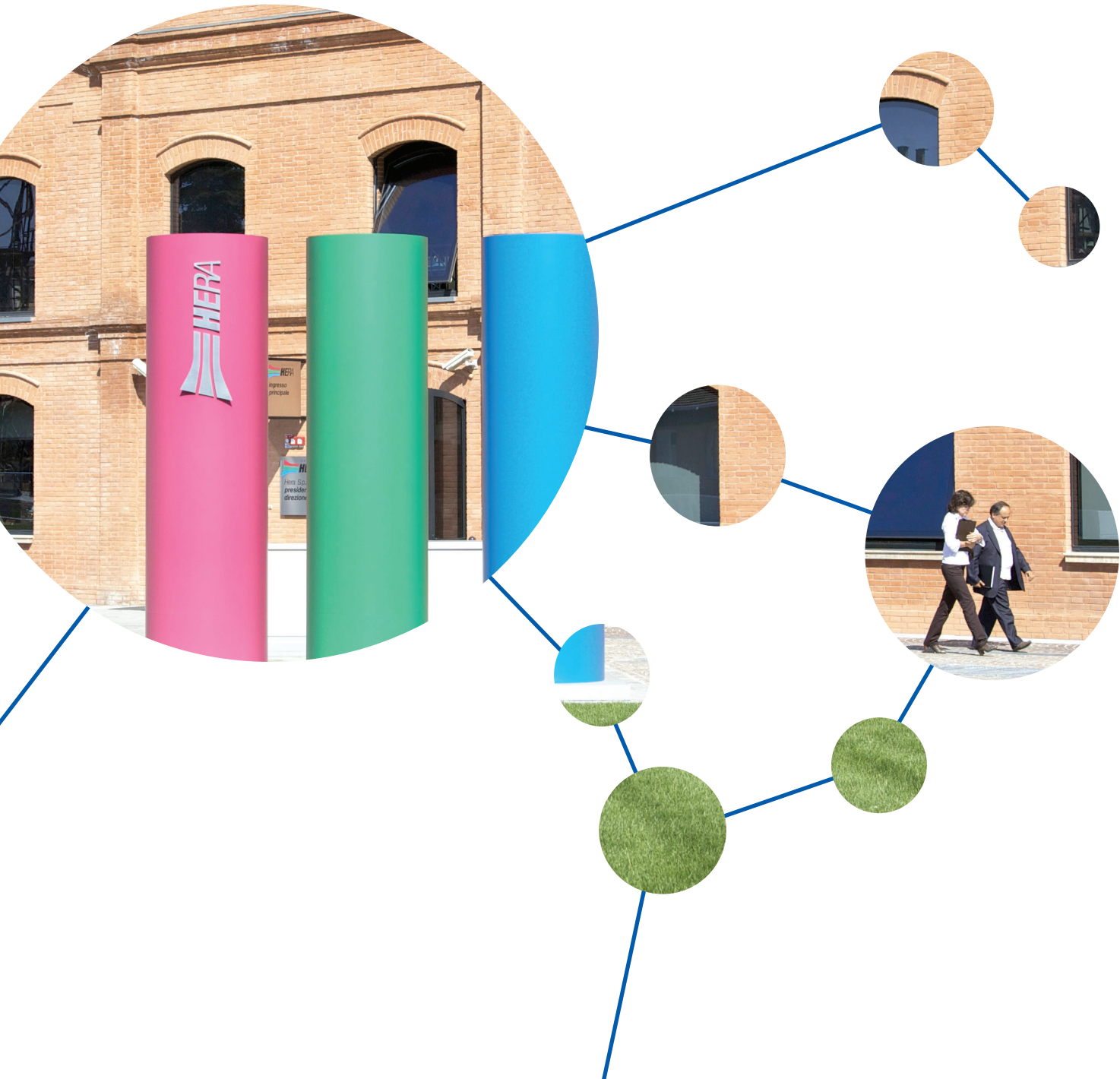


# REMUNERATION REPORT



## REPORT ON REMUNERATION

### Introduction

### Results of the meeting vote regarding the remuneration report

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## INTRODUCTION

This document was drafted in compliance with the regulations of Article 6 of the Code of Self Discipline for listed companies issued by Borsa Italiana Spa, as well as with Article 123-ter of Legislative Decree (Testo Unico della Finanza, TUF), which requires listed companies to make available to the public a Remuneration Report prepared on the basis of the regulations laid out in article 84-quater and Annex 3A, Schedule 7-bis of the Regulation implementing the TUF adopted by Consob through resolution no. 11971 of 14 May 1999 (the "Issuer's Regulation").

This report also provides evidence of the investments held by the members of the Board of Directors, the members of the Board of Statutory Auditors, the General Manager of Operations or spouses not legally separated and the minor children of such persons.

This report, approved by the Board of Directors on the recommendation of the Remuneration Committee as of 21 March 2017, establishes and illustrates the following:

