

# Risk factors: actors, methodology and areas of management

1.02.01

## Risk governance

The organisational structure adopted by the Hera Group allows it to manage the risk exposure involved in its various businesses while simultaneously ensuring that its management remains effective and profitable along the entire value chain.

The system of corporate governance adopted allows strategies to be oriented in a unitary and coherent way. The main managerial body that orients, monitors and provides information with respect to risk management strategies is the Risk committee. Alongside it, the Internal control and risk management committee, made up of members of the BoD, in accordance with article seven of the Corporate Governance Code, is tasked with overseeing the internal control system, the efficiency of company operations, the reliability of financial information, compliance with the law and regulations, and protection of company assets. These bodies, in order to reach the utmost coherence in management strategies, meet periodically. During 2019, the Risk committee held four meetings and the Internal control and risk committee held seven meetings.

The Group has adopted an approach to defence from risks set out over three levels, defining an appropriate separation between:

- the role of risk management, entrusted to risk owners at various level of organisation;
- the role of orienting and controlling risks, entrusted to the Risk committee, which turns to risk specialists who carry out second-level controls, meaning that they are asked to define, apply and update risk analysis methods and implement controls in their own area of responsibility (review challenge and control);
- the role of evaluating the adequacy of risk management processes, i.e. the internal control and risk management, assigned to the Internal Auditing Department.

The Risk committee defines the general guidelines for the risk management processes, guarantees that corporate risks are mapped and monitored, ensures that risk policies are defined, as are the protocols containing information for the Internal control and risk committee, the Internal Auditing Department and the Board of Auditors.

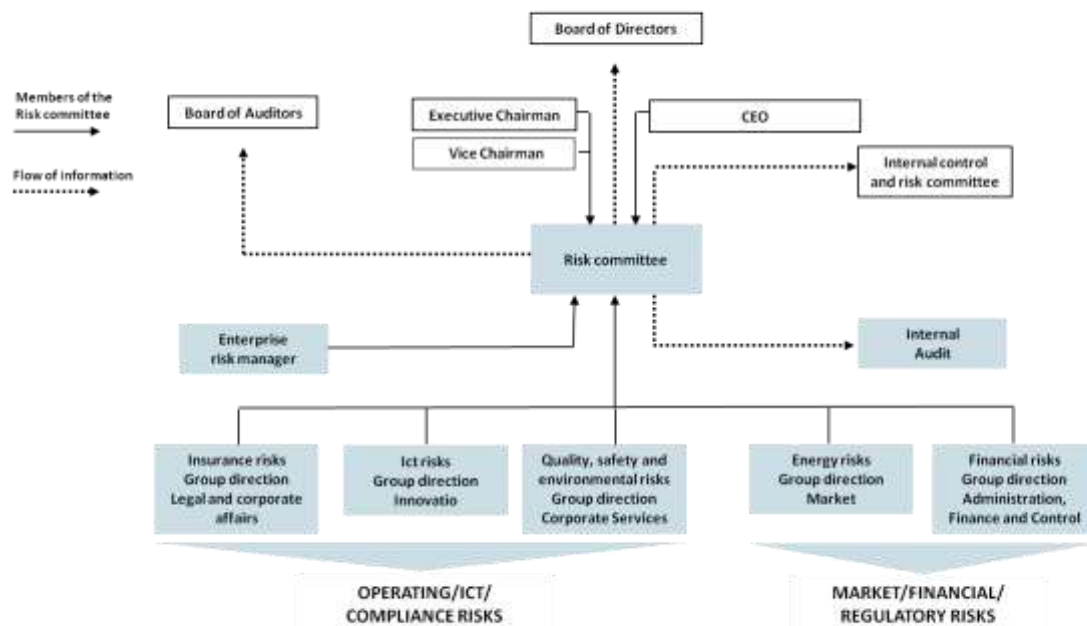
The Board of Directors approves the risk policies and the parameters used in measurement, and provides orientation for and evaluation of the adequacy of the internal control and risk management system. The Internal control and risk committee supports the Board of Directors in defining the orientation of the internal control and risk management system.

The Executive Chairman and the CEO supervise, each within their own area of responsibility, the functionality of the internal control and risk management system. The Vice Chairman supervises the coordination between the Risk committee and the Internal control and risk committee, maintaining an independent role.

