



CODE OF ETHICS

The Code of Ethics is one of the social responsibility tools at the companies' disposal for encouraging good behaviour.

The Code of Ethics of the Hera Group represents the development of the principles expressed in the mission and the Charter of Values laid down in 2006. It was drawn up in 2007 and updated in 2010 and 2013 using a participation-based method, involving the workers, in particular, with a view to establishing the criteria of conduct as widely shared as possible within the Group. This edition of the Code of Ethics of the Hera Group was approved by the Board of Directors of Hera S.p.A. on 23th January 2014.

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ITHE AIMS IN BRIEF

The Code of Ethics is an instrument of *social responsibility* for a business that wishes to follow good behavioural practices, for those that work in Hera and for people who have a personal interest in carrying out the company's mission.

The Code does not replace any laws or contractual regulations, it completes them: in fact, there is a certain distance between the provisions of the laws and the reality of everyday company life. The aim of the Code is therefore to reduce the uncertainty that accompanies decisions. As one of Hera's basic principles is to "choose" and "decide", it is increasingly important to establish guidelines that facilitate choices and decisions.

The conduct of the persons working for the organization – starting from those with the greatest responsibility and authority – shapes and models its image. There is thus a direct relationship between respect of the rules, authority, reliability and the success of the company.

The Code of Ethics is particularly important for companies that provide services of public utility (as is the case of the Hera Group). The importance of these services in the lives of individuals and their families is clear. It must therefore be demonstrated in concrete terms (through conduct) that staff are aware of the impact the services have on the lives of other people. This is not just a result of the efficiency or quality of the services provided, but also the ability to listen and talk to customers and the company's stakeholders in general. Hera's activities also have a major, direct impact on the environment, again influencing people's daily lives and their future.

The Code serves above all to define the conduct of the people that work at Hera (or for Hera), but it also has other goals:

- a. *to increase in-house cohesion and coherence*: one of the aims of the Code is to improve internal relations and to ensure a single, clear external image;
- b. *to increase efficiency*: the motivation of participants to reach positive goals increases their ability to produce benefits, both for the persons directly concerned and for the reference environment;
- c. *to consolidate its reputation*: an organisation that operates on the basis of sound rules and manifests its values creates a feeling of security among its stakeholders, who can thus transform into partners.

Finally, the Code intends, above all, to act as a guide that can help people tackle the ethical problems (which, it should be remembered, are inseparable from organisational problems and business decisions) that arise during everyday activities. The Committee should therefore be considered as a body that promotes and develops positive conduct and not as a panel of judges. It is precisely for this reason that a periodic evaluation is made of the "overall ethical state" of the organisation and initiatives taken to improve it.

INTRODUCTION TO THE 2014 EDITION

The Code of Ethics was approved by the Hera Board of Directors in late 2007 and became binding in 2008. In 2011 it was revised for the first time, as per article 79 of the Code itself which states that it should be revised every three years in the light of the experiences and changes that have affected its protagonists, i.e. the business and its stakeholders. Now, another three years down the line, we have produced the third draft of the Code.

The six years that the Code has existed and been implemented represent a very significant period as regards the events that have impacted on Italy, the market and the lives of the Italian people, time enough to take stock on the basis of considerable experience. It is therefore an opportune moment to summarise these experiences and events, highlighting their most salient aspects.

The numbers and their interpretation

In the last three years the number of reports filed with the Ethics Committee has risen dramatically. At the end of 2010, when the previous 3-year revision was carried out, the Committee had received a total of 39 reports, which corresponded to an identical number of open investigations and deliberations. In the three following years (2011, 2012 and 2013) 73 reports were received, i.e. twice as many. As such, since it was set up the Committee has dealt with over 110 cases.

The Committee sought to interpret this increase in the number of reports in its most recent report to the Board of Directors, attributing it in part to the growth in size of Hera (i.e. its economic and social relations) and in part to the changes and difficulties in Italian society, but also certainly to the development and consolidation of Hera's relations with its stakeholders.

Whatever the case, the increase in reports highlights the development of social dialogue, which is one of the goals of Hera's sustainability policies.

In the first few years the Code was in force, the majority of reports came from employees. This trend has gradually changed over time with a greater balance between "internal" and "external" reporters and, in recent times, even an inversion in the trend among internal and external reports: in the last two years, in particular, the majority of reports have come from clients and users, citizens and social organisations.

