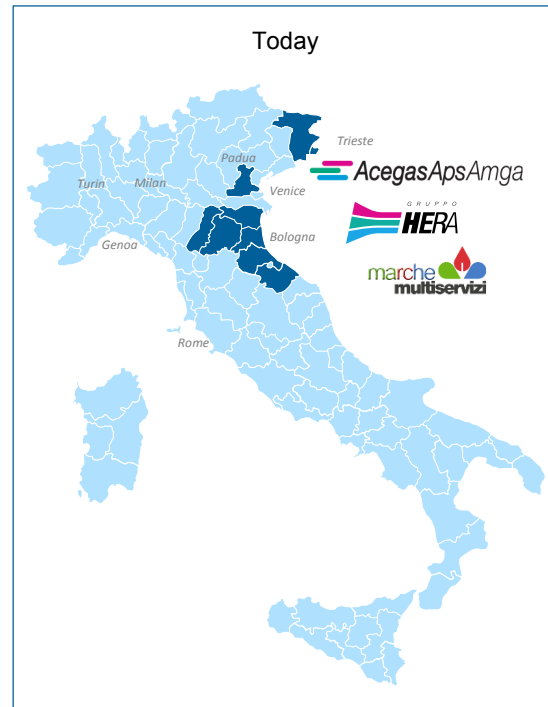


from **CSR** to **CSV**

Our History



- High **fragmentation** among thousand multi-utilities (100% public sh.) has caused un-efficient primary services.
- **Sensitive** to the **environment** and consensus the priorities of the **political mgmt.**
- 2002, first incentive to pursue consolidation in the sector.
- Hera established through a large merger among 11 local multi-utilities creating a public company (highly diversified sh.).
- Industrial mgmt approach (possible thanks to the scale reached) permit DNA evolution an the geographic expansion.



Y '17: a Group's milestone



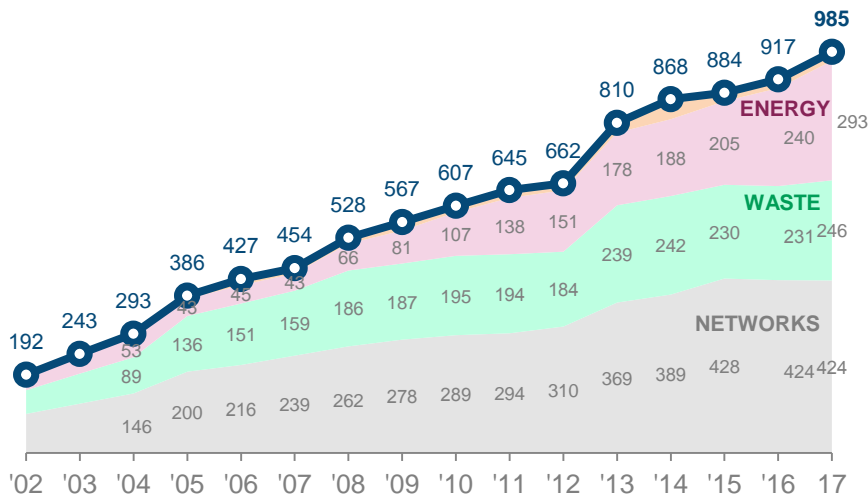
**From local to top national ranking
through an un-interrupted growth**

An uninterrupted growth

Ever growing results since establishment

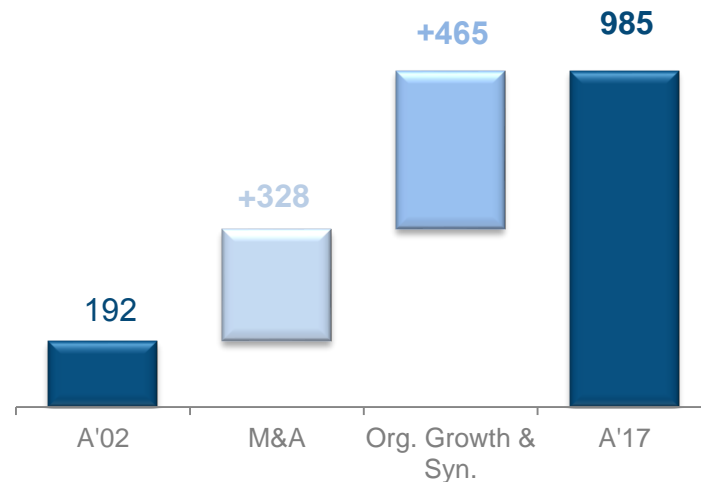
(M€)

GDP almost steady through out the period



Ebitda grown by 5.1 times since 2002

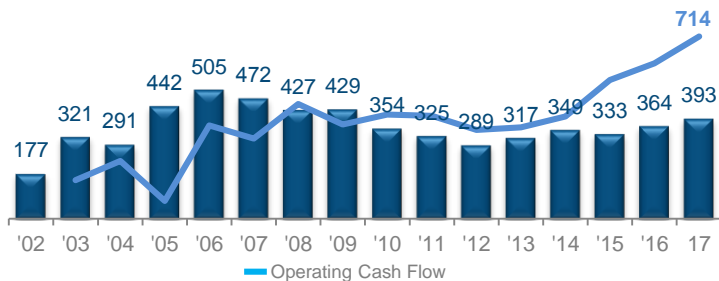
(M€)



