

HERA

HERA GROUP

for sustainability



Summary of 2013 **sustainability** annual report
Results of **11 years** in the business





Commitment to sustainability

Once again this year the Sustainability Report represents an opportunity to outline the activities carried out by the company in relation to its stakeholders and regional sustainability through a series of facts and objective criteria. For the first time, the new international GRI G4 guidelines have been employed, adopted by Hera two years before becoming compulsory. For the eleventh consecutive year, the 2013 financial statement highlights positive results in terms of creating value for stakeholders. This year it also reflects the data of AcegasAps, which joined the Group on January 1, 2013; this acquisition helped the Group to achieve a second place position among Italian utility companies in terms of size. From the point of view of territorial sustainability, the data indicate considerable progress over time, as outlined in the following

pages, where the figures for 2013 are compared with figures from the first years of Hera Group activity. Recycling has doubled since 2002 and the use of landfills for the disposal of urban wastes has been reduced by more than half, while the energy produced from renewable or equivalent sources is comparable to the consumption of 440,000 households.

The indicators associated with the quality and safety of service have greatly improved compared to the first years of activity, as has the satisfaction level of Group employees.

These results were achieved thanks to the contribution of numerous projects and initiatives and have been recognized through awards and accolades.

All these elements are outlined in detail in this Sustainability Report summary.

Our customers

Careful attention to standards of behavior in terms of business conduct as well as the quality and safety of services

The attention the Hera Group pays to its customers has evolved a great deal in terms of quality. First of all, compliance with **quality standards** increased from 94.6% in 2006 to a **current rate of 99.3%**.

Data regarding certifications and inspections carried out inside the company are also very important. In fact, although the **ISO 9001 certification** was virtually non-existent in 2002, it now extends to cover almost all of the Group companies, corresponding to **98% of total employees**. Inspections of the gas network have also increased: in 2013 inspections of the **high and medium pressure network** covered **68.7%** (up from 42.3% in 2004) and inspections of the **low pressure network** came to **80.9%** (more than doubled compared to 2004 levels).

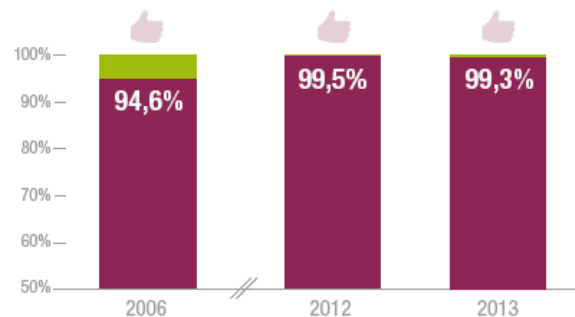
Another very important issue for Hera is the ability to guarantee **timely emergency maintenance of the gas network**: in 2013 the company arrived at the scene of the call **within 60 minutes in 98.7% of cases** (up from 94% in 2005), reaffirming last year's standards and with an average arrival time of 34 minutes. In 2003, the average arrival time was 41 minutes.

Finally, **wait times** at the call center **were reduced** for both **residential customers**, with a wait time of **49 seconds**, and **business customers**, with a wait time of **31 seconds**. In addition, for customers who opted to seek assistance from a **help desk**, the average wait time dropped to only **12 minutes**, as compared to the previous time of 24 minutes.

It is important to highlight that the **periodical monitoring of satisfaction customer**, carried out by an independent company, found that for 2013 the index of residential customers' overall satisfaction with services had increased from 75 to 100 points, **the highest level ever reported**.

Compliance with AEEG service standards and service charter

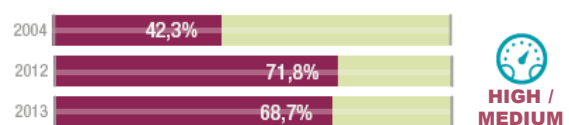
(gas, electricity, integrated water services, and district heating)



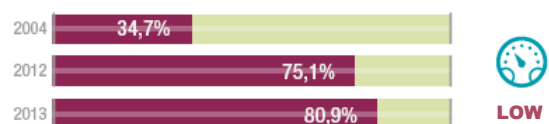
Employees of Group companies with the ISO 9001 certification (%)



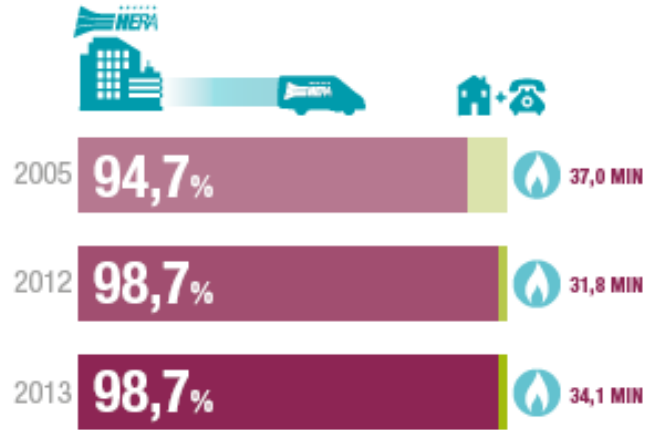
Percentage of total high and medium pressure gas network inspected (%)