For this reason we can assert that the Code is an effective social dialogue tool, regardless of the final satisfaction of those filing the reports, which was nonetheless quite evident in the majority of cases.

Changes

The fundamental change we have witnessed, particularly in recent times, has been the gradual modification of the role of the Code within the business.

In short, we can argue that from an essentially legal instrument ("for the restoration of violated rights"), the Code is gradually taking on the role of a governance tool, understood as the active and informed management of ethical issues in everyday working activities.

In fact, specific dialogue and reflection initiatives have been developed around the Code which have involved the widespread participation of employees, the unions and - recently - more specific groups of managers and directors. All of this has provided input and indications for this revision of the Code.

As is common knowledge, the term "*governance*" indicates a requirement and a practice dictated by the complexities of businesses, organisations and society as a whole: to ensure the correct functioning of modern institutions, particularly at delicate moments like the one Italy is experiencing, it is not possible to make effective choices "alone", also because decision-making centres able to represent the broad complexities of society are increasingly rare.

To make effective decisions it is therefore necessary to communicate, dialogue, draw comparisons and come to agreements not only over financial growth, *but also over values*. This is true for important choices, but also for the less-important choices that everybody has to make

every day, at work and in their private lives.

This has been the most relevant development in the last three years of the Code, which has managed to encourage the reflections and contributions of many workers at Hera. However, it is a positive process that is still only in its infancy: it is still necessary to increase internal participation and, above all, to ensure that the dialogue on ethical issues with stakeholders is of the same quality and efficacy, and this is the main goal of this new phase in the life cycle of the Code.

This revision

This second revision of the Code was also carried out in a highly participative manner, led by a working group made up primarily, but not only, of Directors from the various different business areas and companies controlled by Hera.

To assess the proposals for improving the Code, the working group used the output that emerged from an intense training programme that began in 2013 and involved a large group of managers, an activity that will continue in years to come with the aim of creating an increasingly large group of "informed experts" on the Code and its possible impact on everyday working life. The managers involved in the training on the Code of Ethics participated in the Code update working group together with representatives of AcegasAps.

In addition, also for this revision of the Code the consultation process was enlarged to include all employees who, through all of the internal communication tools (house organ, intranet, notice boards etc.), were invited to make their contributions to the third edition. As already proposed, the goal of this new 3-year period is the greater involvement of other stakeholders, in similar ways to those employed internally, so that Hera can participate more actively in the communities in which it operates and itself become a larger and more vibrant community.

Mission, values and operating principles of Hera, approved by the Board of Directors on 26 June 2006

Mission

“Hera's goal is to be the best multiutility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment.

For Hera, being the best means inspiring the pride and trust of:

- customers, who receive, thanks to Hera's responsiveness to their needs, quality services that satisfy their expectations;
- the women and men who work at Hera, whose skills, engagement and passion are the foundation of the company's success;
- shareholders, confident that the economic value of the company will continue to be generated, in full respect for the principles of social responsibility;
- the areas in which Hera operates, where economic, social and environmental health represent the promise of a sustainable future;
- suppliers, key links in the value chain and partners for growth".

Ethical values

Integrity

In its external and internal relations, Hera is a company whose actions are guided by considerations of legality, correctness, honesty, fairness and impartiality in all its dealings. By sharing these principles, Hera establishes enduring relationships with its customers and suppliers, overall transparency in its dealings with third parties, and appropriate and fair-minded compensation for the work of its collaborators (*Proud to be a honest, loyal group of people*).

Transparency

Hera is committed to keeping all stakeholders fully informed as to all actions at every corporate level. It shall provide this information fully, with all due clarity, in a timely manner. Hera sees transparency as a means of adopting management instruments conducive to dialogue with stakeholders with a view to meeting information and knowledge needs relative to the economic, social and environmental impacts of corporate activities (*Clear and honest messages to all stakeholders*).

Personal responsibility

Working for Hera means commitment to building relationships of trust with colleagues, and, more generally, with all stakeholders. Actions for the achievement of company objectives must be undertaken in a spirit of loyalty and efficacy, with each individual fully aware of the nature of his/her duties and responsibilities (*Committed to the good of the company*).

Coherence

Everyone who works for Hera, at every level, is called upon to implement the Mission, Values and operating principles of the company on a daily basis, in every action taken. These are the foundations of strategic planning, company goals and operational management (*Living up to our Mission and Values*).