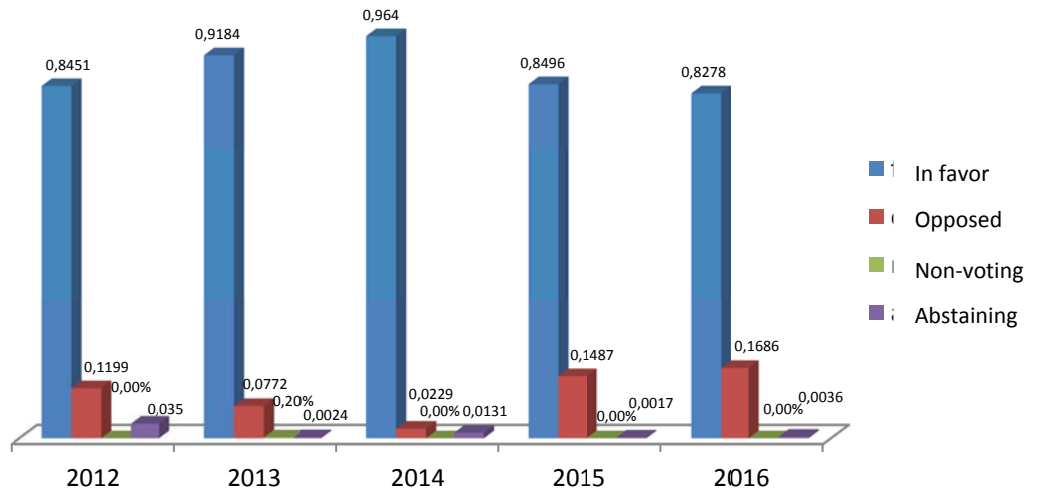
- in Section I, the policy adopted by Hera for the remuneration of top management, the directors and General Manager of Operations, setting out the general objectives pursued, the bodies involved and the procedures adopted for defining and implementing its policy;
- In Section II, the compensation paid out to members of administrative and control bodies and to the General Manager of Operations in the 2016 financial year.

To facilitate the understanding and reading of this report, we provide a brief glossary of some of the most common terms here below:

<b>Bsc (Balanced scorecard)</b>	indicates the incentive system adopted by the Group, based on the achievement of predefined individual and corporate objectives, and is associated to the short-term variable component of remuneration.
<b>Group</b>	indicates all the companies included in the scope of consolidation of Hera Spa.
<b>Plan for deferred remuneration incentives aimed at management retention</b>	indicates the incentive system adopted by the Group, based on the achievement of predefined objectives by a selected number of managers, and is associated to the short-term variable component of deferred remuneration.
<b>GYS (Gross yearly salary)</b>	Indicates the gross annual fixed component of remuneration for individuals in an employee relationship with one of the Group companies.
<b>DYS (Direct yearly salary)</b>	GYS+ accrued annual installment from the deferred variable component earned by individuals in an employee relationship with one of the Group companies.
<b>OYS (Overall yearly salary)</b>	GYS+ accrued annual installment earned by individuals in an employee relationship with one of the Group companies.
<b>OYS target</b>	GYS+ maximum variable annual component that individuals in an employee relationship with one of the Group companies may theoretically earn.
<b>Company top management</b>	indicates the Group most important figures: the Executive Director and the CEO.

## RESULTS OF THE MEETING VOTE REGARDING THE REMUNERATION REPORT

The shareholders meeting held on 28 April 2016 approved the first section of the remuneration report, pursuant to art.123-ter, paragraph 6, Tuf, with a percentage of voters in favor totaling 82.78% of the shares with voting rights.



**SECTION I****1 Introduction**

The first section of this report outlines the principles and basic characteristics of the remuneration policy as applied to the top figures of the Hera Group, including the General Director of Operations. The fundamental principle which underpins the Group's culture and directs its choices is its commitment to combining economic and social value with the ultimate goal of satisfying the legitimate expectations of all stakeholders. Hera seeks to be a business that withstands the test of time and to improve society and the environment for future generations to come.

The sense of responsibility that is the hallmark of its corporate culture and mission translates into an approach to remuneration that is similarly responsible. The remuneration policy was conceived as a factor that contributes to improving corporate performance and creating value in the medium to long term.

With a view to responsible reward and in keeping with the recommendations contained in Article 6 of the Borsa Italian SpA Code of Conduct, the Board of Directors, with the support of the Remuneration Committee, has therefore defined the remuneration policy for 2016.

Pursuant to paragraph 6 of art. 123-ter of the TUF, the meeting is called on to decide on this Section I of the Remuneration Report.

**2 Scope of application**

In compliance with the provisions of Annex 3A for the implementation of the TUF adopted by Consob through Resolution no. 11971 of 14 May 1999 (Issuers' Regulation), the remuneration policy described in this document applies to the members of the administrative bodies and to the General Manager of Operations.

The table below lists the members, currently in office, of the Board of Directors and the Board of Statutory Auditors of Hera Spa, appointed at the Shareholders' Meeting of 23 April 2014, as well as the General Manager of Operations.

BOARD OF DIRECTORS	
Name	Role
Tomaso Tommasi di Vignano	Executive Chairman
Stefano Venier	CEO
Giovanni Basile	Vice President (independent)
Mara Bernardini	Director (independent)
Forte Clò	Director (independent)
Giorgia Gagliardi	Director (independent)
Massimo Giusti	Director (independent)
Riccardo Illy	Director (independent)
Stefano Manara	Director (independent)
Danilo Manfredi	Director (independent)
Luca Mandrioli	Director (independent)
Tiziana Primori	Director (independent)
Cesare Pillon	Director – independent(as perTUF since 20 April 2016)
Bruno Tani	Director (independent)
BOARD OF STATUTORY AUDITORS	
Name	Role
Sergio Santi	Chairman
Antonio Gaiani	Standing auditor
Marianna Girolomini	Standing auditor
Valeria Bortolotti	Alternate auditor
Violetta Frasnedi	Alternate auditor
MANAGEMENT WITH STRATEGIC RESPONSABILITIES	
Name	Role
Roberto Barilli	Operations General Department Hera Spa

### 3 Governance Model

#### 3.01 Remuneration policy definition and approval process

Here below is a summary of the bodies and individuals involved in the preparation and approval of the report on Hera Spa remuneration policy, and the bodies or individuals responsible for the proper implementation of this policy:

Entity or person responsible	Responsibility/ Activity
Shareholders' meeting	non-binding approval of the First Section of the Report on Remuneration
Board of Directors	Following the recommendation of the Remuneration Committee, defines, examines and approves a remuneration policy for directors and management with strategic responsibilities to be presented to the Shareholders' meeting for approval
Remuneration Committee	formulates proposals to present to the Board of Directors for compensating the Executive Chairman, Vice President, CEO and General Manager and for adopting general remuneration criteria for managers.
Executive Chairman	proposes policies for Group managers to the Remuneration Committee
Board of Statutory Auditors	Expresses opinions regarding the proper application of current regulations governing remuneration
Human Resources General Manager	Supports the Remuneration Committee, specifically with technical aspects. Oversees the proper implementation of compensation policy

#### 3.02 Role, composition and responsibilities of the Remuneration Committee

The Remuneration Committee has the task of formulating proposals to the Board of Directors for the remuneration of the Chairman, Vice Chairman, CEO and the General Manager, as well as based on the suggestions put forward by the Executive Director, for the adoption of general remuneration criteria for managers.

The Committee also regularly evaluates the adequateness, overall consistency and concrete application of the general policy adopted for the remuneration of Executive Directors and the General Manager of Operations.

In carrying out its duties, the Remuneration Committee can access the necessary information and company functions for performing its tasks.

This Committee, initially set up at the meeting of the Board of Directors on 4 November 2002 and most recently renewed, in its latest format, on 28 April 2014, comprises the following non-executive directors: Giovanni Basile (independent) acting as Chairman, Mara Bernardini (independent), Luca Mandrioli (independent) and Cesare Pillon (independent since april 2016, pursuant to art. 148 paragraph 3 of Tuf). Note that the Chairman Giovanni Basile as well as the members Luca Mandorlini have experience in accounting and finance, deemed suitable by the Board of Directors at the time of their appointment. The executive director and the Group CEO may attend the Committee meetings upon express invitation of the Chairman of the Committee.

The Remuneration Committee met 2 times during 2016, and both meetings were attended by all members of the committee. The meetings of the Remuneration Committee lasted, on average, of one hour and thirty minutes.

### 3.02.01 Cycle of activities of the Remuneration Committee

The Committee's activities are carried out in keeping with an annual program involving the following phases:



### 3.02.02 Accomplished and programmed activities

During the meetings held in the 2016 financial year, all regularly recorded in the minutes, the following subjects were discussed:

- \* Balanced Scorecard system 2016 for the Group Directors, Executives and Managers.
- management retention and associated application modes;
- Variations in the 2015 final balance, corporate objectives component.
- Accounting for 2015 variable remuneration for company heads
- Salary guidelines for 2016.

## 4 Hera group remuneration policy

### 4.01 Aims and Fundamental Principles

The Company defines and applies a General Policy on Remuneration designed to attract, motivate and retain resources which possess the professional qualities needed to effectively pursue the Group's objectives.

The Policy is defined in such a way as to align the interests of management with those of shareholders, with the main goal being the creation of sustainable value in the medium to long-term, through the consolidation of the link between reward and performance, both of individuals and the Group.

Within this context of responsible rewards, the guiding principles adopted for defining the remuneration policy for the top management are:

- constant reference to the external market, for the reference sector as well, in order to check the consistency of the company's remuneration scheme, with the dual purpose of retaining directors and keeping costs down;
- focus on internal consistency between the level of remuneration offered and the complexity of the role performed;
- the use and constant updating of the methodology for evaluating offices, with the objective of guaranteeing standardized remuneration comparisons and analyses that are consistent with the development of the Group's organizational framework over time.



#### **4.02 Correlation between remuneration, risk profile and company performance**

The Hera Group has defined an integrated risk management and internal control system in relation to the financial information process pursuant to the provisions of Article 123-bis, paragraph 2, letter b) of the TUF.

This system is aimed at identifying, evaluating, managing and monitoring the main risks that could compromise the achievement of the objectives of dependability, accuracy, reliability and timeliness of financial information. The Hera System takes its inspiration from the internationally recognised CoSO Framework reference model, for the analysis, implementation and evaluation of the risk management and internal control system.

In relation to the industry to which it belongs, the risk profile of the Hera Group occupies an intermediate position, between operators that concentrate more on regulated activities and operators involved in riskier free-market activities. Overall, the risk profile is very conservative.

The remuneration currently offered is directed at preventing management from behaving in a way that would expose the company to excessive risks or the non-sustainability of the Group's results in the medium to long-term.

In order to underline congruence with the risk profile, the current remuneration policy involves a annual incentive plan (variable remuneration) based on a balanced scorecard system, with the objective of balancing the various perspectives of company stakeholders (reference shareholders, the market, institutional investors, customers, employees, the territory, etc.) with regard to the creation of value, sustainable performance and development as well as dividend policy;

In relation to the significant growth of the Group in terms of business results, corporate and territorial size and the investment made over the years to ensure the presence of valuable resources in key roles for the development and sustainability of the company's strategy, we have outlined a deferred monetary incentive plan for retaining management and this represents the most suitable retention tool in accordance with the distinctive features of the Group.

The performance targets, based on which the variable remuneration components are assigned, are put to the Board of Directors by the Remuneration Committee. In the proposal, the Committee differentiates between economic/financial indicators and sustainability indicators and provides details concerning the correlation between variation in results and variation in remuneration.

#### **4.03 The Group leadership model**

With a view to responsible rewarding, with the aim to further strengthen the connection between compensation, performance and management behavior, the Group leadership model has been used for years as a reference for remuneration policies.

The model was developed after an initial phase of market benchmarks and careful internal listening phase beginning from the interpretation of the strategic challenges by the top and executive management and involving employees through dedicated focus groups to identify key skills.

The model thus mainly integrates the perspective vision to achieve future goals and prepare for the new competitive environment; the focus is therefore on behaviors striving for excellence, focusing on which skills should be developed in the future.

