achieve the Sustainable Development Goals. The Edoardo Garrone Foundation joined in 2020, finding itself fully in line with the Alliance's mission, given the attention it has always paid to the social, economic and cultural development of young people and their local areas. The EGF collaborated to create the Global Goals Kids' Show, an animated show consisting of 17 episodes, presented by actress Carolina Benvenga, designed to engage, inspire and empower children between five and ten years old to contribute to the achievement of the 17 Goals of the 2030 Agenda. The Global Goals Kids' Show was broadcast on Rai Yoyo as part of the program "La posta di Yoyo" and on the online channels of RaiPlayRadio – Radio Kids, as well as on the channels of ASviS and of the project's partners.

FUNDRAISING.IT

Edoardo Garrone Foundation has always supported non-profit organisations, choosing an original approach to coaching and focusing on how a sector with enormous potential and undeniable social value is becoming increasingly professional. Therefore, in 2020, it helped to create the new portal Fundraising.it. The site, curated by Professor Valerio Melandri and his staff, collects articles, guides, stories, and interviews and seeks to become a point of reference for the community of Italian fundraisers, a tool that accompanies them in their training and that allows them to immediately put fundraising into practice effectively.





PERFORMANCE DATA AND INDICATORS

PERFORMANCE DATA AND INDICATORS

ECONOMIC AND FINANCIAL RESULTS

		2020	2019	2018
Core business revenue	EUR million	974	1,022	1,027
EBITDA (adjusted)	EUR million	481	504	491
EBIT (adjusted)	EUR million	183	205	216
Profit (reported)	EUR million	110	33	133
of which attributable to the owners of the parent (reported)	EUR million	108	32	133
Profit att. to the owners of the parent at replacement cost (adjusted) ⁽¹⁾	EUR million	106	104	107
Total net financial indebtedness (reported)	EUR million	1,540	1,554	1,343
Net invested capital (adjusted)	EUR million	3,209	3,264	3,172
Investments ⁽²⁾	EUR million	156	432	510
Financial leverage (reported)		47%	47%	42%

(1) Does not include non-recurring items and related applicable theoretical taxes.

(2) Property, plant and equipment and intangible assets and investments in Merger & Acquisition operations.

Total revenue in 2019 includes EUR 93 thousand in grants from Public Administration or the European Community for employee training. ERG Group does not donate to political parties.

ERG SHARES

		2020	2019	2018
Market capitalization	EUR million	3,517	2,889	2,480
Year-end reference price	EUR	23.4	18.50	16.50
Maximum price	EUR	23.7	20.18	20.34
Minimum price	EUR	13.17	15.69	15.08
Average price	EUR	20.05	17.73	17.78
Average volume	no.	255,536	256,639	304,159

Maximum price recorded on 29/11/2019, lowest price recorded on 25/03/2019.

CUSTOMERS

		2020	2019	2018
Intragroup customers	no.	27	38	22
Industrial customers	no.	23	11	8
Site customers	no.	10	12	15
Electricity and GO traders and wholesales	no.	41	37	n.a.
Customers operating in the electricity system	no.	21	19	n.a.
Operation & Maintenance customers	no.	11	53	n.a.

RECLASSIFICATION OF ADDED VALUE

Current amounts (EUR million)	2020	2019	2018
Revenue	995	1,035	1,050
Economic value distributed	(705)	(744)	(795)
Production cost	(391)	(383)	(426)
Remuneration of personnel	(78)	(81)	(80)
Remuneration of public administration	(47)	(57)	(54)
Remuneration of debt capital ⁽¹⁾	(72)	(107)	(105)
Remuneration of risk capital ⁽²⁾	(115)	(112)	(128)
Remuneration for the community	(2)	(3)	(2)
Economic value withheld by the Group	290	291	255
Amortisation and depreciation	298	299	275
Remuneration of the company	(8)	(8)	(21)

(1) Interest paid and other financial expense to service debt.

(2) Dividends distributed by the Group net of non-recurring disbursements.

Current amounts (EUR million)	2020	2019	2018
Net value added	995	1,035	1,050
Production cost	(392)	(383)	(426)
Remuneration of personnel	(78)	(81)	(80)
Remuneration of public administration	(47)	(57)	(54)
Remuneration of debt capital	(72)	(107)	(105)
Remuneration for the community	(2)	(3)	(2)
Amortisation and depreciation	(298)	(299)	(275)
Profit before non-controlling interests	107	105	108
Profit attributable to non-controlling interests	–	–	–
Profit attributable to the parent	107	105	108

TAX COUNTRY BY COUNTRY

		Italy	Germany	France
i. Names of the resident entities		Refer to the Directors' Report Full consolidation area		
ii. Primary activities of the organization		Production of electricity from renewable sources (Wind, Solar, Hydroelectric) and Thermolectric	Production of electricity from renewable sources - Wind	Production of electricity from renewable sources - Wind
iii. Number of employees, and the basis of calculation of this number		685	26	61
iv. Revenue from third-party sales		799	45	86
v. Revenue from intra-group transactions with other tax jurisdictions		1	–	–
vi. Profit/loss before tax		108	(13)	3
vii. Tangible assets other than cash and cash equivalents		1,464	177	250
viii. Corporate income tax paid on a cash basis ⁽¹⁾		20.5	1.1	3.3
ix. Corporate income tax accrued on profit/loss (2020)		35.3	(0.1)	4.0
x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax		The difference between the taxes accrued and the theoretical taxes is due to the "ACE" benefit (Economic growth aid) and to the deduction of interest expenses accrued in previous years in application of Italian tax legislation	no significant differences to report	no significant differences to report