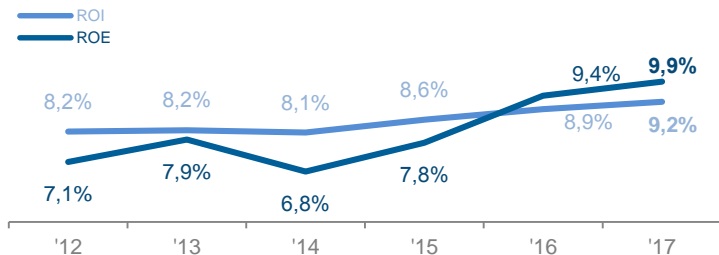
EPS Cagr ~16% thanks to peculiar business model

Our ID

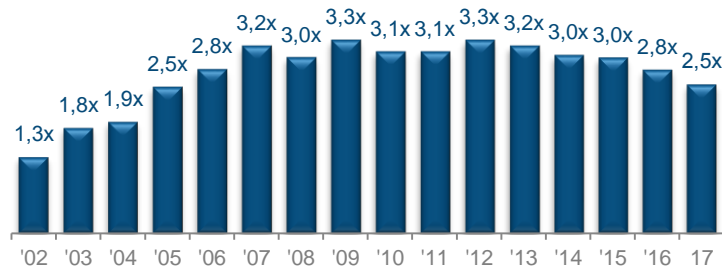
5.8b€ operating capex funded by Operating C.F. (M€)



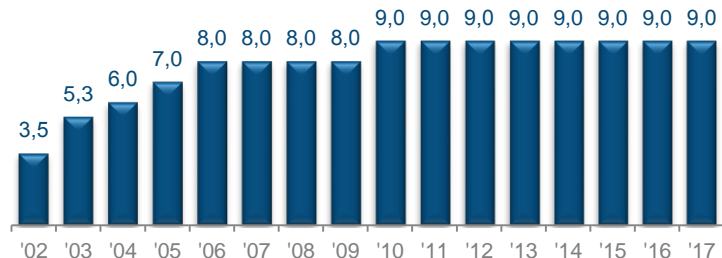
Growing profitability in last 5y (%)



Maintaining always a sound Debt/Ebitda (x)



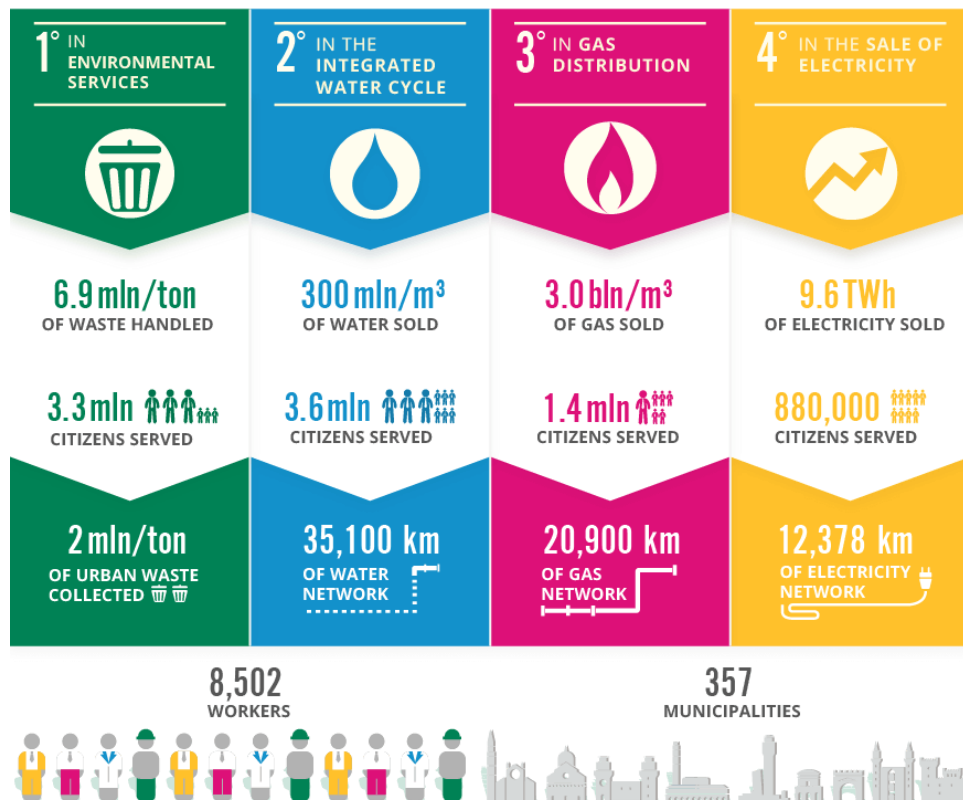
Always delivering a progressing DPS (c€, yield%)



Constantly growing although turbulent period

Hera today

- One of Italy's **largest local multi-utilities**
- The Group operates in **Environmental services** (waste collection and treatment), **Energy services** (sale & trading of electricity and gas) and distribution **Networks** (Water, gas, electricity and district heating) services.
- **The scale reached allowed** Hera to reach
 - defensible **top ranked market positions** in liberalized Services (sale & trading of commodities and special waste treatments)
 - Highly **efficient “regulated” services** (managed under local monopolies that will progressively go through tendering).
- Hera has over **8,500 employees** and more than **3.5 million citizens served**.