Percentage of total low pressure gas network inspected (%)

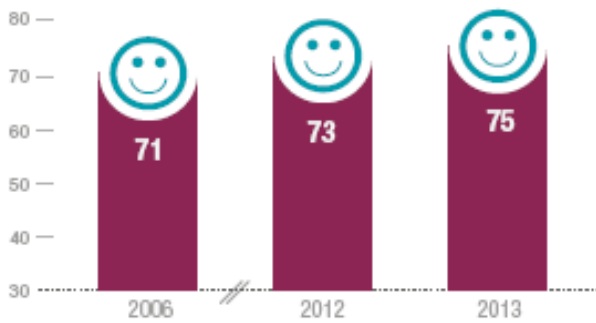


Gas emergency maintenance: % of calls with a response time of less than 60 minutes and arrival time in minutes

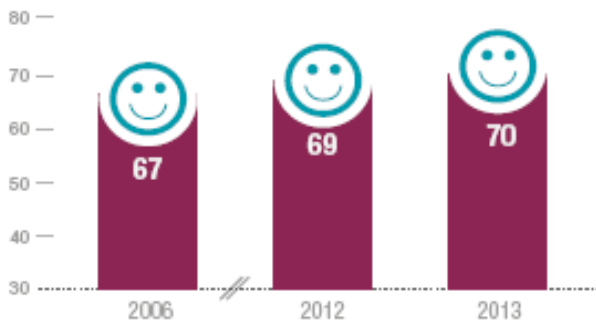


Residential clients' satisfaction levels
(ICS from 0 to 100)

Index of satisfaction with services



Index of overall satisfaction

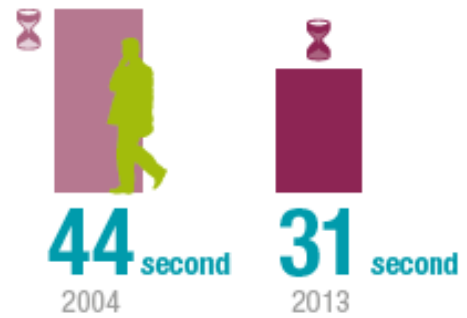


Average wait time at call centers: residential clients (seconds)



Excluding AcegasAps and Marche Multiservizi

Average wait time at call centers: business clients (seconds)



Excluding AcegasAps and Marche Multiservizi

Average wait time at help desks (minutes)



Excluding AcegasAps and Marche Multiservizi



Hera employees

Stability, workplace security, training and valorizing difference

There are multiple figures capable of attesting to the way the Hera Group has focused more and more attention on its employees over the years. One number in particular stands out: **1,458 people were hired under open-ended contracts** from 2003 to 2013. This type of contract covered approximately **97% of the total workforce** in 2013.

The data regarding female personnel are also significant: in 2013, **25% of middle and top managers** were women, while they made up **only 13% in 2002**.

Since 2005 an emphasis has been placed on communicating with employees through the internal climate survey conducted every two years. The **fifth survey of the Hera Group internal climate** was carried out in 2013, which involved the participation of AcegasAps employees as well.

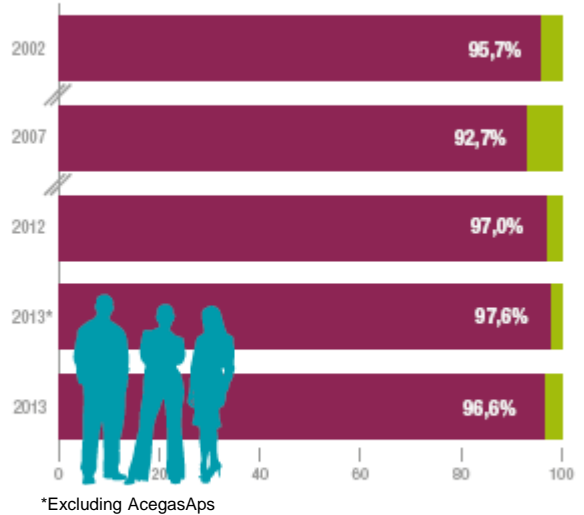
In 2013 the internal climate index (excluding AcegasAps) turned out to be slightly lower than in 2011, but still much higher than the first survey conducted in 2005.

Workplace safety is a top priority for the Group, and it has implemented many projects to promote awareness of this issue over the years. As case in point, the **accident frequency rate** datum is highly emblematic, as the rate of 49.6 reported in 2005 **dropped to 23.9 in 2013**.