	UK	Poland	Bulgaria	Romania
i. Names of the resident entities		Refer to the Directors' Report Full consolidation area		
ii. Primary activities of the organization	Production of electricity from renewable sources - Wind	Production of electricity from renewable sources - Wind	Production of electricity from renewable sources - Wind	Production of electricity from renewable sources - Wind
iii. Number of employees, and the basis of calculation of this number	3	5	1	3
iv. Revenue from third-party sales	–	19	13	13
v. Revenue from intra-group transactions with other tax jurisdictions	–	–	–	–
vi. Profit/loss before tax	(1)	5	4	1
vii. Tangible assets other than cash and cash equivalents	76	96	35	61
viii. Corporate income tax paid on a cash basis ⁽¹⁾	–	0.3	0.2	–
ix. Corporate income tax accrued on profit/loss (2020)	0.5	0.1	0.4	–
x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax	no significant differences to report	no significant differences to report	no significant differences to report	no significant differences to report

¹ The item income taxes of companies paid on the basis of the cash criterion does not include the withholding taxes suffered. The total amount considering these withholdings would be approximately EUR 34 million.

ERG GROUP'S PLANTS

	Installed capacity in MW at end of 2020	Installed capacity in MW at end of 2019	Installed capacity in MW at end of 2018	Production in GWh			Plant availability ⁽¹⁾			Incentive scheme
				2020	2019	2018	2020	2019	2018	
WIND										
Italy	1,093	1,093	1,093	1,902	2,161	2,012	20%	23%	21%	Feed-in tariff, GRIN (former Green Certificates), GO (Guarantees of Origin)
Germany	272	272	216	470	465	337	20%	20%	18%	Feed-in tariff
France	397	359	307	952	794	552	27%	25%	23%	Feed-in tariff
Poland	82	82	82	244	255	219	34%	36%	31%	Guarantees of Origin
Bulgaria	54	54	54	150	135	138	32%	29%	29%	Feed-in tariff
Romania	70	70	70	193	190	176	31%	31%	29%	Green Certificates
UK	–	–	–	–	–	29	–	–	–	Green Certificates (ROC)
Total Wind	1,968	1,929	1,822	3,911	4,000	3,464	23%	24%	22%	
WATER										
ERG Hydro	527	527	527	1,097	1,229	1,740	96.47%	97.64%	97.87%	GRIN (Green Certificates), RES (renewable sources), GO (Guarantees of Origin)
SUN										
Italy	141	141	90	228	226	130	81.30	81.70%	79.10%	Feed-in Tariff
Total renewable sources	2,636	2,597	2,439	5,236	5,455	5,334				
NATURAL GAS										
ERG Power	480	480	480	2,441	2,504	2,151	64.71%	64.04%	64.80%	TEE (energy efficiency certificates) ⁽²⁾
Total electricity production	3,116	3,078	2,919	7,677	7,959	7,485				
Electricity purchases				7,220	7,161	6,143				
Total electricity sales				14,897	15,120	13,627				

¹ The value of plant availability is calculated as follows:

- "load factor" for wind farms is the ratio between the actual production values in relation to the theoretical maximum production values (calculated taking into account the actual commissioning of each individual wind farm);
- the "1st principle overall performance" index for the thermoelectric plant is calculated in accordance with the procedures laid down by Italian Ministerial Decree of 5 September 2011 (CAR).

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

PERSONNEL, ORGANISATION OF WORK AND INDUSTRIAL RELATIONS

		2020	2019	2018
Employees at 31/12	no.	784	754	737
Executives	no.	35	38	39
of which at Genoa site		71%	66%	61%
Middle managers	no.	211	197	193
Office workers	no.	358	342	325
Blue-collar workers	no.	180	177	180
Other external collaborators ⁽¹⁾	no.	3	4	7
Female employment (%)		22.1%	20.8%	20.1%
of which: female employment at Genoa site (%)		42.3%	43.0%	42.0%
Average time at the company (years)		12.7	12.1	9.8
Average employee age (years)		43.5	43.2	43.8
Part time employees (Italy)	%	4.2%	4.2%	5.0%
Part time employees (abroad)	%	1.0%	0.0%	1.3%
Percentage of overtime (Italy)	%	5.1%	5.4%	5.4%
Percentage of overtime (abroad)	%	3.5%	3.7%	2.6%
Unionisation rate (Italy)	%	35.2%	34.0%	31.7%
Ongoing labour disputes	no.	–	1	3
Strikes ⁽²⁾	hours	–	–	–
Turnover (inbound staff + outbound staff)/headcount at 31/12	%	8.9%	13.7%	13.4%
Inbound turnover	%	6.4%	8.0%	8.3%
Outbound turnover	%	2.6%	5.7%	5.1%

(1) The 2020 figure includes 3 men, the 2019 figure includes 2 men and 2 women, the 2018 figure includes 4 men and 3 women.

(2) Hours of Italy-wide strikes.

TRAINING

		2020	2019	2018
Total training ⁽¹⁾	hours	28,804	46,758	34,356
of which required by law	%	23%	16%	17%
of which for technical and soft skills improvement	%	77%	84%	83%
Average training per employee	days/emp	4.9	7.8	5.9

(1) Total training also includes courses provided to staff who left the company during the year.

Training by professional category and gender GRI 404	2020			2019			2018		
	Men hours	Women hours	Total	Men hours	Women hours	Total	Men hours	Women hours	Total
Executives	1,127	49	1,176	1,613	88	1,701	1,044	113	1,157
Middle managers	6,509	2,490	8,999	10,456	4,104	14,560	6,927	1,876	8,803
Office workers	9,377	3,748	13,125	14,429	5,365	19,794	12,002	3,579	15,581
Blue-collar workers	5,504	–	5,504	10,702	–	10,702	8,814	–	8,814
Total	22,517	6,287	28,804	37,201	9,557	46,758	28,788	5,568	34,356

Average training by professional category and gender ⁽¹⁾ GRI 404-1	2020		2019		2018	
	Men h/emp	Women h/emp	Men h/emp	Women h/emp	Men h/emp	Women h/emp
Executives	33.2	49.0	44.8	44.0	28.2	56.5
Middle managers	43.7	40.2	73.6	74.6	48.4	37.5
Office workers	37.8	34.0	59.6	53.7	52.4	37.3
Blue-collar workers	30.6	–	60.5	–	49.0	–

(1) Average training by professional category and gender at 31/12.