“How ?”: Sustainability is in our DNA

- **Sustainability** has always played a **key role** in Hera's strategy ever since its establishment
- The Group **integrates sustainability in its planning and control** systems and in the management of ALL its business activities
- **balanced scorecard system** involving the whole company management
- constant commitment to **stakeholder reporting**
- sustainability report published on a yearly basis ever since the Group's establishment (**since 2007 approved by the BoD with the financial statements**)
- **strong** attention to systems of values
- **continuous improvement** of the Group's **accountability** profile
- **strengthening of the governance system** and management of **business risks**



The image displays the cover of the 2016 Sustainability Report and three highlights from the report. The cover features five key themes in colored boxes: Improving the Environment (green), Guaranteeing Quality and Safety (purple), Listening to Improve Be Transparent (blue), Engaging and Motivating Workers (teal), and Having Partners Suppliers for Sustainable Growth (orange). The central text reads '2016 Sustainability Report' and includes a description: 'Contains the numbers of economic, social and environmental responsibility. It focus on the commitments, the results obtained and future perspectives.' It also states 'Approved by the Hera BoD on the 21th march 2017.' Below the cover are three chapter highlights: Chapter 1 'Sustainability, Strategy and Value' with a value of 1,729.7 million euro economic value to local areas; Chapter 2 'Customers' with a 12.3 minute wait time at customer help desks; and Chapter 3 'Workforce' with 97% of employees having open-ended contracts.

IMPROVING THE ENVIRONMENT

GUARANTEEING QUALITY AND SAFETY

LISTENING TO IMPROVE BE TRANSPARENT

ENGAGING AND MOTIVATING WORKERS

HAVING PARTNERS SUPPLIERS FOR SUSTAINABLE GROWTH

2016

Sustainability Report

Contains the numbers of economic, social and environmental responsibility. It focus on the commitments, the results obtained and future perspectives.

2016 SUSTAINABILITY REPORT HIGHLIGHTS (710x8)

Approved by the Hera BoD on the 21th march 2017.

CHAPTER 1
SUSTAINABILITY, STRATEGY AND VALUE
1,729.7
million euro economic value to local areas

CHAPTER 2
CUSTOMERS
12.3
minute wait time at customer help desks

CHAPTER 3
WORKFORCE
97%
of employees have open-ended contracts

A YEAR OF SUSTAINABILITY

Letter to stakeholder

“ Our Sustainability Report for 2016... embraces shared value ”

Stefano Venier
Chief Executive Officer of Hera Group

READ

NEW

A shared value sustainability report

Our approach to shared value

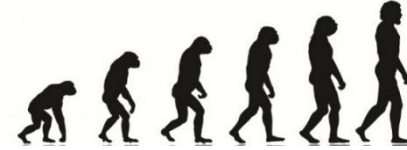
LEARN MORE

Evolution toward higher complexity: Environmental care, CSR, and finally CSV

CSR → CSV

| | |
|---------------------------------------------------------------------|-----------------------------------------------------------------|
| Value: doing good | Value: economic and societal benefits relative to cost |
| Citizenship, philanthropy, sustainability | Joint company and community value creation |
| Discretionary or in response to external pressure | Integral to competing |
| Separate from profit maximization | Integral to profit maximization |
| Agenda is determined by external reporting and personal preferences | Agenda is company specific and internally generated |
| Impact limited by corporate footprint and CSR budget | Realigns the entire company budget |
| Example: Fair trade purchasing | Example: Transforming procurement to increase quality and yield |

Source: "Creating Shared Value," by Michael E. Porter and Mark R. Kramer, in Harvard Business Review, January 2011



CSR programs focus mostly on reputation and have only a limited connection to the business, it is hard to maintain CSR targets over the long run

Economic value created through CSR is too narrow

CSV is integral to company's profitability and competitive position. It leverages the unique know how and specific skills of a company to create economic value by creating social value

Corporations make profits while meeting social needs

Creating shared value: Which levers can we use?

Redesign product, services and markets

- ▶ Design products and services, open up new markets in order to meet unsatisfied need and expectations
-