The importance of certification is likewise quite clear: in 2013, 73% of workers were employed in Group companies with OHSAS 18001 certification. For 2014, certification is expected to be extended to AcegasAps as well.

Finally, training is viewed as a key factor for stimulating and enhancing the value of the company's human capital. In 2013 **97% of workers enrolled in training courses**, for a total of 26.4 hours of instruction per capita (significantly higher than the 2002 figure of 14.1).

Open-ended contract workers (% yearly average of total workers)



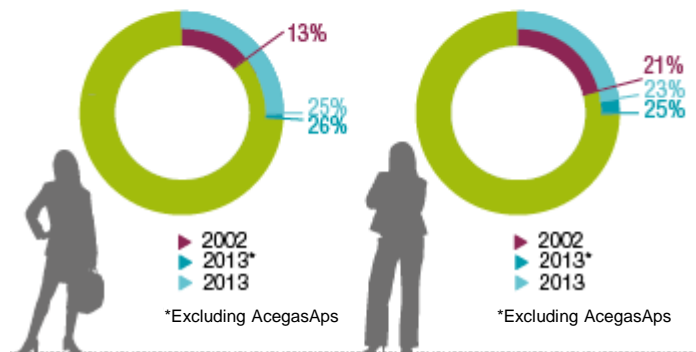
1,458

Open-ended contract employees hired from 2003 to 2013

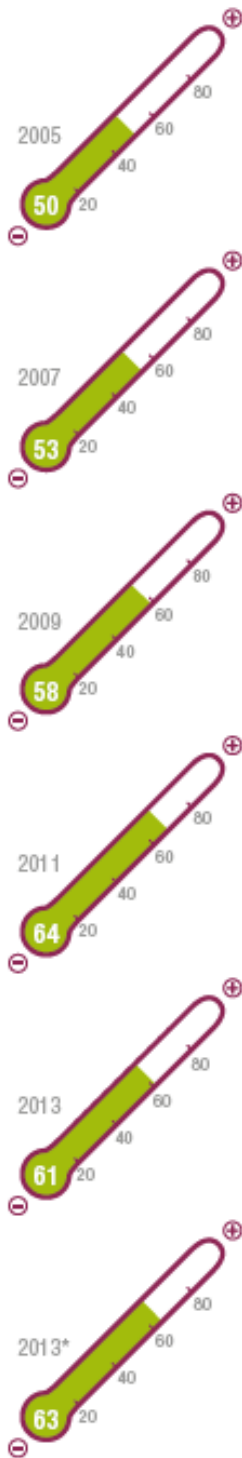


Female personnel Middle and top managers

Overall Female personnel



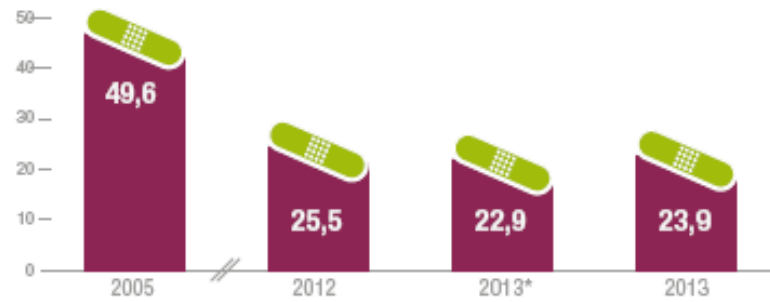
Internal climate index
(Score from 0 to 100)



*Excluding AcegasAps

Accident frequency rate

(number of accidents/hours worked x 1,000,000)



*Excluding AcegasAps

Employees of OHSAS 18001- certified Group companies

(%)



*Excluding AcegasAps

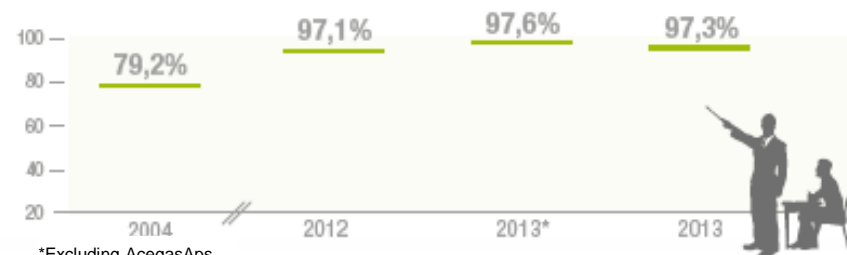
Average training hours per capita



*Excluding AcegasAps

Employees enrolled in at least one training course

(%)



*Excluding AcegasAps



Suppliers and the local community

Numerous initiatives promoting social responsibility in the supply chain and for the local community

Since 2006, Hera has introduced the economically most advantageous criterion in assigning **competitive bids** in the place of the lowest-price criterion. Rather than obliging the Group to take into account price alone, this policy enhances considerations related to social and **environmental quality** and **sustainability**.