The architecture of the Group's risk governance can be represented as follows:

## Risk governance: the Risk Committee

### Architecture and bodies involved in management



#### 1.02.02

### Management methodology

Hera has adopted the Enterprise risk management (Erm) process in order to provide the Board of Directors with all that is required to evaluate the nature of corporate risks and define a risk profile that concerns the medium-long term in particular. The definition of the risk profile is made explicit by the Board of Directors, by approving the Group risk management policy and the risk limits it defines.

The risk management framework is subdivided into three fundamental areas:

- the **risk model**, which identifies the types of current and emerging risk to which the Group is potentially exposed, and which is periodically revised;
- the Group's **risk appetite**, which defines the level of risk that is acceptable according to the risk management strategy, and identifies:
  - key areas of risk;
  - risk metrics;
  - the limits associated with each key area of risk;
  - monitoring, escalation and updating processes, intended to promptly identify any instance in which a predefined level of risk is exceeded, identify and implement corrective actions, properly monitor all significant areas of risk and bring the limits into line with the Group's risk appetite;
- **risk management activities**, which effectively monitor the Group's potential risk profile as a whole and the way in which it is managed. The activities are subdivided into:
  - ongoing risk management, including a sector-specific approach entrusted to dedicated risk specialists/risk owners;
  - enterprise risk management, aimed at analysing changes in the Group's overall risk profile, supporting awareness in taking on risk and defining strategic objectives.

On 10 January 2020, the fifth Enterprise risk management report, related to the 2020-2023 business plan, was presented to the Board of Directors.

Over 2019, Erm analysis studied further details and refined its methodology in the following areas:

- Erm analysis backtesting of the previous year was done, aimed at evaluating the degree to which actual impacts were in line with estimated ones. The effects of these scenarios were furthermore quantified, if and when they had impacts on the plan;
- an analysis of Group resilience factors introduced in previous years to face risks that may compromise continuity in major activities allowed further mitigation interventions to be planned (in the 2020-2023 business plan), intended to increase the network infrastructures' ability to deal with adverse conditions deriving from potential business interruption events (caused by natural or technical events in a range of areas);
- the control system for the supply chain was studied in further detail, as were possible initiatives in subcontracting, set out in the area of certified management systems, identifying the factors and scenarios presenting significant risk

found in the process, recognising impacts on significant stakeholders and evaluating currently overseen situations and the related risks;

- the risk scenarios involved in climate change (both physical and transitional) having significance for Group activities were mapped.

The 2019 Erm analysis did not show any critical risks as regards their reputational or operating-financial impact. As regards significant risks, they were confirmed in the reputational impact coming from potential procedures carried out by supervisory/regulation/investigation bodies (even though the Hera Group's behaviour respects all legal provisions) involving different degrees of discretion in the beginning of supervisory/investigation procedures and where unclear interpretational orientations are present. Significant risks were also confirmed regarding the operating-financial risk posed by high-intensity earthquakes on networks. Two new risks were furthermore identified. The first derives from legislative orientations as to substituting critical materials in gas networks; it was thus deemed appropriate to quantify (as part of Erm analysis) the possible impact. The second derives from the possibility of fires in production lines linked to waste treatment and recovery. The impacts of the latter risk are irrelevant in terms of consequences for Group results and have practically no impact on the environment nor on operational continuity; these events can have significant reputational consequences, owing to the perceived risk coming from the increasing social sensitivity towards this issue.

### 1.02.03

## Areas of risk: identification and management of risk factors

The currently existing and emerging risks Hera must deal with fall into various categories: risks deriving from the evolution of market contexts, macroeconomic and financial risks, business (regulatory and competitive) risks, technological risks, risks involved in social, environmental and climate-related sustainability and risks involving human capital.

To mitigate its exposure to these risks, Hera carries out specific activities in analysis, measurement, monitoring and management that are described below. See, however, the paragraph "Trends and contexts, strategic approach and Group management policies" for a detailed analysis of the factors that represent some of the basic premises for these risks.