DETAILED ANALYSIS OF PERSONNEL (no. of employees)

Type of contract and gender GRI 102-8	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent contract - Full time	606	138	744	597	124	721	588	113	701
Permanent contract - Part-time	1	29	30	–	31	31	–	34	34
Fixed-term contract - Full time	4	6	10	–	2	2	1	1	2
Group Total	611	173	784	597	157	754	589	148	737

Type of contract and region GRI 102-8	2020			2019			2018		
	Italy	Abroad	Total	Italy	Abroad	Total	Italy	Abroad	Total
Permanent contract - Full time	651	93	744	643	78	721	628	73	701
Permanent contract - Part-time	29	1	30	31	–	31	33	1	34
Fixed-term contract - Full time	5	5	10	2	–	2	1	1	2
Group Total	685	99	784	676	78	754	662	75	737

Tipologia di contratto GRI 102-41	2020		2019		2018	
	Total	%	Total	%	Total	%
Electric (Italy)	654	83%	643	85%	630	86%
Industrial executives (Italy)	35	4%	38	5%	39	5%
French contract	60	9%	44	6%	37	5%
Foreign contracts	35	4%	29	4%	31	4%
Group Total	784		754		737	

By country and gender	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	541	144	685	535	141	676	528	134	662
France	45	16	61	37	9	46	33	8	41
Germany	19	7	26	20	4	24	22	3	25
UK	1	2	3	2	1	3	3	–	3
Bulgaria	1	–	1	1	–	1	1	–	1
Poland	2	3	5	–	1	1	–	1	1
Romania	2	1	3	2	1	3	2	2	4
Group Total	611	173	784	597	157	754	589	148	737

DETAILED ANALYSIS OF TURNOVER - ITALY - GRI 401-1 (no. of employees)

Personnel employed by age and gender - 2020	Men	Women	Total	Turnover rate
<30 years	5	1	6	22.2%
between 30 and 50 years	10	4	14	2.9%
>50 years	1	1	2	1.1%
Total	16	6	22	3.2%
Inbound turnover rate	3.0%	4.2%	3.2%	

Personnel employed by age and gender - 2019	Men	Women	Total	Turnover rate
<30 years	12	2	14	40.0%
between 30 and 50 years	23	7	30	6.4%
>50 years	–	–	–	–
Total	35	9	44	6.5%
Inbound turnover rate	6.5%	6.4%	6.5%	

Personnel employed by age and gender - 2018	Men	Women	Total	Turnover rate
<30 years	9	3	12	44.4%
between 30 and 50 years	13	2	15	3.2%
>50 years	–	1	1	0,6%
Total	22	6	28	4.2%
Inbound turnover rate	4.2%	4.5%	4.2%	

Outbound employees by age and gender - 2020	Men	Women	Total	Turnover rate
<30 years	1	–	1	3.7%
between 30 and 50 years	4	1	5	1.1%
>50 years	6	2	8	4.4%
Total	11	3	14	2.0%
Outbound turnover rate	2.0%	2.1%	2.0%	

Outbound employees by age and gender - 2020	Men	Women	Total	Turnover rate
<30 years	–	–	–	–
between 30 and 50 years	11	2	13	2.8%
>50 years	14	–	14	8.1%
Total	25	2	27	4.0%
Outbound turnover rate	4.7%	1.4%	4.0%	

Outbound employees by age and gender - 2020	Uomini	Donne	Totale	Tasso di turnover
<30 years	2	2	4	14.8%
between 30 and 50 years	7	2	9	1.9%
>50 years	17	2	19	11.2%
Total	26	6	32	4.8%
Outbound turnover rate	4.9%	4.5%	4.8%	

DETAILED ANALYSIS OF TURNOVER - ABROAD - GRI 401-1 (no. of employees)

Personnel employed by age and gender - 2020	Men	Women	Total	Turnover rate
<30 years	8	7	15	53.6%
between 30 and 50 years	5	6	11	16.4%
>50 years	1	1	2	50.0%
Total	14	14	28	27.2%
Inbound turnover rate	20.0%	48.3%	28.3%	

Personnel employed by age and gender - 2019	Men	Women	Total	Turnover rate
<30 years	4	—	4	25.0%
between 30 and 50 years	7	5	12	20.3%
>50 years	—	—	—	—
Total	11	5	16	20.5%
Inbound turnover rate	17.7%	31.3%	20.5%	

Personnel employed by age and gender - 2018	Men	Women	Total	Turnover rate
<30 years	10	4	14	77.8%
between 30 and 50 years	16	3	19	35.8%
>50 years	—	—	—	—
Total	26	7	33	44.0%
Inbound turnover rate	42.6%	50.0%	44.0%	

Outbound employees by age and gender - 2020	Men	Women	Total	Turnover rate
<30 years	1	—	1	3.6%
between 30 and 50 years	2	1	3	4.5%
>50 years	2	—	2	50.0%
Total	5	1	6	6.1%
Outbound turnover rate	7.1%	3.4%	6.1%	

Outbound employees by age and gender - 2019	Men	Women	Total	Turnover rate
<30 years	3	1	4	25.0%
between 30 and 50 years	7	3	10	16.9%
>50 years	2	—	2	66.7%
Total	12	4	16	20.5%
Outbound turnover rate	19.4%	25.0%	20.5%	

