

## 1.01.02 Strategic approach and management policies: areas

Scenario analysis is a method for defining the input useful for strategic plans, to increase the effectiveness of a business model over time.

This type of analysis provides a process aimed at testing the resilience of the strategy under different hypotheses describing possible future states. For the Hera Group, it is fundamental to analyze the potential impact, positive or negative, of various economic-financial, business, regulatory, competitive, environmental, technological and human capital scenarios that differ from each other, but are equally plausible and internally consistent.

These scenarios were also studied with reference to climate change, in order to understand how physical and transitional climate opportunities and risks may plausibly affect the Group's business, in its different areas, over time.

The reference framework within which the Group's strategy has been developed in the various fields brings together three areas:

- **the environment**, in order to concretely respond to the threats coming from climate change, by regenerating resources and enhancing the resilience of the assets managed, favouring an energy transition and reaching carbon neutrality;
- **socio-economic factors**, in order to match developments in the Group's size with an increasing amount of shared value, to have a positive effect on the wellbeing and prosperity of stakeholders and the areas served;
- **innovation**, to drive changes in the Group's activities, thanks to the opportunities offered by the most advanced technologies and digitisation, with the goal of increasing the efficiency and quality of the services offered, creating further occasions for stakeholder engagement and accelerating the introduction of behaviour and skills capable of meeting challenges in a continually evolving context.

### Macroeconomy and finance

The debt structure towards which the Hera Group is oriented serves its business needs, not only as regards the duration of loans but also exposure to interest rates. Its financial strategy, in turn, is adequate for the risks and aimed at maximising its return profile.

#### Financial planning

The scenario, which shows negative rates even for long-term maturities, will allow Hera to increase its amount of fixed-rate debt. The Business Plan presented in January 2021, in this sense, shows that the Group's financial structure will include 83% of **fixed-rate debt** by 2024, respecting the limits indicated in its financial risk policy. These projections are part of an attentive long-term planning concerning the necessary financial resources, which Hera carries out through by analysing and monitoring cash flows, also paying attention to its debt structure. The **average cost of debt**, in particular, is constantly made more efficient, both through financial risk management, which includes the use of derivative instruments, and by evaluating liability management operations aimed at grasping favourable market opportunities. In this sense, the Plan expects the Group's financial requirements to be met by **issuing fixed-rate bonds**, including green and/or sustainable bonds, along a path that aims at optimising the average cost of debt through a proactive management of the aforementioned operations, in such a way that by 2024 the average rate of debt will reach 2.6%. Moreover, particularly favourable issuance conditions will enable the Group to respond with additionally increased efficiency to its investment needs, above all to ensure the implementation of innovative and sustainable projects in the waste, water and energy sectors.



#### Credit ratings

The Group's **rating** is closely linked to Italy's rating, along with the latter's macroeconomic trends and political scenario, since most of its business is concentrated within the country. Despite the economic and financial crisis triggered by the pandemic, however, the actions and strategies implemented by the Group should allow adequate rating levels to be maintained and improved. Furthermore, during the year the Group's usual communication activity with the rating agencies Moody's and Standard & Poor's (S&P) continued and, considering the economic situation, encouraging feedback was provided. Indeed, the Group's **risk profile** was assessed positively in terms of the solidity and good balance of its business portfolio, as well as its good operating performance, liquidity risk and resilient creditworthiness indicators. Both agencies maintained a positive opinion of the Group's rating,

### Sustainable financial reporting

respectively coming to Baa2 with a stable outlook and BBB/A-2 with a positive outlook. These assessments also benefited from the positive results achieved in 2020 with regard to credit metrics.