## Operations and finance

### Identification of country risk and business risk

Energy business: stagnation in consumption and price volatility

Hera mainly operates in Italy, where an economic context of limited growth continues to be seen, as does stagnation in energy consumption and volumes of waste disposed of. Energy market risks are concentrated in the Group Direction for the Market, responsible for electricity and gas purchasing and sales, which involve risk positions that deriving from price volatility in energy commodities. Decreases in energy demand put pressure on sales margins which, combined with higher competition on the free market, may have an impact on Group profits. Furthermore, changes in the amount of retail energy consumption could require Hera to purchase or sell additional energy in unfavourable conditions.

Waste business: changes in waste production and infrastructure unavailability

A potential reduction in waste production (which might derive from the economic context and European and national legislative orientations, or from new tendencies in customer behaviour), or again the unavailability of treatment and recovery infrastructures, could have a negative impact on the Group's ability to meet its preset goals. The risks of the waste management business concerning plant management are concentrated in the Herambiente Group.

### Management of country risk and business risk

Energy business: combined management of procurement and hedging

As regards the energy market, Hera has structured its processes so as to obtain an efficient management of procurement and hedging activities, with a high focalisation in responsibilities. The approach adopted by the Group involves a single interface for managing market risk, provided by Hera Trading Srl. A combined risk management, while respecting the policies assigned, brings advantages in terms of reaching a higher level of coverage, optimising costs by resorting less to the market (through position netting) and gaining more flexibility in structuring procurement and supplying customers.

The Group has maintained a high degree of flexibility in its energy commodity procurement sources, while at the same time developing is activities in coverage, minimising its operating risk exposure for electricity generation and, also considering the absence of long-term contracts in gas procurement (take or pay clauses), allowing it to remain constantly in line with the market and maximise its natural hedging.

Waste business: set of plants, recycling opportunities

In waste management and treatment, the Group's diversified set of plants, marked by avant-garde technologies, highly performing in terms of environmental impact, have allowed it to meet its strategic goals. Implementing its strategy in the area of circularity, through Aliplast Spa's entry within the process of recycling polymeric materials, and planning an increase in recycling lines to include further forms of plastic, indeed allow it to grasp the opportunities coming from recent directions in European regulations, expected to come into force over the decade that has just begun.

Analyses of the risk coming from changes in the operating context (Gdp and inflation), and market conditions in energy (price of gas and electricity), allow for a quantification of the elasticity shown by Group Ebitda with respect to changes in these primary operating-financial figures.

In particular, a 1% reduction in Gdp, compared to the scenario included in the business plan, would lead to a drop in average annual Ebitda coming to roughly 3 million euro, due to both the effects of lower consumption in energy sales and reduced margins for electricity generation.

Sensitivity analysis

A 1% decrease in the inflation rate, compared to the scenario included in the business plan, would lead to a drop in average annual Ebitda coming to roughly 13 million euro, due to the impact of inflation on the tariff components of regulated network businesses.

A decrease in the price of electricity on the wholesale market coming to 1 euro per MWh, compared to the scenario included in the business plan, would lead to a drop in average annual Ebitda coming to roughly 0.7 million euro.

Lastly, a decrease in the price of gas coming to 1 €/scm, compared to the scenario included in the business plan, would lead to a drop in average annual Ebitda coming to roughly 0.5 million euro.

Fluctuations in interest rates, exchange rates and credit spread

#### Identification of financial risks involved in the debt market

The operating-financial context, in addition to fluctuation in energy and commodity prices, shows changes in interest rates, exchange rates, the credit spread and liquidity crises. These fluctuations can have an impact on Group results, its future growth and its strategic investments (for example, ensuing from high refinancing costs).

Liquidity and opinion risk

The Group might not succeed in meeting its payment obligations, due to an inability to find new funds, to do so only under unfavourable economic conditions, or again an inability to liquidate assets on the market, or else changes in the perception of its riskiness by the market. Among the factors that define this perceived riskiness, the creditworthiness assigned to Hera by rating agencies plays a fundamental role, because it has an influence on the Group's chances of gaining access to financing and on the related economic conditions. The Group's debt structure is not subject to financial covenants on debt, with the exception of a limit on corporate rating defined for an amount of debt coming to roughly 150 million euro (which consists in one of the rating agencies assigning an opinion lower than BBB-). On the remaining portion of current debt, instead, an obligatory anticipated reimbursement is foreseen only in the event of a significant change of control in the Group, a concession event, or a significant sale of assets event that leads to a downgrade of the Group to non-investment grade or lower, or a suspension of the rating publication.