Principles of company functioning

Creation of value and social and environmental responsibility

Hera is committed to combining the creation of economic and social value with satisfying the legitimate expectations of all those with whom it has dealings: customers, employees, shareholders, suppliers, institutions and local communities. Hera considers compliance with the principles of social responsibility a key element in its efforts toward sustainable development (*Being a company that is built to last, to help improve society and the environment for future generations*).

Service quality and excellence

Customer satisfaction is a fundamental element for the growth of a group that wishes to be considered as a solutions provider, capable of understanding client needs and guaranteeing top-quality services. It is Hera's daily Mission to supply consistent and reliable responses to the expectations of its customers. Hera's organisational resources, professional approach and business culture are the outcome of its focus on listening to customers and serving their needs (*Putting customers first, working to deserve their trust*).

Efficiency

Hera is committed to pursuing its objectives quickly and efficiently through the application of the principle of optimisation across the board: in the management of human resources, time, and financial and technological resources (*Making the most of available resources*).

Innovation and ongoing improvement

Hera aims to introduce at various organisational levels all those aspects of innovation that are both "useful and possible" in the areas of technology, organisation, management and process. Hera is determined to work every day toward the concrete improvement of its operations and services, encouraging an attitude of changing for the better (*Feeling like part of a team that generates ideas and improves things*).

Engagement and optimisation of personnel

Hera is committed to making the most of everyone's experience and developing their skills, to promoting cooperation and the exchange of knowledge, so that work becomes a source of satisfaction and pride for people, as well as an important factor for the success of the business. Conduct in keeping with the company Mission and core Values will be rewarded, and dialogue will be encouraged so as ensure the circulation of information and the feeling of belonging to a united and integrated group (*Sharing knowledge to improve both oneself and the company*).

Will to choose

In pursuing its Mission, Hera will select business areas and development strategies to increase corporate value and market competitiveness. Differentiation on the basis of merit will be the guiding principle behind the recognition of the workforce (*Choosing the most useful solution for growth*).

I – GENERAL AIMS AND PRINCIPLES

1 – Subjects of the Code and operating principles

1. *Subjects of the Code*

The subjects of the Code are all those people who, in one way or another, and with different levels of responsibility, either directly or indirectly, work to achieve Hera's goals.

2. *Company ethical values*

Hera summarises its ethical values as follows:

- integrity;
- transparency;
- personal responsibility;
- coherence.

3. *Company working principles*

In line with its Charter of Values, Hera summarises its working principles as follows:

- creation of value and social and environmental responsibility;
- service quality and excellence;
- efficiency;
- innovation and ongoing improvement;
- engagement and optimisation of personnel;
- empowerment to choose.

4. *Definition of ethical behaviour*

Ethical behaviour is defined as the manner in which the organisation's staff work in conformance with its value system.

2 – General aims

5. *Respect for the Code of Ethics*

Administrators, employees and associates of Hera base their relations on mutual trust. To this end they are inspired in their daily behaviour by respect for the regulations contained in this Code. Any conduct that does not comply with the Code of Ethics constitutes a violation of the agreement of trust and must therefore be reported.

6. *Responsibility and decision-making power*

Hera interprets the company as a place of responsibility. The responsibility of a person is all the more important the greater the authority at his/her disposal and the more discretion he/she can exercise in his/her choices.

Consequently, the implementation of this Code requires the commitment of everybody and in particular those in positions of greater decision-making power, to whose behaviour a greater value of example is ascribed.

7. Accountability

Hera takes upon itself the task of accounting for its objectives, activities and results to stakeholders, using instruments deemed useful for divulging the economic, social and environmental impact of company activities.

8. Commitment to dialogue

Hera establishes a dialogue with its stakeholders and their representatives in their mutual interests. Everyone is required to acknowledge the request for dialogue.

9. Confidentiality of information

All information on business activities not yet made public knowledge which administrators, employees and associates of Hera have at their disposal, in accordance with their respective roles, is confidential and the exclusive interest of the company.

10. Potential conflicts of interest

Administrators, employees and associates must avoid situations that can represent a conflict of interests between them and the company.

11. Protection of physical and moral integrity

Hera protects the physical and moral integrity of its employees and associates, ensuring safe and healthy working environments that respect the dignity of the individual. Hera works to ensure that its suppliers show the same level of respect to their employees and associates and, to this end, carries out specific checks.