The **value generated from local suppliers** makes up **66%** of the total. Supplies from **social cooperatives**, totaling over 35 million Euros, provided work for **581 disadvantaged workers**.

In order to assess social impact on the local area, it is useful to consider the workforce of the suppliers working on behalf of Hera: **the Group indirectly employs** an estimated **5,278 people**.

The Hera Group has adopted various measures to promote **social responsibility in competitive bidding**, such as a social pact for employment protection, authorization to use temporary personnel and a limitation on the discount percentage.

It is important for certified suppliers to increase in number: 82% of suppliers are **ISO 9001** certified, 52% are **ISO 14001** or **EMAS** qualified, 30% are **OHSAS 18001** qualified and 17% have obtained the **SA 8000** social certification.

There are various ongoing **initiatives to involve and dialogue with the local community**. In 2013, the Hera Group designed and launched a new model to involve local stakeholders: the **HeraLab**. The Labs are tasked with proposing initiatives, both alone and in collaboration with others, in order to engage stakeholders and improve the Group's offering of services. The first two Labs have been created in the Imola-Faenza and Ravenna areas, and in 2014 additional Labs will be established in the remaining areas of Emilia-Romagna.

The 2013 **environmental education programs** involved over **65,000 students**, more than twice as many as 2004.

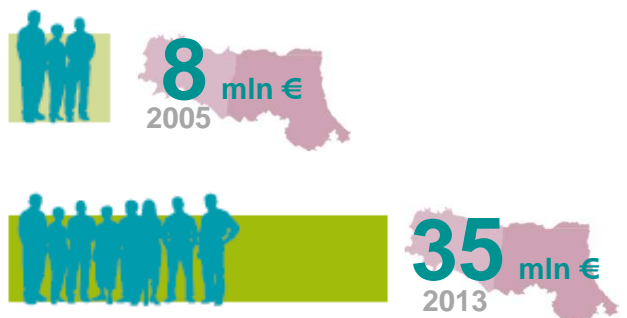
Lowest-price calls for tenders (% of total)



Number of disadvantaged workers employed through social cooperative suppliers



Value of supplies from social cooperatives to the local area (millions of Euros)



Data regarding suppliers do not include Acegas Aps and Marche Multiservizi



Value of supplies from ISO9001-certified suppliers
(% of total)



Value of supplies from ISO14001/EMAS-certified suppliers
(% of total)



Value of supplies from OHSAS 18001-certified suppliers
(% of total)



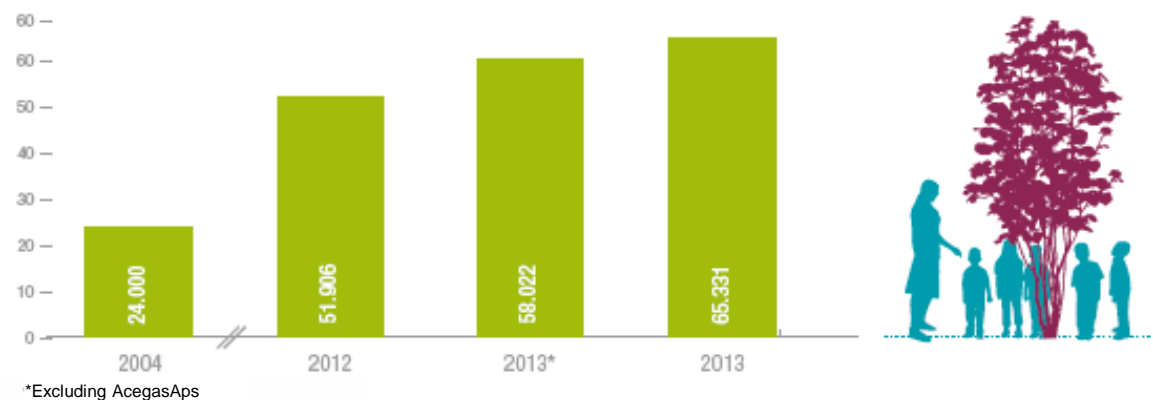
Value of supplies from SA8000-certified suppliers
(% of total)



Value of supplies from local suppliers
(% of total)



Number of students enrolled in environmental education programs



The environment and future generations

Our commitment to developing renewable energy sources and reducing the use of landfills continues

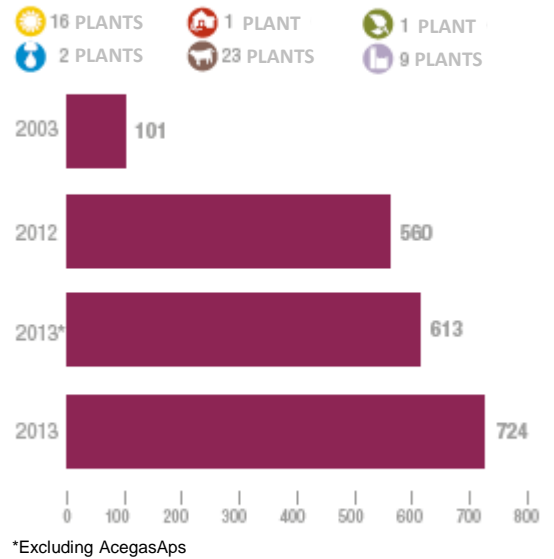
The **local territory** represents a **social and environmental resource**, and over the course of the last decade the Hera Group has developed numerous projects focused on the local area. As a matter of fact, the company is committed to protecting the future by managing natural resources in a responsible way through the use of technologies that are cutting-edge, efficient and characterized by a low environmental impact.