The leadership model comprises four key elements: complexity management (decision-making and flexibility), pursue of excellence (striving for excellence and identification with the company), focus on service (customer focus, and focus on services), exemplary leadership (development of employees, change leadership, leadership team).

The essence of the model lies in the ability to handle balances dynamically, generating added value and balancing the different needs:

- balancing profitability requirements with the highest quality of service;
- balancing specialization requirements in each business area with the common objective;



- balancing a need for continuity and compliance with the need for innovation and proactivity;
- balancing the need to collaborate as a group with the importance of internal differentiation.

The assessments of behaviors in keeping with the leadership model is an integral part of the remuneration policy of the Group's managers and is also a part of short-term individual goals included in the BSC.

By virtue of the reading of the current competitive environment and the new challenges the Group will be called on to face, in 2016 a revision and update process was initiated focusing on the leadership model and the expertise it involves.

### 5 Balancing remuneration elements and components

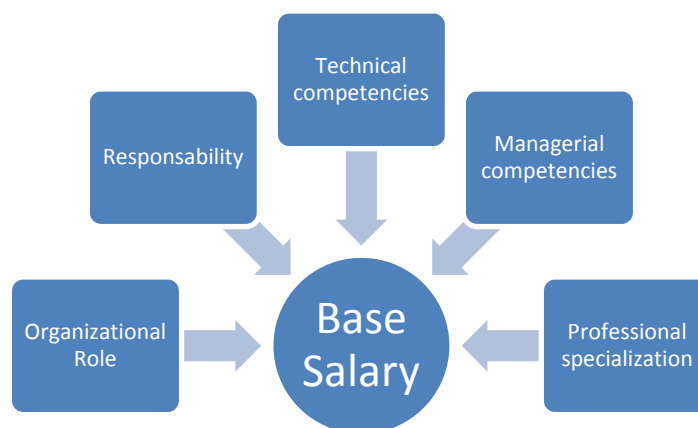
The structure of the remuneration package envisaged for the various offices is defined with a view to balancing the fixed and variable components, taking the specific risk profile of the company into account.

The fundamental components of remuneration for Hera Group Directors are:

- Fixed remuneration
- short-term variable remuneration
- Deferred variable remuneration for management retention
- non-monetary benefits

#### 5.01 Fixed remuneration

The fixed component of remuneration is usually determined by the professional specialization and the organizational role along with related responsibilities. It is therefore a reflection of technical, professional and managerial skills.



For every manager, the benchmark salary level is determined on the basis of the importance of the organizational position held, and is benchmarked with the selected external markets. These markets are taken from the salary surveys the Group participates in and are entrusted to specialized companies in the sector. On the whole, the remuneration level selected as benchmark is located in the medium band for the market (first quartile/median). These market benchmarks, combined with performance evaluation, form the basis of individual remuneration reviews.

#### 5.02 Short-term variable remuneration - The BSC system

##### Recipients

The scope of the BSC system extends to include all Hera S.p.A. and Group subsidiary company Directors and Executives. The scope includes 53 Directors and 102 Executives. A similar evaluation form is planned for the Executive Director and the CEO.

#### **Incentive and objective definition process**

The short-term incentive system includes an individual BSC for each of the recipients. Each BSC includes a series of objectives belonging to three evaluation areas:

- objective-oriented projects, defined according to the Group's Strategic Map;
- economic objectives of the individual Budget Units, evaluated through economic-financial type indicators;
- discretionary evaluation, based on the extent of the adoption of the types of behavior set out in the leadership model adopted by the Group.

Each area is divided into a series of pre-set objectives, each with a specific performance indicator. The relative weight of each area under the scope of the individual BSC is different for Directors and Executives, and corresponds to the total of the weight of the individual objectives belonging to the same area.

#### **Performance measurement**

A target is defined for each objective. The amount of the reward to be paid to each recipient is determined according to whether the set targets are actually reached (result) and the specific weight of the individual objective.

The result of the evaluation carried out using the aforementioned individual BSC system is weighted through a company results profile, which takes into account the performance recorded by the Group with reference, for 2016, to four parameters:

- EBITDA
- Net Profit
- Net Financial Position (PFN)
- Customer Satisfaction Index (ICS)

The weighing percentage to be applied to each individual result is defined according to the performance profile achieved by the company within a range between 40% and 120%.

The maximum bonus, expressed in percentage terms of gross annual fixed remuneration of directors/managers, varies according to the results of the incentive system and the office held by the manager, specifically:

- Directors  
a variable payment equal to 30% of the total gross fixed fees.
- Managers  
two different levels of variable maximum compensation, equal to 20% and 26% respectively of the total gross fixed fees.

The table below illustrates the mechanism for measuring accrued bonuses:

component	description	example calculation	
A	Annual gross compensation (€)	€	100,000
B	Target bonus (100% Ral)		25%
C	Target bonus (€) = A x B	€	25,000
D	Individual objectives achieved (%)		90%
E	Corporate performance weighting factor (%)		106%
F	Amount of bonus granted (€) = C x D x E	€	23,850

With regard to transactions of strategic importance of an exceptional nature, with significant effects on the results of the company, the Board of Directors, following the proposal of the Remuneration Committee, can award discretionary bonuses to executive directors and management with strategic responsibilities.

### 5.03 Deferred variable remuneration for management retention

The Board of Directors on March 22, 2016 approved the implementation of a retention plan for a small number of executives taking into account the importance of their organizational position, the evaluation of performance achieved in the context of the development process and their age.