Outbound employees by age and gender - 2018	Men	Women	Total	Turnover rate
<30 years	1	1	2	11.1%
between 30 and 50 years	2	2	4	7.5%
>50 years	—	—	—	—
Total	3	3	6	8.0%
Outbound turnover rate	4.9%	21.4%	8.0%	

DETAILED ANALYSIS OF PERSONNEL (no. of employees)

% Professional category and gender GRI 405-1	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	97%	3%	35	95%	5%	38	95%	5%	39
Middle Managers	71%	29%	211	72%	28%	197	74%	26%	193
Office workers	69%	31%	358	71%	29%	342	70%	30%	325
Blue-collar workers	100%	–	180	100%	–	177	100%	–	180
Total	611	173	784	597	157	754	589	148	737

% Professional category and age GRI 405-1	2020				2019				2018			
	< 30 years	30-50 years	> 50 years	Total	< 30 years	30-50 years	> 50 years	Total	< 30 years	30-50 years	> 50 years	Total
Executives	–	54%	46%	35	–	50%	50%	38	–	54%	46%	39
Middle Managers	1%	81%	18%	211	1%	81%	18%	197	5%	79%	17%	193
Office workers	9%	63%	28%	358	9%	64%	27%	342	6%	65%	28%	325
Blue-collar workers	11%	71%	18%	180	10%	74%	16%	177	8%	74%	18%	180
Total	55	543	186	784	51	528	175	754	45	518	174	737

Age bracket and gender	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years	41	14	55	43	8	51	39	6	45
between 30 and 50 years	418	125	543	411	117	528	405	113	518
>50 years	152	34	186	143	32	175	145	29	174
Total	611	173	784	597	157	754	589	148	737

New hires by origin and region	2020			2019			2018		
	Italy	Abroad	Total	Italy	Abroad	Total	Italy	Abroad	Total
Company acquisitions	–	–	–	–	–	–	–	12	12
Permanent contract	17	22	39	42	16	58	25	21	46
Temporary contract	5	6	11	2	–	2	3	–	3
Training	–	–	–	–	–	–	–	–	–
Total	22	28	50	44	16	60	28	33	61

Outbound employees by origin reason and gender	2020			2019			2018		
	Italy	Abroad	Total	Italy	Abroad	Total	Italy	Abroad	Total
Resignation	4	2	6	20	6	26	11	3	14
End of temporary contract	1	–	1	–	–	–	–	3	3
Agreed resolution	8	1	9	17	–	17	18	3	21
Dismissal	1	–	1	–	–	–	–	–	–
Company sale	–	3	3	–	–	–	–	–	–
Total	14	6	20	37	6	43	29	9	38

SAFETY*

Injuries in the workplace (no.)	Men	Women	Total 2020	Total 2019	Total 2018
Italy	–	–	–	1	4
Abroad	–	–	–	3	–
Total	–	–	–	4	4

Frequency index	Men	Women	Total 2020	Total 2019	Total 2018
Italy	–	–	–	0.89	3.61
Abroad	–	–	–	22.41	–
Total	–	–	–	3.17	3.25

Frequency index calculated as (no. of injuries x 1,000,000)/no. hours worked

Severity index	Men	Women	Total 2020	Total 2019	Total 2018
Italy	–	–	–	0.03	0.16
Abroad	–	–	–	1.03	–
Total	–	–	–	0.14	0.15

Severity index calculated as (no. of days lost x 1,000)/no. hours worked

Other safety indicators	Men	Women	Total 2020	Total 2019	Total 2018
Sick leave rate (%)	1.86%	1.25%	1.73%	2.0%	2.2%
Working days lost due to injuries in the workplace (no.)	–	–	–	175	182
Cases of occupational disease (no.)	–	–	–	–	–
Rate of occupational disease (%)	–	–	–	–	–
Work-related deaths (no.)	–	–	–	–	–

* The safety indicators do not count the "other external collaborators".

(1) Sick leave rate refers to Italian employees only (no. of days absence /workable days).

HSE audit and safety walks

		2020	2019	2018
Wind	no.	689	368	237
Solar	no.	71	29	33
Hydro	no.	100	58	87
Power	no.	40	116	86

SAFETY

Third-party company injuries		2020	2019	2018
Third-party company injuries	no.	4	2	2
Frequency index – third-party companies - Total		6.52	3.67	4.26
Frequency index – third-party companies - Italy		8.17	2.40	5.19
Frequency index – third-party companies - Abroad		4.05	7.80	–
Severity index – third-party companies - Total		0.29	0.17	0.16
Severity index – third-party companies - Italy		0.47	0.20	0.19
Severity index – third-party companies - Abroad		0.02	0.08	–

Frequency index calculated as (no. of injuries x 1,000,000)/no. hours worked

Severity index calculated as (no. of days lost x 1,000)/no. hours worked.

METHOD FOR ESTIMATING HOURS WORKED - THIRD-PARTY COMPANIES

The hours worked by the employees of third-party companies have been estimated differently according to the technology involved.

Hydro, Power, Wind plants Italy and Office: manual recording of the hours worked.

Wind plants abroad: estimated hours worked, given the technical impossibility of recording the presence of O&M contractors with global service agreements, is based on the assumption that one FTE can service 15 MW, multiplied by workable days (260) and by 8 hours.

Plants under construction in the UK: hours recorded according to site report.

METHOD FOR CALCULATING DAYS LOST DUE TO INJURIES - THIRD-PARTY COMPANIES

Report sent by the company of the injured worker.