Redefine production all along the chain of value

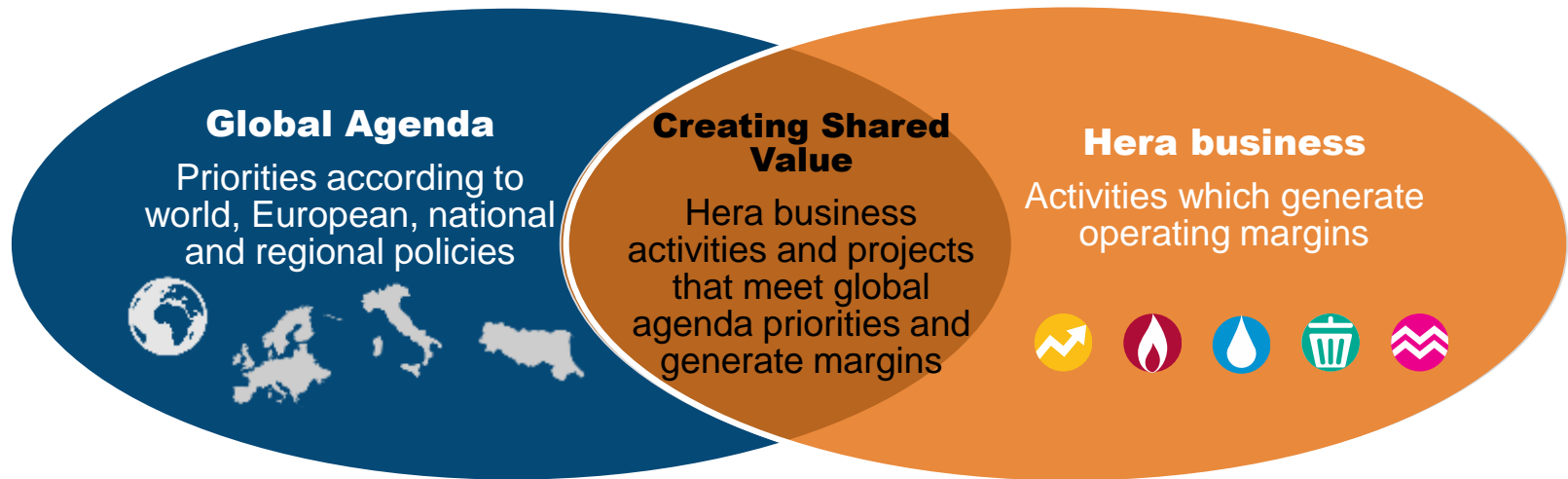
- ▶ Find solutions aiming to maximize social and environmental value while improving company efficiency and cost containments
-

Encourage the development of local clusters

- ▶ Strengthen and increase reference markets through activities aiming to promote local development (new business, local procurement, etc...)

How is Hera moving towards CSV?

Hera creates Shared Value via all those business activities which generate operating margins while responding to the priorities of the UN global agenda, or rather those “calls to action” to change for the pertinent areas, indicated by the policies at global, European, national and local level.



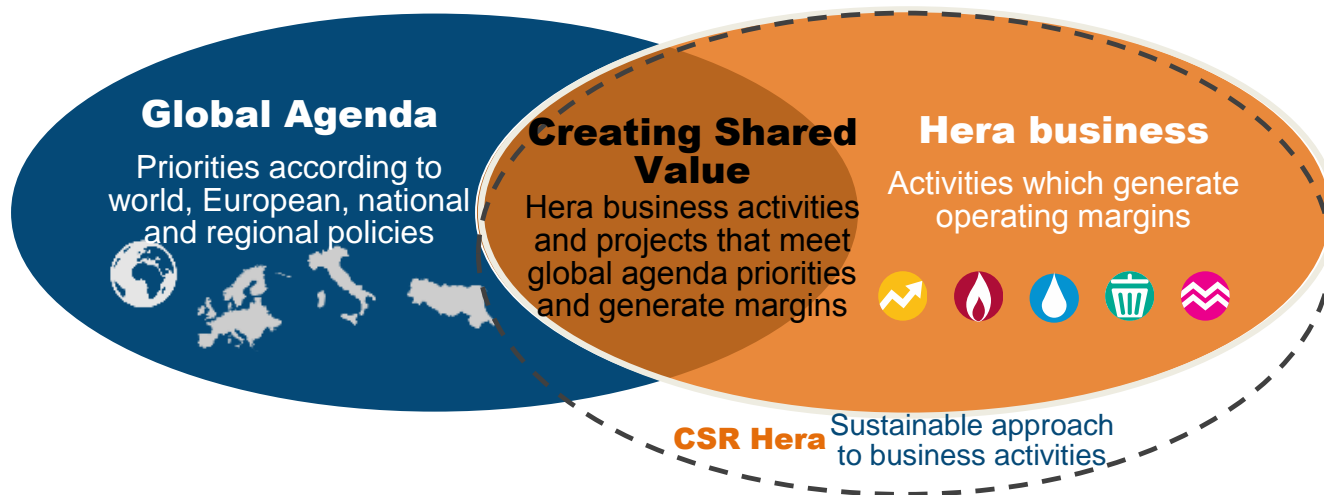
Hera between CSR and CSV

Hera integrates sustainability in its strategy and in the business activities, carrying out activities and projects which:

- improve the specific environmental and social sustainability performance, mainly in the businesses of interest (also, but not only, in relation to the law and sector regulations).
- **generate operating margins while responding to the drivers of the global Agenda.**

This latter point represents the evolution of Hera's «historic» approach to CSR.

The Group may strategically decide to increase the Shared Value generated, playing on the overlapping between business and priorities of the global Agenda.