The concrete results of these initiatives are reflected in the data regarding the amount of energy produced from **renewable and "assimilated" sources: an impressive 1,541 gigawatt hours produced**. These sources represent approximately 72% of the Group's total production, equivalent to the energy consumption of 440 thousand families. Two-thirds of this energy comes from electric and one-third from heat. The importance of **district heating**, which currently supplies **81,529 apartments**, is also increasing.

The use of renewable energy and recovery in district heating has nearly doubled compared to 2005.

Environmental emissions is also the object of considerable attention and, as a matter of fact, the number of vehicles powered by **lower environmental impact fuels** (methane, propane and electric energy) rose **from 8%** of the total vehicle fleet in 2003 **to 17%** today. Emissions from **waste-to-energy plants also comply with the limits of the law by a generous margin**: on average, they total 13.6% of the established limits (down from 41% in 2003).

Energy produced from renewable sources (including 51% waste-to-energy plants) (GWh)

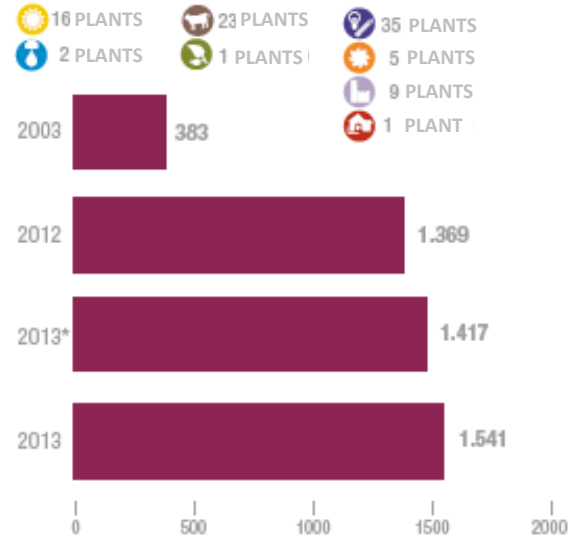


- SOLAR
- HYDROELECTRIC
- GEOTHERMAL
- BIOGAS

Equivalent number of apartments served by district heating



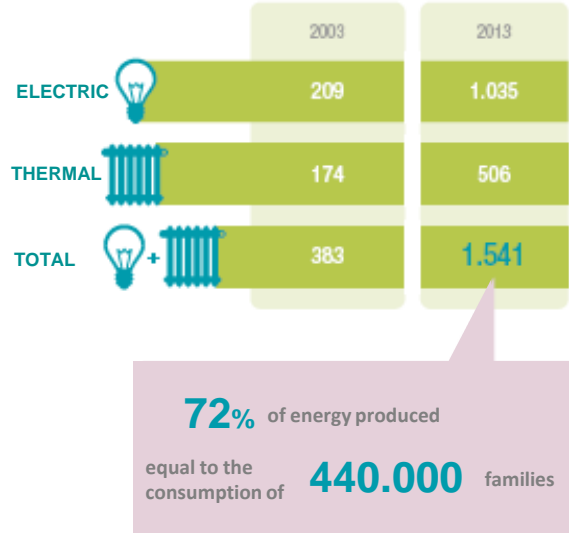
Energy produced from renewable
(including 51% waste-to-energy treatment) and "assimilated" sources) (GWh)



*Excluding AcegasAps

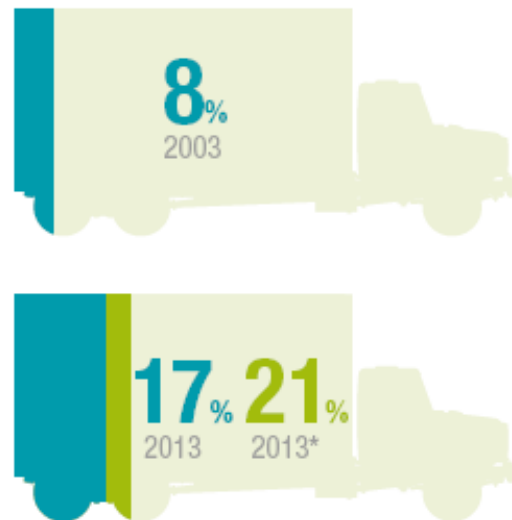
- BIOMASS
- WASTE TO ENERGY
- COGENERATION
- TURBOEXPANSION

Energy produced
(GWh)