12. The value of education and training

Hera recognises the importance of training as an indispensable factor in the growth of company value and the expertise of its employees.

13. The importance of communication

Hera recognises the value of communication as an indispensable factor for sharing and exchanging skills and increasing the sense of belonging to the company.

14. The importance of collaboration

Hera recognises the fundamental value of collaboration between workers and organizations, which is based on constant attention to meeting the needs of internal customers and reaching the Group's common interests.

15. Confidentiality of private data and respect for the private sphere

Hera ensures confidentiality of personal data in its possession. Administrators, employees and associates are all committed to using such data solely for ends connected to the carrying out of their respective duties and in full observance of security measures currently in force.

Hera guarantees respect for the private lives of persons.

16. The environment

Hera runs its business in full respect of the environment. To this end, it is committed to using the most appropriate technology, to preventing risks to the environment and to reducing direct and indirect environmental impact.

17. Mutual acceptance of the Code

Hera requires that all those who in one way or another collaborate in company activity adjust their behaviour so that it complies with the present Code.

II – CUSTOMER RELATIONS

18. Definition of the customer

The customer is anyone who uses the products or services of the company in any way whatsoever.

19. Impartiality between customers

In providing its services, Hera guarantees equity of treatment between actual and potential customers.

Hera aims to achieve the highest possible level of service in all areas of its competence, in a manner which is compatible with the different characteristics of the local areas and in compliance with the rules issued by the regulatory bodies.

20. Consideration for customer needs

Hera bases its relations with customers on cooperation, respect, courtesy and participation and makes every effort to keep them satisfied.

In recognising the value of listening and dialogue, Hera adopts tools and opens channels with a view to ensuring prompt and high-quality information and communication.

21. Information for and communication with customers

Hera is committed to informing its clients in a complete and timely way of the characteristics, functions costs and risks of the services offered. In particular, communiqués, contracts and documents and all other information released by the Group must be:

- clear and simple, formulated using the most direct and commonly used language possible;
- complete and true, in such a way as not to leave out any element relevant to the decision of the customer (existing or potential);
- compliant with the privacy legislation.

Hera aims to simplify procedures, committing itself to limiting demands on customers while supplying them with all clarifications requested.

22. Quality and guarantee of service provided

Hera guarantees adequate quality and safety standards for its customers. Our Charter of services constitutes a declaration of formal commitment on the part of the Group vis-à-vis its customers and it represents a supplementary element to supply contracts.

Moreover, with the aim of guaranteeing maximum levels of quality and safety for gas and electric energy suppliers, Hera takes as its terms of reference the standards defined by the Italian Authority for Electricity and Gas (AEEG), committing itself to their continuous improvement to the benefit of its customers.

23. Management and communication of the quality of service provided

Hera is committed to divulging the qualitative and quantitative indicators of its Charter of services and, consequently, to listing the results achieved. These indicators constitute the informative basis that customers can use to evaluate the quality of the service provided.

To this end, Hera will:

- adopt quality management systems and define specific goals and service improvement programmes;
- supply institutions with all the information necessary for understanding the possible risks for the safety of the community affected by company activity and the quality of the service provided;

- promote in-house awareness and training activities geared towards the quality of service;
- inform customers of the procedure to be followed to make claims and receive answers to these claims.

24. Quality as perceived by the customer

Hera is committed to adopting instruments for monitoring and assessing customer satisfaction and will annually publish data and information on perceived quality, which will then constitute the basis for improvement measures.

25. Fairness in contracts and trade relations

Aware of the differences between the markets in which it operates, Hera guarantees the fairness of contracts and trade relations.

Hera makes its own the dispositions contained in the commercial Code of Conduct for the sale of natural gas and electric energy issued by the Italian Authority for Electricity and Gas and provides its staff with adequate training.

Hera voluntarily adopts the self-regulation protocol laid down by the Italian Authority for Electricity and Gas (AEEG) for combating the phenomenon of unrequested electricity and gas supply activations and contracts.

Hera works to ensure that agents tailor their conduct and that of the subjects they employ to the same rules of fairness that Hera adopts in relation to its clients.

26. Confidentiality in the handling of data

Hera guarantees that the private data of customers is handled in full respect of regulations currently in force and under the inspiration of the present Code. It further guarantees that the data and information are recorded and processed in a complete and timely way and in due respect for privacy.