Over the period covered by the Plan, continually adopting best practices in sustainable **financial reporting** will support the Group's green financing and ratings. Hera, already committed to green funding, will continue along a path that began some time ago: it was the first Italian company to issue a green bond, in 2014, which was followed by ESG-linked financing in 2018. After this, in 2019 the Group provided itself with a complete green financing framework, accompanied by a further green bond issue. The expected, additional improvement in its sustainability ratings, in turn, will make it even easier to access lines dedicated to sustainable financing, which are interesting also because they have potentially lower costs than traditional credit lines. Following these guidelines, implementation of the recommendations of the **Task Force on Climate-Related Financial Disclosure (TCFD)** of the Financial Stability Board is also underway, which call for a definition of climate scenarios, risks and opportunities linked to climate change, as well as processes for managing these risks, and the definition of targets for reducing climate-changing emissions.



In this context, becoming part of the **Dow Jones Sustainability Index (DJSI)**, the first index that covers the financial performance of the world's leading companies in terms of sustainability, proves the validity and credibility of the path taken by Hera Group, and also opens up further developments. Recognitions such as this, above all act as a stimulus and allow Hera to identify the areas to be developed to further improve its **performance** and, at the same time, to include in its set of investors those who are engaged in socially responsible investing (SRI), a segment that is undergoing considerable and continuous expansion.

## Business areas and industrial strategy

The strategy presented in the Group's latest Business Plan projects a path of fully sustainable economic and industrial growth, in line with the objectives of the UN's 2030 Agenda and the guidelines of the most recent European policies.

The pursuit of sustainable development requires circular economy principles to be applied not only to the Group's businesses, but also to its external stakeholders, in order to influence the context in which it operates as well.

### Free market businesses

As regards **free market businesses**, the Group's strategy calls for its customer base and set of plants to be further developed, with a view to decarbonisation and contribution to a circular economy.



For free market businesses in the **energy sector**, the goal of 4 million customers by 2024 has been set, a target that will be pursued by enhancing of the customer base in North-Eastern Italy and grasping the opportunities offered by the elimination of protected customers in the electricity market. Commercial development will be driven by offers including new value added services, which will enrich the Group's sales proposals and provide customers a range of complementary services for energy saving and waste reduction. Some examples include sales and installation of photovoltaic panels, the offer of LED devices and smart thermostats or sales of efficient boilers combined with the supply of energy commodities.

Personalised sales offers will be further improved through the progressive introduction nationwide of new-generation energy meters (2G), which make it possible to monitor the consumption habits of customers and, therefore, define commercial offers that increasingly reward sustainable behaviour (green loyalty).

The offer to apartment building customers, moreover, will be able to integrate the range of energy services proposed, already reinforced by activities in energy requalification for buildings and heating systems, which benefit from the tax measures foreseen by the government.

Finally, the Group intends to renew its commitment to participating in future tenders for **last resort markets**, with the aim of continuing to act as one of the national reference figures, leveraging the many years of experience it has already gained.

In the **waste treatment and recovery** free-market business, the Group's strategy will be directed to developing its current set of plants, essential to continue following the path undertaken by Hera towards **circular** waste management, in line with international best practices.

In this sense, **new solutions for plants** are being developed for producing biomethane from the organic portion of solid municipal waste. A new plant, for example, will be built in the Marche region, with the aim of meeting the treatment and recovery needs coming from the geographical area of the mid-Adriatic and central Italy as well.

Specific initiatives are also planned in the plastics recycling sector, in order to increase the use of recycled plastic and respond to the introduction of the Plastic Tax. Aliplast, the Group's reference company in this area, will in fact continue to increase its treatment capacity, now entering the market for so-called rigid plastics.

#### Regulated businesses

As regards **regulated businesses**, significant investments will be dedicated to further increasing the resilience, efficiency and business continuity of the Group's assets and implementing a wide range of **sustainable and circular solutions**, which will define the management of Hera's networks in the coming years. Part of the Group's financial efforts will also be dedicated to its participation in tenders for assigning **concessions for regulated services** that will affect some network businesses (municipal waste collection, gas distribution and the water cycle) in areas already served by the Group.