Reduced exposure to fluctuations and management actions to satisfy liquidity requirements

#### Management of financial risks involved in the debt market

Hera's financial management is concentrated in its Group Direction for Administration, Finance and Control, which attempts to match the maturities of its assets and liabilities, linking its investments to sources of funds that are consistent in terms of maturity and manner of repayment, taking into account the refinancing requirements of its current debt structure. In order to meet its medium- and long-term commitments, Hera pursues a strategy calling for a diversified structure of sources of financing and a balanced maturity profile, constantly monitoring rating indicators and the availability of long-term credit lines. 95% of Group debt is long-term; 78% consists in bonds with payment at maturity, and the average term to maturity of the remainder is approximately seven years (of which roughly 64% maturing after over five years).

In other words, the Group's financial structure is both solid and well-balanced in terms of its composition and time to maturity, bringing liquidity risk to a minimum even in the event of particularly critical scenarios.

The Group's actions and strategies, furthermore, are aimed at guaranteeing that the maximum rating (one notch above the sovereign rating) is maintained.

Financial risk control and management processes are based on a close monitoring of the Group's main financial indicators. Constant coverage of the relevant markets is aimed at minimising the impact of rate volatility and to deliver efficient debt service. The Group makes use of derivative financial instruments to reduce its exposition to fluctuations in interest rates and exchange rates. At 31 December 2019, the Group showed a 13% exposure to rate risk, including the effect of derivatives; 87% of debt is thus at fixed rates.

Procedures complying with Law 262/2005, which includes specific requirements for listed companies in the area of financial reporting, have been suitably arranged and implemented in order to ensure complete and reliable financial reporting.

Sensitivity analysis

A 1% increase in the reference interest rate, compared to the scenario included in the business plan, based on the hypothesis of a shift in the coupon rate, and on the Group's debt structure as described in the business plan, would lead to a 10 million euro increase in financial charges.

#### Identification of risks associated with counterparties

Hera operates with counterparties who might be unable to fulfil their obligations, failing to comply with either the economic terms or contract provisions (delivery of the good /service). Credit risk, furthermore, affects the Group across all of the areas commercial activity is found: energy commodity and service sales, waste treatment and telecommunications services.

#### Management of risks associated with counterparties

The origination process

Hera employs a structured origination process, defined by specific credit risk management procedures, which allows counterparties to be adequately selected through credit checks and, if appropriate, requests for guarantees. In addition, positions towards the counterparties are regularly monitored and proactive measures are planned to manage them, which may also include including external risk relocation through credit transfer. In 2019, the Group's main sales companies' 24-month unpaid ratio came to 0.8%.

## Regulations and competition

Changes in the legislative and regulatory context and concessions

#### Identification of competitive-regulatory risks

Hera carries out part of its activities in a regulated market, and its operations thus depend on regulations defined by sector authorities and lawmakers (concerning tariffs and market structure), government incentives on renewables, concessions from local authorities (concerning regulated activities in waste collection, gas distribution, the integrated water service and public lighting) and national ones (concerning electricity distribution), as well as the impact expected from changes in the structure of the market and its liberalisation, and changes in supply and demand in the energy and waste management sectors.

At this particular moment in time, the Group is subject to the risk that concessions reaching their end will not be renewed or, in the case of renewal, the risk that economic conditions similar to the current ones will not be maintained, leading to a negative impact on margins and return on investments. This risk, however, is mitigated by a reimbursement mechanism benefitting operators in the event that concessions are not renewed.

Periodic updates in the national and European legislative and regulatory framework, can have a significant impact, influencing profitability in the sectors in which in cui Hera operates.

Changes in the legislative and regulatory context and revisions of tariffs in the regulated waste, water and energy sectors

The competitive-regulatory risks impact network (water, gas and electricity distribution) and market (electricity and gas sales) businesses, and appear in new or modified economic, organisational and informational requirements which Hera is bound to respect, as well as possible changes in market assets they bring about.

The tenders for gas distribution, the integrated water service and waste collection and street sweeping that will be held over the period of time covered by the plan introduce the risk that some of the areas currently managed may be lost, in the presence of significant competitive contexts. If this management is lost, the Group will however be compensated with the amount of invested capital not yet amortised.