27. Prevention of conflict

Hera favours dialogue and collaboration with customers and privileges friendly settlements of disputes, promoting conciliatory procedures to prevent judicial controversy between the company and the customer.

III – RELATIONS WITH EMPLOYEES AND ASSOCIATES

28. Definition of employees and associates

For the purposes of the present Code, an employee and/or associate is a person that, independent of the juridical character of their relation with the company, has engaged with Hera in a direct relationship finalised towards the achievement of company aims.

29. Protection of the person and equal opportunities

Hera avoids all forms of discrimination, whether these be related to physical condition, disability, opinions, nationality, religion, sex, sexual orientation and gender identity or any other condition that could give rise to discrimination.

Personnel are asked for information which solely concerns professional and working requirements and which is in full respect of their private lives.

Hera develops practices of conciliation between life and working time and guarantees equal opportunities.

30. Optimising human resources

Hera guarantees a working environment in which each person can collaborate by expressing his/her full professionalism and in which responsibility is shown and the shared rules are respected by everyone.

In its industrial relations, the company values skills, potential and commitment and applies clear, uniform and objective criteria for staff assessment.

Hera also appreciates all forms of diversity.

31. Education and training

Hera develops and puts into practice a plan for the annual training of its employees and associates, combining the need for company growth with the formational needs expressed by workers and placing at the disposal of the latter the instruments required for their professional development and training.

32. Time management

All people in positions of responsibility must assess the working times of associates and demand that they carry out only those tasks for which they were employed and which must be in line with company requirements.

Likewise, all employees must pursue the goal of maximum organisational efficiency in the use of their time.

33. Abuse of power

Management will not ask personal favours of associates nor demand that they behave in a way not stipulated in the work contracts or in the regulations of the present Code.

34. Involvement of employees and associates

Starting from its top management, Hera promotes a working environment based on information to and involvement of staff. In particular it:

- clearly defines company roles;
- invites the contribution of all professional figures for the solution of problems, with particular reference to those who are in contact with customers;
- organises occasional meetings for the sharing of company objectives;
- develops appropriate instruments for company communications;
- periodically investigates the company atmosphere and makes every effort to constantly

improve it;

- employs specific management systems.

35. Health and safety

Hera is committed to diffusing and consolidating a culture of safety among its employees, to developing awareness of risks and to promoting responsible behaviour.

To this end it commits itself to:

- adopting management systems for health and safety in the workplace;
- defining specific goals and improvement programmes which reduce professional accidents and illnesses to a minimum;
- observing health and safety measures in the workplace during the carrying out of its own activities.

The company safeguards both employees and associates from sexual molestation, acts of psychological violence and from any behaviour which is discriminatory or damaging to the person.

36. Diligence and efficiency in the use of company resources

Each employee of Hera is required to operate with the necessary diligence and efficiency to protect and make the most of company resources, ensuring that they are used consistently with the company's interests.

Likewise it is the responsibility of employees and associates not only to protect such assets, but also to impede fraudulent or improper use to their own advantage, to the advantage of third parties or to the advantage of firms within the Group.

37. Conflicts of interest

All employees and associates must avoid situations in which conflicts of interest may arise. Likewise, they must abstain from personally benefiting from their position, from information and from the discretionary power connected with their role.

All employees and associates are obliged to inform their direct superiors of potential situations of conflict of interest in which they can be involved.

38. Protecting company image and reputation

Hera's image and reputation are essential resources that employees and associates must protect through their conduct in all situations, taking account of the evolution of the social context, technology and the new tools available.

39. Different sensibilities and respect for company decisions

Irrespective of the freedom of opinion of each employee or associate and the decisions made by the company, the conduct of each person must succeed in safeguarding Hera's reputation.

40. Relations between colleagues and due regard for the employee's private life

Every employee and associate is obliged to adopt an attitude of respect, protection of dignity, collaboration and solidarity towards all his/her colleagues.

Hera respects the private sphere of its employees and associates and identifies methods for giving due regard to their needs in situations of difficulty which might prevent them from carrying out their normal duties.

IV – RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL MARKETS

41. Definition of shareholders and the financial market

A Hera shareholder is anyone who owns shares in the company. Included in this category, therefore, are public shareholders as well as institutional and private investors.