SUPPLIERS

		2020	2019	2018
Active suppliers (transactions with at least one order)	no.	1,685	1,736	1,772
with registered offices or a billing address in Italy	no.	58%	63%	65%
with registered offices or a billing address in the regions where our plants are located	no.	35%	35%	34%
% expenditure local suppliers (Italy/total)		48%	61%	77%
Qualified suppliers on Vendor List	no.	1,058	997	990
of which: qualified based on HSE parameters	no.	256	231	223
Newly qualified suppliers in the year	no.	86	67	67
of which: newly qualified based on HSE parameters	no.	36	31	36
Average qualification time	days	49	41	59
% of tenders (of total value of purchases)		50%	54%	53%
% of tenders (of total number of purchases)		26%	25%	29%

WIND - ENVIRONMENT AND COMMUNITY

		2020	2019	2018
Production	GWh	3,911	4,000	3,464
Load factor		23%	24%	22%
CO ₂ avoided	kt	2,313	2,350	2,050
Indirect energy consumption ⁽¹⁾	GWh	13.62	12.01	11.47
% Indirect green energy consumption		98.5%	97.7%	98.6%
Indirect CO ₂ emissions ⁽²⁾	kt	0.12	0.16	0.09
Indirect energy consumptions by installed MW	MWh/MW	6.69	5.97	6.07
SF ₆ present in the electrical equipment ⁽³⁾	kg	2,537	2,723	3,230
SF ₆ in stock	kg	25	1,424	1,424
SF ₆ top ups	kg	–	1.0	0.5
equivalent to tons of CO ₂	t	–	23	12
F-GAS present in air conditioning systems	kg	143	136	88
F-GAS top ups	kg	–	–	12
equivalent to tons of CO ₂	t	–	–	19
Waste produced	t	268	380	185
of which sent to recycling		50.5%	34.1%	53.3%
Hazardous waste produced	t	85	49	102
of which sent to recycling	t	42	26	45
of which sent to recycling		49.4%	52.6%	44.0%
of which sent to disposal	t	43	23	49
of which sent to disposal		50.6%	47.4%	47.7%
Non-hazardous waste produced	t	183	331	83
of which sent to recycling	t	94	104	54
of which sent to recycling		51.4%	31.4%	65.3%
of which sent to disposal	t	89	227	23
of which sent to disposal		48.6%	68.7%	28.1%

(1) The increase in consumption is caused by the increase in the plants running.

(2) The data take into consideration the supplies of electricity from renewable production which does not generate emissions; the indirect emissions are calculated on the basis of the conversion factors relating to the gross thermoelectric production of each country published by Terna on its website (Source: Terna, international comparisons) according to a Location Based approach.

(3) Data as at year-end 2018 include quantities in the wind turbines (1,870 kg) and in plants abroad (436 kg) not included in the previous years.

SOLAR - ENVIRONMENT AND COMMUNITY

		2020	2019	2018
Production	GWh	228	226	130
Performance ratio		81.30%	81.70%	79.10%
CO ₂ avoided	kt	115	114.36	67.99
Indirect energy consumption	GWh	2.08	2.15	1.16
% Indirect green energy consumption		71.2%	65.3%	3.1%
Indirect CO ₂ emissions	kt	0.3	0.4	0.6
SF ₆ present in the electrical equipment	kg	22.3	9.80	9.80
SF ₆ top ups	kg	–	–	–
equivalent to tons of CO ₂	t	–	–	–
Area covered by photovoltaic plants	m ²	891,851	901,699	630,291
Water used for panel cleaning	m ³	1,083	1,252	494
Waste produced ⁽¹⁾	t	6.5	–	–
of which sent to recycling		100%	–	–
Hazardous waste produced	t	0.1	–	–
of which sent to recycling	t	0.1	–	–
of which sent to recycling		100%	–	–
of which sent to disposal	t	–	–	–
of which sent to disposal		–	–	–
Non-hazardous waste produced	t	6.4	–	–
of which sent to recycling	t	6.4	–	–
of which sent to recycling		100%	–	–
of which sent to disposal	t	–	–	–
of which sent to disposal		–	–	–

(1) In 2018 and 2019 the Operation & Maintenance activities were performed by third parties.

OFFICES IN ITALY

		2020	2019	2018
Indirect energy consumption	MWh	923	1,248	1,333
Indirect CO ₂ emissions ⁽¹⁾	t	294	377	371
% Energy consumptions ⁽²⁾	t	37.1	40.3	46.8

Waste: waste produced in offices is disposed of as municipal waste and therefore quantities are not accounted for.

Water consumption: the consumption of water in the offices refers exclusively to uses for sanitary purposes and is part of the condominium services. It is immaterial with respect to the business.

(1) The data take into consideration the supplies of electricity from renewable production which does not generate emissions; the indirect emissions are calculated on the basis of the conversion factors relating to the gross thermoelectric production of each country published by Terna on its website (Source: Terna, international comparisons) according to a Location Based approach.

(2) The change is due to the change of the reporting perimeter and the refinement of reporting methods.