A proactive approach towards the regulatory framework

#### **Management of competitive-regulatory risks**

The Group has provided itself with an organisational structure that manages relations with national and local authorities, consulting extensively with institutional figures, actively participating in workgroups created by authorities and adopting a transparent, collaborative and proactive approach as regards instability in the regulatory framework.

Over the years, free-market businesses have taken on increasing weight in the Group's portfolio and contributed significantly to its operating results, but at the same time expose it to increasing competitive pressure. The Group deals with the challenge of competition through continuous innovation and rapid interventions in its marketing offers, increasing its presence and customer base on the free market and ensuring that expectations are satisfied in terms of the range and quality of the services offered.

A proactive approach towards the free market

The Group furthermore valorises its own technical abilities and management efficiency, and enriches its offers with services oriented towards sustainability and circularity. Hera's attention towards service quality, cost efficiency and innovative solutions indeed represents a competitive resource during tenders for gas distribution, integrated water cycle and waste collection and street sweeping services.

#### **Identification of strategic risks**

The strategic risks associated with long-term planning, financial sustainability, involvement in strategic initiatives and investment decisions influence the degree of solidity in the results reached in the various business sectors and units. The Group's ability to reach its strategic goals, furthermore, could be compromised if it is not able to maintain or obtain the licenses, authorisations and permits required to carry out its regular activities.

Achieving the results planned thus depends on various endogenous and exogenous risks, which are appropriately simulated, measured and controlled.

#### **Management of strategic risks**

Hera has developed a well-organised strategic risk analysis model designed to gauge the solidity of the assumptions underlying its business plan with respect to a variety of adverse risk scenarios, contributing to an integrated representation of risks from an enterprise-wide point of view. This system provides for scenario analyses, stress testing and what-if in the business plan's hypotheses, through an adequate analysis of risk factors and the variables linked to them, allowing the level of risk in the various business areas to be adequately evaluated.

Hera is constantly present in authorisation processes and proactively participates in round tables to obtain permits, licenses and authorisations, in order to overcome the possibility that its regular activities are compromised.

## Technology, the environment and human capital

Interruption of essential and digital services and personal data breach

### Identification of risks

Earthquakes and meteorological events, witnessed more frequently in recent years, can nullify the resources deployed and thus the Group's performance. Hera wishes to valorise these resources and guarantee that they are conserved and developed, in order to continue enjoying their benefits in the future. In this area, particular significance goes to the environmental risks caused by climate change, as well as accidents within Group plants, which in turn can cause potential damage to the environment. Increasing importance also goes to the cybercrime risks caused by malicious actions intended to cause damage to management infrastructure or breach personal data. Hera also evaluates the impact of these risks in terms of service continuity. It is furthermore crucial to verify whether these accidents involve a risk for the rights and freedom of individuals, or if they cause physical, material or immaterial damage, based on the parameters and acceptability thresholds set out in Group policies (published on the company's website).

### Environmental risks

- Hera uses natural resources to guarantee essential services to its customers. Since its activities leave an environmental footprint, involving water and carbon, it is aware of the need to conserve natural resources and thus the necessity of adopting mitigation and adaptation initiatives intended to reduce these risks. In line with the challenging path of greenhouse gas reduction compared to the current amount, set out by international institutions, over 2019 Hera mapped a series of climate change risk scenarios, both physical and transitional, having significance for its activities. These scenarios were then analysed as to their potential consequences on Group businesses, and subjected to further evaluations concerning impact and mitigation as regards their material nature (for example, extreme weather conditions such as floods and drought, or risks concerning health or the economy).
- As regards the environmental standards that Hera must guarantee in its activities, the latter are subject to various norms and regulations, including those concerning CO<sub>2</sub> emissions, along with emissions of other substances caused combustion, sewerage and dangerous and solid waste management. Not respecting the limits set for CO<sub>2</sub> favours climate change, while disregarding the legal limits for other environmental aspects worsens these same environmental conditions, in addition to exposing the Group to sanctions.
- Scarcity in water resources or the possible contamination of water reserves can influence regular water supply and lead to service interruptions or significant damage, both environmental and socio-economic, also increasing the water stress felt by natural resources in order to satisfy water demand.
- Note furthermore the risks related to the impact on the Group caused by variations in meteorological conditions, concerning electricity and gas demand. The foremost area of impact is the Group Direction for Markets, which in its electricity, gas and heat sales is exposed to variations in demand ensuing from various meteorological scenarios.