Re-designing our strategy: identifying OUR “call to action”

How Hera did it



(2016) Global agenda goals concretely addressed by Hera actions

€uro 300 million, 33% of total 2016 Ebitda, derives from activities which comply with 3 Drivers of the global Agenda

Global agenda goals



Hera impact areas and achievements

Circular economy

94.4% Waste recovered

64% packaging recycled

Water resources

10.3 cm/km/day Water leakage

Green house Gas emission

-10% carbon footprint

Renewable energy

69% energy produced

Energy efficiency

-2.6% Energy consumption

Employment competence

243k training hours

Economic develop. & social inclusion

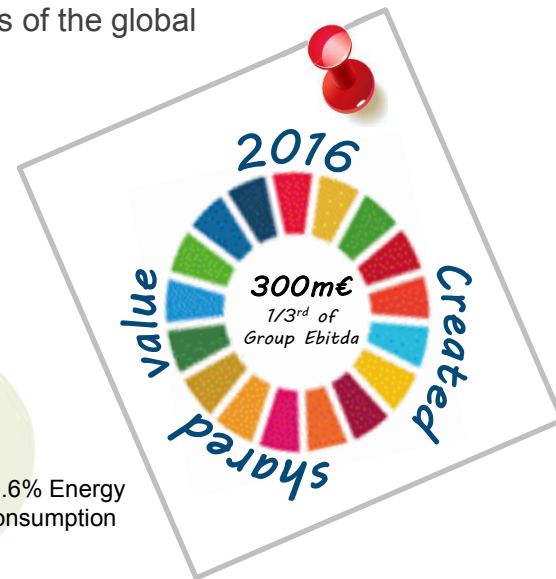
~800 people facing hardship engaged

Protect air & soil

Emissions at 14% of law limit

Innovation

6 projects underway



(2017) First sustainability report in CSV “format”

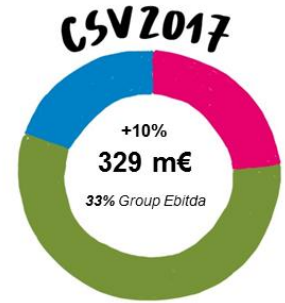
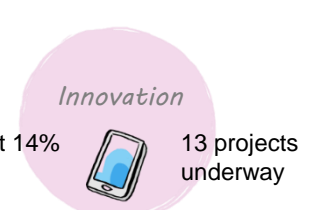
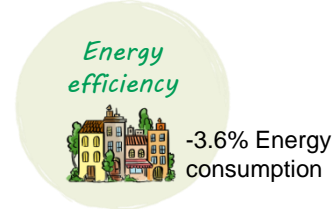
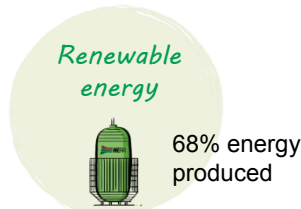
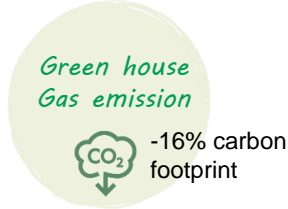
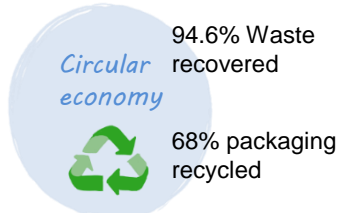
Smart use of energy



Sustainable use of resources



Innovation & G...local development



Growing CSV (+10%) more than Ebitda (+7.4%)

Circular Economy: a sustainable model to create shared value

The generic Circular Economy label is gained momentum since the late 1970s. **The Ellen MacArthur Foundation**, an independent charity established in 2010, has outlined the economic opportunity of a circular economy. As part of its educational mission, the Foundation has worked to **bring together complementary schools of thought and create a coherent framework**.



“A restorative and regenerative economy aiming to keep products, components, and materials at their highest utility and value, distinguishing between technical and biological cycles. It is conceived as a continuous positive development cycle that preserves and enhances natural capital, optimizes resource yields, and minimizes system risks by managing finite stocks and renewable flows.”

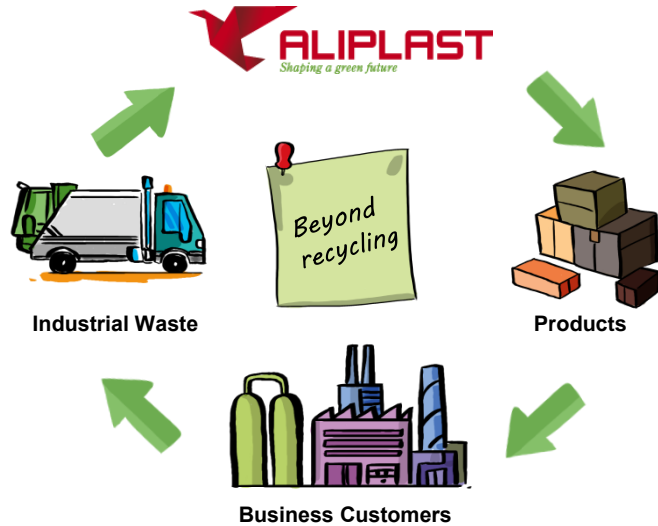
Principles:

- **Preserve** and enhance **natural capital** by controlling finite stocks and balancing renewable resource flows
- **Optimize resource** yields by circulating products, components, and materials at the highest utility at all times in both technical and biological cycles
- Foster system effectiveness by revealing and **designing out negative externalities**