In the **water cycle**, the Group's commitment to finding solutions for **reusing** and regenerating water resources will continue. The project involving the reuse of water leaving the Idar purification plant for agricultural purposes or to maintain the hydro-geological balance of the local area, already implemented in Bologna, will be extended to other localities. Moreover, the actions taken to contrast water leakage will continue, consolidating an integrated approach that focuses on increasingly advanced technologies and detection methods, but also predictive maintenance of networks. In order to protect the **quality of the water resource**, new technologies will be used for controlling and removing pollutants: the "Water Fingerprint" project, for example, calls for the creation of a specific water fingerprint, creating a spectrum linked to various substances in the organic field, thanks to which it will be possible to note any situations in which water does not display its regular properties. Also in line with the rationale underlying a circular economy, the Group will work on installing electrolyzers at its purification plants, with the aim of producing green hydrogen (or synthesis gas in the power-to-gas configuration), making full use of the existence of "circular" flows of materials between the purification plants and the electrolyzers themselves.

For the **gas and electricity** businesses, over the next few years the Group will renew its focus on digitization of the distribution networks and strengthening them in terms of preventing and mitigating external risks, thus ensuring business continuity. For both businesses, an important plan of meter replacement has been planned: in the electricity sector, second-generation energy meters (2G) will be installed, while in the gas sector the new smart meters – named NexMeters – will be installed, able to interrupt gas flow and to make users' systems safe if significant earthquakes, gas leaks or smaller latent losses occur.

For the **district heating** business, an investment plan has been put together aimed at strengthening business continuity in this service, aimed at digitalising assets and further extending the network in key areas, as with the interconnection between two district heating systems in the city of Bologna.

For the **municipal waste collection** business, the Group's efforts will focus on improving the quantity and quality of sorted waste and containing the costs of this service. With this aim, projects such as communication campaigns, digital tools and smart bins will support citizens in developing better and more correct waste collection and sorting habits. In order to guarantee the quality and efficiency of this service, new solutions will also be developed, such as the remote control of containers equipped with specific technology.

#### Group indicators

The strategy adopted will enable the Group to increase its Ebitda by 215 million euros between 2019 and 2024, reaching the 1.3 billion euro mark. This growth will be driven in a balanced way, by both internal and external components. The economic and industrial objectives foreseen will be achieved thanks to a volume of investments estimated at around 3.2 billion euro over the 2020-2024 five-year period, an amount significantly higher than the average of the last five years. These resources will be allocated to the areas served in a way that is consistent with the Group's current scope and will be concentrated above all in regulated activities, due to their capital intensive nature.



The earnings generated over the period covered by the Plan, along with an attentive financial policy, will enable the Group to manage the volume of investments allocated, while aiming to reduce the net debt/Ebitda ratio to 2.8x by 2024.

Sustainability continues to be an objective fully integrated within the Group's strategy. In particular, it is expected that by 2024 about half of its Ebitda will come from activities that create shared value, reinforcing Hera's commitment to the goals set out in the UN's 2030 Global Agenda, but also to an effective implementation of the most recent European guidelines (Next Generation EU). In addition, the Group has established a set of industrial objectives leading to 2030, in order to design a path of development consistent with the lines of action required by a circular economy and decarbonisation.



Hera's strategy has always been based on a close relationship with the areas served and its own ecosystem. The evolution of this context, in its economic, political, local and technological aspects, affects the Group's activities across the board and influences the guidelines that will characterize their evolution, leading towards increased resilience and accelerating the evolution of its corporate culture. "Next GenHERAtion Growth", in particular, offers an overview of the Group's strategy, and is subdivided into various areas of action:

The projects included in "Next GenHERAtion Growth"

- a **path** of economic growth and sustainability for the **green transition**;
- **resilience**, confirmed and reinforced through the evolution of its enterprise risk management model;
- increased **regeneration**, including the project for the reuse of soil and demolition materials;
- the **development of hydrogen**, an opportunity that goes beyond the energy chain;
- the extension of laboratories towards the external market, exploiting the experience and know-how gained;
- **tools for listening to and communicating with the areas served**, considered fundamental for wellbeing, aimed at consolidating relationship with stakeholders and generating the engagement necessary for the initiatives to succeed;
- updating the shared value framework, based on developments in the EU taxonomy for sustainable finance;
- valorising the enormous amount of data available and its use in **artificial intelligence** projects;
- enhancing **cybersecurity** monitoring tools.