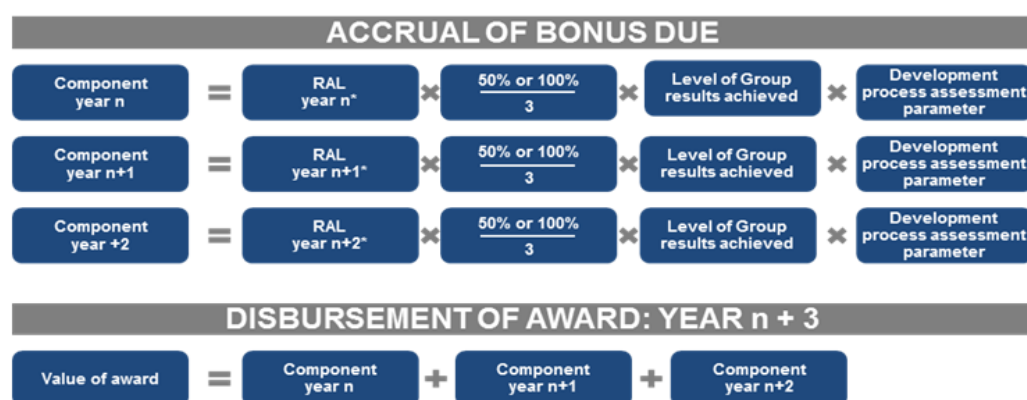
The Board of Directors also considered appropriate to provide an annual evaluation device to assess the access and the renewal / non-renewal of the allocated money plan.

The incentive assigned for 2016 accrues over the course of 2016 – 2017 – 2018 and will be distributed in 2019. The value of the incentive amounts to 50% or 100% of the GYS over a three-year period, or amounts to 17% or 33% of the GYS of the year.

The decision of the Board of Directors was made taking into account the following elements:

- since the establishment of Hera, the Group has grown significantly in terms of company and territorial size as well as final results;
- from the perspective of its executive management, the Group has reached a composition resulting from a careful balance between the inclusion of new forms of expertise from the market and specific expertise already present;
- The Group currently enjoys a strong reputation and visibility in the market and is therefore appropriate to address highly selected retention efforts to those executive resources in key positions, with high performance levels and high market risk.

Here below are listed, respectively, the calculation model for the accrual of the annual compensation and the calculation model for determining the premium to be paid after the end of the three-year period.

**Calculation model: overall detail****5.04 Non-monetary benefits**

In line with best practices, they also receive D&O Liability insurance coverage against civil responsibility towards third parties as well as insurance coverage for professional and extra-professional accidental injury and death.

Additionally, a company car will be available for use by executive figures holding specific organizational positions.

Finally, in keeping with the implementation of the Group's welfare plan, all the Group's executives are allowed to access a Flexible Benefit plan that in 2016 provided for the allocation of a quota of 200 € every six months.

**6 Remuneration of Directors and the General Manager of Operations****6.01 Non-executive Directors**

The following different types of directors can be found within the Board of Directors:

- Executive Directors holding specific offices to whom specific powers are delegated;
- non-executive Directors (hereinafter referred to as "Non-executive Directors").

The current breakdown of the Hera Spa Board of Directors is as follows:

- Executive Directors: the Chairman of the Board of Directors Tomaso Tommasi di Vignano and the CEO Stefano Venier;
- Non-executive Directors: the Vice Chairman of the Board of Directors Giovanni Basile, and Directors Mara Bernardini, Forte Clò, Giorgia Gagliardi, Massimo Giusti, Riccardo Illy, Stefano Manara, Luca Mandrioli, Danilo Manfredi, Cesare Pillon, Tiziana Primori, and Bruno Tani.

With regard to Non-Executive Directors, following their appointment, the Shareholders' Meeting on 23 April 2014 established that they would receive a gross annual payment of Euro40,000, in addition to reimbursement of living expenses sustained while carrying out their office.

The Board of Directors, with regard to the offices held by Directors in Group companies, as well as in the HERA Group committees (Executive Committee, Remuneration Committee, Control and Risks Committee and Related Parties Transactions Committee) decided to award these Directors a total sum of Euro20,000 gross per year.

The same Board of Directors decided, on 14 May 2014, to award the Vice Chairman a fixed annual sum of Euro 85,000 for the duration of his office, which includes the indemnity due as a director and any other fees for offices held in Group companies.

Note that, in line with best practices and the instructions in the Corporate Governance Code, there are no provisions for a variable component in the payment of Non-Executive Directors.

In line with best practices, they also receive D&O Liability insurance coverage against civil responsibility towards third parties as well as insurance coverage for professional and extra-professional accidental injury and death.

## 6.02 Executive Directors and the General Manager of Operations

On 14 May 2014, the Board of Directors resolved that the Chairman and CEO will be paid a fixed compensation in the amount of Euro 350 thousand gross each for the entire length of their terms, to include all services/offices held in the Hera Group's subsidiary and associate companies as well.

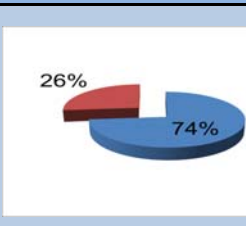
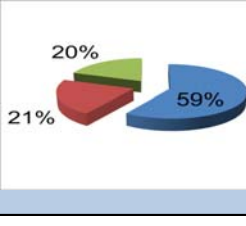
The Executive director, CEO and General Manager of Operations come under the scope of the remuneration policies defined for the top management of the company, whose methodology is based, as stated previously, on the weighting methods for the positions, market comparisons and an incentive scheme based on the BSC system.

In terms of the variable component of the remuneration, for the 2016 financial year the Board of Directors confirmed for the Executive Director and CEO a variable compensation linked to the achievement of Group performance objectives, outlined as follows:

- if 100% of the established targets are achieved, a variable compensation in the amount of 30% of the total gross fixed compensation will be paid (a bonus the level of which had already been reduced for the 2012 financial year);
- if performance exceeds 100% of the established targets, the bonus amount will be increased a maximum of 20%, thus generating a maximum variable compensation equal to 36% of the total gross fixed compensation.