Hera new horizon in circular economy

Aliplast: plastic from packaging creates new packaging



Pioneering transformation of Biogas into methane



Respectively first in Europe and among first in Italy

Essential goods saved from waste



Reuse/
Redistribute



Maintain



A **project against food waste**, that allows the collection of meals prepared but not consumed at the 5 Hera canteens. The retrieved food is donated to 6 no-profit organizations assisting people in 8 locations every day. Since the project started, more than 67,400 meals were retrieved. The corresponding saved waste amounts to more than 29 tons, circa 4.6 tons only in 2016.

noi li raccogliamo

Through FarmacoAmico project, since 2013 Hera collects medicines with an adequate conservation state and at least 6 months from expiry date and distributes them to no-profit organizations. The project aims at preventing hazardous waste while supporting assistance organizations. In three years the municipalities involved have increased from six to eleven, covering 36% of the territory where Hera operates.

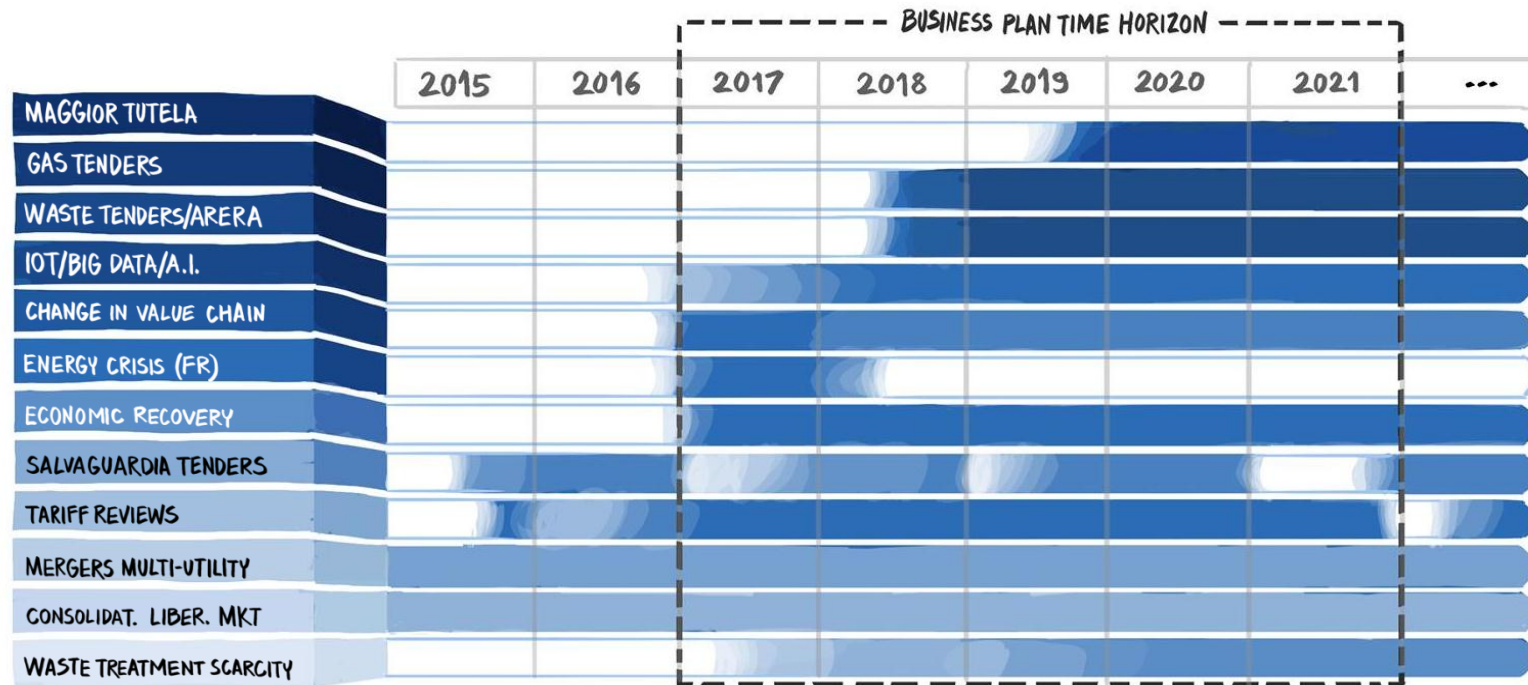
Cambia il finale

Fai un gesto di solidarietà e dona i tuoi ingombranti in buono stato alle onlus della tua città.

"Cambia il finale" is the project aiming at the collection and re-use of bulky waste in a good state. Hera, together with 20 no-profit organizations, manages the pickup service free of charge. The no-profit organizations have involved several municipalities, more than 1,100 volunteers, and have supported 360 social inclusion recruitments. For every Euro invested, the project has generated 1.37 Euro..