Vehicles powered by lower environmental impact fuels

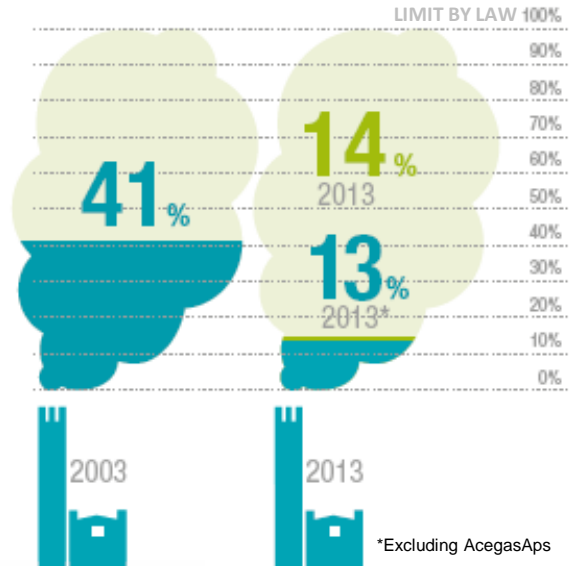
(methane, propane, electricity) (% of total)



*Excluding AcegasAps

Waste-to-energy plant emissions as compared to legal limits

(effective concentration/legal limits: ideal value <100%)

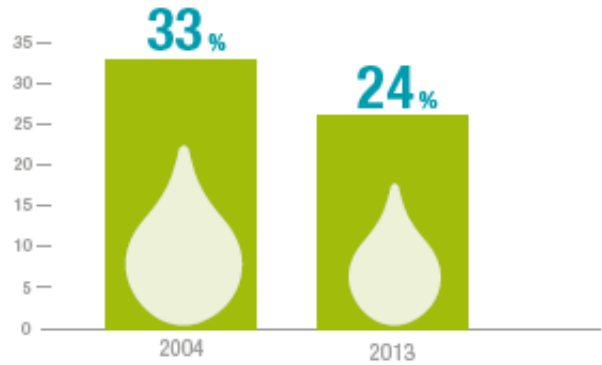


One key performance factor in the production and distribution of water is the quality of wastewater treatment, a service that Hera provided in 243 Italian municipalities and which delivers a **quality level for purified water** equal to **24%** of legal limits, a level well below 100%. This greater efficiency in pollutant removal as compared to established legal limits is due to the purifying capacity of the Group's plants and the advanced technologies adopted. Initiatives related to the Group's Rimini-area **Seaside Bathing Preservation Plan** will continue in 2014 and work will begin on retrofitting the **Servola water purification plant** in Trieste. At the same time, the company carries out a constant monitoring of **losses** from the **civil aqueduct**, which currently total **8.36** cubic meters of water per kilometer of network per day.

Last but not least is Hera's **management of municipal waste**. As a matter of fact, **recycling** makes up **over 52% of total waste collection** in the 196 municipalities where collection services are provided. The company recovers **341 kilograms per capita**, while the remainder is divided between **landfill disposal (16%)** and **waste-to-energy treatment (33%)**. Comparing these data with past results and with European and Italian levels, it is clear that Hera's performance is significantly better in every category under consideration. For example, in the EU-15 area the proportion of municipal waste disposed of in landfills is 27%, while the national average in 2012 was 41%. Finally, 92% of waste is processed in ISO 14001-certified treatment plants and 74% in plants with EMAS registration.

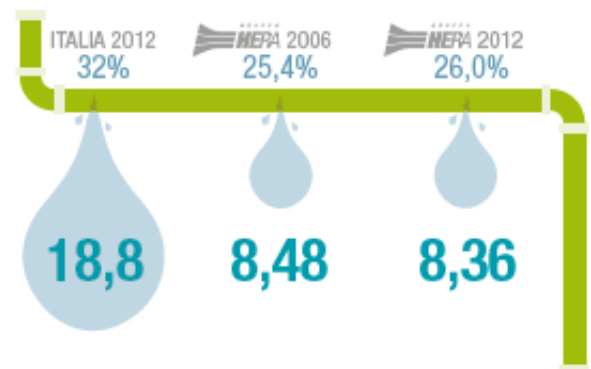
Quality of purified water as compared to legal limits

(effective concentration/legal limits: ideal value <100%) (COD, BOD5, SST, ammonia nitrogen)



Nonrevenue water

(physical and administrative losses from the civil aqueduct) (m3/Km of network/day)



Kilograms of recycling per capita

(average)