By financial market is meant the ensemble of institutions and persons involved in the exchange of financial instruments.

A financier is anyone that possesses debt instruments issued by Hera, including loans, leases, bonds etc.

42. The creation of value

Hera is involved in the creation of medium-long term value for its shareholders, with a policy of effective control of business risks, socially responsible management of the business environments in which it operates and continuous commitment to management efficiency, to the safe use of capital and to the safeguarding of the company's patrimony.

Hera is aware of the importance of establishing a trusting relationship with shareholders, financiers and analysts through conduct based on transparency and ongoing, timely and clear communication.

43. Protection of shareholders

Hera adopts a system of government and management aimed at ensuring the protection of capital and profit for all shareholders, in line with the law, the contents of the Code of Self-Discipline promoted by the Italian stock market and international best practices.

44. Price-sensitive information

Hera adopts an internal control and management system aimed at ensuring the truthfulness and accuracy of company communications in order to prevent corporate crimes that damage the interests of shareholders and financiers.

The transmission of information is fully in line with the criteria laid down in the deliberations of Consob concerning price sensitive data and in respect of internal procedures relating to the same matter.

Hera guarantees appropriate information for institutional investors, minor shareholders, financial analysts and financiers so that their decisions are taken on the basis of a comprehensive understanding of the company's strategies and management results.

45. Participation of shareholders

Hera is committed to developing a constant relationship with all categories of investor, both through its web site and by promoting face-to-face meetings over and above those provided for by the law.

Moreover, with the aim of achieving correct communication towards the market and guaranteeing dialogue with shareholders, Hera has developed the figure of the Investor Relations Manager whose task it is to coordinate and handle all communications relating to strategy and bottom line results. The Chairman of the Board of Directors oversees the correctness of this information.

46. Protection of minorities, equality of shareholders

Hera guarantees parity of information and treatment for all shareholders and protects its own interests and those of shareholders in general.

47. Misuse of privileged information

The administrators, employees and associates of Hera who, in the carrying out of their duties, have access to price-sensitive information not available to the public, will not take advantage of such information and not disseminate it either inside or outside the Group.

Hera also adopts all procedures established by the law in the area of internal dealing to guarantee the maximum transparency of the operations carried out on its financial instruments by natural persons and juridical persons with powers of strategic relevance within the Group.

48. The ethical value of a Hera share

Hera furnishes investors, analysts and financiers with the necessary information for verifying the consistency between its practices and the principles contained in its mission statement.

V – RELATIONS WITH SUPPLIERS

49. Definition of the supplier

Suppliers are persons and businesses which, in various different ways, supply the goods, services, labour and resources necessary for the carrying out of Hera activities and the supply of service and who in this way participate in the achievement of Hera's objectives.

They are all requested to adopt the goals and principles of this code.

50. Relations with suppliers

The conduct of Hera in the phases of supply of goods, services or labour is focused on the search for quality and cost containment and the recognition of equal opportunities for each supplier.

Hera is committed to developing relations of cooperation with suppliers founded on communication aimed at the mutual exchange of skills and information to favour the creation of common value.

Situations of subordination, either for the group or the supplier, are to be avoided.

51. Protection of supplier health and safety

Hera is committed to carrying out monitoring activities, in the forms and ways expressed in its contracts, to safeguard the health and safety of the employees of its supplier companies. Hera checks that the requisites of these companies conform over time with those required by company procedures and qualification systems.

52. Supplier selection and qualification criteria

The supplier selection and qualification criteria are based on the principles of fairness and equity. Selection issues from an evaluation of the quality and cost of the service, technical-professional suitability, respect for the environment and social responsibility, as per the rules dictated by the relevant regulations, procedures and certifications.

Written acceptance of this Code on the part of the supplier represents one selection criterion and becomes an integral part of the contractual relationship.

53. Supplier evaluation

Supplier evaluation is based on the criteria outlined in the previous article. Hera adopts specific procedures to assess:

- their conduct;
- their expertise;
- their efforts to adapt and improve their performances.

54. Calls for tender

Hera's commitment is to reconcile the search for the most advantageous offer with due consideration for the supplier's expected earnings and cost limitation plans.

Hera allows anyone in possession of the minimum requirements to participate in tenders, and handles them with adequate conditions of competitiveness, transparency and cost.