The degree of achievement of these objectives, likewise determines the rate of weighting that is applied to the achievement of individual results by directors and executives covered by the BSC system.

As part of the retention tools for the executive management (with high market risk), a deferred variable compensation has been introduced for the CEO, associated to the achievement of the Group's financial results for the years 2016, 2017 and 2018. The maximum economic value for the three-year period will be equal to 100% of the GYS with distribution expected at the end of the 2018 financial year as soon as the budget will be approved by the Shareholders' General Meeting, and provided that by that date is still effectively in service in the Group Companies.

Position	Compensation	€	makeup of compensation package
Executive Chairman	RAL	350,000	
	RGA Target maximum	476,000	
	RDA	476,000	
CEO	RAL	350,000	
	RGA Target maximum	476,000	
	RDA	591,500	

■ Annual gross compensation ■ short-term target variable – max ■ long-term target variable - max (annual portion)

a variable payment equal to 25% of the total gross fixed fees on reaching 100% of the targets is established for the General Manager of Operations. Individual performance is subsequently weighted through a company results profile, which takes into account the performance recorded by the Group with reference to the current year. The weighting involves a maximum increase of individual results in the amount of 20%, thus generating a maximum variable compensation equal to 30% of the total gross fixed compensation.

In relation to non-monetary benefits, in addition to the insurance policies outlined previously in point 6.01, the company car is available for use.

## **7 Compensation**

### **7.01 Resignation, lay-off or termination of the employment relationship**

Following the renewal of the administrative board that will take place during the Shareholders' meeting that is scheduled for April 27 2017, Executive Directors, in case of their removal from office(except for cases of just cause), will be paid an amount, as compensation for damages, comprehensive of any other claim, equal to the sum he or she would have received as remuneration, pursuant to art. 2389 c.c. in the amount of 18 monthly payments.

Previously the compensation allowances for executive directors could reach a maximum amount calculated in proportion to the amount the individual would have received in the form of remuneration until the end of his or her mandate. In April 2016, thus, the compensation would have amounted to the remuneration to be paid out in the remaining 12 month of the term.

### **7.02 Claw-back provision**

To date, the system of remuneration for executive directors does not provide for ex-post correction mechanisms in the form of claw-back clauses.

Such clauses will be introduced after the renewal of the Board which will take place during the Shareholders' Meeting that is scheduled for 27 April 2017.

The obligation to return variable components of the remuneration paid out (or withhold deferred amounts) determined on the basis of data that later proved to be incorrect, will be effective from the date of the appointment for the duration of the mandate and the request for restitution may be activated, carried out the relevant inquiries, within the period of three years after having been issued, with reference to the relevant year.

## SECTION II

### Introduction

This second section of the report outlines the items that make up the remuneration of members of the administrative and control bodies, as well as General Manager, with the aim of highlighting the consistency with the General Policy described in Section I.

With reference to the policies for directors' remuneration, it should be noted that, with respect to the positions held by the directors (excluding the Chairman, Chief Executive Officer and Vice Chairman) in the Group companies, in the Remuneration and Risks and Controls Committees well as the Executive Committee, the directors involved are awarded a total salary of Euro 20,000 gross per year to be added to the remuneration established by the Shareholders' Meeting of Euro 40,000. The value of the bonus received in 2016 by each figure is also indicated, in relation to the degree of achievement of the targets set in the previous year.

### 1 Description of the compensation paid to Directors and General Managers

This section contains the details of payments made during 2016, with reference, as far as the variable part is concerned, to the accrual criterion.

The following aspects are highlighted:

#### Executive Director

The fixed compensation for Mr. Tomaso Tommasi di Vignano is composed exclusively of wages associated with his relationship as director. The aforementioned compensation also includes all services and offices held in the Group's subsidiary and associate companies. Note that during 2016 he received a bonus for results achieved the previous year, equal to Euro107,100, following the achievement of an overall performance index of 102%.

#### CEO

The fixed compensation paid to Mr. Stefano Venier is composed exclusively of gross annual remuneration as a Group executive and also includes all services/offices held in the Hera Group's subsidiary and associate companies. Note that during 2016 he received a bonus with regard to the results of the previous year, equal to Euro107,100, following the achievement of an overall performance index of 102%.

#### Vice Chairman

Mr. Giovanni Basile received a fixed payment of Euro 85 thousand as the fixed annual gross salary, established as compensation for the office of Vice Chairman.

#### Non-executive Directors

For the office of non-Executive Director of the company Mara Bernardini, Forte Clò, Giorgia Gagliardi, Massimo Giusti, Riccardo Illy, Stefano Manara, Luca Mandrioli, Danilo Manfredi, Cesare Pillon, Tiziana Primori e Bruno Tani received a fixed payment for the office of Director and a further payment for their involvement in Committees or in Boards of Directors of subsidiaries or associated companies, as set out in the Group remuneration policy.

#### General Manager

The General Manager of Operations, Roberto Barilli, received compensation of Euro340,423 in the form of gross annual remuneration. Note that during 2016 he received a bonus for the results of the previous year, equal to Euro 86,347, following the achievement of an individual performance index of 100% and a Group performance index of 102%.