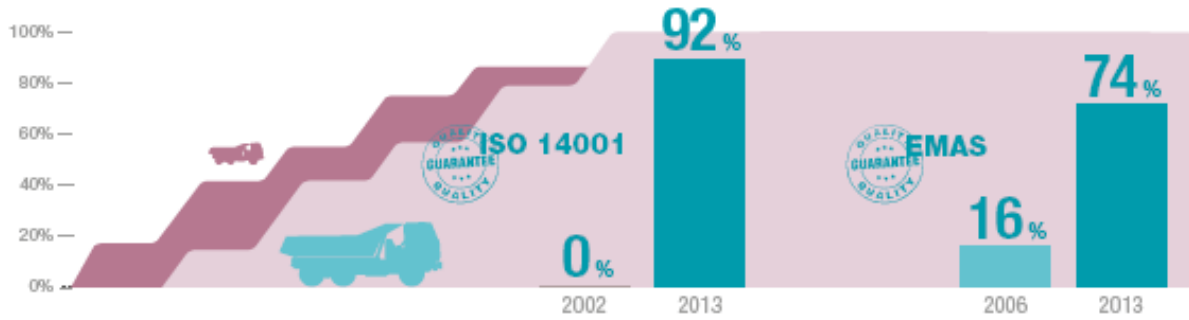


*Excluding AcegasAps



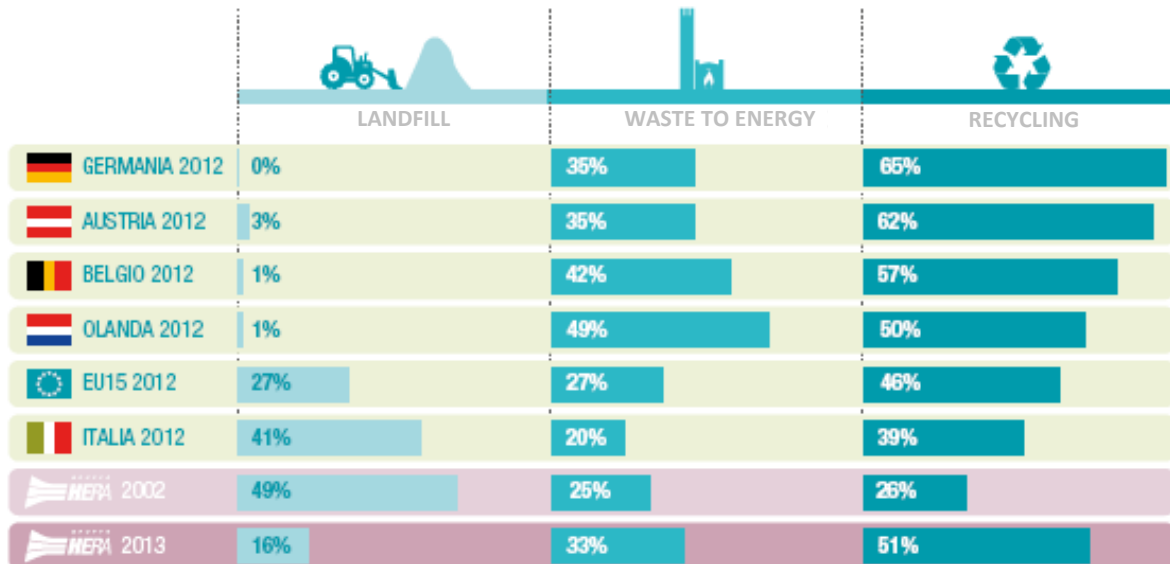
Wastes disposed of in plants with ISO 14001 certification and EMAS registration

(% of total)



Use of landfills for urban waste in decline and below the European average

(% of total)



Recycling

(% of total)



Economic responsibility

Improving results and increasing investment despite ongoing unfavorable economic circumstances

Added value, namely the wealth produced by a company and redistributed to its stakeholders, represents a key factor for the Hera Group in defining the economic impact of the company. In 2013, this indicator totaled €1,372 million, a significantly growing trend (+28% as compared to 2012).

It is important to note that an impressive 1 billion Euros of this total come from the **added value generated by the local territory**. From 2003 to 2013, Hera **overall investments** totaled **3.8 billion Euros**, with an average of 317.5 million per year. These numbers can be broken down into **environmental services** (with an average of **87.4 million Euros** per year) and **water services** (with a average of **90.3 million** per year). In 2013, the Group's operational investments totaled 313.8 million Euros, while the EBTDA was 831 million Euros.