See the following paragraphs for further details about the strategic actions mentioned above, and the **attention towards human capital** implied by each of them.

## Climate and the environment: sustainable development

Framework for shared value

Hera's **framework for shared value**, introduced in 2016, has oriented the Group's strategy towards growth based on responses given to problems coming from the external context, capable of maximizing shared value for both the company and the community. In the 2020 revision of this model, **the topics of resilience and adaptation to climate change, drinking water** (within the area concerning a sustainable management of the water resource, along with the purification already present) **and biodiversity have been included**. The Group has been committed working on these



Priority SDGs directly linked to business activities on which the Group has a direct impact



Other important SDGs on which the Group has an indirect impact due to internal processes or business activities



issues for years, and they now integrate the other areas into which Hera's framework is subdivided (such as circular economy and a sustainable management of the water resource). The Group's objective is to create shared value through business activities that generate operating margins and that respond to the drivers on the global agenda, i.e. the "calls to action" for change indicated by policies at a global, European, national and local level. 2020 confirmed the validity of the initiatives already launched by the UN's Global Agenda to 2030 to respond to the existing megatrends: "fragile planet", "technological disruption" and "accelerated urbanization" were considered the most closely related to Hera's businesses, having a direct impact on the company's activities. **Hera's contribution is very significant in seven sustainable development goals on the 2030**

**Agenda:** 6) clean water and sanitation, 7) clean and accessible energy, 9) business, innovation and infrastructure, 11) sustainable cities and communities, 12) responsible consumption and production, 13) fight against climate change and 17) partnership for the goals.

See the Group's website (in the Sustainability section) and its Sustainability Report (in the Sustainable Strategy and Shared Value section) for further details on the actions the Group intends to promote by contributing in a broad sense to the 169 targets or 10 Goals on the UN's 2030 Agenda, mapped during 2017, to which Goal 17 was added (the only one that cuts across the three drivers of shared value). Also note that during 2020 an internal training event was organized, focusing on Goal 12 of the SDGs dedicated to a circular economy, and the UN agenda was included in training for all new employees. The main actions taken include those aimed at promoting energy efficiency, sustainable management of water resources, selection of suppliers with qualifications in terms of environmental and social sustainability issues, development of employment and new skills, and more widespread innovation and digitisation. In order to ensure that the principles of the Green Deal, operationally organised in the circular economy action plan and in Next Generation EU, increasingly become factors of which all the people in the Group are aware, specific training programs will be provided, which will enhance internal skills to develop projects consistent with the SDG framework.



#### The circular economy in the areas served

The Group's approach to a circular economy, in addition to guiding specific supply chain projects, has become a paradigm operating across the board, which does not simply concern waste and is capable, as such, of inspiring and guiding wide-ranging projects in which different businesses participate.

As an example, in the upcoming years the design and execution phases of engineering works will be increasingly attentive to the issues of sustainability, reducing the environmental footprint and minimising the use of virgin soil. Building information modelling (BIM) technology will allow to conduct material analyses to be carried out and maximise **recycling and reuse** (so as to extend the circular approach even to the end the work). As part of the revamping project for the Lavezzola water purifier, for example, material analysis has already been carried out using the Bim model of the plant, identifying the materials for which there are opportunities for internal and external recovery and those for which the economic viability of recovery must be assessed. The Business Plan has extended this approach to a range of decommissioning and demolition interventions concerning Hera plants, aiming at obtaining the maximum possible recycling/reuse/recovery. Among the interventions expected in this area, particular relevance goes to the objectives set out in the Plan for developing plastic recycling activities and increasing biomethane production, intended to give new value to the organic portion of urban solid waste. The rationale of circularity will then be applied to the Group's main **purchases**, with increasing attention paid to materials or goods that comply with the principles of a circular economy, while the adoption of minimum environmental criteria (CAM) with which the characteristics of the various components of water supply connections are defined will also be extended to other standard elements of the networks, such as gas and water reducers and sewer lifts.