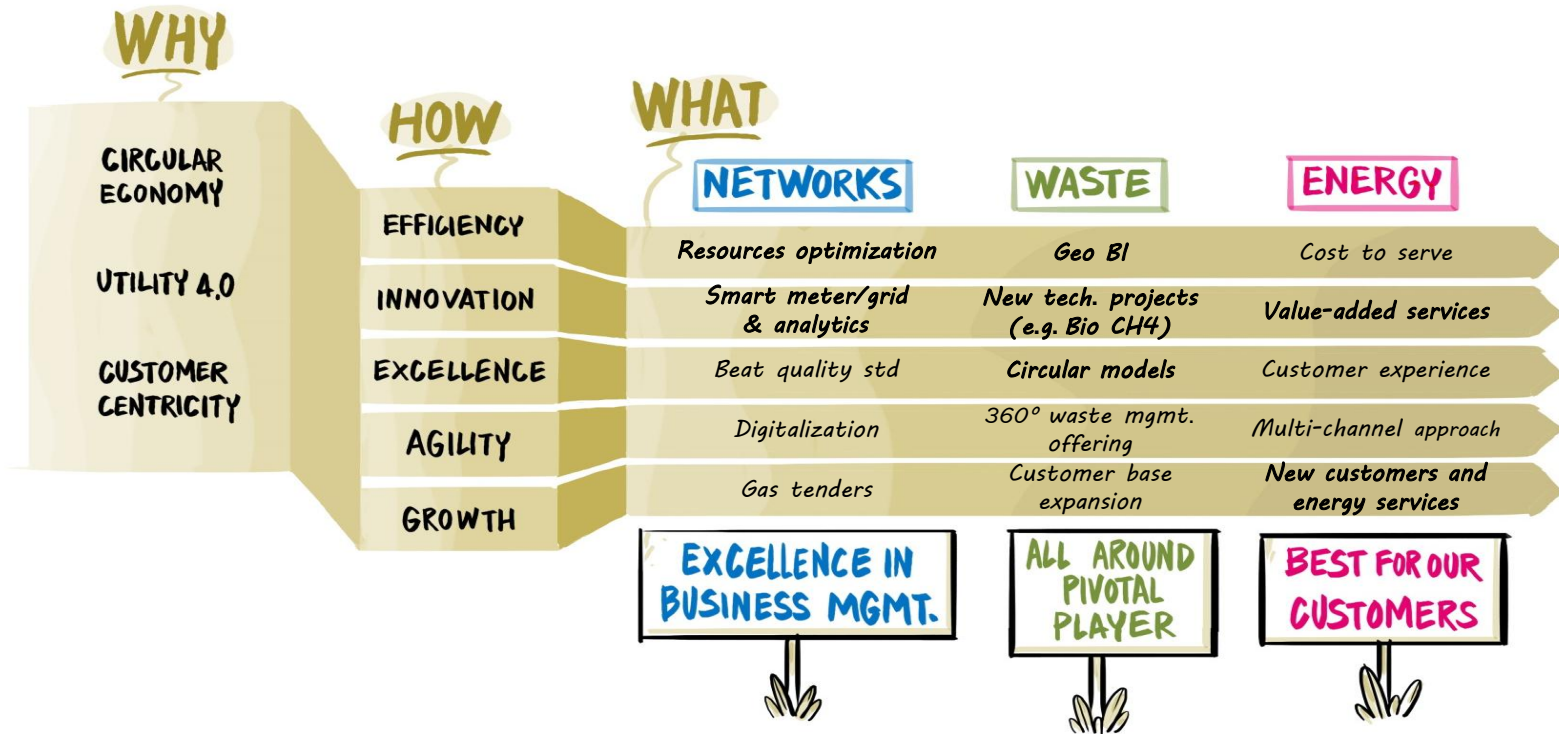
“In a circular economy waste does not exist, and is designed out by intention. Biological materials are non-toxic and can easily be returned to the soil by composting or anaerobic digestion. Technical materials – polymers, alloys, and other man-made materials – are designed to be recovered, refreshed and upgraded, minimizing the energy input required and maximizing the retention of value (in terms of both economics and resources).”