HYDROELECTRIC POWER – ENVIRONMENT AND COMMUNITY

		2020	2019	2018
Production	GWh	1,097	1,229	1,740
Technical availability plants		96.47%	97.64%	97.87%
CO ₂ avoided	kt	555	622	910
Energy consumption from primary sources - Diesel fuel ⁽¹⁾	litres	23,900	19,500	32,717
Indirect energy consumption	GWh	8.32	8.23	5.46
% Indirect green energy consumption		100%	100%	100%
Indirect CO ₂ emissions ⁽²⁾	kt	–	–	–
SF ₆ present in the electrical equipment	kg	871	850	820
SF ₆ in stock	kg	337	321	321
SF ₆ top ups	kg	2.5	–	2.0
equivalent to tons of CO ₂	t	58	–	47
F-GAS present in air conditioning systems	kg	306	196	189
F-GAS top ups	kg	–	–	–
equivalent to tons of CO ₂	t	–	–	–
Total releases from concession (Minimal Vital Flow)	million m ³	963	963	957
Waste produced	t	2,012	3,104	2,861
of which sent to recycling		99.8%	97.9%	99.4%
Hazardous waste produced	t	37	21	13
of which sent to recycling	t	35	19	9
of which sent to recycling		94.6%	90.5%	72.1%
of which sent to disposal	t	2	2	4
of which sent to disposal		5.4%	9.5%	27.9%
Non-hazardous waste produced	t	1,975	3,083	2,848
of which sent to recycling	t	1,973	3,020	2,835
of which sent to recycling		99.9%	98.0%	99.5%
of which sent to disposal	t	2	63	13
of which sent to disposal		0.1%	2.0%	0.5%
of which waste removed from rivers and water basins (wood and grate cleaning residues) ⁽³⁾	t	1,906	2,920	2,685
of which sent to recycling		100%	100%	100%

(1) The diesel fuel is used to fuel power supply continuity systems and for office heating; emissions are not calculated for this consumption, as the figure represents the purchases and not the consumption, furthermore no final balance is drawn up.

(2) The indirect emissions are calculated on the basis of the conversion factors relating to the gross thermoelectric production of each country published by Terna on its website (Source: Terna, international comparisons) and according to the Market based approach.

(3) Wood and grate cleaning residues removed from the rivers represent a portion of the total waste produced. They are reported separately to point out the contribution given by the activities for the local area and the hydro-geological safety of river-beds.

THERMOELECTRIC POWER – ENVIRONMENT AND COMMUNITY

		2020	2019	2018
Production	GWh	2,441	2,504	2,151
ERG Power performance index ⁽¹⁾		64.71	64.04%	64.80%
Energy consumption (primary sources - methane)	TEP thousands m ³	482,873 568,630	485,145 572,731	422,212 493,556
Indirect energy consumption ⁽²⁾	GWh	1.27	1.25	0.89
% Indirect green energy consumption		3.1%	19.6%	14.3%
Direct CO ₂ emissions ⁽³⁾	kt	1,147	1,155	1,008
Indirect CO ₂ emissions ⁽²⁾	kt	0.6	0.5	0.4
NO _x emissions ⁽³⁾	t	368	393	340
CO emissions	t	44	45	42
SF ₆ present in the electrical equipment ⁽⁴⁾	kg	13,072	13,072	13,077
SF ₆ in stock	kg	10	326	332
SF ₆ top ups	kg	6	8	11
equivalent to tons of CO ₂	t	129	191	266
F-GAS present in air conditioning systems ⁽⁴⁾	kg	944	944	944
F-GAS top ups	kg	114	–	3
equivalent to tons of CO ₂	t	182	–	4
Thermoelectric CO ₂ index	kt/GWheq	0.398	0.396	0.399
Thermoelectric NO _x index	t/GWheq	0.128	0.135	0.134
Thermoelectric CO index	t/GWheq	0.015	0.016	0.017
Seawater withdrawals for plant cooling systems	million m ³	212	224	197
Well water withdrawals	million m ³	6	6	6
Water returned to the natural cycle	% of withdrawals	97.06%	97.1%	96.8%
Cooling water returned to the natural cycle	million m ³	213	224	197
Water resource use index demineralised water plant	% water produced/ inbound water	58.1%	60.9%	58.6%
Waste produced	t	1,438	861	1,546
of which sent to recycling		66.8%	70.1%	54.6%
Hazardous waste produced	t	139	51	174
of which sent to recycling	t	73	18	74
of which sent to recycling		52%	36.0%	42.7%
of which sent to disposal	t	66	33	99
of which sent to disposal		48%	64.0%	57.3%
Non-hazardous waste produced	t	1,299	810	1,373
of which sent to recycling	t	887	585	770
of which sent to recycling		68%	72.3%	56.1%
of which sent to disposal	t	412	225	603
of which sent to disposal		32%	27.7%	43.9%

(1) Index of “1st principle overall performance” calculated in accordance with the procedures laid down by Italian Ministerial Decree of 5 September 2011 (CAR).

(2) The indirect emissions are calculated on the basis of the conversion factors relating to the gross thermoelectric production of each country published by Terna on its website (Source: Terna, international comparisons) and according to the Market based approach.

(3) The data relating to the atmospheric emissions are consistent with the annual data reported for the purposes of the E-PRTR Register and with the EU-ETS declarations.

(4) The data consider plants containing a quantitative amount over 5 t. CO₂ eq.

OPERATING DATA AND ENVIRONMENTAL INDICATORS - GROUP

		2020	2019	2018
Total installed power capacity	MW	3,116	3,077	2,919
Total electricity production	GWh	7,677	7,959	7,484
of which from renewable energy sources	GWh	5,236	5,455	5,333
Sales of electricity	GWh	14,897	15,120	13,627
Market share of power generation in Italy		2.08%	2.16%	2.15%
Market share of power sales in Italy		4.26%	4.16%	3.78%
Direct energy consumption (methane)	TEP	482,873	485,145	422,212
Direct energy consumption (methane)	GWh	5,614.85	5,641.27	4,909.48
Total indirect energy consumptions	GWh	26.22	24.88	20.33
of which electricity from green sources	GWh	23.60	22.10	17.57
of which electricity	GWh	1.39	1.77	2.00
of which steam	GWh	1.23	1.01	0.77
% consumption of electricity from green sources		90%	89%	86%
CO ₂ avoided	kt	2,983	3,086	3,029
Scope 1 emission originated by energy production	kt	1,148	1,155	1,008
Other Scope 1 emissions ⁽²⁾	kt	0.5	1.3	1.4
Scope 2 emissions ⁽¹⁾	kt	1.3	1.4	1.5
Scope 3 emissions generated by capital goods (Wind)	kt	⁽³⁾ 26	31	29
Waste produced	t	3,724	4,345	4,591
of which sent to recycling	t	3,110	3,772	3,786
of which sent to recycling		83%	87%	82%
of which non-hazardous	t	3,463	4,224	4,304
of which non-hazardous		93%	97%	94%

(1) The indirect emissions are calculated on the basis of the conversion factors relating to the gross thermoelectric production of each country published by Terna on its website (Source: Terna, international comparisons) and according to the Market based approach.