55. Correctness in the handling and formulation of contracts

Handling of contracts with suppliers is founded on correctness and the rejection of each and every form of abuse. This means that Hera will:

- during the contract stipulation phase, inform the supplier in an exhaustive manner of the characteristics and risks of production, of methods and times for payment, and of other features of the relationship deemed to be of major importance for the supplier;

- use complete, clear and comprehensible information, avoiding clauses that may give rise to more than one interpretation;
- avoid exploiting its own position in cases in which contracts have to be renegotiated, especially with small suppliers.

56. Gifts and perks

Hera avoids the giving and receipt of gifts, which may only be interpreted as going beyond normal practices of commercial courtesy or which may be aimed at securing favourable treatment for itself or the Group companies.

Those who receive gifts or other benefits of more than modest value as part of ordinary commercial courtesy practices must inform their Director, who will return the gifts or donate them to charity in accordance with the specific company provisions in this area.

VI – RELATIONS WITH THE LOCAL AREA, THE COMMUNITIES AND THE INSTITUTIONS

57. Definition of the local area, the community and the institutions

The term ‘local area’ is intended to mean a given physical area with its natural and historical features, its human community, its institutions and other forms of social organisation.

The term ‘institution’ is normally intended to mean a public institution.

58. Relations with the environment

Hera runs its activities in pursuit of protection of the environment with the continuous improvement of its actions relating to environmental impact. To this end it commits itself to:

- adopting certified environmental management systems, and operating for the prevention of environmental risk;
- defining specific environmental objectives and improvement programmes aimed at minimising environmental impact;
- distributing in the local area a culture of respect for the environment including through focused initiatives and specific customer services;
- supplying institutions with all information necessary for understanding the possible environmental risks connected with company activity;
- promoting consciousness reawakening activities and in-house environmental education as well as the diffusion of environmentally friendly technology;
- recording the environmental impact of its activities through the identification of key performance indicators.

59. Relations with the institutions

Hera develops constant relations of collaboration and communication with local political institutions. These concern exclusively:

- the regulatory and administrative activity of the Group;
- safeguarding of the environment;
- risk prevention.

The administrators, employees and associates of the Group act with integrity vis-à-vis the institutions. The Group adopts a specific organisational model for the prevention of crimes against the public administration.

60. Relations with the regulatory bodies

Hera is committed to supplying the national and local authorities deputised for the control and regulation of services with all information requested, in a complete, correct, adequate and timely manner.

61. Relations with the community

Hera is committed to giving due regard to the life of the communities in which it operates and listening to their suggestions. To this end, it sets up consultation, information, listening and participatory initiatives. This is especially true as regards those communities which are located in the vicinity of its present and future plants.

62. Support for social and cultural initiatives

In supporting social and cultural initiatives and in its sponsoring activities, Hera follows a precise procedure, only taking into consideration initiatives that are in line with its own strategic goals, with the principles of social and environmental responsibility and with the aims laid down by the Board of Directors.

Hera makes no contributions of any kind to political parties or election candidates and abstains from all forms of undue pressure on public representatives aimed at procuring advantages for the company.

63. Donations to charities

When making charity donations or conceding liberalities, Hera bases its action on the principles defined by an appropriate procedure, thus privileging initiatives which offer an assurance of quality, which stand out for the ethical message transmitted and which, in keeping with Hera's mission, contribute to social development.

VII – IMPLEMENTATION OF THE CODE

64. Ethics Committee for the diffusion and implementation of the Code

All tasks of dissemination and implementation of the present Code are reserved for the Board of Directors, which appoints a Committee of three members including at least one director of whom and two experts in social responsibility as defined by Italian Legislative Decree 231/01. At least one member is external to the company.

The Committee remains in office for three years and its members can be re-elected.

During its first sitting, the Committee elects a Chairperson from among its members.

65. Committee power limits

It is not the task of the Committee to provide interpretations of laws or contractual clauses.

66. Office procedure

Whenever Committee members suspect or acquire a direct or indirect knowledge of violations of the Code, they are obliged to communicate them to the Chairperson of the Committee, who, in turn, is obliged to subject the issue to the Committee's attention at its next meeting.

The Committee will either start a procedure or dismiss the report.

67. Procedures following communication by third parties

Violations of the Code can be brought to the attention of the Committee in its entirety or to any of its individual members. They can be presented verbally or in writing. If presented verbally the report will be formalised in writing during the subsequent sitting of the Committee.