With the aim of encouraging the adoption of circular business models in the area served, new initiatives and projects aimed at reusing materials will be launched through collaborations with important partners in the local area. The pilot projects for these initiatives based on sustainability will be regulated within specific multi-year framework agreements.

To work towards a higher presence of circular models, greater attention will also be paid to the various **customer engagement tools**, using different communication channels according to the features of the various areas served, as well as improving and expanding the existing tools to maximize engagement with different types of customers.

The campaign to raise awareness on environmental challenges will also involve schoolchildren (environmental education projects), including forms of remote learning designed for the health emergency, and will be carried out through the main local media (press tour on environmental issues).

#### Contribution to energy transition

In order to support the energy transition to which the entire Company is called, the Hera Group has continued to plan interventions aimed at increasing the incidence of **energy efficiency** among the various categories of users, and internally as well, in addition to making the most of every possible form of renewable energy.



The actions taken to reduce energy consumption within the Group (-7% by 2024 compared to 2013), as well as those involving industrial customers, household customers and public administrations, will therefore continue, even more vigorously. The legislative framework, in fact, offers interesting opportunities in the household sector, easing building renovation interventions considered necessary



for a fully effective energy transition. Similarly, the real estate assets of public administrations will also have to progressively upgrade efficiency in energy consumption.

Decarbonising the industrial sector, on the other hand, may also be based on the exploitation of new renewable forms of energy, such as **clean hydrogen**. In this regard, the Group is studying and testing the opportunities involved in developing the hydrogen chain for the assets of its set of plants.



In this sense, one circular solution involves purification plants: by installing electrolyzers at purification sites, it is possible to obtain clean hydrogen (or synthesis methane gas) and feed circular material flows. Purified water becomes feedstock for the electrolysis process, oxygen resulting from electrolysis becomes input for the purification process, biogas from purification sludge becomes input for the clean hydrogen methanation process.

The opportunities linked to hydrogen also concern other Group assets, such as waste-to-energy plants: the electricity produced by combustion of the biogenic portion, considered renewable, can be used to fuel electrolysis plants and obtain green hydrogen, to be used by industrial customers, mobility, or be injected into the distribution network.

Once again following the rationale of fully exploiting renewable opportunities, in the next few years all processes transforming sources of waste, discards or products in the agricultural chain into biomethane, fully compatible with the existing methane networks, will become more important.

The Hera Group will therefore be able to **valorise** some of the **waste and residues** of its activities and obtain biomethane, through different technological processes depending on the waste source/feedstock used (e.g. purification sludge, clippings and pruning, organic waste from municipal collection, eluates from organic waste).

By fully exploiting the opportunities offered by **biomethane production**, the Group will also contribute to gradually decarbonising the gas supply chain, thus working towards creating a motivated and resilient consensus around a sector that is particularly important in our country.

In other words, the Hera Group wishes to grasp the opportunities offered by technological evolution and digitisation in order to achieve innovations, operational improvements, cost efficiencies and synergies related to data management, so as to meet the needs of the area served and its stakeholders, take a leading role in providing services and accompanying cities towards new models of development, overseeing each technological upgrade through the analysis of its impacts and the mitigation of its side effects.