Next 5 years challenges



Reshaping sector features

Deployment of our “sustainable” strategic priorities



Aiming at ambitious targets

CSV speeds up

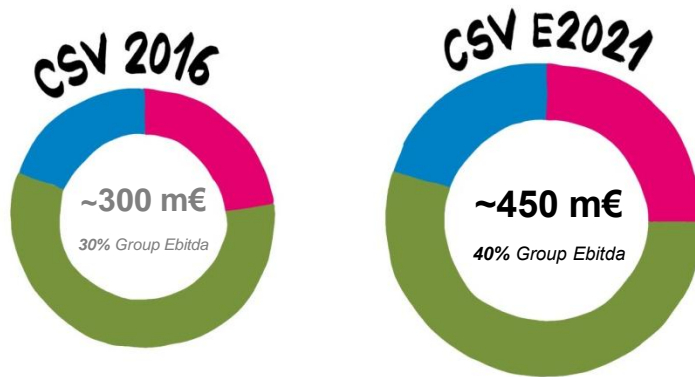
Intelligent use of energy



Efficient use of resources



Innovation & Territorial development

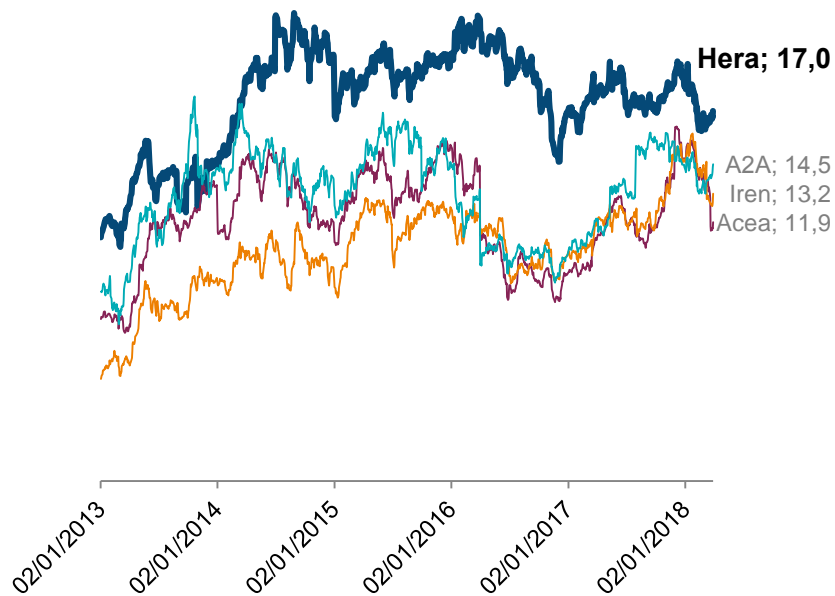


+50% of CSV vs. +24% of Ebitda growth in 5 years

Are our efforts appreciated by investors with a premium price?

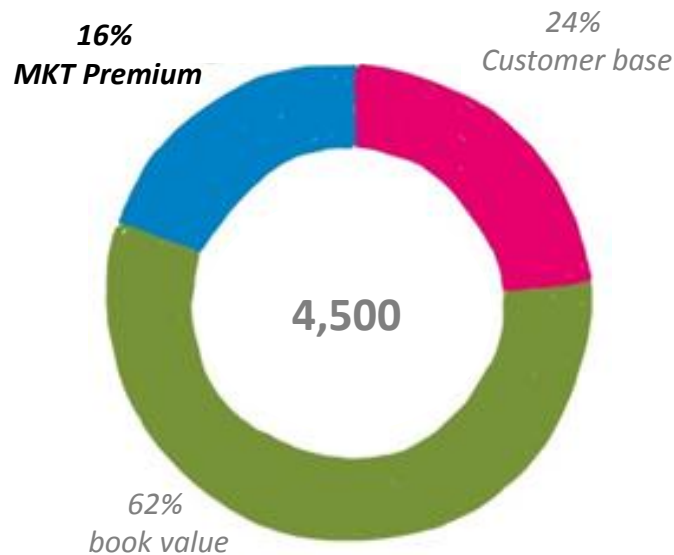
Hera premium vs peers (P/E)

(x)



Hera Market value drivers (Estimated)

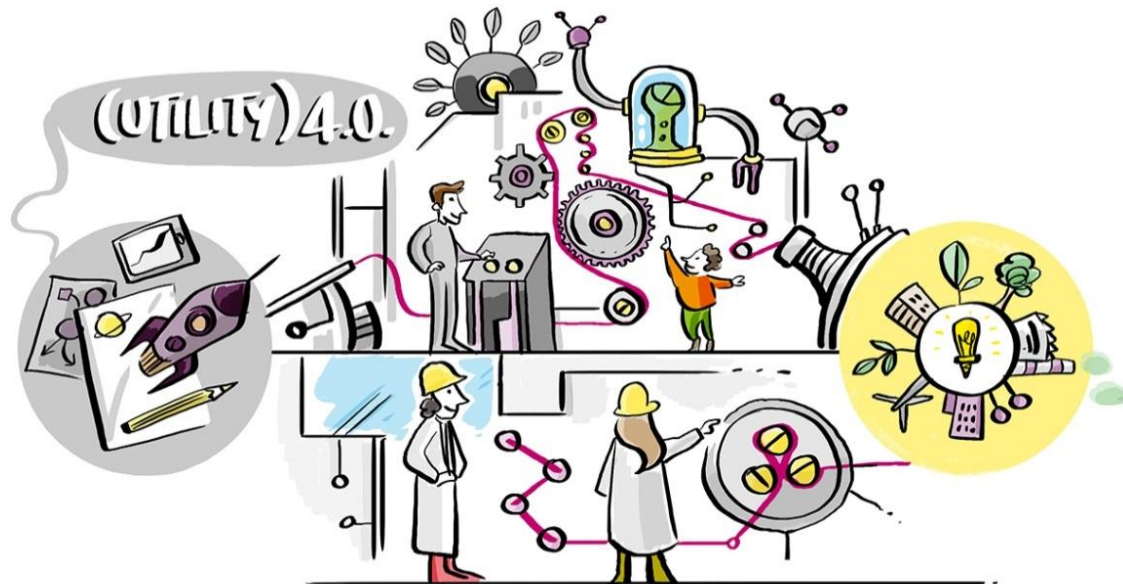
(M€)



60% of investors cares (somehow) about ESG*

* London Stock Exchange «Your guide to ESG reporting»

Q&A session



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