In cases where the Committee decides not to proceed, it must communicate this to the person who has made the complaint using the same methods which were adopted for the drafting of the complaint itself.

68. Preliminary investigation

In cases where the Committee decides to take action, it must be written in the appropriate protocol and marked with a name or a number.

The documents and minutes relating to the proceeding will be kept at Group headquarters under the care of the Chairperson of the Committee.

69. Time

The person presenting the complaint has the right to be informed within 30 days from the moment of the complaint of the Committee's decision to either proceed with or drop the complaint.

Should a decision to take action be made, the Committee has 60 days in which to deliberate on the matter.

70. Investigations and evidence

The Committee has the duty to carry out investigations and call witnesses who will permit the issuing of a reasoned judgement.

The Chairperson and the members of the Committee who have either jointly or separately been delegated by the Chairperson have the right to gather information and to call witnesses in a direct and confidential manner.

Investigations and evidence can be used to explain the final decision taken.

The witnesses must be informed of the fact that their evidence may not be treated as confidential.

71. Convocation of the Committee

The Committee is convoked by the Chairperson whenever he/she deems it necessary. Any member of the Committee can ask the Chairperson to call a meeting, specifying the reasons.

72. The Committee secretary

The Committee can nominate a Secretary to take minutes of the meetings. The Chairperson can give the Secretary the task of conserving acts, documents and minutes. The Chairperson and Secretary can avail of an internal technical support for the carrying out of Committee duties.

73. Submission of acts and minutes

All documentation relating to Committee activity will be conserved in special areas placed at the disposal of the Committee by Hera and which guarantee security and privacy.

74. Voting

All deliberations of the Committee shall be voted upon and decisions taken on the basis of a simple majority.

75. Relations between the Committee and the Board of Directors

The acts of the Committee shall be communicated periodically to the Board of Directors and at the annual meeting a special sitting of the Board will make an overall assessment of the ethical condition of the Group and define the relevant lines of action.

Each year the Committee will present to the Board a plan of information and training relating to the contents of the Code and aimed at those subject to it.

76. Relations between the Committee and company departments

In cases where the Committee identifies matters which fall under the competency of laws, contracts or regulations, it will defer the issue to the jurisdiction of the competent body.

Whenever the Committee identifies a relationship involving regulations, contracts or rules that fall under the competence of a specific area of management, it may contact the person in charge and inform him/her of the situation.

77. Committee findings

At the end of an investigation deriving from a report of Code violation, the Committee alone can issue a judgement concerning the violation or non-violation of the Code.

The judgement may regard single employees or organisational sections of the Group.

78. Violation judgement

In cases where, at the end of its investigations, the Committee notes a violation of the present Code and identifies the person or person responsible, it can issue an oral or written censure.

The Committee may decide both the form of the censure and the level of publicity that it deserves.

79. Communication to interested parties

The Committee must communicate to the presenters of the complaint the result of the judgement accompanied by an explanation for the decision.

The Committee is not obliged to make public the acts of the investigation.

80. Consultancy relating to interpretation of the Code and ethical education

Opinions concerning the methodology required for respecting the Code can be asked of a single

member of the Committee.

Hera is committed to taking periodical initiatives for the education and training of employees and associates, in particular at the moment of their admission or employment, as well as initiatives aimed at informing and sensitising opinion in relation to these matters.

81. Procedures for Committee functioning

The procedures for functioning of the Committee are defined by the Committee itself and submitted for approval to the Board of Directors. Functioning of the Committee must envisage specific procedures concerning matters covered by Italian legislative decree 231 and by the relevant organisational model and regulations. In particular, relations with the Overseeing Body stipulated by Italian legislative decree 231/01 will be ensured directly by the Chairperson of the Committee.

If at any time the Committee notes the need for modifications or updates to the Code, these will first be decided upon by the Committee and then submitted to the Board of Directors for approval.

82. Validity of the Code

This Code is valid for three years after which it will be checked and, if necessary, revised by the Ethics Committee.

The Board of Directors of Hera S.p.A. appointed an Ethics Committee to ensure the distribution and implementation of the Code. The Ethics Committee is also responsible for distributing the regulations and methods of operation of the Committee itself.

All reports and enquiries should be addressed to:

Ethics Committee
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Viale C. Berti Pichat 2/4
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comitatoetico@gruppohera.it