## Technology and human capital: innovation

### Strategy for "green innovation"

Advances in the chemical and engineering industries are at the forefront of technological development and concern the waste management (plastics first and foremost) or the energy (biogas and biofuels) sectors. This is where the search for concrete solutions may prove to be instrumental adapting to climate change or countering the depletion of natural resources. The Group strategically exploits these advances in order to identify **plastic recycling** processes that can flank mechanical procedures and make the process effective even for less pure and less valuable types of plastic. The same advances make it possible, for example, to experiment with solutions that use excess renewable electricity (otherwise unusable) to split molecules into hydrogen and oxygen and then convert the result into synthetic methane gas by adding carbon (from CO<sub>2</sub>).



### Digital strategy

Hera's strategy for introducing new technology revolves around four areas:

- **data governance**, i.e. roles, policies, standards and metrics aimed at establishing processes and responsibilities that ensure data quality and security;
- **data platform**, tools and technologies enabling the realization of data analysis projects;
- **data culture**, a digital community (made up of 162 members) for sharing and networking methodologies and experiences related to data analysis;
- **data factory**, i.e. elaborating an organizational structure for grounding data analysis initiatives (model, roles, change management).



This data strategy is designed towards transforming the Group into a **data-driven** company, where decisions are guided by data, valorised as a corporate asset and subject, as such, to an ethical and responsible reading. The growing importance of data management, indeed, also requires the amount of attention and resources dedicated to data protection to evolve coherently.

The Group's organisational model has renewed its management of **cyber risks**, increasing the number of participants; in particular, it has defined a paradigm for relations between the company's various businesses and employees involved in cybersecurity, favouring increased controls for accesses in virtual private network mode (VPN) as well as planning future changes in automatic controls.

Hera's model is focused on three main aspects:

- increased awareness among Group employees regarding cybersecurity, achieved by introducing, through dedicated platforms, awareness policies and ethical phishing campaigns;
- the transition from a reactive way of managing cybersecurity incidents to a model that is as predictive as possible, significantly increasing the area monitored and extending this service to aspects of operation technology;
- identifying and adopting targeted and constantly evolving technological solutions, such as the new Web application firewall platform (WAF), advanced tools for the protection of workstations (EDR - Endpoint Detection & Response) and servers (ATP - Advanced Threat Protection) and functions aimed at making the management of digital identities and related IT access increasingly secure, such as multi-factor authentication, conditional access and identity protection.

These activities reduce overall risk, significantly increase the company's awareness of cybersecurity and the related risks and give the Group a "posture" with respect to possible attacks, that gives it higher speed in acting and reacting.

As regards the details of cyber risk management, see paragraph 1.02.03 "Risk areas: identification and management of risk factors".

#### Towards "blue innovation"

The evolution of **technology** and **digitisation** also calls for continuous development in employee skills and the related **training programs**. This latter aspect proved to be strategic during the pandemic, with a compulsory large-scale use of alternative work and communication tools, which enabled activities to be carried out remotely. To respect growing need for remote working (already introduced for hundreds of employees), opportunities in technological evolution and digitisation have been accompanied by **devices provided** to the entire company workforce and in-depth training.



The strategic decision to introduce **cloud-based platforms**, to increase individual productivity and act as the main tools for collaboration, proved to be timely and fruitful, efficiently achieving all the challenging objectives suddenly introduced by the health emergency. In order to accelerate the digital transformation, at any rate, cooperation between humans and technology requires continuous evolution in our way of working and in both physical and virtual spaces, making it possible to reduce contributions with less added value. The evolving relationship between people and technology within the Group will therefore continue to be addressed with process automation projects, favouring broader knowledge of technological integration, virtual factories and digital labs focused on initiatives for applying artificial intelligence and strengthening the community of those who introduce change, using the tools of the digital workplace. Digital tools open up new development opportunities in businesses: operating processes, if rendered more fluid and digital, provide the prerequisites for new solutions based on artificial intelligence, and can furthermore assess and measure the benefits expected from these solutions themselves. The Group intends to use data to generate value for people and for its business; some examples include the progressive digitisation of human resource processes, or again the creation of the reference architecture for integrating the systems and data available in "prescriptive analytics".