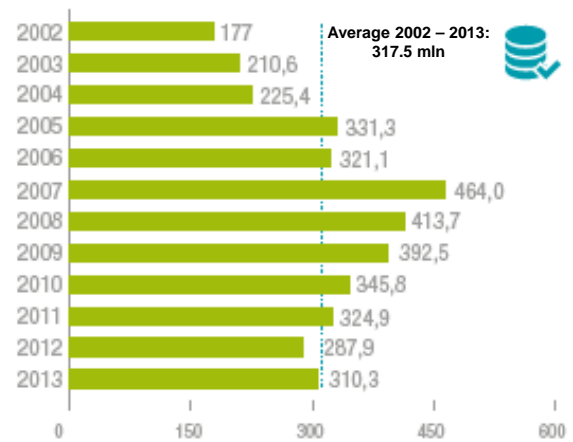
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3,8 bln €

Investments on the territory ”

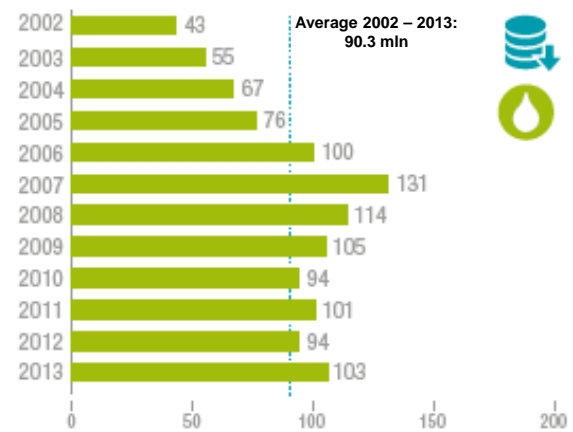
Operational investments

(millions of Euros)



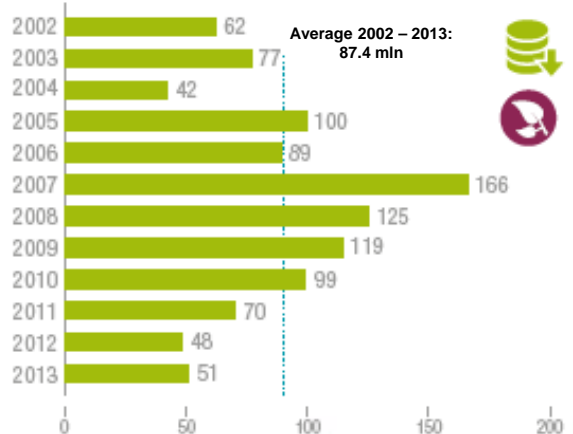
Integrated water cycle area investments

(millions of Euros)

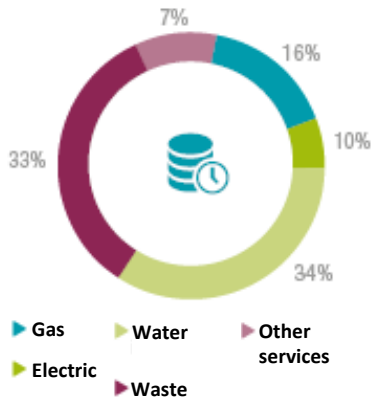


Environment area investments

(millions of Euros)

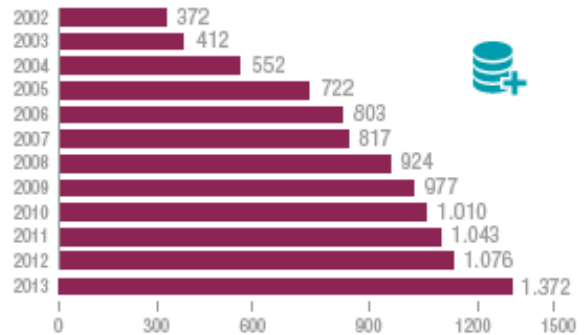


Investments 2002 – 2013: 3.8 bln €



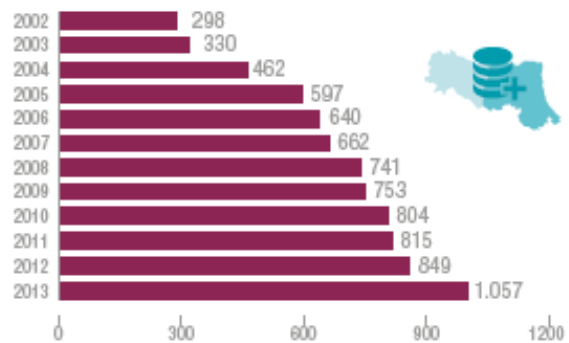
Added value

(millions of Euros)



Added value on the territory

(millions of Euros)



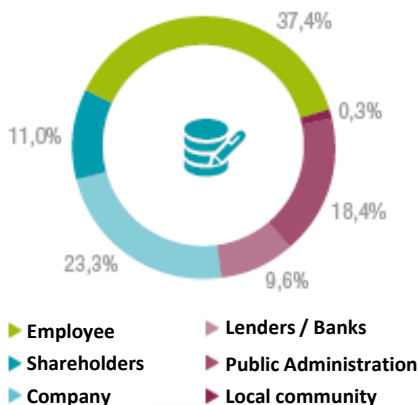
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80%

Of added value distributed on the territory

”

Added value distributed to the stakeholder from 2002 to 2013: 10.1 bln €



Ebitda

(millions of Euros)