(2) The variation is determined by the inclusion of the company technical fleet not previously accounted for. The emissions generated by vehicles allocated for mixed use were counted at 50%.

(3) The change is due to the change of the reporting perimeter and the refinement of reporting methods.

CORRELATION BETWEEN ERG MATERIAL ASPECTS AND GRI STANDARDS

ERG Group material aspects	Correlation with GRI Standards	Scope of material aspects	Type of impact
Ethics and integrity	GRI 205: Anti-corruption	Group	Direct
	GRI 419: Socioeconomic compliance	Group	Direct and Indirect
Creation of economic and financial value	GRI 201: Economic performance	Group, Community	Direct
Strong governance	N/A	Group	Direct
Energy efficiency	GRI 302: Energy	Group	Direct and Indirect
	GRI 307: Environmental compliance	Group	Direct
Climate change	GRI 305: Emissions	Group, Supply chain	Direct and Indirect
Circular economy	GRI 306: Waste	Group, Community	Direct and Indirect
Health & safety	GRI 403: Occupational Health & safety (2018)	Group	Direct
Human rights and diversity	GRI 405: Diversity and equal opportunity	Group	Direct
	GRI 406: Non-discrimination	Group	Direct
Human Capital Management	GRI 401: Employment	Group	Direct
	GRI 404: Training and education	Group	Direct
Sustainable procurement	GRI 308: Supplier environmental assessment	Group, Supply chain	Direct and Indirect
Environmental protection	GRI 304: Biodiversity	Group	Direct
	GRI 307: Environmental compliance	Group	Direct

TABLE OF CONCORDANCE WITH ITALIAN LEG. DECREE 254/2016

Areas of Leg. Decree 254/2016	Requirements of Leg. Decree 254/2016	Reference documents and chapters 2020
Company management model	Art. 3.1, paragraph a) Description of the company model for the management and organisation of its business activities, including any models adopted pursuant to Leg. Decree 231/2001	NFS pag. 14; 16-17; 19-20
	Policies Art. 3.1, paragraph b) Description of company policies, including due diligence policies	NFS pag. 19-20 Sustainability Policy
Environment	Risk management model Art. 3.1, paragraph c) Description of the main risks, including the ways of managing these risks, generated or suffered, and which derive from the company's activities	NFS pag. 75; 76-77
	Art. 3.2, paragraph a, b, c) Use of energy resources, distinguishing between those produced by renewable and non-renewable sources, the use of water resources; greenhouse gas emissions and emissions of pollutants in the atmosphere; environmental impact	NFS pag. 122-136; 97-101
People	Policies Art. 3.1, paragraph b) Description of company policies, including due diligence policies	NFS pag. 19; Sustainability Policy
	Risk management model Art. 3.1, paragraph c) Description of the main risks, including the ways of managing these risks, generated or suffered, and which derive from the company's activities	NFS pag. 75; 76-77
	Art. 3.2, paragraph c) Information on the impact on health and safety	NFS pag. 20; 59-60; 95-96
	Art. 3.2, paragraph d) Information on HR management, including gender equality, the implementation of international conventions and dialogue with social parties	NFS pag. 47-61; 89-94
Social	Policies Art. 3.1, paragraph b) Description of company policies, including due diligence policies	NFS pag. 19; Sustainability Policy
	Risk management model Art. 3.1, paragraph c) Description of the main risks, including the ways of managing these risks, generated or suffered, and which derive from the company's activities	NFS pag. 75; 76-77
	Art. 3.2, paragraph d) Information on social aspects	NFS pag. 35-45
Human rights	Policies Art. 3.1, paragraph b) Description of company policies, including due diligence policies	NFS pag. 19; Human Rights Policy
	Risk management model Art. 3.1, paragraph c) Description of the main risks, including the ways of managing these risks, generated or suffered, and which derive from the company's activities	NFS pag. 75; 76-77
	Art. 3.2, paragraph e) Respect for human rights, measures adopted to prevent violations, as well as actions taken to prevent discriminatory behaviour and actions	NFS pag. 79-81
Combating active and passive corruption	Policies Art. 3.1, paragraph b) Description of company policies, including due diligence policies	NFS pag. 69-70 Anti-corruption policy
	Risk management model Art. 3.1, paragraph c) Description of the main risks, including the ways of managing these risks, generated or suffered, and which derive from the company's activities	NFS pag. 75; 76-77
	Art. 3.2, paragraph f) Information on combating active and passive corruption	NFS pag. 69-70
Diversity of governance bodies	Policies Art. 10.1 paragraph a) Description of diversity policies applied in relation to the composition of administrative, management and control bodies with regard to aspects such as age, gender composition, training and professional background, as well as a description of the goals, implementation methods and results of these policies	NFS pag. 65-67

INDEPENDENT AUDITOR'S REPORT



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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

*To the board of directors of
 ERG S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2020 consolidated non-financial statement of the ERG Group (the "Group") prepared in accordance with article 4 of the decree and approved by the board of directors on 11 March 2021 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of ERG S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the Group's business and characteristics, to the extent necessary to enable an understanding of the Group's business, performance, results and the impacts it generates.