### Technological and human capital risks

The negative externalities generated by exceptional events, in spite of careful planning and insurance coverage, may compromise business continuity and increase the financial resources required to restore regular operations. Offering public utility services thus calls for precautionary activities to be carried out, as well as actions in containing interruptions, delays in service or inadequate levels of service. Technological risks include operating security in distribution networks (fluids and electricity), logical security for information, security in communications networks and information systems, and the reliability of remote control systems. The main threats for on-premise systems (found at the company's data centres) or in clouds include identity theft, phishing aimed at taking control of a personal computer in order to attack central systems and attacks on exposed systems, for example public websites.

Security in the information used, produced and transformed by the company depends on the ways in which it is managed and the human and technological resources involved; an appropriate evaluation of the risk involved is therefore fundamental. Any loss of privacy, integrity and availability of company information, whether crucial for business or personal (i.e. and data concerning physical persons, as defined in greater detail by the privacy code, legislative decree 196/03) could lead to serious financial losses and a related damage to image on the market. To identify and evaluate this risk, a methodology based on the international Magerit framework has been adopted, in which the three dimensions of security are evaluated: availability, integrity and privacy. Group Direction for Quality, Safety and the Environment and the Logical Security and Privacy Department support the Group's structures and the Risk Committee in carrying out evaluations and notifications of IT security incidents. The main types of incident that may occur impact cloud service supply, electricity, gas and drinking water supply and distribution as well as service continuity and the personal data being treated.

The strong relations between technology, the environment and human capital require coordinating the risks mentioned to be accompanied by safety on the workplace and social protection for employees. Identifying dangers and evaluating risks is based on an analysis of roles, working activities, processes and places, equipment, vehicles, plants and substances used. The wishes and needs expressed by various categories of workers are continually examined by the Group.

Exceptional events and regular service supply

Worker health and safety and social risks

### Management of technological, environmental and human capital risks

The approach to risk management is subdivided according to the specific areas in which environmental, technological and human capital risks emerge. Investments in preventing and reducing the frequency of harmful events take on a fundamental role, as do those allowing mitigation measures to be obtained that reduce their severity.

#### Environmental risks

- As regards long-term trends, the Group's commitment reducing CO<sub>2</sub> began with reporting on its performance and efforts made to combat climate change. It now continues with projects activated to promote energy production from renewable sources, reduce energy consumption and offer customers opportunities aimed at reducing their own greenhouse gas emissions. The Group is dedicated to contributing to mitigating environmental risk, reaching the energy efficiency goals set by the legislator and the United Nations, persisting with continuous improvement in its production system and incentivising virtuous and responsible consumption by clients. The electricity intake of the Group's production sites is entirely covered by energy coming from renewable sources. As regards the consequences of extreme events, which are expected to occur ever more frequently as a possible consequence of climate change, Hera has undertaken important interventions, such as the Rimini Seawater safety protection plan which, in addition to ensuring that the quality of seawater is maintained, increases the resilience towards extreme events shown by the rainwater drainage infrastructure. For further details on specific initiatives, see the section "Greenhouse gas reduction" in the Hera Group's Sustainability Report.
- Hera has set in place an adequate system of environmental control, which covers both governance of environmental certification processes and the related auditing, and operating management involving controls and samples. The Group is able to face environmental risks thanks to continual monitoring of potential pollution factors, guaranteeing transparency in its samples, and significant investments in technological plants to guarantee air and water quality that is constantly higher than legally required. Furthermore, in line with its circular economy strategy, Hera has already made (and will continue to make, in its medium-long term planning) investments in selector, recovery and composting plants, increasing the amount of waste treated and at the same time reducing the use of landfills, thus succeeding in anticipating what is required by European and national regulations. For further details, see the section "Transition to a circular economy" in the Sustainability Report.
- In 2019, more in-depth studies began of the resilience shown by the Group's water procurement and distribution system, from a medium-long term point of view. A reduction in the water footprint is furthermore pursued by the water management system, designed to promote sustainable management of this resources both within the Group's operating activities (by contrasting network leakage, reducing widespread consumption, recovering rainwater for irrigating green areas and washing vehicles) and externally (by checking household consumption, offering advice and solutions to optimise it, supporting technological solutions for customers with considerable water needs, supporting the construction of treatment plants for water reuse/recovery). Implementing the integrated services contained in the water safety plan furthermore makes room for an approach to managing water resource quality based on risk evaluation and management, which involve prevention and control.
- As regards the risk coming from variations in weather conditions, the Group can rely on advanced tools in predicting demand, which allow it to optimise the use of renewable sources. Additionally, it has sufficient flexibility in procurement sources for energy commodities, which ensure its availability at market conditions. A drop of one degree in average winter temperatures with respect to the figures contained in the Business plan would cause an average annual reduction in Ebitda coming to roughly 13 million euro.