During the year, the Group created a new data analytics and intelligent automation structure, designed to collect data and support its analysis. This was done in order to guide Hera's **data** strategy, and to increase experience and knowledge by way of workshops and partnerships with external companies, observatories and universities on artificial intelligence issues.



#### Human capital at Hera

The extension of **remote working** to more than 4 thousand employees, now a consolidated working method for Group employees, was accompanied by a series of measures aimed at **health, safety and responsibility** towards themselves and others, or intended to enhance and enrich services for employees. In order to deal effectively with the current context, in which many workers are experimenting with new **ways of working**, the Group's strategy has recognised that it is increasingly important to make everyone feel that their work and their **sense of belonging** are related to the company's results and overall performance. The Group continues to pursue a strategy of human capital development that aims to **generate value** over time: for individuals and for the entire organization. In order to encourage continuous improvement and the propensity to innovate, Hera has activated **listening initiatives**, for example, that lead to an in-depth analysis of the degree of employee



satisfaction on issues related to the working environment and company values. The data that came to light, once analysed through means including digital tools and artificial intelligence, can be translated into corrective actions for the department of single employees or through internal mobility between several departments. The Group's strategy also contributes to creating value by accelerating processes for re-designing training activities, turning to the perspective of **blended learning**, consolidating the implementation of professional academies, creating a HerAcademy learning centre as a reference point for **knowledge sharing inside and outside the Group**, not to mention other projects intended to further improve the degree of employee engagement. All this takes place within a harmonious relationship between people and machines, in order to make the automation and digitalization process involving all company employees fully operational. The various training initiatives are therefore integrated within **reskilling** paths aimed at enhancing the employability of resources acting in situations characterized by a significant amount of automation and high technological intensity.

The Hera Group is also committed to the continuous development of specific training programs to ensure that the **principles of the Green Deal, Circular Economy Action Plan and Green Recovery Fund** become part of the values shared by all Group employees and, in a necessarily long-term way of thinking, those who will join them. The objective of achieving results in terms of Green Economy and reducing the Group's carbon footprint, only to mention one example, can be reached by increasing the contribution coming from remote working, or by reinforcing the Green portion of Hera's corporate welfare offer, or again by raising awareness of green issues even during recruitment.



From a more general point of view, a consolidated use of **strategic workforce planning** adapts changing skills and roles to the company's needs, through a strategic dialogue between the lines of business and human resources. This makes it possible to analyse the most significant ongoing trends, share the meaning of the challenges that will arise over the period covered by the Business Plan, and also gain a sense of the risks and related opportunities. The objective is to translate all human resource processes into a coherent plan of action, which then proves to be capable of identifying the best solutions in directing its own implementation and thus covers the gaps in terms of quality, quantity, timing and location of the workforce, as well as facing the risks potentially introduced by adoption these very solutions.



Human resource management and development processes are designed to conserve the skills and distinctive values built up over time, while also developing individual talents, regardless of **gender** and **age**, seeking innovation in all aspects that can generate an added value that is sustainable over time. Hera's strategy is based on continuously developing an inclusive culture of **diversity**, understood as a driving force for change. In this context, employees can benefit from a positive balance between the development actions assigned to them by the manager and those in which the initiative, instead, comes from themselves. It is no coincidence that, in addition to retaining the figure of the **Diversity Manager** (introduced in 2011), Hera, that signed the "Utilitalia Agreement – Diversity makes the difference", promotes inclusive policies at all levels of its organization. In addition to this, it progressively refines measures for achieving life-work balance, and adopts a merit management which is not only transparent but above all neutral with respect to gender, age and cultural differences, by adopting systems aimed at monitoring the progress achieved and at the same time introducing internal and external awareness-raising policies.

After identifying the factors leading to success for utilities of the future, goals concerning industrial growth, circularity and risks are translated into an equal number of coherent company policies.