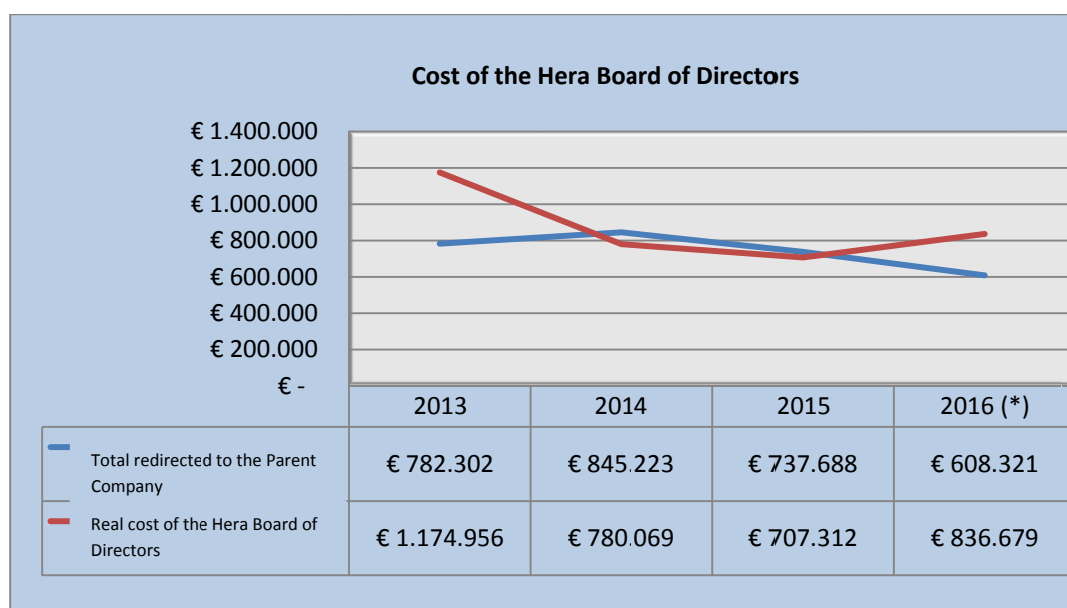
**Statutory Auditors**

The members of the Board of Statutory Auditors received fixed compensation for the office of Auditor determined by the Shareholders' Meeting.

**Compensation received in Group companies**

Remuneration for the Executive Directors, Directors, General Manager and Managers for positions held within Group company structures and/or committees, are redirected in their entirety to Hera SpA. The total redirected to the Parent Company for the year 2016 was approximately 608,321 Euros.

The cost of the Board of Directors of Hera SpA for the year 2016 was Euro 836,679, net of remuneration amounting to Euro 608,321 (for a gross total amount of Euro 1,445,000) received by Hera for the participation of directors / managers in administrative bodies of its affiliates.



**The actual cost of the Board of Directors for the year 2016 was affected by a decrease in remuneration received by Hera SpA for the participation of directors / managers in administrative bodies of its affiliates, following operations of rationalization of the Group's companies.**

Bologna, 21 March 2017

**The Chairman of the Board of Directors:**

(dott. Tomaso Tommasi di Vignano)

**TABLE 1: Compensation paid to members of administrative and control bodies, General Managers and other management with strategic responsibilities.****Administrative body**

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Tomaso Tommasi di Vignano	Executive Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31-Dec-16									
<b>I) Compensation in the company preparing the financial statements</b>				350,000		107,100		6,275	1,694	465,069		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				350,000		107,100		6,275	1,694	465,069		
<b>Notes</b>												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Stefano Venier	CEO	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31-Dec-16									
<b>I) Compensation in the company preparing the financial statements</b>				350,000		107,100		16,770	3,215	477,085		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				350,000		107,100		16,770	3,215	477,085		
<b>Notes</b>												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giovanni Basile	Vice Chairman	01-Jan-16 31-Dec-16	Annual Financial Report approval as of 31-Dec-16									
<b>I) Compensation in the company preparing the financial statements</b>				85,000				3,988		88,988		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				85,000				3,988		88,988		
<b>Notes</b>												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Mara Bernardini	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31-Dec-16									
<b>I) Compensation in the company preparing the financial statements</b>				40,000	20,000			524		60,524		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				40,000	20,000			524		60,524		
<b>Notes</b>					I) as a member of the Remuneration Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Forte Clò	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000				1,288		41,288		
<b>(II) Compensation from subsidiaries and associated companies</b>				20,000						20,000		
<b>(III) Total</b>				60,000				1,288		61,288		
<b>Notes</b>				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giorgia Gagliardi	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000				234		40,234		
<b>(II) Compensation from subsidiaries and associated companies</b>				20,000						20,000		
<b>(III) Total</b>				60,000				234		60,234		
<b>Notes</b>				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Massimo Giusti	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000	20,000			473		60,473		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				40,000	20,000			473		60,473		
<b>Notes</b>					I) as a member of the Control and Risk Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Riccardo Illy	Director	01-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000	20,000			1,383		61,383		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				40,000	20,000			1,383		61,383		
<b>Notes</b>					I) as a member of the Executive Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Danilo Manfredi	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000	20,000			308		60,308		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				40,000	20,000			308		60,308		
<b>Notes</b>					I) as a member of the Control and Risk Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Tiziana Primori	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000				626		40,626		
<b>(II) Compensation from subsidiaries and associated companies</b>				20,000						20,000		
<b>(III) Total</b>				60,000				626		60,626		
<b>Notes</b>					II) for offices held in Group companies							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Luca Mandrioli	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000	20,000			447		60,447		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				40,000	20,000			447		60,447		
<b>Notes</b>					I) as a member of the Remuneration Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Cesare Pillon	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000	20,000					60,000		
<b>(II) Compensation from subsidiaries and associated companies (CEO . of AcegasApsAmga Spa) in office until 20 April 2016</b>				61,111		51,000		5,178	2,131	119,420		
<b>(III) Total</b>				101,111	20,000	51,000		5,178	2,131	179,420		
<b>Notes</b>					I) as a member of the Remuneration Committee							



Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Bruno Tani	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000				1,609		41,609		
<b>(II) Compensation from subsidiaries and associated companies</b>				20,000						20,000		
<b>(III) Total</b>				60,000				1,609		61,609		
<b>Notes</b>				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Stefano Manara	Director	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31- Dec- 2016									
<b>I) Compensation in the company preparing the financial statements</b>				40,000	20,000			447		60,447		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				40,000	20,000			447		60,447		
<b>Notes</b>				I) as a member of the Control and Risk Committee								

## Control body

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Sergio Santi	Chairman of the Board of Statutory Auditors	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31-Dec-16									
<b>I) Compensation in the company preparing the financial statements</b>				120,000				3,108		123,108		
<b>(II) Compensation from subsidiaries and associated companies</b>				118,756						118,756		
<b>(III) Total</b>				238,756				3,108		241,864		
<b>Notes</b>												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Marianna Girolomini	Standing Auditor	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31-Dec-2016									
<b>I) Compensation in the company preparing the financial statements</b>				80,000				367		80,367		
<b>(II) Compensation from subsidiaries and associated companies</b>				79,761						79,761		
<b>(III) Total</b>				159,761				367		160,128		
<b>Notes</b>												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Antonio Gaiani	Standing Auditor	1-Jan-16 31-Dec-16	Annual Financial Report approval as of 31-Dec-16									
<b>I) Compensation in the company preparing the financial statements</b>				80,000				380		80,380		
<b>(II) Compensation from subsidiaries and associated companies</b>				64,837						64,837		
<b>(III) Total</b>				144,837				380		145,217		
<b>Notes</b>												

### General Managers

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Roberto Barilli	General Manager of Operations	1-Jan-16 31-Dec-16										
<b>I) Compensation in the company preparing the financial statements</b>				340,423		86,347		16,894	3,485	447,149		
<b>(II) Compensation from subsidiaries and associated companies</b>												
<b>(III) Total</b>				340,423		86,347		16,894	3,485	447,149		
<b>Notes</b>												

**Table 3B: Monetary incentive plans for members of the administrative body, General Managers and other management with strategic responsibilities.**

Name and surname	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
			( A )	( B )	( C )	( A )	( B )	( C )	
			Payable / Paid	Deferred	Deferment Period	Non longer to be paid	Payable / Paid	Still deferred	
TomasoTommasi di Vignano	Executive Director	Balanced Scorecard system (related approval date)	107,100						
		Plan B (related approval date)							
		Plan C (related approval date)							
Payments in the company preparing the financial statements		Plan A (related approval date)							
		Plan B (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			107,100						

Name and surname	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
			( A )	( B )	( C )	( A )	( B )	( C )	
			Payable / Paid	Deferred	Deferment Period	Non longer to be paid	Payable / Paid	Still deferred	
Stefano Venier	CEO	Balanced Scorecard system (related approval date)	107,100						
		Plan B (related approval date)							
		Plan C (related approval date)							
Payments in the company preparing the financial statements		Plan A (related approval date)							
		Plan B (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			107,100						

Name and surname	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
			( A )	( B )	( C )	( A )	( B )	( C )	
			Payable / Paid	Deferred	Deferment Period	Non longer to be paid	Payable / Paid	Still deferred	
Payments in the company preparing the financial statements		Balanced Scorecard system (related approval date)	86,347						
		Plan B (related approval date)							
		Plan C (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			86,347						

Name and surname	Offices in Hera Spa	Subsidiary companies	No. shares held at the end of the preceding financial year	No. shares purchased	No. shares sold	No. shares held at the end of the preceding financial year
Tomaso Tommasi di Vignano (1)	Executive Director	Hera Spa	31,764	-	-	31,764
Stefano Venier	CEO	Hera Spa	-	-	-	-
Giovanni Basile	Vice Chairman	Hera Spa	-	-	-	-
Mara Bernardini	Director	Hera Spa	18,424	21,576	-	40,000
Forte Clò	Director	Hera Spa	-	-	-	-
Giorgia Gagliardi	Director	Hera Spa	-	-	-	-
Massimo Giusti	Director	Hera Spa	-	-	-	-
Riccardo Illy	Director	Hera Spa	-	-	-	-
Stefano Manara	Director	Hera Spa	-	-	-	-
Luca Mandrioli	Director	Hera Spa	-	-	-	-
Danilo Manfredi	Director	Hera Spa	-	-	-	-
Cesare Pillon	Director	Hera Spa	-	-	-	-
Tiziana Primori	Director	Hera Spa	-	-	-	-
Bruno Tani	Director	Hera Spa	138,970	31,030	-	170,000
Sergio Santi(2)	Chairman of the Board of Statutory Auditors	Hera Spa	29,752	11,000	-	40,752
Antonio Gaiani	Member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Marianna Girolomini	Member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Roberto Barilli	General Manager of Operations	Hera Spa	-	-	-	-

(1) indirect possession through spouse (2) of the 40,752 shares held, 1,652 of which are held through subsidiaries, trust companies or third parties.

## RESOLUTION PROPOSAL

Dear fellow shareholders,

the meeting is required to express your vote on the “first section” of the remuneration report, concerning your company's policy on remuneration and procedures for adopting and implementing this policy. This report has been prepared in accordance with applicable laws and regulations and the Corporate Governance Code for listed companies, which Hera complies with.

If you share the contents it outlines, we advise you to vote in favor on the "first section" of the remuneration report by adopting the following resolution:

*“Hera Spa's shareholders' meeting, in compliance with what is set forth in Article. 123-ter of Tuf, as well as in compliance with the provisions of Article. 84-quater of Consob Issuers Regulation:*

- having acknowledged the policies adopted by the Group on the subject of remuneration;
- having read the first section of the remuneration report;

**resolves**

to approve the first section of the “Report on Remuneration” of the Hera Group”





**Hera S.p.A.**

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[www.gruppohera.it](http://www.gruppohera.it)

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