#### Technological and human capital risks

Attention towards physical security and monitoring sites

Centralised systems of network monitoring (remote control for fluids and electricity grid) allow these networks to be continuously supervised in real time and, in some areas, remote control allows potentially critical situations to be promptly communicated to quick response centres which, when possible, can directly intervene and resolve these situations. These systems have been applied in a range of situations, allowing services to be reactivated in a reasonable amount of time and guaranteeing adequate resilience in the services offered.

Attention towards information privacy

The Group constantly monitors the amount of risk in information security, carries out tests to continually evaluate network security and the degree to which its systems can be penetrated and organises training campaigns to raise awareness among all users. During 2019, work progresses on interventions aimed at guaranteeing the integrity and availability of Hera's systems; the main initiatives set in place, whose technology is continually renewed, are oriented towards increasing ICT security and protecting infrastructures, devices and personal identity. They involve introducing the best technology on the market and monitoring and control systems that continue 24 hours a day, 365 days a year. Information security was further reinforced by the introduction, alongside the quality, safety and environment process owner (responsible for regulatory compliance and risk analysis), of an ICT security process owner, responsible for operating strategy, ICT security procedures and requirements and risk mitigation and intervention plans. Management of the company's information and information systems influences the reputation enjoyed by the Hera Group, and therefore its executive management has introduced an information security management process that follows the guidelines defined by ISO/IEC standard 27001:2005, which calls for support and participation coming from all Group employees. During 2019, no complaints were filed against the Group concerning privacy issues or loss of data of its customers.

Health, safety and social protection for workers

In order to guarantee worker health and safety and mitigate the risk of accidents on the workplace, the Group gives constant attention to initiatives aimed at more efficiently monitoring and improving protection and prevention processes in the area of safety, intended to reduce the frequency and severity of accidents. The topics chosen for worker training will no longer be simply be technical or normative but will be oriented towards developing self-awareness in perceiving risks and favouring safe and conscious behaviour. Attention towards these aspects is a fundamental operating element in order to confirm the continuous decrease in the number of accidents, their frequency rate and their seriousness, and the number of days of leave due to accidents. On this matter, important certifications have been obtained including ISO 9001 (quality management

system), ISO 14001 (environmental management system) and OHSAS 18001, on health and safety on the workplace. The procedure used in identifying dangers and evaluating and controlling risks is carried out preventively and proactively (rather than reactively) in order to define adequate measures in risk reduction and control. As an example, during 2019 activities continued in communication, awareness and training on issues in road safety, introducing the initiatives proposed in the safety challenge Herueka+ and maintaining the previously existing learning magazine Guido come vivo; furthermore, training activities have been planned for 2019-2021 intended for virtually all employees as regards field safety.

Each of us is responsible for their own health and safety, alongside that of the people with whom they interact and, as foreseen by the procedure entitled Management of the process of identifying dangers and assessing risks for the health and safety of workers, and the related links available on Hera's company information portal, is bound to report and promptly stop any situation containing risks or unsafe behaviour. The commitment shown by all those involved, and the integration of safety in processes and training, are the fundamental elements in the Group's corporate culture in the area of safety.

With the goal of encouraging a positive working environment, Hera has created a welfare system based on attention towards people. This system includes monetary and non-monetary interventions, such as services concerning the family, education, work-life balance, wellbeing, free time and health.