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The directors' responsibility also includes the design of an internal model for the management and organisation of the Group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the Group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 Revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

- 1 Analysing the material aspects based on the Group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
- 2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.



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- 3 Comparing the financial disclosures presented in the NFS with those included in the Group's consolidated financial statements.
- 4 Gaining an understanding of the following:
 - the Group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in the following point, letter a).

- 5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel and personnel of ERG Power Generation S.p.A.. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the work team that prepares the NFS.

Furthermore, with respect to significant information, considering the Group's business and characteristics:

- at parent and subsidiaries level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- through remote communication tools, we held discussions with personnel of ERG S.p.A. and ERG Power S.r.l.'s Priolo Gargallo production site, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.



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Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 consolidated non-financial statement of the ERG Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Genoa, 26 March 2021

KPMG S.p.A.

(signed on the original)

Luisa Polignano
Director of Audit



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GRI CONTENT INDEX

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102-16	Values, principles, standards, and norms of behavior	63, 69-70	
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102-25	Conflicts of interest	67	
102-30	Effectiveness of risk management processes	14-15, 67, 72-77	
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GRI Standard	Disclosure	Page/Link	Notes/Information/Omissions
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102-53	Contact point for questions regarding the report	21	For any information relating to this document, see the "Contacts" section of the corporate website www.erg.eu .
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103-3	Evaluation of the management approach	69-70, 77	
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205-3	Confirmed incidents of corruption and actions taken		No cases of corruption were recorded in 2020
GRI 207: TAX (2019)			
207-1	Approach to tax	78	
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GRI-303: WATER (2016)			
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GRI-304: BIODIVERSITY (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
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GRI-305: EMISSIONS (2016)			
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305-1	Direct (Scope 1) GHG emissions	21, 26-27, 100-101	
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305-4	GHG emissions intensity	22, 25-26	
305-5	Reduction of GHG emissions	22, 25-28, 97-101	
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	22,100	
GRI-306: EFFLUENTS AND WASTE (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	17, 33	
103-3	Evaluation of the management approach	33	
306-1	Water discharge by quality and destination	100	Water quality data are not available: ERG Power waste water is sent to the purification plant purifier" of the Priolo site that is responsible for its purification before discharging into surface waters.
306-2	Waste by type and disposal method	97-101	

GRI Standard	Disclosure	Page/Link	Notes/Information/Omissions
GRI-307: ENVIRONMENTAL COMPLIANCE (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	16, 29-34	
103-3	Evaluation of the management approach	29-34, 77	
307-1	Non-compliance with environmental laws and regulations		No significant monetary sanctions or non monetary sanctions due to failure to observe environmental laws and regulations were recorded in 2020.
GRI-308: SUPPLIER ENVIRONMENTAL ASSESSMENT (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	16, 79-81	
103-3	Evaluation of the management approach	77, 79-81	
308-1	New suppliers that were screened using environmental criteria	81, 96	
GRI 400: SOCIAL SERIES (2016)			
GRI-401: EMPLOYMENT (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	17, 47-48	
103-3	Evaluation of the management approach	47-48, 77	
401-1	New employee hires and employee turnover	92-93	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	50-56	
GRI-402: LABOR/MANAGEMENT RELATIONS (2016)			
402-1	Minimum notice periods regarding operational changes		The minimum notice period for the operational changes adopted by ERG is compliant with the legislative provisions envisaged by national labour agreement for workers in Italy.
GRI-403: OCCUPATIONAL HEALTH AND SAFETY (2018)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	17, 59-61	
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403-1	Occupational health and safety management system	59-60	
403-2	Hazard identification, risk assessment, and incident investigation	59-60	
403-3	Occupational health services	59-60	
403-4	Worker participation, consultation, and communication on occupational health and safety	59-60	
403-5	Worker training on occupational health and safety	59-60	
403-6	Promotion of worker health	59-60	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	60	
403-9	Work-related injuries	95-96	
GRI-404: TRAINING AND EDUCATION (2016)			
103-1	Explanation of the material topic and its Boundary	21,102	
103-2	The management approach and its components	17, 52-53, 55, 70	
103-3	Evaluation of the management approach	52-53, 55, 70	
404-1	Average hours of training per year per employee	90	
404-3	Percentage of employees receiving regular performance and career development reviews	50	

GRI Standard	Disclosure	Page/Link	Notes/Information/Omissions
GRI-405: DIVERSITY AND EQUAL OPPORTUNITY (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	17, 47, 56-57	
103-3	Evaluation of the management approach	56-57, 77	
405-1	Diversity of governance bodies and employees	63-65, 91, 94	For further details relating to the composition of the governance bodies, see the matters indicated in the Report on Corporate Governance and Ownership Structures.
GRI-406: NON DISCRIMINATION (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	16-17, 47, 79	
103-3	Evaluation of the management approach	47, 76-77, 79	
406-1	Incidents of discrimination and corrective actions taken		No incidents of discrimination were recorded in 2020.
GRI-407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (2016)			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	79-81	
GRI-413: LOCAL COMMUNITIES (2016)			
413-2	Operations with significant actual and potential negative impacts on local communities	32-34	
GRI-419: SOCIOECONOMIC COMPLIANCE (2016)			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	16, 67, 72-73	
103-3	Evaluation of the management approach	67, 72-73	
419-1	Non-compliance with laws and regulations in the social and economic area		No significant monetary sanctions or non-monetary sanctions due to failure to observe laws and regulations were recorded in 2020.
Material topic not related to a GRI Standard topic specific			
MATERIAL TOPIC: SOLID GOVERNANCE			
103-1	Explanation of the material topic and its Boundary	21, 102	
103-2	The management approach and its components	14-16, 63-68	
103-3	Evaluation of the management approach	72, 77	

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